

Part VI

GLOSSARY & INDEX



GLOSSARY AND INDEX



A

ABANDONMENT In property insurance, an attempt by the named insured to forfeit the damaged property to the insurance company in exchange for payment of the full face value of the insurance contract. Abandonment is not permitted under property insurance policies.

Page 3-14, 9-15

ABSOLUTE LIABILITY A tort liability theory in which duty and breach of duty are not an issue. Used in liability cases which involve, for instance, wild animals, explosives or pollution.

Page 4-6

ACCEPTANCE In contract law, a complete assent to the offer. The acceptance must be a "mirror image" of the offer. An offer and its acceptance comprise the agreement.

Page 2-9

ACCIDENT A sudden, unforeseen and unintended event that happens at a known place and a known time. Also called a fortuitous event. For contrast, see Occurrence.

Page 1-7, 12-2

ACT OF GOD A natural catastrophic disaster that human intervention would not have prevented. Examples are hurricanes, earthquakes and tidal waves. Such acts are harder to predict than more mundane human being-caused losses such as automobile accidents and work-related accidents.*

ACTION OF CIVIL AUTHORITY When access to your property is prohibited by civil authority because of direct loss to a nearby property. This is covered under Business Interruption Insurance in the Commercial Property Form.

Page 9-22

ACTUAL CASH VALUE (ACV) In property insurance, Actual Cash Value is Replacement Cost less Depreciation. ACV is the most basic definition of value in a property policy. Property insured under ACV is depreciated over time. For contrast, see Agreed Value, Fair Market Value and Replacement Cost.

Page 3-10

ACTUARY A mathematician professionally trained in the technical aspects of insurance who calculates premiums, reserves, and other related values and expenses.*

ADDITIONAL COVERAGES In property insurance, coverage for additional expenses, such as fire department service charge and debris removal, some of which may pay benefits in addition to the face amount of the contract.

Page 3-15, 5-15, 9-12

ADDITIONAL INSURED ENDORSEMENT Under Homeowners policies, an endorsement which covers a person or persons not originally protected under the policy. An example would be adding a contract seller under the new owner's Homeowners policy as an additional named insured.

Page 5-6

ADDITIONAL INSURED - LESSOR A Commercial Auto endorsement which makes the lessor of the auto an additional insured.

Page 13-4

ADDITIONAL LIVING EXPENSES Under Dwelling/Homeowners policies, coverage which pays for the additional expenses of living someplace else while your house is being rebuilt. Typically, you move to a motel and eat restaurant food, which is more expensive than being at home. The coverage will pay for the extra costs of living elsewhere during repairs.

Page 5-13

ADJUSTER An individual who settles insurance claims.*

ADMITTED COMPANY See authorized company

ADVERSE SELECTION/ANTI-SELECTION The tendency for people who have a high need for a particular coverage to buy, while those who have a lesser need do not buy. For example, people who live on the top of the mountain do not buy flood insurance, while those who live on the riverbank do.

Page 7-1

ADVERTISING INJURY LIABILITY The liability which arises from a business harming another business by misrepresentation or stealing the other business' trademark, copyright, etc... It is, essentially, Personal Injury in a commercial setting. For contrast, see Personal Injury Liability.

Page 4-2, 10-6, 10-14

AGENCY AGREEMENT Contract between the insurance company and the agent that will specifically explain what the agent can and cannot do. It will also spell out how and when the agent will receive compensation.

Page 2-17

AGGREGATE LIMITS As in General Aggregate Limits, or total policy limits. Found typically in liability policies utilized by businesses. The aggregate limit represents the total obligation of the insurance company during the policy period. An aggregate limit of one million dollars means the insurance company would pay only up to that amount during the policy period. Also see General Aggregate.

Page 10-18

AGREED VALUE The insurance company and the insured agree to a specific price for each piece of property before the contract is written. If there is a loss, the company pays the Agreed Value as specified with no regard for depreciation or for the replacement cost of the item. For contrast, see Actual Cash Value and Replacement Cost.

Page 3-11, 9-19

AGREEMENT In contract law, the offer and acceptance together make up the agreement.

Page 2-9

AIRPORT LIABILITY Contracts which provide liability coverage for businesses which are in the airplane business – repair, rental, storage etc.

Page 13-15

ALEATORY CONTRACT An aleatory contract is one in which one party (such as the insurance company) is only obligated to pay if a fortuitous event occurs and in which one party may obtain far greater value under the agreement than the other. There is a possibility that the company will never be obligated to pay. An insurance contract is an aleatory contract as there may be an uneven exchange of values.

Page 2-13

ALIEN COMPANY A company chartered in another country.

Page 2-6

“ALL RISK” (OPEN PERILS) POLICY “All Risk” is the outdated term for what is now called “Open Perils”. Property insurance can be written on either a Named Perils basis or an Open Perils basis. An Open Perils policy covers every conceivable peril (even an unusual one) except for those specifically excluded in the policy.

Page 3-9

APPARENT AUTHORITY The authority that the general public could logically assume that the insurance agent could have.

Page 2-18

APPRAISAL A method for determining value if the parties to the contract (the insurance company and the insured) cannot agree on the amount of a claim settlement.

Page 3-14, 9-15

APPURTENANT STRUCTURE See Other Structure.

ARBITRATION A method of settling a dispute without taking the matter to court in which outside parties hear both sides and make a decision which may or may not be binding.

Page 6-18

ARSON The crime of purposely setting fire to property.*

ASSIGNED RISK PLAN In fire, flood, crime, workers compensation, and auto insurance, a state-sponsored program of insurance for high risk individuals who are unable to obtain coverage.*

ASSIGNMENT The legal transfer of ownership of an insurance policy from the current policyowner to a new policyowner. An assignment must be agreed to in writing by the old policyowner, the new policyowner and the insurance company.

Page 3-5

ASSUMPTION OF RISK If you knowingly place yourself in a dangerous position, your ability to collect from a wrongdoer may be eliminated. Also see Comparative Fault/Negligence.

Page 4-5

ATTRACTIVE NUISANCE A dangerous place, condition, vehicle or object that is particularly attractive to young children, such as a swimming pool with no fence around it.*

AUDIT Some types of coverages such as workers compensation have next year's premium estimated based on what is known today. The actual premium to be charged will be determined by an audit at the end of the insuring period and any adjustments required will be made at that time.

Page 10-31

AUTOMOBILE A land motor vehicle, trailer, or semitrailer designed for travel on public roads, but does not usually include mobile equipment.

Page 6-2, 13-2

AUTHORIZED COMPANY A company that has been admitted to do business in a particular state. To become authorized the state will give the company a Certificate of Authority.

Page 2-7

AVIATION INSURANCE Insurance dealing with the ownership, maintenance or use of airplanes.

Page 13-15

B

BAILEE A person or business having property committed in trust by the owner.

Page 9-11, 10-13

BARRATRY OF A MASTER Embezzlement or dishonest acts by a ship's captain. A named peril available in Ocean Marine policies.

Page 13-10

BASIC CAUSES OF LOSS/PERILS Property policies designate which perils are covered. The Basic Cause of Loss form covers 11 listed perils in Commercial Property. In Homeowners and Dwelling policies, the Basic form normally covers the Standard Fire perils, the EC perils and V&MM.

Page 3-19, 5-14

BILLOFLADING The contract between the shipper and the carrier that lists the goods being shipped, acknowledges their receipt, and promises to deliver the goods to the person named.

Page 13-8

BINDER An interim insuring agreement that provides coverage until the actual policy is issued. However, a binder does not guarantee that a policy will, in fact, be issued. A binder may be either oral or written.

Page 2-12

BLANKET COVERAGE Applicable to Commercial Property coverage, Blanket Basis simply means that the insured is covered for losses to property up to the policy limits without specifically listing all property by name.

Page 3-8

BLANKET POSITION BOND A type of Fidelity Bond which covers all employees.

Page 11-3

BOATOWNERS POLICY A multi-line contract covering the boat itself and the liability arising from the use of the boat. Generally written for craft not large enough or valuable enough to merit a Yacht policy.

Page 7-7

BODILY INJURY (BI) The physical injury or death of a human being.

Page 4-2, 10-10

BOILER AND MACHINERY See Equipment Breakdown.

BREACH OF CONTRACT The violation of, or failure to perform, the terms of a contract; the breaking of a legally binding agreement.*

BREACH OF DUTY Failure to live up to your duty. Breach of duty is second element of negligence.
Page 4-4

BROAD CAUSES OF LOSS/PERILS A list of named perils that insured property is covered against. In both commercial lines and personal lines, the Broad form covers more perils than the Basic form, but fewer than the Special (All Risk) form.
Page 3-21, 5-14, 9-25

BROKER The legal representative of the insured. Their job is to determine the client's needs and then find the best product on the market to fill that need.
Page 2-18

BUILDING ORDINANCE A building law or ordinance which dictates the construction and safety of a building, and sometimes requires the demolition of a damaged building. Under a Commercial Property policy, losses due to the enforcement of a building ordinance (nowadays called "Ordinance or Law") are not covered.
Page 9-26

BUILDERS RISK A Commercial Property coverage form which covers buildings under construction.
Page 9-28

BURGLARY The taking of property from a premises that is closed or locked tight and leaving marks of forced entry or exit. Burglary is a crime directed against property. Also see Robbery.
Page 3-24, 11-4

BUSINESS INCOME A coverage available under the Commercial Property policy which pays a business for the actual loss of business income (net income plus continuing operating expenses such as payroll) during a period of restoration after a covered direct loss up to the limits of the policy.
Page 9-21

BUSINESS INTERRUPTION INSURANCE Coverages under a Commercial Property policy which are designed to reimburse indirect losses, such as business income and extra expenses during a period of restoration.
Page 9-19, 12-5

