**Economic Demand Surge**

**Component of post event loss amplification that quantifies the increase in the costs of building materials and labor costs as demand exceeds supply. Has the biggest overall impact on loss amplification.**

**Average Annual Loss**

**Expected value of the modeled loss distribution or the loss one would expect to see in an average year. Sometimes called pure premium or burn cost. Since the AAL represents only an average, actual annual losses fluctuate around the AAL.**

**Deductible**

**First part of any damage, absorbed or paid by the insured (usually the property owner) before the policy begins to pay.**

**Detailed Loss Model (DLM)**

**DLM models simulate natural catastrophe events and generate hazard analyses and estimates of potential loss. They perform exceedance probability analyses that consider a range of possible events and losses. Analyses require detailed address information (postal code or better) and primary building characteristics (construction, occupancy, year built, number of stories).**

**DLM Profiles**

**Saved analysis settings for DLM analyses. A DLM profile defines the peril, geographic region, analysis type (e.g. exceedance probability, historical, footprint), and detail of output. Provides adjustments to test vulnerability, occurrence rate, and exposure sensitivities.**

**Geocoding**

**Process of estimating the latitude and longitude of a location based on its street address, city, postal code, or other address information.**

**The latitude, longitude, and related geocoding information are required to perform hazard, vulnerability, and inventory data lookups on locations as well as subsequent detailed loss model analyses. In general, Moody's peril models can perform much more precise analyses with latitude-longitude coordinates than through address validation alone. Nevertheless, even simple validation allows Moody's applications to match some part of an address with internal model data for later use in an analysis.**

**Inland Flood**

**Sub-peril associated with damaging windstorm-driven precipitation. The inland flood model considers both fluvial and pluvial flooding. Fluvial flooding captures inundation from major rivers. Pluvial flooding captures inundation from both minor rivers and intense rainfall.**

**Portfolio**

**Groupings of accounts, along with the associated treaties and facultative (fac) cessions. Users determine how to combine accounts into portfolios.**

**In the context of reinsurance, portfolios represent a reinsurers aggregate risk, gross and net, and contain the inwards treaty programs and outwards treaty program.**

**Return Period**

**Point on an EP curve that describes the likelihood of exceeding a loss threshold from the single largest event (OEP) or the aggregation of one or more events (AEP).**

**Return period is defined as the inverse of the annual exceedance probability. For example, a return period of 100 years corresponds to an annual exceedance probability of 1%. In the context of peril events, return period refers to the number of years between occurrences of an event of a given size in the region. Short and long return periods enable modelers to estimate risk at both short and long-range exceedance probabilities.**

**Sublimit**

**Targeted cap on subsets of claims.**

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**BI Waiting Period – This is the number of days after a disaster before BI coverage starts. It acts as a buffer to exclude short-term disruptions from coverage. If a business recovers before this period ends, there is no pay out.**

**BI Deductible (in Days)** – This represents the number of days the insured must bear the financial loss before the insurer steps in. While it often overlaps with the waiting period, it can sometimes be longer, requiring the insured to cover additional losses before a claim is paid.

Imagine a manufacturing company with these policy terms:  
BI Waiting Period: 5 days  
BI Deductible: 10 days  
  
• **Case 1**: A Short Disruption (6 Days):  
A flood halts production for 6 days. The first 5 days fall within the waiting period, meaning no coverage applies. The remaining 1 day of lost income is still within the 10-day deductible, so the company absorbs the entire loss. No payout occurs.  
  
**• Case 2**: A Long Disruption (30 Days):  
The same flood causes a 30-day shutdown. The first 5 days are excluded due to the waiting period. The next 5 days (days 6–10) fall under the deductible, so the company still bears that loss. From day 11 onward, the insurer starts covering losses until operations resume.

**Why Does This Matter?**  
  
Understanding the difference is crucial for businesses assessing their risk exposure.  
  
• If the waiting period equals the deductible, losses are excluded for that duration.  
• If the deductible is longer than the waiting period, businesses must absorb more loss before coverage kicks in.  
• A longer deductible increases financial strain before insurance begins paying.

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**Multi-Property Loss**-  
  
For a portfolio of three properties affected by an earthquake, with a $50,000 per property deductible:  
  
Damages:  
  
Property A: $200,000  
  
Property B: $70,000  
  
Property C: $30,000  
  
The calculation for each property is as follows:  
  
Property A: $200,000 - $50,000 = $150,000  
  
Property B: $70,000 - $50,000 = $20,000  
  
Property C: $30,000 - $50,000 = $0 (Below Deductible)  
  
Total Insurer Payout = $150,000 + $20,000 = $170,000  
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Are Political Voilence and SRCC same as Terrorism in Catastrophe Modeling context-  
  
In Catastrophe modeling, Political Violence, Strike, Riot, and Civil Commotion (SRCC) are often treated as separate from terrorism coverage, although there can be some overlap depending on the policy language and the specific definitions provided by insurers or reinsurers.  
  
1. Terrorism Coverage: Typically focuses on events that are politically, ideologically, or religiously motivated with the intent to cause harm and incite fear on a large scale. Terrorism coverage is designed to handle large-scale, organized attacks like bombings or coordinated assaults, often by identified groups or individuals pursuing a particular agenda.  
  
2. Political Violence & SRCC: This category includes a broader set of events such as:  
  
• Political Violence: Actions motivated by political agendas that may not qualify as terrorism (e.g., coups, rebellions, civil wars).  
  
• SRCC (Strikes, Riots, and Civil Commotion): Includes events that may arise from labor strikes, local protests, or riots that cause property damage or disrupt business. These events may not have the organized intent or impact required to qualify as terrorism but can still result in significant insured losses.  
  
3. Overlap and Policy Variance: Some insurers offer combined coverage for terrorism and SRCC, while others distinctly separate the two. The coverage distinctions often depend on the local regulations, policy wording, and insurer preferences. In certain regions with frequent political instability, SRCC coverage may be excluded from standard property policies or available only through specific endorsements or specialized markets.