

- **Accident**

An unexpected event, often with harmful consequences. (See also occurrence.)

- **Accident - Boiler and Machinery**

Various definitions as spelled out in the four object definition forms of the Boiler & Machinery Policy.

- **Accounts Receivables**

The records of money owed to an individual or organization which, if lost, stolen, or destroyed, could prevent their collection; The value of these records can be insured under Inland Marine Accounts Receivable insurance.

- **Actual Cash Value**

The value of property immediately before loss taking into account its "used" condition, wear & tear, etc.; usually considered the "depreciated value, although "market value" and obsolescence may sometimes also be taken into account.

- **Actual Loss Sustained Business Interruption Insurance**

Form of coverage used in Boiler & Machinery Insurance that pays the amount of business income loss actually incurred following an insurance property loss. (In contrast to "Valued" coverage.)

- **ACV**

The commonly used abbreviation for Actual Cash Value.

- **Agreed Amount Clause**

Former name of Agreed Value Option. (see below for definition of Agreed Value Option).

- **Agreed Value Option**

An optional clause for Property & Business Income policies that waives the Coinsurance Clause on a year by year basis based on the filing, and accepting by the insurer, of a statement of actual values on which the amount of insurance for the coming year is based; Failing to file a new statement within the required time results in reapplication of the Coinsurance clause until a new statement is filed and approved. (See Coinsurance.)

- **All-Risks Insurance**

Former name of coverage that applies against all risks of loss not specifically excluded; The term "All-Risks" is no longer used as it seems to suggest (in the minds of insurers) that more coverage is being given than is intended.

- **Assessment Liability**

Liability of an insured condominium owner, cooperative apartment tenant, or others for the cost of assessments laid on the individual owner or tenant to pay for costs or improvements for the common good; Insurance can be purchased to cover this exposure.

- **Average Clause**

Another term for a Coinsurance Clause (See Coinsurance.)

B

- **Bare Walls Ownership**

A type of Condominium ownership in which the Unit Owner individually owns the inside of the unit up to the inside of the bare outside walls, floor, and roof or ceiling, and the unit owners in common own the remainder of the buildings and grounds. This is one of several possible methods of Condominium Ownership.

- **Blanket Insurance**

Insurance that covers more than one subject of insurance or at more than one location, or both.

- **Boiler and Machinery Insurance**

Insurance that covers boilers and/or machinery against explosion or breakdown losses normally excluded from property insurance policies.

- **Boiler and Machinery Time Element Insurance**

Insurance that covers loss of profits or earnings when an operation is shut down totally or partially by an accident covered by Boiler & Machinery Insurance, or extra expense incurred following accident to maintain or hasten resumption of operations.

- **Building Codes**

Laws passed by municipalities, counties, states, or now even Federal jurisdictions, that regulate how reconstruction must be accomplished after the property is damaged or destroyed, and may even require demolition, and sometimes even prohibit rebuilding if the loss is over a certain degree.

- **Building Ordinance Exclusion**

(Also see Ordinance or Law exclusion.) A standard exclusion found in most property, business income, and boiler & machinery insurance policies that does not cover the added cost of complying with building or zoning laws after an insured loss.

- **Building Ordinance Insurance**

(Also see Ordinance or Law Insurance.) Coverage setting aside the Ordinance or Law exclusion and offering one or more of three coverages for the possible added ordinance or law compliance: 1) demolition costs; 2) loss of value of the undamaged portion of a damaged building; and 3) increased cost of reconstruction to comply with current law.

- **Burglary**

Theft by breaking and entering a building or vehicle.

- **Business Defined**

For Boiler & Machinery Valued Business Interruption, 4 definitions apply: 1) Production, the production of finished goods ready for packing, shipping or sale; 2) Sales, gross sales at the location; 3) Rents, rents collectible at the location, or 4) Income, gross income at the location.

- **Business Income from Dependent Properties - Formerly Contingent Business Interruption Coverage**

A form of business income insurance covering an insured against loss of income and continuing a major supplier, a major customer, or a major location where the insured is a satellite and will lose business if the major shuts down, or (for sales representatives) a manufacturing supplier.

