

Glossary of Risk Management Terms

ABCDEFGHIJKLMNOPQRSTUVWXYZ

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AAIS: American Association of Insurance Services

ACAS: Associate of the Casualty Actuarial Society

ACBM: asbestos-containing building material

Accident: any unplanned or unexpected event causing material loss or damage or causing personal injury or death

ACGIH: American Conference of Governmental Industrial Hygienists

ACM: asbestos-containing material

ACORD: Agent-Company Organization for Research and Development

Actual Cash Value (ACV): the cost of replacing or repairing damaged property minus depreciation

Actual Damages: money paid to a plaintiff for actual losses that were incurred

see: *Compensatory Damages*

Actuary: a person who uses statistical records to calculate premiums and other insurance-related rates

AD&D: accidental death and dismemberment

ADA: Americans with Disabilities Act

Additional Insured: a person or group not covered initially by an insurance policy, but for whom insured status is provided through an endorsement

ADEA: Age Discrimination in Employment Act

Adjuster: person who settles claims

see: *Claims Adjuster*

Adjustment: the settling of insurance claims

Admitted Insurer: an insurance company licensed to do business in the state where the insured exposure is located

AGRiP: Association of Governmental Risk Pools

ASHERA: Asbestos Hazard Emergency Response Act

AIC: Associate in Claims

AICPCU: American Institute for Chartered Property Casualty underwriters

AIHA: American Industrial Hygiene Association

AIPLU: American Institute for Property and Liability Underwriters

ALCM: Associate in Loss Control Management

All Risk Policy: property insurance that covers incidental losses except for those that are specifically excluded

Alternate Dispute Resolution (ADR): a method of resolving legal disputes outside of the court system

ANSI: American National Standards Institute

Arbitration: dispute resolution by an impartial third party

ARIA: American Risk and Insurance Association

ARM: Associate in Risk Management

ARM-P: Associate in Risk Management for Public Entities

ASCLU: American Society of Chartered Life Underwriters

ASHRM: American Society for Healthcare Risk Management

ASSE: American Society of Safety Engineers

Assured: an insured party

ASTM: American Society for Testing and Materials

Attenuation: the reduction in the sound pressure level that occurs in the ear when hearing protection is worn

Audiogram: the recording produced by an audiometer that measures hearing loss

Audiometer: a machine used to measure hearing loss.

Audit: the process by which procedures and documentation are measured against standards

Automobile Liability Insurance: insurance coverage that protects the insured party against auto-related injuries and property damage caused to others by the insured's vehicle

Automobile Physical Damage Insurance: insurance coverage that protects the insured party's vehicle against collision, theft and vandalism

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Binder: a legal agreement that provides temporary evidence of insurance until the policy is formally issued

Biological Hazard: an organism, or a substance derived from an organism that is a potential threat to human health

Blanket Policy: a single insurance policy that covers several locations or properties

Bloodborne Pathogens: microorganisms present in human blood or bodily fluids that can cause disease or infection in persons exposed to the substance

Boiler and Machinery Insurance: property insurance coverage for loss arising out of the operation of pressure, mechanical and electrical equipment.

see: *Equipment Breakdown Insurance*

Bond: a contract where one party guarantees the performance of another party to a third party to whom the performance or debt is owed

Book of Business: the total number of accounts written by an insurance company or an agent

Book Value: the value of an organization's assets according to Generally Accepted Accounting Principles

Broker: an intermediary who brings together clients who need insurance and the insurance companies that provide the policies

Builder's Risk Insurance: property insurance that covers structures under construction

Business Continuity Plan: a plan that describes the actions and participants needed to restore normal business operations after an adverse event

Business Interruption Insurance: insurance that covers the loss of income resulting from the interruption of business that is caused by a covered peril

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CAFR: Comprehensive Annual Financial Report

Cancellation: termination of an insurance policy or bond before its expiration date

Capacity: the largest amount of insurance available from a company or insurance market

