

Level 1 - Key Terms

1. Agent: person authorized to represent the insurer when dealing with 3rd parties (insurance matters only)
2. Bailee for Hire: someone who has temporary possession of property of others for purpose other than sale & is compensated
3. Binder: an agreement giving the insured temporary insurance protection pending the issuance of the actual policy
4. Bodily Injury: bodily injury, sickness or disease (including death resulting from the above 3)
5. Broker: independent middle man who represents clients in helping them secure insurance from insurance companies/their agents
6. Burglary: unlawful taking of property by someone who entered or exited the premises with evidence of forcible entry or exit (must have signs of force)
7. Commission: compensation paid to broker for placing business with an insurer
8. Condition: a requirement to do or not to do something (imposed by the insurer on the insured)
9. Condominium: units in a multi-unit building that's owned separately
10. Consideration: an exchange of something of value
11. Contract: an agreement that is enforceable by law
12. Damages: damages awarded to a person injured by a tort
13. Deductible: amount the insured must pay before they are entitled to indemnity from the insurer (can be a fixed dollar amount or percentage of insured values)
14. Disability: physical or mental inability to do work
15. Domestic Water Container: apparatus for personal use for holding, heating, cooling or dispensing water
16. Dwelling: building occupied as a private residence
17. Endorsement: changes terms of the contract
18. Ethics: related to moral character and whether the person conforms to professional standards of conduct
19. Exclusions: occurrences or persons not covered by the policy
20. Fiduciary: one who manages money or property for another
21. Fire: ignition resulting in destructive burning
22. Floater: insurance meant to cover mobile property
23. Forthwith: immediately (no delay)
24. Fraud: a deliberate deception with the intent to secure a benefit
25. Friendly Fire: fire that is contained (i.e. camp fire)
26. Ground Water: water in underground soil (i.e. well water, underground stream, etc.)
27. Hazard: a condition that might cause a peril to occur
28. Head of Household: the one who earned the most money in the last year
29. Hold Harmless: a contract where 1 party assumes the legal responsibility of someone else
30. Hostile Fire: a fire that is uncontained, uncontrollable and becomes hostile or destructive

31. Indemnity: the principle of indemnity states that the victim will be compensated the actual amount of loss sustained (no more, no less)
32. Insurable Interest: someone has insurable interest if they would suffer financially from a loss
33. Insurance: an undertaking by one person to indemnify another against loss or liability when a certain risk/peril damages an object of insurance (or, to compensate someone if some event occurs)
34. Loading: an additional rate charged on top of the fire rate for providing additional coverage
35. Material Change: a change, taking place after policy issuance, that increases chance of loss
36. Material Fact: a fact that would have change the insurance companies decision if they knew about it (i.e. decline, charge more or add conditions)
37. Minimum Retained Premium: minimum amount of premium kept by insurer if the policy is cancelled midterm
38. Negligence: failure to use the degree of care of a reasonable and prudent person given the circumstances
39. Partial Loss: a loss which does not completely destroy or render the property worthless or one that does not use up the applicable limit of insurance
40. Payee: someone insurance would pay in the event of a loss to insured property
41. Peril: cause of a loss
42. Premises: land within the lot lines
43. Premium: money paid to insurer for insurance protection
44. Private Protection: things done by the insured to prevent or reduce loss
45. Property Damage: physical injury to tangible property including loss of use or loss of use of tangible property not physically injured
46. Public Protection: protection provided by outside sources (i.e. proximity to a fire hydrant)
47. Pure Risk: risk of financial loss with no chance of gain
48. Rebate: discounting of premiums used by agents/brokers to induce the client to purchase from them
49. Relative: someone connected by blood or family connection
50. Repair: to restore a damaged object/building to its original condition
51. Replacement Cost: cost to replace or repair the property (whichever is the lesser amount) on the same site with materials of same kind/quality for the same occupation
52. Retention: paying for losses yourself (out-of-pocket)
53. Rider: adds coverage to a policy
54. Risk: the chance of financial loss an object of insurance is exposed to
55. Risk Control: risk management technique of trying to reduce the frequency and severity of losses
56. Robbery: criminal taking of property from another against their will using force or fear
57. Subrogation: the ability of an insurer to step into the shoes of the insured, after paying compensation, and assume their legal rights to sue the party the compensated party could have sued
58. Surface Water: water on ground where water doesn't normally accumulate (i.e. not a lake)
59. Theft: taking of property without the owner's consent

- 60. Third Party: someone not party to the insurance contract (but may have rights therein)
- 61. Tort: a legal wrong other than breach of contract for which the courts will provide remedy
- 62. Tortfeasor: someone who commits a tort (defendant)
- 63. Total Loss: complete destruction of insured property
- 64. Underwriter: person who assumes a risk in return for premium or an employee of the insurance company who accepts/rejects insurance applications
- 65. Utmost Good Faith: complete honesty & zero concealment
- 66. Valued Policy: when the property is a total loss, the insurer will pay an amount equal to the previously agreed-upon value of that property
- 67. Void: no legal force
- 68. Voidable: able to be declared void
- 69. Waive: to voluntarily give up a right
- 70. Waiver of Coinsurance: a commercial insurance clause that states a coinsurance penalty will not apply, even if the insured has not met the coinsurance requirement, if losses are less than 2% amount of insurance and \$5000
- 71. Warranty: a promise that certain facts are true and will remain true