- **Business Income Insurable Value**

Generally Gross Sales less most (but not all) Items of Cost of Goods Sold. (Also figured as Profit plus Continuing Expenses) It determines the amount of business income Insurance that must be carried to satisfy the Coinsurance (Contribution) Clause of the Business Income policy.

- **Business Income Insurance**

Insurance covering loss of business income and continuing expenses following an insured loss.

- **Business Interruption Coverage**

A former term for business income insurance, still in use in boiler & machinery insurance.

C

- **Care - Custody - Control**

An exclusion found in most general liability policies, giving no coverage for loss or damage to property held in the care, custody, or control of the insured.

- **Civil Authority Clause**

A clause found in business income policies extending the coverage to loss when adjacent or nearby premises are closed down by order of civil authority, prohibiting occupancy of the insured's premises; usually applies for up to two, or after a waiting period, three weeks.

- **Claims Adjustment Expense**

The cost incurred by the insured or by claim professionals hired by the insured to figure out the more difficult aspects of a claim; many policies do not cover this cost, but special forms and endorsement are available to cover it.

- **Coinsurance Clause**

A clause found in most commercial property and business income insurance policies that requires the insured to carry a specified percentage of insurance to the value being insured, and failing that, recovery of loss is reduced in proportion to the deficiency. Also sometimes known as Average or Contribution Clause

- **Combined Business Income - Business Interruption - and Extra Expense Insurance**

Insurance that includes coverage for both loss of earnings following insured property loss and the extra expense to stay in business or expedite more rapid return to business, beyond the amount that would reduce the loss of earnings covered by Business Income Insurance (found with both Property and Boiler & Machinery forms).

- **Concurrent Causation**

A concept that began in California in which courts found that even though a peril, such as earthquake or flood, was clearly excluded from coverage, if another peril, e.g., faulty design of a dam, not excluded, could be found, coverage could be found to apply. To stop this, insurers put "concurrent causation" exclusions in their policies which not only solved the concurrent causation problem but in some cases even went so far as to take away coverage formerly offered under "all risk" policies. Meanwhile, California courts

have rescinded the concurrent causation doctrine, but the insurers have not, up this point seen fit to remove the exclusions.

- **Concurrent Causation Exclusions**

Exclusions added to various property insurance policies intended to eliminate coverage when a loss occurs that is not covered because of a basic exclusion. They are (in brief): weather conditions; acts or decisions, including failure to act or decide, of any person, group, organization, or governmental body; and faulty, inadequate or defective planning, zoning, development, surveying, siting, design specifications, etc., materials used, or maintenance. These exclusions do not apply to any loss covered (or not specifically excluded) under the policy, but only to excluded losses.

- **Conditional Suspension of Coinsurance**

Endorsement used with Boiler & Machinery Business Interruption Actual Loss Sustained Insurance to waive the coinsurance clause on a year-by-year basis. (Similar to Agreed Value Option on Property Insurance.)

- **Condominium**

A concept of apartment, office, or retail ownership which took hold in the USA in the 1960s, in which individual "unit owners" own the space they occupy and the "unit owners in common" collectively own the remainder of the buildings and grounds. All the unit owners are required to belong to the condominium association and share in the condominium expenses and can be assessed to meet extraordinary condominium expenses.

- **Condominium Bylaws**

The rules set up by the condominium managers that govern how the condominium operates.

- **Condominium Declarations**

The legal document set forth when a condominium is established (equivalent to the title for real property) outlining the exact duties, rights, and privileges, of the unit owners, unit owners in common, and the condominium association and board of directors or managers.

- **Consequential Damage**

Loss other than direct property damage or business income/business interruption/extra expense, usually involving losses such as off-premises utilities, spoilage from refrigeration loss, etc.

- **Contingent Business**

Interruption Insurance—A form of business income insurance covering an insured against loss of income and continuing expenses for shutdown of a dependant property, a major supplier, a major customer, or a major location where the insured is a satellite and will lose business if the major shuts down.

- **Contingent Business Interruption Insurance**

See Business Income from Dependent Properties Coverage.

