

# Glossary

The Glossary is your tool for finding Acronyms, Definitions, Companies, Insurance Terms, and Systems related to AIG Worldwide. For your convenience, each Glossary category is alphabetically ordered.

- [Insurance Terms](#): is a compilation of industry-wide insurance-related terminologies.
- [Acronyms](#): is a compilation of abbreviations, often Company-centric, for insurance terminology, systems, and companies.
- [Definitions](#): contains the descriptions of Company-centric business concepts.
- [Companies](#): is a compilation of AIG-member companies' legal names, including recently renamed and rebranded entities
- [Systems](#): is a compilation of company tools, applications, and systems used corporate-wide, both proprietary and third-party.

## Insurance Terms Glossary

### 0-99

#### 1035 Exchange

LOMA defines a 1035 Exchange as a tax-free exchange of one life insurance policy or annuity contract for another policy or contract covering the same person that is performed in accordance with Section 1035 of the Internal Revenue Code, in the United States.

## A

#### A/E - ACTUAL/EXPECTED

Factor representing the ratio of the actual incurred claims amount over (divided by) the expected incurred claims for a specific period of time.

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#### AARP - AVERAGE ANNUALIZED RENEWABLE PREMIUM

This is the amount of premium that expected for each converted policy if that policy were to remain in force for a full year. This is calculated by dividing the TARP by the number of converted policies (converted certificates).

#### AAW - Actively-At-Work

An insurance provision often used in Group policies, it is a routine requirement to minimize the risk of anti-selection. In this case to qualify for benefits an employee needs to be at actively at work or available for work on his/her effective date of insurance. A similar provision applies to an employee's dependents: normally requires the dependent to be able to perform the usual duties of a person of like age and sex.

#### Abandon Rate

The percentage of individuals who decide not to effect or pay for a policy after responding to a direct offer.

#### Abandonment

A relinquishing of ownership of lost or damaged property by the insured to the insurer so that a total loss may be claimed. Abandonment is prohibited in most other types of property insurance.

#### Abandonment Clause

A clause in fire insurance policies and other property forms that prohibits the insured from abandoning partially damaged property to the insurer in order to claim a total loss.

#### Absolute Assignment

Assignment by a policyowner of all control of and rights in the policy to a third party.

#### Absolute Liability

A type of liability that arises from extremely dangerous operations. An example would be in the use of explosives: A contractor would almost certainly be liable for damages caused by vibrations of the earth following an explosive detonation. With absolute liability it is usually not necessary for a claimant to establish that the operation is dangerous.

**Accelerated Benefits**

Riders on life insurance policies which allow the life insurance policy's death benefits to be used to offset expenses incurred in a convalescent or nursing home facility.

**Accelerated Endowment**

A dividend option allowing dividend accumulations to be applied to convert a life insurance policy into an endowment, or to shorten the endowment term.

**Accelerated Option**

A provision whereby an insured may use accumulated policy dividends and the cash value of a life insurance contract to pay up the policy or to mature it as an endowment.

**Accelerative Endowment**

An option to use life insurance policy dividends to mature a policy as an endowment before the regular maturity date.

**Acceptance**

In insurance acceptance occurs when an applicant for insurance receives the policy from the company and, in the case of general insurance, pays the premium. In life insurance, since the initial premium is almost always submitted with the application, issuance of the policy by the company constitutes acceptance.

**Access**

The availability of medical care to a patient. This can be determined by location, transportation, type of medical services in the area, etc.

**Accident**

A sudden unintentional event or happening that occurs unexpectedly, which may cause bodily injury or property damage.

**ACCIDENT**

Something unintended, unforeseen, and unexpected; something which could not be considered as a foreseeable occurrence and consequence of an undertaking.

**Accident and Health Insurance**

Coverage for accidental injury, accidental death or sickness. Benefits may include paid hospital expenses, medical expenses, surgical expenses, and income payments.

**Accident and Sickness Insurance**

An older name for health insurance.

**Accident Frequency**

The rate of the occurrence of accidents, often expressed in terms of the number of accidents over a period of time. It is one method used for measuring the effectiveness of loss prevention services. Contrast with Accident Severity.

**Accident Insurance**

A form of insurance against loss by accidental bodily injury to the insured.

**Accident Medical Expense**

Written to cover injuries suffered by a person engaged in a covered activity or event. May be written as excess of valid and collectible coverage or as primary coverage.

**Accident Severity**

A measure of the severity or seriousness of losses, rather than the number of losses. It is measured in terms of time lost from work rather than the number of individual accidents. It is another way of measuring the effectiveness of loss

prevention services. Contrast with Accident Frequency.

### **Accident Weekly Indemnity**

This benefit helps the insured who is unable to work for a temporary period due to an accidental total disability, to replace his/her lost income by providing a weekly income up to 104 weeks.

### **Accident Year**

Refers to a method of accumulating loss data for all accidents occurring within a particular year.

### **Accident Year**

A term used to describe the accounting of claims by the year in which the claim occurred. It is a much better way of analyzing how a particular prior year is developing than the calendar year method that measures claim activity during a given year, regardless of the year the claim occurred.

### **ACCIDENT YEAR**

The annual accounting period in which loss events occurred, regardless of when the losses are actually reported, booked or paid.

### **Accident Year Experience**

Measures premiums and losses relating to accidents which occurred during a 12-month period.

### **Accidental Bodily Injury**

Traumatic damage to the body, of external origin, unexpected and undesigned by the injured person. Contrast with Accidental Means.

### **Accidental Death and Dismemberment**

A form of accident insurance which indemnifies or pays a stated benefit to the insured or their beneficiary in the event of bodily injury or death due to accidental means. A predetermined schedule of payment is used to compensate the insured or the beneficiary for their loss.

### **Accidental Death Benefit**

In a life insurance policy, benefit in addition to the death benefit paid to the beneficiary should death occur due to an accident. In double indemnity, twice the face value of the policy will be paid to the beneficiary; in triple indemnity, three times the face value is payable. Accidental death caused by war and illegal activities are generally excluded. Time and age limits are usually applicable.

### **Accidental Death Benefit Rider**

A supplementary benefit rider or endorsement that provides for an amount of money in addition to the basic death benefit of a life insurance policy. This additional amount is payable only if the insured dies as the result of an accident.

### **Accidental Death Insurance**

A form that provides payment if the death of the insured results from an accident. It is often combined with dismemberment insurance in a form called accidental death and dismemberment.

### **ACCIDENTAL DISMEMBERMENT**

Severance of a hand at or above the wrist or a foot at or above the ankle, loss of eyesight, due to accidental bodily injury. Frequently includes loss of speech and/or hearing and may include as severance of thumb and index finger of the same hand.

### **Accidental Means**

Unexpected or undesigned cause of an accidental bodily injury. Under a definition of accidental means, the mishap itself must be accidental, not just the resulting injury. An example would be an individual chopping wood: If the axe slipped out of his hand and cut his foot, it would have been accidental means. However, if his finger got in the way of the axe, it would not have been.

### **Accidental Permanent & Total Disability**

Economic hardship might result if the insured survives an accident but is unable to engage in any occupation for which he/she is reasonably qualified by education, training or experience, for the remainder of his lifetime. A benefit equal to the principal sum of the policy will be paid to the insured. The benefit can be expanded for earthquake.

**Accommodation Line**

Business accepted from an agent or broker which would normally be rejected according to strict underwriting standards but which is accepted because of the overall profitability of the agent's or customer's other business. As an example, an insurer might accept coverage on property that would not normally meet its underwriting standards, if the other lines of insurance which it carries for the customer were profitable.

**Account Analysis**

The Account Analysis is an expert system advises underwriters of the risks associated with an account's financial and business profile. Trend analysis, market comparisons and review of several accounting schedules make up the knowledge base of rules designed to identify undesirable or unprofitable accounts. The existing knowledge base is tailored to Surety Bond Underwriting. Most of the financial analysis is standard accounting practice and may be applied as a base for other underwriting lines.

**Account Current**

A monthly financial statement provided to an agent by an insurer showing premiums written, cancellations, endorsements, and commissions.

**Account Data Base**

The Account Data Base is a strategic marketing system used to develop new business and to expand the existing book of business. The system reports activity on AIG Property and Casualty business throughout the world.

**Account Modification**

The total of deviations, schedule rating, expected dividend payments, safety credits, drug free credits, managed care credits, and ADR applied to the account. It is determined by adding the schedule credit/debit, deviation, expected dividend payments, safety credits, drug free credits, managed care credits, and negotiated premium discount applied in each state. The maximum account modification would be 20%.

**Account Premium Modification Plan**

A rating plan for fire, property damage and time element coverages. The maximum credit or surcharge is 25%, and it is available to risks which develop a three-year premium of at least \$5,000.

**Account Value**

The value inherent in an annuity to the annuitant if (s)he does not surrender the contract. Cash surrender value is that value net of penalties which is stated in the contract. These penalties usually last seven years -at the end of year seven, account value equals surrender value.

**Accounts Receivable Insurance**

Insurance against the loss that occurs when an insured is unable to collect outstanding accounts because of damage to or destruction of the accounts receivable records by a peril covered in the policy.

**Accredited Service**

All service, by an employee, recognized under a pension plan as being allowable or creditable in calculating the amount of benefits due.

**Accrete**

A Medicare term which means the process of adding new members to a health plan.

**Accrued Benefit**

The amount of retirement benefit accumulated on behalf of a participating employee.

**Accrued Liability**

The amount of money needed to offset the employee's accumulated benefits under a retirement plan. Accrued liability

equals the difference between the present value of the future benefits and the present value of future contributions.

**Accumulated Actuarial Benefit**

The sum of benefits assigned to credited service before a specified date, and which is determined pursuant to the actuarial valuation method in use.

**Accumulated Earnings Tax**

A tax penalty which is imposed on corporate earnings which are retained by the corporation for non-business related needs.

**Accumulated Plan Benefit**

That portion of a participant's retirement benefit that is attributable pursuant to the plan to the participant's period of credited service before a specified date.

**Accumulation at Interest**

A dividend option where interest is paid on accumulated dividends and compounded annually at a guaranteed minimum interest rate.

**Accumulation Period**

The period of time, prior to retirement, during which an annuitant is making payments or investments in an annuity. Such payments will accumulate on a tax deferred basis.

**Accumulation Units**

These are issued to owners of variable annuities during the accumulation period, as evidence of the annuitant's participation in the separate account.

**Accumulation Value**

A term used in universal life policies to describe the total of all premiums paid and interest credited to the account before deductions for any expenses, loans or surrenders.

**Accumulations**

Percentage additions to policy benefits when the contract is continuously renewed.

**Acquired Immunodeficiency Syndrome**

An infectious and incurable disease, commonly referred to as AIDS, which is caused by the human immunodeficiency virus, commonly referred to as HIV.

**Acquisition Cost**

The expenses incurred by an insurer or reinsurance company that are directly related to putting the business on the books of the company, including clerical work, medical examiners fees, inspection costs, etc. The largest portion of this cost is usually the agent's or sales representative's commission or bonus.

**ACQUISITION COST**

The expenses incurred by an insurance or reinsurance company that are directly related to acquiring business. The largest portion of this cost is usually the agent's, broker's or sales representative's commission or bonus. Also applies to certain expenses in direct marketing and worksite marketing programs.

**Act of God**

An event arising out of natural causes with no human intervention which could not have been prevented by reasonable care or foresight. Examples are floods, lightning, and earthquakes.

**Action**

A lawsuit involving the right of one party to recover from another person in a court of law.

**Active Fund Management Style**

Fund manager actively analyzes and trades in securities that meet the overall objective of the fund. Generally, more

aggressive than passive fund management style.

### **Active Malfunction**

A products insurance term. If the product, instead of bringing a benefit to the user, actually damages the user's property, it is an active malfunction. An example is bug killer which, when applied to a crop, damages the crop. Active malfunctioning is covered.

### **Actively-At-Work**

Most group health insurance policies state that if an employee is not actively at work on the day the policy goes into effect, the coverage will not begin until the employee does return to work.

### **Activities of Daily Living**

Everyday living functions and activities performed by individuals without assistance. These functions would include mobility, dressing, personal hygiene and eating.

### **Activities of Daily Living Standards**

Used to assess the ability of an individual to live independently, measured by the ability to perform unaided such activities as eating, bathing, toiletry, dressing, and walking. ADL standards are sometimes discussed as a way to measure or define eligibility for long-term care.

### **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 Charge**

The actual amount charged by a physician for medical services rendered.

### **Actuarial**

Having to do with insurance mathematics.

### **Actuarial Asset Value**

The value assigned by the actuary to the assets of a plan for the purposes of an actuarial valuation.

### **Actuarial Equivalence**

Two different series of payments or values are in actuarial evidence when they have an equal actuarial present value under a given set of actuarial assumptions.

### **Actuarial Experience Gain or Loss**

The effect on the unfunded supplemental actuarial value of deviations between the past events that would have occurred according to the actuarial assumptions and those which actually occurred.

### **Actuarial Present Value**

The single amount as of a given evaluation date that results from applying actuarial assumptions to an amount or series of amounts payable or receivable at various times; with the amount(s) referred to being adjusted where appropriate to reflect expected changes from the valuation date to the date of expected payment or receipt by reason of expected salary changes, cost of living adjustments, or other changes; and adjusted to reflect the time value of money (through discounts for interest) and the probability of payment (by means of decrements such as for death, disability, withdrawal or retirement) between the valuation date and the expected date of payment or receipt.

### **Actuarial Valuation Method**

A procedure, using actuarial assumptions, for measuring the expected value of benefits and assigning such value to time periods.

### **Actuarially Sound**

When the amount of money in a pension fund, and the current level of contributions to the fund, are sufficient to meet the liabilities which have already accrued and which are accruing on a current basis.

**Actuary**

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

**ACTUARY**

A formal qualification for persons involved with rate-making and statistical theories.

**Acute Care**

Skilled, medically necessary care provided by medical and nursing personnel in order to restore a person to good health.

**ACV- ACTUAL CASH VALUES**

The basis of loss settlement in property insurance policies (i.e. Baggage & Personal Effects), which takes into account such factors as replacement value less depreciation, market value, obsolescence, and any other factor which would have an effect upon the value.

**AD - ACCIDENTAL DEATH**

Death due to unintentional, violent and external injury.

**AD&D - ACCIDENTAL DEATH & DISMEMBERMENT**

A supplementary or core benefit payable if an insured dies as a result of an Accidental Death or suffers a Loss of an eye or limb (see Accidental Dismemberment).

**ADB - ACCIDENTAL DEATH BENEFIT**

A supplementary or core benefit payable if an insured dies as a result of an Accidental Death.

**ADD ON**

This is an offer of an additional coverage or benefit added to an existing policy. This coverage is usually related to a product within the product line under which the original policy was sold. E.g.: A hospital cash policy for which an add-on of 24 hour accident cover is offered.

**Add-On**

This is an offer of an additional coverage added to an existing policy. This coverage is related to a product within the product line under which the original policy was sold. e.g.: A hospital cash policy for which an add-on of 24 hour accident cover is offered.

**Additional Drug Benefit List**

Prescription drugs listed as commonly prescribed by physicians for patients' long-term use. Subject to review and change by the health plan involved. Also called drug maintenance list.

**Additional Insured**

A person other than the named insured who is protected under the terms of the contract.

**Additional Living Expense Insurance**

A contract to reimburse the insured for increased living costs when loss of property forces the insured to maintain temporary residence elsewhere. Examples of these types of expenses are the cost for a hotel or motel, the extra cost for restaurant meals, and the cost of using a laundromat. The term Extra Expense Insurance is defined with regard to additional expenses incurred by businesses.

**Additional Monthly Benefit**

Riders added to disability income policies to provide additional benefits during the first year of a claim while the insured is waiting for Social Security benefits to begin.

**Additional Premium**

AP - The premium due the insurer as a result of an endorsement increasing the limits of liability, adding additional coverages, etc.

**Additur**

A situation where the court increases a previous jury award. Compare to Remittitur.

**Adhesion**

This is a characteristic of a unilateral contract which is offered on a "take it or leave it" basis. Most insurance policies are contracts of "adhesion," because the terms are drawn up by the insurer and the insured simply "adheres." For this reason ambiguous provisions are often interpreted by courts in favor of the insured. Contrast with Manuscript Policy.

**Adjustable Life**

A form of life insurance which allows changes on the policy face amount, the amount of premium, period of protection, and the length of the premium payment period.

**Adjustable Premium**

The right of an insurer to change the premium rate on classes of insureds, or blocks of business at the time of policy renewal.

**Adjusted Community Rating**

Community rating adjusted by factors specific to a particular group. Also known as factored rating.

**Adjusted Gross Estate**

In the calculation of federal estate taxes, it is equal to the gross estate less specific deductions.

**Adjusted Net Worth**

The capital, surplus, and voluntary reserves of an insurer, plus an estimated value for business on the books and unrealized capital gains, less the potential income tax on such gains.

**Adjuster**

A person who seeks to determine the amount of loss suffered when an insurance claim is submitted and who attempts to settle the claim.

**Adjustment Bureau**

A firm organized to provide adjustment services to insurers not wishing to create their own claims division.

**Administered Pricing**

Rates set by the regulator.

**Administration Bond**

A bond which is furnished by the executor or administrator of an estate. It guarantees that the estate will be settled in accordance with the terms of the will, or, if there is no will, in accordance with the law. It guarantees the fidelity of the executor or administrator.

**Administrative Insurance**

An administrative agreement between an insurer and an employer through which the insurer agrees to provide identified administrative and/or claims payment services. In the absence of a specific provision for individual and aggregate stop loss, risk is borne fully by the employer.

**Administrative Service Only**

An administrative agreement between an insurer and an employer through which the insurer agrees to provide identified administrative and/or claims payment services. In the absence of a specific provision for individual and aggregate stop loss, risk is borne fully by the employer.

**Administrative Services Only**

The services provided by an insurer, such as providing claim forms and processing claims, when the insurer is not the party funding the loss payments.

**Administrator**



A person appointed by a court as a fiduciary to settle the financial affairs and the estate of a deceased person. Compare to Executor.

**Admiralty Liability**

All laws relating to liability resulting from any kind of maritime activity. This would include common law and statutory law, such as the Jones' Act and the Seamen's Remedies.

**Admiralty Proceeding**

A type of proceeding involving questions of maritime suit. Any insurance claims involving ocean marine insurance would generally be settled by an admiralty court.

**Admissions/1,000**

The number of hospital admissions for each 1,000 members of the health plan.

**Admits**

The number of admissions to a hospital (including outpatient and inpatient facilities).

**Admitted Assets**

Assets whose values are permitted by state law to be included in the annual statement of the insurer.

**Admitted Company**

An insurance company authorized and licensed to do business in a given state.

**ADMITTED INSURANCE**

Insurance that is written by an insurance company with the appropriate license to transact that type of insurance in a specific state or country.

**ADMITTED INSURER**

A company licensed to transact insurance business within a state or country.

**Admitted Liability**

A coverage for guests in an aircraft. In the event of an accident, with this coverage guests can recover without having to go through a determination as to whether or not the insured was liable. It is written with a limit per seat in the aircraft.

**Adult Day Care**

A group program for functionally impaired adults, designed to meet health, social and functional needs in a setting away from the adult's home.

**Advance Funding**

Periodically, setting aside a predetermined sum of money to fund future retirement benefits of a pension plan.

**Advance Payment**

Premiums paid in advance of the current policy period, including the amount tendered with an application by an applicant for life insurance.

**Advance Premium**

The payment made at the beginning or before the start of the period covered by the policy.

**Adverse Selection**

The tendency of poorer-than-average risks to buy and maintain insurance. Adverse selection occurs when insureds select only those coverages that are most likely to have losses.

**ADVERSE SELECTION**

Selection "against the company". Adverse selection occurs in voluntary insurance programs or policies with participation or coverage options that allow the applicant to enroll or select only those coverages that he/she believes are most important for their individual situation or condition. Insurance companies must have appropriate underwriting rules and

guidelines to prevent adverse selection (also known as anti-selection).

**Adverse Underwriting Decision**

Any decision involving individually underwritten insurance coverages resulting in termination of existing insurance, declination of an application, or writing the coverage only at higher rates. For property and casualty insurance, it also includes placing the coverage with a residual market mechanism or an unauthorized insurer.

**Advertising Injury**

Injury arising out of libel or slander, violation of the right to privacy, misappropriation of advertising ideas, or infringement of copyright, title or slogan committed in the course of advertising goods, products, or services. Contrast with Personal Injury.

**Affiant**

The person who executes an affidavit.

**Affidavit**

A written or printed declaration or statement of fact, made voluntarily and confirmed by the oath or affirmation of the party making it, and taken before an officer having authority to administer such oath.

**Affiliated Companies**

Linked together through common stock ownership or through interlocking directorates.

**AFFINITY GROUP**

Affinity refers to the relationship individuals have with the group or organization that they belong to such as employees of an employer, customers of a bank, members of an association, etc. In a voluntary program such as a direct marketing campaign, stronger affinity will have better marketing or sales results.

**Affirmed**

When an appellate court declares that a judgment, decree or order is valid and right, and must stand as rendered in the lower court.

**After Charge**

A charge sometimes included in fire rates for commercial buildings. It is usually added for conditions which can be corrected by the insured, such as failure to have the proper types of fire extinguishers.

**After-Tax**

The effective cost of, or return from, an investment, after the tax liability or credit has been taken into account.

**Aftercare**

Individualized patient services required after hospitalization or rehabilitation.

**AGE**

For Accident & Health the age last previous birthday used for calculation of premium rates in sickness policies.

**AGE BANDED RATE**

When premium rates are established by age band or bracket. An insured then pays the premium applicable to his/her age band such as 30-34, 35-39, 40-44, etc. This is more common with products including sickness coverage or sickness only coverage. The premium rate for an insured usually increases every time the insured moves into a new age band. Exception: level premium plans where the insured pays the premium rate based on his/her age at entry but the premium rate stays level thereafter.

**Age Change**

The date on which a person's age, for insurance purposes, changes. In most life insurance contracts this is the date midway between the insured's natural birth dates. Health insurers frequently use the age of the previous birth date for rate determinations. On the date of age change, a person's age may change to that of the last birth date, the nearer birth date, or the next birth date, depending upon the way in which the rating structure has been established by that particular

insurer.

### **Age Limits**

The limits of age below which and above which the company will not accept applicants.

### **AGE LIMITS**

The minimum age to be eligible for coverage; the maximum age to which coverage continues or the termination age; the age at which coverage reduces; etc.

### **AGE ULTIMATE FACTOR**

A factor applied to a standard table to estimate pricing incidence assumptions in later policy years.

### **Age/Sex Factor**

Compares the age and sex risk of medical costs of one group relative to another. An age/sex factor above 1.00 indicates higher than average risk of medical costs due to that factor. Conversely, a factor below 1.00 indicates a lower than average risk. This measurement is used in underwriting.

### **Age/Sex Rates**

Separate rates are established for each grouping of age and sex categories. Preferred over single and family rating because the rates and premiums automatically reflect changes in the age and sex content of the group. Also sometimes called table rates.

### **Agency (LE)**

When one person acts on behalf of another person, an agency is created with the first person being the agent and the second person being the principal. The principal generally can be held responsible for acts of its agents.

### **Agency Company**

An insurance company that produces business through an agency network. Contrast with Direct Writer.

### **Agency Contract**

The document which establishes the legal relationship between an agent and an insurer.

### **Agency Plant**

The total force of agents representing an insurer.

### **Agency System**

A distribution system for insurance in which local agents are independent retailers representing several different insurers.

### **Agent**

An independent business owner who 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.

### **Agent**

One who solicits, negotiates or effects contracts of insurance on behalf of an insurer. The agent's right to exercise various functions, authority, and obligations and the obligations of the insurer to the agent are subject to the terms of the agency contract with the insurer, to statutory law, and to common law.

### **AGENT**

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### **Agent Billing**

Premium collection system where the insurance company bills the agent, who in turn bills the insured for collection of premium.

## **AGENT'S AUTHORITY OR POWER**

The agent's authority or power is that which is granted in his agency contract. By case law, the authority that the public may reasonably expect the insurance company to grant the agent. The authority of the insurance agents is usually confined to the solicitation of applicants and receiving premiums as trustee for the applicant and the company. It never includes authority to change or waive the provisions of a policy, to alter an application or to make an amendment or ride.

### **Agent's Appointment**

Official authorization from an insurance company granting an agent the authority to act as its agent. In most states, agents must be appointed by at least one insurer in addition to being licensed by the state.

### **Agent's Authority**

The authority and power granted to an agent by the agency contract. The agent is also clothed with additional power under the legal concept of apparent agency.

### **Agent's Balance**

A periodic statement of the sums due and owed to an agent under the agent's contract with an insurer.

### **Agent's Commission**

The method by which an insurance company compensates its agents for placing insurance. The commission is usually a percentage of the premium for the policy.

### **Agent's License**

A certificate of authority from the state which permits the agent to conduct business.

### **Agent's Qualification Laws**

Education, experience, and other requirements imposed by the state upon persons desiring to be licensed as agents.

### **Aggregate Excess of Loss Reinsurance**

A form of Excess of Loss Reinsurance that indemnifies the ceding company against the amount by which its losses incurred during a specific period, usually 12 months, exceed either (1) a predetermined dollar amount, or (2) a percentage of the company's premiums (loss ratio) for that period. This is commonly referred to as Stop Loss Reinsurance or Excess of Loss Ratio Reinsurance.

### **Aggregate Funding Method**

Accumulating money for a pension plan by actuarially determining the present value of all future benefit payments, deducting whatever funds may be on hand with the trustee or insurance company, and distributing the balance as a cost over the future.

### **Aggregate Indemnity**

A maximum dollar amount that may be collected by the claimant for any disability, for any period of disability, or under the policy as a whole.

### **AGGREGATE INDEMNITY**

A maximum dollar (or other currency) amount which may be collected for any coverage such as a hospital confinement or disability or period of disability under a policy. It may also apply to all policy benefits in total.

### **Aggregate Limit**

Usually refers to liability insurance and indicates the amount of coverage that the insured has under the policy for a specific period of time, usually the policy period, regardless of how many separate accidents may occur.

### **Aggregate Limit**

The maximum amount payable by the company on any one occurrence. Can also be written on an annual or policy year basis.

### **Aggregate Limits**

The limits for the layer of coverage provided above the Aggregate Stop attachment point. The amount of Aggregate Stop coverage.

**Aggregate Products Liability Limit**

This limit represents the amount of money which an insurer will pay during the term of a policy for all products liability claims which it covers.

**Aggregate Reinsurance**

Also known as Stop Loss (or Stop-Loss-Ratio, or Excess-of-Loss-Ratio) Reinsurance, this variation of the Excess of Loss reinsurance basis defines the reinsured's retention as an aggregated, or totaled, amount of losses over a specified period of time (e.g., one year).

**Aggregate Stop**

Limit to the aggregate amount of loss that is retained by the insured within a retro loss limit or a large deductible.

**Aggregate Stop Amount**

The maximum amount of benefits, damages and, if stipulated, Allocated Loss Adjustment Expense payable by you for losses under policies that are subject to your retention/deductible/loss reimbursement, and (if applicable) self-insured retention insurance plan.

**Aggressive Growth Fund**

A mutual fund whose primary investment objective is substantial capital gains, as opposed to current dividend income.

**Agreed Amount Clause**

Under this clause, the insured and the insurer agree that the amount of insurance carried will automatically satisfy the coinsurance clause. The effect is to eliminate the necessity of determining whether or not the amount carried is equal to the stated percentage of the actual cash value indicated in the coinsurance clause.

**Agreement**

One of the elements of a legal contract. When an offer made by one party has been accepted by the other, with mutual understanding by both, an agreement exists.

**AIDS Related Complex**

The term given to a variety of symptoms and opportunistic infections and conditions which frequently manifest themselves in patients suffering from AIDS, or acquired immunodeficiency syndrome, which is caused by the human immunodeficiency virus.

**AIG Advisor Group**

The largest independent broker-dealer network in the United States, with nearly 9,000 individual financial professionals providing investment advice. The network consists of six affiliated broker-dealers – Royal Alliance Associates, SunAmerica Securities, Advantage Capital, FSC Securities, Sentra Securities Corporation, and Spelman & Co., Inc. – with representatives in all 50 states.

**AIG ASSIST**

the proprietary emergency assistance, evacuation and repatriation service offered exclusively to AIG insureds as an option or, as a component to a more comprehensive travel insurance product and services offering. AIG ASSIST services may also be added to other kinds of insurance products but is most commonly connected to travel products.

**AIG GENERAL INSURANCE**

Chinese language

**AIG General Insurance Operations**

Includes the largest U.S. underwriters of commercial and industrial insurance, the most extensive international property-casualty network, a personal lines business with an emphasis on auto insurance and high-net-worth clients, and mortgage guaranty insurance operations. AIG's leadership is a result of its underwriting skill, innovate insurance solutions, financial strength, superior service and responsive claims handling.

**AIG's Financial Services**

Businesses specializing in aircraft finance, capital markets, consumer finance and insurance premium finance. These businesses complement AIG's core insurance operations and achieve a competitive advantage by capitalizing on AIG's strong financial position and global network. The businesses in AIG's Financial Services Group include:

Aircraft Leasing (International Lease Finance Corporation (ILFC))

Capital Markets (AIG Financial Products Corporation)

Consumer Finance (American General Finance, Inc. and AIG Consumer Finance Group, Inc.)

Insurance Premium Financing (Imperial A.I. Credit Companies, Inc.)

**ALAE - ALLOCATED LOSS ADJUSTMENT EXPENSE**

These are allocated loss expenses that the insurance company has incurred that can be tied to a particular claim (legal fees, medical opinions, etc.)

**Aleatory Contract**

A contract in which the number of dollars to be given up by each party is not equal. Insurance contracts are of this type, as the policyholder pays a premium and may collect nothing from the insurer or may collect a great deal more than the amount of the premium if a loss occurs.

**Alien Insurance Company**

An insurance company formed under the laws of a country other than the United States.

**Alien Insurer**

An insurer formed under the laws of a country other than the United States. A U.S. company selling in other countries is also an alien insurer.

**Alienated**

In insurance, this term describes property that an insured no longer owns or holds title to. Generally a public liability policy will cover the insured's liability for premises alienated by him or her.

**All or Nothing Rider**

A rider to a health insurance policy that provides additional benefits in the event no benefits are payable under Social Security. If Social Security benefits are payable, no additional benefit is paid under the rider.

**All Other Allied Lines**

Allied lines' perils other than Extended Coverage, Vandalism and Malicious Mischief, and Sprinkler Leakage.

**All Risk Insurance**

The name given to a policy which covers against loss caused by all perils except those specifically excepted. All Risk PA is usually referred to as "24 hour."

**ALL RISK INSURANCE**

The name given to a policy which covers against loss caused by all perils except those specifically excluded. All Risk PA is usually referred to as "24 hour."

**All Risk Policy**

A policy covering loss of, or damage to, property resulting from any perils, except those which are excluded specifically by the terms of the policy.

**All States Coverage**

Prior to 1984, a separate endorsement providing coverage for incidental exposure developing in states not listed in the declarations. Coverage now provided under Part III of the Workers Compensation Form for states listed in Item C of the Information Page.

**All-Risk Insurance**

An insurance policy that provides coverage for every risk except those specifically excluded by the policy itself, as opposed to a "named-perils" policy that covers only those risks specifically set forth in the policy.

### **Alliance of American Insurers**

An association of insurance companies working together in the following areas of common interest: (1) government affairs affecting insurance; (2) education of the employees of member companies; (3) loss prevention, and (4) other insurance activities.

### **Allied Health Personnel**

Health personnel who perform duties which would otherwise have to be performed by physicians, optometrists, dentists, podiatrists, nurses, and chiropractors. Also called paramedical personnel.

### **ALLIED LINES**

Forms of insurance allied with property insurance, covering such perils as sprinkler leakage, water damage, and earthquakes.

### **Allied Lines**

Various insurance coverages for additional types of losses, and against loss by additional perils, which are closely associated with and usually sold with fire insurance. Examples include coverage against loss by perils other than fire, coverage for sprinkler leakage damage, and business interruption coverage. The fire insurance field consists of coverages for "fire and allied lines."

### **Allied Lines of Insurance**

Various coverages offered by fire insurers, all of which are closely associated with fire insurance. Examples are Extended Coverage, Vandalism and Malicious Mischief (VMM), and Sprinkler Leakage.

### **ALLOCATED BENEFIT**

A provision under which certain covered expenses, usually miscellaneous hospital and medical charges such as X-ray, dressing, drugs, sometimes surgery schedules, etc., will be paid for or reimbursed according to specific benefit schedule. Usually there is also a maximum total that will be paid for all such expenses. (See "Blanket Expense-Unallocated Benefit".)

### **Allocated Benefits**

Payments authorized for specific purposes with a maximum specified for each. In hospital policies, for instance, there may be scheduled benefits for X-rays, drugs, dressings, and other specified expenses.

### **Allocated Funds**

Qualified plan funds which are identified in the name of specific plan participants.

### **Allocated Loss Adjustment Expense**

Loss adjustment expenses that are assignable or allocated to specific claims. "Allocated Loss Expenses" or "ALAE" will include, but are not limited to, all fees for service of process and court costs and court expenses; pre- and post-judgment interest; attorney's fees; cost of undercover operative and detective services; costs of employing experts; costs for legal transcripts, copies of any public records and costs of depositions and court-reported or recorded statements; costs and expenses of subrogation; and any similar fee, cost or expense reasonably chargeable to the investigation, negotiation, settlement or defense of a loss or a claim or suit against you, or to the protection and perfection of either your or our subrogation rights.

ALAE will not include loss adjustment expenses explicitly included in the premium calculation formula or otherwise explicitly included in the rating values, nor the salary, employee benefits, or overhead of any of our employees, nor the fees of any attorney who is our employee or under our permanent retainer; nor the fees of any attorney we retain to provide counsel to us about our obligations, if any, under any policy issued by us or our affiliated companies, with respect to a claim or suit against you.

### **Allocation Changes**

Alloc Split (Split of Premium Allocation): The percentages of each premium payment to be invested in the investment

options that have been requested. At any time, a change can be made to the investment options into which future premiums paid will be invested. Allocation for each option must be a whole percentage and all allocations must total 100%.

**Deduct Split (Split of Required Policy Deductions):** Percentages representing the portion of the required policy deductions that will be taken from the identified investment option. A policy owner can designate the investment options and portion (as a percentage) from which we deduct all monthly charges and any applicable surrender charges.

**Allocation Formula**

In a profit-sharing trust, the formula under which the employer's contributions are credited to the employees.

**Allowable Charge**

The lesser of the actual charge, the customary charge and the prevailing charge. It is the amount on which Medicare will base its Part B payment.

**Allowable Costs**

Charges which qualify as covered expenses.

**Alternate Employer**

Coverage provided by endorsement to the workers compensation policy to provide insurance against workers compensation and employers liability claims made by employees of the insured against a special or temporary employer named in the endorsement schedule.

**ALTERNATIVE MARKET**

The segment of the insurance market which has developed in response to volatility in cost and availability of traditional commercial insurance coverage and consists of various risk-financing mechanisms, including self insurance, captive insurance companies, risk retention groups and residual market business.

**Alternative Staffing**

This includes all Company that provide employees and/or employee related services. The types of Company that fall under this definition include: Outplacement company, search and place company, temporary help company and professional employer organizations (also referred to as employee leasing company).

**Alzheimer's Disease**

A progressive, irreversible disease characterized by degeneration of the brain cells and severe loss of memory causing the individual to become dysfunctional and dependent upon others for basic living needs.

**Ambiguity**

Terms or words in an insurance policy which make the meaning unclear or which can be interpreted in more than one way. The general rule of law is that any ambiguity in the policy is construed against the insurer and in favor of the insured. This is because the contract is one of adhesion; that is, the insured must adhere to what the insurer has written. If the insurance does not make its contract clear, it is responsible.

**Ambulatory Care**

Similar to outpatient treatment in that it is care which does not require hospitalization.

**Ambulatory Setting**

Institutions such as surgery centers, clinics, or other outpatient facilities which provide health care on an outpatient basis.

**Amendment**

A formal document which corrects or revises an insurance master policy.

**American Academy of Actuaries**

A society concerned with the development of education in the field of actuarial science and with the enhancement of standards in the actuarial field. Members may use the designation MAAA (Member, American Academy of Actuaries).

**American Agency System**

A distribution system for insurance in which local agents are independent retailers representing several different insurers.



**American Association of Insurance Services**

An association of insurance companies performing various technical functions for its member and subscribers. AAIS is licensed to operate in all states, the District of Columbia, and the Commonwealth of Puerto Rico. AAIS offers program services, files rates, rules and forms on behalf of member and subscriber companies, acts as an official statistical agent, and offers a variety of professional services for its member companies.

**American College**

An educational institution within the life insurance business. It confers the Chartered Life Underwriter designation and is concerned with continuing agents' training and with research and publication in areas related to the life insurance business. It also sponsors specialty life insurance courses and offers a college degree in financial services. It was formerly known as the American College of Life Underwriters (ACLU).

**American Council of Life Insurance, Inc.**

An association made up of several previously independent insurance groups. It is concerned with legislative matters, intercompany communications, and the exchange of information.

**American Experience Table of Mortality**

A statement of expected mortality rates based upon data accumulated in 1868 from a large number of insured persons. This table was widely used by life insurers until the 1950s to establish rates.

**American Institute for Chartered Property and Casualty Underwriters, Inc.**

An insurance educational organization which establishes insurance standards and fosters educational work. Properly qualified individuals who pass a series of examinations given by this body receive the designation Chartered Property and Casualty Underwriter (CPCU).

**American Institute of Property and Liability Underwriters**

An institute supported by the property-liability insurance industry. The institute provides a curriculum and examinations which lead to the designation CPCU.

**American Insurance Association**

The informational, educational, technical and legislative organization of the capital stock insurance companies in the Property and Liability fields.

**American Risk and Insurance Association**

An association of insurance educators and others interested in insurance study and research.

**Amortization**

A method of spreading a fixed sum, together with accumulating interest, over a period of years.

**AMORTIZATION MONTHS**

Number of months in which the marketing costs for a Campaign can be amortized.

**Amortized Value**

The value of bonds purchased by an insurance company which are eligible for amortization. For example, if a 10-year bond were purchased at \$50 more than its face value, that \$50 would be "amortized" or spread over the 10-year period. Each year the bonds would be valued at \$5 less than the year before.

**Amount At Risk**

The difference between the face amount of a whole life insurance contract and the cash value which it has built up. The net amount at risk declines throughout the life of the contract, while the policy reserve increases along with the cash value. It is the amount the insurer would have to draw from its own funds rather than the policy reserve were the contract to become a death claim.

**Amount of Insurance**

The maximum dollar amount payable by the carrier under the conditions of the policy. In effect, amount of insurance is

synonymous with 'Limits of Liability'.

**Amount Subject**

The maximum amount which underwriters estimate can possibly be lost under the most unfavorable circumstances in any given loss, such as a fire or tornado. Contrast with Probable Maximum Loss.

**AMR - ACCIDENTAL MEDICAL REIMBURSEMENT**

Expense reimbursement to cover the cost of medical care received as result of a covered accident. Also referred to as Accident Medical Expense (AME) or Blanket Accident Medical Reimbursement (BAMR).

**Ancillary**

Additional services (other than room and board charges) such as X-rays, anesthesia, lab work, etc. Fees charged for ancillary care such as X-rays, anesthesia, and lab work. This term may also be used to describe the charge made by a pharmacy for prescriptions which exceed the health insurance plan's maximum allowable cost (MAC).

**Ancillary Benefits**

Benefits for miscellaneous hospital charges.

**ANCILLARY BENEFITS**

Benefits within a health or hospital insurance policy for miscellaneous hospital charges, surgical procedures, etc.

**Anniversary Rating Date**

The anniversary rating date is the effective day and month that the insured purchased its first workers compensation policy. The anniversary rating date is used for each annual anniversary thereafter unless the National Council or other licensed rating organization establishes a different date—usually after a permanent change in policy effective date.

**Annual (or Yearly) Renewable Term**

(1) Term Life Insurance that may be renewed annually without evidence of insurability until some stated age. (2) A form of life, and sometimes health, reinsurance in which the reinsurer assumes only the mortality risk, which is usually calculated as the face amount of reinsurance minus the terminal reserve.

**Annual Additions**

The total of employer contributions, voluntary employee contributions, and forfeited additions of terminated participants which equal the total annual contribution to a qualified retirement plan.

**ANNUAL AGGREGATE DEDUCTIBLE**

The amount of expenses or losses to be paid annually by the insured before the applicable policy benefits become payable.

**Annual Payment Annuity**

An annuity which was purchased by the payment of annual premiums for a specified period of time.

**Annual Report**

The insurer's published statement to its stockholders (or policyholders in the case of a mutual insurance company), giving pertinent financial information and reviewing the year's activities.

**Annual Return/Report**

A required annual report reflecting the pension plan's operation for the year; to be submitted to the IRS and the Department of Labor. (Form 5500)

**Annual Statement**

A report to the state insurance department of the year's financial results. The insurer's income and expenses are stated in detail as well as its assets and liabilities.

**Annual Statement Line of Business**

Any of a number of lines of insurance that are listed in the Annual Statement.

**Annualization**

A rating procedure whereby annual installments for deferred premium payment plan policies are determined by the rates in effect at the time the installment is due.

**Annuitant**

The person who is covered by an annuity and who will normally receive the benefits of the annuity.

**Annuitize**

To begin a series of payments from an annuity. When someone who has been investing in an annuity retires, the built-up capital is annuitized and a payout schedule is selected according to need. The insurance company that sold the annuity then pays a fixed-dollar amount for an extended period of time, often the rest of the policyholder's life.

**Annuity**

A contract sold by an insurance company that pays a monthly (or quarterly, semiannual, or annual) income benefit for the life of a person (the annuitant), for the lives of two or more persons, or for a specified period of time. The annuitant can never outlive the income from the annuity. While the basic purpose of life insurance is to provide an income for a beneficiary at the death of the insured, the annuity is intended to provide an income for the life of the annuitant. There are variations in both the way payments are made by the buyer during the accumulation period, and the way payments are made to the annuitant during the liquidation period.

**Annuity**

(1) An amount of money payable yearly, or by extension, at other regular intervals; (2) An agreement by an insurer to make periodic payments that continue during the survival of the annuitant(s) or for a specified period.

**ANNUITY**

(1) An amount of money payable yearly, or by extension, at other regular intervals. (2) An agreement by an insurer to make periodic payments that continue during the survival of the annuitant(s) or for a specified period.

**Annuity Certain**

An annuity that pays income for a fixed number of years regardless of whether the insured lives or dies. If it pays for life after the certain period, it is called an "annuity certain and for life thereafter."

**Annuity Due**

An annuity under which the benefits are paid at the beginning of the benefit period rather than at the end.

**Annuity Option**

A method of liquidating and distributing an annuity's principal and interest so that it lasts for the lifetime of the annuitant.

**Annuity Period**

The period of time, usually at retirement, during which the annuitant begins to receive annuity payments or benefits from the insurance company.

**Annuity With Period Certain**

An annuity that pays throughout the life of the insured, but also guarantees to pay income for a specific number of years regardless of whether the insured lives or dies. If the insured is living at the end of the time specified in the policy benefits continue beyond the guaranteed period until the death of the insured.

**ANP - ANNUALIZED NEW PREMIUM**

Amount that we expect to receive in premium if the new policy was to remain in force for a full year.

**Answer**

A statement made by the defendant and filed with a court to respond to a complaint or action which has been brought against the defendant. It states why the defendant should not be held liable.

**Anti-Coercion Law**

A provision usually contained in a section of the state code entitled "Unfair Trade Practices" or a similar name, declaring the use of coercion to be an unfair practice and, hence, a violation of the state law.

**ANTI-SELECTION**

The tendency of poorer or higher than average risks to buy and maintain insurance.

**APL - AUTOMATIC PREMIUM LOAN**

A life insurance non-forfeiture option that allows the insurer to pay overdue premiums on a policy by establishing a loan against the policy's cash value.

**App**

A trade expression for the insurance application.

**Apparent Authority**

Authority of an agent that is created when the agent oversteps actual authority, and when inaction by the insurer does nothing to counter the public impression that such authority exists.

**Appeal**

The right of a party who has received an adverse decision to take the case to a higher court for review.

**Appellant**

The person making an appeal to the higher court.

**Appellate**

Refers to courts which hear appeals for review of decisions rendered by a lower court.

**Appellee**

Also called the respondent. The person against whom the appellant is making his or her appeal.

**Application**

A form on which the prospective insured states facts requested by the insurer on the basis of which, together with information from other sources, the insurer decides whether to accept the risk, modify the coverage offered, or decline the risk.

**Apportionment**

The method of dividing a loss among insurers in the same proportions as their participation when two or more companies cover the same loss.

**Appointment**

LOMA defines an Appointment as a written statement issued by a licensed insurer authorizing the holder to act as an agent of the insurer.

**Appraisal**

An evaluation of property made to ascertain either the appropriate amount of insurance to be written or the amount of loss to be paid.

**Appreciation**

An increase in the value of a property, such as the market value of a stock. For real estate, it is often expressed as a percentage increase per year.

**Approved**

The condition which exists when the person or object to be insured meets the underwriting standards of the insurer.

**Approved Charge**

Amounts paid under Medicare as the maximum fee for a covered service.

**Approved Health Care Facility or Program**

A facility or program which has been approved by a health care plan as described in the contract.

**Approved Pension Plan**

A pension plan qualifying for tax exemptions under provisions of the Internal Revenue Code.

**Approved Roof**

A term used in building construction. It indicates a roof made of fire-resistive materials, such as tile or asphalt shingles.

**Apps Received**

The number of people requesting policies in response to a solicitation.

**Appurtenant Structures**

A structure pertaining or belonging to the insured structure, such as a tool shed. Appurtenant structures are covered in the Homeowners policy and other dwelling forms.

**APS - ATTENDING PHYSICIAN STATEMENT**

A written report, written statement, section of the claim form or supplemental to a claim form providing information from the applicant's or claimant's attending physician(s).

**Arbitration Clause**

The provision in a property insurance contract which states that if the insurer and insured cannot agree on an appropriate claim settlement, each will appoint an appraiser, and these will select a neutral umpire. A decision by any two of the three prescribes a settlement and binds both parties to it.

**ARBITRATION CLAUSE**

Normally in reinsurance contracts, an agreement designed to resolve differences between the reinsured and reinsurer without litigation. A provision is made for the appointment of two arbitrators. Each party has the privilege of selecting an arbitrator who, in turn, appoints an umpire. The umpire's selection must be agreed upon before arbitration proceedings begin. The decision of the majority of the arbitrators is binding on the parties to the agreement. The working of the clause may vary, but the general purpose is that difficulties shall be settled on an equitable rather than a strictly legal basis.

**Archer**

Archer is the tool in which the Information Security Policies and Control Standards are found. Access to this tool requires the approval of a Divisional/Business Unit Business Information Security Officer (BISO). Information Security Assessments are also submitted and managed through this tool.

**Arising Out of Employment in the Course of Employment**

This general concept is used to determine the compensability of a claim. The proximate cause of the injury, harm or death must be from the result of employment of the injured worker.

**Armstrong Investigation**

A study authorized by the New York state legislature in 1905 which reviewed the operations and practices of Life insurers operating in the state. Numerous changes in policy forms and investment practices came from the study and were eventually reflected in other state codes.

**Arrears**

A contract or policy under which premiums or reports are due after the period for which they apply.

**Arson**

The willful and deliberate burning of property.

**Assailing Thieves**

Those other than the crew using force or violence to steal a ship or its cargo. Such action is an insured peril under an Ocean Marine contract.

**Assessed Value**

The value of real estate or personal property as determined by a governmental unit, such as a city, for the purpose of determining taxes.

**Assessment Company, Society or Insurer**

An insurer who retains the right to assess policyholders additional amounts if premiums are insufficient for operations. In some cases, an assessment insurer may not charge a stipulated premium at all but will merely assess participants in the plan a pro rata share of each claim filed plus expenses.

**Asset**

Property that a person or business owns which has commercial or exchange value. Personal assets may be classified as financial (cash, gold, savings, stocks) or non-financial (real estate, automobiles, furniture). Business assets may be classified as current (convertible into cash within one year) or long-term (used in the production of income and not readily convertible into cash).

**Asset Allocation**

A method of portfolio management which allows investors to determine an appropriate portfolio mix to produce the maximum reward given the level of risk they are willing to accept. It involves assigning a percentage weight to various asset classes - in combination they are called a portfolio.

**Asset Category**

A broad group of assets which corresponds to a traditional investment objective -- such as growth, income or stability. Stocks represent the asset category for growth, bonds for income, and cash equivalents for stability.

**Asset Class**

A group of assets which are similar in type and investment objective, for example, large company stocks or international government bonds.

**Asset Share Value**

The value of a book of business to an insurer, assuming that the business has been in force long enough to show true mortality rates. This value must be known by the insurer in order to make rates and also in order to sell the business. If assets share values do not grow properly, either the rates have been too low or expenses too high.

**Assets**

The items on the balance sheet of the insurer which show the book value of property owned. Under state regulations, not all property or other resources can be admitted in the statement of the insurer. This gives rise to the term "nonadmitted assets."

**Assigned Risk**

A risk which is not ordinarily acceptable to insurers and which is, therefore, assigned to insurers participating in an assigned risk pool or plan. Each participating company agrees to accept its share of these risks.

**Assigned Risk Adjustment Plan**

ARAP is an assigned risk surcharge program designed to more equitably distribute premium between the voluntary and involuntary markets. The surcharge ranges from 0% to 25% of standard premium depending on the individual risks expected loss size and the relationship of primary losses to total losses.

**Assigned Risk Plan**

In certain states, employers who are unable to obtain coverage in the voluntary market are referred to the state's assigned risk plan. The plan administrator, in turn, assigns individual policyholders to a designated servicing carrier. The servicing carrier is responsible for a variety of services, including premium collection, loss control, claims adjustment and defense. In exchange, the carrier receives a fixed percentage allowance for its expenses in servicing the assigned risks.

**Assigned Risk Pool**

This term is commonly used to refer to the individual state assigned risk plans (see Assigned Risk Plans above). It can also refer to the National Workers' Compensation Reinsurance Pool, which reinsures the results of the individual state assigned risk plan business. It then allocates the losses (or gains) in each state in proportion to each carrier's share of the total voluntary workers compensation market in that state.

**ASSIGNED RISK POOLS**

Reinsurance or similar pools which cover risks for those unable to purchase insurance in the voluntary market because the risk is too great or rate adequacy has reduced the supply of insurance. The costs of the risks associated with these pools are charged back to insurance carriers in proportion to their direct writings. Uncommon in A&H, although these can be found in Travel Insurance markets in order to provide cover to elderly persons or those with pre-existing medical conditions.

**Assignee**

A person to whom policy rights are assigned in whole or in part by the original policyowner.

**Assignment**

The legal transfer of certain rights in the policy to a third party such as a healthcare provider or creditor.

**Assignment**

The transfer of the ownership rights of a life insurance policy from one person to another. The term also refers to the document that effects the transfer.

**Assignment (Health)**

An authorization to pay Medicare benefits directly to the provider. Medicare payments may be assigned to participating providers only.

**Assignment (Legal)**

Transfer by the policyowner of legal rights or interest in the policy contract to a third party. Most policies cannot be assigned without the permission of the insurer.

**Assignment of Benefits**

A method where the person receiving the medical benefits assigns the payment of those benefits to a physician or hospital.

**Associate in Risk Management**

A professional designation granted by the American Institute for Property and Casualty Underwriters to those who have completed a series of examinations.

**Association Group**

A form of group insurance covering the members of trade or professional associations.

**Association Group Insurance**

Technically, group insurance issued to an association rather than to an employer or a union.

**Association of Life Insurance Counsel**

An organization of life company attorneys which seeks to increase knowledge in areas of the law affecting life insurance.

**Assume**

To receive from a ceding insurer all or a part of a risk in consideration of receipt of premium.

**Assumed Interest Rate**

An assumed value which is assigned to the annuitant's account during the annuity period. It is an estimated return for the separate account. Monthly annuity payments are based on the AIR in relation to the actual rate of return experienced by the separate account of a variable annuity.

**ASSUMED REINSURANCE**

Insurance liabilities acquired from a ceding company.

**Assuming Company**

The reinsurer

**Assumption**

An amount accepted by the reinsurer.

**Assumption Certificate**

A statement of coverage by the reinsurer under which payment is guaranteed to a party not in privity with the reinsurance contract. Same as Cut-Through Clause.

**Assumption of Risk**

One of the common law defenses available to an individual. For instance, one person riding with another in an automobile has generally "assumed the risk" and, therefore, has no action against the driver of the vehicle should an accident occur. This is a common law concept and has been modified by recent case law and by statute in some jurisdictions.

**Attachment**

A court order allowing one person to take something of value belonging to another into custody for a particular purpose. As an example, if an individual is at fault in an automobile accident, the insured person may get a court order attaching the first individual's automobile in settlement of the claim. The purpose of the attachment is to make sure something of value is available to settle the claim if the individual is held liable.

**Attained Age**

The age an insured has reached on a given date.

**Attending Physicians Statement**

A source of medical information used when underwriting a life or health insurance policy; usually obtained from the proposed insured's doctor.

**Attested Will**

A formal type of will which is produced (handwritten, typed, etc.), signed by the testator and witnessed.

**Attorney-In-Fact**

The individual who manages a reciprocal insurance exchange and to whom each subscriber gives authority to exchange insurance on the subscriber's behalf with other subscribers.

**Attractive Nuisance**

The law states that an individual owes no duty of care to someone trespassing upon that individual's property. This is an exception to that rule since it does state that a special duty of care is required of a person with respect to conditions which attract children.

**Audit**

A verification or determination of actual exposures, classes, locations, Experience Mods, Named Insureds, etc., for the purpose of computing actual premiums. An interim audit is an audit that occurs prior to the termination of the policy period. A final audit would occur after the end of the policy period.

**Audit**

A survey of the insured's payroll records to determine the premium that should be paid for the coverage furnished. Used in workers compensation and general liability policies.

**Audit Bureau**

A stamping office. A central office or bureau to which agents and companies send certain daily reports and endorsements for auditing before transmittal to the insurer.

