

## GLOSSARY OF INSURANCE TERMS ~ O ~ P

### O

**Obligee:** The party in whose favor a bond runs, such as the party protected from loss under the bond.

**Obligor:** One bound by the obligation covered by a bond. Also called the principal.

**Occurrence:** 1) in a non-insurance sense, an incident, event or happening. In insurance, the term may be defined as continual, gradual or repeated exposure to an adverse condition that is neither intended nor expected to result in injury or damage, as contrasted with an accident, which is a sudden happening. In reinsurance, per-occurrence coverage permits all losses arising out of one event to be aggregated instead of being handled on a risk-by-risk basis. 2) One basis or determinant for calculating the amount of loss or liability in insurance or reinsurance when an aggregation of related losses is to constitute a single subject of recovery. For example, in property catastrophe reinsurance treaties, occurrence is usually defined so that all losses within a specified period of time involving a particular peril are deemed an occurrence.

**OCP--owners And Contractors Protective Liability Insurance:** 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.

**Off-premises Services Coverage:** Property and time element endorsements designed to cover the insured for losses that result from the interruption of services by an insured cause of loss. The current endorsements allow the insured to select coverage for off-premises services, whether supplied by a private or public utility. Protection may be purchased for the following options, including water suppliers, communication suppliers, or power supplies.

**Open Enrollment:** A period of time during which new subscribers may elect to enroll in a health insurance plan or prepaid group practice. In the Health Maintenance Organization Act of 1973 (P. L. 93-222), the term refers to periodic opportunities for the general public, on a first-come, first-served basis, to join an HMO.

**Open Perils:** A version or type of "all-risk" property insurance in which all perils or causes of loss not otherwise excluded are covered.

**Ordinance Or Law Coverage:** A property endorsement, which provides the insured the option to purchase coverage for three types of common building ordinance or law requirements, that applies after an insured has suffered a physical damage loss such as fire. These ordinance or law damages are normally excluded in standard property coverage forms. The coverages available in this endorsement are cost to demolish the undamaged portion of the building, cost to replace with superior construction as required by law, and cost to clear the land of debris after demolition.

**Ordinary Life Insurance:** Standard or ordinary whole life insurance coverages that cover the lifetime of the insured, usually available in multiples of \$1,000. Premiums are collected annually or in some type of annual payment plan and continue for a significant period of time until the policy is paid in full, normally at an age close to retirement

**Other Insurance Clause:** Language in many policies that states the method for apportioning the loss between two or more policies covering the same property at the time of loss.

### P

**P & I Insurance:** Protection and indemnity insurance for ship owners, contractors, and charterers against liabilities arising out of the operation of the vessel for loss of life to any person, illness or injury to passengers and crew, damage to cargo while loading, carrying or unloading cargo, damage to piers and docks, and removal of wreckage as required by law.

**Package Policy:** A combination of property-liability coverages of two or more separate policies in one contract with one premium. The development of package policies is a move toward economy and efficiency in giving the policyholder one document instead of several.

**Paid-up Additions:** A life insurance option allowing the insured to use policy dividends to purchase additional limits of whole life coverage that are paid in full (paid-up).

**Paid-up Insurance Or Paid-up At Age Life Insurance:** A whole life insurance policy giving standard lifetime protection, but where the policy becomes paid in full at a certain age, such as a policy paid in full at age 60.

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**Paul Vs. Virginia:** A famous lawsuit decided in 1869 by the U.S. Supreme Court, in which the court held that insurance was not commerce and, therefore, not interstate commerce; thus, insurance was not subject to federal control. The Supreme Court upset this in 1944 in an equally famous case brought against the Southeastern Underwriters Association, usually referred to as the S.E.U.A. case. The citation is Paul vs. Virginia, 8 Wall. 168, 19 L. Ed. 35T (1868).

**Payment Bond:** A bond given by a principal, usually a contractor, to guarantee payment for labor or materials used in the work under a contract.

**Peak Season Endorsement:** A property endorsement that allows an insured to purchase additional property damage insurance for specified cyclical periods occurring on a regular basis. The insured purchases an underlying limit that remains constant throughout the entire year. Additional limits are purchased to increase the underlying limits for specified periods of time. Both the amounts and the dates of the increase are indicated in the endorsement. This type of endorsement provides protection for risks that are seasonal or have significantly higher inventories at set times each year, such as the holidays.

**Percentage Of Loss Deductible:** A type of deductible that does not specify the exact amount that will be subtracted from each loss, but rather sets a percentage of loss that will be retained by the insured. Often, this type of deductible is subject to a minimum amount and capped by a maximum.

