

Glossary of Terms

Accounts Receivable (Property) Insurance that covers the inability to collect billings owed to you, after supporting records are damaged or destroyed by a peril covered in the policy.

Advertising Injury is a General Liability coverage for unintentional slander, libel, infringement of copyright, trademark or slogan arising from your firm's advertising.

Boiler & Machinery Insurance is sometimes referred to as **Mechanical/Electrical Equipment Breakdown** or "Energy Systems" Insurance to emphasize that it does not apply solely to boilers. In addition to paying the cost to repair or replace the damaged equipment, it also pays for extra expense losses when a breakdown causes business interruption; other expenses incurred to limit the loss or speed business restoration; and the loss value of spoiled products or materials.

Business Owner's Insurance (BOP)

A Business Owner's Policy is commonly called BOP. It combines protection for all major property, loss of income, and liability risks in one package. BOPs include:

- **Property Insurance** for buildings and contents owned by the company.
- **Business Interruption Insurance** which covers the loss of income resulting from a fire or other catastrophe that disrupts the operation of the business. It can also include the extra expense of operating out of a temporary location.
- **Liability** protection which covers your company's legal responsibility for the harm it may cause to others. This could include liability for accidents that occur on the owner's premises. General liability, however, does not cover loss due to your professional errors or negligence, which is normally covered by Errors and Omissions Insurance.

Business Income

Business Income (also known as Business Interruption Insurance) is part of a Business Owners Policy. Coverage provides for the loss of business income during a business shutdown caused by a covered loss to your property. Salaries of "key" people are normally covered, and coverage is available for "ordinary" payroll.

Business Interruption

Business Interruption (as part of a Business Owner's Policy) covers the loss of income during a business shutdown caused by a covered loss. This coverage is critical because your business could lose income for several months if your premises were seriously damaged. Salaries of "key" employees are normally covered, and coverage is available for "ordinary" payroll.

Crime Coverage

Crime Coverage is available to business owners and protects against loss of money and/or loss involving employee dishonesty. These types of coverage are usually excluded or may be restricted under standard property policies. Crime policies offer a package of coverages that are important to many organizations.

Deductible

A deductible is that portion of a loss considered the responsibility of the insured. Property policies require that you pay a certain amount of all losses. Only that portion of the loss, in excess of the deductible, will be paid by your insurer. You may wish to solicit quotes for various deductible levels to determine what cost savings are possible.

Directors' and Officers' Liability

This is an "errors and omissions" type of coverage for corporate directors and officers. Even companies that are privately held should consider this coverage. Claimants can include competitors, suppliers, customers, employees, investors/shareholders of the company, and government agencies.

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Electronic Data Processing Equipment Endorsement

This endorsement available to business owners, adds coverage for mechanical breakdown of computer equipment. It can also include costs to restore damaged media.

Employee Benefits Liability

This covers errors and omissions in the administration of Employee Benefit Plans. For example, through an oversight your company fails to enroll an employee in the Medical Insurance program and following an illness, substantial bills are not insured. This coverage can be added to a general liability policy or it can be obtained under a fiduciary liability policy.

Errors & Omissions

This is a policy that covers errors and omissions in the performance of professional duties. Errors and omissions coverage may include legal defense costs and any resulting judgments, up to the limits of the policy. This is very important for any firm acting in a professional capacity. Most professional liability policies are written on a claims-made basis. This means that the policies respond to claims made while the policy is in force (or during the extended reporting period). Claim reporting requirements should be thoroughly reviewed.

Fiduciary Liability

This policy covers the liability of a person who acts as a fiduciary for his or her firm's Employee Benefits Plans. The Employee Retirement Income Security Act (ERISA) imposes fiduciary responsibilities upon the employers for the administration of such plans. A fiduciary can be held personally liable for shortages in the benefit plan's assets resulting from a breach of fiduciary duty, such as improper investment of funds.

Fine Arts

Frequently coverage is specifically endorsed for valuable paintings, statuary, and other art objects. An appraisal may be required to establish an object's value.

General Liability covers your company's legal responsibility for the harm it may cause to others. This includes bodily injury, property damage or loss, personal injury which includes slander or libel, and advertising injury. General Liability also covers the cost of your legal defense. Note that general liability does not cover loss due to your professional errors or negligence, which is normally covered by Errors and Omissions Insurance.

Inland Marine is a term for insurance that primarily covers property in transit, or transportable property which is often at different locations. Inland Marine also covers customers' property at your location.

Medical Payments

Coverage that pays the medical bills of non-employees (for example, a guest falls on your premises) without actually establishing your legal liability. This coverage functions as a goodwill gesture, intended to avoid litigation.

Multi-Peril Package

A package of policies, including property and general liability, that covers a number of perils or sources of loss such as fire, burglary, and liability.

Modification Factors

Some policies are subject to an "experience modification factor." This factor increases or decreases your premium based upon your company's loss experience. Companies with adverse loss experience will pay a higher rate than a company with good loss experience.

Personal Injury is a general liability coverage for unintentional slander, libel, false arrest, or wrongful entry.

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Premises and Operations is a liability coverage that protects against liabilities arising from your premises or operations in progress, on or off your premises.

Products/Completed Operations is a liability coverage that protects against liabilities for injury or damage caused by your products or by your completed work.

Professional Liability

Professional liability covers the errors and omissions in the performance of professional duties. Errors and omissions coverage may include legal defense costs and any resulting judgments, up to the limits of the policy. This is very important for any firm acting in a professional capacity. Most professional liability policies are written on a claims-made basis. This means that the policies respond to claims made while the policy is in force (or during the extended reporting period). Claim reporting requirements should be thoroughly reviewed.

Property Insurance covers damage to property that you own. The most common type of property insurance covers direct physical damage to a building and any furniture, fixtures, stock or equipment, and other contents inside that building in the event of damage by fire, theft, or other means.

Stop Gap Liability

With regard to Workers' Compensation Insurance, there are certain "monopolistic" states that do not provide employer's liability in their workers compensation policies, and it must be purchased separately. Stop Gap Liability provides employer's liability coverage for those states.

Umbrella and Excess Liability

Umbrella policies provide additional amounts of insurance over other existing (underlying) liability coverages. Typically, umbrella policies go over your automobile liability, general liability, and employer's liability (part of a Workers Compensation policy) coverages. When the liability limits of existing policies are exhausted, additional coverage is provided by an umbrella policy.

Valuable Papers

The valuable papers endorsement provides coverage for the additional costs to research or restore damaged documents, drawings, or records. It is an important consideration for groups that could lose valuable documents in a property loss.

Workers' Compensation

Workers' Compensation policies include two basic coverages. The first coverage provides medical expense benefits, rehabilitative benefits, and lost wages for employees who are injured or disabled as a result of a job-related illness or accident, as determined by applicable state workers compensation laws. The second coverage is Employer's Liability. This section covers suits by employees against their employers for job-related accidents. Suits can also come from family members of employees. Workers' compensation laws often limit the liability of employers to employee suits, but suits are still possible.

This information should not be construed as legal advice or a legal opinion on any factual situation. This summary is for illustrative purposes and is not a contract. It is intended to provide a general overview, at the time first posted, of the topics described. Only the insurance policy can give actual terms, conditions, and exclusions.

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