**Audit of Statistics**

An examination of the insurer's records to ensure that the statistical codes reported accurately reflect the characteristics of the risk.

**Audited Premium**

Workers Compensation policies are issued using an estimated payroll amount for the coming policy year. When the policy



term expires, the insurer conducts an audit to determine the actual payroll during the policy term. The premium is then recalculated using the actual payroll, which produces either an AP or RP. This premium is called the audited premium.

### **Authorization**

The amount of insurance an underwriter will agree to accept on a risk of a given class on specific property. It is given for the guidance and information of agents.

### **Authorized Insurer**

An insurer authorized by the state to transact business in that state for specific types of insurance.

### **Automated Reinsurance Layoff**

Automated Reinsurance Layoff is an expert system embedded in the Corporate Reinsurance Information System (CRIS). Its main purpose is to apply percentages of reinsurance ceded to treaties and facultative reinsurance for a specific policy or surety bond.

### **Automatic Cover**

Coverage given automatically by a policy, usually for a specified period and limited amount, to cover increasing values and newly acquired and changing interests.

### **Automatic Non-Forfeiture Option**

In case the policyholder does not elect for a non-forfeiture option, the automatic non-forfeiture option operates as an automatic premium loan arrangement, under which the insurance company advances an amount from the policy cash value to pay the overdue premium. Such an arrangement can continue only while the accumulated loan and interest is less than the policy cash value.

### **Automatic Premium Loan**

A provision in a life policy authorizing the insurer to use the loan value to pay any premiums still due at the end of the grace period.

### **Automatic Reinstatement**

A clause providing for automatic reinstatement of the full value of the policy after payment of a loss.

### **Automatic Reinstatement Clause**

A stipulation in a property insurance policy which states that after a partial loss covered by the policy has been paid, the original limit of the policy will be automatically reinstated. Same as Loss Clause.

### **Automatic Reinsurance**

Reinsurance of specified types of risks which is automatically ceded and accepted within the terms of the contract, called a treaty, without consideration of each one individually. The reinsurance takes effect as soon as the original contract is in force. Same as Obligatory Reinsurance. Contrast with Facultative Reinsurance.

### **Automatic Reinsurance (Health, Life)**

This form of reinsurance, also known as treaty reinsurance, is one whereby an insurer must cede that portion of a risk that is above the limit established by contract, and the reinsurer must accept all risks ceded to it.

### **Automatic Withdrawal**

An insured funded account established to facilitate the carrier's payment of the insured's losses and ALAE within the insured's deductible layer. The Insured authorizes the insurer to make withdrawals as necessary and upon the insurer's demand from the account. The insured is obligated to fund the account to cover expected losses and ALAE within the Insured's retained/deductible layer. The Insured is responsible to replenish the account as necessary.

### **Automobile Fleet**

Refers to a number of automobiles under the same ownership. For insurance purposes a fleet usually consists of five or more self-propelled units and generally qualifies for certain premium reductions and rating plans.

### **Automobile Insurance**

A type of insurance which protects the insured against losses involving automobiles. Different coverages can be purchased depending on the needs and wants of the insured, e.g., the liability coverages of bodily injury liability, property damage liability, and medical payments, and the physical damage coverages of collision and comprehensive.

### **Automobile Insurance Plan**

Usually called the 'Assigned Risk' plan. A program to make automobile insurance available to persons who are unable to obtain such insurance in the voluntary market.

### **Automobile Insurance Plans**

The name used to identify assigned risk plans.

### **AUTOMOBILE LIABILITY INSURANCE**

Protection against loss arising out of the insured's legal liability when his/her car injures others or damages their property.

### **AUTOMOBILE PHYSICAL INSURANCE**

Coverage for damages or loss to automobile of policyholder resulting from collision, fire, theft, and other perils.

### **Average Adjuster**

One whose primary work is the adjusting of ocean marine losses.

### **Average Annualized Renewable Premium**

This is the amount that we can expect to receive in premium for each converted policy if that policy were to remain in force for a full year. This is calculated by dividing the TARP by the number of converted policies (converted certificates).

### **Average Benefit Test**

A coverage or discrimination test for a qualified plan which states that at least 50% of the lower paid employees must benefit from the plan and the average benefit provided must be at least 70% of the benefit provided for the higher-paid employees.

### **Average Clause**

A clause providing that similar items in one location or several locations which are insured by a policy shall be covered in the proportion that the value of each bears to the value of all. Previously known as the "Pro Rata Distribution Clause" and the "Average Distribution Clause."

### **Average Cost Per Claim**

The total cost of administrative and/or medical services divided by the number of units of exposure such as costs divided by number of admissions, or cost divided by number of outpatient claims, etc.

### **Average Indexed Monthly Earnings**

A wage indexing formula based on earnings listed in the records of the Social Security Administration; used to compute Social Security benefits for retirement, survivors benefits and disability income benefits.

### **Average Length of Stay**

The total number of patient days divided by the number of admissions and discharges during a specified period of time. This gives the average number of days in the hospital for each person admitted.

### **Average Rate**

A rate for a policy established by multiplying the rate for each location by the value at that location and dividing the sum of the results by the total value.

### **Average Recovery Time**

How long it will take, on average, to recover from an average statistical loss.

### **Average Weekly Wage**

A term generally used in workers compensation laws. It is the basis for determining weekly benefits under such laws.

**Aviation Accident Insurance**

A form of insurance which protects individuals as passengers or pilots, usually on scheduled aircraft, or which covers the flight travel of the employees of a company under a master policy.

**Aviation Hazard**

The extra hazard of death or injury resulting from participation in aeronautics, usually as other than a fare-paying passenger in licensed aircraft. This generally requires an extra premium rating or waiver of certain benefits or coverage.

**Avoidance of Risk**

Taking steps to remove a hazard, engage in an alternative activity, or otherwise end a specific exposure. One of the four major risk management techniques.

**B****B-Account**

Premium booking and policy issuance for a local underlyer in a Branch or Agency of AIG that belongs to a worldwide program controlled by a Requesting Office in North America.

**B2B SALES**

Often referred to Business-to-Business sales in WSM, this step involves convincing key decision makers (the employee benefits manager, CFO, CEO, etc.) within the target company that AIG will create value for the company and that we should be allowed to market voluntary products to their employees.

**B2C SALES**

Often referred to Business-to-Business sales in WSM, this step involves convincing key decision makers (the employee benefits manager, CFO, CEO, etc.) within the target company that AIG will create value for the company and that we should be allowed to market voluntary products to their employees.

**BAC - BLOOD ALCOHOL CONTENT**

Blood Alcohol Content - A blood alcohol test that measures the amount of alcohol (ethanol) in a body.

**Back-End Load Fund**

An open- or closed-end investment company that charges a fee upon the redemption or sale of its fund shares. Typically, loads are reduced based on the value of the shares and/or the passage of time.

**Backdating**

A procedure for making the effective date of a policy earlier than the application date. Backdating is often used to make the age at issue lower than it actually was in order to get a lower premium. State laws often limit to six months the time to which policies can be backdated.

**Bail Bond**

A form of bond given to guarantee that a person released from legal confinement will appear as required in court, or the penalty of the bond will be forfeited to the court. In insurance policies, bail bond fees are covered under an automobile policy.

**Bailee**

A person or concern having possession of personal property entrusted to that person by the owner. An example would be a laundry which has custody of customers' clothing for washing or dry cleaning. Bailees are required to exercise the same care with the property of others as they would with their own property.

**Bailees Customer Insurance**

Insurance purchased by a bailee to protect the personal property of customers against loss caused by specific perils. An example would be a carpet cleaner who buys coverage to protect customers against loss or damage to their carpets while in the store's care.

**Bailees Liability Coverage**

Coverage that meets the needs of a bailee's liability. The bailee's legal responsibility is to exercise care appropriate to the

circumstances of the bailment. In addition, most bailees want to carry enough insurance to make good any loss to property in their custody whether or not they are legally liable.

**Bailment**

The personal property of one person being held by another with the intent of its being returned to the original owner. Cars in a garage for repairs would be an example of a bailment.

**Bailor**

A person who owns property which has been entrusted to another. The owner of a fur coat who has entrusted it to a furrier for storage would be a bailor.

**Balance Sheet**

An accounting term which refers to a listing of the assets, liabilities, and surplus of a company or individual as of a specific date.

**Balanced Mutual Fund**

A mutual fund that purchases common stock, preferred stock, and bonds. Such funds tend to be less volatile than all-equity funds, outperforming them in a declining market but underperforming them in a rising market.

**BANGTAIL**

A direct marketing methodology whereby a perforated page is attached to the billing envelope. It must be torn off before the billing envelope is sealed, and is designed to fit inside the envelope. It provides an opportunity for the person paying the bill to take advantage of a promotional offer for insurance, upgrade, cross-sell, or other OOC activity.

**Bank Owned Life Insurance**

This product enables banks to purchase single premium policies on the lives of its officers, specifically to fund benefits. The policies are owned by the bank and the policy cash value is shown on the bank's balance sheet as a long-term tax deferred asset.

**Bankers Blanket Bond**

A type of insurance coverage purchased by banks to pay for losses to the dishonesty of employees as well as losses caused by people other than employees due to burglary, robbery, larceny, theft, forgery, and mysterious disappearance.

**Barratry**

A fraudulent breach of duty on the part of a master of a ship causing loss to the owner of the ship or the owner of the cargo.

**Base**

Describes a Campaign resulting in the issuance of new policies, rather than Campaigns which involve the solicitation of existing policy holders (e.g., an up-sell or cross-sell) in any line of business.

**BASE**

Describes a Campaign resulting in the issuance of new policies, rather than Campaigns which involve the solicitation of existing policy holders (e.g., an up-sell or cross-sell) in any line of business.

**Base Capitation**

The total amount which covers the cost of health care per person, minus any mental health or substance abuse services, pharmacy, and administrative charges.

**Base Rate**

In loss cost states, the rate prior to modification for expense load and profit margin.

**BASE RATE**

Burn Rate

**Baseline Performance**

Process performance as it is/was operating at the initiation of an improvement project (prior to solutions).

### **Basic**

The basic premium factor in a retro is the sum of three components: expenses, the net insurance charge, and profit and contingencies. It is expressed as a percentage of the standard premium.

### **Basic AD&D**

The double indemnity portion of a life policy. Also known as carve out AD&D.

### **Basic Auto Policy**

Once used to insure commercial vehicles, motorcycles, motorscooters, and a variety of substandard risks. This policy had broad eligibility rules, but the scope of coverage was narrower than modern auto policies. Most automobile risks today are insured by business or personal auto policies, with appropriate endorsements.

### **Basic Coverage Form**

Any of the commercial or personal lines property forms which provide basic coverages. These forms generally provide the most limited coverage, which is surpassed by broad forms and special forms.

### **Basic Extended Reporting Period**

An automatic "tail" for reporting claims after expiration of a "claims-made" liability policy. It is provided without charge and consists of two parts: a mini-tail covers claims made within 60 days after the end of the policy; a midi-tail covers claims made within five years after the end of the policy period arising out of occurrences reported not later than 60 days after the end of the policy.

### **Basic Form**

For Commercial Property policies written under the Basic Form, covered causes of loss include the following: fire, lightning, explosion, windstorm or hail, smoke, aircraft or vehicles, riot or civil commotion, vandalism, sprinkler leakage, sinkhole collapse and volcanic action.

### **Basic Form Rates**

Under the latest commercial lines program, Basic Form Rates are arrived at by adding Group I and Group II rates together. Refer to Group I Rates and Group II Rates.

### **Basic Hospital Expense Insurance**

Hospital coverage providing benefits for room and board and miscellaneous hospital expenses for a specified number of days during hospital confinement.

### **Basic Limit**

Usually refers to liability policies and indicates the lowest amount for which a policy can be written. This amount is either prescribed by law or company policy.

### **Basic Limits Coverage**

For Commercial Property policies written under the Basic Form, covered causes of loss include the following: fire, lightning, explosion, windstorm or hail, smoke, aircraft or vehicles, riot or civil commotion, vandalism, sprinkler leakage, sinkhole collapse and volcanic action.

### **Basic Limits of Liability**

Minimum amounts of insurance. The term is usually used in reference to bodily injury and property damage limits that are either the lowest amounts which can be written at the published or manual rates, the minimum amount of insurance an insurer is willing to underwrite, or the minimum amount of insurance required by law, e.g., automobile insurance financial responsibility laws.

### **Basic Medical Insurance**

Insurance that provides coverage for normal hospital expenditures, surgical expenses, and other miscellaneous expenses. Only expenses that are incurred while the insured is in the hospital are covered.

**Basic Rate**

The manual rate from which discounts are taken or to which charges are added to reflect the individual circumstances of a risk.

**Basis of Acceptance**

A crucial feature of every reinsurance agreement, the Basis of Acceptance defines how a reinsurer will participate in covered losses and allocated expenses. There are a number of variations, but all fall under two basic concepts, Pro-Rata (or Proportional) and Excess of Loss (Non-Proportional).

**BB - BROKEN BONES**

Pays insured a lump sum in the event of covered fractures, dislocations, and burns. Primarily marketed to seniors.

**Bed Days/1,000**

The number of inpatient hospital days per 1,000 members of the health plan.

**Below Market Loan**

A demand loan with interest paid below the federal rate; typically, part of an executive loan program provided by an employer.

**Bench Error**

A term used in products insurance which describes a loss that occurs in the production process. For instance, if production workers mistakenly use the wrong ingredients in a chemical formula, a bench error has occurred. Bench errors are covered.

**Beneficiary**

A person who may become eligible to receive or is receiving benefits under an insurance policy other than a participant.

**BENEFICIARY**

A person or persons designated in a policy for receipt of proceeds in the event that a claim occurs.

**Benefit**

The amount to be paid to a participant of a retirement plan or to the participant's beneficiary at retirement, at death, or at termination of service.

**Benefit Levels**

The maximum amount a person is entitled to receive for a particular service or services as spelled out in the contract with a health plan or insurer.

**Benefit Package**

A description of what services the insurer or health plan offers to those covered under the terms of a health insurance contract.

**Benefit Period**

Defines the period during which a Medicare beneficiary is eligible for Part A benefits. A benefit period is 90 days which begins the day the patient is admitted to a hospital and ends when the individual has not been hospitalized for a period of 60 consecutive days.

**BENEFIT PERIOD**

Defines the period during which an insured is eligible to receive benefits such as 365 days per confinement in a hospital cash policy.

**Benefit, Flat Dollar**

A certain monthly benefit which is given to all employees regardless of length of service or standard of living. Everybody receives the same amount.

**Benefit, Flat Percentage**

A monthly pension benefit which is determined by a fixed percentage of compensation. Although recognizing the employee's standard of living, it still ignores the employee's length of service.

### **Benefits**

The financial reimbursement and other services provided insureds by insurers under the terms of an insurance contract. An example would be the benefits listed under a life or health insurance policy or benefits as prescribed by a workers compensation law.

### **Beta Coefficient**

Measure of a stock's relative volatility. The beta is the covariance of a stock in relation to the rest of the stock market. The Standard & Poor's 500 Stock Index has a beta coefficient of 1. Any stock with a higher beta is more volatile than the market, and any with a lower beta can be expected to rise and fall more slowly than the market.

### **BEY - BREAK EVEN YEAR**

The year where revenues become equal to or exceed costs.

### **Bid Bond**

A bond filed with a bid for a construction or other project which guarantees that if the contractor has the low bid and is awarded the job, the required performance bond will be furnished.

### **Billed Claims**

The amounts submitted by a health care provider for services provided to a covered individual.

### **Binder**

An agreement executed by an agent or insurer (usually the latter) putting insurance into force before the contract has been written or the premium paid. This term is not usually used in life insurance.

### **BINDER**

A temporary agreement in writing which obligates the parties to a contract usually allowing a broker to accept risk (bind) on behalf of the company. In reinsurance, a temporary recording of the provisions of a reinsurance agreement pending execution of the formal reinsurance contract.

### **Binder of Reinsurance**

A record of reinsurance arrangements pending the issuance of a formal reinsurance contract (which then replaces the binder).

### **BINDING LIMIT**

This refers to benefit limits, premium size and/or other conditions for individual applications or group applications in respect of the applicable binding authority that has been delegated to a particular underwriter or other authorized party. Business that exceeds an individual's binding limit or authority may not be bound by that individual.

### **Birth Rate**

The number of births related to the total population in a given group during a period of time. It is usually expressed as births per 100,000 people in one year.

### **Birthday Rule**

One method of determining which parent's medical coverage will be primary for dependent children: the parent whose birthday falls earliest in the year will be considered as having the primary plan.

### **Blackout Period**

The period of time during which a surviving spouse no longer receives survivors benefits (after the youngest child is no longer eligible) and before he or she is eligible for retirement benefits.

### **Blanket**

Coverage for a whole group of persons without identifying each individual. Or insuring a whole category of risks, or one hazard in a number of locations, without identifying each. For example, a policy issued to cover a number of individuals

such as an athletic team, passengers in a certain airplane, etc.

**Blanket Average Rate**

Rate established for blanket coverage. It is computed by multiplying the rate for each risk location by the value at that location declared by the insured, and then dividing the sum of the results by the total value.

**Blanket Bond**

A type of fidelity bond which covers losses caused by the dishonesty of all employees as opposed to bonds which specifically identify only certain employees to be covered.

**Blanket Coverage**

Coverage under a single amount of insurance for two or more properties or exposures; i.e., a single amount of insurance applies to two or more building risks, or a building and contents of one or more building risks.

**Blanket Crime Policy**

A policy that once provided a package of coverages for employee dishonesty, loss of money and securities inside and outside the premises, depositor's forgery, loss of money orders, and loss due to counterfeit paper currency. This has been replaced by modern commercial crime coverage forms.

**BLANKET EXPENSE BENEFIT**

A coverage that pays all eligible expenses for accident or sickness - medical, nursing, surgical, hospitalization, X-ray, etc., up to the benefit maximum

**Blanket Insurance**

A contract of health insurance that covers all of a class of persons not individually identified in the contract.

**Blanket Medical Expense**

A policy or provision in a health insurance contract that pays all medical costs, including hospitalization, drugs, and treatments, without limitation on any item except possibly for a maximum aggregate benefit under the policy. It is often written with an initial deductible amount.

**BLANKET POLICY**

A policy issued to cover a number of individuals such as an athletic team, passengers in a certain airplane, etc. - "No Name" policy.

**Blanket Position Bond**

A Blanket Fidelity Bond in which the amount of coverage applies separately to each position covered. Contrast with Commercial Blanket Bond, which provides a single amount of coverage for any one loss, regardless of the number of employees involved in the loss.

**Blanket Rated Risks**

Those risks for which blanket coverage is provided. A single rate is calculated based on a Statement of Values, or by use of the highest rate applicable to any individual item.

**Blasting and Explosion Exclusion**

Exclusion of liability for damages from blasting or explosions. Rates for the types of construction work followed by the letter "X" in the manual exclude this coverage. If it is desired, an additional rate must be charged.

**Block Policy**

An open perils (all risk) policy which derives its name from the French term en bloc meaning "all together." It provides coverage on stock, property being transported, property in bailment, and the property of the insured on the premises of others.

**Blowout and Cratering**

These are industry terms having to do with accidents that can arise from drilling operations. Generally, they are either excluded under the liability policy or can be added by endorsement for an additional premium, depending upon the



judgment of the underwriter.

**Blue Chip Stock**

The common or preferred stock of well-known, major corporations that is traded on a national stock exchange. Blue chip status is derived from long periods of earnings growth, dividend payments, and financial stability.

**Blue Cross**

An independent, non-profit membership corporation providing protection on a service basis against the cost of hospitalization in a limited geographical area.

**Blue Cross**

An independent, non-profit membership corporation providing protection on a service basis against the cost of hospitalization in a limited geographical area.

**Blue Plan**

A generic designation for those companies, usually writing a service rather than a reimbursement contract, who are authorized to use the designation Blue Cross or Blue Shield and the insignia of either.

**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.

**Blue Shield**

Blue Shield plans are prepayment plans offered by service organizations covering medical and surgical expenses.

**Board Certified**

A physician or other professional who has passed an examination which certifies him or her as a specialist in a particular medical area.

**Board Eligible**

A professional person or physician who is eligible to take a specialty examination. Bobtailing  
Using the truck-tractor after unloading the trailer and not driving for trucking purposes.

**Bobtailing**

Using the truck-tractor after unloading the trailer and not driving for trucking purposes.

**Bodily Injury**

Typically means bodily injury, sickness or disease sustained by a person, including death resulting from any of these at any time.

**Bodily Injury**

Injury to the body of a person. The term is usually specifically defined in the policy.

**Bodily Injury Liability**

A legal liability that may arise as a result of the injury or death of another person.

**Bodily Injury Liability Insurance**

Protection against loss arising out of the liability of the insured for damages because of bodily injury, sickness, disease or death suffered by another person or persons.

**Boiler and Machinery Insurance**

Insurance against the sudden and accidental breakdown of boilers, machinery, and electrical equipment. Coverage is provided on (1) damage to the equipment, (2) expediting expenses, (3) property damage to the property of others, and (4) supplementary payments; and (5) automatic coverage is provided on additional objects. Coverage can be extended to cover consequential losses and loss from interruption of business.

**Boiler and Machinery Policy**

Insurance against loss due to accidents to boilers, pressure vessels or other machinery including the equipment itself as well as liability arising out of the accident.

**Bond**

An evidence of debt issued by corporations, municipalities and the federal government. Bonds represent the borrowing of money by a corporation or government. It is a legal obligation of the issuing company or government to repay principal in accordance with the terms and conditions of the bond.

**Bond**

A three-party contract guaranteeing that if one person, the principal, fails to perform as specified or proves to be dishonest, the person to whom the duty is owed, the obligee, will be financially protected by the issuer of the bond, the surety.

**Bond Fund**

A fund that holds corporate, municipal, or U.S. Treasury bonds, or a combination of those in the attempt to earn as much income as possible while maintaining a high degree of security.

**BONUS TELEMARKETING**

The Bonus Telemarketing Insurance Program offers the opportunity for the sponsoring organization to provide valuable supplemental insurance coverage to their customers at no cost for 60 days. In return, the Bonus Insurance Program generates substantial and immediate sales revenues for both the sponsoring organization and the underwriters involved.

**Book of Business**

A total of all insurance accounts written by a company or agent. It may be treated in different ways. For example: an insurer's book of automobile business, or an agent's overall book of business, or an agent's book of business with each insurer.

**Book Value**

Refers to the value of assets as shown in the official accounting records of the company.

**Book Value Accounting**

A process which enables a stable value portfolio (e.g., the Fixed Income Fund [FIF]) to be insulated from fluctuations in the market value of assets which back it. The FIF incorporates book value accounting as a means of smoothing its returns over time.

**Book Value Per Share**

The value of a single share of stock, calculated by dividing a company's net assets (i.e., assets minus liabilities) by the total number of shares issued.

**Bordereau**

(1) A written report of individual cessions, usually detailed to show such items as reinsurance premiums or reinsurance losses with respect to specific risks. (2) A memorandum containing information concerning documents that accompany it. Used extensively in passing reinsurance from one insurer to another under a reinsurance agreement and by property and liability general agents for passing information to various insurers on coverages written.

**BORDEREAU**

Applicable to both insurance and reinsurance, with respect to premiums: a detailed list of policies showing such information as name of insured, location and amount or risk, policy effective and expiration dates, exposure or amounts covered, and the premiums. With respect to losses: a detailed list of losses paid and the policies related to the claims. Also used by managing general agents (MGAs) and managing general underwriters (MGUs).

**Borderline Risk**

An insurance prospect of doubtful quality from an underwriting point of view.

**BORROWED DISTRIBUTION**

To use the distribution resources of another insurance company or third party to distribute your product. For example, Company X that has a distribution channel to which we don't have access. Assuming that Company X is not in the A&H business or has limited A&H products, an arrangement is made to provide Company X with relevant A&H products. We provide the product and management expertise and Company X provides the distribution. Company X retains some part of the business and reinsures the major share (e.g. 90%) back to us. A variation of this is to have Company X add or embed our product into one or more of their existing products. Either way the result is selling our products utilizing the resources of another carrier or third party.

### **Boston Plan**

This is a plan under which insurers agree that they will not reject property coverage on residential buildings in a slum area. Instead, they will accept the coverage until there has been an inspection and the owner has had an opportunity to correct any faults. Boston was the first city to originate such a plan, and many other cities have followed, including New York, Oakland, Cleveland, and Buffalo.

### **BOTTOM LINE**

Synonymous with profit.

### **Bottomry**

A contract of insurance by which a ship or its cargo is pledged as collateral for a loan required to support a maritime venture. If the ship or cargo is lost, the loan is cancelled and the borrower would not have to repay the loan.

### **Bounce Back**

A bounce back is an offer (either an up-sell or a cross-sell) made to a customer at the same time that we fulfill a previous purchase of insurance.

### **BOUND ACCOUNT**

An account that has been bound. A quote or proposal that has been accepted by the applicant or proposed insured that has been accepted by the insurance company and bound, i.e. coverage has been made effective.

### **Boycott**

An unfair trade practice which occurs when someone in the insurance business refuses to have business dealings with another until he or she complies with certain conditions or concessions.

### **Branch Manager**

An executive who manages a branch office for an insurer or an agency.

### **BRAND EQUITY**

The value of a "brand". In direct marketing some partners' brand will enhance the returns meaning high brand equity

### **BREACH OF CONTRACT**

A legal claim that one party failed to perform as required or specified in or under a valid agreement with the other party.

### **Brick Construction**

Refers to a building where at least 75% of the exterior walls are of some type of masonry construction, i.e., brick, stone or hollow masonry tile, poured concrete or reinforced concrete, or hollow masonry block.

### **Brick Veneer Construction**

Refers to a building where the outside walls are constructed of wood with a facing of a single layer of brick.

### **Brief**

A statement prepared by an attorney to be filed with a court which highlights the principal issues of his or her case.

### **Broad Form**

For Commercial Property policies written under the Broad Form, covered causes of loss include all from the Basic form plus the following: breakage of glass, falling objects, weight of snow, ice or sleet, and water damage.

**Broad Form Nuclear Energy Liability Exclusion Endorsement**

A form which must be attached to every general liability coverage part. It excludes coverage for any loss resulting from the hazardous properties of nuclear material related to the operations of a nuclear facility.

**Broad Form Personal Theft Policy**

Theft coverage on personal property at private residences, usually on an open perils (all risk) basis. This type of coverage is most often part of a homeowners contract. A limited form of the Broad Form Personal Theft policy is known as the Personal Theft policy.

**Broad Form Property Damage Endorsement**

An endorsement to a general liability policy that deletes the exclusion referring to property in the care, custody, or control of the insured and replaces it with a less restrictive exclusion.

**Broad Form Storekeepers Insurance**

A form of coverage for small storekeepers. It includes several specific crime perils on the same basis as a Storekeepers Burglary and Robbery policy, plus open perils (all risk) protection on money and securities, depositors' forgery, and a small limit on employee dishonesty.

**Broad Theft Coverage Endorsement**

This form may be attached to a dwelling policy to provide theft coverage for a named insured who is an owner occupant.

**Broker**

A marketing specialist who represents buyers of property and liability insurance and who deals with companies in arranging for the coverage required by the customer. Brokers usually represent the policyholder, although they are paid commissions by the insurance company.

**BROKER**

A licensed insurance producer who does not represent a specific insurance company but places his business among various companies. In law, he is usually regarded as a representative of the insured rather than of the company.

**Broker of Record**

A broker who has been designated to handle certain insurance contracts for the policyholder.

**Broker-Agent**

One acting as an agent of one or more insurers and as a broker in dealing with one or more other insurers.

**Brokerage**

(1) The fee or commission received by a broker. (2) Insurance placed by brokers contrasted with that placed by agents.

**Brokerage Business**

Business offered to an insurer by a broker. This is sometimes called excess or surplus business.

**Brokerage Department**

A department of an insurer whose purpose is to deal with brokers in the placing of insurance.

**Brokerage Firm**

A company in the business of handling orders to buy and sell securities and commodities for a commission or fee.

**BTA - BUSINESS TRAVEL ACCIDENT**

AD&D and/or other personal accident coverage for a person traveling on business. Sometimes includes sickness benefits. May be limited to while the person/employee is traveling for business only, on-site or occupational only or 24 hour coverage. There are many variations in the scope of coverage and the benefits provided. Also known as Group Travel Policy.

**Budget**

A tool for planning short-term income and expenditures in order to achieve long-term financial goals. The budget shows income and expenses within a given period of time.

**Builder's Risk**

A property form providing coverage for causes of loss specified in the insurance contract while a building is in the course of construction.

**Builder's Risk Coverage Form**

A commercial property coverage form specifically designed for buildings in the course of construction.

**Building and Personal Property Coverage Form**

A commercial property coverage form designed to insure most types of commercial property (buildings, or contents, or both). It is the most frequently used commercial property form, and has replaced the General Property form, Special Building form, Special Personal Property form, and others.

**Building Code**

This refers to municipal or other governmental ordinances regulating the type of construction of buildings within its jurisdiction.

**Building Risk**

A building or part of a building which takes a separate rate. Platforms, wharves, piers and yard property which take separate rates are considered building risks.

**Bullion**

Refers to precious metals, such as gold, in the form of ingots or bars.

**Bumbershoot Policy**

A liability policy similar to the umbrella policy which includes coverage related to ocean marine risks. In addition to general liability coverage, protection and indemnity can be provided, as can liability under the Longshoremen's and Harbor Workers' Act. Collision coverage can be provided and general average and salvage charges can be included. A shipyard would be interested in a Bumbershoot policy.

**Bunk House Rule**

Where an employee is provided housing as part of his remuneration, any injury occurring while an employee is in such housing, is deemed to arise out of the employment.

**Bureau**

Most people refer to the NCCI and the other independent rating bureaus as the "bureau" for short.

**Burglary**

Breaking and entering into the premises of another with felonious intent and with visible signs of forced entry.

**Burglary and Theft Insurance**

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

**Burglary Insurance**

Insurance against loss caused by burglars. In personal lines, burglary insurance is provided by homeowners policies and theft endorsements which may be added to dwelling policies. In commercial lines, a variety of commercial crime coverage forms include burglary insurance.

**BURN RATE**

The underlying claims cost used in the pricing of products.

**Burning Ratio**

The ratio of losses suffered to the amount of insurance in effect.

## **Business**

In property, liability, and health lines, it usually refers to the volume of premiums.

### **Business Auto Coverage Form**

The latest commercial automobile insurance coverage form, which may be written as a monoline policy or as part of a commercial package. This form has largely replaced the Business Auto policy.

### **Business Auto Policy**

A standardized, widely used coverage form developed by the Insurance Services Office (ISO), providing automobile liability and physical damage insurance for commercial risks that own or use automobiles.

### **Business Income Coverage**

A time element coverage that pays for loss of earnings and for continuing expenses when operations are curtailed or suspended because of property damage due to a covered cause of loss.

### **Business Income Coverage Form**

A commercial property form providing coverage for "indirect losses" resulting from property damage, such as loss of business income and extra expenses incurred. It has replaced earlier Business Interruption and Extra Expense forms.

### **Business Insurance**

Commercial insurance. The term is generally used to refer to insurance for businesses or commercial establishments as opposed to insurance for the personal protection of individuals.

### **Business Interruption Insurance**

Covers fixed expenses and the loss of profits in the event physical property is damaged by a named peril; requires that the business be shut down in whole or in part as a direct result of the named peril.

### **Business Liability**

The term used to describe the liability coverages provided by the Businessowners Liability Coverage form. It includes liability for bodily injury, property damage, personal injury, advertising injury, and fire damage.

### **Business Overhead Expense**

A disability income policy which indemnifies the business for certain overhead expenses incurred when the businessowner is totally disabled.

### **Business Owners Policy**

Provides broad property and liability coverage in a single contract and is designed for small and medium-sized mercantile, office or apartment risks.

### **Business Personal Property**

Traditionally known as "contents," this term actually refers to furniture, fixtures, equipment, machinery, merchandise, materials, and all other personal property owned by the insured and used in the insured's business.

### **Business Risk Exclusion**

Also known as the (Product) Failure to Perform Exclusion. In products insurance, no coverage is provided for a product that does not meet the level of performance, quality, fitness, or durability warranted or represented by the insured. Coverage is provided, however, if liability results from a Bench Error or an Active Malfunction.

### **Business Segment**

Within the Specialty Workers' Compensation group, there are further subdivisions of specialization by type of customer, geographical territory, or other Business Segment. Each underwriter is assigned to at least one of these subdivisions, which are known as "Business Segments".

### **Business Strategy**

Long range plan of an organization and the methods to be used to achieve its corporate objectives.

### **Businessowners Policy**

A package policy that provides broad property and liability coverage in a single contract and is designed for small and medium-sized mercantile, office, or apartment risks.

**Buy and Hold Strategy**

Contributions and assets are allocated to various types of investments and held for extended periods of time. This is the opposite of "market timing."

**BUY BACK**

A Policyholder may be able to "buy back" an exclusion such as War Risk under an insurance policy by paying an extra or higher premium.

**Buy-Sell Agreement**

(1) An agreement among part-owners of a business which says that under stated conditions, i.e., disability or death, the person withdrawing from the business or the person's heirs are legally obligated to sell their interest to the remaining part-owners, and the remaining part-owners are legally obligated to buy at a price fixed in the agreement; (2) a similar agreement between an owner or part-owner of a business and a nonowner, such as a key employee.

**Buyers Guide**

A consumer publication that describes the type of coverage being offered, and provides general information to help an applicant for life or health insurance compare different types of policies and reach a decision about whether the proposed coverage is appropriate. Also known as a Shoppers Guide.

**Bypass Trust**

Also referred to as the B trust; a trust which contains estate assets which will bypass the surviving spouse and pass directly to other family members.

**C****C-Account**

Premium booking and policy issuance for a local underlyer in a Branch, Agency, Subsidiary or Affiliate of AIG that belongs to a worldwide program controlled by a Requesting Office outside of North America.

**Cafeteria Plans**

An employee benefit which provides a series of flexible health care benefits from which an employee may choose, including a cash only option.

**Calendar Year**

Refers to a method of accumulating loss and premium data for all transactions recorded in a calendar year, regardless of the year in which the accidents occurred or the policies were written.

**Calendar Year**

Used to describe all of the premium and loss activity during a given year, i.e. 1994. Many loss ratios shown for a given policyholder are based on calendar year results and may reflect claim activity on claims from prior years as well as the current year.

**Calendar Year Experience**

This measures the premiums and losses entered on accounting records during the 12-month calendar.

**CALENDAR YEAR INCURRED LOSSES**

(also Policy Year Incurred Losses)-Incurred losses or claims for any calendar or policy year include reserves for newly reported claims that have not yet been paid, paid claims minus any reserve amount that may have been established for the specific previously reserved claims that were paid, the increase or decrease in IBNR, as well as any other plus positive or negative changes in the year-end loss reserves for that particular year. The total amount includes any reevaluation of open or pending claims already on the books at the beginning of the year.

**Calendar/Accident Year Loss Ratio**

The ratio between accident year losses and calendar year premium.

**Call For Statistics**

Annual publication of ISO that provides various details and guidelines concerning the reporting of data. Such information includes due dates, changes in eligibility requirements and technical requirements as to the reporting of data.

### **CAMPAIGN**

A specific marketing initiative, usually direct marketing, to solicit/sell policies to members of affinity groups or to the public via broadmarketing. A campaign may be to all members or to select segments. Each campaign must be supported by an acceptable P&L projection.

### **CAMPAIGN AUTHORITY**

Campaign authority enables businesses to execute direct marketing campaigns provided that marketing costs are within certain limits and expected profitability reaches required specific targets. This authority is similar in concept to that used in other areas of the insurance business such as underwriting and claims authority with a procedure for obtaining higher authorization when needed.

### **CAMPAIGN STATUS**

Used to indicate the stage of a Campaign in its lifecycle and to manage the Campaign approval process. Standard values include: 1. Planning: Indicates the Campaign and Selections definition and values are being worked on. 2. To be approved: Indicates the Campaign numbers have been finalized and the campaign is pending approval. 3. Cancelled: Indicates the Campaign was never launched. 4. Approved: Indicates the Campaign is ready for execution. 5. Launched: Indicates the Campaign's execution has started therefore planned values can no longer be modified.

### **CAMPAIGN SUBTYPE**

Defines the purpose of a Campaign Selection. Standard values include: 1. Base: New customer acquisition. 2. Upgrade: An offer that increases the coverage amount or type of an existing policy. 3. Add-On: An offer of an additional coverage added to an existing policy. This coverage is related to a product within the product line under which the original policy was sold. 4. Cross-Sell: An offer of a different insurance product to a current policyholder. 5. Retention: Target lapsed customers or customers for renewal.

### **CAMPAIGN TRACKING**

Comparison of Planned, Actual and Projected Values for a Campaign or Campaign Selection.

### **CAMPAIGN TYPE**

Defines the main target of the Campaign Selection. Standard values are: 1. Customer Marketing: Target existing customers. 2. New Business Marketing: Target new customers.

### **CANCELLABLE**

A policy that may be canceled by the company at any time on due notice to the insured as provided in the policy. Many times a policy may only be canceled as of its renewal or anniversary date. Some policy wordings allow a policy to be canceled after a claim has been paid.

### **Cancellation**

The termination of a policy before its normal expiration date. Cancellation may be flat, pro rata or short rate.

### **Cancellation (Flat)**

Cancellation as of the inception date of the policy, with a return of all premiums received.

### **Cancellation (Pro Rata)**

Cancellation whereby the premium returned to the insured is directly proportional to the unexpired portion of the policy period.

### **Cancellation (Short Rate)**

Cancellation whereby the premium returned to the insured in the first year of a policy, as calculated from the applicable short rate provision, is less than the proportional or pro rata portion of the policy period that remains.

### **CANCER**

Is a serious medical condition characterized by spread of malignant cells either within an organ or the entire body.



**Capacity**

The largest amount of insurance or reinsurance available from a company. In a broader sense, it can refer to the largest amount of insurance or reinsurance available in the marketplace.

**CAPACITY**

The maximum amount of insurance a company will write on a particular risk. The largest amount of insurance or reinsurance available from a company (insurance or reinsurance) for specific markets, the market in general or specific classes of risk or exposures.

**Capital**

Wealth in the form of money or property, which is usually available for investment.

**Capital Appreciation**

An increase in the market value of an investment.

**Capital Asset**

Any asset held and used for the production of goods and services, including fixed assets, such as land, plant, raw materials sources, and reserves; investments in owned and affiliated companies; and some long-term intangibles, such as patents.

**Capital Ratio**

The ratio for a financial guaranty insurer of aggregate net exposure to statutory capital.

**Capital Stock**

The shares of ownership in a corporation.

**Capital Sum**

The maximum lump sum payable in the event of accidental death or dismemberment.

**CAPITAL SUM**

The amount provided for the loss of two limbs or eyesight, speech or hearing, permanent total disability, etc. Indemnities for loss of one limb, the sight of one eye and so on are usually percentages of the Capital Sum.

**Capital Transaction**

The sale of a capital asset, such as stock, which results in the transaction being taxed as ordinary income and not as a dividend.

**Capital Value**

The worth of capital.

**Capitation**

A rate paid, usually monthly, to a health care provider. In return, the provider agrees to deliver the health services agreed upon to any covered person.

**Captive Agent**

One who sells insurance for only one company as opposed to an agent who represents several companies.

**CAPTIVE COMPANY**

An insurance company formed to insure the risks of its parent entity or entities. Some non-insurance companies own an insurance agency or brokerage firm; these may also be known as captives as they are normally formed to do their parent's or owner's business.

**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.

**Captive Insurer**

A legally recognized insurance company organized and owned by a corporation or firm whose purpose is to use the captive to write its own insurance at rates lower than those of other insurers. Usually it is a nonadmitted insurer that has the right, under special circumstances, to reinsure with an admitted insurer.

**Care, Custody and Control**

Most liability insurance policies exclude coverage for damage to property in the care, custody, or control of the insured. In some cases this type of coverage is not available; in other cases it can be purchased through certain forms of inland marine insurance, like installation floaters, and in some cases this exclusion can be made less restrictive by adding a Broad Form Property Damage Endorsement.

**CAREER AGENTS**

Insurance agents who commit to sell the products of one insurance company on an exclusive basis. In some instances when the insurance company does not have the product needed, the agent is allowed to search the market place. However, the career agent owes his/her first allegiance to the insurance company for whom they are career agents.

**Cargo Insurance**

A policy covering the cargo being transported by a carrier.

**Carrier**

Any organization that provides insurance. A carrier may be a company, corporation, association or facility.

**CARRIER**

An insurance or reinsurance company which "carriers" the insurance or reinsurance risk.

**Carrier (G)**

Sometimes used to designate the insurer. The term "insurer" is preferred because of the possible confusion of "carrier" with transportation.

**Carrier (H)**

Usually a commercial insurer contracted by the Department of Health and Human Services to process Medicare Part B claims payments.

**Carrier Replacement**

This refers to a situation where one carrier replaces one or more carriers.

**Carryover Provision**

In major medical policies, allowing an insured who has submitted no claims during the year to apply any medical expenses incurred in the last three months of the year toward the new calendar year's deductible.

**CARVE OUT**

The term used for benefits that are separated and insured independently. For example, a Group Life contract that also contains an AD&D component. When you remove (or carve out) the AD&D into a separate group insurance contract there are certain advantages: the company writing the carve out can offer ancillary benefits in addition the AD&D; usually a cheaper rate since a specialist AD&D carrier is more experienced to underwrite it; separation of Life and AD&D claims (not all Life claims are due to an accident) - by carving out the AD&D you separate the experience so the either rate will be affected by bad experience the other

**Case Management**

The assessment of a person's long-term care needs and the appropriate recommendations for care, monitoring and follow-up as to the extent and quality of services to be provided.

**Case Manager**

A person, usually an experienced professional, who coordinates the services necessary under the case management approach.

**Case Mix**

The number of cases requiring different needs and uses of hospital resources.

**CASE RESERVES**

Loss reserves established with respect to specific, individual reported claims.

**Cash Deferral Program**

Any form of payment plan where planned premium payments by the insured during the policy period are less than the earned premium at any time during the policy term.

**Cash Dividend Option**

A policy dividend option that instructs the insurance company to send the policyowner a cheque for the amount of policy dividend declared by the insurance company's board of directors.

**Cash equivalent**

A short-term investment with a high degree of safety that can be converted to cash quickly (i.e., T-bills, and money market funds).

**Cash Flow**

This refers to the actual stream of money (either premium dollars or loss dollars) as it changes hands from insured to insurer and vice versa.

**Cash Flow Plans**

Premium payment schemes which allow the insured to retain a large part of the premium and pay it out over a time period such as a year.

**Cash Flow Statement**

A listing of the sources and uses of the cash receipts and cash outlays of a person or business.

**Cash Flow Underwriting**

Willingness to lose money on the underwriting side, which will be made up on the investment side.

**Cash Refund Annuity**

A form of annuity contract which provides that if at the death of the annuitant installments paid out have not totaled the amount of the premium paid for the annuity, the difference will be paid to a designated beneficiary in a lump sum.

**Cash Surrender Value**

The amount available in cash upon voluntary termination of a life policy by its owner, before it becomes payable by death or maturity.

**CASH VALUE**

Funds accumulating while a policy remains in force and available for client's use, if needed; feature present in a number of life policies. Not common in A&H products.

**CASTASTROPHE REINSURANCE**

A form of reinsurance that indemnifies the ceding company for the accumulation of losses in excess of a stipulated sum (i.e. the insured company's per occurrence net retention) arising from a catastrophic event. Catastrophe loss generally refers to the total loss of an insurance company arising out of a single catastrophic event.

**CASTROPHE LOSS**

The loss and the directly-identified loss adjustment expenses resulting from the catastrophe loss.

**Casualty Actuarial Society**

A professional society for actuaries in areas of insurance work other than life insurance. This society grants the designation of Associate and Fellow of the Casualty Actuarial Society (ACAS and FCAS).

## **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.

## **CASUALTY INSURANCE**

Insurance which is primarily concerned with the losses caused by injuries to third persons (i.e., not the insured) and the legal liability imposed on the insured resulting there from. It includes, but is not limited to, employers' liability, workers' compensation, public liability, automobile liability, personal liability, and aviation liability insurance. It excludes certain types of losses that by law or custom are considered as being exclusively within the scope of other types of insurance, such as fire or marine.

## **CAT - CATASTROPHE**

A severe loss involving 2 or more lives. Usually involving risks such as accident involving larger conveyances (airplanes, cruise ships, ferry boats and buses), fire, earthquake, windstorm, explosion, and other similar events.

### **Catastrophe**

An incident or series of related incidents involving a substantial loss to property or persons.

### **Catastrophe Hazard**

The hazard of large loss by reason of occurrence of a peril to which a very large number of insureds are subject. An example would be widespread loss due to a hurricane or tornado.

## **CATASTROPHE HAZARD**

The hazard of loss by reason of a simultaneous peril to which all insured in a group, or a large number of insureds, are subject.

### **Catastrophe Policy**

This is an older name for major medical.

### **Catastrophe Reinsurance**

A form of Excess of Loss Reinsurance which, subject to a specified limit, indemnifies the ceding company against an amount of loss in excess of a specified amount as the result of an accumulation of losses resulting from a catastrophic event or a series of catastrophic events.

## **Causes of Loss**

The forces or circumstances (such as fire, theft, collision) that produce physical loss or damage. Covered Causes of Loss in Commercial Property policies are defined by one of four causes of loss forms: Basic and Broad, named perils forms that list specific causes of loss; Special, which applies to risks of direct physical loss other than those specifically excluded; and Earthquake, which includes only earthquake and volcanic eruption as covered causes of loss. In simplified language Commercial Property policies, the term 'Causes of Loss' has replaced the older term 'Perils'.

## **Causes of Loss Forms**

Commercial property forms stating the perils insured against, additional coverages provided, and exclusions that apply. There are four Causes of Loss forms - Basic, Broad, Special and Earthquake.

Caveat Emptor

Let the buyer beware.

## **CDR - COMMISSIONER'S DISABILITY RESERVE**

An actuarial reserve calculation used for determining Long-Term Disability reserves.

## **CDW-COLLISION DAMAGE WAIVER**

Offered by rental car companies but in A&H it is an insurance coverage normally included with holiday and leisure travel (sometimes business travel) programs. It is also fairly common as a "NAC" cover included with major credit and charge cards. CDW provides benefits payable to the insured renter who has his/her rental car involved in a car accident.

Coverage is only applicable to the rental car. At the time of rental, the insured must waive the insurance provided by the rental company. Terms and conditions of CDW coverage vary widely; CDW is not a core A&H product.

**Cease and Desist Order**

An order of the state Insurance Commissioner or of a court requiring that a company or person stop engaging in a particular act or practice, usually involving insurance trade practices.

**Cede**

To transfer to a reinsurer all or part of the insurance or reinsurance written by a ceding company. (2) The act of buying reinsurance.

**CEDE**

When a company reinsures its liability with another, it "cedes" business.

**Ceding Commission**

Commission received when ceding part of a risk to a reinsurer.

**CEDING COMMISSION**

The commission paid by a reinsurer for business reinsured to that company. The primary purpose is to "discount" the premiums payable to the reinsurer in order to give the ceding company an allowance for the expenses they incur in connection with the ceded business.

**Ceding Company**

The insurer which cedes all or part of the insurance or reinsurance it has written to another insurer. A company which has placed reinsurance, distinguished from the company that accepts it.

**CEDING COMPANY**

The original or primary insurer is the ceding company. The insurance company which purchases reinsurance.

**CERTIFICATE**

A statement of coverage in addition to the policy generally given to each person insured under a group policy. A certificate is mostly for information and usually will not contain all of the policy provisions.

**Certificate of Authority**

(1) A certificate showing the powers that an insurer grants to its agents. (2) A certificate issued by a state department of insurance showing the power of an insurer to write contracts of insurance in that state.

**Certificate of Convenience**

A term used in some jurisdictions to refer to a temporary license or permit empowering a person to act as an agent even though not fully licensed according to the law. Usually this certificate is granted to an agent who is studying for a licensing examination. It might also be issued to the administrator or executor of the estate of an insurance agent, who must have the authority of an agent to settle the estate, or to someone acting for an agent during a disability or an absence such as military duty.

**Certificate of Deposit**

A receipt issued by a bank for a cash deposit for a specified period of time at a fixed rate of interest (determined by the marketplace). Upon maturity, the bank pays the depositor the principal plus all accumulated interest. Negotiable CDs may be transferred before maturity; non-negotiable CDs are not readily transferable, and early withdrawals are subject to interest penalties.

**Certificate of Insurance**

(1) A statement of the coverage and general provisions of a master contract in group insurance that is issued to individuals covered in the group. (2) A form which verifies that a policy has been written and states the coverage in general, often used as proof of insurance in loan transactions and for other legal requirements.

**Certificate of Need**

Issued by a governmental body. It certifies that the proposed facility will meet the needs of those for whom it is intended. Such need might involve constructing a new health facility, offering a new or different health service, or acquiring new medical equipment.

**Certificate of Reinsurance**

In addition to serving as "evidence of coverage", reinsurance certificates usually contain specific terms and conditions as to how the reinsurer will respond in the event of loss. Primary underwriters, must be sure to check the back of certificate plus any attachments that may alter their intentions.

**CERTIFICATE OF REINSURANCE**

A short-form documentation of a reinsurance transaction, usually incorporating complete terms and conditions by reference.

**Certified Financial Planner**

Professional designation conferred by the College for Financial Planning. In addition to professional business experience in financial planning, recipients must pass national examinations in insurance, investments, taxation, employee benefit plans, and estate planning.

**Certiorari**

A writ issued by a higher court to a lower court asking the lower court to forward the record of a particular case in question.

**Cession**

The unit of insurance transferred to a reinsurer by a ceding company. It also refers to the process of ceding insurance to a reinsurer.

**CESSION**

The amount of insurance risk passed to a reinsurer by the ceding company. It generally corresponds with the net underwriting limits of the insurance company. However, a cession may be all or a portion of: 1) single risks; 2) defined categories of business, policies or products; or 3) defined sections of or all of a portfolio. The business ceded under a reinsurance treaty is usually pre-defined in order to prevent selection against the reinsurer.

**Cestui Que Vie**

The person whose life measures the duration of a trust, gift, estate, or insurance contract. Thus, in life and health insurance it is the person on whose life or health the policy is written, commonly called the insured, policyholder, or policyowner.

**Change of Occupation**

A provision in a health insurance policy that allows the insurer to adjust policy benefits if the insured has changed to a more hazardous occupation.

**CHANNEL CONFLICT**

This occurs when the same prospect or group of prospects is approached by different distribution channels i.e. agents of a life company and brokers working with the non-life company or agents and the direct marketing departments of the same or sister companies and can lead to confusion for the potential clients.

**Charge Backs**

Reversal of commission or other compensation because of canceled business or as an offset for other amounts owed.

**Charitable Gifts**

Direct, outright or partial donations of cash, tangible or intangible property to eligible recipients, usually tax-exempt organizations.

**Charter**

Usually the same as articles of incorporation. This is the grant of rights from a state or federal government, such as the right to incorporate and transact business.

**Charter**

(Ocean Marine) To rent or lease a ship or boat.

**Chartered Financial Consultant**

Professional designation awarded by The American College. In addition to professional business experience in financial planning, recipients are required to pass national examinations in insurance, investments, taxation, employee benefit plans, estate planning, accounting, and management.

**Chartered Life Underwriter**

Professional designation conferred by The American College. In addition to professional business experience in insurance planning and related areas, recipients must pass national examinations in insurance, investments, taxation, employee benefit plans, estate planning, accounting, management and economics.

**Chartered Property Casualty Underwriter**

A professional designation granted by the American Institute of Property and Liability Underwriters. It is earned by taking and passing 10 insurance courses and exams that cover personal and commercial property insurance and risk management, insurance company operations, insurance issues and professional ethics. Business subjects include: accounting and finance, the legal environment of insurance, management and economics. The accreditation program and exams are administered by the American Institute for Property and Liability Underwriters in Malvern, Pennsylvania.

**Chattel**

All personal property items.

**Chattel Mortgage**

A type of mortgage where the collateral is personal property, rather than land or buildings.

**Chemical Dependency Services**

The services required in the treatment and diagnosis of chemical dependency, alcoholism, and drug dependency.

**Chemical Equivalents**

Drugs which contain identical amounts of the same ingredients.

**Christian Science Organization**

A religious organization which is certified by the First Church of Christian Scientists. The organization may also be Medicare certified as a hospital or skilled nursing facility.

**Churning**

An illegal practice where insurance agents unnecessarily replace existing life insurance for the purpose of earning additional (higher) first year commissions.

**CI - CRITICAL ILLNESS**

Pays a lump sum or structured payment benefit in the event of a diagnosis of a specified serious illness for the first time while policy is in effect. Pre-existing conditions are not covered. Examples of covered illnesses are heart attack, cancer, stroke, kidney failure requiring dialysis, major organ transplant, multiple sclerosis.

**Civil Commotion**

An uprising of a large number of people, usually resulting in damage to property. This term is generally used to describe one of the extended coverage perils in the Extended Coverage endorsement.

**Civilian Health and Medical Program of the Uniformed Services**

Part of the Uniformed Services Health Benefits Program which supplements the medical care available for families of active, deceased, and retired military personnel.

**Claim**

A demand made by the insured, or the insured's beneficiary, for payment of the benefits provided by the contract.

**CLAIM COST**

Cost related to the losses incurred by claims.

**Claim Expense**

The expense of adjusting a claim, such as investigation and attorneys' fees. It does not include the cost of the claim itself.

**CLAIM EXPENSE**

(also known as LOSS EXPENSE, OR ADJUSTMENT EXPENSE)- The expenses, both direct and indirect, of claim department staff and overhead, independent adjusters, lawyers, and witnesses, and other expenses. Allocated expenses are direct expenses that can be identified with specific claims. Unallocated or indirect claim expenses represent claim department salaries and other overhead expenses.

**CLAIM OCCURRENCE BASIS**

Method of determining whether or not coverage is available for a specific claim. If a claim arises out of an event that occurred during the time period when a liability policy is in force, an insurance company is responsible for its payment, up to the limits of the policy, usually regardless of when the insured submits the claim.

