



GLOSSARY OF INSURANCE TERMS FOR LAW ENFORCEMENT PERSONNEL

The following is a list of insurance terms law enforcement personnel may encounter during an investigation. It is not meant to be all inclusive or provide legally binding definitions. It is meant to be used as a general reference tool.

ABSOLUTE LIABILITY---Liability that occurs where one has a duty to fill no matter what the circumstances may be. Absolute Liability is often found in cases involving explosives. In many automobile laws an insurance company may be responsible to a third party irrespective of any statutory faults or breaches on the part of the insured.

ACCEPTANCE---Occurs when an applicant receives a policy from the company and agrees to the terms and proposals by which insurer and insured are bound.

ACCIDENT---An unforeseeable event which may produce injury or property damage.

ACQUISITION COST—The cost to an insurer of securing business, such as advertising, sales promotions and agent's and broker's commissions.

ACTUAL CASH VALUE---The cost of repairing or replacing damaged property with property of the same kind and quality and in the same physical condition; commonly defined as replacement cost less depreciation.

ACTUAL DAMAGES---Damage that really exists as distinguished from potential or possible damage.

ACTUARY---An insurance professional whose primary functions include the determination of rates and rating methods, evaluation of reserves and other statistic-related responsibilities.

ADDITIONAL INSURED---An individual or organization covered by an insurance policy other than the named insured in the policy declarations. In an automobile policy anyone who may drive a car with the owner's consent is an *additional insured* but in most instances the additional insured must be named in an endorsement.

ADDITIONAL LIVING EXPENSE---The extra, above-normal costs of such expenses as food and lodging incurred while a home damaged by an insured peril is being repaired. These additional costs are covered in all forms of the homeowners policy.

ADJUSTER (Claim Representative)---A person who seeks to determine the amount of loss suffered when an insurance claim is submitted and who attempts to settle the claim.

ADMITTED COMPANY---An insurance company licensed and authorized to do business in a particular state.

AGENT---The *independent agent* is an independent businessperson who usually represents two or more insurance companies under contract in a sales and service capacity and who is paid on a commission basis. The *exclusive agent* represents only one company, usually on a commission basis. The *direct writer* is the salaried or commissioned employee of a single company.

ALIEN INSURANCE COMPANY---An insurance company incorporate under the laws of a foreign country.

ALLIED LINES---A term for forms of insurance allied with fire insurance, covering such perils as sprinkler leakage, water damage and earthquake.

ALL LINES---Refers to the writing of life and health lines with the property-liability lines through the same company. The term *all lines* suggests a limitless form of protection, whereas in fact there are still a number of lines of protection still not afforded by the so-called *all lines* concept.

APPEAL BOND---One filed in court by a party against whom a judgement has been rendered, in order to stay execution of the judgment pending appeal to a higher court, in the hope of reversing the judgment. The bond guarantees that the judgment will be paid if the appeal fails.

APPLICANT---A person who fills out and signs a written application for insurance.

APPLICATION---A formal request for insurance consisting of statements, declarations or warranties describing the risk. Used by the insurer to determine acceptability, coverage, conditions, and amount of premium.

APPORTIONMENT---The dividing of a loss proportionately among two or more insurers which cover the same loss.

APPRAISAL---A survey to determine a property's insurable value or the amount of a loss.

APPRAISER – May or may not be an adjuster...Appraiser determines the value of the loss...the one person who in the claim process who sees property involved in the claim.

APPRECIATION---Rise in value or price. Contrast with DEPRECIATION.

APPURTENANT STRUCTURES---Buildings on the same premises as the main building insured under a property insurance policy.

ARBITRATION---A binding procedure to settle a dispute between an insurance company and an insured over a claim settlement by placing the decision in the hands of an appraiser appointed by each party to the dispute and a third disinterested person selected by the two appraisers.

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

ASSESSMENT---The extra premium a mutual or reciprocal insurer's policyholder may be required to pay in the insurer's losses are greater than anticipated.

ASSETS---As applicable to insurance, all funds, property, goods, securities, rights of action or resources of any kind owned by an insurance company, less such items as are declared non-admissible by state laws, including deferred or overdue premiums.

ASSIGNED RISK PLAN---See Automobile Insurance Plan below.

ASSURANCE---A term synonymous to insurance, although used more frequently when referring to life insurance.

ASSURED---The person(s) or corporation whose insurable interest is protected by an insurance policy. Another term for INSURED.