**Percentage Of Value Deductible:** A type of deductible that does not specify the exact amount that will be subtracted from each loss, but rather sets a percentage of the value of the property that is to be retained by the insured. Often, this type of deductible is subject to a minimum amount and capped by a maximum.

**Performance Bond:** In general terms, a surety bond guaranteeing the performance of a contract usually associated with construction work, but possible for almost any kind of contract. Sometimes called a performance bond.

**Peril:** The cause of loss, for example, fire, wind, vandalism, or accident.

**Perils Of The Sea:** Causes of loss unique to the operation of ships and their cargoes, such as sinking, stranding, heavy weather, etc., but not fire, lightning or theft.

**Period Of Restoration:** In time element or business income insurance, it is the period of time in which coverage is in effect. It starts at the occurrence of the direct physical damage loss and continues until the damaged property has been rebuilt, restored, or replaced, as long as that period of time is reasonable, or until the limit has been exhausted.

**Permit Or License Bond:** A surety bond often required by municipalities and other public authorities to indemnify them against loss from breach of any regulation or ordinance under which the license or permit is issued

**Personal Injury:** Injury, other than bodily injury, resulting from false arrest, false detention, false imprisonment, malicious prosecution, wrongful eviction, wrongful entry, or the invasion of privacy of premises. It also includes injury caused by oral or written material that slanders a person, goods, products, services, or which violates the right of privacy.

**Personal Injury Protection (PIP):** Also known as no-fault insurance, PIP provides insurance for medical costs, loss of earnings, additional living expenses, and funeral costs for occupants of the insured automobile and pedestrians other than those insured under other policies.

**Personal Property:** Property other than real property; chattels.

**Personal Property Of Others:** Contents, business personal property, and any other property excluding real property, that is not owned by the insured.

**Physical Damage:** 1) as used in property or liability insurance, physical injury to tangible property. 2) As used in automobile insurance, actual damage or loss to the vehicle itself caused by collision, overturn, fire, theft, vandalism, or malicious mischief.

**Physical Hazard:** Danger of loss or liability arising from the condition, occupancy or use of property, as opposed to such danger arising from the character of the policyholder.

**Policy:** The formal written contract of insurance

**Policy Loan:** A life insurance policy nonforfeiture benefit, whereby the insured may borrow from or take a loan from the insurer based on the cash surrender value of the policy

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**Policyholder Surplus:** As reported on a statutory basis, the sum of all unassigned surplus of a mutual insurer, or for a stock insurer, the sum of all unassigned surplus and capital.

**Political Risk Insurance:** A highly specialized property coverage for risks with foreign or international exposures which provides protection against loss or damage to the covered property as a result of such acts as nationalization, expropriation, deprivation, confiscation and, at times, war and terrorism.

**Pollution Insurance:** Insurance designed to provide protection for the liability exposures that may result from damage, injury and, in some cases, clean-up costs caused by pollution. This coverage is excluded in the standard CGL, and the attempt has been to make the CGL exclusion as broad or absolute as possible.

**Port Risk Insurance:** An ocean marine insurance designed to protect a vessel that is portside for a lengthy period of time. Coverage terminates as soon as the vessel leaves port.

**Postjudgment Interest:** Interest charges assessed against settlements and awards after a judgment has been reached. These charges are assessed to compensate the injured party for the loss of use of the award or settlement funds caused by the time involved in the legal process.

**PPO--preferred Provider Organization:** A group of health care providers, each of whom agrees to offer services to a given employer or insurer at a lower cost in return for a stable volume of patients or other incentive(s).

**Prejudgment Interest:** An additional amount that an insurer may be required to pay as part of a court settlement. The amount basically represents an interest charge on the disputed settlement. The intent is to provide compensation for any settlement gap related to the payment delay caused by the lawsuit and trial process.

**Premises:** The building or section of a building, insured or containing the insured property. Depending on policy conditions, it may also include an adjacent area.

**Premium:** The amount of money an insurance company charges to provide coverage.

**Premium Adjustment Provision:** Policies for which a deposit or estimated premium is charged at inception but recalculated at expiration, based on the actual exposure covered during the policy period.

**Premium Earned:** The portion of the policy premium allocable to the expired portion of the policy term

**Prepaid Legal Expense Insurance:** Insurance covering legal costs, written generally on a group basis. Includes the indemnification through providing agreed legal services, as well as the payment of money to compensate the insured for costs. Also referred to as prepaid legal insurance.

**Presumptive Disability:** When an insurer is able to presume that a disability is permanent or for the life of the insured, based upon the type of injury experienced, such as loss of sight or limb.

**Primary Beneficiary:** In a life insurance policy, the individual named to be first to receive the policy benefits and proceeds. If any others should be listed, they are considered contingent or secondary and will collect only if the primary is deceased.