**Claim Payments**

Those payments made to the insured, or to a third party on behalf of the insured, which result from a claim.

**Claim Report**

A report filed by an agent setting forth the facts of a claim. Same as Loss Report.

**CLAIM YEAR**

The fiscal year in which the loss was incurred.

**Claimant**

The person making a demand for payment of benefits.

**CLAIMANT**

The person or party making formal request for payment of benefits payable (or that might be payable) under the terms of the insurance contract.

**CLAIMS MADE BASIS**

Method of determining whether or not coverage is available for a specific claim. If a claim is made during the time period when a liability policy is in effect, and insurance company is responsible for its payment, up to the limits of the policy, regardless of when the event causing the claim occurred.

**Claims Made Coverage**

Liability coverage which protects the insured only against claims made during the policy period and refers to occurrences taking place during the policy period. A Retroactive Date (Date of Entry Into Claims Made Program) is established as the earliest possible date of coverage for occurrences. Occurrences taking place prior to this date are excluded from claims made coverage.

**Claims Made Coverage - Tail**

Coverage which protects the insured against claims made after expiration of the standard 'claims made' policy period and refers to occurrences taking place during the tail period.

**Claims Made Policy Form**

The claims made policy only covers claims reported while the policy is in force.

**Claims Reserve**

Amounts set aside to meet costs of claims incurred but not yet finally settled. An example might be a workers compensation case where benefits are payable for several years. At any given point in time, the reserve would be the funds kept based on the estimate of what the claim will cost when finally settled.

**CLAIMS RESERVE**

Amounts set aside to meet costs of claims incurred but not yet finally settled. This is not the same as "IBNR".



**Claims-Made Coverage**

A policy providing liability coverage only if a written claim is made during the policy period or any applicable extended reporting period. For example, a claim made in the current year could be charged against the current policy even if the injury or loss occurred many years in the past. If the policy has a retroactive date, an occurrence prior to that date is not covered. Contrast with Occurrence Coverage.

**CLASH COVER**

A casualty excess of loss agreement with a retention higher than the limits on any one reinsured policy. The agreement is thus only exposed to loss when two or more casualty policies (perhaps from different lines of business) are involved in a common occurrence in an amount greater than the clash cover retention. Clash cover is sometimes also known as contingency cover. Another use for clash cover is to protect the company against multiple policies covering the same life or if there is regional reinsurance, to reduce the insurance company's net retention when there is a cat loss involving insureds from different regions.

**Class**

A group of insureds having the same general characteristics and who are, therefore, grouped together for rating purposes. Class rates apply to dwellings and apartments, since they usually have the same general characteristics and are exposed to the same perils.

**Class Action Suit**

A legal device allowing a group of individuals with a claim against a company or an individual to join together as plaintiffs in a single suit.

**Class Rate**

A rate which applies to all risks in a given category or classification.

**Classification**

The underwriter's designation of a risk. Various classes of risks are formulated and recognized by ratemaking bodies for the purpose of establishing rates. Commercial Statistical Plan (CSP) provides classification codes for the identification and reporting of risks according to class.

**Classification Code**

A unique code assigned to a group of insureds with similar exposures whose collective loss experience is pooled mathematically to develop rates that will be used to determine insurance premium.

**Classification Inspection**

This is an inspection by the insurance carrier for the purpose of assigning the proper classification(s) which best describes the business of the insured. It is the business that is classified, not the individual employment, occupations or operations within a business.

**Classified Insurance**

Life or health insurance on risks which do not meet the standards for the regular manual rate.

**Clause**

A section of a policy contract or endorsement dealing with a particular subject. For instance, a subrogation clause deals with the rights of the insurer in the event of payment of a loss under the contract.

**Cleanup Fund**

A commonly used term to designate policies whose express purpose is to pay final expenses of death.

**Clear Space Clause**

A clause requiring that insured property, such as stacks of lumber, be stored at some particular distance from each other or from other property.

**Clerical Error**

A provision in a group health insurance policy that provides if there is an error or omission in the administration of a group policy, the person's insurance is considered to be what it would be if there had been no error or omission.

### **Client Management Group**

The organizational unit within the new organizational structure defined in the Business Model, whose sole focus is on business development and increasing premium production through multi-line sales and marketing.

### **Close Corporation**

A corporate form of business controlled and operated by a small, close group of persons such as family members. The corporation's stock is not sold to outsiders.

### **Closed Panel**

A situation where covered insureds must select one primary care physician. That physician is the only one allowed to refer the patient to other health care providers within the plan. Also called Closed Access or Gatekeeper model.

### **CLOSED WITHOUT PAYMENT**

A claim file (or claim) that has been placed in "closed" status without any benefits payment made.

### **Closed-End Fund**

An investment company that operates a fund with a limited number of shares outstanding. A closed-end fund starts with a set number of shares, often listed on an exchange, where they are traded like any other stock.

### **CO-PAYMENT**

This is an arrangement where the covered person pays a specified amount for various services and the insurance provider pays the remainder. See "Coinsurance".

### **Co-Surety**

One of a group of sureties directly participating in a bond with obligations joint and several.

### **COB - COORDINATION OF BENEFITS**

In health insurance, a policy provision to avoid duplication of payment by coordinating benefit payments between or among insurance companies covering the same person. The COB provision designates the order in which the insurance companies have to respond (pay) in order that no more than 100% of the loss is paid by all companies. The COB clause is designed to prevent the insured from making a profit on the insurance.

### **Codicil**

A change or amendment to a will.

### **Coding**

A method of putting information into a numerical form for statistical use. Most information on policies is coded and then put into reports.

### **Coercion**

An unfair trade practice which occurs when someone in the insurance business applies a physical or mental force to persuade another to transact insurance.

### **Cognitive Impairment**

A deficiency in the ability to think, perceive, reason or remember resulting in loss of the ability to take care of one's daily living needs.

### **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 the value of the property. It provides for 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 proper amount of insurance, he or she assumes a proportionate share of the loss.

## **COINSURANCE**

1. A principal under which the insurance company is responsible for only part of a covered loss, with the insured being responsible for the other part. For example, in a typical Major Medical Expense policy, the company agrees to pay 80% of the eligible covered expenses and the insured has to pay the other 20%. The principal of coinsurance can be utilized in different ways, e.g. in order to offer products with lower premiums or to implement in lieu of a premium rate increase. 2. Sharing of a risk between two or more insurance carriers where each carrier is responsible only for a part of a covered loss.

### **Coininsurance Clause**

A clause under which the insured shares in losses to the extent that he or she is underinsured at the time of loss. The insurer grants a reduced rate to the insured providing the insured carries insurance 80, 90, or 100% to value. If, at the time of loss, the insured carries less coverage than required, the loss must be shared. For example, if an insured has a building worth \$100,000 and carries an 80% coinsurance clause, it means that the insured agrees to carry at least \$80,000 of insurance. If the insurance carried is just \$60,000, then any loss under the policy would be paid for on the basis of the comparison of \$60,000 (amount carried) divided by \$80,000 (amount agreed upon in advance) times the amount of the loss. Thus, in the event of a \$10,000 loss the insured would only receive 75% of a loss or \$7,500.

### **Coininsurance Clause (H)**

A provision stating that the insured and the insurer will share all losses covered by the policy in a proportion agreed upon in advance, i.e., 80-20 would mean that the insurer would pay 80% and the insured would pay 20% of all losses.

### **Cold Lead Advertising**

An illegal method of marketing insurance policies (often associated with Medicare supplement policies) which fails to disclose in a conspicuous manner that a purpose of the method of marketing is solicitation of insurance or other similar coverage, and that further contact will be made by an insurance agent, other producer or insurer.

### **Collateral Assignment**

Assignment of a life insurance policy or its value as security for a loan. In the event of default, the creditor would receive proceeds or values only to the extent of the creditor's interest.

### **Collateral Source**

A rule which allows a plaintiff to recover damages even if the plaintiff has already recovered damages from a source other than the defendant.

### **Collateral Split Dollar**

A split dollar plan in which the employee controls the policy and pledges it as collateral for a series of employer loans to pay the premiums.

### **Collection Book**

The debit agent's record book showing the amount collected on each policy, the week of the collection, and the policy period for which the premium has been paid.

### **Collection Commission**

A percentage of premiums collected which is paid to an agent as the commission on collections of debit life insurance premiums.

### **Collection Fee**

An industrial life insurance agent's fee which serves as compensation for making policy premium collections for which no commission is paid.

### **Collective Trust**

An investment option which is established for the collective investment of institutional investors (i.e., qualified pension plans).

### **College Retirement Equities Fund**

A separate organization affiliated with the Teachers Insurance Annuity Association. It introduces and sells a variable

annuity to college and university personnel.

### **Collegia**

Groups of associations in ancient Rome that were influential historically in the development of life insurance and pensions. They were the forerunners of mutual benefit societies or friendly societies.

### **Collision Coverage**

Physical damage protection for the insured's own auto for damage resulting from collision with another object or by upset. This is part of most automobile insurance policies.

### **Collision Insurance**

A form of automobile insurance that covers loss to the insured's own vehicle caused by its collision with another vehicle or object or its upset but not covering bodily injury or property damage liability arising out of the collision.

### **Collusion**

An agreement, usually secret, between two or more persons to defraud or deprive another or others of their property or rights.

### **Combinability**

Separate legal entities may be insured in one policy only if the same person, or group of persons, owns the majority interest in such entities. Classifications shall be applied separately to each legal entity.

### **Combination**

A term used to describe an agent, agency or insurer that sells both industrial life insurance and ordinary life policies.

### **Combination Annuity**

A contract which combines both the guarantees of a fixed annuity and the non-guarantees and investment risk of a variable annuity.

### **Combination Business Interruption Extra Expense Insurance**

A policy which provides both business interruption and extra expense coverages in a single contract. This has been replaced by the latest business income forms.

### **Combination Crime Coverage Plan**

Under the latest commercial lines program, two combination crime coverage plans are available. When written with separate limits option, any combination of a variety of coverages may be included at different limits and the insurance is similar to the earlier Comprehensive Dishonesty, Disappearance and Destruction (3-D) policy. When written with a single limit, major coverages are mandatory, optional coverages may be included, but one limit applies to all coverages purchased and the insurance is similar to the earlier Blanket Crime Policy.

### **Combination Plan**

In pensions this is a term applied to the combining of life insurance contracts with a fund called a side fund or auxiliary fund. The purpose is to increase the amount of money available for a pension or annuity at some future date.

### **Combination Plan Reinsurance**

A form of combined reinsurance which provides that in consideration of a premium, which is a fixed percentage of the ceding company's subject premium on the business covered, the reinsurer will indemnify the ceding company for the amount of loss of each risk in excess of a specified retention and subject to a specified limit and, after deducting the excess recoveries on each risk, the reinsurer will indemnify the ceding company against a fixed quota share percent of all remaining losses.

### **Combination Policy**

A policy made up of the contracts of two or more insurers in which each provides a different kind of insurance. This was once commonly used in automobile insurance when state law limited casualty companies to the writing of liability insurance and fire insurance companies to physical damage insurance. Combination policies are rarely written today.

### **Combined Annuity Mortality Table**

A mortality table which was published in 1928 for use in determining rates for group annuities.

### **Combined Ratio**

The sum of the Loss Ratio and the Expense Ratio. A company could be considered extremely well managed if it has developed a consistent combined ratio of less than 100 percent.

### **COMBINED RATIO**

Usually the sum of the incurred loss ratio and the expense ratio (and where applicable, the ratio of dividends to policyholders) to net premiums earned. It's important to remember that the incurred loss ratio is calculated using net earned premium and the expense ratio is calculated using net written premium. (Definitions may vary among different types of insurance or reinsurance companies.) A combined ratio under 100% generally indicates an underwriting profit. A combined ratio over 100% generally indicates an underwriting loss.

### **Combined Single Limit**

A single limit of protection for both Bodily Injury and Property Damage, contrasted with split limits which apply separately to Bodily Injury and Property Damage.

### **Commercial Automobile Insurance**

Insurance contract providing both liability and physical damage insurance. Standard coverages include: Bodily Injury and Property Damage, Medical Payments, Collision, Comprehensive, Towing and Uninsured Motorist.

### **Commercial Blanket Bond**

This type of bond covers the insured against the dishonesty of all regular employees. A single amount of coverage applies to any one loss, regardless of the number of employees involved in the loss.

### **Commercial General Liability**

A form of insurance designed to protect owners and operators of businesses from agreed upon liability exposures. These exposures may include liability arising out of accidents resulting from the premises or the operations of an insured, operations completed by the insured, and contractual liability.

### **Commercial General Liability Coverage Part**

General liability coverage which may be written as a monoline policy or part of a commercial package. "CGL" now means "commercial" general liability forms which have replaced the earlier "comprehensive" general liability forms. The latest forms include all sublines, provide very broad coverage, and two variations are available - "Occurrence" or "Claims-Made" coverage.

### **Commercial General Liability Insurance**

A simplified-language insurance policy providing coverage for businesses against the most typical liability exposures they face, i.e., bodily injury, property damage, advertising and personal injury arising out of premises, operations and products and completed operations of the insured.

### **Commercial Lines**

This term is used to refer to insurance for businesses, professionals, and commercial establishments.

### **COMMERCIAL LINES**

The various kinds of insurance which are written for businesses.

### **Commercial Multiple Peril Policy**

A package type of insurance for the commercial establishment that includes a wide range of essential coverages.

### **Commercial Package Policy**

A policy containing two or more of the following coverage parts: Commercial Property, Commercial General Liability, Commercial Crime, Commercial Inland Marine, Boiler and Machinery, or Commercial Auto.

### **Commercial Paper**

Short-term obligations with maturities ranging from two to 270 days issued by banks, corporations, and other borrowers to

investors with temporarily idle cash. Such instruments are unsecured and usually discounted, although some are interest-bearing.

### **Commercial Policy**

In health insurance, this term originally applied to policy forms intended for sale to individuals in commerce, as contrasted with industrial workers. Currently the term is loosely used to mean all policies that do not guarantee renewability.

### **Commercial Property Coverage**

Property coverage which may be written as a monoline policy or part of a commercial package.

### **Commingling**

An illegal practice which occurs when an agent mixes personal funds with the insured's or insurer's funds.

### **Commission**

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

### **COMMISSION**

In insurance, brokers and agents are usually compensated for production by the insurer paying them a certain percentage of the premiums paid. In reinsurance, the ceding company usually pays the reinsurer on a gross basis less a ceding commission to cover acquisition costs, taxes and overhead expenses.

### **Commission of Authority**

A document outlining the powers delegated to an agent by an insurer.

### **Commissioner**

The title of the head of the department of insurance in most states. In some states, the title Superintendent is used.

### **COMMISSIONER**

The head of a government insurance department or agency. The public officer charged with the supervision of the insurance business and the administration of insurance laws. May be referred to as "Superintendent" in some jurisdictions. May be part of a Ministry of Finance or similar department

### **Commissioner of Insurance**

The title of the head of most state insurance departments. In some states, the title Director or Superintendent of Insurance is used instead.

### **Commissioners' Disability Table**

A morbidity table approved by the National Association of Insurance Commissioners for use in setting legal minimums for disability income insurance policy reserves.

### **Commissioners' Industrial Extended Term Mortality Table**

An industrial mortality table approved by the NAIC for evaluation and computation of extended term insurance in industrial policies, where additional mortality margins are deemed necessary. This is a companion table to the CSI.

### **Commissioners' Standard Ordinary**

A mortality table approved by the NAIC as a standard for evaluation and for computation of nonforfeiture values for ordinary life policies.

### **Commissioners' Values**

An annual list of securities published by the NAIC. The values are to be used in recording security values on insurance company balance sheets.

### **Commodities**

Generic term for goods such as grains, foodstuffs, livestock, oil and metals that are traded on national exchanges.

### **Commodity Futures**

A contract providing for the delivery of a tangible asset at a specified future date and price. The commodities traded in futures markets include cocoa, copper, corn, eggs, frozen concentrated orange juice, lumber, oats, wheat and soybeans. Commodities futures are traded in order to profit from price changes, or provide cash flow to producers and shippers.

**Common Accident**

An accident in which two or more persons are injured.

**Common Carrier**

An individual or organization that offers its services to the public for carrying persons or property from one place to another for payment. A common carrier cannot refuse to carry goods for one customer as opposed to another.

**Common Disaster**

A situation in which the insured and the beneficiary appear to die simultaneously with no clear evidence of who died first.

**Common Disaster Clause**

A clause sometimes added to a life insurance policy that provides a means for the insurer to distribute the proceeds of the policy in the event of a common disaster.

**Common Law**

The unwritten law developed primarily from judicial case decisions based on custom and precedent. It developed in England and constitutes the basis for the legal systems of most of the states in the United States.

**Common Law Defenses**

Pleas that can defeat an injured worker's suit for injuries against the employer in the absence of a workers compensation law or employers liability legislation. The three defenses are contributory negligence, assumption of risk, and fellow servant rule.

**Common Law Liability**

Responsibility based on common law for injury or damage to another's person or property which rests on an individual because of the individual's actions or negligence. This is opposed to liability based on statutory law.

**Common Policy Conditions**

Under the latest commercial lines program, a form including six common conditions which apply to all coverage parts attached to a commercial policy.

**Common Policy Declarations**

Under the latest commercial lines program, a common declaration page which is part of every commercial policy. It shows information applicable to the entire policy (policy number, insurer, insured, total premium, forms attached, etc.). Each individual coverage part may also have its own declarations page.

**Common Stock**

An equity security that represents ownership in a corporation.

**Common Stock**

A security representing ownership of a corporation's assets. The right of common stock to dividends and assets is subordinate to the rights of bonds, preferred stocks, and other creditors. Generally, shares of common stock carry voting rights.

**Common Stock Fund**

An investment company whose portfolio consists primarily of common stocks. Such a company may, at times, take a defensive position in cash, bonds and other senior securities.

**Community Property**

Common or statutory law which holds that husband and wife are each entitled to 1/2 of the total earnings and the property of both parties to the marriage. It is applicable in Arizona, California, Idaho, Louisiana, Nevada, New Mexico, Texas and Washington state.

**Community Rating**

Under this rating system, the charge for insurance to all insureds depends on the medical and hospital costs in the community or area to be covered. Individual characteristics of the insureds are not considered at all.

**Commutation**

The exchange of one thing for another. In insurance it is usually the exchange of installment benefits for a lump sum.

**Commutation Clause**

A clause that provides for estimation, payment, and complete discharge of all future obligations for reinsurance loss or losses incurred, regardless of the continuing nature of certain losses. This clause is found particularly in Lloyd's treaties.

**Commutation Rights**

The right of a beneficiary to receive in one sum the unpaid payments remaining under an installment option which was selected for the settlement of the proceeds or values of a life insurance policy.

**Commute**

In insurance it means to determine as of a given date the single sum that is the equivalent of a series of sums due at various future dates, with allowances for interest that would have been earned on the unpaid portion of the series of payments.

**Commuted Value**

The amount of a single sum payment as determined under the definition of Commute.

**Company Edit Package**

A package of computer programs, tables and supportive documentation, constructed by ISO. Available to reporting carriers, for the purpose of data error detection and correction prior to submission to ISO.

**Comparative Negligence**

In some states the negligence of both parties to an accident is established in proportion to the degree of their contribution to the accident. Several states have comparative negligence laws, and each one varies somewhat from the others. This is in contrast to contributory negligence, which is a general common law rule.

**Compensation Related Loan**

A below market loan between an employer and employee.

**Compensatory Damages**

Damages recoverable or awarded for injury or loss sustained. In addition to actual loss or injury, this term may include amounts for expenses, loss of time, bodily suffering and mental suffering, but does not include punitive damages.

**Competency**

This is one of the elements that must be present in order to have a legal contract. It relates to the fitness or ability of either of the parties to the contract. An example of incompetency would be an alcoholic or a mental incompetent.

**Competitive Medical Plan**

This refers to permission given by the federal government that allows an organization to write a Medicare risk contract.

**Competitive Rating**

When used in the context of workers compensation, it refers to states where insurers adopt and file their own independent rates.

**Competitive State Fund**

These are workers' compensation markets established by states to enhance competition and availability in the marketplace. Usually, but not always, serves as the market of last resort.

**Completed Operations Insurance**



A form of insurance issued particularly to various types of contractors. It covers a contractor's liability for accidents arising out of jobs or operations that have been completed.

### **Completion Bond**

This is a bond issued to a mortgagee. It guarantees that the construction for which the mortgagor has borrowed money will be completed and will be able to serve as collateral for the mortgage upon completion.

### **COMPLETION FACTOR**

Term used when developing IBNR - it indicates a percentage of the ultimate claims that have been paid so far in relation to a specific incurral year.

### **Composite Rate**

A single rate with a single basis of premium, e.g., payroll or sales. For this single rate the insured is covered for a variety of hazards, such as premises and operations, completed operations, products liability, and automobile. Its primary value is to make it simpler for the policy's premium to be computed.

### **COMPOSITE RATE**

A single average rate used for all persons covered in the same policy or classification within a policy. Composite premium rates are calculated by averaging the applicable individual premium rates. Keep in mind that if the assumptions used when calculating composite premium rates are inaccurate the product will either be over-priced or under-priced. This is a common occurrence and has to be avoided when possible.

### **Composite Rating**

A method of computing a single special rate using an exposure base which is different from the manual or 'usual' exposure base for the class. A single rate is computed based on an exposure base specially selected for convenience (e.g., sales or payroll), and which serves as a representative substitute for the 'true' exposure base of the risk. The exposure base chosen for rating, therefore, reasonably reflects variations in insurable hazards for the coverages provided. Composite rating allows for ease in handling and a lessening of administrative costs for the insured.

### **Composition Roof**

A roof of either asbestos or asphalt shingles. The term is most frequently used in connection with construction factors used in determining the rate for property insurance.

### **Comprehensive Coverage**

Automobile 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 General Liability**

A policy covering a variety of general liability exposures, including premises and operations (OL&T or M&C), completed operations, products liability, and owners and contractors protective. Contractual liability and broad form coverages could be added. In most jurisdictions, the "Comprehensive" General Liability policy has been replaced by the newer "Commercial" General Liability (CGL) forms which include all the standard and optional coverages of the earlier forms.

### **Comprehensive Glass Insurance Policy**

A policy which covers the insured against loss by breakage of glass from almost any peril. Fire is usually excluded because it is covered under any basic property policy, and war is excluded. This policy has largely been replaced by a new commercial form.

### **Comprehensive Major Medical**

A plan of insurance which has a low deductible, high maximum benefits, and a coinsurance feature. It is a combination of basic coverage and major medical coverage which has virtually replaced separate hospital, surgical and medical policies with each having its own deductible requirements.

### **Comprehensive Major Medical Insurance**

A medical insurance plan that combines basic hospital, surgical, and medical expense coverage with traditional major medical protection to form a single policy.

**Comprehensive Personal Liability**

This coverage protects individuals and families from liability for nearly all types of accidents caused by them in their personal lives as opposed to business lives. It is most commonly a part of the protection provided by a Homeowners policy.

**Comprehensive Personal Liability Insurance**

Protection for an insured against loss arising out of his/her legal liability to pay money for damage or injury (s)he has caused to others. This does not include automobile liability or business operations.

**Comprehensive Policy**

In automobile and liability insurance, this is an open perils (all risk) coverage with certain named exclusions.

**Compromise and Release Agreement**

A settlement practice under which an injured worker agrees to a compromised liability amount (usually a lump sum) in exchange for releasing the employer from further liability.

**Compulsory Insurance**

Any form of insurance required by law. For example, some states have compulsory automobile insurance laws, some have compulsory disability benefits laws, etc.

**Computation Base Years**

A calculation which is the total of the computation elapsed years less the five lowest earnings years for Social Security tax purposes.

**Computation Elapsed Years**

The total number of years since 1950 or attainment of age 21, if later, up to age 62, during which Social Security taxes have been paid.

**Computer Fraud**

Fraudulent theft or transfer of money, securities or other property resulting from the use of any computerized equipment or systems.

**Computer Fraud Coverage Form**

A commercial crime coverage form that protects against loss of money, securities, and property other than money and securities resulting from computer fraud.

**Concealment**

The failure to disclose a material fact.

**CONCENTRATION**

Concentration is the exposure or amount of a potential net loss that is located in the same proximity and consequently subject to the occurrence of an event that could cause large losses. Examples include air travel exposure, employees in a building, passengers on cruise ships, buses, and similar.

**Concurrent Causation**

A term referring to two or more perils acting concurrently (at the same time or in sequence) to cause a loss. This created problems for property insurers when one of the perils was covered and one was not, and it led to recent revisions in policy language.

**Concurrent Insurance**

Two or more policies with the same conditions and coverages that cover the same interest in the same property. If an insured has two or more property insurance policies, the policies should be concurrent (similar) or the property will not be insured properly if the policies are not concurrent (similar).

**Concurrent Review**

A case management technique which allows insurers to monitor an insured's hospital stay and to know in advance if there are any changes in the expected period of confinement and the planned release date.

### **Conditional Binding Receipt**

This is the more exact terminology for what is often called a binding receipt. It provides that if a premium accompanies an application, the coverage will be in force from the date of application or medical examination, if any, whichever is later, provided the insurer would have issued the coverage on the basis of the facts revealed on the application, medical examination and other usual sources of underwriting information. A life and health insurance policy without a conditional binding receipt is not effective until it is delivered to the insured and the premium is paid.

### **CONDITIONAL RECEIPT**

Normally in agency-produced business, a receipt, given for payment of premium with the application, which binds the company on the contract if the risk is approved as applied for, and the full first term premium is paid.

### **Conditional Sales Floater**

A type of policy designed to cover property that has been sold on an installment or conditional sales basis. It covers the interest of the seller.

### **Conditional Vesting**

A form of vesting in a contributory pension plan under which entitlement to a vested benefit is conditional upon nonwithdrawal of the participant's contribution.

### **Conditionally Renewable**

A contract that provides that the insured may renew it to a stated date or an advanced age, subject to the right of the insurer to decline renewal only under conditions stated in the contract.

### **Conditions**

These are provisions of an insurance policy which state either the rights and duties of the insured or the rights and duties of the insurer. Typical conditions have to do with such things as the insured's duties in the event of loss, cancellation provisions, and the right of the insurer to inspect the property.

### **Condominium Association Coverage Form**

A commercial property form designed to cover the joint insurance needs of members of a condominium association who collectively own commercial property.

### **Condominium Unit Owners Coverage Form**

A commercial property form designed to cover the individual needs of commercial (not residential) condominium unit-owners.

### **Confining**

A form of disability or sickness that confines the insured indoors, usually at home or in a hospital. Many policies state that coverage is afforded only if the insured is confined.

### **Consent Order**

A disciplinary action in which the party at fault (usually an insurance company or agent) agrees to discontinue a particular practice (usually an unfair trade or claims practice) through a written agreement with the Insurance Department. Consent orders (also known as consent decrees) may or may not involve a fine.

### **Consequential Loss (or Damage)**

(1) An indirect loss arising out of the policyholder's inability to use the property over a period of time, as opposed to a direct loss that happens almost instantaneously. Business interruption, extra expense, rents insurance, and leasehold interest are the most common coverages included under the category of consequential loss coverages. (2) A loss not directly caused by a peril insured against, such as spoilage of frozen foods caused by fire damage to the refrigeration equipment.

### **Consequential Losses**

Indirect losses; (i.e., those that occur in connection with or as a result of the direct or main loss). Some policies cover only direct losses, others cover both direct losses and indirect losses.

**Conservation**

The insurance company's efforts to prevent current policies from lapsing.

**Conservator**

Someone appointed to manage an insurer deemed by law or court action to be in danger of failure.

**Consideration**

The exchange of values on which a contract is based. In insurance, the consideration offered by the insured is usually the premium and the statements contained in the application. The consideration offered by the insurer is the promise to pay in accordance with the terms of the contract.

**CONSIDERATION**

A legal term from the Law of Contracts for one of the three conditions necessary for a valid contract: Offer, Acceptance, and Consideration made on the Application and payment of premium.

**Consignee**

This is a person to whom materials or goods are delivered for resale. The consignee pays the owner after the goods have been sold.

**Consolidated Omnibus Budget Reconciliation Act of 1986**

A federal legislation providing for a continuation of group health care benefits under the group plan for a period of time when benefits would otherwise terminate.

**Consortium**

The companionship of a spouse. If a spouse is injured through the fault of another, part of the damages could include the value of the spouse's services or companionship which was lost due to the accident.

**Conspiracy**

A combination of two or more persons that by concerted action seek to accomplish an unlawful purpose or to accomplish a lawful purpose by unlawful means.

**Construction Bond**

This bond protects the owner of a building or other structure under construction in case the contractor cannot complete the job. If the contractor defaults, the insurer is obligated to see that the work is completed.

**Construction Classes**

A factor that affects property rates. Construction refers to the types of materials with which the building is made. There are six construction classes including: frame, joisted masonry, non-combustible, masonry non-combustible, modified fire resistive and fire resistive.

**Constructive Delivery**

Intentionally relinquishing control over a policy and turning it over to someone acting for the policyowner, such as when an insurer mails the policy to its own agent for delivery to the policyowner. Legally, an insurance policy is considered delivered when mailed or turned over to the policyowner or someone acting on his or her behalf.

**Constructive Performance**

A situation in which an act has not actually been completed but conduct has gone so far as to show intent to complete the act.

**Constructive Total Loss**

A partial loss of sufficient degree to make the cost of repairing the damaged property more than the property is worth. For example, an old automobile might suffer damage which could be repaired, but the cost of repairs would be more than the actual cash value of the automobile.

**Consumer Credit Insurance Association**

A trade association for insurers of credit insurance in the areas of life and health.

**Consumer Price Index**

Measure of changes in the cost of consumer goods (housing, food, transportation, medical care, entertainment, etc.). The U.S. Department of Labor calculates the index each month from the cost of items in urban areas across the nation.

**Consumer Protection Act**

A law passed by many states which protects a policyholder from the misconduct, misrepresentation, or "sharp" trade practices of insurers, brokers, and agents.

**Consumer Report**

A report ordered on an insured or applicant under which information about the person's credit, character, reputation, personal characteristics or lifestyle is obtained primarily through institutional sources. Contrast with Investigative Consumer Report.

**CONTACT RATE**

Contacted Number divided by Leads.

**Contents Rate**

The fire insurance rate on the contents of a building rather than on the building itself.

**Contents Risk**

The property of an insured which is described by a single occupancy classification code and is located within a single building risk.

**Contestable Clause**

A provision in an insurance policy setting forth the conditions under which or the period of time during which the insurer may contest or void the policy. After that time has lapsed, normally two years, the policy cannot be contested.

**CONTESTABLE PERIOD**

A clause in the insurance policy that provides a time limit on the insurer's right to dispute a policy's validity based on material misstatements made in the application.

**CONTINENTAL SCALE**

A long table or schedule of permanent losses resulting from accidental bodily injury. Unlike the US type Dismemberment scale, the Continental Scale includes benefits for permanent loss of use as well as dismemberment. The Continental Scale also provides benefits for many more parts of the body. Continental Scale is also known as Permanent Invalidity or Permanent Disablement.

**Contingency Reserve**

A reserve in an insurer's annual statement, in addition to the legal requirements, to provide for unexpected contingencies or losses.

**Contingent (or Profit) Commission**

An allowance payable to the ceding insurer, in addition to the normal ceding commission, based on the net profit derived from a reinsurance treaty.

**Contingent Annuitant**

A person(s) named to receive annuity benefits if the primary annuitant is deceased at the time benefits become payable.

**Contingent Annuity**

An annuity in which payment of benefits is contingent upon the occurrence of an uncertain event, such as death of a person not an annuitant. For example, an annuity might be purchased to pay benefits to a wife in the event of the death of her husband.

**Contingent Beneficiary**

A person(s) named to receive policy benefits if the primary beneficiary is deceased at the time the benefits become payable.

**CONTINGENT BENEFICIARY**

(also known as PROFIT COMMISSION) - In reinsurance, an amount payable to the ceding company in addition to the normal ceding commission allowance. It is a predetermined percentage of the reinsurer's net profits derived from the subject treaty. When this type of payment is included under an insurance policy (vs. reinsurance) it is usually referred to as profit-sharing or experience-rating refund. In A&H it is not very common to include profit-sharing to policyholders but it may be available for very large groups or programs.

**Contingent Business Interruption Insurance**

Coverage for the loss of earnings of an insured because of a loss to another business which is one of the insured's major suppliers or customers. This insurance is now known as business income from dependent properties.

**Contingent Fund**

A reserve to cover possible liabilities resulting from an unusual happening.

**Contingent Interest**

An interest in personal property which is dependent upon some future event.

**Contingent Liability**

A liability imposed because of accidents caused by persons other than employees for whose acts an individual, partnership or corporation may be responsible. For example, an insured who hires an independent contractor can in some cases be held liable for negligence.

**Contingent Modification**

A contingent modification may be issued by the rating organization when unsuccessful in obtaining the unit statistical data to promulgate an experience modification or a record of coverage is not available for an experience period.

**Contingent Trust**

A revocable living trust that only becomes operational upon a specified occurrence or contingency.

**Contingent Vesting**

In pensions, a form of vesting under which entitlement to a vested interest is conditional upon circumstances surrounding the employee's termination of service or conduct after termination.

**Continuation**

Allows terminated employees to continue their group health insurance coverage under certain conditions.

**Continuing Care Retirement Communities**

Residential communities set up to provide residents with easy access to health care.

**Continuing Education Requirement**

State-level requirement that insurance licensees periodically complete a minimum number of hours of insurance-related education in order to be eligible for license renewal.

**Continuous Improvement Framework**

Establishes the skills, discipline and technical competence in the organization that provides it with the structure and capability to consistently devise programs that enable it to perform better, using the PMP/Six Sigma methodology. In some cases, an organizational unit will be set up that is responsible for monitoring core performance metrics, assessing sigma levels, and initiating improvement projects.

**Continuous Premium Whole Life Policy**

A whole life policy that stretches the premium payments over the insured's lifetime (to age 100). Also known as Straight Life. Compare with Limited Payment Whole Life and Single Premium Whole Life.

**Contract**

In insurance, the agreement by which an insurer agrees, for a consideration, to provide benefits, reimburse losses or provide services for an insured. A 'policy' is the written statement of the terms of the contract.

**Contract**

(1) An agreement entered into by two or more persons under which one or more of them agree, for a consideration, to do or refrain from doing acts in accordance with the wishes of the other party(s). (2) In insurance, the agreement by which an insurer agrees, for a consideration, to provide benefits, reimburse losses or provide services for an insured.

**Contract Bond**

A guarantee of the faithful performance of a construction contract and the payment of all material and labor bills incidental thereto. A bond covering faithful performance only is known as a Performance Bond, and one covering payment of labor and materials only is a Payment Bond.

**Contract Carrier**

A transportation company which carries the goods of only certain customers and not the public in general, as in the case of a common carrier.

**Contract of Adhesion**

A contract that one party must accept or reject in toto, without bargaining over the wording. An insurance contract is an example, since the contract is developed by the insurer, and the insured must accept it as it is.

**Contract of Insurance**

The contract whereby an insurer agrees to indemnify an insured for losses, provide other benefits, or render services to or on behalf of the insured. The contract of insurance is often called an insurance policy, but the policy is merely the evidence of the agreement.

**Contract Year**

This period runs from the effective date to the expiration date of the contract.

**Contractual (or Assumed) Liability Insurance**

This insurance protects the insured in the event a loss occurs for which the insured has assumed liability, express or implied, under a written contract. For example, under most construction agreements with a municipality, the contractor agrees to "hold the municipality harmless" for any accidents arising out of the job. Contractual liability insurance would thus protect the contractor from any loss for which the municipality would be liable in connection with the construction.

**Contractual Liability**

Specific coverage assumed under a written contract or agreement over and above the liability imposed by law and provided by the basic liability policy. Example: A builder or contractor may be required to assume responsibility for all liability of a municipality, before being allowed to use city streets, sidewalks, or other public property or facilities in connection with his operations. Thus he/she assumes additional responsibility and therefore must 'contract' additional coverage by means of contractual liability form.

**Contributing Location**

A location upon which the insured depends as a source of materials or services. One of the four types of dependent properties for which business income coverage may be written.

**Contribution**

(1) The share of a loss payable by an insurer when contracts with two or more insurers cover the same loss. See also Apportionment. (2) The insurer's share of a loss under a coinsurance or similar provision. (3) The amount of the premium for group insurance or a pension plan paid by the employee.

**Contribution Formula**

As used under a qualified profit-sharing trust or money-purchase plan, the formula which spells out when and in what amounts the employer will make contributions to the trust.

**Contributory**

A general term used to describe a plan of employee coverage in which the employee pays at least part of the premium.

**CONTRIBUTORY**

A plan of insurance in which all or part of the cost is paid by the insured. (The opposite: non-contributory.) These words or conditions are usually used in group or employee benefit insurance. E.g. an employer may pay 75% of the employees' premium but the employees' have to pay the other 25%. Or, the employer may pay all of the employees' premiums but the employees' have to pay the premium to include their eligible family members.

**Contributory Negligence**

If an injured party fails to exercise proper care and in some way contributes to his or her injury, the doctrine of contributory negligence will probably negate or defeat the claim, even though the other party is also negligent. Contrast with Comparative Negligence.

**Contributory Retirement Plan**

One in which the participant pays part of the cost of purchasing the annuity or building up the fund from which benefits are paid.

**Control**

(Performance) DMAIC phase C; once solutions have been implemented, ongoing measures track and verify the stability of the improvement and the predictability of the process. Often includes process management techniques and systems including process ownership, cockpit charts and/or process management charts.

**Control**

Authority given to an agent or broker by a policyowner to place the insurance where the agent or broker sees it.

**Control Provision**

A policy provision found most frequently in juvenile contracts, providing that ownership control is to be exercised for a stated or indefinite duration by a person other than the one whose life is insured.

**Controlled Business**

This term refers to the amount of insurance countersigned, issued or sold by a producer covering the life, property or interests of that producer, members of the producer's immediate family, or the producer's employer or employees. Many states limit the amount of controlled business that may be written, and if the premium or commissions on controlled business exceed a given percentage (usually 50%) of all business, the producer's license may be suspended, revoked, or not renewed.

**Controlled Insurance**

An insurance account that an agent or broker can control by influencing the buyer, as contrasted with controlling it by actual agreement.

**Convention (or Statement) Blank**

The uniform annual financial statement required by all United States insurance jurisdictions as prescribed by the National Association of Insurance Commissioners. It must be filed annually in an insurer's home state and every state in which it is licensed to do business. Nearly all insurance accounting practices are geared to it.

**Convention Values**

Values assigned to insurers' assets in the convention blank.

**Conversion**

(1) Wrongful use of property by one in lawful possession of it. (2) Change of one policy form to another, usually without evidence of insurability. This usually refers to life or health insurance contracts.

**Conversion Fund (Supplemental)**

A fund used with ordinary life or limited payment life which augments the cash value at retirement to provide monthly



retirement income.

### **Conversion Privilege**

This is the right of an individual to convert a group health or life policy to an individual policy should the individual cease to be a member of the group. Usually this can be done without a physical examination.

### **Conversion Rate**

Percentage of people who pay the first premium installment after the policy is issued, and expressed as a percentage of the total number of applications issued.

### **CONVERSION RATE**

Percentage of potential customers, or the percentage of those responding to an offer, that become buyers.

### **CONVERTED NUMBER**

Number of people who pay the first premium installment after the policy is issued.

### **Convertible**

A policy that may be changed to another form by contractual provision and without evidence of insurability. Most term policies are convertible into permanent insurance.

### **Convertible Collision Insurance**

Automobile collision insurance with a deductible that, after claims exceeding the deductible have been paid, converts to full coverage for all losses thereafter. Rarely written today.

### **Convertible Securities**

Securities carrying the right (either unqualified or understated conditions) to exchange the security for other securities of the issuer. Most frequently applies to preferred stocks or bonds carrying the right to exchange for given amounts of common stock.

### **Cooperative Insurance**

Insurance issued by a mutual association such as a fraternal society, an employee association, an industrial association, or a trade union.

### **Cooperative Processing**

Different processing functions which reside on different machines; each machine does the part of the system it can do best.

### **Coordination of Benefits**

A group policy provision which helps determine the primary carrier in situations where an insured is covered by more than one policy. This provision prevents an insured from receiving claims overpayments.

### **Copay**

This is an arrangement where the covered person pays a specified amount for various services and the health care provider pays the remainder. The covered person usually must pay his or her share when the service is rendered. Similar to coinsurance, except that coinsurance is usually a percentage of certain charges where the co-payment is a dollar amount.

### **Copay Provision**

Often used with major medical policies. The copay provision states what percentage of a claim the company will pay and what percentage the insured will pay. For example, an 80% copay provision would provide that the insurer pay 80 percent of claims and the insured pay 20 percent.

### **Corporate Accident Plans**

The Basic AD&D, Voluntary AD&D, and Group Travel lines of business.

### **Corporate Bond**

A debt security issued by a corporation at a given rate of interest for a specified term, usually in units with a par value of \$1,000.

### **Corporate Owned Life Insurance**

A general term applied to any life insurance purchased and owned by a corporate entity to meet corporate employee benefit funding obligations. Depending upon the intended financial outcome, these programs may include many different life insurance products and product designs.

### **Corporation**

A business entity which has a legal identity as itself, separate from the legal identities of its owner(s), and authorized by law to act as a single person with various rights and duties as prescribed by law.

### **Correlation Coefficient**

A number that expresses the amount of similarity or dissimilarity in behavior between two asset classes.

### **Corridor**

In universal life insurance, it is necessary to maintain a certain level of pure insurance protection in excess of the accumulation value in order to qualify as life insurance for income tax purposes. This portion of the pure insurance protection is called a "corridor."

### **Corridor Deductible**

A major medical provision that provides for a deductible, or "corridor," that applies after full payment of basic hospital and medical expenses up to a stated amount, and before additional expenses are shared on a coinsurance basis. For example, a policy might pay 100% of the first \$2,000 of expenses, followed by a \$500 corridor deductible paid by the insured, followed by a sharing of additional expenses on the basis of 80% payable by the insurer and 20% payable by the insured.

### **CORRIDOR DEDUCTIBLE**

A deductible amount between the benefits paid under a basic plan and those payable under a supplemental plan. The deductible amount is applied after the basic benefits have been used before any benefits are payable under the supplemental plan.

### **Cosmetic Procedures**

Procedures which improve the appearance, but are not medically necessary.

### **Cost Basis**

Money which has already been taxed; used in reference to taxation of investment dollars.

### **Cost Contract**

An agreement between a provider and the Health Care Financing Administration to provide health services to covered persons based on reasonable costs for service.

### **Cost of Insurance**

A value or cost of the actual net protection, in life insurance, in any year (face amount less reserve) according to the yearly renewal term rate used by an insurance company.

### **Cost of Insurance Charge**

Another term to describe the charge for the pure insurance protection element of a life insurance contract. It is also known as the Mortality Charge.

### **COST OF LIVING ADJUSTMENTS**

An increase in a disability benefit or life income benefit to compensate for an increase in the cost of living.

### **Cost of Living Benefit**

An optional disability benefit where the monthly benefit will be increased annually once the insured is on claim for 12 months.

**COST PER CONTACT OR COST PER UNIT (CPU)**

This is the total cost of preparing and making the offer to each person, rounded to the nearest cent and calculated by taking total marketing cost excluding commission and dividing it by the number mailed/contacts - Marketing Costs divided by Leads.

**COST PER RESPONSE**

The actual cost of a campaign of individuals that initially respond to the offer.

**Cost Per Unit**

This is the total cost of preparing and making the offer to each person, rounded to the nearest cent and calculated by taking the total marketing cost excluding commission and dividing it by the number mailed/contacts. Marketing costs include all of the costs associated with the preparation of the solicitation and the fulfillment kit, including the following: concept, design, and layout costs, paper/envelopes, business reply or other permit costs, printing, insertion, list rental, postage/delivery costs, gift/incentive costs, the salaries of any temporary personnel, the cost of writing telemarketing scripts and the cost of temporary telemarketing staff or external telemarketing personnel.

**Cost Sharing**

A situation where covered persons pay a portion of the health costs such as deductibles, coinsurance, or copayment amounts.

**Cost-of-Living Rider**

Designed to adjust policy benefits in relation to the change in the economic climate. The majority of such riders are tied to changes in the Consumer Price Index (CPI). The amount of insurance may be automatically increased, without evidence of insurability, at predetermined periods for a maximum amount.

**Countersignature**

The signature of a licensed agent or representative on a policy.

**Countersignature Law**

Refers to the laws which most states have requiring that any insurance contract in a state be countersigned by a representative of the insurer located in that state.

**Countrywide Rates**

For each major division of the Commercial Lines Manual, a section called "Countrywide Rates" contains rates and minimum premiums. State rates are used for coverages for which there are no countrywide rates, or to modify countrywide rates.

**Countrywide Rules**

For each major division of the Commercial Lines Manual, a section called "Countrywide Rules" contains rules and rating factors applicable to coverages in that division.

**Coupon Policy**

A life insurance policy, usually 20-pay life or some other limited payment period, with attached coupons that may be cashed in for a specified amount at the time of the payment of each annual premium.

**Court Bond**

Any bond required of a litigant to enable him or her to pursue a remedy in court.

**Cover**

(1) A contract of insurance. (2) To effect insurance, that is, to "cover" an insured, for instance, for automobile insurance effective as of a given time. (3) To include within the coverage of a contract of insurance. For example, one could "cover" additional buildings under a property insurance contract.

**Cover Note**

A written statement issued by an intermediary, broker, or direct writer of reinsurance that indicates coverage has been

affected. A cover note, acts much in the same way as a binder - outlining coverage in general terms with, perhaps, selected terms and conditions. Compare Certificate of Reinsurance and Master Certificate of Reinsurance.

### **COVER NOTE**

A document issued by an agent or a broker that tells the insured that the agent or broker has effected the insurance described therein. Since there are often delays in issuing formal policies, a cover note gives the insured a description of what insurance has been put into effect.

### **Coverage**

The scope of the protection provided under a contract of insurance.

### **COVERAGE**

The guarantee against specific losses provided under the terms of the policy. Also called "protection". Extent of hazards covered such as "24 Hour" versus Business Travel. Other examples: scheduled air, common carrier, specified activity, etc.

### **Coverage A**

Prior to 1984, the section in the standard workers compensation policy that provided the statutory workers compensation coverage. The 1984 policy revision changed "Coverage A" to "Part I".

### **Coverage B**

Prior to 1984, the section in the standard workers compensation policy that provided Employers' Liability Coverage. The 1984 policy revision changed "Coverage B" to "Part II."

### **Coverage Part**

Comprises the declarations, forms and endorsements used for each commercial line.

### **Coverage Trigger**

A mechanism that determines whether a policy covers a particular claim for loss. For example, the difference between the coverage triggers of liability "occurrence" forms and "claims made" forms is that loss must occur during the policy period in the first case and the claim must be made during the policy period in the second case.

### **Covered Expenses**

Health care expenses incurred by an insured or covered person that qualify for reimbursement under the terms of a policy contract.

### **Covered Loss**

Illness, injury, death, property loss, legal liability, or any other situation or loss for which an insurance company will pay benefits under a policy when such event occurs.

### **Covered Person**

An insured person under a contract of insurance.

### **CPA-COST PER ACQUISITION**

Marketing Costs divided by Converted Number.

### **CPM-COST PER THOUSAND**

Common rate for list rentals when fee is based on every 1,000 names rented to telemarketers or other direct marketers.

### **Crash Coverage**

A type of coverage which is optional under an aviation policy. It provides coverage for damage to an airplane caused by a crash, and is usually referred to as Hull coverage or physical damage coverage.

### **Credentialing**

This involves approving a provider based on certain criteria to provide or participate in a health plan.

**Credit and Mortgage Life**

Administration and total claims processing system for credit life and credit A&H.

**Credit Card Forgery**

This protects the insured against losses caused by forgery in the use of credit cards or the alteration of them or of any other written instruments connected with them.

**Credit Carried Forward**

The transfer of credit or profit from one accounting period to another under a Spread Loss or other form of long-term reinsurance.

**CREDIT CARRY- FORWARD**

The transfer of credit or profit from one accounting period, under a spread loss or other form of long-term reinsurance treaty, to the succeeding accounting period. CRM – CUSTOMER RELATIONSHIP MANAGEMENT - CRM is a

**Credit Carryover**

Each year an employer is allowed to contribute 15% of payroll towards a profit-sharing plan and deduct it from taxable income. If the contribution is less than 15% in a particular year, the unused percentage can be made up in succeeding years. However, deductible contributions are limited to a total amount not greater than 25% of the participants' payroll: 15% for the current year's contribution plus 10% for credit carryover.

**Credit Health Insurance**

A group disability income insurance contract whereby a creditor is protected in the event of the total disability of a debtor. The policy will pay benefits equal to the monthly installment of the debtor.

**Credit Insurance**

A guarantee to manufacturers, wholesalers, and service organizations that they will be paid for goods shipped or services rendered.

**Credit Insurance**

Insurance coverage that makes loan payments on behalf of the borrower in the event of default due to specific reasons (e.g., job loss, physical disability, illness).

**Credit Life Insurance**

Term life insurance providing for payment of a loan, installment purchase, or other obligation in case of death. In the Philippines, if collateral is involved, this is also known as mortgage redemption insurance.

**Credit Report**

A confidential report made by an independent individual or organization that has investigated the reputation and record of an applicant for insurance. Also called Consumer Report.

**CREDITIBILITY**

The measure of credence or belief which is attached to a particular body of statistical experience for ratemaking purposes. Generally, as the body of experience increases in volume, the corresponding credibility also increases. This term would frequently be defined in terms of specific mathematical formulas.

**Creditor**

The person to whom a debt is owed.

**Crime**

A public wrong, a violation of criminal law. The state is the entity that brings charges against one who commits a crime, and the matter is adjudicated in a criminal court. Contrast with Tort.

**Criticism**

A correction suggested by a rating or auditing bureau to an insurer.

## **CRM-CUSTOMER RELATIONSHIP MANAGEMENT**

CRM is a strategy used by AIG to develop its relationship with existing customers beyond the point of sale; its goal is to better understand their customer preferences and needs as well as their buying life cycle. Tools used in the CRM platform are the OOC initiative as well as the technology system Quickstart (please refer to the definition of two terms in the glossary).

## **Cromie Rule**

A method or guide used to apportion losses under policies which are nonconcurrent, that is, not identical as to coverage provided.

## **Crop Insurance**

Provides protection against damage to growing crops by such perils as hail, windstorm, and fire. Traditionally, crop-hail coverage was the most common coverage sold. In recent years premiums for broad multi-peril crop insurance (MPCI) have exceeded those for the crop-hail business.

## **Cross Purchase**

A form of business life insurance in which each party to a mutual agreement (usually to buy out a disabled or deceased co-owner) insures each of the other parties.

## **Cross Purchase Agreement**

A binding buy-sell agreement usually used with a partnership in which each partner agrees to purchase the business interest of a deceased or disabled partner.

## **Cross-Sell**

The offer of a different insurance product to a current policyholder.

## **CROSS-SELL**

The offer of a different insurance product to a current policyholder.

## **Crude Death (or Mortality) Rate**

The ratio of total deaths to total population during any given period.

## **Crummey Privilege**

The annual withdrawal privilege offered by a trust to trust beneficiaries in order for the trust property to remain qualified for the gift tax exclusion.

## **CSP Commercial Statistical Plan**

ISO requirement for data reporting for all commercial lines of business.

## **Cumulative Liability**

(Reinsurance) The accumulation of the liability of a reinsurer that has been assumed under several policies from several ceding companies covering different lines of insurance, all of which are involved in a common event or disaster.

## **Cumulative Liability**

(Surety) The liability of a surety bonding company for the accumulation of loss under its own bond and under a bond which it replaced before a loss under the replaced bond was discovered.

## **CUMULATIVE LIABILITY**

The total of the limits of liability of all insurance policies that an insurer has outstanding on a risk. Such limits include ceding contracts from all insurers representing all lines of coverage for the single risk.

## **Current Disbursement**

The funding and disbursement of pension benefits as they become due. Also known as "pay-as-you-go." In the long run, this is the most costly method of funding pension plans.

## **Current Future Service**

The amount of pension payable for each year of future participation in the pension plan.

**Current Ratio**

The ratio of current assets to current liabilities. Bond underwriters like this ratio to be 2 to 1 on the balance sheets of contractors for whom they are considering contract bonds.

**Current Service Benefit**

The portion of a participant's pension benefit that relates to credited service in a contemporary period, usually 12 months.

**Current Service Cost**

The cost in a pension plan to make provision for annuity credits earned by employees in the current year.

**Current Value**

The fair market value of a security or other property as determined by the trustees or a named beneficiary, according to the terms of the plan.

**Current Yield**

Annual return on a bond, computed by dividing the annual coupon rate by the market price. Current yield equals the coupon rate for bonds purchased at par and exceeds it for bonds purchased at discount.

**Currently Insured Status**

A provision of OASDHI. The requirements for being "currently insured" are less than those for being "fully insured," and the former entitles a worker's dependents to survivor benefits in the event of the worker's death. Contrast with Fully Insured.

**Custodial Care**

Care that is primarily for meeting personal needs such as help in the activities of daily living (bathing, dressing, eating, taking medicine etc.). It can be provided by someone without professional medical skills or training but must be according to doctor's orders.

**Custodian**

Under commercial crime insurance coverages, the named insured or any of the insured's partners or employees while having care and custody of insured property inside the insured's premises.

**Custom House Bonds**

Bonds required by U.S. customs in connection with the payment of duties or the production of bills of lading.

**Customary Charge**

Used to determine Medicare benefit amounts, this usually means the average fee charged for a particular medical service in the geographical area in the preceding year.

**Customer Service Group**

The organizational unit within a country's Operations function that takes on responsibility for technical underwriting, administration and processing for all business that is basic to medium in terms of underwriting complexity; the CSG's focus is on processing efficiency and customer service and it includes sub-units that deal with technical underwriting, customer service, document processing, call center activities and telemarketing activities.

**Cut Rate**

This term generally applies to insurance companies who charge premiums below a normal or average rate.

**Cut-Off**

The termination provision of a reinsurance contract stating that the reinsurer shall not be liable for loss as a result of occurrences taking place after the date of termination.

