GLOSSARY OF INSURANCE TERMS

A

Absolute Liability: Liability for damages even though faults or negligence cannot be proven.

Accident: An event or occurrence which is unforeseen and unintended.

Accident and Health Insurance: A type of coverage that pays benefits, sometimes including reimbursement for loss of income, in case of sickness, accidental injury, or accidental death.

Accident Insurance : A form of health insurance against loss by accidental bodily injury.

Accidental Bodily Injury: Injury to the body as the result of an accident.

Accidental Death Benefit: A benefit in addition to the face amount of a life insurance policy, payable if the insured dies as the result of an accident. Sometimes referred to as **"double indemnity."**

Accounting : The process of recording, summarizing, and allocating all items of income and expense of the company and analyzing, verifying, and reporting the results.

Accumulation period: 1) The time between the first premium payment and the first benefit payout under a deferred annuity; 2) A specified period of time, such as 90 days, during which the insured person must incur eligible medical expenses at least equal to the deductible amount in order to establish a benefit period under a major medical expense or comprehensive medical expense policy.

Accumulation units: The mechanism used to account for your "deposits" in a variable annuity contract during the premium paying period. The number of units purchased depends upon the current valuation of a unit in dollars.

Acquisition Costs: The insurer's cost of putting new business in force, including the agent's commission, the cost of clerical work, fees for medical examinations and inspection reports, sales promotion expense, etc.

Activities of Daily Living : A list of activities, normally including mobility, dressing, bathing, toileting, transferring, and eating which are used to assess degree of impairment and determine eligibility for some types of insurance benefits.

Actual Cash Value (ACV): 1) The cost of replacing or restoring property at prices prevailing at the time and place of the loss, less depreciation, however caused; 2) replacement cost minus.

Actuarial Cost Method : One of several systems for determining either the contributions to be made under a retirement plan, or level of benefits when the contributions are fixed. In addition to forecasts of mortality, interest and expenses, some of the methods involve estimates of future labor turnover, salary scales and retirement rates.

Actuarial Equivalent : If the present values of two series of payments are equal, taking into account a given interest rate and mortality according to a given table, the two series are said to be actuarially equivalent on this basis. For example, a lifetime monthly benefit of $67.60 beginning at age 60 (on a given set of actuarial assumptions) can be said to be the actuarial equivalent of $100 a month beginning at age 65. The actual benefit amounts are different but the present value of the two benefits, considering mortality and interest, is the same.

Actuarially Fair: The price for insurance which exactly represents the expected losses

Actuary: A person professionally trained in the technical aspects of pensions, insurance and related fields. The actuary estimates how much money must be contributed to an insurance or pension fund in order to provide future.

Additional insured: an assured party specifically named under an insurance policy.

Adhesion, Contract of: A contract that is drafted by one party and accepted or rejected by the other, with no opportunity to bargain with respect to its terms.

Adjustable Life Insurance: A type of insurance that allows the policyholder to change the plan of insurance, raise or lower the face amount of the policy, increase or decrease the premium and lengthen or shorten the protection period.

Adjusted gross estate: Approximately the net worth of the deceased--the beginning point for the computation of estate taxes.

Adjuster: A person who investigates and settles losses for an insurance carrier.

Adjusting : The process of investigating and settling losses with or by an insurance carrier.

Adjustment Bureau : Organization for adjusting insurance claims that is supported by insurers using the bureau's services.

Administrative Services Only (AS0) Plan: An arrangement under which an insurance carrier or an independent organization will, for a fee, handle the administration of claims, benefits and other administrative functions for a self-insured group.

Advance Funding: Pension-funding method in which the employer systematically and periodically sets aside funds prior to the employee's retirement.

Advance Premium Mutual: mutual insurance Company owned by the policy owners that does not issue assessable policies but charges premiums expected to be sufficient to pay all claims and expenses.

Adverse Selection: The tendency of persons who present a poorer-than-average risk to apply for, or continue, insurance to a greater extent than do persons with average or better-than-average expectations of loss.

Age Limits: Stipulated minimum and maximum ages below and above which the company will not accept applications or may not renew policies.

Agent: An insurance company representative licensed by the state, who solicits, negotiates or effects contracts of insurance, and provides service to the policyholder for the insurer.

Aggregate Deductible: Deductible in some property and health insurance contracts in which all covered losses during a year are added together and the insurer pays only when the aggregate deductible amount is exceeded.

Aggregate Indemnity: The maximum dollar amount that may be collected for any disability or period of disability under the policy.

AIDS: Acquired immune deficiency syndrome. A fatal, incurable disease caused by a virus that can damage the brain and destroy the body's ability to fight off illness.

Alien Insurer: An insurance company domiciled in another country.

Allied Lines: A term for forms of property insurance allied with fire insurance, covering such perils as windstorm, hail, explosion, and riot.

Allocated Benefits: Benefits for which the maximum amount payable for specific services is itemized in the contract.

All-risks Policy: Coverage by an insurance contract that promises to cover all losses except those losses specifically excluded in the policy. See also: Risks of direct loss to property.

Alternate Delivery Systems: Health services provided in other than an in-patient, acute-care hospital. Examples include skilled and intermediary nursing facilities, hospice programs, and home health care. Alternate delivery systems are designed to provide needed services in a more cost-effective manner.

Ambulatory Care: Medical services that are provided on an outpatient (non-hospitalized) basis. Services may include diagnosis, treatment, and rehabilitation.

Amendment: A formal document changing the provisions of an insurance policy signed jointly by the insurance company officer and the policy holder or his authorized representative.

Amortization: Paying an interest-bearing liability by gradual reduction through a series of installments, as opposed to one lump-sum payment.

Annual Statement: The annual report, as of December 31, of an insurer to a state insurance department, showing assets and liabilities, receipts and disbursements, and other financial data.

Annuitant: The person during whose life an annuity is payable, usually the person to receive the annuity.

Annuity: A contract that provides an income for a specified period of time, such as a number of years or for life.

Annuity Certain: A contract that provides an income for a specified number of years, regardless of life or death.

Annuity Consideration: The payment, or one of the regular periodic payments, an annuitant makes for an annuity.

Antiselection: The tendency of persons who present a poorer-than-average risk to apply for, or continue, insurance to a greater extent than do persons with average or better-than-average expectations of loss.

Application: A signed statement of facts made by a person applying for life insurance and then used by the insurance company to decide whether or not to issue a policy. The application becomes part of the insurance contract when the policy is issued. Arbitration">Arbitration: A form of alternative dispute resolution where an unbiased person or panel renders an opinion as to responsibility for or extent of a loss.

Arson: The willful and malicious burning of, or attempt to burn, any structure or other property, often with criminal or fraudulent intent.

Assessment Association: An insurer that does not charge a fixed premium for insurance, but rather assesses its members periodically to pay its losses. Assessment insurers usually collect an advance premium which is estimated to cover losses and expenses, but reserve the right to make additional assessments whenever the premium collected is insufficient.

Assessment Mutual: Mutual insurance company that has the right to assess policy owners for losses and expenses.

Assets: All funds, property, goods, securities, rights of action, or resources of any kind owned by an insurance company. Statutory accounting, however, excludes non-admitted assets, such as deferred or overdue premiums, that would be considered assets under generally accepted accounting principles (GAAP).

Assignment: The legal transfer of one person's interest in an insurance policy to another person.

Association Captive: Type of captive insurer owned by members of a sponsoring organization or group, such as a trade association.

Association Group : A group formed from members of a trade or a professional association for group insurance under one master health insurance contract.

Association Group Plan: Health insurance plans designed for members of a professional association or trade association. Members may be protected under a group health insurance policy or by individual franchise policies.

Assumption of Risk Doctrine: Defense against a negligence claim that bars recovery for damages if a person understands and recognizes the danger inherent in a particular activity or occupation.

Assumptions: Conditions and rules underlying the calculation of a pension benefit, including expected interest, mortality and turnover.

Assurance Insurance: These terms are today generally accepted as synonymous, although not originally so. The term "assurance" is used more commonly in Canada and Great Britain than in the United States.

Attachment point: the dollar amount of loss where an insurance begins to provide coverage

Attractive Nuisance: Condition that can attract and injure children. Occupants of land on which such a condition exists are liable for injuries to children.

Automatic Premium Loan: Cash borrowed from a life insurance policy's cash value to pay an overdue premium after the grace period for paying the premium has expired.

Automatic Reinsurance: An agreement that the insurer must cede and the re-insurer must accept all risks within certain explicitly defined limits. The re-insurer undertakes in advance to grant reinsurance to the extent specified in the agreement in every case where the ceding company accepts the application and retains its own limit.

Automobile Insurance Plan: One of several types of "shared market" mechanisms where persons who are unable to obtain such insurance in the voluntary market are assigned to a particular company, usually at a higher rate than the voluntary market. **Formerly called "Assigned Risk."**

Automobile Liability Insurance: Protection for the insured against financial loss because of legal liability for car-related injuries to others or damage to their property.

Automobile Physical Damage Insurance: Coverage to pay for damage to or loss of an insured automobile resulting from collision, fire, theft, or other perils.

Automobile Reinsurance Facility: One of several types of "shared market" mechanisms used to make automobile insurance available to persons who are unable to obtain such insurance in the regular market.

Automobile Shared Market: A program in which all automobile insurers in each state and the District of Columbia participate to make coverage available to car owners who are unable to obtain auto insurance in the voluntary market. Except in Maryland, which operates a state-funded mechanism whose losses are subsidized by private insurers, each state uses one of three systems (an automobile insurance plan, a joint underwriting association, or a reinsurance facility) to guarantee the availability of automobile insurance.

Aviation Insurance: Aircraft insurance including coverage of aircraft or their contents, the owner's liability, and accident insurance on the passengers.

Average Indexed Monthly Earnings (AIME): Under the OASDI program, the person's actual earnings are indexed to determine his or her primary insurance amount (PIA).

Avoidance: see Loss Avoidance.

B

Bad faith: the allegation that insurers have failed to act in good faith, i.e., that they have acted in a manner inconsistent with what a reasonable policyholder would have expected

Bailees Customers Policy: Policy that covers the loss or damage to property of customers regardless of a bailee's legal liability.

Basic Form: see Dwelling Property 1.

Basis: An amount attributed to an asset for income tax purposes; used to determine gain or loss on sale or transfer; used to determine the value of a gift.

Beneficiary: The person designated or provided for by the policy terms to receive any benefits provided by the policy or plan upon the death of the insured.

Benefit Period: A period of time typically one to three years during which major medical benefits are paid after the deductible is satisfied. When the benefit period ends, the insured must then satisfy a new deductible in order to establish a new benefit period.

Benefits: The amount payable by the insurance company to a claimant, assignee or beneficiary under each coverage.

Binder: A written or oral contract issued temporarily to place insurance in force when it is not possible to issue a new policy or endorse the existing policy immediately. A binder is subject to the premium and all the terms of the policy to be issued.

Binding Receipt: A receipt given for a premium payment accompanying the application for insurance. If the policy is approved, this binds the company to make the policy effective from the date of the receipt.

Blackout Period: The period during which Social Security benefits are not paid to a surviving spouse- between the time the youngest child reaches age sixteen and the widow's sixtieth birthday.

Blanket Contract: A contract of health insurance affording benefits, such as accidental death and dismemberment, for all of a class of persons not individually identified. It is used for such groups as athletic teams, campers, travel policy for employees, etc.

Blanket Medical Expense: A provision which entitles the insured person to collect up to a maximum established in the policy for all hospital and medical expenses incurred, without any limitations on individual types of medical expenses.

Blue Cross: An independent, nonprofit membership corporation providing protection on a service basis against the cost of hospital care in a limited geographical area.

Blue Shield: An independent, non-profit membership corporation providing protection on a service basis against the cost of surgical and medical care in a limited geographical area.

Boat Owners Package Policy: A special package policy for boat owners that combines physical damage insurance, medical expense insurance, liability insurance, and other coverages in one contract.

Boiler and Machinery Insurance: Coverage for loss arising out of the operation of pressure, mechanical, and electrical equipment. It covers loss of the boiler and machinery itself, damage to other property, and business interruption losses.

Bond: A certificate issued by a government or corporation as evidence of a debt. The issuer of the bond promises to pay the bondholder a specified amount of interest for a specified period and to repay the loan on the expiration (maturity) date.

Book of Business: the number, size and type of accounts (policyholders) that an agent "owns."

Book Value: the purchase price minus accounting depreciation

Bordereau: An itemized statement of transactions, today resembling a spreadsheet format, commonly used in reinsurance.

Branch Office System: Type of life insurance marketing system under which branch offices are established in various areas. Salaried branch managers, who are employees of the company, are responsible for hiring and training new agents.

Break in Service: A calendar year, plan year or other consecutive 12-month period designated by the plan during which a plan participant does not complete more than 500 hours of service.

Broad Form: see Dwelling Property 2; Homeowners 2 Policy.

Broker: A marketing specialist who represents buyers of property and liability insurance and who deals with either agents or companies in arranging for the coverage required by the customer.

