

## **D. GLOSSARY of INSURANCE TERMS**

**Accident** - An unforeseen, unintended, and unexpected event, which occurs suddenly and at a definite place. See **Occurrence**.

**Act of God** - An accident or event that is the result of natural causes, without human intervention, that could not have been prevented by reasonable foresight or care.

**Actual cash value (ACV)** - A method for placing value on property as of the time of its loss or damage. ACV may be determined as replacement cost, less depreciation. The market value of an item may be used to help determine actual cash value. Contrast with **replacement cost**.

**Additional Insured** - A party other than a named insured who is protected under the terms of an insurance policy without the obligation to pay premium. Usually, additional insureds are added by endorsement. See **Named Insured**.

**Admitted Company** - An insurance company licensed by the Insurance Division of the State of Nevada.

**Advertising Liability** - This refers to acts committed or alleged to have been committed in any advertisement, publicity article, broadcast, or telecast, or arising out of the named insured's advertising activities. Coverage includes: libel, slander, or defamation, infringement of copyright or slogan, piracy unfair competition, or idea misappropriation under an implied contract, invasion of right or privacy.

**Agent (Insurance)** - A representative of one or more insurance companies who, operating under the authority of an agency contract, solicits, negotiates, and effectuates contracts of insurance.

**Aggregate limit** - The total amount payable under an insurance policy, regardless of the number of claims. This is usually based on an annual total amount paid.

**Aircraft coverages** – Policies designed to cover risk associated with the operation and ownership of aircraft. As with any specialty line of insurance, the absence of standardized forms limits practice to specialty markets.

**Aircraft hull and liability insurance** is the counterpart of personal or commercial auto policies coverage.

**Aircraft products insurance** is the counterpart of products liability coverage.

**Air cargo** insurance is mirrored in motor truck cargo.

**Hangarkeepers liability** is akin to garagekeepers coverage.

**All Risk Coverage** - Insurance that protects against all risk of loss except those specifically excluded. In an all-risk policy the burden of proof that the peril causing the loss was excluded falls to the insurer. In a named peril policy the burden of proof that damage was caused by an insured peril falls to the insured.

### **Automobile Liability Insurance**

**Any Auto** - incorporates all of the insurance coverage parts below.

**All Owned Autos** - coverage on a blanket basis for all Contractor-owned vehicles.

**Scheduled Autos** - coverage for only those Contractor-owned vehicles named in the insurance policy.

**Hired Autos** - coverage for borrowed, hired, rented or short-term lease vehicles. (Long-term leased vehicles are usually covered as owned vehicles).

**Non-Owned Autos** - required of Contractors who does not have "Any Auto" insurance and whose employees use personal vehicles on company business.

**Auto physical damage insurance** - Insurance on the vehicle, itself. This usually is broken down into collision and other than collision coverages.

**Bailee** - One who has is charged with the care of the property of another. For example, a garage is bailee of a customer's ("bailor's") car (the "bailment") and a jeweler is a bailee of customers' jewelry while in for repair or appraisal.

**BI** - A shorthand expression for "bodily injury."

**Bid bond** - Guarantees an owner, the "obligee," that the accepted contractor will actually undertake the work and that the contractor will furnish performance, payment, and, perhaps, maintenance bonds — or that the contractor will pay the owner the difference between the amount of the contractor's accepted bid and the bid of another contractor who has to be called in to complete the project.

**Binder** - A temporary insurance agreement that obligates the several parties of the contract if the loss insured against occurs before the policy is issued; a legal document pending issuance of the policy contract.

**Blanket Insurance** - A single amount of insurance covering several items, as opposed to "specific insurance", which covers one specific property, or a particular interest in a property.

**Bodily injury/harm** - A term that refers to physical injury, sickness, or disease, or death resulting there from.

**Bond** - A contract for expressing surety. A bond engages three entities; the "surety" (bonding company) sells the bond to the "principal" for the purpose of paying the amount the principal will owe to the "obligee" upon failure of the "principal" to perform some act or provide some service under agreed terms.

