Appendix D

Glossary

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Agent
One who solicits, negotiates, or sells a contract of insurance on behalf of an insurer. *Compare* **broker**.

Broker
An independent representative who seeks and negotiates for insurance coverage on behalf of an insured. *Compare* **agent**.

Catastrophe or catastrophic loss
A severe loss causing sizable financial and/or physical damage. An example of a catastrophic loss would be the damage from an earthquake, tornado, or hurricane.

Compulsory insurance
Insurance that is required by law.

Contract
An agreement between two or more parties characterized by mutual assent, competent parties, valid consideration, and a legal subject.

Contractual liability
Duties and responsibilities for products or services assumed through a contractual relationship.

Damages
The monetary value of a loss.

Exclusion
A circumstance or peril that is not covered by a policy.

Frequency
The number of times that a loss occurs (or is expected to occur) within any given time period.

Group or association captive
An insurance company established to insure the risks of a group of companies, an industry or a professional group.

Hazard
A condition that increases the chance of a loss occurring from a given peril.

Independent contractor
An individual or company who has agreed to perform a job or function on behalf of another party.

Insurable risks
Risks that can be financed through the purchase of insurance.

Insurance
A method of paying for losses in which one party assumes the responsibility to pay for losses of another party in exchange for the payment of premiums.

Liability
The legal obligation to pay a monetary award for injury or damage caused by negligent or statutorily prohibited actions.

Limits of liability
The most an insurance company agrees to pay in the case of loss. "Per occurrence limits" specify the amount that the policy will pay for each claim. "Aggregate limits" specify the maximum amount that the policy will pay annually or during the policy term, regardless of the number of separate occurrences or claims.

Loss
The adverse impact on a public entity of an event, occurrence, or situation, including but not limited to monetary losses, liability to third parties, damage to the entity's property, loss of revenues, inability to provide services to citizens, and injury to employees.

Loss history
The entity's actual losses over an identified period of time. Also Loss experience.

Natural hazards
Natural conditions that increase the risk of loss, such as earthquakes, wildfires, floods, hurricanes, tornadoes, landslides, etc.

Negligence
The failure to act as a reasonable and prudent person would under similar circumstances.

Nontraditional risk
A risk that is often overlooked by risk management programs that focus primarily on insurable risks.

Operation
A division of a public entity that provides as specific set of services (for example, public safety, recreation, and public works).

Peril
The cause of a loss; examples include fire, windstorm, and collision.

Professional liability
Liability of professionals, such as physicians, attorneys, nurses, psychologists, engineers, and architects, for damages resulting from their errors and omissions in performing professional services.

Public officials' liability
Liability of appointed and elected public officials for their wrongful acts, errors, or omissions. Claims often allege civil-rights violations or discrimination, especially involving employment practices.

Real property
Real estate, including buildings and land.

Retention
The amount of loss that an entity pays without insurance. See self-insurance.

Risk
The possibility of direct or indirect financial or physical loss to the entity.

Risk action plan
A plan for avoiding, reducing, controlling, and/or transferring an entity's risks.

Risk manager
The employee (or employees) primarily responsible for identifying an entity's risks and analyzing their potential impact on its operations; identifying possible ways to avoid, minimize, and/or finance these risks; implementing the best methods; and monitoring the results and adjusting the program as needed.

Risk retention groups
Organizations of similar entities through which members buy liability insurance.

Risk Sharing Pool
A cooperative arrangement that provides members with financial protection against losses. Pool members pay premiums or contributions, receive coverage, and make claims as they would with traditional insurance carriers. Also known as a pool or insurance pool.

Self-insurance
Assuming and paying for losses directly instead of transferring them to another organization, such as an insurance company. Generally refers to a planned risk-financing program that includes deductibles and self-insured retentions, but may also arise from failure to identify and arrange financing for a risk, or from a loss that exceeds the entity's insurance policy limits of coverage.

Severity
A loss's degree of impact on the public entity's financial stability or ability to fulfill its mission of delivering public services.

Uninsurable risks
Risks that currently cannot be financed by purchasing insurance.

Vicarious liability
The legal responsibility of a person or organization for the acts of another. For example, in some circumstances, employers would be vicariously liable for the actions of their employees.

Workers' compensation
Mandatory benefits that state law requires employers to pay to their employees for injury, disability, death, or contracted disease arising out of and in the course of employment, regardless of fault.