Burglary: Breaking and entering into another person's property with felonious intent.

Burglary and Theft Insurance: Coverage against property losses due to burglary, robbery, or larceny.

Business income exposure: lost profits resulting from damage to property that halts the business

Business interruption exposure: see Business income exposure

Business Insurance: A policy which primarily provides coverage of benefits to a business as contrasted to an individual. It is issued to indemnify a business for the loss of services of a key employee or a partner who becomes disabled.

Business Interruption Insurance: Protection for a business owner against losses resulting from a temporary shutdown because of fire or other insured peril. The insurance provides reimbursement for lost net profits and necessary continuing expenses.

Business Life Insurance: Life insurance purchased by a business enterprise on the life of a member of the firm. It is often bought by partnerships to protect the surviving partners against loss caused by the death of a partner, or by a corporation to reimburse it for loss caused by the death of a key employee.

Buy-Sell Agreement: An agreement made by the owners of a business to purchase the share of a disabled or deceased owner. The value of each owner's share of the business and the exact terms of the buying-and-selling process are established before death or the beginning of disability.

C

Cafeteria Plan: Generic term for an employee benefit plan that allows employees to select among the various group life, medical expense, disability, dental, and other plans that best meet their specific needs. Also called flexible benefit plans.

Calendar-year Deductible: Amount payable by an insured during a calendar year before a group or individual health insurance policy begins to pay for medical expenses.

Cancelable: A contract of health insurance that may be canceled during the policy term by the insurer or insured.

Cancellation: The discontinuance of an insurance policy before its normal expiration date, either by the insured or the company.

Capacity: The amount of capital available to an insurance company or to the industry as a whole for underwriting general insurance coverage or coverage for specific perils.

Capital Gain: Profit realized on the sale of securities. An unrealized capital gain is an increase in the value of securities that have not been sold.

Capital Retention Approach: A method used to estimate the amount of life insurance to own. Under this method, the insurance proceeds are retained and are not liquidated.

Capitation: A method of payment for health services in which a physician or hospital is paid a fixed, per capita amount for each person served regardless of the actual number of services provided to each person.

Captive Insurance Company: A company owned solely or in large part by one or more non-insurance entities for the primary purpose of providing insurance coverage to the owner or owners.

Captive Insurer: Insurance company established and owned by a parent firm in order to insure its loss exposures while reducing premium costs, providing easier access to a reinsurer, and perhaps easing tax burdens. See also Association captive; Pure captive.

Cargo Insurance: Type of ocean marine insurance that protects the shipper of the goods against financial loss if the goods are damaged or lost.

Career average formula: A pension plan formula that bases retirement benefits on earnings during all years of service to the employer.

Cash Surrender Value: The amount available in cash upon voluntary termination of a policy by its owner before it becomes payable by death or maturity.

Casualty Insurance: Insurance concerned with the insured's legal liability for injuries to others or damage to other persons' property; also encompasses such forms of insurance as plate glass, burglary, robbery and workers' compensation.

Catastrophe: Event which causes a loss of extraordinary magnitude, such as a hurricane or tornado.

Causes-of-loss Form: Form added to commercial property insurance policy that indicates the causes of loss that are covered. There are four causes-of-loss forms: basic, broad, special, and earthquake.

Cede: To transfer all or part of a risk written by an insurer (the ceding, or primary company) to a reinsurer.

Certificate of Insurance: A statement of coverage issued to an individual insured under a group insurance contract, outlining the insurance benefits and principal provisions applicable to the member.

Certified Financial Planner (CFP): Professional who has attained a high degree of technical competency in financial planning and has passed a series of professional examinations by the College of Financial Planning.

Certified Insurance Counselor (CIC): Professional in property and liability insurance who has passed a series of examinations by the Society of Certified Insurance Counselors.

Cession: Amount of the insurance ceded to a reinsurer by the original insuring company in a reinsurance operation.

Change of Occupation Clause: Provision in a health insurance policy stipulating that if the insured changes to a more hazardous occupation, the benefits are reduced based on the amount of benefits the premium would have purchased for the more hazardous occupation.

Chartered Financial Consultant (ChFC): An individual who has attained a high degree of technical competency in the fields of financial planning, investments, and life and health insurance and has passed ten professional examinations administered by The American College.

Chartered Life Underwriter (CLU): An individual who has attained a high degree of technical competency in the fields of life and health insurance and who is expected to abide by a code of ethics. Must have minimum of three years of experience in life or health insurance sales and have passed ten professional examinations administered by The American College.

Chartered Property and Casualty Underwriter (CPCU): Professional who has attained a high degree of technical competency in property and liability insurance and has passed ten professional examinations administered by the American Institute for Property and Liability Underwriters.

Choice No-Fault: Allows auto insureds the choice of remaining under the tort system or choosing no-fault at a reduced premium.

Claim: A request for payment of a loss which may come under the terms of an insurance contract.

Civil law: the portion of law that deals with interactions between individual. The two branches of civil law are contract law and tort law.

Claims Adjustor: Person who settles claims: an agent, company adjustor, independent adjustor, adjustment bureau, or public adjustor.

Claim-made policy: A liability insurance policy under which coverage applies to claims filed during the policy period.

Class Rating: Rate-making method in which similar insureds are placed in the same underwriting class and each is charged the same rate. Also called manual rating.

Cliff vesting: a pension design in which an employee becomes entitled to full retirement benefits after participating in the plan for the specified period, e.g., five years.

CLU: See Chartered Life Underwriter.

Coinsurance:

1) A provision under which an insured who carries less than the stipulated percentage of insurance to value, will receive a loss payment that is limited to the same ratio which the amount of insurance bears to the amount required;

2) a policy provision frequently found in medical insurance, by which the insured person and the insurer share the covered losses under a policy in a specified ratio, i.e., 80 percent by the insurer and 20 percent by the insured.

Collateral Source Rule: Under this rule, the defendant cannot introduce any evidence that shows the injured party has received compensation from other collateral sources.

Collision Insurance: Protection against loss resulting from any damage to the policyholder's car caused by collision with another vehicle or object, or by upset of the insured car, whether it was the insured's fault or not.

Combined Ratio: Basically, a measure of the relationship between dollars spent for claims and expenses and premium dollars taken in; more specifically, the sum of the ratio of losses incurred to premiums earned and the ratio of commissions and expenses incurred to premiums written. A ratio above 100 means that for every premium dollar taken in, more than a dollar went for losses, expenses, and commissions.

Commercial General Liability Policy (CGL): Commercial liability policy drafted by the Insurance Services Office containing two coverage forms-an occurrence form and a claims-made form.

Commercial Lines: Insurance for businesses, organizations, institutions, governmental agencies, and other commercial establishments.

Commercial Multiple Peril Policy: A package of insurance that includes a wide range of essential coverages for the commercial establishment.

Commercial Package Policy (CPP): A commercial policy that can be designed to meet the specific insurance needs of business firms. Property and liability coverage forms are combined to form a single policy.

Commission: The part of an insurance premium paid by the insurer to an agent or broker for his services in procuring and servicing the insurance.

Commissioner: A state officer who administers the state's insurance laws and regulations. In some states, this regulator is called the director or superintendent of insurance.

Common law: the law that has evolved over time as a result of previous court decisions, rather than having been enacted by a legislative body

Common Stock: Securities that represent an ownership interest in a corporation.

Community Property: A special ownership form requiring that one-half of all property earned by a husband or wife during marriage belongs to each. Community property laws do not generally apply to property acquired by gift, by will, or by descent.

Company Adjustor: Claims adjustor who is a salaried employee representing only one company.

Comparative Negligence: Under this concept a plaintiff (the person bringing suit) may recover damages even though guilty of some negligence. His or her recovery, however, is reduced by the amount or percent of that negligence.

Completed Operations: Liability arising out of faulty work performed away from the premises after the work or operations are completed. Applicable to contractors, plumbers, electricians, repair shops, and similar firms.

Comprehensive Automobile Insurance: Protection against loss resulting from damage to the insured auto, other than loss by collision or upset.

Comprehensive Major Medical Insurance: A policy designed to give the protection offered by both a basic and a major medical health insurance policy. It is characterized by a low deductible amount, a coinsurance feature, and high maximum benefits.

Comprehensive Medical Expense Insurance: A form of health insurance which provides, in one policy, protection for both basic hospital expense and major medical expense coverages. The major medical part of a comprehensive policy is characterized by a deductible amount, coinsurance, and high maximum benefits.

Comprehensive Personal Liability Insurance: Protection against loss arising out of legal liability to pay money for damage or injury to others for which the insured is responsible. It does not include automobile or business operation liabilities.

Compulsory Auto Liability Insurance: Insurance laws in some states required motorists to carry at least certain minimum auto coverages. This is called "compulsory" insurance.

Compulsory Insurance: Any form of insurance which is required by law.

Compulsory Insurance Law: Law protecting accident victims against irresponsible motorists by requiring owners and operators of automobiles to carry certain amounts of liability insurance in order to license the vehicle and drive legally within the state.

Concealment: Deliberate failure of an applicant for insurance to reveal a material fact to the insurer.

Concurrent Causation: Legal doctrine that states when a property loss is due to two causes, one that is excluded and one that is covered, the policy provides coverage.

Conditional Receipt: A receipt given for premium payments accompanying an application for insurance. If the application is approved as applied for, the coverage is effective as of the date of the prepayment or the date on which the last of the underwriting requirements, such as a medical examination, has been fulfilled.

Conditionally Renewable: Continuance provision of a health insurance policy under which the company cannot cancel the policy during its term but can refuse to renew under certain conditions stated in the contract.

Conditions: Provisions inserted in an insurance contract that qualify or place limitations on the insurer's promise to perform.

Confining Sickness: An illness that confines an insured person to his home or to a hospital.

Conservation: The attempt by the insurer to prevent the lapse of a policy.

Consideration: One of the elements for a binding contract. Consideration is acceptance by the insurance company of the payment of the premium and the statement made by the prospective policyholder in the application.

Consideration Clause: The clause that stipulates the basis on which the company issues the insurance contract. In health policies, the consideration is usually the statements in the application and the payment of premium.

Consequential Loss: Financial loss occurring as the consequence of some other loss. Often called an indirect loss.

Contents Broad Form: See Homeowners 4 policy.

Contingent Annuity Option: An option under which an employee may elect to receive, under certain conditions, a reduced amount of annuity with the same income, or a specified fraction, to be paid after his death to another person designated as his contingent annuitant, for that person's lifetime. The contingent annuitant is usually the husband or the wife. (See Joint and Survivor Annuity)

Contingent Beneficiary: The person or persons designated to receive the benefits of a policy or plan if the primary beneficiary dies while the insured is living.

Contingent Employers Liability Insurance: provides payment on behalf of the employer for bodily injury to an employee if that person is ineligible to receive workers compensation benefits, e.g., an "occasional" employee.

Contingent Liability: Liability arising out of work done by independent contractors for a firm. A firm may be liable for the work done by an independent contractor if the activity is illegal, the situation does not permit delegation of authority, or the work is inherently dangerous.

Contingent Owner: The person to succeed as owner of a life insurance policy if the original owner dies.

Contract: A binding agreement between two or more parties for the doing or not doing of certain things. A contract of insurance is embodied in a written document called the policy.

Contract law: the portion of civil law that interprets written agreements between parties and resolves disputes between them.

Contract Holder: The group, entity or person to whom a group annuity contract is issued.

Contract of adhesion: occurs when one party to the contract writes it and offers other parties only the option of acceptance or rejection. In such a circumstance the law interprets any ambiguities in the contract against the party writing it.

Contract Law

Contractual Liability: Legal liability of another party that the business firm agrees to assume by a written or oral contract.

Contribution by Equal Shares: Type of other-insurance provision often found in liability insurance contracts that requires each company to share equally in the loss until the share of each insurer equals the lowest limit of liability under any policy or until the full amount of loss is paid.

Contributory: A group insurance plan issued to an employer under which both the employer and employee contribute to the cost of the plan. Seventy-five percent of the eligible employees must be insured. (See Noncontributory.)

Contractual risk transfer: a major method of loss financing through which a legal agreement is used to transfer risk to another party

Contributory Negligence: Negligence of the damaged person that helped to cause the accident. Some states bar recovery to the plaintiff if the plaintiff was contributorily negligent to any extent. Others apply comparative negligence.

Conversion Privilege: A privilege granted in an insurance policy to convert to a different plan of insurance without providing evidence of insurability. The privilege granted by a group policy is to convert to an individual policy upon termination of group coverage.

Conversion Privilege: The right given to an insured person to change insurance without evidence of medical insurability, usually to an individual policy upon termination of coverage under a group contract.

Convertible Bond: A bond that offers the holder the privilege of converting the bond into a specified number of shares of stock.

Convertible Term Insurance: Term insurance which can be exchanged, at the option of the policyholder and without evidence of insurability, for another plan of insurance. Credit life insurance. Term life insurance issued through a lender or lending agency to cover payment of a loan, installment purchase, or other obligation, in case of death.

Coordination of Benefits (COB): The mechanism used in group health insurance to designate the order in which the multiple carriers are to pay benefits and to prevent duplicate payments.

