

GLOSSARY

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A

Abandonment Condition A condition often contained in Property insurance policies that states that the insured cannot abandon damaged property to the insurer and demand to be reimbursed for its full value.

Absolute Liability Type of liability imposed by law on those participating in certain activities that are considered especially hazardous [such as blasting]. A person involved in such operations may be held liable for the damages of another, even though the individual was not negligent.

Accident A fortuitous, unplanned, unexpected event from the standpoint of the insured. See also **Occurrence**.

Accidental Cause See **Accidental Means**.

Accidental Death and Dismemberment (ADD Policy) A policy or provision in a policy which pays either a specified amount or a multiple of the weekly disability benefit if the insured dies, loses his or her sight, or loses two limbs as the result of an accident. A lesser amount is payable for the loss of one eye, arm, leg, hand or foot.

Accidental Means A sometimes part of an **Accident** policy used to describe the scope of coverage. After many years of litigation, the terms **Accidental Cause**, **Accident Means** and **Accidental Result** are now generally deemed to have the same meaning.

Accidental Result See **Accidental Means**.

Accident Insurance A type of insurance that pays benefits for injury or death caused solely by accident. Because of its cause limitation, such coverage is relatively inexpensive when compared to General Health and Life coverages.

Accident and Sickness Insurance A classification of insurance. An older name for Health insurance. See **Health Insurance**.

Accounts Receivable Insurance Commercial Inland Marine coverage that insures against loss the insured suffers because of an inability to collect from customers when accounts receivable records are damaged or destroyed.

ACORD An insurance industry service and information provider. Many insurers use ACORD-developed forms, such as Applications, Insurance Certificates, Loss Notices and Proof of Loss forms.

Act of God A flood, earthquake or other event resulting from natural causes that occurs without human intervention and that could not have been prevented by reasonable care or foresight.

Actual Cash Value (ACV) The cost to replace an item of property at the time of loss, less depreciation. Often used to determine the amount of reimbursement for a loss.

Actuary An occupational field that deals with probability and statistical theory pertaining to insurance.

ACV See **Actual Cash Value**.

Additional Coverages Supplemental insurance coverages that apply only in certain circumstances. They typically have reduced or separate limits of liability or require the insured to meet certain requirements before they are applicable. Also called **coverage extension**, **other coverages** and **extended coverages**.

Additional Insured A person or entity other than the Named Insured who is protected under the terms of the insurance contract. Usually additional insureds are added by endorsement or referred to in the wording of the definition of "Insured" in the policy itself. Examples are: an owner included on a Renter's policy or a mortgage holder on a Property

policy. One is not an additional Named Insured unless so specified.

Additional Insured-Lessor Endorsement Commercial Auto endorsement used to make leased vehicles considered owned vehicles for coverage purposes.

Additional Named Insured A **Named Insured** in addition to the principal or **First Named Insured**. See **Named Insured**. Distinguished from **Additional Insured**.

Adhesion Contract A "take it or leave it" contract where one party has more power than the other party in drafting the agreement. An insurance policy can be an adhesion contract—the insurer is the one with more power.

Adjuster A representative of the insurer who, after notification of a claimed loss, investigates, collects information and determines the payment [if any] to be made under the policy. A term used interchangeably with **Claim Representative**.

Admitted Insurer An insurer authorized by the regulatory authority of a particular jurisdiction to do business in that jurisdiction. See **Authorized Insurer**.

Advance Premium The initial premium payment made at the time of application for a policy or at the beginning of the period covered by the policy. The amount corresponds to the mode of premium payment [monthly, semi-annual, experience based, etc.]. Also called **Initial Premium**.

Adverse Selection The tendency of those having a greater-than-average chance of loss to purchase insurance.

Agency A legal relationship between parties who agree that the one [the agent] is to act on behalf of the other [the principal] subject to the principal's control.

Agent An individual or organization that legally represents another; a state-licensed professional who represents the insurance company in the sale and servicing of insurance; the direct link between the insurance company and the policyholder. Also called a **Producer**.

Aggregate Limit Type of overall coverage limit found in Liability policies—limits coverage to a specified total amount for all losses occurring within the policy period.

Agreed Amount Policy See **Stated Value Coverage** and **Valued Policy**.

Agreed Value Condition Condition found in some Property insurance policies that stipulates a certain value that will meet the coinsurance requirement. If the policy limit equals or exceeds this amount, the insured will not be assessed a coinsurance penalty. Also called **Stated Amount Condition**.

Agreement See **Offer And Acceptance**.

Agreement to Indemnify See **Hold Harmless Agreement**.

Aircraft Policy Policy for aircraft, including BI, PD and Physical Damage coverages to the aircraft.

Aleatory Contract A contract that is contingent on an uncertain event (a loss). An insurance policy is an aleatory contract.

Alien Company An insurance company incorporated in a country other than the United States that is doing business in the United States.

All Risk Policy All risks covered unless specifically excluded. See **Open Peril Policy**.

A.M. Best Company Organization that rates the financial stability of

insurance companies doing business in the United States.

Ambiguity A provision having more than one meaning or being capable of being understood in two or more different ways.

Annual Transit Policy Nonfiled Commercial Inland Marine transportation form that insures a property owner's income or outgoing shipments of goods during a year.

Annuity A contract that uses the time/value of money to provide for periodic payments starting after a stated date and continuing for a fixed period or for the remaining life of the **Annuitant**. It can be used to guarantee against living to an age where one's income-producing capacity would not be sufficient to meet one's needs or can be used as a means of structuring settlements, lottery payments, etc.

Annuitant A recipient or beneficiary of an **annuity** arrangement.

Apparent Authority Legal doctrine that states that an agent has whatever authority a reasonable person would assume he or she has and the would-be principal does nothing to dispel that appearance.

Application Questionnaire filled out by an agent and the prospect who is seeking insurance. The form contains information used to underwrite and rate the policy. If an application is accompanied by payment toward the premium, it is an offer.

Appraisal Condition A form of arbitration arrangement in Property coverage. It is set forth in the Conditions section of the policy. It outlines a procedure for when the insured and insurer disagree on the amount of a loss. The insured and the insurer each select an appraiser. The two appraisers select an umpire. If the appraisers cannot agree on the amount of loss, the umpire is consulted. The amount agreed

to by any two of the three appraisers is the amount paid for the loss.

Appurtenant Structures Buildings of lesser value that are on the same premises as the main building insured under a Property policy. They are usually covered by the policy.

Arbitration A method of dispute resolution involving use of one or more neutral persons hearing a dispute and resolving it with their decision [called an "Award"]. The submission to Arbitration is by agreement between the disputing parties by use of procedures that are either agreed upon or imposed by statute or rule [see C.R.S. 13-22-201, et seq. and 28 U.S.C. § 651, et seq.].

Arbitration Condition Policy condition that is similar to the **Appraisal Condition**; may be used to resolve other areas of disagreement besides those concerning the value of a loss.

Assault as a Tort A civil assault is placing of another in apprehension of immediate harmful or offensive contact. Can be coupled with **Battery**.

Assessment Mutual Company Mutual insurance company that charges members a pro-rata share of losses at the end of each policy period. See **Mutual Company**.

Assigned Risk A risk which is not ordinarily acceptable to insurers and which is, therefore, assigned to insurers participating in an **Assigned Risk Plan**. Each participating insurer agrees or is required by the state to accept its share of such risks.

Assigned Risk Plan A state-sponsored plan that provides Auto insurance to those who are otherwise uninsurable under standard Auto insurance.

Assignee The person to whom policy rights are assigned in whole or in part, by the policy owner.

Assignment The transfer of rights in a policy to an individual or entity other than the policy owner.

Assignment Condition Condition in insurance policies that specifies that the

policy cannot be transferred to another unless the company consents to the transfer in writing.

Assignment of Benefits A method where the person designated to receive benefits assigns the payment of those benefits to another [such as a physician or hospital].

Assumption of Risk Defense against liability based on the common law principle that a person who knowingly exposes himself or herself to danger or injury assumes the risk of loss and cannot hold another person responsible for the loss. May operate on a comparative fault/consent basis.

Audit See *Premium Audit*.

Authorized Insurer Company that meets a state insurance authority's standards and is authorized to do business in that state. Also called an *Admitted Insurer*.

Auto Shorthand reference to Auto or Motor Vehicle Insurance.

Auto Insurance A package of coverages for registered and licensed motor vehicles. Usually included are Auto Liability, Med Pay, Uninsured/Underinsured Motorist coverages, Collision and Comprehensive.

Auto Liability Primacy Rules The usual rules for *Auto Liability Primacy* when there are two or more policies applicable to a loss. Generally, primacy is contractual, and primary coverage comes from the policy on the involved vehicle. Other coverage for the individual for a vehicle he does not own would be "excess" and would stack. If both policies provide that they are "excess," they are mutually repugnant and will be required to prorate. If the policies do not provide for the means of proration, it will be "by equal shares." See *Allstate v. Avis*, 947 P.2d 341 (Colo. 1997).

Automatic Increase in Insurance Endorsement Property policy endorsement that provides a periodic increase in Property insurance amounts to offset the effects of inflation.

Automatic Premium Loan Provision In Life insurance, an optional provision that

allows the insurer to use, automatically, whatever portion of the cash value of the policy is needed to pay premiums as they fall due.

Automobile Insurance Plan A state-sponsored plan that provides Auto-mobile insurance to those who are otherwise uninsurable under standard Auto insurance. See *Assigned Risk Plan*.

Aviation Hull Insurance Insurance that provides coverage for physical damage to aircraft.

Aviation Liability Insurance Insurance provided for owners of air-craft that covers liability for bodily injury, injury to passengers and property damage. Also provides Medical Payments coverage.

B

Bad Faith For *First-Party Insurance*: Delay or denial of coverage or payment without a reasonable basis for the delay or denial with either knowledge that the delay or denial was unreasonable or reckless disregard as to whether the delay or denial was unreasonable. For *Liability Insurance*: the delay or denial was without a reasonable basis and the conduct was negligent. See C.R.S. 10-3-1113 and *Farmers Insurance Group v. Trimble*, 768 P.2d 1243 (Colo. App. 1988).

Bad Faith Damages The economic and non-economic injuries, damages, and losses resulting from an insurer's breach of its covenant of good faith and fair dealing. Such damages can include [in addition to required performance under the insurance contract]: medical and mental health care provider expense; affectation of credit; emotional distress; sleepless nights; physical illness; other consequential losses; interest as damages; and sometimes attorney fees.

Bailee A person or entity that has temporary possession of someone else's personal property.

Bailee's Customer Policy A Commercial Inland Marine form obtained by a bailee to cover loss or damage to customers' property in the bailee's custody, without regard to liability.

Bailment Temporary possession of someone else's personal property. Bailment for hire is a holding of property for payment or commercial benefit.

Barratry The tort of unlawful sponsoring or promoting litigation. Also, illegal acts committed willfully by a ship's master or crew for the purpose of damaging the ship or cargo. Includes hijacking, abandonment and embezzlement. This peril is covered in Ocean Marine Insurance.

Bayshore Agreement A type of agreement that comes from the Colorado Supreme Court's decision in Northman Ins. Co. v. Bayshore, 494 P.2d 1292 (Colo. 1972). The Bayshore decision authorized an agreement wherein the claiming and defending parties in a lawsuit could permissibly agree to allow the claiming party to pursue the defending party's rights against the defending party's Liability insurer where the Liability insurer had brought about but declined to pay an excess judgment entered against the defending party. Such agreement allows a defending party to effect a settlement, but preserve and assign his right to proceed against the Liability insurer for not only the amount of the judgment, but also for bad faith damages as well.

Battery A civil battery is the intentional infliction of harmful or offensive contact. See also **Assault**.

Beneficiary The recipient of the payout of a **Life Insurance** or **annuity** arrangement.

Beneficiary, Contingent A secondary beneficiary, designated to receive proceeds of a policy if the primary beneficiary does not survive the insured.

Beneficiary, Irrevocable A named beneficiary whose status as beneficiary cannot be changed without his, her or its permission.

Beneficiary, Primary The person first designated to receive the proceeds of a Life policy. Distinguished from **Contingent Beneficiary**.

Benefits The money provided by an insurance policy to be paid for covered losses.

Best's Organization that rates the financial stability of insurance companies doing business in the United States.

BI An abbreviated title for Bodily Injury Liability. Also used as an abbreviation for Business Income Coverage.

Bid Bond Type of Surety bond that guarantees that if a contractor's bid is accepted, the contractor will enter into a contract and provide the required Performance bond.

Bill of Lading Standardized contract of carriage issued by common carriers to the person or entity for which it is shipping goods.

Binder Oral or written statement that provides immediate insurance protection for a specified period. Designed to provide temporary coverage until a policy is issued or denied.

Binding Authority Authority conferred on an **Agent/Producer** to extend temporary coverage until the insurer can determine if it wishes to insure the particular risk and issue its policy.

Blanket Insurance Type of insurance policy that covers more than one item of property at a single location or one or more items of property at multiple locations.

Blanket Position Bond Fidelity bond that covers losses arising from the dishonesty of one or more employees acting separately or in collusion. Provides a single limit of liability applicable to each employee involved in a loss. See **Bond**.

Boat Shorthand reference to **Watercraft** insurance. See **Watercraft Package Policy**.

Boatowners Policy See **Watercraft Package Policy**.

Bodily Injury (BI) Defined in most policies to include injury, sickness, disease, and death resulting from any of these at any time.

Boiler and Machinery Coverage Form Insurance that covers the insured for losses arising out of the use of steam boilers or other machinery. May be

included in the Commercial Package policy.

Bond A three-part agreement in which a party called the "surety" obligates itself to a second party—called the "obligee"—to answer for the default, acts or omissions of a third party called the "principal." Bond types: Performance, Fidelity, Lost Instrument, Bail, etc.

BOP The abbreviated title for Businessowner's Policy. See *Businessowner's Policy*.

Broad Theft Coverage Endorsement Dwelling policy endorsement that covers theft, attempted theft, vandalism and malicious mischief resulting from theft. Property is covered while it is on or off the premises.

Broker Individual who represents the insurance prospect or applicant in dealing with an insurance company, in the insurance transaction. Also called a *Producer*.

Builders Risk Coverage Form One of the Commercial Property coverage forms; covers commercial, residential or farm buildings that are under construction.

Builders Risk Reporting Form Optional form used with the Commercial Property Builders Risk coverage form; allows insured to purchase a smaller amount of insurance that gradually increases as the value of the building under construction increases.

Building and Personal Property Coverage Form Commercial Property coverage form that covers buildings, the insured's business personal property and the personal property of others located at the business premises.

Burglary As defined in Crime insurance forms, the taking of property by a person who unlawfully enters or leaves the premises as evidenced by visible signs of forced entry or exit.

Business Auto Coverage Form One of the Commercial Auto coverage forms; covers a business' owned, nonowned and hired autos against liability and physical damage loss. Uninsured/Underinsured Motorist and Med Pay can also be added by endorsement.

Business Auto Policy See *Business Auto Coverage Form*.

Business Auto Physical Damage Coverage Form One of the Commercial Auto coverage forms; covers a business' owned or hired business autos for physical damage [Collision and Comprehensive] risks only.

Business Floater Insurance designed to protect against loss of particular business personal property. May be written on an *All-Risk*; *Open Peril*; or *Named Peril* form.

Business Income Coverage Forms Commercial Property coverage forms that pay for loss of income that the insured sustains due to a direct physical loss from a covered peril that forces the insured to suspend operations until the property can be repaired, rebuilt or replaced with reasonable speed. Available with or without *Extra Expense* coverage.

Business Income From Dependent Properties—Broad Form Commercial property coverage form designed for insureds whose business income is dependent on the ongoing operations of other businesses they do not own.

Business Interruption—Actual Loss Sustained Endorsement Boiler and Machinery endorsement that covers business income losses resulting from an accident to a covered object. Extra expenses incurred to reduce or prevent the interruption are also covered.

Business Interruption—Valued Coverage Endorsement Boiler and Machinery endorsement that covers business income losses resulting from an accident to a covered object. It pays a specified amount for each day that the business interruption continues. Extra expenses incurred to reduce or prevent the interruption are also covered.

Business Liability Liability that arises out of the conduct of a business.

Business Pursuits Endorsement Homeowners policy addendum/endorsement that buys back and provides Liability coverage for business activities of one or more of the persons insured under the policy. Such activities are otherwise usually excluded.

Business Pursuits Exclusion An exclusion in the Liability section of Personal Lines policy, such as a **Homeowner, Renters** or **Personal Umbrella** that denies coverage when the loss was business related.

Businessowners Policy (BOP) Package policy designed to provide broad Property and Liability coverage for small businesses. The insured can choose one or several property forms, but there is only one liability form. Eligibility requirements are more strict than that of a Commercial Package Policy form.

By Equal Shares A means of apportionment in "**Other Insurance**" "**Primacy**" situations. It operates on a dollar-for-dollar approach between the co-primary insurers.

By Limits A means of apportionment in "**Other Insurance**" "**Primacy**" situations. It operates on a ratio of limit approach between the insurers.

C

Cafeteria Plan An employee benefit which provides a series of flexible Health Care benefits from which an employee may choose, including a cash-only option.

Camera and Musical Instruments Dealers Coverage Form Filed Commercial Inland Marine form written to cover camera and musical instruments dealers; covers the insured's stock in trade, as well as customer property in the insured's care, custody or control.

Cancellation Termination of an insurance policy by the insurer or the insured during the policy period.

Cancellation Notice The notice sent by the insurer to the policyholder informing the policyholder that coverage is being terminated. It also states the date coverage will terminate and the reason for the termination.

Capital The accumulated, permanent resources a company obtains from owners and customers. The value of the portion of assets that a company owns and that are not restricted by obligations to creditors.

Captive Agent An agent who markets insurance for a single insurer. Also called an **Exclusive Agent**.

Cargo An abbreviated reference to **Cargo Insurance**.

Cargo Insurance Type of Ocean Marine or Inland Marine insurance that covers goods while they are in transit.

Carrier The insurance company that "carries" the insurance. The term "**Insurer**" is preferred.

Case Management A generic term referring to a system of overseeing Health Care for the purpose of containing Health Care costs. Such a system includes second opinions, pre-certification or prior-authorization for services, concurrent and retroactive reviews of services performed, and ambulatory and outpatient care. It also may be called **Claims Control** or **Cost Containment Systems**.

Cash Surrender Value In Life insurance, the amount of cash the policyholder is entitled to receive from the insurance company upon surrender of a Life policy having built-up cash value, such as a Whole Life Policy.