Carrier: the company that issues and assumes the risk of an insurance policy

Casualty Insurance: insurance that covers losses caused by injury to persons and liability for said injuries or damage to personal property

CAT: catastrophe

CBRN: chemical, biological, radiological or nuclear weapon

CCIP: contractor controlled insurance program

CEBS: Certified Employee Benefits Specialist

Cede: to transfer a risk from an insurance company to a reinsurance company

Ceiling Limit: the maximum allowable concentration of a substance to which an employee may be exposed

CERCLA: Comprehensive Environmental Response Compensation and Liability Act

Certificate of Insurance: a document that proves insurance was purchased by a party

CIC: Certified Insurance Counselor

CIH: Certified Industrial Hygienist

Claim: a demand for recovery from a loss that is covered by an insurance policy

Claims adjuster: person who settles claims

see: *Adjuster*

Claims-Made Policy: an insurance policy that covers claims made during the year the policy is in force for incidents that occur during that year

Class A Fire: fire containing common combustibles such as paper and wood

Class B Fire: fire containing flammable liquids and gases such as grease, oil, or gasoline

Class C Fire: fire containing live electrical equipment

Class D Fire: fire containing flammable metals such as magnesium and lithium

Class K Fire: fire containing cooking media such as oils and fats

CLU: Chartered Life Underwriter

COB: coordination of benefits

COBRA: Consolidated Omnibus Budget Reconciliation Act

Coinsurance: a jointly-issued insurance policy (method of reinsurance)

Combined ratio: the percentage of each premium dollar a property/casualty insurer spends on claims and expenses

see: *Composite Ratio* or *Statutory Ratio*

Commercial General Liability Policy (CGL): an insurance policy that protects businesses against claims for bodily injury and property damage arising out of premises, operations, products and completed operations as well as advertising and personal injury

Commission: the percentage of premium that serves as compensation for a broker or insurance agent

Comparative Negligence: a rule of law applied in accident cases to determine responsibility and damages based on the negligence of every party directly involved in the accident

Compensatory Damages: money paid to a plaintiff for actual losses that were incurred

see: *Actual Damages*

Composite Ratio: the percentage of each premium dollar a property/casualty insurer spends on claims and expenses

see: *Composite Ratio* or *Statutory Ratio*

Concealment: the intentional holding back of information that could potentially affect the issuance of an insurance policy

Confined Space: a space that has limited or restricted means of entry or exit, is large enough for an employee to enter and perform assigned work, and is not designed for continuous occupancy by the employee. These spaces may include, but are not limited to, underground vaults, tanks, storage bins, pits and diked areas, vessels, sewers, and silos.

see: *Permit-Required Confined Space* and *Confined Space Entry Permit*

Confined Space Entry Permit: employer's written procedure for preparing and issuing permits for entry and for returning the permit space to service following termination of entry

Consequential Damages: damages that are given not as a direct result of an act, but as consequence of the initial act.

Consideration: in contractual law, something of value given by one party in return for the promises of the other party to the contract.

Consumer Product Safety Commission (CPSC): an independent federal agency charged with protecting the general public against unreasonable injuries associated with consumer products

Contingency Planning: organized steps that are taken in order to deal with an adverse event within an entity

Contingent Liability: a potential liability

Contract: an agreement between two or more parties where there is mutual agreement, consideration, competent parties and legal subject matter

Contributory Negligence: a doctrine of common law that if a person was injured in part due to his/her own negligence (his/her negligence "contributed" to the accident), the injured party would not be entitled to collect damages from another party who supposedly caused the accident.

Coordination of Benefits: A process for determining the respective responsibilities of two or more health plans that have some financial responsibility for a medical claim

COSO: Committee on Sponsoring Organizations

Cost Allocation: in a pool, the formula that determines a member's premium.

Cost of Risk: sum of items such as the cost of risk management operation, insurance premiums, claims and legal expenses and other costs related to controlling the impact of adverse events

Cover: an insurance contract, to effect insurance, or to include within an insurance contract
Coverage: insurance

CPCU: Chartered Property Casualty Underwriter

Crime Coverage: coverage that protect the insured against theft, robbery and burglary. Covers money and securities as well as stock and fixtures

Critical Facilities: Structures that are essential to the operation of communities and the economy of an entity.