AUTOMOBILE INSURANCE PLAN---Formerly called and still sometimes referred to as "assigned risk" plan. A program to make automobile insurance available to persons who are unable to obtain such insurance in the voluntary market. (usually state run or controlled)

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 for damages or loss to the policyholder's automobile, resulting from collision, fire, theft and other perils.

AVERAGE ADJUSTER---An individual specializing in ocean marine losses involving general average. (See General Average)

AVERAGE WEEKLY BENEFITS---Usually called weekly compensation in workers' compensation insurance. The amount payable per week for disability or death as

prescribed by law. This is usually a percentage of the average weekly wage, subject to a minimum and maximum amount.

AVIATION INSURANCE---Insurance pertaining to aircraft, including coverage of aircraft or their contents, the owner's liability or accident insurance on the passengers.
BAD FAITH – Breach of faith, willful failure to respond to plain well-understood statutory or contractual obligations. Plaintiff attorney will cry “bad faith” against insurance companies.

BAIL BOND---A bond which guarantees the appearance of a person in court, and which is subject to forfeiture if that person violates the provisions of the bond.

BAILEE---One who has temporary possession of property belonging to another.

BASIC EVALUATION REPORT---A report prepared by loss prevention, usually at the request of underwriting, which provides the underwriting department with necessary information to underwrite prospects or policyholders.

BASIC FORM---A package insurance policy providing coverage against a limited number of specified perils.

BASIC LIMITS---The lowest amount prescribed by law or the company for which a liability policy can be written.

BENEFITS---Financial reimbursement and other services provided by insurers under the terms of an insurance contract.

BLANKET COVERAGE---Insurance covering more than one item of property at a single location or two or more items of property in different locations.

BLOCK POLICY---An inland marine policy covering all property on or off a merchant's premises, including property of others in the care, custody or control of the policyholder.

BODILY INJURY (BI)---Injury to the body of a person. In insurance, also refers to the coverage afforded for financial protection against bodily injury of a person resulting from an accident. In PIP states, one can sue under Bodily Injury once a threshold has been met (See Monetary Threshold and Verbal Threshold)

BODILY INJURY LIABILITY INSURANCE---Protection against loss arising out of the liability imposed upon the policyholder by law for damages because of bodily injury, sickness, disease or death suffered by another person or persons.

BOILER AND MACHINERY INSURANCE---Coverage for loss arising out of the operation of pressure, mechanical and electrical equipment. It may cover loss to the boiler and machinery itself, damage to other property, and business interruption losses.

BOND---Generally speaking, an agreement whereby one party, called the surety, obligates itself to a second party, called the obligee, to answer for the default of a third party, called the principal.

BROAD FORM---A package policy providing coverage for the same perils covered in the basic form, plus specified additional perils.

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---Protection for loss of property due to burglary, robbery or larceny.

BUSINESS INCOME 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.

BUY-OUT INSURANCE---A professional liability policy covering future claims resulting from incidents which occurred during the period that an expired claims-made policy was in force.

CANCELLATION---Termination of an insurance policy or bond by an insurance company or a policyholder before its expiration date.

CAPACITY---A measure of the amount of insurance which an insurance company is able or prepared to assume on particular risks.

CAPITAL STOCK INSURANCE COMPANY---An insurance company which is owned and controlled by stockholders or investors.

CAPTIVE INSURER---An insurance company set up by a company or group of companies to insure their own risks or risks common to the group.

CARGO INSURANCE---Insurance covering goods being transported by some conveyance such as a ship, train or truck.

CASUALTY INSURANCE---Insurance concerned primarily with the insured's legal liability for injuries to others or for damage to other persons' property; also encompasses such forms of insurance as plate glass, burglary, robbery and aviation.

CASTASTROPHE---In insurance, a term applied for statistical recording purposes to an incident or a series of related incidents involving an insured loss expected to exceed \$25 million.

CEDE---To buy or effect reinsurance. The transfer of all or a part of one insurer's liability to a reinsurer.

CERTIFICATE OF INSURANCE---A statement issued by an insurer verifying a policy has been written and issued. States policy number, coverage, effective and expiration dates, etc. Used frequently in group policies where master policies are issued to companies.

CESSION---A yielding of an interest or obligation under a reinsurance agreement.

CLAIM---A demand to recover under an insurance policy for a loss covered by that policy.

CLAIM EXPENSE – The expense of adjusting a claim, such as investigation and attorney's fees. It does not include the cost of the claim itself.

