

E&O GLOSSARY OF TERMS

<p>Admitted & Non-admitted</p>	<p>An admitted carrier in California is required to file their rates and policy form with the Department of Insurance for approval. Admitted carriers are also a part of the California Insurance Guarantee Association (CIGA), which provides protection for policyholders should the carrier be declared insolvent. Claims that occurred before the carrier became insolvent can be paid up to \$500,000.</p> <p>A non-admitted carrier is an insurance company offering insurance in the state without going through the filing process required for admitted companies. Non-admitted companies can often provide insurance coverage that admitted carriers cannot because of their unrestricted rate/form structure.</p> <p>The choice between companies often comes down to the financial strengths (see <i>Ratings</i>) of the individual providers, rather than their status as admitted or non-admitted.</p>
<p>Choice of Counsel</p>	<p>This provision outlines who and/or how an attorney will be selected to represent you in the case of a claim. Is it the insurance company's sole choice, or is it the insured's, or is there an agreement at the onset? For example, the E & O program with RealCare offered to C.A.R. members provides direct access to C.A.R.'s Strategic Defense Attorney Panel.</p>
<p>Claims-made Coverage</p>	<p>A claims-made policy covers you for any covered claim provided it meets two criteria:</p> <ul style="list-style-type: none"> • You are insured when the claim is made. • You have <u>continually</u> renewed insurance coverage from the time of the incident until the time the claim is made. (See <i>Retroactive Date</i>)
<p>Consent to Settle clause/provision</p>	<p>This is a provision that requires that the insurer may not settle a claim without the consent of the insured. However, such a provision may be severely restricted by a <i>hammer clause</i>.</p>
<p>Declaration (Dec) Page</p>	<p>First page of your policy that shows the named insured, effective date, <i>retroactive date</i>, and premium.</p>
<p>Deductible</p>	<p>A portion of the defense and/or liability cost (depending on the policy) that will be borne by the insured. Also referred to as <i>Retention</i>.</p>
<p>Deductible – loss only</p>	<p>A policy where the deductible amount only applies to the liability cost or award, but not to the cost of defense. Also, known as <i>First Dollar Defense</i>.</p>
<p>Endorsements</p>	<p>An <i>endorsement</i> is an addition to the standard form of the policy. For example, the ABC Insurance Company E&O policy might not normally cover property management, but it is possible that there might be an <i>endorsement</i> to the policy that would provide for such coverage.</p>
<p>Exclusions</p>	<p>The practices, conditions and acts which are excluded from coverage. Standard exclusions often include fraud, mold, bodily injury, property damage, improper funds handling and commission disputes.</p>
<p>Extended Reporting Period</p>	<p>Also known as <i>Tail Coverage</i>. The "tail" OR ERP (extended reporting period) endorsement allows you to report claims that come in after the policy is terminated for covered incidents that occurred while you were insured. Many policies offer a 1, 2 or 3 year tail period. There is a time limit - usually 60 days from the time your policy expires - to purchase the tail.</p>
<p>First Dollar Defense</p>	<p>Coverage for the defense of a claim which is not subject to a <i>deductible or retention</i>.</p>
<p>Gap in Coverage</p>	<p>A period of time during which the insured had no coverage.</p>
<p>Hammer Clause</p>	<p>A clause or provision which provides that, if the insurer wants to settle and the insured refuses, then the insurer can cap its liability based on the wording outlined in the <i>consent to settle</i> paragraph of the policy.</p>

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Inside Limits	This refers to defense costs. If defense costs are <i>inside</i> (the) limits, it means that they are applied to the insurer's limit of liability for any one claim. For example, if the per claim limit of liability were \$500,000 and <i>inside the limits</i> defense costs were \$60,000, there would be \$440,000 left to pay any damages. This is also known as <i>Shrinking Limits</i> .
Insured	Who is covered by the policy e.g. <i>named insured</i> , company principals, subsidiaries, independent contractors, administrative personnel, etc. Policies will differ as to who is considered the <i>insured</i> .
Limits of liability – Aggregate	The total amount of coverage (regardless of the number of claims) for which the insurer is responsible in any policy period.
Limits of liability – Each Claim	The total amount of coverage for which the insurer is responsible for any one claim.
Loss run report	A report showing the insured's claims history, including any losses.
Named Insured	Entity as listed/shown on the <i>dec page</i> of your policy.
Outside Limits	Defense costs are <i>not</i> applied against the insurer's limit of liability for any one claim. Also called, <i>First Dollar Defense</i> .
Prior acts	See <i>retroactive date</i> . The terms are used interchangeably.
Ratings	This refers to the financial strength of an insurance company as rated by a service such as A.M. Best (www.ambest.com).
Reservation of Rights	An insurer's notification to an insured that coverage for a claim may not apply. Such notification allows an insurer to investigate (or even defend) a claim to determine whether coverage applies (in whole or in part) without waiving its right to later deny coverage based on information revealed by the investigation.
First Dollar Defense	Coverage for the defense of a claim which is not subject to a <i>deductible or retention</i> .
Retention	See <i>Deductible</i>
Retroactive Date	Your retroactive date is the start date of the first claims-made policy you are actively renewing. You are covered for any covered incident as long as it occurs on or after your retroactive date (also known as prior acts date). That date remains the same and is not advanced as long as you maintain continuous coverage. Using the example above, if you have a prior acts date of 2009 on your policy and it is now 2014, your policy covers you for the last five years. Your retroactive date is also portable. If you are currently insured with someone else for professional liability, you can bring that date with you to any insurance company of your choosing.
Shrinking Limits	See <i>Inside Limits</i>
Surplus Line Insurers (Excess & Surplus Lines)	Surplus Line Insurers are non-admitted insurers. They are often used to provide insurance not generally available in the admitted market.
Tail Coverage	See <i>Extended Reporting Period</i>