



15. Appendix

C. Dictionary of Insurance Terms



New Jersey School Boards Association Insurance Group

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INSURANCE GLOSSARY OF TERMS

ABANDONMENT

Intentional & voluntary relinquishment of property; usually because the cost of salvage or recovery would exceed the value of the recovery property.

ABSOLUTE LIABILITY

Liability arising from dangerous situations or operations, under which the party is responsible for those operations and results without exception for excuse, for all resulting damage or injury.

ACCIDENT

Unplanned or fortuitous event or injury which interrupts normal activities.

ACCOUNTS RECEIVABLE COVERAGE

Coverage which pays for all sums due from customers but not collected and a direct result of loss or damage to accounts receivable records.

ACT OF GOD

An accident or incident interpreted as being beyond human control. ie. flood, earthquake, etc.

ACTUAL CASH VALUE

Current replacement cost less accumulated physical depreciation.

ADDITIONAL INSURED OR INTEREST

A person or entity other than the named insured who is protected under an insurance policy.

ADJUSTER

Person responsible for the evaluation and settlement of an insured loss.

ADMITTED INSURER

Insurer licensed to do business in a particular state, regardless of the domicile of that insurer.

ADVERSE SELECTION

Tendency of including more poor risks than good risks.

ADVERTISING INJURY LIABILITY

Coverage which pays for non-physical injuries which occurs as a result of negligent advertising.



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AGENT

A contracted individual or firm which represents an insurer. One who can exercise certain rights on behalf of an insurer.

AGGREGATE LIMIT

Maximum amount of coverage to be paid for all claims occurring during a given period, usually annually.

AGREED AMOUNT

A provision under which an insured agree that the amounts of insurance carried are accurate and meet the co-insurance class is suspended, usually for one year.

AIRCRAFT DAMAGE

One of the perils covered by the extended coverage endorsement in the standard fire policy. This covers damage to buildings of personal property caused by an aircraft.

AIRCRAFT LIABILITY

Liability for bodily injury or property damage, caused by you, arising out of an aircraft owned by you.

ALARM

Mechanical device used to signal an unwanted event or occurrence is taken place.

ALIEN INSURER

Insurer formed and domiciled in a country other than the United States.

ALL RISK INSURANCE

Coverage for physical loss or damage caused by any risk except those specifically excluded.

ALL STATES ENDORSEMENT

This endorsement provides coverage for your employees, whose contract is within New Jersey, but may be called on to perform these duties outside the state. This pays the benefits of the other state if higher than those of New Jersey. This coverage does not apply in the seven monopolistic state insurance funds.

AMMONIA CONTAMINATION

Coverage pays for the contamination of property by ammonia, usually food. Coverage is written for a limited amount.



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AMOUNT SUBJECT

Maximum value of property estimated to be at risks of loss under the onset case scenario.

APPLICATION

Questionnaire used to determine existence of exposures, rating data and acceptability of a given risk.

APPRAISAL

Survey or examination of property to determine its value.

ARBITRATION

An alternative to costly litigation. A dispute is submitted to selected individuals, usually three, who decide guilt and/or award damages.

ASBESTOS LIABILITY

Liability for bodily injury as a result of exposure to asbestos either in the manufacturing process or after installation. This coverage is generally excluded from all policies.

ASSESSABLE INSURANCE

Insurance, usually for a group or association for which payment of losses is assessed to all participants whenever necessary to pay claims.

ASSIGNED RISK

Legislatively mandated program to provide a market for insurance for risks who could not otherwise obtain coverage,

ATHLETIC PARTICIPATION LIABILITY

Liability for injury to participants in an athletic contest. This is usually excluded in standard policies.

ATTORNEY-IN-FACT

A person authorized by letter of power of attorney to act on behalf of another.

AUDIT

Survey of records after a period of time, usually each year, used to determine actual premium to be paid to an insurer for a given risk.

AUTOMATIC COVERAGE

Coverage given automatically, usually limited in amount and time, for the acquisition of additional property.



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AUTOMATIC SPRINKLER CLAUSE

A clause which mandates the use of automatic sprinkler system in a building and its continued good operation. Failure to comply voids coverage.

AUTOMOBILE

Any vehicle licensed for over the road use, ie. cars, trucks, tractors, buses, etc.

AUTOMOBILE LIABILITY

Liability for bodily injury or property damage caused by you arising out of the use, loading or unloading of an automobile.

AUTOMOBILE PHYSICAL DAMAGE

Coverage which pays for physical damage to your own vehicle either under the comprehension or collision portion of your policy.

BACK-UP OF SEWER AND DRAINS

A standard exclusion in most property insurance policies which eliminates any coverage for damage caused by water backing up through sewer drains.

BAILEE

A bailee is a person or organization who has the property of another in its custody for temporary period of time.

BANKING PREMISES

The banking location or any night depository of the banks itself or which in the possession of any bank employee.

BASIC PREMIUM

Premium paid at the beginning of a policy year under a retrospective rating plan. It is a percentage of standard premium designed to pay for administrative expenses, commission and an insurance charges.

BASIC RATE

Manual or class rate for a particular coverage which is modified with debits or credits to reflect individual insurers exposures and loss experience.

BINDER

An interim document which provides evidence of insurance until a formal policy is issued.



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BLANKET BOND

Insurance which covers all employees for dishonesty for the policy limit either while acting alone or in collusion with others.

BLANKET COVERAGE

Insurance which covers more than one type of property (building and contents) at one location or one or more types of property at more than one location at an overall blanket limit.

BLANKET POSITION BOND

Insurance which covers the dishonesty of employees for specific positions only.

BLANKET RATE

A property insurance rate which is applied on a blanket overall basis of all locations of a given insured.

BODILY INJURY LIABILITY

Injury to the body of an individual for which an insured may be held liable as a result of this negligence.

BOILER AND MACHINERY – COMPREHENSIVE COVERAGE

Automatic coverage for all objects of boiler and machinery without need to designate groups of objects to be covered.

BOND

Contract which guarantees the performance by one individual (obligor) to another (obligee) by a third party (issues of the bond or surety).

BROKER

Individual or firm representing an insured in the purchase of insurance coverage or other services. A broker can also be an agent.

BROKER OF RECORD

Recognized representation of an insured. Authorization is usually done in writing giving the broker exclusive right to represent insured.

BROWNOUT/BLACKOUT

Condition occurring during periods of extended power failure.