Casualty Insurance A broad class of insurance which includes Automobile, General Liability, Personal Liability, Professional Liability, Errors & Omissions, Employer Liability, Workers' Compensation, Aviation, Crime, Boiler and Machinery, and Glass Coverages.

Cause [From an Insurance Perspective] The event that produces a loss that is covered by the insurance policy, or where there is a question as to the causal connection, the existence of a reasonable nexus between the event and operative triggering language of the policy, e.g., "arising out of use of a motor vehicle." For Property insurance, policy forms interchangeably use the term "**Peril**" for the term "**Cause of Loss**."

Cause [From a Tort Perspective] See **Proximate Cause**.

Causes of Loss Form Separate form used with the Commercial Property coverage part of the Commercial Package policy that lists covered perils and exclusions. Several different

versions provide increasingly broader coverage from basic to broad to special. An earthquake form is also available. A "Causes of Loss" form takes the place of the policy's "perils insured against" provisions.

Cede To obtain *Reinsurance*.

Ceding Company An insurer that reinsures its original risk through a reinsuring company. See *Reinsurance*.

Certificate of Insurance Written form that verifies a policy has been written. Provides a summary of the coverages provided under the policies listed. It does not, however, confer coverage. It is the policy that controls.

Certificated Self-Insurer A person or entity who qualifies and is granted a certificate by a governmental authority allowing the person or entity to be self-insured. As in C.R.S. 10-4-624—having 25 or more vehicles and demonstrating required financial responsibility.

CGL The abbreviated title of Commercial General Liability coverage. See *Commercial General Liability Coverage*.

Change of Beneficiary A feature and provision in *Life* insurance policies wherein the owner of the policy is permitted to initially designate and (prior to the insured's death) from time-to-time change the beneficiary or beneficiaries of the policy. Typically, the insurer or agent is asked to provide that Change of Beneficiary form, which is then completed and submitted by the owner of the policy. Substantial rather than absolute compliance with the insurer's requirements is all that is necessary.

Changes in Commercial Auto Coverage Forms Endorsement Mandatory endorsement used with all Commercial Auto coverage forms. It modifies the transportation expenses coverage extension to cover loss of use expenses to rented autos for which the insured is legally responsible under a rental contract or agreement. It also provides worldwide Liability coverage for private passenger autos the insured hires, leases, rents, or borrows without a driver for a period of 30 days or less.

Choice of Law Resolution of the question of which jurisdiction's law will apply to a matter. See *Conflict of Laws*.

Churning An illegal practice where an insurance agent unnecessarily replaces existing Life insurance for the purpose of earning additional (higher) first-year commission.

Claim The request or demand of an insured or his, her or its representative or beneficiary for benefits as provided by an insurance policy.

Claim Adjuster Person employed by or acting on behalf of an insurance company to investigate, collect information about, evaluate and settle insurance claims. The adjuster must determine the cause of loss, whether the loss is covered by the policy, the value of the loss, and the amount payable by the policy.

Claimant A claiming party to insurance coverage, contract or tort claim.

Claim Representative See *Claim Adjuster*.

Claims-Made Form A Liability coverage form that covers losses for which a claim was first made against the insured during the policy period as distinguished from an "occurrence-based" form that orients to coverage in force at the time of the occurrence giving rise to the loss.

Claims-Made and Reported A form of claims-made coverage that requires as a condition of coverage, that the claim also be reported during the policy period.

Class Rating See *Manual Rating*.

Clause A section of a policy or endorsement dealing with a particular subject. For instance, a subrogation clause deals with the rights of the insurer to reimbursement in the event of payment of a loss under the contract.

CLM'T An abbreviated reference for the term *Claimant*.

COBRA Shorthand for the Consolidated Omnibus Budget Reconciliation Act of 1985 [PL 99-272; 26 U.S.C. § 4980B]. The Act mandates that those who would otherwise lose their employment-related Health coverage must be given the option

of extending their coverage with the employer's Health Plan for up to 3 years at their own expense.

Coinsurance An agreement between an insured and the insurer to share in the settlement of particular covered losses. Sometimes a penalty provision in Property coverage where the insured does not carry an adequate amount of insurance for the value of the property.

Coinsurance Clause A policy condition that requires an insured to pay part of a loss if the amount of insurance carried on property is less than a specified percentage of the value of the property at the time of loss. Also, a co-payment arrangement used to reduce premium cost in some kinds of coverages such as Health Insurance.

Coinsurance Penalty The amount not paid by the insurance company because the insured failed to comply with the **coinsurance** condition. See **Coinsurance Clause**.

Coll. An abbreviated reference to Motor Vehicle **Collision** Insurance.

Collision An abbreviated reference to Motor Vehicle **Collision** Insurance.

Collision Insurance In Auto insurance, a type of Physical Damage coverage that covers loss that occurs when the insured auto strikes another object or vehicle. May also include upset or overturn of the insured auto. Does not cover striking of animals or birds. Distinguished from **Comprehensive** coverage.

Combined Ratio The sum of the loss ratio and the expense ratio. A ratio of 100% is the break-even point. A ratio below 100% indicates an underwriting profit; a ratio above 100% indicates a loss. See **Loss Ratio and Expense Ratio**.

Combined Single Limit (CSL) A single overall amount limit applying to the total of all bodily injury and property damage combined resulting from one accident or occurrence as distinguished from "split limits."

Commercial Articles Coverage Form Filed Commercial Inland Marine form that

covers photographic equipment or musical instruments used commercially.

Commercial Auto Coverage Part A part of the Commercial Package policy that provides Liability and Physical Damage coverage for a business's autos, including commercial vehicle use, trucking and garage businesses. See also **Business Auto Coverage Form**.

Commercial Blanket Bond Type of Fidelity bond that covers loss arising from the dishonesty of one or more employees acting separately or in collusion. The limit of liability applies separately to each loss, regardless of the number of employees involved. See **Bond**.

Commercial Crime Coverage Part A part of the Commercial Package policy that covers various crime exposures of businesses. See **Crime Coverage**.

Commercial Excess A Commercial Lines **Excess** or **Excess Umbrella** policy. See also "**Primacy**."

Commercial General Liability (CGL) Coverage A part of the Commercial Package policy that provides Liability coverage for businesses. Usually covers Bodily Injury Liability, Property Damage Liability, Personal Injury Liability, and Advertising Injury Liability.

Commercial Inland Marine Insurance See **Inland Marine Insurance**.

Commercial Lines Insurance designed for businesses, institutions or organizations. See **Commercial Package Policy** contrasted with **Personal Lines**.

Commercial Package Policy (CPP) Package policy for businesses developed by the Insurance Services Office ("ISO"). Insureds can select two or more of the following coverages to include in the policy: Commercial General Liability, Commercial Property, Commercial Inland Marine, Commercial Crime, Boiler and Machinery, Farm, and Commercial Auto. Most commercial risks are eligible for the CPP.

Commercial Property Coverage Part A part of the Commercial Package policy that provides insurance for a business' real and business personal property.

Commercial Property Floater Commercial Personal Property coverage.

Commercial Property Floater Risks Category of a definition that includes a number of Commercial Inland Marine forms, such as Bailee's Customer's forms, Equipment forms, Business floaters, and Dealers policies.

Commercial Umbrella Commercial Lines Excess or Excess Umbrella policy. See also *Primacy*.

Commercial Umbrella Policy See *Umbrella Policy*.

Commission The portion of the premium agreed in the agency contract to be retained by the agent as compensation for sales, services and distribution of insurance policies.

Commissioner The governor-appointed head of the Division of Insurance that oversees and regulates the business of insurance in this state.

Common Policy Conditions Form that must be included in the Commercial Package policy. It contains conditions that apply to all coverages issued under the CPP.

Common Policy Declarations A form that must be included in the Commercial Package policy; contains information about the insured that applies to all coverages issued under the CPP.

Comp. Abbreviation for motor vehicle *Comprehensive* coverage.

Comparative Negligence Law that allows an injured person to collect from another party for a loss, even when the injured party contributed to his or her own loss. Damages are reduced to the extent of the injured party's negligence. In Colorado, if the claim-ing party's fault is equal to or greater than the defending party's, there is no recovery. But if the claiming party's fault is less than the defending party's, recovery is permitted, but damages are reduced by the percentage of the claiming party's causal fault.

Compensatory Damages Damages that compensate or reimburse an injured party for losses that were actually

sustained. See *General Damages* and *Special Damages*.

Competent Parties One of the requirements of a contract. For a contract to be valid, it must be made between parties who are considered competent under the law—i.e., over 18 years of age and mentally capable of handling his or her financial/business affairs.

Competitive State Fund Method of providing Workers' Compensation coverage in some states; employers may either purchase insurance from a private insurance company or from a state fund.

Completion Bond Type of Surety bond that guarantees that when contractors borrow money to fund construction projects, the project and the work will be completed free and clear of liens or encumbrances.

Completed Operations A type of coverage in *BOP* or *CGL*. Covers completed work as distinguished from a product.

Comprehensive Coverage In Auto insurance, a broad Physical Damage coverage that covers all property losses except collision and those perils or property that are specifically excluded. Also called *Other Than Collision Coverage (OTC)*. Includes coverage such as fire, theft, wind-storm, flood, hail, falling objects, striking an animal or bird, etc.

Compulsory Insurance Insurance that is required by law. For example, Motor Vehicle Liability insurance that every owner of a motor vehicle is required to purchase and maintain [C.R.S. 10-4-619 and 620].

Concealment The withholding of a material fact which creates a false impression on which another party reasonably relies.

Concurrent Causation A situation where two or more perils occur concurrently (at the same time or in sequence) to cause a loss. Some courts have ruled that losses from concurrent causation are covered even when one of the perils that contributed to the loss is excluded under the policy. These rulings have led Prop-

erty insurers to revise policy language to clarify the intent of the policy.

Conditional Contract A contract that contains a number of conditions that both parties must comply with. An insurance policy is a conditional contract.

Conditional Receipt An arrangement in *Life* and *Disability Income* insurance *Application* situations. If the premium accompanies the application for coverage, the coverage is in force from the date of the application, provided the insurer would have issued the coverage on the basis of facts revealed by the application and other sources of underwriting information.

Conditions That portion of an insurance policy that describes the rights and duties of the insured and insurer under the policy. Includes matters such as prompt notice of loss and suit, cooperation, cancellation, non-renewal, primacy in the event of other insurance, bankruptcy, death, assignment of the policy, etc.

Condominium Association Coverage Form Commercial Prop-erty coverage form that covers the buildings in a condominium or townhouse complex. Does not cover the condominium or townhouse owner's personal property.

Condominium Commercial Unit-Owners Coverage Form Commercial Property coverage form that may only be purchased by owners of commercial condominiums; covers the condominium's contents, including business personal property and the personal property of others.

Conflict of Interest A real or seeming incompatibility between one's own interest and the interest of another. In legal representation, the real or seeming difference between the interests of two or more of the lawyers' clients.

Conflict of Laws A difference between laws of different states or countries. The term includes the legal approaches to bring about a choice or resolution between those differences. See *Choice of Law*.

Consent In Tort Law, express or implied permission to engage in the act complained of, e.g., to touch, come onto

property, confine, obstruct, etc. In Insurance Law, an alternative reference to *Permission*.

Consequential Damage Endorsement Boiler and Machinery endorsement that covers loss due to spoilage from lack of power, light, heat, steam, or refrigeration caused by a covered accident.

Consequential Damages Compensatory damages that compensate for losses that do not flow directly and immediately from the injurious act, but result indirectly from the act.

Consequential Loss See *Indirect Loss*.

Consideration A characteristic of a legal contract; the thing of value [such as money] exchanged for the performance promised in the contract. With insurance contracts, the consideration that the insured gives is the premium payment. The consideration that the insurer gives is the promise to pay or protect against certain losses or exposures suffered by the insured.

Constructive Self-Insurer A person or entity that is deemed a self-insurer by operation of law. Contrast *Certificated Self-Insurer*.

Consultant Insurance professional who, for a fee, offers advice on the benefits, advantages and disadvantages of various insurance policies. In pure form, a consultant sells advice, not insurance. An insurance agent or broker can also be an insurance consultant.

Contract A legally binding agreement between two competent parties that promises a certain performance in exchange for certain consideration.

Contract Bonds Category of Surety bonds that guarantee the fulfillment of contractual obligations. Includes Bid bonds, Labor and Materials bonds, Performance bonds, Payment bonds, Supply bonds, and Completion bonds. See *Bonds*.

Contractors Equipment Floater Nonfiled Commercial Inland Marine form that covers the heavy machinery, equipment and tools a contractor uses in business.

Contractual Limitation of Action A limitation against bringing of an action built into a contract such as an insurance policy. Like a statute of limitation but imposed by the contract.

Contribution Among Co-Tort-Feasors

An equitable remedy that equalizes payment responsibilities among parties who fortuitously caused particular loss or damage to another. Comes into being when one of the co-tort-feasors pays a disproportionate share of the common liability. Shares are based on relative degrees of fault. See C.R.S. 13-50.5-101, et seq.

Contribution By Equal Shares A type of "other insurance" condition found in insurance policies when there is more than one policy applicable to the loss. It calls for all insurers to contribute equally, dollar-for-dollar, up to the limit of the policy having the smallest limit. The other companies then share in the remainder of the loss until the loss is paid in full or all policy limits are exhausted. See *Primacy*.

Contribution By Limits A type of "other insurance" condition found in insurance policies when there is more than one policy applicable to the loss. Each of the involved insurers pays a portion of the loss in proportion to the relationship its limit bears to the total of all coverage applicable to the loss, i.e., a ratio of the involved limits. See *Pro Rata Other Insurance* and *Primacy*.

Contribution Reimbursement A form of subrogation but limited to rights conferred by the Contribution Act [C.R.S. 13-50.5-101, et seq.]. Also a term used for contribution rights as between several co-primary insurers.

Contributory Negligence Common law defense against negligence that states that if an individual contributes to his or her own loss in any way, then someone else cannot be held liable for the loss. Modified in recent times to soften the effect where the injured party's fault is lesser in degree than the defending party's.

Conversion Civil theft. Also an act of interference with the right of possession of personal property.

Conversion Privilege The right of a policyholder to convert to insurance of another form without evidence of insurability.

Convertible Term Insurance A term policy that can be converted to a permanent type of coverage without proof of insurability.

Cooperation A duty or condition in an insurance policy requiring the person claiming to be insured to assist, be available and provide information, etc., in the insurer's investigation and handling of a claim. A breach of the cooperation requirement can void coverage if the failure to cooperate causes prejudice to the insurer.

Coordination A method of determining which company pays as primary insurer when there are two or more sources of benefits or protection.

Co-Primary Two or more insurers being obligated on the same [primary] basis.

Countersignature Signature of a licensed agent that, in some states, must appear on the policy to validate the contract.

Court Bond Type of Surety bond used to guarantee against court-related losses or uncertainties, e.g., Cost bond, Appeal bond, Supersedeas bond, Replevin bond, etc.

Country-Wide A definition used throughout the country. Also appears in the Nationwide listing of definitions.

Covenant Not to Execute A type of claim-concluding agreement like a *Release* or *Covenant Not to Sue*, wherein the covenantee under the agreement remains a party to the litigation, but if there is a judgment, it will not be executed upon by the covenantor. The device is used to keep pressure on some other person or entity following a partial settlement with one of several potentially liable parties.

Covenant of Good Faith and Fair Dealing An agreement implied in every insurance policy, plan and undertaking, the breach of which gives rise to a claim for damages in addition to that specified by the policy, plan or undertaking itself--

called **Extra-Contractual Damages**. The standards for the requirement of good faith and fair dealing have been codified in C.R.S. 10-3-1113. For **First-Party** coverages, it is a "recklessness" standard. For **Liability Insurance**, it is a "negligence" standard. See **Bad Faith** and **Bad Faith Damages**.

Covenant Not to Sue A type of claim-concluding agreement like a **Release** wherein the covenantor agrees not to sue or proceed against the covenantee. With recognition in the Colorado Contribution Among Tort-Feasors Act [C.R.S. 13-50.5-101, *et seq.*] of partial releases, there is substantially less need and use of covenants not to sue in recent times.

Coverage The protection provided under a contract of insurance.

Coverage Extensions An enlargement of coverage under specified circumstances. See also **Additional Coverages**.

Coverage for Punitive/Exemplary Damages Ordinarily, Liability for punitive/exemplary damages is not within Liability coverage even without an express exclusion [see *Lira v. Shelter Ins. Co.*, 913 P.2d 514 (Colo. 1996)]. However, an insurer, if it wishes, could purposefully sell and provide such protection.

Coverage Form Document that contains insuring agreements, coverages, exclusions, and conditions. Must be attached to a policy jacket to make a complete policy. Also called a **Policy Form** or **Policy Booklet**.

Coverage Grant The insuring agreement in a policy of insurance. A provision that confers coverage.

Coverage Part Combination of forms and endorsements used to provide a particular coverage. The forms and endorsements available under each coverage part can be used to issue a policy covering a single line of insurance or combined to provide a Package policy.

Coverage Trigger Event that activates (triggers) coverage under a coverage form. Under an "occurrence" form, the coverage trigger is injury or damage that occurs during the policy period. Under a

"claims-made" form, the trigger is injury, damage or loss that occurs on or after the "retroactive date," if any, for which a claim is then first made against an insured during the policy period.

CPP See **Commercial Package Policy**.

Credit Insurance Insurance on a debtor in favor of a lender intended to make periodic payments on a loan or to pay off the loan balance if the insured becomes disabled or dies.

Crime Coverage A form of Property insurance that protects (to a specified limit) against burglary, theft, mysterious disappearance, employee dishonesty, vandalism, malicious mischief, and for additional premium, terrorism. Some of those coverages are included in both Personal Lines and Commercial Property coverages.

CROP Federal government subsidized insurance program for growing crops.

CSL Combined single limit insurance as distinguished from "split limits."

Custodian As defined in Crime insurance forms, an insured, partner or employee who has care and custody of insured property on or within the premises. May also apply in a different sense to watchpersons or janitors.

Cyberspace Liability Liability coverage for computer operations.

D

Damages Monetary compensation awarded by a court to an injured or damaged party.

Death Benefit Proceeds of a policy to be paid upon the death of the insured.

Dec Action A shorthand reference to a **Declaratory Judgment Action** or **Action for Declaratory Relief**. An action under C.R.C.P. or F.R.C.P. 57 for a declaration of the rights of the parties. Other claims can be joined and asserted as well.

Dec Sheet An abbreviated reference to the **Declarations** page or pages of a policy.