Corridor Deductible: Major medical plan deductible that excludes benefits provided by a basic plan if both a basic and a supplemental group major medical expense policy are in force.

Cost Basis: An amount attributed to an asset for income tax purposes; used to determine gain or loss on sale or transfer; used to determine the value of a gift

Cost Containment: The controller reduction of inefficiencies in the consumption, allocation, or production of health care services that contribute to higher than necessary costs.

Cost-of-Living Rider: Benefit that can be added to a life insurance policy under which the policyowner can purchase one-year term insurance equal to the percentage change in the consumer price index with no evidence of insurability.

Cost of pure risk: all costs related to pure risk which includes, from the perspective of shareholders, retained risk, loss prevention costs, insurance costs, and more.

Cost of risk: the reduction in business value that arises as a result of risk

Coverage: The scope of protection provided under a contract of insurance; any of several risks covered by a policy.

Coverage for Damage to Your Auto: That part of the personal auto policy insuring payment for damage or theft of the insured automobile. This optional coverage can be used to insure both collision and other-than-collision losses.

Covered: A person covered by a pension plan is one who has fulfilled the eligibility requirements in the plan, for whom benefits have accrued, or are accruing, or who is receiving benefits under the plan.

Covered Expenses: Hospital, medical, and miscellaneous health care expenses incurred by the insured that entitle him/her to a payment of benefits under a health insurance policy. Found most often in connection with major medical plans, the term defines, by either description, reasonableness, or necessity to specify the type and amount of expense which will be considered in the calculation of benefits.

Covered Participant: A person covered by a pension plan is one who has fulfilled the eligibility requirements in the plan, for whom benefits have accrued, or are accruing, or who is receiving benefits under the plan.

CPCU: See Chartered Property and Casualty Underwriter.

Credibility: A statistical measure of the degree to which past results make good forecasts of future results.

Credibility Factor The weight given to an individual insured's past experience in computing premiums for future coverage.

Credit Health Insurance: A form of health insurance on a borrower, usually under an installment purchase agreement. The benefits cover the obligations of the borrower and are payable to the creditor.

Credit Insurance: A guarantee to manufacturers, wholesalers, and service organizations that they will be paid for goods shipped or services rendered. Applies to that part of working capital which is represented by accounts receivable.

Crop-hail Insurance: Protection against damage to growing crops as a result of hail or certain other named perils. Cross

Purchase Agreement: specifies the terms for the surviving partners or shareholders to buy a deceased's share of the business's ownership.

CSR: Customer service representatives support the work of insurance agents with a variety of tasks that must be done within a company or agency to deliver services to and handle requests from clients.

Current Assumption Whole Life Insurance: Nonparticipating whole life policy in which the cash values are based on the insurer's current mortality, investment, and expense experience. An accumulation account is credited with a current interest rate that changes over time. Also called interest-sensitive whole life insurance.

Currently Insured: Status of a covered person under the Old-age, survivors, and Disability Insurance (OASDI) program who has at least six quarters of coverage out of the last thirteen quarters, ending with the quarter of death, disability, or entitlement to retirement benefits.

D

Damage to Property of Others: Damage covered up to $500 per occurrence for an insured who damages another's property. Payment is made despite the lack of legal liability. Coverage is included in Section II of the homeowners policy.

Death Benefit: A payment made to a designated beneficiary upon the death of the employee annuitant.

Debenture: A bond that is backed only by the general credit of the issuing corporation. No specific property is pledged as security behind the loan.

Declarations: Statements in an insurance contract that provide information about the property or life to be insured and used for underwriting and rating purposes and identification of the property or life to be insured.

Declination: The insurer's refusal to insure an individual after careful evaluation of the application for insurance and any other pertinent factors.

Deductible: An amount which a policyholder agrees to pay, per claim or per accident, toward the total amount of an insured loss.

Deferred Annuity : An annuity providing for the income payments to begin at some specified future date.

Deferred Compensation: Arrangements by which compensation to employees for past or current services is postponed until some future date.

Deferred Group Annuity: A type of group annuity providing for the purchase each year of a paid-up deferred annuity for each member of the group, the total amount received by the member at retirement being the sum of these deferred annuities.

Defined Benefit Plan: A pension plan stating either (1) the benefits to be received by employees after retirement or (2) the method of determining such benefits. The employer's contributions under such a plan are actuarially determined.

Defined Contribution Plan: A plan under which the contribution rate is fixed and benefits to be received by employees after retirement depend to some extent upon the contributions and their earnings.

Dental Insurance: Individual or group plan that helps pay costs of normal dental care as well as damage to teeth from an accident.

Demutualization: the process of changing the legal structure of an insurance company from a mutual form of ownership to a stock form of ownership.

Dependency Period : Period of time following the readjustment period during which the surviving spouse's children are under eighteen and therefore dependent of the parent.

Dependent Benefits: Social Security benefits available to the spouse or children of a Social Security beneficiary.

Deposit Administration Group Annuity: A type of group annuity providing for the accumulation of contributions in an undivided fund out of which annuities are purchased as the individual members of the group retire.

Deposit Premium: The premium deposit paid by a prospective policy holder when an application is made for an insurance policy. It is usually equal, at least, to the first month's estimate premium and is applied toward the actual premium when billed.

Deposit Term Insurance: A form of term insurance, not really involving a "deposit," in which the first-year premium is larger than subsequent premiums. Typically, a partial endowment is paid at the end of the term period. In many cases the partial endowment can be applied toward the purchase of a new term policy, or, perhaps, a whole life policy.

Depreciation: A decrease in the value of property over a period of time due to wear and tear or obsolescence. Depreciation is used to determine the actual cash value of property at time of loss. (See Actual Cash Value)

Diagnosis-Related Groups (DRGs): System that reimburses health cared providers fixed amounts for all care given in connection with standard diagnostic categories.

Difference in Conditions Insurance (DIC): "All-risks" policy that covers other perils not insured by basic property insurance contracts, supplemental to and excluding the coverage provided by underlying contracts.

Direct Loss: Financial loss that results directly from an insured peril.

Direct Placement: Sale of an entire issue of bonds or stock by the issuer to one or a few large institution customers such as an insurance company without trying to market the issue publicly.

Direct Premiums Written : Property and casualty insurance premiums written (less return premiums), without any allowance for premiums for assumed or ceded reinsurance.

Direct Response System: A marketing method where insurance is sold without the services of an agent. Potential customers are solicited by advertising in the mail, newspapers, magazines, television, radio, and other media.

Direct Writer: The industry term for a company which uses its own sales employees to write its policies. Sometimes refers to companies which contract with exclusive agents.

Direct Written Premiums: see Direct Premiums Written

Directors' and Officers' Liability : the exposure of corporate managers to claims from shareholders, government agencies, and employees, and others alleging mismanagement.

Disability: a physical or a mental impairment that substantially limits one or more major life activities of an individual. It may be partial or total. (See Partial Disability; Total Disability.)

Disability Benefit: Periodic payments, usually monthly, payable to participants under some retirement plans, if such participants are eligible for the benefits and become totally and permanently disabled prior to the normal retirement date.

Disability Benefit: A feature added to some life insurance policies providing for waiver of premium, and sometimes payment of monthly income, if the policy holder becomes totally and permanently disabled.

Disability Income Insurance: A form of health insurance that provides periodic payments to replace income when an insured person is unable to work as a result of illness, injury, or disease.

Disability Insured: Status of an individual who is insured for disability benefits under the Old-Age, Survivors, and Disability Insurance (OASDI) program. The covered person must be fully insured and have at least twenty quarters of coverage out of the last forty, ending with the quarter in which the disability occurs. Fewer quarters are required for persons under age thirty.

Disappearing Deductible: Deductible in an insurance contract that provides for a decreasing deductible amount as the size of the loss increases, so that small claims are not paid but large losses are paid in full.

Dismemberment: Loss of body members (limbs), or use thereof, or loss of sight due to injury.

Dismemberment Insurance: A form of health insurance that provides payment in case of loss by bodily injury of one or more body members (such as hands or feet) or the sight of one or both eyes.

Disposable Personal Income: The personal income less personal tax and non-tax payments. It is the income available to people for spending and saving.

Diversifiable risk: risk that can be eliminated by investors by holding diversified portfolios

Dividend: A return of part of the premium on participating insurance to reflect he difference between the premium charged and the combination of actual mortality, expense and investment experience. Such premiums are calculated to provide some margin over the anticipated cost of the insurance protection.

Dividend: (1) An amount returned to a policyholder by an insurance company out of its earnings. (2) In capital stock companies, a share of the profits distributed to stockholders.

Dividend: Portion of the premium which is returned to the insured because of favorable experience by the company.

Dividend: A policy holder's share in the insurer's divisible surplus fund apportioned for distribution, which may take the form of a refund of part of the premium on a participating policy. The term is also used for a stockholder's share of the portion of a corporation's earnings that is distributed in cash or additional stock.

Dividend Addition: An amount of paid-up insurance purchased with a policy dividend and added to the face amount of the policy.

Doctrine of reasonable expectations: a legal doctrine that holds policies will be interpreted according to how a reasonable person who is not trained in the law would expect

Dollar Threshold: In no-fault auto insurance states with the dollar threshold, it prevents individuals from suing in tort to recover for pain and suffering unless their medical expenses exceed a certain dollar amount.

Domestic Insurer: An insurance company is a domestic company in the state in which it is incorporated.

Donor: The person making a gift.

Double Indemnity: A policy provision usually associated with death, which doubles payment of a designated benefit when certain kinds of accidents occur.

Double Indemnity: Payment of twice the policy's normal benefit in case of loss resulting from specified causes or under specified circumstances.

Dramshop Law: Law that imputes negligence to the owner of a business that sells liquor in the case that an intoxicated customer causes injury or property damage to another person. Usually excluded from general liability policies.

Dread Disease Insurance: Insurance providing an unallocated benefit, subject to a maximum amount, for expenses incurred in connection with the treatment of specified diseases, such as cancer, poliomyelitis, encephalitis and spinal meningitis.

Driver Education Credit: Student discount or reduction in premium amount for which young drivers become eligible on completion of a driver education course.

Duplication of Benefits: Overlapping or identical coverage of the same, insured under two or more health plans, usually the result of contracts of different insurance companies, service organizations, or pre-payment plans; also known as multiple coverage.

Dwelling Property 1: Property insurance policy that insures the dwelling at actual cash value, other structures, personal property, fair rental value, and certain other coverages. Covers a limited number of perils.

Dwelling Property 2: Property insurance policy that insures the dwelling and other structures at replacement cost. It adds additional coverages and has a greater list of covered perils than the Dwelling Property 1 policy.

Dwelling Property 3 : Property insurance policy that covers the dwelling and other structures against direct physical loss from any peril except for those perils otherwise excluded. However, personal property is covered on a named-perils basis.

E

Early Retirement: Retirement of a participant prior to the normal retirement date, usually with a reduced amount of annuity. Early retirement is generally allowed at any time during a period of 5 to 10 years preceding the normal retirement date.

Earned Income: Employment income derived from salary, wages, commissions, or fees.

Earned Premium: The part of the total property/casualty policy premium which applies to the portion of the policy period which has already expired.

Earned Premium: The portion of a premium which is the property of an insurance company, based on the expired portion of the policy period. E.g., a $300 premium for a one-year policy beginning July 1 would amount to an earned premium of $150 the following January 1.

Earned Premium: That portion of a policy's premium payment for which the protection of the policy has already been given. For example, an insurance company is considered to have earned 75 percent of an annual premium after a period of nine months of an annual term has elapsed.

Earnings Test (retirement test): Determination of the amount of Social Security benefits payable to a beneficiary after adjusting for earnings. The amount of earnings allowed before his or her benefits is indexed annually; benefits are reduced by $1 for every $3 of earnings (beginning in 1990) above the earnings test threshold.

Economic Loss: The estimated total cost, both insured and uninsured, of mishaps (such as motor vehicle accidents, work accidents, and fires); includes such factors as property damage, funeral expenses, wage loss, insurance administration costs, and medical, hospital and legal costs.

Economic Policy: Special type of participating whole life insurance in which the dividends are used to buy term insurance or paid-up additions equal to the difference between the face amount of the policy and some guaranteed amount.

Effective Date: The date on which the insurance under a policy begins.

Efficient level of risk : the amount of risk remaining after an individual or business pursues activities such as loss control, loss financing, and internal risk reduction, to the point where marginal benefit equals marginal cost

Elements of a Negligent Act: Four elements an injured person must show to prove negligence: existence of a legal duty to use reasonable care, failure to perform that duty, damages or injury to the claimant, and proximate cause relationship between the negligent act and the infliction of damages.

Eligibility Date: The date on which an individual member of a specified group becomes eligible to apply for insurance under the (group life or health) insurance plan.

Eligibility Period: A specified length of time, frequently 31 days, following the eligibility date during which an individual member of a particular group will remain eligible to apply for insurance under a group life or health insurance policy without evidence of insurability.

