Types of Insurance Coverage

Contents/Personal Property
Property other than real (fixed, structural) property.

Business Personal Property
Refers to portable property that is owned by an insured business entity, including goods for sale, fixtures, equipment, machines, materials (raw through finished), and similar property. Such property must be used by the business operation.

Property Insurance
"First-party" insurance for real and personal property against physical loss or damage, not to be confused with property damage liability insurance.

Business Income Insurance and Extra Expense Insurance
A coverage which pays for loss of earnings or income when business operations are interrupted, curtailed or suspended due to property loss as a result of an insured cause of loss. Also covered are loss of rents and rental value. The current commercial time element coverage forms are business income and extra expense. Extra expense covers costs incurred to continue operations at another location.

Earthquake Insurance
Insurance against damage by earthquakes and earth movement.

Flood Insurance
Coverage against damage done by the rising or overflowing of bodies of water.

Flood
Overflow of water from its natural boundaries. More specifically defined by the National Flood Act of 1968 as "a general and temporary condition of partial or complete inundation of normally dry land areas from the overflow of inland or tidal waters, or the unusual and rapid accumulation or runoff of surface waters from any source."

Premises Liability Insurance
Insurance protection for the liability exposure that develops from the normal ownership, maintenance, and use of a premises, and from the conduct of the risk's business operations, not including products or completed operations liability which is treated separately.

Premises
The building or section of a building, insured or containing the insured property. Depending on policy conditions, it may also include an adjacent area.

Product-Completed Operations Insurance
Coverage designed to protect against the liability for injury, loss, or damage that a merchant or a manufacturer may incur as the result of some defect in the product sold or manufactured.

Damage To Premises Rented To You
The liability limit is the actual amount (up to the amount shown in the policy declaration pages) for damages because of "property damage" to any one premises, while rented to you, or in the case of damage by fire, while rented to you or temporarily occupied by you with permission of the owner.

Voluntary Property Damage
This specialty coverage is designed primarily for contractor risks whereby the general liability definition is enhanced to include "property damage" that is caused by the insured, arises out of business operations of the insured and applies without regard to the insured's legal obligation to pay for damages. The enhancement also changes the definition of "property damage" to include "personal property of others in the care, custody or control of the insured at premises owned, occupied or rented to an insured. Typically, this coverage is endorsed to a policy and contains it's own occurrence/aggregate limit such as $10,000, $25,000 or $50,000.

Medical Payments Insurance
Protection to pay the cost of medical care to an injured party regardless of whether the policyholder is liable. Written in conjunction with general and personal liability policies. A similar coverage, automobile medical payments insurance, is available in automobile liability policies.

Employee Benefit (Plans) Liability
Protects the insured employer against any claims made against him or her by employees or former employees caused by a negligent act, error or omission in the administration of the insured's employee benefit programs. Exposures such as providing incorrect advice concerning an employee's pension plan or failure to enroll employees under a benefit program are covered under this insurance. The coverage is provided either under a separate policy or as an endorsement to the employer's general liability policy.

Automobile Liability Insurance
Protection for loss incurred through legal liability for bodily injury and damage to property of others caused by accidents arising out of ownership, maintenance or use of an automobile.
Uninsured Motorists Coverage
Under an auto policy, protection for the insured against bodily injury or property damage (in some states) caused by the negligence of an uninsured or underinsured motorist.

Underinsured Motorists Coverage
Coverage an insured may purchase to protect his or her own self from damage or injury caused by a negligent party who does not have adequate limits of insurance to cover the loss.

Physical Damage
1) As used in property or liability insurance, physical injury to tangible property.
2) As used in automobile insurance, actual damage or loss to the vehicle itself caused by collision, overturn, fire, theft, vandalism, or malicious mischief.

Hired/Non-Owned Automobile Liability Insurance
Coverage for the policyholder against liability incurred while driving an automobile not owned or hired by the policyholder or resulting from the use of someone else’s automobile on the insured’s behalf, such as an employee using a personal car for the employer’s business purposes. This coverage is automatically included in personal and most commercial automobile policies.

