Absolute pollution exclusion- The standard pollution exclusion in post-1986 ISo commercial general liability (CGL) policies. This exclusion earned its name due to its removal of the "sudden and accidental" exception to the 1973 CGL's standard pollution exclusion. While it does remove coverage for most pollution events that would occur in the course of an insured's business operations, coverage is preserved for some significant exposures, primarily for certain incidental pollution (excluding hostile fire) damages, products and completed operations liability, and certain off-premises work by contractors. Since the exclusion is not truly "absolute", a more appropriate moniker for it is "broad form pollution exclusion," and this is used in some IRMI publications. [CLI V.D]

Actual cash value (ACV)- In property and auto physical damage insurance, one of several possible methods of establishing the value of insured property to calculate the premium and determine the amount the insurer will pay in the event of loss. Although the term is seldom defined in the policy, the generally accepted insurance industry definition of actual cash value is the cost to repair or replace the damaged property with materials of like kind and quality, less depreciation of the damaged property. Courts have differed as to whether depreciation includes economic obsolescence as well as actual physical depreciation. [CAI VIII.E; CPI V.J; PRMI 5.G, 10.G]

Additional insured- A person or organization not automatically included as an insured under an insurance police, but for whom insured status is arranged, usually by endorsement. A named insured's impetus for providing additional insured status to others may be a desire to protect the other party because of a close relationship with that party (e.g., employees or members of an insured club) or to comply with a contractual agreement requiring the named insured to do so (e.g., customers or owners of property leased by the named insured). [CLI VI.H; CPI IV.G; CRT XI.B; IWC VI.C; PRMI 6.G, 13. G]

Additional insured endorsement- Policy endorsement used to add coverage for additional insureds by name, e.g., mortgage holders or lessors. There are a number of different forms intended to address various situations, some of which afford very restrictive coverage to additional insureds. (Rather than naming each additional insured, a blanket additional insured endorsement sometimes is available.

Additional named insured- (1)A person or organization, other than the first named Insured, identified as an insured in the policy declarations or an addendum to the policy declarations. (2) A person or organization added to a policy after the policy is written with the status of named insured. This entity would have the same rights and responsibilities as an entity named as an insured in the policy declarations (other than those rights and responsibilities reserved to the first named insured). In this sense, the term can be contrasted with additional insured, a person or organization added to a policy as an insured but not as a named insured. The term has not acquired a uniformly agreed upon meaning within the insurance industry, and use of the term in the two different senses defined above often produces confusion in requests for additional insured status between contracting parties. [CRT XI. C]

Adjuster- One who settles insurance claims. This typically involves investigation of the loss and a determination of the extent of coverage. In the context of first-party (e.g., property) insurance, the adjuster negotiates a settlement with the insured. In liability insurance, the adjuster coordinates the insured's defense and participates in settlement negotiations. Adjusters may be employees of the insurer (staff adjusters) or of independent adjusting bureaus (independent adjusters) that represent insurers and self-insureds on a contract basis. Public adjusters are consultants who specialize in assisting insureds in presenting claims to insurance companies in a manner that will maximize their recovery. [CPI IV.Z]

Admiralty law- All areas of law relating to maritime activity, including personal injury liability, property damage liability, and maritime contracts.

Admitted insurer- An insurer licensed to do business in the state or country in which the insured exposure is located. [RF I.B]

Advertising injury- A general liability coverage, combined in standard commercial general liability policies with personal injury coverage that insures the following offenses in connection with the insured's advertising of its goods or services: libel, slander, invasion of privacy, copyright infringement, and misappropriation of advertising ideas. [CL V.E]

Aggregate- (1) A limit in an insurance policy stipulating the most it will pay for all covered losses sustained during a specified period of time, usually a year. Aggregate limits are commonly included in liability policies. While not often used in property insurance aggregates are sometimes included with respect to certain catastrophic exposures, e.g., earthquake and flood. [CLI V.I] (2) The dollar amount of reinsurance coverage during one specified period, usually 12 months, for all reinsurance losses sustained under a treaty during such period. [RF I.B]

Alternate employer endorsement- An endorsement to a workers compensation policy that provides an entity scheduled as an alternate employer with primary workers compensation and employers liability coverage as if it were an insured in the policy. This endorsement is commonly used when a temporary help supplier (the insured) is required by its customer (the alternate employer) to protect the alternate employer from claims brought by the insured's employees. [IWC VI.L]

A.M. Best Rating- An evaluation published by A.M. Best Company of all life, property, and casualty insurers domiciled in the United States and U.S. branches of foreign property insurer groups active in the United States. The ratings are often used to determine the claims-paying ability, suitability, service record, and financial stability of insurance companies. Other rating agencies include Standard & Poor's, Conning & Company, Fitch, and Moody's.

Anniversary date- A date used in some types of insurance, e.g., workers compensation that governs the application of rates and experience modifiers when a prior policy has been canceled midterm. It prevents either the insured or the insurer from canceling a policy midterm to take advantage of a more favorable rate structure. It also may have application for changes of ownership or combinations of ownership.

For an example of how the anniversary date applies in the case of a canceled policy, assume a workers' compensation policy is written for a 1-year term effective January 1, 2003. It is subsequently canceled and rewritten July 1, 2003. The new policy would carry an anniversary date, or anniversary rating date, of January 1, 2004. The rates effective on July 1, 2003, when the new policy is issued are those that were effective January 1, 2003, not those that are currently effective. On January 1, 2004, the anniversary rating date, the policy is endorsed to the rates and modifier effective January 1, 2004. Then, when the new policy expires July 1, 2004, and is renewed, the anniversary date becomes July 1 and stays that date until some event causes the process to begin all over again. [IWC XI.D; RF III.A]

Application- A form providing the insurer with certain information necessary to underwrite a given risk. It is completed by the applicant for insurance.

Assigned risk plan- A method of providing insurance required by state insurance codes for those risks that are unacceptable in the normal insurance market. Every state with the exception of those which are monopolistic has a workers compensation assigned risk plan which is either a stand-alone entity or part of the competitive state fund. All insurers writing workers compensation coverage in the voluntary insurance market must also participate in the plan. [IWC III.D]

Auto- As the term is currently defined in ISO commercial auto and commercial general liability insurance policies, any land motor vehicle, trailer, or semitrailer designed for travel on public roads; or any other land vehicle that is subject to a compulsory or financial responsibility law or other motor vehicle insurance law where it is licensed or principally garaged. The term "auto" does not include "mobile equipment." This definition is important in determining whether liability coverage is afforded under an auto liability policy or a commercial general liability policy (in the case of mobile equipment). [CAI IV.F; CAI VIII.G]

Auto coverage symbols- Arabic numerals (1-10 for business auto, 21-32 for garage, 41-51 for truckers, and 61-72 for motor carrier) used to denote to what category of autos a commercial auto policy's various coverages will apply. In the business auto policy, numerals 1-9 represent standard symbols. For example, symbol 1 denotes coverage with respect to "any auto" and symbol 2 denotes coverage with respect to "owned autos only." Numeral 10 is a custom symbol, available through the use of the covered autos designation symbol endorsement (CA 99 54), which allows the named insured to use more specific parameters in defining "covered autos." These symbols, which are crucial in defining the policy's scope of coverage, appear in the declarations page of the auto policy next to each coverage purchased in the policy (eg.., liability, uninsured motorists, hired autos, nonowned autos) to reflect the named insured's selection as to what types of vehicles are insured for that coverage. [CAI VIII. C, IX.C, X.C, XI.C, and XIII.N]

Automobile liability insurance- Insurance that protects against financial loss because of legal liability for automobile- related injuries to others or damage to their property by an auto.

Automobile physical damage insurance- Automobile insurance coverage that insures against damage to the insured's own vehicle. Coverage is provided for perils such as collisions, vandalism, fire, or theft.

Bailee Coverage- Inland marine coverage on property entrusted to the insured for storage, repair, or servicing. It is typically purchased by businesses such as dry cleaners, jewelers, repairers, furriers, etc. [CPI IX]

Basic causes of loss form (ISO)- One of the three Insurance Services Office, Inc. (ISO), causes of loss forms. This form (CP 10 10) provides coverage for the following named perils: fire, lightning, explosion, smoke, windstorm, hail, riot, civil commotion, aircraft, vehicles, vandalism, sprinkler leakage, sinkhole collapse, and volcanic action. [CPI V.R]

Bill of lading- A document that serves both as a receipt for goods being shipped and a contract defining the extent of the transporter's liability. [CPI IX.E]

Binder- A legal agreement issued either by an agent or an insurer to provide temporary evidence of insurance until a policy can be issued. Binders should contain definite time limits, they should be in writing, and they should clearly designate the insurer with which the risk is bound. They should also indicate the amount of insurance, the type of policy, and (in case of property insurance) the perils insured against.

Black Lung Benefits Act- This legislation, Title IV of the Federal Coal Mine Health and Safety Act of 1969, and its various amendments provide coverage for mine workers whose exposure to coal dust has resulted in total disability or death due to chronic lung disease. The act grants coverage to address medical treatment and lost wages of the worker in the case of total disability and death benefits to the survivors and dependents in the event of death. [IWC VII.F]

Bobtail liability- A term coined to apply to auto liability coverage for an owner/operator after a load has been delivered and while the truck is not being used for trucking purposes. This usually occurs when an owner/operator is operating his or her vehicle for mobility only (e.g., on the way home), and not in the course of transporting property for the motor carrier under whose operating authority they haul, and on whose liability policy they depend while they are engaged in trucking. The method of providing what is known as bobtail liability is a business auto policy (BAP) with the Truckers- Insurance for Non- Trucking Use Endorsement (CA 23 09) attached. [CAI XIII.I]

Bodily Injury by accident limit (workers compensation)- The most the insurer will pay under Part Two, Employers Liability, for all claims arising out of any one accident, regardless of how many employee claims or how many related claims (such as a loss of consortium suit brought by the injured worker's spouse) arise out of the accident. [IWC VI.D]

Bodily injury by disease, each employee (workers compensation)- A policy limit within Part Two, Employers Liability, establishing the most the insurance will pay for damages to bodily injury by disease to any one employee. [IWC VI.D]

Bodily injury liability insurance- Protection against loss arising out of the liability imposed on the insured by law for damages due to bodily injury, sickness, or disease, including resulting death. [CLI V.L; PRMI 5.C, 10.C]

Boom coverage- Physical damage coverage for the boom of a crane, generally added as an endorsement to the equipment floater. The floater normally contains an exclusion for booms over a specified length while in operation unless the damage is cause by a named peril. The policy may be amended to provide coverage for the boom while not operational, thereby enlarging the scope of coverage. [CPI IX.K; CRM VI.Q]

Broad causes of loss form (ISO)- Once of the three Insurance Services Office, Inc. (ISO), causes of loss forms. This form (CP 10 20) provides named perils coverage for the perils insured against in the basic causes of loss form (fire, lightning, explosion, smoke, windstorm, hail, riot, civil commotion, aircraft, vehicles, vandalism, sprinkler leakage, sinkhole collapse, volcanic action), plus: falling objects; weight of snow, ice, or sleet; water damage in the form of leakage from appliances); and collapse from specified causes. [CPI V.R]

Building ordinance coverage- Coverage available by endorsement to a standard property policy to insure against loss caused by enforcement of ordinances or laws regulating construction and repair of damaged buildings. Many communities have building ordinance(s) that require that a building which has been damaged to a specified extent (typically, 50 percent), must be demolished and rebuilt in accordance with current building codes rather than simply repaired. Unendorsed, standard property insurance forms do not cover the loss of the undamaged portion of the building, or the increased cost of rebuilding the entire structure in accordance with current building codes. However, coverage for these loss exposures is widely available by endorsement, using the Insurance Services Office, Inc. (ISO), endorsement CP 04 05, ordinance or law coverage. It used to be common to use three separate endorsements (contingent liability from building laws, demolition, and increased cost of construction_ to cover this exposure. This is also a standard provision of the homeowners policy. [CPI VI.F' PRMI 10. D, 13.F]

Business auto policy- A commercial auto policy that includes auto liability and auto physical damage coverages; other coverages are available to endorsement. Except for auto-related businesses and motor carrier or trucking firms, the business auto policy addresses the needs of most commercial entities as respect auto insurance. [CAI VIII]

Business income coverage- Insurance covering loss of income suffered by a business as a result of not being able to use property damaged by a covered cause of loss, during the time required to repair or replace it. There are two Insurance Services Office, Inc. (ISO), business income coverage forms: the business income and extra expense coverage form (CP 00 30) or the business income coverage form without extra expense (CP 00 32). [CPI V.M]

Cancellation- (1) the termination of an insurance policy or bond, before its expiration, by either the insured or the insurer. Insurance policy cancellation provisions require insurers to notify insured in advance (usually 30 days) of canceling a policy and stipulate the manner in which any unearned premium will be returned. (2) Runoff basis means that the liability of a reinsurer under policies, which become effective under a treaty prior to the cancellation date of such treaty, shall continue until the expiration date of each policy. (3) Cutoff basis means that the liability of a reinsurer under policies, which become effective under the treaty, shall cease with respect to losses resulting from accidents taking place on and after said cancellation date. [PLI VII.D ; IWC VIII.C]

Care, custody, or control (CCC)- An exclusion common to several forms of liability insurance, which eliminates coverage with respect to damage to property in the insured's care, custody, or control. In some cases, CCC has been determined to entail physical possession of the property; in others, any party with a legal obligation to exercise care with respect to property has been deemed to have that property in its CCC. [CLI V.D]

Causes of loss- The perils that can bring about or trigger loss or damage. Can be direct (the action immediately precedes the loss) or indirect (part of an uninterrupted chain of events leading to the loss).