Eligibility Requirements: This term refers to (1) the conditions which an employee must satisfy to participate in a retirement plan, one such condition begin the completion from 1 to 3 years of service with the employer, another the attainment of a specified age, such as 25, or (2) conditions which an employee must satisfy to obtain a retirement benefit, such as the completion of 15 years of service and the attainment of age 65.

Eligible Employees: Those members of a group who have met the eligibility requirements under a group life or health insurance plan.

Elimination Period: A period of time between the period of disability and the start of disability income insurance benefits, during which no benefits are payable. (See Waiting Period.)

Elimination Period: A specified number of days at the beginning of each period of disability during which no disability income benefits are paid. The elimination period may be as short as a few days or as long as one year or more.

Embezzlement: Fraudulent use or taking of another's property or money which has been entrusted to one's care.

Employee Dishonesty Coverage Form: Commercial crime insurance form drafted by the Insurance Services Office that covers the loss of money, securities, and other covered property because of any dishonest act of a covered employee or employees.

Employee Retirement Income Security Act (ERISA): Legislation passed in 1974 applying to most private pension and welfare plans that requires certain minimum standards to protect participating employees.

Employment Stock Ownership Plan (ESOP): A defined contribution pension plan which is designed to invest primarily in employer securities.

Endorsements: An additional piece of paper, not a part of the original contract, which cites certain terms and which, when attached to the original contract, becomes a legal part of that contract.

Endorsement: An amendment of the policy usually by means of a rubber stamp or rider.

Endowment: Life insurance payable to the policyholder if living, on the maturity date stated in the policy, or to a beneficiary if the insured dies prior to that date.

Enrolled Actuary: A person who performs actuarial service for a plan and who is enrolled with the Federal Joint Board for the Enrollment of Actuaries.

Enrollment Card: A document signed by an employee as notice of his/her desire to participate in the benefits of a group insurance plan.

Entire Contract Clause: Provision in life insurance policies stating that the life insurance policy and attached application constitute the entire contract between the parties. Entity Purchase Agreement: specifies the terms for the business to buy back a deceased's share of the business's ownership.

Environmental Impairment Liability Insurance: A form of insurance designed to cover losses and liabilities arising from damage to property by pollution.

Equities: Investments in the form of ownership of property, usually common stocks, as distinguished from fixed income bearing securities, such as bonds or mortgages.

Equity in the Unearned Premium Reserve: Amount by which an unearned premium reserve is overstated because it is established on the basis of gross premium rather than net premium.

ERISA: See Employee Retirement Income Security Act.

Errors and Omissions Insurance: Liability insurance policy that provides protection against loss incurred by a client because of some negligent act, error, or omission by the insured.

Estate: The assets and liabilities of a person left at death.

Estate Planning: Developing a plan to transfer all of your property from one generation to the next or within a generation.

Estoppel: Legal doctrine that prevents a person from denying the truth of a previous representation of fact, especially when such representation has been relied on by the one to whom the statement was made. Employee Stock Ownership Plan:

Errors and Omissions Insurance: A form of insurance that indemnifies the insured for any loss sustained because of an error or oversight on his or her part.

Evidence of Insurability: Any statement of proof of a person's physical condition and/or other factual information affecting his/her acceptance for insurance.

Excess and Surplus Insurance:

(1) Insurance to cover losses above a certain amount, with losses below that amount usually covered by a regular policy. (2) Insurance to cover an unusual or one-time risk, e.g., damage to a musician's hands or the multiple perils of a convention, for which coverage is unavailable in the normal market. (See also "Umbrella liability" and "surplus lines.")

Exclusions: Specific conditions or circumstances listed in the policy for which the policy will not provide benefit payments.

Exclusive Agent: An agent who is employed by one and only one insurance company and who solicits business exclusively for that company.

Exclusive Remedy Doctrine: Doctrine in workers compensation insurance which states that workers compensation benefits should be the exclusive or sole source of recovery for workers who have a job-related accident or disease; doctrine has been eroded by legal decisions.

Exclusion or Exception: Specified conditions or circumstances, listed in the policy, for which the policy will not provide benefits.

Exclusion ratio: The portion of an annuity payment, considered by the tax law to be a return of your initial investment, that is not subject to income tax when received.

Exclusive Provider Organization (EPO): People who belong to an EPO must receive their care from affiliated providers; services rendered by unaffiliated providers are not reimbursed.

Expected claim cost: the expected value of the loss distribution for a particular group of insurance contracts

Expected value: The sum of losses divided by the number of exposures; the average.

Expense Loading: See Loading.

Expense Ratio: The ratio of a company's operating expenses to premiums.

Experience: A term used to describe the relationship, usually expressed as a percent or ratio, of premium to claims for a plan, coverage, or benefits for a stated time period.

Experience Modification Factor: Used in workers compensation rating to reflect the degree to which a particular employer has experience that is better or worse that expected for that industry. Weighted by employer's credibility factor.

Experience Rating: The process of determining the premium rate for a group risk, wholly or partially on the basis of that group's experience.

Experience Refund: A provision in most group policies for the return of premium to the policyholder because of lower than anticipated claims.

Exposure Unit: Unit of measurement used in insurance pricing.

Extended Coverage Insurance: Protection for the insured against property damage caused by windstorm, hail, smoke, explosion, riot, riot attending a strike, civil commotion, vehicle and aircraft. This is provided in conjunction with the fire insurance policy and the various "package" policies.

Extended Non-owned Coverage: Endorsement that can be added to an automobile liability insurance policy that covers the insured while driving any non-owned automobile on a regular basis.

Extended Reporting Period: An additional period of time after policy expiration during which valid claims will be paid under a claims-made policy of liability insurance

Extended Reporting Period Endorsement: Added to a claims-made policy of liability insurance to provide additional period of time during which valid claims will be paid

Extended Term Insurance: A form of insurance available as a non-forfeiture option. It provides the original amount of insurance for a limited period of time.

Extended Unemployment Insurance Benefits: Additional cash benefits paid by federal-state unemployment insurance programs to workers who are involuntarily unemployed and who have exhausted their regular weekly cash benefits during periods oh high unemployment.

Extortion: Surrender of property away from the premises as a result of a threat to do bodily harm to the named insured, relative, or invitee who is being held captive.

Extra Expense Insurance: Type of business income insurance that covers the extra expenses incurred to continue operations after a loss has occurred

F

Face Amount: The amount stated on the face of the policy that will be paid in case of death or at the maturity of the policy. It does not include additional amounts payable under accidental death or other special provisions, or acquired through the application of policy dividends.

Facility: A pooling mechanism for insureds not able to obtain insurance in the voluntary market. Insurers write and issue policies but cede premium and losses on those policies to a central pool in which all insurers share.

Facility of Payment: A contractual provision that allows the insurer, under stated conditions, to pay insurance benefits of up to $1,000 to a person or persons other than the insured, the designated beneficiary, or the insured's estate.

Factory Mutual: Mutual insurance company insuring only properties that meet high underwriting standards. Emphasizes loss prevention.

Facultative Reinsurance: A type of reinsurance in which the reinsurer can accept or reject any risk presented by an insurance company seeking reinsurance.

FAIR Plan: A facility, operating under a program of the government and the insurance industry, to make fire insurance and other forms of property insurance readily available to persons and businesses for whom such insurance is not easily available or affordable.

FAIR Plan: A facility, operating under a government-insurance industry cooperative program, to make fire insurance and other forms of property insurance readily available to persons who have difficulty obtaining such coverage.

Fair premium: the premium level that is just sufficient to fund an insurer's expected costs and provide insurance company owners with a fair return on their invested capital.

Fair Rental Value: Amount payable to an insured homeowner for loss of rental income due to damage that makes the premises uninhabitable.

Family Expense Policy: A policy which insures both the policyholder and his/her immediate dependents (usually spouse and children).

Family Income Policy: Special life insurance policy combining decreasing term and whole life insurance that pays a monthly income of $10 for each $1000 of life insurance if the insured dies within the specified period. The monthly income is paid to the end of the period, at which time the face amount of insurance is paid.

Family Policy: A life insurance policy providing insurance on all or several family members in one contract, generally whole life insurance on the principal breadwinner and small amounts of term insurance on the other spouse and children, including those born after the policy is issued.

Family Purpose Doctrine: Concept that imputes negligence committed by immediate family members while operating a family car to the owner of the car.

Farm Mutual: Local mutual insurance company that insures farm property in a limited geographical area primarily through assessable policies.

Farmowners-Ranchowners Policy: A package policy for a farm or a ranch, providing property and liability coverages against personal and business losses.

Federal Crime Insurance: Insurance against burglary, larceny, and robbery losses offered by the federal government where the Federal Insurance Administration has determined that an insurance availability problem exists.

Federal Crop Insurance: Comprehensive coverage at rates subsidized by the federal government for unavoidable crop losses, including those that result from hail, wind, excessive rain, drought, freezes, plant disease, snow, floods, and earthquake.

Federal Flood Insurance: Insurance sold by private insurers with rates subsidized by the federal government to persons who reside in flood zones and whose community joins the program and agrees to establish and enforce flood control and land-use measures.

Federal Surety Bond: Type of surety bond required by federal agencies that regulates the actions of business firms. It guarantees that the bonded party will comply with federal standards, pay all taxes or duties accrued, or pay any penalty if the bondholder fails to pay.

Federal-servant Doctrine: Common law defense blocking an injured employee from collecting workers compensation benefits if he or she sustained an injury caused in any way by the negligence of a fellow worker.

Fidelity Bond: A form of protection which reimburses an employer for losses caused by dishonest or fraudulent acts of employees.

Fiduciary: A person who holds something in trust for another.

Fidelity Bond: Bond that protects an employer against dishonest or fraudulent acts of employees, such as embezzlement, fraud, or theft of money.

G

General Agency System: Type of life insurance marketing system in which the general agent is an independent businessperson who represents only one insurer, is in charge of a territory, and is responsible for hiring, training, and motivating new agents.

General Average: In ocean marine insurance, a loss incurred for the common good that is shared by all parties to the venture.

General Damages: Damages awarded to an injured person for intangible loss which cannot be measured directly by dollars. Popularly known as "pain and suffering." General damages are distinguished from special damages which are awarded for actual economic loss, such as medical costs, loss of income, etc.

General Liability Insurance : Coverage that pertains, for the most part, to claims arising out of the insured's liability for injuries or damage caused by ownership of property, manufacturing operations, contracting operations, sale or distribution of products, and the operation of machinery, as well as professional services.

Generally Accepted Accounting Principles (GAAP): Principles of accounting and reporting business results developed by the American Institute of Public Accountants.

Generation skipping tax : a transfer tax imposed on gift or inheritance to those at least two generations younger than the person making the transfer

Glass Insurance : Protection for loss of or damage to glass and its appurtenances.

Good Student Discount: Reduction of automobile premium for a young driver at least sixteen who ranks in the upper 20 percent of his or her class, has a B or 3.0 average, or is on the Dean's list or honor roll. It is based on the premise that good students are better drivers.

Grace Period: A specified period after a premium payment is due, in which the policyholder may make such payment, and during which the protection of the policy continues.

Graded Commission Scale : A commission scale providing for payment of a high first-year commission and lower renewal commissions.

Gross estate : All of the assets and liabilities owned at death.

Gross Negligence : The intentional failure to perform a manifest duty in reckless disregard of the consequences as affecting the life or property of another

Gross Premium : The premium paid by the policyholder.

Gross Rate: The sum of the pure premium and a loading element.

Group Annuity: A pension plan providing annuities at retirement to a group of people under a master contract. It is usually issued to an employer for the benefit of employees. The individual members of the group hold certificates as evidence of their annuities.

Group Annuity Contract : A contract issued by a life insurance company that may be used as the funding instrument for benefits to be made in accordance with a pension plan. A single master contract provides that the group of persons participating in the plan will receive annuities during retirement. Individual certificates stating coverage may be issued to members of the group.

Group Contract: A contract of insurance made with an employer or other entity that covers a group of persons identified as individuals by reference to their relationship to the entity.

Group Creditor Life Insurance : Life insurance provided to debtors by a lending institution to provide for the cancellation of any outstanding debt should the borrower die. Normally term insurance limited to the amount of the loan.

Group Insurance : Insurance written on a number of people under a single master policy, issued to their employer or to an association with which they are affiliated.

Group Life Insurance : Life insurance usually without medical examination, on a group of people under a master policy. It is typically issued to an employer for the benefit of employees, or to members of an association, for example a professional membership group. The individual members of the group hold certificates as evidence of their insurance.

Group Major Medical Plan: See Supplementary Major medical Insurance.

Group Ordinary Life Insurance: Group insurance plan providing life insurance for employees. Traditional whole life policy is split into decreasing insurance protection and increasing cash values.

Group Paid-Up Life Insurance : Accumulating units of single premium whole life insurance and decreasing term insurance, which together equal the face amount of the policy. Provided through a group life insurance plan.

Group Permanent Plan: Type of pension plan in which cash value life insurance is issued on a group basis and cash values in each policy are used to pay retirement benefits when a worker retires.