CLAIMS-MADE FORM---A type of liability policy which covers claims, which occur and are, reported while the policy is in effect.

CLAIM NUMBER – A number assigned by the insurance company when a claim is made...Knowing the claim number can expedite inquiries. (Each company has its own numbering system.)

CLAIM REPRESENTATIVE (ADJUSTER) – Insurance Company employee who determines if claim is meritorious and who settles the claim. Only one person knows the claim better...the claimant.

CLASSIFICATION---The grouping, for underwriting, rating or other purposes, of policyholders or properties having the same general characteristics.

COINSURANCE---A provision in an insurance policy under which the insured, for a reduced rate, agrees to carry a certain amount of insurance expressed as a percentage of value of his or her property. It provides for the full payment, up to the amount of the policy, of all losses if the insurance carried is at least equal to the specified percentage. However, if the insured fails to carry the necessary amount of insurance, he or she assumes a proportionate share of the loss.

COLLISION INSURANCE---An automobile insurance coverage against damage to the policyholder's vehicle by collision with another car or object or by upset.

COMBINED RATIO---The sum of the ratio of losses incurred to premiums earned and the ratio of commissions and expenses incurred to premiums written.

COMMERCIAL BLANKET BOND---fidelity bond to cover operators of commercial establishments against losses resulting from employees' dishonest acts.

COMMERCIAL LINES---Insurance for businesses, organizations, institutions, governmental agencies or other establishments.

COMMERCIAL MULTIPLE PERIL INSURANCE---A package type of insurance which includes a wide range of essential coverages for the commercial establishments.

COMMISSION---A percentage of an insurance premium paid to an agent or broker for producing and servicing the business.

COMMISSIONER---A state officer responsible for administering the state's insurance laws and regulations. In some states, the commissioner bears the title of director or superintendent of insurance.

COMPETITIVE STATE FUND---A facility established by a state to write workers' compensation insurance in competition with private insurers.

COMPREHENSIVE AUTOMOBILE INSURANCE OR COMPREHENSIVE COVERAGE---Coverage against loss of or damage to a car from a number of perils including fire, theft, windstorm, flood and vandalism (but not including collision or upset)

COMPREHENSIVE PERSONAL LIABILITY INSURANCE---Protection for an insured against loss arising out of the policyholder's legal liability to pay money for damage or injury to others. Does not include automobile liability or business operations.

COMPULSORY INSURANCE---Any form of insurance which is required by law.

CONCEALMENT---The failure to disclose a material fact.

CONDITIONS---Provisions of an insurance policy that state the rights and duties of the insured and the insurer.

CONSEQUENTIAL LOSS---A loss resulting from, but not caused directly by, an insured peril. For example, if a fire should damage refrigeration equipment, any spoilage of its contents resulting from the loss of refrigeration would be a consequential loss.

CONTESTIBLE CLAUSE---Section of insurance contract that states conditions under which the policy may be contested or voided, such as fraud or material misstatement.

CONTINGENT LIABILITY---The liability of individuals, corporations or partnerships for accidents caused by persons other than employees, for whose acts or omissions the individuals, corporations or partnerships are legally responsible.

CONTRACT BOND---A guarantee of the faithful performance of a construction contract and usually the payment of all labor and material bills related to it.

CONTRACTUAL LIABILITY INSURANCE---Coverage for a loss for which the policyholder has assumed another's liability under contract.

CONTRIBUTORY NEGLIGENCE---The lack of care on the part of an individual, which helped, cause an accident. A claim where an individual who helped cause an accident by failing to exercise proper care is negated or defeated by the doctrine of contributory negligence, even if the other party is also negligent.

COUNTERSIGNATURE---The signature of a licensed agent or representative on a policy or bond, required by some state laws to validate the contract.

COVERAGE---The scope of the protection provided under a contract of insurance; any of several risks covered by a policy.

CREDIT INSURANCE---A guarantee to manufacturers, wholesalers and service organizations that they will be paid for goods shipped and services rendered. It is a guarantee of that part of their working capital represented by accounts receivable.

CROP-HAIL INSURANCE---Protection against damage to growing crops as a result of hail or certain other named perils.

DAMAGES---Compensation received by an insured who was injured in person, property, or rights by another's negligence.

DECLARATION---The part of a property or liability insurance policy which includes the name and address of the insured, the property insured, its location and description, the policy period, the amount of insurance coverage, applicable premiums, and supplemental information provided by the insured.