Declarations Section of an insurance contract that shows the identity of the insurer; who is insured; what property or risk is covered; when and where the coverage is effective; and how much coverage applies. The Dec Sheet will also usually list the **Endorsements** appended to the policy.

Decreasing Term Insurance Term Life insurance for which the initial death benefit amount gradually decreases until the expiration date of the policy, at which time it reaches zero. See **Term Life Insurance**.

Deductible The specified self-insured portion of an insured loss. The dollar amount the insured must pay toward a loss to which the deductible applies, with the insurance company then paying the remainder of the covered loss, up to the policy limit.

Defamation An untrue defamatory statement, either written or oral, about the claiming party. "Libel" is a written defamatory statement. "Slander" is an oral defamatory statement. A defamatory statement that imputes a crime, loathsome disease or affects the claiming party in his business, trade, or profession, is called "defamation per se." Otherwise, it is "defamation per quod," which simply means that the claiming party's proof must include a showing of "special damages" resulting from the defamatory statement.

Defense A shorthand reference to the defense provided or to be provided under a Liability policy.

Defense Costs Legal expenses necessary to defend a lawsuit, such as attorney fees, court fees, deposition expense, expert witness fees and expense, investigative expense, bonds, etc. Defense costs are usually paid by the Liability insurer in addition to payments for injury or damage claims, but not always.

Defense in Addition to Limits Liability coverage that provides defense costs in addition to the policy's limits.

Defense of Others The privilege to use force which reasonably appears

necessary for the protection of others against threatened harm.

Defense of Property The privilege of reasonable force to defend property which appears necessary to prevent threatened harm or interference with its possession.

Defense Within Limits A Liability policy that provides for **Defense**, but **Defense Costs** are within and subject to the policy's limits. Sometimes called a "Pac-man policy."

Definitions Section of an insurance policy that sets forth the meaning of particular terms used in the policy. Specifically defined words are set forth in quotes, underlined, bolded or italicized. Using defined terms allows a simpler, shorter policy.

Degree of Care Extent of legal duty owed by one person to another. Also called **Standard of Care**, e.g., that degree of care exercised by a reasonably careful person, insurer, physician, etc.

Delivery The actual placing of an insurance policy in the hands of the insured.

Deposit Premium Premium paid at the beginning of the policy period that is based on an estimate of what the final premium will be. Such premium is later adjusted based on reports submitted by the insured. Also called an **Estimated Premium**.

Depreciation The effect of age, use and deterioration on value of property. If the policy pays on the basis of **Actual Cash Value**, depreciation is taken into account. If the policy is on a higher premium **Replacement Cost** basis, depreciation is not a consideration, at least after the replacement has actually taken place [called **Replacement Cost Recapture**].

Described Premises The premises described in a **Homeowner, Renters, Dwelling, BOP** or **Commercial Property** policy.

Described Risk See **Risk**. A **Described Risk** is a risk that is specif-

ically described or defined in the particular policy or plan.

Described Vehicle The vehicle described [by make, model, year and VIN number] in a **Motor Vehicle** policy. Distinguished from **Non-Owned Vehicle**.

Designation of Beneficiary A right conferred in a **Life Policy** to name the person or entity who will receive the proceeds of the policy. The determination takes place in the application or by a specialized form after the policy issues. See **Change of Beneficiary**.

Difference in Conditions Insurance (DIC) Type of Commercial Property policy that covers the gap of perils not covered by usual Property coverage, such as earthquake, flood, water backing up through sewers and drains, etc.

Direct Loss Loss caused directly by an insured peril as opposed to **Indirect** or **Consequential Loss**, e.g., loss of rents or business interruption following a direct loss by fire.

Direct Response System Insurance company that sells insurance through the mail or over the phone. No agents are involved. See **Direct Writer**.

Direct Writer Insurance marketing system where the company's agents are also employees of the company.

Directors and Officers Liability Insurance (D&O) Type of Errors and Omissions policy written for directors and officers of corporations who may be sued as individuals. Usually also includes corporate indemnification.

Disability A condition that curtails to some degree a person's ability to carry on normal pursuits. A disability may be partial or total, and temporary or permanent. Also a shortened term for **Disability Income Insurance**

Disability Benefit The benefit payable for disability under a Disability Income policy or provision.

Disability Insurance—Disability Income Insurance A form of insurance that provides periodic benefit payments to replace a portion of income, actually or

presumptively lost, when the insured is unable to work as a result of sickness or injury.

Discovery Form Commercial Crime form that covers losses that are sustained at any time and discovered either during the policy period or up to 60 days after the policy expires. The discovery period for losses related to employee benefit plans extends for up to one year after policy expiration.

Disparagement As a tort, consists of a false statement; published to a third party; which is derogatory of the claiming party's business, property or personal affairs; through which state-ment the defending party intended to cause harm to the claiming party's pecuniary interest. The statement must be made with malice and cause special damages.

Division Shortened term for **Division of Insurance**. See **Commissioner**.

D&O Abbreviated reference to **Directors & Officers Liability Insurance**.

Doctrine of Reasonable Expectations Legal principle used to interpret an insurer's responsibility. A hybrid of estoppel. An insurer will have that responsibility the insured is led to believe [or reasonably expects] it to have.

Domestic Company Insurance company doing business in the state in which it is incorporated.

Domestic Shipments Category of Country-wide Definition that includes coverage for cargo in transit over land.

Double Indemnity Payment of twice the basic benefit in the event of loss resulting from specified causes or under specified circumstances.

Dread Disease Policy A Health Insurance policy that provides coverage only for certain specified diseases, such as tuberculosis, MS, cancer.

Drive Other Car—Broadened Coverage for Named Individuals (DOC)
Endorsement Motor vehicle insurance endorsement that extends the definition of a covered auto to include autos the

named insured does not own, hire or borrow while being used by the person named or described in the endorsement. Drive Other Car protection is typically provided in Personal Lines Auto coverage without an endorsement.

Dual Agent An *Agent* who represents both the insurer and the insurance applicant/insured. Such agent may have binding authority with the insurer, but also serve as an insurance advisor to the insured. Such dual representation is permissible, but by statute, in the event of a dispute, except for the agent's responsibility for breach of duty, the agent/producer is deemed to represent the insurer and not the insured [C.R.S. 10-2-401(1)].

Duties Following Loss Condition found in property-casualty policies that explains the insured's responsibilities after a loss occurs, e.g., prompt notification, cooperation, etc.

Duty of Good Faith and Fair Dealing See *Covenant of Good Faith and Fair Dealing* and *Bad Faith*.

Duty to Defend The duty of a Liability insurer to provide and/or pay for the defense of the Liability insured. The duty can be broader than the duty to indemnify [see *Hecla Mining Co. v. New Hampshire Ins. Co.*, 811 P.2d 1083 (Colo. 1991)]. There is no duty if there is no coverage. There is also no duty under a pure indemnity policy.

Dwelling Policy Policy that provides Property coverages to individuals and families. Covers dwellings, other structures, personal property, and fair rental value. Some versions also cover additional living expense. It is different from a Homeowner Package policy in that the unendorsed Dwelling policy does not provide Liability or Medical Payments coverages.

Dwelling Under Construction Endorsement Dwelling policy endorsement used to provide provisional limits for dwellings under construction. The amount limits increase as construction of the building progresses.

E

E&O See *Errors and Omissions Insurance*.

Earned Premium Premium the insurer has actually earned by providing insurance protection for a particular period of time. For example, if a one-year policy has been in effect for six months, half of the total premium has been earned.

Earthquake Insurance A gap-type insurance not covered by usual Property insurance. Covers damage to a structure, its contents or both as the result of an earthquake. Available as a separate policy, as an endorsement to a Dwelling or Homeowners policy or through a Causes of Loss-Earthquake form for a Commercial Property coverage part.

Economic Loss Rule A rule that enforces the boundary between Tort and Contract Law requiring that a party suffering only economic loss from the breach of an express or implied contractual duty may not assert a tort claim for such breach absent an independent duty of care under Tort Law [*Town of Alma v. Azco Construction, Inc.*, 10 P.3d 1256 (Colo. 2000); *Gabriel "Foreseeability and the Economic Loss Rule,"* 33 Colo. Law. No. 7, p 81 (2004)].

Effective Date The date on which an insurance policy goes into effect.

EIP Eligible Injured Person under Personal Injury Protection ["PIP"] coverage. A person eligible for PIP benefits. Includes named insured; resident relatives of the named insured; occupants with consent; and pedestrians [C.R.S. 10-4-707(1)(a) through (c)].

Electronic Data Processing Equipment Floater Nonfiled Commercial Inland Marine policy that provides open peril coverage for computer hardware, computer software and data that is owned by the insured or in the insured's care, custody or control. Breakdown coverage, extra expense and business interruption coverage may also be included.

E Commerce Insurance coverage for electronic commerce.

Eleemosynary Bus Primary Rule One of the statutory primacy rules for Colorado PIP. See C.R.S. 10-4-707(6), which made PIP for a passenger on a 12 or more-passenger bus owned by a tax-exempt charity primary over PIP coverage on the bus, with PIP coverage on the bus then being "excess."

ELI Policy Environmental Liability Insurance that provides gap coverage for accidental environmental pollution which is ordinarily excluded by usual Liability policies.

Eligibility Being within coverage or having coverage entitlement.

Elimination Period An alternative term for *Waiting Period*.

Employees As Additional Insureds Endorsement Endorsement used with a Business Auto coverage form that covers employees while they are using an auto not owned, hired or borrowed by the business for the business or personal affairs of the named insured.

Employers Liability Coverage Gap coverage-type insurance included in Workers' Compensation and Employers Liability policies that covers the employer's liability at common law arising out of employees' work-related injuries and occupational diseases.

Employment Practices Liability Insurance Type of gap policy that covers a business' losses arising out of wrongful termination, discrimination, sexual harassment, and other employment-related practices. Such risks are typically excluded from usual Liability policies.

Endorsement An addendum or *Rider* attached to an insurance policy that changes, adds to, excludes from or clarifies the policy in some way.

Endowment Life A type of Life Insurance policy used for death protection and savings toward a specified maturity date. Used for funding college, weddings, or retirement. Proceeds can either be paid as a lump sum or as an annuity.

Environmental Liability Policy See *ELI Policy*.

Equipment Dealers Coverage Form Filed Commercial Inland Marine coverage form that covers mobile equipment and construction equipment dealers; covers the insured's stock in trade as well as customer property in the insured's care, custody or control.

ERISA A shorthand reference to the Employee Income Retirement Security Act of 1974 [29 U.S.C. §1001, *et seq.*]. A federal statute that preempts and requires application of federal law for matters related to employer-related Health, Life, Accident and Disability insurance plans.

Errors and Omissions Insurance (E&O) Liability coverage that protects the insured against liability for committing an error or omission in the performance of professional duties. Sometimes called *Wrongful Acts* protection. A type of form used for physicians, lawyers, accountants, dentists, real estate agents/brokers, insurance agents/brokers, etc. Usually written on a claims-made basis.

Escape Clause A type of *Other Insurance* provision that purportedly eliminates coverage when there is other insurance of the same kind. Has not been viewed favorably by most courts. Is usually either deemed against public policy or treated as an "excess" clause. See *Primacy*.

Estimated Premium See *Deposit Premium*.

Estoppel Legal principle that operates to the effect that if one misleads another into reasonably believing a certain fact exists or in changing his position in reliance on a misleading impression created by the other, the party who misleads the other may be legally prohibited from asserting that the fact or situation is other than that suggested.

Excess Clause A type of other insurance provision. See *Excess Insurance* and *Primacy*.

Excess Insurance When two or more policies or coverages of the same kind apply to the same loss, the one [that by its provisions] applies only after the limits of the other coverage or coverages have been exhausted. Coverage which states

that it is "excess" to other coverage. See *Primacy*.

Excess Liability The *Extra-Contractual Liability* of a *Liability* insurer for an amount in excess of its *Liability* policy limit when the insurer has had an opportunity to settle the matter within its policy limits, but fails or refuses to do so.

Excess Umbrella A type of excess policy designed to apply only after all underlying primary coverage has been exhausted or does not exist and then, only for amounts above the particular insured's *Self-Insured Retention* [if any].

Excess Lines Agent Agent licensed by the state to handle the placement of business with nonadmitted insurers. Also called *Surplus Lines Agent*.

Excluded Driver See *Named Driver Exclusion*.

Exclusions The section of an insurance policy that specifically describes a peril, person, situation, or property that is not covered under the policy.

Exclusive Agent An agent who markets and sells insurance for a single company. Also called *Captive Agent*.

Exclusive Remedy Doctrine One of the precepts upon which the Workers' Compensation system was founded. Operates to the effect that the only means available to employees to receive compensation from employers for an on-the-job injury is through the benefits mandated by Workers' Compensation laws.

Exemplary Damages Punishment-type damages for fraud, malice or willful and wanton conduct. See *Punitive Damages*. In Colorado, limited to a 1:1 ratio to compensatory damages. Can be increased to a 3:1 ratio if the conduct has continued.

Expected Injury See *Expected or Intended* below.

Expected Injury or Damage Injury or damage that is expected or intended from the standpoint of the particular insured.

Such mindset is outside of or excluded from coverage.

Expected or Intended An exclusion found in *Homeowner, Renters, BOP, CGL, Personal Umbrella* and *Commercial Umbrella* policies that operates to exclude coverage when the person claiming to be uninsured expected or intended the injury or damage that was sustained.

Expense Ratio Ratio that indicates the cost of doing business. It is calculated by dividing the amount of *Underwriting* expenses by the amount of *Written Premium*.

Experience Modification Factor In *Experience Rating*, the factor applied to reduce the premium when loss experience is better than expected. See *Experience Rating*.

Experience-Rated Policy Premium paid retrospectively based on loss experience during the coverage period. See *Experience Rating*.

Experience Rating Type of merit rating that retroactively determines premium based on the insured's previous loss experience. See also *Retroactive Premium*.

Expiration The date upon which a policy's coverage ceases.

Explanation of Benefits ["EOB"] The statement sent to a participant in a Health Plan listing services, amounts billed, amounts paid by the Plan, and total amount remaining to be paid by the patient.

Exports Category of the country-wide definition that includes risks eligible for Ocean Marine insurance.

Exposure A condition or situation that presents a possibility of loss. See also *Risk*.

Express Authority Legal doctrine that an agent has the authority specifically given the agent by his principal, either orally or in writing.

Express Warranty A warranty that is expressly stated, either orally or in writing. Distinguished from *Implied Warranty*.

Extended Coverages Property coverage for windstorm, hail, smoke, explosion, riot, civil commotion, vehicle and aircraft collision. See *Additional Coverages*.

Extended Nonowned Coverage for Named Individual Endorsement Personal Auto policy endorsement that eliminates most exclusions applicable to autos that are furnished or available for the regular use of the named insured or family members.

Extended Reporting Option See *Extended Reporting Period (ERP)* and *Tail Coverage*.

Extended Reporting Period (ERP) Period of time provided by claims-made coverage form during which coverage will be provided for claims made after the expiration date of the policy if certain conditions are met [also called *tail coverage*]. The Basic ERP usually runs 60 days and can be extended to 5 years. The Supplemental ERP runs for an unlimited duration, but is available only by endorsement for an additional premium. See *Claims-Made Policy*. See also *Tail Coverage*.

Extortion-Commercial Entities Endorsement Endorsement used with the Commercial Crime policy that covers loss of money, securities and other property when surrendered away from the premises as a result of a threat to do bodily harm to the insured, an employee or a relative of either who is being held captive.

Extra-Contractual Liability Liability of an insurer for injuries, damages or losses in addition to that specified in the policy, e.g., emotional distress, affectation of credit, sleepless nights, expenses, exemplary damages, etc.

Extra Expense Coverage Form Commercial Property coverage form that covers additional expenses incurred by an insured business to enable continuing operations following a direct loss by a peril insured against.

Extraterritorial Applicability The effect of an event within coverage occurring in another state, or a person, vehicle or property coming or being brought into Colorado and the event occurring here.

F

Facility-of-Payment Clause A contract provision found in policies that alternatively allows for payment of policy proceeds to someone other than the insured. As an example, payment to parents of a minor child or the spouse of an incapacitated insured.

Fair Credit Reporting Act Federal law that allows consumers who are denied insurance because of information contained in a credit report to be notified by the reporting agency and allowed to obtain the information used in the report.

FAIR Plan Program established by law that makes Property insurance available to insureds who might otherwise be uninsurable in the standard market. Stands for *Fair Access to Insurance Requirements*.

False Arrest Similar to *False Imprisonment*. See *False Imprisonment*.

False Imprisonment The intended restriction of the claiming party's freedom of movement, with the complaining party aware that his freedom of movement was restricted.

Farm Coverage Part Part of a Commercial Package policy that provides Property and Liability insurance to farmers and ranchers for both their personal and business exposures.

Fault Reimbursement Subrogation/reimbursement based on fault considerations. See *Subrogation*. This is distinguished from *Primacy Reimbursement*, which is based on *Primacy* rather than *Fault*.

Federal Employers Liability Act (FELA) Federal law that provides benefits to injured railroad workers who are exempt under state Workers' Compensation laws.

Fee-For-Service A payment system for Health Care in which the care provider is paid for each service rather than pursuant to a pre-agreed schedule.

Fellow Servant Rule Common law defense against liability that before Workers' Compensation became mandatory, allowed employers to escape liability for injury to an employee if another employee's negligence had contributed to the loss.

Fidelity Bond Class of bonds that guarantees an employee's honest discharge of duty; written to protect an obligee from dishonest acts by employees. See **Bonds**.

Fiduciary Person who stands in a special relationship of trust to another person, e.g., executor, administrator, trustee, attorney, etc.

Fiduciary Bond Type of Surety bond that guarantees that a fiduciary will fulfill his obligations set forth by law. See **Bonds**.

Fiduciary Liability Policy Insurance that protects persons who manage private pension and employee benefit plans against liability for violation of the federal ERISA law.

Field Underwriting The initial screening of prospective insurance applicants, performed by sales personnel "in the field." May also include quoting of premium rates.

File and Use Method of rate and form ratification used by many state insurance regulatory authorities that allows an insurer to begin using forms or rates as soon as they are filed with the state's regulatory authority. The authority eventually reviews the filing and officially accepts or rejects it.

Filed Form Form filed with the state regulatory authority. In Colorado, the regulatory authority would be the Division of Insurance.

Film Coverage Form Filed Commercial Inland Marine form that covers exposed motion picture film until production is complete and positive prints are made.

