



# Insurance Terms

## Actual Cash Value (ACV)

Actual cash value is the cost to repair or replace the damaged property with materials of like kind and quality, less depreciation of the damaged property.

## Aggregate Limit

A limit in an insurance policy stipulating the most it will pay for all covered losses sustained during a specified period of time

## Blanket Limit

A single limit of insurance that applies over more than one location or more than one type of coverage, or both. A blanket limit can be a hedge against the possibility of inaccurate property value estimates since the entire blanket limit can be applied to a loss at a single location.

## Business Income

Insurance covering loss of income suffered by a business as a result of not being able to use property damaged by a covered cause of loss, during the time required to repair or replace it.

## Claim

A demand by an individual or corporation to recover for loss.

## Claims Made Form

Under a claims-made policy, policyholders are covered for any incident that takes place and is **reported** to the carrier on or after the earliest date to which a specific insurance policy applies, as long as the policy is still in force. That date may be the effective (inception) date of the policy, or it may be an earlier (retroactive) date, which results from the purchase of retroactive (prior acts) coverage for a policyholder transferring from one claims-made carrier to another. (Because claims made policies are designed to cover only those incidents and claims that occur and reported while a specific policy is in effect, policyholders must take special care when switching from one carrier to another. Upon termination of a claims-made policy with one carrier, policyholders should obtain either "tail" coverage (extended reporting coverage) from the carrier they are leaving or retroactive (Prior Acts) coverage from their new carrier. Either of these coverages insures against claims that are made in the future due to incidents that took place but were not reported while the previous claims made policy was in effect.

## Claims Paid Form

Under a claims-paid policy, policyholders are insured for a covered incident that takes place, reported to the carrier and paid by the carrier on or after the earliest date to which the a specific insurance policy applies and before the termination of coverage.

Because claims-paid policies are designed to cover only those incidents and claims that occur, reported and paid while a specific policy is in effect, policyholders must take special care when switching from one carrier to another. Upon termination of a claims-paid policy with one carrier, policyholders must verify that all outstanding claims have been paid by the current carrier. If a claim has not been paid by the current carrier, upon changing carriers, the claim will then become the responsibility of the insured. If it has been determined that the insured has no open or pending claims, the insured should



obtain retroactive (Prior Acts) coverage from their new carrier. This will insure against claims that are made in the future due to incidents that took place but were not reported while the previous claims paid policy was in effect.

### **Employers Liability**

Pays on behalf of the insured (employer) all sums that the insured shall become legally obligated to pay as damages because of bodily injury by accident or disease sustained by any employee of the insured arising out of and in the course of his employment by the insured.

### **Employee Benefits Liability**

Liability of an employer for an error or omission in the administration of an employee benefit program, such as failure to advise employees of benefit programs.

### **Equipment Breakdown**

Coverage for loss caused by mechanical or electrical equipment breakdown, including damage to the equipment, damage to other property of the insured, and damage to property of others.

### **Extra Expense**

Coverage for expenses in excess of normal operating expenses that are incurred to continue operations after a direct damage loss.

### **Functional Replacement Cost (FRC)**

The cost to replace damaged property or destroyed property with property that serves the same function. It is used when replacement of damaged property with substantially identical property is either impossible or unnecessary.

### **Medical Payments (Auto)**

Coverage to pay for medical expenses for an insured whom sustains bodily injury caused by an auto accident, without regard to fault.

### **Medical Expense (General Liability)**

Coverage that reimburses others, without regard to the insured's liability, for medical or funeral expenses incurred by such persons as a result of bodily injury or death sustained by accident under the conditions specified in the policy.

### **Occurrence**

An accident, including continuous or repeated exposure to substantially the same general harmful conditions.

### **Occurrence Form**

An occurrence form covers claims that arise out of damage or injury that took during the policy period, **regardless of when claims are made**. The advantage of occurrence coverage is that neither retroactive (prior acts) nor tail coverage is needed when switching to another occurrence carrier or to a claims-made carrier. Coverage continues for any claims that are reported in the future as a result of incidents that took place while the occurrence policy was in effect.

### **Ordinance or Law**

Coverage to insure against loss caused by enforcement of ordinances or laws regulating construction and repair of damaged buildings.

**Pay on Behalf**

The insurer pays on behalf of the insured for claims and claim costs that the insured is obligated to pay in contrast to a reimbursement form where the insured pays the claim and the insurer reimburses the insured for their payment.

**Prior Acts**

A feature of claims-made policies that have either no retroactive date or a retroactive date earlier than the inception date of the policy. Such a policy covers claims during the policy period arising out of events that precede the policy period. Without such a feature, the policy's retroactive date would preclude coverage with respect to these "prior acts".

**Replacement Cost (RC)**

The cost to replace damaged property today with property of like kind and quality without deduction for depreciation.

