



## **U.S. Rotary Club & District General Liability Insurance Program 2005-2006 Glossary of Insurance Terms**

### Additional insured

A person or organization not automatically included as an insured under an insurance policy, but for whom limited insured status is arranged. Additional Insured status does not extend full general liability insurance coverage to other entities, but rather provides limited coverage for an entity in the event a claim arose from your club's acts or omissions. An additional insured is not covered for its own acts or omissions. To protect itself from such claims, the additional insured would have to secure its own general liability policy.

### Automobile Liability Insurance

Covers bodily injury and property damage sustained by third parties arising from the ownership, maintenance, or use of motor vehicles by an insured.

### Automobile Comprehensive Insurance

Covers an insured motor vehicle for physical damages resulting from any cause, except those specifically excluded. It covers losses arising from theft, vandalism, windstorm, flood, and fire, but not those arising from collision.

### Automobile Collision Insurance

Covers an insured motor vehicle for physical damages resulting from colliding with another object.

### Assessment

An amount per Rotarian that is directed towards funding anticipated losses, purchasing excess and umbrella insurance, and covering administrative expenses for the U.S. Rotary club & district general liability program.

### Bodily Injury

Includes physical injury, sickness, disease or death. General liability insurance covers third party bodily injury claims; personal health, medical, and travel insurance policies cover first party bodily injury claims.

### Captive Insurance Company

An insurance company wholly owned by an organization established primarily to provide a particular line of insurance to that company. Captives typically emerge when the traditional private insurance market fails to cover an insured's needs in a cost-effective manner.

### Care, Custody, & Control

A common provision in liability policies excluding coverage for physical damage or loss to property of others that is in the care, custody or control of an insured.

### Certificate of Insurance

A document evidencing an insured's coverage, limits, and insurers. A certificate of insurance is sometimes referred to as "proof of insurance."

### Claim

A demand by an individual or corporation to recover for an alleged loss. In order for a demand to qualify as a claim, the third party must show that a duty of care was present for the insured, that the insured breached that duty and that the claimant incurred damages because of the breach.

### Crime Coverage

Covers loss of money and securities arising from dishonesty, theft, burglary, mysterious disappearance, and computer fraud. Crime coverage is sometimes referred to as fidelity coverage or an employee dishonesty bond.

### Damages

In a third party claim damages refer to both the dollar amount for medical bills resulting from an injury and lost time from work. It also refers to dollar amounts to compensate claimants for their pain and suffering. These are 'special' damages and 'general' damages respectively.

### Deductible

The portion of a covered loss that must be borne by the insured prior to the insurer providing coverage.

### Directors and Officers (D&O) Liability Insurance

Covers against "wrongful acts" of an organization and its directors and officers. Each policy defines "wrongful act" differently, but, in general, it means actual or alleged acts or omissions including breaches of duty, such as mismanagement of the organization, by directors, officers or other insureds. Most D&O policies exclude coverage for bodily injury and property damage. This type of coverage is not offered through the U.S. Rotary Club and District General Liability Program.

### Dram Shop Liability Insurance

A mandated form of liquor liability coverage for establishments in the business of selling or serving alcohol. The laws vary, but most provide that the owner of such an establishment is liable for injury or damage caused by an intoxicated person if it can be established that the liquor licensee caused or contributed to the intoxication of the person. While some minor nuances exist, the term dram shop liability is often used interchangeably with the term liquor liability.

### Employee Dishonesty Bond

See *Crime Coverage*.

### Errors and Omissions (E&O) Liability Insurance

Provides liability coverage for traditional professionals (doctors, dentists, lawyers) and quasi-professionals (real estate brokers, insurance agents, accountants) resulting from errors and omissions in performing professional services.

### Excess Insurance

An insurance policy covering a specific exposure and applying only when the limits under the scheduled primary or self-insurance have been exhausted. While some minor nuances exist, excess insurance and umbrella insurance tend to be used interchangeably.

### Fidelity Coverage

See *Crime Coverage*.

### Fire Damage Legal Liability Coverage

Covers an insured's liability to a third party due to fire damage to premises rented to an insured.

### First Named Insured

A person or entity listed first on the policy declarations page as an insured. The first named insured is granted certain rights and responsibilities that do not apply to the policy's other named insureds. For example, first named insureds receive cancellation notices and return premium and are responsible for providing notice of loss and premium payments to the carrier.