Financial Responsibility Laws State laws that require owners or operators of motor vehicles to provide evidence that they have the funds to pay for losses for which they might become liable. Insurance or posting of a bond are the usual methods for providing this evidence to the state. In Colorado, the financial responsibility limits are \$25,000 for injury to one person; \$50,000 for injury to two or more persons; and \$15,000 for property damage.

Fire Abbreviated reference to **Fire Insurance** coverage.

Fire and Extended Coverage See **Fire Insurance**. See also **Extended Coverage**.

Fire Insurance A type of property insurance that protects against loss by fire, smoke, and/or explosion.

First Named Insured First person listed by name in the Declarations as an insured. The first named insured may have a higher level of duties or rights under the policy.

First-Party Insurance Insurance on the insured's own property, health, injury or death. Coverage where insured makes claim for benefits against his, her or its own insurer. Distinguished from Liability/Third-Party insurance which protects against liability claims by others.

First-Party Loss First-party insurance loss as distinguished from a Liability insurance loss.

Flat Cancellation Cancellation of a policy by the insured or the insurance company on its effective date as if it had never been issued.

Floater Insurance policy that covers personal property wherever it is located. See **Inland Marine** coverage.

Flood Abbreviated reference to **Flood Insurance**.

Flood Insurance See **National Flood Insurance Program**. Flood is ordinarily excluded in Homeowner, Dwelling and Commercial Property policies.

Floor Plan Coverage Form Filed Commercial Inland Marine form that covers stock that is subject to a **floor plan [financing] arrangement**, where a dealer borrows money from a lender with which to pay for merchandise.

Following-Form An insurance arrangement, usually an **Excess** or **Umbrella** policy, that provides that it incorporates by reference and follows the form of some other policy.

Food Supplier Liability The standard of care for manufacturers and suppliers of food. As with other products, liability can be based on negligence, breach of express or implied warranties or strict liability in the event the particular food item is unreasonably dangerous to a user or consumer.

Foreign Company An insurance company doing business in a state other than the one in which it is incorporated.

Fortuitous Event An unforeseen accident.

Fraternal Benefit Society An incorporated society or order, without capital stock, that is operated on the lodge system and is conducted on a not-for-profit basis solely for the benefit of its members and their beneficiaries.

Fraternal Insurance Insurance offered to a special group of persons, namely, members of a lodge or fraternal order. Such insurance may be written on an assessment basis or on a legal reserve basis.

Fraud A deliberate misrepresentation or concealment of a material fact that is relied upon by another and causes harm. Distinguished from negligent misrepresentation/non-disclosure.

Free Look Provision A policy provision that permits the proposed policyholder to review the policy for a specified number of days, and, if desired, return it to the insurer for a full premium refund.

Freight Insurance Type of Marine or Inland Marine insurance that protects the insured against the loss of shipping costs.

Friendly Fire A fire started and remaining in a place where it was intended to be confined [e.g., a fireplace]. An unintended spread or enlargement would constitute a **hostile fire**. Friendly fires are usually not within coverage.

Functional Replacement Cost Method to determine reimbursement for some losses, particularly those of antique, ornate or custom construction. The damaged property is repaired or replaced with lesser valued, but functionally equivalent, materials [e.g., used or foreign-made parts].

Funds Transfer Fraud Endorsement Endorsement used with a Commercial Crime policy that covers losses resulting from fraudulent instructions to a financial institution to pay money from an insured's transfer account.

G

Garage Coverage Form Commercial Auto coverage form designed for garage businesses such as car dealers, service stations, garages, and parking lots. It includes coverage for liability arising out of auto and garage operations, physical damage and garagekeepers' losses arising out of owned, non-owned and hired autos.

Garagekeepers Insurance Coverage that is part of the Garage Coverage Form. Covers a garage risk's legal liability for customers' autos in the care, custody or control of the garage. At the insured's option and for an additional premium, can also apply without regard to fault.

Garnishment An ancillary proceeding within an action, against the holder of money or chose in action, such as a Liability insurer to enforce the judgment to the extent of that held money, property or chose in action [C.R.C.P. 103 and 28 U.S.C. § 3205].

General Average Loss Ocean Marine term used to indicate a partial loss resulting from a sacrifice of cargo to save remaining property (e.g., to jettison). Each party shares in the loss in proportion to his or her total interest in the property being transported.

General Conditions Form Separate form that lists the Conditions that apply to the entire policy rather than just a particular coverage within a policy.

General Damages Type of compensatory damages that reimburse the injured party for such elements as pain and suffering, loss of enjoyment of life, disfigurement, physical impairment, loss of earning capacity, etc.

General PIP Primacy Rule By statute [C.R.S. 10-4-707(3)], the general or usual PIP primacy rule operated to the effect that [subject to the exceptions in 707(4), (5), (6), and 707.5], primary PIP coverage would come from the policy on the involved vehicle or vehicles and the limit would be that of a single PIP policy plus optional benefits purchased for additional premium.

Glass Coverage Form Commercial Property coverage form that covers plate glass, lettering and ornamentation.

Grace Period A period of time after the premium due date during which a policy remains in force without penalty even if the premium due has not been paid. The **Grace Period** for **Life, Health** and **Disability** policies is typically 30 days [see C.R.S. 10-7-102(1)(i)].

Graded Death Benefits A provision in a **Life Policy** that, in the early years of the contract, benefits are less than the face amount of the policy but increase after a specified period of time.

Group Insurance A contract of insurance made with an employer or other entity that covers a group of people identified by reference to their relationship to the entity. Usually **Life, Health** and/or **Disability**.

Guaranteed Insurability An option in **Life** and **Health** insurance contracts that permits the insured to buy additional prescribed amounts of insurance at prescribed future time intervals without evidence of insurability.

Guaranteed Issue A requirement that a **Health Insurer** must provide **Health** insurance to all applicants without considering pre-existing conditions or

other risk factors, such as age or medical background.

H

Hazard A condition or situation that creates or increases the chance of loss. Compare **Exposure, Peril, Risk**.

Health An abbreviated reference to **Health Insurance**.

Health Insurance Insurance coverage for hospital and medical expenses resulting from illness or injury. Also called **accident and sickness insurance**.

HIPAA The federal **Health Insurance Portability and Accountability Act** [Pub. L. 104-191, 100 Stat, 1996]. The Act regulates operation of employer-sponsored Health Plans and also includes various mandated benefits that affect small employers, the self-employed, pregnant women, and the mentally ill. The Act makes it easier for individuals to change jobs and still maintain continuous Health coverage. Employers must make full Health coverage available immediately to newly hired employees who were previously covered (for at least 18 months) at another job. The Act mandates hospital stay minimums for new mothers; expands coverage for mental illness; and eliminates special limitations [such as lifetime spending limits and annual limits] applied only to mental health coverage. Because of **HIPAA**, small employers (those with 2-50 employees) cannot be denied group Health insurance coverage because one or more employees are in poor health. **HIPAA** also mandates certain standards concerning medical record privacy and authorization forms.

Hired and Non-Owned Auto Liability Endorsement Businessowners policy endorsement used to cover hired or non-owned autos used by the business.

HMO A form of **Managed Care** arrangement--called Health Maintenance Organization. It is a gatekeeper-type arrangement wherein an assigned primary care physician approves and refers members to other specialties and care.

HO An abbreviated reference to **Homeowner Insurance**.

HO-2 A standardized **Homeowner Policy** form that provides basic property coverages, Med Pay and Liability protection.

HO-3 A standardized special Homeowner policy form that provides enhanced property coverages, Med Pay and Liability protection.

HO-4 A standardized Tenants form for persons who do not own the building where they reside. Covers tenant's property and provides Med Pay and Liability protection.

HO-6 A standardized Condominium owners' form. Provides personal property and limited dwelling coverages and Med Pay and Liability protection.

HO-8 A modified Homeowner coverage form for older homes whose values exceed market value.

HO-15 Endorsement See **Special Personal Property Coverage Endorsement** for Homeowner insurance.

Hold Harmless Agreement Contractual arrangement where one party assumes the liability for a situation and relieves the other party of responsibility. The arrangement can include defense and attorney's fees. Also called **Agreement to Indemnify**. See **Indemnity**.

Home Day Care Coverage Endorsement Homeowner policy endorsement used to provide coverage for home day care businesses, which would otherwise be excluded under a **Business Pursuits** exclusion in a **Homeowner Policy**.

Homeowner Insurance See **Homeowner Policy**.

Homeowner Policy Personal multi-line policy for homeowners that includes Property, Liability and Med Pay coverages. There are different forms that provide varying degrees of property coverage. Liability and Med Pay coverages are the same in all forms.

Hull An abbreviated reference to **Hull Insurance**.

Hull Insurance Ocean Marine, Watercraft and Aviation insurance that provides coverage for physical damage to a ship, boat or aircraft.

Implied Authority Authority given by a principal to his agent that is understood even though not formally expressed or communicated. Also, authority of an agent that the public may reasonably believe the agent to have.

Implied Consent Permission or consent inferred from one's conduct rather than one's direct expression.

Implied Exceptions Exclusions or exclusionary provisions that are implied by law, with or without an express exclusionary provision in the policy. Examples are punitive/exemplary damages in a Liability policy; physical damage on a "getaway" vehicle used in a crime; attempted insuring of burglary tools, etc.

Implied Extensions An extension or enlargement of coverage based on public policy with or without a provision in the policy, e.g., an insurer attempting to issue a motor vehicle Liability policy for less-than-Financial Responsibility limits.

Implied Limitations See **Implied Exceptions**.

Implied Warranties In torts, warranties imposed by court-made and statutory law, such as implied warranties of fitness, merchantability and workmanship in products and construction. Distinguished from an **Express Warranty**. In insurance, representation-like promises. Treated generally as representations. See **Warranty**. In Ocean Marine Insurance, warranties that are not written into the policy, but have become a part of the policy by custom, e.g., a vessel is impliedly warranted to be seaworthy.

Imports Category of the Country-wide Definition that includes risks eligible for Ocean Marine insurance.

Imputed Liability See *Vicarious Liability* and *Respondeat Superior*.

Inception Date The date a policy, plan or insurance undertaking begins.

Incidental Contract See *Insured Contract*.

Incidental Occupancy A business conducted in a dwelling used primarily as a residence with no other businesses operating on the same premises. Individual insurers have specific guidelines about the types of incidental businesses permitted, but examples include business or professional offices and private schools or instructional studios.

Incontestability or Incontestable Clause A clause in a Life, Health or Disability policy that provides that after the policy has been in force for a specified length of time (usually 2 years), the insurer may not contest the policy as to statements contained in the application [see C.R.S. 10-7-102(1)(b)].

Increase in Premium The mid-policy term increase of premium cost of a policy. May be statutorily prohibited or limited.

Increasing Term Insurance A term *Life Policy* where the death benefit increases but the premium remains level for the policy term.

Incurred Losses One of the components used to calculate the loss ratio. It includes paid losses and certain expenses associated with claim-handling.

Indemnify To restore the victim of the loss, in whole or in part, by payment, repair or replacement.

Indemnifying Release A form of release where, in addition to a claiming party's releasing the other party, the claiming party and/or some other person or entity [such as a parent or guardian] also agrees to indemnify the releasee(s) against any further claim or litigation. Said form of release is seen in connection with claims of a minor or incapacitated person, or in situations where the releasee is concerned about the possibility of a later subrogation/reimbursement claim.

Indemnity Principle of insurance that provides that when a loss occurs, the insured should be restored to the approximate financial condition he or she occupied before the loss occurred, no better or no worse. Indemnity is also a principle of tort law that operates to the effect that one who has been held technically liable for another's conduct has a right of full reimbursement from the party who should have paid the loss, e.g., the right of an employer or principal who was not himself at fault in the cause of the loss against his employee or agent.

Independent Adjuster Claim handler who works independently instead of being an employee of a particular insurer. They hire themselves out to insurance companies or other organizations for the investigation and settlement of claims. While working for an insurance company, the Independent Adjuster represents the interests of the insurer, and his conduct is imputed to that insurer.

Independent Agent Agent who represents several insurance companies, rather than a single company. Also called a *Nonexclusive Agent* or *Dual Agent*.

Independent Contractor One who contracts with another to accomplish a result using his own rather than the other's methods as to the conduct involved in performance of the work, and except as to the result of the work, it is not subject to control of the person who engaged him. An independent contractor is not an employee or agent. A person who engages an independent contractor is not vicariously responsible for the independent contractor's negligence.

Indirect Loss Loss that is the result or consequence of a direct loss. Also called a *Consequential Loss*, e.g., loss of rents when a fire damages an office building.

Individual Named Insured Endorsement Commercial Auto endorsement that provides coverage similar to that provided under the Personal Auto policy to family members of the named insured while using any auto.

Industrial Life A small face-amount, term-type *Life Policy* purchased through one's employer or union.

Inflation Protection Provisions in insurance policies that increase benefit levels to account for anticipated increases in value of property or cost of covered services.

Inland Marine Insurance Form of insurance originally designed as an extension of Ocean Marine coverage to insure transportation of goods over land and water. Today it covers a variety of portable property, in addition to goods in transit. Available as personal or commercial insurance. Commercial Inland Marine insurance can be included in the Commercial Package policy.

Innocent Co-Insured A situation where insured property is purposefully damaged or destroyed by one of several co-insureds, giving rise to the question of whether an exclusion for willful destruction will apply. If the policy provides that the exclusion applies upon purposeful or willful destruction by "any insured," it is immaterial that one of the insureds was completely innocent. If the policy's exclusion orients to "an insured" or "the insured," potential exists to allow apportionment of the loss to allow recovery by the innocent co-insured.

Ins'd. An abbreviated reference to an insured person or entity.

Installation Policy Nonfiled Commercial Inland Marine policy that covers loss to machinery, equipment, building materials, and supplies in transit to or being used with or during the course of installation, testing, building, renovating, or repair.

Instrumentalities of Transportation and Communication Category of a Country-wide Definition that includes a variety of forms closely related to transportation or communication, such as bridges, pipelines and television towers.

Insurable Interest An interest which the law requires the owner of an insurance policy to have in the thing or person insured. It is a test that attempts to identify those situations where there is concern that the insurance might create the incentive for wagering or intentional destruction of property or life. The interest can be any actual, lawful and substantial economic interest in the safety

or preservation of the subject of the insurance from loss, harm, destruction, financial damage or impairment. For **Life Insurance**, a close family relationship, or a business or creditor relationship is needed. For **Liability Insurance**, there must be the potential for being held liable.

Insurance Contract or device for transferring the risk of loss from a person, business or organization to an underwriter in the insurance business that agrees, in exchange for a premium, to pay for losses or provide protection through an accumulation of premiums obtained from a large number of similarly situated other persons or entities. Stated another way, a device to transfer the risk of loss from individuals to an insurer, who agrees, for consideration, to indemnify or pay a specified amount for losses suffered by the insured.

Insurance Agent See *Agent*.

Insurance Broker See *Broker*.

Insurance Commissioner Head official of a state insurance authority. May also be called an **Insurance Director** or **Insurance Superintendent**.

Insurance Department State authority charged with controlling insurance matters within the state.

Insurance Guaranty Association-Guaranty Fund State fund and claim administration created by law to deal with and pay claims of insurers licensed in the state that become insolvent. Funds are generated by making assessments against other insurers operating in the state.

Insurance Policy A contract of insurance that includes the declarations, policy booklet, policy face sheet and all endorsements.

Insurance Services Office (ISO) Organization established for the benefit of its member insurance companies and other subscriber companies. ISO gathers statistics; provides loss protections and costs; drafts standardized policy forms and coverage provisions; and conducts inspections for rate-making purposes. ISO policies and forms are in wide use and often considered standard.

Insured A person or entity entitled to protection under a policy or plan of insurance.

Insured by Definition A person or entity that is insured under a policy or plan because of the policy's or plan's definition of "insured." The person or entity need not be named.

Insured Contract Term used in the Commercial General Liability and Businessowners Liability forms to describe contracts for which contractual liability coverage is available under the policy, such as leases, agreements to indemnify, sidetrack agreements and elevator maintenance agreements. Also called *Incidental Contract*.

Insurer The party to an insurance contract, engaged in the business of insurance, that undertakes to indemnify for losses, provide other pecuniary benefits or render service. Also called "Insurance Company" and sometimes "Insurance Carrier." "Insurer" is the preferred term.

Insuring Agreement Section of an insurance policy that describes what is covered and the perils the policy insures against. Also called *grant of coverage* or *insuring language*.

Intentional Injury See *Expected or Intended* injury/damage.

Intentional Injury An injury resulting from an act intended by the actor to inflict injury. In insurance policies oriented to payment of losses resulting from an accident, Intentional Injury is not covered because the infliction was not an accident.

Intentional Act See *Expected or Intended* injury/damage exclusion. Ordinarily the exclusion orients to the injury or damage as having been expected or intended rather than the doing of the act. An intentional act may or may not involve expected or intended injury.

Interference With Contract or Economic Advantage Intentionally inducing of a breach of an existing contract or interfering with an economic

advantage, which interference results in damage to the claiming party.

Interest See *Post-Judgment Interest* and *Pre-Judgment Interest*.

Interest as Damages See *Pre-Judgment Interest*.

Interline Endorsement An endorsement that modifies two or more lines of insurance.

Interpleader A procedural device [C.R.C.P. 22 and F.R.C.P. 22] that allows an insurer, as a stakeholder, to join all potential claimants to a limited fund or property right and have the Court determine each of the parties' respective rights to that limited fund or right. The rule also allows the Court to issue an injunction to prevent any other action while the interpleader is pending.

Interpretation of a Policy Court-made and statutory rules of construction that help bring about reasonably uniform interpretations of insurance policies, plans and undertakings.

Intervening Cause An unforeseeable independent event that breaks the chain of causation and sets in motion a new chain of events. When this occurs, the intervening cause becomes the *Proximate Cause*. Can serve as a defense to a claim of liability.

Invasion of Privacy Potentially intruding, physically or otherwise, upon the solitude or seclusion of another or his private affairs or concerns.

Invitee A person expressly or impliedly invited onto a premises for some purpose involving potential benefit to the property owner. Distinguished from a *Licensee* and/or *Trespasser*.

ISO The shortened reference to the *Insurance Services Office* [see above].

J

Jettison A voluntary action to rid a ship of cargo to prevent further damage or peril. Jettison is a covered peril in Ocean Marine policies.

Jewelers Block Coverage Form Filed Commercial Inland Marine form for jewelers that covers the insured's stock in trade and the property of others while it is on or off the premises.