**BOP** – A shorthand expression for **Business Owners' Policy**.

**Broker** - The representative of the buyer of liability and other insurance who deals with agents or companies in arranging for the coverage required by the customer.

**Builder's Risk Insurance** - Insurance coverage to protect a building in the course of construction.

**Business Owners policy (BOP)** - A package of property and liability insurance for small and medium size businesses, the BOP owes its origin to the success of the homeowners policy.

**Carrier** - An insurance company which "carries" the insurance.

**Captive insurer** - An enterprise with all the authority to perform as an insurance company, but is organized by a parent company for the express purpose of providing the parent company's insurance.

**Care, custody, or control** - An expression common to liability insurance contracts. It refers to an exclusion in the policy eliminating coverage for damage to property of others that is in the insured's "care, custody, or control." The insured has a bailee relationship to the property, in other words, making the insured liable for the care of the property beyond damage caused by negligence. A bailees' floater is often used to cover the insured's obligation for the care of such property.

**Casualty insurance** - The type of insurance concerned with legal liability for losses caused by bodily injury to others or physical damage to property of others.

**Certificate of insurance** - A written description of insurance in effect as of the date and time of the certificate. The certificate does not ordinarily confer any rights on the holder, i.e., the issuing insurer does not promise to inform the holder of change in or cancellation of coverage. An "information only" document.

**Claim** - The amount of damages for which an insured seeks reimbursement. Once the amount has been determined, it becomes a loss. Claim and loss are often used interchangeably.

**Claims-made Policy** - Liability insurance that applies only to a claim which is made during the policy period or during a designated **extended reporting period** beyond expiration. Any form of insurance under which the trigger of coverage is the presentation of a claim against the insured rather than the date on which the loss occurred. Opposed to "**occurrence**" policy.

**Collision insurance** - A type of physical damage insurance available for automobiles. Coverage is triggered when damage is caused by striking against another object.

**Combined Single Limit (CSL)** - Single limit of liability coverage for both bodily injury and/or property damage, contrasted with split limits, where specific limits apply to bodily injury and property damage separately.

**Commercial Bonds** - A general classification of bonds that refers to all bonds other than contract and performance bonds. Commercial bonds cover obligations typically required by law or regulation. Each bond is unique to the circumstances at hand.

**Commercial General Liability (CGL) Insurance** - A broad form of liability insurance usually covering business organizations to protect them against liability claims for bodily injury and property damage arising out of their operations. CGL policies typically exclude liabilities arising out of professional services and some other risks such as the use of automobiles.

**Common Law** - The body of law derived from judicial decisions and opinions, rather than from statutes or constitutions.

**Completed Operations** - Liability a contractor might incur after the job is completed from improperly performed work.

**Contingent Liability** - Liability incurred because of negligence of a person engaged by the insured to perform work, for example, a contractor's responsibility for work of a subcontractor.

**Contract** - An agreement between two or more parties creating obligations that are enforceable or otherwise recognizable at law.

**Contract Bonds** - A general classification of bonds that provide financial security and the construction assurance on building and construction projects by assuring the project owner (obligee) that the contractor (principal) will perform the work and pay certain subcontractors, laborers, and material suppliers. In many cases, two bonds are issued: a “performance bond” to cover performance and a “payment bond” to cover labor and materials.

**Contractual liability** - Liability that arises by assumption under contract. For example, in certain leases, a tenant may assume a landlord's liability to others for unsafe conditions on the premises.

**Court/Probate Bonds – see judicial bonds.**

**Crime insurance** - A broad category of contracts covering losses of property through criminal activity — from employee dishonesty to burglary and robbery, computer fraud, and forgery. When issued by insurance companies that are referred to as **Commercial Crime Insurance**. Sureties provide similar coverage, also known as **Fidelity Bonds**. Both types of contracts are designed to reimburse the named employer for loss sustained by reason of any dishonest acts of their covered employees.

