

Glossary of Insurance Terms

Accident: An incident resulting in injury or damage to a person or property which has or will become a loss.

Additional Insured: An entity that is specifically named under the insurance policy of another for the purpose of receiving a certain degree of protection. For instance, naming the state as an Additional Insured under a vendor's/contractor's policy protects the state from being held liable for vendor's/contractor's acts or omissions arising out of and in the course of operations performed for the state.

Aggregate Limit: A limit in an insurance policy stipulating the most it will pay for all covered losses sustained during a specified period of time, usually one year. Aggregate limits are commonly included in liability policies.

Automobile Liability Insurance: Provides coverage for injuries to others and/or damage to their property (bodily injury and property damage liability) arising out of an insured's ownership or use of motor vehicles.

Business Income Insurance: Coverage designed to provide protection against losses resulting from a temporary shutdown because of fire or other insured peril. The insurance provides reimbursement for lost net profits and necessary continuing expenses.

Certificate of Insurance: Written evidence that an insurance policy has been issued, indicating both the amounts and the types of insurance.

Claim: Demand or obligation for payment as a result of a loss.

Coverage: The scope of protection provided under a contract of insurance; any of several risks covered by a policy.

Deductible: An amount that a policyholder agrees to pay, per claim or per accident, toward the total amount of an insured loss.

Employers Liability: Extends protection to workers for employment related accidents caused by the employer's gross negligence.

Exclusions: Specific conditions or circumstances listed in the policy for which the policy will not provide benefit payments.

Exposure: A situation, practice or condition that might lead to loss.

First party claim: A demand for payment under an insurance policy made by a policyholder reporting an insured event directly to his carrier.

Frequency and Severity: Frequency is the number of times an incident occurs; severity is the monetary impact of a loss.

Garage Liability: A combination Commercial Auto Coverage form and Commercial General Liability Coverage form, covering the operations of a garage owner. A typical garage business has an auto exposure (owned, non-owned and hired) as well as premises/operations, contractual and products/completed operations exposures. A Garage policy combines these coverages into one policy, in lieu of two separate policies.

Garagekeepers Liability: covers loss or damage to the customer's auto left with the garage for service, repair, storage or safekeeping.

General Liability Insurance: Protects the insured against a claim alleging bodily injury or property damage. The coverage includes defense costs, awards, or settlements associated with lawsuits brought by third parties who are injured or sustain property damage as a result of the insured's operations or while on the insured's premises.

Hull Insurance: Covers loss or damage to an aircraft.

Insurance: An arrangement under which individuals, businesses, and other organizations or entities, in exchange for payment of a premium, are guaranteed compensation for losses resulting from certain perils under specified conditions.

Loss: A reduction in value.

Occurrence: An accident, including continuous or repeated exposure to substantially the same general, harmful conditions, that results in bodily injury or property damage during the period of an insurance policy.

Peril: A “cause” of loss (e.g., fire, vandalism, terrorism)

Premium: The sum paid by a policyholder to keep an insurance policy in force.

Products and Completed Operations Insurance: Products Liability refers to legal liability incurred by a manufacturer, merchant, or distributor because of injury or damage resulting from the use of its product. Completed Operations liability arises out of faulty work performed away from the premises after the work or operations are completed and it is applicable to contractors, plumbers, electricians, repair shops, and similar firms.

Professional Liability Insurance: Professional Liability insurance, or Errors & Omissions Insurance, provides coverage for liability resulting from errors or omissions in the performance of professional duties. It is applicable as a general rule to professional business activities. It covers damages arising out of the insured's negligence, mistakes, or failure to take appropriate action in the performance of business or professional duties.

Property of Others Insurance: Coverage for loss or damage to property in your care, custody and control that belongs to others. For instance, it covers loss or damage to a customer’s mobile equipment left with a vendor for service, repair, storage or safekeeping.

Retention: The net amount of risk retained by an insurer for its own account or that of specified others, and not reinsured.

Risk Management: The practice of protecting an organization from financial harm by identifying, analyzing, and controlling risk at the lowest possible cost.

Risk: (1) The chance of loss; (2) The insured or property covered by a policy or application.

Self-Insured: A sound funding mechanism that is dedicated to loss settlements. Workers Compensation is the line of business that most often utilizes Self-Insured Programs.

Third Party: The claimant under a liability policy. So called because the person making the claim is not one of the two parties – insured and insurer – to the insurance contract.

Tort: A civil wrong, other than a breach of contract, for which a court of law will afford legal relief (e.g., harming another by an act of negligence in driving an auto).

Workers Compensation: Statutory coverage that provides medical care and compensation for employees who are injured in the course of employment. Cash benefits are established by state formulas with maximum benefit levels. The benefits are administered on a state level.