

Most Commonly Used Property and Casualty Glossary of Terms

Accounts Receivable Coverage - pays for the cost of replacing or restoring your accounts receivable records if they're damaged by fire, windstorm, vandalism or any other covered incident. It also may pay for amounts due from your customers that you are unable to collect, subject to the policy limits.

Actual Cash Value - there are two ways to calculate the value of your property. Replacement cost valuation is the full amount necessary to replace your property today with property of like kind and quality. The other valuation method is actual cash value, which is the cost to replace your property today with materials of like kind and quality, less depreciation.

Advertising Liability - your business can incur liability from advertising and associated activities. Advertising liability includes publishing information that is inaccurate, slanders or libels someone; violates their right of privacy; copies their advertising ideas or style of doing business; or infringes on their copyright, title or slogan.

Aggregate Limit - a type of policy limit in liability policies that restricts coverage to a specific sum for covered losses that occur during the policy period.

Automobile Liability Insurance - protects your business against loss if someone claims that you or someone driving your car with permission is legally liable for injuring a third party or causing property damage.

Binder - a document you can use to show evidence of your insurance coverage until you receive your insurance policy. If you have a valid binder you are insured.

Blanket Coverage - coverage under a single amount of insurance for two or more properties or exposures.

Bodily Injury Liability - liability for injury or death of someone (other than you or your employee), including the cost of care, loss of services and/or restitution for death.

Boiler and Machinery Insurance - protects your business in case of the sudden and accidental breakdown of your steam boilers, steam pipes, steam engines and turbines, machinery, electrical equipment and mechanical equipment. Sometimes these items are excluded from standard property insurance policies. Some carriers now use the term "Systems Breakdown Coverage" or "Equipment Breakdown Coverage" to refer to Boiler and Machinery coverage. Since the terminology can have different meanings, a policy should be carefully reviewed to determine if traditional boiler and machinery coverage is included in Systems Breakdown or Equipment Breakdown.

Builder's Risk Coverage - insures your commercial buildings under construction against damage from fire, windstorm, theft and other exposures. The coverage also applies to property and building materials while in transit and during temporary storage. The coverage may apply to a single location or may be written to cover multiple locations.

Building Coverage - protection against physical loss or damage to your building and other structures at the same location due to fire and other covered incidents, to the policy limit.

Business Income from Dependent Properties - provides coverage for loss of income resulting from damage to the property of another business on which the Insured depends to continue operations. The other business is typically a supplier or purchaser of the Insured's products. If the other (dependent) property suffers a covered loss and the Insured cannot obtain required products or component parts from that facility, the resulting loss of income is covered. Also known as Contingent Business Income or Contingent Business Interruption.

Business Income/Business Interruption/Extra Expense Coverage - reimburses your business for lost profits, fixed expenses and the cost of restoring operations if the business has to shut down due to direct damage to your property. Reimbursement is usually up to a year following the covered loss. Examples of extra expenses include renting equipment or another office space.

Business Owner's Policy (BOP) - a single policy that combines protection for both property (buildings, personal property, business interruption/extra expense) and general liability coverages. Buying a BOP can be a good deal for a business owner. The policies often provide more complete coverage at a lower price than separate policies would for each kind of coverage.

Business Personal Property Coverage - protects you against physical loss or damage to your business' equipment, stock, furniture, fixtures, and/or improvements caused by a fire or other covered incident, to the policy limit.

Casualty Insurance - covers your legal liability for property damage and bodily injury to others.

Claims-Made and Reported Coverage - covers only claims that are made against the Insured and reported to the carrier during the policy period. Coverage is triggered by the date a claim is made against the Insured, not by the date of the actual wrongful act. Claims - made is the typical coverage form for Professional Liability, Directors' & Officers' and Employment Liability policies. (Also see [Retroactive Date](#))

Commercial Package Policy - a Commercial Package Policy ("CPP") is a coverage plan that includes a wide range of essential liability and property coverages for a commercial enterprise that may otherwise be purchased separately. The package policy usually features common policy conditions, common declarations, and two or more coverage sections.

Contractual Liability Coverage - provides coverage for certain liabilities you assume in a written contract, subject to the policy terms and conditions.

Declarations - the portion of the insurance policy that contains specific information, such as your name and address, the coverage, limits of liability, deductible, premium and policy term.

