



Because some insurance language can be confusing, the following are common terms and definitions that church leaders should be familiar with when they are making purchasing decisions regarding obtaining an insurance policy for their church. While this list is not exhaustive, it covers a majority of church insurance terms and definitions.

- **Actual Cash Value** – The cost of replacing damaged or destroyed property with comparable new property, minus depreciation and obsolescence. For example, 20-year-old church pews will not be replaced at current full value because of two decades of depreciation. In some instances, artistic or antique property may appreciate over time. To receive full coverage, such items must be specifically scheduled in a policy.
- **Appurtenant Structures** – Includes additional buildings on the same property as the principal insured building. Most property insurance contracts cover appurtenant structures.
- **Blanket Coverage** – Type of coverage on the insured's property for two or more different kinds of property in the same location. This coverage is ideal for businesses whose property is covered with no specific limit on each particular property regardless of its location.
- **Business Auto Policy (BAP)** – An insurance policy for vehicles used in business.
- **Business Owners Policy (BOP)** – An insurance policy for owners of a business.
- **Business Personal Property (Contents)** – As distinguished from personal property, business personal property includes items such as furniture and fixtures, machinery, stock, manufactured or raw goods, and personal property owned by the insured and used in the business while located within 100 feet of the premises.
- **Central Station Fire Alarm** – A fire alarm system with an automatic fire detection system tied to heat and smoke detectors and monitored 24 hours a day by an offsite monitoring company.
- **Certificate of Insurance** – A form which verifies that a policy has been written. It is often used as proof of insurance in loan transactions and for other legal requirements. It does not affect or alter policy coverage.
- **Declarations** – The portion of the contract which contains information such as the name and address of the customer, the vehicles insured, their location and description, the policy period, the amount of insurance coverage, and applicable premiums. It also lists the forms and endorsements included on the policy.

- **Deductible** – Amount of loss that an insured pays in a claim. It includes the following types:
 - Absolute dollar amount – Amount the insured must pay before the company will pay, up to the limits of the policy. The higher the absolute dollar amount, the lower the premium.
 - Time period amount – Length of time the insured must wait before any benefit payments are made by the insurance company.

Consumers are advised to select the highest deductible that they can afford. First dollar coverages are very costly. A high deductible allows the insured to self-insure expected losses – those of high frequency and low severity.

- **Directors and Officers Liability Insurance** – Insurance that protects an entity and its corporate directors and officers against claims alleging financial loss resulting from the wrongful acts or mismanagement of the corporation's directors and officers.
- **Employment Practices** – Practices that include, but are not limited to, the hiring and termination of employees and disciplinary actions.
- **Employment Practices Liability (EPL) Coverage** – A claims-made coverage for the insured's liability exposure arising out of employment practices.
- **Inland Marine** – A policy that lists specific pieces of property at a designated value for coverage.
- **Insurance to Value** – The appropriate amount of insurance to cover the value of the property being insured. It affords more complete protection to the policyholder to repair/replace property after a total loss.
- **Named Insured** – Person, business or organization specified as the insured on a property or liability insurance policy.
- **Ordinance or Law** – Coverage that insures against losses caused by enforcement of ordinances or laws regulating construction and repair of damaged buildings. Communities often have building ordinances that require that a building that has been damaged to a specified extent (i.e. 50 percent) must be demolished and rebuilt according to current building codes, rather than simply being repaired. Ordinance or Law coverage pays for items, such as the loss of the undamaged portion of the building, the cost of demolishing the undamaged portion of the building, or the increased cost of rebuilding the entire structure according to current building codes. Without Ordinance or Law coverage, such costs would not be covered by insurance.
- **Spiritual Counseling** – Counseling that attends to the spiritual needs of a person. Performed by a minister employed by the named insured or an employee or volunteer of the named insured acting under the direction of a minister employed by the named insured and within the scope of their duties. Does not include giving advice or assistance in regard to a matter such as, but not limited to, charitable contributions, finance, insurance, investment, law, real estate or tax.
- **Risk Management** – Management of the pure risks to which a church might be subject. It involves analyzing all exposures to the possibility of loss and determining how to handle these exposures through practices such as avoiding the risk, retaining the risk, reducing the risk, or transferring the risk, usually by insurance.

- **Umbrella Policy** – Coverage for losses above the limit of an underlying liability policy, such as commercial general liability, business automobile, employers' liability, etc. While it applies to losses over the dollar amount in the underlying policies, terms of coverage are sometimes broader than those of underlying policies.
- **Underwriting** – The process of selecting risks for insurance and classifying them according to their degrees of insurability so that the appropriate rates may be assigned. The process also includes rejection of those risks that do not qualify.
- **Workers' Compensation** – Type of insurance coverage for someone injured, including death, while on the job.

For a complete list of insurance terms and definitions, visit A.M. Best's glossary of insurance terms at <http://www.ambest.com/resource/glossary.html>.