

Insurance cover	
Standard cover	The insurance of natcat perils is not compulsory, but cover is automatically integrated in other insurance products, and may not allow the insured the choice to opt for a personalised bundle of perils.
Compulsory cover	Taking out insurance for a natcat peril is mandatory.
Optional/additional cover	Insurance cover is either optional or policyholders can opt for an extension of the standard cover.
Commercial lines	Insurance cover below the level of industrial risk, typically for commercial/business entities, including small and medium-sized enterprises (SMEs).
Individual lines	Insurance cover for individuals for loss or damage, most typically homeowner's insurance.
Flat cover	Only one type of policy exists in the market, with a fixed, predefined list of perils covered.
Tariff/Pricing	Pricing is either based on legally set, fixed tariffs or is open to the free market. In both cases, the premium can be risk-based (including zoning) or cross-subsidised.
General event — limit of indemnity	In some countries, an overall limit of indemnity for a single event is set by law for the insurance industry. Losses greater than the limit are not fully compensated; policyholders only receive a quota of their claim.
Fixed value	A policy that provides a fixed amount of money, regardless of the total cost of the damage, in the event of a total loss.
Sum insured	There is no cap and the total cost of the damage is covered, in the event of total loss.
Reinstatement value (replacement cost coverage)	The cost of replacing the damaged item is covered regardless of depreciation or appreciation. There is also "extended replacement cost", in which the pay-out will exceed the coverage limit if the costs for construction (or replacement) have increased. —> A TV set costing €2 000 five years ago was destroyed in a flood. TV sets have a typical lifespan of 10 years. A similar TV set today costs €2 500. The destroyed TV set had 50% (five years) of life remaining. Regardless of the five years of wear and tear, the insurer will pay the replacement cost of €2 500.
Current value	Current value is calculated by subtracting depreciation from the replacement cost. Depreciation is usually calculated by establishing the lifespan of the item and determining what percentage of that life remains. This percentage multiplied by the replacement cost equals the current value. —> A TV set costing €2 000 five years ago was destroyed in a flood. TV sets have a typical lifespan of 10 years. A similar TV set today costs €2 500. The destroyed TV set had 50% (five years) of life remaining. The current value is €2 500 (replacement cost) x 50% (useful life remaining), or €1 250.
Value of claim	The value of claim is the amount determined after a formal request to an insurance company for a payment based on the terms of the policy. It is paid to the policyholder once approved.
Deductible	A deductible is the amount that must be paid by a policyholder before the insurer makes any payment. It can be a fixed amount (eg, €250), a percentage of the claim (eg, 5%) or a percentage of the sum insured. —> The insurance policy has a fixed deductible of €100. The claim is €500. The insurer pays €400 and the policyholder pays €100.
Franchise	The threshold that must be reached before an insurer pays any expenses. It can be paired with a deductible. —> The insurance policy has a franchise of €2 000. The claim is €1 950. The insurer pays nothing because the threshold was not reached. If the claim were €2 200, the insurer would pay for the whole loss, ie €2 200.

## Perils

The specific source of loss (such as fire, flood, explosion) covered by the policy.

Typical bundle Natcat perils are often bundled into one or more “packages”.

## Risk assessment (besides zoning)

Individual risk assessment usually implies the collection of risk-relevant data at the location of the damage, analysis of that data, and an expert or underwriter’s decision as to the terms and conditions of the policy.

## Risk prevention

Individual risk prevention Individual risk prevention includes all prevention measures taken on site by a policyholder to protect their property.  
—> *Examples include water-tight seals for windows (especially basement and ground floor), stop-log barriers for doors, back-pressure valves for sewer systems, drainage enlargement, installation of new central heating systems in the attic instead of the basement, installation of hail-resistant roof shingles, installation of lightning and surge protection, etc.*

Large-scale risk prevention Constructions such as dikes, levees, protective barriers, etc. Usually the responsibility of public authorities.

## Risk areas

Low-risk area The area in a country where the likelihood of natcat losses is the lowest.

High-risk area The area in a country where the likelihood of natcat losses is the highest.

Flat-risk A country does not differentiate between high- and low-risk areas.