DEDUCTIBLE---An amount of a loss a policyholder agrees to pay, per claim or per accident, toward the total amount of an insured loss. Insurance is written on this basis at reduced rates.

DEPRECIATION---A decrease in the value of property due to wear and tear or obsolescence.

DIRECT WRITER---An insurer whose distribution mechanism is either the direct selling system or the exclusive agency system.

DIRECTORS AND OFFICERS LIABILITY INSURANCE---Coverage for directors and officers of firms or organizations against liability claims arising out of alleged errors in judgement, breaches of duty, and wrongful acts related to their organizational activities.

DISABILITY---A condition that curtails a person's ability to carry on normal pursuits or occupations.

DISABILITY INCOME---Benefit effective after a fixed waiting period providing for a monthly income and waiver of premiums because of total permanent disability.

DISABILITY, PARTIAL---Under accident and health insurance, a condition which from the date of an accident or immediately following a period of total disability prevents the insured from undertaking a part of the duties of his occupation.

DISABILITY, PERMANENT-PARTIAL---Under workers' compensation insurance, a condition which actually or presumptively results in partial loss of earning power.

DISABILITY, PERMANENT-TOTAL---Under workers' compensation insurance, a condition which actually or presumptively is considered the equivalent of a complete or permanent loss of earning power.

DISABILITY, TEMPORARY-PARTIAL---Under workers' compensation insurance, a condition that results in a partial loss of earning power but from which recovery can be expected. Workers' compensation laws generally provide for compensation for temporary partial disability on the basis of a percentage of the difference between the employee's wages before the injury and what the person can earn in the disabled condition.

DISABILITY, TEMPORARY-TOTAL---Under workers' compensation insurance, a condition which disables the employee from working, but from which complete or partial recovery can be expected, enabling him to return to employment

DISABILITY, TOTAL---Under accident and health insurance, a condition caused by either injury or sickness which wholly, necessarily, and continuously prevents an insured from performing any and every duty pertaining to his occupation.

DIVIDEND--- (1) An amount returned to a policyholder by an insurance company out of its earnings. (2) Also, in capital stock companies, a share of profits distributed to stockholders.

DOMESTIC INSURANCE COMPANY---In a given state, an insurer domiciled in that state.

DRIVE-IN CLAIM SERVICE – A facility maintained by an auto insurer in which the extent of damage to the claimant's auto can be determined and, in many cases, settlement made.

EARNED PREMIUM---The portion of a premium, which is the property of an insurance company, based on the expired portion of the policy period.

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

EMPLOYERS LIABILITY COVERAGE---A section of the workers' compensation policy which provides coverage against the common law liability of an employer for injuries to employees as distinguished from the liability imposed by a worker's compensation law.

ENDORSEMENT---A form attached to an insurance policy to add to, alter or vary its provisions.

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.

EXCESS LIMITS---Coverage against losses in excess of a specified dollar limit.

EXCLUSION---A provision in an insurance policy, which denies coverage for certain, perils, persons, property or location.

EXPENSES RATIO---The cost of acquiring, writing and servicing business as a percentage of written premiums.

EXPERIENCE---The loss record of an insured or of a particular class of coverage.

EXPERIENCE RATING---A method of establishing insurance rates based on an individual policyholder's loss record.

EXPIRATION DATE---The date indicated in an insurance contract as its termination date.

EXPOSURE---The state of being subject to the possibility of loss; the extent of risk as measured by various standards such as payroll, gate receipts and area.

EXTENDED COVERAGE INSURANCE---Protection 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 various "package" policies.

FACULTATIVE REINSURANCE---A procedure by which insurance companies reinsure risks on an individual basis, with a reinsurer having the option to accept or decline each risk.

FAIR (FAIR ACCESS TO INSURANCE REQUIREMENTS) PLAN---A facility to make fire insurance and other forms of property insurance readily available to persons who have difficulty obtaining such coverage.

FEDERAL CRIME INSURANCE---Insurance against burglary, larceny and robbery losses offered by the federal government where the Federal Insurance Administration has determined that such insurance is not otherwise readily available.

FIDELITY BOND---A form of protection, which reimburses an employer for losses caused by dishonest or fraudulent acts of employees.

FINANCIAL RESPONSIBILITY LAW---A law under which a person involved in an automobile accident may be required to furnish security up to certain minimum dollar limits.

FIRE INSURANCE---Coverage for losses caused by fire, lightning and the removal of property from endangered premises, plus resultant damages caused by smoke and water.

FIRST PARTY INSURANCE – Insurance which applies to coverage for the insured’s own property or person.

