



# OFFICE OF INSURANCE AND SAFETY FIRE COMMISSIONER

**RALPH T. HUDGENS**  
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## DIRECTIVE 11-EX-2

**TO:** ALL AGENTS AND INSURERS AUTHORIZED TO SELL PROPERTY AND CASUALTY INSURANCE IN THE STATE OF GEORGIA

**FROM:** RALPH T. HUDGENS  
INSURANCE AND SAFETY FIRE COMMISSIONER

**DATE:** JANUARY 10, 2011

**RE:** CERTIFICATES OF INSURANCE

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On January 15, 1988, this office issued Directive 88-R-1 addressing the improper use of certificates of insurance including the alteration and issuance of certificates containing provisions other than those found in “the actual contract of insurance in existence”. This Directive withdraws and replaces Directive 88-R-1.

It has come to my attention that widespread misunderstanding regarding the proper use of certificates of insurance, as well as the intentional misuse of such certificates, persists. For instance, I am aware that both private and public entities are requesting contractors to provide, and contractors are obtaining, certificates of insurance that provide evidence of coverage or other terms and conditions, such as notice provisions, that do not exist in the underlying insurance contracts.

For purposes of this Directive, “certificate” or “certificate of insurance” means any document or instrument, no matter how titled or described, which is prepared or issued by an insurer or insurance agent as evidence of property or casualty insurance coverage but does not include an actual copy of the insurance policy or insurance binder. In short, a certificate of insurance is a summary of the referenced insurance policy and does not, and cannot, modify or amend the referenced insurance policy or confer any right upon the certificate holder. For this reason, every certificate of insurance, except automobile liability insurance cards, shall include the

following statement (or one substantially similar) printed conspicuously and in no smaller than 10 point font, boldfaced type:

**This document is issued as a matter of information only and confers no rights upon the document holder. This document does not amend, extend, or alter the coverage, terms, exclusions, conditions, or other provisions afforded by the policies referenced herein.**

The issuance or modification of a certificate of insurance that in any way misrepresents any material term, condition, coverage, or other provision as set forth in the underlying policy, or purports to amend or alter the underlying insurance policy -- or assisting in such issuance or modification -- violates Georgia law and subjects the violator to civil and criminal penalties.

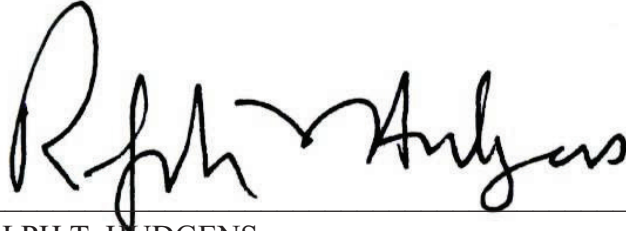
Georgia law provides that “[a]ny natural person who knowingly or willfully . . . [m]akes or aids in the making of any false or fraudulent statement or representation of any material fact or thing . . . in any written statement or certificate . . . or [i]ssues fake or counterfeit . . . certificates of insurance . . . commits the crime of insurance fraud.” **Persons convicted are guilty of a felony punishable by “imprisonment for not less than two or more than ten years, or by a fine of not more than \$10,000.00, or both.”** (See O.C.G.A. § 33-1-9(a),(e)). In addition, any licensee may be fined up to \$5,000.00 for each noncompliant certificate issued. (See O.C.G.A. § 33-2-24(g)).

Likewise, any person “[m]aking, issuing, circulating, or causing to be made, issued, or circulated any estimate, illustration, circular, or statement misrepresenting the terms of any policy . . . [and] the benefits or advantages promised thereby” commits an unfair and deceptive act and may ultimately be subject to a monetary penalty of up to \$10,000.00 for each and every violation, suspension or revocation of such person’s license, or any other reasonable and appropriate relief. (See O.C.G.A. §§ 33-6-4 and 33-6-9). Similarly, an agent’s license may be suspended or revoked if he or she is found to have “violated any provision of [Title 33]” or “materially misrepresented the terms and conditions of an insurance policy or contract”. (See O.C.G.A. § 33-23-21(1),(6)).

Further, in instances where a certificate is issued by or on behalf of an insurer by an authorized individual containing more than a mere synopsis of the actual insurance policy that can be construed to alter any term, condition, coverage, exclusion, or any other provision of the actual policy in existence, the insurer or its authorized representative has acted in a manner beyond the scope of the insurer’s approved filings in violation of O.C.G.A. § 33-24-9.

To that end, it has also come to my attention that insurers may not be sufficiently monitoring or directing the activities of their agency force as it relates to proper procedures and expectations in the issuance, maintenance and monitoring of certificates, and in many instances, insurers refuse to accept copies of certificates issued on their behalf. I expect each insurer to provide all individuals authorized to issue certificates with clear procedures regarding their authority to issue certificates in this state. The procedures shall be available to the Department upon request.

Finally, I remind you that O.C.G.A. § 33-1-16(e) requires any insurer, agent, other licensee, or employee thereof to report actual or suspected fraud to the Commissioner. This includes the issuance of fraudulent certificates of insurance. I intend to use all the powers at my disposal to aggressively combat and prosecute any future instances of the improper issuance and modification of certificates of insurance. Govern yourself accordingly.

A handwritten signature in black ink, appearing to read "Ralph T. Hudgens". The signature is written in a cursive style with a large initial "R" and a long, sweeping underline.

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RALPH T. HUDGENS  
INSURANCE AND SAFETY FIRE COMMISSIONER  
STATE OF GEORGIA