**Business Insurance Key Terms**

**Actual cash value vs. replacement cost coverage** – Your policy will either pay actual cash value or replacement cost for damaged or lost property due to a covered peril.

*Actual cash value coverage* – Reimburses you for the value of lost, damaged, or stolen property after depreciation is considered. It compensates you only for the value of the item at the time of the loss. Antiques or special interest items should be separately scheduled, either in the policy, or via an attached endorsement.

*Replacement cost coverage* – Reimburses you the amount it would take to replace, rebuild, or repair damage with materials of like kind and quality, without deducting for depreciation. Antique or special interest items should be separately scheduled, either in the policy, or via an attached endorsement.

**Brokers and Agents**

*Broker* – Functions more as a liaison between the consumer and the insurer. They represent you and work to find the insurance coverage you need.

*Agent* - Sells policies direct to consumers on behalf of insurance companies. Some agents are “captive” meaning they represent one insurer and others are “independent” and work for multiple insurers.

NOTE: Oregon now uses the term “producer” to describe the party licensed to sell, solicit, or negotiate any insurance product in Oregon.

**Business interruption insurance –** Insurance coverage that can help supplement a business's income if the business can’t operate due to a covered loss, such as a fire or other covered disaster. This coverage requires a physical loss to the business property.

**Business** **owner’s policy** – A policy that may offer several insurance products rolled into one. It must include commercial property and commercial general liability coverages; and, it could include other benefits as outlined in the contract..

**Cancellation** – When you or your insurance company ends the policy coverage before the end of the agreed period. For commercial policies, an insurance company can only cancel your policy under certain circumstances. An insurance company must send you notice at least 10 working days’ before cancelling your policy for nonpayment, fraud, material misrepresentation, or when something comes up in the 60-day underwriting period.

**Commercial general liability insurance** -A policy that protects a business from claims that it caused bodily injury or property damage to another person or their belongings.

**Commercial** **property insurance** - A policy that generally protects a company’s physical assets such as the building itself and the company’s personal property including equipment, furniture, computers, and inventory from covered perils.

**Coverage** – The amount of protection in terms of a sum of money that the insurance company provides to an insured person in the event of an insured risk.

**Cyber insurance** – An insurance policy that helps protect a business from liability and losses due to a data breach, hacking threat, or other computer or network-based incident.

**Difference in conditions policy** – A type of insurance policy that provides extended property coverage. It is intended to supplement, not replace standard property insurance. This coverage generally offers protection against major natural disasters such as flooding, mudslides, and earthquakes.

**Endorsement or “rider**” – A change in the policy that can be used to add, delete, exclude or alter coverage. For example, you may add an insurance endorsement to cover expensive jewelry or art that would not be covered by your regular homeowners insurance policy. Premiums may increase because of an insurance endorsement.

**Exclusion** – A peril your insurance policy doesn’t cover. Your insurer won’t pay for damage caused by an excluded event. Some policy forms contain restrictions or limitations to coverage. These must appear in the filed and approved contract wording.

**Key person life insurance** – An insurance policy a company buys on the life of a person critical to the company’s operation. It helps protect against financial loss if an owner, partner, or other employee critical to the future of the company were to die. The company pays the insurance premiums and is the policy’s beneficiary, should the person die.

**Limit** – The maximum amount of money an insurer will pay toward a covered claim or peril.

**Non-renewal** – When your insurance company has chosen not to renew your policy at the end of its term. Insurance companies may choose not to renew your policy for a variety of reasons. The advance notice requirement for non-renewal of commercial policies, including package type policies, is 45-days.

**Peril** – A specific event that causes damage or injury and results in financial loss. Insurance policies exist to cover you against specific perils like fire, wind, and theft. Your policy may not cover you against certain perils. Read your insurance policy to understand which perils are covered and which are excluded (not covered).

**Policy** – The insurance contract between the insurer and the policyholder which determines the claims which the insurer is legally required to pay.

**Professional liability insurance**– Also called “errors and omissions” insurance, it is insurance that protects professionals such as accountants, lawyers, and real estate agents against negligence and other claims initiated by their clients. Professionals with expertise in a specific area may need this insurance because general liability insurance policies do not cover claims arising out of business or professional practices such as negligence or misrepresentation. A medical professional would purchase “medical malpractice” insurance to cover losses related to performance of medical services.

**Umbrella policy** – A form of liability insurance that provides extra liability coverage above the limits of the policyholder’s liability policies. It is a policy designed to provide protection against catastrophic losses.

**Underwriting** – The process an insurance company uses to assesses the risk and profitability of offering a policy to someone.

**Workers’ compensation insurance** – Insurance that covers medical expenses and a portion of lost wages for employees who become injured or ill on the job. Workers compensation insurance is required for all companies with 1 or more employees in Oregon.