# D

**D Ratio**

The D (discount) ratio is the factor used in experience rating to determine the amount of expected loss for each classification that are expected primary losses.

**DAC - DEFERRED ACQUISITION COST**

Expenses (primarily marketing cost) related to the production of new business that are deferred and amortized to achieve a matching of revenues and expenses when reported in financial statements prepared in accordance with GAAP.

**Daily Report**

An abbreviated statement of pertinent policy information with copies for the insurer, the agent, and others. It is usually the top page of a policy.

**Damages**

The amount required to pay for a loss.

**Data Processing Coverage**

A special form providing protection for loss due to the breakdown of data processing systems. It also includes coverage for the additional expense of putting the system back into operation.

**Date of Issue**

The date stated in a policy as the date on which the contract was issued by the insurer. This is not necessarily the effective date of the policy.

**Date of Service**

The date that the health service was provided.

**DBG General Ledger**

The DBG General Ledger system records all the accounting transactions so as to provide data for management and regulatory reporting. All DBG profit center premiums, losses and expenses flow through this system.

**Death Benefit**

The amount stated in a policy contract as payable upon the death of the person whose life is being insured (cesti que vie).

**Death Benefit Only Plan**

A plan in which part of an employee's salary is deferred and paid upon the contingency of death.

**Death Repatriation**

If the Insured dies during the Insured Journey, the company must be contacted to verify, approve and arrange to return the body to the country stated in the Schedule of Benefits. The company will pay the reasonable covered expenses incurred up to the amount stated in the Schedule of Benefits. Covered expenses include, but are not limited to, expenses for embalming, cremation, coffins and transportation. This benefit does not include the transportation expenses of any person accompanying the body.

**Debenture**

A bond that is backed only by the general credit of the issuer.

**Debit**

(1) The amount of premium charged or debited to an agent to be collected. (2) The book of business represented by such premiums. (3) The territory where most of the insureds are located. (4) The total number of individual or home service insureds assigned to a given agent for collection of weekly or monthly premiums and for servicing, commonly referred to as "people in my debit."

**Debit Agent**

An agent who works on the debit system.

**Debit System**



The system of collecting insurance premiums weekly or monthly by an agent.

**Debris Removal Clause**

A provision that may be included in a Property policy contract to provide the insured with indemnification for expenditures incurred in the removal of debris produced by the occurrence of an insured peril. Ordinarily a property policy covers only the direct damage caused by an insured peril.

**Debt**

The amount owed to creditors.

**Debt Securities**

Securities that provide interest payments as compensation for the use of an investor's (i.e., lender's) funds. These payments usually last for a specific period. The principal (original loan amount) is usually paid at the end of this period. Some debt securities are backed by the credit of the issuer (i.e., Treasury bonds are backed by the credit of the U.S. government). However, other debt securities are backed by specific assets of the issuer. These securities are known as asset-backed bonds.

**Debtor**

One who owes a legal obligation or money to another.

**Decedent**

Same as Deceased.

**Declaration**

(Liability & Property) A term used in insurance other than Life or Health to denote that portion of the contract in which is stated such information as 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 representations by the insured.

**Declaration**

(Legal) A formal written statement in which an individual avows under oath certain facts as personally known to him or her specifying of the facts constituting the plaintiff's cause of action against the defendant.

**Declaration Page**

The page of a policy or an application where the insured signs to agreeing to various terms.

**Declarations Page**

The 'dec page' or that part of the property or liability policy which includes the name and address of the insured, the property insured, its location and description, the policy period, the amount of coverage, applicable premium and supplemental information provided by the insured.

**Declination**

Rejection of an application for insurance by the insurer.

**Decreasing Term**

A form of life insurance that provides a death benefit which declines throughout the term of the contract, reaching zero at the end of the term.

**Decreasing Term Insurance**

A term life insurance policy where the death benefit decreases but the premium remains level for the policy term.

**Deductible**

An amount of expenses or loss to be paid by the insured before the policy benefits become payable.

**Deductible Calendar Year**

A deductible that specifies that one deductible needs to be satisfied for a calendar year regardless of the number of claims.

**Deductible Carryover Credit**

During the last three months of a calendar year, charges incurred for health services can be used to satisfy the deductible for the following calendar year. These credits may be applied whether or not the prior calendar year's deductible had been met.

**Deductible Clause**

A contract provision that sets forth the deductible.

**Deductible Per Cause**

A deductible that must be satisfied for each separate claim.

**Defamation**

Under insurance law an unfair trade practice involving false, maliciously critical or derogatory statement intended to injure a person engaged in the insurance business.

**Defamation**

(Legal) Any derogatory statement which is designed to injure a person's business or reputation. Defamation can be accomplished as libel (written) or slander (spoken).

**Defendant**

The person being sued in a court action.

**Defense Base Act (DBA)**

The Defense Base Act extends the provisions of the U.S.L. & H.W. Act to employers and their employees on overseas military bases and on other overseas locations under public works contracts being performed by contractors with agencies of the United States Government.

**Deferred Annuity**

An annuity providing for income payments to begin at some future date.

**Deferred Annuity**

An annuity in which payments to the annuitant (or named beneficiary) are to begin either at a stated number of years in the future or when the annuitant reaches a certain age. During the accumulation period, the cash values of the annuity accumulate on a tax-deferred basis.

**Deferred Compensation**

A plan which may be qualified or non-qualified which allows a key person to defer receipt of current income in accordance with a written agreement with the employer. Deferral is usually until death, disability, or retirement.

**Deferred Compensation Administrator**

This refers to a company that provides services under a deferred compensation plan. Services may include administration of self-insured plans, compensation planning, salary surveys, retirement planning, etc.

**Deferred Group Annuity**

A group annuity contract providing for the purchase each year of a paid-up deferred annuity for each person covered in the group. The total amount of the annuity payments starts at a deferred date, usually retirement, and is the sum of the individual paid-up annuities.

**Deferred Premium**

The unpaid and yet undue premiums on life insurance, paid on other than an annual premium basis.

**Deferred Premium Payment Plan**

A method for payment of premium in installments.

**Deferred Vesting**

That form of vesting under which rights to vested benefits are acquired by a participant commencing upon a fulfillment of specified requirements, usually, reaching a certain age or number of years of service or membership.

**Deficiency Reserve**

A supplemental reserve that Life insurers are required to show in their balance sheet if the gross premium charged on a class of insureds is less than the net level premium reserve or modified reserve.

**Deficit**

Any excess of debits over credits at the end of a given accounting period.

**Deficit**

The amount of underwriting loss resulting from a policy's or reinsurance contract's fiscal year. Usually calculated by subtracting all net incurred claims and expenses from the net earned premiums. Or, expressed differently, deficit means any excess of charges over credits at the end of any accounting period. It is normal to carry- forward deficits to be recovered in subsequent years. (See Deficit Carry-Forward). Before any profit-sharing or contingent commissions become payable, deficits must be recovered.

**Deficit Carried Forward**

The transfer of a debit balance from one accounting period to another.

**Deficit Carry-Forward**

(Also known as Carry-Back)- The transfer of deficit or loss from one accounting period to another. The length of time that deficits are carried-forward varies from forever to three years (more common than forever).

**Define**

(the Opportunities) First DMAIC phase D; defines the problem/opportunity, process, and customer requirements; because the DMAIC cycle is iterative, the process problem, flow, and requirements should be verified and updated for clarity, throughout the other phases.

**Defined Benefit**

A qualified retirement plan where the employer makes contributions on behalf of all eligible employees in order to provide a specific retirement benefit. The amount of the contribution is not specifically defined, but the amount of the retirement benefit is defined.

**Defined Benefit Pension Plan**

A qualified retirement plan where the employer makes contributions on behalf of all eligible employees in order to provide a specific retirement benefit. The amount of the contribution is not specifically defined, but the amount of the retirement benefit is defined.

**Defined Contribution Pension Plan**

A type of pension plan under which contributions are fixed as flat amounts or flat percentages of an employee's salary. Benefits consist of whatever amounts the accumulated contributions will produce.

**Defined-Benefit Plan**

A pension plan under which the benefit the employee is to receive in the future is predetermined. (Example: \$10 per month income at retirement for each year employed.) The amount of the required annual employer contributions depends on the level of benefits to be provided and the estimated number of years in the accumulation period.

**Defined-Contribution Plan**

A pension plan under which the amount of the employee's retirement benefit is determined by contributions, not a pre-determined formula. The amount of the employee's benefit equals the accumulated contributions plus earnings the fund will produce in terms of a retirement income or lump-sum payment.

**Deflation**

An economic period characterized by falling prices, high unemployment and a generally sluggish or slow economy.

**Degree of Care**

A duty owed to others which depends on circumstances. Persons who invite others on their premises, those who invite children on their premises and those who sell what might be considered inherently dangerous products are all required to take different degrees of care to prevent harm to others.

**Degree of Risk**

The amount of uncertainty that exists in a given situation. For instance, if you've chosen heads in the flip of a coin, the degree of risk present is 50%, since there is a 50% chance any flip of the coin will come up tails.

**Delay Clause**

A contract provision permitting the insurer to defer granting a loan on the sole security of the policy for any other purpose than that of paying premiums on the policy for a stated interval of time, usually six months.

**Delay Clause**

(Ocean Marine) A contract provision that excludes liability as a result of damage or loss of market arising out of delayed voyages.

**Delayed Payment Clause**

In life insurance, a clause deferring payment to the beneficiary for a specified period after the death of the insured with proceeds to be paid to contingent beneficiaries or the estate if the primary beneficiary does not survive the delay. It is used as one method of handling common-disaster situations, such as the death of the insured and the death of the primary beneficiary occurring in the same accident. The clause usually states that the beneficiary has to survive the death of the insured by a certain period of time in order to collect.

**Delivered Business**

Contracts issued by an insurer and delivered to an insured but not yet paid for.

**Delivery**

The actual placing of a life or health insurance policy in the hands of an insured. Demand Loan  
Any loan with an indefinite maturity.

**Demolition Clause**

A provision that excludes liability for costs incurred in demolishing undamaged property, often necessitated by building ordinances requiring that structures must be demolished after a certain degree of damage has been sustained.

**Demolition Insurance**

Insurance written to cover the cost of demolition excluded by a demolition clause. It may be endorsed to property insurance for an additional premium.

**Demurrer**

A formal statement in a court action which states that even if the other party's facts are true, there is no cause of action.

**Dental Insurance**

A group health insurance contract that provides payment for certain enumerated dental services.

**Dental Plan**

A dental plan is any contractual arrangement for dental services provided or arranged for on a prepaid or postpaid individual or group service basis.

**Dental Plan Organization**

A dental plan organization refers to a direct provider of dental services compensated on a prepaid or postpaid basis to individuals or groups. An arrangement for providing dental services indirectly through independent contractors or on a fee-for-service basis is not a DPO. A DPO may be an arrangement for dental services to be provided through an agreement with providers, or by employing dentists, where the dentists agree to treat enrollees of the plan in their private offices or a central facility.

**Dental Plan, Supplemental**

A supplemental dental plan is an arrangement in which a dentist or group of dentists agree to relieve patients of paying any patient charges or copayments associated with dental insurance or other dental coverage for a predetermined fee. Supplemental dental plan may also refer to an arrangement which covers less than 50% of an enrollee's dental expenses, regardless of whether the enrollee has other coverage.

**Department of Health and Human Services**

A federal department whose responsibility is primarily dealing with social service functions such as administration and supervision of the Medicare program.

**Dependent**

An individual who depends on another for support and maintenance.

**Dependent Care Plan**

An employee benefit whereby the employee is reimbursed for dependent care expenses or an actual day care program provided by the employer on business premises.

**Dependent Coverage**

Insurance coverage on the head of a family which is extended to his or her dependents, including only the lawful spouse and unmarried children who are not yet employed on a full-time basis. "Children" may be step, foster, and adopted, as well as natural. Certain age restrictions on children usually apply.

**Dependent Life Insurance**

A life insurance benefit which is part of a group life insurance contract which provides death protection to the eligible dependents of a covered employee.

**Dependent Properties**

Properties which an insured business does not own, operate or control, but upon which the insured's income depends. Examples include major suppliers or customers. Previously known as "contingent" properties.

**Deposit**

The contributions or payments made to a fund by the employer; or, sometimes by both the employer and employee if there are employee contributions in the plan.

**Deposit (or Provisional) Premium**

The premium paid at the inception of a contract which provides for future premium adjustments. It is based on an estimate of what the final premium will be.

**Deposit Account**

An account linked to a life insurance policy that allows the policy owner to deposit funds separate from premium. The funds are held in an interest bearing account and can be used to automatically pay future premiums due to prevent unintended lapse or may be withdrawn and paid out in cash at the policyowner's request.

**Deposit Administration**

A group annuity providing for the accumulation of contributions in an undivided fund out of which annuities are purchased for each covered person in the group for retirement purposes.

**Deposit Administration Group Annuity**

A group contract providing a deposit fund prior to retirement, with annuities bought from the fund at retirement.

**Deposit Premium**

The initial premium charged for coverage for a given policy period. Such a premium is established in anticipation that interim or final audits may result in subsequent premium adjustment. The deposit premium is usually computed based on estimated exposure as of the inception date.

**Deposition**

A sworn statement of a witness or other party in a judicial proceeding, usually conducted in an oral question and answer format where attendance is compelled.

**Depositor's Forgery Insurance**

A type of protection against the forgery or alteration of instruments such as checks, drafts, and promissory notes purported to have been written by the insured. It is issued to individuals, firms, and corporations, but not to banks or building and loan associations. It can be written to cover incoming items, but this is seldom done.

**Depository Bond**

A form of bond that guarantees to the government that its deposits with banks will not be subject to loss.

**Depreciation**

A decrease in the value of any type of property over a period of time resulting from use, wear and tear, or obsolescence.

**Depreciation**

A form of tax deduction that permits the recovery of the cost of an asset over its useful life in the form of tax savings. It is a bookkeeping entry and does not represent a cash outlay. The simplest method is straight-line depreciation, which allocates a constant amount each year during an asset's life. For example, an asset with a useful life of 10 years and no salvage value would generate a deduction of 10% of its cost annually. Accelerated depreciation is a method that permits deduction of a greater percentage of the cost of an asset in the early years of the asset's useful life with smaller deductions in later years. Examples of accelerated depreciation are the double-declining balance and the sum of the years-digits method. A recent method put into use is the Accelerated Cost Recovery System (ACRS), which applies accelerated methods of cost recovery over statutory periods.

**Derivative Security**

A "derivative security" is any security with a value that is derived from, to a material extent, the value of a Company security. Examples include put and call options, forward contracts, collars and equity swaps relating to Company common stock.

**Designated Mental Health Provider**

The organization hired by a health plan to provide mental health and substance abuse services.

**Detoxification**

The process an individual goes through when withdrawing from alcohol. Usually is done under guidance of medical personnel.

**Development**

"Loss Development".

**Deviated Rate**

Companies that adhere to rates promulgated by a bureau sometimes offer lower rates than those recommended in certain areas. The company is said to have "deviated" from the bureau rate for that area.

**Deviation**

A rate that varies from the manual rate.

**Deviation**

(Ocean Marine) Voluntary departure, not brought about by necessity and not resulting from reasonable cause, from the customary, usual course between the port of shipment and the port of destination; or certain fundamental breaches of the carrier's obligations under the contract of carriage. There are various types of deviations, including geographical deviation, deviation by carriage on a vessel other than the one agreed upon, deviation by carriage by rail, deviation by dry-docking with cargo on board, deviation by unreasonable delay, and deviation by carriage on deck. There are conditions under which deviation is excused, such as when it is reasonably necessary for the safety of the ship and cargo or for humanitarian reasons, such as rescuing another ship in distress.

**Deviation Clause**

An ocean marine insurance clause providing the insured with coverage in the event of a deviation en route beyond the insured's control.

**Devise**

A gift of real property in accordance with a valid will.

**DI- Double Indemnity**

Not to be confused when "DI" is used to refer to disability income insurance, in this context DI is a provision under which the principal sum in an accident policy (and sometimes the other indemnities) is doubled when the accident is due to certain causes. In a Life insurance policy, a provision that the face amount payable on death will be doubled if the death is a result of an accident.

**Diagnosis**

The process of identifying a disease.

**Diagnosis Related Groups**

A method of classifying inpatient hospital services. It is used as a method of determining financing to reimburse various providers for services performed.

**Difference in Conditions**

A contract that expands or supplements insurance on property written on a named perils basis so as to cover on an all-risk basis, subject to agreed upon exclusions.

**Direct**

Operating expenses directly associated with a given Campaign.

**Direct Billing**

Premium billing system where the insurance company bills the insured directly for premium collection.

**Direct Expense**

Operating expenses directly attributable to the subject business. For example, the salaries of the staff in the local A&H department are direct expenses whereas the part of the salary cost allocated to the A&H department from general management departments are indirect expenses. Another example of direct expenses is the marketing expenses associated with a specific sales campaign.

**Direct Loss (or Damage)**

A loss which is a direct consequence of a particular peril. Fire damage to a refrigerator would be a direct loss. Spoiling of food in the refrigerator as a result of the fire damage would be an indirect loss. Contrast with Indirect Loss and Consequential Loss.

**Direct Sales**

Insurance sales made by an employee or Sponsor at the Sponsor's place of business (e.g.: employee at a Sponsor bank.)

**Direct Sales**

Insurance sales normally made by a direct sales force or individuals at a sponsor's place of business (e.g.: employee at a sponsor bank.) Note: licensing may be required.

**Direct Selling System**

A distribution system within which an insurer deals directly with its insureds through its own employees. This definition applies typically to property and liability insurance business. Included are mail-order insurance and the sale of insurance from vending machines at airport booths and elsewhere. Contrast with Independent Agency System.

**Direct Writer**

An insurer which sells its policies through salaried employees who represent it exclusively, rather than through independent agents who may represent several insurance companies.

**Direct Writer**

(Liability & Property) An insurer whose distribution mechanism is either the direct selling system or the exclusive agency system.

**Direct Writer**

(Reinsurance) The insurer that negotiates with the insured as distinguished from the reinsurer.

**Direct Written Premium**

The premiums collected, without any allowance for premiums ceded to reinsurers.

**Direct Written Premiums**

The amounts charged by a primary insurer to insureds in exchange for coverages provided in accordance with the terms of an insurance contract.

**Directed Verdict**

A verdict for the defendant based on the court's decision that the plaintiff's case has not been proven.

**Directing**

(as used in Chapter 9 "Services") Means steering injured people to accept medical services from a "provider" selected by the employer or the employer's insurer rather than from a provider of their own choice (as outlined by state statute).

**Director of Insurance**

A title used in some states for the head of the department of insurance.

**Directors and Officers Liability Insurance**

Coverage for directors and officers of firms 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 to some degree a person's ability to carry on normal pursuits. A disability may be partial or total, and temporary or permanent.

**Disability**

A physical condition resulting from an accident or sickness which renders an insured incapable of performing the duties of his regular employment. The definition of disability can vary. See the specific policy for complete definition.

**Disability Benefit**

The benefit payable under a disability income policy or a provision of some other policy, such as a life insurance contract.

**Disability Benefits Law**

A state law requiring an employer to provide disability benefits to covered employees for nonoccupational injuries, in contrast to workers compensation, which pays for occupational injuries. These laws are currently in effect in New York, New Jersey, Rhode Island, California, and Hawaii.

**Disability Buy-Sell**

A disability income policy used to fund a disability buy-sell agreement whereby the business interest of a disabled stockholder following the elimination period. The policy's benefits may be paid in a lump sum or in installments.

**Disability Income Insurance**

A form of health insurance that provides periodic payments to replace income, actually or presumptively lost, when the insured is unable to work as a result of sickness or injury.

**Disability Insurance**

Health insurance that provides income payments to the insured wage earner when income is interrupted or terminated because of illness, sickness or accident.



**Disability Insurance Training Council, Inc.**

The educational arm of the National Association of Health Underwriters, the health insurance agents' professional society. It seeks to encourage agent educational projects by local health associations, conducts university seminars in advanced health underwriting areas, and conducts annual seminars for home office executives in sociological social insurance and demographic trends that may affect future application of policy forms and health insurance.

**Disability Insured**

A Social Security insured status required to satisfy eligibility for disability income benefits. The status is based on having paid Social Security taxes in 20 of the 40 calendar quarters ending with the quarter in which a disability claim is submitted.

**Disability Pension**

A pension paid to a disabled worker prior to the time of normal retirement.

**Disappearing Deductible**

A type of deductible that gradually disappears as the loss gets larger. If the deductible is \$50, the insurer will pay 111% of that part of the loss which is in excess of \$50. The deductible on losses between \$50 and \$500 is gradually reduced by this system, and if the loss reaches \$500, the full amount is covered.

**Disbursement Funding**

Also known as the "pay-as-you-go" method, this type of funding requires no funds to be set aside to provide retirement benefits. All benefits paid to retired employees are paid from the company's gross income and are deducted as a normal business expense.

**Discharge Planning**

Determining what the patient's medical needs will be after discharge from a hospital or other inpatient treatment.

**Disclosure Authorization Form**

A form authorizing the disclosure of personal information obtained in connection with an insurance transaction. Insurers are required to give applicants advance notice of their information practices. Among other things, the form must state the kind of information collected and to whom information may be disclosed.

**Discount**

The difference between an amount due at a future date and its present value at a specified rate of interest.

**Discounted (Commuted) Value Table**

A table showing the discounted or present value, for several interest rates, of dollars payable at various times in the future.

**Discounted Premiums**

Premiums that have been modified by such things as company filed deviations, the application of schedule rating, and dividends are termed discounted premiums.

**Discovery Cover**

A reinsurance treaty covering losses that are discovered during the term of the treaty regardless of when they were sustained.

**Discovery Period**

The period of time allowed an insured who has cancelled a bond to discover and report to the previous surety a loss that occurred during the term of that bond. Losses so reported are paid by the original surety even though another surety is on the risk at the time of the discovery. The usual discovery period is one year.

**Discrimination**

Refusal of an insurer to provide comparable insurance or use comparable rates for certain individuals or groups with basic characteristics the same as those to whom the coverage or rates are offered. Unfair discrimination is prohibited by law.

**Disease Loading**

An amount included in a rate to account for exposure to disease in the course of performing Job duties.

### **Dishonesty, Disappearance and Destruction Policy**

A once popular commercial crime insurance form used to protect money and securities against loss by employee dishonesty, robbery, depositor's forgery, and other causes of loss. The 3-D policy has been replaced by modern commercial crime coverage forms.

### **Dishonesty, Disappearance and Destruction Policy**

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### **Dismemberment**

The loss of, or loss of use of, specified members of the body resulting from accidental bodily injury.

### **Dismemberment**

The complete severance of a hand at or above the wrist or foot at or above the ankle joints, or the entire and irrevocable loss of sight. This is the typical US scale and can also be expanded to include loss of speech and hearing; and/or thumb and index finger.

### **Dismemberment Benefit**

The benefits payable for various types of dismemberment.

### **Dissent**

This occurs when one or more judges disagree with the majority decision.

### **Distribution Costs**

Costs associated with selling an organization's insurance products through brokers, agents, direct marketing or other sales channels. It includes the expense of research, commissions, facilities, technical support, management, etc.

### **Diversification**

The combination in a portfolio of assets which have dissimilar behavior.

### **Divided Cover**

The placing of insurance on a given subject or object with more than one insurer.

### **Dividend**

A return of part of the premium on participating insurance to reflect the 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 Accumulation**

One of the options in a life insurance policy which allows the policyholder to leave any premium dividends with the insurer to accumulate at compound interest.

### **Dividend Additions**

An option whereby the insured can leave dividends with the insurer, and each dividend is used to buy a single premium life insurance policy for whatever amount it will purchase. Also called Paid-Up Additions.

### **Dividend Option**

Alternative ways in which insureds under participating life insurance policies may elect to receive their policyholder dividends.

### **Dividends (Investments)**

The portion of a corporation's earnings that it distributes among its stockholders, in proportion to the number and kind of shares they own. The decision to pay dividends is made by the board of directors, and they usually are paid quarterly, in the form of cash, stock, or rarely, some other property. Preferred stock dividends usually are fixed over a period of time,

whereas common stock dividends are more dependent on the company's earnings and current cash position.

**Divisible Contract Clause**

A clause providing that a violation of the conditions of the policy at one insured location will not void the coverage at other locations.

**Division Dividend Manual**

This is the current manual released by home office that defines the dividend plans that are available by state and Company. Since this manual may change frequently, it is important that you refer to the manual on a regular basis to stay current on allowed dividend plan options.

**DM- Direct Marketing**

Direct marketing involves uniquely designed and pre-underwritten insurance products sold directly to the consumer. It uses sophisticated techniques, products, and scientific measurements to determine who we can market to. DM requires important up-front investment to acquire customers. When maintained over time, DM brings a very significant return to AIG.

**DMAIC**

Acronym for a Process Improvement/Management System which stands for Define, Measure, Analyze, Improve, and Control; lends structure to Process Improvement initiatives.

**Document Processing Unit**

The organizational unit within the Customer Service Group that handles all document / transaction processing, assembly, filing and mailroom activities.

**Dollar Cost Averaging**

A system of buying a fixed dollar amount of securities at regular intervals. The investor thus buys more shares when the price is low and fewer shares when it rises. The average price per share is thus lower than it would have been had the investor periodically bought a fixed number of shares.

**Domestic Insurance Company**

An insurance company formed under the laws of the state where the insurance is written.

**Domestic Insurer**

An insurer formed under the laws of the state in which the insurance is written.

**Donee**

The recipient of a gift.

**Donor**

The individual who gives a gift.

**Double Indemnity**

Payment of twice the basic benefit in the event of loss resulting from specified causes or under specified circumstances. For example, a life insurance contract may provide for twice the basic benefit if death is due to accident. Accident policies may provide double indemnity coverage for death due to an elevator accident.

**Double Protection**

A form of life insurance combining whole life and an equivalent amount of term, with the term expiring at a stated future date, usually at 65 years of age. For example, an individual may purchase \$50,000 worth of life insurance protection, \$25,000 of it being term insurance and the other \$25,000 whole life. The provision would state that the \$25,000 of term insurance ceases when the insured reaches age 65.

**Dram Shop Laws**

Liquor liability laws are called dram shop laws. They provide that a person serving someone who is intoxicated or contributing to the intoxication of another person may be liable for injury or damage caused by the intoxicated person.

**Dram Shop Liability Insurance**

A form of insurance contract that protects the owners of an establishment in which alcoholic beverages are sold against liability arising out of accidents caused by intoxicated customers who have been served or sold the alcoholic beverages.

**Dread (or Specified) Disease Policy**

Coverage, usually with a high maximum limit, for all types of medical expenses arising out of diseases named in the contract. Common diseases covered are poliomyelitis, diphtheria, multiple sclerosis, spinal meningitis, and tetanus. Cancer is sometimes covered or may be added with some companies by a rider.

**Dread Disease**

A group of diseases of severe nature which generally include Cancer, Poliomyelitis, Emphysema, Muscular Dystrophy, Multiple Sclerosis and Cirrhosis of the Liver. Generally speaking, the "CI" of earlier days.

**DRG- Diagnostic Related Groupings**

A payment method used in the healthcare delivery (medical insurance) system in the US in which payment takes into consideration the reasonable and customary expense based on diagnosis.

**Drive-In Claim Service**

A facility maintained by an automobile insurer in which the extent of damage to a claimant's automobile can be determined and, in many cases, a settlement made.

**Drive-Other-Car Endorsement**

A coverage that may be added to an automobile policy affording auto coverage to the individuals named in the endorsement while they are driving cars not owned by the individuals and not named in the policy.

**Drug Formulary**

A schedule of prescription drugs approved for use which will be covered by the plan and dispensed through participating pharmacies.

**Drug Free Plan**

A loss prevention incentive plan in certain states which allows a premium credit for loss control activities designed to eliminate drug use in the workplace.

**Drug Price Review**

A procedure used to determine drug price maximums. It involves determining wholesale drug prices based on the American Druggist Blue Book.

**Drug Utilization Review**

A method for evaluating or reviewing the use of drugs in order to determine the appropriateness of the drug therapy.

**Druggists Liability Insurance**

A contract that protects a druggist in case of a suit arising out of filling prescriptions, missed delivery of drugs, and other operations normal to a drugstore.

**DSF- Direct Sales Force**

Similar to captive agency operation, a DSF is controlled and managed by the insurance company and exclusively sells products as directed by the company.

**Dual Capacity**

A role assumed by an employer brought about by their acting as other than an employer, such as a manufacturer of a product involved in the injury. Example: An employee of a punch press manufacturer is injured using a punch press manufactured by the employer.

**Dual Choice**

The federal requirement that employers having 25 or more employees who are within the service area of a federally

qualified HMO, who are paying at least minimum wage and offer a health plan to their employees, must offer HMO coverage as well as an indemnity plan.

**Dual Life Stock Company**

A stock life insurer issuing both participating and nonparticipating policy contracts.

**Dun and Bradstreet Account Number**

The identifying number assigned to a business entity by the Dun and Bradstreet financial rating organization.

**Duplicate Coverage Inquiry**

A request to determine whether or not other coverage exists. Used to apply the coordination of benefits provisions where two or more insurance companies are involved.

**Duplication of Benefits**

A situation where identical or overlapping coverage exists between two or more insurance companies or service organizations.

**Dwelling Forms**

A policy form designed specifically to cover a dwelling building and the personal property in it plus other additional coverages. There are several forms available, depending on what coverage is to be provided.

**E****Early Return to Work**

A loss reducing program whereby the employer agrees to modified work for an injured employee in order to return the employee back to work in a shorter period of time thus reducing costs.

**Earned Exposure**

The pro rata portion of the total exposure. It corresponds to the earned premium and to that part of the policy period that has already elapsed.

**Earned Income**

The money individuals earn as a result of working at some job or occupation for which they are paid a salary.

**Earned Premium**

The part of an insurance premium that pays for the protection the insurance company has already provided on a policy. Thus, insurance on which a premium has been paid one year in advance will, at the end of six months, be half earned by the insurance company.

**Earned Premium**

The estimated annual premium for the policy divided by 365 days times the number of days the policy has been in force.

**Earned Premium**

That portion of premiums written that applies to the expired portion of the policy term.

**Earnings**

Something earned, especially wages. As a financial term, earnings also refers to the balance of revenue after deducting costs and expenses.

**Earnings Income**

Interest or dividends that are credited or paid to an investor.

**Earnings Insurance**

A form of gross earnings business interruption insurance, whose principal feature is the lack of a coinsurance clause. It is designed for small risks, and the maximum amount of loss the insured can collect in any 30-day period is established when the policy is written.

**Earth Movement**

A peril including landslide, mudflow, earth sinking, rising or shifting, and earthquake. Usually excluded on homeowners' and commercial property policies.

**Earthquake Insurance**

Insurance covering damage caused by an earthquake as defined in the contract.

**Easement**

An interest in land owned by another that entitles its holder to specific uses.

**Economic Risk**

A risk experienced by those who invest in securities identified as the uncertainty of the economy.

**Economies of Scale**

Reduction in unit cost (e.g. cost to issue a policy) as fixed costs (e.g. general operating expenses or GOE) are spread over increasingly more units. It enables the organization to process more volume at a declining unit cost per transaction.

**Educational Assistance Plan**

An employee benefit whereby certain educational expenses incurred by the employee is reimbursed on a tax-favorable basis by the employer.

**Educational Fund**

One of the uses of life insurance. It is designed to provide money for a child's education should the breadwinner of the family die.

**Effective Date**

The date on which the protection of an insurance policy goes into effect.

**Efficiency**

Measures related to the quantity of resources used in producing the output of a process (e.g. cost of a process such as policy issuance, total cycle time, costs of defects); links primarily to the organization's profitability. It is reflected in the number of units produced in a shorter time at the same or decreasing cost.

**Efficient Portfolio**

A portfolio that minimizes historical portfolio risk for a given potential return, or maximizes portfolio potential return for a given level of historical risk.

**Elective Benefits**

Lump sum payments which the insured may generally choose in lieu of periodic payments for certain injuries, such as fractures and dislocations.

**Elective Deferral Plan**

A type of qualified plan (401(k) or TSA) whereby participants voluntarily elect to defer current amounts of compensation and these amounts are placed in a retirement plan on a tax favorable basis.

**Elective Indemnity**

Optional method of payment.

**Elective Non-Forfeiture Option**

One of the choices available to a policyholder if he discontinues premium payments on a policy with a cash value. This may be encashed or continued as a reduced paid up insurance.

**Electrical (or Electrical Apparatus) Exemption Clause**

A clause providing that damage to electrical appliances caused by artificially generated electrical currents is recoverable only if fire ensues and then only for the damage caused by the fire.

**Electronic Data Processing Coverage**

A specialized type of insurance designed to cover risks associated with computer equipment, data systems, information storage media, and expenses or income loss related to EDP losses.

**Elevator Collision Coverage**

Coverage for damage caused by collision of an elevator without regard to fault. This includes damage to personal property, the building, and the elevator itself. Liability coverage is usually provided automatically by business liability policies.

**Eligibility Date**

The date that a person is eligible for benefits.

**Eligibility Period**

(1) The period of time during which potential members of a group life or health program may enroll without providing evidence of insurability. (2) The period of time under a Major Medical policy during which reimbursable expenses may be accrued.

**Eligibility Requirements**

Requirements imposed for eligibility for coverage, usually in a group insurance or pension plan.

**Eligible Dependent**

A dependent of an insured person who is eligible for coverage according to the requirements set forth in the contract.

**Eligible Employee**

An employee who is eligible based on the requirements as indicated in the group contract.

**Eligible Expenses**

Expenses as defined in the health plan as being eligible for coverage. This could involve specified health services fees or "customary and reasonable charges."

**Eligible Person**

Similar to eligible employee except it could be a contract covering people who are not employees of a specified employer. An example might be members of an association, union, etc.

**Elimination Period**

A loosely used term, sometimes designating the probationary period, but most often designating the waiting period in a health insurance policy.

**Embedding**

Where we add an A&H benefit or rider into an existing contract often from another profit center. The A&H element is usually of low cost so it has little effect on the price of the base contract. Example: embedding travel AD&D into a Directors & Officers liability policy.

**Embezzlement**

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

**Emergency**

An injury or disease which happens suddenly and requires treatment within 24 hours.

**Emergency Accident Benefit**

A group medical benefit which reimburses the insured for expenses incurred for emergency treatment of accidents.

**Emergency Fund**

One of the uses of life insurance which provides money for the emergency expenses of a deceased's family prior to the final settlement of the estate.

**Employee Benefit Program**

Benefits offered an employee at work by the employer, covering such contingencies as medical expenses, disability, retirement, and death, usually paid for wholly or in part by the employer. These benefits are usually insured.

**Employee Certificate of Insurance**

The employee's evidence of participation in a group insurance plan, consisting of a brief summary of plan benefits. The employee is provided with a certificate of insurance rather than the actual insurance policy.

**Employee Contribution**

(Health) The employee's share of the premium costs. Employee Contribution

(Pension) Deduction from employee's pay to apply toward the cost of a retirement plan.

**Employee Dishonesty**

Any dishonest act of an employee which may contribute to a loss for the employer. Fidelity bonds are usually used to protect against such losses.

**Employee Dishonesty Coverage Form**

A commercial crime coverage form, which is actually a fidelity bond, providing coverage for losses resulting from employee dishonesty. This form covers losses of money, securities, and property other than money and securities.

**Employee Leasing**

The practice of paying another company to hire, train, insure, and administer benefits for staff used in business operations.

**Employee Pension Benefit Plan or Pension Plan**

Any program established and maintained by an employer or an employee organization providing retirement benefits to employees or deferred income until employment is terminated.

**Employee Retirement and Income Security Act of 1974**

A federal statute governing U.S. pension plans.

**Employee Retirement Income Security Act**

This act prescribes federal standards for funding, participation, vesting, termination, disclosure, fiduciary responsibility, and tax treatment of private pension plans.

**Employee Stock Ownership Plan**

A qualified employee plan which provides eligible employees with part ownership in the corporation for which they work. Stock is issued and held in trust for the benefit of the employees.

**Employee Welfare Benefit Plan**

Any program established or maintained by an employer or an employee organization to provide its participants or their beneficiaries with medical, surgical, or hospital care, or benefits in the event of sickness, accident, disability, death or unemployment.

**Employees' Trust**

One way for a pension or profit-sharing plan to be financed and given effect.

**Employer Contribution**

The portion of the cost of a health insurance plan which is borne by the employer.

**Employers Liability**

Part 2 of the standard workers compensation policy which provides coverage for situations in which an employee or dependent could sue for injuries suffered under common law liability. For example, failure to maintain a safe workplace.

**Employers Liability Coverage**

A section of the Workers Compensation policy (Part Two of the policy) which provides coverage against the common law



liability of an employer for injuries to employees, as distinguished from the liability imposed by a Workers Compensation law (Part One of the policy).

### **Employers Liability Coverage**

This is coverage B of the standard workers compensation policy. It provides coverage against the common law liability of an employer for injuries to employees as distinguished from the liability imposed by a workers compensation law. Employers liability applies in situations where a worker does not come under these laws.

### **Employers Nonownership Liability Insurance**

Protects the employer for liability arising from the use by employees of their own cars on company business.

### **Employment Benefit Plan**

Any plan which is both an employee welfare plan and an employee pension plan.

### **Encounter**

Each time a person meets with a health care provider to receive services, is a separate "encounter."

### **Encumbrance**

A claim on property, such as a mortgage, a lien for work and materials, or a right of dower. The interest of the property owner is reduced by the amount of the encumbrance.

### **Endemic Disease**

Any disease ordinary (endemic) to the place of an employee's employment outside of the United States, its territories or possessions, or Canada, and as such, is considered a covered occupational disease and a compensable injury in most states.

### **Endorsement**

A document used to amend, change or modify the coverages in an otherwise complete policy.

### **Endorsement**

A provision added to a policy, usually by being written in on the printed policy page. An Endorsement may also be in the form of a Rider. No Endorsement is valid unless signed by an executive officer of the company and attached to and made a part of the policy.

### **Endorsement Extending Period of Indemnity**

An endorsement attached to business interruption policies which extends coverage to the period during which a business has reopened for business but have not reached the level of business activity which existed prior to the business interruption loss.

### **Endorsement Premium**

The change in premium that results from an endorsement. Such a change may be either a 'Return Premium' or an 'Additional Premium'.

### **Endorsement Split Dollar**

A split dollar plan in which the employer owns and controls a life policy on the life of an employee. The employee's rights to certain policy benefits are protected by an employer endorsement.

### **Endowment**

Life insurance payable to the policy-holder on the maturity date stated in the policy, or to a beneficiary, if the insured dies before the date.

### **Endowment Insurance**

A form of life insurance where the face amount is payable to the insured at the end of the contract period or to a beneficiary if the insured dies before that. An example would be an insured purchasing an endowment payable at age 65. Upon reaching that age, the proceeds would be payable to the insured. If the insured dies prior to that age, the proceeds would be payable to the designated beneficiary as a life insurance benefit.

**Engineer**

An insurer's staff member who is charged with the responsibility of loss prevention and who assists in the securing of underwriting and rating information.

**Enhancement**

Ancillary benefit which makes the insurance product more attractive or competitive.

**Enrollee**

An eligible individual who is enrolled in a health plan - does not include an eligible dependent.

**Enrolling Unit**

The organization (such as an employer) that contracts for participation in a health insurance plan.

**Enrollment**

Used to describe the total number of enrollees in a health plan. It may also be used to refer to the process of enrolling people in a health plan.

**Enrollment Period**

The amount of time an employee has to sign up for a contributory health plan.

**Entire Contract Clause**

A provision in an insurance contract stating that the entire agreement between the insured and the insurer is contained in the contract, including the application if it is attached, declarations, insuring agreements, exclusions, conditions and endorsements.

**Entity Agreement**

A buy-sell agreement usually used with a partnership in which the partnership agrees to purchase the interest of a deceased or disabled partner.

**Entry Age**

The age when an employee satisfies all the age, service, and other eligibility requirements for participation in a pension plan.

**Entry Date into Claims-Made**

Initial effective date of a "claims-made" liability policy. An entry date is used to determine extent of maturity for rating purposes. If claims-made coverage is interrupted and reestablished, or if a retroactive date is changed on renewal, the entry date will change.

**Environmental Impairment Liability**

Insurance coverage used to pay claims arising out of negligent acts, errors or omissions of an insured, resulting in third party bodily injury or property damages for losses caused by sudden and accidental or gradual pollution/contamination. Environmental Restoration

Restitution for the loss, damage or destruction of natural resources arising out of the accidental discharge or escape of any commodity transported by a motor carrier, including the cost of removal and measures to minimize damage to human health, the natural environment, fish, shellfish and wildlife. Federal regulations require common carriers of hazardous materials to maintain minimum liability coverages for BI, PD and environmental restoration.

**EPLI**

Employment Practices Liability Insurance typically covers claims of sexual harassment, discrimination, and wrongful termination. It even covers discrimination or sexual harassment claims brought by customers, clients or other third parties, an area of increasing concern for growth companies. Coverage can be enhanced to include claims against independent contractors and punitive as well as exemplary and multiple damages awards, where permissible by law.

**Equipment Floater**

A form which covers various types of equipment, e.g., construction equipment, against specified perils or occasionally on

an all-risk basis subject to exclusions.

### **Equity**

The money value of an insurance company that is over and above its liabilities. Liabilities include almost all of its reserves.

### **ERISA Liability**

Liability imposed by law upon officers or other employees operating in a fiduciary capacity for the proper handling of pension funds and other employee benefits. It is excluded from most general liability policies.

### **ERM-14**

This form, titled "Confidential Request for Information", is filed by the insurance carrier to the appropriate rating organization when an ownership change occurs.

### **Errors and Omissions Clause**

A clause usually found in an obligatory reinsurance treaty which provides that if an error is made or an omission takes place in describing a risk that falls within the automatic reinsurance coverage of the treaty, it shall not invalidate the liability of the reinsurer for the risk.

### **Errors and Omissions Insurance**

A form of professional liability insurance that provides coverage for negligent acts or omissions by a professional.

### **Estate**

The assets and liabilities of a deceased person.

### **Estate Panning**

Planning for the orderly handling, disposition, and administration of an estate when the owner dies. Estate planning includes drawing up a will, setting up trusts, and minimizing estate taxes, perhaps by passing property to heirs before death or by setting up a testamentary trust.

### **Estate Plan**

A plan for the disposition of one's property at death, including the handling of property in the event of the incompetency or total disability of the estate owner. A will is part of an estate plan.

### **Estate Planning**

The process of accumulation, conservation, distribution, and administration of an estate in order to minimize the impact of taxation and estate shrinkage.

### **Estate Tax**

A tax payable to the federal government. The amount is based on the value of the estate of the decedent.

### **Estimated Premium**

A provisional premium which is adjusted at the end of the year. For example, in workers compensation insurance an estimated premium is based on estimated payrolls for the coming year. At the end of the year, final payrolls are determined and the final premium is computed.

### **Estoppel**

The legal principle whereby a person loses the right to deny that a certain condition exists by virtue of having acted in such a way as to persuade others that the condition does exist. For example, if an insurer allows an insured to violate one of the conditions of the policy, the insurer cannot at a later date void the policy because the condition was violated. The insurer has acted in such a way as to lead the insured to believe that the violation did not void the coverage.

### **Evidence Clause**

A clause in a policy which requires the insured to cooperate in the investigation of a claim by producing records and submitting to examinations. This is required to help an adjuster establish the validity of a claim. An evidence clause in a health policy requires the insured to submit to physical examinations.

**Evidence of Insurability**

Any information concerning health status required for to satisfy underwriting standards, such as a medical examination or physician's statement.

**Ex Gratia Payment**

Latin for "from favor." A payment by an insurer to an insured for which there is no liability under the contract. In some cases an insurer may feel there has been a mistake or a misunderstanding, and he may pay a claim even though he does not appear to be liable.

**Ex-Gratia Payment**

A payment made for which the company is not liable under the terms of its policy, usually in lieu of incurring greater legal expenses in defending of a claim. It is rarely encountered in reinsurance. The reinsurer, by custom and for practical reasons, follows the fortunes of the ceding company.

**Ex-Med**

Policies issued to exclude statutory medical coverage.

**Examination**

An examination of an insurance company by the state insurance department.

**Examiner**

An employee assigned by the state insurance department to audit insurers' records.

**Examiner**

(Health & Life) A physician appointed by the medical director of a life or health insurer to examine applicants.

**Excepted Period**

Probation Period.

**Exception**

A provision in an insurance policy that eliminates coverage.

**Excess Coverage**

Coverage that is offered or written above all other valid and collectible insurance.

**Excess Insurance**

A coverage designed to be in excess over one or more primary coverages, and which does not pay a loss until the loss amount exceeds a certain sum. Contrast with Primary Coverage.

**Excess Insurance Policy**

A policy which (a) provides limits of liability over and above those of specified underlying primary policies, but which relies on the insuring agreements and conditions of such underlying policies as to definitions of coverage; or (b) provides limits of liability in excess of a self-insured retention (SIR) for agreed upon exposure.

**Excess Interest**

Interest credited to an insured's contract in excess of the amount guaranteed by the terms of the contract.

**Excess Liability**

Additional casualty coverage above the first layer.

**Excess Limit**

(1) That limit provided in a policy which is in excess of the basic limit. See Basic Limit. (2) A limit provided in a separate policy with another insurer which is in excess of the limit provided in the basic policy.

**Excess Limits Coverage**

Coverage for damages over and above the basic limits. Increased limits factors are applied to the basic rate in order to determine the charge for this insurance. Excess limits coverage is often referred to as 'Increased Limits Coverage'.

**Excess Line Broker**

A person licensed to place insurance not available in his or her state through insurers not licensed to do business in the state. A person licensed to deal with nonadmitted insurers.

**Excess Loss Premium Factor**

This factor is used in a retro rating plan when the insured chooses to limit losses that are subject to retro rating.

**Excess Loss Premium Factor**

This expression is used in connection with retrospective rating plans. It is a factor which compensates the insurer for the fact that the insured has elected to limit the effects of any one large loss under the retrospective rating formula. For example, the insured might elect a loss limitation of \$50,000, which would mean that would be the maximum amount of any one loss that would go into the retrospective calculation.

**Excess of Loss**

A basis of risk acceptance by a reinsurer, whereby the reinsurer provides an agreed monetary amount of reinsurance, or layer, above a specified monetary limit retained by the reinsured. Separate premiums are determined for each layer, and coverage between layers may be concurrent or non-concurrent. Three variations of EOL Reinsurance are generally used to define how a reinsured's retention applies: Per Risk, Per Occurrence, or Aggregate (Stop Loss).

**Excess of Loss Reinsurance- XOL Reinsurance**

(1) A generic term describing reinsurance which, subject to a specified limit, indemnifies the ceding company against the amount of loss in excess of the specified retention. It includes various types of reinsurance, such as Catastrophe, Per Risk, Per Account, and Aggregate Excess of Loss. Contrast with Pro Rata Reinsurance. (2) A form of reinsurance which indemnifies the ceding company for that portion of the loss resulting from a single occurrence, however defined, that exceeds a predetermined amount, which is referred to as a first loss retention or deductible.

**Excess per Risk Reinsurance**

A form of Excess of Loss Reinsurance which, subject to a specified limit, indemnifies the ceding company against the amount of loss in excess of a specified retention with respect to each risk involved in each occurrence.

**Excess Plan**

A retirement plan designed around the benefits of Social Security.

**Excess Workers' Compensation**

Insurance sold to qualified self-insurers under the workers' compensation laws and regulations of one or more states, to insure their liability as self-insurers for self-insured loss in excess of a stated amount per accident or per person, or in excess of an aggregate amount of self-insured loss.

**Exclusion**

An insurance policy provision that denies coverage for certain perils, persons, property or locations.

**Exclusion**

Certain causes and conditions, listed in the policy, which are not covered.

**Exclusion**

Item or loss exposure not covered in a particular insurance policy. Exclusions reduce the broad coverage provided in the insurance policy.

**Exclusion Ratio**

The relationship or ratio of cost basis to total expected return from an annuity; used to calculate the percentage of each annuity payment which is considered to be a return of cost basis.

**Exclusive Agency System**

An insurance distribution system within which agents sell and service insurance contracts that limit representation to one insurer and which reserve to the insurer the ownership, use, and control of policy records and expiration date.

**Exclusive Provider Organization**

A type of preferred provider organization where individual members use particular preferred providers rather than having a choice of a variety of preferred providers. EPOs are characterized by a primary physician who monitors care and makes referrals to a network of providers.

**Exclusive Remedy Doctrine**

The intent of the various workers compensation acts is to be the exclusive (sole) remedy for injuries to employees. In return for benefits paid under workers compensation, the injured employees, by law, give up the right to sue their employer.

**Exculpatory**

That portion of a contract or agreement which relieves one party to the agreement of the consequences of his or her own acts.

**Executive Officer**

In a corporation, the individuals named to executive positions listed in the corporate charter and charged with the administration of corporate affairs—normally President, Vice-President(s), Treasurer, and Secretary.

**Executive Workstation**

This system allows company presidents and Regional Vice Presidents (RVPs) to access several systems during the same session, with the software providing user friendly screens and performing the automatic logon process.

**Executor**

The person or entity specified by will who is responsible for the probating of an individual's will and the settlement of an estate.

**Exhibitions Insurance**

A type of policy designed for people who display their products through public exhibitions. Usually written on an all-risk basis with certain specified exclusions.

**Expectation of Life**

The average number of years of life remaining for persons of a given age according to a particular mortality table. Also called life expectancy.

**Expected Claims**

The estimated claims for a person or group for a contract year based usually on actuarial statistics.

**Expected Loss Rate**

The factor used to determine the amount of expected losses by classification for each \$100 of payroll. These factors can be obtained from the Tables of Expected Loss Rates and Discount Ratios in the Experience Rating Plan.

**Expected Morbidity**

The expected incidence of sickness or injury within a given group during a given period of time as shown on a morbidity table.

**Expediting Expenses**

Expenses incurred in order to speed up repair or replacement so as to reduce the amount of loss by a peril covered in a policy. Most commonly used in connection with business interruption and boiler and machinery insurance. Expediting expenses are generally covered if they do reduce the amount of the loss that the insurer would otherwise have to pay.

**Expense**

A policy's share of the company's operating costs, fees for medical examinations and inspection reports, underwriting, printing costs, commissions, advertising, agency expenses, premium taxes, salaries, rent, etc. Such costs are important in determining dividends and premium rates.

**Expense Allowance**

A compensation paid to an insurance agent in excess of prescribed commissions.

**Expense Constant**

The expense constant is a premium charge that applies to every policy in addition to the premium, inclusive of loss constants. It covers expenses such as those for issuing, recording and auditing, which are common to all workers compensation policies regardless of premium sizes.

**Expense Guarantee**

One of the guarantees of all annuities; that is, the guarantee that expenses, the cost of doing business, will not be increased or exceed a certain percentage of the annuity contributions.

**Expense Loading**

The amount added to the rate during the ratemaking process to cover expenses.

**Expense Ratio**

Cost of acquiring, writing and servicing business as a percentage of net written premium. The ratio is calculated as follows:  $\text{Expense Ratio} = (\text{Direct Expenses} + \text{Indirect Expenses}) / \text{Net Premium Written}$ . The Expense Ratio can be calculated separately for both Indirect and Direct Expenses.

**Expense Ratio**

"Underwriting expense ratio."

**Expense Reserve**

A liability for incurred but unpaid expenses.

**Expenses**

The cost of conducting an insurance operation aside from the amount paid for losses.

**Experience**

1. The loss record of an insured or of a class of coverage or portfolio. 2. Classified statistics of events connected with insurance, outgo, or actual or estimated income. 3. Experience may be compiled on different bases to provide various means of appraisal (i.e., accident year, calendar year, or policy year). For underwriting purposes, earned premium should always be compared with incurred losses after the latter have been modified by an allowance for loss development and "incurred but not reported" (I.B.N.R.) losses.

**Experience Modification**

Adjusting renewal rating to reflect previous loss history.

**Experience Modifications**

A factor to adjust the premium in anticipation of loss experience that is expected to vary from the provision for losses in the rates. It is based upon the past variance of experience from expected experience.

**Experience Modifier**

An employer-specific multiplier that measures the employer's loss experience relative to that of other employers in the same industry. The experience modifier is applied to the unmodified premium to adjust for prior loss experience.

**Experience Rating**

A method of rating that is based on the actual individual experience of the risk. The rate computed by this method is a percentage adjustment of the manual rate, either upward or downward, depending on the experience of the insured. The compilation of definitions, rules, regulations, formulas and forms necessary to describe and apply the procedure is called the 'Experience Rating Plan'.

**Experience Rating**

Developing rates for future risk based on past loss experiences.

**Experience Refund**

In life reinsurance, a predetermined percentage of the net reinsurance profit which the reinsurer returns to the ceding company as a form of profit sharing at year's end.

**Experience Tables**

Published by the Institute of Actuaries, these are tables of incidence rates from population sources such as WHO (World Health Organization).

**Experienced Mortality**

The mortality that actually occurs to a group of insureds of a given insurance company in contrast to expected mortality.

**Experienced Mortality or Morbidity**

The actual mortality or morbidity experienced in a group of insureds as compared to the expected mortality or morbidity.

**Experimental or Unproven Procedures**

Any health care services, supplies, procedures, therapies, or devices that the health plan determines regarding coverage for a particular case to be either (1) not proven by scientific evidence to be effective, or (2) not accepted by health care professionals as being effective.

**Expiration**

The date indicated in an insurance contract as its termination date.

**Expiration Card**

A way of recording the date on which a policy terminates. It is used to remind the agent or sales representative of a policy coming up for renewal.

**Expiration Date**

The date indicated in an insurance contract as its termination date.

**Expiration Date**

The date on which the insurance policy ceases to be in effect with respect to the insured or policyholder. Not only is the date mentioned but the hour of the day. 12:01 A.M. is standard for Personal Accident policies.

**Expiration File**

A record kept by agents or insurers of the dates on which policies they have written or are servicing expire.

**Expiration Notice**

Notification to the insured of the impending termination of the insurance contract.

**Expiry**

The termination of a term life insurance policy at the end of its period of coverage.

**Explanation of Benefits**

The statement sent to a participant in a health plan listing services, amounts paid by the plan, and total amount billed to the patient.