BUILDER AND MACHINERY COVERAGE

A policy designed to cover the power plant of a building and which may cover other operating machinery and systems.



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BUILDERS RISK

Pays for loss of building and materials damaged during the course of construction, when caused by a covered peril.

BURGLARY

The act of breaking into a building for the purposes of stealing property. For coverage to be effected there must be visible signs of forced entry.

BUSINESS INTERRUPTION

Coverage pays for continuing expenses plus loss of profits during a shutdown caused by a covered peril.

CAPACITY

Largest amount of insurance or reinsurance available from a carrier or group of carriers

CAPTIVE AGENT

Either a sales representative for a direct writing insurer or an agent who contractually deals with one insurer.

CAPTIVE INSURANCE COMPANY

An insurance company formed by and insuring its members.

CARGO COVERAGE

Marine insurance which provides coverage for goods and materials while being transported by owned, non-owned or contracted vehicles or vessels.

CARRIER

Synonym for insurer. Can be an insurance company, captive, pool, trust, mutual, reciprocal or exchange.

CASE CUSTODY OR CONTROL

A common liability insurance exclusion which denies coverage for damage to others property while in your case custody or control.

CASH FLOW PLAN

Any loss financing plan designed to minimize an organizations cash outflow for insurance.

CASUALTY LOSS

Loss or liability arising from an accident or mishap not falling within the confines of fire or marine insurance policies. ie. public liability, employers liability, etc.



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CATASTROPHE

A devastating fortuitous event which affects one or more individuals or organizations.

CENTRAL STATION ALARM

A burglar or fire alarm system which alerts someone, at a location other than the one being protected, that a crime or fire is occurring. Usually either to a police/fire station or the alarm companies central monitoring offices.

CERTIFICATE OF INSURANCE

Evidence of insurance in written form which lists coverage amounts, policy members, inception and expiration dates and insurers providing coverage.

CHANCE

An event which happens unpredictably without intention or observable cause. A fortuitous event.

CHILD MOLESTATION AND SEXUAL ABUSE LIABILITY

Liability for sexual molestation or abuse of students by teachers and other employees of school districts.

CIVIL COMMOTION

One of the extended coverage perils which pays for physical damage to property as a result of a civil commotion.

CLAIM

Demand for payment of a loss which covers under the terms of an insurance policy.

CLAIMS – MADE INSURANCE

Liability insurance which covers claims brought against an insured during a policy period and which are reported during that policy period.

COINSURANCE

A provision in property insurance policies which requires an insured to purchase insurance to a specified percentage of the total value of that property being insured.

COINSURANCE PENALTY

The amount of a loss for which an insured may be liable if they did not comply with the coinsurance requirements of a policy.



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COINSURER

One who shares in a loss as a result of noncompliance with a coinsurance clause.

COLLAPSE

A peril usually covered by property policies. Sometimes restricted to collapse cause by weight of ice and snow

COLLAPSE COVERAGE

Coverage in an auto insurance policy which pays for physical damage to your vehicle caused by collision except for collision with an animal, which is covered by comprehensive coverage.

COMBINED RATION

Total of an insurers combined losses and expenses in relation to earned premium.

COMBINED SINGLE LIMIT

One limit of liability coverage for both bodily injury and/or property damage liability.

COMPARATIVE NEGLIGENCE

Doctrine in law which compares negligence or parties involved in an accident and assigns a percentage to each.

COMPENSATORY DAMAGES

Monetary award given to an injured party to compensate for injury or death. These can include medical expenses, legal expenses, pain and suffering, etc.

COMPLETED OPERATIONS

Liability for damage caused by operations after an operation is completed. eg. Contractor completes work and later an accident occurs as a result of that work.

COMPREHENSIVE AUTO LIABILITY INSURANCE

Insurance designed to cover a variety of an insured automobile liability exposure. eg. owned, non-owned and hired auto liability.

COMPREHENSIVE COVERAGE

Coverage in an auto-insurance policy which pays for physical damage to you which is caused by other than collision.



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COMPREHENSIVE GENERAL LIABILITY INSURANCE

Insurance designed to cover a variety of an insured exposures to bodily injury and property damage liability. eg. premises liability, products liability, contractual liability, etc.

CONCEALMENT

If an insured conceals or misrepresents and material fact or circumstance pertaining to the insurance, coverage is voided.

COMPULSORY INSURANCE

Insurance which is required to be maintained either by law or contract. eg. Workers' compensation, auto liability by statute and contents insurance on leased equipment required by the lessor.

CONCURRING

- A. Condition which exists when two or more policies covers the same property in the same manner and are subject to the same conditions.
- B. Condition which exists when all liability insurance contracts and umbrella liability contract have a common expiration date.

CONDITIONS

Provisions in an insurance contract which defines the rights and duties of the insurer and insured.

CONDITIONS SUSPENDING OR VOIDING COVERAGE

Most standard insurance policies list certain conditions that serve to void or suspend your insurance.

Some of these are:

- Increase in hazard (ie. change of occupancy);
- Vacancy beyond days;
- Unoccupancy;
- Alarm and sprinkler warranties, etc.

CONSEQUENTIAL LOSS

Loss which arises as a result of a direct property damage loss to something which causes the loss of other property. eg. Lightning strikes a generator which in turn causes food spoilage in a refrigerator without power.

CONSTRUCTIVE TOTAL LOSS

Substantial and sufficient enough damage to property, such that the cost to repair or replace exceeds the value of that property.



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CONSULTANT

Individual or organization which offers advise or technical assistance for a fee.

CONTIGENT LIABILITY

Liability imposed upon one party for the actions of another for whose acts the first party is legally responsible.

CONTAMINATION

A condition of impurity which renders property useless or irreparable.

CONTINGENT LIABILITY FROM OPERATION OF BUILDING LAWS ENDORSEMENT

This coverage pays for the value of the undamaged portion of a building when ordinance requires the demolition of that building.

CONTRACTUAL LIABILITY

Liability which is assumed when an individual or organization signs or verbally accepts a contract.

CONTRIBUTORY NEGLIGENCE

A defense in negligence cases alleging that a defendants negligence contributed to an accident, thereby prohibiting recovery for a loss.

CORPORAL PUNISHMENT LIABILITY

Liability for physical punishment of students by educators or administrators.

COVER NOTE

Document issued by an agent/broker or insurer informing an insured that coverage is in effect.