**Cross Liability** - Liability between two different insureds of a single liability insurance policy. A “cross liability”, or “severability of interests”, clause says that each insured will be treated as though the policy applied separately to each. The standard Commercial General Liability policy titles this condition a “Separation of Interests”.

**Damages** - Monetary compensation for loss or injury to person or property.

**Declarations page** - section of the insurance policy that discloses information pertinent to the coverage promised including names, addresses, limits, locations, term, premium, forms, etc.

**Deductible** - A provision requiring the insured to pay a specified portion of the loss on each claim.

**Direct Writers** - Insurers who sell policies through salaried employees or exclusive agents rather than through independent agents or brokers.

**Discovery Period** - Time given the insured after expiration of a policy to discover and make claim for a loss that occurred during the policy term.

**Duty to defend** - Part of the insuring agreement of many policies. The insurer has the duty to defend the insured in event of a covered loss.

**E & O** - Errors and omissions, or professional liability. Professionals, public officials, directors, and officers all make decisions, on which others rely, becoming susceptible to lawsuits for errors or omissions. See **malpractice**.

**Employers Liability** - Legal liability imposed on an employer making him responsible to pay damaged to an employee injured by the employer's negligence.

**Endorsement** - A provision added to an insurance policy to modify it. An endorsement supersedes the printed policy text. If two endorsements contradict each other, the one with the latest date prevails.

**Exclusion** - Coverage that is specifically eliminated from an insurance policy.

**Excess insurance** - Coverage that applies on top of underlying insurance that is primary, i.e., that pays until its coverage limit is exhausted at which point the excess coverage takes over. There may or may not be underlying insurance for losses less than this amount

**Exposure** - An estimate of the probability and potential severity of loss from some hazard, contingency, or circumstance. Often used as a synonym for risk.

**Extended Reporting Period** - The time period beyond the expiration of the original policy term during which an insured may report claims from acts that occur within the original policy term and obtain coverage for such claims.

**Fidelity Bond** - See Crime Insurance.

**Fiduciary** - One who is appointed to act in the best interests of another. A fiduciary is a person appointed by the court to handle the affairs of persons who are not able to do so themselves. Fiduciaries are often requested to furnish a bond to protect against a lack of faithful performance of their duties.

**Fiduciary Bonds** - Bonds which protect against dishonest accountings and a lack of faithful performance of duties by administrators, trustees, guardians, executors, and other fiduciaries. Fiduciary bonds, in some cases referred to as probate bonds, are required by statutes, courts, or legal documents for the protection of those on whose behalf a fiduciary acts. They are needed under a variety of circumstances, including the administration of an estate and the management of affairs of a trust or a ward. Also see **judicial bonds**.

**Fiduciary liability insurance** - This insurance covers claims arising from: (1) a breach of the responsibilities or duties imposed on a benefit plan administrator; or (2) a negligent act, error, or omission of the administrator.

**Financial Responsibility Law** - A law requiring persons involved in auto accidents to provide a certain minimum amount of money, usually satisfied by insurance policies. All states have such a law.

**Fire legal liability** - Public liability policies routinely exclude coverage for damage to property in an insured's care, custody, or control. This leaves a big gap in a tenant's coverage, a gap partially filled by an exception in the commercial general liability policy that restores limited coverage for fire damage to the landlord's building. Perhaps the best benefit of the exception is to call attention to the exposure so arrangements can be made for broader coverage at appropriate limits.

**Floater** - A policy covering property which may not have a fixed location.

**Force Majeure** - A clause in contracts excusing the contractor from performance if he is restrained by acts beyond his control.

**Hazard** - A condition that creates or increases the probability of a loss. It differs from "peril", which is a cause of loss.