Cause of loss forms (ISO)- Insurance Services Office, Inc. (ISO), commercial property forms that establish and define the causes of loss (i.e. Perils) for which coverage is provided. An ISO commercial property policy consists of one or more causes of loss forms, plus one or more coverage forms, the commercial property conditions form and the common policy conditions from. There are three ISO causes of loss forms: the basic and broad causes of loss forms are named perils forms; the special causes of loss form is an all risks form. [CPI V.R]

Certificate holder- An entity which is provided with an insurance certificate as evidence of the insurance maintained by another entity.

Certificate of Insurance- A document providing evidence that certain general types of insurance coverages and limits have been purchased by the party required to furnish the certificate.

Claim- Used in reference to insurance, a claim may be a demand by an individual or corporation to recover, under a policy of insurance, for loss which may come within that policy.

Claimant- The person making a claim. Use of the word "claimant" usually denotes that the person has not yet filed a lawsuit. Upon filing a lawsuit, claimant becomes a plaintiff, but the terms are often used interchangeably.

Claim expense- Expenses of adjusting claims, e.g., allocated claim expenses; court costs, fees, and expenses of independent adjusters, lawyers, witnesses, and other expenses that can be charged to specific claims; and unallocated claim expenses which represent salaries and other overhead expenses that are incurred in adjusting and recording claims but which cannot be charged against specific claims.

Claims-made- A term describing an insurance policy that covers claims first made (reported or filed) during the year the policy is in force for any incidents that occur that year or during any previous period during which the insured was covered under a "claims-made" contract. This form of coverage is in contrast to the occurrence policy, which covers an incident occurring while the policy is in force regardless of when the claim arising out of that incident is filed—one or more years later. [CLI II.C; PLI VIII.C]

Claims reserve- an amount of money set aside to meet future payments associated with claims incurred but not yet settled at the time of a given date.

Classification- The system of establishing classes for rating purposes.

Class of business- Refers to an industry classification according to the perils insured and the exposure. The purpose is to group homogenous risks for purposes of rate development.

Coinsurance provision- A property insurance provision that penalizes the insured's loss recovery if the limit of insurance purchased by the insured is not at least equal to a specified percentage (commonly 80 percent" of the value of the insured property). The coinsurance provision specifies that the insured will recover no more than the following: the amount of the loss multiplied by the ratio of the amount of insurance purchased (the limit of insurance) to the amount of insurance required (the value of the property on the date of loss multiplied by the coinsurance percentage), less the deductible. [CPI V.K; PRMI 10. G]

Collision insurance- A form of automobile insurance that provides for reimbursement for loss to a covered automobile due to its colliding with another vehicle or object or the overturn of the automobile. This covers only damage to the automobile itself as "auto" is defined in the policy. [CAI VIII.E; PRMI 5.G]

Commercial auto insurance coverage forms- The entire portfolio of coverage forms that furnish auto coverage for any type of commercial entity. It includes the business auto, business auto physical damage, garage, motor carrier, and truckers' coverage forms. [CAI III.C]

Commercial general liability (CGL) policy- A standard insurance policy issued to business organizations to protect them against liability claims for bodily injury and property damage arising out of premises, operations, products, and completed operations; and advertising and personal injury liability. The CGL policy was introduced in 1986 and replaced the "comprehensive" general liability policy. [CLI V.B]

Commercial property conditions forms (ISO)- attached to every Insurance Services Office, Inc. (ISO), commercial property policy, this form (CP 00 90) establishes the policy provisions with respect to the following issues: concealment, misrepresentation, and fraud; control of property; insurance under two or more coverages; legal action against the insurer; liberalization; no benefit to bailee; other insurance; policy period and coverage territory; transfer of recovery rights against others (subrogation). [CPI V.D]

Commercial property coverage forms (ISO)- Insurance Services Office, Inc. (ISO), commercial property forms that define, limit, and explain what property or property interest is covered. An ISO commercial property policy consists of: one or more coverage forms; one or more causes of loss forms; the commercial property conditions form; and the common policy conditions form. The most widely used ISO commercial property coverage forms are the building and personal property coverage form (CP 00 10) and the business income and extra expense coverage form (CP 00 30). [CPI VI.C]

Commission- a certain percentage of premium produced that is retained as compensation by insurance agents and brokers. Also known as acquisition cost. [RF III.A]

Commissioner- The title of the head of most state insurance departments.

Common carrier- A commercial individual or organization carrying persons or property from one place to another for payment, e.g., a trucker. As contrasted with contract carriers, a common carrier is one that transports or handles the goods of the general public. Since enactment of the ICC Termination Act of 1995, a carrier can hold operating authority as both a common carrier and contract carrier, but a separate registration fee is required for each type of authority. An applicant for common carrier authority must file proof of cargo insurance, while a contract carrier is not required to do so. [CAI III.T; CPI IX.E]

Common policy conditions- The part of the insurance policy typically relating to cancellation, changes in coverage, audits, inspections, premiums, and assignment of the policy. The commercial lines policy forms portfolio promulgated by Insurance Services Office, Inc. (ISO), takes a modular approach to structuring policies. A commercial lines policy is made up of a declarations page, the common policy conditions, one or more coverage forms, and endorsements that modify the coverage forms. The common policy conditions form (IL 00 17) is used with the commercial property, general liability, and crime forms to specify the conditions applicable to the policy. [CAI XII.B; CLI V.M; CPI V.C]

Compensable- An injury or illness that meets the statutory standard and qualifies an employee to receive workers compensation benefits.

Completed operations- Under a general liability policy, work of the insured that has been completed as a single job site under a contract involving multiple job sites; or work that has been put to its intended use. [CLI V.L]

Comprehensive auto coverage- Coverage under an automobile physical damage plicy insuring against loss or damage resulting from any causes, except those specifically precluded. It covers losses such as fire, theft, windstorm, flood, and vandalism, but not loss by collision or upset. [CAI VII.E; PRMI 5.G]

Consolidated insurance program (CIP)- A centralized insurance program for large (e.g. $100 million) construction projects under which one party, such as the owner (an OCIP) or the general contractor (a CCIP), procures insurance on behalf of all the other parties (e.g., owner, general contractor, and subcontractors). This contrasts with the typical approach under which each party is responsible for purchasing its own insurance. When properly administered, CIPs can substantially reduce the insurance costs associated with construction projects. Typically, the coverages provided under a CIP include builders risk, commercial general liability, workers compensation, and umbrella liability. [CRM XI.A]

Contract carrier- A commercial individual or organization carrying persons or property of certain customers only, rather than the goods of or the public in general. Unlike a common carrier, a contract carrier has a right to choose or refuse to convey passengers for freight for payment. [CAI III.T; CPI IX.E]

Contractual liability- Liability imposed on an entity by the terms of a contract. As used in insurance, the term refers not to all contractually imposed liability, but to the assumption of the other contracting party's liability under specified conditions. [CRT IV.B]

Contractual liability insurance- Insurance that covers liability of the insured assumed in a contract. Under the standard commercial general liability (CGL) policy, such coverage is limited to liability assumed in any of a number of specifically defined insured contracts, or to liability that the insured would have even in the absence of the contract. [CLI V.D; CRT X.C]

Countersignature- The signature of a licensed agent or representative on a policy that validates the contract.

Cross-liability coverage- Coverage in connection with a suit brought against an insured by another party that has insured status under the same policy. Cross-liability coverage is provided as an intrinsic feature of the standard commercial general liability policy, by means of the "separation of insureds" condition. Some umbrella and professional liability policies contain insured-versus-insured exclusions that eliminate cross-liability coverage. [CLI V.J; CRT XIV.B]

Cross liability endorsement- An endorsement that alters or clarifies the application of a liability policy to cross-liability claims. Most commonly intended to mean an endorsement that provides cross-liability coverage. However the term should be used with caution as the original cross-liability endorsements were exclusions that deleted this coverage.

Cyberspace liability- a term used to describe the liability exposures encountered when communicating or conducting business online. Potential liabilities include the Internet and e-mail. Online communication tools could result in claims alleging breaches of privacy rights, infringement or misappropriations, violations of obscenity laws, the spreading of computer viruses, and defamation. Media liability policies are available to cover these exposures. [PLI XVIII.L]

"damage to premises rented to you"- One of the limits of liability prescribed by the standard commercial general liability policy; it applies to damage by fire to premises rented to the insured and to damage regardless of causes to premises (including contents) occupied by the insured for 7 days or less. The basic limit is $100,000.

Data processing coverage- All risk property insurance for electronic data processing equipment (computers), computer programs, and data. Typically includes coverage for perils to which such property is especially susceptible: mechanical breakdown, electrical injury, and changes in temperature and humidity. Also referred to as "electronic data processing" or "EDP" coverage. [CPI IX.F]

Death on the High Seas Act (DOHSA)- A federal remedy for the death of seamen or other individuals arising from negligence, strict liability, or the unseaworthiness of a vessel and occurring on the high seas that is beyond 3 nautical miles from shore on a worldwide basis. Legal proceedings must be initiated within 3 years of the accident but a representative of all survivors of the deceased individual. Damages awarded are based on actual monetary loss and do not extend to encompass such usual compensable expenses as medical and funeral costs. Additionally, the award may be reduced but not eliminated by the contributory negligence of the deceased. [CRT XIV.E; IWC VII.C]

Declaration- (1) a statement by the applicant for insurance, usually relative to underwriting information. Sometimes, as in most casualty and property policies, this is copied into the policy. (2) The front page of a policy that provides the named insured, address, policy period, location of premises, policy limits, and other policy information. Also known as the information page.

Declination- The act of rejecting an application for insurance.

Deductible- A portion of covered loss that is not paid by the insurer. Most property insurance policies and some liability insurance policies contain a per-occurrence deductible provision that stipulates that the deductible amount specified in the policy declarations will be subtracted from each covered loss in determining the amount of the insured's loss recovery. In property insurance, the deductible is usually subtracted from the amount of the loss; in liability insurance, it is usually subtracted from the policy limit. [CLI VI.F; CPI V.I; IWC XI.P; PLI VII.C; PRMI 10.C; RF IV.F]

Deposit premium- The premium deposit required by the insurer on forms of insurance subject to periodic premium adjustment. Also called "provisional premium" [RF I.B]

Depreciation- The decrease in the value of property over a period of time, usually as result of age, wear and tear from use, or economic obsolescence. Actual physical depreciation (wear and tear from use) is subtracted from the replacement cost of insured property in determining its actual cash value; courts in some jurisdictions have allowed insurers to deduct depreciation due to economic obsolescence as well. [CPI II.D]

Designated Contractor- As identified in an owners and contractors protective (OCP) liability policy, the contractor that purchases the insurance on behalf of the party for which it is performing work. The designated contractor is not itself an insured under the OCP Policy. [CLI VI.Q]

Designated Employees- Employees of the insured railroad under a railroad protective (RRP) liability policy who are directly involved in the work performed by the railroad's contractor. RRP coverage applies to liability of the railroad arising from negligent acts of "designated employees" and from injury to "designated employees"

Designated insured endorsement- An optional endorsement available for commercial auto policies that allows for listing entities who ask to be named insureds for vicarious liability under the policy. [CAI XIII.H]

Direct loss- loss incurred due to direct damage to property, as opposed to time element or other indirect losses. Also used sometimes by captives to identify losses under policies directly insured by the captive, as opposed to losses assumed from a front company.