### First Party

The insured in an insurance contract. General liability coverage protects first parties from third party suits.

### General Liability Insurance

Provides protection from claims that assert negligence against an "insured" resulting from third party bodily injury, personal injury, or property damage.

### Hired Auto Liability Coverage

Covers bodily injury and property damage sustained by third parties arising from an auto the insured leases, hires or borrows. This coverage is usually found in conjunction with non-owned auto liability coverage.

### Hold Harmless Provision

A contractual provision that requires one party to respond to certain legal liabilities of another party. A hold harmless provision is often used in conjunction with an indemnification provision.

### Incident

An accident or event that may give way to a claim at a later date. The term is sometimes used interchangeably with "occurrence."

### Indemnification Provision

A contractual provision or agreement in which one party assumes financial responsibility for the liability of another party. An indemnification provision is often used in conjunction with a hold harmless provision.

### Insured

A person or organization, or any of its specifically designated members, covered under an insurance policy. An insured is also one who, although unnamed, falls within the policy definition of an “insured.”

### Liquor Liability

Liability for damages to a third party arising from selling, servicing or furnishing alcoholic beverages. While some minor nuances exist, liquor liability is often used interchangeably with the term dram shop liability.

### Medical Payments Coverage

This coverage reimburses a third party, without regard to an insured’s liability, for medical expenses incurred as a result of bodily injury in connection with an insured’s activities or operations.

### Negligence

The failure to exercise the degree of care considered reasonable in a given set of circumstances. Negligence must be proven for a third party claim of damages to be accepted.

### Non-Owned Auto Liability Insurance

Covers bodily injury and property damage sustained by third parties arising from an auto that the insured does not own, lease, hire or borrow. This coverage is usually found in conjunction with hired auto liability coverage.

### Occurrence

An accident or event that may give way to a claim at a later date. The term is sometimes used interchangeably with “incident.”

### Personal and Advertising Injury Coverage

Harm done to a third party’s reputation or standing in the community that arises out of one or more of the following:

- False arrest, detention or imprisonment;
- Malicious prosecution;
- Wrongful eviction from, wrongful entry into, or invasion of the right of private occupancy of a room, dwelling or premises;
- Written or oral publication of material that libels or slanders a person or organization;
- Written or oral publication of material that violates a person’s right of privacy.
- Misappropriation of advertising ideas or style of doing business; or
- Infringement of copyright, title or slogan.

### Premises Operations Liability Coverage

Liability to a third party arising out of an insured’s premises or out of an insured’s business operations while such operations are in progress.

### Products/Completed Operations Liability Coverage

Liability to a third party arising out of an insured’s products or business operations conducted away from the insured’s premises once those operations have been completed or abandoned.

### Proof of Insurance

See *Certificate of Insurance*.

### Property Damage

Physical damage to tangible property, including the use of that property. General liability insurance covers third party property damage claims.

### PPH National Insurance Co.

A captive insurance company established and wholly owned by Rotary International to provide the first layer of general liability insurance coverage to U.S. Rotary clubs and districts.

### Self Insurance

A way of financing a particular type of risk rather than insuring it through the traditional insurance market. Funds that otherwise would be used to pay insurance premium are placed in a self-administered fund to pay future losses.

### Self-Insured Retention (SIR)

A dollar amount that an insured retains in order to pay smaller losses. Once the amount of the SIR is exhausted the insurer responds to any additional claims.

### Third Party

Under an insurance contract, the person or organization who is making a claim for damages that allegedly result from the insured's negligence. In a liability insurance policy, the first and second parties enter into a contract to pay third party claims.

### Umbrella Insurance

An insurance policy that provides coverage over a number of primary policies to protect an insured from catastrophic loss. Umbrella policies provide additional limits when the occurrence or aggregate limits from a scheduled underlying policy has been exhausted. While some minor nuances exist, umbrella insurance and excess insurance tend to be used interchangeably.

### Vicarious Liability

Occurs when an insured is held liable for the negligent actions of another person or organization over which the insured has control. Examples include the parent-child and employer-employee relationships.

### Waiver

The surrender of a right (such as the right to file a damage claim).

### Workers Compensation Insurance

Provides the benefits required by statute for injuries and illness sustained by employees arising out of and in the course of their employment.