FIRST REPORT – Insurance company department which usually takes telephonic claims. This department assigns claims numbers and then passes the claim on to the claim representative (adjuster)

FLEET POLICY---A policy covering a number of motor vehicle (usually five or more) owned by a single insured.

FLOATER---A form of insurance that applies to movable property, whatever its location, within the territorial limits imposed by the contract. The coverage “floats” with the property.

FLOOD INSURANCE---Coverage against loss resulting from the flood peril.

FOREIGN INSURANCE COMPANY---In a given state, an insurer domiciled in another state.

FRAUD---Deception or strategy used to deceive or cheat, including misrepresentation or concealment.

GENERAL AVERAGE---In ocean marine insurance, a loss shared by all interests because of an expense or sacrifice voluntarily incurred to prevent destruction of all the property.

GENERAL LIABILITY INSURANCE---Form of 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 elevators and the like, as well as services.

GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (GAAP)---A method of accounting used by insurance companies to produce results consistent with those of other industries.

GLASS INSURANCE---Protection for loss of or damage to glass and its appurtenances.

GRACE PERIOD---Period of time, usually 30-31 days, following the due date of the premium during which the premium can be paid and coverage is still in force.

GROUP INSURANCE---Any insurance plan, under which a number of persons and their dependents are insured under a single policy, issued to their employer or to any association with which they are affiliated, with individual certificates given to each insured person.

GUARANTY FUND---A fund, derived from assessments against solvent insurance companies, to absorb losses of claimants against insolvent insurers.

HAIL INSURANCE---Coverage for loss or damage to growing crops due to hail.

HAZARD---Condition which creates or increased the chances of a loss.

HEALTH INSURANCE---Insurance against financial losses resulting from sickness or bodily injury.

HIRED AUTOMOBILE – Autos the insured leases, hires, rents or barrows, but not autos owned by employees or members of their households.

HOLD HARMLESS AGREEMENT---A contract under which one party's legal liability for damages is assumed by the other party to the contract.

HOMEOWNERS POLICY---A package type of insurance for the homeowner that includes coverages ranging from fire and extended coverage, theft and personal liability to coverage for all perils except those specifically excluded.

HULL POLICY---A contract that provides indemnification for damage to or loss of an insured vessel or airplane.

HURRICANE---A tropical storm with a wind velocity of 75 or more miles an hour.

INDEMNIFY---To provide financial compensation for losses.

INDEPENDENT ADJUSTER – An adjuster who works as an independent contractor, hiring out to insurance companies or other organizations for the investigation and settlement of claims.

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 and communication. It includes goods in transit (generally excepting trans-ocean) as well as numerous “floater” policies such as those covering personal effects, personal property, jewelry, furs, fine arts and others.

INSURABILITY---Acceptability of an applicant for insurance who has met the requirements of an insurance company

INSURABLE INTEREST---A relationship in which a loss or destruction of life or property would cause a pecuniary loss.

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 causes under specified conditions.

INSURANCE CONTRACT---The agreement of an insurer to provide benefits or reimburse losses in return for a premium. A policy is the written statement of the insurance contract terms.

INSURANCE DEPARTMENT---The state department which has responsibility for the enforcement of the state insurance code. It is charged with the supervision and licensing of insurance companies and agents and the general administration of insurance laws of the state.

INSURANCE EXAMINER---A state employee who makes periodic examinations into the conditions of foreign and domestic companies operating there.

INSURANCE TO VALUE---Insurance written in an amount approximating the value of the property insured.

INSURED---The person(s) or corporation whose insurable interest is protected by the policy. Also called ASSURED.

INSURING CLAUSE---That part of an insurance policy or bond that recites the agreement of the insurer to protect the insured against some form of loss or damage. Also know as Insuring Agreement.

INVESTMENT INCOME---The portion of a company’s income which is derived from its investments, including interest and dividends earned on stocks and bonds.

JETTISON---To throw overboard part of a ship’s cargo in order to save the ship.

JOINT UNDERWRITING ASSOCIATION---An unincorporated association of insurance companies formed to provide a particular form of insurance to the public.

JUDGEMENT---An obligation created by the decree of a court.

KIDNAP AND RANSOM INSURANCE---Insurance to cover the cost of ransom or extortion payments and related expenses.

LEGAL EXPENSE INSURANCE---Insurance to reimburse policyholders for legal fees incurred for defense from lawsuits involving areas of civil law not covered by standard liability insurance. Some examples: discrimination, wrongful discharge, suits by a government entity, contract disputes, bill collection, landlord-tenant disputes, patent disputes.

