GLOSSARY OF INSURANCE TERMS ~ C

Calendar Year Experience: Calendar year experience is the statistical matching of all losses incurred (not necessarily occurring) within a given 12-month period, usually beginning on January 1, with all premium earned within the same amount of time. Accident year experience is the statistical matching of all losses occurring (regardless of when the losses are reported) during a given 12-month period of time, with all premium earned (regardless of when the premium was written) during the same period of time. Yet a third related term is policy year experience which, to put it simply, is the statistical segregation of all premiums and losses attributable to policies having an inception or renewal date within a given 12-month period. Also known as accident year experience. (See Accident Year Experience, and Policy Year Experience.)

Cancelable Policy: the insured or the insurer may cancel this type of insurance policy at any time, as long as the other party is notified according to the terms and conditions set forth in the policy, and the appropriate time is allowed during the notification process.

Cancellation Notice: The notice issued by one party of the policy to the other, informing of the intent and request to cancel. The policy provisions must be followed during the notification process with respect to how the notice must be given (normally in writing), the number of days that must be allowed, and how the notice must be delivered (registered mail, delivery, etc.).

Capacity: The amount of insurance (measured either by face value of policies or by premium) that an insurer is able or willing to issue as a maximum, as limited by legal restrictions, corporate restrictions, or indirect restrictions. Legal restrictions (e.g., "no policy may be issued for an amount in excess of 10% of policyholder surplus") or corporate restrictions (e.g., a board of directors resolution that "the company shall not knowingly commit itself to a policy amount in excess of $10 million") establish the maximum capacity an insurer is able to write. Indirect restrictions on the capacity an insurer is willing to write include: 1) the financial strength (policyholder surplus) of the insurer, or 2) the willingness of the insurer to venture a portion of its current anticipated underwriting (or overall) profit on a single policy (this willingness could also be expressed as a percent of annual premium) and the confidence felt in that anticipated result.

Capital Stock Insurance: Insurance business transacted by an insurer whose ownership element is divided into shares of stock represented by certificates, as opposed to a mutual insurer which does not have capital stock and whose ownership element is divided among its policyholders. While a stock insurer has both stockholders (its owners) and policyholders (its customers), a mutual insurer has only policyholders (its owners and customers).

Capital Sum: The total policy amount, the entirety of which is made in a one-time payout to the beneficiary of an accident policy in the event of accidental death or dismemberment of the insured.

Captive Agent: An agent who, by contract, represents only one company and its affiliates. Sometimes called an exclusive agent.

Captive Insurance Company: A company that is wholly owned by another organization (generally non-insurance), the main purpose of which is to insure the risks of the parent organization. A single parent owns a pure captive, while an association captive is owned by a group of companies usually in the same line of business.

Cargo Insurance: A generic term used in both inland marine and ocean marine insurance to designate the types of insurance available to provide coverage for cargo that is being transported by truck, rail, air, ship, or boat.

Carriers Legal Liability: An insurance policy designed to provide coverage for the bailee exposure of cargo carriers that would result from damage to property of others that has been entrusted to the carrier for transport.

Cash Refund Annuity: In this type of annuity, if the annuitant dies before the balance of the annuity has been paid out in periodic disbursement, any amount remaining will be paid to a designated beneficiary in one lump sum.

Cash Value: The amount that a life insurance policy will pay the insured if the policy is terminated or canceled prior to maturity. The cash value is the amount the insured is entitled to, as stated in the policy, based upon time in the policy, limits and payments. A surrender fee, any outstanding loans, and applicable interest may reduce the amount of cash the insured will receive

Cash-flow Underwriting: Emphasis by an insurer on quick premium growth in its underwriting activities, at the expense of sound underwriting at adequate rates, with the hope that investment income from the increased premium writings will more than offset any unreasonable underwriting losses. The practice becomes more tempting as short-term interest rates rise.

Casualty Insurance: Insurance concerned with legal liability for personal injuries or damage to property of others, including many other types of insurance, such as workers compensation, plate glass, burglary, boiler and machinery, aviation, etc. "Casualty" is generally accepted to cover all classes outside the definition of "property insurance," so that a property and casualty company would tend to handle all forms of insurance other than life.

Catastrophe: A severe loss, usually involving many risks, or having substantial financial impact.

Catastrophe (excess) Cover: 1) In reinsurance, a form of excess of loss reinsurance which, subject to a specified limit, indemnifies the ceding company for the amount of loss in excess of a specified retention, with respect to an accumulation of losses resulting from a catastrophic event or series of events. The actual reinsurance document is referred to as "a catastrophe cover." 2) In primary insurance, an amount of insurance on a single risk or group of risks in excess of self-insured retention or other primary insurance.

Cause Of Loss: Previously called "peril," this is the actual type of event that causes the loss. Examples are: theft, collision, earthquake, flood, fire or mischief.