COVERAGE PART

Portion of an insurance policy which list all coverage systems and conditions pertaining to a particular portion of a policy. eg. property coverage part.

CREDIBILITY

Degree of statistical confidence which can be ascribed to data on past loss for the prediction of future losses.

CREDIT CARD COVERAGE

Coverage usually written in a crime insurance policy which protects you against the fraudulent use of credit cards by unauthorized people.



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CROSS LIABILITY

When two or more insured are covered under one policy, the liability of one insured for harming others. The insurer is obligated to protect each insured.

CUSTODIAN

Term used in crime insurance to signify the individual (s) with custody in money, securities or other property.

CUT-THROUGH ENDORSEMENT

Guarantee of coverage by a reinsurer to a third party who is not a party to the reinsurance contract.

DAMAGES

Monetary compensation which may be recovered by any entity who has suffered a loss caused by the negligent act of another.

DECLARATIONS

Portion of an insurance policy that identifies the insured, the parameters of coverage, and the basis on which the premium is computed.

DEDUCTIBLE

Portion of an insured loss borne by the insured.

DEFENSE COSTS

In umbrella liability the insurer may pay defense costs as part of the limit of liability or in addition to the limit of liability. In addition to is preferable.

DEFENSE

In addition to its obligation to pay judgements an insurer is obligated to defend an insured even if allegations are groundless or false.

DEMOLITION COVERAGE

Pays the cost of demolishing. The undamaged portion of a building if required by ordinance.

DEPOSIT PREMIUM

Portion of premium paid in advance of coverage or when coverage begins. Usually adjustable at specified period (s).

DEPOSITORS FORGERY

Coverage which pays for loss of money fraudulently stolen from banking accounts by someone other than an employee.



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DIFFERENCE-IN-CONDITIONS INSURANCE

Insurance which expands or supplements primary property insurance, written on a named peril basis, to “all risks” perils.

DIRECT LOSS

Loss that is a result of a particular peril causing a loss.

DIRECT WRITER

Insurer whose sales force and agents are employees of the insurer.

DISCOVERY PERIOD (EXTENDED DISCOVERY PERIOD)

The time allowed, after termination of coverage, to discover and report a loss so as to afford coverage for the loss which occurred while coverage was in effect.

DISCRIMINATION

An exclusion which is usually found in errors and omissions and liability coverage barring defense or payment of awards in cases of discrimination over a broad range of cases.

DIVIDEND PLANS

A plan under which insurance is written with the potential for a portion of the premium to be extended to the insured. Dividends can be loss ratio triggered or general insurance company experience related or group insured related.

DOMESTIC INSURER

Insurer formed and domiciled in the state in which it conducts its business.

DRIVE OTHER CAR COVERAGE

Liability coverage for an organization extending coverage to named individuals such as employees, while they are driving vehicles that neither the employee, nor the organization own.

DUAL CAPACITY DOCTRINE

Civil procedure which permits an employee to sue an employer who acting in a dual capacity, ie. supplies and employs negligently caused an injury to an employee. The employee is eligible for workers' compensation benefits.

DUE DILIGENCE

Property insurance policies require you to exercise due diligence to repairs or replace damaged property to prevent further damage.



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EARNED PREMIUM

Portion of the premium for a policy that is earned proportionately for each day that coverage existed.

EARTHQUAKE

A shaking or trembling of the earth which is volcanic or tectonic in nature.

ELECTRICAL ARCING

Condition whereby electrical current skips over a portion of the field it is serving, thereby causing damage to computers, equipment, etc.

ELECTRONIC DATA PROCESSING COVERAGE

Coverage which protects computers and software for direct physical loss caused by a covered peril.

ELEVATOR COLLISION

Coverage for physical damage to elevator resulting from collision.

ELEVATOR LIABILITY

Coverage for bodily injury liability for persons injured by an elevator.

EMPLOYEE BENEFITS LIABILITY

Coverage for the negligent errors and omission in the administration of employee benefit plans.

EMPLOYEE DISHONESTY COVERAGE

Provides coverage for loss of money, securities or property dishonestly taken by an employee.

EMPLOYERS LIABILITY

Common law liability of an employer for injuries to an employee due to employers negligence.

ENDORSEMENT

A document which amends the original policy.

ERRORS AND OMISSIONS INSURANCE

Liability coverage that protects an insured against claims for loss sustained by a third party because of an error or oversight by the insured.



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EXCESS INSURANCE

Insurance providing coverage over one or more similar primary coverage after primary coverage have been exhausted.

EXCLUSIONS

Conditions in an insurance policy which eliminate coverage.

EXPECTED LOSS

Arithmetic mean or expected value of losses which may occur in a given period of time.

EXPEDITING EXPENSE

Expense incurred in order to hasten repair or replacement of property to reduce the amount of the loss.

EXPENSE RATIO

The percentage of premium used for insurer expenses other than claims.

EXPERIENCE RATING

Method of adjustment of premium for an insured based on that insured individual experience as compared to a group facing the same exposures.

EXPERIENCED MODIFICATIONS

A factor, determined by formula, which modifies the premium for workers' compensation to reflect an entity's individual loss experience.

EXPIRATION DATE

The day on which coverage, under an insurance policy, ceases.

EXPOSURE

The possibility of loss.

EXTENDED BODILY INJURY LIABILITY

Coverage for liability for intentional acts of bodily injury when done for the purpose of protecting life and for property.

EXTENDED COVERAGE

An endorsement within property policies which extends coverage from fire and lightning only to include windstorm and hail, explosion, riot, riot attending a strike, aircraft damage, vehicle damage and smoke damage.



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EXPLOSION

One of the extended coverage perils. A violent burst as a result of sudden internal energy.

EXTRA EXPENSE COVERAGE

Coverage which pays for expenses over and above normal operating expenses in the event of a covered loss. eg. Extra cost to bus students to other schools within a district; mobile classrooms, etc.

FACULTATIVE REINSURANCE

Reinsurance which is purchased on an as needed basis risks by risks. This is like buying oil on the spot market.

FAITHFUL PERFORMANCE BOND

Will pay for loss of public funds even where no dishonesty has occurred. If the official has performed his or her duties faithfully.

FAULTY DESIGN

This is one of the standard exclusions in a fire policy. No coverage is provided if a faulty design causes a loss. Generally this is recourse against the architect or equipment designer.

FELLOW EMPLOYEE EXCLUSION

Denies coverage when one employee sues another in the course of employment.