LIABILITY---Any legally enforceable obligation.

LIABILITY INSURANCE---Insurance covering the policyholder's legal liability for injuries to other persons or damages to their property.

LIFE INSURANCE---Insurance providing for payment of a specified amount to an estate or a designated beneficiary on the death of the policyholder; or in the case of an endowment policy, to the policyholder on a specified date.

LIMIT---The maximum amount of benefits that an insurer agrees to pay in the event of a loss.

LINE---A type or kind of insurance.

LLOYDS---Groups of individuals, called syndicates (not insurance companies), assuming liability through an underwriter. Each individual independently or personally assumes a proportionate part of the risk accepted by the underwriter.

LOSS---A reduction in the quantity or value of a property.

LOSS OF USE INSURANCE---Compensation through insurance for loss caused because the policyholder has lost the use of his property. An automobile hired to replace one stolen would be an example of the need and use of such coverage.

LOSS PREVENTION SERVICE---Engineering and inspection work done by an insurance company or independent organization with the aim of removing or reducing dangerous conditions in order to prevent losses.

LOSS RATIO—The percentage of premiums (usually earned premiums) used to pay losses and loss adjustment expenses.

LOSS RESERVE---An amount representing an insurer's estimated liability for unpaid insurance claims or losses that will have to be paid in the future.

MALICIOUS MISCHIEF---The willful damaging or destruction of another person's property.

MANUAL---A book published by an insurance or bonding company, a rating association or bureau, giving rates, classifications and underwriting rules.

MANUAL RATES---Rates set forth in the manual.

MARINE INSURANCE---A form of insurance primarily concerned with instruments of transportation and communication, and with goods in transit. See also Inland Marine Insurance and Ocean Marine Insurance.

MATERIAL MISREPRESENTATION---False facts or circumstances stated by an insured, which would have resulted in no coverage, if the true facts were known to the insurer.

MECHANICS' LIEN---Protection given to laborers and suppliers in the form of a lien on the property that has been improved.

MEDICAL PAYMENTS INSURANCE---A coverage, available in various liability insurance policies, in which the 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.

MONETARY THRESHOLD -- In PIP Claims, a dollar amount set by state law, usually for medical treatment, that must be met before suits can be filed.

MULTI-PERIL POLICY—A package policy which provides coverage against several different perils.

MUTUAL INSURANCE COMPANY---An incorporated insurance organization owned by its policyholders.

NAMED PERILS---Perils specified in a policy as those against which the policyholder is insured.

NATIONWIDE MARINE DEFINITION---A statement of the types of insurance that may be written under marine or inland marine policies.

NEGLIGENCE---Failure to use the degree of care which a person of reasonable prudence would use under given or similar circumstances. A person may be negligent by acts of omissions or commission, or both.

NET UNDERWRITING PROFIT OR LOSS---Statutory underwriting profit less (or loss plus) dividends to policyholders.

NO-FAULT AUTOMOBILE INSURANCE---A form of insurance by which a person's financial losses resulting from an automobile accident, such as medical and hospital expenses and loss of income, are paid by his or her own insurance company without regard to fault.

NOTICE OF LOSS---A written notice to an insurance company from a person who has sustained a loss, giving notice to the company that the loss has occurred.

OBLIGEE---A person, firm, corporation, or government agency protected by a surety bond.

OCCUPATIONAL DISEASE---Sickness or disease arising out of or in the course of employment.

OCEAN MARINE INSURANCE---Coverage for seagoing vessels, including liabilities connected with them, and their cargoes.

OFF PREMISES---A clause used to provide insurance protection on personal property covered while it is away from the premises named in the policy.

OSHA---A commonly used term that identifies the federal government department responsible for implementation of the Occupational Safety and Health Act of 1970. OSHA develops standards for protecting the safety of workers, inspects places of business to be sure these standards are being used, and has the power to enforce the provisions of the Act.

PACKAGE POLICY---A single insurance policy that includes several coverages.

PD EXPENSE---Property damage expense. Estimated or actual expenses (legal or non legal) incurred and attributed directly to a claim for property damage.

PD LOSS---Property damage loss. Estimated or actual cost of damage to the property of others.

PERIL---The cause of a loss insured against in a policy.

PERSONAL ARTICLE FLOATER---A policy or an addition to another policy, used to cover personal valuables such as furs and jewelry.

