

Learn the Lingo, Remove the Mystery, Gain Some Confidence

As a business owner, there's so much more to know about insurance than premiums (payments in exchange for coverage), losses (incidents that cause financial harm), claims (requests to pay for a loss), and deductibles (the value that an insured party must pay before an insurer will begin paying). It can be an intimidating piece of the business puzzle. But learning the basics — and a few not-so-basics — can remove some of the mystery and help you become a well-informed consumer.

Risk: The possibility of a loss occurring.

Risk Management: Identifying potential hazards and taking action to reduce the likelihood that they will cause a loss.

Liability: 1. A legal obligation to pay for damages caused by an insured party to someone else.
2. A type of insurance that pays for those losses.

Certificate of Insurance: A document that shows proof of coverage present in an insurance policy. Certificates verify coverages, limits of insurance, and policy effective and expiration dates, among other facts about a policy.

Underwriting: The process of analyzing risk to determine the insurability prior to taking on the risk.

Workers Compensation: Insurance that helps cover the costs connected to a work-related injury.

Workers Compensation Experience Modifier: A number that, based on the frequency and severity of previous losses, affects a business' workers compensation premiums.

Endorsement: A page in an insurance policy that either adds, changes, or removes insurance coverage.

Additional Insured Endorsement: Adds coverage for a person or organization to the policy that would not have automatically been covered.

Primary and Non-Contributory Endorsement: States that the policy must pay before other insurance for the additional insured.

Waiver of Subrogation Endorsement: An endorsement that restricts an insurance carrier from recovering the damages paid on a claim from a negligent party listed in the endorsement.

Aggregate Limit: The maximum amount that will be paid by an insurance company during the annual policy period for a particular coverage.

Per-Project Aggregate: The general liability aggregate limit will apply separately to designated construction projects.

Umbrella: A policy that provides additional limits of liability in case a claim exceeds the established policy limits of the primary liability policy.

While these terms are just a small fraction of what there is to know in the insurance industry, they will help you form a foundation of knowledge you can use as you navigate the complexities of running — and protecting — your business.

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