Drive-Other-Car Coverage
A provision in an automobile policy designed to protect the policyholder (and insureds other than the policyholder) when driving cars other than the one(s) described in the policy.

Towing Charges
An extension of an automobile damage policy which covers the cost of towing the insured car or providing emergency road service.

PIP (Personal Injury Protection)
Also known as no-fault insurance, PIP provides insurance for medical costs, loss of earnings, additional living expenses and funeral costs for occupants of the insured automobile and pedestrians other than those insured under other policies.

Floater
A policy which covers property at many locations, even worldwide and in the course of transit, i.e., the protection "floats around" with the objects insured.

Installation Insurance
Protection for the installer of equipment against loss by specified perils or on an "all-risk" basis to property in the course of installation.

Equipment Floater Insurance
A form of inland marine insurance, often on an "all-risk" basis, covering various kinds of equipment.

EDP Insurance
An "all-risk" policy that provides protection on equipment, software and extra expenses incurred as a result of failure of such equipment caused by an insured loss and loss of earnings. Also known as an EDP Policy. Coverage may be extended to include liability claims alleging errors and omissions by data processing companies.

Errors and Omissions Insurance (aka Professional Liability Insurance or Malpractice Insurance)
A form of professional liability insurance which provides coverage for mistakes made by a person or persons in a profession not involved with the human body, such as lawyers, architects, engineers, or for mistakes made in a service business, such as insurance, real estate, and others.

Professional Liability
A class of insurance policies that indemnifies the insured for third-party liability claims due to negligence in the performance of professional services. Professionals include doctors, lawyers, engineers, insurance agents and others.

EPLI (Employment-Related Practices Liability - aka ERPL or EPL)
Impetus for this coverage started with public interest in the allegations made by Anita Hill during the confirmation hearings of Supreme Court Justice Clarence Thomas, Changes in federal and state laws, such as the Americans with Disabilities Act and the Civil Rights Act of 1991, and increased consumer awareness of sexual harassment and discrimination in the workplace. Coverage is available for legal costs to defend claims involving sexual harassment, wrongful termination and discrimination including legal liability for such acts. The coverage is known by various titles. Employment-related practices liability, management risk protection, employers E&O and Americans with Disabilities Act insurance are basically the same coverage. Most policies provide limits ranging from as low as $25,000 per claim up to $1 million. Policies may cover employers as additional insureds.

Commercial Umbrella
A form of liability insurance protecting policyholders for claims in excess of the limits of their primary automobile, general liability and workers compensation policies, and for some (few) claims excluded by their primary policies which are subject to a deductible, which may range from $250 for a personal umbrella to a minimum of $10,000 for a commercial umbrella.

Crime Coverages
A generic term used to encompass the variety of crime coverage forms available to protect against losses of money, securities and property by such causes of loss as employee dishonesty, forgery, theft, burglary, robbery, kidnap, extortion and fraud.

ERISA (Employee Retirement Income Security Act of 1974)
This act is sometimes called the "pension reform act." One of the purposes of this act is to force employers to protect the assets of the business that have been designated as employee pension benefits.

Identity Fraud Expense Insurance
A person who has been victimized by identity theft faces the daunting task of correcting their account information, credit history, and initiating extensive communication with a multitude of lenders, businesses and legal authorities. ID fraud expense insurance helps to cover some of the related expenses, particularly postage and phone charges.
Directors and Officers Liability Insurance
Protects officers and directors of a corporation against damages from claims resulting from negligent or wrongful acts in the course of their duties. Also covers the corporation (and even the officers and directors in some cases) for expenses incurred in defending lawsuits arising from alleged wrongful acts of officers or directors. These policies always require the insured to retain part of the risk uninsured.