PERSONAL INJURY PROTECTION – A system in which each insurance company in an accident pays their own insured for injuries and certain other expenses. Before one can sue the other party involved, a dollar or verbal threshold must be met.

PERSONAL LINES---Those types of insurance, such as auto or home insurance, for individuals or families rather than for businesses or organizations.

PHYSICAL DAMAGE---A term indicating actual damage to property.

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

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

PREMISES---The particular location of property or a portion thereof as designated in a policy.

PREMIUM---The sum paid for an insurance policy. *Net premiums written* represent premium income retained by insurance companies, direct or after reinsurance transactions. *Direct written premiums* are the amounts actually paid by policyholders.

PREMIUM DISCOUNT---An amount subtracted from an insurance premium due to some merit or circumstance of the policyholder.

PRESUMPTION---Assumes a fact exists through the proof of another fact's existence, providing there is a logical connection between the two.

PRINCIPAL---In suretyship, the individual or corporation whose performance is guaranteed.

PRODUCT LIABILITY---Liability for damages caused by accident arising out of goods or products manufactured, sold, handled, or distributed by the insured or others trading under his name. The accident must have occurred after possession of goods has been relinquished to others and away from premises owned, rented, or controlled by the insured. In the case of food products, accident does not have to occur away from premises (restaurants, etc.).

PRODUCER---A term applied to an agent, solicitor or other person who sells insurance.

PROFESSIONAL LIABILITY INSURANCE---Coverage for a professional practitioner, such as a doctor or a lawyer, against liability claims for damages resulting from alleged malpractice in the performance of the insured's services. Often called malpractice insurance.

PROOF OF LOSS---A written statement made by the policyholder for the insurer regarding a claim so that the insurer may determine its liability under the policy.

PROPERTY DAMAGE LIABILITY INSURANCE---Insurance against financial losses growing out of a policyholder's liability for damage to the property of another including loss of the use of the property.

PROPERTY INSURANCE---Insurance providing financial protection against the loss of, or damage to, property caused by specified perils.

PUBLIC ADJUSTER – An insurance adjuster who represents an insured on a fee basis in claim settlement.

RAIN INSURANCE---Insurance against loss of expected income or incurred expense when rain, hail, snow or sleet causes the cancellation of or reduced patronage at sales, fairs and similar events.

RATE---The cost of a given unit of insurance, on which a premium is based.

RATING TERRITORY---A geographical subdivision of a state whose residents are grouped together for rating purposes.

REASONABLE CARE---Degree of care, which a reasonable person would take in a given situation.

RECIPROCAL EXCHANGE---An unincorporated insuring organization made up of subscribers who insure each other.

REGULATION---Supervision of business practices by a governmental entity.

REINSURANCE---Assumption by one insurance company of all or part of a risk undertaken by another insurance company.

RENTER'S POLICY---A homeowners policy adapted to the needs of people who rent. Also referred to as a tenants policy.

REPLACEMENT COST---The cost of replacing property without a deduction for depreciation.

REPRESENTATION---Statements made on an application reported by the applicant as being substantially true to the best of his or her knowledge or belief.

RESERVE--- (1) An amount representing actual or potential liabilities designated by an insurer to cover obligations to policyholders. (2) An amount allocated for a special purpose. Note that a reserve is usually a liability and not an extra fund. On occasion a reserve may be an asset, such as a reserve for taxes not yet due.

RETENTION---The amount of risk retained by an insurance company and not reinsured.

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

RISK MANAGEMENT---Management of the varied risks to which a business firm or corporation might be subject. It involves analyzing all exposures to gauge the likelihood of loss and determining how to minimize losses by such means as insurance, self-insurance, reduction or elimination of risk or the practice of safety and security measures.

ROBBERY---The felonious taking, either by force or threat of force, of the property of another.

SAFE DRIVER PLAN---A merit rating program for private automobiles under which a car owner's driving record is used as a factor in determining the size of the premium.

SALVAGE---(1) Property taken over by an insurer, which has paid a claim, to reduce its loss; (2) to save endangered property and to enhance the value of damaged property; (3) in marine insurance, the cost of saving property exposed to a peril; (4) in suretyship, that which is recovered from the principal or an indemnitor to offset the loss and expense paid by a surety in satisfying its obligation under a bond.

SCHEDULE---A list of individual items or groups of items covered under one policy.

SEASONAL RISK--An insured property that is used only for part of the year.