BUSINESS PERSONAL PROPERTY Movable property that a business owns, used in the performance of the business, such as desks, chairs, computers, and copy machines. Business Personal Property also includes stock or inventory.
Page 9-10

BUSINESSOWNERS POLICY (BOP) A prepackaged property and casualty policy designed for small to medium-sized low risk businesses.
Page 14-1

BUSINESS PURSUITS ENDORSEMENT An endorsement added to a homeowners policy which provides coverage for an in-home business.
Page 5-35

C

CANCELLATION Termination of a contract of insurance during the policy period by voluntary act of the insurer or insured in accordance with the provisions in the contract or by mutual agreement.
Page 1-6, 8-5

CAPTIVE AGENCY The insurance company contracts with an agency to market insurance exclusively for that company.
Page 2-16

CARGO COVERAGE An Ocean Marine coverage which protects the owner of the cargo for damage to that cargo.
Page 13-9

CASUALTY/LIABILITY INSURANCE Insurance which is designed to cover legal liability imposed upon the insured for injury or damage to others or the property of others.
Page 1-3, 4-1, 10-1

CATASTROPHIC LOSS A loss of unusual size caused by the simultaneous occurrence of a peril to a very large number of insureds and generally excluded from coverage, such as war, nuclear catastrophe, flood and earthquake.
Page 1-5, 2-14

CAUSE OF LOSS FORMS Several levels of peril power from which the insured may choose. In the Commercial Property policy, the Basic Cause of Loss form covers 11 named perils; the Broad form, 14 perils. The Special form is Open Perils (All Risk).
Page 3-19, 9-24

CERTIFICATE OF INSURANCE A statement providing evidence that a policy is in force and outlining the coverages in effect.

Page 1-6

CHARTERED PROPERTY AND CASUALTY UNDERWRITER (CPCU) A professional designation awarded by the American Institute for Property and Liability Underwriters for successful completion of a series of examination and experience requirements in the fields of insurance, plus accounting, financing, economics and law.*

CIVIL COMMOTION A peril consisting of the uprising of a large number of people, usually resulting in damage to property; in property insurance, the peril of "Riot or Civil Commotion" includes acts done by striking employees, and looting which occurs at the time and place of the civil commotion or riot.

Page 3-19

CLAIM Notification to an insurance company that payment of an amount is due under the terms of a policy.

Page 10-23

CLAIMS-MADE POLICY A Commercial General Liability policy may be written on either an Occurrence or a Claims-Made basis. Under the Claims-Made approach, coverage is triggered by the claim, not the occurrence.

Page 10-22

COINSURANCE CLAUSE In property insurance, a clause under which the insured shares in losses to the extent that he is underinsured at the time of the loss according to the formula: $\text{Did Carry/Should Have Carried} \times \text{Loss} = \text{Claim Paid}$.

Page 3-12, 9-18

COLLAPSE A falling to pieces, as when supports or sides fail to hold. Collapse can be caused by a number of perils such as fire or weight of rain or snow. Collapse is an additional coverage under the Commercial Property policy and a Broad form peril in the Dwelling and Homeowners policies.

Page 9-26

COLLISION Physical damage coverage for the insured's own vehicle for damage resulting from a crash with another object (such as a car, tree, or pole) or upset.

Page 6-7, 6-19, 13-4

COMMERCIAL BLANKET BOND Type of Fidelity bond that covers all employees and its limits are expressed on a per loss basis regardless of the number of employees involved in the loss.

Page 11-3

COMMERCIAL LINES Insurance written to meet the needs of businesses, such as the Commercial Package policy and the Businessowners policy.

Page 1-4

COMMERCIAL PACKAGE POLICY A combination of two or more of the following coverage modules: Commercial Property, Commercial General Liability, Commercial Crime, Commercial Automobile, Commercial Inland Marine, Boiler & Machinery and Farm.

Page 8-1

COMMON CARRIER Anyone who is in the business of hauling other people's goods for a fee.

Page 13-8

COMPARATIVE FAULT/NEGLIGENCE If you are injured by the Other Guy, but it is partly your fault, then the damages you collect from the Other Guy will be reduced by the percent of your fault. For example, if it was 20% your fault, then your award will be reduced by 20%. Also see Assumption of Risk.

Page 4-5

COMPENSATORY DAMAGES Arising from a liability claim, these damages are awarded to the injured party to compensate them for their injury and to restore them, as best as possible, to their original condition.

Page 4-5

COMPETENT PARTIES The parties to the insurance policy must be competent, which means that they must be of legal age, sane, sober and under no pressure or duress.

Page 2-9

COMPLETED OPERATIONS LIABILITY Many of the same kinds of businesses which need Operations Liability coverage need Completed Operations Liability coverage. Operations Liability provides protection while the work is being done; Completed Operations offers protection after the work is done. It offers protection for bodily injury or property damage caused by the work itself.

Page 10-3

COMPREHENSIVE Physical damage coverage for the insured's own vehicle for damage resulting from perils such as fire, theft, hail, or contact with a bird or animal. Comprehensive coverage excludes collision. Also called Other Than Collision Coverage.

Page 6-7, 13-4

COMPUTER FRAUD (Agreement 6) A crime coverage which protects the insured from electronic theft.

Page 11-7

CONCEALMENT Concealment is the intentional failure of the applicant/insured to disclose to the insurance company a material fact on an application or on a proof of loss. The applicant/insured has the duty to reveal all material information. Failure to do so may void the contract. Also see Warranties and Representations.

Page 2-11

CONCURRENT CAUSATION When two losses occur and one is caused by a covered peril and the other one is caused by an excluded peril. The property policy will only cover the damage attributed to the covered peril.

Page 9-26

CONCURRENT POLICIES Two or more policies covering the same property that are identical in peril coverages. If two property policies cover the same piece of property, they must be concurrent. Also see Nonconcurrent Policies.

Page 3-16, 9-8

CONDITIONAL A contract in which promises will only be honored if the parties do certain things, e.g., the company will pay the loss...if...the insured pays the premium.

Page 2-12

CONDITIONS The Conditions section of the policy spells out the procedures which enable the parties to function effectively under the contract. They establish the rules of conduct between the parties of the contract, such as: how to report a loss, appraisal provisions, time and manner of paying a loss, subrogation, cancellation, assignment rights and definitions of terms. The policy Conditions are the bulk of the policy.

Page 2-13

CONDOMINIUM ASSOCIATION COVERAGE

A form of Commercial Property coverage which provides coverage for common property in a condominium complex.

Page 5-3, 9-30

CONDOMINIUM UNIT OWNERS COVERAGE A

Commercial Property coverage which functions much like an HO-6 for those who operate their businesses out of a "commercial" condominium.

Page 9-30

CONSEQUENTIAL LOSS An endorsement available for the Boiler and Machinery Policy covering spoilage caused by lack of power, light, heat, steam, or refrigeration following a covered loss.

Page 12-5

CONSIDERATION Something of value; consideration is an essential element of a binding contract; in a P&C contract, the applicant's consideration consists of premium and the statements made in the application for insurance; the insurance company's consideration is the promises contained in the policy.

Page 2-9

CONTRACT An agreement, such as an insurance policy.

Page 2-8

CONTRACT OF ADHESION A "take it or leave it" agreement, such as an insurance policy. A contract of adhesion is drafted by one party (the insurance company) while the other party (the insured) either accepts the terms and conditions of the contract "as is" or rejects them. Any ambiguities in the contract will generally be decided in favor of the non-drafting party (the insured).

Page 2-8

CONTRACTUAL LIABILITY Liability that you voluntarily agree to take on, generally for business purposes.

Page 10-4

CONTRIBUTORY NEGLIGENCE If an injured party is even 1% responsible for their own injury, they will collect nothing under this theory of negligence.

Page 4-5

CORPORATION A legal entity, chartered by a U.S. state or the federal government, which is separate and distinct from the persons who own it (the stockholders). A corporation is a legal "person" that can own property, incur debts, sue, or be sued.
Page 10-16

COUNTERSIGNATURE Many states have laws requiring that newly issued policies sold by a non-resident agent be countersigned (signed a second time) by a licensed resident agent of that state before delivery to the policyowner.
Page 2-12

COVERAGE EXTENSIONS In property insurance, Coverage Extensions provide extra benefits. For an insured to receive these benefits they must earn them by maintaining 80% or more insurance to value on the Declarations Page.
Page 3-14, 9-12

COVERAGE FOR DAMAGE TO YOUR AUTO This optional automobile coverage is also known as Physical Damage, and consists of Collision and Comprehensive.
Page 6-7

CROP INSURANCE A federal government insurance program which provides protection for damage to growing crops.
Page 13-13

CUSTODIAN Any person (such as the insured or an employee) authorized to have custody of insured property on the premises but NOT a janitor or a watchperson. Also see Messenger, Guard and Watchperson.
Page 11-4

D

DAMAGE TO YOUR AUTO See Coverage for Damage to Your Auto.