Cede: To pass on to another insurer (the reinsurer) all or part of the insurance written by an insurer (the ceding insurer) with the object of reducing the possible liability of the latter.

Ceding Company: An insurer that has bought reinsurance protection as distinguished from the reinsurer that has issued the reinsurance protection.

Certificate Of Insurance: A short-form documentation of an insurance policy

Civil Authority Clause: A provision in a policy requiring the payment of the loss suffered by the policyholder if the insured property is destroyed by the city, or other civil authority, in an effort to prevent the spread of fire.

Claim: 1) the formal request by a policyholder or a claimant for payment of loss under an insurance policy. 2) The final amount made in payment of a covered loss.

Claim Agent: In marine insurance, people authorized by a marine underwriter to survey and certify losses. Underwriters maintain claim agents in various important ports and cities throughout the world. Claim agents do not have the authority to pay losses, as do settling agents.

Claimant: One who presents a claim, or one who has suffered a collectible loss.

Claims Adjustment: The process of handling and settling claims or the amount requested by a policyholder or claimant because of a loss or damages suffered.

Claims-made: A liability insurance method covering losses from claims asserted against the insured during the policy period, regardless of whether the liability imposing causes occurred during or prior to the policy period. (However, many underwriters may not cover liability-imposing causes occurring prior to the policy period.) The coverage trigger is based on the retroactive date stated in the Declarations.

Claims-made Trigger: In order to trigger coverage in a claims-made liability policy, a claim must be made against the insured during the policy period and the injury or damage alleged in the claim must not have occurred prior to the retroactive date specified in the policy Declarations.

Class Rate: Rates developed for a line of property/casualty business based on the concept of what is average for that particular class. For example: the class rate for fire on a frame grocery store would be based on the average statistics for all frame grocery stores and would be applied to all frame grocery stores unless otherwise specifically rated. Rates are then deviated for other factors such as the public protection class and, when applicable, individual risk characteristics.

Clause: Language in a policy that describes, limits or modifies coverage granted.

Closed Panel: A requirement of a health maintenance organization (HMO) mandating that the insured or subscriber must use only the medical treatment, services, physicians, and facilities approved by the HMO.

COB--coordination Of Benefits: In health insurance, policy provisions used by insurers to avoid duplicate payment for losses insured under more than one insurance policy (e.g., automobile or health) by making one of the insurers the primary payer, assuring that no more than 100% of the costs are covered and preventing the claimant from making a profit.

Coinsurance: The provision in insurance coverages in which the insured and the insurer agree to share in the covered losses in the proportion specified in policy terms and conditions. 1) In property insurance, the policyholder must carry an amount of insurance that is at least equal to a set percentage of the value of the property in order to receive full payment of a loss. 2) In health insurance, it is the portion, normally based either on a flat dollar amount or a percentage, of each claim not covered by the insurer. Coinsurance normally applies to the amount in excess of any deductible.

Coinsurance Clause: 1) In property insurance, a clause requiring the insured to maintain insurance at least equal to stipulated percentage of value in order to collect partial losses in full. If the insurance is less than the minimum required, that proportion of the loss will be paid which the amount of insurance carried bears to the amount that should have been carried. Symbolically: Insurance Carried x Loss = Payment (subject to policy limit) Insurance Required 2) in major medical insurance, the clause that specifies the percentage of a loss which the company will pay and the percentage which the insured will bear (e.g., 8020, 7525).

Coinsurer: 1) an insured which has not carried the required amount of insurance and must bear a portion of the loss proportionate to the inadequacy. 2) In countries other than the United States, an insurer which shares a risk with one or more other insurers. 3) An insured or an insurance company which participates with an insurer in bearing losses covered by a particular policy.

Collision Damage Waiver: When renting an automobile or other vehicle from a rental agency, the rental agreement between renter and rental agency may contain an option allowing the renter to pay an additional fee in exchange for the agreement by the rental agency to waive its rights to collect any collision losses to the vehicle from the renter.

Collision Insurance: Coverage for the loss resulting from the striking of another object by a moving vehicle.

Combined Ratio: The addition of the ratio of losses incurred to earned premiums, and the ratio of underwriting expenses to written premiums.

Commercial Articles Coverage: An inland marine policy providing coverage on an "all-risk" basis for loss or damage to cameras, fine arts, and musical instruments of a business insured.

Commercial Blanket Bond: A fidelity bond which insures an employer against loss from dishonest acts committed by employees, covering all employees in the regular service of the employer during the term of the bond. The bond is issued for a fixed amount that is the maximum sum payable for any one embezzlement, whether one or more employees are involved

Commercial General Liability Policy (CGL): The commercial general liability policy provides comprehensive general liability coverage for commercial risks covering all liability exposures for all locations and causes of loss except those specifically excluded or limited either within the coverage form or by endorsement. Protection may be provided on either an "occurrence" type of policy or on a "claims-made" basis.