- **Contingent Liability for**

Operation of Building Laws—Former name for one of the three kinds of loss resulting from operation of building or zoning laws; now simply Coverage A applying to loss of value of the undamaged portion of a building when it must be demolished or substantially modified because of application of an ordinance or law.

- **Continuing Expenses**

Expenses which must be continued after a suspension of operations, even though no income is being earned to cover them.

- **Contribution Clause**

Essentially the same as a coinsurance clause (Also see Average Clause.)

- **Cooperative Apartments**

Rental apartments, in which the tenant holds a lifetime lease which can be sold to others at any time, usually with the approval of the cooperative management

- **Cost of Goods Sold**

When used by accountants, it means all costs entering into the price of the goods except for profit; when used in business income insurance, it is a deduction from the amount of insurance needed, but does not include such items as labor and overhead costs. This difference should be in mind when developing insurable business income values from accountants' figures.

- **Covered Causes of Loss**

Basic, Broad, Special—The three levels of covered property and business income loss offered by insurers; basic and broad (with more causes of loss added) requiring that the loss be named and identified as covered, special covering any loss not specifically excluded. (Formerly referred to as "perils insured against.")

- **Debris Removal Insurance**

Coverage offered as an additional item under property insurance, with its own limits of insurance, covering the cost of cleaning up and disposing of debris from a covered loss.

Deductible Clauses

Clauses that provide for the insured to pay for the first amount of loss stated in the clause, after which the insurance pays the remainder, up to the limit of insurance provided.

- **Definition of Business**

See "Business Defined"

- **Demolition Insurance**

One of the three Ordinance or Law coverages, insuring the cost of demolition and site clearance of the undamaged portions of a damaged building when demolition is required by ordinance or law.

- **Depreciation**

The amount of value of property used up over time by wear and tear or obsolescence, reducing the property's value from its cost new.

- **Directors and Officer Liability**

Liability incurred by officers or directors of organizations for alleged damages arising out of their activities as officers or directors; this liability is usually excluded from the general liability insurance of the organization, requiring separate specialized insurance.

- **Discontinued Expenses**

Expenses that do not continue after a property loss and, even though for the most part these expenses must be considered insurable in determining the amount of business income insurance to be carried, they are not covered as a part of the business income loss recovery.

E

- **Earth Movement Exclusion**

An exclusion found in most property insurance policies that denies coverage for damage caused by any type of earth movement, not limited to an earthquake.

- **Earthquake Exclusion**

A narrower exclusion than the earth movement exclusion, in that it does not exclude other types of earth movement besides earthquake.

Earthquake Insurance

Insurance specifically insuring against loss by earthquake; it can be added by endorsement to property insurance policies or provided separately, in either case with much higher deductibles than other property insurance.

- **Employee Dishonesty**

Wrongful acts of employees against their employer normally excluded from the employer's crime coverage unless specifically included for coverage.

- **Employers Liability Exposures**

Liability of employers not covered by workers compensation insurance. Workers Compensation policies include a separate section of coverage for employers liability exposures.

- **Expected or Intended Injury**

Injury which the insured can reasonably expect to happen or intends to happen from a chosen course of action; not insurable in most circumstances.

- **Expense to Reduce Loss**

Expense incurred by an insured to reduce the amount of a business income loss that would otherwise occur. With business income insurance such expense is covered only to the extent that the loss is thereby reduced; with extra expense or combined business income and extra expense insurance the expense (if justifiable) is covered even if more than the loss is thereby reduced.

- **Explosion Exclusion**

An exclusion in the boiler & machinery policy that limits the policy to pressure explosions but not fire box explosions or combustible gas explosions. Note that property policies exclude explosions covered by the boiler & machinery policy.

- **Extended Period of Indemnity**

Business income insurance can be extended by endorsement to cover beyond the time when operations can be resumed, to allow for recovery of business momentum.

- **Extra Expense Insurance**

Insurance covering the additional cost to maintain operations or get back in operation more quickly, following property loss; it can be written alone or in conjunction with business income insurance.