**Explanation of Medicare Benefits**

A notice which is sent to the Medicare patient which provides information designed to explain how the claim is to be paid.

**Explosion Insurance**

Insurance against loss of property due to explosion but not including explosion of steam boilers, pipes, and certain pressure instruments. Most commonly written as part of the extended coverage endorsement.

**Explosion, Collapse, and Underground Damage**

This term is used in business liability insurance to indicate that certain types of construction work involve these hazards.



Many liability policies exclude them. They can be added by endorsement for an additional premium charge.

**Exports**

Materials and goods shipped to other countries.

**Exposure**

A measure of the size of the insured portion of a risk. In the property modules of Commercial Statistical Plan (CSP), exposure is expressed as the 'amount of insurance'. In automobile, exposure may be expressed in terms of number of automobiles or value. Each CSP module contains specific instructions for the reporting of exposure.

**Exposure**

(1) The state of being subject to the possibility of loss. (2) The extent of risk as measured by payroll, gate receipts, area, or other standards. (3) The possibility of loss to a risk being caused by its surroundings. This is used in property insurance rating. (4) Surroundings producing a loss to the insured property. An example of definitions (3) and (4) would be an insured building suffering loss because a dynamite factory next to it exploded.

**Exposure Units**

(1) These units refer to individuals or property which may be subject to loss or damage on which a monetary value may be placed. When these exposure units have similar characteristics they meet the requirement of insurability as homogeneous exposure units. (2) The term may also be used to refer to the premium base, in the sense that the exposure units times the rate equals the premium. For example, in workers compensation, each \$100 of payroll is an exposure unit.

**Express Authority**

Authority of an agent that is specifically granted by the insurer in the agency contract or agreement.

**Extended Care Facility**

A facility such as a nursing home which is licensed to provide 24-hour nursing care service in accordance with state and local laws. Three levels of care may be provided-skilled, intermediate, custodial, or any combination.

**Extended Coverage**

An extension of perils originally offered as a package in property insurance beyond coverage for fire and lightning. Includes riot, explosion, vehicles, smoke, hail, aircraft, and windstorm. These causes of loss are now included in both the Basic and Broad Cause of Loss Form of the Commercial Property Policy.

**Extended Death Benefit**

A group policy provision which will pay the life benefit when (1) the insured is totally and continuously disabled at the time the policyholder stops paying premium until the insured's death, and (2) if the insured dies within one year of the date the premium payments stopped, or prior to age 65.

**Extended Non-Owner Liability**

An endorsement attached to a personal auto policy to provide broader liability coverage only for specifically named individuals. When attached, it covers non-owned autos furnished for the regular use of an insured, use of vehicles to carry persons or property for a fee, and broader coverage for business use of vehicles.

**Extended Period of Indemnity**

A business income coverage that continues coverage for income losses for a period of time after operations have resumed.

**Extended Reporting Period**

A period allowing for making claims after expiration of a "claims-made" liability policy. Also known as a "tail."

**Extended Term Insurance**

A provision in most policies which provides the option of continuing the existing amount of insurance as term insurance for as long a period of time as the contract's cash value will purchase. This is one of the nonforfeiture options available to the insured in case a premium is not paid within the grace period.

**Extended Wait**

A form of reinsurance under which, after the ceding insurer has paid monthly benefits to the claimant for a given number of months under a disability insurance contract, further benefits will be paid by the reinsurer.

**Extension of Benefits**

A condition in the insurance policy which allows coverage to continue beyond the expiration date of the policy in the case of employees who are not actively at work or dependents who are hospitalized on that date. The extended coverage applies only where the employee or dependent is disabled as of that date and continues only until the employee returns to work or the dependent leaves the hospital.

**Extortion**

The surrender of property away from an insured's premises as a result of a threat to do bodily harm to an insured or an employee, or to a relative or invitee of either, who is or allegedly is being held captive.

**Extortion Coverage Form**

A commercial crime coverage form that protects against loss of money, securities, and property other than money and securities, resulting from extortion.

**Extra Contractual Obligations Losses**

Losses incurred by an insurer, beyond those that would have been incurred as specified in the insurance agreement with an insured, due to monetary awards required by a court of law against the insurer for its negligence to its insured.

**Extra Expense Coverage Form**

A commercial property form designed to cover extra expenses incurred by a business so it can remain in operation following a property loss.

**Extra Expense Insurance**

A form of time element insurance that provides reimbursement to the insured for the extra expense reasonably incurred to continue the operation of a business when the property has been damaged by a cause of loss covered by the policy. This insurance normally is used by businesses where continuity of operation, regardless of cost, is a necessity. For example, banks or other businesses providing necessary services.

**Extra Percentage Tables**

Mortality or morbidity tables showing the extra premium for certain impaired health conditions. Usually this premium is shown as a percentage of the standard premium. A form of substandard rating.

**Extra Premium**

An added premium charge for extra hazardous exposures that is levied because the normal rate does not take these into account.

**Extra Premium Removal**

Removal of an extra premium when the cause for it ceases to exist.

**F****Fac Oblig.**

Fac Oblig is a form of reinsurance which is a cross between facultative and treaty reinsurance. The risk to be ceded is submitted to the reinsurer, which has limited rights to decline individual risks. In the case of AIU Fac Oblig reinsurance arrangements are generally dealt with as in the same manner as treaties.

**FAC Payables**

The FAC (Facultative) Payables system is a LAN-based data capture of payables data for entry into the corporate FAC Payables system.

**Face**

The first page of a life insurance policy.

**Face Amount**

That 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-of-Payment Clause**

A contract provision found in industrial life policies which permits the insurer to pay a portion of the proceeds of the policy to any relative or person who has possession of the policy and who appears equitably entitled to such payment. This provision is designed to facilitate payment when some doubt may exist as to who the beneficiary is and to save legal expenses in the settling of an estate.

**Factory Mutual**

A mutual insurer specializing in large risks, with special emphasis on loss prevention.

**Factory Mutuals**

Member insurers of the Factory Mutual System, which is a group of mutual coinsurers formed to provide member insurers with insurance and engineering services.

**Facultative**

("Fac") The reinsurance of part or all of (the insurance provided by) a single policy, with separate negotiation for each cession. The word "facultative" connotes that both the primary insurer and the reinsurer have the faculty or option of accepting or rejecting the individual submission (as distinguished from the obligation to cede and accept, to which the parties agree in treaty reinsurance).

**Facultative (or Specific) Reinsurance**

Reinsurance by offer and acceptance of individual risks, wherein the reinsurer retains the "faculty" to accept or reject each risk offered by the ceding company. Contrast with Treaty Reinsurance.

**Facultative Certificate of Reinsurance**

A document formalizing a facultative reinsurance policy.

**Facultative Obligatory Treaty**

The blending of the facultative and treaty approach; a treaty under which the ceding company may cede identified risks which the reinsurer must accept.

**Facultative Reinsurance**

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

**Facultative Reinsurance**

The reinsurance of all or a portion of a specific insurance policy. Each policy reinsured is separately negotiated. Also known as "FAC".

**Fair Access to Insurance Requirements Plan**

A pooling plan reinsured by the United States Government that makes insurance available to those in inner-city or other high risk areas who cannot obtain insurance through normal channels. Coverages for fire and allied perils is available, with considerably high limits, after inspection of the premises.

**Fair Credit Reporting Act**

Public Law 91-508 requires that an applicant be advised if a consumer report may be requested and be told the scope of the possible investigation. Should the request for insurance be declined because of information contained in that report, the applicant must be given the name and address of the reporting agency.

**Fair Rental Value Coverage**

Insurance that pays the loss of rental value, minus expenses which do not continue, when property rented to others or held for rental is damaged by a peril insured against.

**Fallen Building Clause**

A provision in certain property insurance contracts which specifies that if a material part of an insured building collapses from causes other than fire or explosion, the fire coverage becomes void.

**Family Automobile Policy**

A form which was once widely used to write automobile insurance for individual car owners. It is a package policy which provides protection against legal liability for bodily injury and property damage to others, injury to the insured and other occupants of the vehicle, and damage to the vehicle itself. It has largely been replaced by the more modernized Personal Auto policy.

**Family Dependent**

A person entitled to coverage because he or she is: (1) The enrollee's spouse, or (2) A single dependent child of either the enrollee or the enrollee's spouse (including stepchildren or legally adopted children), and (3) A resident of the enrollee's home.

**Family Expense Policy**

A policy which insures the medical expenses of all members of a family.

**Family Income Policy**

A policy that pays an income up to some future date designated in the policy to the beneficiary after the death of the insured. The period of payment is measured from the date of the inception of the contract, and at the end of the income period the face amount of the policy is paid to the beneficiary. If the insured lives beyond the income period, only the face amount is payable in the event of the insured's death.

**Family Maintenance Policy**

A policy that pays an income to the beneficiary starting after the death of the insured and continuing for a stated period of time. At the end of the income period, the face amount of the policy is paid to the beneficiary.

**Family Policy**

A Personal Accident insurance policy covering all the members of one family. The definition of family members may vary.

**Family Policy**

This policy typically consists of whole life insurance for the head of the household with smaller amounts of term insurance on other family members.

**Farm Coverage Part**

One of the coverage parts available under the Commercial Package Policy program. Coverages may be included for farm property, agricultural equipment, livestock, and farm liability.

**Farm Liability Coverage Form**

A commercial liability form attached to a Farm Coverage Part to provide coverage for bodily injury, property damage, personal injury, advertising injury and medical payments for farm exposures.

**Farm Personal Property**

Scheduled or unscheduled classes of farm property which may be covered by the Farm Property Coverage form. It may include grain, feed, supplies, livestock, farm machines and farm vehicles. Contrast with Household Personal Property.

**Farm Property Coverage Form**

A farm coverage form which may be used to cover residential dwellings, other private structures, household personal property, farm personal property, and other farm structures.

**Farmers Comprehensive Personal Liability**

Similar to the Comprehensive Personal Liability policy but adapted to cover farm hazards, such as damage caused by grazing animals.

**Farmowners-Ranchowners Policy**

A package policy providing property coverage on farm dwelling buildings and contents, as well as barns, stables, and other farm outbuildings. Liability coverage is also included. It is similar to a homeowners policy adapted to cover farm properties.

**Fast-track Technical Underwriting Unit**

The organizational unit within the Customer Service Group that handles the technical underwriting of all business that is basic to medium in terms of underwriting complexity.

**FC&S Bulletins**

A service, published by the National Underwriter Company, explaining coverages, forms, underwriting, and rating procedures for the various property, casualty, and surety lines of insurance.

**FCII**

Fellow of the Chartered Insurance Institute, whose designation is gained by the completion of examinations and other requisites.

**Federal Crime Insurance Program**

A federally administered program under which pooling companies write crime insurance for those unable to secure it in the open market. Available for residential and commercial risks in various states.

**Federal Crop Insurance Corporation**

An agency within the U.S. Department of Agriculture which provides insurance on growing crops.

**Federal Deposit Insurance Corporation**

An agency of the federal government which insures bank deposits up to a stated maximum.

**Federal Emergency Management Agency**

A government agency that provides disaster relief during emergencies, such as floods, fire, earthquakes, etc.

**Federal Employees Compensation Act**

Under this Act, workers compensation benefits are provided to civilian federal government employees. The U.S. government administers and operates the system, as well as provides the benefits. Therefore, no private insurance is involved.

**Federal Employer Identification Number**

A tax identification number for businesses that has serves a tax-tracking function similar to the social security number for individuals.

**Federal Employers Liability Act**

Passed by Congress in 1908 before there were worker compensation statutes and benefits in this country, this Act applies to railroad workers only. It puts injured workers in a favorable position in terms of liability claims, allowing them to sue the employer for negligence. Because railroad workers and their unions were unwilling to trade their favorable positions for statutory benefits, they remain exempt from compensation laws in many states. Cases are decided on the issue of employer liability.

**Federal Employers' Liability Act**

Applies to employees of interstate railroads. Such employees are not subject to state workers compensation laws. This federal law imposes liability on the railroad if the injured railroad employee can show any negligence on the part of the railroad.

**Federal Estate Tax**

The federal tax which is imposed on the deceased's estate which includes the total assets comprising a person's estate at death.

**Federal Home Loan Mortgage Corporation**

A publicly chartered agency that buys qualifying residential mortgages from lenders, packages them into new securities backed by those pooled mortgages, provides certain guarantees, and then resells the securities on the open market. The corporation's stock is owned by savings institutions across the U.S. and is held in trust by the Federal Home Loan Bank System. The corporation, nicknamed Freddie Mac, has created a secondary market, which provides more funds for mortgage lending and allows investors to buy high-yielding securities backed by federal guarantees.

### **Federal Insurance Administration**

A government office, part of HUD, which oversees the handling of FAIR plans, Federal Crime Insurance plans, and the Flood program.

### **Federal National Mortgage Association**

A publicly-owned, government-sponsored corporation chartered in 1938 to purchase mortgages from lenders and resell them to investors. The agency, known by the nickname Fannie Mae, mostly packages mortgages backed by the Federal Housing Administration, but also sells some non-governmentally backed mortgages. Shares of FNMA itself, known as Fannie Maes, are traded on the New York Stock Exchange.

### **Federal Officials Bond**

A bond which provides reimbursement to the federal government for loss occasioned by the dishonest acts of its employees or their lack of faithful performance.

### **Federal Qualification**

Approval of any HMO made by the HCFA after conducting their evaluation of methods of doing business, documents, contracts, facilities, and systems.

### **Federal Workers' Compensation Laws**

This encompasses workers' compensation coverage under the following federal acts: Defense Base Act, Federal Coal Mine And Health Safety Act, Federal Employer's Liability Act, Non-Appropriated Fund Instrumentalities Act, Outer Continental Shelf Lands Act and Migrant and Seasonal Agricultural Worker Protection Act.

### **Fee Maximum**

The maximum amount available to a provider for specific health care services under a contract.

### **Fee Schedule**

A list of maximum fees for providers who are on a fee-for-service basis.

### **Fee Simple**

Complete ownership of property with the unconditional right to dispose of it. Compare with Joint Tenancy and Tenancy in Common.

### **Fee Simple Form of Ownership**

The ownership of property where the owner is entitled to the entire property without conditions or limitations.

### **Fee-for-Service Equivalency**

The difference between the amount a provider receives from a reimbursement system such as capitation (a flat charge per month, for instance) compared to fee-for-service reimbursement.

### **Fee-for-Service Reimbursement**

A health care system where physicians and other providers receive payment based on their billed charge for each service provided.

### **Fellow of the Casualty Actuarial Society**

This designation is gained by the completion of a series of examinations and other requirements.

### **Fellow of the Society of Actuaries**

A designation which is gained by the completion of a series of examinations, as well as other experience requirements.

**Fellow Servant Rule**

A common law defense used by employers before the passage of compensation laws. It held that if an employee was injured due to the carelessness of a fellow employee, the right of action was against the fellow worker and not against the employer.

**Fellow, Life Management Institute**

A professional management designation earned by passing 10 national examinations on life and health insurance subjects including insurance, finance, marketing, law, information systems, accounting, management and employee benefits. Examinations and course materials are prepared and administered by the Life Office Management Association.

**Fictitious Groups**

Groups formed primarily for the purpose of buying insurance. Under the law such groups may not be underwritten.

**Fidelity**

A form of insurance that reimburses an employer under agreed upon terms and conditions for losses caused by dishonest or fraudulent acts of employees.

**Fidelity and Surety Programs**

Insurance which guarantees performance of an obligation (surety) or indemnifies for loss due to embezzlement or wrongful abstraction of money securities or other property (fidelity).

**Fidelity Bond**

A bond that will reimburse an employer, the insured, for loss due to the dishonest acts of a covered employee.

**Fidelity Insurance**

A liability insurance coverage for loss caused by dishonest or fraudulent acts committed by persons covered by the policy.

**Fiduciary**

A person holding the funds or property of another in a position of trust, and who is obligated to act in a prudent and ethical manner. An example would be an attorney, bank trustee, the executor of an estate, etc.

**Fiduciary**

A person, such as an investment manager or the executor of an estate, or an organization, such as a bank, entrusted with the property of another party and in whose best interests the fiduciary is expected to act when holding, investing, or otherwise using that party's property.

**Fiduciary Bond**

A bond which guarantees the faithful performance of a fiduciary.

**Field**

Refers to a group of adjacent columns on a statistical record layout. It is used to report a specific item of information.

**Field**

(1) See Field Force. (2) A type or line of insurance as "in the life insurance field." (3) An area or territory covered by an agent, agency, or insurer.

**Field Force**

The agents and supervisory personnel of insurers who operate away from the home office in the branch offices and general agencies of the company.

**Field Underwriting**

The initial screening of prospective buyers of health insurance, performed by sales personnel "in the field." May also include quoting of premium rates.

**File-and-Use Rating Laws**

State laws pertaining to insurance rates which permit insurers to adopt new rates without the prior approval of the insurance department. Usually insurers submit their new rates along with supporting statistical evidence, but this is not necessary in all cases.

**Filing**

A formal submission to a regulatory body (typically the Department of Insurance) of forms, rates or other information usually for the purpose of obtaining license or approval to sell and issue policy forms or products.

**Final Mod**

The Final Mod is the term used to describe the experience modification calculated by the bureau experience rating plan.

**Financed Insurance**

Payment of insurance premiums, in whole or in part, with funds derived from borrowing, usually from the cash value of the policy. Also known as Minimum Deposit Insurance.

**Financed Premium**

The payment of insurance premiums with funds borrowed outside the contract itself.

**Financial Accounting Standards Board**

A non-governmental group that sets standards for generally accepted accounting principles.

**Financial Guarantee Bond**

A guarantee that others will pay sums of money due. A Sales Tax Bond, for instance guarantees the state that the merchant will pay sales taxes on time and in full.

**Financial Responsibility Clause**

A clause which states that a policy conforms to the financial responsibility laws of any state in which the insured is operating the insured vehicle.

**Financial Responsibility Law**

A state law which requires the insured to furnish evidence of ability to pay for losses. Some laws require this evidence before an accident, whereas others require evidence after the first accident. Evidence of ability to pay most often takes the form of an insurance policy with certain minimum limits of coverage.

**Financial Responsibility Laws**

Laws that serve to provide encouragement for all motorists to purchase liability coverage. FR laws allow the individual to register and operate a motor vehicle, without his/her having to provide evidence of financial responsibility until after he/she has become involved in an accident causing specific injury or damage. Any motorist who already has insurance in an amount equal to or greater than the limits required by law at the time of an accident has satisfied the law.

**Financial Risk**

Risk related to the amount of debt used in financing a company.

**Financial Statement**

The disclosure of the financial results of a firm's operations. It involves the balance sheet, profit and loss statement, and associated information.

**Fine Arts Floater**

Covers fine arts, such as antiques, leaded glass, and other art work of all types, usually on an open perils (all risk) basis.

**Fine Print**

A reference to imaginary small type in a policy contract supposedly containing exclusions, reductions, exemptions, and limitations of coverage. Most state laws include specifications for the minimum type size that can be used in a policy, and they also provide that exclusions cannot be printed in type smaller than that used to print the benefits.

**Fire**



Combustion which is rapid enough to produce a flame or glow. Property insurance only covers "hostile" fires, which means those that have escaped their intended limits or were not started intentionally. In their proper contained area are called "friendly fires" and are not covered under most basic property insurance policies.

**Fire Damage Limit**

A General liability limit that applies only to the coverage for fire legal liability.

**Fire Department Service Clause**

A provision in a fire insurance policy that provides the insured with indemnification for charges incurred due to action by a fire department to save the insured's property. It is useful for property located outside the jurisdiction of the nearest fire department and where the call will be answered only for a fee.

**Fire Legal Liability**

An insurance policy which protects the insured against liability incurred when the insured's negligent actions result in the destruction of property which is in the insured's care, custody or control.

**Fire Maps**

A visual record of the distribution of fire insurance written by all reporting insurers placed on sectional maps. The maps show graphically the distribution of the insureds' covered properties in a given area and make it possible to avoid catastrophic losses.

**Fire Mark**

An insignia, generally metal, once placed on buildings insured by the insurer represented by the mark. Since the insurers had their own fire brigades, they had to check the mark on a burning building to determine whether or not they should extinguish the fire.

**Fire Marshal**

A public official responsible for the prevention and investigation of fires. The marshal and his or her office are usually financed by a tax on the premiums of property insurers.

**Fire Resistive Construction**

A building which has exterior walls, floors, and roof constructed of masonry or other fire-resistive materials.

**Fire Wall**

A structure (wall) which is designed to seal off fires within a building.

**Fireproof**

A term used in describing building construction. It refers to buildings which are of such construction as to be practically undamageable by fire. However, the term is a misnomer, since no building is completely undamageable by fire, and it is gradually being replaced by the words "fire resistive."

**First GPW Month**

Month in which the premium from the policies sold in a Campaign Selection will start to get collected.

**First Loss Insurance**

(1) Popularly used, an insurance policy which is called upon to pay a loss before others covering the same risk. (2) A contract written in such an amount as to cover only an insured's expected loss during the policy period with no other insurance in existence.

**First Named Insured**

The first named insured appearing on a commercial policy. The latest forms permit the insurer to satisfy contractual duties by giving notice to the "first" named insured rather than requiring notice to all named insureds.

**First Offer Plan**

A provision in a buy-sell agreement which specifies that an offer to sell common stock must first be made to current stockholders.

**First Party Insurance**

Property insurance is an example of first party insurance, since the contract between the insurer and insured will pay the insured in the event of loss or damage to the insured's property.

**First Surplus**

One of the oldest forms of treaty reinsurance. The reinsurer shares the risk with the ceding company on a pro-rata basis. The proportion is sometimes fixed or varied according to: 1. Different classes of risks, and 2. The net retention which the insurance company keeps for its own account. "First" referred to the first layer of reinsurance over the company's net retention. Then would come Second Surplus, etc.

**First Surplus Reinsurance**

The first amount allocated to reinsurance in excess of the original insurer's net retention. See also Surplus Reinsurance. and Lines.

**First Surplus Treaty**

A contract under which the reinsurer shares the risk with the ceding company on a pro rata basis. Under this form of insurance, the reinsurer would pay a proportion of each loss.

**First Year**

The term used to refer to various matters during the first year a policy is in force, such as first year premiums and first year claims.

**First Year Commission**

The commission paid to an insurance agent on the first year's premium as compensation for a newly sold policy.

**Fiscal Intermediary**

A commercial insurer contracted by the Department of Health and Human Services for the purpose of processing and administering Part A Medicare claims.

**Fiscal Year**

The formal twelve month accounting or operating period of a company or entity.

**Five Year Income Averaging**

A tax device for lump sum distributions from a qualified plan which enables the individual to pay a lesser amount of income tax on the distribution.

**Fixed Annuities**

Investment contracts whose issuer pays a guaranteed fixed rate of return to the holder. Fixed annuities can hold stocks, bonds, and/or money market instruments.

**Fixed Annuity**

An annuity that provides that the annuitant will receive a fixed payment during the period of the annuity.

**Fixed Base Liability**

The liability coverage needed by fixed base operators, i.e., those who operate commercial enterprises and operate out of one airport. Aircraft dealers, charterers, and instructors are examples.

**Fixed Benefit**

A benefit, the dollar amount of which does not vary.

**Fixed Benefit Retirement Plan**

A plan providing retirement benefits only on a fixed amount or at a fixed percentage - such as 1% of monthly salary times the number of years of credited employment; or 25% of the employee's average pay over the last few years prior to retirement.

**Fixed Dollar Annuity**

Guarantees a fixed, minimum dollar payout, during each payout period.

**Fixed Indemnity**

"Indemnity".

**Fixed-Amount Installments**

A settlement option under which fixed, periodic benefits payments are made until the principal and interest are exhausted.

**Fixed-Income Investment**

A security that pays a set rate of interest over the duration of the investment term (i.e., a bond).

**Fixed-Period Installments**

A settlement option under which the proceeds are guaranteed to be paid in equal installments for a specified period of time.

**Flat**

Without interest or service charges.

**Flat Cancellation**

A policy which is cancelled upon its effective date. Usually under a flat cancellation no premium charge is made.

**Flat Commission**

A standard scale commission paid to an agent regardless of the type of exposure or the type of policy. Contrast with Graded Commission.

**Flat Deductible**

A deductible which is not one of the disappearing or franchise type. A specific amount deducted from each loss or claim.

**Flat Maternity Benefit**

A stipulated benefit in a hospital reimbursement policy that is paid for maternity confinement, regardless of the actual cost of the confinement.

**Flat Rate**

A reinsurance premium rate based on the entire premium income received by the ceding company from business ceded to the reinsurer, as distinguished from a rate applicable only to the excess limits premium.

**Flat Rate**

A rate not subject to adjustment under a retrospective or other form of rating formula. In A&H, generally refers to group blanket accident insurance.

**Flat Rate Adjustment**

This is a percentage change in workers compensation premium (not rates) usually due to law changes that affect the amount payable for claims.

**Fleet (or Group) of Companies**

A number of insurance organizations under common ownership and often common management.

**Fleet Policy**

An insurance contract that applies to a number of vehicles. Usually five or more self-propelled vehicles constitute a fleet.

**Fleet Rating**

A method of rating in automobile insurance when coverage is provided for a number of vehicles (five or more) for the same insured owners.

**Flesch Test**

A method for determining the degree of ease or difficulty for reading material. This method counts not only the number of words in a sentence, but also the number of syllables in each word. It has come into popular use because of state laws requiring that contracts of insurance be easily understandable by someone at the eighth grade level.

**Flexible Benefit Plan**

A type of program where employees can tailor their benefits to meet their own specific needs.

**Flexible Premium Adjustable Life Insurance Policy**

This is another term used to describe universal life type policies.

**Flexible Premium Annuity**

An annuity that allows the contract holder to vary the amount of the premium payment, or stop payments and resume payments at will. A flexible premium annuity is used to fund IRA and Keogh retirement plans because it allows the amount of premium to change as wages change.

**Flexible Premium Policy**

A life insurance policy under which the policyholder may vary the amount or timing of premium payments.

**Flexible Premium Variable Life**

A whole life contract and a security which features flexible premium payments, nonguaranteed cash values and either a minimum guaranteed death benefit or no guaranteed death benefit. Policy values are dependent on the performance of a separate account.

**Flexible Spending Account**

A salary reduction cafeteria plan whereby employee funds are used to provide various types of health care benefits.

**Floater**

A form of insurance that applies to movable property, whatever its location, if it is within the territorial limits imposed by the contract. The coverage "floats" with the property.

**Flood**

A general and temporary condition of partial or complete inundation of normally dry land areas from (1) overflow of inland or tidal waters, (2) the unusual accumulation and runoff of surface waters from any source, or (3) abnormal, flood-related erosion and undermining of shorelines. Flood also means inundation from mud flows caused by accumulations of water on or under the ground, as long as the mud flow and not a landslide is the proximate cause of loss.

**Flood Insurance**

A form of insurance designed to reimburse property owners from loss due to the defined peril of flood. Usually sold in connection with a government Flood Insurance plan.

**Floor Plan Insurance**

A form of insurance covering merchandise held for sale by a retailer which has been used as collateral for a loan. The lending institution, in effect, is insuring its collateral the merchandise "on the floor" of the retailer.

**Focus Group**

A focus group is a qualitative research technique where groups of individuals, typically six to ten, are brought together to participate in a facilitated discussion. Focus group participants should have attributes characteristic of the target market for the business that is being developed. Focus groups can be used to gain directional insight on consumer needs, attitudes and behaviors related to a particular product category, and to get feedback on marketing messages and product concepts. Because of the small number of people involved in focus groups, findings are not considered to be statistically representative of the overall target market; therefore, the findings are directional, not definitive.

**Following Form**

A term for a Fire or other form written exactly under the same terms and coverages as other insurance on the same property.

**Following The Fortunes**

The clause stipulating that once a risk has been ceded by the reinsured, the reinsurer is bound by the same fate as experienced by the ceding company thereon.

**Foreign Insurance Company**

An insurer formed under the laws of another state other than the state in which the property is written.

**Foreign Insurer**

An insurer domiciled in a state of the United States other than the one in which the insured's insurance is written.

**Foreign Voluntary Coverage**

This provides coverage for work-related injuries to employees while outside the United States and treats these injuries as compensable as if they were covered under the workers compensation policy.

**Forfeitures**

The non-vested remainders in pension plans left by terminated employees. Forfeitures must be used to reduce employer contributions in subsequent years. In profit-sharing plans, forfeitures may be allocated among remaining participants.

**Forgery**

The false and fraudulent making or altering of a written instrument.

**Forgery or Alteration Coverage Form**

A commercial crime coverage form that protects the insured against losses resulting from forgery or alteration of outgoing checks, drafts, promissory notes and similar instruments drawn against the insured's accounts.

**Form**

An insurance document, or part of a document, prepared in a prescribed arrangement of words and layout. It may be the policy itself, or may be a rider or endorsement attached to the policy. As part of the policy, the form contains information necessary to clarify the terms of the policy.

**Form**

(1) An insurance document which, when attached to a policy, makes it complete. For example, a Standard Fire policy would have to have a Business Interruption form attached to it to make up a Business Interruption policy. (2) Any rider or endorsement, such as a Deductible Endorsement

**Formal Plan**

A retirement plan set forth in writing under which contractual and legally enforceable rights pass on to the participating employees.

**Formula**

How the amount of pension to be received, or contribution to be made under a retirement plan is determined.

**Fortuitous Event**

An accident caused by an unforeseen happening. (See, also, "Inevitable Accident.")

**Foundation Exclusion Clause**

A provision in a fire insurance contract which provides that the value of the foundation is not to be included when determining the value of property at the time of a loss.

**Foundering**

This refers to a ship which is sinking.

**Fractional Premium**

A proportionate amount of the annual premium, such as semiannual, quarterly, or other fraction.

**Frame**

A type of construction. A frame building is primarily made with wood frames and joists.

**Franchise**

"Wholesale Insurance".

**Franchise Deductible**

A type of deductible which originated with marine insurance. It states that no claim is payable unless it exceeds a stated amount or a stated percentage of the amount of insurance. Once the claim exceeds that amount or percentage, the entire amount of the claim is payable.

**Franchise Insurance**

A plan for covering groups of persons with individual policies having uniform provisions, although they may differ in benefits. Individual contracts are issued to each person with individual underwriting. It is usually applied to groups too small to qualify for true group coverage, and the solicitation of cases usually takes place among an employer's workforce with employer consent. In life insurance, it is sometimes called wholesale insurance. Contrast with True Group Insurance.

**Fraternal "Society" or "Company"**

A social organization which provides insurance for its members.

**Fraternal Insurance**

Insurance offered a special group of people, namely, members of a lodge or a fraternal order. Such insurance may be written on an assessment basis or on a legal reserve basis.

**Fraud**

Deceit, trickery or misrepresentation with the intent to induce another to part with something of value or surrender a legal right.

**Fraudulent Delivery**

In connection with Transportation Floaters, when a shipper surrenders goods to someone posing as an agent for the carrier, it is held that the goods did not come into the custody of the carrier. If the carrier delivers goods to someone posing as an agent for the receiver, it is held that no valid delivery is made, and the carrier is liable for the loss.

**Free Along Side**

A marine shipping agreement which requires the seller to place the goods alongside a named vessel or a designated dock. The seller is responsible for insuring goods up to the time they are alongside.

**Free Look**

A period of time (usually 10, 20 or 30 days) during which a policyholder may examine a newly issued individual policy of life or health insurance, and surrender it in exchange for a full refund of premium if not satisfied for any reason.

**Free of Particular Average**

A contract provision which excuses the insurer from liability for losses below a certain percentage or fixed amount. Similar to a deductible.

**Free On Board**

The term has special significance in Marine Insurance, where it is vital to determine when title passes from the seller to the buyer. If the materials are shipped FOB point of destination, the seller is liable for damage caused during the course of transportation. If the material is shipped FOB point of departure, then the buyer becomes liable for it.

**Free-look Provision**

The Free Look provision gives the Policyowner a right to cancel his policy and obtain a refund of any premium(s) paid by giving a written notice to the company. Such notice must be signed by the Policyowner and received directly by the company along with the policy document, within 15 days from the date of receipt of the policy document. The refund of premium is subject to deduction of expenses incurred on medical examination of the Insured and Stamp Duty charges.

**Free-of-Capture-and-Seizure Clause**

An insurance contract provision that excludes losses due to war, capture, and seizure.

**Free-Standing Emergency Medical Service Center**

A facility whose primary purpose is the provision of care for emergency medical conditions. Also called emergi-center or urgi-center.

**Free-Standing Outpatient Surgical Center**

A facility which only provides outpatient surgical services. Also called surgi-center.

**Freight**

A charge for the transportation of goods.

**Frequency**

Represents the number of insurance claims made, usually expressed relative to the number of policyholders.

**Frequency**

Refers to the number of claims.

**Frequency**

Frequency is the number of times a loss occurs. Accident Medical Expense is considered a frequency benefit: low benefit/high frequency of claims.

**Frequency Products**

"Frequency".

**Fresh Start**

Under the 1984 Tax Act, the difference between the reserves at the end of 1983 under the 1959 Act and the starting year reserves for 1984 under the 1984 Act were not taxed and were permanently forgiven. This adjustment to income tax expense is called Fresh Start.

**Front-Load Fund**

An open- or closed-end investment company that charges a fee upon the purchase of its shares. This fee, called "the load," is deducted from the amount invested.

**Fronting**

A situation where the ceding company retains a very small part of a risk and reinsures the large majority of it with one or more reinsurers.

**Fronting Policy**

Often constructed as a Matching Deductible Plan, this is an insurance contract where the risk is 100% reinsured over policy terms and conditions set by the ceding company. When purchasing any kind of reinsurance, it is important for the "fronting" company to select its reinsurers carefully, for it is still considered to be the primary insurer and thereby fully responsible for covered losses up to the policy limits regardless of whether reinsurance applies or not. So, if insolvency or some other reason keeps the reinsurer from upholding its part of the deal the fronting insurer may end up paying losses it had intended to transfer.

**Fulfillment**

Process of supplying goods after an order has been received.

**Full Coverage**

Insurance that provides for the payment of all insured losses in full. For example, some health insurance policies provide for full coverage without a deductible, participation, or a coinsurance clause.

**Full Preliminary Term Reserve Valuation**

A method for determining reserves on life insurance contracts, whereby no reserve is required for the first year of a

contract's life, with an appropriate adjustment in subsequent years' reserves to make up the difference. This method of valuation makes it possible for an insured to have more funds available for the high first year expenses incurred in the writing of life insurance.

### **Full Reporting Clause**

Under this clause, an insured is required to report values periodically. The clause provides for a penalty to the insured if true values are not reported.

### **Full-Term Premium**

The total premium charged for coverage for a given policy period. In such situations, the exposure generating the premium is known as of the effective date, and is not expected to vary during the period. A premium of this designation is in contrast with a deposit premium, or installment premium.

### **Fully Insured Plan**

A qualified plan whereby contributions are made to an insurer and benefits, and plan administration are provided by the insurance company in behalf of plan participants.

### **Fully Insured Status**

A provision of OASDHI which sets forth the qualifications a person must have before being eligible for retirement benefits under the Social Security system. For most people this means having worked 40 calendar quarters (usually 10 years) at covered employment, though there are some exceptions. Contrast with Currently Insured Status.

### **Fully Paid Policy**

A limited payment life insurance contract on which all required payments have been made. For instance, a 20-pay life policy would be fully paid after the insured has paid premiums for 20 years.

### **Fund**

(1) Money and investments held in trust in order to pay pension benefits. (2) To accumulate money necessary to pay pension benefits; to pay into the fund each year enough to cover the the pension plan's obligations for that year.

### **Funded**

Having sufficient funds to meet future liabilities. This term is most often used with a pension plan's outstanding claims account.

### **Funded Pension Plan**

In this type of retirement plan, the employer puts aside enough money each year to cover the cost of currently promised pension benefits.

### **Funded Plan**

All plans under which funds are deposited to provide for retirement benefits.

### **Funding Medium**

The arrangement through which funding methods operate; i.e., a trust agreement; a custodial account; a deposit administration contract; a group annuity contract.

### **Funding Method**

(Pension) How money is accumulated for future payment of pension benefits.

### **Funding Methods**

(Health) The agreed means by which an employer pays for health coverage.

### **Fur and Jewelry Floater**

Usually an open perils (all risk) form which applies to the furs and jewelry scheduled in the policy whatever their location worldwide.

### **Furriers Customers Insurance**



An inland marine form purchased by a furrier to protect furs in storage belonging to customers.

**Future Increase Option**

An option which allows the insured to increase disability income benefits at predetermined times, specified in the policy, without evidence of insurability.

**Future Interest**

Generally means the future interest and enjoyment of personal property provided for an individual by means of a gift.

**Futures Contract**

A contract providing for the delivery or receipt of financial assets at a specified date and price.

# G

**GAAP Profit- Generally Accepted Accounting Principles Profit**

An accepted method of accounting for deferred expenses (e.g. marketing costs) among other items that allows for spreading or amortizing. These principles have substantial authoritative support for use in the insurance business and in the reporting of profit. They are intended to produce financial results consistent with those of other industries and to assure consistency in financial reporting.

**Gain and Loss Exhibit**

The portion of the convention blank which represents an analysis of gains, losses, and surplus during an accounting period.

**Gambling**

The creation of a situation where there is a chance of either loss or gain. This is the opposite of insurance, which either eliminates or reduces the risk of loss and presents no chance of gain.

**Garage Coverage Form**

A commercial automobile insurance coverage form used to insure automobile dealers, repair shops, service stations, and garage risks. Garage liability, garagekeepers coverage, and physical damage coverages may be included.

**Garage Keepers Legal Liability Insurance**

An insurance contract that protects a garage keeper against liability for damage to vehicles in the keeper's care, custody, or control caused by specific perils.

**Garage Liability Insurance**

Insurance to protect garage owners or automobile dealers for liabilities arising out of their business operations.

**Garagekeepers Insurance**

An insurance contract that protects a garagekeeper against liability for damage to vehicles in his care, custody, or control caused by specified perils.

**Gatekeeper Model**

Under this model of HMO and PPO organizations, the primary care physician (the gatekeeper) is the initial contact for the patient for medical care and for referrals. This is also called a closed access or closed panel.

**Gender Rule**

One method of determining which parent's medical coverage will be primary for dependent children: the father's coverage will automatically be considered primary and will pay first.

**General Account**

All assets of an insurer other than assets held in separate accounts.

**General Account**

An investment portfolio used by the insurer for investment of premium income. This portfolio generally consists of safe, conservative, guaranteed investments, such as real estate and mortgages.

**General Adjustment Bureau, Inc.**

An independent company which adjusts claims of all types for insurance companies. GAB also provides training programs for adjusters.

**General Agency System**

The marketing of life insurance through general agents.

**General Agent**

An individual appointed by a life or health insurer to administer its business in a given territory. General agents are responsible for building their own agency and service force and are compensated on a commission basis, with possibly some additional expense allowances.

**General Agents and Managers Conference**

An association of insurance general agents and managers affiliated with the National Association of Life Underwriters.

**General Aggregate Limit**

A Commercial General liability limit that applies to all damages paid for bodily injury, property damage, personal injury, advertising injury, and medical expenses, except damages included in the products-completed operations hazard.

**General Average**

A partial loss incurred to save the total venture from destruction. Any such losses are prorated among all parties to the venture, including the parties whose interests first suffered such loss. An example would be throwing cargo overboard in order to save a ship from a particular peril.

**General Liability**

Coverage for bodily injury or property damage losses for which the insured is legally liable as a result of negligence.

**General Liability Insurance**

Form of coverage that pertains to claims arising out of the insured's liability for injuries or damage caused by ownership of property, manufacturing operations, contracting operations, sale and distribution of products as well as professional services. General Liability is sometimes referred to as 'Liability Other Than Auto'.

**General Liability Insurance**

A form of insurance designed to protect owners and operators of businesses from a wide variety of liability exposures. These exposures could include liability arising out of accidents resulting from the premises or the operations of an insured, products sold by the insured, operations completed by the insured, and contractual liability.

**General LTC Rider**

A LTC rider which is attached to a life insurance policy but stands alone or is independent of the life policy. Any LTC benefits paid do not reduce any of the life insurance benefits.

**General Operating Expense**

The expense of an insurer other than commissions and taxes. Called "General and Insurance Expense" in the convention statement blank.

**General Operating Expenses**

The company's operating costs, fees for medical examinations and inspection reports, underwriting, commissions, advertising, agency expenses, premium taxes, salaries, rent etc. Such costs are important in determining premium rates.

**General Partnership**

A business enterprise owned and operated by two or more persons for the purpose of generating business income and profits.

**General Power of Appointment**

A donee is given the authority to pass on a property interest to whomever he or she pleases.

**General Property Form**

This form commonly in use for coverage on the property of commercial risks from whatever perils are specified in the contract.

**General Provisions**

Provisions of a policy in addition to the regular insuring and benefit provisions which limit and define the coverage. The general provisions are usually common to all similar policies whereas insuring, benefit and exclusion clauses or provisions usually vary.

**Generally Accepted Accounting Principles**

These principles have substantial authoritative support for use in the insurance business. They are intended to produce financial results consistent with those of other industries and to assure consistency in financial reporting. Contrast with Statutory Accounting Principles.

**Generation Skipping Transfer**

A transfer of property due to death or by gift, to a person who is two or more generations below the grantor.

**Generic Drug**

A drug which is exactly the same as a brand name drug and which is allowed to be produced after the brand name drug's patent has expired. It is also called a "generic equivalent."

**Geographical Limitation**

A contractual provision which is specifically names geographical areas outside of which the insurance is not effective.

**Geographical Limitation**

A condition or requirement in a policy that restricts coverage to losses occurring within certain geographical limits.

**GI- Guaranteed Issue**

A contract is issued with no individual underwriting. This normally means there is no individual health underwriting. We guarantee to issue the policy as long as the applicant is eligible for the coverage.

**Gift**

A sale, exchange, or transfer of property without adequate consideration.

**Gift Tax**

Both federal and state governments have gift tax laws which tax gifts made by one person to another.

**Glass Coverage Form**

A commercial property form used to insure plate glass, lettering, frames and ornamentation. It has replaced earlier commercial glass insurance forms.

**GOE- General Operating Expenses**

Overall expenses inclusive of both direct expenses and indirect expenses. May also be referred to as "Opex".

**Going & Coming Rule**

This rule stipulates that while en route to and from work, an employee is not considered as being on the job.

**Good Driver Discount**

A system which entitles good drivers (as defined by driving safety record, number of miles driven annually, number of years driving experience, and other factors related to the risk of loss) to discounts on automobile insurance rates and premiums.

**Good Student Discount**

A discount granted to students with high scholastic ratings. There is a proven relationship between good grades and safe driving.

**Goodwill**

An intangible business asset. It refers to the value of a business which has been built up through the reputation of the business concern and its owners.

**Governing Class**

- 1) The class code that best describes the business of the insured.
- 2) In retrospective rating, the class with the highest premium in a state.

**Governing Classification**

The classification, which carries the highest amount of payroll exclusive of the Standard Exceptions--This describes the principal work activity of the employer's business.

**Government National Mortgage Association**

A government-owned corporation, nicknamed Ginnie Mae, which is an agency of the U.S. Department of Housing and Urban Development. The GNMA purchases mortgages from private lenders, such as banks and savings and loans, packages them into securities called Ginnie Maes, and sells the certificates to investors. The agency guarantees the timely payment of principal and interest to the Ginnie Mae holders.

**Government Savings Bond**

A bond issued by the United States Treasury at a discount equal to the present value of a future interest payment. The amount paid at maturity is the face amount which, in this case, is principal and interest.

**Government Securities**

Bonds and other debt instruments issued by federal agencies. Although government securities have high credit ratings, they are not backed by the full faith and credit of the federal government.

**GPW FY1**

Gross Premium Written in Fiscal Year 1. Actual premium collected during the fiscal year in which the Campaign Selection was executed.

**GPW- Gross Premiums Written**

Total premiums for insurance written including reinsurance assumed during a given period.

**Grace Period**

A prescribed period, usually 30 to 31 days from the premium due date, during which an insurance contract is in force and the premium may be paid.

**Grace Period**

A period of time after the premium due date if the premium due has not been paid during which the policy will remain in force without penalty. The usual period is 31 days.

**Graded Commission**

A compensation scale for agents which provides for varying commission rates depending upon the class, type, or volume of insurance written. Contrast with Flat Commission.

**Graded Death Benefits**

A provision in life insurance contracts for death benefits that, in the early years of the contract, are less than the face amount of the policy but that increase with the passage of time. Most commonly found in juvenile policies issued at or near age zero.

**Graded Premium**

A modified life insurance policy for which the initial premium is low, and then increases in steps over a period of time (usually five years), after which it becomes a level premium.

**Grading Schedule for Cities and Towns**

A schedule prepared by the National Board of Fire Underwriters for the purpose of determining which of ten grades to assign to a city for fire rating purposes, based on such factors of fire protection as water supply.

**Graduated Life Table**

A mortality table in which the experience has been smoothed out by formula.

**Grantee**

The buyer of real estate.

**Grantor**

The seller of real estate.

**Grantor Retained Annuity Trust**

A trust in which the grantor substitutes retention of a right to payment of a fixed income in exchange for a fixed period of time.

**Grantor Retained Interest Trust**

An irrevocable trust in which the grantor of the trust property receives an income for a fixed period of time. Usually, a personal residence is used as the trust property.

**Grantor Retained Unitrust Trust**

A trust in which a grantor substitutes retention of a right to a fixed percentage of the trust value in exchange for a fixed period of time.

**Grievance Procedure**

A procedure which allows a member of a health plan or a provider of benefits to express complaints and seek remedies.

**Gross Earnings**

An accounting term which is arrived at by subtracting the cost of goods sold from the total sales. Traditionally, the term was used primarily in business interruption insurance as the basis for determining how much insurance a policyholder should carry. The latest business income insurance forms have dropped this term.

**Gross Earnings Form**

A form once used widely in the writing of business interruption insurance. Coverage was written on either the Gross Earnings Form or the Earnings Form. The latest business income coverage forms no longer refer to gross earnings.

**Gross Estate**

Consists of all property owned directly by the decedent; property transferred during the decedent's lifetime, but with certain strings attached, annuities and life insurance benefits receivable by the beneficiary and jointly owned property over which the decedent had certain controls.

**Gross Line**

The total limit accepted by an insurer on an individual risk, including the amount to be reinsured.

**Gross Line**

The amount of insurance the company has on a risk including the amount it has reinsured. (Net lines plus reinsurance ceded equal gross lines).

**Gross Negligence**

Willful and wanton negligence or misconduct.

**Gross Premium**

Premium as calculated before deducting any reinsurance ceding commission. See net premium.

**Gross Premium**

The net premium plus operating expenses, commissions and other expenses.

**Gross Premium**

(Life) The premium for participating life insurance. If an insured elects to use dividends to pay premiums, this becomes the net premium when dividends are subtracted from it. Contrast with Net Premium.

**Gross Pull**

In Direct Marketing, the Issued Number divided by Contacted Number of individuals.

**Ground Coverage**

Insurance for specified perils applicable to the hull when a plane is not flying. Similar to collision and comprehensive coverage in an automobile policy. There are different forms of ground coverage: "Not in Flight" covers the plane on the ground only but includes taxiing. "Not in Motion" covers the plane on the ground and not in motion.

**Group**

A collection of individuals grouped together for the purpose of treating them as a single entity. The term usually refers to employee benefits.

**Group Annuity**

A retirement plan designed for a group of persons (usually employees of a single employer) funded by a single annuity contract which is written on a group basis.

**Group Certificate**

The document provided to each member of a group plan. It shows the benefits provided under the group contract issued to the employer or other insured.

**Group Contract**

A contract of insurance made with an employer or other entity that covers a group of persons identified by reference to their relationship to the entity buying the contract. The group contractual arrangement is generally used to cover employees of a common employer, members of a trade association or trusteeship, members of a welfare or employee benefit association, members of a labor union, or members of a professional or other association not formed only for the purpose of obtaining insurance.

**Group Credit Insurance**

Insurance on the life or health of debtors of a creditor, payable for reduction or extinguishment of the debts in case of the disability or death of the debtor.

**Group Deposit Administration Contract**

A funding contract for a qualified plan whereby contributions are accounted for on an unallocated basis for the benefit of all plan participants.

**Group Disability Insurance**

Coverage provided for a group of individuals for loss of compensation due to accident or sickness.

**Group Health Insurance**

The same definition as life insurance but with the application to health insurance coverages.

**Group I Rates**

Under the latest commercial lines program, this term replaces the term "Fire Rates" for property coverages. Rates are included in Group I for fire, lightning, explosion, sprinkler leakage and vandalism.

**Group II Rates**

Under the latest commercial lines program, this term replaces the term "Extended Coverage Rates" for property coverages. Rates are included in Group II for windstorm, hail, smoke, riot or civil commotion, aircraft, vehicles, sinkhole collapse and volcanic action.

**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 an association with which they are affiliated, with an individual certificate given to each insured person.

### **Group Life Insurance**

Life insurance provided for members of a group. It is most often issued to a group of employees but may be issued to any group provided it is not formed for the purpose of buying insurance. The cost is lower than for individual policies because administrative expenses per life are decreased, there are certain tax advantages, and measures taken against adverse selection are effective.

### **Group Model HMO**

A health plan where a group of physicians is reimbursed for services they provide at a negotiated rate. The HMO also contracts with hospitals for the care of the patients of the physicians who belong to the group.

### **Group or Association Programs**

All group and association programs, either new or renewal, must have prior approval by the home office before commitments are made to brokers. A completed "group submission form" must accompany each request.

### **Group Ordinary Life Insurance**

Level premium ordinary life insurance issued on a group basis.

### **Group Permanent Insurance**

A retirement plan which combines life insurance with retirement benefits. It uses the level premium method under a group contract.

### **Group Permanent Life Insurance**

A form of life insurance under which members of a group are provided one of several plans of permanent life insurance on a group basis instead of the more usual plan of term life insurance.

### **Group Property and Liability Insurance**

The same definition as group life insurance but applied to property and liability coverages.

### **Group Renewable Term Insurance**

Yearly renewable term insurance on a group basis; often called "group life insurance."

### **Group Retirement Income Insurance**

Level premium retirement income insurance issued on a group basis.

### **Group Travel Policy**

AD&D coverage for a person traveling on business. May be business only, occupational only or 24 hour coverage. Also known as Business Travel Accident.

### **Group-Basis Personal Accident Insurance**

A plan of insurance under which a group of people (usually the employees of one employer or the members of a trade or similar association) are insured by a master contract. The employees, etc., are not policyholders or policyowners. The "Group" insurance basis or format is commonly used by companies that write Group Life Insurance, Group Health Insurance, Group Long Term Disability Insurance, etc.

### **Growth and Income Fund**

An investment with this objective seeks a combination of current income (dividends and interest) and growth (capital appreciation).

### **Growth Fund**

A fund with an investment objective of long-term capital growth and capital gains, rather than of current income.

### **Growth Investments**

Investments that allow for capital growth but are not highly speculative, for example, mutual funds, managed equities and stocks, among others. Growth investments are riskier than conservative fixed-interest investments (certificates of deposit, government securities) but less risky than speculative investments such as collectibles, penny stocks, or commodities.

### **Growth Stock**

A stock that has shown better-than-average growth in market price appreciation and is expected to continue to do so through discoveries of additional resources, development of new products, or expanding markets.

### **Guarantee Fund**

State-regulated mechanism which is financed by assessing insurers doing business in those states. Should insurance company insolvencies occur, these funds are available to meet some or all of the insolvent insurer's obligations to policyholders.

### **Guaranteed Cash Value**

In whole life insurance, the policy's cash value increases over the life of the policy until at the insured's age 100 the cash value is equal to the policy's face amount.

### **Guaranteed Cost**

This term is commonly used to refer to workers compensation policies that are not subject to a loss responsive rating plan.

### **Guaranteed Cost**

The premium charged on a prospective basis which may be fixed or adjustable on a specified rating basis but never on the basis of any one policy's loss experience.

### **Guaranteed Cost Policies**

Policies of insurance under which premium is charged on a prospective basis without adjustment for loss experience during the policy period.

### **Guaranteed Insurability**

An option in life and health insurance contracts that permits the insured to buy additional prescribed amounts of insurance at prescribed future time intervals without evidence of insurability.

### **Guaranteed Insurance Option**

Permits the policyholder to purchase up to a specified amount of additional life insurance regardless of his or her health.

### **Guaranteed Investment Contract**

A contract between an insurance company and a corporate profit-sharing or pension plan that guarantees a specific rate of return on the invested capital over the life of the contract. Although the insurer takes all market, credit and interest rate risks on the investment portfolio, it can profit if its returns exceed the guaranteed amount. For pension and profit-sharing plans, guaranteed income contracts are a conservative way of assuring beneficiaries that their money will achieve a certain rate of return.

### **Guaranteed Premiums**

Premiums are guaranteed for a period. In regular A&H, group policy premiums are normally guaranteed not to change more frequently than once every twelve months. Guarantees for up to three years can be considered. Guarantees of individual policies can vary from one year to periods of 10 or 20 years or more, i.e. lifetime.

### **Guaranteed Renewable**

A policy that is renewable at the option of the insured only, until a stated age, period of time or until a lifetime aggregate in benefits has been paid. Premiums for guaranteed renewable type individual policies usually can only be changed on categories or classes of insureds, but not for anyone individual policy.

### **Guaranteed Renewable**

A contract that the insured has the right to continue in force by the timely payment of premiums for a substantial period of time as set forth in the contract. During that period of time, the insurer has no right to make any change in any provision of the contract other than a change in the premium rate for all insureds in the same class. Contrast with Noncancellable,



from which Guaranteed Renewable should be distinguished.

### **Guaranteed Standard Issue**

An underwriting term used to describe the fact that a group insurance contract was issued without reference to any medical underwriting. All group participants are covered regardless of health history.

### **Guarantor**

One who guarantees or promises to back up another's actions or debts. It is a term used in surety bonds, usually the surety company is the guarantor.

### **Guaranty Fund**

Established to pay claims of insolvent insurance companies. These funds are funded by contributions of companies operating in a particular state in proportion to their business written in the state.

### **Guaranty Funds**

Funds created by state law from contributions by insurance companies operating in the state which are used to make good any unpaid claims or otherwise to make money available to insolvent companies. Each state which has a fund has a different plan.