Joint Ownership Coverage Endorsement Personal Auto policy endorsement that allows a policy to be issued to two or more persons who live in the same household or two or more individuals who are related in another way besides husband and wife.

Joint Tort Where two or more persons act in concert to commit a tort. Because of the conspiratorial nature of such tort responsibility, "several liability" does not apply. Instead, the participants are "jointly and severally" responsible.

Jones Act Federal law that allows members of ships' crews to sue their employer/shipowner at common law for injuries caused by the employer's/shipowner's negligence.

Judgment Rating Method of rating that establishes premiums based on a careful evaluation of each individual risk, without the use of manuals or tables.

Judicial Bond Category of Surety bond that guarantees that the principal will fulfill certain obligations set forth by law. Includes Fiduciary bonds and Court bonds. See **Bonds**.

L

Labor and Materials Bond See **Bonds** and **Payment Bonds**.

Landowner/Occupier Liability Statutory standards of care imposed on owners and occupiers of real estate. The standard of care is commensurate with the purpose for which the claiming party is on the premises, i.e., an "invitee" is owed the duty of reasonable care and entitled to warnings concerning hazards of which the landowner/occupier knows or should have known; a "licensee" is owed the duty of reasonable care as to hazards of which the landowner/occupier actually knew; and a "trespasser" is only owed the duty of the landowner/occupier not willfully or deliberately injuring him [see

C.R.S. 13-21-115 and C.J.I.(4th) 12:1, et seq.]. See also **Premises Liability**.

Lapse Termination of a policy because of failure to pay the premium.

Law of Large Numbers Principle that operates to the effect that the more examples used to develop any statistic, the more reliable the statistic will be.

Legal Liability Coverage Form Commercial Property coverage form that covers the insured for liability arising out of negligent damage to the property of others while it is in the insured's care, custody or control.

Legal Purpose One of the characteristics of an enforceable contract. Means that a contract may not be enforceable if its purpose is obviously illegal, immoral or against the public good, e.g., attempting to insure burglary tools.

Level Premium Insurance That form of insurance for which the premium remains the same throughout the life of the contract, even though the risk may change.

Liability An abbreviated reference to **Liability Insurance**.

Liability Insurance Type of insurance that protects an insured from financial loss arising out of liability claims of others by transferring the burden of financial loss to the insurance company. Such coverage usually also includes payment of defense expense.

Liberalization Clause Condition found in insurance contracts that provides that if the insurer broadens coverage under a policy form or endorsement without requiring an additional premium, then all existing similar policies or endorsements will automatically be construed to contain the broadened coverage.

License and Permit Bond Type of Surety bond that is sometimes required in connection with the issuance of licenses by government agencies. They guarantee that the person who posts the bond will comply with all applicable laws pertaining to his activities.

Licensee Person on the premises with the property owner's consent, but for said visiting person's own benefit. Distinguished from *Invitee* and *Trespasser*.

Life An abbreviated reference to *Life Insurance*.

Life Insurance Insurance that pays a specified sum to a designated beneficiary or beneficiaries upon the death of the insured. There are a number of different forms of Life insurance, such as Term, Whole Life, Universal Life, Endowment Life, Annuity, etc.

Limitations Policy language that eliminates or reduces coverage under certain circumstances or when specified conditions apply.

Limit of Coverage See *Policy Limit*.

Limit of Insurance See *Policy Limit*.

Limit of Liability See *Policy Limit*.

Limits An abbreviated reference to the *Limit of Liability* portion of an insurance policy.

Liquor Liability [Dram] Coverage Form

Commercial General Liability coverage form that provides coverage for liquor liability that is otherwise excluded by standard CGL policies for those who are in the business of manufacturing, distributing, selling, serving, or furnishing alcoholic beverages.

Livestock Coverage Form Farm/Ranch coverage form used to provide separate coverage for live-stock.

Lloyd's Association A voluntary association of individuals or group of individuals who agree to share in insuring particular risks. The preference often is Lloyd's of London, but can exist anywhere. Each individual or "syndicate" is individually responsible for the amount or percentage of insurance coverage to which they commit.

Lloyd's of London The centuries-old insurance exchange that traces its beginnings to Lloyd's Coffee House in London. It provides insurance and reinsurance through underwriting syndicates, which are funded by

individuals called "names" who independently assume a proportionate part of a risk.

Loading and Unloading Type of motor vehicle "use." The established rule is that if the loading or unloading has commenced, but is not yet complete, and but for the loading or unloading the particular injury or damage would not have occurred, the matter is within coverage on the motor vehicle involved in the loading or unloading operation, even if the injury or damage occurs away from the vehicle, and even if the particular object inflicting the injury has never been on or in the vehicle [see *Titan Construction Co. v. Nolf*, 515 P.2d 1123 (Colo. 1973)].

Loan Value One of the considerations used in valuing real or personal property for insurance purposes. Also a consideration in cash surrender/loan value of a Whole Life policy.

Longshore and Harbor Workers' Compensation Act Coverage Endorsement Endorsement used with the Workers' Compensation and Employers Liability policy that covers the additional benefits required by federal law for maritime workers injured while working on navigable waters or shore-site areas.

Loss Cost Factor used in figuring insurance rates that represents how much an insurance company needs to collect to cover expected losses.

Loss Payable Condition A property insurance provision that allows the insurer to make a loss payment to a party (the "loss payee") other than the insured, such as a mortgagee or security interest-holder. See *Mortgage Condition*.

Loss Payee A person or entity named in a policy as having a security or mortgage interest in the property being insured.

Loss Provisions General term used to describe policy conditions that specify what the insured and insurer must do after a loss.

Loss Ratio Method used to determine an insurance company's success in covering current losses out of current

premium income; determined by dividing incurred losses by earned premium.

Loss Sustained During Prior Insurance Condition Condition found in a loss sustained version of Commercial Crime forms that allows losses that occurred during a prior policy period to be covered under the current policy if certain conditions are met.

Loss Sustained Form Commercial Crime form that covers losses that are sustained during the policy period and discovered either during the policy period or up to one year after the policy expires.

M

Mail Coverage Form Filed Commercial Inland Marine form that covers property in transit by registered mail, first class mail, certified mail, or express mail.

Malpractice Insurance Term used to describe Professional Liability insurance issued to professionals and profession-related institutions, such as physicians, dentists, lawyers, engineers, architects, accountants, etc.

Managed Care The generic term referring to the oversight by some Health Care administrative body for the purpose of controlling utilization and costs. **HMOs** and **PPOs** are types of managed care arrangements.

Manual Rating Method of premium determination that uses rates based on collected statistics. The rates, which apply per unit of insurance, are published in manuals. Also called **Class Rating**.

Marine Insurance Property insurance for property transported by ship, boat or barge.

Market Value The amount property could be sold for at the time of loss. May be a consideration used in determining the amount of reimbursement for a loss.

Material Fact A fact that would cause an insurer to decline a risk, charge a different premium or change the provisions of the policy that was issued. In torts, the subject of what may have been

misrepresentation for consideration of possible fraud.

MCS-90 Endorsement Endorsement attached to the Truckers coverage form to provide complying federal public liability coverage. The form waives description of vehicle and requires the insurer to provide coverage regardless of any coverage defense the insurer may have with the insured, but gives the insurer a right of indemnity against the insured in the event the insurer must pay when it otherwise would have had a coverage defense.

Mediation A method of non-binding dispute resolution involving a neutral third party who tries to help the disputing parties reach a mutually agreeable settlement or solution.

Med Pay An abbreviated reference to **Medical Payments Coverage**.

Med Pay Primacy Primacy rules for situations where there is more than one Med Pay policy or Med Pay, Health and/or Major Medical-type policy. As between Med Pay policies, provisions of the two or more involved policies will control. Generally, coverage on the involved vehicle will be primary, and an insured's coverage for non-owned vehicles will be excess. As between Motor Vehicle Med Pay and Health insurance, by statute [C.R.S. 10-4-635 and 641], Med Pay is primary, and Med Pay insurers are required to allow use of Med Pay for Health insurance deductibles and co-pays. As between PIP and Med Pay, PIP is primary and Med Pay excess.

Medical Payments Coverage A coverage in Motor Vehicle, Homeowner, Renters, Commercial Liability, Aircraft and Watercraft policies that pays first-party medical expenses to a certain limit. It may also provide that funeral and burial expenses are within its coverage.

Merit Rating Method of determining premiums where a manual rate is modified to reflect the risk's unique characteristics. See **Experience Rating**, **Retrospective Rating** and **Schedule Rating**.

Messenger As defined in Crime insurance forms, an insured, partner or

employee who has care and custody of insured property away from the insured premises.

Miscellaneous Type Vehicle Endorsement Personal Auto policy endorsement that provides coverage for vehicles that are usually otherwise excluded by the policy, such as motorcycles, motor homes, golf carts, mopeds, and other recreational vehicles.

Misrepresentation Written or oral misstatement of a material fact on which another person reasonably relies to his detriment. It is a type of fraud, but can be of lesser culpability depending upon whether the false/misleading representation or concealment was purposeful, reckless or merely negligent.

Mobile Agricultural Machinery and Equipment Coverage Form Farm/Ranch coverage form that provides separate coverage for a farmer's/rancher's mobile agricultural machinery and equipment.

Mobile Equipment Endorsement Commercial Auto endorsement that makes mobile equipment a "covered auto" for coverage purposes.

Mobile Home Insurance Coverage that protects both a mobile home structure and its contents. Some companies have Mobile Home package policies that provide Property, Liability, and Med Pay insurance for owners and renters of mobile homes. In addition, there is a Mobile Homeowners Endorsement that can be attached to an HO-2 or HO-3 to modify coverage for mobile homeowners.

Mobile Homeowners Insurance A package of related coverage for mobile homes. See *Mobile Home Insurance*.

Mono-Line Company Insurance company that writes a single line of insurance.

Mono-Line Policy Insurance policy that provides one type of insurance coverage.

Monopolistic State Fund Method of providing Workers' Compensation coverage used in some states. Under such arrangement, employers must purchase Workers' Compensation

insurance from a state fund. Private insurance companies are not allowed to compete. Colorado has a state fund called Pinnacle Assurance, but does not have that state-fund-exclusive-type system.

Moral Hazard Hazard created by an individual who would be willing to purposefully create a loss situation to collect insurance benefits.

Mortality Table A table showing the incidence of death at specified ages. See C.R.S. 13-25-103.

Mortgage Clause A usually standard provision found in Property insurance. Gives mortgage or security-interest holders separate rights under the policy. See *Mortgage Condition*, *Standard Mortgage Clause* and *Mortgagee Rights*.

Mortgage Condition Condition found in Property insurance policies that specifies the rights and duties of the mortgagee under the policy. Also called a *Mortgage Clause* or *Loss Payable Condition*.

Mortgagee Rights Rights granted to a mortgagee under a Property contract issued to a mortgagor by virtue of the mortgagee's financial interest in the property. Usually treated as an additional insured to the extent of the indebtedness.

Most Significant Relationship The test for *Choice of Law* determinations between differing laws of several potentially involved states [see *First National Bank of Fort Collins v. Rostek*, 514 P.2d 314 (Colo. 1973) for torts, and *Wood Bros. Homes v. Walker Adjustment Bureau*, 601 P.2d 1369 (Colo. 1969) for contracts]. Operates to the effect that the state having the most significant relationship with the particular issue will be the law that controls.

Motor Carrier A person or entity who operates as a common carrier of persons or property under laws of the state and/or federal government. See *Motor Carrier Act*.

Motor Carrier Act of 1980 Federal regulation that requires truckers and other commercial carriers to certify they are able to meet financial obligations if they

become liable for injury or damage arising from their trucking operations. See **MCS-90 Policy Endorsement**.

Motor Carrier Coverage Form Commercial Auto coverage form that is an alternative to the **Truckers Coverage Form**. It can be used to cover anyone who transports property by auto in a commercial enterprise.

Motor Truck Cargo Policy A Commercial Inland Marine policy that protects a motor carrier against its liability for damage to domestic shipments in its custody.

Motor Vehicle Insurance See **Auto Insurance**—an interchangeable term.

Motor Vehicle Liability Failure to use reasonable care in operation or use of a motor vehicle.

Multi-Line Company Insurance company that writes more than one line of insurance.

Multi-Line Policy A policy that includes more than one line of insurance. See **Package Policy**.

Must-Offer The statutory requirement that insurers offer particular insurance coverage. For example, higher limit Uninsured/Underinsured Motorist coverage; Motor Vehicle Collision; and under the No-Fault system, Enhanced PIP. Usually phrased in the statute as "**shall offer**."

Mutual Company An insurance company owned by its policyholders. The policy-holders share in profits made by the company through dividends or reductions in future premiums. Distinguished from a **Stock Company**.

Mutual Insurer An insurer without incorporated capital owned by its policyholders. Distinguished from **Stock Company**, which is owned by stockholders.

Mysterious Disappearance Vanishing of money, securities, or property with no explanation.

N

Name Schedule Bond Type of Fidelity bond that covers loss only from named employees. See **Bonds**.

Named Insured The person, business or other entity named in the Declarations to whom the policy is issued. There can be several named insureds. Named insureds can be added to the policy during the policy term, called an **Additional Named Insured**. Named insureds often have more rights under a policy than other types of insureds—for example, drive-other-car protection in an Auto policy. Distinguished from an **Additional Insured**.

Named Driver Exclusion An exclusion authorized by statute that allows the insurer to provide an exclusion from all coverages for a particular named person when the person is driving the otherwise insured vehicle. The exclusion allows the other members of the household to have coverage unaffected by the unfavorable driving record of a particular family member. Can also be used in a business setting. See C.R.S. 10-4-630.

Named Non-Owner Coverage Endorsement A Personal Auto policy endorsement that provides coverage for the use of non-owned autos for individuals who do not own a car. See **Operator's Policy**. C.R.S. 10-4-640.

Named Peril Policy Insurance policy that insures only against perils specifically listed in the policy. Also called **Specified Peril Policy**, e.g., "Personal Injury" and "Advertising Injury" liability coverages in a Commercial General Liability Policy.

National Association of Insurance Commissioners (NAIC) Organization made up of individual state insurance commissioners whose purpose is to promote uniformity in regulations by drafting model laws and regulations.

National Flood Insurance Program Program run by the federal government that makes flood insurance available to eligible communities at subsidized rates. Includes coverage for both real estate and personal property.

Nationwide Definition Document that categorizes and classifies risks that are eligible for Ocean or Inland Marine insurance.

Negligence Failure to use reasonable care to protect one's self or others from injuries, damages or losses. Reasonable care is that degree of care which a reasonably careful person would use under the same or similar circumstances.

Negligence Per Se Violation of a standard of conduct created by a statute or ordinance, e.g., speeding, traffic signals, leash laws, building codes, etc.

Negligent Infliction of Emotional Distress A recognized type of infliction of injury based on the tort of negligence. To recover under this tort theory, the defending party must have been negligent; the defending party's negligence created an unreasonable risk of harm to the claiming party; and the negligence caused the claiming party to be put in fear for his or her safety. Needs to be prolonged rather than a momentary emotional reaction. See C.J.I.(4th) 9:2.

No Benefit to Bailee Condition Condition found in some Property insurance contracts that states that a bailee is not covered under an insured's policy while the bailee has possession of the insured's property.

No-Fault Insurance A form of Auto insurance where economic loss benefits are paid by the victim's own insurance without regard to fault. It may operate in conjunction with Liability insurance which applies after a certain degree of injury or disability occurs. No-fault insurance systems are in place in several states. Colorado repealed its No-Fault law on July 1, 2003.

Nonadmitted Insurer Company that is not authorized to do business in the particular state. Also called an **Unauthorized Insurer**.

Nonconcurrency Situation that exists when the same property is covered by more than one policy, but the policies are not identical as to the extent of coverage provided.

Nonexclusive Agent An agent who is authorized to place coverage through more than one insurer. See **Independent Agent**.

Non-Owned Vehicle Coverage Another descriptive term for drive-other-motor vehicle coverage—a privilege conferred by motor vehicle policies to the **Named Insured** and **Resident Relatives** of the named insured.

Non-Owner Operator Primacy Rule One of the statutory exceptions to the main PIP Primacy Rule [C.R.S. 10-4-707(4)]. C.R.S. 10-4-707(4) operated to the effect that where the operator of a motor vehicle was neither the owner of the vehicle, nor an employee acting within the course and scope of his employment for the owner, and had PIP of his own either as a named insured or resident relative, his own PIP would be primary and that on the involved vehicle would stack.

Non-Private Passenger Motor Vehicle The statutory test involved in determining whether subrogation/reimbursement of PIP would be allowed. A "**Non-Private Passenger Motor Vehicle**" was defined by Supreme Court decision [Farmers v. Bill Boom, Inc., 961 P.2d 465 (Colo. 1998)] as any vehicle other than a "**Private Passenger Motor Vehicle**." A "private passenger motor vehicle" was statutorily defined as a vehicle having 1500 pounds or less rated load capacity and not being used as a public or livery conveyance [see C.R.S. 10-4-713].

Nonrenewal Decision made by an insured or insurer to not continue coverage for another policy period after the current policy period expires. Also, termination of insurance coverage at an expiration date or anniversary date. Such action may be taken by an insurer who refuses to renew, or by an insured who rejects a renewal offer or fails to pay the then-due premium.

Nonreporting Policy Type of insurance policy for which a flat premium is charged every time the policy is renewed.

Non-Waiver Agreement A signed agreement between a person or entity claiming to be an insured and insurer, wherein it agreed that the insurer will not

be deemed to have waived its rights to deny coverage by proceeding forward with an investigation and/or defense of the person or entity. A **Reservation of Rights** is preferable because it does not need to be signed by the person or entity claiming to be an insured and hence is less likely to provoke a confrontation.

Notice of Claim A typical condition of a **Property** or other form of **First-Party** coverage form to require that the insurer be promptly notified of the event giving rise to the claim. As with **Liability** insurance, if there is an unexcused delay and prejudice to the insurer, coverage could be jeopardized.

Notice of Demand or Suit A typical condition in **Liability** policies so that the insurer is promptly made aware of a demand or lawsuit. A delay that causes prejudice to the insurer could void or affect coverage.

Notice of Loss Notice to an insurer that a loss has occurred. Also called **Loss Notice**.

Notice of Occurrence A typical condition in a **Liability** policy so that the insurer is promptly made aware of an event that may give rise to a claim. A delay that causes prejudice to the insurer could void or affect coverage.

Nuisance Unreasonable interference with another's use or enjoyment of land, e.g., unsightly piles of trash, junk cars, obstructing another's view, etc.