Deductible - the specific dollar amount you must reimburse the carrier when a covered loss is paid on your behalf by the insurance carrier.

Depreciation - a decrease in the value of property over a period of time as a result of use, wear and tear, or obsolescence.

Directors and Officers Liability - a Directors and Officers Liability ("D&O") policy provides protection against claims alleging wrongful acts committed in the capacity of a director or officer. A traditional D&O policy covers only the directors and officers, and provides no protection for the corporate entity. However, there are policies

available that extend coverage to all employees and provide some protection for the entity. Many D&O policies can also be expanded to include Employment Practices Liability coverage.

ERISA Compliance Bond - according to ERISA, all persons who handle plan assets must be bonded for 10% of the plans' aggregate assets. The minimum required amount is \$1,000 and the maximum is \$500,000 (required amounts are subject to change). This requirement can be easily complied with by adding an ERISA endorsement to an Employee Dishonesty policy.

Employee Benefits Liability Coverage - protects your business from losses arising from the administration of employee benefit programs, such as not properly enrolling a new employee in a health plan. This coverage can be endorsed to a General Liability policy and is often included in a Fiduciary Liability policy. It is important to note that Employee Benefits Liability coverage does not cover the liabilities imposed by ERISA on the benefit plans' fiduciaries. (Also see [Fiduciary Liability Coverage](#))

Employee Dishonesty Coverage - reimburses you for financial loss to your business due to dishonest or fraudulent activities of one or more employees. Also known as a Fidelity Bond. The coverage can be extended to comply with the bonding requirements imposed by ERISA.

Employers Liability Coverage - provides liability protection for employers for damages arising from employment-related accidents or diseases. This coverage also applies if your business is sued by a third party affected by a workplace injury, such as a family member of the injured worker. However, an injured worker or anyone else seeking to recover damages under this coverage must prove that the employer was legally responsible for the injury or disease. This coverage is generally in a workers' compensation policy as Part Two or Coverage B. (Also see [Workers' Compensation Insurance](#))

Employment Practices Liability Insurance - Employment Practices Liability Insurance ("EPLI") is coverage against claims by employees alleging that they suffered damages as a result of the employer's discrimination, wrongful termination, sexual harassment, or various other employment-related offenses.

Endorsement - a written amendment added to and made a part of an insurance policy to change the original insurance policy language. The change may restrict or broaden the coverage.

Equipment Breakdown Coverage - pays to repair or replace various types of due to breakdown, rupture or bursting, or artificially generated electric current. Covers computers, scanning equipment, phone systems, air conditioners, refrigeration systems and many other types of equipment. Some carriers use the term "Systems Breakdown Coverage" to be inclusive of Equipment Breakdown Coverage and traditional Boiler and Machinery insurance (e.g., steam boiler explosion). Other carriers do not include steam boiler explosion in the definition of Equipment Breakdown Coverage.

Errors and Omissions Insurance ("E & O") - protects you against liability for committing an error or omission in the performance of professional duties. E&O policies are designed to cover financial losses rather than liability for bodily injury or property damage. For example, E&O coverage would protect an architect who is sued because he made a mistake in his drawings for a new building or an accountant who failed to tell a client to submit quarterly estimated tax payments. E&O policies are written on the Claims-Made and Reported coverage form.

Excess Liability Insurance - provides coverage above the limits of primary liability insurance policies, after the primary policy limits have been exhausted.

Exclusion - a written provision in an insurance policy that denies coverage for certain events, hazards, people, property or locations.

Experience Rating - a method of calculating premiums based on prior claims experience and exposures such as payroll.

Extra Expense Coverage - covers additional costs of continuing your business following a covered loss or damage to your insured property. This coverage could include the expense of renting an alternative office and buying new office supplies. This coverage is important if you can't close your business in the event of a loss, but must quickly find alternative office space to continue your business operations.

Fiduciary Liability Coverage - ERISA designates the people who administer and manage pension and benefit plans as "fiduciaries." Fiduciaries are personally liable for breaches of duty, as defined by ERISA, while administering the plans. An example of a breach of fiduciary duty is failing to prudently invest the plan assets, resulting in financial loss to the plan beneficiaries. Fiduciary Liability insurance protects the individual fiduciaries' personal assets from claims alleging breaches of duty. Fiduciary policies are written on a Claims-Made and Reported coverage form. Employee Benefits Liability coverage is often included on Fiduciary policies.