FIDELITY BOND

Provides coverage for loss of money or their property dishonestly taken by an employee.

FIDUCIARY

Person, corporation or other entity occupying a position of trust, especially one who manages the affairs of another.

FINANCIAL RESPONSIBILITY

The ability to show financial wherewithal in the event of a loss.

FIRE DIVISION

Portion of a building sufficiently endorsed and protected so as to prevent the spread of fire to another portion of the building.

FIRE DOOR

Door tested and proven to resist the spread of fire up to certain temperatures.



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FIRE EXTINGUISHER

Device used to extinguish flames. Can be dry chemical, liquid, gas or foam.

FIRE LEGAL LIABILITY INSURANCE

Insurance against liability incurred because the insured negligence results in fire damage to others property in the insured case, custody or control.

FIRE PROTECTION

All measures taken to prevent damage by fire. ie. Prevention, detection and extinguishment.

FIRE WALL

Fire resistant wall designed to prevent the spread of fire.

FIRST DOLLAR DEFENSE

Agreement by insurer to provide legal defense costs from the onset without regard to deductible or retention.

FIRST PARTY INSURANCE

Insurance which provides coverage for the insured own property.

FLOATER

Property insurance covering movable property whenever located within the policy territory.

FLOOD COVERAGE

Covers damage caused by flood, surface water, tidal or seismic wave, rising water and run off of streams or other bodies of water.

FOLLOWING FORM

Generally an endorsement in an excess insurance policy which states that the excess coverage will follow over top primary coverage in form exactly.

FOREIGN INSURER

Insurer domiciled in one state and insuring exposures in another state.

FORGERY BOND

Protection against the forgery or alteration of checks, drafts, notes, etc.

FRAUD

An intentional act of trickery or deceit designed to induce another to part with something of value or surrender a legal right. A misrepresentation.



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FRIENDLY FIRE

A fire which burns in its intended place and use.

FRONTING COMPANY

Insurer which for a fee agrees to issue policies of insurance which are substantially reinsured by another entity.

FUNCTIONAL REPLACEMENT COST

Will pay the cost of replacing a structure with one functionally the same and serving the same uses. This coverage is usually purchased when insuring older ornate buildings or one which is larger than currently needed.

GARAGE KEEPERS LEGAL LIABILITY

Insurance coverage for physical damage to vehicles in your care, custody or control.

GARAGE LIABILITY

Insurance coverage for bodily injury and property damage that may be done as a result of faulty repairs made by the insured.

GOOD SAMARITAN LAW

Common law which provides that one who sees someone in imminent peril, because of another's negligence, cannot be charged with contributory negligence, providing the attempt is not useless.

GRADUAL DETERIORATION

One of the standard exclusions in a fire insurance policy.

GUARANTEED COST PREMIUM

Premium which will not vary with an insured loss experience.

GUARANTY FUND

A fund mandated by state law. The fund is comprised of money from the insurers currently conducting business in that state, which is available to companies unable to cover debts or unpaid claims.

GUEST STATUTE

Statute which restricts rights of non-paying passenger in an auto to compensation only when drivers negligence is willful or wantonly reckless.

HAZARD

Condition or activity which increases the probable frequency or severity of a loss.



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HAZARDOUS SUBSTANCES

In boiler and machinery coverage substances such as p.e.b. Usually the removal of these materials carries a sub-limit of 25,000.

HIGHLY PROTECTED RISK

Risks which meets high standards of loss control and fire protection.

HIRED AUTOMOBILE COVERAGE

Liability for all rented, leased or contracted vehicles. Protects the named insured, not the contractor of vehicles.

HOLD HARMLESS AGREEMENT

Contractual provision in which one party assumes the liability of another.

HOST LIABILITY

Liability of a host for serving liquor to intoxicated persons or underage person who cause bodily injury or property damage.

IMPROVEMENT SETTLEMENTS

Permanent alterations a tenant makes to enhance the value of a leased premise in the tenants use. Can be insured by the building owner or by the tenant as a separate item.

INCEPTION DATE

The date on which coverage begins.

INCEPTION TIME

The exact time at which coverage begins. Usually at 12:01 am.

INCIDENT

An event which may or may not cause accidental loss. Not all incidents are accidents.

INCIDENTAL CONTRACT

Any one of several contracts which are exceptions to the usual liability insurance exclusion of liability assumed under contract. Most liability policies will cover written leases, easement agreements, sidetrack agreements, municipally required agreements and elevator maintenance agreements.



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INCIDENTAL MALPRACTICE COVERAGE

Coverage which pays for liability for bodily injury incurred by you arising out of the treatment, failure to treat or referral to physician, hospitals, etc. so long as you are not in the medical profession.

INCREASE-IN-HAZARD

Condition in most property insurance policies which gives the insurer the right to deny coverage if a change in hazards occurs during the policy term and which increases the risks of loss. eg. Changing occupancy from a school to a restaurant.

INCREASED COST OF CONTRAST IN COVERAGE

Coverage which pays for improvements to a property which are necessitated by local ordinances after a loss has occurred.

INCURRED BUT NOT REPORTED LOSS (IBNR)

Losses which have occurred but have not yet been reported as of a specific date.

INCURRED LOSS

Loss occurring within a specified period, whether or not adjusted or paid during that period.

INDEMNITY AGREEMENT

Agreement by one party to indemnify a second party for losses suffered by the second party.

INDEMNITY CONTRACT-UMBRELLA

Contract which requires insured to pay any judgement rendered to them subsequently be reimbursed for the loss by its insurer.

INDEMNITY-WORKERS' COMPENSATION

Statutory benefit, usually percentage of pay, paid to an employee who is injured in a work related accident.

INDEPENDENT CONTRACTORS COVERAGE

Coverage which pays for liability for bodily injury or property damage to others which is incurred by you as a result of work performed by an independent contractor, on your behalf.

INFLATION GUARD ENDORSEMENT

Endorsement to a property policy which automatically increases the amount of insurance by a specified percentage at specified intervals in the policy terms.



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INHERENT VICE

A characteristic of property which causes it to deteriorate naturally. eg. The rotting of damp wood. This hazard is excluded in most policies.

INSECT AND VERMIN

One of the standard exclusions in a property which deny coverage for damage caused by insects and vermin.

INSURABLE INTEREST

Relationship between a party of an insured event such that the insured event would cause a financial loss to that party. Without insurable interest no policy is valid.