**Other Important Insurance Terms and Definitions**

**ACORD (Association for Cooperative Operations Research and Development)**
A nonprofit insurance facility dedicated to serving the independent agency system in the USA by developing and maintaining standard application forms, providing electronic data interchange standards and other support of agency automation. ACORD is located in Pearl River, NY.

**Actual Cash Value**
The basis of loss settlement in property insurance policies, which takes into consideration factors such as replacement value less depreciation, market value, rental value, the use of the building, the area in which it is located, obsolescence, assessed valuation, and any other factor that would have an effect upon the value. A working rule-of-thumb definition, however, is "replacement cost new at the time of loss, less depreciation."

**Agent of Record Letter (AOR)**
A simple letter that a new agent sends to an insurer as formal notice that he or she has been authorized to take over an insurance account from another agent. It permits the insurer to change its records to reflect the change.

**Agreed Value Clause**
A condition of a policy stating that the insurer agrees to waive the coinsurance requirement in consideration of the insured's maintaining insurance for the scheduled item, equal to the amount agreed upon at the inception of the policy.

**Americans with Disabilities Act (ADA)**
A federal act designed to set standards to remove the barriers to employment, transportation, public accommodations, public services, and telecommunications that exist for those members of our society who have physical disabilities of many types. The act encompasses many aspects of everyday life and generates wide-ranging implications for almost every commercial business or service.

**Audit**
Verification of books or accounts to determine their accuracy. Certain policies written on a reporting or adjustable form give the insurer the privilege of auditing the policyholder's records to verify the accuracy of the premiums paid.

**Blanket Insurance**
A single amount of insurance covering several items, e.g., one amount of insurance to cover two buildings, or one building and its contents. Such policies usually require the fulfillment of certain restrictions which may not be required in "specific" or "itemized" policies, such as the use of a 90% coinsurance clause.

**Business Owners Policy (BOP)**
Similar to the Commercial Package Policy (CPP), it provides broad property and liability protection in a single contract and is designed for small and medium-sized mercantile, service, office or apartment risks.

**Care, Custody or Control**
Most liability policies have provisions that exclude coverage for physical damage or loss to property while it is in the care, custody or control of the insured. Two methods are available to buy back some or all of the care, custody or control coverage: either endorsements to the liability policy, such as the broad form property damage endorsement or its company-specific equivalent which will provide limited coverage, or the purchase of inland marine coverages such as bailees' forms.

**Casualty Insurance**
Insurance concerned with legal liability for personal injuries or damage to property of others, including many other types of insurance, such as workers compensation, plate glass, burglary, boiler and machinery, aviation, etc. "Casualty" is generally accepted to cover all classes outside the definition of "property insurance," so that a property and casualty company would tend to handle all forms of insurance other than life.

**CCIP (Contractor-Controlled Insurance Program)**
An insurance program for larger construction projects that is purchased and administered by, typically, the project's general contractor.

**CIC (Certified Insurance Counselor)**
Certified Insurance Counselor designation sponsored by the Society of Certified Insurance Counselors. Headquarters: Austin, TX.

**Claims-Made**
A liability insurance method covering losses from claims asserted against the insured during the policy period, regardless of whether the liability-imposing causes occurred during or prior to the policy period. *However, many underwriters may not cover liability-imposing causes occurring prior to the policy period.* The coverage trigger is based on the retroactive date stated in the Declarations.

**Co-Insurance Clause**
In property insurance, a condition of the policy requiring the insured to maintain insurance at least equal to a stipulated percentage of value in order to collect partial losses in full. If the insurance is less than the minimum required, a penalty is applied to the amount of loss based on a proportionate formula of the amount of insurance carried divided by the amount of loss required to be carried.
Commercial Package Policy (CPP)
A package policy designed for commercial insureds that can provide in one policy several lines of insurance business as needed by that commercial venture. Lines of business which may be included in the CPP are property/glass, general liability, inland marine, crime, boiler and machinery insurance, and commercial automobile.