### **Guardian**

A person appointed by the court to take care of affairs of another. A common example would be a guardian to take care of the affairs of a minor or a mentally incompetent.

### **Guarenteed Investment Contract**

A contract between an insurance company and a corporate profit-sharing or pension plan that guarantees a specific rate of return on the invested capital over the life of the contract. Although the insurer takes all market, credit and interest rate risks on the investment portfolio, it can profit if its returns exceed the guaranteed amount. For pension and profit-sharing plans, guaranteed income contracts are a conservative way of assuring beneficiaries that their money will achieve a certain rate of return.

### **Guertin Laws**

The valuation and nonforfeiture laws which have been standard in all states since 1947, named for Alfred Guertin, then actuary of the New Jersey Insurance Department and head of the NAIC committee which developed the model bill for these laws.

### **Guest Law**

Some states have legislation which restricts the rights of a guest to collect from the driver of an automobile he is riding in on the grounds of ordinary negligence. Usually such cases require proof of willful and wanton negligence on the part of the driver before the guest can collect.

### **Guest Property Coverage**

Two commercial crime coverage forms are available for hotels, motels, inns and other lodging facilities to protect the property of guests against loss or damage. One form covers guests' property while it is in a safe deposit box on the insured's premises. The other form covers an insured's legal liability for loss or damage to guests' property while in the insured's premises or in the insured's possession.

### **Guideline Premium**

A universal life insurance term used to describe the maximum premium that may be paid while still qualifying as life insurance under the federal Internal Revenue Code.

### **Guideline Violations**

mounts received in excess of the maximum amounts permitted by law to be paid into a life insurance contract and still maintain the tax deferred benefits afforded life insurance cash values.

### **Guiding Principles**

Rules established by major property and liability trade associations for the adjustment of losses, particularly with respect to how losses should be apportioned between insurance companies under certain circumstances.

# H

## **Hail Insurance**

Insurance against loss of crops caused by hail.

## **Hand In Hand**

Common name for the first fire insurance company created in the 'New World' by Benjamin Franklin in 1752. The actual name is the 'Philadelphia Contributorship for the Insurance of Houses from Loss by Fire'.

## **Hangarkeepers Legal Liability Insurance**

Insurance which the owner of an airplane hanger buys to protect against liability for damage or injury to others arising out of the ownership, maintenance, or use of the premises for an aircraft hanger.

## **Hard Market**

Indicative of shrinking capacity in the market followed by increases in rates.

## **Hazard**

Condition which creates or increases the chances of a loss arising from a peril. Examples of hazards include: slippery floors, congested traffic, unguarded premises and uninspected boilers.

## **Hazard**

A specific situation that increases the probability of the occurrence of loss arising from a peril, or that may influence the extent of the loss. For example, accident, sickness, fire, flood, liability, burglary, and explosion are perils. Slippery floors, unsanitary conditions, shingled roofs, congested traffic, unguarded premises, and uninspected boilers are also hazards.

## **Hazard Group**

In retrospective rating, all classifications are assigned to hazard group I, II, III, or IV or in California groups A through J. Hazard groups indicate the relative loss severity potential of the classifications. Refer to the retrospective plan. Hazard Group I is the lowest severity and California Hazard Group A is the lowest rating.

## **HCFA 1500**

A form used by providers of health services to bill their fees to health carriers. It was developed by the government agency known as Health Care Financing Administration.

## **Head Office**

The term "head office" is primarily used in British insurance operations, whereas "home office" is used for American operations.

## **Health Benefits Package**

The coverages offered by a health plan to an individual or group.

## **Health Care Financing Administration**

Part of the Department of Health and Human Services, responsible for administration of the Medicare and Medicaid programs. The HCFA establishes standards for medical providers which must be complied with if the provider is to meet certification requirements.

## **Health History**

A form used by underwriters to assist in evaluating groups or individuals to determine whether they are acceptable risks.

## **Health Insurance**

Insurance against loss by sickness or bodily injury. The generic form for those forms of insurance that provide lump sum or periodic payments in the event of loss occasioned by bodily injury, sickness or disease, and medical expense. The term health insurance is now used to replace such terms as accident insurance, sickness insurance, medical expense insurance, accidental death insurance, and dismemberment insurance. The form is sometimes called accident and health,

accident and sickness, accident, or disability income insurance.

**Health Insurance Association of America**

An association supported by life and health insurers to provide the research, public relations, education, and legislative base for the promotion of voluntary private health insurance.

**Health Insurance Quality Award**

An award granted annually by the International Association of Health Underwriters or the National Association of Life Underwriters for high persistency of health insurance policies written by agents.

**Health Maintenance Organization**

An HMO is a prepaid medical service plan which provides services to plan members. Medical providers contract with the HMO to provide medical services to plan members. Members must use contracted providers. The emphasis is on preventive medicine, and it is an alternative to employee benefit plans. Employers of more than 25 persons are required to offer the alternative of HMO to employees, but not if the cost exceeds that of present employee benefit plans.

**Health Plan**

This refers to any kind of plan that covers health care services such as HMOs, insured plans, preferred provider organizations, etc.

**Health Service Agreement**

The agreement between employer and the health plan which outlines a description of benefits, enrollment procedures, eligibility standards, etc.

**Health Services**

The benefits covered under a health contract.

**Hearsay**

Testimony based on what someone else has said or told a witness.

**Hedge**

An investment undertaken to offset the risk entailed by another investment.

**High (or Large) Deductible**

An insurance policy (usually health insurance) where the customer assumes a high deductible, for example, \$25,000 or more of each unrelated loss.

**High Pressure Tactics**

An illegal method of marketing insurance policies (often associated with Medicare supplement policies) employing tactics having the tendency to induce the purchase or to recommend the purchase of coverage through force, fright, explicit or implied threat, or undue pressure.

**High Risk Activity**

Activities that have a high potential for accidents such as sky diving, bungee jumping, acrobatic flying, bronco riding, etc.

**Highly Protected Risk**

Refers to property risks which meet the standards required for lower rates. Risks of this type are usually protected by sprinklers and have better-than-average construction and occupancy. The term is most often used in connection with the factory mutuals, factory insurance association, and the improved risk mutuals.

**Hired Automobile**

Autos the insured leases, hires, rents, or borrows, but not autos owned by employees or members of their households.

**Historical Loss Risk**

The likelihood of experiencing a loss, a return less than zero measured in a probability.

**Historical Mean Return**

The statistical average return provided by an asset, asset category, or portfolio mix over a specified time period. Also referred to as Average Annual Return.

**Historical Variation Ranges**

A statistical measure of the historical variation of asset class returns that shows the minimum and maximum returns at a given confidence level. This gives the investor a broad view of the historical characteristics of asset classes and provides a valid method for comparison of portfolio allocations.

**Hit**

Name appearing on two or more mailing lists.

**HMO- Health Maintenance Organization**

An organization providing comprehensive health care services for subscribing members in a particular geographic area. HMOs provide both group and individual health insurance, generally on a set fee basis.

**Hold Harmless Agreement**

A contractual arrangement whereby one party assumes the liability inherent in a situation, thereby relieving the other party of responsibility. Such agreements are typically found in contracts like leases, sidetrack agreements, and easements. For example, a typical lease may provide that the lessee must "hold harmless" the lessor for any liability from accidents arising out of the premises. The effect of such an agreement is that the lessee must provide a defense for the lessor, and if any judgment is rendered against the lessor, the lessee would have to pay.

**Hold-Up**

A form of robbery.

**Holding Period**

The length of time that an investor has owned a capital asset. The Tax Reform Act of 1984 shortened the capital gains holding period from a year and a day to six months and a day.

**Holographic Will**

A valid will which is completely handwritten and signed by the testator.

**Home Foreign Referral**

Premium booking and policy issuance for a local underlyer in a Subsidiary or Affiliate of AIG that belongs to a worldwide program controlled by a Requesting Office in North America.

**Home Health Agency**

A certified facility approved by a health plan to provide services under contract.

**Home Health Care**

Care received at home as part-time skilled nursing care, speech therapy, physical or occupational therapy, part-time services of home health aides or help from homemakers or choreworkers.

**Home Health Services**

Health care services provided by a licensed home health agency in the patient's home which is a covered expense under Part A of Medicare.

**Home Office**

Generally the corporate headquarters of insurers and the location where the chief officers of the organization are housed.

**Home Office Life Underwriters Association**

An organization offering a course of study for home office life underwriters.

**Home Service Insurance**

A variation in the industrial life concept, home service life insurance policies are usually modest in size, ranging from

\$10,000 to \$15,000 in face value, and are typically sold on a monthly debit plan (automatic bank draft) or payments by mail.

### **Home Shopping**

A live television broadcast on a live, 24 hour television shopping station. No pre-recorded broadcast shows are usually shown. Each broadcast is typically one half hour or hour in length, and composed of four 15 minute segments that are acted out and improved throughout the time slot, based on live response. Note that the network will typically maintain a database of customer names, past purchases, times of purchases, credit card information, phone numbers, addresses, amounts purchased and additional up-sell and cross-sell activity. A specific dedicated time slot is agreed based on test methodology and viewer demographics matched to the product offer, and the network will produce the show from their studios, and can feature a live audience.

### **Homeowners Policy**

A package policy for the homeowner that includes coverages ranging from fire and extended coverage, theft, and personal liability, to "all risk" coverages.

### **Homeowners Policy**

A property and liability insurance contract that provides insurance against any of the property and liability perils to which a homeowner or renter is exposed.

### **Honorable Undertaking**

This is stated in the reinsurance contract: "This agreement is considered by the parties hereto as an honorable undertaking, the purpose of which is not to be defeated by a strict or narrow interpretation of the language thereof."

### **Honorable Undertaking**

A clause found in many reinsurance contracts that reads: This Agreement is considered by the parties hereto as an honorable undertaking the purpose of which is not to be defeated by a strict or narrow interpretation of the language thereof.

### **Hospice**

An organization which is primarily designed to provide pain relief, symptom management and supportive services for the terminally ill and their families. Hospice care is covered under Part A of Medicare.

### **Hospital**

The exact definition of a hospital for insurance purposes can vary by jurisdiction but is generally as follows: An establishment which meets all of the following requirements: (1) holds a license as a hospital, if licensing is required in the country or governmental jurisdiction; (2) operates primarily for the reception, care and treatment of the sick, ailing or injured persons as in-patients; (3) provides 24-hour a day nursing service by registered or graduate nurses; (4) provides organized facilities for diagnosis and major surgical procedures.

### **Hospital Affiliation**

A contract whereby one or more hospitals agrees to provide benefits to members of a specific health plan.

### **Hospital Alliances**

A group of hospitals that work together to share common services and thereby reduce health costs. By grouping together, they are better able to compete with other alliances or chains.

### **Hospital Benefits**

Benefits payable for hospital room and board, plus miscellaneous charges resulting from hospitalization.

### **Hospital Confinement Rider**

An optional disability income rider that results in the elimination period being waived when the insured is hospitalized as an inpatient.

### **Hospital Income Insurance**

A form of insurance that provides a stated weekly or monthly payment while the insured is hospitalized, regardless of

expenses incurred and regardless of whether or not other insurance is in force. The insured can use the weekly or monthly benefit as he chooses, for hospital or other expenses.

**Hospital Indemnity**

Coverage that pays based on daily, weekly, or monthly limits regardless of the amount of actual hospital expenses.

**Hospital Insurance**

Also identified as Part A of Medicare. HI provides inpatient hospital care, skilled nursing care home health and hospice care subject to a benefit period deductible and copayments for certain services.

**Hospital Tax**

A Social Security tax of 1.45% on an unlimited amount of income, paid by both the employee and employer to prepay for Part A of Medicare.

**Hospitalization Expense Policy**

A policy which covers daily hospital room and board charges and also covers miscellaneous hospital expenses (such as X-ray, etc.). It also often covers emergency treatment charges and many times will also include a surgical benefit.

**Hospitalization Insurance**

A form of insurance that provides reimbursement within contractual limits for hospital and specific related expenses arising from hospitalization caused by injury or sickness.

**House Confinement**

A provision in some health insurance contracts which requires an insured to be confined to the house in order to be eligible for benefits. This provision is most commonly found in policies providing loss of income benefits.

**Household Personal Property**

The term given to household goods, furniture and personal belongings of residents of a farm dwelling. The Farm Property Coverage Form uses the term "household" to distinguish it from the separate coverage for "farm" property. Contrast with Farm Personal Property.

**Housekeeping**

The general care, cleanliness and maintenance of an insured's property. It is an important underwriting consideration in many forms of insurance, such as workers compensation and property.

**HR-10**

A qualified retirement plan for the self employed. Also known as a Keogh Plan.

**Hull Policy**

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

**Hull Syndicates**

A group of companies which agree to share or prorate insurance on oceangoing vessels or aircraft. Coverage on the ship or plane itself is called hull insurance.

**Human Immunodeficiency Virus**

The virus, commonly referred to as HIV, which causes acquired immunodeficiency syndrome, an infectious and incurable disease commonly referred to as AIDS.

**Human Life Value**

A method of determining life insurance needs by considering a person's income, expenses, remaining years of earning capacity, and depreciation in the value of the dollar over time.

I

**IBNR- Incurred But Not Reported**

IBNR is the reserve required to provide for the payment of claims incurred on or prior to a specific date e.g. the policy anniversary or renewal date that are "incurred but not reported" for which we may be liable. This is usually the result of the

time delay from the actual date an accident occurs until it is reported or a covered claim or expense (e.g. medical) is incurred or reported. That generally means claims that we expect but don't know about yet. IBNR is also for claims that have been reported but not yet paid nor had a specific case reserve assigned. In other words, IBNR also recognizes that a claim may actually have been reported but may be in the "process" and not yet recorded in the statistical or other records and data used in underwriting and pricing.

### **ICC**

A business information provider, specializing in UK company data.

### **ICPI**

Insurance Crime Prevention Institute

### **Identification Card**

A card given to each person covered under the plan which identifies him or her as being eligible for benefits.

### **Identification of Benefits**

A provision that the cost of putting a disabled insured in touch with and in the care of relatives will be reimbursed, usually up to a maximum amount.

### **If Clauses**

Clauses which terminate coverage "if" certain conditions are created or discovered. An example is the concealment or misrepresentation provision which states that if this is discovered, the coverage is void. Contrast with "While" Clauses.

### **Illegal Occupation Provision**

A health insurance policy provision that voids liability if the loss results from the insured's committing or attempting to commit a felony or from the insured's engaging in an illegal occupation.

### **Illness**

A loss which is sustained due to sickness or disease usually due to an organic cause.

### **Illness**

Sickness, health and illness means the same thing. As used in A&H policies—generally means the illness must be contracted and commence after the effective date of the policy.

### **ILOE- Loss of Income Benefits**

Not to be confused with disability or loss of income insurance, ILOE insurance pays benefits that allow an insured to make required payments while he/she is out of work for specified reasons and generally not where employment is terminated for cause. ILOE is not a core A&H product. Typically it is a NAC or credit insurance product but not to be written stand-alone.

### **IME- Independent Medical Examination**

A medical examination that is set up by and paid for by the insurer to validate a loss. The medical doctor is not an employee of the insurer.

### **Immature Policies**

Claims-made coverage which has not been in effect, on an uninterrupted basis, for at least five years. For rating purposes, a discount applies to manual rates for immature policies.

### **Immediate Vesting**

A term used in pension or retirement plans. With immediate vesting an employee's right to benefits begin as soon as he enters the plan.

### **Impaired Insurer**

An insurer which is in financial difficulty to the point where its ability to meet financial obligations or regulatory requirements is in question.

### **Impaired Property**

Tangible property which cannot be used or has become less useful because it incorporates the insured's product or work which is defective or inadequate, or because the insured has failed to fulfill a contractual obligation.

**Impaired Risk**

A risk, or subject of insurance, with insurable qualifications below the standard of risks on which the premium for the coverage was based. For example, a life insurance prospect with heart disease would be an impaired risk.

**Impairment of Capital**

A condition in which the surplus account of a stock insurer has been exhausted so that it must invade the capital account (amounts contributed by stockholders) to meet liabilities. Some jurisdictions allow a percentage invasion of capital; some do not.

**Impeach**

Evidence which tends to detract from the credibility of the witness.

**Implied Authority**

Authority of an agent that the public may reasonably believe the agent to have. If the authority to collect and remit premiums is not expressly granted in the agency contract, but the agent does so on a regular basis and the insurer accepts, the agent has implied authority to do so.

**Implied Seaworthiness**

Seaworthiness of a vessel insured in an ocean marine contract is an implied warranty. The assumption is that the vessel, its equipment, and its crew are in good condition and prepared to make the voyage.

**Implied Warranty**

In certain cases the law says that one has given a warranty to another even though the warranty is not in writing. An example would be in sales: A seller implies that the product is fit for the purpose it purports to serve.

**Import**

Goods or services purchased from another country and brought into one's own country.

**Improvements and Betterments**

Additions or changes made by a lessee at his or her own cost to a building which he or she is occupying which enhance its value. These become part of the realty and require special insurance consideration.

**Imputed**

Occurs when actions of one party, usually the agent, are deemed to be actions of the other party, usually the principal.

**In Kind**

An expression relating to the insurer's right in many property contracts to replace damaged objects with new or equivalent (in kind) material, rather than to pay a cash benefit.

**In-Area Services**

Services which are provided within the "authorized" service area as designated in the plan.

**In-Force**

The aggregate amount of insurance policies that are paid up (or are being paid), which a life or health insurance company has on its books.

**In-Force Business**

The aggregate amount of insurance policies that are paid up (or are being paid), which a life or health insurance company has on its books.

**In-Patient**

A person who is confined in a hospital as a resident patient and who is charged at least one (1) day's room and board in the hospital.



**Inbound Calls**

Calls made to a telemarketing or call center by persons interested in obtaining quotes, placing orders, etc., for insurance.

**Inbound Telemarketing**

Selling Products to customers who have called the call center through an inbound call. Typically, the customer is calling in response to an advertisement.

**Incentive Stock Option Plans**

A type of stock plan whereby executives are granted options to purchase company stock without incurring a tax liability at the time the option is granted or subsequently exercised.

**Inception Date**

The beginning date of a period of coverage, as defined for reporting by Commercial Statistical Plan (CSP). The inception date may refer to policies which are new, renewed, continuous, installment, installment (rerated), audit, endorsed, or cancelled. CSP provides detailed instructions for the reporting of this date.

**Inception Date**

Date the policy was initially made effective and the date that coverage begins.

**Inchmaree Clause**

A provision which provides reimbursement to an insured in the event of a loss which is due to the negligence of the master or crew of a vessel.

**Incidence Rate**

The number of occurrences for a given event against a given population.

**Incidental Exposure**

If the total payroll for the individual class, state or coverage is less than or equal to 15% of the total payroll for the account. It is calculated as the total payroll for the individual class, state or coverage, as appropriate, divided by the total payroll for the account, all states, classes and coverages combined. When determining the total payroll for the account the following standard exception classes should not be included: 8810 (clerical) and 8742 (salespersons).

**Incidents of Ownership**

Various rights that may be exercised under the policy contract by the policyowner. Some of the incidents of ownership would be: (1) the right to cash in the policy, (2) to receive a loan on the cash value of the policy, and (3) to change the beneficiary.

**Income**

Earnings, generally from interest or dividends, that are credited or paid to an investor.

**Income Bond**

A type of bond on which interest is paid only when earned by the issuing entity.

**Income Fund**

A fund whose investment objective is current income rather than capital growth. Income funds are often invested in bonds and other fixed-income securities.

**Income Investments**

Interest-bearing corporate or government bonds. The issuer must pay the bondholder a specified sum of money on a specified maturity date and pay periodic interest until that time. Bondholders have no corporate ownership privileges.

**Income Policy**

A life insurance contract which provides income on a monthly basis, as opposed to a policy which pays proceeds in a lump sum.

**Incompetent**

A person who cannot manage his or her own affairs. One who is legally declared insane would be an example of an incompetent. Children under a certain age are also considered incompetents for some purposes.

**Incontestable Clause**

A clause in a policy providing that after a policy has been in effect for a given length of time (two or three years), the insurer shall not be able to contest the statements contained in the application. A health insurance provision also states that after that time no claim shall be denied or reduced on the grounds that a condition not excluded by name at the time of issue existed prior to the effective date. In life policies, if an insured lied as to the condition of his or her health at the time the policy was taken out, that lie could not be used to contest payment under the policy if death occurred after the time limit stated in the incontestable clause.

**Increased Cost of Construction Insurance**

Insurance that covers the additional cost of reconstructing a damaged or destroyed building where ordinances require rebuilding with more expensive materials, services, or techniques.

**Increased Hazard**

Property insurance policies provide that coverage shall be suspended when the hazard in a risk is increased beyond that contemplated when the insurance was written. For example, if a dwelling owner commences manufacturing dynamite in his home, the hazard is extremely increased, and coverage could be denied by the insurer if there were a loss.

**Increased Limits Coverage**

Those limits provided in a policy in excess of the basic limits of insurance.

**Increased Limits Factor**

The factor used for increasing the rate when increased limits are purchased by the insured. The basic limits rate is multiplied by an increased limits factor.

**Increasing Term Insurance**

A term life insurance policy where the death benefit increases but the premium remains level for the policy term.

**Incurred But Not Reported**

The insurance company will establish a loss reserve for claims that have occurred but have not yet been reported to the company.

**Incurred Expense**

Expenses not yet paid. Can also include paid expenses in some accounting systems.

**Incurred Loss Ratio**

The percentage of losses incurred to premiums earned.

**Incurred Losses**

Amount of money paid out for claims, and monies in reserve for known outstanding losses and incurred but not reported losses (IBNR).

**Incurred Losses or Loss Ratio**

The total losses meaning claims paid, pending, contested, reserved including IBNR and LAE; the ratio of this total to premiums earned produces the loss ratio. (See Experience).

**Indemnify**

To restore the victim of a loss to the same position as before the loss occurred.

**Indemnify**

To pay a specified benefit as outlined in the policy contract.

**Indemnitor**

An entity or person who enters into an agreement with a surety to hold the surety harmless from loss incurred as a result of issuing a contract bond to an applicant who falls just short of acceptability. If the principal defaults, the indemnitor, rather than the surety, assumes the obligation.

**Indemnity**

Benefits paid regardless of exact amount of expense, in contrast to a "reimbursement" benefit, which repays only actual money expended. Also known as Fixed Indemnity.

**Indemnity**

Restoration to the victim of a loss by payment, repair, or replacement.

**Indemnity Bond**

A bond that indemnifies an obligee against loss which may arise as the result of failure to perform on the part of the principal.

**Indemnity Business**

The reimbursement practice of paying cash benefits to the insured individual following submission of a claim. The term is used more generally to refer to the traditional group insurance business.

**Indemnity Loss**

The amount payable by the carrier to the insured, or to some third party on behalf of the insured, for reimbursement of actual damages sustained. Such losses, therefore, do not include adjustment expenses.

**Indemnity Reinsurance**

A transaction whereby the reinsurer agrees to indemnify the ceding company against all or part of the loss that the latter may sustain under the policies it issued that are being reinsured. The ceding company remains primarily liable as the direct insurer on all risks ceded. "reinsurance".

**Independent Financial Advisor (IFA)**

is either an agent or broker whose first loyalty is to the client. An IFA can be a regulated entity such as a broker or an agent who holds agencies with a number of insurance companies depending on local legislative requirements. In some countries a broker must be licensed to provide independent advice.

**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. Independent adjusters represent the interests of insurance companies. Contrast with Public Adjuster. Independent Agency System

The method of sales, service and distribution of insurance through agents who own their 'renewals' and are compensated on a commission basis. The agents usually represent more than one insurer and have binding authority.

**Independent Agency System**

An insurance distribution system within which independent contractors, known as agents, sell and service property liability insurance solely on a commission or fee basis under contract with one or more insurers that recognize the agent's ownership, use, and control of policy records and expiration data.

**Independent Agent**

An agent operating as an independent contractor under the independent agency system.

**Independent Bureau**

A state rating bureau that promulgates rates and experience modifications based on its own state's rules and regulations using its own data and that is not part of the National Council on Compensation Insurance (NCCI).

**Independent Contractor**

An individual performing a service on behalf of a business based on specific criteria, but not considered an employee.

**Independent Insurance Agents of America**

An association of independent insurance agents historically known to represent stock insurance companies more than mutual companies. Members are also members of their state associations.

**Index**

A tool that is used to measure the performance of the economy, a particular market, or a group of investments (i.e., the S&P 500 Index).

**Index Bureau Experience**

A measure of losses relating to claims reported through a claim office during a 12-month period.

**Indexing**

A method of investment in funds by which the portfolio manager seeks to emulate the performance of a broad-based index such as the S&P 500 Index.

**Indexing Year**

The second year prior to attainment of age 62, death or disability, whichever occurs first, used for purposes of adjusting wages to allow for inflation when calculating Social Security benefits.

**Indirect Expenses**

Expenses that are part of the overhead of the company or branch but not directly incurred by the specific department. For example, the part of the salary cost allocated to the A&H department from general management departments are indirect expenses. General overhead of the company including the overhead costs of non income producing departments must be allocated to income producing departments (i.e. profit centers).

**Indirect Loss (or Damage)**

Loss resulting from a peril but not caused directly and immediately by that peril. For example: Loss of property due to fire is a direct loss, while the loss of rental income as the result of the fire would be an indirect loss.

**Individual Account Plan**

A defined contribution plan or a profit sharing plan which provides an individual account for each participant and whose benefits are based solely upon the amount contributed to the participant's account and any income, expenses, gains and losses, as well as forfeitures which may be allocated to the remaining participant's account.

**Individual Contract**

A contract made with an individual that covers that individual and perhaps also specified members of his or her family for benefits as described in the policy.

**Individual Contract Pension Trust**

A pension plan under which a trust holds title to individual insurance or annuity contracts for employees covered by the plan.

**Individual Life Insurance**

(1) That type of life insurance which covers in one contract usually only one insured. (2) The term used to distinguish this type of life insurance from group life insurance.

**Individual Practice Association Model HMO**

A situation where an individual practice association is contracted with to provide health care services. The individual practice association contracts with individual physicians or groups of physicians for their services.

**Individual Retirement Account**

A qualified retirement plan established by ERISA for anyone under age 70 1/2 with earned income, allowing them to set aside up to \$2,000 per year on a tax favorable basis for retirement purposes.

**Individual Retirement Account Rollover**

Provision of the IRA law that enables persons receiving lump-sum payments from their company's pension or profit-sharing plan because of retirement or other termination of employment to roll over the amount into an IRA within 60 days.

Also, current IRAs may be transferred to other investment options within the 60-day period. Through an IRA rollover, the capital continues to accumulate tax-deferred until time of withdrawal.

### **Individual Risk Premium Modification Rating Plan**

A plan which modifies the premium on large package policies by considering such factors as reduced expenses for handling costs (Expense Modification) and special characteristics of the risk not contemplated by the basic rate (Risk Modification).

### **Indivisible Premium Package Policy**

A package policy, usually multiple line in nature, for which the premium is not allocated to each coverage in the policy. Such policies include farm owners and business owners.

### **Industrial Life Insurance**

One of the major classes of insurance. It is generally sold in amounts of less than \$1,000 by agents who service insureds on debits. The premiums are collected weekly or monthly at the address of the insured.

### **Industrial Risk Insurers**

A consortium of major stock property and casualty insurers formed to write large, highly protected risks. The organization was formed in 1975 by the merger of the Factory Insurance Association and the Oil Insurance Association.

### **Inflation**

An economic period characterized by rising prices, low unemployment, an expanding economy and erosion of consumer's purchasing power due to the higher cost of living.

### **Inflation Factor**

A premium loading to provide for future increases in medical costs and loss payments resulting from inflation.

### **Inflation Guard Coverage**

Coverage which provides for automatic periodic increases in the amount of insurance on buildings to keep an appropriate "limit to value" considering the effect of inflation on building replacement costs. An endorsement is usually used to add this coverage to a homeowners policy. On the latest commercial property forms, inflation guard coverage is an option that may be activated by an entry in the declarations.

### **Inflation Hedge**

An investment undertaken to offset the risk of inflation.

### **Inflation Protection**

Provisions in a health insurance policy that increase benefit levels to account for anticipated increases in the cost of covered services.

### **Inflation Risk**

The risk that inflation will erode the value of an investment. Investments with low historical earnings have more inflation risk than investments that generally have had higher earnings.

### **Infomercial**

A pre-recorded commercial, ranging from 90 seconds to one hour in length. The format can consist of several "commercials" within a commercial. Extended blocks of time are usually sold to consolidators. The consolidators then format the time with a succession of ½ hour blocks of individual pre-recorded "shows". These times are usually during odd-lot time periods during low viewer ship, when it is difficult to sell traditional individual commercials to support scheduled advertising.

### **Informal Plan**

A retirement system under which the employer has no legal obligation and the employee has no legal rights. These plans have no standard of benefits to be paid, and have no special method of funding.

### **Inherent Explosion**

An explosion caused by some condition existing in and natural to an insured's premises. An example would be a dust explosion in a grain elevator.

**Inherent Vice**

A fault in property that leads to its self-destruction. Insurance contracts usually exclude such damage.

**Initial Eligibility Period**

The time period during which prospective members can apply for coverage without providing evidence of insurability.

**Initial Premium**

An amount paid at the inception of an insurance contract, usually subject to adjustment at the end of the policy period.

**Initial Public Offering**

The first sale of a corporation's stock to general investors.

**Injunction**

A court order intended to prevent a person from doing something which might later be termed to be wrongful or illegal.

**Injury**

Accidental bodily injury resulting directly and independently of all other causes. Some jurisdictions allow the use of older wording that requires visible, external injury, etc. The Injury definition may be further defined to limit the cause of injury such that only injuries which are a result of a specific happening (e.g. hazard, activity, exposure) are included in the definition.

**Inland Marine**

A broad type of insurance, generally covering articles that may be transported from one place to another as well as bridges, tunnels and other instruments 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 art and others.

**Inland Marine**

A broad type of insurance covering articles that may be transported.

**Inland Marine Insurance**

A branch of the insurance business which developed from the insuring of shipments which did not involve ocean voyages. The inland marine forms borrowed their language from fire, ocean marine, theft and other contracts. Exposures eligible for this form of protection are described in the nationwide definition of marine insurance. Such diverse properties as bridges, tunnels, jewelry and furs can now be written under Inland Marine forms.

**Innkeepers Legal Liability**

A coverage for motel and hotel operators, protecting them against the legal liability they have for the safekeeping of the property of guests. The policy usually has a limit per guest and an aggregate limit per policy year.

**Insert**

In the context of direct marketing, an insert is a single sheet of paper, inserted into the customer's monthly statement from the Sponsor, which makes the offer, includes an application and can be folded, glued and mailed postage free.

**Inside Limits**

Limits placed on hospital expense benefits which modify benefits from the overall maximums listed in the policy. An inside limit when applied to room and board, limits the benefit to not only a maximum amount payable, but also limits the number of days the benefit will be paid.

**Insolvency Clause**

In reinsurance, the clause which holds a reinsurer liable for his pro-rata share of any loss (or losses) assumed under a treaty even though the primary (ceding) company has become insolvent.

**Insolvent**

Where a person's or business's liabilities exceed their assets.

**Insolvent Insurer**

An insurer which is unable to meet its financial obligations.

**Inspection**

Independent checking on facts about an applicant, policyholder, or claimant, usually by a commercial inspection agency.

**Inspection Bureau**

An organization created by property and liability insurers to investigate exposures and to establish rates. Many bureaus which establish fire and related perils rates for property contracts are called "inspection bureaus."

**Inspection Report**

A summary statement of the physical, financial, and moral attributes of an insured or an applicant for insurance on the insured's property. Such reports are prepared by inspection bureaus, specialized organizations, and insurers.

**Installment Premium**

A fraction of the total premium, based on the method of payment.

**Installment Refund Annuity**

An annuity which promises to continue the periodic payments after the death of the annuitant, until the combined benefits paid to the annuitant and to the beneficiary have equaled the purchase price of the annuity.

**Installment Refund Option**

An annuity option which provides for continued annuity payments after the death of the annuitant until the total benefits paid have equaled the purchase price of the annuity.

**Installment Settlement**

Payment of the proceeds of a life insurance policy or its cash value in installments rather than in a lump sum. The term refers to any one of the options in a life insurance policy that has this result.

**Installment Settlement**

A clause in a policy permitting the beneficiary to elect to receive the claim amount via multiple payments.

**Installments Certain**

A settlement option under which the proceeds are guaranteed to be paid in equal installments for a specified period of time.

**Institute of Life Insurance**

Formerly an agency of the life insurance business responsible for building the image of life insurance through a variety of programs. It is now a division of the American Council of Life Insurance.

**Institutional Property**

Property eligible for special treatment under package policies. Essentially these are properties occupied by sanitariums and educational, religious, charitable, government, and non-profit organizations.

**Insurability**

Acceptability to the insurer of an applicant for insurance.

**Insurable Interest**

Any interest a person has in a possible subject of insurance, such as a car or home, of such a nature that a certain happening might cause that person financial loss.

**Insurable Interest**

A connection by relationship, or an economic connection to the insured, under which the beneficiary stands to suffer

financial loss by reason of death of the insured.

### **Insurable Risk**

A risk which meets most of the following requisites: (1) The loss insured against must be capable of being defined. (2) It must be accidental. (3) It must be large enough to cause a hardship to the insured. (4) It must belong to a homogeneous group of risks large enough to make losses predictable. (5) It must not be subject to the same loss at the same time as a large number of other risks. (6) The insurance company must be able to determine a reasonable cost for the insurance. (7) The insurance company must be able to calculate the chance of 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 perils under specified conditions.

### **Insurance Charge**

The insurance charge (or "Risk") charge is part of the retro rating plan formula. It is made up of the net charge for those risks whose loss levels will exceed the maximum premium and savings for those risks whose loss levels will be below the minimum premium.

### **Insurance Commissioner**

The head of a state's insurance regulatory agency in most jurisdictions. In some states the title of Director or Superintendent is used.

### **Insurance Company Education Directors Society**

An organization of insurance company educators whose primary purposes are to promote insurance education and exchange information on the subject.

### **Insurance Department**

A governmental bureau in each state or territory charged with the administration of the insurance laws including licensing of agents and insurance companies and regulation and examination of them. In some jurisdictions, a division of some other state department or bureau.

### **Insurance Department**

A governmental department charged with supervision and licensing of insurance companies and agents and the general administration of insurance laws.

### **Insurance Examiner**

The representative of a state insurance department assigned to participate in the official audit and examination of an insurer.

### **Insurance Guaranty Act**

The legislation enacted in many states providing for guaranty funds for the policyholders of insolvent insurers.

### **Insurance Hall of Fame**

An institution created to honor those who have made outstanding contributions to insurance thought and practice. Selections are made on an international basis.

### **Insurance In Force**

(Health) The annual premium payable on current contracts of insurance. (Life) The face amounts of contracts still to be paid out to insureds.

### **Insurance Information Institute**

The agency of the property and liability business designed to deal with the public relations programs of various segments of the business.

### **Insurance Institute of America**

An institution offering a variety of insurance diplomas after the successful completion of certain insurance examinations.



**Insurance Institute of America, Inc.**

An organization which develops programs and conducts national examinations in general insurance, risk management, management, adjusting, underwriting, auditing, and loss control management. Diplomas are given to recognize achievement in these areas.

**Insurance Policy**

The printed form which serves as the contract between an insurer and an insured.

**Insurance Regulatory Examiners Society**

An organization made up of the state regulatory examiners who conduct financial and market conduct examinations of insurance companies, and whose purpose it is to foster educational programs, cooperation, and support between state examiners.

**Insurance Regulatory Information System**

Information and early-warning system used by the National Association of Insurance Commissioners (NAIC) to keep track of the financial soundness of insurers.

**Insurance Services Office**

An independent service organization of the insurance industry which provides a wide range of advisory, rating, actuarial, statistical and other services relating to property and liability insurance.

**Insurance Services Office**

An organization of the property and liability insurance business designed to gather statistics, promulgate rates, and develop policy forms.

**Insurance Services Organization**

A non-profit organization which provides data collection, actuarial services, policy design and regulatory filing services to member insurance companies.

**Insurance to Value**

Insurance written in an amount approximating the value of the insured property.

**Insured**

The party to an insurance arrangement whom the insurer agrees to indemnify for losses, provide benefits for, or render services to. This term is preferred to such terms as policyholder, policyowner, and assured.

**Insured Contract**

A definition which shapes the extent of contractual liability coverage by describing the types of contracts which are insured. On modern liability forms, "insured contract" includes leases of premises, sidetrack agreements, elevator maintenance agreements, easement agreements, and other agreements related to the insured's business.

**Insured Plan**

A retirement plan under which some kind of benefits are guaranteed by an insurance carrier. It does not imply that there is an element of life insurance connected with the plan.

**Insurer**

The party to an insurance arrangement who undertakes to indemnify for losses, provide pecuniary benefits, or render services. It is desirable to use the word "insurer" in preference to "carrier" or "company" since it is a functional word applicable without ambiguity to all types of individuals or organizations performing the insurance function. The word insurer is generally used in statutory law.

**Insuring Agreement**

That portion of an insurance contract which states the perils insured against, the persons and/or property covered, their locations, and the period of the contract.

**Insuring Clause**

That part of an insurance policy or bond which states the agreement of the insurer to protect the insured against some form of loss or damage. Also known as 'Insuring Agreement'.

**Insuring Clause**

That clause in the policy, which specifies in brief the contract's intent (coverages) and parties thereto. Usually found on the front page of the policy. Also known as "Insuring Agreement."

**Integrated LTC Rider**

A LTC rider which is added to a life insurance policy whereby LTC benefits paid will reduce the life insurance policy's benefits. LTC benefits are dependent on the life insurance benefits available.

**Integrated Plan**

A pension plan which builds benefits according to an approved Treasury Department formula.

**Intentional Injury**

An injury resulting from an act intended to inflict injury. In an accident insurance contract, an intentionally self-inflicted injury is not covered (because it is not an accident). In general, intentional injuries inflicted on the insured are covered (assuming no collusion).

**Inter Vivos Transfer**

Transfer of all or a portion of the assets of a person's estate while that person is still alive. Contrast with Testamentary Transfer.

**Inter Vivos Trust**

A trust that is created and takes effect during the lifetime of the grantor. Contrast with Testamentary Trust.

**Interest**

In the calculation of premium, it is the rate of return on the company's investment of premium dollars over the lifetime of the policy. Insurance company investment experience will affect life insurance cost.

**Interest Adjusted Cost**

A method of determining the cost of life insurance that takes into account the interest that might have been earned on premium money if it had been invested rather than put into premiums.

**Interest Rate**

Interest rates are used in virtually all of our profit calculations and actuarial assumptions. In particular we use medical inflation to calculate the future costs for any medical reimbursement products, we use an inflation factor when calculating the returns on reserves (when relevant), and we use an inflation rate when calculating the future value of money in respect of profit calculations.

**Interest Rate Risk**

A risk faced by investors who invest in bonds characterized by an individual being locked into a lower interest rate when interest rates are generally increasing in the economy.

**Interest Sensitive Provision**

Provisions in variable and flexible premium policies which guarantee certain interest earnings plus an additional interest percentage should the current interest rate rise above a specified percentage.

**Interest-Bearing Account**

An account which pays interest on the money deposited.

**Interline Endorsement**

Commercial endorsements that apply, or could apply, to more than one coverage part of a package policy.

**Intermediary**

A reinsurance broker who negotiates contracts of reinsurance on behalf of the insured. These transactions normally take

place with those reinsurers that recognize brokers and pay them commissions on reinsurance premiums ceded.

**Intermediate Care**

A level of care associated with a skilled nursing facility which provides nursing care under the supervision of physicians or a registered nurse. The care provided is a step down from the degree of care described as skilled nursing care.

**Intermediate Care Facility**

A facility licensed by the state, which provides nursing care to persons who do not require the degree of care which a hospital or skilled nursing facility provides.

**Intermediate Disability**

"Partial Disability".

**Intermediate Report**

A claim report on the condition of a continuing disability.

**International Association of Health Underwriters**

An association of agents and related personnel on the health insurance business.

**International Insurance Seminars, Inc.**

An institution established to promote worldwide exchanges of ideas and techniques between insurance people. The major focus of IIS is its annual seminar which brings together academicians and insurance practitioners.

**Interrogatories**

A procedure for gaining evidence which involves one party submitting questions to the other party in order to gather facts and information to prepare for a trial.

**Interstate Carrier**

A transportation company which does business across state lines.

**Interstate Commerce Commission Endorsement**

An endorsement required on all policies issued to interstate motor carriers who haul goods for hire. For further information, please contact *The AIG Truck Insurance Group* in Atlanta, GA.

**Intervening Cause**

A possible defense against negligence. Negligence may be avoided or reduced if it can be shown that an intervening cause broke the uninterrupted chain of events required to establish a proximate cause. Contrast with Proximate Cause.

**Intestate**

Dying without a will thus permitting the probate court to appoint an administrator to settle the estate.

**Intoxicants and Narcotics Provision**

A health insurance policy provision that voids liability if the loss results from the insured's being intoxicated or under the influence of any narcotic unless administered on the advice of a physician.

**Intrastate Carrier**

A transportation company whose business is confined to one state.

**Invalidity**

Sickness.

**Invalidity**

Another word for describing a disability or desablement, more commonly used with loss of use coverages. For example, a permanent total loss of use of a person's hand makes the hand

**Investigative Consumer Report**

A report ordered on an insured or applicant under which information about the person's character, reputation, or lifestyle is obtained through personal interviews with the person's neighbors, friends, associates or acquaintances. Contrast with Consumer Report.

### **Investment Company**

A company established under the investment Company Act of 1940 that invests in various securities. Two types exist: a closed-end and an open-end (mutual funds). Closed-end shares trade on various exchanges similar to stocks that trade on the New York Stock Exchange. That is, they trade in the open market and can be bought and sold like other securities. Their number of shares is fixed unless action is taken to change it (e.g., stock split). Open-end funds continuously issue new shares, stand ready to redeem the shares and are not listed on any exchange. Their number of outstanding shares is always changing.

### **Investment Company Act of 1940**

A federal law which regulates the organization and activities of investment companies and requires the registration of investment companies with the federal government.

### **Investment Fund Objectives**

Objectives indicate the investment goals of the subaccount of a particular variable annuity contract. Broad investment objectives include: Growth — seek capital appreciation, not current income, through investments in stocks and stock funds. Income — seek current income through investments in interest-bearing government or corporate bonds or bond funds. Stability — seek preservation of capital through investments in cash equivalents such as fixed annuities, Treasury bills and money-market fund options. See also "Morningstar's Fund Objectives"

### **Investment Income**

The return received by insurers from their investment portfolios, including interest, dividends, and realized capital gains on stocks. Realized capital gains means the profit realized on stocks that have actually been sold for more than their purchase price.

### **Investment Income**

Interest income, gained by investment of premium reserves, claim reserves, etc. In AIG companies, investment income is credited to the line of business or profit center in Life companies only. While the AIG non-life companies also earn investment income, it is normally not credited back to the profit centers.

### **Investment Manager**

A fiduciary (other than a trustee or a plan's named fiduciary) who manages, acquires, or disposes of a pension plan's assets.

### **Investment Opportunity Curve**

The set of the most efficient portfolios for a given set of asset classes, with the asset classes constrained according to the investor's risk tolerance.

### **Investment Planning**

Planning to achieve your investment objectives by managing your investment portfolio.

### **Investment Portfolio**

A collection of stocks, shares, or other securities held by an investor.

### **Investment Reserve**

An item in the balance sheet of an insurance company which represents a setting aside of assets to compensate for a possible reduction in the market value of securities owned by the company.

### **Investment Risk**

The risk that your invested capital may be lost or reduced.

### **Invitee**

One who has been either expressly or implicitly invited onto the premises of another. The most common example would

be customers invited to a store to purchase goods or services.

### **Involuntary Benefits**

Some benefits are provided automatically and these are sometimes referred to as involuntary. (It is more common to refer to these "automatic" benefits as mandatory, compulsory or non contributory – and sometimes "NAC").

### **Involuntary Unemployment Insurance**

Insurance providing coverage for consumer credit repayment obligations when an insured is involuntarily unemployed due to individual or mass layoff, general strike, termination by employer, unionized labor dispute, and lockout. Usually sold to borrowers under a master group policy issued to a creditor (bank, association, or other financial institution). Also called Job Loss Insurance. Can be classified as either property/casualty or life/health insurance.

### **Iron Safe Clause**

A provision in a property insurance policy which requires the insured to keep records in a safe when they are not used.

### **IRR- Internal Rate of Return**

The long term return that AIG makes on the initial expense in writing the business.

### **Irrevocable Beneficiary**

A beneficiary designation that cannot be changed without the beneficiary's consent.

### **Irrevocable Life Insurance Trust**

Trusts used to keep life insurance proceeds of the estate of the deceased who was insured.

### **Irrevocable Trust**

A type of trust instrument that cannot be revoked by the person who created it. Contrast with Revocable Trust.

### **ISOTEL**

A service of ISO which allows the insurer/subscriber online access to some of ISO's services including specific rate promulgations, requests for inspections and class rate tables.

### **Issue**

The number of policies (certificates) issued from a Campaign.

### **Issue**

In direct marketing, the number of policies or certificates issued from a Campaign.

### **Issue Rate**

In direct marketing, the Issued Number divided by Response Number.

### **Issued Number**

In direct marketing, the number of policies issued from a Campaign Selection.

### **Issuing Division**

The Division (Branch) that underwrites and is responsible for issuing the policies.

### **Item**

(1) A term used to identify a statement in a policy as to what is insured. In a fire policy one might refer to the contents item, meaning the coverage in the policy which applies to the contents. (2) An individual entry, such as a piece of jewelry, listed with its description and valuation on a schedule by a policy showing items covered.

### **IW**

Injured Worker.

## **J**

**Jettison**

The act of throwing overboard part of a vessel's cargo or hull in hopes of saving the ship from sinking.

**Jewelers Block Insurance**

An open perils (all risk) insurance contract which provides jewelers with coverage on most types of losses to which they are exposed. A contract covering both owned property and property in their care, custody, and control.

**Jewelry Floater**

An all-risk policy covering listed jewelry. Usually each item is described and insured for a specific amount.

**Joint and Several Liability**

A legal doctrine permitting recovery from any of several co-defendants based on ability to pay, rather than the degree of negligence.

**Joint and Survivor Annuity Option**

An option under which an employee may elect to receive a reduced amount of an annuity with a specified amount continuing after the employee's death to another person(s) designated as the contingent annuitant.

**Joint and Survivorship Annuity**

An annuity which is payable to the named annuitants during the period of their joint lives which will continue to the survivor when the first annuitant dies.

**Joint and Survivorship Option**

An option in a life insurance contract which permits the cash value of the policy to be paid out as a joint and survivorship annuity.

**Joint Annuity**

An annuity which is paid to the two named persons until the first one dies, at which time the annuity ceases. An example might be an annuity payable to a husband and wife which would cease upon the death of the first spouse.

**Joint Committee on Interpretation and Complaint**

A committee formed to rule on what types of insurance can come within the standard definition of marine insurance.

**Joint Control**

Control of the handling of an estate by both the surety (bonding company) and the fiduciary (administrator, executor, etc.). Funds are kept in joint accounts, and disbursements made only with both signatures so the surety can assure itself that the affairs of the estate are being handled properly.

**Joint Insurance**

Insurance written on two or more persons with benefits usually payable only at the first death.

**Joint Insured**

One whose life is insured by a joint insurance contract.

**Joint Liability**

Liability which rests upon more than one person.

**Joint Life and Survivorship Annuity**

A contract which provides income to two or more people and continues in force as long as any one of them survives.

**Joint Life Annuity**

This policy pays a benefit which continues throughout the joint lifetime of two people but terminates at the first death.

**Joint Tenancy**

Ownership of property shared equally by two or more parties under which the survivor assumes complete ownership. This is different from a tenancy in common where the heirs of a deceased party to the tenancy inherit his or her share.

Compare with Fee Simple and Tenants in Common.

### **Joint Underwriting Association**

An unincorporated association of insurance companies formed to provide a particular form of insurance to the public. Those who insure with a JUA pay assessments in addition to their premiums which provide monies for the operation of the association. JUAs are usually free to set their own rate levels and use whatever coverage forms are deemed proper, subject to approval by state authorities.

### **Joint Venture**

This expression is applied most often to construction ventures where several contractors agrees to combine together on a construction project rather than to act as separate contractors. Under the joint venture agreement, they share profits and losses in some agreed-upon proportion.

### **Joint-Survivor Option**

An annuity option which provides for a guaranteed income to the annuitant and upon death of the annuitant, a continued income to the annuitant's survivor.

### **Joisted Masonry Construction**

A building which has exterior walls constructed of masonry materials, such as adobe, brick, concrete, gypsum block, hollow concrete block, stone, tile, or other similar materials, and a roof and floor constructed of combustible materials. A floor which rests directly on the ground is an exception and may be disregarded.

### **Jones Act**

Masters and members of the crews of vessels are not covered under state workers compensation laws or under the U.S.L. & H.W. Act. They are subject to admiralty law and, if injured, have the right to sue their employers for damages in the Admiralty Courts where the proceeding is in the nature of an employers' liability suit. They also have the right to transportation, wages, maintenance and cure. Such seamen are subject to a Federal law, the Merchant Marine Act of 1920, known as the Jones Act (46 U.S. Code, section 688, 1970) which applies the provisions of the Federal Employers' Liability Act to seamen. Every person employed on board a vessel is deemed to be a seaman if connected with the operation or welfare of the vessel while in navigable waters.

### **Judgement Rates**

Rates established by the judgement of the underwriter with or without the application of a formal set of rules or a schedule.

### **Judgment**

The formal decision by a judge or court. Also known as Decree.

### **Judicial Bond**

A bond required in civil and criminal court actions.

### **Jumbo Risk**

An exceptionally large policy or policy owner.

### **Jumping Juvenile**

A popular name for a life insurance contract written on the life of a child, usually in units of \$1,000. When the child reaches a prescribed age, generally 21, the face of the policy is increased automatically without the imposition of either an additional premium charge or a medical examination. Hence the term "jumping" juvenile.

### **Jurisdiction**

Authority of the court to decide cases of a particular type or in a particular area.

### **Juvenile Insurance**

Life insurance written on a child.

**K**

## **KEOGH**

A plan under which self-employed persons have the right to establish retirement plans for themselves and their employees that permit them the same tax advantages available to corporate employees covered by qualified pension plans.

### **Keogh Act Plan**

A plan under the Self-Employed Individual's Tax Retirement Act which permits a self-employed individual to establish a formal retirement plan and to obtain tax advantages similar to those available in qualified corporate pension plans.

### **Key Employee Insurance**

(1) Insurance on the life or health of a key employee, the loss of whose services would cause an employer financial loss. The policy is owned by and payable to the employer. (2) In health insurance the term is also used to designate salary continuation insurance or a medical benefit plan payable to the key employee, with the employer paying all or part of the premium.

### **Key Person Insurance Policy**

An insurance policy on the life of a key employee whose death would cause the employer financial loss, owned by and payable to the employer. In health insurance, the term is also used to designate salary continuation insurance payable to a key employee or to a medical benefits plan, payable to that employee paying all or part of the premium.

## **L**

### **Land Contract**

A type of instrument used in connection with the sale of real estate. It differs from a mortgage in that title to the land remains with the seller until the buyer has completed the payments, though possession rests with the buyer. Specifically, a land contract is the instrument that conveys the deed of land from one person to another upon full payment of the stated purchase price.

### **Landlords Protective Liability**

Coverage provided to the owner of property who leases the entire premises to another. This coverage is very reasonable because the full control of the premises rests with the lease.

### **Lapse**

Policies canceled during a period as a percent of policies in-force at the beginning of that period.

### **Lapse**

Termination of the policy because of failure to pay the required premium, i.e. non-payment of premium.

### **Lapse Rate**

$\text{Lapse Rate} = [\text{Policies Canceled} / \text{Beginning Policies In-Force}] * 100$

### **Lapse Rate**

The percentage measuring the number of policies that lapsed during a specific period compared to the total number of policies that were in force at the beginning of the same period. For example, if the period started with 1,000 policies and ended with 900 policies, 100 policies lapsed resulting in a 10% lapse rate.

### **Lapse Ratio**

The number of policies lapsed as a percentage of the total number of policies.

### **Lapse Ratio**

The ratio of the number of life insurance contracts lapsed within a given period to the number in force at the beginning of that period.

### **Lapsed Policy**

One which has been allowed to expire because of nonpayment of premiums.

## **Larceny**



The unlawful taking of the personal property of another without the person's consent and with intent to deprive him or her of ownership or use thereof. It is a broader term than burglary or robbery, largely synonymous with theft.

**Large Capitalization**

A company with a relatively high total stock market value. Large-cap companies usually compete in mature markets. They will utilize competitive advantages (i.e., production capabilities or low costs) to sustain consistent earnings growth.

**Large Claim Pooling**

A system designed to help stabilize premium fluctuations in smaller groups. Large claims (those over a stated amount) are charged to a pool contributed to by many small groups who belong and share in that pool. The smaller the group of groups, the lower the pooling level. Larger groups will have a larger pooling level.

**Large Deductible**

Insureds who choose to assume some of the risk from losses under a workers compensation policy can select a deductible policy. Generally the insurer handles claims the same as a non-deductible policy. However when loss payments are made the carrier obtains reimbursement from the insured. A large deductible is generally considered to be \$100,000 or greater. Large deductible plans are filed by individual insurance companies.

**Laser Beam Endorsement**

An endorsement to a "claims made" liability form used to exclude specific accidents, products, work or locations. It earned its nickname because it allows an insurer to zero in with a sharp focus to exclude specific exposures.

**Last Clear Chance**

A doctrine that liability may attach to a person who, immediately before an accident, had a last clear chance to avoid it and did not.

**Last In, First Out**

Refers to a method of keeping inventory records for accounting purposes where the last item purchased for inventory is the first item used.

**Latent Defect**

A defect which is not immediately apparent.

**Law of Large Numbers**

Theory of probability that is the basis of insurance. The larger the number of risks or exposure, the more closely will the actual result obtained approach the probable results expected from an infinite number of exposures. (Also see Credibility).