Disability- A condition that incapacitates a person in some way so that he or she cannot carry on normal pursuits. The definition of "disability" in disability income policies varies substantially and should be carefully examined. Disability may be total, partial, permanent, or temporary, or a combination of these. In the context of the Americans With Disabilities Act (ADA), "disability" is defined as a recorded or perceived physical or mental impairment that substantially limits one or more major life activities of an individual. [PLI XXI.B; CRM III.M; IWC XIII.H]

Disclaimer- A statement by an accountant that the accountant did not perform the requisite audit work required to form an opinion as to the correctness of the financial statements or of the organization's financial condition. (Disclaimers are most often issued when a accountant is not provided with sufficient supporting information during an audit.) If an accountant issues a disclaimer in conjunction with an audit, investors, lenders or other individuals reviewing the organization's financial statements should recognize that the information contained within such materials cannot be relied upon as accurate. [PLI III.G]

Dividends- A partial return of premium to the insured based on the insurer's financial performance or on the insured's own loss experience. Insurers cannot legally guarantee the payment of dividends. In the captive arena there are two kinds: policyholder dividends are paid back through the insurance premium process to the insureds. They are before-tax expenses for the captive. Shareholder dividends are paid to the captive's shareholders after tax (and are then taxed again to the shareholder). [RF III.B]

Drive other car endorsement- Can be added to an automobile insurance contract giving protection while the insured designated in the endorsement is driving a car other than the one named in the policy. [CAI XIII.N]

Due diligence- To give proper care and attention. This term is commonly used to refer to the review of financial and legal documents in a merger or acquisitions, but is equally applicable to virtually any decisions-making process, including whether to form a captive insurance company, and a host of other risk management decisions.

Duty to defend- A term used to describe an insurer's obligation to provide an insured with defense to claims made under a liability insurance policy. As a general rule, an insured need only establish that there is potential for coverage under a policy to give rise to the insurer's duty to defend. Therefore, the duty to defend many exist even where coverage is in doubt and ultimately does not apply. Implicit in this rule is the principle that an insurer's duty to defend an insured is broader than its duty to indemnify. Moreover, an insurer may owe a duty to defend its insured against a claim in which ultimately no damages are awarded, and any doubt as to whether the facts support a duty to defend is usually resolved in the insured's favor.

With respect to directors and officers and employment practices liability insurance policies, policies containing explicit "duty to defend" wording obligate an insurer to assume control of the claim defense process, including selecting counsel and paying legal bills. In contrast, non-duty to defend (or duty to pay) policies require only that the insurer reimburse the insured for funds expended by the insured in defending a claim. [CLI V.C, V.P, XIII.E;CRT X.D; CAI VIII.D; IWC VI.C; PLI XXI.E; PRMI 5.D, 11.B; D&O Typical Policies 2.02

Earned premium- the portion of premium received by a captive that it has the right to take into income, or earn, over an accounting period, calculated on the basis of the expired portion of the time for which the coverage is in effect.

Effective date- the date on which an insurance binder or policy goes into effect and from which time protection is provided

Efficacy insurance- Provides coverage in the event that a project does not meet the technical level of performance required by the contract. The policy provides the funds required to pay the debt service costs and may be modified to reimburse the insured for capital expended so that the project may be brought up to the expected performance level. This type of coverage is often sought for high-tech projects such as cogeneration facilities.

Electronic Funds Transfer (EFT) system coverage- A financial institution crime coverage which relates to the erroneous transferring of funds to or from the checking or savings account of a customer based upon instructions fraudulently transmitted by a nonemployee. There are two categories of this type of fraud coverage, voice initiated and telefacsimile, and they may be added by rider to the bank or credit union bond or issued separately under the financial institution computer crime form. [CPI XII.S]

Employee Benefits liability- Liability of an employer for an error or omission in the administration of an employee benefit program, such as failure to advise employees of benefits programs. Coverage of this exposure is usually provided by endorsement to the general liability policy but may also be provided by a fiduciary liability policy. [CLI VII.M]

Employee dishonesty coverage- Coverage for employee theft of money, securities, or property, written with a per loss limit, a per employee limit, or a per position limit. [CPI XII.D, XII.G]

Employee Leasing- A permanent staffing method under which an employee leasing company (sometimes called a labor contractor) provides all or most of its client's employees. The benefits associated with this type of arrangement include reduced administrative costs, access to risk management services like safety and loss control, and higher quality, more cost effective benefits. [IWC XII.B]

Employees as additional insureds- A form of general liability endorsement used with pre-1986 CGL forms to provide insured status to employees of the named insured business. Employees are automatically insureds under current editions of the CGL coverage form; no endorsement is necessary to effect this coverage. [CLI V.H]

Employers liability coverage- This coverage is provided by Part 2 of the basic workers compensation policy and pays on behalf of the insured (employer) all sums that the insured shall become legally obligated to pay as damages because of bodily injury by accident or disease sustained by any employee of the insured arising out of and in the course of his employment with the insured. [IWC VI.D]

Employment practices liability insurance (EPLI)- A form of liability insurance covering wrongful acts arising from the employment process. The most frequent types of claims alleged under such policies include: wrongful termination, discrimination, and sexual harassment. The forms are written on a claims-made basis and generally exclude coverage for large-scale, companywide layoffs. In addition to being written as a stand-alone coverage, EPLI is frequently available as an endorsement to directors and officers liability policies. [PLI XXI.B]

Endorsement- An addendum to an insurance policy that changes the original policy provisions. Endorsements may serve any number of functions, including broadening the scope of coverage, restricting or limiting the scope of coverage, clarifying the application of coverage to some unique exposure, adding other parties as insureds, or adding locations to the policy.

Equipment Floater- Property insurance covering equipment that is often moved from place to place. A form of inland marine insurance. [CPI IX.K, IX.W]

Errors and Omissions (E&O) insurance- An insurance form that protects the insured against liability for committing an error or omission in performance of professional duties. Generally, such policies are designed to cover financial losses rather than liability for bodily injury and property damage; [PLI XIX.B-XIX.F]

Exception (to exclusion)- Circumstances included in an exclusion that retain coverage. Exceptions limit the application of the exclusion such that it does not apply to the described circumstances. For example, an exception to the commercial general liability policy's watercraft and aircraft exclusion leaves coverage in place of liability assumed in an insured contract.

Excess insurance- (1) a policy or bond covering the insured against certain hazards, and applying only to loss or damage in excess of a state amount, or specified primary or self-insurance. (2) That portion of the amount insured that exceeds the amount retained by an entity for its own account.

Excess liability "follow form" policy- Excess insurance that is subject to all of the terms and conditions of the policy beneath it. In the event of a conflict, it is the underlying policy provisions that take precedence. Many excess liability policies state that they are follow form except with respect to certain terms and conditions. When this is the case, the excess liability policy is not truly on a follow form basis. [CLI X.B]

Expense constant- A fixed, flat expense charge applied to every workers compensation policy in states using advisory rates. The charge applies in addition to the premium developed for that policy and recognizes that some of the administrative costs associated with writing a workers compensation policy do not vary with the amount of premium and should, therefore, not be included in the factors that are used to develop rates. [IWC XI.C]

Experience Modifier- A factor developed by measuring the difference between the insured's actual past experience and the expect or actual experience of the class. This factor may be either a debit or credit and, therefore, will increase or decrease the standard premium in response to past loss experience. When applied to the manual premium, the experience modification produces a premium that is more representative of the actual loss experience of an insured. An employer with average experience has a modifier of 1.0 and would pay the manual premium. Employers with poorer loss experience will have modifiers greater than 1.00 and would pay more than manual premium. Those with good experience would have modifiers below 1.00 and pay less than manual premium. [CAI II.F; CLI VIII.E; IWC XI.D; RF III.A]

Experience rating- As respects workers compensation, the method in which the actual loss experience of the insured is compared to the loss experience that is normally expected by other risks in the insured's rating class. The resulting experience modification factor is then applied to the premium of the insured. In other casualty lines, the actual loss experience of the insured is generally compared to the actual loss experience of risks in the same industry to again develop a modifying factor for application to the insured's premium. [CAI III.F; CLI VIII.E; IWC XI.D; RF III.A]

Expiration- the termination date of an insurance contract

Expiration notice- a written notice to the insured that coverage is about to expire

Exposure- the state of being subject to loss because of some hazard or contingency. Also used as a measure of the rating units or the premium base of a risk. [RF I.B]

Exposure base- the basis to which rates are applied to determine premium. Exposures may be measured by payroll (as in workers compensation or general liability) receipts, sales, square footage, area, or man-hours (for general liability), or per unit (as in automobile), or per $1,000 of value (as in property insurance). [RF I.B]

Extra expense coverage- coverage for expenses in excess of normal operating expenses that are incurred to continue operations after a direct damage loss. Extra expense coverage is appropriate for service businesses whose property is not essentially income-producing (e.g., banks, insurance agencies, and doctors' offices), and for businesses that would find it imperative to continue operating regardless of cost (e.g., newspapers, dairies), perhaps by using a competitor's facilities. [CPI II.E; CRT XIV.P]

Face amount- generally used to mean the amount of insurance provided

Federal Highway Administration (FHWA)- the Federal Highway Administration (FHWA) coordinates highway transportation programs in cooperation with states and other partners to enhance the country's safety, economic vitality, quality of life, and the environment. Major program areas include the Federal-Aid Highway Program, which provides federal financial assistance to the states to construct and improve the National Highway System, urban and rural roads, and bridges. This program provides funds for general improvements and development of safe highways and roads. The Federal Lands Highway Program provides access to and within national forests, national parks, Indian reservations, and other public lands by preparing plans and contracts, supervising construction facilities, and conducting bridge inspections and surveys. The FHWA also manages a comprehensive research, development, and technology program. (Source:www.dot.gov/summary.htm) [CAI III.T]

Federal Motor Carrier Safety Administration (FMCSA)- The Federal Motor Carrier Safety Administration was established within the Department of Transportation on January 1, 2000, pursuant to the Motor Carrier Safety Improvement Act of 1999 [Public law no. 106-159, 113 State. 1748 (December 9,1999)]. Formerly a part of the federal highway administration, the Federal Motor Carrier Safety Administration's primary mission is to prevent commercial motor vehicle related fatalities and injuries. Administration activities contribute to ensuring safety in motor carrier operations through strong enforcement of safety regulations, targeting high-risk carriers and commercial motor vehicle drivers; improving safety information systems and commercial motor vehicle technologies; strengthening commercial motor vehicle equipment and operating standards; and increasing safety awareness. To accomplish these activities, the administration works with federal, state, and local enforcement agencies, the motor carrier industry, labor safety groups, and others. (Source:www.dot.gov/summary.htm) [CAI III.T]

Federal Motor Carrier Safety Regulations (FMCSR)- A compendium of safety regulations of the U.S. Department of Transportation, Federal Highway Administration, and Federal Motor Carrier Safety Administration that apply to motor carriers. The regulations relate to such areas as driver qualification requirements, hours-of-service requirements, and maintenance of vehicles. [CAI III.T]

Finance insurance- the payment of life insurance premiums with borrowed funds, usually from the cash value of the contract.

Fire legal liability coverage- Coverage of a tenant's liability for damage by fire to the rented premises the tenant occupies; such coverage is usually provided as an exception to policy exclusions applicable to property in the insured's care, custody, or control. Under the standard commercial general liability policy, fire legal liability of the named insured is covered subject to the "damage to premises rented to you" limit. [CLI V.D; CPI VI.C; CRT X.C]

First dollar coverage- insurance coverage that provides for the payment of all losses up to the specified limit without any use of deductibles.

First dollar defense coverage- A coverage feature of some liability policies in which retention do not apply to defense costs, even if no indemnity payments are made in conjunction with a claim. Thus, if an insurer were to expend $10,000 on defense of a claim and nothing for indemnity, the insured would not be required to pay any out-of-pocket costs for defense. [CLI XIII.E]

First dollar defense, umbrella- An umbrella or professional liability policy provision under which the insurer agrees to indemnify the insured for costs of claims defense in the self-insured retention area.