DAMAGES Injuries translated into dollars, such as medical bills, repair bills, lost wages, and pain and suffering. In order to establish that the Other Guy was negligent, one of the four elements you must show is that he caused you financial damages.
Page 4-4

DAY CARE ENDORSEMENT An endorsement added to an HO policy which primarily provides third party coverage for a child care business operated in the home.
Page 5-35

DEBRIS REMOVAL An additional coverage under the Commercial Property module and under all Homeowners forms which covers the cost of hauling away the debris left by a covered peril. Example: the costs of hauling away the burnt down walls, furniture and carpeting after a fire.
Page 5-15, 9-12

DECLARATIONS ("DEC SHEET") The Declarations Sheet is usually the first page of the policy and contains the following basic information: the Named Insured(s), the covered property, the description of the property, the policy period and the premium.
Page 2-13

DEDUCTIBLE A dollar amount of a claim which the insured must pay before the policy starts paying benefits. The company pays benefits only for the losses in excess of the amount specified in the deductible provision.
Page 3-12

DEFENSE COSTS For any claim or lawsuit filed against you (to which the insurance applies), the insurance company will provide your legal defense. These costs are part of the Supplementary Payments and are paid in addition to the limits of liability of the policy.
Page 10-6

DEPRECIATION The decrease in value of property over time as the result of deterioration, obsolescence or wear and tear. Depreciation is a factor used in calculating Actual Cash Value.
Page 3-10

DIFFERENCE IN CONDITIONS (DIC) FORM A form of Inland Marine insurance usually used in combination with the Basic Form of the Commercial Property policy. It offers coverages usually not found in property policies, e.g., flood and goods in transit. The DIC form has no coinsurance requirement.
Page 9-30

DIRECT LOSS The financial loss caused by the destruction of covered property from a covered peril, such as the cost of rebuilding a house destroyed by fire. Compare Indirect Loss.
Page 1-2

DIRECTORS AND OFFICERS LIABILITY POLICY Provides liability coverage for wrongful acts of a board of directors (or similar group) of a corporation or even a not-for-profit organization.

Page 10-32

DISABILITY INCOME BENEFITS A type of benefit typically provided by Workers Compensation insurance which pays a disabled employee an income to replace his or her lost income during a period of total or partial disability. The dollar amount of income and total length of time that benefits will be paid vary greatly from state to state.

Page 10-29

DISCOVERY PERIOD This is a period of time after a fidelity bond has been terminated in which to discover a loss.

Page 11-2

DOCTRINE OF REASONABLE EXPECTATIONS An underlying principal of any contract which holds that contracts inherently offer to all parties a certain reasonable expectation of what the contract will do. If you buy a homeowners insurance policy that covers property damage to your dwelling, you have a reasonable expectation that the insurance company will pay for damage not excluded.

Page 2-8

DOCTRINE OF UTMOST GOOD FAITH An underlying principal of any contract which holds that contract will not work unless all parties involved pledge to make it work.

Page 2-8

DOMESTIC COMPANY A company chartered in your state.

Page 2-6

DOMESTIC SHIPMENTS Property being shipped from one location to another within the United States.

Page 7-13, 13-6

DRAM SHOP See Liquor Liability Insurance.

DUTY The obligation to exercise reasonable care. Duty is one element of Negligence.

Page 4-3

DWELLING A building in which people live. A dwelling includes the building, additions attached to the dwelling such as an attached garage, building materials used to repair the dwelling, permanently installed equipment such as heating and air conditioning units, and equipment used to maintain the dwelling if owned by the insured.

Page 5-8

DWELLING POLICY A property only coverage usually used for residential premises where the owner does not live on the premises. There are four dwelling forms, none of which contain any casualty coverages. Today, for the large part, the dwelling forms have been replaced by the use of the Homeowners Policy.

Page 5-37

E

EARTH MOVEMENT This is an exclusion found in the Basic, Broad and Special cause of loss forms which excludes losses due to earthquake, settlement of earth, creep or slide of soil, or other instability of the earth.

Page 9-27

EARTHQUAKE A shaking or tumbling of the crust of the earth. Earthquake is a typical exclusion. In order to have coverage in Commercial Property for losses due to earthquake, you must have an Earthquake coverage form added to one of the three major cause of loss forms. With Homeowners, you purchase an endorsement.

Page 9-5, 9-27

EARTHQUAKE ENDORSEMENT An endorsement found in a two party policy which adds either the peril of earthquake and volcanic eruption to the causes of loss covered.

Page 5-20, 9-27

EMBEZZLEMENT The stealing of money or property entrusted to you; a type of theft committed by an insider such as an employee. Coverage for a loss due to embezzlement could be obtained through a Fidelity Bond.

Page 11-4

EMPLOYERS LIABILITY Covers common law liability of an employer for accidents to employees, as distinguished from liability imposed by the state workers' compensation law. Typically, Part II of a workers compensation policy.

Page 10-29

EMPLOYERS NON-OWNED AUTOMOBILE LIABILITY COVERAGE In automobile insurance, this coverage protects a businessowner against potential lawsuits as a result of employees driving their own automobiles on company business and doing bodily injury or property damage.

Page 13-3

ENDORSEMENT A change or modification made to a policy to make it fit the needs of the policyowner. An endorsement is not valid unless signed by an executive officer of the company and attached to and made part of the policy.

Page 1-7

EQUIPMENT BREAKDOWN POLICY A contract written to cover boilers and other scheduled equipment against accidental mechanical breakdown.

Page 12-1

ERP See Extended Reporting Period.

ESTOPPEL A legal principle based on fairness which prevents someone from enforcing a legal right he or she would otherwise have.

Page 2-11

EXCLUSIONS Losses which a policy does not cover. Exclusions generally fall into one of the following categories: Catastrophic Losses, Losses That Are Better Covered Elsewhere and Predictable Losses.

Page 1-5, 2-13

EXCLUSIVE REMEDY In Workers Compensation claims the workers give up their right to sue their employer for job related injuries in exchange for quick payment of benefits.

Page 10-28

EXPERIENCE RATING Premium additions and reductions are made to reflect the actual claims history of the risk in previous years.

Page 2-15, 10-30

EXPORTS Property being shipped from the United States for delivery in another country.

Page 7-13, 13-6

EXPLOSION This peril includes internal explosions like gases within a furnace or any fired vessel as well as external explosions. Certain types of explosions like the rupture or bursting of steam boilers are better covered elsewhere (Boiler & Machinery). Also see Inherent Explosion.

Page 3-20

EXPOSURE The state of being subject to a loss. If you own a car or a home or a business you have both property and liability exposures.

Page 1-1

EXPRESSED AUTHORITY The authority specifically granted to the agent in the Agency Contract.

Page 2-18

EXPRESSED WARRANTY Product guarantees in writing.

Page 10-3

EXTENDED BUSINESS INCOME PERIOD A benefit which accompanies the Business Income coverage form of the Commercial Property coverage which is a period of time, generally 30 days, after a period of restoration which pays a partial income to a business after re-opening until it gets back up to speed.

Page 9-20

EXTENDED NONOWNER COVERAGE FOR NAMED INSURED'S ENDORSEMENT An endorsement to the PAP which plugs up the "company car exclusion".

Page 6-23

EXTENDED REPORTING PERIOD (ERP) An extension of the reporting period (not the coverage period) beyond the policy period.

Page 10-26

EXTENSIONS OF COVERAGES See Coverage Extensions.

EXTORTION The insurance definition of "extortion" is a surrender of property away from the premises as the result of a threat communicated to the insured to do bodily harm to a named insured, a relative or to an employee who is (or allegedly is) being held captive.

Page 11-4

EXTRA EXPENSE A coverage available under a Commercial Property policy for businesses which cannot stop operating after their building is destroyed. It is designed to pay for extra expenses actually incurred during the period of restoration up to the limits of the policy.

Page 9-23, 12-5

F

FAIR CREDIT REPORTING ACT A federal statute which governs the collection, reporting, and use of consumer credit information. This Act was designed to protect consumers against the misuse of such information. In order to obtain a credit report on an applicant for insurance, the insurance company must comply with this law.

Page 2-14

FAIR MARKET VALUE The price a buyer would pay today for property offered by a seller. Fair Market Value is rarely used in determining property insurance limits because it reflects the value of real estate, not the actual cost of rebuilding. In property insurance, policy limits are generally determined by the calculating the Replacement Cost or the Actual Cash Value.

Page 3-12

FALLING OBJECTS This is a peril which is covered on the Broad Cause of Loss Form in both Commercial Property and Dwelling/Homeowners.

Page 3-21, 9-25

FEDERAL EMPLOYER LIABILITY ACT A federal Workers Comp program for Railroad employees.

Page 10-30

FIDELITY BOND A contract involving three parties which is designed to protect an employer against dishonest or fraudulent acts by employees. The obligee (employer) buys the bond from the surety (insurance company), who guarantees against losses due to dishonest acts by the principal (employee).

Page 11-2

FIDUCIARY An individual who has a responsibility for the financial affairs of another. As an insurance agent, you have a fiduciary responsibility to your clients for the safekeeping of their premiums and a limited responsibility for their financial affairs. It would be a breach of your fiduciary responsibility, for example, to use your policyowners' money for your own purposes.

Page 2-11

FIDUCIARY LIABILITY A Commercial Liability policy which covers the risk imposed under ERISA.

Page 10-33

FIELD UNDERWRITING Those activities by an agent to help in determining acceptable risks, to assist applicants with filling out the application and perhaps even doing initial drive-by inspections of property being considered for coverage by the company.

Page 2-15

FIRE Fire always has been and still is the greatest risk in property insurance. It is a peril covered under the Basic Cause of Loss form. Fire coverage includes payment for damages due not only to the flames, but also due to smoke, firefighters, and water used to fight the fire.

Page 3-20

FIRE DEPARTMENT SERVICE CHARGE This is an additional coverage automatically built into a property policy which pays up to a specified dollar limit to cover a fee charged by the fire department for making a call.

Page 5-15, 9-12

FIRE LEGAL LIABILITY This is the financial responsibility you have for having burned down your landlord's building. For example, if you have your own business but you rent your office space and you cause a fire which burns up the office, then you would need fire legal liability coverage to pay for the damage to your landlord's building. Fire Legal Liability is also found in Section II of all Homeowners forms.

Page 4-9, 5-33

FIRST AID TO OTHERS In most liability policies, first aid is covered under Med Pay. In Homeowners, it falls under Supplementary Payments.