Consequential Loss
In property insurance contracts, consequential losses are indirect losses, a reduction in the value of property that is a result of a direct damage loss. Usually associated with time element or other remote or indemnification type losses. Consequential losses are different than ensuing losses since consequential losses are indirect losses not direct damage losses, whereas ensuing losses are further or additional direct damage losses that have been initiated by the original direct damage cause of loss.

Coverage Trigger
The event which determines when coverage of a liability policy applies. In an "occurrence" policy, the event is the occurrence of the injury or damage. In a "claims-made" policy, the event is the notification to the insurer or the insured, whichever comes first, of the happening of the injury or damage.

Debris Removal Clause
A property insurance provision which provides coverage for the cost of cleanup and debris removal after a covered cause of loss has occurred, such as cleanup after a fire or windstorm.

Earned Premium
The portion of the policy premium allocated to the expired or used portion of the policy term. This also includes any short-rate charge made on policy cancellation.

Experience Rating
A form of individual risk rating which takes into consideration the loss experience of the particular risk as a credit or a debit to the manual rate for the insured's classification. As the size and number of exposure units increase (e.g., a multiple location risk), more credibility is given to the insured's own experience.

Faulty Workmanship Exclusion
Most liability policies contain this property damage exclusion for products-completed operations losses, although it is now more often referred to as the work performed exclusion. The intent of this exclusion is to make sure that insureds are maintaining acceptable standards of performance and are not using the insurance contract to recover for poor training or poor business practices by the insured. Coverage does not exist for property losses to work performed or as a result of the work performed by the insured.

Functional Replacement Cost
An endorsement available for property policies which provides for replacement of the operation or function portion of a building or property, even if the replacement is for a building of less size or the more modern equipment is of less value. To illustrate, an insured owns an aged, four-story building in which only two floors are currently used. The remaining floors have been closed and are unused. Should the building suffer a total loss, functional replacement cost would provide for the rebuild of the square footage of the two functional floors.

Hold Harmless Agreement
A contractual arrangement in which one party agrees to assume certain liability which otherwise would be borne by the other party. For example, an insurer may wish to pay a loss when it is uncertain whether it may be called upon a second time to some other party. The payee may be asked to execute an agreement whereby the company will be reimbursed or held harmless by the payee if such request should happen. Another example is when the principal in a large construction project frequently demands a hold harmless agreement from all subcontractors in respect to claims made against the principal arising out of the subcontractors' negligence. The principal often stipulates the purchase of a liability policy by the subcontractor to support the hold harmless agreement.

ISO (Insurance Services Office)
A corporation which provides a wide variety of services on a national basis. Among its operations are rating, statistical, actuarial, and policy form services for all classes of property and casualty businesses. The corporation also functions as an insurance rating organization and, where applicable, as an advisory organization or as a statistical agent. Headquarters: New York, NY.

Liability Insurance
Protection which pays sums that an insured is legally obligated to pay, or that the insurer has agreed to pay, as damages to others as a result of the insured's negligence. Usually provides coverage for bodily injury or damage to property of others.

Monopolistic State Fund
A state-controlled workers compensation plan which writes insurance on such risks within the state and prohibits private insurers from doing so.

MVR--Motor Vehicle Report
A record usually kept by an individual state's bureau of motor vehicles (or similar department). MVRs are frequently used by insurance companies to verify the underwriting and rating information on their current and prospective insureds. The record shows (minimally) a licensed motor vehicle operator's identifying information (name, address, age, physical attributes, SSN, etc.), date of license issue or renewal, and dates of any traffic violations or license suspensions, revocations or reinstatements. Further, depending on the state, the record may include the dates of vehicular accidents. Accident information (when provided) usually depends upon whether it was the operator's fault and if it exceeded some monetary or verbal threshold. States also vary on the length or time it will keep records of driving incidents and the "points" they assign to such incidents.