First named insured- The person or entity listed first on the policy declarations page as an insured. This primary or first named insured is granted certain rights and responsibilities that do not apply to the policy's other named insureds. Examples of additional rights of first named insureds are the receipt of cancellation notice and return premiums. Unique responsibilities include the notice of loss requirements and premium payment obligations. [CAI XII.B; CLI V.M; CPI V.C]

Flat cancellation- The cancellation of a policy as of its effective date, before the company has assumed liability. This requires the return of paid premium in full.

Fleet- for classifying commercial vehicles under the business auto policy, five or more automobiles. Less than five is considered non fleet. The distinction is made for statistical coding purposes. It does not have an effect on the rating factors. [CAI III.G]

Floater policy- An inland marine property insurance policy that covers personal property wherever it may be within the policy territory. [CPI IX.B]

Flood coverage- coverage for damage to property caused by flood. May be available by endorsement to an all risks policy or to a difference-in-conditions policy. Normally, the coverage provided is subject to a per occurrence sublimit, an annual aggregate limit, and a separate deductible. Coverage may also be available from the National Flood Insurance Program (NFIP). [CPI VII.D-VII.E; PRMI 5.G]

Flood exclusion- A provision found in nearly all property insurance policies (even in all risk policies) eliminating coverage for damage by flood. May also eliminate coverage for other types of water damage, such as seepage and sewer backup. Flood coverage can sometimes be provided by endorsement. If not, a separate flood insurance policy may be available from the National Flood Insurance Program (NFIP). [CPI V.W; PRMI 10.F]

"for-hire" motor carrier- A motor carrier that transports goods for other entities, as opposed to transporting its own commodities exclusively. [CAI III.T]

Fraud- deception or artifice used to cheat or intentionally mislead. This is closely related to misrepresentation and concealment. Proof of fraudulent acts by an insured in procuring insurance may lead to a denial of coverage and voiding of the policy by the insurer. As a loss exposure, certain types of fraud can be insured by a commercial crime insurance policy. [CAI VIII.F; CPI V.D; CPI XII.G; PRMI 11.E]

Freight broker- A person, firm, or corporation which arranges transportation of commodities for a fee. The broker does no hauling and assumes no responsibility for the property being transported. Under the Interstate Commerce Commission (ICC) Termination Act, brokers are still required to register and file proof of required levels of financial responsibility. [CAI III.T]

Freight Forwarder- An entity that purchases motor service from a licensed motor carrier. Unlike a freight broker, a freight forwarder assumes responsibility for a shipment from origin to destination and typically issues bills of lading. The Interstate Commerce Commission (ICC) Termination Act requires all freight forwarders to register, not only those concerned with household goods. Cargo insurance is usually required, and security requirements must be met. [CAI III.T]

Frequency- The likelihood that a loss will occur. Expressed as low frequency (meaning the loss event is possible but the event has rarely happened in the past and is not likely to occur in the future), moderate frequency (meaning the loss event has happened once in a while and can be expected to occur sometime in the future), or high frequency (meaning the loss event happens regularly and can be expected to occur regularly in the future). Workers compensation losses normally have a high frequency as do automobile collision losses.

General liability losses are usually of a moderate frequency, and property losses often have a low frequency. [RF I.B]

Functional replacement cost provision or endorsement- A property insurance provision changing the valuation basis otherwise applicable (actual cash value or replacement cost value) to valuation at the cost to replace the damaged or destroyed property with property that serves the same function. Used when replacement of damaged property with substantially identical property is either impossible (perhaps due to technological change) or unnecessary. [CPI VI.F, PRMI 13.F]

Garagekeepers coverage/ garagekeepers legal liability- provides coverage to owners of storage garages, parking lots, body and repair shops, etc., for liability as bailees with respect to damage to automobiles left in their custody for safekeeping or repair. Coverage is contingent on establishing liability on the part of the insured. [CAI IX.E]

Garage liability insurance-insurance covering the legal liability of automobile dealers, garages, repair shops, and service stations for claims of bodily injury and property damage arising out of business operations. Damage to customers' vehicles is excluded from this coverage; however, garagekeepers coverage can be written as a part of the garage policy to cover that exposure. [CAI IX.D]

Garage policy- A commercial auto policy designed to address the needs of auto dealers and other auto related businesses (e.g., repair shops, service stations, storage garages). Coverages include garage liability, garagekeepers, and auto physical damage; other coverages are available by endorsement. [CAI IX]

General liability insurance- insurance protecting commercial insureds from most liability exposures other than automobile and professional liability. [CLI IV.C]

Gross vehicle weight (GVW)- The value specified by the manufacturer as the maximum total loaded weight of a single vehicle. [CAI III.G]

Gross weight- the method of determining the size of a vehicle for insurance purposes. Gross vehicle weight is the maximum loaded weight for which a single vehicle is designed, as specified by the manufacturer. In some states, gross vehicle weight is based on registration receipts. Gross combination weight is the maximum loaded weight for a combination truck/tractor and semitrailer or trailer for which the truck/tractor is designed, as specified by the manufacturer. [CAI III.G]

Gross written premium (GWP)- The total premium written and assumed by an insurer before deductions for reinsurance and ceding commissions.

Guaranteed cost-premiums charged on a prospective basis without adjustment for loss experience during the policy period. A rate is agreed on at the inception of the policy and is multiplied by the appropriate exposure base (e.g., sales, payroll, number of vehicles, or square footage) to yield the premium. With respect to auditable lines of coverage (e.g., workers compensation and general liability), only a change in the exposure base during the policy period will cause the premium to vary. In other words, if the actual exposure base at the end of the policy period is more or less than the estimate used at policy inception, the premium will be adjusted accordingly. Loss experience during the policy period does not affect the premium for that period. [IWC XI.H; RF III.B]

Hazard- conditions that increase the probability of loss. Examples include poor housekeeping in a factory and inadequate lighting in a crime-prone area.

Hired automobile- An automobile whose exclusive use and control has been temporarily given to another for a consideration. The business auto definition of "hired autos," however, includes autos borrowed except those borrowed from employees or partners. [CAI VIII.C]

Hold harmless agreement- a provision in a contract that requires one contracting party to respond to certain legal liabilities of the other party. For example, construction contracts typically require the contractor to indemnify the owner with respect to the owner's liability to members of the public who are injured or whose property is damaged during the course of the contractor's operations. There are a number of types of hold harmless clauses, differentiated by the extent of the liabilities they transfer. The most commonly used types of clauses are the "broad", "Intermediate", and "limited" form hold harmless clauses.

- Limited form- where Party A holds Party B harmless for suits arising out of Party A's sole negligence. Party B is thus protected when it is held vicariously responsible for the actions of Party A.
- Intermediate form- Where Party A holds Party B harmless for suits alleging sole negligence of Party A or negligence of both parties.
- Broad Form- Where Party A holds Party B harmless for suits against Party B base on the sole negligence of A, joint negligence of A and B, or the sole negligence of B. Broad forms hold harmless agreements are unenforceable in a number of states. [CRT IV.B]

Hostile fire- A fire that becomes uncontrollable or expands outside its intended boundaries. For example, a fire set intentionally to burn brush becomes hostile if it spreads to other property; likewise, a fire that becomes much hotter that it is supposed to be or that cannot be extinguished is hostile even if it never spreads from the location where it was intentionally kindled. [CLI V.D; CPI III.B; PRMI 10.E]

Hull coverage- Marine or aviation insurance coverage damage sustained to an insured vessel or airplane.

Improvements and betterments- Permanent additions or changes made to a building by a lessee at his own expense that may not legally be removed. Property policies vary as to whether tenants' improvements and betterments are covered under the building category or under the contents category, so care must be taken to assign these values to the proper category of covered property. [CPI V.F]

Incurred losses- The total amount of paid claims and loss reserves associated with a particular period of time, usually a policy year. Incurred losses are customarily computed in accordance with the following formula: losses incurred during the period, plus outstanding losses at the end of the period, less outstanding losses at the beginning of the period. This does not ordinarily include incurred but not reported (IBNR) losses. [RF III.E]

Independent Agency System- A system of marketing insurance through independent contractors (agents) who sell insurance on a commission or fee basis with one or more insurers. In contrast to the direct marketing system, the independent agent retains ownership, use, and control of policy records and expiration data. [PLI XV.C]

Indemnification- (1) in policies written on an indemnification basis, the insurer reimburses the insured for claims and claim costs already paid by the insured. Technically, the insured must not only suffer a loss but must also pay the loss before being indemnified by the insurer. (2) The agreement of one party to assume financial responsibility for the liability of another party. Hold harmless agreements are typically used to impose this transfer of risk. [CRT IV.B]

Indemnitee- The person or organization who is held harmless in a contract (by the indemnitor)

Indemnitor- The person or organization who holds another (the indemnitee) harmless in a contract

Independent Contractor- An individual or company who has signed an agreement with another party to perform some job or function on behalf of that party without the direction or oversight of the party. As respects workers compensation, many states have established criteria which determine whether an individual is functioning as an independent contractor or employee. A workers classified as an independent contractor and not an employee is ineligible to receive benefits under the workers' compensation policy of the other party. In spite of the rules established, the delineation of an independent contractor remains in many jurisdictions a legal ambiguity. [IWC VIII.C]

Inland marine coverage- a group of property insurance coverages designed to insure exposures that cannot be conveniently or reasonably confined to a fixed location or insured at a standard rate under a standard form. Includes coverage for property in transit over land, certain moveable property, property under construction, instrumentalities of transportation and communication (such as bridges, roads, piers, and television and radio towers), legal liability coverage for bailees, and computerized equipment. Many inland marine coverage forms provide coverage without regard to the location of the covered property; these are called floater policies. Inland marine coverage forms are generally broader than property coverage forms due to the relative freedom from rate and form regulation of inland marine insurance as compared with property insurance. [CPI IX.B]

In rem endorsement- a workers compensation coverage endorsement extending coverage for suits filed against the value of the ship by an injured crew member seeking for the recovery of damages. The suit must site the unseaworthy condition of the vessel as proximate cause of the damages. In the absences of this endorsement, an in rem suit could result in an injunction preventing the vessel from leaving port until the suit is settled. In rem coverage is now part of the maritime coverage endorsement rather than a separate endorsement. [IWC III.C]

Insolvency clause- a clause holding a reinsurer liable for its share of loss assumed under a treaty, even though the primary company has become insolvent. A clause in an umbrella liability policy, stipulating that the umbrella will not drop down in the event the primary liability insurer is unable to pay because of insolvency

Installation floater- inland marine coverage on property (usually equipment) being installed by a contractor. Essentially a specialized type of builders risk coverage that is often written on the same form used to provide builders risk coverage

Insurability- acceptability to the insurer of an applicant for insurance at a given rate

Insurance- a contractual relationship that exists when one party (the insurer) for a consideration (the premium) agrees to reimburse another party (the insured) for loss to a specified subject (the risk) caused by designated contingencies (hazards or perils). The term "assurance," commonly used in England, is considered synonymous with "insurance". [PRMI 10.G]

Insurance commissioner- in the United States, the head of the state's insurance department or regulatory agency.

Insurance department- a governmental entity charged with the regulation and administration of insurance laws and other responsibilities associated with insurance.

Insurance Services Office, Inc. (ISO)- An organization that collects statistical data, promulgates rating information, develops standard policy forms, and files information with state regulators on behalf of insurance companies that purchase its services. [CPI II.R]

Insured- the person(s) protected under an insurance contract

Interchange agreements- an agreement between trucking companies wherein company A has possession of company B's trailer or equipment and agrees to be responsible for loss to such while in A's possession. [CAI X.E]

Interlining- Transportation of cargo by two or more carriers, e.g., two motor carriers or two airlines. [CAI III.T]

Intermediary- A reinsurance broker who negotiates contracts of reinsurance on behalf of the reinsured, usually with those reinsurers who recognize brokers and pay them commissions on reinsurance premiums ceded. The intermediary also acts as a conduit through which communications between the insurer or reinsurere are passed, including the payment of premiums by the reinsured to the reinsurer and the collection of losses for the reinsured from the reinsurer. [RF V.B]

Intermodal- Transportation of cargo by two or more types of carriers, e.g., motor, rail, air, ocean. [CAI III.T]

Interrogatory- written list of questions put to a party- plaintiff and defendant to a lawsuit. Answers provided are used to prepare questions for depositions or for trial.