CRIS: Construction and Risk Insurance Specialist

CRO: Chief Risk Officer

CSP: Certified Safety Professional

CWCP: Certified Workers' Compensation Professional

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Declarations Page: the pages of an insurance policy that show basic information such as policy limits, the named insured and the locations of premises covered

Deductible: a portion of the loss that is not paid by the insurer

Defendant: in civil cases, the party against whom the claim has been brought

Defense Clause: An insurance provision in which the insurance company agrees to defend, with respect to insurance afforded by the policy, all suits against the insured.

Defense Coverage: liability insurance that covers defense costs, but not settlements or indemnity payments

Defined Benefit Plan: a pension plan that provides specific benefits to an employee

Defined Contribution Plan: a pension plan where a specific contribution is made, but no specific benefit is promised

Development: the difference between the cost of a loss as it is initially reserved and its value at a later date

Direct Loss: a loss that is incurred due to direct damage to property

Directors' and Officers' Liability Insurance (D&O): policy that insures corporate directors and officers against claims alleging financial loss due to mismanagement

Disability: a condition that incapacitates a person in a way where they cannot carry on normal life activities

Disaster: an unplanned event that can cause death or injury, property damage, financial loss or an interruption to normal operations of an entity

Disaster Management: structured method of dealing with problems and conditions arising from an adverse event

see: *Emergency Management*

Discovery: an investigation of the facts of a claim

DOL: U.S. Department of Labor

Dollar Threshold: For no fault coverages, the amount of money that determines whether or not a case is litigated

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EAP: employee assistance program

Earned Premium: the part of the premium that applies to the expired portion of the policy

Earthquake Coverage: purchased as a separate policy from property coverage to protect against damage due to seismic activity

Educator's Legal Liability Insurance: coverage for claims made against administrators, employees, and staff members of K-12 schools, colleges and universities

syn: *School Board Legal Liability Insurance*

Effective Date: the date where coverage by an insurance policy goes into effect

Eligibility Period: span of time where employees may enroll in a group benefits program

Emergency Management: structured method of dealing with problems and conditions arising from an adverse event

see: *Disaster Management*

Employee Benefits Liability: potentially negligent act that could occur in the administration of an insured's employee benefits such as health insurance

Employee Dishonesty Coverage: provides protection from theft of money, securities or property by employees

Employment Practices Liability Insurance: covers wrongful act that arise as a result of the employment process

End of Service Life Indicator (ELSI): used on a chemical cartridge to indicate when the cartridge should be discarded

Endorsement: an addition to an insurance policy that changes an original provision of the policy.

see: *Rider*

Enterprise Risk Management (ERM): a holistic approach for dealing with insurable as well as uninsurable risks within an entity

Environmental Impairment Liability Insurance: a policy that covers liability and cleanup costs due to pollution

EPLI: employment practices liability insurance

Equipment Breakdown Insurance: insurance coverage for loss due to the breakdown of boilers as well as other types of mechanical equipment such as computers

see: *Boiler and Machinery Insurance*

Ergonomics: the study of physical factors that impact a person performing a particular job in a particular environment

ERISA: Employee Retirement Income Security Act

ERPL: employment-related practices liability

Errors and Omissions (E&O) insurance: insurance that protects the policyholder against claims that allege negligence due to a mistake or an omission in the performance of duties. Usually refers to professional services.