Page 5-34

FIRST NAMED INSURED The First Named Insured is the first individual listed on the Declarations under the Named Insured category. There may be several Named Insureds, but only one First Named Insured. The First Named Insured is the individual who has the right to cancel or change the policy and the duty to pay the premium and should be the one notified should the insurance company wish to cancel the policy.

Page 1-7, 8-5

FLOATER A coverage for mobile commercial or personal property, such as furs, cameras, jewelry, sports equipment, musical instruments, sales equipment, etc. A floater can be written as a separate Inland Marine policy, or as an endorsement to a policy, such as a Homeowners or Commercial Property policy.

Page 5-12, 13-6

FLOOD A peril generally excluded from property policies which is defined as a general and temporary condition of partial or complete inundation by water of what is normally dry land. "Free-flowing or liquid" mudslides caused by flooding are also considered to be "floods". Flood insurance is available through the National Flood Insurance Program.

Page 7-1

FOREIGN COMPANY A company chartered in another state, territorial possession or Washington D.C..

Page 2-6

FORGERY ALTERATION (Agreement 2) A crime coverage which protects the insured from losses due to alteration of outgoing checks.

Page 11-5

FORTUITOUS Unforeseen and unexpected; accidental. One of the principles of insurance is that the insurance company will only pay for fortuitous losses, i.e., they will not pay for predictable, foreseeable losses.

Page 1-5

FRAUD Intentional and material misrepresentation or concealment for the purpose of deception or cheating to the detriment of someone else.

Page 2-11

FREIGHT COVERAGE An Ocean Marine coverage which covers the owner of the cargo, not for the cargo itself but rather for prepaid freight charges.

Page 13-9

"FRIENDLY FIRE" A fire started intentionally which is under control and is in its intended area (like a fire in a fireplace, on a stove, or in a water heater). Damage done by a "friendly fire" is not covered.

Page 3-20

FULL VALUE REPORTING FORM Under the Commercial Property policy, a form of the Reporting Form endorsement.

Page 9-18

FUNCTIONAL REPLACEMENT COST A method of calculating the cost to replace irreplaceable materials with functionally equivalent materials. Also known as repair cost.

Page 3-11



GARAGE POLICIES Contracts which provide liability coverage for businesses which are in the auto business – repair, sales, rental, storage, or parking.

Page 13-5

GENERAL AGGREGATE LIMITS Under a Commercial General Liability policy (CGL), the maximum to be paid out in any policy period for all losses, except Products-Completed Operations claims which have their own limit.

Page 10-18

GOVERNMENTAL ACTION The seizure or destruction of covered property as an act of governmental authority. Under a Commercial Property policy, losses due to governmental action are not covered, except for destruction of property ordered to prevent the more general spread of fire when the fire itself would be a covered cause of loss.

Page 9-26

GUARANTOR One of the three parties involved in a bond. The guarantor, or surety, is the insurance company which sells and issues the bond, and the one who must pay to the obligee if the principal does not fulfill his or her obligation.

Page 11-2

GUARANTY ASSOCIATION Most states by law require all insurance companies writing business in that state to contribute to a fund to provide for the payment of claims to resident policyowners of insolvent insurers. Membership in the state's Guaranty Association is mandatory. To collect money to pay the claims, insurance companies are generally assessed according to the amount and type of insurance they sell in the state.*

GUARD In Crime insurance, anyone, armed or unarmed, between the ages of 17 and 65 who accompanies a messenger (off premises) and is not the driver of a public conveyance.

Page 11-4

* definition only, term not found in text

H

HAZARD Any factor or situation that increases or contributes to the probability that a peril will occur. There are three types of hazards: a Physical Hazard is a physical object or situation, such as oily rags or faulty wiring which increase the likelihood of Fire; a Moral Hazard is a circumstance in which the insured knowingly and intentionally increases the risk, such as an insured who misrepresents a loss or hires an arsonist; a Morale Hazard is a situation which increases the likelihood of loss occurring due to the insured's carelessness, laziness, or indifference, such as an insured who smokes in bed.

Page 3-10

HIRED AUTO AND NONOWNED AUTO LIABILITY ENDORSEMENT A Commercial Auto endorsement which protects the employer from vicarious liability exposures.

Page 14-16

HOSTILE FIRE A fire which was started unintentionally, or which was started intentionally but then got out of control.

Page 3-20

HULL COVERAGE An Ocean Marine coverage which protects the shipowner for damage to the vessel.

Page 13-9

I

IMPLIED AUTHORITY The authority that includes the powers not specifically listed in the Agency Contract, but that the agent can assume they must have in order to do their job.

Page 2-18

IMPLIED WARRANTY The unwritten promise that a product will not be unreasonably dangerous.

Page 10-3

IMPORTS Property being shipped from another country for delivery in the United States.

Page 7-13, 13-6

INCHMAREE CLAUSE A named peril, i.e., latent defects, available in Ocean Marine policies.

Page 13-10

INCIDENTAL OCCUPANCIES ENDORSEMENT A homeowners endorsement which provides coverage for an in-home business.

Page 5-35

INDEMNIFY To repay an insured for what has been damaged, lost, or destroyed; to compensate an insured but not to make him better off (profit) from the loss.

Page 1-4

INDEPENDENT CONTRACTORS LIABILITY This is one of the nine General Liability exposures covered under a Commercial General Liability policy. It provides liability coverage for the insured due to the negligence of an independent contractor hired by the insured. For example, Joe, a restaurant owner, hires a carpenter who negligently injures a restaurant patron, who then sues Joe. Joe's Independent Contractors Liability coverage under his CGL would provide coverage.

Page 10-4

INDIRECT LOSS A form of financial damage that occurs as the result of a direct loss, such as the cost of renting a motel room to live in after a fire, or the lost profits of a business after a business fire.

Page 1-2

INDIVIDUAL BOND A type of fidelity bond that covers only one named employee.

Page 11-3

INDIVIDUAL NAMED INSURED A Commercial Auto endorsement which makes family members named insureds when operating company cars.

Page 13-4

INFLATION GUARD An optional coverage or endorsement on a property policy in which the insured selects a percentage which will automatically cause the policy limits to increase by that percentage over the year.

Page 9-7, 14-3

INHERENT VICE A latent defect or natural deterioration which is a characteristic of the property itself and is commonly excluded by property contracts.

Page 1-5

INLAND MARINE INSURANCE Insurance, generally written on an open perils basis, which covers mobile property, such as property in transit over land or in the air, and instruments of transportation and communication, such as bridges, tunnels, and docks, against risks of direct physical loss. Inland Marine insurance has nothing to do with water. There are both personal lines and commercial lines Inland Marine coverages, generally referred to as "floaters".

Page 7-8, 13-7

INSURABLE INTEREST In property insurance, an insurable interest is any financial interest you have in a piece of property. An insurable interest exists when damage or destruction to the property would result in a direct financial loss to you. In property insurance, you will only collect benefits under a policy if you have an insurable interest in that property at the time of the loss.

Page 1-4

INSURANCE Insurance is the transfer of risk of financial loss from an individual to a company, which, for consideration (premium and statements on the application), assumes that risk for a stated period of time against a stated peril(s), up to a stated amount.

Page 1-2

INSURANCE AGENT The legal representative of the insurance company.

Page 2-17

INSURANCE SERVICES OFFICE (ISO) A not-for-profit organization which provides a variety of services to the property and casualty insurance industry, such as development of policy forms, rating, actuarial, and statistical services, and advisory services.*

INSURED A person covered by an insurance policy (but not necessarily named in the policy).

Page 1-7

INSURED CONTRACT A specific type of agreement whereby one party voluntarily assumes the liability of another party. If A assumes B's liability, it is usually possible for A to purchase insurance to cover that risk which would pay for any subsequent resulting liability.

Page 10-4

INSURING AGREEMENT/CLAUSE The provision of an insurance policy containing the insurance company's promises. It establishes the obligation of the company to provide the insurance coverages as stated in the policy.

Page 2-13

INTENTIONAL WATER Water that the insured brings into a building on purpose e.g. plumbing. This peril is covered under the Broad Cause of Loss Form.

Page 3-21, 9-4

INTERVENING CAUSE A factor outside the control of the defendant, e.g., an illegal act, which results in injury to a third party.

Page 4-5

J

JETTISON A named peril, i.e., purposefully tossing cargo overboard in order to save a ship, available in Ocean Marine policies.

Page 13-10

JEWELERS BLOCK A type of Inland Marine insurance used to cover a retail jeweler's stock in trade, i.e., jewelry, precious and semiprecious stones, watches, and precious metals, and other stock such as porcelains and crystal.

Page 13-8

JOINT OWNERSHIP ENDORSEMENT An endorsement to the PAP which allows unrelated persons to purchase coverage together.

Page 6-23

JONES ACT A federal Workers Comp program for seaman.

Page 10-30

JUDGMENT A legal decision; order, decree, or sentence given by a court; a debt or other obligation resulting from a court order. If a court finds a party liable for negligence, the usual consequence is a judgment against the party with an order to pay money (damages).

Page 4-2

L

LASER BEAM ENDORSEMENT A type of endorsement added to a Commercial General Liability policy written on a Claims-Made basis which excludes coverage for specific accidents, products, work, or locations.*

LAW OF LARGE NUMBERS The "law" that states that the probability of loss for a large group of insured with similar situations is very predictable. This law is the heart of all insurance underwriting.

Page 2-13

LEASEHOLD INTEREST A Commercial Property coverage form which protects the tenant if a favorable lease is cancelled as a result of damage to the property.

Page 9-29

LEGAL LIABILITY COVERAGE A coverage form under the Commercial Property policy which offers similar, yet broader coverage to the CGL's Fire Legal Liability coverage.