Group Survivor Income Benefit Insurance (SIBI): See Survivor Income Benefit Insurance.

Group Term Life Insurance: Most common form of group life insurance. Yearly renewable term insurance on employees during their working careers.

Group Universal Life Products (GULP): Universal life insurance plans sold to members of a group, such as individual employees of an employer. There are some differences between GULP plans and individual universal life plans; for instance, GULP expense charges generally are lower than those assessed against individual policies.

Guaranteed Insurability Option: (see "Future Increase Option")

Guaranteed Investment Contract: An investment contract with an insurer in which the insurer guarantees both principal and interest on a pension contribution.

Guaranteed Purchase Option: Benefit that can be added to a life insurance policy permitting the issured to purchase additional amounts of life insurance at specified times in the future without requiring evidence of insurability.

Guaranteed Renewable : A contract that the insured has the right to continue in force by the timely payment of premiums (1) until at least age 50 or (2) in the case of a policy issued after age 44 for at least five years from its date of issue, during which period the insurer has no right to make unilaterally any change in any provision of the contract while the contract is in force, except that the insurer may make changes in premium rate by classes.

Guaranteed Renewable Contract: A contract that the insured person or entity has the right to continue in force by the timely payment of premiums for a substantial period of time, during which period the insurer has no right to make unilaterally any change in any provision of the contract, while the contract is in force, other than a change in the premium rate for classes of policyholders.

Guaranteed Renewable Contract: A health policy which the company guarantees to renew for life or until the insured reaches a specified age, usually 65.

Guaranty Fund : A fund, derived from assessments against solvent insurance companies, to absorb losses of claimants against insolvent insurance companies

Hard Market: That part of the insurance sales cycle in which competitive pricing is at a minimum as companies charge the premiums necessary to meet their underwriting losses in order to avoid insolvency and boost capacity; usually associated with a sharp decline in capacity (see "Soft market").

Hazard : Condition that creates or increases the chance of loss.

Health Insurance: Insurance against financial losses resulting from sickness or accidental bodily injury.

Health Insurance : Protection which provide payment of benefits for covered sickness or injury. Included under this heading are various types of insurance such as accident insurance, disability income insurance, medical expense insurance, and accidental death and dismemberment insurance.

Health Insurance : Insurance providing for the payment of benefits as a result of sickness or injury. Includes various types of insurance such as accident insurance, disability income insurance, medical expense insurance, accidental death insurance, and dismemberment insurance.

Health Maintenance Organization (HMO) : An organization that provides a wide range of comprehensive health care services for a specified group at a fixed periodic payment. The HMO can be sponsored by the government, medical schools, hospitals, employers, labor unions, consumer groups, insurance companies, and hospital-medical plans.

Hedging: Technique for transferring the risk of unfavorable price fluctuations to a speculator by purchasing and selling options and futures contracts on an organized exchange.

High-Risk Automobile Insurer: Company that specializes in insuring motorists who have poor driving records or have been canceled or refused insurance.

Hold-Harmless Clause: Clause written into a contract by which one party agrees to release another party from all legal liability, such as a retailer who agrees to release the manufacturer from legal liability if the product injures someone.

Homeowners Policy: A package of insurance providing home owners with a broad range of property and liability coverages.

Home Service Life Insurance : Industrial life insurance and monthly debit ordinary life insurance contracts that are serviced by agents who call on the policy owners at their homes to collect the premiums. The amount of life insurance per policy generally is larger than $1000.

Hospice: Health care facility providing medical care and support services such as counseling to terminally ill persons.

Hospital Admissions Program: An arrangement to facilitate admission of persons covered by health insurance to hospitals and to assure the prompt payment of applicable insurance benefits to hospitals.

Hospital Expense Insurance : Health insurance protection against the cost of hospital care resulting from the illness or injury of the insured person.

Hospital Expense Insurance : A form of health insurance that provides specific benefits for daily hospital room and board and hospital services during hospital confinement. Generally the policy also provides benefits for surgical operations and for in- hospital doctor's visits, in which case the policy is referred to as a hospital and Surgical Expense Policy.

Hospital Indemnity: A form of health insurance which provides a stipulated daily, weekly, or monthly indemnity during hospital confinement. The indemnity is payable on an unallocated basis without regard to the actual expense of hospital confinement.

Hospital Medical Insurance : A term used to indicate protection which provides benefits for the cost of any or all of the numerous health care services normally covered under various health care plans.

Hospital Miscellaneous Services : Services other than room and board and general nursing services provided by a hospital during hospital confinement. Included are such items as x- ray examinations, laboratory tests, medicines, surgical dressings, anesthetics (including the administration thereof), and use of operating room.

Hull Insurance: (1) Class of ocean marine insurance that covers physical damage to the ship or vessel insured. Typically written on an "all-risks" basis. (2) Physical damage insurance on aircraft- similar to collision insurance in an automobile policy.

Human Life Value: For purposes of life insurance, the present value of the family's share of the deceased breadwinner's future earnings.

Hurricane: A tropical storm marked by extremely low barometric pressure and circular winds with a velocity of 75 miles an hour or more.

I

Immediate Annuity: An annuity providing for payment to begin immediately.

Immediate Participation Guarantee Plan : (IPG) Type of pension plan in which all pension contributions are deposited in an unallocated fund and used directly to pay benefits to retirees.

Imputed Negligence: Case in which responsibility for damage can be transferred from the negligent party to another person, such as an employer.

Incontestability: Life policies provide that, except for non-payment of premiums and certain other circumstances, the policy shall be incontestable after the policy has been in force for two years during the lifetime of the insured.

Incontestable Clause: An optional clause which may be used in non-cancelable or guaranteed renewable health insurance contracts providing that the insurer may not contest the validity of the contract after it has been in force for two (sometimes three) years.

Incurred Claims: Incurred claims equal the claims paid during the policy year plus the claim reserves as of the end of the policy year, minus the corresponding reserves as of the beginning of the policy year. The difference between the year end and beginning of the year claim reserves is called the increase in reserves and may be added directly to the paid claims to produce the incurred claims.

Incurred-but-not-reported (IBNR) reserves : liability account on an insurer's balance sheet reflecting claims that are expected based upon statistical projections but which have not yet been reported to the insurer

Indemnification: Compensation to the victim of a loss, in whole or in part, by payment, repair, or replacement.

Indemnity: Legal principle that specifies an insured should not collect more than the actual cash value of a loss but should be restored to approximately the same financial position as existed before the loss.

Independent Adjustor: Claims adjustor who offers his or her services to insurance companies and is compensated by a fee.

Independent Agent: an independent business person who usually represents two or more insurance companies in a sales and service capacity and who is paid on a commission basis.

Independent Agency System : Type of property and liability insurance marketing system, sometimes called the American agency system, in which the agent is an independent businessperson representing several companies. The agency owns the expirations or renewal rights to the business, and the agent is compensated by commissions that vary by line of insurance.

Indeterminate Premium Whole Life Insurance : Nonparticipating whole life policy that permits the insurer to adjust premiums based on anticipated future experience. Initial premiums are guaranteed for a certain period. After the initial guaranteed period expires, the insurer can increase premiums up to some maximum limit.

Indexing: Adjusting of values over time to reflect the impact of inflation.

Indirect Loss: See Consequential Loss.

Individual Contract: A contract of health insurance made with an individual called the policy holder or the insured, which normally covers such individual and, in certain instances, members of his family.

Individual Deductible: Amount that an insured and each person of his or her family covered by the policy must pay before the group or individual medical insurance policy begins to pay for medical expenses.

Individual Insurance: Policies which provide protection to the policyholder and/or his/her family. Sometimes called Personal Insurance as distinct from group and blanket insurance.

Individual Policy Pension Trust: A type of pension plan, frequently used for small groups, administered by trustees who are authorized to purchase individual level premium policies or annuity contracts for each member of the plan. The polices usually provide both life insurance and retirement benefits.

Individual Retirement Account (IRA): An account to which an individual can make save for retirement on a tax-favored basis. Contributions to a standard IRA are tax deductible for many workers; contributions to a Roth IRA are made with after-tax dollars but can be withdrawn tax-free at retirement.

Industrial Life Insurance: Life insurance issued in small amounts, usually less than $1,000, with premiums payable on a weekly or monthly basis. The premiums are generally collected at the home by an agent of the company. Sometimes referred to as debit insurance.

Industrial Life Insurance: A class of life insurance that is usually issued with protection amount of less than $1,000 and premiums usually payable weekly or at most, monthly.

Inflation-Guard Endorsement: Endorsement added at the insured's request to a homeowners policy to increase periodically the face amount of insurance of the dwelling and other policy coverages by a specified percentage.

Inheritance tax: A tax on the right of an heir to receive property at the death of another.

Initial Past Service Liability: The actuarial value (single sum) of the past service benefits as of the effective date of the establishment of the plan, or at the date of the latest liberalization. The maximum annual past service contribution allowable for tax deduction is the amount necessary to amortize past service liabilities and other supplementary pension or annuity credits over 10 years. Funding of the past service liability over a period of 30 years (40 in some cases) is required by the Internal Revenue Service under ERISA.

Initial Reserve: In life insurance, the reserve at the beginning of any policy year.

Injury Independent of All Other Means: An injury resulting from an accident, provided that the accident was not caused by an illness.

Inland Marine Insurance: A broad form of insurance, generally covering articles in transit as well as bridges, tunnels and other means of transportation and communication. Besides goods in transit (generally excepting trans-ocean), it includes numerous "floater" policies, such as those covering personal effects, personal property, jewelry, furs, fine arts, and other items.

Inland Marine Insurance: A broad type of insurance, generally covering articles that may be transported from one place to another as well as bridges, tunnels and other instrumentalities of transportation. It includes goods in transit (generally excepting trans-ocean) as well as numerous "floater" polices such as personal effects, personal property, jewelry, furs, fine art and others.

Inspection Report: A report (usually written) of an investigation of an applicant, conducted by an independent agency that specializes in insurance investigations. The report covers such matters as occupation, financial status, health history, and moral problems.

Insolvent: Having insufficient financial resources (assets) to meet financial obligations (liabilities).

Insurability: Acceptability to the company of an applicant for insurance.

Insurable Risk: The conditions that make a risk insurable are (a) the peril insured against must produce a definite loss not under the control of the insured, (b) there must be a large number of homogeneous exposures subject to the same perils, (c) the loss must be calculable and the cost of insuring it must be economically feasible, (d) the peril must be unlikely to affect all insureds simultaneously, and (e) the loss produced by a risk must be definite and have a potential to be financially serious.

Insurance: A system under which individuals, businesses, and other organizations or entities, in exchange for payment of a sum of money (a premium), are guaranteed compensation for losses resulting from certain perils under specified conditions.

Insurance: Protection by written contract against the financial hazards (in whole or in part) of the happenings of specified fortuitous events.

Insurance Company: An organization chartered to operate as an insurer.

Insurance Company: Any corporation primarily engaged in the business of furnishing insurance protection to the public.

Insurance Commissioner: The top insurance regulatory official in a state.

Insurance Exchange: Term used to describe a facility that exists in a few states to provide a market for reinsurance and for the insurance of large and unusual domestic and foreign risks that are difficult ot insure in the normal markets. Examples are the New York Insurance Exchange, the Insurance Exchange of the Americas, and the Illinois Insurance Exchange.

Insurance Examiner: The representative of a state insurance department assigned to participate in the official audit and examination of the affairs of an insurance company.

Insurance Guaranty Funds: State Funds that provide for the payment of unpaid claims of insolvent insurers.

Insurance Services Offices (ISO): Major rating organization in property and liability insurance that drafts policy forms for personal and commercial lines of insurance and provides rate data on loss costs for property and liability insurance lines.

Insured: A person or organization covered by an insurance policy, including the "named insured" and any other parties for whom protection is provided under the policy terms.

Insured or Insured Life: The person on whose life the policy is issued.

Insurer: The party to the insurance contract who promises to pay losses or benefits. Also, any corporation engaged primarily in the business of furnishing insurance to the public.

Insuring Agreement: That part of an insurance contract that states the promises of the insurer.

Insuring Clause: The clause which sets forth the type of loss being covered by the policy and the parties to the insurance contract.

Integration: A coordination of pension, disability or other benefit with the other sources of income, such as Social Security benefit, through a specific formula designed to ensure reasonable income replacement.. Qualified plans must integrate so that total benefits are non-discriminatory between rank and file employees and owners, officers or highly compensated employees.

Inter vivos Trust: A trust created while the creator of the trust is living. Also known as a living trust.

Interest: Money paid for the use of money.

Interest-Adjusted Method: Method of determining cost to an insured of a life insurance policy that considers the time cost of money by applying an interest factor to each element of cost. See Also Net payment cost index; surrender cost index.

Interest Option: Life insurance settlement option in which the principal is retained by teh insurer and interest is paid periodically.

Intestate: Without a will.

Investment Income: The income generated by a company's portfolio of investments (such as in bonds, stocks, or other financial ventures).

Investment Income: The portion of a company's income which is derived from its investments, including interest and dividends on stocks and bonds.