Interstate commerce- as defined by federal motor carrier regulations, the term refers to trade, traffic, or transportation in the United States. An interstate shipment begins when it has started its course to another state or has been delivered to a carrier for such transportation, and ends when it has reached the ultimate destination originally intended by the party who controls the movement. All transportation from beginning to end is transportation in interstate commerce. Through billing is not essential, nor an arrangement between the carriers for through transportation, nor actual physical continuity of the movement. [CAI III.T]

Interstate Commerce Commission (ICC)- An independent regulatory authority that was abolished January 1, 1996, but nevertheless had a profound effect on the motor carrier industry. [CAI III.T]

Interstate experience rating- an experience rating plan for risks operating on a multistate (interstate) basis that utilizes the experience developed within more than one state. [IWC XI.D; RF III.A]

Joint defense- when the defendants in a particular case resolve to present a "united front" in the eyes of plaintiff and the jury

Joisted masonry construction- exterior walls of masonry material (adobe, brick, concrete, gypsum block, hollow concrete block, stone, tile, or similar materials), with combustible floor and roof. This is one of six basic construction types used in categorizing buildings for Insurance Services Office, Inc. (ISO), Commercial Lines Manual (CLM) rating purposes. The other five construction categories are frame, noncombustible, masonry noncombustible, modified fire-resistive. [CPI IV.F]

Jones Act (Merchant Marine Act of 1920)- Provides seamen with a negligence remedy for on-the-job injury without having to overcome employer defenses of assumption of the risk or fellow servant liability. Contributory negligence of the employee does not bar recovery, but recovery is reduced by the proportion of negligence attributable to the employee. Employers can obtain coverage under a standard workers compensation policy by purchasing a maritime coverage endorsement. [IWC VII.C]

Kotecki waiver- in some states, third parties held liable for a work-related injury may seek contribution from the injured worker's employer, but such contribution may be capped by the amount of applicable workers compensation benefits. This cap is named for an Illinois case- Kotecki v. Cyclops Welding- that first imposed it. If the employer has indemnified the negligent third party, that indemnity agreement may be viewed in certain jurisdictions as a waiver of the Kotecki cap. [CRT X.C]

Lapse-termination of an insurance policy due to the insured's failure to pay the premium

Leasehold interest- property insurance covering the loss suffered by a tenant due to termination of a favorable lease because of damage to the leased premises by a covered cause. The principal coverage is the net leasehold interest, which is the present value of the difference between the total rent payable over the unexpired portion of the lease and the total estimated rental value of the property during the same period

Legal liability coverage form (ISO)- the Insurance Services Office, Inc. (ISO), commercial property coverage form (CP 0040) that provides coverage for sums the insured is obligated to pay as a result of accidental damage from a covered cause of loss to property of others in the insured's care, custody, or control. Not a suitable means of insuring leased premises because of contractual liability exclusion that eliminates coverage for contractually assumes liability unless the insured would have been liable in tort regardless of the contract. [CPI VI. C]

Lessee- the person to whom a lease is granted, the tenant. When used in connection with the motor carrier industry, and in particular in connection with owner-operator situations, the term refers to the entity that holds operating authority to operate as a motor carrier for hire. [CAI XIII.I]

Leesor- the person granting the lease, the landlord. When used in connection with the motor carrier industry, and especially in connection with owner-operator situations, the term refers to the owner of a commercial motor vehicle who contracts with the entity that holds operating authority for the use of his or her motor vehicle (with or without a driver) in the motor carrier's business. [CAI XIII.I]

Letter of credit (LOC)- a legal commitment issued by a bank or other entity stating that, upon receipt of certain documents, the bank will pay against drafts meeting the terms of the letter of credit. Letters of credit are frequently used for risk financing purposes to collateralize monies owed by an insured under various cash flow programs such as: incurred but not paid losses in paid loss retrospective rating programs, a means of meeting the capitalization requirements of captives, and to satisfy the security requirements of the excess insurer in "fronted" deductible or retention programs. For captives, LOCs sever two possible purposes: they may be used in lieu of or in addition to cash or other securities as capital, and/or to securitize the fronting insurer's reinsurance receivable created by a non-admitted reinsurer (i.e. , the captive). [RF III.K]

Liability- any legally enforceable obligation. Within the context of insurance, the obligation to pay a monetary award for injury or damage caused by one's negligent or statutorily prohibited action. [CLI IV.C]

Liability insurance- insurance paying or rendering service on behalf of an insured for loss arising out of legal liability to others.

Liability limits- the stipulated sum or sums beyond which an insurance company is not liable for payments due to the third party. The insured remains legally liable above the limits.

Lien- a legal claim against or financial interest in the property of another, usually created by having performed work on or advanced funds in connection with the property.

Longshore and harbor Workers Compensation Act (LHWCA) A federal law that provides no-fault workers compensation benefits to employees other than masters or crew members of a vessel injured in maritime employment, generally, in loading, unloading, repairing, or building a vessel. Employers can obtain coverage under a standard workers compensation policy by purchasing an LHWCA coverage endorsement. [IWC VII.D]

Loss control- a risk management technique that seeks to reduce the possibility that a loss will occur and/or reduce the severity of those that do not occur. Also known as risk control or safety. Driver training programs are loss control programs that seek to reduce the likelihood of accidents occurring. Sprinkler systems are loss control devices that reduce the severity of loss by fire. [IWC XIII]

Loss payable clause- an insurance provision authorizing payment in the event of loss to a person or entity other than the named insured having an insurable interest in the covered property. [CAI XIII.N; CPI VI.I; CRT XIV.D; PRMI 6.G, 10.G]

Loss ratio- proportionate relationship of incurred losses to earned premiums expressed as a percentage. If, for example, a firm pays $100,000 of premium for workers compensation insurance in a given year, and its insurer pays and reserves $50,000 in claims, the firm's loss ratio is 50 percent ($50,000 incurred losses/ $100,000 earned premiums). [RF III.A]

Maintenance, **cure**, **and wages**- a concept within general maritime law that spells out the duties owed by the owner of a vessel to the crew. The terms are defined as follows.

- Maintenance- the proper rehabilitation and working environment that should be available to the seaman including but not limited to the provision of lodging and food over the course of recovery.
- Cure- Medical treatment toward recovery, at least as far as medical science is able to provide. Also termed "maximum medical cure", this obligation is owed a seaman for accidents as well as sicknesses, such as appendicitis, which generally do not fall within the provisions of state compensation acts. Medical care is provided free of charge, or at low cost, in those areas where the public health service has facilities.
- Wages- a sailor's usual wages during illness, but not extending beyond the end of the voyage. On ships operating year round, on inland waterways, wages may not extend beyond: a period of a year, the end of the contract, or the period of illness, whichever is shortest. For impairment of future earnings, the seaman must bring suit. [IWC VII.B, VII.C]

Managing general agent (MGA)- a wholesale insurance intermediary with the authority to accept placements from (and often to appoint) retail agents on behalf of an insurer. Managing general agents generally provide underwriting and administrative services, such as policy issuance, on behalf of the insurers they represent. These arrangements are most common in the surplus lines marketplace. Typically, MGAs market more unusual coverage, such as professional liability, for which specialized expertise is required to underwrite policies. MGAs benefit insurers because such expertise is not always available within the company and would be more costly to develop on an in-house basis. [PLI IV.J, XV.C]

MCS-90 endorsement- an endorsement that must be attached to the auto liability policy of certain regulated motor carriers to assure that federally mandated coverage (e.g., required liability limits, environmental restitution coverage) is in place. The endorsement does not actually provide insurance except on a reimbursement basis. For example, if the insured motor carrier is insured under a standard Insurance Services Office Inc. (ISO), truckers or motor carrier policy without the broadened pollution liability coverage endorsement (CA 99 48) attached, the motor carrier could have to reimburse the insurer in case of the insurer's having to pay a pollution liability loss. [CAI XIII.O]

Mediation- the act of a third person in assisting two adverse parties adjust or settle their dispute.

Minimum and deposit (M&D)- feature of excess of loss reinsurance; it requires initial premium payments in advance, adjusted annually in arrears, based on exposure audits.

Minimum deposit policy- a cash value life insurance policy having a first-year loan value available for borrowing immediately upon payment of the first year premium. It is generally held that the life insurance must be in force for 4 years before borrowing can occur.

Mini**m**um **premium**- the least amount of premium to be charged for providing a particular insurance coverage. The minimum premium may apply in any number of ways such as per location, per type of coverage, or per policy.

Mobile equipment- a term that is defined in both the commercial general liability (CGL) and commercial auto policies. It refers to equipment such as earthmovers, tractors, diggers, farm machinery, forklifts, etc., that, even with self-propelled, are not considered as automobiles for insurance purposes (unless they are subject to a compulsory or financial responsibility law or other motor vehicle insurance law). Liability arising from mobile equipment is covered in the general liability policy. Physical damage coverage is usually provided by an "equipment floater." [CAI VIII.G; CLI V.L]

Modification factor (the "mod")- the factor by which a standard workers compensation premium is multiplied to reflect an insured's actual loss experience.

Modified premium- premium calculated by applying the employer's experience modifier to manual premium [RF III.A]

Monoline- refers to an arrangement with a single line of coverage; common with surety or financial guarantee insurance.

Monopolistic state funds- Jurisdictions where an employer must obtain workers compensation insurance from a compulsory state fund or qualify as a self-insurer (as is allowed in four of the states). Such insurance is not subject to any of the procedures or programs of the National Council on Compensation Insurance (NCCI). The following states/jurisdictions are monopolistic fund states: North Dakota, Ohio, Washington, West Virginia, Wyoming, Puerto Rico, and the U.S. Virgin Islands. [IWC V.C]

Motor Carrier Act (MCA)- the Motor Carrier Act of 1980, which requires certain vehicles to carry minimum limits of insurance coverage to satisfy public liability and environmental restoration claims that may arise from accidents. The minimum required limits range from $750,000 to $1 million to $5 million per accident, depending on the type of commodity transported (i.e., nonhazardous or hazardous and, in the case of hazardous substances, the specific category of such). [CAI III.T]

Motor truck cargo- an inland marine form covering loss of property in the course of transit, wither by common carrier or on the insured's own vehicles, depending on the form used. [CPI IX.E]

Motor vehicle- a term, commonly used in vehicle registration and financial responsibility statutes, that is generally defined to mean a device capable of transporting people or property which is self-propelled by mechanical or electrical power. However, state "motor vehicle" definitions usually contain a list of exceptions of the kinds of vehicles that do not qualify, e.g., vehicles that are not designed for use on public roads, vehicles propelled solely by human power, bicycles, motorized wheelchairs or other electric personal assistive mobility devices, farm tractors, implements of husbandry, motorized bicycles, mopeds, snowmobiles, all-terrain vehicles, motor scooters, and vehicles running only upon rails or tracks. Each state's "motor vehicle" definitions must be examined closely to see what types of vehicles qualify and what types do not. Any non-exempt vehicle that qualifies under a state statutory definition of "motor vehicle" may be subject to that state's licensing, registration and/or financial responsibility laws. [CAI IV.F]

National Association of Insurance Commissioners (NAIC)- An organization of all state insurance commissioners that meets periodically to discuss insurance industry problems and issues that might require legislation or regulation. It also addresses the need to make the various state laws more uniform for insurance companies and other parties.