Page 9-29

LEGAL PURPOSE The objective of a contract must not be against the law. That is, the end cannot be illegal or against public policy.

Page 2-9

LIABILITY In insurance, a legal obligation to pay, such as being required by law to make good a loss or damage for which you are responsible; a potential damage which you may be required to pay. Also referred to as Casualty.

Page 4-1, 10-1

LIBERALIZATION CLAUSE A clause which states that if the insurance company, during your policy period, improves the terms or benefits of new policies of the same form to new insureds for the same price, then your policy will automatically have the same improved rights and benefits as the improved policies.

Page 1-5

LIMIT OF INDEMNITY/LIABILITY The maximum amount an insurance company will pay under a policy.

Page 1-4, 9-14

LIQUOR LIABILITY The legal obligation to pay for any loss or damage that occurs due to having served, distributed, or furnished alcoholic beverages to a minor or an intoxicated person. Depending upon your business, your liquor (dram shop) liability may or may not be covered.

Page 10-11

LLOYD'S OF LONDON An association of insurance underwriters, formed in the early 1700's in a coffeehouse in London, well-known for insuring huge, unusual, and sometimes bizarre risks. Lloyd's is not an insurance company.

Page 2-2

LONGSHORE & HARBOR WORKERS ACT A federal Workers Comp Program for harbor workers.

Page 10-30

LOSS A financial damage; the basis for a claim under an insurance policy; the amount for which the insurance company becomes obligated to pay the insured in the event of the insured's financial harm. Losses are either Direct or Indirect.

Page 1-2

LOSS RATIO The loss ratio is the relationship between the dollars collected in premium and the dollars paid out in claims.

Page 2-16

LOSS OF USE A form of indirect loss resulting from the inability to use a piece of property, such as a house, a commercial building or an automobile. For example, if your car is wrecked, in addition to having to pay the repair bill, you will suffer a financial loss if you have to go rent a car while yours is being repaired.

Page 1-2

LOSS PAYABLE CLAUSE A variation on the Mortgagors Protection Clause, with reservations.

Page 9-18

LOSS PAYMENT The method of paying a loss under a policy, such as Actual Cash Value, Replacement Cost, etc., stated in the Conditions section of the policy.

Page 3-10

M

MALICIOUS MISCHIEF See Vandalism and Malicious Mischief.

MARINE INSURANCE Insurance written primarily for property in transit; transportation insurance. Marine insurance is comprised of two branches: Ocean Marine & Inland Marine Insurance.

Page 7-8, 13-6

MATERIAL FACT A significant statement of fact given to an insurance company by an applicant. A fact is material if the company would have rejected the risk or charged the applicant a different premium if it had known the truth about the statement.

Page 2-10

MEDICAL EXPENSE BENEFITS In Workers Compensation insurance, these benefits cover hospital, surgical, doctor, nursing and drug types of expenses associated with a job related injury or illness.

Page 10-29

MEDICAL MALPRACTICE INSURANCE See Professional Liability Insurance.

MEDICAL PAYMENTS In a policy with liability coverage such as a Commercial General Liability, Homeowners or Automobile policy, the Medical Payments section pays for medical costs following an accident without regard to fault. Normally, the purpose of the coverage is to avoid lawsuits.

Page 4-7, 5-34, 6-6, 10-6

MESSENGER In Crime insurance, any person authorized to have custody of insured property away from the premises.

Page 11-4

MISCELLANEOUS TYPE VEHICLES ENDORSEMENT An endorsement to an auto policy. The endorsement covers such vehicles as snowmobiles, ATV's, etc.

Page 6-23

MISREPRESENTATION A false statement; a lie. If a misrepresentation on an insurance application is material (important) to the risk, then the policy could be voided by the insurance company within a specified period of time. It is a violation of insurance law for an agent to misrepresent the terms, benefits, etc. of a policy.

Page 2-10

MOBILE EQUIPMENT Land vehicles or machinery such as those used in the construction industry or on a farm and not designed for use on public roads. Examples of mobile equipment: fork lifts, bulldozers, cranes, steam rollers. Some types of vehicles ordinarily considered to be "autos" can be classified as "mobile equipment", and vice versa, depending upon how and where they are being used.

Page 9-12, 10-11, 13-2

MODULE A coverage unit of the Commercial Package Policy, such as Commercial Property, General Liability, Crime, Automobile, Inland Marine, etc.

Page 8-1

MONEY Any type of currency including: coins, bank notes, traveler's checks, checks and money orders. Money is not a security.

Page 11-4

MONOLINE POLICY A commercial policy consisting of only one coverage module.

Page 8-2

MORAL HAZARD A circumstance in which the insured attempts to defraud the insurance company through intentional and deliberate destruction of the insured property. The company determines the Moral Hazard by reviewing the proposed insured's reputation, financial record and past tendency to take advantage of others in business. Also see Hazard.

Page 3-10

MORALE HAZARD A situation which increases the likelihood of loss occurring due to the insured's indifference, carelessness, laziness, disorderliness or lack of concern for the insured property. Examples of Morale Hazards are leaving keys in a car, smoking in bed or exceeding the posted speed limit. Also see Hazard.

Page 3-10

MORTGAGE HOLDERS This clause states the rights and duties of the mortgagee (the mortgage holder, such as the bank) under the policy.

Page 9-18

MORTGAGE HOLDERS ERRORS AND OMISSIONS COVERAGE A form of the CPP designed to protect mortgage holders.

Page 9-30

MOTOR CARRIER ACT OF 1980 A federal statute which sets minimum liability insurance limits for cargo haulers.

Page 13-5

MOTOR CARRIER COVERAGE A variation of the Business Auto policy for businesses carrying property or passengers.

Page 13-5

MUTUAL INSURANCE COMPANY An insurance company which has no capital stock or stockholders. It is managed by a board of directors chosen by the policyowners. Any earnings in addition to those necessary for the operation of the company are returned to the policyowners in the form of policy dividends (return of unneeded premium). For contrast, see Stock Insurance Company.

Page 2-3

MYSTERIOUS DISAPPEARANCE Property which disappears from a known location as a result of misplacing or losing; **not theft**. Modern policies just call it disappearance.

Page 11-4

N

NAIC (National Association of Insurance Commissioners) An association of the 50 state insurance commissioners that meets on a regular basis to discuss regulatory problems and to propose model legislation designed to achieve uniformity in insurance law among all states in the country.*

NAME SCHEDULE BOND A type of fidelity bond which literally names the individual employees that are covered by the bond on a list for amounts which could vary depending upon the level of exposure.

Page 11-3

NAMED INSURED As the policyowner(s), the Named Insured(s) have most of the rights and duties under the policy. Every person owning part of the property should be listed as a Named Insured. Also see First Named Insured.

Page 1-7

NAMED NON-OWNER COVERAGE This Personal Automobile Policy Endorsement allows an individual who does not own an automobile to purchase a personal automobile policy. The policy would provide you with coverage for borrowed automobiles and for rented automobiles. City dwellers frequently do not own automobiles but borrow or rent automobiles on a fairly regular basis.

Page 6-23

NAMED PERIL POLICY A policy in which the covered perils are literally named in the policy, such as the Standard Fire Policy which covers the perils of Fire, Lightning, and Removal. Perils not named are excluded from coverage. For contrast, see "All Risk" (Open Perils) Policy.

Page 3-9

NATIONAL FLOOD INSURANCE PROGRAM The federal government's program to make flood insurance available at reasonable (subsidized) rates to the general public. Coverages are marketed by private insurance companies, but the risk is borne by the federal government.

Page 7-2

NATIONWIDE MARINE DEFINITION In an attempt to restrict the area of business that marine insurers could underwrite, Congress defined "marine" as limited to goods in transit, such as imports, exports, domestic shipments, personal or commercial property in transit (floater policies) or instrumentalities of transportation, such as bridges, tunnels, docks and communication equipment such as broadcast towers and satellite dishes.

Page 7-9, 13-6

NEGLIGENCE A tort theory that essentially is a failure to do, or not to do, what a reasonably prudent person would do, or would not have done, in the same or similar circumstances. Negligence results from carelessness, ignorance, thoughtlessness or inaction. It is never an intentional act. If you are found negligent, you may be liable to pay for the damages you caused.

Page 4-3

NO-FAULT INSURANCE In automobile liability insurance, bodily injury and property damage done to you by a guilty third party requires you and/or your insurance company to proceed against them to collect damages. The process is both expensive and time consuming. The concept of "No Fault" simply states that, in this situation, your insurance company will take care of you even though the damage was caused by a guilty third party. In other words, you do not try to prove "fault" against the guilty third party in order to collect. You simply collect from your own insurance carrier. In theory, it simplifies the procedures and should cost less.

Page 6-24

NON-ADMITTED COMPANY A company not admitted to do business in your state.

Page 2-7

NON PARTICIPATING COMPANY See Stock Company

NONCONCURRENT POLICIES When two or more property policies are used to insure a single piece of property, the "peril power" of the two or more policies should be exactly the same. If they are not, you have a situation called "nonconcurrency." A peril covered under one policy is not covered under another policy, and the latter will not pay on the claim. As a result, the insured suffers financial loss. The agent is responsible for maintaining concurrency. Also see Concurrent Policies.

Page 3-16, 9-8

NONRENEWAL Termination of the policy at the end of the policy period.

Page 1-6

NUCLEAR HAZARD Any losses due to a nuclear reaction, radiation, or radioactive contamination regardless of the cause are excluded from basic policies, but may be bought back for a substantial increase in premium.