ESH: environmental safety and health

Excess and Surplus Insurance: coverage that cannot be placed with an admitted insurer

Excess Insurance: a policy that applies to losses in excess of a specified amount

Exclusion: the portion of a policy that references items not covered by the policy

Exclusive Remedy: the component of workers' compensation that disallows employees who are injured on the job from making tort liability claims against the employer

Expense Ratio: the portion of premium used to write, service and obtain insurance or reinsurance

Experience: an insured's loss record or that of a specific employee classification

Experience Modifier: a factor that measures the difference between an insured's past experience and the expected experience

Experience Rating: in workers' compensation, a comparison between the actual loss experience and the experience that is expected from others in the insured's rating class

Expiration Date: termination date of an insurance policy

Explosion Class 1: flammable gas/vapor

Explosion Class 2: combustible dust

Explosion Class 3: ignitable fibers

Exposure: vulnerability to a particular risk

Exposure Level: The level of a physical or chemical hazard to which an employee has been exposed.

Extended Coverage: an endorsement to a fire policy that adds windstorm, hail, explosion (except steam boilers), riot, civil commotion, aircraft, vehicles and smoke as covered perils

Extended Reporting Period: a period after the expiration of a claims-made policy where a claim can be made and coverage made available if that claim was made during the policy period

Extra Expense: costs that an entity incurs when excess of normal operations whenever property is being repaired or replaced after being damaged

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FCAS: Fellow of the Casualty Actuarial Society

FEMA: Federal Emergency Management Agency

Fidelity Bond: insures a business for losses caused by the dishonest acts of its employees.

First Dollar Coverage: insurance that pays losses up to a specified amount without the use of deductibles

First Responder: the first persons trained to arrive at the scene of a hazardous materials event, an accident or other adverse incident-usually police, fire or emergency medical personnel

Flash Point: the lowest temperature at which a flammable-vapor-air mixture above a liquid will ignite when an ignition source is introduced

Fleet Policy: coverage for a number of vehicles under common ownership

Floater: property insurance for items that are moved from one place to another

FMLA: Family and Medical Leave Act

Frequency: the likelihood that a loss will happen

FRM: Fellow in Risk Management

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Garage Keeper's Insurance: provides coverage of vehicles left in the insured's custody for safekeeping or repairs

GASB: Governmental Accounting Standards Board

General Liability Insurance: provides coverage for most liability exposures except for vehicles and professional liability

Generally Accepted Accounting Principles (GAAP): accounting procedures used to prepare financial statements

Geological Hazard: natural processes such as earthquakes, landslides or volcanic eruptions that can cause death, injury, property damage or an interruption of normal operations of an entity

Gross Negligence: Failure to use even the slightest amount of care in a way that shows recklessness or willful disregard for the safety of others.

Gross Premium: pure premium adjusted to reflect insurer expenses

Group Insurance: insurance provided to a specific group of people

Group Self-Insurance: self-insurance jointly provided for an entire group of entities rather than to the individual entities

Guaranty Fund: funds available through a state insurance commission that protect policyholders in the event an insurer becomes insolvent or cannot meet its obligations

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Hammer Clause: a provision that states if the insured does not approve a settlement figure recommended by the insurer, the insurer will not be liable for additional funds required to settle the claim or for defense costs beyond the settlement recommendation

Hard Market: an insurance market cycle characterized by high rates, low coverage limits and restrictions on coverage

see: *Soft Market*

Hazard: conditions that increase the chances of a loss occurring

HAZMAT: an acronym for 'hazardous materials'

Health Insurance Portability and Accountability Act (HIPAA): law guaranteeing continuity of healthcare insurance coverage for persons who change jobs

HEPA filter: High Efficiency Particulate Air filters

HMO: health maintenance organization

Hold Harmless: the assumption of liability through contractual agreement by one party, thereby eliminating liability on the part of another party

Hold Harmless Agreement: a provision within a contract that spells out the assumption of liability through contractual agreement by one party, thereby eliminating liability on the part of another party

HVAC: heating, ventilation and air conditioning

Hydrometeorological Hazard: weather-related adverse conditions such as hurricanes, thunderstorms, floods, etc.