INSURABLE VAULE

The full value of property being insured under the terms of an insurance policy. Usually either replacement cost of actual cash value.

INSURANCE

Contractual agreement between insurer and insured whereby insurer pays for financial losses of the insured caused perils designated in the contract.

INSURER

Party in an insurance contract who agrees to pay losses caused by perils designated in the contract.

INSURANCE VALUE

1. Property equal to or almost equal to the full insurable value of the property.
2. Amount of insurance required to satisfy co-insurance requirements.

INSURED

Party in an insurance contract who is paid for losses caused by perils designated in the contract.

INSURED'S DUTIES

Conditions listed in a policy which obligate the insured to do certain things in the event of a loss. eg. Loss reporting requirements.



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INSURING AGREEMENT

The part of an insurance policy which states that the insurer will protect the insured for financial loss. This agreement is specifically modified by conditions, limitations and exclusions.

JACKET (POLICY)

Part of an insurance policy which contains provisions applicable to all coverage parts

JOINT UNDERWRITERS ASSOCIATION (JUA)

Association formed to provide insurance for groups unable to purchase coverage in the voluntary market place.

JOINT AND SEVERAL LIABILITY

Liability under which each of two or more parties are jointly liable for wrongs.

JOINT LOSS AGREEMENT

Agreement between two or more insurers, usually between property and boiler and machinery insurers, to mutually adjust and settle a property loss and share the burden of loss proportionately.

KIDNAP/RANSOM/EXTORTION COVERAGE

Insurance which pays for money surrendered as ransom for specified person or classes of persons or money paid to prevent threatened damage to property of the insured.

KNOWLEDGE OF OCCURRENCE ENDORSEMENT

Endorsement which restricts insurers rights to deny coverage as a result of late reporting of losses. Unless an officer, board member, board secretary, business administrator and superintendent has knowledge of a loss, no knowledge has occurred.

LAST CLEAR CHANCE DOCTRINE

Defense used in suits alleging that the plaintiff was partially at fault for a loss because the plaintiff had a clear chance to avoid a loss but did not.

LAW OF LARGE NUMBERS

A primary principle in insurance which states that the larger the number of exposures, the closer that the actual results are able to be selected.



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LAYERING

Agreement by two or more insurers to provide specific dollar amounts of coverage in a given layer. eg. Insurer "A" provides \$100,000 coverage while insurer "B" provides \$250,000 excess of \$100,000 average.

LEAD INSURER

Insurer which provides first layer of coverage.

LEASE HOLD INTEREST

Value of interest in a lease with favorable terms and the difference in cost between current costs and some future cost at the time of a loss.

LESEE

The tenant of a property which it does not own.

LESSOR

The owner of a property.

LIABILITY

Responsibility of meeting a legally imposed obligation.

LIBERALIZATION CLAUSE

Agreement by insurer that if it improves a policy form, that improvement automatically extends to policies already written.

LIGHTNING

Damage caused by lightning is covered by a standard fire insurance policy.

LIMIT

Maximum amount for which an insurer may be liable for loss.

LIMITATIONS

Portion of insurance contract which limits certain types of property and/or amounts of coverage. eg. Limitation of class to 50 per plate or 25 per loss.

LINE LIMIT

Specific limit which an insurer may write on a particular exposure, type of property or class of business.

LLOYDS OF LONDON

Organization in London which regulates the business of its underwriting syndicates and broker members.



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LOCAL ALARM

Alarm system which only sounds a warning at the premises in which the alarm is installed.

LOSS CONTROL

Methods used to reduce frequency and severity of losses, utilizing avoidance, prevention, reduction and transfer of risks.

LOSS PAYABLE CLAUSE

Provision to pay a loss to someone other than the insured who has an interest in the property being insured.

LOSS PREVENTION

Measures used to reduce frequency of losses.

LOSS RATIO

Percentage of premium used to pay losses.

LOSS REDUCTION

Measures used to reduce severity of losses.

LOSS RESERVE

Estimate by an insurer of the amount expected to be paid for a particular loss or group of losses.

LOSS RUN

Document which lists losses reported including facts sufficient to identifying each claim.

MALPRACTICE LIABILITY

Covers professional errors of omission or commission by medical professionals.

MANUAL RATE

Premium charged for a specific type of insurance for a specific class of risk.

MANUFACTURES AND CONTRACTORS LIABILITY

Premises and operations liability insurance assigned to cover manufacturing or contracting operations.

MANUSCRIPT POLICY

Insurance policy written to include coverage terms and conditions not included in a standard policy.



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MASTER POLICY

Policy written for a group of insured, to whom certificates of insurance are issued as evidence of their individual coverage.

MAXIMUM FORSEEABLE, PROBABLE OR POSSIBLE LOSS

Largest loss that can be expected to occur under the most adverse conditions.

McCARRAN-FERGUSON ACT

Federal law exempting insurers from Anti-Trust laws to the extent they are regulated by the states. The law also delegates primary regulation of insurers to the state.

MECHANICAL FAILURE

Standard property insurance exclusion for damage caused by mechanical failure.

MEDICAL PAYMENTS

Voluntary coverage in a premise liability policy used to pay for medical bills of injured parties without regard to negligence.

MINIMUM PREMIUMS

Lowest premium which an insurer is willing to accept for a given risk.

MOBILE EQUIPMENT

Machinery and equipment which may or may not be self propelled and which is not subject to motor vehicle regulation and whose nature is meant to be mobile.

MONEY AND SECURITIES

Broad coverage for theft, disappearance or destruction of money and securities both on and away from the insured premises.

MONOPOLISTIC STATE FUND

State workers' compensation plan which prohibits the writing of coverage by private insurers.

MORAL HAZARD

Hazard arising from personal characteristics, such as habits, business practices, finances, integrity, etc.

MORTGAGE CLAUSE

Clause authorizing payment of a loss in buildings to a party other than the named insured. Clause also outlines rights and duties of mortgages.



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MULTI-PERIL INSURANCE

Property insurance covering a number of perils such as fire, burglary, flood and earthquake in a single policy.

MULTIPLE LINE INSURANCE

Insurance which combines coverage of property and liability in one policy.

MUTUAL INSURER

Insurer with no capital stocks and is owned by policyholders who share in profits and losses of the company.

MYSTERIOUS DISAPPEARANCE

Coverage afforded for unexplained disappearance of money, securities, inventory or other property.

NAMED INSURED

Individual, organization or other entity specifically named on the policy as insured.