Number of Occurrences A determination that must be made in situations where there are multiple persons or items of property injured or damaged in order to ascertain whether there will be a multiplication of limits and/or deductibles. The majority rule uses a "cause" rather than "effects" test.

Object Definitions Form Document used with the Boiler and Machinery Coverage Form that defines in greater detail the objects insured by the Boiler and Machinery Coverage Form.

Obligee In bonds, the party to whom the principal owes his performance and for whose protection the bond is written.

Occurrence An event that results in an insured loss. In some lines of insurance, such as **Liability** coverage, it is distinguished from accident in that the loss does not have to be sudden and fortuitous, but can result from continuous or repeated exposure which results in bodily injury or property damage neither expected nor intended by the insured. For occurrence-based coverage, the injurious event must occur while the policy is in force.

Occurrence Form **Liability** insurance form that covers bodily injury or property damage that occurs during the policy period, regardless of when the claim is made. Distinguished from **Claims-Made**.

Occurrence Policy Commercial or Personal Lines **Liability** insurance that covers injury or damage that occurs during the policy period, regardless of when the claim is ultimately made. Distinguished from a **Claims-Made** coverage form which orients to when the claim is made.

Ocean Marine Insurance Insurance designed to provide broad coverage for cargo and ships in transit over sea. Includes Cargo insurance, Hull insurance, Freight insurance, and **Liability Protection** and **Indemnity** insurance.

Offer and Acceptance Two elements of an enforceable contract. Means that a contract must involve two parties: one who makes an offer and another who accepts the offer. Also called **Agreement**. There must also be consideration.

OL&T An abbreviated reference to **Owner, Landlord and Tenant Insurance**.

Omnibus Clause Definition of persons or entities [other than named insured] insured by definition under the policy [e.g., "all other persons using the described vehicle with the consent of an insured"].

Owner, Landlord & Tenant Insurance A type of package policy for property rental situations.

Open Competition Method of rate and form regulation used by some state insurance authorities that allows insurance companies to compete openly with the forms and rates they select, subject only to requirements of adequacy and non-discrimination.

Open Peril Policy Insurance policy that protects the insured from losses caused by any peril that is not specifically excluded by the policy. Also called **All Risk** and **Special Coverage**.

Operator's Policy A statutorily authorized type of Motor Vehicle Policy that covers the required vehicle operator only. See C.R.S. 10-4-640.

Optional Benefits Insurance that allows the named insured to select various options [e.g., under the **Reparations Act**, such as **Managed Care**, no **Work Loss** and **Enhanced PIP**].

Optional Limits Transportation Expense Coverage Endorsement Personal Auto policy endorsement that allows the insured to select the daily and maximum limits of coverage provided for transportation and loss of use expenses.

Oral Agreement to Insure An oral **Binder**. Valid if not violative of a statute of frauds restriction.

Ordinance or Law Coverage Endorsement Endorsement used with the Commercial Property coverage part to provide coverage for demolition costs and increased construction costs required or regulated by law or ordinance.

Other Coverages See **Additional Coverages**.

Other Insurance Condition Policy condition that sets out how other insurance that applies to the same loss will affect reimbursement under the policy. See **Contribution by Equal Shares**, **Excess Insurance**, **Primary Insurance**, **Primacy**, and **Pro Rata Other Insurance**.

Other State Provisions That part of a policy or Endorsement to a policy that imposes requirements of the particular states where the named insured operates.

Other-Than-Collision Coverage (OTC) See **Comprehensive Coverage**. See also **Collision Coverage**.

Outboard Motor and Boat Insurance Insurance against physical damage to boats. Usually provided by Inland Marine forms.

Outrageous Conduct Conduct that is so outrageous in character and so extreme in degree, that a reasonable member of the community would regard the conduct as atrocious, going beyond all possible bounds of decency, and utterly intolerable in a civilized community. Creates a right of action for emotional distress caused by the outrageous conduct. See C.J.I.(4th) 23:2.

Owned-But-Not-Insured Exclusion An exclusion found in most Property, Liability, Med Pay and Uninsured/Underinsured Motorist policy forms. It is designed to prevent coverage for risks the insured has not paid for, e.g., attempting to insure multiple vehicles or houses by purchasing insurance on only one of them. Such an exclusionary provision has generally been deemed enforceable, except in an Uninsured/Underinsured Motorist setting. See Jaimes v. State Farm, 53 P.3d 743 (Colo. App. 2002—cert. denied Aug. 19, 2002).

Owner One who has the right to possess, use and convey property or a property right. The term **Ownership** means a bundle of rights, privileges, powers and immunities. For motor vehicle insurance purposes, the term **Owner** is statutorily defined [C.R.S. 10-4-601(8), formerly C.R.S. 10-4-703(8)]. For insurance purposes, possession incident to even a conditional sale is sufficient.

Owners and Contractors Protective Liability Coverage Form Commercial General Liability coverage form that covers claims caused by the negligence of a contractor or subcontractor hired by the insured.

Own Occupation A type of Disability Income policy or plan wherein the definition of "disability" that triggers the insurer's benefit payment obligation is oriented to the insured's own specific occupation, i.e., trial lawyer, brain surgeon, etc., regardless of whether the insured could still otherwise practice law or medicine.

P

Package Policy Policy that includes more than one type of insurance coverage. Also called a **Multi-Line Policy**.

Pair or Set Condition Loss settlement condition found in property insurance contracts that states that when part of a set is damaged or destroyed, the insured will not be reimbursed for the value of the entire set. Various methods are used to determine the amount of reimbursement.

Parcel Post Policy Nonfiled Commercial Inland Marine policy that covers mail sent by parcel post.

Partial Disability A condition in which, as a result of injury or sickness, the insured cannot perform all of the duties of an occupation but can perform some duties. Exact definitions vary from policy to policy. Sometimes called **Residual Disability**.

Particular Average Loss In Ocean Marine insurance, any partial loss that does not arise from a general sacrifice of property (jettison).

Payment Bond Type of Surety bond that guarantees bills for labor and materials will be paid to the contractor as they are due. Also called **Labor and Materials Bond**. See **Bonds**.

PD An abbreviation for Property Damage Liability coverage.

Peak Season Endorsement Endorsement attached to the Commercial Property coverage part to provide increased coverage during particular seasons of the year when the insured's inventory is at higher levels than usual.

Performance Bond Type of Surety bond that guarantees that jobs will be completed by the contractor according to contract specifications. See **Bonds**.

Peril The cause of loss, e.g., fire, explosion, windstorm, hail, etc.

Perils of the Sea Perils to which property in transit by water is exposed. Includes unusual action of wind or waves, stranding, lightning, collision, and sinking.

Permanent and Total Disability Total disability from which the insured does not recover. When used as a definition of Disability in a policy "Permanent" Disability is presumed after a stated period of time.

Permanent Partial Disability A condition where the insured party's earning capacity is impaired for life, but he or she is able to work at a reduced efficiency.

Permanent Total Disability A condition where the injured party is not able to work at any gainful employment for his or her remaining lifetime.

Permission Express or implied allowance to engage in a particular act, e.g., take and drive and/or use another person's motor vehicle (see **Consent**).

Permissive User The user of a motor vehicle or other property. For some kinds of insurance [such as motor vehicle coverage], a user with permission or consent is an additional insured under the policy.

Permitted Incidental Occupancies Endorsement Homeowners policy endorsement that covers the insured's business activities conducted on the residence premises. Constitutes a buy-back of a usual "business pursuits" exclusion to a certain specified level.

Personal Articles Form Personal Inland Marine form that provides scheduled coverage for nine optional classes of personal property: jewelry, furs, cameras, musical instruments, silverware, golf equipment, fine arts, stamp collections, and coin collections.

Personal Auto Policy Auto policy form that provides Property and Liability coverage for both owned and non-owned autos used, maintained or operated by the insured and his or her resident relatives, as well as permissive use by others of the insured vehicle.

Personal Contract One of the characteristics of an insurance contract--means that an insurance contract is personal as to the particular named insured.

Personal Effects Form Personal Inland Marine form that covers an insured's personal belongings, such as baggage, while traveling.

Personal Injury A type of coverage for specified types of injury other than bodily injury resulting from torts, such as libel, slander, false arrest, wrongful entry, violation of privacy, and malicious prosecution. Contained in standard CGL and BOP forms and some Deluxe Homeowner forms.

Personal Injury Endorsement Homeowners policy endorsement that modifies the definition of bodily injury to include personal injury liability protection. See *Endorsement* and *Personal Injury*.

Personal Injury Protection A type of motor vehicle insurance that pays, without regard to fault, benefits for medical, rehabilitation, lost work income, substituted essential services replacement and death. Also called "PIP" and "No-Fault." It is usually a coverage imposed by statute and has with it tort modification features. Colorado's PIP statute was sunset-repealed on July 1, 2003.

Personal Inland Marine Insurance See *Inland Marine Insurance*.

Personal Liability and Medical Payments to Others Endorsement Endorsement to a Dwelling policy that provides Liability and Med Pay coverages similar to that provided by Section II of the Homeowners policy. May also be purchased as a separate policy.

Personal Lines Insurance coverages that protect individuals and their families, e.g., Personal Auto, Home-owners,

Dwelling, Renters, etc. Distinguished from *Commercial Lines*.

Personal Property Floater Another descriptive title for *Inland Marine* or *Personal Property Form*.

Personal Property Floater Insurance Insurance designed to protect against loss of particular personal property. May be written on an "*All-Risk*," *Open Peril*, or *Named Peril* form. See also *Inland Marine Insurance*.

Personal Property Floater Risks Category of the Country-wide Definition that includes risks eligible for Personal Inland Marine insurance.

Personal Property Form Personal Inland Marine form that provides open peril coverage for personal property.

Personal Property Replacement Cost Endorsement Homeowners policy endorsement that adds replacement cost coverage for personal property. See *Endorsement* and *Replacement Cost*.

Personal Umbrella Policy See *Umbrella Policy*.

Personal Yacht Insurance Type of personal watercraft policy written for large pleasure boats.

Physical Hazard Hazard that arises from the condition, occupancy or use of the property itself.

Physicians and Surgeons Equipment Form Filed Commercial Inland Marine form that covers medical instruments on and off the premises and furniture and fixtures at the described physician's office against direct physical loss.

PIP An abbreviated reference to "*Personal Injury Protection*" or "*No-Fault*" coverage.

PIP Application An Insurance Commissioner-developed "Application for Benefits" form for *Personal Injury Protection* coverage. Includes information concerning the claimant, accident, injury and loss, and provides authorization forms to permit the insurer to obtain the claimant's medical and employment information. The completed

and signed form is one of the components of "reasonable proof" in obtaining PIP benefits. See Division of Insurance Regulation 5-2-8.

PIP/Workers' Compensation Primacy Rule The statutory rule that made Workers' Compensation primary over PIP to the extent Workers' Compensation was available and covered [C.R.S. 10-4-707(5)].

Point-of-Service Plan A plan that allows a choice of whether or not to receive services from a **Managed Care** network provider.

Policy An insurance contract. See **Insurance Policy**.

Policy Address The policyholder's address and/or address of the insured property in a **Property** policy.

Policy Booklet The document that contains insuring agreements, coverages, exclusions, definitions, and conditions. Must be attached to the policy jacket and declarations page to make a complete policy. Also called a **Policy Form** or **Coverage Form**.

Policy Contract Another descriptive name for an insurance policy.

Policy Form See **Coverage Form** and **Policy Booklet**.

Policyholder The **Policy Owner** and/or **Named Insured**.

Policy Jacket Documents used to assemble an insurance policy. Contains general conditions and the declarations page, but provides no coverage in and of itself. A policy form must be attached to make it a complete policy. Usually, the **Policy Jacket** is part of the **Policy Booklet**.

Policy Limit Maximum amount the insurance company will pay under particular coverage for a particular loss, or for losses sustained during a particular period of time. Also called **limit of coverage**, **limit of insurance** and **limit of liability**.

Policy Loan A loan to the policy-holder from the insurer using the insurance cash value as collateral.

Policy Owner A term principally used in **Life Insurance**. The policy owner is the person or entity who owns the Life policy. It can be but is not necessarily the person whose life is insured. The owner of the policy is responsible for payment of premiums and has the right to designate and change beneficiaries. The policy owner also has rights to borrow against, assign, terminate and receive the cash surrender value (if any) of the Life policy.

Poi. Period An abbreviated reference to **Policy Period**.

Policy Period The dates and time specified in the Declarations for when coverage begins and ends.

Policy Release A type of release that releases the insurer from any further obligation under the policy or plan. If used alone, such a release of itself does not release the **Extra-Contractual Liability** of the insurer.

Policy Term The period of the policy for which the premium has been paid.

Policy Territory Place where coverage under a policy applies.

Pollution Liability Coverage Extension Endorsement Commercial General Liability endorsement that provides coverage for bodily injury and property damage claims arising out of pollution losses. Usually excludes coverage for pollution clean-up costs.

Pollution Liability Coverage Form CGL coverage form that provides certain pollution coverages that are excluded under the standard CGL. Includes coverage for pollution clean-up costs.

Pollution Liability-Limited Coverage Form Commercial General Liability coverage form that provides certain pollution coverages that are excluded under the standard CGL. Does not include coverage for pollution clean-up costs.

Portability The capability with employment-related insurance to continue

that coverage or change-over to other similar insurance protection upon loss of job or change of employers. See **HIPAA** and **COBRA**.

Position Schedule Bond Fidelity bond that covers specifically named positions in the company, rather than the individuals who hold these positions. See **Bonds**.

Post-Judgment Interest Interest accruing on a judgment after judgment enters, but before the judgment is satisfied. Usually covered as a supplementary payment in Liability policies in addition to the policy limit.

PPO A form of Managed Health Care arrangement—called **Preferred Provider Organization**. Utilization and cost of health care are controlled by Plan members using only care providers within the PPO network. Care providers have agreed to abide by the rules, regulations and cost limitations of the PPO organization.

Pre Approval--Pre Authorization A cost-containment measure which provides full payment of Health benefits only when the hospitalization or medical treatment has been approved in advance. See also **Prior Authorization**.

Pre-Existing Condition A risk consideration in underwriting **Health Insurance** used to deal with **Adverse Selection**. An applicant who has a pre-existing condition [as defined by the policy or plan] may not be eligible for coverage or will have the pre-existing condition specifically excluded. The consideration is being more and more regulated and often does not exist at all where there has been prompt enrollment in an employment-related group Health plan. A Pre-Existing Condition may also be a consideration in **Disability Income** and **Life** policies. See **HIPAA**.

Pre-Judgment Interest Interest as damages awarded to compensate the injured or damaged party for interest he, she or it might have earned if payment had been received at the time of injury or damage, rather than at the time of judgment. Pre-judgment interest in Colorado is statutory. For injury to persons, it is at the rate of 9% per annum compounded annually from the date of

injury, and 8% per annum compounded annually for damage to property and other kinds of damages and monies withheld. For a judgment that is appealed, the rate is set annually. See C.R.S. §§ 13-21-101 and 5-12-101 and 102.

Premises and Operations Business liability exposure arising out of the business location or the activities of the business. Covered under the **CGL** and **BOP**.

Premises Liability An alternative reference to **Landowner/Occupier Liability**. See **Landowner/Occupier Liability**.

Premium The amount of money an insurer charges to provide coverage.

Premium Audit Survey of the insured's operations and financial records to gather information used to calculate the premium, exposures and limits.

Premium Due Notice A notification issued by the insurer to the policy or planholder that **Premium** is due. The Notice will also state the date before which the premium must be paid and the amount. The Notice may be combined with a **Notice of Cancellation** or **Notice of Non-Renewal**, which operate if the required premium is not paid by the due date.

Premium Notice An alternative reference to **Premium Due Notice**.

Premium Payment The policy or planholder's payment of the amount due to keep the particular insurance coverage in force. Usually can be paid in cash, by credit card, money order, wire transfer or check. If by check, the person writing the check must have had sufficient funds in the account to pay the check, or the payor's use of the check will be a nullity.

Presumptive Disability A physical condition which presumes, for benefit payment purposes, that the individual is disabled regardless of the individual's actual ability to perform an occupation. Quadriplegia or total and permanent blindness are examples.

Preventing Reasonable Expectation See **Reasonable Expectation**—use of

clear and unambiguous language or an explanation that prevents the person who claims to be insured from contending that he or she had an expectation otherwise.

Preventive Law Anticipating and taking steps by explanation, provision in a policy or plan and/or the taking of action that prevents the particular controversy. In analyzing coverage issues, it is helpful to consider how the particular issue could have been prevented or avoided.

Primacy A consideration when there are two or more policies of the same kind applicable to the loss as to which is primary, and also whether they will stack. See **Other Insurance**, **Excess Insurance**, **Primary Insurance**, **Contribution By Equal Shares**, **Contribution By Limits**, and **Pro Rata Other Insurance**.

Primacy Reimbursement A form of insurer reimbursement based on primacy rather than fault. See **Subrogation**.

Primary Insurance When two or more coverages or policies apply to the same loss, primary coverage is the one that pays first, up to its limit of liability or the amount of the loss, whichever is less. See **Other Insurance** and **Primacy**.

Principal In bonds, the debtor or person who obtains the bond. In agency law, the person who has authorized the agent to act on his, her or its behalf. See **Agency** and **Agent**.

Prior-Acts Coverage The coverage period back in time before the inception date of a **Claims-Made Policy**. Without **Prior Acts Coverage**, the coverage period for a claims-made policy is from the particular policy's inception date to the end of the particular policy period. For extra premium cost, one can purchase coverage for events back in time to any particular date—called **Retroactive Date**. Without **Prior Acts Coverage**, claims-made coverage is limited to only those claims made during the particular policy period.

Prior Approval Method of rate and form ratification used by some state insurance authorities that requires a company to obtain official approval before using new forms or rates.

Prior Authorization An alternative reference to **Pre Approval** and **Pre Authorization**.

Private Passenger Motor Vehicle A statutory term used in connection with subrogability of PIP. See **"Non-Private Passenger Motor Vehicle"**. See C.R.S. 10-4-713(2).

Privilege Societal policy which permits a defending party to protect his own interests or those of others at the expense of or damage to the complaining party.

Producer General statutory term used to describe someone who sells insurance, such as an agent, broker or solicitor. See **Agent** and **Broker**.

Product Liability Liability imposed for injury, damage or loss resulting from a defective or dangerous product. The theories available: **Negligence**, breach of **Warranty**, and product **Strict Liability**.

Products and Completed Operations Business liability exposure arising out of defects in the company's products or completed operations. Covered by a CGL.