**Hold harmless agreement** - A contractual assumption by one party of the liability exposure of another. Lease agreements, for example, commonly require the tenant to hold the landlord

harmless for bodily injury or property damage experienced by others on the premises. **Hold harmless** by itself does not imply indemnification. **Indemnification** includes assuming the financial responsibility for all claims brought against the protected party within the scope of the agreement. **Hold harmless agreements** only prevent the agreeing party from bringing action against the protected party; it doesn't protect from the actions of other parties.

**Implied Warranty** - A warranty arising by operation of law because of the circumstances of a sale, rather than by the seller's express promise.

**Improvements and Betterments** - Improvements paid for by the tenant which adds value to leased premises.

**Indemnify** – A duty to make good any loss, damage, or liability another has incurred. To indemnify is a fundamental concept governing insurance. With an indemnification policy, no claim need be paid until the insured has actually suffered a loss. In a property and casualty contract, the objective is to restore an insured to the same financial position after the loss that he or she was in prior to the loss. The insured should not be able to profit by damage or destruction of property, nor should the insured be in a worse financial position after a loss.

**Indemnity Contract** - Arises when one individual takes on the contractual obligation to pay for any loss or damage that has been or might be incurred by another individual. The *right to indemnity* and the *duty to indemnify* ordinarily stem from a contractual agreement, which generally protects against liability, loss, or damage.

**Indemnification Agreement** - A contract provision whereby one party assumes certain legal liabilities on behalf of another party. Such a contract provision could be of **limited** form, where a party reaffirms responsibility for its own negligent acts thus protecting another party from vicarious liability; an **intermediate** form, where a party reaffirms its responsibility and agrees to share responsibility for joint and concurrent negligence of both parties; or a **broad** form, where a party assumes responsibility for all liability including that arising out of the sole negligence of the other party.

**Insurable Interest** – The financial or legal interest that an insured must have in the person, object or activity covered by an insurance policy. No insurance policy should be issued to insure anyone who will not actually be out-of-pocket if the calamity which is insured against should happen; an essential element of an insurance contract. If the policy does not have an insurable interest as its basis, it will usually be considered a form of wagering and therefore held to be unenforceable.

**Insurance** - A legal contract whereby the insurer, for a consideration (the premium) agrees to indemnify the insured for loss from specified perils and under certain conditions. A mechanism by which the risk of financial loss is transferred from an individual, company, organization, or other entity to an insurance company.

**Insurance Services Office (ISO)** - An organization providing statistical information, actuarial analyses, policy language, and related services for the insurance industry.

**Insured** - The person who has purchased an insurance policy and is protected by it; sometimes also referred to as the assured.

**Insurer** – An Insurance Company.

**Joint and several liability** - A legal doctrine under which a creditor or claimant may demand payment or sue one or more of the parties separately or all of them together.

**Judicial bonds** - Two types of bonds available to guarantee faithful performance of court appointed duties. Fiduciary bonds guarantee the faithful performance of persons entrusted by the courts in the management, conservation, and disposition of property. Litigation bonds (or "court bonds") are required in court actions. Bail bonds and appeals bonds are litigation bonds; where the bond amount is forfeited if the bonded person disappears or the appeal is lost.

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

**Law of large numbers** - An underlying principle of insurance; the larger the number of participants in a given arrangement, the more accurate the rate is to the exposure.

**Liability** - A legally enforceable obligation or responsibility, in the insurance context liability is usually pecuniary.

**Liability Insurance** (general liability insurance) - Refers to the form of coverage whereby the insured is protected against injury or damage claims from other parties. Any form of coverage whereby the insured is protected against claims of other parties from specified clauses.

**Libel** - A written defamatory statement about another.

**License and Permit Bonds** - Bonds required as part of the licensing or permitting within many cities, counties, states or other political subdivisions. They may be required for a number of reasons, including the payment of certain taxes and fees or providing consumer protection as a condition to granting licenses related to selling things such as motor vehicles or contracting services.