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IBNR: an estimate of losses where the claim-generating event has occurred, but the loss has not been reported to the insurer

IDEA: Individuals with Disabilities Education Act

IDLH: immediately dangerous to life and health

IME: independent medical exam

Immunity: The legal protection that prevents a sovereign state or person from being sued without consent.

see: Sovereign Immunity
syn: Governmental Immunity

Incident: an event; a definite occurrence

Incurred but not Reported (IBNR): a dollar estimate of the liability for events that have occurred, but have not been reported as claims to the insurer

Incurred Claims: claims paid during the policy year plus the claim reserves as of the end of the policy year, minus the corresponding reserves as of the beginning of the policy year

Incurred Loss: the total amount of paid claims plus the loss reserves during a particular period of time (usually a policy year)

Incurred Loss Ratio: the ratio of paid losses plus reserves to the amount of premium earned

Incurred Losses: total paid claims plus claims reserves within a given period (usually a policy year)

Indemnify: to compensate a party for an injury, loss or damage

Indemnity: compensation of a loss up to the amount of the loss

Indexing: adjustment of reinsurance limits by measures of economic activity such as the Consumer Price Index

Indirect Loss: A loss that arises from a peril, but is not directly and immediately caused by it

Initial Reserve: funds set aside when a claim is first opened in order to estimate the cost of said claim

Insolvent: a condition where an insurance carrier cannot meet its financial obligations or pay claims

Insurance: a contractual relationship that exists where one party, for consideration, agrees to reimburse another party for a specific loss caused by specified hazards

Insurance Services Office (ISO): an organization that collects data and ratings information, develops policy forms and files information with state regulators for the insurance companies that are its members

Insured: person or entity covered by an insurance policy

Insurer: company that indemnifies losses and provides insurance services

Investment Income: income derived from an entity's investments versus its operations

IRMI: International Risk Management Institute

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Joint and Several Liability: in civil cases, a form of liability by which members of a group are either individually or mutually responsible to a party who has been awarded a favorable judgment

Joint Powers Authority: an institution that when created, allows two or more local governments (or other public entities) to act in a cooperative manner.

JSA: job safety analysis

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Lapsed Policy: a policy that has been terminated due to non-payment of premium

Large Loss Principle: transfer of high severity risks through the insurance contract to protect against catastrophic occurrences

Liability: a legally-enforceable obligation

Liability Insurance: coverage that protects the insured against losses arising from legal liability to others

Limited Losses: a dollar amount that limits the size of a loss resulting from an individual claim

Limits: the total amount of losses to be paid under an insurance policy

Loss: a negative consequence of an incident (could be financial or non-financial). The basis for claims under terms of an insurance policy

Loss Control: the process that involves reducing the possibility that a loss will occur and

reducing the severity of losses that do occur

Loss Triangle: a table that shows loss experience and claims development over regular intervals. Name comes from the shape the data take when displayed in the table

Lower Explosive Limit (LEL): the minimum percent by volume of a gas which, when mixed with air at standard temperature and pressure, will form a flammable mixture

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Malpractice: an act of negligence while performing a professional service

Managed Care: structured healthcare delivery meant to provide cost-effective and appropriate services

Manuscript Policy: a custom-made insurance policy

Marine Insurance: coverage for the transport of goods via ocean or land (ocean and inland marine are the two types)

Market Risk: exposure to uncertainty due to changes in rates or prices of invested assets

Master Policy: the combination of two or more properties or locations under the same policy for the same insured

Material Safety Data Sheet (MSDS): OSHA form that describes a hazardous chemical's properties, potential hazards as well as safe storage and handling procedures

McCarran-Ferguson Act: the act that exempted insurance from federal regulation. Insurance regulation is performed by individual states

Medicaid: federal program that pays medical expenses for low-income individuals

Medicare: federal program that pays medical expenses for individuals over 65 years of age and those who are disabled if they qualify for Social Security Benefits

Memorandum of Understanding (MOU): a document describing an agreement between parties that spells out specific activities and duties but usually does not imply a legal commitment

MHSA: Mine Safety and Health Administration

Misrepresentation: a false statement that can potentially allow an insurer to void an insurance contract

Mitigation: A means of reducing the significance of adverse effects

Multi-Peril Policy: a policy that insures a number of causes of loss.