Investment Only Contract: Type of funding instrument that uses only the investment services of an insurer.

Involuntary Costs: insurance company costs incurred as a result of participating in insurance pools (e.g., workers compensation). Insurance companies must participate in these pools as a condition of doing business.

IPG Plan: See Immediate Participation Guarantee Plan.

IRA: See Individual Retirement Account.

Irrevocable Beneficiary: Beneficiary designation allowing no change to be made in the beneficiary of an insurance policy without the beneficiary's consent.

Irrevocable Trust: A trust in which the creator does not reserve the right to reacquire the trust property.

ISO: See Insurance Services Office.

J

Joint-and-Several Liability: A legal principle that permits the injured party in a tort action to recover the entire amount of compensation due for injuries from any tort feasor who is able to pay, regardless of the degree of that party's negligence.

Joint-and-Survivor Annuity: A contract that provides income periodically, payable during the longer lifetime of two persons. The amount payable may decrease at the death of one or the other. (See Contingent Annuity Option)

Joint Tenants: A form of joint property ownership with right of survivorship, i.e., in which the survivors automatically own the share of a deceased co-owner.

Joint Underwriting Association: One of several types of "shared market" mechanisms used to make automobile insurance available to persons who are unable to obtain such insurance in the regular market. JUAs also have been created in some states to help alleviate availability problems in the fields of medical malpractice and commercial insurance.

Joint Underwriting Association: A device used to provide insurance to those who cannot obtain insurance in the voluntary market. Certain companies (called carriers) issue policies at one rate level and handle claims, but the ultimate costs are borne by all companies writing insurance in that state.

Judgment Rating : Rate-making method for which each exposure is individually evaluated and the rate is determined largely by the underwriter's judgment.

Judicial Bond: Type of surety bond used for court proceedings and guaranteeing that the party bonded willl fulfill certain obligations specified by law, for example, fiduciary responsibilities.

Jumbo Risk: A risk involving exceptionally high benefits.

Jumping Juvenile Insurance Policy : Life insurance purchased by parents for children under a specified age. Provides permanent life insurance that increases in face value five times at age twenty-one with no increase in premium

K

Kenney Rule: Concept permitting a property liability insurer to write $2 of new net premiums for each $1 of policy owners' surplus.

Keogh (HR 10) Account: An account to which a self-employed person can make annual tax deductible contribution of the lesser of 25% of income or $30,000.

Key-Person Insurance: Insurance designed to protect a business firm against the loss of income resulting from the death or disability of a key employee.

L

Labor-Management Relations Act of 1947 (Taft-Hartley Act): This law controls conditions under which an employer may pay any money to a representative of employees.

Lapse: The termination or discontinuance of an insurance policy due to non-payment of a premium.

Lapsed Policy: A policy terminated for non-payment of premiums. The term is sometimes limited to a termination occurring before the policy has a cash or other surrender value.

Larceny-theft: The unlawful taking, carrying, leading or riding away of another person's property.

Last Clear Chance Rule: Statutory modification of the contributory negligence law allowing the claimant endangered by his or her own negligence to recover damages from a defendant if the defendant has a last clear chance to avoid the accident but fails to do so.

Law of Large Numbers: Concept that the greater the number of exposures, the more closely will actual results approach the probable results expected from an infinite number of exposures.

Legal Reserve: The minimum reserve which a company must keep to meet future claims and obligations as they are calculated under the state insurance code.

Legal Reserve Life Insurance Company: A life insurance company operating under state insurance laws specifying the minimum basis for the reserves the company must maintain on its policies.

Level Commission Scale: A commission scale providing for payment of commissions at the same rate every year the policy is in force.

Level Premium: A premium which remains unchanged throughout the life of a policy.

Level Premium Life Insurance: Life insurance for which the premium remains the same from year to year. The premium is more than the actual cost of protection during the earlier years of the policy and less than the actual cost in the later years. The building of a reserve is a natural result of level premiums. The overpayments in the early years, together with the interest that is to a earned, serve to balance out the underpayments of the later years.

Liability: Any legally enforceable obligation.

Liability Insurance: Insurance covering the policyholder's legal liability resulting from injuries to other persons or damage to their property.

Liability Insurance: Provides protection for the insured against loss arising out of legal liability to third parties.

Liability Limits: The stipulated sum or sums beyond which an insurance company is not liable to protect the insured.

Liability Without Fault: Principle on which workers compensation is based, holding the employer absolutely liable for occupational injuries or disease suffered by workers, regardless of who is at fault.

License and Permit Bond: Type of surety bond guaranteeing that the person bonded will comply with all laws and regulations that govern his or her activities.

Life Annuity: A series of payments under which payments, once begun, continue throughout the remaining lifetime of the annuitant but not beyond.

Life Annuity: A contract that provides an income for life.

Life Annuity With 10 Years Certain: An annuity which pays an income to the annuitant for as long as he or she lives, but if death occurs within 10 years after the annuity payments begin, payments are continued to a named beneficiary for the remainder of the 10 years.

Life Expectancy: The average number of years of life remaining for a group of persons of a given age according to a particular mortality table.

Life Income Option: Life insurance settlement option in which the policy proceeds are paid during the lifetime of the beneficiary. A certain number of guaranteed payments may also be payable.

Life Insurance: Insurance providing for payment of a specified amount on the insured's death, either to his or her estate or to a designated beneficiary; or in the case of an endowment policy, to the policy holder at a specified date.

Life Insurance in Force: The sum of the face amounts, plus dividend additions, of life insurance polices outstanding at a given time. Additional amounts payable under accidental death or other special provisions are not included.

Life Insurance Programming: Systematic method of determining the insured's financial goals, which are translated into specific amounts of life insurance, then periodically reviewed for possible changes.

Lifetime Disability Benefit: A benefit to help replace income lost by an insured person as long as he/she is totally disabled, even for a lifetime.

Lifetime Disability Benefit: Disability income payable for the life of the insured as long as he is totally disabled.

Limited Payment Life Insurance: Whole life insurance on which premiums are payable for a specified number of years or until death if death occurs before the end of the specified period.

Limited Policy: A contract which covers only certain specified diseases or accidents.

Limited Policy: One that covers only specified accidents or sicknesses.

Liquidation: Dissolving a company by selling its assets for cash.

Liquor Liability Law: See Dramshop Law.

Living Benefits Rider: A rider that allows insureds who are terminally ill or who suffer from certain catastrophic diseases to collect part of their life insurance benefits before they die, primarily to pay for the care they require.

Living Trust: A trust created while the creator of the trust is living. Also known as an inter vivos trust.

LLoyd's of London: insurance marketplace where brokers, representing clients with insurable risks, deal with Lloyd's underwriters, who in turn represent investors. The investors are grouped together into syndicates that provide capital to insure the risks.

Loading: The amount that must be added to the pure premium for expenses, profit, and a margin for contingencies. See Expense Loading

Long-Term Care: The continuum of broad-ranged maintenance and health services to the chronically ill, disabled, or retarded. Services may be provided on an inpatient (rehabilitation facility, nursing home, mental hospital), outpatient, or at-home basis.

Long-Term Disability Income Insurance: Insurance issued to an employer (group) or individual to provide a reasonable replacement of a portion of an employee's earned income lost through serious and prolonged illness or injury during the normal work career. (See also Integration.)

Loss: The happening of the event for which insurance pays.

Loss Adjustment Expense: expenses incurred in the process of evaluating, defending and paying claims.

Loss Avoidance: A risk management technique whereby a situation or activity that may result in a loss for a firm is avoided or abandoned.

Loss control: any conscious action (or decision not to act) intended to reduce the frequency, severity, or unpredictability of accidental losses.

Loss Expense - Allocated: Handling expenses, such as legal or independent adjuster fees, paid by an insurance company in settling a claim which can be definitely charged to that particular claim.

Loss Expense - Unallocated: Salaries and other expenses incurred in connection with the operation of a claim department of an insurance carrier which cannot be charged to individual claims.

Loss Payable Clause: Means of protecting a mortgagee's interest in property by directing the insurer to make a loss payment to the mortgagee in the event of a loss.

Loss Prevention: Any measure which reduces the probability or frequency of a particular loss but does not eliminate completely all possibility of that loss

Loss Ratio: A ratio calculated by dividing claims into premiums. It may be calculated in several different ways, using paid premiums or earned premiums, and using paid claims with or without changes in claim reserves and with or without changes in active reserves.

Loss Reserve: The amount set up as the estimated cost of a claim. (See IBNR Reserve)

Loss Reserve Development: how the latest estimate of an insurance company's claim obligations compares to an earlier projection.

Lump-Sum Distribution: Payment within one taxable year of the entire balance payable to an employee from a trust which forms part of a qualified pension or employee annuity plan on account of that person's death, separation from service or attainment of age 59.

M

Mail Order Insurer : Type of insurance company that sells policies through the mail or other mass media, eliminating need for agents.

Major Medical Expense Insurance: A form of health insurance that provides benefits for most types of medical expense up to a high maximum benefit, such as $250,000 or higher after a substantial deductible, such as $500 or more. Such contracts may contain internal limits and are normally subject to coinsurance.

Major Medical Insurance: Health insurance to finance the expense of major illness and injury. Characterized by large benefit maximums ranging up to $250,000 or no limit, the insurance, above an initial deductible, reimburses the major part of all charges for hospital, doctor, private nurses, medical appliances, prescribed out-of-hospital treatment, drugs, and medicines. The insured person as coinsurer pays the remainder.

Malingering: The practice of feigning illness or inability to work in order to collect insurance benefits.

Malpractice: Improper care or treatment by a physician, hospital, or other provider of health care.

Malpractice Insurance: Coverage for a professional practitioner, such as a doctor or a lawyer, against liability claims resulting from alleged malpractice in the performance of professional services.

Managed Care: Health care systems that integrate the financing and delivery of appropriate health care services to covered individuals by arrangements with selected providers to furnish a comprehensive set of health care services, explicit standards for selection of health care providers, formal programs for ongoing quality assurance and utilization review, and significant financial incentives for members to use providers and procedures associated with the plan.

Manual Rate: The premium rate developed for a group insurance coverage from the company's standard rate tables normally referred to as its rate manual or underwriting manual.

Manuscript Policy: Policy designed for a firm's specific needs and requirements.

Marine Insurance: A form of insurance primarily concerned with means of transportation and communication, and with goods in transit (see "Inland Marine Insurance" and "Ocean Marine Insurance").

Marital deduction: A reduction of an estate for estate tax purposes, which is available if the decedent is survived by his or her spouse, can be as large as the administrator or executor elects so long as it does not exceed the value of qualifying property passing to the surviving spouse.

Market Price (or Market Value): The price at which a security can be bought or sold at any particular time.

Mass Merchandising: Plan for insuring individual members of a group, such as employees of firms or members of labor unions, under a single program of insurance at reduced premiums. Property and liability insurance is sold to individual members using group insurance marketing methods.

Master Policy: A policy that is issued to an employer or trustee, establishing a group insurance plan for designated members of an eligible group.

Master Policy (or Master Contract): The policy issued to a group policyholder setting forth the provisions of the group insurance plan. The individuals insure under the policy are then issued certificates of insurance.

Material Damage: Insurance against damage to a vehicle itself. It includes automobile comprehensive, collision, fire and theft. Material damage and physical damage are terms that often are used inter- changeably.

Maximum family benefit: The largest amount in Social Security benefits that will be paid to any family unit.

McCarran-Ferguson Act: Federal law passed in 1945 stating that continued regulation of the insurance industry by the states is in the public interest and that federal antitrust laws apply to insurance only to the extent that the industry is not regulated by state law.

Medicaid: State programs of public assistance to persons whose income and resources are insufficient to pay for health care. Title XIX of the federal Social Security Act provides matching federal funds for financing state Medicaid programs, effective January 1, 1966.

Medical Examination: The examination given by a qualified physician to determine to the insurability of an applicant. A medical examination may also be used to determine whether an insured claiming disability is actually disabled.

Medical Expense Insurance: A form of health insurance that provides benefits for expenses incurred for medical care. This form of health insurance provides benefits for expenses of physicians, hospital, nursing, and related health services, and supplies. These benefits may be related to actual expense, specified sums, or services rendered. Such insurance sometimes includes benefits for prevention and diagnosis as well as treatment.

Medical malpractice: Improper care or treatment by a physician, hospital, or other provider of health care.

Medical Payments Insurance: A coverage, available in various liability insurance policies, in which their insurer agrees to reimburse the insured and others, without regard for the insured's liability, for medical or funeral expenses incurred as the result of bodily injury or death by accident under specified conditions.

Medicare: A program of Hospital Insurance (Part A) and Supplementary Medical Insurance (Part B) protection provided under the Social Security Act.

Medigap: A term sometimes applied to private insurance products that supplement Medicare insurance benefits.

Minimum Benefits: A provision that a minimum amount of annuity will be paid if the regular benefit formula produces less. This minimum is usually payable only if certain service requirements are met at retirement.

Minimum Group: The least number of employees permitted under a state law to effect a group for insurance purposes; the purpose is to maintain some sort of proper division between individual policy insurance and the group forms.