**LIMIT**— The maximum amount for which an insurer may be liable for any loss, as set forth in an insurance policy.

**Aggregate Limit**— The maximum amount of coverage that an Insurer will pay for all losses during a specific period of time, usually the contract period, no matter how many separate accidents may occur.

**Annual Aggregate Limit**— The maximum amount payable under an insurance policy for all losses occurring within a particular calendar or fiscal year.

**Per Accident Limit**— The maximum amount the insurer will pay for claims growing out of a particular accident, regardless of the number of persons injured or property interests damaged.

**Per Person Limit**— The maximum amount the insurer will pay for bodily injury to any one person in any one accident.

**Single Limit**— The overall maximum on the insurer's liability for all types of bodily injury, property damage or personal injury claims growing out of one accident, regardless of the number of persons suffering injury.

**Split Limit**— Separate limits of liability for bodily injury and property damage claims. Many split-limit liability policies contain three separate limits for (1) bodily injury to each insured person, (2) bodily injury to two or more persons injured in the same accident, and (3) property damage per accident.

**Long tail** - Refers to liability under policies written on an occurrence basis. Claims stemming from injury or damage occurring years earlier can be presented for coverage long after the policy has expired. Contrast with Claims-made.

**Loss Payable Clause** - A policy clause providing for payment to a third party at interest, such as a mortgage holder or lien holder, as its interests appear. See **Loss Payee**.

**Loss Payee** - The party named in a loss payable clause, to which insurance proceeds are to be paid in the event of damage to property in which the loss payee has an insurable interest.

**Malpractice** - Improper professional actions or failure to exercise proper professional skills by a person practicing a profession, such as a physician, lawyer, architect, accountant, etc. that result in harm to the client or patient. Professional liability is a somewhat broad term, which includes both bodily injury and financial injury. See **Errors and Omissions**, (E&O).

**Maintenance bond** - Guarantees that faulty work or defective materials charged to the bond principals will be corrected or replaced. A maintenance bond may be included among the terms of a performance bond

**Named Insured** - The one named in the insurance policy. It could be any person, firm, or corporation or any of its members specifically designated as insureds in the policy. A named insured under the policy has rights and responsibilities not attributed to additional insureds. See **“Additional Insured”**

**Negligence** – The failure to exercise the standard of care that a “reasonable person” would have exercised in the same situation. This can include an act or a failure to act. Negligence is also a tort (a civil wrong for which a legal remedy may be obtained) grounded in such a failure which is usually expressed in terms of the following elements: duty, breach of duty, a direct causal link between the breach and the harm, and damages or harm.

**Non-admitted Company** - See “Admitted Company”.

**Non-owned Auto** - This term signifies an auto that is not owned, hired, nor borrowed by the insured under a commercial auto policy. Employees' cars used in company business are commonly classified this way. The employer's auto liability cover for use of non-owned autos is covered by entry of symbol 1 ("any auto") or symbol 9 ("non-owned autos") on the declarations page.

**Obligee** - A term used in surety bonds to refer to the individual or firm that is to benefit from the bond's protection. A performance bond, for example, provides the obligee property owner with recourse if the bonded contractor, the principal, fails to perform.

**Obligor** - A term used in surety bonds to refer to the individual or firm bound by an obligation. Also known as the "principal".

**Occurrence** - in insurance contract language, continued or repeated exposure to conditions which unexpectedly results in injury during the period an insurance policy is in effect; in contrast to sudden injury or damage from an accident which takes place at a specific time and location. A basis for coverage in general and auto liability policies.

**Occurrence Form** - An insurance policy whereby coverage is provided for losses stemming from an event when the insurance policy was in force even if the claim is not made for several years. There is no cut-off date after which a claim will not be honored, except for the workings of a statute of limitations that may apply in a particular jurisdiction.



**Owners and Contractors Protective Liability Insurance (OCP)** - Insures the legal liability of contractors and other persons for the negligent acts of subcontractors and may include their own negligent supervision of the work performed. The State would be the named insured.