Page 9-28

OBJECTS Under a Boiler and Machinery policy, the designated property which is insured is called an "object," such as a boiler or a specific piece of machinery. In order to have coverage, the object(s) you want covered must be listed on the declaration sheet.

Page 12-2

OBLIGEE In fidelity bonds and surety bonds, the party to whom the obligation is owed, and who is paid if the principal defaults, i.e., the party protected from loss under the bond. Also see Principal and Surety.

Page 11-2

OCCUPANCY In automobile insurance, "occupy" has to do with the use of the automobile and is defined as being in the car, being on the car, getting into or out of the car, getting onto or off of a car. In other words, just about every activity concerning being around a car is "occupying" the car. In property insurance, "occupying" means that somebody is living in or using a building. Unoccupied . . . nobody is home. Also see Vacancy.

Page 6-4

OCCUPATIONAL Work related; an occupational accident is an accident that occurs at work, such as a piece of factory equipment that falls on and injures a worker; an occupational hazard is a condition that increases the risk of loss at work, such as oil on the factory floor or contaminated air that a worker breathes; an occupational disease is a sickness contracted primarily at work, such as asbestosis from working around asbestos.

Page 10-30

OCCURRENCE This is a very broad definition of "accident," which includes the continuous or repeated exposure to substantially the same general harmful conditions that occur over time. Whereas an "accident" is a sudden event, an "occurrence" is a condition caused by continuous and repeated exposure to the same peril over a long period of time.

Page 1-7

OCCURRENCE LIMIT Under a liability policy, the limit that can be paid for any one claim.

Page 10-18

OCCURRENCE POLICY With a liability policy written on an Occurrence basis, you determine if a claim is covered by first determining if the "hurt" happened during the policy period. For contrast, see Claims-Made Policy.

Page 10-25, 14-4

OCEAN MARINE INSURANCE One of the two main branches of marine insurance, which is divided into "wet" and "dry". Ocean Marine insurance is "wet" and has to do with transportation exposures on any form of water such as rivers, lakes or oceans. Examples are ships and/or cargo that sail any body of water. "Dry" transportation insurance is called Inland Marine Insurance.

Page 7-12, 13-9

OFFER One of the necessary elements to the formation of a contract; an offer is a proposal which is firm enough to be accepted by another party. If the offer is accepted, an agreement is formed.

Page 2-9

OPEN PERILS ("ALL RISK") POLICY In property insurance, the highest form of peril coverage available. An Open Perils property policy covers all risks not specifically excluded in the contract. They are more frequently referred to as "All Risk" policies. However, this term can be misinterpreted by the insuring public; hence, the new term, "Open Perils." For contrast, see Named Peril Policy.

Page 3-9

OPERATIONS LIABILITY In commercial liability, the exposure that you as the businessowner have while conducting operations away from your normal business premises. For example, if you are a restaurant owner, catering a wedding at a church would expose your business to an Operations liability; Off-premises operations. Also see Completed Operations Liability.

Page 10-2

OTHER INSURANCE CLAUSE In property insurance, a clause in the contract that states how claims will be settled if the policyowner owns two or more policies that cover a given loss.

Page 3-16, 9-8

OTHER STRUCTURE In property insurance, a secondary structure not attached to the primary insured building, such as a detached garage, tool shed, outhouse, swimming pool, barn or satellite dish. Also called Appurtenant Structure.

Page 5-9

OTHER THAN COLLISION COVERAGE In the Personal Automobile Policy, the new name for Comprehensive coverage; in other words, coverage for almost all perils other than collision, including fire, theft, contact with bird or animal, breakage of glass, windstorm, hail, and V&MM.

Page 6-20

OUTBOARD/INBOARD BOATS Boats generally in the range from 14 feet to 26 feet. Boats in this range are bigger than car-top boats (which might be insured under a Homeowners policy) and are smaller than yachts. Outboard/inboard boats, which include sailboats, are generally "trailerable," can be towed behind the family automobile, and do not have living accommodations. Outboard/inboard boats are normally insured by a Boatowners policy.

Page 7-7

OUTER CONTINENTAL SHELF LANDS ACT A federal Workers Comp program for workers on offshore oil and natural gas drilling rigs.

Page 10-30

OWNERS, LANDLORDS & TENANTS POLICY (OL&T) The old name for what is now called Premises Liability. See Premises Liability.*

P

PACKAGE POLICY Simply, the combination of two or more coverage parts into one contract with one premium. Homeowners, Personal Auto and the Commercial Package Policy are examples.

Page 8-3

PAIR & SET CLAUSE In property insurance, certain collections of items have more value as a total set than the separate value of each of its pieces. For example, one rare dueling pistol may be worth \$1,000 but a matched set could be worth \$5,000. Such disparities create problems in settling such property claims. The Pair & Set Clause solves the problem by stating that the settlement will be equal to the value of the total set less the value of what is remaining after the loss occurs, or, at the company's option, the cost of repairing or replacing with like kind and quality.

Page 5-18

PARTIAL LOSS A loss for less than either (a) the value of the property, or (b) the value of the insurance covering the property. When there is a partial loss of property and the owner has not insured to value, Coinsurance applies.

Page 3-12

PARTICIPATING COMPANY See Mutual Company

PEAK SEASON ENDORSEMENT An endorsement to the CPP designed to fill the needs of businesses who operate with seasonally fluctuating inventory values, e.g. a toy store.

Page 9-19

PERCENTAGE DEDUCTIBLE In property insurance, the deductible expressed as a percentage of the face amount of the contract rather than in a flat dollar amount. Used for commercial earthquake coverage.

Page 9-28

PERIL The cause of loss. Examples of perils are fire, lightning, windstorm, hail, earthquake, collision, sprinkler damage, robbery, etc. In property insurance, covered perils are either listed (Named Peril Policy) or are covered on an "All Risk" (Open Perils) basis, which covers all perils not specifically excluded.

Page 3-9

PERIOD OF INDEMNITY The time period during which losses are covered; also called the Policy Period.*

PERIOD OF RESTORATION In the Business Income property coverage form, the period of time elapsed from the date of a loss until the property is or should be repaired for continued usage. For example, suppose that your building burns down on January 1 and it takes until July 1 (which is a reasonable period of time) for it to be ready to be moved back into. The interim period would be referred to as the Period of Restoration.

Page 9-22

PERSONAL & ADVERTISING INJURY LIABILITY Under Commercial General Liability, a coverage for non-communications businesses that covers (a) Personal Injury and (b) Advertising Injury. See Personal Injury and Advertising Injury.

Page 10-14

PERSONAL ARTICLES FLOATER An Inland Marine floater policy designed for specific categories of personal property such as furs, jewelry, musical instruments, cameras, silverware, or coin collections. The Personal Articles Floater specifies a category of personal property that is covered.

Page 5-12

PERSONAL AUTOMOBILE POLICY In personal lines, the name for the automobile policy designed for individuals or family units. It used to be called the Family Automobile Policy. The Personal Auto Policy is a package policy combining both property and casualty with coverage both on your automobile and the contents of the automobile plus the liabilities associated with operating your automobile. Medical Payments and Uninsured Motorist coverages are also available.

Page 6-1

PERSONAL CONTRACT Property and casualty insurance policies are for people, i.e., the agreement is between persons and insurance companies. A Personal Contract covers a person's insurable interest in the property, not the property.

Page 2-12

PERSONAL EFFECTS In Commercial Property insurance, employees' personal belongings that happen to be at the office, such as golf clubs, purses, pictures, etc., but not property of the business itself. Also see Extensions of Coverage.

Page 9-13

PERSONAL INJURY Damage to a person's reputation or mental state; examples of personal injury include libel, slander, defamation of character, false arrest, detention, or imprisonment, etc. Personal injury has nothing to do with physical injury to a person's body (bodily injury). Personal Injury Liability is a coverage under the Commercial General Liability policy.

Page 4-2

PERSONAL INJURY ENDORSEMENT An endorsement added to an HO policy which adds certain personal injury coverages to Section II.

Page 5-36

PERSONAL LIABILITY ENDORSEMENT An endorsement to add liability to a Dwelling Policy.

Page 5-38

PERSONAL LIABILITY POLICY Section II of the Homeowners Policy. Can buy this section alone if homeowner's property coverage is not needed.

Page 5-30

PERSONAL LINES Insurance written to meet the needs of individuals and families, such as Homeowners or the Personal Automobile Policy.

Page 1-4

PERSONAL PROPERTY The movable contents of your house such as furniture, clothing, stereo equipment, wall hangings, dishes, etc. Under a Dwelling Policy or Homeowners, Personal Property coverage excludes animals, birds, fish, automobiles, and aircraft.

Page 5-10

PERSONAL PROPERTY OF OTHERS Property of someone else which you are responsible for and which is in your care, custody or control. Businesses like TV repair and dry cleaners purchase this coverage. This coverage is automatic and primarily intended to cover the belongings of guests in your home.

Page 5-7, 9-13

PERSONAL UMBRELLA POLICY See Umbrella Insurance.

PHYSICAL HAZARD See Hazard.

PHYSICAL DAMAGE See Coverage for Damage to Your Auto.

POLLUTION LIABILITY A third party coverage which is used to plug up the holes in a CGL left by the pollution exclusion.

Page 10-33

POSITION SCHEDULE BOND A fidelity bond which covers multiple employees by job title (treasurer, cashier, etc.) rather than by name. Different amounts of coverage may be applied to different positions. Also see Fidelity Bonds.

Page 11-3

POWER FAILURE OFF PREMISES An exclusion under the Commercial Property policy which consists of a failure of power or other utility service which causes consequential property damage on the premises. This peril can be covered by an endorsement to the Commercial Property policy.

Page 9-26

PREDICTABLE LOSSES Foreseeable or expected losses such as deterioration, wear and tear and mechanical breakdown. Insurance is not designed to cover predictable losses. Predictable losses are, therefore, excluded.