Prof. Liability An abbreviated reference to **Professional Liability Insurance**.

Professional Liability Also called **Malpractice**. Tortious conduct in the providing or failing to provide professional services, e.g., physician, dentist, lawyer, accountant, therapist, real estate broker, insurance broker, stockbroker, etc. See also **Errors and Omissions Insurance** and **Malpractice Insurance**.

Professional Liability Policy Insurance coverage issued to a professional that covers the rendering or failing to render services of a professional nature. Policies are tailored to fit specific occupational needs. See also **Errors and Omissions Insurance** and **Malpractice Insurance**.

Proof of Loss In **Property** insurance, a sworn statement which must usually be furnished by the insured before any loss under the policy will be paid. It includes the date and description of the

occurrence, listing of damages and the amount of indemnity claimed. The term is also sometimes more loosely used in Health, Medical and PIP coverage matters.

Property An abbreviated reference to **Property Insurance** coverage.

Property-Casualty A broad, historic classification and reference to the types of coverage. Included within **Property** and **Casualty** insurance. See **Property Insurance**, infra, and **Casualty Insurance**, supra.

Property Coverage See **Property Insurance**.

Property Damage (PD) Liability insurance protection for damage to or destruction of property, including loss of use of the property.

Property Insurance Line of first-party insurance that includes many types of coverages designed to handle the risk of financial loss that a person or entity will suffer because property he, she or it owns is damaged or destroyed.

Pro Rata Clause See **Pro Rata Other Insurance**, **Other Insurance**, **Primacy**, and **Primary Insurance**.

Pro Rata Other insurance Method of handling insurance when more than one coverage applies to a loss. Each coverage pays a portion of the loss in proportion to the relationship its limit of liability bears to the total limit of liability under all applicable insurance. Also called **Contribution by Limits**. See also **Other Insurance** and **Primacy**.

Proration Dividing proportionately or assessment pro rata between defendants or insurers.

Protection and Indemnity Form of Ocean Marine Liability insurance that covers a variety of types of liability, such as damage to cargo through negligence and damage to other property or another boat resulting from collision.

Protective Safeguards Endorsement Businessowners policy endorsement that requires the insured to maintain fire or

security service on specified property as a condition of the policy.

Proximate Cause In torts, an act or failure to act which in natural and probable sequence produced the claimed injury, damage or loss. It is a cause without which the injury would not have happened [see C.J.I. (4th) 9:19 and 9:20]. Causation for insurance may be different. It depends on language of the particular policy [see **Cause**].

Public Official Bonds Type of Surety bond furnished by principals who are elected or appointed to fill positions of trust that guarantee their faithful and honest performance in office. See **Bonds**.

Public Policy Principles or standards stated by a legislative body or by a court as being of fundamental concern to the public. A term sometimes used by a court to justify its decision when declaring a contract void because of its concern for the public interest.

Punitive Damages Type of damages intended to punish the defendant and make an example out of him or her to discourage others from behaving the same way. Based on conduct that is willful and wanton, fraudulent or malicious. Also called **Exemplary Damages**. See **Exemplary Damages**. See C.R.S. 13-21-102.

Pure Risk A risk in which there is no chance of gain, only loss.

Q

Quotation A summary of coverages and premium cost proposed by an agent or insurer to a prospective client/insured.

R

Rate The basic charge an insurance company sets for various types of insurance. Also, the cost of a given unit of insurance.

Rated Usually used in combination as in **Rated-Up** or **Rated-Down**. A policy

issued with an extra or reduced premium charge because of a higher or lesser risk. As examples: in a **Life Insurance** setting--higher premium because of a greater risk of an earlier death. In an **Annuity** setting--less risk because of health considerations that would tend to shorten the annuitant's life and hence the insurer's ultimate payout.

Rating Bureau A private organization that classifies and promulgates manual rates. In some cases, compiles data and measures the hazards of individual risk and terms of rates in geographic areas.

Reallocation Another term for **Subrogation** or **Reimbursement**.

Reasonable and Necessary Standards that must be met to trigger entitlement to first-party insurance benefits. Also a standard for proving-up economic losses for a liability damages claim. The "reasonableness" component pertains to the amount. The "necessary" component orients to whether the particular care, treatment, medication, repair or lost time interval was necessary under the circumstances. Usually requires an opinion by a qualified expert.

Reasonable Expectations In construing a policy or plan, the policy/planholder's "reasonable expectations" concerning the nature, scope and terms of his insurance coverage are to be honored. Ultimately, it is not what the drafter of a policy provision actually intended, but rather what a reasonable person in the position of the insured would understand it to mean. In Colorado, the concept is a hybrid of **Estoppel** so that if the insured is misled by the insurer's or insurer's agent's language or conduct, the insurer will not be heard to assert a contrary position.

Reasonable Person Rule Principle of law that states that each person must behave as a reasonably careful person under the same or similar circumstances.

Reasonable Proof The degree of proof needed to trigger benefit payment entitlement under **PIP** [C.R.S. 10-4-708 and Division of Insurance Regulation 5-2-8]. Also used loosely in other contexts as meaning establishment of a fact to a reasonable degree.

Rebating Giving or offering some benefit other than those specified in the policy to induce a customer to buy insurance. Rebating is illegal in most states.

Reciprocal Claims Where an event [such as a disputed red traffic signal] brings about claims by both involved motorists against each other. In such a matter, the initial suit and a counterclaim by the other bring about difficulties in an insurer's defense against and settlement of the other party's claim.

Reciprocal Company An unincorporated group of members that share insurance responsibilities with other members. It is managed by an attorney-in-fact under a power of attorney.

Reckless Disregard For insurer bad faith, taking a position with knowledge of the facts that indicates the insurer's conduct or position lacks or lacked a reasonable basis or when the insurer is or was deliberately indifferent to information concerning the claim. Generally, recklessness is an aggravated form of negligence. See C.J.I.(4th) 25:5.

Recurrent Disability In Health insurance, refers to a disability that is the same as a previous disability and has the same cause. The consideration is involved in determining whether an additional waiting period is required before benefits are paid.

Red-Lining Discriminating unfairly against a risk solely because of its location. As an example, refusing to insure a risk because the applicant lives in a depressed area or location.

Reduction of Coverage An insurer's reducing or lowering the amount of its insured's coverage either during the policy period or upon renewal. May be prohibited by statute or a special notification required so that the insured is not misled concerning the extent of his coverage.

Reformation The mid-term change of a policy to provide what the parties actually intended. May be imposed because of misrepresentation, estoppel or mutual mistake.

Regular Use Exclusion An exclusion in a motor vehicle, watercraft, aircraft, or mobile equipment policy to prevent an insured from (in effect) attempting to insure several vehicles, watercraft, aircraft or pieces of mobile equipment by purchasing insurance on only one of them. Similar to an **Owned-But-Not-Insured** exclusion, except the insured possesses but does not own the other vehicle, watercraft, aircraft or piece of mobile equipment.

Regulatory Measures Matters that are subject to being regulated by the state's Commission or Division of Insurance through regulations, bulletins and/or declaratory orders.

Rehabilitation Benefits Physical and/or vocational restorative benefits provided to an injured person following an injury, intended to restore the person to a point where physical functioning is possible. Was a benefit category under PIP.

Reinstatement Putting a lapsed policy back in force, sometimes requiring the payment of back premiums and evidence of insurability. Sometimes called **Restoration of Benefits**.

Reinsurance Acceptance by an insurer, called a **reinsurer**, of all or part of the risk of loss of another insurer. An insurer insuring through another company all or part of the risk it has undertaken to insure.

Relative Value Schedule A schedule which compares the value of one procedure to another and establishes the reasonableness of the fee to be paid.

Release A type of claim-concluding document wherein a claiming party, for consideration, gives up further rights as to the party or parties released. A Release may be full or partial. It may include an assignment of rights and/or a contingent indemnification provision.

Renewal The act or process of the insurer's maintaining insurance in force by issuing a new policy for another term; replacement of an expiring policy; or issuance of a certificate or endorsement extending the term of what would otherwise be an expiring policy.

Renewal Notice See **Renewal**. The notification issued by the insurer to the policyholder advising that the policy will be extended or renewed upon certain conditions, such as payment of additional premium. The notice may also provide that if the condition to renewal is not met before the due date stated in the notice, the existing policy will expire and go out of force as of a specified date.

Rental An abbreviated reference to **Motor Vehicle Rental** insurance.

Rental Car An abbreviated reference to insurance coverages that come with or can be purchased when one rents a car or truck.

Renters An abbreviated reference to **Renters Insurance**.

Renters Insurance A type of package policy a renter of a residential unit can purchase [similar to a Homeowner policy]--covers Property, Med Pay and Liability.

Repair Cost The cost to repair a damaged or destroyed item of property. Depending on policy language, may be the basis of reimbursement for a loss.

Replacement Cost The cost to repair or replace a damaged or destroyed item of property, without deduction for depreciation. May be the basis of reimbursement for some losses. The repair or replacement, however, must be of "like kind and quality" as the property damaged or destroyed, and the full replacement cost benefit may not be payable until the item has actually been repaired or replaced.

Reporting Policy Type of policy that does not charge a flat premium. The insured pays a deposit premium, then submits periodic reports to the insurer showing the status of the factors on which the premium is based. From these status reports, premiums are calculated and charged against the deposit. See **Deposit Premium**, **Experience Rated Policy**, and **Retrospective Premium Policy**.

Representation In Insurance, statements on an application for insurance which the applicant indicates are fact and

upon which the underwriter may rely to issue the policy. In Tort, a party's statement of fact.

Representative A person who represents a party, such as an **Agent, Broker, Producer, Independent Agent, Claim Representative**.

Rescission Repudiation of a contract. A party whose consent to a contract was induced by fraud, misrepresentation, duress or mutual mistake may declare or have a court declare the contract to be void. Example: a termination of an insurance contract by the insurer when material representation has occurred.

Reservation of Rights A notification issued by an insurer or insurer's representative informing a person claiming to be insured of a possible difficulty with coverage. It is usually in the form of a letter. It does not require signature, acquiescence or acknowledgment by the person claiming to be insured. It informs the person claiming to be insured that the insurer's investigating, defending and/or attempting to resolve the matter by settlement are not to be deemed any sort of an admission, waiver or estoppel of the insurer's rights to deny coverage. The Reservation of Rights may be general or specific. However, the insurer should be as specific as is possible under the circumstances then existing.

Resident Relative For insurance purposes, a person related by blood, marriage or adoption residing in the household of the named insured at the time of the accident or event.

Residual Disability Another term for **Partial Disability**. See **Partial Disability**.

Residual Market Insurance Insurance that is not ordinarily available from private insurers and may be provided by the government. Examples include Flood insurance, which is provided by the federal government, and Workers' Compensation benefits, which may be provided by a state fund.

Respondeat Superior Liability imputed to another, such as an employer or principal because of the relationship.

Retention Limit Like a deductible, the amount the insured may pay toward a loss that is not covered by the policy before the policy will begin to cover the loss. Also, called the **Self-Insured Retention** or **SIR**. Usually found in Umbrella-type policies.

Retro Premium An abbreviated reference to **Retroactive Premium**.

Retroactive Date A date specified in a claims-made policy for prior-acts coverage as the date on which an incident may have occurred and still be covered by the policy. The cost of prior acts coverage increases the further back in time one goes in the purchase of such prior-acts coverage protection.

Retroactive Premium A premium calculated and paid after the coverage period based on loss experience during the coverage period. See **Experience Rating**.

Retrospective Rating Type of merit rating that bases the insured's premium cost on losses during the policy period.

Rider. An addendum or **Endorsement** attached to an insurance policy that changes, adds to or clarifies the policy in some way. An alternative reference to an **Endorsement**.

Ride-Share Primacy Rule A statutory primacy rule for PIP under the former Reparations Act system [C.R.S. 10-4-707.5]. It operated to the effect that if the insured was a participant in a "**Ride-share Arrangement**," and had coverage of his own, either as a named insured or resident relative of a named insured, the ride-share occupant would receive his PIP from his own coverage, and that on the involved vehicle would not stack or be involved [except as to Enhanced PIP purchased for additional premium]. The term "ride-share" was statutorily defined in C.R.S. 10-4-707.5(2).

Risk The chance or possibility of loss. See also **Exposure, Hazard, and Peril**.

Risk Distribution The concept of a person or entity wishing to lessen or eliminate risk by transferring it by purchase of insurance. The insurer then distributes it by sale of its insurance

protection to a large number of others. If insured with a deductible or co-pay, the person is partially self-insured and only part of the risk has been transferred and distributed.

Risk Insured Identification in a policy or plan of the particular risk being insured against, e.g., motor vehicle liability, etc.

Risk Management Procedures used to identify, analyze, assess and minimize loss exposures. In the insurance industry, the term refers to methods used to deal with the chance or uncertainty of loss. The methods are (1) avoiding the risk; (2) reducing or controlling the risk; (3) retaining the risk; or (4) transferring the risk. Insurance is a means to transfer the risk from the entity to an insurance company. The insurer distributes the risk by selling similar insurance to others. The insurer can transfer all or part of the undertaken risk by reinsuring it through another insurer.

Risk Retention Group Insurance company formed by several organizations to cover those organizations' liability loss exposures. Risk retention groups are exempt from most state laws that govern insurance companies.

Risk Transference Lessening or elimination of risk by purchase of insurance. See **Risk Distribution**.

Roadside Shortened reference to **Roadside Assistance** coverage for motor vehicles [such as AAA].

Robbery In Crime insurance, the taking or attempted taking of property by violence or threat.

Rules of Construction Statutory and/or court-made rules that assist in interpretation of insurance policies, plans or undertakings, e.g., how a matter is to be construed if the policy provision is unclear or ambiguous. See "Insurance General Considerations" publication.

Running Down Clause Provision found in Ocean Marine Hull policies that provides protection if the ship owner is held liable for the negligent operation of the vessel in damaging another ship.

S

Salvage Damaged property that can be retrieved, reconditioned or scrapped and sold to reduce an insured loss.

Schedule A list of specified amounts payable for procedures, dismemberments, ancillary expenses or similar expenses, e.g., a "scheduled benefit."

Schedule Rating Type of merit rating that applies a system of debits or credits to reflect characteristics of a particular insured.

Scheduled Benefit A specified amount payable for a particular type of loss.

Scheduled Coverage Property that is specifically listed in the Declarations and covered for a specific amount. Also called **Specific Insurance**.

Scheduled Personal Property Endorsement Homeowners policy endorsement that provides open peril, scheduled coverage for nine optional classes of property

Self-Defense The privilege to use force which reasonably appears necessary for the protection of oneself against threatened harm.

Self-Insurance Alternative to purchasing insurance where an individual or company assumes the risk of paying for his, her or its own losses and defense expenses. Includes the providing of a reserve of funds for the purpose of covering one's own protection needs without purchasing insurance or constructively, going without insurance despite the risk of doing so.

Self-Insured Retention (SIR) The portion of a risk or potential loss assumed by the insured. See **Retention Limit**.

Service Bureau Organization that gathers, pools and analyzes statistics from its member insurance companies to establish loss costs used to determine insurance rates. See **ISO**.

Several Liability The statutory limitation on liability of co-tortfeasors who have not

acted in concert. Subject to potential applicability of contributory fault on the part of the claiming party, a co-tort-feasor is responsible only for that tort-feasor's percentage of the causal fault that produced the claimed injury, damage or loss. See C.R.S. 13-21-111 and 111.5.

Sexual Harassment A term used to describe an employment setting wherein unwelcome sexual advances from an employer or fellow employee, requests for sexual favors and other verbal or physical conduct of a sexual nature are allowed to occur. Sexual harassment is usually determined to have occurred when such conduct has the effect of interfering with the employee's performance or creating an intimidating, hostile or offensive working environment.

Signs Coverage Form Filed Commercial Inland Marine form that insures businesses against loss to neon, fluorescent, automatic, or mechanical electric signs and lights.

Single Limit One policy limit that applies to both BI and PD losses. Also called a **Combined Single Limit (CSL)**.

SIR See **Self-Insured Retention**.

Situations Where PIP Fault Reimbursement is Allowed See **Subrogation**, and **Reimbursement**. For PIP, there was and is no right of **Subrogation/Reimbursement** except: (1) in "private" vs. "non-private" passenger motor vehicle situations; (2) where the at-fault motorist had Liability insurance issued by an insurer not licensed to write motor vehicle insurance in Colorado; (3) in "non-complying tort-feasor" situations; and (4) in situations where the at-fault party was not part of the Reparations Act family, such as a vehicle manufacturer or repairman.

Skeleton Policy See **Policy Jacket**.

Solicitor Insurance professional who sells insurance and collects premiums, but cannot issue or countersign policies.

Special Agent See **Agent**. A type of agent where the agent's authority is specifically limited. Distinguished from a **General Agent**.

Special Coverage See **Open Peril Policy**.

Special Damages Type of compensatory damages that reimburses the injured party for direct and specific expenses involved in the loss, such as a claimant's medical expenses and lost wages.

Special Personal Property Coverage Endorsement Homeowners endorsement used only with the HO-3 form to provide open peril coverage on personal property. Also called the **HO-15 Endorsement**.

Specific Insurance See **Scheduled Coverage**.

Specified Causes of Loss One of the Physical Damage coverage options in the Commercial Auto coverage forms; provides more limited coverage than Comprehensive coverage, insuring only against specified perils such as fire, flood or explosion. Also found in Commercial Property forms to specify and limit the types of perils insured under the policy.

Specified Peril Policy whose **Insuring Agreement** orients to specific perils or causes. Distinguished from broad, general insuring language in a policy or endorsement.

Specified Peril Policy See **Named Peril Policy**.

Speculative Risk A risk that may result in a loss or gain.

Split Limits Policy limit that provides separate limits for BI and PD. Should be distinguished from **Combined Single Limit Coverage**.

Spoilage Endorsement Endorsement used with the Building and Personal Property and Condominium Commercial Unit-Owners Commercial Property coverage forms. It adds coverage for the insured's perishable stock-personal property that must be maintained under controlled conditions to protect it from loss or damage.

Spread of Risk Principle of insurance that operates to the effect that insurers should spread their insured risks over a

large geographical area, rather than insuring a large number of people in a small area.

Standard Shortened term for standardized policy form, such as an ISO form.

Standard & Poor Organization that rates the financial stability of insurance companies doing business in the United States.

Standard of Care See *Degree of Care*.

Standard Risk A risk that is on a par with those on which the rate has been based—an average risk not subject to road loadings or restrictions.