National Council on Compensation Insurance (NCCI)- An organization that collects workers compensation statistical data (such as premiums, exposure units, and losses), computes advisory workers compensation rating information, develops standard workers compensation policy forms, and files workers compensation information with regulators on behalf of insurance companies that purchase its services. [IWC III.E]

National Flood Insurance Program (NFIP)- A federally funded program established in 1968 to make flood insurance available at a reasonable cost for properties located in participating communities. NFIP flood insurance is available only for direct damage to buildings and contents; there is no time element in coverage. [CPI IV.N]

Negligence- a tort involving failure to use a degree of care considered reasonable under a given set of circumstances. Acts of either omission or commission, or both, may constitute negligence. The four elements of negligence are a duty owed to a plaintiff, a breach of that duty by the defendant, proximate cause, and an injury or damage suffered by the plaintiff. Liability policies are designed to cover claims of negligence. [PLI III.C]

Nonowned automobile- described in commercial auto policies as an auto that is used in connection with the named insured's business but that is neither owned, leased, hired, rented, or borrowed by the named insured. As used in the business auto policy, the term specifically applies to vehicles owned by employees and used for company business; as used in the truckers and motor carrier policies, it applies only if such autos are private passenger type autos. (Autos other than private passenger type owned by employees are classified as hired autos in the truckers and motor carrier policies.) [CAI VIII.C, X.C, XI.C]

Obligee- a person or organization to whom another party (the "obligor") owes an obligation. In a bonding situation, this is the party that requires and receives the protection of the bond. For example, under a performance bond, the obligee is the project owner for whom the bonded contractor is required to perform the specified work.

Obligor- a person or organization that is bound by an obligation to another. In a bonding situation, this party, commonly called the "principal," purchases a bond to protect the party to whom it owes an obligation. For example, under a performance bond, the obligor is the contractor that is required to perform the specified work for the project owner.

Occupational accident insurance- a type of coverage purchased by firms that have chosen to opt0out of the Texas workers compensation system. The policies allow an employer to provide benefits similar to those afforded under workers compensation laws. [RF IV.J]

Occupational disease- any abnormal condition or disorder, other than one resulting from an occupational injury, that is caused by, or alleged to be caused by, exposure to environmental factors associated with employment, including acute and chronic illnesses or diseases that may be cause by inhalation, absorption, ingestion, or direct contact. State workers compensation laws vary as to whether coverage is afforded for occupational disease. [IWC XIV.R]

Occupational injury- an injury arising in the course and scope of employment that is caused by factors associated with the work undertaken. [IWC III.C]

Occurrence- in a commercial general liability coverage form, an accident, including continuous or repeated exposure to substantially the same general harmful conditions. General liability policies insure liability for bodily injury or property damage that is caused by an occurrence. This is also a common homeowners provision. [CLI V.L; PRMI 10.C]

Occurrence policy- a policy covering claims that arise out of damage or injury that took place during the policy period, regardless of when claims are made. Most commercial general liability insurance is written on an occurrence form. Contrast with claims-made insurance.

Omnibus clause- a provision in standard automobile liability policies that embraces within the definition of "insured" certain persons without the necessity of naming them or designating them specifically. [CAI VIII.D; PRMI 5.D]

Ordinary construction- characterized by noncombustible exterior walls (i.e., brick, concrete, or masonry) and combustible floors, roofs, and interior walls. Less sturdy than mill construction, this type of joisted masonry construction the exterior walls generally receive a fire-resistive rating of an hour.

Other states coverage- workers compensation and employers liability insurance coverage for an insured's employees traveling through or temporarily working in states other than the insured's home state as specifically listed in item 3.C of the information page of the policy. The endorsement expands the policy so that an injured employee can receive compensation benefits as prescribed by the other states listed on the endorsement. However, coverage only applies to states so listed, and coverage cannot be extended in this manner to monopolistic fund states [IWC VI.E]

Other-than-collision coverage- coverage available under the personal auto policy that provides a form of "all risk" protection for damage to a covered auto from perils other than collision. Losses include but are not limited to fire, theft or larceny, explosion or earthquake, windstorm, hail, water, flood, malicious mischief, vandalism, riot, contact with an animal, and glass breakage. This protection is sometimes referred to as "comprehensive" coverage. [PRMI 5.G]

Outer continental shelf- generally defined as all submerged lands that lie beyond the coastal states' territorial boundaries, to a water depth of 200 meters or where exploration is feasible. The state territorial boundaries normally extend 3 nautical miles, except in Florida and Texas where seaward boundaries extend 10 nautical miles. [IWC VII.D]

Outer Continental Shelf Lands Act (OCSLA)- Extends the benefits of the Longshore and Harbor Workers Compensation Act (LHWCA) to workers injured or killed upon fixed structures, e.g., oil well platforms, that are permanently attached to the outer continental shelf for the purpose of natural resource exploration or development. [IWC VII.D]

Overtime surcharge- extra pay for overtime hours worked by employees. When an employee works overtime, many firms pay them time and a half or double time for the overage worked. States govern how the additional payroll charge is handled for the computation of workers compensation premium. Normally, the only payroll that goes into a workers compensation premium calculation is the basic rate of pay per hour. Any additional compensation for overtime worked in excess of the regular hourly rate, subject to state specific exceptions, are deleted from the payroll when computing workers compensation premiums.

Owner/operator- an independent motor carrier who leases his or her vehicle, with driver, to another motor carrier, either on a permanent or a short-term basis. The owner/operator, rather than obtaining his or her own operating authority, operates under the authority of the trucking firm to whom the vehicle is leased. [CAI XIII.I]

Owners and contractors protective (OCP) liability coverage- covers bodily injury and property damage liability arising out of an independent contractor's operations for another party. Although the contractor purchases the policy, the named insured is the party for whom it is performing operations. The OCP policy also responds to liability arising out of the acts or omissions of the insured in connection with the general supervision of the contractor's operations [CLI VI.Q; CRT XII.C]

Owners, landlords, and tenants (OL&T) liability policy- a now obsolete liability insurance coverage form designed for businesses whose liability loss exposure (other than automobile and workers compensation) derives principally from the business premises. Manufacturers and contractors, whose principal liability loss exposure derives from the business operations, products, or completed operations, commonly purchased a manufacturers and contractors liability policy (M&C) policy. Now both types of businesses are customarily insured under a commercial general liability policy.

Package policy- a combination policy providing several different coverages. Usually refers to a policy providing both general liability insurance and property insurance. Premium discounts are usually allowed to reflect cost efficiencies. [CPI XIII.B]

Parent company- where property and casualty insurers constitute a group of companies, the "flagship" or senior company. The use of multiple corporate entities allows additional flexibility in working with varying state regulations. For example, an insurance company group might consist of one or more admitted insurers and one or more non-admitted insurers operating in various states. The entire group is often referred to by the parent company's name.

Partial loss- a property insurance term referring to a loss that does not completely destroy or render useless the insured property or does not completely exhaust the applicable insurance limit.

Payroll- the premium basis used to calculate premium in workers compensation insurance, and for some classifications, in general liability insurance. Also known as "renumeration" [CLI VIII.C; IWC XI.C]

Payroll audit- a review of an insured's payroll records by a representative of the insurer to determining the earned premium on a policy such as workers compensation [IWC VI.G]

Payroll limitation- a limitation on the amount of payroll for certain classifications used for the development of premium. In workers compensation insurance, payroll limitations typically apply only to sole proprietors, executive officers, partners, and certain noted classifications. In general liability, payroll limitations typically apply to executive officers, sole proprietors, and partners. The limitation varies by state.

Peril- cause of loss, e.g., fire, windstorm, collision. [CPI II.D, V.R]

Personal injury- under general liability coverage, a category of insurable offenses that produce harm other than bodily injury. As covered by the 1986 commercial general liability (CGL) policy, personal injury includes: false arrest, detention, or imprisonment; malicious prosecution; wrongful eviction; slander; libel; and invasion of privacy. Under umbrella liability insurance, a broad category of insurable offenses that include bodily injury and the offenses defined as "personal injury" in CGL policies. [CLI V.L, XI.B; PRMI 13.G, 13.K]

Personal injury protection (PIP)/no fault- a type of auto insurance coverage mandated by statute in some jurisdictions. The statutes typically require insurers to provide or offer to provide first-party benefits for medical expenses, loss of income, funeral expenses, and similar expenses without regard to fault. Coverages, limits, and each party's responsibilities may vary from state to state, as provided by law. [CAI IV.I]

Plaintiff- in a civil action, the party bringing suit and seeking damages from the defendant

Pleadings- the formal allegations of the respective claims and defenses by the parties to a lawsuit, consisting of a complaint, an answer, a reply to a counterclaim, an answer to a cross-claim, a third-party complaint, and answer to a third-party complaint.

Policy- a written contract of insurance between the insurer and the policy holder. It is typically comprised of a declarations page, policy form, and endorsements or riders that amend the policy form.

Policy fee- a one-time charge or flat per policy charge that does not change with the size of the policy

Policy period- the term of duration of the policy. The policy period encompasses the time between the exact hour and date of policy inception and the hour and date of expiration. [PRMI 5.I, 10.G]

Policy year- the period between anniversary dates

Pollutant- as defined in standard liability insurance policies, an irritant or contaminant, whether in solid, liquid, or gaseous form, including—when they can be regarded as an irritant or contaminant—smoke, vapor, soot, fumes, acids, alkalis, chemicals and waste. [CLI V.L]

Power of attorney- authority given one person or organization to act on behalf of and obligate another

Premises-(1) in a property insurance policy, the location where coverage applies. Usually described in the policy with a legal address. (2) building or land occupied or owned by an insured.

Premises-operations- one of the categories of hazards ordinarily insured by a general liability policy. Composed of those exposures to loss that fall outside the defined "products-completed operations hazard," it includes liability for injury or damage arising out of the insured's premises or out of the insured's business operations while such operations in progress.

Premium- the amount of money an insurer charges to provide the coverage described in the policy or bond.

Premium audit- an audit of the exposure basis for an insurance policy, i.e., payroll, sales, or vehicle count, after the end of a policy period to determine the actual (audited) exposure for the purpose of making a final calculation of the premium and premium taxes.

Premium discount- a volume discount applied to premiums which acknowledges the administrative cost savings associated with larger premiums. Mostly used in workers compensation insurance, it is available in states where rates are approved and published (insurers in loss cost states are already free to discount the expense factor of their premium). After experience rating, the premium discount is applied to premiums in excess of $5,000 on a graduated rate increasing with the premium. Premium discount is not available when a retrospective plan applies. [IWC XI.C; RF III.B]

Principal- in a surety bond, the entity whose performance is being guaranteed, i.e., the obligor

Private carrier- motor carriers that transport their own property by motor vehicle in interstate or foreign commerce to further their own business or commercial enterprise. Private carriers must comply with the various regulations of the states in which they operate. [CAI III.T]

Producer- a term commonly used for an agent, broker or other insurance representative who has responsibility for selling insurance

Product- the subject of product liability insurance; defined in the standard Insurance Services Office, Inc. (ISO), commercial general liability policies to include property—other than real property—manufactured, sold, handled, distributed, or disposed of by the named insured or others involved with the named insured in the stream of commerce. The definition of "product" includes containers, parts and equipment, product warranties, and provision of or failure to provide instructions and warnings. [CLI V.L]

Product liability- the liability for bodily injury or property damage incurred by a merchant or manufacturer as a consequence of some defect in the product sold or manufactured. [CLI V.D, V.L]

Products-completed operations- one of the hazards ordinarily insured by a general liability policy. It encompasses liability arising out of the insured's products or business operations conducted away from the insured's premises once those operations have been completed or abandoned. [CLI V.L]

Professional liability- coverage designed to protect traditional professionals (e.g., physicians) and quasi-professionals (e.g., real estate brokers) against liability incurred as a result of errors and omissions in performing professional services. Although there are a few exceptions, most professional liability policies cover economic losses suffered by third parties, as opposed to bodily injury and property damage (which is typically covered under commercial general liability policies). The vast majority of professional liability policies are written with claims-made coverage triggers. [PLI III.C]

Proof of loss- a formal statement made by the insured to the insurer regarding a claim, especially in property insurance, so that the insurer may determine its liability under the policy. [PRMI 5.H]

Property damage- as defined in the general liability policy, physical injury to tangible property including resulting loss of use and loss of use of tangible property that has not been physically injured. Also addressed in the homeowners and personal auto policies [PRMI 5.C, 10.C]

Property insurance- first-party insurance that indemnifies the owner or user of property for its loss, or the loss of its income-producing ability, when the loss or damage is caused by a covered peril, such as fire or explosion. In this sense, property insurance encompasses inland marine, boiler and machinery, and crime insurance, as well as what was once known as fire insurance, now simply called property insurance: insurance on buildings and their contents. [CPI II.D]

Pro rata cancellation- The cancellation of an insurance policy or pond with the return premium credit being the full proportion of premium for the unexpired term of the policy or bond, without penalty for interim cancellation.