Commercial Lines: Types of insurance written for businesses instead of individuals (for which the term personal lines applies)

Commercial Package Policy (CPP): A package policy designed for commercial insureds that can provide in one policy, several lines of insurance business as needed by that commercial venture. Lines of business that may be included in the CPP are property/glass, general liability, inland marine, crime, boiler and machinery insurance, and commercial automobile.

Common Area: Most often used in reference to the property and liability coverages for apartments, condominiums, townhouses, cooperatives, and other related risks. Common areas are those areas not specifically owned by a tenant or individual property owner, but are owned either by the landlord or all the occupant-owners, or are under the control of the landlord or association. Common areas are open to all. The most common examples are hallways, parking areas, and recreational facilities.

Compensatory Damages: Not to be confused with punitive damages, which are additional damages requested by an injured party to punish the party responsible for the loss. Compensatory damages are normally monetary damages alleged by the claimant to compensate for actual injuries or expenses sustained. These may include all types of medical expenses, as well as other expenses such as lost wages, legal fees, pain and suffering, mental anguish, loss of consortium, etc.

Comprehensive Major Medical Insurance: Coverage designed to provide protection including that which is otherwise contained in both the basic and the major medical insurance policies. A relatively small dollar amount deductible is found in this type policy, as well as coinsurance. Dollar amounts of the benefits provided are normally higher than those found in either a basic or a major medical policy by themselves.

Compulsory Insurance: Coverage required by certain states of certain people in certain circumstances, e.g., workers compensation and automobile liability.

Concurrent Causation: Two or more proximate causes of an insured loss any one of which, according to some courts, will trigger the insurance provided such cause is an insured peril.

Concurrent Insurance: Coverage in one policy on the same property under the same conditions as another policy.

Condominium Association Coverage: Insurance policies designed to meet the specific liability exposures of condominium associations and to provide protection for the property held in common, such as the building, hallways, recreational facilities, and maintenance equipment.

Condominium Unitowners Form: Insurance policies designed to meet the liability and property needs of the condominium unitowner. Both personal and commercial versions of this type of policy are available.

Consequential Loss: In property insurance contracts, consequential losses are indirect losses, a reduction in the value of property that is a result of a direct damage loss. Usually associated with time element, other remote or indemnification type losses. Consequential losses are different than ensuing losses as consequential losses are indirect losses--not direct damage losses, where ensuing losses are further or additional direct damage losses that have been initiated by the original direct damage cause of loss.

Construction Bond: A surety bond designed to protect the owner of property on which a building or structure is being built should the contractor not complete the job. If the contractor fails to fulfill the construction contract, the insurer must then make sure the work is finished.

Constructive Total Loss: Damage to property that is so great that the cost of recovering and repairing the property would exceed the insured value.

Contingent Beneficiary: The party designated to receive the benefits or proceeds of a life insurance policy or retirement plan, should the primary beneficiary die.

Contingent Business Income: The insurance against loss due to interruption of business by fire or other insured cause of loss occurring at the premises of another on whom the continuation of the business is dependent, such as the premises of a supplier or a large customer.

Contingent Liability: 1) A liability which may be incurred by an insured as a result of negligence on the part of independent persons engaged to perform work. The most common example is the contingent liability of a principal contractor, which may result from construction operations undertaken by subcontractors. Also applies to the liability of a principal for the acts of an agent or servant. (See Protective Liability Insurance.) 2) In property damage insurance, the possibility of financial loss to a policyholder, resulting from damage or loss to the property of another, such as a supplier or a customer.

Contractors Protective Liability: A policy that provides liability coverage for the insured for the negligent acts of contractors and subcontractors hired by the insured. May also cover for their own negligent supervision of the work performed.

Contractual Liability: A legal obligation voluntarily assumed under the terms of a contract, as distinguished from liability imposed by the law (legal liability).

Contribution Clause: The clause in a policy that describes how much its issuer must pay if there is insurance in more than one company on a given loss.

Countersignature: 1) An additional signature placed on a policy by an authorized person at the time it is issued, supplementing any other signature appearing on the printed form used for the policy. 2) When used to describe a countersignature law, the signature which must be obtained from an authorized person (usually a licensed agent or broker in a state having such a law) on a policy covering property in that state, but written by a party outside the state.

Countersignature Law: State insurance laws, in some states, requiring that agents countersign policies issued to insureds within that state, but written by agents or insurers outside the state, licensed within that state.

Crime Coverages: A generic term used to encompass the variety of crime coverage forms available to protect against losses of money, securities and property by such causes of loss as: employee dishonesty, forgery, theft, burglary, robbery, kidnap, extortion, and fraud.