MUTCD: Manual of Uniform Traffic Control Devices

Mutual Insurance Company: an insurance company owned and operated by its insureds

MVR: motor vehicle record

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NAIC: National Association of Insurance Commissioners

Named Insured: a person or entity specifically designated by name as covered by an insurance policy

Named Perils Coverage: property insurance coverage for those perils specifically named in the policy

NCCI: National Council on Compensation Insurance

Negligence: a civil wrong involving the failure to use reasonable care and consideration under a given set of circumstances. Can be an act of omission or commission

NFIP: National Flood Insurance Program

NFPA: National Fire Protection Association

NIMS: National Incident Management System

NIOSH: National Institute for Occupational Safety and Health

Non-Admitted Insurance Company: a carrier not licensed to do business within a particular state

Non-Economic Damages: an award to an injured party based on a non-monetary loss; i.e. pain and suffering

NRRA: National Risk Retention Association

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Occupational Injury: personal injury arising from employment-related factors

Occurrence Policy: an insurance policy that covers claims made during the year the policy is in force regardless of when the claim was filed.

Operational Risk: the potential for adverse events by exposures other than credit, market and interest rate risks

Owner-Controlled Insurance Program (OCIP): an insurance policy held by a property owner during the construction or renovation of a property.

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Package Policy: an insurance policy providing different types of coverage; usually a combination of general liability and property coverages

PARMA: Public Agency Risk Managers Association

Partial Disability: a disability that is not total

Peril: a cause of loss

Permanent Partial Disability (PPD): in workers' compensation, a disability where the employee is able to work, but at a reduced capacity

Permanent Total Disability (PTD): in workers' compensation, a type of disability where the employee is unable to ever work again at any type of employment

Permissible Exposure Limit (PEL): maximum permissible concentration of a toxic substance or exposure level of a harmful physical agent to which an employee can be subjected to, usually an average of 8 hours (time-weighted average)

Permit-Required Confined Space: An area that meets the definition of a confined space and has one or more of these characteristics:

- contains or has the potential to contain a hazardous atmosphere
- contains a material that has the potential for engulfing the entrant
- has an internal configuration that might cause an entrant to be trapped or asphyxiated by inwardly converging walls or by a floor that slopes downward and tapers to a smaller cross section, and/or contains any other recognized serious safety or health hazards.

see: *Confined Spaces* and *Confined Space Entry Permit*

Personal Injury Protection (PIP): a form of vehicle insurance that provides first party benefits without regard to fault

Personnel Risk: an exposure to loss arising from the death, injury, disability or departure of an employee

Plaintiff: the party that brings suit and seeks damages

Police Professional Liability Insurance: coverage for law enforcement officers and their departments within the scope of their duties

Policy: a written contract of insurance between the insurer and policyholder

Policy Holder: person in actual possession of the insurance policy; the insured

Pollutant: an irritant or contaminant-can be in a solid, liquid or gaseous form

Pool: a group of organizations that form a separate entity where risks are shared

Power of Attorney: legal authority given to a person or entity to act on the behalf of another

PPO: preferred provider organization

Preexisting Condition: a health or physical condition that existed prior to the effective date of a medical insurance policy

Premium: the amount of money charged for coverage by an insurance policy or a bond

Premium Tax: a state tax that is imposed on gross written premiums

Present Value: the value today of a future payment,

PRIMA: Public Risk Management Association

Primary Insurance: insurance that responds first to a claim

Principal Sum: the amount payable in the event of an accidental death or dismemberment

Prior Acts Coverage: a policy that covers claims that arise out of events that occurred before the policy period

Producer: another term for a broker or agent who sells insurance

Professional Liability Insurance: coverage for economic losses related to the performance of professional services

Proof of Loss: a statement made by the insured to the insurer regarding a claim so that liability may be determined

Property Damage Coverage: physical harm to tangible property

Proration: adjustment of policy benefits due to changes in exposure or the existence of other insurance

Public Officials' Liability Insurance: coverage for the errors and omissions of public officials