Minimum Premium Plan (MPP): An arrangement under which an insurance carrier will, for a fee, handle the administration of claims and insure against large claims for a self- insured group.

Miscellaneous Expenses: Expenses in connection with hospital insurance, hospital charges other than room and board, such as X-rays, drugs, laboratory fees, and other ancillary charges. (Sometimes referred to as ancillary charges)

Miscellaneous Hospital Expense Benefit: A provision in a hospital expense policy providing for the payment of a benefit for expenses for necessary hospital services and supplies during a period of hospital confinement. Expenses commonly covered under this benefit include those for x-ray examinations, laboratory tests, medicines, surgical dressings, anesthetics (including administration thereof), and use of operating room.

Misrepresentation: A false, incorrect, improper, or incomplete statement of a material fact, made in the application for a policy.

Mode of Premium Payment: The frequency with which premiums are paidþmonthly, quarterly, semiannually, or annually.

Money purchase plan: a pension plan design in which a plan sponsor’s obligation is defined in terms of the contribution it makes on behalf of the employee

Moral Hazard: Hazard arising from any nonphysical, personal characteristic of a risk that increases the possibility of loss or may intensify the severity of loss for instance, bad habits, low integrity, poor financial standing.

Morbidity: The incidence and severity of sicknesses and accidents in a well-defined class or classes or persons.

Morbidity Tables: Actuarial statistics showing the frequency and duration of disability.

Mortality Table: A table showing how many members of a group, starting at a certain age, will be alive at each succeeding age. It is used to calculate the probability of dying in, or surviving through, any period, and for the valuation of an annuity. To be appropriate for a specific group, it should be based on the experience of individuals having common characteristics, such as sex or occupation.

Mortality Table: A statistical table showing the death rate at each age, usually expressed as so many per thousand.

Multi-Employer Plan: A plan maintained according to a collective bargaining agreement, to which more than one employer contributes. Under ERISA, at the beginning of the plan, no single employer may contribute as much as 50% of the total, and thereafter as much as 75%. An employee may change employers within the group without losing retirement benefits unless a break in service (under the plan) cancels credits earned before the break.

Multi-Peril Policy: A package policy which provides protection against a number of separate perils. Multi-peril policies are not necessarily multiple line policies, since the combined perils may be all within one insurance line.

Multiple Employer Trust (MET): A legal trust established by a plan sponsor that brings together a number of small, unrelated employers for the purpose of providing group medical coverage on an insured or self-funded basis.

Mutual Insurance Company: An insurance company in which the ownership and control is vested in the policyholders and a portion of surplus earnings may return to policyholders in the form of dividends. No capital stock exists.

N

Named Perils: Coverage in a property policy that provides protection against loss from only the perils specifically listed in the policy rather than protection from physical loss. Examples of named perils are fire, windstorm, theft, smoke, etc.

National Association of Insurance Commissioners (NAIC): The association of insurance commissioners of various states formed to promote national uniformity in the regulation of insurance.

Negligence: Failure to use the care that a reasonable and prudent person would have used under the same or similar circumstances.

Net Premium: The portion of the premium rate which is designed to cover benefits of the policy, but not expenses, contingencies, or profit. The term is also used to describe the portion of the premium remitted to the home office by an agent after deduction of the agent's commission.

Net written premiums: premium income retained by insurance companies, directly or through reinsurance, after payments made for reinsurance.

No-Fault: A type of auto insurance mechanism whereby the right to sue another party for damages caused by negligence is limited and, in exchange, expanded first party benefits are offered.

No-fault Automobile Insurance: A form of insurance by which a person's financial losses resulting from an automobile accident are paid by his or her own insurer regardless of who was at fault.

Non-admitted Insurance Company: An insurance company not licensed to do business in a particular state; such a company, however, may sell excess and surplus insurance in that state if admitted insurers lack the capacity or expertise.

Non-cancellable: A contract that the insured has the right to continue in force by the timely payments of premiums set forth in the contract (1) until at least age 50 or (2) in the case of a policy issued after age 44 for at least five years from its date of issue, during which period the insurer has no right to make unilaterally any change in any provision of the contract while the contract is in force.

Non-cancellable Guaranteed Renewable Policy: An individual policy which the insured person has the right to continue to force until a specified age, such as to age 65, by the timely payment of premiums. During this period, the insurer has no right to unilaterally make any changes in any provision of the policy while it is in force.

Non-confining Sickness: A sickness that disables the insured person but does not confine him to his home or a hospital.

Noncontributory: A term applied to employee benefit plans under which the employer bears the full cost of the benefits for the employees. One hundred percent of the eligible employees must be insured.

Non-disabling Injury: An injury which may require medical care, but does not result in loss of working time or income.

Non-disabling Injury Benefit: A benefit in some disability income policies providing payment for medical expense due to injury when medical care is necessary but the insured is not totally disabled.

Non-forfeiture Option: One of the choices available if the policyholder discontinues premium payments on a policy with a cash value. This, if any, may be taken in cash, as extended term insurance or as reduced paid-up insurance.

Non-medical Limit: The maximum face value of a policy that a given company will issue without the applicant taking a medical examination.

Non-occupational Policy: Contract which insures a person against off-the-job accident or sickness. It does not cover disability resulting from injury or sickness covered by Workers' Compensation. Group accident and sickness policies are frequently non- occupational.

Non-occupational Policy: One that provides off-the-job coverage only; it does not cover loss resulting from accidents or sickness arising out of or in the course of employment or covered under any workers' compensation law.

Non-participating Insurance: Plan of insurance under which the policy-holder is not entitled to share in the dividend distribution of the company.

Non-participating Policy: A life insurance policy in which the company does not distribute to policyholders any part of its surplus. Note should be taken that premiums for nonparticipating polices are usually lower than for comparable participating polices. Note should also be taken that some nonparticipating polices have both a maximum premium and a current lower premium. The current premium reflects anticipated experience that is more favorable than the company is willing to guarantee, and it may be changed from time to time for the entire block of business to which the policy belongs. (See also: Participating policy)

Non-participating Policy: One that does not provide for the payment of a dividend.

Non-profit Insurers: Persons organized under special state laws to provide hospital, medical, or dental insurance on a nonprofit basis. The laws exempt them from certain types of taxes.

O

Occupational Hazards : Occupations which expose the insured to greater than normal physical danger by the very nature of the work in which the insured is engaged, and the varying periods of absence from the occupation, due to the disability, that can be expected.

Occurrence: An accident, including continuous or repeated exposure to substantially the same general, harmful conditions, that results in bodily injury or property damage during the period of an insurance policy.

Occurrence policy: A liability insurance policy that covers claims arising out of occurrences that take place during the policy period, regardless of when the claim is filed.

Ocean Marine Insurance: Insurance for sea-going vessels, including liabilities connected with them, and their cargoes.

Ocean Marine Insurance: Coverage on all types of vessels, including liabilities connected with them, and on their cargoes.

Operating Ratio: The sum of expenses and losses expressed as a percent of earned premium.

Optionally Renewable Contract: A contract of health insurance in which the insurer reserves the right to terminate the coverage at any anniversary or, in some cases, at any premium due date, but does not have the right to terminate coverage between such dates.

Ordinary Life Insurance: Life insurance usually issued in amounts of $1,000 or more with premiums payable on an annual, semi-annual, quarterly or monthly basis.

Ordinary Life: Synonymous ***With Whole Life and Straight Life:*** The three terms are applied to the type of policy which continues during the whole of the insured's life and provides for the payment of amount insured at this death.

Overhead Expense Insurance: A special form of health insurance designed to help offset overhead expenses such as office rent, utilities, employees' wages, and auditors' fees, incurred during total disability. The monthly payments during disability is not a fixed amount of indemnity as on regular disability polices, but the amount of overhead expense actually incurred, or a percentage thereof, up to the limit specified in the policy.

Overhead Insurance: A type of short-term disability income contract that reimburses the insured person for specified, fixed monthly expenses, normal and customary in the operation and conduct of his/her business or office.

Over-the Counter Market: A means of buying and selling securities that are not listed on a stock exchange. Negotiations are carried out by telephone or computer network.

Overriding Commission (Overwrite) : A commission paid to general agents or agency managers in addition to the commission paid the soliciting agent or broker.

P

Package Policy: A combination of two or more individual polices or coverages into a single policy. A homeowner’s policy, for example, is a package combining property, liability and theft coverages for the homeowner.

Paid-up Insurance: Insurance on which all required premiums have been paid. The term is frequently used to mean the reduced paid-up insurance available as a non-forfeiture option.

Paramedical Examination: Physical examination of an applicant by a trained person other than a physician.

Partial Disability: The result of an illness or injury which prevents an insured from performing one or more of the functions of his/her regular job.

Partial Disability: A benefit sometimes found in disability income policies providing for the payment of reduced monthly income in the event the insured cannot work full time and/or is prevented from performing one or more important daily duties pertaining to his occupation.

Participating Insurance: Insurance issued by an insurance company providing participation in dividend distribution.

Participating Policy: A life insurance policy under which the company agrees to distribute to policyholders the part of its surplus which its Board of Directors determines is not needed at the end of the business year. Such a distribution serves to reduce the premium the policyholder had paid. (See also: Policy dividend; Nonparticipating policy)

Participating Policy: One under which the policy owner is entitled to receive shares of the divisible surplus of the insurer. Such shares are commonly called dividends.

Pension Benefit Guaranty Corporation (PBGC): The Federal body responsible for administering the plan termination insurance program under ERISA.

Pension Benefits: A series of payments to be provided in accordance with the plan of benefits.

Pension Plan: A plan established and maintained by an employer, group of employers, union or any combination, primarily to provide for the payment of definitely determinable benefits to participants after retirement.

Percentage Participation: A provision in a health insurance contract that the insurer and insured will share covered losses in agreed proportions. Also see Coinsurance.

Peril: The cause of a loss insured against in a policy.

Peril: The cause of a possible loss, such as fire, windstorm, theft, explosion, or riot.

Permanent Life Insurance: A phrase used to cover any form of life insurance except term; generally insurance that accrues cash value, such as whole life or endowment.

Persistency: A term used to refer to the length of time insurance remains continuously in force.

Persistency: The degree to which policies stay in force through the continued payment of renewal premiums.

Personal Articles Floater: A form of coverage designed to meet the needs for insurance on property of a moveable nature. The coverage usually protects against all physical loss, subject to special exclusions and conditions. Examples of property covered include jewelry, furs, silverware, fine arts.

Personal Injury Protection (PIP): First-party no-fault coverage in which an insurer pays, within the specified limits, the wage loss, medical, hospital and funeral expenses of the insured.

Personal Lines: Those types of insurance, such as auto or home insurance, for individuals or families rather than for businesses or organizations.

Personal representative: A person appointed through the will of a deceased or by a court to settle the estate of one who dies.

Physical Damage: Damage to or loss of the auto resulting from collision, fire, theft or other perils.

Physician's Expense Insurance: Coverage which provides benefits toward the cost of such services as doctor's fees for nonsurgical care in the hospital, at home or in a physician's office, and X-rays or laboratory tests performed outside the hospital. (Also called Regular Medical expense Insurance.)

Plan Administrator: The person or persons controlling the money or property contributed to the plan, usually designated in the plan agreement.

Point-of-Service Plans: Often known as open-ended HMOs or PPOs, these plans permit insureds to choose providers outside the plan yet are designed to encourage the use of network providers.

Policy: The printed legal document stating the terms of the insurance contract that is issued to the policyholder by the company.

Policy: A contract of insurance.

Policy: The legal document issued by the company to the policyholder, which outlines the conditions and terms of the insurance; also called the policy contract or the contract.

Policy Dividend: A refund of part of the premium on a participating life insurance policy reflecting the difference between the premium charged and actual experience.

Policy Loan: A loan made by a life insurance company from its general funds to a policyholder on the security of the cash value of a policy.

Policy Reserves: The measure of the funds that a life insurance company holds specifically for fulfillment of its policy obligations. Reserves are required by law to be so calculated that, together with future premium payments and anticipated interest earnings, they will enable the company to pay all future claims.

Policy Term: That period for which an insurance policy provides coverage.

Policyholder: The person who owns a life insurance policy. This is usually the insured person, but it may also be a relative of the insured, a partnership or a corporation.

Policyholder: A person who pays a premium to an insurance company in exchange for the insurance protection provided by a policy of insurance.

Policyholders' Surplus: Sum left after liabilities are deducted from assets. Sums such as paid-in capital and special voluntary reserves are also included in this term. This surplus is an additional financial protection to policyholders in the event a company suffers unexpected or catastrophic losses. In effect, it is the financial base that permits a company to sell insurance.

Pollution Liability: Exposure to lawsuits for injury or cleanup costs that result from pollution damage

Pool: An organization of insurers or reinsurers through which particular types of risk are underwritten and premiums, losses and expenses are shared in agreed-upon amounts.

Q

Qualification Period : The period during which the insured must be totally disabled before becoming eligible for residual disability benefits.