Stated Amount Condition See *Agreed or Stated Value Condition*.

Stated Value See *Agreed Value*. A type of Property coverage that states the dollar amount that will be paid in the event of destruction of the property insured by the policy or agreement. The property is valued and that value agreed upon at the time the policy or rider is issued rather than at the time of the loss. Used for heirlooms, artwork, jewelry, antiques or similar one-of-a-kind items. Can also be used for improvements to real property.

Stated Value Coverage Policy written for a specified amount that lists the value of the insured property as agreed to by both the insured and the insurer at the beginning of the coverage in advance of any loss. This amount is used to value losses and prevents after-loss adjustment disputes. Also called an *Agreed Amount or Stated Value Policy*.

Stated Value Policy See *Stated Value Coverage*.

Statute of Limitations Law that provides that certain types of suits must be brought within a specified time of the event to be actionable under the law, e.g., 3 years for auto-related torts and insurance; 2 years for most other-than-auto torts; and 1 year for intentional torts such as assault and battery.

Statutory Coverage A coverage that is mandated or required to be offered by

statute. Examples are PIP, Motor Vehicle Liability coverage; Motor Vehicle Collision insurance; Uninsured/Underinsured Motorist coverage; and Medical Malpractice coverage under the Colorado Health Care Availability Act.

Statutory Notice A notification required by statute, such as notices of cancellation and non-renewal for motor vehicle coverage; the notice required of a potential claim under the Governmental Immunity Act; etc.

Statutory Penalties Penalties or sanctions imposed by statute, such as for delay or denial of PIP benefits in C.R.S. 10-4-708 and the Colorado Exemplary Damages statute [C.R.S. 13-21-102].

Statutory Tort A right of action for damages created by statute, e.g., parental liability for willful acts of minors; the Consumer Protection Act, etc.

Stock Company An incorporated insurance company owned by its stockholders. Profits are shared by the stockholders. Policyholders are not entitled to share in company profits. Distinguish from a *Mutual Company*.

Stop Loss An insurance arrangement that begins paying at a particular level. The person or entity is self-insured below that level—e.g., Motor Vehicle Collision coverage with a deductible or a Health Saving Account self-funded to a certain level.

Straight Life Policy A Whole Life policy that stretches the premium payments over the insured's lifetime.

Strict Liability A form of liability imposed without regard to fault for manufacturers and suppliers of products. If the product was unreasonably dangerous to a user or consumer, the manufacturer/seller may be held strictly liable for injury, damage or loss caused by the product.

Structured Settlement A type of settlement where the payment of settlement proceeds is spread out into periodic installments, usually funded in whole or in part through an *Annuity* arrangement.

Subrogation The right to be paid back. The insurer "stepping into the shoes" of its insured to pursue reimbursement from the at-fault party or primary insurer.

Subrogation Clause A clause giving the insurer the right to "step into the shoes" of an insured after payment to pursue a third party who is liable for payment of the loss.

Substandard Risk A risk that for reasons of health, physical condition or morals does not meet the requirements to qualify as a **Standard Risk** without **Rating**.

Suicide Clause In a Life insurance policy, states that if the insured commits suicide within a specified period of time, the policy will be voided and the paid premiums refunded. By statute in Colorado, the time period is 2 years [see C.R.S. 10-7-109].

Super Escape Clause See **Primacy, Primary Insurance, Other Insurance Condition, Escape Clause**. A **Super Escape Clause** is an additionally refined **Escape Clause** that purports to make itself superior to ordinary escape or excess clauses. Usually not allowed by the Court.

Super Excess Clause See **Primacy, Primary Insurance, Other Insurance Condition, Excess Clause**. A **Super Excess Clause** is an additionally refined **Excess Clause** that purports to make itself excess over a usual excess clause. Such additional refinement is usually not allowed by the court. See Allstate v. Avis, 947 P.2d 341 (Colo. 1997).

Supplemental Extended Reporting Period See **Extended Reporting Period**.

Supplementary Payments Provides extra coverage over and above the policy limit. Commonly included are defense costs, first aid expenses, bond premiums, and post-judgment interest.

Supply Bond Type of Surety bond that guarantees that a supplier will furnish supplies, products or equipment at an agreed-upon time and price. See **Bonds**.

Surcharge The increased premium charged in the event of a chargeable

loss—e.g., removal of a "safe driver" discount when the insured is involved in an at-fault accident.

Surety In bonds, the party (often an insurance company) that agrees to be responsible for loss that may result if the principal defaults, fails to perform, or a condition of the bond is not fulfilled. See **Bonds**.

Surety Bond A three-party agreement in which a party called the "surety" obligates itself to a second party—called the "obligee"—to answer for the default, acts or omissions of a third party called the "principal." Bond types: Performance, Fidelity, Lost Instrument, Bail, etc.

Surplus The difference between what a company owns (assets) and what it owes (liabilities).

Surplus Lines Insurance coverages that cannot be purchased via an authorized insurer in a particular state and must therefore be purchased from an unauthorized insurer through a **Surplus Lines Agent/Producer**.

Surplus Lines Agent See **Excess Lines Agent**.

Surplus Lines Insurance Insurance coverage for which there is no readily available market. Such coverages are obtained through nonadmitted insurers on an unregulated basis under each state's Surplus Lines laws.

T

Tail Coverage Another description for an **extended reporting option** in claims-made coverage. See **Extended Reporting Period**.

Term Life Life insurance that lasts for only a specified term (one week, ten years, twenty years; and payment of the specified amount occurs only if the insured dies within the term.

Termination of Coverage The cessation of coverage by **Cancellation, Non-Renewal** or **Rescission** of insurance under a policy, plan or undertaking.

Terrorism A federally subsidized coverage that can be purchased as part of various types of policies of insurance to help defray losses resulting from "terrorism." An insured who does not purchase Terrorism protection is faced with a Terrorism Exclusion. Operation of the Exclusion is, therefore, to the same effect as being self-insured for such risk.

Theatrical Property Coverage Form Filed Commercial Inland Marine form that covers scenery, props and costumes used by a theater group in a specific production.

Theft In Crime insurance, a broad term encompassing any unlawful taking of property, including burglary, embezzlement and robbery. In tort, a form of conversion.

Thing(s) Insured The description in a policy, plan or undertaking as to a motor vehicle, watercraft, aircraft, real property, personal property, equipment, etc., being insured by the particular policy.

Third-Party Action An ancillary proceeding, initiated by way of a "Third-Party Complaint" under C.R.C.P. 14 or F.R.C.P. 14 against a party, such as a Liability insurer, for judgment-over against the Third-Party Defendant for all or part of what is being claimed in the principal action.

Third-Party Administrator See *TPA*. A person or entity who enrolls, collects premium, administers coverage under a policy, plan or undertaking [usually a group arrangement]. A *TPA* may also be involved in claim processing and handling.

Third Party Coverage Liability insurance which is protection against Liability claims of others.

Third Party Loss A Liability loss.

Time Element Coverage Coverage for the loss of business income over a period of time that results from direct physical loss.

Time Limitations A specified time limitation within a policy for notification—e.g., submission of a proof of loss; bringing of suit; notification of

cancellation; notification of non-renewal, etc.

Title Abbreviated reference to *Title Insurance*.

Title Insurance A type of insurance that protects against defects in title to real property.

Tort A civil wrong for which monetary damages may be recovered.

Total Disability A degree of disability from injury or sickness that prevents the insured from performing duties of his or her occupation. The actual wording of such a definition varies from policy-to-policy.

Towing and Labor Costs Endorsement Personal Auto policy endorsement that covers towing and the costs of labor performed at the site the car was disabled (AAA-type protection).

Towing and Labor Coverage A type of motor vehicle-related coverage, such as through AAA.

TPA Abbreviation for Third-Party Administrator.

Trailer An appendage to a motor vehicle that takes on the identity of the power unit. Sometimes trailers are separately covered as motor vehicles even when not attached to a motor vehicle.

Trailer Interchange Insurance A coverage provided under the Truckers and Motor Carrier coverage forms. Covers damage to a specific trailer under the policy of the trucker who has possession of the trailer at the time of loss, provided that: the trucker is liable for the damage under a written interchange agreement; and the damage is caused by a covered peril.

Travel Accident Insurance A form of accident insurance limiting coverage to accidents that occur while the insured is traveling.

Trespass Entry of a person or thing upon the land in the possession of another, or remaining on it or allowing a thing to remain on it where there is a duty of removal.

Trespasser A person who is on the premises of another without the property owner's or occupier's express or implied permission. Distinguish from *Invitee* and *Licensee*.

Trip Transit Policy Nonfiled Commercial Inland Marine policy that covers a single shipment of goods.

Truckers Coverage Form Commercial Auto coverage form written specifically for the trucking industry.

Twisting A form of illegal activity in which an agent induces a prospect to cancel existing insurance and buy a policy from the agent, to the detriment of the prospect. In most states, twisting is illegal and/or ethical, and subjects the producer to the possibility of suspension or revocation of his license to sell insurance.

U

UIM An abbreviated reference to *Underinsured Motorist* insurance.

UM An abbreviated reference to *Uninsured Motorist* insurance.

UMBI An abbreviated reference to *Uninsured Motorist Bodily Injury* insurance.

UMPD An abbreviated reference to *Uninsured Motorist Property Damage* insurance.

Umbrella Policy Type of policy that provides broad excess-type coverage for an insured's liability over and above liability covered by underlying primary coverages. May also cover losses that are excluded by the underlying policy. The coverage is available in both personal and commercial forms. See *Commercial Umbrella*. See also *Personal Umbrella*.

Unauthorized Insurer An insurer not licensed to sell insurance within the state. See also *Non-admitted Insurer*.

Underinsured Motorist Coverage (UIM) A first-party insurance substitute for the Auto Liability insurance an at-fault

motorist did not have enough of. Such coverage makes up the difference between what is paid by or on behalf of the Underinsured Motorist and the lesser of either the value of the claim or the Underinsured Motorist's coverage limit. Distinguish from *Uninsured Motorist Coverage*.

Underwriter A person trained in evaluating risks and determining the rates and coverages that will be used for them. Sometimes, an agent qualifies as a *Field Underwriter*. In theory, the agent underwrites "in the field" before submitting an application to a home office *Underwriter*.

Underwriting Insurance company function that involves researching, evaluating and pricing insurance risks, as well as deciding which ones are acceptable to the company as insureds.

Underwriting Expenses One of the components used to calculate the expense ratio. Includes all costs required to acquire and maintain a book of business, such as expenses for commissions, salaries, and other administrative and regulatory costs.

Unfair Claims Practices Act A statutory listing of unfair claim practices that can be considered in the determination of whether the insurer acted in bad faith. See C.R.S. 10-3-1104(1)(h); C.R.S. 10-3-1113; and C.J.I.(4th) 25:4.

Unfair Claims Practices Law State laws designed to protect consumers against unfair practices in the reporting, investigation, payment and final resolution of insurance claims.

Unfair Discrimination Applying different standards to insureds that have the same risks of loss, or discrimination against an applicant or insured for a prohibited reason, such as race, sex, occupation or national origin.

Unilateral Contract A contract such as an insurance policy in which only one party to the contract [the insurer] makes an enforceable promise. The insured does not make a promise, but pays a premium, which constitutes acceptance and consideration on the insured's part.

Uninsured Motorist Coverage (UM) A first-party insurance substitute for the Auto Liability the at-fault motorist should have had but didn't. Uninsured Motorist coverage makes up the difference between what is paid [if any] by or on behalf of the uninsured motorist and the lesser of either the value of the liability claim or the Uninsured Motorist coverage limit. Uninsured Motorists includes: those who do not carry insurance; drivers whose insurance companies have become insolvent; and hit-and-run/miss-and-run motorists who cannot be identified. Distinguish from **Underinsured Motorist Coverage**.

Uninsured Motorist Property Damage Coverage (UMPD) A first-party insurance substitute for the Auto PD Liability coverage the at-fault motorist should have had but didn't. By statute [C.R.S. 10-4-610] physical contact is required and valuation is on an **ACV** basis. The coverage should not be purchased if the insured has **Collision** coverage, which is much better protection and pays on a without-regard-to-fault basis.

Universal Life A type of **Life** insurance. It is a modern variation on the theme of Whole Life insurance to maximize and combine the benefits of an investment program at competitive rates with tax and protective advantages of traditional Whole Life insurance. The major characteristic of **Universal Life** insurance is the continuing flexibility of the three figures that are rigidly fixed at inception of an ordinary Whole Life policy—(1) the premium; (2) the death benefit; and (3) the interest rate on accumulated cash values.

Unoccupancy The absence of people from a premises. Property coverage is often restricted and some-times voided if there are long periods of unoccupancy.

Use A coverage-triggering requirement for various types of motor vehicle, watercraft, aircraft and mobile equipment-type policies. It includes operation, maintenance, loading or unloading, pushing, pulling, towing, occupying and being in an accident with a vehicle, boat, plane, piece of mobile equipment [see the many cases on "use" in your "Colorado Motor Vehicle Insurance" publication].

Use and File Method of rate and form ratification used by some state insurance authorities that requires insurance companies to file rates and forms within a certain period of time after they are first used.

Utility Services—Direct Damage Coverage Endorsement Business-owners policy endorsement that covers loss or damage to property caused by an interruption in water, communication or power service. For coverage to apply, the property must be listed on the endorsement and the utility equipment must be damaged by a covered cause of loss.

Utility Services—Time Element Coverage Endorsement Business-owners policy endorsement that covers loss of business income and extra expense that occurs because of an interruption in water, communication or power service. For coverage to apply, the property must be listed on the endorsement and the utility equipment must be damaged by a covered cause of loss.

Utilization Review A cost control mechanism by which the appropriateness, necessity and quality of Health care is monitored by the insurer or an entity retained by the insurer.

Utmost Good Faith A characteristic of insurance contracts meaning that the insurance company must be able to rely on the honesty and cooperation of the insured, and the insured entitled to rely on the company to fulfill its obligations.

V

Vacancy The absence of both people and property from a premises. Property coverage is often restricted or voided when there are long periods of vacancy or unoccupancy.

Valuable Papers and Records Insurance Commercial Inland Marine form that provides coverage for valuable papers such as manuscripts, blueprints, records, and other printed documents.

Valuation The means of determining the extent of loss in a **Property Policy** or **Property Coverage** part. Usually found in the Conditions section. May either be on an **ACV**, **Replacement Cost**, or **Stated Value** basis.

Valued Policy Policy written for a specified amount that lists the value of the insured property as agreed to by both the insured and the insurer at the beginning of the coverage in advance of any loss. This amount is used to value losses and prevents after-loss adjustment disputes. Also called an **Agreed Amount** or **Stated Value Policy**.

Value Reporting Endorsement Endorsement used with the Commercial Property coverage part to provide coverage based on the actual values of property at certain locations at specific times.

Vandalism and Malicious Mischief (V&MM) Coverage provided in many Property insurance policies that protects against property damage caused by vandals.

Variable Annuity An annuity contract in which the amount of the periodic benefit varies, usually in relation to security market values, a cost-of-living index or some other variable factor in contrast to a fixed or guaranteed return annuity.

Viatical Purchase or Settlement The sale and transfer of the right to the death benefits of a **Life Policy** by way of an irrevocable beneficiary designation. The policy is usually sold by a chronically or terminally ill person to a person or entity that ultimately receives the death benefits from the policy at the insured's death.

Viator A terminally ill or chronically ill person who sells his or her life insurance policy to a **Viatical Purchase or Settlement** provider.

Vicarious Liability Liability that a person or business incurs because of the actions of others, such as family members, agents and employees. Also called **Imputed Liability**.

Voluntary Compensation Endorsement Endorsement used with the Workers' Compensation and Employers

Liability policy that adds coverage for employees who are excluded from the state's Workers' Compensation law.

W

Waiting Period The period of time between the beginning of a disability, illness or injury and the start of insurance benefits. Also called **Elimination Period**.

Waiver The voluntary and intentional relinquishment of a known right. There can sometimes be constructive waiver which is a form of waiver by estoppel.

Warehouse to Warehouse Clause Provision found in Ocean Marine Cargo policies that extends coverage for the cargo from its point of origination to its point of destination.

Warranty In insurance, a specific agreement between the insured and the insurer that becomes a part of the insurance policy. A breach of warranty is treated as a misrepresentation. In Torts, a warranty is an express or implied guarantee of "merchantability," "fitness" or "workmanship."

Watchperson As defined in Crime insurance forms, someone retained specifically by the insured whose sole duty is to have care and custody of property inside the premises.

Watercraft An abbreviated reference to **Watercraft Insurance** coverage.

Watercraft Endorsement Homeowners policy endorsement that provides coverage for BI or PD arising out of the use of watercraft.

Watercraft Package Policy Package policy that provides Property, Liability and Medical Payments coverage for losses arising out of the ownership, maintenance or use of watercraft.

When An Occurrence Took Place A determination that needs to be made for the purpose of ascertaining if a particular policy is implicated for coverage for a particular event or loss.

Whole Life Life insurance which is intended to run for the entire life of the insured with proceeds generally paid upon death of the insured. Distinguished from *Term Life* coverage.

W/C An abbreviated reference to *Workers' Compensation*.

Willful and Wanton Conduct Conduct purposely committed which the actor must have realized as dangerous, done needlessly and recklessly without regard to consequences, or of the rights and/or safety of others, particularly the claimant. Constitutes the basis for an award of punitive/exemplary damages [see C.R.S. 13-21-102(1)(b) and C.J.I.(4th) 9:30].

Windstorm An abbreviated reference to *Windstorm Insurance* in a Property Insurance policy.

Workers' Compensation and Employers Liability Policy Insurance that covers an employer's obligations under Workers' Compensation laws which make the employer responsible for certain scheduled damages in the event of a work-related injury or illness. Also covers the insured's liability for work-related injuries under common law.

Write In insurance, to insure, issue, underwrite or sell.

Written Premium One of the components used to calculate the expense ratio. It is the gross amount of premium income on the company's books, which includes both earned and unearned premium.

Wrongful Act The coverage orientation of some types of liability policies such as *Director and Officer*, *Professional Liability*, and *Errors & Omissions* coverages. The term is typically a defined term in the particular policy.

Wrongful Eviction A right of action for damages resulting from a landlord's improper eviction of a tenant.

Wrongful Judicial Proceedings Malicious prosecution of a criminal or civil case; or an abuse of process of a case where the motivation is malice toward the claiming party, and as a result of the bringing of the case, the claiming party

suffers damages. "Malice" in this setting means a motivation other than the desire to bring the person or matter to justice.