**Other Insurance Clause** - A clause found in almost every policy stating how it will respond when other insurance policies also cover a claim.

**Paid losses** - The losses that have been paid for a claim.

**Performance bond** - A bond that guarantees the property owner (the "obligee") that the contractor with the winning bid on a job will perform as promised and on time.

**Payment bond** - Sometimes also called a "labor and materials bond," this bond guarantees that bills owed by the contractor will be paid as they come due. The agreement may be incorporated into the performance bond.

**PD** - A shorthand expression for "property damage."

**Peril** - A cause of loss, such as fire, earthquake, and flood.

**Personal injury** - Distinguished from "bodily injury," this term relates to any harm including bodily injury or harm, any invasion of personal rights, and in the worker's compensation context any harm, including a worsened preexisting condition, that arises in the scope of employment.

**Premises and operations liability** - Once known as owners, landlords, and tenants legal liability, or as manufacturers and contractors liability, depending on the business's activity, the term refers to the liability exposure of business entities to third parties (customers, guests, and passers by) who may become injured or have property damaged through the negligent acts of the business persons, their agents, or employees. Coverage of this exposure is by way of the commercial general liability policy. Contrast with Products and completed operations liability.

**Primary Insurance** - The first policy applicable to a claim; as opposed to excess insurance, which applies once the primary limits are exhausted.

**Principal** - In suretyship, the party whose actions, honesty, or responsibility are being guaranteed.

**Products and completed operations liability** - The liability exposure of the manufacturer whose malfunctioning products may cause injury or property damage or of the contractor whose failed structures or projects may do the same. Coverage of the exposure is a feature of the commercial general liability policy. The insurance does not in any way constitute a guarantee of either the insured's product or work. Contrast with **Premises and operations liability**

**Professional Liability** - See E & O

**Property Damage Liability Insurance** - Covers the insured's legal liability for negligent damage to property of others.

**Real property** - Land and anything growing on, attached to, or erected on it, such as buildings, and other structures (such as a swimming pool or tool shed).

**Renewal** - The extension of the term of coverage of an expired policy, commonly by replacement with another policy effective on the date of expiration of the previous policy.

**Replacement cost insurance** - Covers property — both building and contents — on the basis of full replacement cost without deduction for depreciation on any loss sustained, subject to the terms of the co-insurance clause. See Actual cash value.

**Retention** - That portion of loss an insured undertakes to handle on his or her own. Same as a deductible except a policy with a deductible usually pays the entire loss then collects the deductible from the insured. A deductible is a form of **self-insured retention**

**Retro Date** - This term refers to the inception date of the first policy written on a claims made basis. The date is designated on each succeeding claims-made policy, thereby affording coverage for any occurrences that may have taken place since the retroactive date, provides that they are reported between the inception and expiration of the current claims-made policy.

**Rider** - Endorsement.

**Risk** - The chance of loss. The magnitude of risk is a function of the probability of an unfavorable outcome and the severity of the consequences of that outcome.

**Risk Management** - The process of minimizing the probability and severity of an unfavorable outcome at the lowest long-term cost to the organization.

**Schedule** - A list of items insured. **Schedule** - List of items on a policy declaration, sometimes also showing descriptions and values.

**Self-Insurance** - The systematic provision of a fund to provide for the loss which the individual or firm may have. A term used when it has been decided to assume one's own risk through internal financing mechanisms rather than to purchase insurance.

**Self-Insured Retention (SIR)** - See "Retention".

**Severability of Interests** - See "Cross liability".

**Statutory Law** - Written law created by the legislature, as opposed to common law which is derived from custom and judicial opinions.

**Solvency** - Insurers must have sufficient assets (capital, surplus, reserves) in order to satisfy statutory financial requirements (investments, annual reports, examinations) and to meet liabilities

**Strict liability** - Liability that does not depend on actual negligence or intent to harm, but is ascribed to a manufacturer or seller as an absolute duty to make something safe. Strict liability most often applies to ultra hazardous activities or products.