F

- **Fire Exclusion**

Another boiler & machinery exclusion putting loss by fire, though involving a boiler or machinery, under the property insurance.

- **Firebox Explosion Exclusion**

One of the boiler & machinery exclusions limiting the insurance to steam pressure explosion but not other explosions involving boilers.

- **Flood Exclusion**

The exclusion common to most property policies forcing the insured, if flood coverage is to be provided, to purchase separate flood insurance.

- **Flood Insurance**

Coverage, principally through a federal insurance program, protecting against flood and similar water damage, excluded from most property insurance policies.

- **Forensic Investigation**

A program, involving highly trained investigators to determine the causes of losses.

G

- **Gross Earnings**

A term, common to earlier business interruption insurance, used to define the amount of insurance required; it meant total sales (or for manufacturers, sales value of production) less cost of goods sold (or consumed in manufacture) (See also Cost of Goods Sold.)

- **Gross Profit**

The difference between sales and the cost of goods sold before allowances for operating expenses and income taxes.

H

- **Height and Area Limitation**

A former limitation under ordinance or law insurance which would not pay for the added cost of reconstruction even if required by ordinance or law that exceeded the height or area of the existing structure; this limitation was omitted on later versions of the coverage.

- **Hired and Non-Owned Vehicles**

See Non-Owned and Hired Vehicles.

I

- **Increased Cost of Construction**

One of the three ordinance or law coverages; it pays for the added cost of rebuilding following current codes rather than rebuilding as the building was prior to loss.

- **Increased Period of Restoration**

The additional time needed following a property loss beyond the time when operations can be resumed, to bring the operation back to where it was before the loss; insurance may be purchased to cover this additional time.

- **Inland Marine Insurance**

A separate branch of property insurance, less heavily regulated and generally more competitively priced than standard property insurance, covering such things as property in transit, instruments of transportation, jewelry, and furs, customers goods held by dry cleaners, laundries, book binderies, repair facilities, etc.

- **Insurable Interest**

The requirement with property insurance that an insured, after loss, in order to receive payment must show some kind of interest in the property, whether ownership, loss of use, a contractual requirement with the owner to insure the property; insuring property with no insurable interest is a gambling contract and contrary to public policy.

J

- **Joint Loss Agreement**

An agreement between a boiler & machinery and a property insurer, both covering the identical property but for different risks, to share in the initial payment of any loss until the adjusters can sort out which insurer owes for what amount of the loss; the insurer owing the greater portion then reimburses the other insurer for the difference.

L

- **Layered Liability**

A method of writing liability insurance where insurers, rather than accepting pro rata portions of the exposure, accept layers of coverage, often above a large deductible or "self-insured retention" to be borne by the insured; the price for each successive layer is generally lower than the previous layer, but this will sometimes depend on availability and market conditions.

- **Liability Exposures**

All of the many exposures facing an insured to suit or claim for damages arising out of the insured's activities; some are covered under the insured's general or personal liability policy; others require separate specialized insurance.

- **Liquor Liability**

Liability arising out of the sale or serving of alcoholic beverages; normally excluded from general liability policies (unless added by endorsement) and requiring specialized liquor liability insurance.

M

- **Manufacturer Selling Price Clause**

This clause applies to goods manufactured by the insured but not yet sold (less unincurred costs and customary discounts). It is needed because the Business Income policy is based on property manufactured rather than sold by the insured.

- **Market Value Clause**

A clause for property insurance policies setting the value of merchandise for sale at its market value rather than purchase price, thus including the profit from sale in the recovery following loss.

- **Mechanical Failure Exclusion**

Exclusion in property policies that do not cover loss to property by mechanical failure; however, subsequent loss resulting from damage by the mechanical failure, if by a covered cause of loss is covered.

- **Motor Vehicles - Damage by**

This loss is covered under the motor vehicle cause of loss, with some exception.

Motor Vehicles - Liability for Use of

Such losses are generally excluded under general and personal liability policies, requiring separate auto liability insurance. Exceptions apply to vehicles such as power mowers, small all-terrain vehicles, etc., not licensed for or intended for use on public roads.