Fine Arts Coverage - covers your works of art that are damaged due to perils, subject to the terms and conditions of the policy. The coverage is written on a valued basis.

Fire Damage Liability Coverage - pays for fire damage caused by your business to the property of others in your building. It also covers fire damage to other parts of the building you occupy, due to negligence by you or an employee. Also known as Fire Legal Liability coverage.

Flood Insurance - covers your property in the event of a flood. Flood is commonly excluded from property insurance policies.

Food Storage Coverage - reimburses you for the cost of your food inventory damaged due to spoilage caused by an insured incident. Also called Spoilage Coverage or Temperature Change Coverage.

Garagekeepers Legal Liability Coverage - provides coverage to owners of vehicle garages, parking lots and vehicle repair shops for damage to your customers' vehicles left in your custody for safekeeping or repair. Coverage is applicable only if you are at least partially responsible for the loss.

General Liability Insurance - liability only coverage that protects business owners and operators from claims brought by third parties alleging bodily injury or property damage.

Hired and Non-Owned Auto Liability Coverage - protects your business from liability due to your employees' job-related use of vehicles your company does not own. This coverage includes hired or rented vehicles and employees' own vehicles. It is important to note that while an employee is driving his or her own personal car on company business that their personal auto policy will respond on a primary basis for an accident. The company's Non-Owned Auto coverage will respond excess of the personal auto policy.

Hold Harmless Agreement - a hold harmless agreement is normally included in a written contract whereby one party agrees to assume the other party's liability arising from specified actions. For example, if you contract with another party to do work for you, you agree in writing that the other party will pay for any liability you incur because of his work.

Inland Marine Insurance - covers your goods in transit, except across oceans. The coverage also applies to items that are used at locations other than at your insured property.

Insurance Department - a government entity in each state or territory administers insurance laws and licenses and regulates insurance agents and companies. A state insurance department can be a stand-alone government agency or a division of another department.

Insured Contract - a definition in a liability policy that describes the types of contracts in which liability is assumed by the insured and included for coverage in the policy.

Jeweler's Block Coverage - a separate policy form that covers damage to the Insured's stock of jewelry, precious and semiprecious stones, watches, precious metals, and similar merchandise. Also covers similar 'property of others' in the Insured's care, custody, or control.

Kidnap and Ransom Coverage - provides financial protection in the event you or any of your employees are kidnapped and a ransom is demanded. Coverage may extend to reimbursement for extortion demands for threats to your property. Policies typically include the services of Crisis Management professionals to assist in the negotiations, coordination of law enforcement agencies, and resolution of the situation.

Limits of Liability per Occurrence - the maximum amount of money an insurer agrees to pay for any one occurrence under a particular insurance policy.

Liquor Liability Coverage - provides your business with protection from bodily injury and property damage claims arising from selling or serving alcoholic beverages.

Medical Payments Coverage - covers reasonable medical costs of an individual other than the insured due to an accident, regardless of the Insured's legal liability. This coverage can be part of an automobile policy or a general liability policy.

Misrepresentation - making written or verbal statements that are untrue or misleading, with the intention of deceiving the insurance company. This activity may be grounds for voiding the insurance policy that was issued based on the untrue or misleading statements.

Money and Securities Coverage - subject to policy provisions, protects your money and securities against theft, disappearance or destruction while they're on your business premises or off-site, such as while being transported to the bank.

Named Perils Policy - a property insurance policy that covers only losses caused by the perils specifically listed in the policy. This coverage contrasts to special form coverage, which covers property losses from all causes not specifically excluded.

Occurrence - an accidental event that results in loss or damage.

Occurrence Coverage Form - covers claims that happened during the policy period, regardless of when the claim is made against the Insured or when the claim is reported to the carrier.

Ocean Marine Coverage - covers your cargo being transported by ship or over water.

Peril - the cause of a possible property loss, such as fire, windstorm, theft, explosion or riot.

Personal Injury Coverage - protects your business from liability due to injury (other than bodily injury) to a third party that arises out of false arrest, detention or false imprisonment, malicious prosecution, wrongful eviction, wrongful entry, invasion of privacy or slander, except in the course of advertising, publishing, broadcasting or telecasting.

Premises Liability Coverage - protects your business against liability damages due to an injury that occurs on your premises to a third party. An example would be a customer slipping or falling at your business.