Qualified Impairment Insurance: A form of substandard or special class insurance, which restricts benefits for the insured person's particular condition.

Qualified Plan : A plan which the Internal Revenue Service approves as meeting the requirements of Section 401(a) of the 1954 Internal Revenue Code. Such plans receive tax advantages.

Qualified terminable interest property : A category of property, created by the Economic Recovery Tax Act, which by a deceased spouse's will entitles the surviving spouse to all income from the property for life, with that income payable at least annually, and precludes anyone including the spouse from appointing the property to anyone else during the spouse's life.

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R

Rate: The pricing factor upon which the insurance buyer's premium is based.

Rated Policy: Sometimes called an "extra-risk" policy, an insurance policy issued at a higher-than-standard premium rate to cover the extra risk where, for example, an insured has impaired health or a hazardous occupation.

Ratemaking: The statistical process by which insurers determine risks and pricing for the basic classes of insurance.

Rating Territory: A geographical grouping in which like hazards tend to equalize and permit the establishment of an equitable rate for the territory.

Reasonable and Customary Charge: A charge for health care, which is consistent with the going rate or charge in a certain geographical area for identical or similar services.

Rebating: Giving any valuable consideration, usually all or part of the commission, to the prospect or insured as an inducement to buy or renew. Rebating is prohibited by law.

Recurring Claim Provision: A provision in some health insurance policies which specifies a length of time during which the recurrence of a condition is considered to be a continuation of a previous period of disability or hospital confinement.

Recurring Clause: A provision in some health insurance policies, which specifies a period of time during which the recurrence of a condition is considered a continuation of a prior period of disability or hospital confinement.

Reduced Paid-up Insurance: A form of insurance available as a nonforfeiture option. It provides for continuation of the original insurance plan, but for a reduced amount.

Regulation: Supervision of business practices by a governmental entity.

Rehabilitation: (1) Restoration of a totally disabled person to a meaningful occupation, (2) a provision in some long- term disability policies that provides for continuation of benefits or other financial assistance while a totally disabled insured is retraining or attempting to resume productive employment.

Reimbursement: The payment of the expenses actually incurred as a result of an accident or sickness, but not to exceed any amount specified in the policy.

Reinstatement: The resumption of coverage under a policy which has lapsed.

Reinsurance: Assumption by one insurance company of all or part of a risk undertaken by another insurance company.

Reinsurance: The acceptance by one or more insurers, called reinsurers, of a portion of the risk underwritten by another insurer who has contracted for the entire coverage.

Reinsurance : The purchase of insurance by an insurance company from another insurance company (reinsurer) to provide it protection against large losses on cases it has already insured.

Reinsurance Facility: An alternative mechanism to service those insureds that cannot obtain insurance in the voluntary market. Premiums and losses for the business that is ceded to the facility are pooled and all insurers share according to their proportion of the voluntary market.

Renewable Term Insurance: Term insurance which can be renewed at the end of the term, at the option of the policyholder and without evidence of insurability, for a limited number of successive terms. The rates increase at each renewal as the age of the insured increases.

Renewal: Continuance of coverage under a policy beyond its original term by the insurer's acceptance of the premium for a new policy term.

Renter's Policy: A package type of insurance that includes coverage similar to a homeowners policy to cover the personal property of a renter or tenant in a building.

Replacement: The substitution of health insurance coverage from one policy contract to another.

Replacement Cost: The cost to repair or replace property at construction costs prevailing at time of loss; the cost to repair or rebuild property without considering depreciation. (See Actual Cash Value)

Replacement ratio: The percentage of income before retirement that is required to be replaced to maintain the same standard of living after retirement.

Representation: Statements made by an applicant in the application, which he represents as being substantially true to the best of his knowledge and belief, but which are not warranted as exact in every detail.

Rescission: Termination of an insurance contract by the insurer on the grounds of material misstatement on the application for insurance. The action of rescission must take place within the contestable period or Time Limit on Certain Defenses but takes effect as of the date of issue of the policy, thus voiding the contract from its inception.

Reservation of Rights: An arrangement whereby an insurer defends a case without commitment to provide coverage in the event that the facts disclosed during the trial reveal that the occurrence is not covered.

Reserve:

(1) An amount representing liabilities kept by an insurer to provide for future commitments under policies outstanding.

(2) An amount allocated for a special purpose. Note that a reserve is usually a liability and not an extra fund.

Residual Disability: A period of partial disability that immediately follows a period of total disability. Benefits for residual disability are paid on a pro-rata basis, depending on the percentage of earnings loss.

Residual Disability Benefits : A provision in an insurance policy that provides benefits in proportion to a reduction of earnings as a result of disability, as opposed to the inability to work full-time.

Residual Market: A system through which insurance is made available to buyers that represent unusually high risks.

Residual Market: A source of insurance available to applicants who are unable to obtain insurance through ordinary methods in the voluntary market. (See AIP, JUA, Facility)

Retention: The net amount of risk retained by an insurance company for its own account or that of specified others, and not reinsured.

Retention: The amount of the risk kept for oneself, as opposed to the amount it insures (or reinsures) with another.

Retrocession: The process by which a reinsurer obtains reinsurance from another company.

Retrospective Date : The first date for which claims will be paid under a claims-made policy of liability insurance.

Retrospective Rating: Rating procedure which allows adjustment of an insured's final rate on the basis of the insured's own loss experience.

Revocable Trust: A trust that can be terminated or revoked by its creator.

Rider: A document which amends the policy or certificate. It may increase or decrease benefits, waive the condition of coverage or in any other way amend the original contract.

Rider: A special policy provision or group of provisions that may be added to a policy to expand or limit the benefits otherwise payable.

Rider: A document that modifies the policy. It may increase or decrease benefits, waive a condition or coverage, or in any other way amend the original contract.

Right of Survivorship: At the death of one co-owner of property, that person's interest in the property automatically passes to the surviving joint tenant or tenants.

Risk: The chance of loss. Also used to refer to the insured or to property covered by a policy.

Risk: Any chance of loss.

Risk: A term used to refer to a person or the peril insured.

Risk Classification: The process by which a company decides how its premium rates for life insurance should differ according to the risk characteristics of individuals insured (e.g., age, occupation, sex, state of health) and then applies the resulting rules to individual applications. (See: Underwriting)

Risk control: any conscious action (or decision not to act) intended to reduce the frequency, severity, or unpredictability of accidental losses.

Risk pooling arrangement: see Pooling arrangement.

Risk Retention Group: An alternative form of insurance in which members of a similar profession or business band together to self insure their risks.

Robbery: The taking of property from a person by force or threat of violence.

Rollover: Transfer of IRA or other qualified pension funds from one financial institution (trustee) to another.

Roth IRA: An special type of individual retirement account to which an individual can make contributions with after-tax dollars. Funds can be withdrawn tax-free at retirement.

Run-off company: An insurance company that is being wound up or otherwise not underwriting business in a particular line. It is thus letting its present insurance policies run to their expiration dates.

T

Table of multiples : The life expectancy figures provided by the Internal Revenue Service to be used in calculating the exclusion ratio for life contingent annuities after June 30, 1986. Separate tables provide the figures for joint and last survivor annuities, annuities that contain a refund or minimum payment guarantee, and for annuities that pay quarterly, semiannually, or annually.

Tax Basis: The cost from which your profits or losses are calculated for income tax purposes.

Taxable estate: The value upon which estate taxes are calculated by the federal government.

Temporary Life Annuity: An annuity payable while the annuitant lives but not beyond a specified period, such as five years. No payments are to be made after the end of the stipulated temporary period or the death of the annuitant.

Tenants in common: A form of joint property ownership in which the owners may have unequal shares and which does not involve a right of survivorship.

"Ten Day "Free Look": A notice on the first page of health insurance policies that the insured has ten days in which to examine the policy and return it for a refund of premium if he is not satisfied with the policy.

Term Insurance: Life insurance payable to a beneficiary only when an insured dies within a specified period.

Term Insurance: Life or health insurance protection during a limited number of years but expiring without value if the insured survives the stated period.

Testamentary trust" A trust created through the will of its creator.

Third Party: The claimant under a liability policy. So called because the person making the claim is not one of the two parties, insured and insurer, to the insurance contract. Third party claim: a demand made by a person against a policyholder of another company and any payment that will be made by that company.

Third-party over suit: a lawsuit where a third party tries to recover damages assessed against that party by bringing suit against the employer.

Threshold (No-Fault): The point, measured in money, time or other ways, beyond which tort liability can be established. Until that point is reached, reparations must be paid within the provisions of the no-fault plan, with no recourse to the courts.

Time Limit: The period of time during which a notice of claim or proof of loss must be filed.

Time Limit on Certain Defenses: The 2-year or 3-year time period in health policies after which the insurer cannot deny a claim or void the policy because of pre-existing conditions or misstatements on the application.

Tornado: A whirling wind over land, accompanied by a funnel-shaped cloud. It is usually very violent and destructive in a narrow path, often for many miles.

Tort: A civil wrong, other than a breach of contract, for which a court of law will afford legal relief, i.e. harming another by an act of negligence in driving an auto.

Tort Law

Total Disability: An illness or injury which prevents an insured person from continuously performing every duty pertaining to his/her occupation or engaging in any other type of work. (This wording varies among insurance companies.)

Transferability: Any arrangement under which the accumulated benefit credits of a terminating participant, or their actuarial value, are transmitted from one plan to another, or to a central agency.

Travel Accident Policy: A limited contract covering only accidents while an insured person is traveling, usually on a commercial carrier.

Treaty: An agreement between a reinsurer and a ceding insurer setting forth details of the reinsurance arrangement.

Trust: A legal instrument allowing one party to control property for the benefit of another.

Turnover Rate: The rate at which employees terminate covered service other than by death or retirement. Expected future turnover can be taken into account in translating contributions into benefits.

Twisting: The practice of inducing by misrepresentation, or inaccurate or incomplete comparison, a policyholder in one company to lapse, forfeit or surrender his insurance for the purpose of taking out a policy in another company.

U

Umbrella Liability: Insures losses in excess of amounts covered by other liability insurance policies; also protects the insured in many situations not covered by the usual liability polices.

Unallocated Benefit: A policy provision providing reimbursement up to a maximum amount for the cost of all extra miscellaneous hospital services, but not specifying how much will be paid for each type of service.

Underwriter: 1) a company that receives the premiums and accepts responsibility for the fulfillment of the policy contract; 2) the company employee who decides whether or not the company should assume a particular risk; 3) the agent who sells the policy.

Underwriting: The process of selecting risks for insurance and determining in what amounts and on what terms the insurance company will accept the risk.

Underwriting Profit or Loss: The amount of money which an insurance company gains or loses as a result of its insurance operations. It excludes investment transactions and federal income taxes.

Unearned Premium: The portion of a premium that a company has collected but has yet to earn because the policy still has unexpired time to run.

Underwriting Result: see Underwriting Profit or Loss

Unified Credit: a one-time credit of $192,800, usually applied against Federal Estate Taxes, that is available to every individual's estate. The credit also can be used for payment of Federal Gift Taxes during that individual's lifetime.

Uniform Premium: A rating structure in which one premium applies to all insureds, regardless of age, sex, or occupation.

Uniform Provisions: Statutory policy provisions of health insurance policies which specify some of the rights and obligations of the insured and the company. These provisions, with some modifications, are part of the insurance laws of all 50 states and the District of Columbia.

Uninsurable Risk: One not acceptable for insurance due to excessive risk.

Uninsured/Underinsured Motorist Coverage: A form of insurance that pays the policy holder and passengers in his/her car for bodily injury caused by the owner or operator of an uninsured or inadequately insured automobile.

Universal Life Insurance: A flexible premium life insurance policy under which the policyholder may change the death benefit from time to time (with satisfactory evidence of insurability for increases) and vary the amount or timing of premium payments. Premiums (less expense charges) are credited to a policy account from which mortality charges are deducted and to which interest is credited at rate which may change from time to time.

W

Waiting Period: The length of time an employee must wait from his/her date of employment or application for coverage, to the date his/her insurance is effective.

Waiting Period: (see "Elimination Period")

Waiver: An agreement attached to a policy which exempts from coverage certain disabilities or injuries that otherwise would be covered by the policy.

Waiver of Premium: A provision in some policies to relieve the insured of premium payments falling due during a period of continuous total disability that has lasted for a specified length of time, such as three or six months.

Whole Life Insurance: Life insurance payable to a beneficiary at the death of the insured whenever that occurs. Premiums may be payable for a specified number of years (limited payment life) or for life (straight life).

Whole Life Insurance: A plan of insurance for the whole of life. It includes straight life on which premiums are payable until death.

Will: The legal statement of a person's wishes concerning the disposal of his or her property after death.

Workers Compensation: A system established under state law that provides payments, without regard to fault, to employees injured in the course and scope of their employment.

Workers' Compensation Insurance: Insurance against liability imposed on certain employers to pay benefits and furnish care to employees injured, and to pay benefits to dependents of employees killed in the course of or arising out of their employment.

Written Premiums: The entire amount of premiums due in a year for all polices issued by an insurance company.