MAGNETIC INQUIRY

Peril which is usually excluded in data processing coverage. Can cause erasure of tapes leading to loss of information.

NAMED PERILS

Coverage which is limited to those perils specifically named in a property insurance policy.

NEGLIGENCE

A tort. The failure to do something a reasonable person would do or doing something a reasonable person would not do under the circumstances.

NO FAULT INSURANCE

Automobile insurance under which an accident victim can collect for injuries from its own insurer without regard to fault.

NON-ADMITTED INSURER

An insured not licensed to do business in a particular state but one who conducts business in that state. Often referred to as Surplus Lines Insurance.

NON-INSURANCE TRANSFER OF RISKS

The transfer of a loss exposure to an entity who is not an insurer. eg. Hold harmless agreements.



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NON-OWNED AIRCRAFT LIABILITY

Coverage for bodily injury or property damage arising out of the use of non-owned aircraft.

NON-OWNED AUTOMOBILE LIABILITY

Coverage for bodily injury or property damage arising out of the use of a non-owned motor vehicle.

NON-OWNED WATERCRAFT LIABILITY

Coverage for bodily injury or property damage arising out of the use of non-owned watercraft. This is usually restricted to watercraft under 26 feet in length.

NONCONCURRENCY

Condition which exists when one or more primary liability insurance policies have different expiration date than the umbrella policy.

NOTICE OF CANCELLATION

Amount of time an insurer gives to insured to replace coverage. New Jersey statute provides 30 days written notice.

NOTICE OF NON-RENEWAL

Amount of time an insurer gives to insured prior to the renewal indicating that the policy will not be renewed. New Jersey statute requires 30 days written notice.

NOTICE TO COMPANY COMPENSATION CLAIM ENDORSEMENT

Similar to knowledge of occurrence but deals with the late reporting of a workers' compensation claim which later becomes a liability claim. Restricts knowledge to board member, board secretary, superintendent or business official.

NUCLEAR ENERGY EXCLUSION

Broad standard exclusion elimination coverage for any damage caused by nuclear energy. Coverage may be able to be purchased through (NELIA) Nuclear Energy Liability Insurance Association.

OBJECTS DESIGNATED

In boiler and machinery coverage only those objects designated in the policy are covered unless written on a comprehension form.

OCCUPATIONAL DISEASE

Coverage in a workers' compensation policy which pays medical and indemnity expenses for illnesses work related.



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OCCURRENCE

Continuous or repeated exposure to conditions which unexpectedly results in a loss.

OCEAN MARINE INSURANCE

Exposure to loss while in transit on water (not necessarily limited to the ocean).

OFF PREMISES POWER INTERRUPTION

A broadened coverage in boiler and machinery insurance which extends coverage to damage caused by power interruption from a supplier off premises. eg. The utility company.

OPEN END POLICY

A policy with no fixed expiration date.

OPERATIONS LIABILITY

Coverage for bodily injury or property damage arising out of the conduct of the insured business both on and away from the premises.

ORAL CONTRACTUAL LIABILITY

Oral contracts are as binding as written ones, unless broadened constructed liability coverage is written. No coverage exists in a standard policy.

OWNED WATERCRAFT LIABILITY

Coverage for bodily injury or property damage arising out of the use of any owned watercraft.

OWNERS AND CONTRACTORS PROTECTION LIABILITY

See "Independent Contractors."

PACKAGE POLICY

Insurance policy covering different types of exposure in one contract. eg. Property, liability, automobile, crime and boiler & machinery.

PAID LOSS RETRO PLAN

A retrospective rating plan which charges a deposit premium at the beginning of the policy and then adjusts the premium, at some point in the future, on the basis of actual paid losses.

PARTICIPATING INSURANCE

Insurance in which the insured is entitled to share in the profits of the insurer or loss experience, expenses and other factors.



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PAY-ON-BEHALF-OF COVERAGE

Type of coverage in an umbrella policy. The insurer agrees to pay losses on behalf of the insured.

PERIL

The direct cause of a financial loss. eg. Fire, windstorm, etc.

PERSONAL INJURY

Non-physical injury to a person, organization or entity. These included libel, slander, or deformation of character, false arrest, false imprisonment, invasion of privacy, mental anguish, alienation of affliction.

PERSONAL INJURY PROTECTION

Insurance under a state auto no fault plan covering an insured own losses from auto injuries. Covers medical expenses and loss of income.

PERSONAL PROPERTY INSURANCE

Insurance coverage provided protection for physical losses to contents of a building.

PHYSICAL HAZARD

Hazard arising from physical characteristics.

PLATE GLASS COVERAGE

Coverage for the breakage of glass by whatever cause. Standard policies restrict coverage to \$50.00 per plate and \$250.00 per occurrence.

POLICY

Contractual document evidencing insurance coverage.

POLICY HOLDER

Person or entity who has owner by rights under an insurance policy who may or may not be the named insured.

POLICY TERRITORY

The place(s) in which coverage is effective. Standard policies usually own in the U.S, its territories of professions, and Canada.

POLICY YEAR

Period between a policy inception and expiration dates.



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POLLUTANTS AND CONTAMINANTS

Unclean and impure emissions into the atmosphere which can cause great ecological harms. Usually excluded by insurance policies.

POLLUTION LIABILITY COVERAGE

Coverage for liability of an insured who pollutes the atmosphere. This is excluded in most contracts.

POLYCHLORINATED BIPHENALS (PCB'S)

A pollutant typically not covered by insurance. Some limited coverage is available for clean up and disposal in a boiler and machinery policy.

POOL

Organization of insured whose premiums, losses and expenses are shared on a proportionate basis.

POWER SURGE AND INTERRUPTION

Two perils which can have a significant effect on data processing equipment and media. These are normally excluded.

PREMISES LIABILITY COVERAGE

Coverage for bodily injury or property damage arising out of the use of the insured premises.

PREMIUM ADJUSTMENT ENDORSEMENT

Endorsement used to reflect charges for actual exposures. Usually done at the end of the policy term.

PREMIUM

Payment required for insurance.

PREMIUM RATE

Price per unit of insurance. eg. Fire rate is per 100 of insured value.

PRIMARY INSURANCE

Coverage for loss from the first dollar up, perhaps subject to a deductible.

PRO-RATE CANCELLATION

Adjustment of premium on a proportionate basis to the time coverage has been in effect.



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PROBABILITY

Likelihood that a loss will occur.