SELF-INSURANCE---An arrangement through which some firms and individuals plan to assume all or a portion of their own losses. Self-Insurers often establish special funds for this purpose, and purchase insurance to cover losses in excess of predetermined amounts.

SOLICITOR---A person authorized by an agent to solicit and receive applications for insurance.

SPECIAL INVESTIGATIONS UNIT – The investigative unit for the insurance company who assist claim reps and sometimes underwriting in making claims and underwriting decisions by conducting outside investigations.

SPECIAL MULTI-PERIL POLICY (SMP) -- A business policy which combines in one contract the coverages normally purchased under several policies. Many options and endorsements are available to tailor the policy to the needs of a policyholder.

STATE FUND---A fund set up by a state government to provide insurance. Some statutes permit, others exclude, competition by private insurers.

STATE INSURANCE DEPARTMENT---A state governmental agency that regulates the business of insurance, disseminates insurance information, and protects the public that deals with insurance.

STATUTORY ACCOUNTING PRINCIPLES (SAP)---Statutory requirements which must be met by an insurance company in its financial statement to the state insurance department.

STATUTORY UNDERWRITING PROFIT OR LOSS---Premiums earned minus losses and expenses incurred.

STRUCTURED SETTLEMENT---A claims settlement contract, usually in the form of an annuity to meet a particular individual's needs, that combines various benefits paid over a period of time, such as medical expenses, lost wages, custodial care, etc. Usually ordered by a court or negotiated between a claimant and insurance company as a viable alternative to the traditional lump-sum payment of a large insurance benefit or damage award, especially in cases involving minors, injuries that require prolonged future nursing care and/or involve long-term future loss of earnings.

SUBROGATION---The legal process by which an insurance company, after paying a loss, seeks to recover the amount of the loss from another who is legally liable for it.

SURETY BOND---An agreement providing for monetary compensation should there be failure to perform specific acts within a stated period. The surety company, for example, becomes responsible for fulfillment of a contract if the contractor defaults.

SURETYSHIP---Obligations to pay the debts of, or answer for the default of, another.

SYNDICATE---A group of insurers or underwriters who join to insure property with high values or high hazards. See also Pools.

TERM---A period of time for which a policy is issued.

THEFT---The act of stealing.

THIRD PARTY---A person who seeks indemnification under a liability insurance policy.

TITLE INSURANCE---Insurance which indemnifies the owner of real estate in the event that his or her clear ownership of property is challenged by the discovery of faults in the title.

TORNADO---A whirling wind, accompanied by a funnel-shaped cloud or column, very violent and destructive in a narrow path, often for many miles over the land.

TORT---A wrongful act, resulting in injury or damage, on which a civil action may be based. Does not apply to a breach of contract.

TOTAL LOSS---Loss to the insured of the entire value of goods or other property insured, or a loss entailing the payment of the full face amount of an insurance contract.

UMBRELLA LIABILITY---A form of insurance protection against losses in excess of the amount covered by other liability insurance policies; also protects the insured in many situations not covered by the usual liability policies.

UNDERINSURANCE---A condition in which not enough insurance is carried to cover the insurable value.

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 underwriting operations. A net gain or loss on underwriting operations represents a company's statutory underwriting result less any amount it may pay to its policyholders in the form of dividends.

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.

UNINSURED MOTORIST PROTECTION---A form of insurance which covers the policyholder and family members if injured by a hit-and-run motorist or a driver who carries no liability insurance, assuming the other driver is at fault.

VALUED POLICY---A policy under which an insurer agrees to pay a specified amount of money to or on behalf of the insured upon occurrence of a defined loss.

VANDALISM---The malicious or ignorant, often random, destruction or spoilage of another person's property.

VOID---A term used to describe a policy contract that for some reason specified in the policy becomes free of all legal effect.

WAIVER---The surrender of a right or privilege which is known to exist.

WARRANTY---A statement made on an application for most kinds of insurance that is warranted as true in all respects. If untrue in any respect, even though the applicant did not know the untruth, the contract may be voided without regard to the materiality of the statement.

VERBAL THRESHOLD – In PIP claims, an injury has “far reaching disabling consequences,” then a suit may be filed. The problem; what is “far reaching disabling consequences.”

VOLUNTARY MARKET – Risks insurance companies find acceptable within the framework of their rates.

WORKERS' COMPENSATION INSURANCE---A method of providing for the cost of medical care and payments to injured employees or to dependents of those killed in the workplace, regardless of blame.

WRITE---To insure, to underwrite, or to accept an application for insurance.