Bard

GLOSSARY of FREQUENTLY ENCOUNTERED INSURANCE TERMS*

Terms marked with a "+" before and after are very commonly seen.

+Additional Insured+

A person or organization not automatically included as an insured under an insurance policy who is included or added as an insured under the policy at the request of the named insured. A named insured's impetus for providing additional insured status to others may be a desire to protect the other party because of a close relationship with that party (e.g., wanting to protect church members performing services for the insured church) or to comply with a contractual agreement requiring the named insured to do so (e.g., project owners, customers, or owners of property leased by the named insured).

In **LIABILITY** insurance, additional insured status is **commonly used in conjunction with an indemnity agreement** between the named insured (the indemnitor) and the party requesting additional insured status (the indemnitee). Having the rights of an insured under its indemnitor's commercial general liability (CGL) policy is viewed by most indemnitees as a way of backing up the promise of indemnification. If the indemnity agreement proves unenforceable for some reason, the indemnitee may still be able to obtain coverage for its liability by making a claim directly as an additional insured under the indemnitor's CGL policy.

In **PROPERTY** insurance, additional insured status is **most often used in conjunction with a premises lease agreement** between the named insured as the lessee and the owner of the leased building, in which the insured tenant is required to purchase insurance on the leased building and name the building owner as an additional insured on the insurance policy with respect to the leased building.

Advertising Injury (Item on Bard's list of Coverage Requirements)

A general liability coverage, combined in standard commercial general liability (CGL) policies with personal injury (PI) coverage, that insures the following offenses in connection with the insured's advertising of its goods or services: libel, slander, invasion of privacy, copyright infringement, and misappropriation of advertising ideas.

Aggregate, General (Item on Bard's list of Coverage Requirements)

The maximum limit of insurance payable during any given annual policy period for all losses other than those arising from specified exposures.

These amounts commonly appear on policies:

- $1,000,000 Per Occurrence – *amount available for any single loss during policy year*
- $2,000,000 General Aggregate – *amount available for all losses throughout the year*

+Blanket Policy / Blanket Limit+
A single insurance policy that covers several different properties, shipments, or locations.

A single limit of insurance that applies over more than one location or more than one category of property coverage, or both. This is in contrast to specific or scheduled limits of insurance, which are separate limits that apply to each type of property at each location.

Broker
An insurance intermediary who/that represents the insured rather than the insurer. Since they are not the legal representatives of insurers, brokers, unlike independent agents, often do not have the right to act on behalf of insurers, such as to bind coverage. While some brokers do have agency contracts with some insurers, they usually remain obligated to represent the interests of insured's rather than insurers. For example, some state insurance codes impose a fiduciary responsibility to act on behalf of their customers or provide full disclosure of all their compensation from all sources.

Builders Risk Policy
A property insurance policy that is designed to cover property in the course of construction. There is no single standard builders risk form; most builders risk policies are written on inland marine (rather than commercial property) forms. Coverage is usually written on an all risks basis and typically applies not only to property at the construction site, but also to property at off-site storage locations and in transit. Builders risk insurance can be written on either a completed value or a reporting form basis; in either case, the estimated completed value of the project is used as the limit of insurance.

Claims-Made Policy
A policy providing coverage that is triggered when a claim is made against the insured during the policy period, regardless of when the wrongful act that gave rise to the claim took place. Most professional, errors and omissions (E&O), directors and officers (D&O), and employment practices liability insurance (EPLI) is written as claims-made policies.

Commercial General Liability (CGL) Policy
A standard insurance policy issued to business organizations to protect them against liability claims for bodily injury (BI) and property damage (PD) arising out of premises, operations, products, and completed operations; and advertising and personal injury (PI) liability.

Cyber and Privacy Insurance
A type of insurance designed to cover consumers of technology services or products. More specifically, the policies are intended to cover a variety of both liability and property losses that may result when a business engages in various electronic activities, such as selling on the Internet or collecting data within its internal electronic network.

Most notably, but not exclusively, cyber and privacy policies cover a business' liability for a data breach in which the firm's customers' personal information, such as Social Security or credit card numbers, is exposed or stolen by a hacker or other criminal who has gained access to the firm's electronic network. The policies cover a variety of expenses associated with data breaches, including: notification costs, credit monitoring, costs to defend claims by state regulators, fines and penalties, and loss resulting from identity theft.

In addition, the policies cover liability arising from website media content, as well as property exposures from: (a) business interruption, (b) data loss/destruction, (c) computer fraud, (d) funds transfer loss, and (e) cyber extortion.

"Damage to Premises Rented to You" (Item on Bard's list of Coverage Requirements)
One of the limits of liability prescribed by the standard commercial general liability (CGL) policy; it applies to damage by fire to premises rented to the insured and to damage regardless of cause to premises (including contents) occupied by the insured for 7 days or less. The basic limit is $100,000.

+Deductible+
An amount the insurer will deduct from the loss before paying up to its policy limits. Most property insurance policies contain a per-occurrence deductible provision that stipulates that the deductible amount specified in the policy declarations will be subtracted from each covered loss in determining the amount of the insured's loss recovery. Usually, the amount of the deductible is not subtracted from policy limits.