Protection and indemnity (P&I) insurance- liability insurance for practically all maritime liability associated with the operation of a vessel, other than that covered under a workers compensation policy and under the collision clause in a hull policy. [IWC VI.K]

Protection classes- the 10 categories used by Insurance Services Office, Inc. (ISO), to rank cities and towns according to the availability of water, e.g., fire hydrants and water pressure, and the quality of fire-fighting, e.g., training of personnel and paid versus volunteer. Protection class 1 indicates the best available protection; class 10 indicates a rural area without fire hydrants or fire departments. [CPI IV.F]

Punitive damages- damages in excess of those required to compensate the plaintiff for the wrong done, which are imposed in order to punish the defendant because of the particularly wanton or willful nature of his wrongdoing. Also called “exemplary damages”. Although the standard commercial general liability (CGL) and business auto policies (BAP) contain no punitive damage exclusion, many umbrella and excess liability policies contain such an exclusion. [CLI XI.D; PLI VII.B; PRMI 5.F]

Radius class- the customary distance traveled by commercial vehicles as measured in a straight line from the place of garaging to the destination. There are three radius classes: local (not more than 50 miles); intermediate (between 50 and 200 miles); and long distance (more than 200 miles). [CAI III.G]

Radius of operations- the area or areas where a company conducts its business. [CAI III.G]

Railroad protective liability- insurance coverage protecting a railroad from liability it incurs because of the work of contractors on or near the railroad right of way. [CLI VI.R; CRT XII.D]

Railroad sidetrack agreement- an agreement between a railroad and a business in which the railroad agrees to build a siding on the property of the business, and the business will hold the railroad harmless for certain liability arising out of the use of the side track. Side track agreements are "insured contracts" under the provisions of standard contractual liability insurance coverage. [CLI V.L]

Rate- a unit of cost that is multiplied by an exposure base to determine an insurance premium. An insurance rate is the amount of money necessary to cover losses, expenses, and provide a profit to the insurer for a single unit of exposure. Rates, as contrasted with loss cots, include provisions for the insurer's profit and expenses. [CAI III.G; IWC XI.C; RF III.A]

Rating bureau- an organization that collects statistical data (such as premiums, exposure units, and losses), computes advisory rating information, develops standard policy forms, and files information with regulators on behalf of insurance companies that purchase its services. Years ago, insurers were required by law in most states to belong to the designated rating bureau and to used its rates and policy forms. Today, however, these organizations serve in an advisory capacity for most services and most coverage lines; generally insurers are free to used their products and services as they see fit. The best known rating bureaus are National Council of Compensation Insurance, Inc. (NCCI) (for workers compensation insurance), the Surety Association of America (SAA) (for surety bonds and crime insurance), Insurance Services Office, Inc. (ISO) (for most commercial and person lines other than workers compensation insurance), and American Association of Insurance services, Inc. (AAIS) (for many commercial and personal lines other than workers compensation). [CPI II.R; IWC III.E; RF III.A]

Rating class- the classification for rating purposes of an individual exposure

Real property- land and most things attached to the land, such as buildings and vegetation. Growing crops, since they are physically attached to the soil, are generally considered to be real property. The definition of "land" includes not only the surface of the earth, but also everything above and beneath it. Thus the ownership of a tract of land theoretically includes both the airspace above it and the soil from its surface to the center of the earth.

Registered agent- in the United States, the person or firm legally appointed to accept services of process. Alien insurers must appoint (by filed proxy) the insurance commissioner as their agent, in states where they do business, to assure protection of policyholder rights.

Reinstatement- under many forms of reinsurance and insurance, the payment of a claim reduces and aggregate limit by the amount of the claim. Provision is sometimes made for reinstating the policy limit to its original amount when the original limit has been exhausted. Depending on policy conditions, it may be done automatically, wither with or without premium consideration, i.e., a reinstatement premium, or it may be done only at a request of the insured, in return for an additional premium

Remediation- cleanup or other methods used to remove or contain a toxic spill or hazardous materials from a Superfund site. For the Asbestos Hazard Emergency Response program, abatement methods including evaluation, repair, enclosure, encapsulation, or removal of greater than 3 linear feet or square feet of asbestos-containing materials from a building.

Renewal policy- an insurance policy issued to replace an expiring policy.

Replacement cost- the actual cost of replacing property that has been damaged or destroyed with new property of like kind and quality without regard to physical depreciation

Reservation of rights- an insurer's notification to an insured that coverage for a claim may not apply. Such notification allows an insurer to investigate (or even defend) a claim to determine if coverage applies (in whole or in part) without waiving its right to later deny coverage based on information revealed by the investigation. Although a reservation of rights protects an insurer's interest, it also alerts an insured to the fact that some elements of a claim may not be covered, thereby allowing the insured to take necessary steps to protect its potentially uninsured interests. [PLI IV.G]

Residual market- insurance market systems for various lines of coverage (most often workers compensation, personal automobile liability, and property insurance). They serve as a coverage source of last resort for firms and individuals that have been rejected by voluntary market insurers. Residual markets require insurers writing specific coverage lines in a given state to assume the profits or losses accruing from insuring that state's residual risks in proportion to their share of the total voluntary market premiums written in that state. [CPI IV.O; IWC IV.B; RF III.A]

Restitution of fees-occurs when a client seeks to recover fees paid a professional for services that when rendered resulted in the client suffering a financial loss due to negligently performed professional service. For example, a lawyer negligently drafted a business contract that caused a client to lose money. In addition to suing to collect the amount of the loss caused but the faulty contract, the client also sues for a return of the legal fees he paid for drafting the contract. Coverage for restitution of fees is excluded by many professional liability insurance policy forms; typically covering lawyers, accountants, and architects & engineers. Another approach taken by a number of policies is to preclude coverage for restitution of fees within their definitions of "damages" or "loss" [PLI XIV.E]

Retail agent- an insurance agent who acts as an intermediary between an insured and the marketplace. In some instances, retail agents deal directly with an insurer in arranging coverage, while in others, retail agents work with managing general agents or wholesale brokers to secure coverage for their client-insured. [PLI IV.J]

Retention- (1) assumption of risk of loss by means of noninsurance, self-insurance, or deductibles. Retention can be intentional or, when exposures are not identified, unintentional. (2) In reinsurance, the net amount of risk the ceding company keeps for its own account. [RF V.B]

Return premium- the amount due the insured if the actual cost of a policy is less than what the insured has previously paid, e.g., if the limits are reduced, the estimated exposure at inception is greater than the audited exposure, or the policy is canceled.

Return-to-work program- a post-injury program that returns injured employees to some type of work as soon as medically possible. Even if the injured workers are impaired, temporary or modified duties can be assigned that take into consideration the impairments. The end result is the reduction of indemnity costs associated with the claims. [IWC XVI.E]

Right to recourse provision- a provision in a fiduciary liability policy giving an insurer the right to subrogate (i.e., collect monies from a party responsible for causing a loss, for which an insurer has already made an indemnity payment) against an insured. Right of recourse provisions are particular to fiduciary liability insurance policies and represent an exception to the general practice in the insurance industry whereby insurers do not subrogate against insureds. The rationale for right of recourse provisions is that Section 410(b) (1) of ERISA allows an insurer to pursue recourse against a covered fiduciary, if the premium for a fiduciary policy is paid from the assets of an employee pension or welfare plan. This is because fiduciaries should not be financially absolved from the consequences of their wrongful acts when premiums for liability coverage are being paid from the assets of the benefit plans they are administering-to the detriment of the beneficiaries of those plans. However, most fiduciary liability policies also indicate that by payment of a specified additional premium, the insurer will waive its of recourse. Accordingly, waiver of recourse endorsements are beneficial whenever arranging coverage for fiduciaries. [PLI XII.E]

Risk- (1) uncertainty arising from the possible occurrence of given events (2) The insured or the property to which an insurance policy relates

Risk control- a synonym for loss control. The technique of minimizing the frequency or severity of losses with training, safety, and security measures.

Risk management information system (RMIS)- A very flexible computerized management information system that allows the manipulation of claims, loss control, and other types of data to assist in risk management decision making

Risk management process- a systematic approach to treating risk: identification and analysis of exposures, selection of appropriate risk management techniques to handle exposures, implementation of chosen techniques, and monitoring of the results.

Risk management techniques- methods for treating risks. Traditional risk management techniques for handling event risks include risk retention, contractual or noninsurance risk transfer, risk control, risk avoidance, and insurance transfer. Other techniques used for other types of risk (e.g., credit, operational, interest rate risks) include financial tools such as hedges, swaps, and derivatives.

Risk manager- an individual responsible for managing an organization's risks and minimizing the adverse impact of losses on the achievement of the organization's objectives. (1) traditionally, risk managers have focused on event risks, but some organizations have broadened the role to include other types of risk (e.g., operational risks). The risk manager is charged with identifying risks, evaluating risks, selecting the best techniques for treating identified risks, implementing the chosen risk management techniques, and regularly evaluating and monitoring the program. This person is also involved in the managerial processes of planning, organizing, leading, and controlling those activates in a business that deal with various types of risk (2) Another type of risk manager manages the effects of financial risks on the organization. This individual is usually a treasury department employee who must maintain certain critical financial metrics within acceptable parameters. For example, interest rate risk is a bank's most important financial risk. Using various hedging tools and techniques such as derivatives, the risk manager makes sure that the bank's exposure to interest rate volatility is satisfactorily managed.

Sales- exposure base in commercial general liability (CGL) insurance for insureds in the manufacturing/processing or mercantile business classifications. Gross sales as an exposure base is defined as "the gross amount charged by the named insured, concessionaires of the named insured or by others trading under the insured's name for all goods or products, sold or distributed; operations performed during the policy period; rentals; and dues or fees. [CLI VIII.C]

Salvage- (1) Property after it has been partially damaged by an insured peril such as fire. (2) as a verb, to save endangered property and to protect damaged property from further loss

Salvage value- the amount for which an asset can be sold at the end of its useful life. In insurance circles, this term commonly refers to the scrap value of damaged property. In property insurance, salvage value (e.g., scrap value) will be subtracted from any loss settlement if the insured retains the damaged property. In extra expense coverage, the salvage value of property purchased for temporary use while repairs are made will be deducted in determining the amount of loss recovery.

Schedule- a list of an insured's locations or property such as computers, mobile equipment, or vehicles. Can also refer to a list of primary or underlying insurance

Scheduled limits-separate property insurance limits applicable to each type of covered property interest (building, personal property, business interruption, etc.) at each covered location. Contrasts with blanket limits that apply over more than one covered property interest or more than one location or both. Also called "specific limits" [CPI II.D]

Severity of interests clause- a policy provision clarifying that, except with respects to the coverage limits, insurance applies to each insured as though a separate policy were issued to each. Thus, a policy containing such a clause will cover a claim made by one insured against another insured. [CLI V.J; CRT XIV.B; PRMI 11. E]

Severity- the amount of damage that is (or that may be) inflicted by a loss or catastrophe. Sometimes quantified as a severity rate, which is a ratio relating the amount of loss to values exposed to loss during a specified period of time

Special causes of loss form (ISO)- one of the three Insurance Services Office, Inc. (ISO), causes of loss forms; an ISO commercial property policy must include one or more causes of loss forms. This form (CP 10 30) provides what is commonly referred to as "all risks" coverage: coverage for loss from all causes not specifically excluded. [CPI V.V; CRT XIV.P]

Specifications- a detailed description of the coverage types, amounts, and policy provisions submitted to an insurer to use in preparing a proposal. Insurance specifications also typically include the underwriting data the insurer will need to price the required coverages [CRM II.B]

Sprinkler leakage coverage- coverage for property damage caused by the accidental discharge or leakage of water or other substances from automatic sprinkler systems. This coverage is included in most property insurance policies. [CPI V.S]

Standard policy- a policy whose provisions are identical in all jurisdictions, regardless of the insurer issuing the policy.