Page 1-5

PREMISES LIABILITY The liability which arises out of owning or occupying a business premises; the condition of the premises which causes bodily injury or property damage to the Other Guy, such as a slippery floor in the supermarket or a rickety chair in a restaurant. Premises Liability is one of the coverages under the Commercial General Liability policy and under a Businessowners Policy.

Page 10-2

PREMIUM The money a policyowner pays the insurance company for insurance coverage; the amount of money the insurance company charges for insurance coverage. Premium is a portion of a policyowner's consideration in an insurance contract.

Page 2-9

PRINCIPAL One of the three parties involved in a fidelity or surety bond; the principal is the person who is obligated to do something for someone else.

Page 11-2

PRO RATA In proportion; share; ratio. The term "pro rata" is used frequently in property insurance such as in "Pro Rata Refund", "Pro Rata Coverage" and "Pro Rata Liability" clauses.

Page 1-5

PRODUCTS-COMPLETED OPERATIONS AGGREGATE A total limit of liability available over the policy period for a Products-Completed Operations exposure under a Commercial General Liability policy.

Page 10-20

PRODUCTS LIABILITY The liability that arises from the manufacturing, distributing, or selling of a product. Products Liability, generally, is strict liability - it is based upon a theory of warranties. A higher standard of care is imposed in Products Liability than in other forms of liability, so a manufacturer, for example, has a greater risk of loss in the Products Liability area than, say, in Premises Liability.

Page 10-2

PROFESSIONAL LIABILITY Liability which a person or organization that renders professional services has that results from a failure to use due care and the degree of skill expected of a person in that particular profession; the liability which arises from negligence or errors and omissions which result from performing one's professional services; also called malpractice or errors and omissions liability.
Page 10-32

PROOF OF LOSS A sworn statement concerning a loss under a property policy. Insurance companies often settle claims without requiring a Proof of Loss.
Page 3-14

PROPERTY Anything tangible that you can see, feel, own, touch or possess (except people) is property, such as your house, your car, your business, your computer, your furniture, your dog, and your money. There is also intangible property, such as a copyright. Property insurance protects an insured against loss of specific property against specific perils.
Page 1-3

PROPERTY DAMAGE The physical destruction or damage to property. If it is your property that is damaged, then a Property policy can provide coverage. If it is another person's property that is damaged due to your negligence, then a Liability policy is necessary.
Page 4-2

PROPERTY DAMAGE LIABILITY Liability which causes physical damage to tangible property.*

PROTECTIVE SAFEGUARDS ENDORSEMENT A BOP endorsement which provides a premium reduction for certain alarm systems.
Page 14-6

PROXIMATE CAUSE Legal cause; the specific event or peril that caused a foreseeable harm to a foreseeable person. Proximate cause is one of the essential elements in establishing Negligence.
Page 4-4

PUNITIVE DAMAGES Arising from a liability claim, these damages are awarded to the injured party to punish the offending party and perhaps prevent future similar bad acts.
Page 4-5

PURE RISK There is only the chance of lose on the risk. The risk is inherent e.g. if you own a car, it could be stolen.
Page 1-1

R

RATE The amount of premium charged for a coverage.
Page 2-15

"REASONABLE PERSON" RULE A legal concept that uses a fictitious person, "the Reasonable Man" (the Reasonable Person), to review the behavior of an insured to decide if he or she acted in a logical and prudent manner or if the insured acted in a careless, imprudent, neglectful manner.
Page 4-3

RECIPROCAL INSURANCE EXCHANGE A not-for-profit organization designed to offer homeowners and auto insurance to the public. Operating much like a Mutual Company a Reciprocal Insurance Exchange sells policies to subscribers who agree to share in each others losses.
Page 2-4

REHABILITATION BENEFITS In Workers Compensation insurance, rehabilitation benefits pay part of the costs to provide an injured employee physical and vocational rehabilitation following an accident that results in the employee's disability. Rehabilitation benefits are not required, however, in many states.
Page 10-29

REINSURANCE The transfer of an insurance company's risk to another insurer which, for consideration, will indemnify losses suffered by the insurance company to a predetermined limit. State risk pools, risk retention groups and Lloyd's of London are examples of reinsurers. The two types of reinsurance are: Facultative, which means reinsurance is negotiated on a policy by policy basis, and Treaty, which is a blanket agreement under which one company automatically reinsures a percentage of policies of another company.
Page 2-2

RELATIVE (OR FAMILY MEMBER) A person living with the Named Insured and related to the Named Insured by blood, marriage or adoption, including a foster child. A student away at school is still considered to be a family member.
Page 6-4

REMOVAL A peril under the old Standard Fire Policy, now called "Preservation of Property" in modern policies and considered an additional coverage. If the moving of insured property from the insured location to another location in order to save it from being damaged by a covered peril results in damage to that property, it is covered.

Page 3-5

RENTAL VALUE An indirect loss coverage under a Dwelling Policy which pays the insured up to 10% of the face amount of the contract to cover the loss of rental income. An option under Homeowners.

Page 5-13

REPAIR COST A method of settlement often used with older buildings having a very high replacement cost but a much lower market value. The company agrees to replace, for instance, your roof with functionally equivalent materials. In other words, if your slate roof is destroyed by a covered peril, the company may replace it with asphalt shingle. Also known as functional replacement cost.

Page 3-11

REPLACEMENT COST A form of settlement under which the insurance company, after a covered loss, will pay the insured enough to replace the destroyed property with new property of a like kind and quality without deducting depreciation. Also see Actual Cash Value and Fair Market Value.

Page 3-11

REPRESENTATION A statement made by an applicant or an insured which is true to the best of his or her knowledge and belief. A representation which is not the absolute literal truth is allowable, as long as it is the truth to the best knowledge or belief of the person making the statement. For contrast, see Warranty.

Page 2-10

RESIDENCE PREMISES Under a Homeowners policy, the "residence premises" includes the dwelling, other structures and grounds or that part of any building where the Named Insured lives which is identified as the "residence premises" on the Declarations Sheet.

Page 5-7

RESIDENT AGENT A person authorized and licensed as a Resident Agent by the State's Department of Insurance to sell policies of insurance. Each state has its own requirements for Resident and Nonresident licenses. A person may only be licensed as a Resident Agent in one state, but may hold any number of Nonresident licenses.

Page 2-12

RETROACTIVE DATE Under a Commercial General Liability policy, a provision on a claims-made coverage form which defines how far back in time the insurance company will go to cover claims which occurred prior to the inception of the policy.

Page 10-25

RIDER See Endorsement.

RIGHT OF SALVAGE One of the conditions of a property insurance policy is that the insurance company has the option to take all or any part of the damaged property at its agreed to or appraised value as salvage, or to repair damaged property or replace it with similar property rather than paying the actual cash value of the property.

Page 3-14

RIOT A wild, violent public disturbance of the peace; in property insurance, the peril of "Riot or Civil Commotion" includes acts done by striking employees, and looting which occurs at the time and place of the civil commotion.

Page 3-19

RISK Chance of loss; uncertainty of loss.

Page 1-1

ROBBERY In Crime insurance, the forcible taking of property from an individual through the use of violence, fear or the threat of violence. Robbery is a crime committed against a person. Also see Burglary and Theft.

Page 3-25, 11-4

S

SAFE BURGLARY The taking of property from a locked safe or vault, or the taking of the safe itself. As with burglary, there must be visible marks of force. Cash registers, cash drawers and cash boxes are not safes.

Page 3-26, 11-4

SECOND INJURY FUNDS A part of Workers Comp programs designed to cover “knocking out the eye of a one-eyed man”.

Page 10-29

SECURITIES Instruments representing wealth, such as stocks, bonds, tokens, or tickets — but NOT money.

Page 11-4

SELF INSURED RETENTION LAYER Aliability under may cover losses not covered by the underlying liability contracts. In this event the umbrella pays, however the insured must pay self insured retention layer first.

Page 10-28

SETTLEMENT A legal obligation to pay which is agreed upon by the parties out of court by means of a contract, as opposed to a Judgment, which is a legal obligation incurred in court.

Page 4-2

SHORT RATE REFUND A refund of premium which is less than a Pro Rata Refund because all of the company expenses are loaded up front. If a policyowner cancels a Commercial policy before the end of the coverage period, the insurance company will give the policyowner a short rate refund.

Page 1-6

SINGLE LIMITS An automobile insurance limit of liability for all bodily injury and property damage stemming from any one accident. Also see Split Limits.

Page 6-9

SINKHOLE COLLAPSE A peril consisting of the sinking or collapse of land into underground spaces created by the action of water, limestone or dolomite, but NOT due to a man-made underground cavity, like a coal mine.

Page 3-20

SMALL BUSINESS BOILER AND MACHINERY Provides Boiler and Machinery coverage for small business. See Boiler and Machinery.

Page 12-3

SMALL BUSINESS BROAD FORM BOILER AND MACHINERY Again, Boiler and Machinery for the small business, but with a broader definition of insured object.

Page 12-3

SMOKE A peril which consists of sudden and accidental smoke other than from a hostile fire.

Page 3-20

SOLICITOR In some states an individual who contracts with an agent to represent that agent's product line to the public.

Page 2-17

SPECIAL CAUSE OF LOSS FORM A Cause of Loss form which is on an Open Perils (“All Risk”) basis, which means that all perils are covered except for those specifically excluded.

Page 3-23, 5-14, 9-26

SPECIFIC COVERAGE Coverage for only that property specifically listed on the Declarations Page of the policy.

Page 3-8

SPECULATIVE RISK Can either win or lose on the risk. The risk is created e.g. placing a bet.