Punitive Damages: damages in excess of compensatory damages, usually for wanton or willful acts, that are meant as punishment a defendant

Pure Premium: actual cost of indemnity payments and expenses to an insurer

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Quid Pro Quo: the exchange of values by parties in order to form a valid contract

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Rate: the unit of cost that determines an insurance premium

Rated Insurer: an insurer that has received a rating on their size and strength from an agency such as Standard and Poor's

Rating Bureau: an organization that collects statistics on behalf of insurance companies

RCRA: Resource Conservation and Recovery Act

Reasonable Accommodations: from the Americans with Disabilities Act "modifications or adjustments to a job application process or a job performance process that enable a qualified applicant with a disability to be considered for or perform the position

Reimbursement: provision in a policy where the insured pays a loss and is reimbursed by the insurer

Reinstate: returning a policy limit to its original amount after the original limit has been exhausted

Reinsurance: the purchase of insurance from one insurance company to another in order to limit losses-the sharing of risks between insurance companies.

Remediation: cleanup of hazardous materials from a polluted site

Renewal: the replacement of an expiring policy

Replacement Cost: the cost of replacing damaged property with materials of like kind and quality

Request for Proposal (RFP): a document used to secure proposals for insurance or risk management services

Request for Qualifications (RFQ): a document issued prior to a request for proposal that gives a vendor information for deciding whether to engage in the RFP process

Reservation of Rights: a notice from an insurer to the insured that coverage for a claim may not apply

Reserve: funds set aside in anticipation of claims payments

Residual Market: an insurance market that serves as a last-resort for people and firms that have been rejected by the voluntary market

Respondeat Superior: legal doctrine that states the employer can be held liable for the actions of employees

Retrocession: a reinsurer transfers risks it has reinsured to another reinsurer

Retrocessionaire: a reinsurer of reinsurers

Retrospective Rating: a rating plan that adjusts premium according to current loss experience of the insured

Rider: an addition to an insurance policy or bond that changes an original provision of the policy.

see: *Endorsement*

RIMS: Risk and Insurance Management Society

Risk: the threat of an action or inaction that will prevent an entity from achieving its objectives

Risk Appetite: the willingness of an entity to accept a specific level of risk in order to operate in an cost-effective manner

Risk Avoidance: an informed decision not to become involved in a risky situation

Risk Control: the reduction of losses through the installation of safety measures, policies, and training

Risk Control: the process that involves reducing the possibility that a loss will occur and reducing the severity of losses that do occur

see: *Loss Control*

Risk Factors: characteristics that can be measured or observed which indicate the risks that are potentially present

Risk Management: the process of identifying, evaluating, selecting and implementing actions to eliminate or reduce harm

Risk Map: graphic representation of the likelihood of specific risks (frequency and severity)

Risk reduction: loss control-frequency reduction

Risk Retention: the acceptance of losses through payment of deductibles, not insuring, and other methods where there is no risk transfer

Risk Sharing: in a group of policyholders, premium is allocated according to a predetermined formula

Risk Tolerance: the willingness of an entity to accept a specific level of risk in order to receive a future benefit

Risk Transfer: the risk of a loss is moved to another party via a contract

Risk Treatment: the selecting and implementing of available options for managing risk

RMIS: risk management information system

RMPE: Risk Management for Public Entities

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SAA: Surety Association of America

Salvage: the amount for which an asset can be sold for at the end of its useful life

SARA: Superfund Amendments and Reauthorization Act

SCBA: self-contained breathing apparatus

Segregation: the placement of loss exposure units so that the loss in one unit is unlikely to occur at the same time as a loss in another unit

Self-Insurance: a system where an entity sets aside funds in order to pay for losses that would normally be covered by insurance

Self-Insured Retention (SIR): the dollar amount that must be paid on a loss before insurance responds. Differs from a deductible in that it is not included as part of a liability policy's limits.