**Law of Large Numbers**

This law states that the larger the number of exposures considered, the more closely the losses reported will match the underlying probability of loss. The simplest example of this law is the flipping of a coin. The more times the coin is flipped, the closer it will come to actually reaching the underlying probability of 50% heads and 50% tails.

**Leader Location**

A location which attracts customers to the insured's business. One of the four types of dependent properties for which business income coverage may be written.

**Leads, Prospects or Quantity**

Number of people eligible and potentially contactable in a sales campaign or direct marketing campaign selection.

**Lease**

Contract whereby the owner or user of property (the lessor) agrees to let another party (the lessee) use the property for a consideration (money or rent).

**Leasehold**

An agreement which gives a person the right to use and occupy property.

**Leasehold Interest Coverage Form**

Commercial property coverage form used to insure an insured tenant's interest in a favorable lease under which the rent paid is less than the rental value of alternative premises. Pays the difference between rent paid and the rental value for remainder of the lease if the lease is cancelled because of property damage caused by a peril insured against.

**Leasehold Interest Insurance**

A form of property insurance that provides protection against the loss of a favorable lease if it should be terminated as a result of damage to the property by a peril covered by the contract. A leasehold value is determined by finding the difference between the rental value of the property at current rates and the rent payable under the terms of the lease. This amount is multiplied times the remaining term of the lease.

**Ledger Cost**

The net cost of a life insurance contract which is found by subtracting the cash value of the contract at the end of a given year from the premiums paid, less all dividends.

**Legacy**

A gift of personal property in accordance with the provisions of a will.

**Legal Expense Insurance**

A group form of insurance which provides members with legal services paid for on a schedule basis. Similar to dental insurance.

**Legal Hazard**

An increase in the likelihood that a loss will occur because of court actions.

**Legal Liability**

Liability under the law as opposed to liability arising from contracts or agreements. In insurance, it is most often used to refer to the liability that an individual has if he or she should negligently injure another party. For example, an owner of an automobile may be held legally liable if he or she is negligent in the operation of the automobile and injures another person or damages another person's property as a result of that negligence.

**Legal Reserve**

The minimum reserves required to be established for a life insurance contract under the laws of the jurisdiction within which an insurer operates.

**Legal Reserve Life Insurance Company**

A life insurer that maintains the reserves required by the jurisdiction within which it operates.

**Legend Drug**

A drug which has on its label "caution: federal law prohibits dispensing without a prescription."

**Legislated Coverages**

Coverages provided through creation of facilities legislated into existence by federal or state law. FAIR Plans, the Flood Insurance Program and the assigned risk pools are examples.

**Legislative Risk**

A risk faced by investors whereby changes in tax laws can result in adverse effects on the individual's investment results.

**Length of Stay**

The total number of days a participant stays in a facility such as a hospital.

**Lessee**

The person to whom a lease is granted. Commonly called the "tenant."

**Lessee's Safe Deposit Box Coverage Form**

A commercial crime coverage form that protects against loss of property other than money while it is in the insured's safe deposit box inside a depository premises.

**Lessor**

The person granting a lease. Also known as the "landlord."

**Letter of Intent**

A letter sent by one party to another expressing the intent of the parties to enter into a formal agreement.

**Level Annual Premium Funding Method**

A method of accumulating money for payment of future pensions under which the level annual charge is payable each year until retirement so that the benefit is fully funded.

**Level Commission System**

A system of commissions in which the first year and all renewal commissions are the same percentage of the premium.

**Level Death Benefit Option**

Under Universal life insurance, the level death benefit option provides the greater of (1) the face amount of the policy at the time of death, or (2) a stipulated percentage of the accumulation value.

**Level Funding**

The dollar amount required to purchase a particular medical care program. Usually measured by the premium rate for an insured program, or an amount assessed for expected claim loss and related fees under a self-funded program.

**Level Premium**

Premiums stay at the same dollar amount (does not increase as the insured ages) for the contract period or fixed period of time.

**Level Premium Insurance**

That form of insurance for which the premium remains the same throughout the life of the contract. Most whole life insurance is paid for in this way. The amount of a level premium is higher than needed for the protection afforded in the early years of the contract but less than needed for protection in the later years. It is a method of leveling off the cost of insurance so as not to have it increase each year until it becomes unaffordable.

**Level Term Insurance**

A type of term policy where the face value remains the same from the effective date until the expiration date.

**Leverage**

The use of borrowed money or other senior capital to increase business and earnings opportunities.

**Leveraged Coli**

Under this arrangement, groups of selected employees are insured. The policies purchased are owned and paid for by the corporation or a grantor trust for the benefit of the corporation's employees. The corporation fully borrows the cash value of the policies and pays interest on the borrowed cash value. Premiums are generally not tax deductible, however, as long as the policyowner complies with the applicable tax laws, the loan interest is deductible by the corporation subject to certain limits.

**Liabilities**

Money owed or expected to be owed. Insurance company financial statements, for instance, show assets and liabilities.

**Liability**

A debt or obligation.

**Liability Insurance**

Provides protection for the insured against loss on agreed upon terms and conditions arising out of his/her legal liability resulting from injuries to other persons or damage to their property.

**Liability Insurance**

That insurance which pays and renders service on behalf of an insured for loss arising out of his or her responsibility to others imposed by law or assumed by contract.

### **Liability Limits**

The maximum amount for which a liability insurance company provides protection in a particular policy.

### **Liability Offset**

An A&H plan could help to offset (reduce) the cost of Liability insurance. For example, for a Day Care Center by providing AD&D and AME benefits for the children on the premises of the day care facility.

### **Liability Risk**

Any operations, premises, products, or completed operations located or conducted in a single rating territory, which are described by a single classification code. Stated simply, it is any risk to which liability coverage is attached by means of an insurance contract.

### **Libel**

A written statement about someone which is personally injurious to that individual. In maritime law it means legal action brought against the owner of another ship.

### **Libel Insurance**

A form of liability insurance that protects the insured against legal liability for libelous statements he may write.

### **Liberalization Clause**

A clause in property insurance contracts which provides that if policy or endorsement forms are broadened by legislation or ruling from rating authorities and no additional premium is required, then all existing similar policies will be construed to include the broadened coverage.

### **License**

A certification of authority for an agent or insurer to operate, given by the appropriate jurisdiction.

### **License and Permit Bonds**

Bonds often required by jurisdictions to be posted by persons performing certain services, such as security dealers and plumbers. It provides indemnification in the event that the licensee fails to conform to pertinent regulations of the jurisdiction.

### **Licensee**

(1) One who is licensed. (2) A person who goes on the premises of another for his or her own interests. The owner of the premises must use ordinary care not to injure a licensee. A person using another's land for a shortcut, as long as he had the permission of the owner, would be an example.

### **Lien**

A claim against property which then serves as security for the payment of that claim.

### **Lien Plan**

(1) A plan for issuing coverage on substandard risks under which a standard premium is paid but less than the full face amount of the policy is payable if death occurs within a certain period of years. It is rarely used and is even illegal in some states. (2) A plan under which an impairment of the insurer's assets is offset by pro rata liens against policies to be deducted from the face amount when paid as a claim.

### **Life Annuity**

A contract that provides a stated income for life, payable annually or more frequently.

### **Life Conservation**

The administration of efforts to preserve human life through research, legislation, and appeals to society.

### **Life Estate**

Ownership of land for an individual's lifetime.

### **Life Expectancy**

The average number of years remaining for a person of a given age to live as shown on the mortality or annuity table used as a reference.

### **Life Expectancy Term Insurance**

A form of term life insurance that provides protection for a person's "expectation of life." This becomes the term of the policy, as opposed to the ordinary term policies which are for a given number of years or to a stated age, such as 65.

### **Life Income**

A settlement option under which equal installments are paid as long as the beneficiary lives, even if the principal has been exhausted.

### **Life Insurance**

This form of insurance provides for payments of a specified amount on the insured's death, either to his/her estate or to a designated beneficiary or, in the case of an endowment policy, to the insured at a specified date.

### **Life Insurance**

(Generic) A contractual system of risk sharing under which contributions are accumulated and redistributed to meet the economic consequences of the uncertain duration of life.

### **Life Insurance**

(Narrow) An agreement that guarantees the payment of a stated amount of monetary benefits upon the death of the insured, or under other circumstances specified in the contract, such as total disability.

### **Life Insurance Cost Surrender Index**

The guaranteed cash surrender value of a life insurance policy is often required to be calculated into an index for presentation to prospective life insurance buyers. Such an index determines the guaranteed cash surrender value, if any, available at the end of the 10th and 20th policy years according to the accumulation of the annual cash dividends at 5% interest compounded annually to the end of a selected period, if the policy is a participating policy.

### **Life Insurance Marketing and Research Association**

Organization that conducts research on distribution systems for the life and health insurance products on behalf of its member companies.

### **Life Insurance Trust**

A type of life insurance policy where a trust company is named as the beneficiary and distributes the proceeds of the policy under the terms of the trust agreement.

### **Life Insurers Conference**

An organization that provides for exchange of information on management problems among the member insurers.

### **Life Office Management Association**

An organization serving a large proportion of the life insurance business by providing educational programs relating to administrative and technical procedures within the industry. It confers the designation of Fellow, Life Management Institute (FLMI) upon those who complete a prescribed course of study.

### **Life Paid Up At Age**

A form of limited payment life insurance that provides protection for the whole of life but with payment of premiums to stop at a particular age, thus paying up the policy. A common form would be Life Paid Up At Age 65.

### **Life Underwriter**

Usually, a life insurance agent. It can be more narrowly defined as a risk appraiser.

### **Life Underwriting Training Council**

An organization that prepares and administers training programs for life insurance agents.

### **Life With Period Certain**

An annuity option which provides a lifetime income to the annuitant plus an extra guarantee of income for a specified period of time such as 5 or 10 years. The period certain provides income to the annuitant or the annuitant's survivor.

### **Lifetime Policy**

(1) A policy guaranteed renewable or noncancellable to age 65 or some later date. (2) A policy paying disability benefits for life.

### **Lift Letter**

In direct marketing, a separate piece added to conventional solo mailings asking the reader to consider the offer just once more.

### **Limit of Liability**

The maximum amount for which an insurer is liable as set forth in the contract.

### **Limit of Liability Rule**

A prescribed procedure for allocating property insurance losses among insurers that provide protection on a given piece of property. It is called the "pro rata liability rule" in a Standard Fire policy.

### **Limitations**

Exceptions or reductions to the general coverage.

### **Limitations**

Exceptions to coverage and limitations of coverage as contained in an insurance contract. For instance, a limit of liability would be one limitation on an automobile policy. Another example would be policies written to cover only certain described automobiles, or, in the case of general liability insurance, certain described premises.

### **Limited Agent**

An agent authorized to transact only a limited form of insurance, such as travel-accident or credit insurance. In many states, limited agents are exempt from licensing examination and education requirements.

### **Limited Coding**

A method of modified Commercial Statistical Plan (CSP) reporting whereby fewer fields on the record are required for reporting. Limited coded reporting applies only to certain situations.

### **Limited Health Insurance**

Special health insurance policies that provide limited coverage for specific injuries or illnesses, such as travel accident, hospital income, and specified disease coverage.

### **Limited Partner**

A member of a partnership who has little if any role in the management of the partnership. Limited partners are also called silent partners. Their potential loss is limited to their capital contribution, and usually they receive a fixed-dollar return that is payable in full before the general partner shares in any profits.

### **Limited Partnership**

An association of two or more persons who operate and manage a business for profit; at least one the partners does not work in the business but does have some management voice and financial investment. The limited partner has limited liability.

### **Limited Payment Life**

A life insurance contract providing protection for the whole of life with premiums paid for an indicated number of years. See also Life Paid Up At Age.

### **Limited Payment Whole Life**

A whole life policy that allows the policyholder to pay the entire premium in a shorter period of time (such as a 20 year period or to age 65). Compare with Continuous Premium Whole Life and Single Premium Whole Life.

### **Limited Policies**

(1) Health insurance contracts, such as those offered by newspapers to their customers, with low limits and somewhat restricted forms. (2) Policies paid only upon the occurrence of certain contingencies, such as cancer, in contrast to policies covering all contingencies other than those excluded.

### **Limited Pollution Liability Coverage Form**

Commercial form providing pollution liability coverage on a "claims made" basis, but not providing any coverage for clean-up costs.

### **Limited Theft Coverage Endorsement**

This form may be attached to a dwelling policy to provide theft coverage for a named insured who is not an owner occupant.

### **Limits**

(1) Ages below or above which the insurer will not issue a policy or above which it will not continue a policy presently in force. (2) The maximum amount of benefits payable for a given situation or occurrence, e.g., a limit of \$50,000 on the contents of a home, or a \$40,000 per accident limit for property damage liability.

### **Limits**

Used various ways such as (a) the maximum and minimum ages above and below which the company will not issue insurance, or the policy does not provide coverage; (b) the maximum amount of insurance the company will write on one risk; (c) the coverage or benefit limit in a policy; etc.

### **Limits of Liability**

The maximum amount for which an insurer is liable as set forth in the insurance contract.

### **LIMRA International**

An organization that, through research, seeks solutions to the problems of administering the agency costs of a life insurer.

### **Line**

A colloquial term with several meanings. It may be used to mean a particular type of insurance, such as the liability "line." It may be used to describe all the various types of insurance written for a property owner, e.g., carrying all "lines" of the XYZ Company. It is also used to describe the amount of insurance on a given property, e.g., a \$250,000 "line" on buildings of the XYZ Company.

### **Line**

Has different meanings: (1) a broad category of risks or lines of business (i.e., accident & health, workmen's compensation, personal property, etc.); (2) an amount of risk, gross and/or net, that an insurance company accepts on a class of business or on a single risk or other unit; (3) in reinsurance, the percentage of a placement a reinsurer accepts.

### **Line Card**

A record kept by a property insurer of the insurance sold to any one particular insured.

### **Line of Business**

Any of a number of types of insurance offered by carriers and reportable to ISO under CSP. Statistics are reported for those lines of business listed in the General Rules of CSP, as well as for the same lines that may be written as part of commercial package policies.

### **Line Sheet**

A schedule showing the limits of liability to be written by an insurer for different classes of risks. This kind of guide is also used by a ceding company to define the limits of liability it will assume on various types of exposures.

### **Line Sheet**

The schedule which a company keeps for guidance of its underwriting staff showing the maximum amount of insurance which can be written on a different class of risks.

**Line Slip**

A document (most commonly used at Lloyd's) which describes a risk to be insured. It is circulated by brokers, and underwriters subscribe to it by indicating what percentage of the risk they are willing to take.

**Lines**

The amount a reinsurer accepts, usually in multiples of a net retention, under a surplus treaty. If a given treaty specifies a retention of \$10,000, and a risk is written for \$50,000, 4 lines (\$40,000) would be reinsured.

**Liquidated Damages**

Damages that are agreed to either by the court or by the parties to a suit or action.

**Liquidation of Insurer**

Action undertaken by a state insurance department to dissolve an impaired or insolvent insurer which cannot be restored to sound financial standing. Contrast with Rehabilitation of Insurer.

**Liquidity**

The ability of an insurer to convert its assets into cash to pay claims if necessary.

**Litigant**

One who is engaged in a lawsuit.

**Livery Use**

Use of a vehicle for hire to carry persons. Livery use is excluded in automobile insurance contracts unless coverage for it is stated in the policy.

**Livery Vehicle**

An automobile which is hired to transport people.

**Livestock Coverage Form**

A commercial property form which may be attached to a Farm Coverage Part to insure livestock. This form replaced various inland marine forms which were commonly used to insure farm property and livestock.

**Livestock Insurance**

A named perils contract that provides a prescribed lump sum payment to an insured upon the death of any animal covered by the policy.

**Livestock Mortality Insurance**

The equivalent of life insurance for livestock.

**Livestock Transit Insurance**

Insurance against accidents causing death or crippling on shipments of livestock while in transit by rail, truck, or other similar means of transportation.

**Living Benefits Rider**

A rider attached to a life insurance policy which provides LTC benefits or benefits for the terminally ill. The benefits provided are derived from the available life insurance benefits.

**Living Need Benefits**

A combination of life insurance and long-term care insurance which allows life insurance benefits to generate long-term care benefits. Up to a certain percentage of the life insurance policy's death benefit may be used in advance to offset nursing home or medical expenses, reducing the face amount of the life policy.

**Living Trust**



A trust created by a person during his/her lifetime. Also referred to as an inter vivos trust.

### **Lloyd's**

Refers to "Lloyd's of London", where insurance and reinsurance trading is conducted by underwriters employed by a group or groups of individuals, known as "syndicates", which assume liability through an underwriter. Each individual ("name") independently assumes a proportionate part of the insurance or reinsurance accepted by the underwriter. It is common in Lloyd's that underwriters (of different syndicates) share risk - that is they write lines or percentages of the whole placement.

### **Lloyd's Association**

A group of individuals who band together to assume risks are sometimes called a Lloyd's association. They are organized along the same lines as, though not connected with, Lloyd's of London. Each person is responsible only for the share of the risk that he assumes. There are a limited number of these associations in the United States.

### **Lloyd's Broker**

A person who has the authority to negotiate insurance contracts with the underwriters on the floor at Lloyd's.

### **Lloyd's Groups**

Groups of individuals called syndicates (not insurance companies) assuming liability through an underwriter. Each individual personally assumes a proportionate share of the risk accepted by the underwriter. Lloyd's of London is an example.

### **Lloyd's Syndicate**

A consortium of individual Lloyd's or London underwriters. Usually one person acts for the syndicate in accepting risks or rejecting them.

### **Lloyd's Underwriter**

An individual who underwrites risks through the facility of Lloyd's. These individuals are liable only for their own assumptions of risk and not those assumed by others in the same syndicate or in the overall Lloyd's organization.

### **Loading**

Amounts added to a premium in addition to that required to meet policy guarantees. Loading may consist of amounts added to cover acquisition costs, general expenses, cost of handling claims, taxes, and costs of preparing extra billings (more frequently than the basic rates anticipate).

### **Loading**

The amount added to the pure insurance cost to cover the cost of the operations of an insurer, the possibility that losses will be greater than statistically expected, and fluctuating interest rates on the insurer's investments. The "pure" insurance cost is that portion of the premium estimated to be necessary for losses.

### **Loan Impairment Insurance**

A type of insurance coverage that protects the lender against the lack or inadequacy of insurance coverage for a specific loan, if the lender is not directly responsible for the insufficiency.

### **Loan Value**

A term which refers to the amount of money an insured can borrow using the cash value of his or her life insurance policy as security.

### **Local Agent**

An agent representing companies in a sales and service capacity as an independent contractor on a commission basis. A local agent usually has a small territory, and agent powers are limited by contract.

### **London Market**

Consists of two distinct sources of insurance: Lloyd's of London and the company market. Each source handles about half the insurance business conducted in London. All of Lloyd's activities take place on the Underwriting Floor of the Lloyd's building. Activities for other insurance companies and underwriting agencies may be carried out in offices within and

outside the United Kingdom.

**Long Term Care**

Insurance designed to help pay some or all long-term care costs, reducing the risk that the policyholder would need to deplete all of his/her assets to pay for long-term care. Long-term care insurance can help a person avoid relying on family or friends for assistance with activities of daily living (ADL) and can reduce or eliminate the need to rely on Medicaid.

**Long-Term Care**

Care which is provided for persons with chronic diseases or disabilities. The term includes a wide range of health and social services provided under the supervision of medical professionals.

**Long-Term Care Facility**

Usually a state licensed facility which provides skilled nursing services, intermediate care and custodial care.

**Long-Term Care Insurance**

A health insurance policy which provides daily benefits when the insured is confined to a nursing home.

**Long-Term Debt**

In securities, a bond or other debt instrument with a maturity of 10 years or longer; in finance, a debt that will not come due for at least one year.

**Long-Term Disability Insurance**

A group or individual policy which provides coverage for longer than a short term, often until the insured reaches age 65 in the case of illness and for life in the case of accident.

**Long-Term Gain (or loss)**

Profit (or loss) on the sale of an asset or security that has been held for longer than six months.

**Longshoremen's and Harbor Workers' Act**

A federal act that stipulates compensation levels for injured longshoremen and harbor workers.

**Loss**

Generally means a loss suffered by the insured that is covered under a policy. In a dismemberment schedule, with reference to hand or foot means complete severance at or above the wrist or ankle joint; as used with reference to speech or hearing, entire and irrecoverable loss of either.

**Loss**

Generally refers to (1) the amount of reduction in the value of an insured's property caused by an insured peril, (2) the amount sought through an insured's claim, or (3) the amount paid on behalf of an insured under an insurance contract.

**Loss Adjustment Expense**

The cost of adjusting losses, excluding the amount of the loss itself.

**Loss Adjustment Expense**

Expenses associated with the adjustment of a claim.

**Loss Assessment Charge**

An insured's share of a loss assessment for property damage or liability which is charged by a corporation or association of property owners. Homeowners policies provide some coverage for loss assessments charged against the insured as owner or tenant of a residence premises.

**Loss Constant**

A flat amount included in the premium for small Workers Compensation policies, for dwelling policies in some jurisdictions, and for some prescribed Inland Marine Insurance lines. The purpose of the Loss Constant is to offset the greater than average loss experience which most small risks have when compared to all other risks in a given classification.

**Loss Control**

Any combination of actions taken to reduce the frequency or severity of losses. Installing locks, burglar or fire alarms and sprinkler systems are loss control techniques.

**Loss Conversion Factor**

The loss conversion factor covers claim adjustment expenses and the cost of the insurance carriers claim services in a retro plan. Incurred losses are multiplied by this factor to arrive at converted losses.

Factors used in the retention rating formula that provides a charge to cover the cost of the insurer's claims service fee.

**Loss Cost**

The portion of a rate that goes towards paying losses only--Each carrier files a loss cost multiplier that grosses up the rate to contemplate that company's expenses.

**Loss Costs**

In 1989 ISO began a transition from providing advisory base rates to providing only prospective loss costs, made up of claims payments and loss adjustment expenses. Individual insurers develop their own rating factors to reflect their own underwriting expense and profit/contingencies.

**Loss Development**

The difference between the amount of losses initially estimated by the insurer and the amount reported in an evaluation on a later date.

**Loss Development**

The difference between the original group loss as first reported and its subsequent evaluation at a later date or at the time of its final disposal. Also known as "loss tag".

**Loss Development Factor**

This is a recent development under retrospective rating plans. It was designed to give the insurer additional money to allow for the subsequent development of losses and to reimburse for claims which are late in being reported. The factor was introduced primarily because of the effect of inflation on losses which take a long time to settle.

**Loss Development Factor**

Element used to adjust losses to reflect the incurred but not reported claim (IBNR) under retrospective method of rating.

**Loss Development Factor/Loss Development**

A factor used to adjust existing claims to reflect the ultimate or final claims costs. The factor is usually created by each carrier to reflect its' own claims handling experience.

**Loss Event**

The total losses to the ceding company or to the reinsurer resulting from a single cause such as an earthquake.

**Loss Expectancy**

An underwriter's estimate of the probable maximum loss to be suffered on an exposure being considered, with attention given to the expected level of loss prevention activities on the part of the insured.

**Loss Frequency**

The number of times a loss occurs over a specific period of time.

**Loss Limit**

As part of the retro rating plans, an insured may decide to limit the amount of any one loss that will be included in the retro adjustment calculation. A loss limitation charge is made by the insurer to accept this additional risk of loss above the selected loss limit.

**Loss Limitation**

Another term used in retrospective rating formulas. It is designed to limit the effect of catastrophic losses that would

otherwise be considered in full in figuring the final retrospective premium.

**Loss Loading**

A factor applied to the pure loss cost to produce a reinsurance rate or premium.

**Loss Multiplier**

Used in retrospective reinsurance rating plans to convert losses to premium and to provide for reinsurer's loss adjustment expense, overhead, and profit margin. It is subject to established maximums and minimums.

**Loss of Market**

A term found in ocean and inland marine contracts as part of the delay and loss of market exclusion. Loss of market is the inability to sell a product to prospective buyers. This is considered a normal business risk and not coverable under insurance contracts except in some cases such as meats, where spoilage can result in loss of market. If the spoilage is the result of some event such as a storm at sea or a derailing, coverage can be purchased for an additional premium.

**Loss of Use Insurance**

Coverage to compensate an insured for the loss of use of property if it cannot be used because of a peril covered by the policy.

**Loss Payable Clause**

A provision in insurance contracts that authorizes payment to persons other than the insured, to the extent that they have an insurable interest in the property. This clause may be used when there is a lien or loan on the property being insured, and it protects the lender.

**Loss Payee**

The party to whom money or insurance proceeds is to be paid in the event of loss, such as the lienholder on an automobile or the mortgagee on real property.

**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 incurred losses to earned premiums.

**Loss Ratio**

The losses divided by the premiums paid. The numerator (losses) can be losses incurred or losses paid, and the denominator (premium) can be earned premiums or written premiums, depending on what use is going to be made of the loss ratio.

**Loss Reimbursement**

Any loss reimbursement plan with an attachment point greater than \$25,000.

**Loss Reimbursement Limit**

The portion of any loss and ALAE we pay that you must reimburse us for under any "Loss Reimbursement" provisions of a Policy.

**Loss Reimbursement Plan**

Any plan where the insured must reimburse us for all losses paid below a defined attachment point (they may also be referred to as deductible plans). Because we retain the liability for all losses paid it is essential that a proper financial review is done on these insureds and appropriate security is obtained.

**Loss Reimbursement Plan**

A form of high deductible plan.

**Loss Reserve**

An insurer's estimated liability for unpaid insurance claims or losses that will have to be paid in the future. Such reserves refer to (a) claims, or (b) demands or requests (for payments) which have yet to be made. This last situation refers to IBNR (Incurred But Not Reported) losses, which are not reported to ISO. Synonymous with 'Outstanding Losses'.

**Loss Reserve**

The estimated liability for unpaid insurance claims or losses that have occurred as of a given evaluation date. Usually includes losses incurred but not reported (IBNR), losses due but not yet paid, and amount not yet due. The above describes a loss reserve as it would appear in an insurer's financial statement. As to individual claims, the loss reserve is the estimate of what will ultimately be paid out on that case.

**Loss Reserves**

Liabilities established by insurers and reinsurers to reflect the estimated cost of claims incurred that the insurer or reinsurer will ultimately be required to pay in respect of insurance or reinsurance it has written. Reserves are established for losses and for LAE, and consist of case reserves and IBNR reserves.

**Loss Run**

A list of all claims for an existing, terminated, or cancelled policy, any line of business.

**Loss Severity**

The amount of a loss expressed in financial terms.

**Loss-Of-Income Benefits**

Benefits paid for inability to work for remuneration because of disability resulting from accidental bodily injury or sickness. The loss of income may be real or presumptive.

**Loss-of-Income Insurance**

Insurance paying loss of income benefits.

**Losses Incurred**

The total losses, whether paid or not, sustained by an insurer during a given period, e.g., 12 months.

**Losses Incurred**

The total losses meaning claims paid, pending, contested, reserved including IBNR and LAE.

**Losses Outstanding**

A summary statement prepared by property, life, and liability insurers showing claims not yet settled.

**Losses Outstanding**

Losses that have been sustained but have not been paid.

**Losses Paid**

A summary of claims paid.

**Lost Instrument Bond**

When the owner of a stock certificate loses it, the insurer of the certificate will not issue a duplicate until the owner furnishes an indemnity bond guaranteeing that if he finds the original he will turn it over to the surety company.

**Lost Policy Release**

A statement signed by an insured releasing the insurer from all liability for a lost or mislaid contract of insurance. It is usually signed after the company has issued a replacement policy.

**Lost-Or-Not-Lost Clause**

(1) A provision in an Ocean Marine contract which assures coverage whether the property is in existence at the time the contract is written or has already been destroyed. (2) Coverage of a ship at sea "afloat or sunk." The reason for such a clause is that many times the owners of cargoes or ships would insure them after the ship had left the port, and prior to modern methods of communication, there was no way of knowing whether or not the venture had been lost at the time the

insurance was taken out.

### **Loyalty Scheme**

Frequent flyer schemes are loyalty schemes. Any scheme that provides customers with a "bonus" for activity provides an opportunity for marketing of our products.

### **LRRP**

LRRP (Large Risk Rating Plan) is RMG's version of the NCCI/ISO Large Risk Alternative Rating Option. The LRRP endorsement moves the adjustment process from the individual policies to the overall program adjustment and moves expenses among different lines of insurance.

### **LRRP Endorsement**

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### **Lump Sum**

This term is commonly used to describe a loss payment where the entire loss payment is made in one lump sum.

### **Lump Sum**

A method of settlement whereby the beneficiary receives the entire proceeds of a policy at once rather than in installments.

### **Lump-Sum Distribution**

A distribution in which the entire balance of the retirement plan is received in a single tax year.

## **M**

### **Maintenance Bond**

A bond guaranteeing against defects in workmanship or materials for a stated time after the acceptance of completed work. Two years is a common term for a construction bond.

### **Maintenance, Care and Wages**

An admiralty law provision for coverage for injured seamen. Maintenance refers to providing food, shelter, and rehabilitation while the seaman is injured. Care refers to the medical treatment necessary for recovery. Wages, of course, refers to the usual seaman's wages, which under this law, must be paid even during an illness or after an accident.

### **Major Accounts**

All retrospectively rated accounts, all large loss reimbursement accounts, all accounts requiring collateral or security and accounts with "plus" services as defined by AIGCS or AI Consultants.

### **Major Class**

This term defines type of business covered like general liability, automobile, workers' compensation, etc.

### **Major Hospitalization Policy**

The same as major medical insurance, except that it applies to expenses incurred only when the insured is hospitalized.

### **Major Line**

Line of business. Examples: A&H, Life, Financial Lines, Commercial Lines (Commercial Property & Casualty), Energy and Personal Lines.

### **Major Medical Insurance**

A type of health insurance that provides benefits up to a high limit for most types of medical expenses incurred, subject to a large deductible. Such contracts may contain limits on specific types of charges, like room and board, and a percentage participation clause sometimes called a coinsurance clause. These policies usually pay covered expenses whether an individual is in or out of the hospital.

**Malicious Mischief**

Similar to vandalism. Purposely damaging the rights or property of another.

**Malicious Mischief Management and Regulatory Reporting**

The willful damaging or destruction of another person's property. The Management and Regulatory Reporting system encompasses various systems, files and reports to address profit and loss reporting, expense reporting, Annual Statements and Tort Reform. The source of this data is CRS and the General Ledger.

**Malingering**

To feign a disability for the purpose of continuing to collect benefits longer than actually necessary.

**Maloney Act**

A 1938 amendment to the Securities Exchange Act of 1934. The Maloney Act established the National Association of Security Dealers (NASD) as a self regulatory organization (SRO) for those involved in the sale of securities.

**Malpractice**

Professional misconduct or lack of ordinary skill in the performance of a professional act which renders the practitioner liable to suit for damages.

**Malpractice Insurance**

Insurance on a professional practitioner that will (1) defend suits instituted against the insured professional for malpractice, and/or (2) pay any damages set by a court, subject to policy limits.

**Managed Care**

A system of health care where the goal is a system that delivers quality, cost effective health care through monitoring and recommending utilization of services, and cost of services.

**Managed Care Organization Program**

A loss reduction incentive plan in certain states, which allows a premium credit for post-claim loss control activities designed to minimize claim expenses.

**Managed Health Care Plan**

A plan which involves financing, managing, and delivery of health care services. Typically, it involves a group of providers who share the financial risk of the plan or who have an incentive to deliver cost effective, but quality, service.

**Management Expense**

A charge deducted in a contingent commission formula to cover the reinsurer's overhead expenses.

**Management Fee**

The charge made by an investment adviser for supervision of a portfolio. Frequently includes various other services and is usually a fixed or declining percentage of average assets at market value.

**Manager**

A common title for the head of an agency that is operated as a branch office, as opposed to being operated as a general agency. The manager is a salaried employee, usually with an incentive bonus based on the agency's volume.

**Managing General Agent**

The MGA will appoint any number of General Agents (already defined in text) or individual agents to sell business which they administer.

**Mandated Benefits**

Benefits required by state or federal law.

**Mandated Providers**

Types of providers of medical care whose services must be included by state or federal law.

**Mandatory Retirement**

A specified age in a pension plan when the member must retire even if he or she does not wish to do so.

**Mandatory Valuation Reserve**

A reserve required by a state law to offset any declines in the valuation of securities listed as admitted assets.

**Manual**

A book giving rates, classifications, and underwriting rules for some line of insurance. An example would be the Automobile Manual which gives such information for automobile insurance.

**Manual Excess**

The premium for an amount of insurance in excess of the basic limit of liability. This premium is determined by referring to a table of rate factors which are multiplied by the manual rate in order to arrive at a premium for the higher limit selected.

**Manual Premium**

That premium based on ISO rates. The ISO monoline manual premium is the premium that would result from the use of ISO rates and rules prior to the application of any rating modifications.

**Manual Premium**

The unmodified premium, all states and classes combined, before the application of experience rating, deviations, schedule rating, premium discount or other rating credits.

**Manual Rate**

That rate which appears in ISO manuals. It is the rate which exists prior to the application of any rating plan modifications. Manual rates do not exist for all classes of risks; such 'nonmanual' risks are subject to an 'A' or 'Judgement' rating.

**Manual Rate**

Premium rates can be either based on experience or a company's published manual rates. Many times a combination of both depending on the credibility involved. Manual rates are based on population or demographic data and adjusted by portfolio or other experience such as WHO, Injury Facts or IARC.

**Manual Rates**

Usually the published rate for some unit of insurance. An example is in the Workers Compensation Manual where the rates shown apply to each \$100 of the payroll of the insured, \$100 being the "unit."

**Manual Rates**

(Health) Rates based on average claims data for a large number of groups. These rates are then adjusted for specific groups based on that group's characteristics, such as the type of industry, changes in benefits from the standard, etc.

**Manufacturer's Selling Price Clause**

Values unsold finished goods at the price at which they could have been sold at the time of a loss.

**Manufacturers and Contractors Liability Insurance**

A form of premises and operations liability insurance designed to cover manufacturing or contracting risks. The basis of premiums for this coverage is the payroll.

**Manufacturers Output Policy**

A policy covering the personal property of a manufacturer on an open perils (all risk) basis. Coverage is usually restricted to property away from the premises. Its original use was for manufacturers who send some of their products out to be processed by other companies.

**Manufacturers' Output Policy**

A contract that provides coverage for personal property of the manufacturer on an all-risk basis, while the property is away from the premises of the insured.

**Manufacturing Location**



A location which manufactures products for delivery to the insured's customers under a sales contract. One of the four types of dependent properties for which business income coverage may be written.

**Manuscript Policy**

A policy written to include specific coverages or conditions not provided in a standard policy. It is often prepared by a large brokerage house for a large account, and it must conform to state laws. In the event of a dispute over policy language, the contract of adhesion doctrine is modified.

**Map**

A geographical map is used by a property insurance underwriter to locate the area and character of a risk, especially in a large city. Maps may also be used to keep track of the number of insureds in a particular area so that an insurer does not subject itself to a possible catastrophic loss.

**Map Clerk**

A junior underwriter who enters such essential data as policy numbers, amounts of coverage, and property covered on maps to enable an insurer to determine its liability or exposure in a given area.

**Margin**

The amount of money paid by investors when they use their broker's credit to buy a security.

**Marine Insurance**

A form of insurance primarily concerned with means of transportation and goods in transit. Marine used alone refers to ocean transportation, and inland marine refers to transportation and goods in transit by land.

**Marital Deduction**

An unlimited amount of qualifying property which can be passed or transferred upon the death of one spouse to the surviving spouse.

**Marital Deduction Trust**

An arrangement whereby the surviving spouse is provided with full use of the family's wealth while minimizing the impact of federal estate taxes.

**Maritime Coverages**

This encompasses workers' compensation and employer's liability coverage under the following endorsements: maritime coverage, voluntary compensation maritime coverage and limited maritime coverage.

**Market**

A public place where goods and services are traded, purchased and sold.

**Market Assistance Plan**

A plan promulgated by the Department of Insurance to assist buyers to obtain certain types of insurance when they are limited in availability.

**Market Conduct**

Used to measure how insurance companies and insurance agents comply with state laws regulating the sales and marketing, underwriting, and issuance of insurance products. Proper market conduct means conducting insurance business fairly and responsibly.

**Market Conduct Examination**

When state insurance department investigators examine the business practices and operations of an insurer and its agents in order to determine their authority to conduct insurance business in the state.

**Market Risk**

A risk experienced by those who invest in securities which is the risk of possible loss of investment since there are no guarantees associated with such investments.

**Market Risk**

The market as a whole for an asset may decline, as in the financial crises of 1929 and 1987 and in other economic recessions.

**Market Segment**

An aggregate of people who have common attributes and, as a result, can be approached with the same distribution, products, service, messaging, etc. Examples of market segments that A&H pursues in many markets around the world are women, seniors, and business travelers.

**Market Timing**

A strategy, based on various economic or stock market indicators, for deciding when to buy or sell securities.

**Market Value**

The price for which something would sell, especially the value of certain types of assets, such as stocks and bonds. It is based on what they would sell for under current market conditions. For example, common stock market value would be the price of the stock as of a specified date.

**Market Value Clause**

A provision that may be used in certain property insurance forms which obligates an insurer to pay the established market price of destroyed or damaged stock rather than its cost to the insured, as is usually provided in the Standard Fire policy. This coverage is only available to manufacturers with finished products, not to wholesalers or retailers.

**Marketability**

The ability to buy or sell a security quickly, without consideration for loss.

**Marketing Costs**

Total cost of preparing and making the offer to each contacted person. Marketing costs typically include creative, personalization, telemarketing and phoning, postage, printing, promotion, script development, and temporary help. Marketing costs can be fixed or variable, and the latter can be applied to different bases, for example, creative costs may be applied to the whole quantity of Leads, while phoning costs may be applied only to the Contacted Number, and printing costs to the Issued Number.

**Marketing Risk**

The risk of incurring marketing expenses that are not recaptured over time.

**Marketing Test**

A Campaign component used as an indicator of the future performance of a new offer or product, a new marketing kit, or a particular list segment.

**Masonry Noncombustible Construction**

A building which has exterior walls constructed of masonry materials, such as adobe, brick, concrete, gypsum block, hollow concrete block, stone, tile, or other similar materials, with floors and roof constructed of metal or other noncombustible materials.

**Mass Merchandising**

A technique whereby a group of people, usually employees or members of a union or trade association, insure with one company. Premiums are collected and remitted to the insurer in a lump sum.

**Master**

The admiralty law term for the captain of a ship.

**Master Contract**

In group insurance, the master contract is given to the employer. Individuals insured under the plan receive certificates to evidence their coverage under the plan.

**Master Contract**

(See Master Policy below)-An insurance contract which covers a group of persons to whom certificates of insurance are issued as their evidence of coverage under the policy. Note that certificate issuance is not always required.

### **Master Policy**

(1) The policy contract issued to an employer or other entity authorized by state law for a group insurance plan. See also the first definition of Certificate of Insurance. (2) A property insurance policy issued to an insured who can issue certificates of coverage to cover the property of others.

### **Master Policy**

An insurance policy which covers a group of persons to whom certificates of insurance are issued as their evidence of coverage under the policy. Note that certificate issuance is not always required.

### **Master-Servant Rule**

The rule that all employers are obligated to protect the public from the acts of their employees. Courts hold employers liable for torts committed by employees in the course of their employment.

### **Masters and Members of Crew**

For the purposes of general maritime law, the term "seamen" applies to the master and crew members of a vessel who are primarily on board for the function of its navigation or its operation on a permanent basis.

### **Matching Deductible Plan**

(See Fronting Policy) This is a device wherein the primary insurer sets a deductible equal to the entire limit of liability and then transfers the amount to one or more reinsurers.

### **Material Fact**

In insurance, it refers to a fact which is so important that the disclosure of it would change the decision of an insurance company, either with respect to writing coverage, settling a loss, or determining a premium. Usually, the misrepresentation of a material fact will void a policy.

### **Mature**

In insurance, a policy matures when its face amount becomes payable. This could occur upon the death of the insured, or in some forms of insurance such as endowments, as of a specified date.

### **Mature Policies**

Uninterrupted claims-made coverage continuously in effect for at least five years, and no longer eligible for rating credits given on immature policies.

### **Maturity**

The date on which a debt instrument (bond) must be repaid.

### **Maturity Date**

The date at which the face amount of a life insurance policy becomes payable by reason of either death or endowment.

### **Maturity Value**

The amount payable to a living insured at the end of an endowment period or to the owner of a whole life policy if he lives past a certain age.

### **Maxi Tail**

Unlimited extended reporting period allowing for making claims after expiration of a "claims-made" liability policy.

### **Maximum Allowable Costs List**

A list of prescriptions where the reimbursement will be based on the cost of the generic product.

### **Maximum Approved Limit**

The maximum limit allowed to be reinsured by one of AIG's approved reinsurers. This limit is assigned separately to each approved carrier, and it appears on the approved lists maintained by the Reinsurance Services Division.

**Maximum Benefit**

The greatest amount that (a) will be paid for a particular loss (b) or payable for all losses in the aggregate under a policy or (c) may be written. The amount stated in the application under schedule as respects an insured.

**Maximum Cost**

The maximum amount that you must pay for the Subject Premium, and if applicable, non-subject premium, Self-Insured losses and ALAE.

**Maximum Disability Policy**

A form of noncancellable disability income insurance that limits an insurer's liability for any one claim but not the aggregate amount of all claims. In other words, for any one claim there is a maximum amount payable, but there could be any number of separate claims for different disabilities.

**Maximum Insurance Cost**

Subject, non-subject and deductible reimbursements and surcharges and special taxes.

**Maximum Out-of-Pocket Costs**

The most a member will pay considering copayments, coinsurance, deductibles, etc.

**Maximum Retrospective Premium**

The most an insured will be required to pay under a retrospective rating plan, regardless of the amount of losses incurred.

**McCarran-Ferguson Act**

This law provides that fair trade and antitrust laws would apply to the insurance business only, 'to the extent that such business is not regulated by state law.' This allowed the individual states to supervise and regulate the insurance business. It is also called 'Public Law 15'.

**Mean-Variance Optimization**

Based on an approach to asset allocation developed by Harry Markowitz in the 1950s, whose goal is to provide the maximum return for a given risk or a given return for the minimum risk.

**Media**

Method used in the Campaign Selection to contact the prospects. Standards include: 1. Bang Tail: offer found on the back flap of a return envelope. 2. Bounce Back: material inserted into fulfillment mailing that attempts to sell an upgrade. 3. Direct Mail: independent mail package sent directly to the prospect. 4. Direct Sales: sale made directly by an employee or a sponsor at the sponsor's place of business. 5. Email: an offer made via e-mail. 6. Inbound Telemarketing: contact will be based on inbound phone calls. 7. Insert: offer material that is inserted into some other mailing. 8. Magazines: an advertisement placed in a magazine publication. 9. Newspapers: an advertisement placed in a newspaper publication. 10. Internet: an offer made either through an AIG internet site or offered through any sponsor's internet site. 11. Outbound Telemarketing: contact will be based on outbound phone calls. 12. Radio: an advertisement placed via radio. 13. SMS: stands for short messaging system, where a text message (usually less than 160 characters) is sent to a mobile device. 14. Take One: printed pieces or brochures to be taken away. 15. TV: an advertisement placed via TV.

**Mediation**

An informal means of trying to promote settlement of a dispute. It involves a third-party mediator who meets the parties to the dispute and tries to get them to agree on a settlement.

**Medicaid**

A medical benefits program administered by states and subsidized by the federal government. Under this plan, various medical expenses will be paid to those who qualify. It is technically referred to as Title XIX Benefits.

**Medical Cost Containment**

Refers to any of a number of techniques or strategies that control the cost and utilization of medical services including Pre-Injury Management, Medical Expense Management, Case Management and Utilization Management.

**Medical Examination**

The examination of an applicant for insurance or a claimant by a physician who acts in the capacity of the insurer's agent.

**Medical Examiner**

The physician who examines an applicant or claimant on behalf of the insurer and as an agent of the insurer.

**Medical Expense Insurance**

A form of health insurance that provides benefits for medical, surgical, and hospital expenses. This term is used to include coverage under the names hospital-surgical expense insurance and medical care insurance.

**Medical Expense Reimbursement Plan**

A plan which provides for corporate reimbursement of specific health care expenses to employees.

**Medical Information Bureau**

A central computerized facility which keeps on file the health history of the applicants for life and health insurance with member MIB companies. The MIB was organized to guard against fraud by applicants.

**Medical Information Bureau**

A data pool service that stores coded information on the health histories of persons who have applied for insurance from subscribing companies in the past. Most life and health insurers subscribe to this bureau to get more complete underwriting information.

**Medical Information Bureau**

An index service in the US providing underwriting and claims information to participating insurers.

**Minimum Distributions**

(Required) Minimum Distribution: This is a distribution from qualified policies required by the IRS when a policy owner reaches age 70 ½. Also referred to as RMD (Required Minimum Distribution).

**Modified Endowment Contract**

Modified Endowment Contract (MEC): A life insurance contract entered into or materially changed after June 21, 1988, in which the cumulative premiums paid have exceeded the amount needed to reach a paid-up status. Classification of a policy as a MEC causes the policy to no longer be qualified for the tax deferred treatment of cash value under the Internal Revenue Code.

**Mutual Fund**

LOMA defines a Mutual Fund as an account established by a financial services company that pools the funds of many people and invests in a variety of financial instruments, such as stocks and bonds.

**Mutual Fund Account Redemptions**

Full or partial liquidation of funds from a mutual fund account.

**N****NAC-No Additional Charge**

Usually refers to a credit card program meaning that there is no additional charge to the cardholder for the insurance or other enhancements that the credit card company agrees to provide to its cardholders.

**NAIC-National Association Of Insurance Commissioners**

An organization in the USA of the insurance commissioners or directors of all 50 states and the District of Columbia organized to promote consistency of regulatory practice and statutory accounting standards throughout the United States.

**Name Position Bond**

A type of fidelity bond which covers losses caused by the dishonesty of only those employees holding positions specifically named in the bond. Contrast with Name Schedule Bond and Blanket Bond.

**Name Schedule Bond**

A type of fidelity bond which covers losses caused by the dishonesty of only those employees specifically named in the bond. Contrast with Name Position and Blanket Bond.

**Named Insured**

That person, partnership, or organization for whom an insurance contract is written, and who is specifically designated as being 'insured' in the contract.

**Named Insured**

Any person, firm, or corporation, or any member thereof, specifically designated by name as the insured(s) in a policy. Others may be protected as insureds even though their names do not appear on the policy. A common application of this latter principle is in automobile policies where, under the definition of insured, protection is extended to cover other drivers using the car with the permission of the named insured.

**Named Non-Owner Policy**

An automobile insurance policy issued to someone who does not own an automobile, but who drives borrowed or rented autos.

**Named Perils**

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

**Named Perils**

Perils specifically covered on property insured. Contrast with Open Perils (All Risk) Insurance, which covers all losses not specifically excluded.

**National Association of Independent Insurers**

An association comprised of fire, casualty, and surety insurers which do not belong to large rating bureaus. The association distributes considerable information about legislation and litigation.

**National Association of Insurance Brokers, Inc.**

A voluntary association of insurance brokers which exists to exchange information and make recommendations to state legislatures.

**National Association of Insurance Commissioners**

An association of state insurance commissioners active in discussions of regulatory problems and in the formation and recommendation of uniform insurance practices and legislation.

**National Association of Life Companies**

Membership organization primarily of medium and small life and health insurance companies.

**National Association of Life Underwriters**

Organization of local life underwriter associations representing life and health insurance agents on practices of selling and servicing life and health insurance products.

**National Association of Mutual Insurance Companies**

A voluntary intercompany organization of mutual property and liability insurers formed for the exchange of information and discussion.

**National Association of Securities Dealers**

An organization of brokers and securities dealers in the over-the-counter market regulated by the Securities and Exchange Commission.

**National Auto Theft Bureau**

An organization engaged in the prevention and reduction of motor vehicle fire and theft losses.

**National Council on Compensation Insurance**

The National Council on Compensation Insurance is an independent service organization of the insurance industry which provides a wide range of advisory, rating, actuarial, statistical and other services relating to Workers Compensation Insurance.

#### **National Crop Insurance Association**

A sister organization to the Crop Hail Insurance Actuarial Association (CHIAA). In 1989 these two organizations were consolidated to become National Crop Insurance Services (NCIS).

#### **National Crop Insurance Services**

A voluntary, nonprofit organization made up of more than 140 member companies that compiles research and statistics in order to develop crop insurance rates and forms.

#### **National Drug Code**

A system for identifying drugs.

#### **National Flood Insurance Program**

Federal program providing flood insurance for fixed property. Under a "dual" program coverage may be written directly by the NFIP or by private carriers whose losses may be reimbursed by the NFIP.

#### **National Fraternal Congress of America**

A federation of fraternal benefit societies.

#### **National Insurance Association, Inc.**

An intercompany association of insurers formed to exchange information and ideas on common problems unique to the black community.

#### **National Safety Council**

A nonprofit organization chartered by Congress in 1913. It is made up of approximately 12,000 industry members nationwide. The purpose of the council is the dissemination of safety education material.

#### **National Service Life Insurance**

Life insurance made available by the federal government for members of the United States armed forces from 1940 to 1951.

#### **Nationwide Definition of Marine Insurance**

A statement recommended by the National Association of Insurance Commissioners which indicates the types of insurance which are to be written under ocean or inland marine policies. Most states use this definition, subject to some individual exceptions.

#### **Natural Death**

Any death that is not accidental.

#### **Natural Death**

Death by means other than accident or homicide.

#### **Natural Premium**

The pure mortality cost of life insurance for one year at any given age.

#### **NBC-Nuclear Biochemical Risk**

Nuclear, Biochemical and Chemical Risk. (Not to be confused with NCB which refers to a no claims bonus.)

#### **Negative Correlations**

Investments that react in generally opposite ways to changes in the economy are said to have negative correlations. For example, as one investment gains value, the other tends to lose value.

#### **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 omission or commission, or both.

**Negligence**

Failure to use that degree of care which an ordinary person of reasonable prudence would use under the given or similar circumstances. A person may be negligent by acts of omission or commission or both.

**Negotiated**

A type of retrospective plan where the basic premium factor is fully negotiated between the insured and the insurance carrier. This is typically referred to as the large risk alternative rating option in the NCCI retrospective manual.

**NEP- Net Earned Premium**

Also referred to as NPE, or Net Premium Earned, it's the total net premium earned for the period. For example, consider a policy where the full annual premium is paid in advance – this would be the NWP or NPW. Halfway through the policy year (end of 6 months) only 50% of the net premium would be earned. By the end of the policy year, all of the net premium paid at the beginning of the year for that policy year would be earned.

**Net Amount At Risk**

A term which refers to the differences between the face amount of a policy and the reserve or cash value which has been built up under that policy.

**Net Asset Value**

Used by investment companies to measure net assets. It is calculated by subtracting liabilities from the value of a fund's securities and other items of value and dividing this by the number of outstanding shares. Net asset value is popularly used in newspaper mutual fund tables to designate the price per share for the fund.

**Net Cost**

Premiums paid minus cash value and any policy dividends paid as of the date the calculation is being made. In the life business, it is common to draw up net cost comparisons at the end of ten and twenty years.

**Net Increase**

The increase in the total amount of business an insurer has to force over a given period of time. It is figured as the total of new policies issued plus those renewed less policies lapsed and cancelled.

**Net Interest Earned**

The average interest earned by an insurer on its investments after investment expense but before federal income taxes.

**Net Level Premium**

The pure mortality cost of a life insurance policy from its inception to its maturity date, divided by the number of years the policy is to be in force.

**Net Level Premium Reserve**

The reserve needed by an insurer to cover net level policies which are in their later years. Loosely speaking, the level premium system of paying for a long-term life or health policy involves overpayment in the early years and underpayment in the later years.

**Net Line**

The amount of coverage retained by the ceding company on an individual risk in a surplus reinsurance treaty. This term can also be used to mean the maximum amount of loss on a particular risk to which an insurer will expose itself without reinsurance.

**Net Line**

1. The amount of insurance the company carries on a risk after deducting reinsurance from its gross line. 2. The maximum amount of loss on a particular sort of risk to which an insurer or reinsurer exposes itself without reinsurance.

**Net Loss**



The amount of loss sustained by an insurer after giving effect to all applicable reinsurance, salvage, and subrogation recoveries.

### **Net Premium**

(1) The amount of premium minus the agent's commission. (2) The premium necessary to cover only anticipated losses, before loading to cover other expenses. (3) The original premium minus dividends paid or anticipated in participating life insurance when the insured elects to use dividends toward payment of the premiums. Contrast with Gross Premium.

### **Net Premium Non-Concurrence**

Premium remaining after the deduction of reinsurance ceding commission. The characteristic whereby one policy differs from another, directly related, policy in a significant way, such as effective/expiration dates, coverage, and/or exclusions. Concurrent dates, for example, play an important role when establishing erosion of limits for primary and excess/umbrella policies. Likewise, non-concurrent coverages between primary and reinsurance policies must be carefully monitored to make sure coverage allocations are properly evaluated and priced.

### **Net Pull**

Direct Marketing- the Converted Number divided by Contacted Number.

### **Net Quick Assets**

The difference between allowable current assets and changeable current liabilities. This figure is referred to as the working capital. A contractor must have adequate working capital in order to be bonded.

### **Net Rate**

(1) See the third definition of Net Premium for the definition applicable to participating life insurance policies. (2) In a nonparticipating policy, the rate book rate.

### **Net Retention**

The amount of insurance that a ceding company keeps for its own account and does not reinsure.

### **Net Worth**

The amount by which assets exceed liabilities. It is of concern to bond indemnifiers in determining the size of a job a contractor can handle.

### **Network Model HMO**

Under this model, an HMO contracts with several physician groups. Physicians may share in savings, but may provide care for other than HMO members.

### **New For Old**

Replacing old damaged parts or equipment with new ones rather than repairing them.

### **New York Standard Fire Policy**

The basic fire insurance contract which was used in nearly every state with only a handful of exceptions. It provided coverage against loss by fire, lightning, and removal, and established policy provisions that became the foundation for property insurance contracts. EC and VMM coverage could be added by endorsement. With the introduction of modern policy forms, the standard fire policy has become obsolete, except in a few states where its use continues to be required by law.