Page 1-1

SPLIT LIMITS In automobile insurance, internal limits of liability for each of three types of liability losses: (1) bodily injury per person, (2) bodily injury per accident, and (3) property damage per accident, e.g. 25/50/10.

Page 6-9

SPOILAGE A coverage which can be purchased to cover the destruction of perishable stock.

Page 9-19

SPRINKLER LEAKAGE A peril consisting of leakage or discharge from an automatic sprinkler system, including the collapse of the system's tank if there is one.

Page 3-20

STANDARD FIRE POLICY A property policy form used widely in the United States from 1943 until the mid-1980's when the Commercial Package Policy was developed.

Page 3-3

STANDARD PROPERTY COVERAGE A no options version of the Commercial Property policy.

Page 9-30

STANDARD PROPERTY FORM Under a Businessowners Policy, one of the choices available for property coverage and which is written on a Named Peril basis.

Page 14-3

STATED VALUE Most Property and Casualty policies are written on a Stated Value basis. The insured tells the company the value of the item and insurance is written for that amount. Following a loss, the company can challenge value. If the item can be repaired or replaced for a lesser amount, the company can settle the loss for less than the amount of insurance.

Page 3-11

STATUTE OF LIMITATIONS The length of time that an injured party, a plaintiff, has to bring a civil lawsuit.

Page 4-6

STOCK INSURANCE COMPANY An insurance company that is owned and controlled by a group of stockholders whose investment in the company provides the capital necessary to start the business. The stockholders share in the profits (and losses) of the company; typically, the policyowners do not. A stock insurance company is one which generally issues non-participating policies to its policyowners. For contrast, see Mutual Insurance Company.

Page 2-3

STRICT LIABILITY A tort liability theory in which duty is not an issue. Used as an alternative to negligence in areas such as products liability.

Page 4-6

SUBROGATION The legal process by which an insurance company, once it reimburses someone for a loss caused by someone else, assumes the legal right to sue the "guilty" third party. In commercial policies, subrogation is also called Transfer of Rights of Recovery Against Others to the Insurer.

Page 3-17

SUPPLEMENTARY PAYMENTS Extra coverages provided by a liability policy consisting of benefits such as defense costs. Supplementary Payments are not triggered by your legal obligation to pay and are paid in addition to the limits of liability of the policy in most cases.

Page 4-7, 6-13, 10-6

SURETY One of the three parties involved in a bond. The surety, or guarantor, is the insurance company which sells and issues the bond, and the one who must pay to the obligee if the principal does not fulfill his or her obligation.

Page 11-2

SURETY BONDS Bonds which ensure that obligations imposed by operation of law or contract will be met. Surety bonds are truly not insurance as the term is normally used, as the benefits available are a "last resort".

Page 10-33

SURPLUS LINES TRANSACTION A transaction that makes it possible to buy an insurance policy from an unauthorized company.

Page 2-7

SURVIVORS' BENEFITS Under Workers Compensation insurance, a type of benefit which pays a benefit to the surviving spouse and/or dependent children of an employee killed on the job.

Page 10-29

SUSPENSION PROVISION Under a Boiler and Machinery policy, a provision which allows the insurance company to immediately suspend coverage on a specific object which is in a dangerous condition once notice is delivered to the insured. The provision also allows for unannounced inspections.

Page 12-4

T

TAIL COVERAGES (Extended Reporting Periods) A reporting period extending beyond the coverage period for liability claims. This is not additional coverage, it is just an additional period of time to report claims.

Page 10-25

TEMPORARY SUBSTITUTE A non owned vehicle being used by the insured due to the unavailability of a covered vehicle due to breakdown, servicing, repair, loss or destruction.

Page 6-4

THEFT Any wrongful act of taking the property of another. Theft is a broad term and includes robbery, burglary, shoplifting, and embezzlement.

Page 3-25, 11-4

THIRD PARTY CONTRACT A contract of insurance involving three parties: the insurance company, the insured and an unknown third party. All casualty (liability) contracts are Three Party Contracts. They are designed to protect the insured(s) against negligence claims by an injured third party.

Page 1-3

TOBACCO SALES WAREHOUSE COVERAGE

A two party coverage, a form of CPP, for tobacco auction houses.

Page 9-30

TORT A tort is any wrongful act (or failure to act) on the part of one person which gives another person a right to sue for damages. Negligence, an unintentional tort, is what is covered by liability (casualty) insurance.

Page 4-2, 4-6

TOTAL LOSS A loss of all of the insured property or totaling the policy limit. Most property losses are not total, but rather partial losses.

Page 3-12

TOWING AND LABOR ENDORSEMENT An endorsement found in automobile policies designed to get a covered auto to a safe harbor.

Page 6-23

TRAILER A vehicle designed to be pulled by a private passenger vehicle.

Page 6-4

TRANSFER OF RIGHTS OF RECOVERY AGAINST OTHERS TO THE INSURER See Subrogation.

TRANSPORTATION A covered peril under the Businessowners policy.

Page 14-4

TRUCKER'S POLICY A variation of the Business Auto policy designed for businesses transporting property.

Page 13-4

TWO PARTY CONTRACT A contract in which there are only two parties or persons involved: the insured and the insurance company. All property contracts are Two Party Contracts.

Page 1-3

U

UMBRELLA POLICIES A personal or commercial liability coverage which is designed to increase the limits of a primary liability policy. If you are found negligent, your basic liability policy (such as a CGL or Homeowners) would pay first; your umbrella would provide coverage for an amount over the limits of your basic policy.

Page 10-27

UNAUTHORIZED COMPANY See Non-Admitted Company.

UNDERINSURED MOTORIST COVERAGE A driver who meets the state's financial responsibility requirements but who causes more damage than what he has coverage for is an underinsured motorist.

Page 6-15, 6-17

UNDERWRITE In insurance, to assume risk in exchange for premium; to assume liability in the event of specified loss or damage; to insure.

Page 2-14

UNILATERAL CONTRACT A contract, such as an insurance policy, in which only one party makes a promise. The insurance company makes a promise contained in the policy. The policyowner can continue the coverage in force by paying premium (no promise is required on the policyowner's part to forever pay premium).

Page 2-12

UNINSURED MOTORIST COVERAGE An uninsured motorist is someone who (1) has no insurance, (2) has less than the state's minimum limits, (3) is insured by a company that denies coverage or becomes insolvent, or (4) for bodily injury claims only, a hit and run driver. This coverage pays you if the negligent third party is uninsured.

Page 6-15

UNOCCUPANCY People gone, but contents remaining in a building.

Page 3-15

UTILITY SERVICES - DIRECT DAMAGE ENDORSEMENT A BOP endorsement which provides direct loss coverage for utility service disruption.

Page 14-5

UTILITY SERVICES - TIME ELEMENT ENDORSEMENT A BOP endorsement which provides indirect loss coverage for utility service disruption.
Page 14-5

V

VACANCY Containing no people or property; devoid of contents and occupants; empty. Vacancy is a hazard; therefore, the insurance company may cancel the insurance, exclude coverage, or limit payment of claims if a loss occurs while covered property is vacant. Under a Commercial Property Policy, a building is "vacant" if it does not contain enough business property to conduct customary operations, i.e., under this policy, it does not have to be literally empty to be considered "vacant."
Page 3-15, 9-17

VALUATION The basis on which a loss is paid, such as Actual Cash Value, Agreed Value, or Replacement Cost.
Page 3-10, 9-17

VALUED CONTRACT See Agreed Value

VANDALISM AND MALICIOUS MISCHIEF (V&MM) A peril consisting of willful and malicious damage to or destruction of property. V&MM is not theft.
Page 3-20

VEHICLES OR AIRCRAFT, THE PERILS OF If it flies through the air or falls from the sky, it is an aircraft, e.g., airplanes, meteors, spacecraft, self-propelled missiles, or a Skylab falling to earth. If it runs along the ground, it is a vehicle. This includes automobiles, trucks, motorcycles, road repair equipment, bulldozers, cherry pickers, and so on.
Page 3-20

VICARIOUS LIABILITY Legal responsibility for another's action e.g. an employer for an employee.
Page 4-6

VOLCANIC ACTION A peril consisting of damage done above ground by a volcano, such as damage from the blast or shock waves, ash, dust or lava flow.
Page 3-20

VOLCANIC ERUPTION The peril consisting of damage done below ground by a volcano. This peril is covered under the Earthquake Cause of Loss Form in Commercial Property and by endorsement in Homeowners.
Page 5-18, 9-27

W

WAIVER The intentional relinquishment (giving up) of a right or privilege.
Page 2-11

WARRANTY (A) A statement made by the insured which is taken to be the absolute literal truth; a breach of warranty is sufficient to render the policy void. Warranties are used in Ocean Marine and Jewelers Block policies and in the case of fraud; in most other situations, the insured's statements are taken to be Representations. **(B)** Promises from a manufacturer or seller of a product to a consumer. See Implied Warranty.
Page 2-10, 10-3

WATCHPERSON In Crime insurance, any person the insured retains to protect insured property inside the premises and who has no other duties.
Page 11-4

WATER DAMAGE A Broad form peril due to leaking and freezing of pipes, appliances or systems which contain water.
Page 3-21, 9-24

WINDSTORM A peril which includes hurricanes, tornadoes, high winds, and cyclones.
Page 3-19

WORKERS COMPENSATION Insurance purchased by an employer to pay for medical expenses, lost wages, and/or death benefits for employees who suffer a work-related injury or illness. Workers Compensation is regulated on the state level, so benefits and requirements vary from state to state.
Page 10-28

Y

YACHT Under a yacht policy, a watercraft (either sailboat or motorized) over 26 feet long with cooking and living facilities.
Page 7-7

End!