**Subrogation** - The right of one party who has paid for the loss of a second party to obtain recompense from the third party who is responsible for the loss. For example, an insurance company becomes "subrogated" to the rights of its insured to the extent of the insurer's payment for collision damage caused by the negligence of the other driver.

**Surety Bond** – See bond.

**Surety Company** – A company licensed by the state insurance department to write bonds (surety and fidelity). Most bond companies are divisions of a large property/casualty insurance company.

**Surety Association of America (SAA)** - A voluntary, non-profit, unincorporated association that is licensed as a rating or advisory organization for surety and fidelity insurance in all states, D.C., and Puerto Rico. The SAA handles statistical information, filings, publications, and surety and fidelity bonds

**Term** - The length of time for which an insurance policy or surety bond is written and in effect.

**Third party** - Someone other than the insured or insurer who may become a claimant under a form of public liability coverage because of injury or property damage alleged to have been caused by the negligence of the insured.

**Tort** - A wrongful act or omission, other than a crime or breach of contract, for which the remedy is usually monetary damages. Many tort claims arise from **negligence**.

**Third party administrator (TPA)** - A TPA is a contractor that adjusts and administers insurance claims.

**Tail coverage** - Coverage for claims made after a claims-made liability policy has terminated; the extended reporting or discovery period.

**Umbrella Insurance** - A broad, high-limit policy, usually requiring the insured to carry primary or underlying insurance. An umbrella policy generally differs from an excess policy in that the umbrella can provide some coverage not available from underlying policies - subject to a significant self-insured retention.

**Underground Storage Tank (UST)** - Tanks sunk in the ground that are used to store or dispose of gasoline or other fuels, hazardous chemicals, or other pollutants or contaminants.

**Underinsured motorists' coverage** - Coverage for the insured and passengers whenever the at-fault driver in an accident has auto liability insurance with lesser limits than the insured's. This coverage lies atop "uninsured motorists' coverage" or atop the at-fault driver's low limit automobile liability insurance and provides the insured and passengers with protection equal (usually) to the insured's own automobile liability cover.

**Underlying insurance policy** - The policy providing initial coverage for a claim until its limit of liability is reached and an umbrella or excess policy's coverage is triggered.

**Underlying limits** - The limits of liability of the policies underlying an umbrella or excess policy.

**Underwriter** - One who researches and then accepts, rejects, or limits prospective risks for an insurance company.

**Valuable papers coverage** - Provides "all risk" coverage on "valuable papers," such as: written, printed, or otherwise inscribed documents and records, including books, maps, films, drawings, abstracts, deeds, mortgages, and manuscripts. It covers the cost of research to reconstruct damaged records, as well as the cost of new paper and transcription.

**Waiver** - Surrender of a known right; for example, waiver of subrogation under a fire insurance policy.

**Waiver of subrogation** - A waiver by the named insured giving up any right of recovery against another party. Normally, an insurer has the right of subrogation and insurance policy requires that subrogation (recovery) rights be preserved. In some insurance policy, a written waiver of rights is permitted if it is executed before the loss occurs.

**Wear and tear exclusion** - A common heading for an "all risks" exclusion relating to a group of events that do not represent risk at all. Property will become worn out and torn; it will rust, settle, become rotted, infested, marred, scratched, etc. It is easy to distinguish however between the marring that occurs over time (excluded) and marring that occurs when a concrete block is dropped onto a fine wooden table.

**Warranty** – In the insurance context, a pledge or statement by the insured that the facts relating to the person or thing insured, or the risk insured are as stated.. A breach of warranty usually voids the policy.

**Workers Compensation Insurance** - An insurance system in which liability is imposed by statute on an employer, whether or not the employer has been negligent, who must provide benefits prescribed by law to employees or their dependents as a result of job-related injuries or death.