PROBABLE MAXIMUM LOSS

The amount of loss expected give the worst possible condition.

PRODUCTS LIABILITY COVERAGE

Covers bodily injury and property damage liability arising out of the use of an injured product.

PROFESSIONAL LIABILITY

Coverage for bodily injury or property damage arising out of the conduct of an insured profession. eg. Doctors, lawyers, teachers, nurses, insurance brokers, etc.

PROOF OF LOSS

Written statement to an insurer by the insured regarding the circumstances of a loss and containing sufficient information to enable the insurer to determine its liability.

PROPERTY DAMAGE LIABILITY

Coverage for liability incurred by an insured who damage the property of others.

PROPERTY INSURANCE

Insurance coverage providing protection for physical losses, both direct and indirect, to a variety of type of property.

PROXIMATE CAUSE

Cause which, in a natural and continuous unbroken sequence, causes a loss.

PRUDENT MAN DOCTRINE

In negligence law, the standard of care that a reasonable and prudent man would exercise in the prevention of loss.

PUBLIC ADJUSTER

Claims adjuster hired by the insured to assist in the preparation of a proof of loss.

PUBLIC OFFICIAL BONDS

Bonds issued to guarantee the fidelity and faithful performance of their duties in the handling of public funds.



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PUBLIC RISKS AND INSURANCE MANAGEMENT ASSOCIATION (PRIMA)

Organization of risks and insurance managers of municipalities, school districts and other public entities dedicated to education and increased knowledge of public sector insurance.

PUNITIVE DAMAGES

Damages awarded to punish a defendant guilty of gross negligence or misconduct irrespective of actual damages.

PURCHASING GROUPS

Two or more insured acting together as a cooperative to purchase insurance. Usually done to affect better average and or pricing.

RATE CREDIT (OR DEBIT)

The amount of decrease or increase in premium as a result of good or poor loss experience or guard on poor management practices.

RATING BUREAU

Organization which gathers data on losses and uses this to promulgate rates for many classes and types of property.

REAL PROPERTY INSURANCE

Protection for direct physical losses to buildings and machinery and equipment that is a permanent part of a building.

RECIPROCAL INSURANCE EXCHANGE

See "Pool."

REHABILITATION

Process by which a disabled person is aided in recovery to perform their duties at a maximum level.

REINSURANCE

Insurance purchased by an insurance company to protect itself against catastrophic loss for all or a portion of its risks.

REMOVAL

Debris removal after a fire is one of the standard coverage in a fire insurance policy.

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REMUNERATION

The rating basis for workers' compensation premium calculation payroll.

RENTAL INSURANCE

This covers loss of rental income incurred as a result of a covered loss.

RENTAL REIMBURSEMENT

Optional coverage in an auto policy which pays a pre-set dollar amount to cover car rental bills when an accident occurs.

REPATRIATION

The cost to bring home a decreased or incapacitated person from a foreign country.

REPLACEMENT COST

Valuation method in a property policy which pays to replace damaged property with like kind and quality without deduction for actual physical depreciation.

RES IPSA LOQUITUR ("The Thing Speaks For Itself")

A term in negligence law which covers that an instrumentality of harm was exclusive in a defendant's control and that the harm could not happen without the presence of negligence.

RESERVATION OF RIGHTS NOTICE

Official notification from an insurer, indicating that the insurer will proceed with the handling of a claim, but the insurer reserves its right to deny liability at a later date. Sometimes given in late reporting cases.

RESERVES

Funds set aside to pay losses as they fall due.

RETENTION

1. Amount of risks an insurer retains on a given line or policy of insurance.
2. Method of financing losses through an insured's own funds.
3. Self insured portion of coverage "B" under an umbrella liability policy.

RETROACTIVE DATE

The date on which coverage for errors and omissions was initially effective.

RETROSPECTIVE RATING

Rating system in which the final premium for a risk is determined some time after the end of a coverage period and which, at least partially, uses an insured's individual losses in the calculations.



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RETURN PREMIUM

Portion of premium returned to insured as a result of cancellation, endorsement or adjustment of deposit premiums.

RIOT AND RIOT ATTENDING A STRIKE

The standard coverage endorsement includes these two perils.

RISK

1. Possibility of loss.
2. Probability or chance of loss.
3. Peril which may cause a loss.
4. Property or person exposed to loss.

RISK AND INSURANCE MANAGEMENT SOCIETY (RIMS)

Organization for risks and insurance managers of commercial enterprises, public entities and service organizations.

RISK CONTROL

All methods of reducing the frequency and severity of losses.

RISK FINANCING

Uses of one or more techniques, or sources of funds to pay for losses.

RISK MANAGEMENT

The science of protecting the assets and profits, of an entity, from the risks of loss, by reducing the potential for loss before it occurs. Many methods of financing, avoidance and transfer can be utilized.

RISK RETENTION GROUP

Group of two or more organizations authorized to pool and retain some of their risks with certain favorable tax treatments.

ROBBERY

A crime coverage which pays for loss by hold-up.

SAFE BURGLARY

Coverage under a crime insurance policy to protect loss of property kept in a safe and also covers damage to the safe.

SAFETY AUDIT

Periodic examination of an organization management and safety practices. The purpose is to provide the tools for accident and loss prevention.



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SALVAGE

To save or rehabilitate damaged property for further use. The purpose is to reduce further loss to the insured.

SCHEDULE RATING

Rating system of credits and debits to insurance premium for meeting subjective criteria outlined by an insurer. eg. Credit (debit) for good management practices.

SECOND JURY FUND

SELF INSURER

An entity which retains all or part of its own risks, rather than purchasing insurance. Generally no self-insured retains all of its own risks. It usually purchases some higher layers of insurance.

SELF-INSURED RETENTION

Portion of a loss exposure assumed by an insured. Usually found in umbrella, professional and errors and omissions policies.

SHORT RATE CANCELLATION

When a policy is terminated at the insured's request, the policy provides that the method of calculation shall be short rate. There is a penalty assessed to the insured.

SIDE TRACK AGREEMENT

Agreement between a railroad and a property owner whereby the railroad furnishes a sidetrack and the owner holds the railroad harmless for any damages. This is considered an incidental contract.

SINGLE LIMIT

Combined limit per person and per accident in liability insurance. eg. \$300,000 combined single limit.

SPLIT LIMITS

A limit per person and a separate limit per accident. eg. \$100,000 per person; \$300,000 per accident.