OCIP (Owner-Controlled Insurance Program)
An insurance program for larger construction projects that, typically, is purchased and administered by the project's owner which may be either a private or a public entity.
Occurrence Policy
The traditional occurrence liability insurance method provides coverage for losses from liability-imposing causes which occurred during the policy period, regardless of when the claim is asserted. Once the policy period is over in a claims-made form, the approximate extent of the underwriter’s liability is known. With the traditional occurrence liability coverage method, the underwriter may not discover the extent of liability for years to come from losses claimed to have occurred within the policy period.

Punitive Damages
Damages awarded separately and in addition to compensatory damages, usually on account of malicious or wanton misconduct, to serve as a punishment for the wrongdoer and, possibly, as a deterrent to others. Sometimes referred to as “exemplary damages” when intended to “make an example” of the wrongdoer.

Replacement Cost
When used in property insurance contracts, this is the amount it would take to replace the property with like property of the same quality and construction. No deduction is made for depreciation or obsolescence.

Reservation of Rights
Describes a notice that a company sends to a client. It allows a company to investigate a claim or being defending an insured, without forfeiting its right to deny coverage or a legal defense if it later finds that the claim does not qualify protection.

Short-Rate Charge (see Earned Premium)

Subrogation
In insurance, the substitution of one party (insurer) for another party (insured) to pursue any rights the insured may have against a third party liable for a loss paid by the insurer.

Unemployment Insurance
A federally designed option available to finance the employer's portion of the cost of unemployment compensation for specific, qualified operations. This option allows the employer either to self-insure and/or to purchase available specialty insurance, usually available on a stop loss or excess of loss basis.

Waiver of Subrogation
A condition of an insurance policy which states that the coverage will not be prejudiced if the insured has waived in writing prior to a loss any rights of recovery from a party responsible for the loss.

Other Potential Insurance Coverages and Bonds that a Businessowner may want to consider

Accident and Sickness Insurance (aka Disability Income insurance)
A broad term describing protection from loss because of illness or injury which may result in loss of life, loss of earnings, or expenses incurred. Within the broad area of health insurance, there are several major coverages which focus on more specific needs.

Bailees Liability (and Property) Coverage (aka Cargo Insurance)
Normally, this is an inland marine insurance, despite the title. This type of coverage is designed for a bailee to provide coverage for liability for the property of customers, in that bailee’s care, custody or control. Although this coverage was designed to cover the bailee’s liability, it can often be endorsed or have options exist to provide a no-fault coverage to protect the customer’s property against any damage, whether or not there is negligence and subsequent liability.

Bid Bond
A bond intended to guarantee that the bidder on a construction, supply or service contract will enter into the contract if successful as a bidder. Should the bidder fail to enter the contract, the surety on the bid bond may be called upon to pay the difference between the amount of the principal’s bid and the bid of the next lowest qualified bidder.

Builders Risk
A special form dealing with the unique loss exposure of property under construction.

Directors and Officers Liability Insurance (aka D&O Liability Insurance)
Protects officers and directors of a corporation against damages from claims resulting from negligent or wrongful acts in the course of their duties. Also covers the corporation (and even the officers and directors in some cases) for expenses incurred in defending lawsuits arising from alleged wrongful acts of officers or directors. These policies always require the insured to retain part of the risk uninsured.

Disability Income insurance (see “Accident and Sickness Insurance”)

E & O Insurance (see “Professional Liability Insurance”)

Garage Keepers Legal Liability (GKLL)
Pays amounts an insured is legally obligated to pay because of damage or loss to property of others that is in the insured’s care, custody or control.

Glass Insurance
Coverage against the breakage of glass.

Incidental Medical Malpractice Liability
This coverage is for operations that have a medical professional exposure which is incidental to but is not the major function of their business. The coverage responds to injury arising out of either providing or failing to provide medical services. A school nurse is an example of a qualifying incidental medical malpractice liability situation.
Kidnap/Ransom Insurance
A specialty policy designed to cover the cost of ransom and related expenses, due to a person being kidnapped. Some policies may also provide varying limits of life and medical insurance coverage. Various territorial restrictions typically apply.