Statute of limitations- a law prescribing the period within which certain types of causes of action must be brought. This time period usually begins to run when the injury or damage occurs. Each state has enacted statutes that prescribe the period within which suits must be filed that vary from claim to claim. In most states, the statutory time within which a plaintiff must file suit on a bodily injury claim based on negligence is 2 years. For malpractice claims, the statute of limitations may be only 1 year. Sometimes, courts may postpone the triggering of a statute of limitation where the plaintiff does not know about the claim. Applying the "discovery rule" some courts hold that statutes of limitations begin running when the plaintiff discovers that he or she has a claim. Actions for declaratory judgment in an insurance coverage matter are generally held to be governed by the statute of limitations for suits on written contracts, which vary in length from state to state. In Texas, for example, suit on a written contract (including an insurance policy) must be filed within 4 years of the date on which one party breaches the agreement, whereas in Ohio, such a suit may be filed at any time up to 15 years after the breach. [PLI XVII.C]

Statutory insurance- insurance that the insured is required to buy, under a country, state, or federal law

Subcontractor exception- an exception to the "damage to your work" exclusion of the CGL policy, which restores coverage when the damaged work, or the work causing the damage, was performed bu the named insured's subcontractor. The subcontractor exception is the basis for much of the coverage available under a CGL policy with respect to construction defects. It can be removed from the policy by endorsement. [CLI VI.J].

Sublimit- a limitation in an insurance policy on the amount of coverage available to cover a specific type of loss. A sublimit is part of, rather than in addition to, the limit that would otherwise apply to the loss. In other words, it places a maximum on the amount available to pay that type of loss, rather than providing additional coverage for that type of loss. In professional liability insurance, sublimits are usually a stated percentage of an aggregate limit of coverage under a policy. For example, under a lawyers professional liability policy written with a $500,000 aggregate limit of coverage, there may be a 10% sublimit of coverage (i.e., $50,000) for punitive damages. In property insurance, however, sublimits may be stated as dollar amounts or as a percentage of the limit that would otherwise apply. For example, under a commercial property policy with a $2 million limit applicable to loss from all other causes, there may be a $100,000 sublimit on coverage for loss from flood, a $500,000 sublimit on loss from earthquake, and a debris removal sublimit of 25 percent of direct damage loss amount. In both examples, the sublimit is the most the insured can collect for the type of loss to which the sublimit applies. [PLI XXI.E; CPI II.D]

Submission- a proposal for insurance submitted to an underwriter, the term implies more than simply a completed application unless the application contains all the information needed by the underwriters.

Subrogation- the assignment to an insurer by terms of the policy or by the law, after payment of a loss, of the rights of the insured to recover the amount of the loss from one legally liable for it. [CRT V.C; CPI V.D, IX.J; IWC VI.C; PRMI 5.I, 11.F]

Subrogation release- a release taken by the insurer upon paying the insured a claim that enables the insurer to subrogate against the negligent third party.

Subrogation waiver- an agreement between two parties in which one party agrees to waive subrogation rights against another in the event of a loss. Generally, insurance policies do not bar coverage if an insured waives subrogation against a third party before a loss. However, coverage is excluded from many policies if subrogation is waived after a loss because to do so would violate the principle of indemnity. [CPI V.D, IX.J; CRT V.B; IWC IX.E]

"sudden and accidental"- an exception to the 1973 CGL pollution exclusion preserved coverage with respect to pollution incidents that were "sudden and accidental." Prolonged litigation tested whether the term sudden meant merely unexpected, as some dictionary definitions specify; or whether the term necessarily has a temporal element—referring to a brief period of time, or being synonymous with all at once. A majority of courts eventually adopted the latter view. [PCI 6.B]

Surety bond- a contract under which one party (the surety) guarantees the performance of certain obligations of a second party (the principal) to a third party (the obligee). For example, most construction contractors must provide the party for which they are performing operations with a bond guaranteeing that it will complete the project by the date specified in the construction contract in accordance with all plans and specifications.

Surplus lines insurance- refers to coverage lines that need not be filed with state insurance departments as a condition of being able to offer coverage. The types of risks typically insured in the surplus lines insurance markets can usually be categorized as risks with adverse loss experience, unusual risks, and those for which there is a shortage of capacity within the standard market. [PLI IV.J]

Tail- claims from workers compensation and liability exposure in a given period can arise for many years thereafter. The aggregate of such incurred but not reported (IBNR) losses is often called tail liability.

Tail coverage- a claims-made liability policy covers claims made prior to the policy's expiration or cancellation that arise from covered occurrences, acts, or omissions committed on or after their retroactive date, if any. Most claims-made policies contain an extended reporting period provision allowing the insured to elect to purchase coverage for claims made during some specified period of time (e.g., 90 days, 1 year, 2 years) following expiration of the policy as long as the covered occurrence, act, or omission is committed on or after their retroactive date, if any, and their expiration date. Since this coverage applies at the end of the policy period it is called tail coverage. Contrast this with nose coverage under which a claims-made policy covers claims arising from covered occurrences, acts, or omissions committed prior to its inception date. [CLI II.C; PLI VIII.D]

Terrorism- the use of violence to produce terror for political or ideological purposes. Terrorism is distinct from war in that it need not be the act of a military force or be directed by a sovereign power. Foreign acts of terrorism may be certified as an insurable loss exposure under the Terrorism Risk Insurance Act (TRIA)

Terrorism endorsement- a provision attached to an insurance policy that restricts, excludes, or otherwise explains coverage for loss due to terrorist acts. The passage of the Terrorism Risk Insurance Act of 2002 (TRIA) voided all terrorism exclusion endorsements then in force on commercial property and casualty policies, to the extent that such exclusions eliminated coverage for certified acts of terrorism as covered by the federal program. It also led to the creation of many standard terrorism endorsements that provide for a wide range of terrorism coverage options: from no terrorism coverage at all (permissible only when the insured rejects or fails to pay for TRIA terrorism coverage), to full coverage for both international and domestic terrorism, subject to the $100 billion program-year cap established in the Act. [CPI VI.P; CLI VI.I; CRM VI.K]

Terrorism insurance- insurance covering loss dues to acts of terrorism. Unless endorsed to exclude loss due to terrorism, commercial insurance policies issued in the United States (for example, commercial property policies, commercial general liability policies, and commercial auto policies) generally provide terrorism insurance coverage. Terrorism insurance also may be written on a stand-alone terrorism policy. [CPI VI.P; CPI VII.Q]

Terrorism Risk Insurance Act (TRIA)- Federal legislation enacted in 2002 to guarantee the availability of insurance coverage against acts of international terrorism. Under the Act, commercial insurers are required to offer insurance coverage against such terrorist incidents, and are reimbursed by the federal government for paid claims subject to deductible and retention amounts. [CLI IV.L; CPI VI.P]

Total insured value (TIV)- A provision in reinsurance agreements that excludes coverage of individual properties in cases where total insured values across all property lines equal or exceed a certain level. This clause is used to prevent multiple exposures to reinsurers on large single risks.

Total pollution exclusion- eliminates virtually all coverage for pollution incidents, including those retained in the standard commercial general liability (CGL) policy despite its "absolute" pollution exclusion. The three Insurance Services Office, Inc. (ISO), total pollution exclusion endorsements (CG 21 49, CG 21 55, and CG 21 65) remove coverage for bodily injury or property damage that "would not have occurred in whole or part but for" a pollution incident. The second of these endorsements, CG 21 55, includes a specific exception for damages caused by smoke, heat, or fumes from a hostile fire. The third, CG 21 65, makes exceptions both for hostile fire and for bodily injury caused by fumes from faulty building heating equipment. Insureds should attempt to avoid any of these endorsements, and should negotiate for CG 21 65 if the insurer insists on adding one of them. [CLI VI.I]

Trailer interchange insurance- a type of coverage available under either the truckers or motor carrier policy form that covers the insured's legal liability for damage to the trailers of others. Truckers frequently haul trailers that are owned by other truckers. This is often done through a "trade" of trailers that are in different locations to facilitate scheduling. A trailer interchange agreement makes the trucker who has possession of the trailer responsible for any damage to the trailer. [CAI X.E]

Truckers policy- a commercial auto policy designed to address the needs of the "for-hire" motor carrier (i.e., trucking) industry. Coverages available include auto liability, trailer interchange, and auto physical damage; other coverages are available by endorsement. [CAI X]

Truckload (TL)- a term used for a motor carrier for-hire transporting a truckload of cargo from one shipper at a time, as opposed to a less than truckload motor carrier that typically consolidates loads such that its cargo at any one time comes from multiple shippers.

Umbrella liability policy- a policy designed to provide protection against catastrophic losses. It generally is written over various primary liability policies, such as the business auto policy, commercial general liability policy, watercraft and aircraft liability policies, and employers liability coverage. The umbrella policy serves three purposes: it provides excess limits when the limits of underlying liability policies are exhausted by the payment of claims; it drops down and picks up where the underlying policy leaves off when the aggregate limit of the underlying policy in question is exhausted by the payment of claims; and it provides protection against some claims not covered by the underlying policies, subject to the assumption, but the named insured, of a self-insured retention. [CLI XI.B]

Unauthorized insurer- an insurer not license to write business in a particular state.

Underground property damage- property damage to wires, conduits, pipes, mains, sewers, tanks, tunnels, any similar property, and any apparatus in connection beneath the surface of the ground or water caused by and occurring during the use of mechanical equipment for the purpose of grading land, paving, excavating, drilling, burrowing, filling, backfilling, or pile driving.

Underinsured motorists coverage- provides coverage for bodily injury, and in some states property damage, incurred by an insured when an accident is caused by a motorist who is not sufficiently insured, e.g., when the limits of liability carried by the other motorist are lower than the uninsured motorists limits carried by the insured. [CAI IV.D; PRMI 6.G]

Underlying coverage-with respect to any given policy of excess insurance, the coverage in place on the same risk that will respond to loss before the excess policy is called on to pay any portion of the claim. [CLI XI.C]

Unearned premium (UEP)- the portion of the policy premium that has not yet been "earned" by the company because the policy still has some time to run before expiration. A property or casualty insurer must carry all unearned premiums as a liability in its financial statement since, if the policy should be canceled, the insurer would have to pay back a certain part of the original premium.

Uninsured motorist coverage- provides coverage for bodily injury, and in some states property damage, caused by a motorist that is not insured. Uninsured motorists coverage allows an insured to collect from his or her own insurer as if it covered the negligent third party. [CAI IV.D]

Upset coverage- coverage for damage to a crane caused by its upset. Usually provided under an endorsement to an equipment floater. The endorsement usually specifies that if the weight carried by the crane at the time of upset exceeded the maximum rated load for the equipment, coverage will not apply.

Valuation- a provision in a property or inland marine policy that specifies the basis of indemnification when property is destroyed. An actual cash values valuation clause stipulates that the insurer will deduct depreciation from the cost to replace the property, whereas a replacement cost valuation clause stipulates that there will be no deduction for depreciation. [CPI II.D]

Values- the exposure date that must be submitted by an insurer as part of its underwriting submission, to allow for premium calculation.

Voluntary compensation endorsement- enables an employer to extend the benefits provided by the workers compensation act to employees who may not be entitles to benefits under the terms of the act, such as executive officers, partners, sole proprietors, farm workers, domestic employees, or employees traveling overseas. If such an employee is injured in the course of employment, he or she may elect to accept the scale of benefits provided by the designated workers compensation law or pursue common law remedies. [IWC VI.L]

Voluntary compensation maritime coverage endorsement- allows an employer with maritime workers compensation exposure to offer benefits of the state designated in the endorsement to an injured employee or survivors of a deceased employs. Used in conjunction with the maritime liability endorsement, which extends employers liability cover. The voluntary compensation maritime endorsement provides injured seamen an alternate remedy to legal action. [IWC VI.K]

Waiver- the surrender of a right or privilege

Waiver of subrogation- the relinquishment by an insurer of the right to collect from another party for damages paid on behalf of the insured. The waiver of subrogation condition in current liability policies is referred to as “transfer of rights of recovery” [CAI VIII.F; CLI V.J; CRT V.B; IWC IX.E]

Wharfinger legal liability coverage- a type of marine insurance that affords coverage to a wharf or pier owner/operator for the liability exposures encountered in the course of business. The policy provides care, custody and control coverage to the owner/operator for the damage to vessels and the vessels’ cargo while moored at the owner/operator’s facility for which the owner/operator is legally liable.

Workers compensation- the system by which no-fault statutory benefits prescribed in state law are provided by an employer to an employee (or the employee’s family) due to a job-related injury (including death) resulting from an accident or occupational disease. [IWC III.C]

Write- in the insurance industry, it means to insure and/or to underwrite

Written premium- this is the premium registered on the books of an insurer or a reinsurer at the time a policy is issued and paid for.