N

- **Non-Owned and Hired Vehicles**

A special category of vehicles for which insurance may be purchased when there are no owned vehicles to be insured. It includes use of employee-owned vehicles. When owned vehicles are insured, non-owned & hired vehicle coverage is generally included, often on an if-any basis.

- **Nuclear Hazard Exclusion**

A standard exclusion in most property and liability policies. Where a nuclear hazard is present, separate coverage must be arranged for this exposure.

O

- **Occurrence**

A slightly broader term than "accident," as it included continuous or repeated loss from the same occurrence.

- **Off Premises Utilities**

Loss on premises from failure of off-premises utilities is generally excluded from property and boiler & machinery policies; separate coverage must be arranged for this exposure.

- **Ordinance and Law**

Standard exclusion under property and boiler & machinery policies; when significant exposure to increased cost from operation of building or zoning laws exists, any of three separate ordinance or law coverages may be purchased, replacing the exclusion.

- **Ordinary Payroll**

Wages of personnel who are not essential to ongoing operation and can be excluded from the business income or business interruption coverages or limited to short time coverage.

P

- **Period of Interruption**

The time following a property loss before the operations can be resumed as quickly as possible; coverage terminates at this time (or at expiration of the extended period of indemnity after this time if provided). More commonly known as period of restoration.

- **Period of Restoration**

Same as period of interruption.

- **Pollution**

Any type of emission, seepage, or discharge that causes damage or injury to property or people. Most property insurance policies have either an exclusion or a limitation on pollution and spell out in detail what pollution is.

- **Professional Liability**

Liability for injury or damage by professionals of many kinds to their patients or clients acting in their professional capacity; it is excluded under most general liability policies unless added by endorsement; more frequently it is written by separate specialty underwriters.

R

- **Replacement Cost**

The cost to replace lost or damaged property new, with no deduction for depreciation or obsolescence.

- **Reporting Form Insurance**

A coverage, generally used when property or earnings values fluctuate substantially over time, under which the insured reports to the insurer periodically (monthly, quarterly, or annually is common) total values on hand as of the reporting date, with premium paid based on the values reported. A severe penalty can be assessed for late reporting. When Agreed Value Option is used, an annual report is required. If it is late, coinsurance again applies until a new report is filed and the Option is extended for another year.

- **Reproduction Cost**

The cost to replace lost or damaged property with property of contemporary design without any fancy frills or geegaws found in the original property; especially useful in insuring fancy older buildings that would be most expensive to replicate on a replacement basis.

S

- **Selling Price Clauses**

Clauses that allow the insured to recover loss of finished goods at selling price, including the loss of profit.

- **Specific Insurance**

1) Insurance covering one item of property at one insurable location, as opposed to blanket insurance; or 2) Insurance placed as an underlying amount under reporting form insurance.

- **Subrogation**

The right of an insurer, having paid a property loss for an insured, to take over the insured's right of recovery against a negligent third party. recovery.

U

- **Umbrella Liability Insurance**

Insurance covering over the top of primary general or personal liability insurance, usually on a broader basis and often with a "drop-down" to a more nominal deductible for coverage not included in the primary coverage.

- **Utilities Off Premises**

See "Off-Premises Utilities"

V

- **Valued Insurance**

Insurance that covers property for specific value, if totally lost or damaged, regardless of its perceived value, or loss of business income when a predictable degree of a loss can be anticipated. This coverage is commonly used with fine arts where values are highly subjective and with Boiler & Machinery business interruption coverage.

- **Valued Policy Laws**

Laws in a number of states in which, when a loss is deemed "total" or sometimes a "constructive total" loss, the insurer must pay the full limit of the policy, whether the amount of the loss reaches the policy limit or not.

W

- **Workers Compensation**

(Originally called Workmans Compensation.) Laws Exposures & Insurance—passed in all states requiring employers above a certain size, to cover workers' injuries "arising out of and in the course of their employment" regardless of the employer's fault or the employee's negligence. Except for the larger employers, who can self-insure under any of a variety of plans, most employers elect to buy workers compensation insurance for this exposure.