

IMPORTANT INFORMATION ABOUT CERTIFICATES OF INSURANCE

On January 1, 2022, three important changes to North Carolina's certificate of insurance law (Session Law 2021-177) went into effect:

- 1 Clarifies a certificate of insurance is to be prepared or issued **exclusively** by an insurance company or licensed producer.
- 2 Expands the regulatory authority of the Commissioner of Insurance over any certificates of insurance submitted or created **electronically**.
- 3 Establishes a civil penalty of up to \$5,000 per offense to be imposed by the Commissioner of Insurance on third parties who request or require a certificate of insurance include **any false or misleading information** about coverage contained in a policy.

Independent insurance agents want to fulfill requests for certificates of insurance in a timely – and lawful – manner.

-  Licensed insurance agents are fully regulated by the NC Commissioner of Insurance under Chapter 58 of the NC General Statutes, and are subject to sanctions for any violation of certificate of insurance law.
-  The law (NCGS 58-3-149) is clear that third parties requesting certificates of insurance, as well as any online services attempting to collect policy information to generate a certificate, are subject to the regulatory authority of the NC Commissioner of Insurance, and subject to a fine of up to \$5,000 for violations of this law.
-  Sometimes, third party certificate requestors are not familiar with North Carolina insurance regulations, or even whether a particular coverage option is available in the state. Regardless, any attempt to violate certificate of insurance law must be reported to the Department of Insurance.



Fighting insurance fraud is a key part of how the NC Department of Insurance protects consumers and keeps insurance rates affordable.

Any attempt to request or require a licensed insurance agent falsify information in a certificate of insurance about coverage contained in a policy should be reported to the NC Department of Insurance immediately at (855) 408-1212.

For more information, visit www.ncdoi.gov.

Mike Causey
NC Commissioner of Insurance

NC GENERAL STATUTE § 58-3-149

CERTIFICATES OF INSURANCE

(EFFECTIVE JANUARY 1, 2022)

(a) For the purposes of this section, the following definitions apply:

(1) Certificate of insurance. – A document prepared or issued exclusively by an insurance company or licensed producer that is used to verify or evidence the existence of property or casualty insurance coverage, including a document submitted or created electronically. Certificate of insurance shall not include a document prepared or issued by an insurance company or producer that is used to verify or evidence the existence of property insurance provided to a lender covering real or personal property which serves as the lender's security for commercial mortgages.

(2) Commercial mortgages. – Mortgages or other instruments given for the purpose of creating a lien encumbering office, multiunit residential, apartments, commercial, or industrial properties. Commercial mortgages shall not include a lien encumbering one- to four-family residential properties.

(b) A certificate of insurance is not a policy of insurance and does not amend, extend, or alter the coverage afforded by the policy to which the certificate of insurance makes reference. A certificate of insurance shall not confer to a certificate of insurance holder new or additional rights beyond what the referenced policy of insurance expressly provides.

(c) It is unlawful for any person to knowingly prepare, issue, request, or require a certificate of insurance that meets any of the

following criteria:

- (1) Has not been filed with and approved by the Commissioner.
- (2) Contains any false or misleading information concerning the policy of insurance to which the certificate of insurance makes reference.
- (3) Purports to alter, amend, or extend the coverage provided by the policy of insurance to which the certificate of insurance makes reference.

(d) Any person not otherwise subject to regulation under Chapter 58 of the General Statutes who prepares, issues, requests, or requires a certificate of insurance that meets the criteria of subdivision (2) or (3) of subsection (c) of this section is subject to a civil penalty of up to five thousand dollars (\$5,000). The clear proceeds of the penalty shall be remitted to the Civil Penalty and Forfeiture Fund in accordance with G.S. 115C-457.2. Payment of the civil penalty under this section shall be in addition to payment of any other penalty for a violation of the criminal laws of this State.

(e) A holder of a certificate of insurance shall have a legal right to notice of cancellation, nonrenewal, or any material change, or any similar notice concerning a policy of insurance, only if the holder is named within the policy or any endorsement and the policy or endorsement requires notice to be provided to the holder. The terms and conditions of the notice, including the required timing of the notice, are governed by the policy of insurance and cannot be altered by a certificate of insurance.