Premium - the dollar amount an insurance company charges to provide the coverage in an insurance policy or bond.

Products Liability and Completed Operations Coverage - Products Liability covers third-party bodily injury or property damage occurring somewhere other than your premises from a product your company made, distributed or sold, or a service your business provided. Completed Operations covers bodily injury or property damage resulting from completed work when the injury or damage takes place away from your premises. In the event of a lawsuit, your business also is covered for related defense costs.

Professional Liability (PL) Insurance - protects you against liability for committing an error or omission in the performance of professional duties. Professional Liability policies are designed to cover financial losses rather than liability for bodily injury or property damage. For example, Professional Liability coverage would protect an architect who is sued because he made a mistake in his drawings for a new building or an accountant who failed to tell a client to submit quarterly estimated tax payments. (Also see [Errors and Omissions \("E & O"\) Insurance](#))

Property Damage Liability Coverage - protects your business against liability damages arising from physical loss or damage to someone else's property, other than your employees'. It usually includes damages for loss of use of the property.

Property Insurance - provides financial protection against physical loss or damage caused by fire, windstorm, vandalism or other covered incidents to many kinds of business property that you own. Covered business property can include your building, equipment, tools, supplies, furniture, fixtures and improvements.

Property of Others Coverage - covers you for damage to the property of others that is in your possession and for which you are legally liable while it is in your possession.

Punitive Damages - damages awarded in addition to compensatory damages. Punitive Damages are intended to financially punish the wrongdoer.

Replacement Cost Value - the dollar amount it costs today to replace or repair your damaged property with that of like kind and quality, without any deduction for depreciation.

Retroactive Date - a provision found in all Claims-Made and Reported policies that restricts coverage to injuries or damages ("wrongful acts") occurring on or after this specified date. Typically the Retroactive Date will be the effective date of the first Claims-Made policy purchased by the Insured.

Risk - a chance of loss. Also used to mean the insured, or the property the insurance applies to.

Sewer and Drain Back-Up Protection - protects your business against losses caused by water backing up through your sewers or drains, or by water overflowing from a pump.

State Fund - there are various types of state-owned and operated entities that are designed to protect policyholders in the event of an insurance company becoming insolvent. These entities are called "insolvency funds" or "guarantee associations." There are also state-operated entities that write workers' compensation insurance.

Subrogation - the assignment to an insurer, after payment of a loss, of an insured's right to recover the amount of the loss from someone who is legally liable for the damages.

Surety Bond - a guarantee by a surety company that the bond buyer will fulfill a certain obligation he or she has made to a third party. Unlike other forms of insurance, the entity protected by the bond is a third party, not the buyer; the surety bond buyer is the one doing the work that is guaranteed.

Terrorism Coverage - provides coverage under the Terrorism Risk Insurance Act of 2002, limited by the terms, conditions, and exclusions provided by the carrier. Terrorism coverage is partially reinsured by the United States of America.

Transit Insurance - protects shipments of goods you make by car, truck, rail, or air from the time they leave your business location to the time they are delivered to your customer.

Umbrella Liability Coverage - provides additional protection for your business over and above the liability limits of primary insurance policies such as Business Owners' Policies, commercial automobile policies and Employers' Liability. Subject to the policy terms and conditions, coverage begins after the policy limits of a primary policy have been exhausted. Also called Excess Liability Coverage.

Underwriter - the insurance company that insures a particular risk, or the person at an insurance company who evaluates applications for insurance coverage, decides whether to accept or reject the risk and sets a price for the coverage.

Valuable Papers Coverage - pays for the cost to research, reproduce, replace or restore your valuable business records if they are not duplicated but are damaged or destroyed by a covered loss. Coverage includes printed or written documents, books, films and more.

Water Damage Coverage - protects your business from losses resulting from flooding and surface water, and the backup of sewers, drains or sump pumps.

Workers Compensation Insurance - provides benefits, as specified by state law, to employees for work-related injuries or illnesses, regardless of who is at fault. Typical covered expenses include medical benefits, such as medical, hospital and surgical costs; related healthcare costs such as physical therapy and prosthetic devices; disability income benefits, including services such as vocational rehabilitation that help an injured worker return to productive work; and death benefits. Workers compensation is a no-fault system, meaning that injured employees do not have to sue their employers to receive compensation. Compensation is automatic for covered benefits; benefits vary by state. (Also see [Employer's Liability Coverage](#))