SMOKE

One of the standard perils included in the extended coverage endorsement, covering damage to property caused by smoke.



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SOCIAL INSURANCE

Compulsory insurance to provide minimum economic security, primarily for costs of loss of income, old age, unemployment and premature death of the head of a household.

SONIC BOOM

Property insurance peril covering damage caused by the sonic booms of aircraft.

SPECIFIC INSURANCE

Property insurance on specifically designated real or personal property. The opposite of blanket insurance.

SPRINKLER LEAKAGE INSURANCE

Covers accidental discharge or overflow or leakage of sprinklers which damages insured property.

SPRINKLER LEAKAGE LIABILITY

Covers damage to property of others for which an insured may be liable as a result of sprinkler leakage.

STANDARD PROVISIONS

Provisions whose exact wording is statutorily mandated for certain types of insurance.

STATE FUND

Fund established by a state government to finance a mandatory insurance system.

STATUTORY COVERAGE

Coverage mandated by state law. eg. Workers' compensation and automobile liability coverage.

STOCK INSURER

Insurer owned and controlled by stockholders.

STRUCTURED SETTLEMENT

Alternatives to a lump sum payment of a liability claim. Payments are made at designated intervals with a specific termination date.

STUDENT TEACHERS

Most standard insurance policies do not include student teachers as named insured. If a student teacher is sued for actions arising out of their activities on behalf of a school, no coverage would be provided.



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SUBROGATION

Legal right of an insurance, who has paid a loss, to seek recovery from another party, other than the insured, who has caused the loss.

SUE AND LABOR CLAUSE

Clause which obligates an insured to save, protect and defend property, after a loss, from further damage.

SURPLUS LINE

Insurance covering an exposure to loss for which no licensed usage is willing to provide coverage. Insurance is placed with a non-admitted insurer.

SURVIVAL STATUTE

Statute which transfers the rights and duties of a deceased person to the estate of the deceased person.

SUSPENSION PROVISION

Clause which allows an insurer to suspend coverage if certain conditions occur. eg. Increase in hazard.

TARGET RISKS

Hazardous exposure for which insurance is difficult to purchase. eg. High value fine arts, high power precision automobile.

TEACHERS LIABILITY INSURANCE

Insurance to protect teachers from lawsuits alleging negligence which causes bodily injury. Usually taken to cover corporal punishment of students.

THEFT

The act of stealing when the victim is not aware. Coverage can be included in a crime insurance policy or property policy.

THIRD PARTY INSURANCE

Generally liability insurance because it always involves three parties, the insured, the insurer, and the injured party.

TIME ELEMENT INSURANCE

Insurance covering loss of revenues, profits or the incurring of extra expenses as a result of damage or destruction of property.



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TORT

A wrong as adjudged by the courts. This can be accidental (auto accident) or willful (assault and battery).

TRANSFER OF RISKS

Shifting of legal responsibilities for a loss.

TRANSIT COVERAGE

Insurance purchased to cover property while in land transit from one place to another.

TREATY REINSURANCE

Reinsurance purchased automatically by a contract for a given class of business or a certain % or dollar amount of reinsurance.

TWISTING

Illegal misrepresentation of an insurance contract as inducements to replace one policy with another.

ULTIMATE NET LOSS

All sums which the insured is legally obligated to pay plus expenses incurred in the investigation, settlement and negotiation of a claim.

UMBRELLA LIABILITY INSURANCE

Coverage is usually written ditto. Two basic coverages; coverages A and B

1. Coverage A- provides excess insurance over and above primary liability coverage such as general liability, automobile and employers liability.
2. Coverage B- provides coverage for exposures not insured in the primary and not excluded in the umbrella. eg Non-owned aircraft liability coverage B is usually subject to self insured retention.

UNDERINSURANCE

Condition which exist when the amount of insurance carried does not meet the coinsurance requirement.

UNDERINSURED MOTORIST

Coverage which pays for medical bills and lost wages involving an accident with a motorist whose insurance is insufficient to cover loss.



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UNDERLYING INSURANCE

Term used in excess umbrella policies to define coverage in primary insurance policies.

UNDERWRITER

An insurers employee who evaluates risks and decides upon conditions limitation, terms, premiums and acceptance or rejection.

UNDERWRITER PROFIT

Profits derived from insurance premiums collected rather than investment income.

UNEARNED PREMIUM

The portion of premium which would be refunded to the insured in the event of cancellation.

UNFRIENDLY FIRE

A hostile fire. One which does not burn while in its intended place for its intended purpose.

UNINSURED MOTORIST

Coverage which pays for medical bills and lost wages involving an accident with an uninsured motorist.

UNINTENTIONAL ERRORS AND OMISSIONS

Coverage can be voided if an insured unintentionally provides incorrect information to the insurer.

UNOCCUPIED

A condition which exists when no person (s) reside within; but it may have furnishings, equipment or inventory.

VACANT

Not lived in and devoid of furnishings, equipment or inventory.

VALUABLE PAPERS COVERAGE

Coverage which pays the cost of reconstruction of books, records and other valuable documents.

VALUATION

Process of placing a monetary value on property.



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VANDALISM AND MALICIOUS MISCHIEF

A peril which can be included by endorsement to a standard fire policy.

VOLUNTARY COMPENSATION ENDORSEMENT

Coverage which pays the medical expenses of employees who are technically ineligible for workers' compensation benefits. ie. domestics, casual laborers.

VOLUNTEERS

Volunteers are generally included as insured in liability contracts.

VEHICLES

1. Private passenger cars, trucks, buses and any other motorized vehicle licensed for road use.
2. A peril included in the standard extended coverage endorsement.

WAITING PERIOD

Specific period of time which must elapse before coverage begins. Used as a deductible.

WAIVER OF SUBROGATION

Voluntary relinquishment of the rights of subrogation, prior to a loss.

WARRANTIES

Provision which mandates that certain condition must be met for coverage to be enforced. eg. In property insurance, sprinkler systems, alarms, etc.

WATER DAMAGE

A peril which is included in "All Risks" coverage endorsement.

WEAR AND TEAR

A standard exclusion in property insurance policies.

WINDSTORM AND HAIL DAMAGE

One of the standard perils included in the extended coverage endorsement.

WORKERS' COMPENSATION

Statutory coverage provided to pay medical expenses and a portion of lost wages arising out of a work related illness or injury. Any actual or alleged error or misstatement or misleading statement or act or omission by neglect or breach of duty.