License or Permit Bond
A surety bond often required by municipalities and other public authorities to indemnify them against loss from breach of any regulation or ordinance under which the license or permit is issued.

Liquor Liability Insurance (aka Dram Shop Liability)
This coverage is for owners and operators of a business that sells or serves liquor. This coverage was designed to protect against liability for accidents caused by intoxicated customers.

Liquor License Bond
Any bond required by federal, state or municipal authorities to comply with regulations for the handling and sale of liquor.

Long-Term Care Insurance
Sold either on a group or individual basis. Pays for nursing home or home health care costs including room, board and medical expenses.

Lost Instrument Bond
A bond given by the owner of a valuable security such as stock, bond, certified check, etc., which has been lost or destroyed.

Machinery Breakdown Insurance
Protection against loss from disruption of boilers and machinery by an insured cause of loss, consisting of loss to the boiler and machinery itself, damage to other property, business interruption losses, or all three. Also known as breakdown insurance.

Ordinance or Law Coverage
A property endorsement that provides the insured the option to purchase coverage for three types of common building ordinance or law requirements that apply after an insured has suffered a physical damage loss such as fire. These ordinance or law damages are normally excluded in standard property coverage forms. The coverages available in this endorsement are cost to demolish the undamaged portion of the building, cost to replace with superior construction as required by law, and cost to clear the land of debris after demolition.

Payment Bond
A bond given by a principal, usually a contractor, to guarantee payment for labor or materials used in the work under a contract.

Performance Bond
In general terms, a surety bond guaranteeing the performance of a contract, usually associated with construction work, but possible for almost any kind of contract. Sometimes called a performance bond.

Pollution Insurance
Insurance designed to provide protection for the liability exposures that may result from damage, injury and, in some cases, clean-up costs caused by pollution. This coverage is excluded in the standard CGL, and the attempt has been to make the CGL exclusion as broad or absolute as possible.

Product Recall Insurance
Pays the expense associated with government-dictated recall of a product suspected of being defective and dangerous to consumers. Pharmaceutical, automobile and aircraft manufacturers are types of risks that often are affected. This expense is not covered by the standard general liability policy.

Railroad Protective Liability
The standard commercial general liability policy excludes liability for construction or demolition operations on or near railroad property, such as tracks, trestles, sidetracks, etc. In order to provide coverage for this exposure, the railroad protective liability policy is available to provide protective liability coverage for railroad owners, property owners, or contractors from the vicarious acts of contractors or subcontractors who are working on their behalf. The policy is purchased by the subcontractor or contractor in the name of the party needing protection. For example, a contractor demolishing a building near a railroad track may need to purchase a railroad protective liability policy for the property owner, the railroad, or both.

Rental Reimbursement Coverage
An optional personal auto coverage endorsement to provide reimbursement for the expenses incurred by an insured when a temporary replacement vehicle is needed following a covered accident to the insured's vehicle.

Spoilage Coverage
Insures damage to perishable personal property and stock caused by a change in temperature or humidity resulting from power failure or equipment failure. The coverage may also include damage caused by contamination.

Transportation Insurance
Insurance on merchandise and/or cargo while it is being moved and is subject to loss or damage during transportation. This insurance may also protect while in a warehouse. Coverage is also available for property serving as either an instrument of transportation or of communication, such as bridges, tunnels and television transmission towers. The writing of this type of protection is usually within the province of marine or inland marine underwriters.

Valuable Papers and Records Insurance
Provides coverage for the replacement of a commercial operation's valuable papers, records and forms, including electronic media. Typically, coverage is limited to the cost of recreating or restoring the lost or damaged documentation.

Workers Compensation Insurance
Protection which provides benefits to employees for any injury or contracted disease arising out of and in the course of employment. All states have laws which require such protection for workers and prescribe the length and amount of such benefits provided.

Employers Liability Insurance
Coverage against the common law liability of an employer for injuries sustained by employees, as distinguished from liability imposed by a workers compensation law.