Severity: the amount of damage inflicted by a loss

Short term exposure limit (STEL): maximum exposure to a substance that is allowed within a continuous 15-minute exposure period

SIC: Standard Industry Classification

Soft Market: an insurance market cycle characterized by low rates, high coverage limits and good availability of coverage

see: *Hard Market*

Sovereign Immunity: The legal protection that prevents a sovereign state or person from being sued without consent.

see: *Immunity*

SOX: Sarbanes-Oxley Act of 2002

Special Events Insurance: coverage for events outside of an entity's everyday operations

Specialty Risk Insurance: coverage for unusual exposures not normally underwritten by most insurers

Stafford Act: law designed to bring federal disaster assistance to state and local governments in a systematic manner

Standard: a rule, established by a competent authority, which designates safe and healthful conditions or practices under which work must be performed to prevent injury, occupational illness, or property damage

Statutory Ratio: the percentage of each premium dollar a property/casualty insurer spends on claims and expenses

see: *Combined Ratio* or *Composite Ratio*

Strict Liability: a person or entity is held liable because the act occurred.

Submission: a proposal for insurance submitted to an underwriter

Subrogation: an insurer who pays out to an insured under an insurance policy can gain the rights belonging to the insured against a third party who caused the loss.

Summary Judgment: The determination by a court that no factual issues are in dispute, and that the legal issues require the case to be decided in favor of one party or the other

Superfund: a program administered by the Environmental Protection Agency for removal and remediation of solid wastes

Surety Bond: bond given to protect the recipient against loss in case the terms of a contract are not filled

Surplus: the amount by which an insurer's assets exceed its liabilities, risks that are placed with a non-admitted insurance carrier

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Tail Coverage: coverage for claims made after a claims-made liability policy has terminated

Temporary Partial Disability (TPD): in worker's compensation, a disability level where the employee cannot perform their normal job function, but can work at reduced levels

Temporary Total Disability (TTD): in worker's compensation, a disability level where the employee cannot perform any job function, but on a temporary basis

Tenant Users Liability Insurance Program (TULIP): an insurance policy that usually covers bodily injury or property damage claims arising from an outside party's use of the insured's facilities

Termination: the formal ending of a reinsurance agreement

Third Party Administrator (TPA): a firm that, for consideration, handles administrative tasks such as claims, loss control and risk management consulting for an entity

Threshold Limit Value (TLV): airborne concentrations of a substance that most workers can be subjected to day after day without adverse effect

Title IX of the Education Amendments of 1972: a federal law prohibiting discrimination in educational institutions on the basis of sex

Title VII of the Civil Rights Act of 1964: a federal law prohibiting employment discrimination on the basis of race, color, religion, sex or national origin

Tort: a civil wrong, other than a breach of contract, that causes damage to property, a person's reputation or to a person's commercial interest

Tortfeasor: party that is accused of committing a tort

Total Disability: the inability to perform the duties of a gainful occupation

Treaty: an agreement between a reinsurer and an insurer on the types of businesses the

reinsurer will accept from the insurer

Trend: forecasting factor that accounts for increases over a period of time in the amount of losses incurred by an entity

TRIA: Terrorism Risk Insurance Act

TRIEA: Terrorism Risk Insurance Extension Act

Trustee: a person appointed to manage the property of another

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Ultimate Loss: the sum total of the cost of a fully-developed loss

Umbrella Policy: a policy that provides coverage for catastrophic losses

Underwriter: person who decides whether or not a particular risk is acceptable to an insurer

Underwriting: the process an insurance company uses to determine whether to accept a risk

Underwriting Profit/Loss: the gain or loss an insurer receives for providing coverage for a particular risk

Uninsured/Underinsured Motorist Coverage: automobile coverage for injury and damages incurred by the actions of a driver who has no insurance or who is underinsured

URMIA: University Risk Management and Insurance Association

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Vicarious Liability: liability of a principal for the action of its agent

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Waiver: surrender of a right or privilege

Workers' Compensation: the system by which an employee is paid benefits due to a job-related injury or illness. Each state has its own eligibility criteria

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