**Primary Insurance:** The insurance policy providing the first layer of coverage that will respond first to any loss exceeding the deductible.

**Principal:** In suretyship, the principal is the one whose honesty, fidelity or ability to perform is guaranteed.

**Private Passenger Automobile:** Any auto, car, station wagon, pickup or van type of vehicle not used for business purposes.

**Prize Indemnification Insurance:** A specialty insurance designed to provide coverage or indemnification for large prize giveaways, based on the odds faced by the insured.

**Pro Rata Cancellation:** Termination of a policy by the insurer, for which the return premium due the policyholder is the full proportion for the unexpired term based upon the calculation of the number of days of coverage provided to the premium charge per day. In other words, the pro rata refund is not a "short-rate" return.

**Pro Rata Distribution Clause:** A provision in a property policy which states that the insurance which has been written "blanket," or as one amount covering several items, shall be limited on each item to the proportionate amount which the value of the particular item bears to the total value of all insured items.

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**Pro Rata Liability Clause:** Most standard coverages now place this clause within the other insurance clause to clarify which policy will respond should there be more than one insurer on a risk and all the policies are primary or excess. The amount of loss is proportioned among the insurers based on the percent of their limits of coverage to the total limits provided.

**Products Liability:** The liability that a merchant or a manufacturer may incur as the result of some defect in the product sold or manufactured.

**Proof Of Loss:** A written statement of a claim giving the pertinent facts and data that may be in the form of an affidavit

**Property And Casualty Insurance:** Non-life insurance. Basically there is a broad insurance distinction between companies writing life and health insurance and those writing the property insurance or "non-life" lines of fire, marine, casualty, and surety. Numerous descriptive titles have been employed to describe this "non-life" area of operation. Although no one definition has yet been firmly established, some use the generic title "property and casualty" insurance, while others use "property and liability" insurance.

**Property Insurance:** "First-party" insurance of real and personal property against physical loss or damage, not to be confused with property damage liability insurance.

**Proposal:** In life insurance and, to a limited extent, in property-liability insurance, a written plan prepared by an agent or insurer proposing to a prospective insured that insurance be applied for; thus, the proposal is not an offer, but rather an invitation to negotiate in the form of a sales brochure.

**Protection Class:** A 10-category ranking or schedule of public fire protection of cities and towns established in 1916. The grading is currently maintained by the Insurance Services Office for use in making fire insurance rates and to encourage local governments to maintain better fire fighting equipment and personnel. A city or town is ranked in one of the categories by receiving deficiency points for failing to meet established standards under each of these major headings: water supply, fire department, fire service communications, fire safety control, climate, and divergence between fire department and water supply. Protection Class I is the best class (a city or town having fewer than 501 points), and Protection Class 10 is the worst (more than 4,500 points). Also known as Fire Protection Class or Town Class.

**Protective Safeguards Clause:** In property insurance, a clause or provision that clarifies that coverage was granted or a premium credit given based on the existence of, continual maintenance of, and operation of a specified protective device by the insured. The insurer has the right, in some jurisdictions, to void the coverage should a loss occur as a direct result of the lack of maintenance or operation of the specified device. Common examples are sprinkler systems and fire or theft alarm

**Proximate Cause:** That which brings about a result without the intervention of any other force. Important in insurance since it establishes which policy(ies) will pay for a loss, i.e., the one(s) insuring the peril which was the proximate cause of the loss.

**Public Adjuster:** One who, for a fee, represents policyholders in the adjustment of their losses with insurance companies.

**Public Law 15:** Enacted on March 9, 1945, a law by which Congress granted authority to the states to continue to tax and regulate the business of insurance after the insurance business in 1944 had been held by the Supreme Court in a landmark case to be commerce and, therefore, subject to federal regulation whenever subject to interstate regulation. The act provided further that the antitrust laws should not apply to the extent the business of insurance is regulated by the states, except for coercion, intimidation and boycott. Also known as Public Law 15, 79th Congress, 1945. McCarran-Ferguson Regulation Act: 15 U.S.C. 1011-15.

**Public Livery Conveyance:** A motor vehicle used for the transport of persons or goods for hire. Also known simply as livery.

**Punitive Damages:** Damages awarded separately and in addition to compensatory damages, usually on account of malicious or wanton misconduct, to serve as a punishment for the wrongdoer and, possibly, as a deterrent to others. Sometimes referred to as "exemplary damages" when intended to "make an example" of the wrongdoer

**Pure Captive:** An insurance company formed by a parent company to provide coverage only for that parent company.

**Pure Premium:** 1) that part of the premium which is sufficient to pay losses and loss adjustment expenses only, but not other expenses. 2) The premium developed by dividing losses by exposure, disregarding any loading for commission, taxes and expenses.