+Excess+
Insurance to cover unanticipated or catastrophic losses. Excess coverage can be specific excess, which begins paying when any single claim reaches the pre-established retention, or aggregate excess, which begins paying when the cumulative cost of all claims reaches the pre-established retention.

+Hold Harmless Agreement (Indemnity Clause)+
(Item on Bard's list of Coverage Requirements)
A provision in a contract that requires one contracting party to respond to certain legal liabilities of the other party. For example, construction contracts typically require the contractor to indemnify the owner with respect to the owner's liability to members of the public who are injured or whose property is damaged during the course of the contractor's operations. There are a number of types of hold harmless clauses, differentiated by the extent of the liabilities they transfer. The most commonly used types of clauses are the "broad," "intermediate," and "limited" form hold harmless clauses.

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

+Indemnify+
To make compensation to an entity, person, or insured for incurred injury, loss, or damage.

Kidnap and Ransom Insurance
Specialty crime coverage that insures against loss by the surrender of property as a result of a threat of harm to the named insured, an employee, or a relative or guest of the insured or the insured's employees.

+Limit+
The total amount of losses to be paid under an insurance policy or reinsurance agreement, expressed either on a per occurrence basis (e.g., per accident or event) or on an aggregate basis (e.g., all losses under a single policy, or for all policies during an underwriting period).

Loss Limit
A property insurance limit that is less than the total property values at risk but high enough to cover the total property values actually exposed to damage in a single loss occurrence. This approach is usually used when the insurer is unable to provide a limit equal to the total property values at risk or when reinsurance costs for a full blanket limit are prohibitive.

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

Total Losses Paid out in Claims + Claims Expenses incurred by Insurance Carrier
÷
Total Earned Premium

Medical Expenses
No-fault coverage for bodily injury. No-fault insurance is designed to be good will coverage in which fault doesn’t have to be proven in order to pay for damages resulting from bodily injury claims. It is designed primarily to protect the insured and insurer against lawsuits for negligence

Named Insured
Any person, firm, or organization, or any of its members specifically designated by name as an insured(s) in an insurance policy, as distinguished from others that, although unnamed, fall within the policy definition of an "insured."

+Occurrence+
In a commercial general liability (CGL) coverage form, an accident, including continuous or repeated exposure to substantially the same general harmful conditions. General liability policies insure liability for bodily injury (BI) or property damage (PD) that is caused by an occurrence. This is also a common homeowners provision.

Occurrence Basis
For coverage to be provided, the act giving rise to a claim needs to occur within the policy period. The claim does not need to be reported during the policy period. Used with most General Liability policies.

Personal and Advertising Injury (Item on Bard's list of Coverage Requirements)
Advertising injury coverage is a component of general liability insurance that protects the policyholder against claims of stolen ideas, invasion of privacy, libel, slander and copyright infringement related to advertising. Advertising injury coverage is a type of personal injury insurance, as opposed to physical injury insurance, and may also be called personal and advertising injury coverage.

+Primary and Noncontributory+ (Item on Bard's list of Coverage Requirements)
This term is commonly used in contract insurance requirements to stipulate the order in which multiple policies triggered by the same loss are to respond. For example, a contractor may be required to provide liability insurance that is primary and noncontributory. This means that the contractor's policy must pay before other applicable policies (primary) and without seeking contribution from other policies that also claim to be primary (noncontributory).

Products-Completed Operations (Item on Bard's list of Coverage Requirements)
One of the hazards ordinarily insured by a general liability policy. It encompasses liability arising out of the insured's products or business operations conducted away from the insured's premises once those operations have been completed or abandoned.

Self-Insured Retention (SIR)
A dollar amount specified in a liability insurance policy that must be paid by the insured before the insurance policy will respond to a loss. Thus, under a policy written with a SIR provision, the insured(rather than the insurer) would pay defense and/or indemnity costs associated with a claim until the SIR limit was reached. After that point, the insurer would make any additional payments for defense and indemnity that were covered by the policy.

+Subrogation+ (Item on Bard's list of Coverage Requirements)
In its simplest form subrogation is the Insurance Carrier's right, after paying Bard's claim, to step into the college's shoes and recover from the at-fault party the money the Carrier has paid out to Bard.

Example - Say a student is under the influence and runs into the Fisher Center, clearly at fault. Chubb will pay Bard for the damages to the Fisher Center and look to "subrogate" (recover) the money Bard was paid by the student and the student's own insurance company.

+Subrogation, Waiver of+

A contractual provision whereby an insured waives the right of their insurance carrier to seek reimbursement or compensation for losses from a negligent third party. This provision prevents one party's insurance carrier from pursuing a claim against the other contractual party in an attempt to recover money paid by the insurance company to the insured or to a third party to resolve a covered claim.

+Umbrella Liability Policy+

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

**SOURCE: Glossary of Insurance and Risk Management Terms,*
International Risk Management Institute, Inc. (IRMI),
as edited by our brokers at Risk Strategies Company