### **Newly Acquired Autos**

Any automobile purchased after the effective date but before the end of the term of an automobile policy. Newly acquired autos receive some automatic coverage but the insured must notify the insurance company of the acquisition within 30 days.

### **Newspaper Policy**

A form of limited health insurance often sold by newspapers to build or conserve circulation.

### **NFIA**

**NLI-Net Losses Incurred**

Total net losses (excludes reinsurance) incurred during a given period.

**No Benefit to Bailee**

A provision in an inland marine form which states that any insurance a person has on property in the possession of a bailee will not be for the benefit of the bailee. Example: If a suit is lost or destroyed at the cleaners, the cleaner cannot deny coverage on the basis that other insurance exists.

**No-Fault Insurance**

A law permitting the individual automobile victim to collect directly from his/her own insurance company for medical and hospital expenses, regardless of who was at fault in the accident. Many states have passed this kind of law. There are many variations in the laws of those states which have no-fault statutes. Most states do allow the individual to sue the negligent party if the amount of damages exceeds a certain stated limit.

**No-Load Fund**

An open- or closed-end fund investment which charges no fees or commissions upon the sale or redemption of its shares.

**Nominal Damages**

A small amount of money awarded to a plaintiff to verify his or her legal rights, even though no actual damages have been proven.

**Non-Admitted Coverage**

Insurance coverage written in a given state or jurisdiction by an insurer not licensed in that state or jurisdiction.

**Non-Admitted Insurance Company**

An insurance company not licensed to do business in a given state.

**Non-Admitted Reinsurance**

A company is non-admitted when it has not been licensed and thereby recognized by the appropriate insurance authority of a state or country. Reinsurance is non-admitted when placed in a non-admitted company. It may not be treated as an asset against reinsured losses or unearned premium reserves for insurance company statement purposes.

**Non-Bureau**

A program or policy not written in accordance with ISO utilizing specified and/or additional instructions and codes.

**Non-Confining Sickness**

Sickness which prevents the insured from working but does not confine the insured to the home or hospital.

**Non-Contributory**

A group policy where the persons covered under the policy don't pay any of the premium.

**Non-Disabling Injury**

An injury that does not qualify the insured for total or partial disability benefits. A Disability Income policy may contain a provision for a small benefit in the case of such an injury, including medical costs of up to 25% or 50% of one month's disability benefit payment.

**Non-Disabling Injury**

An injury which does not cause loss of time off work or any permanent level of disability.

**Non-Disabling Injury Rider**

An optional disability income policy rider that does not pay a disability benefit but rather provides for the payment of medical expenses incurred due to injury which does not result in total disability.

**Non-Fleet Rating**

Refers to the situation in commercial automobile insurance when the insured owns four or less vehicles and is, therefore, not eligible for fleet-rating.

**Non-Occupational Policy**

A policy or provision of a policy which excludes accidents occurring on the job, when such employment is covered by workers compensation.

**Non-Occupational Policy**

A policy or coverage which does not cover losses resulting from injury while on-the-job.

**Non-Participating (Non-Par)**

A plan of insurance under which the insured is not entitled to share in the profit or surplus of the insurance company.

**Non-Participating Policy**

A life insurance policy in which the company does not distribute to policyholders any part of its surplus. Note that premiums for nonparticipating policies are usually lower than for comparable participating policies. Some non-participating policies 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.

**Non-Qualified Annuity**

A type of annuity offered outside of a tax-favored employer-sponsored retirement plan to which contributions are made with after-tax dollars. Taxes on earnings and interest are deferred until withdrawal or when annuity payments begin, usually at retirement.

**Non-Subject Premium**

All other premium under a policy that is not subject to adjustment on the basis of loss adjustment.

**Nonadmitted Assets**

Assets that do not qualify under state law for insurance statement purposes. Examples would be furniture, fixtures, agents' debit balances, and accounts receivable which are over ninety days old.

**Nonadmitted Insurer**

An insurer not licensed to do business in the jurisdiction in question. Same as Unauthorized Insurer and Unlicensed Insurer.

**Nonadmitted Reinsurance**

Reinsurance for which no credit is given in a ceding company's annual statement because the reinsurer is not licensed or authorized to transact that particular line of business in the jurisdiction in question.

**Nonappropriate Fund Instrumentalities Act**

This act extends the provisions of the USL&H Act to employees of nonappropriated fund instrumentalities of the armed forces. This extension applies to the Army and Air Force Exchange Service, Army and Air Force Motion Picture Service and other similar armed forces activities or post exchanges.

**Nonassessable Policy**

A policy for which the policyowner pays a set premium. No additional premiums or amounts can be assessed. These are issued primarily by stock insurers, but can also be issued by mutual insurers who qualify to do so by meeting certain standards under state laws.

**Nonassessable Policy**

A policy for which the policyowner pays a set premium. No additional premiums or amounts can be assessed. These are issued primarily by stock insurers, but can also be issued by mutual insurers who qualify to do so by meeting certain standards under state laws.

**Nonassignable**

A policy that the owner cannot assign to a third party. Most policies are nonassignable unless approval is given by the insurer.

**Noncancellable**

A contract of health insurance that the insured has a right to continue in force by payment of premiums, as set forth in the contract, for a substantial period of time, also as set forth in the contract. During that period of time, the insurer has no right to make any change in any provision of the contract. The NAIC recommends that the term "noncancellable" not be permitted to be used to designate any form that is not renewable to at least age 50 or for at least five years if issued after age 44. Note that this is in contrast to guaranteed renewable, on which the premium may be increased by classes. The premium for noncancellable policies must remain as stated in the policy at the time of issue. Contrast with Guaranteed Renewable.

**Nonconcurrency**

The situation that exists when a number of insurance policies intended to cover the same property against the same hazards are not identical as to the extent of coverage. Nonconcurrency usually results in an insured not being fully covered for a loss. Modern forms have minimized the problem of nonconcurrency.

**Nonconfining Sickness**

Sickness that does not confine the insured indoors.

**Noncontributory**

A plan or program of insurance, usually group, for which the employer pays the entire premium and the employee contributes no part of the premium.

**Noncontributory Retirement Plan**

A retirement plan funded entirely by the employer.

**Noncupative Will**

An oral will given in the presence of witnesses usually at the time when the testator is very near death.

**Nonduplication of Benefits**

A provision in some health insurance policies specifying that benefits will not be paid for amounts reimbursed by others. In group insurance, this is usually called coordination of benefits (COB).

**Nonforfeitable Benefit**

A benefit payable under a pension plan which unconditionally belongs to a participant of the plan.

**Nonforfeiture Option**

A benefit available from a "cash value" life insurance policy if it is canceled before the insured dies. There are usually three types of nonforfeiture options: (1) cash surrender value, (2) reduced paid-up life insurance, or (3) extended term life insurance.

**Nonforfeiture Values**

Those values in a life insurance policy that by law the policyowner cannot forfeit even if he ceases to pay the premiums. These benefits are the cash surrender value, the loan value, the paid-up insurance value, and the extended term insurance value. The policyowner may choose one of these nonforfeiture options, but even if he fails to do so, the one specified in the contract for such a case automatically goes into effect.

**Noninsurable Risk**

A risk that cannot be measured actuarially or in which the chance of loss is so high that insurance cannot be written against it.

**Noninsurance**

Making no financial preparation for meeting losses.

**Nonmedical**

A contract of life or health insurance underwritten on the basis of an insured's statement of health with no medical examination required.

**Nonowned Auto**

Any autos not owned, leased, hired, or borrowed which are used in connection with the business.

**Nonparticipating**

Insurance contracts on which no policy dividends are paid because there is no contractual provision for the policyowner to participate in the surplus. Contrast with Participating.

**Nonparticipating Provider**

(1) A provider who has not signed a contract with a health plan. (2) A medical or health care provider who is not certified to participate in the Medicare program.

**Nonparticipating Provider Indemnity Benefits**

Coverage where services provided by nonparticipating providers are reimbursed under an indemnity basis.

**Nonprofit Insurers**

Insurers organized under special state laws, usually exempting them from some taxes imposed on regular insurers, to supply medical expense reimbursement insurance, usually on a service basis. "Blue" plans (Blue Cross and Blue Shield) in most states are an example.

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**Nonproportional Reinsurance**

A term for the first instance cited under that entry.

**Nonqualified Plan**

A benefit type of plan, such as a retirement plan, which may be discriminatory, need not be filed with the IRS and does not provide a current tax deduction for contributions.

**Nonrenewal**

Termination of insurance coverage at an expiration date or anniversary date. This action may be taken by an insurer who refuses to renew, or by an insured who rejects a renewal offer.

**Nonresident Agent**

An agent licensed in a state in which he does not live.

**Nonstandard Auto Occurrence Policy Form**

Risks rejected or canceled by a standard markets company. The occurrence-type policy provides coverage for losses arising out of incidents that occur while the policy is in force.

**Nonvalued Policy**

A policy that is not valued; that is, when the policy is written, the amount to be paid in the event of a loss is not stated. Most property policies are nonvalued.

**Noon Clause**

A provision in an insurance contract stating that the insurance coverage starts at noon, standard time, at the location of the insured's property. Most property policies have now been changed so that the effective time is 12:01 a.m., thus the noon clause is not often encountered.

**Normal Retirement**

Retirement at an age specified by the pension plan as being the "normal" or standard age for retirement.

**Normal Retirement Benefit**

An employee's early retirement benefit from a plan, or the benefit payable at the time of his or her normal retirement age, whichever is greater. The value of the benefits are determined without regard to medical and/or disability benefits.

**Not Otherwise Classified**

A classification designated "NOC" shall apply only if no other classification more specifically describes the insured business.

**Not Otherwise Classified**

A term often found in the classification section of liability or workers compensation rating manuals. If a listing is followed by an NOC, it means to use this classification if an insured cannot be classified more specifically.

**Not Taken**

Policies applied for and issued but rejected by the proposed owner and not paid for.

**Notice of Cancellation**

Written notice by an insurer of intent to cancel insurance, or written notice by an insured requesting cancellation.

**Notice of Loss**

Notice to an insurer that a loss has occurred. Notice of loss is a condition of most policies, and it is frequently required within a given time and in a particular manner.

**Notice To Company**

Written notice to an insurer of the occurrence of an event which a claim is to be based.

**NOW Account**

The negotiable order of withdrawal (NOW) is similar to a checking account except that it often requires advance notice of withdrawal. It can be viewed as an interest-earning checking account.

**Nuisance Value**

An amount that an insurance company will pay to settle a claim not because it is a valid claim but because the company considers it worth that amount to dispose of it.

**Numerical Rating**

An underwriting method of determining the extra rate to be charged for a substandard insured. "Standard" is rated 100. Various impairments are assigned various numerical values. The sum of 100 plus the values of the ratings of the impairments indicates the table to use in determining the rate of the policy.

**Nurse Fees**

A provision in a medical expense reimbursement policy calling for reimbursement for the fees of nurses other than those employed by the hospital.

**Nursing Home**

A licensed facility which provides general nursing care to those who are chronically ill or unable to take care of necessary daily living needs. May also be referred to as a long term care facility.

**NWP-Net written Premium**

Also referred to as NPW, or Net Premium Written, it's the Gross Premium Written less premiums ceded to reinsurers.

# O

**Object**

In boiler and machinery insurance, the name of the vessel insured; the object of insurance.

**Obligee**

Broadly, anyone in whose favor an obligation runs. This term is used most frequently in surety bonds where it refers to the person, firm, or corporation protected by the bond. The obligee under a bond is similar to the insured under an insurance policy. In the case of a construction bond, the person for whom the building is being built is the obligee.

**Obligor**

Commonly called the principal. One bound by an obligation. In the case of a construction bond, the contractor is the principal.

**Occupancy**

Refers to the activity or property of the insured, i.e., what the building is used for or the nature of its contents

**Occupancy**

This refers to the type or character of use of the property in question. The type of occupancy has a bearing on its desirability and also effects the rate for the policy.

**Occupational Accident**

An accident arising out of or occurring in the course of one's employment and caused by hazards inherent in or related to it.

**Occupational Disease**

This is normally meant to include the sustaining of a disease common to the workplace, such as black lung. An injury arising out of employment and due to causes or conditions characteristic of, and peculiar to, the particular trade, occupation, process or employment and excluding all ordinary diseases to which the general public is exposed. This definition is changing rapidly as the workplace changes and courts continue to interpret coverage.

**Occupational Disease**

(Health) Impairment of health caused by continued exposure to conditions inherent in a person's occupation or a disease caused by an employment or resulting from the nature of an employment.

**Occupational Disease**

(Workers Comp) Sickness or disease arising out of or in the course of employment. State compensation laws provide coverage for this type of loss.

**Occupational Hazard**

A danger inherent in the insured's line of work.

**Occupational Hazard**

A condition in an occupation that increases the peril of accident, sickness, or death.

**Occupational Health Provider**

A medical specialty concerned with diagnosing, evaluating, and treating patients with limited function as a consequence of work related disease or injury. Emphasis is placed on maximal restoration of the physical and vocational functions of the individual. Occupational health providers focus on rehabilitation management and return to work.

**Occupational Manual**

A book listing occupational classifications for various types of work.

**Occupational Safety and Health Act**

A federal statute which establishes safety and health standards on a nationwide basis. The act is enforced by Labor Department safety inspectors and also provides for the recordkeeping of statistics relevant to work injuries and illnesses.

**Occurrence**

(a) An event that results in an insured loss. In some lines of insurance, such as liability, it is distinguished from accident in that the loss does not have to be sudden and fortuitous and can result from continuous or repeated exposure which results in bodily injury or property damage neither expected nor intended by the insured. (b) Liability insurance written on an 'occurrence' basis that applies to bodily injury or property damage which occurs during the policy period, regardless of how far into the future such claims are filed or reported.

**Occurrence Coverage**

Liability coverage which protects the insured against claims arising from all occurrences that take place during the policy

period, regardless how far into the future such claims are filed or reported.

**Occurrence Coverage**

A policy form providing liability coverage only for injury or damage that occurs during the policy period, regardless of when the claim is actually made. For example, a claim made in the current policy year could be charged against a prior policy period, or may not be covered, if it arises from an occurrence prior to the effective date. Contrast with Claims-Made Coverage.

**Ocean Marine**

Coverage for seagoing vessels, including liabilities connected with them and their cargoes.

**Ocean Marine Insurance**

A general term used to indicate all types of insurance associated with coverage on vessels and their cargoes.

**Odds**

The probable frequency of incidence of a given occurrence in a statistical sample. It is expressed as a ratio to the probable number of nonoccurrences or as a decimal fraction of the total occurrences. For example, a probability of .25 equals odds of three to one against. A probability of .75 equals odds of three to one for.

**Off Premises**

A clause in a property insurance contract extending coverage away from the premises described in the policy. The amount of coverage away from the premises is usually restricted to a percentage of the total coverage on the premises, e.g., 10%.

**Offer**

The terms of a contract proposed by one party to another. In property and casualty insurance, submitting an application to the company is usually considered an offer. In life insurance, the application plus the initial premium constitutes an offer.

**Offeree**

One to whom an offer is made.

**Offeror**

One who makes an offer.

**Office Burglary and Robbery Policy**

A special policy designed for offices. It usually consists of several crime coverages on office equipment and supplies which are purchased as a package. There is relatively low limit for each coverage and very little flexibility in that the policyholder must buy the complete package.

**Office Visit**

Services provided in the physician's office.

**Officers and Directors Liability Insurance**

A type of insurance which protects the officers and directors of a corporation against damages resulting from negligent or wrongful acts which may harm the corporation or its stockholders.

**Offset Plan**

A retirement plan in which each employee's standard benefit is reduced by a portion of the Social Security benefits he or she will receive.

**Offset Rider**

A rider in a health insurance policy designed to reduce the benefit by a portion of the Social Security benefits received.

**Old Age Assistance**

A form of public assistance.



**Old Age, Survivors, Disability, and Health Insurance**

The system of social insurance benefits for the aged, surviving dependents, and disabled workers set up by the Social Security Act of 1935, plus amendments and additions.

**Old Line**

A term without a precise meaning but generally applied to nonfraternal insurers operating on a legal reserve basis. The origin of the term is in doubt but it seems to have come into use at the time of the competition between the "new" fraternal insurers and the commercial insurers to indicate the fact that the fraternal were "newcomers."

**Omnibus Budget Reconciliation Act**

A federal law which extends the minimum COBRA continuation of group health care coverage from 18 to 29 months for qualified beneficiaries who are disabled at the time of qualification.

**Omnibus Clause**

An agreement in most automobile liability policies and some others that, by its definition of insured, extends the protection of the policy to others within the definition without the necessity of specifically naming them in the policy. An example would be a policy which covers the named insured and "those residing with him or her."

**Omnibus Risk**

A structure housing a number of tenants engaged in a variety of businesses.

**One Step**

A Campaign where an application for insurance goes to the customer in "one" step or solicitation.

**OOC-Office Of the Customer**

The Office of the Customer (OOC) was created to help AIG companies better address the needs of existing customers. It is a repository for marketing expertise and database analytics. The OOC's goal is to extend customer relationships beyond the initial sale.

**Open Access**

Allows a participant to see another participating provider of services without a referral. Also called Open Panel.

**Open Claims/Outstanding Claims/Pending Claims**

Claims that have been registered which have not been resolved or formally closed via payment or denial.

**Open Cover**

A reinsurance facility under which risks of a specified category and declared and insured.

**Open Cover**

A term infrequently used in reinsurance. It is a facility under which risks of a specified category may be declared and ceded to the reinsurer(s).

**Open Debit**

A life and health insurance debit (territory) currently without an agent.

**Open End Investment Company**

An investment company managed by professional investment advisors who invest in stocks and bonds on behalf of shareholders. Also known as a mutual fund.

**Open Perils**

Insurance against loss of or damage to property arising from any cause except those that are specifically excluded.

**Open Policy**

An insurance contract in which the terms of the policy are not fixed at the inception nor is an expiration date specified, but limits of liability are set forth for the protection it offers. No deposit premium is required, but monthly reports are made and sent with premiums due at that time, and certificates of insurance are issued to indicate the property covered. An open

policy is commonly used to cover goods in transit.

**Open Rating**

When used in the context of workers compensation, it refers to states where insurers adopt bureau loss costs and file their own independent loss cost multiplier.

**Open Reserve**

The Claim Department's estimate of the amount of money needed to pay a particular claim.

**Open-End Fund**

A fund whose shares are redeemable at any time at approximate asset value. In most cases, new shares are offered for sale continuously.

**Opt-Out**

Not participating.

**Optimal Portfolio**

The efficient portfolio allocation which is best suited to the individual investor's financial situation, risk tolerance, time horizon and investment preferences and, provides the lowest level of historical risk for a specific potential return, or the highest return for a given level of historical risk.

**Optimization Constraints**

Constraints, or limitations, on including certain types of investments in a portfolio. Constraining the asset classes to allow for minimums and maximums of certain classes of assets prior to optimization produces "personalized" portfolios to meet a specific risk tolerance, time horizon, and investment preferences.

**Option**

A choice of methods of receiving policy dividends, nonforfeiture values, death benefits, or cash values.

**Optional Benefits**

Are additional benefits usually for an additional premium included in a policy such as lump sum indemnities for specified injuries (usually dislocations, sprains, and fractures).

**Optional Modes of Settlement**

The different options from which the beneficiary can choose to receive the proceeds from a life insurance policy.

**Optional Retirement Program**

A state-sponsored defined-contribution plan designed to help state employees save for retirement, usually within a tax-deferred annuity or fund and often as an alternative or option (hence the name) to a state-sponsored defined-benefit plan.

**Optionally Renewable**

A contract of health insurance in which an insurer reserves the unrestricted right to terminate coverage at any anniversary or, in some cases, at any premium due date. It may not do so in between.

**Ordinary Agency**

A life insurance agency handling only ordinary life.

**Ordinary Construction**

A building in which floors are on wood joists, in which the interior finish usually conceals space where fire can spread, and which has little protection of stair shafts.

**Ordinary Life Insurance**

Life insurance usually issued in amounts of \$1,000 or more with premiums payable on an annual, semiannual, quarterly, or monthly basis.

**Ordinary Life Pension Trust**

A pension plan funded by means of a trust, which provides death benefits through the purchase of ordinary or whole life insurance contracts for covered employees. The trust pays the insurance premium until the employee reaches retirement age, and accumulates the additional sums necessary to purchase the retirement benefits, using the paid-up value of the life insurance policies.

### **Ordinary Life Policy**

A whole life policy for which premiums are paid continuously as long as the insured lives. Same as Straight Life Policy. See also Whole Life Insurance.

### **Ordinary Payroll**

A business interruption term meaning the entire payroll expense for all the employees of an insured except officers, executives, department managers, employees under contract, and other important employees. This payroll can be excluded or limited from Business Interruption forms, reducing the amount of insurance and insured is required to carry.

### **Ordinary Register**

The record book in a combination insurer or agency containing data on the ordinary policies in an agent's account.

### **Orphan Policies**

In force policies where the agent/broker is no longer contracted (licensed or active with the insurer). The policy has no services agent.

### **OSHA**

Occupational Safety and Health Act

### **Other Insurance**

The existence of other contracts covering the same interest and perils.

### **Other Insurance Clause**

A provision found in almost every insurance policy except life and sometimes health stating what is to be done in case any other contract of insurance embraces the same property and/or hazards.

### **Other Liability**

A 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 professional services.

### **Other States**

This is Part III coverage under the standard workers compensation policy. It provides coverage in states listed in section 3. C. of the policy if work begins in those states after the policy effective date.

### **Other Structures**

Structures, such as a garage or storage shed, which are separated from an insured dwelling by a clear space, or are connected only by a fence or utility line. Dwelling and homeowner policies provide coverage for other structures.

### **Out-of-Area**

Treatment given to a member outside of the normal area.

### **Out-of-Pocket Costs**

The amounts the covered person must pay out of his or her own pocket. This includes such things as coinsurance, deductibles, etc.

### **Out-of-Pocket Limit**

The maximum coinsurance an individual will be required to pay, after which the insurer will pay 100% of covered expenses up to the policy limit.

### **Out-Patient**

A patient who does not stay overnight in a hospital in which he has received treatment. Out-patient benefits may be payable when an insured has treatment in a clinic or doctor's offices.

**Outage Insurance**

A type of insurance which covers against loss of earnings due to the failure of machinery to operate because of an insured peril causing damage to the premises. Similar to Extra Expense Insurance.

**Outcomes Measurement**

A method of keeping track of a patient's treatment and the responses to that treatment.

**Outer Continental Shelf**

The Outer Continental Shelf Lands Act extends the provisions of the U.S.L. & H.W. Act to employers and their employees exploring for natural resources on the Outer Continental Shelf of the United States. That area is generally described as all submerged lands lying seaward and outside of the area of lands beneath navigable waters of the United States and subject to its jurisdiction.

**Outline of Coverage**

A document presented to applicants for life or health insurance that provides a brief description of proposed coverages, premiums, benefits, limitations and exclusions. It generally warns an applicant that it is a summary only and encourages the applicant to read the actual policy or certificate carefully. An Outline of Coverage may include various disclosures, and inform the applicant of certain rights, such as the right to a "free look" - the right to return the policy and receive a full refund of premium within a stipulated time period if not satisfied for any reason.

**Outpatient**

A patient who is not a bed patient in the hospital in which he or she is receiving treatment.

**Outstanding Claim Reserves**

The Claim Department's estimate of the amount of money needed to pay claims. These claims are not closed and therefore a liability to the Company.

**Outstanding Losses**

Estimates of all payments yet to be made on a claim, at the time of accounting or reporting; synonymous with 'Loss Reserves'.

**Outstanding Premiums**

Premiums due but not yet collected.

**Outstanding Rate Change**

Most rate changes are applied to new and renewal policies as of the anniversary rating date, normally the policy effective date. Outstanding rate changes are rate changes that have been filed, but are not yet approved. Once approval is received the rate change will apply retroactively to the ARD.

**Over-Insurance**

Insurance coverage or benefits of such size that they may present the moral hazard of temptation to fake or prolong a claim.

**Over-The-Counter Drugs**

A drug that can be purchased without a prescription.

**Overage Insurance**

Health insurance issued at ages above the usual limit, which is generally 65.

**Overhead**

Fixed charges which do not vary with the amount of business done (i.e., rent property taxed, etc.)

**Overhead Expense Insurance**

Insurance which covers such things as rent, utilities, and employee salaries when a business owner becomes disabled. The insurance benefit is generally not a fixed amount, but pays the amount of expenses actually incurred.

### **Overinsured**

A term used to describe the condition that exists when an insured has purchased coverage for more than the actual cash value or replacement cost of a subject of insurance. It is also used to describe a situation where so much insurance is in force as to constitute a moral or morale hazard, such as having so much disability income insurance in force that it becomes profitable to be disabled.

### **Overlapping Insurance**

Coverage from two or more policies or insurers which duplicates coverage of certain risks.

### **Overline**

(1) The amount of insurance or reinsurance exceeding an insurer's or reinsurer's normal capacity inclusive of automatic reinsurance facilities. (2) A commitment by an insurer or reinsurer above and beyond normal facilities or capacities.

### **Overriding Commission**

(1) A commission which an agent or broker may receive on any business sold in his or her exclusive territory by subagents. Also sometimes called "overwriting" or "overriding." (2) An allowance paid to a ceding company over and above the acquisition cost to allow for overhead expenses, often including a margin for profit.

### **Overriding Commission**

An agent or a general agent may have the sole privilege of representing a company in a certain territory and also have a contract whereby he is entitled to a commission on any business which a company may write in his territory or through one of his subagents. The portion of the commission which the general agent or supervising agent keeps is the overriding commission.

### **Owners and Contractors Protective Liability Policy**

A policy which protects an insured against losses caused by the negligence of a contractor or subcontractor that he hires. Also sometimes referred to as independent contractors insurance.

### **Owners, Landlord and Tenants**

Liability coverage for damage arising out of the ownership, maintenance or use of premises designated in the policy.

### **Owners, Landlords, and Tenants Liability Insurance**

Coverage for an insured against legal liability for bodily injury or property damage caused to others by negligence and arising out of the ownership, maintenance, or use of the premises designated in the policy and all operations necessary or incidental to those premises. A form of premises and operations liability insurance designed to cover premises where the public is invited. The OL&T form has largely been replaced by the Commercial General Liability Coverage Form.

### **Ownership**

All rights, benefits and privileges under life insurance policies are controlled by their owners. Policy owners may or may not be the insureds. Ownership may be assigned or transferred by written request of the current owner.

### **Ownership of Expirations**

An agreement by an insurer that certain information regarding the details of a policy, usually a property or liability form, will be revealed to no agent or broker other than the originating agent.

### **Ownership Provision**

A provision that a policy may be owned by someone other than the insured.

## **P**

### **P.S. 58 Charges**

An IRS table which identifies the cost of pure death protection. The taxable economic benefit to an employee under a split dollar plan and certain other plans is equal to the P.S. 58 charges less any employee contributions.

**PA-Personal Accident**

In a broad sense, PA is another term for A&H. However, most people will refer to the accident part of A&H as PA. In some parts of the world, PA is used in the broader sense. In the USA in AIG, DBG's A&H division's Corporate Markets profit center calls their 24 hour - all risk product Personal Accident Indemnity or Insurance, or "PAI", which is voluntary AD&D. The main use of the product is with employer -employee groups. It's usually offered on a payroll deduction basis to employees and their families with no minimum participation requirements.

**Package Policy**

A single insurance policy that includes several coverages. For example, a Homeowners Policy includes both property and liability coverages.

**Paid Business**

Insurance for which the application has been signed, the medical examination completed, and the settlement for the premium tendered.

**Paid Claims**

Amounts paid to providers based on the health plan.

**Paid Claims Loss Ratio**

Paid claims divided by total premiums.

**Paid Loss Adjustments**

Recalculation of the estimated premium based on audited exposures and factors shown in the binder, plus the difference between losses and expenses you have paid to date and the losses and expenses paid by us as of the loss and expense evaluation date used in the Paid Loss Adjustment.

**Paid Losses**

Loss payments that have been made on a claim at the same time of accounting or reporting. They are paid under the insurance program as they become due.

**Paid Losses**

Actual amount of total losses paid by an insurance company during a specified time interval.

**Paid-For**

Insurance on which the premium has been paid.

**Paid-In Capital**

The amount paid for the stock sold by a corporation.

**Paid-In Surplus**

Surplus paid in by stockholders, as contrasted with surplus earned through the operations of a business.

**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 nonforfeiture option.

**Paid-Up Insurance**

Insurance on which all premiums are paid but which has not yet matured by either death or endowment. An example would be a limited payment life policy for which the premium-paying period is over.

**Pair and Set Clause**

A clause which states that if a part of a pair or set is lost or damaged the measure of the loss shall be a reasonable and fair proportion of the total value of the set, giving consideration to the importance of the article. The insurer is under no obligation to pay for the total loss of a set when one part is lost, damaged, or destroyed.

**Par**

Abbreviation for participating.

**Parasol Policy**

Another name for the Difference in Conditions policy.

**Parcel Post Insurance**

Coverage to protect an insured against damage to or loss of parcels while they are in the care of the United States Post Office Department. Packages can be insured by either the United States Post Office or by private insurance companies.

**Parent Company**

The senior company in a group or fleet of insurers.

**Parol**

A legal term which refers to oral statements as distinguished from written statements.

**Parol Evidence Rule**

This rule states that a written instrument or contract cannot be modified by an oral agreement. It is based on the concept that written contracts should contain all of the facts and agreements between the parties and, therefore, prevents contemporaneous oral declarations from being included in the contract.

**Part I**

Provides coverage for the statutory obligation of an employer to provide benefits for employees as required by: a. Workers compensation law or occupational disease law of any state or territory of the United States, including the District of Columbia b. United States Longshoremen's and Harbor Workers' Compensation Act (if endorsed).

**Part II**

Employers liability insurance--Provides coverage for the legal obligation of an employer to pay damages because of bodily injury by accident or disease, including resulting death, sustained by an employee. Employers liability coverage applies only if the injury or death of an employee arises out of and in the course of employment and is sustained in the United States or while temporarily outside the United States.

**Part III**

Employers liability insurance and, where permitted by law, workers compensation insurance are provided in other states not listed in item 3.A. of the Information Page by listing the states in Item 3.C. the Information Page. If workers compensation insurance does not apply because the insured or carrier is unable to take the necessary action to bring the insured under a workers compensation law, the carrier will reimburse the insured for all compensation and other benefits required of the insured under such law.

**Partial Disability**

A condition in which, as a result of injury or sickness, the insured cannot perform all of the duties of his or her occupation but can perform some. Exact definitions vary from policy to policy.

**Partial Disability**

Usually defined as inability to perform one or more of the functions of one's regular job but still working. In some jurisdictions it is a medical determination. The actual definition depends on the wording of any particular policy.

**Partial Hospitalization Services**

Additional services provided to mental health or substance abuse patients which provides outpatient treatment as an alternative or follow-up to inpatient treatment.

**Partial Loss**

A loss covered by an insurance policy which does not completely destroy or render worthless the insured property.

**Partial Withdrawal**

LOMA defines a Partial Withdrawal as a transaction in which the owner of a cash value life insurance policy or a deferred annuity contract elects to receive a portion of the policy's cash value while the policy is in force or of the contract's

accumulation value during the accumulation period. Also known as a partial surrender or policy withdrawal. A full withdrawal, also known as a surrender, results in the termination of the policy.

**Participant**

An employee or former employee who is eligible to receive benefits from an employee benefit plan or whose beneficiaries may be eligible to receive benefits from the plan.

**Participating**

A plan of insurance under which the policyowner receives shares of the divisible surplus of the company. Such shares are commonly called "dividends".

**Participating**

(1) Insurance that pays policy dividends. In other words, it entitles a policyowner to participate in allocations of the insurer's surplus. In life insurance there are several options available for the use of such dividends. (2) Insurance that contributes proportionately with other insurance on the same risk.

**Participating (Or Pro-Rata) Reinsurance**

Includes quota share, first surplus, second surplus, and all other sharing forms of reinsurance under which the reinsurer participates pro-rata (i.e. proportionately) in all losses and in all premiums.

**Participating Policy**

An insurance policy where a policyowner shares in the insurance company's profits in the form of policy dividends. Also known as a par policy.

**Participating Provider**

A health care provider approved by Medicare to participate in the program and receive benefit payments directly from carriers or fiscal intermediaries.

**Participation**

The number of employees enrolled compared to the total number eligible for coverage. Many times, a minimum participation percentage is required.

**Particular Average**

Refers to a partial loss which must be borne entirely by the individual owning the property which is damaged or lost. In many cases, it is used synonymously with the term Partial Loss.

**Partnership**

Business entity that is owned by two or more persons (can be a corporate entity) who are jointly and severally responsible for the business assets and liabilities.

**Partnership Entity**

The partnership considered as an entity and not in terms of its individual part-owners.

**Partnership Insurance**

Life or health insurance sold to a partnership, usually for guaranteeing business continuity in case of the death or disability of one of the partners. For instance, two partners might buy life insurance on each other so that in the event of one partner's death, the other can use the insurance proceeds to purchase the deceased partner's share of the business from the heirs.

**Party Wall**

A common wall between two buildings.

**Party-In-Interest**

Any of the parties to an employee benefit plan, including individuals serving as a fiduciary or counsel, or employees of an employee benefit plan; or any person providing service to the plan; or the employer who establishes the plan; or an employee organization whose members are covered by the plan; or an owner of 50% or more of a company that



establishes an employee benefit plan.

**Passive Fund Management Style**

Fund manager seeks to emulate the performance of a particular market index. Generally more passive than the active fund management style.

**Past Service Benefit**

A term used in pension or retirement insurance policies to refer to credit given an employee for the amount of time the person was employed prior to the effective date of the retirement plan. Example: An insured starts a pension plan on January 1, 1980. It states that all eligible employees will be given credit for their length of service or employment prior to that date.

**Past Service Liability**

The monetary value at the start of a pension plan of all annuity credits vested prior to the effective date.

**Paul Versus Virginia**

The 1869 United States Supreme Court decision holding that insurance is not commerce and, hence, not subject to regulation by the federal government. This was the ruling decision with respect to insurance regulation until the SEUA case in 1944 which reversed that decision, but which was later modified by Public Law 15.

**Pay**

An abbreviation for payment as in "20-Pay Life policy."

**Payee**

The person receiving money.

**Paymaster Robbery Insurance**

Coverage against loss by the robbery of a payroll from a custodian.

**Payment Bond**

A bond furnished by a contractor which guarantees that he will pay for the labor and materials used in a particular project. It relieves the owner of the project from possible liability because of non-payment by the contractor. Same as Labor and Material Bond.

**Payment Plan**

Terms for payment of premium, often over time in two or more installments.

**Payor Benefit**

A rider or provision often found in juvenile policies under which premiums are waived if the person paying the premium, usually one of the parents, becomes disabled or dies while the child is still a minor.

**Payroll Audit**

An examination of an insured's payroll record by a representative of the insurer to determine the final premium due on a policy for the latest policy year.

**Payroll Deduction Insurance**

A term used to describe a plan whereby an employer is authorized by an employee to deduct insurance premiums for an individual life insurance policy which he has purchased from an insurer. The employer pays the insurer the amount deducted on a periodic basis.

**Peak Season Endorsement**

An endorsement which provides increased amounts of coverage on inventories during peak seasons, beginning and ending on dates specified in the endorsement.

**Peer Review**

Review of health care provided by a medical staff with training equal to the staff which provided the treatment.

**Peer Review Organization**

Groups of physicians who are paid by the federal government to conduct pre-admission, continued stay and services reviews provided to Medicare patients by Medicare approved hospitals.

**Penalty**

The limit of an insurance company's liability under a Fidelity Bond.

**Pension Benefit Guaranty Corporation**

A government entity created to pay pension benefits, under certain circumstances, in place of a corporate pension plan which becomes under or un-funded.

**Pension Benefit Guaranty Corporation**

A non-profit corporation within the Department of Labor, which insures participants in, and beneficiaries of covered plans against the loss of benefits arising from a premature termination of a retirement plan.

**Pension Fund**

Fund established by a corporation, labor union or other public or private sector organization to invest employer and, in many cases, employee contributions and administer retirement benefits.

**Pension Plan**

A risk experienced by those who invest in securities identified as the uncertainty of the economy.

**Pension Trust Fund**

A fund consisting of money contributed by the employer, and, in some cases, the employee, to provide pension benefits.

**Per Capita**

Literally "by heads." Distribution among survivors by persons on a share-and-share-alike basis. The term is often used in beneficiary designations. Contrast with Per Stirpes.

**Per Diem Business Interruption**

A type of business interruption policy which provides a stated amount to be paid for each day that the business is interrupted due to an insured peril.

**Per Mille Rate**

The rate per mille is a price per thousand sum insured of coverage used to calculate the annual premium.

**Per Occurrence**

A variation of the Excess of Loss reinsurance basis, whereby reinsurance is purchased to cover all losses arising out of a single occurrence. In determining whether the retention limit has been met, all losses arising from a single occurrence are totaled.

**Per Risk**

A variation of the Excess of Loss reinsurance basis, whereby reinsurance is purchased to cover one or more particular aspects of risk in a predefined way. Per risk can be quite broad, as when an occurrence limit applies per location, or it can be quite narrow, as when reinsuring a particular high-value automobile or a tough product exposure.

**Per Risk Excess Reinsurance**

Reinsurance in which the retention and the cession apply per risk rather than per accident, per event, or on an aggregate basis.

**Per Risk Excess Reinsurance**

Retention and amount of reinsurance applies "per risk" rather than on a per accident, event or aggregate basis.

**Per Stirpes**

Literally "by branches." Distribution of property between or among two or more beneficiaries with the provision that if one

dies before the insured, the beneficiary's heirs shall have the beneficiary's full share distributed among them. Contrast with Per Capita.

### **Percentage Participation**

A provision in a health insurance contract which states that the insurer will share losses in an agreed proportion with the insured. An example would be an 80-20 participation where the insurer pays 80% and the insured pays the 20% of losses covered under the contract. Often erroneously referred to as coinsurance.

### **Percentage Test**

A coverage test for a qualified plan in which a formula is used to determine if a plan benefits at least 70% of the lower paid employees.

### **Performance Bond**

A bond which guarantees the faithful performance of a contract.

### **Performance Management Program**

The AIG name for the "Six Sigma" performance improvement methodology which is a comprehensive and flexible approach for achieving, sustaining and maximizing business success and is uniquely driven by a close understanding of customer needs, disciplined use of facts, data and statistical analysis and diligent attention to managing, improving and re-inventing business processes (see also Six Sigma).

### **Peril**

A cause of possible damage or loss, such as fire, explosion, or windstorm.

### **Perils of the Sea**

A term which appears in most ocean marine contracts. It refers to such perils as collision, sinking, stranding, and burning.

### **Period of Restoration**

The period during which business income coverage applies. It begins on the date direct physical loss occurs and interrupts business operations, and ends on the date that the damaged property should be repaired, rebuilt or replaced with reasonable speed.

### **Permanent and Total Disability**

Total disability from which the insured does not recover. When used as a definition in a policy (usually a life insurance policy rider), "permanent" is presumed after a stated period of time, commonly six months.

### **Permanent Life Insurance**

A term loosely applied to life insurance policy forms other than group and term, usually cash value life insurance, such as endowments and whole or ordinary life policies.

### **Permanent Partial Disability**

A condition where the injured party's earning capacity is impaired for life, but he is able to work at reduced efficiency.

### **Permanent Partial Disability Claim**

This type of injury is considered permanent in terms of time and partial in terms of degree of disabling injury.

### **Permanent Total Disability**

A condition where the injured party is not able to work at any gainful employment for the remaining lifetime.

### **Permissible Loss Ratio**

All A&H products are priced using various assumptions and the Permissible Loss Ratio is one of these assumptions. It is the amount of claim we expect and may include various reserves. See Pricing Loss Ratio.

### **Permit Bond**

A bond which guarantees that a person who has been issued a permit will comply with the laws and ordinances regulating the privilege for which the permit was issued. A house movers permit bond is an example.

**Persistency**

The converted policies (converted certificates) remaining in force at a given time after the lapsed or canceled policies (or certificates) have been deducted, expressed as a number and as a percentage of the number converted.

**Persistency**

The tendency or likelihood of insurance business not lapsing or being replaced by another insurer's product; an important underwriting factor.

**Persistency**

(Life) The staying quality of insurance policies, i.e., the renewal quality. High persistency means that a high percentage of policies stay in force to the end of the period coverage, while low persistency means that a high percentage of policies lapse for nonpayment of premiums.

**Personal Accident**

Similar to AD&D; both domestic A&H and AIU refer to AD&D products as Personal Accident.

**Personal Accident Insurance**

A voluntary benefit program for eligible individuals and family to purchase AD&D. Also known as VGA - Voluntary Group Accident.

**Personal Articles Floater**

Originally an inland marine policy. It can be sold as a separate policy or attached to an existing property insurance policy, such as a homeowners form. The PAF is used for listing items to be covered, such as furs and jewelry, with an amount shown for each item. This is usually an open perils (all risk) form.

**Personal Assets**

Wealth and things of value accumulated and owned by an individual. These would include real estate, cash, investments and other items of value.

**Personal Auto Policy**

A revised edition of the Family Auto policy, with simplified wording used in the policy provisions. It is the most common auto insurance policy sold today.

**Personal Effects Floater**

A policy covering personal effects usually carried by tourists. It can be written on either an open perils (all risk) or specified-peril form. It covers worldwide but excludes coverage at the insured's residence, as it provides travel coverage only.

**Personal Injury**

Injury other than bodily injury arising out of false arrest or detention, malicious prosecution, wrongful entry or eviction, libel or slander, or violation of a person's right to privacy committed other than in the course of advertising, publishing, broadcasting or telecasting. Contrast with Advertising Injury.

**Personal Injury Protection**

(for automobile insurance) This refers to first-party, no-fault coverage for damages due to an automobile accident. In property, this refers to 'Public and Institutional Risk Rating Plan'.

**Personal Injury Protection**

The formal name usually given to no-fault benefits in states that have enacted mandatory or optional no-fault automobile insurance coverages.

**Personal Liability Supplement**

This form is used to provide personal liability insurance. It may be attached to a dwelling policy or written as a separate policy.

# Q

## **Q Schedule**

A schedule of the business expenses of a life insurer required by the New York State Code to be filed to determine compliance with the state's limitation on total expenses. This limitation has the effect of setting a ceiling on commissions.

## **Quadruple Indemnity**

A multiple indemnity form similar to double indemnity and triple indemnity.

## **Qualified Medicare Beneficiary**

This is a person whose income is below the federal poverty guidelines. In these cases, the state is required to pay the Medicare Part B premiums, plus any deductibles or copayments.

## **Qualified Plan**

A retirement plan under which contributions by the employer are allowed as a deduction from taxable income, and which provides that the deposits for employees' future benefits are not to be considered as taxable income to them in the year in which they are made.

## **Qualified Retirement Plan**

Plan that meets the qualification requirements set out in detail in Internal Revenue Code sections 401 and 403(a), and as such, are plans established, operated and supported by employers, which have been submitted to and formally approved and "qualified" by the Internal Revenue Service.

## **Qualified Self-Insured**

A business entity that qualifies to be self-insured based on the state laws applicable.

## **Qualifying Event**

An occurrence (such as death, termination of employment, divorce, etc.) that triggers an insured's protection under COBRA, which requires continuation of benefits under a group insurance plan for former employees and their families who would otherwise lose health care coverage.

## **Qualifying Terminal Interest Property**

A trust which may contain marital deduction property as determined by the executor at some future time. All trust income goes to the surviving spouse.

## **Qualitative Research**

Relates to or involves the measurement of quality or kind often subjective in nature and not projectable.

## **Quality Assurance**

Activities involving a review of quality of services and the taking of any corrective actions to remove any deficiencies.

## **Quantitative Research**

Relates to or involves the measurement of quantity or amount. Often used to describe projectable data.

## **Quantity**

The number of solicitations mailed or contacts made, using any media.

## **Quantity Discount**

A premium discount given for the purchase of a policy with a larger face amount.

## **Quarantine Benefit**

A benefit paid for loss of time resulting from the quarantining of an insured by health authorities.

## **Quasi-Contract**

A legal doctrine for situations in which there is no specifically drawn contract. It prevents unjust enrichment or injustice by treating the situation as if a contract actually had been in effect.

**Quasi-Insurance Institutions**

A term sometimes applied to government institutions created to carry out social insurance arrangements that have some, but not all, the characteristics of insurers. An example is the United States Department of Health and Human Services.

**Quick Assets**

Assets that are quickly convertible into cash.

**Quickstart**

The technology component of AIG's Customer Relationship Management . It provides: customer/marketing data warehouse; a campaign planning and performance module; campaign management system; automated customer and campaign reporting ; data mining and automated scoring.

**Quid Pro Quo**

Latin for "this for that," or "one thing for another." In insurance it could refer to the consideration in an insurance contract which calls for the exchange of values by both parties to the contract in order for it to be a valid contract.

**Quota Share**

(Also known as "Contributing Excess") A variation of the Pro Rata reinsurance basis, whereby insurer and reinsurer(s) share all premiums and losses according to a fixed percentage(s) expressed in the Declarations.

**Quota Share**

The basic form of a participating reinsurance treaty whereby the reinsurer accepts a stated percentage of the premium and loss of each and every risk within a defined category of business on a pro-rata basis. Participation in each risk is fixed and certain.

**Quota Share Insurance**

Property insurance which shares according to some percentage, or quota, with other policies covering the same risk.

**Quota Share Reinsurance**

A form of pro rata reinsurance indemnifying the ceding company with a fixed percentage of any loss on each risk covered in the contract and paid for with the same percentage of the premium, with an allowance made for the writing company's expenses.

**Quote**

The price, terms and conditions for a quote for the coverage or product requested, based on the underwriting risk and exposure information submitted. A quote may be distributed or presented various ways ranging from a form letter to a professionally prepared multi-page document. All quotes should have an expiration date, normally no more than 30 days from the date quoted.

# R

**Rabbi Trust**

An irrevocable trust often used with an informally funded non-qualified deferred compensation whereby plan assets are subject to the claims of creditors and thus current taxation to the employee is avoided.

**Radioactive Contamination Insurance**

Coverage which may be added to a property policy to cover certain risks where there is neither a nuclear reactor nor nuclear fuel on the premises but which might occasionally be exposed to contamination damage from other material on the insured's premises. Liability losses caused by nuclear reaction and radioactive contamination are excluded from most insurance contracts and are usually covered under policies issued by pools created for this purpose.

**Radius of Operation**

Usually used to determine rates for automobiles owned by a business. Beyond a certain number of miles in radius, e.g., 50, the rate is increased.

**Railroad Protective Liability**

A protective liability coverage written in favor of a railroad on behalf of those who are conducting operations on or adjacent to railroad property.

**Railroad Retirement**

A system which provides retirement and other benefits, including eligibility for Medicare, for railroad workers.

**Railroad Subrogation Waiver Clause**

A provision in a property insurance contract that the contract shall be valid even though the insured has an agreement with the railroad waiving subrogation against the railroad. Usually used in connection with a railroad sidetrack agreement.

**Railroad Travel Policy**

A form of accident insurance policy sold in railroad stations by ticket agents or by vending machines. See also Travel Accident Insurance.

**Rain Insurance**

A type of coverage which protects an insured against losses caused by cancellation of an outdoor event due to rain. The policy usually covers loss of income. The rain, hail, snow or sleet usually must exceed a certain amount and must occur during a stated period of time, either before or during the event.

**Rate**

The cost of a given unit of insurance. For example, in ordinary life insurance, it is the price of \$1,000 of the face amount. In disability income insurance, it is usually the price per \$10 or per \$100 of monthly benefits. In property insurance, it is the rate per \$100 of value to be insured. The premium, then, is the rate multiplied by the number of units of insurance purchased.

**Rate**

(Reinsurance) The percent or factor applied to the ceding company's subject premium to produce the reinsurance premium or the percent applied to the reinsurer's premium to produce the commission.

**Rate Card**

A pocket size card issued by an insurer giving rates for various coverages. It is carried by an agent or sales representative for quotation purposes.

**Rate Departure Factor**

A three-digit factor which reflects the relationship of the company monoline manual premium to the ISO monoline manual premium (SAA monoline manual premium for fidelity). This factor combines with the rating modification factor to provide ISO overall premium modification information.

**Rate Deviation**

Some insurers compare their experience to that of NCCI and the independent rating bureaus. To the extent their experience is better or worse, they may file deviations in states to recognize this difference (normally as a percentage off the NCCI or bureau filed rates). These are referred to as deviations.

**Rate Discrimination**

The use of different rates for insureds or risks of the same class and general characteristics. Rate discrimination is prohibited by all state insurance laws.

**Rate Guarantee**

The period of time for which a premium rate is guaranteed not to change. The exact application of rate guarantees varies by company and product. Rate guarantees can range from a simple year-to-year guarantee as in the case of most group policies to a lifetime guarantee on certain kinds of individual policies. Guarantee periods may also vary by life company vs. non-life company. It is more common for life insurance company individual products to have longer term guarantees. However, while the guarantee may protect an individual client from being singled out for a rate increase, it usually allows the company to seek rate increases on an entire class or product basis.

**Rate Manual**

A manual containing rates for various coverages, information and instructions for field underwriting, insurer's rules for the guidance of agents, and, in the case of life insurance rate manuals, cash amount forfeiture values and dividend scales (if any).

**Rate of Natural Increase (Or Decrease)**

The birth rate minus the death rate. If there were no migration, this would equal the rate of population increase (or decrease).

**Rate of Renewal/Retention Ratio**

Current period renewal accounts or policies as a percentage of expired accounts or policies.

**Rate of Return**

For a stock, the annual dividend divided by the purchase price; for a bond, the coupon rate divided by the purchase price; for a mutual fund, total return is capital appreciation (increase in the price of an asset) plus income return (dividend paid to the shareholder).

**Rated**

Coverages issued at a higher rate than standard because of impairment of the insured. Usually used as an adjective in such expressions as "rated risk," "rated policy," and "rated up."

**Rating Bureau**

A private organization that classifies and promulgates manual rates and in some cases, compiles data and measures the hazards of individual risks in terms of rates in geographic areas.

**Rating Bureau**

A private organization that classifies and promulgates manual rates and in some cases compiles data and measures the hazards of individual risks in terms of rates in geographic areas, the latter being true especially in connection with property insurance.

**Rating Class**

The rate class into which a risk has been placed.

**Rating Group**

A sub-group or sub-groups designated by the insured within a state, usually for premium allocation purposes.

**Rating Process**

The steps used to determine a premium rate for a particular group based on the amount of risk that group presents. Items that generally go into the rating process include age, sex, type of industry, benefits, and administrative costs.

**Ratio Test**

A coverage test for a qualified plan in which a percentage of lower paid employees benefiting from the plan must equal 70% of the higher paid employees from the plan.

**RBC- Risk Based Capital**

A measure adopted by the NAIC (in the USA) for assessing the minimum statutory capital requirements of insurers.

**RBNP-Reported But Not Paid**

Claims that have been reported to the Company but have not been paid.

**Readjustment Income**

(1) The income needed after the death or disability of a wage earner to allow the family time to adjust to a new, lower standard of spending. (2) The insurance coverage that provides readjustment income.

**Real Estate Investment Trust**

An organization similar to an investment company but concentrating its holdings in property or real estate investments. Real estate investment trusts are required to distribute as much as 90% of their income so the yield is generally very



attractive.

**Realty**

Real property such as land, buildings, mineral rights, etc., as opposed to personalty, such as movable personal property items.

**Reasonable and Customary Charge**

The amount most frequently charged for certain medical procedures in a given geographical area. Other criteria may be considered such as a physician's specialty.

**Reasonable and Customary Charges**

The charge for medical services which refers to the amount approved by the Medicare carrier for payment. Customary charges are those which are most often made by a provider for services rendered in that particular area.

**Reassured**

The company that purchases reinsurance.

**Rebalancing**

Adjusting a portfolio, through fund transfers or sales or purchases, to re-establish the initial allocation of assets.

**Rebate**

A portion of the agent's commission returned to an insured or anything else of value given an insured as an inducement to buy. The payment of policy dividends, retroactive rate adjustments, and reduced premiums that reflect the savings of direct payment to an agent or home office are not usually considered to be rebates. In most cases rebates are illegal, both for the agent or insurer to give a rebate and for an insured to receive one.

**Rebating**

Returning part of the commission or giving anything of value to the insured as an inducement for buying the policy. Rebating is generally illegal and otherwise an unacceptable business practice. It can be cause for license revocation.

**Recapture**

The action of a ceding company taking back from a reinsurer insurance previously ceded.

**Receipt**

A written document showing money was paid. A receipt need not be a "Conditional Receipt."

**Recidivism**

This term refers to how often a patient returns to an inpatient hospital status for the same reason.

**Recipient**

Anyone designated by Medicaid as being eligible to receive Medicaid benefits.

**Recipient Location**

A location which accepts the insured's products or services. One of the four types of dependent properties for which business income coverage may be written.

**Reciprocal Exchange**

Unincorporated association with each insured insuring the other insureds within the association. Thus, each participant in the pool is both an insurer and an insured.

**Reciprocal Insurance Exchange**

An unincorporated group of individuals, called subscribers, who mutually insure one another, each separately assuming his or her share of each risk. Its chief administrator is an attorney in fact.

**Reciprocal Rate Exchange**

The pricing factor upon which the insurance buyer's premium is based. Unincorporated association with each insured

insuring the other insureds within the association. Thus, each participant in the pool is both an insurer and an insured.

**Reciprocity**

A system of placing reinsurance on a reciprocal basis so that a ceding company will give a share of its reinsurance to a reinsurer who is able to offer reinsurance in return.

**Reciprocity**

In reinsurance, the practice of requiring incoming reinsurance in exchange for reinsurance ceded or vice versa.

**Recording Agent**

The name by which a policywriting agent is known in the property insurance business.

**Recruiting**

The hiring of insurance agents, or the process of looking for, interviewing, and hiring agents. It is also used to mean the process of locating and hiring any type of employee.

**Recurrent Disability**

A relapse. After going back to work, the disability returns.

**Recurrent Disability**

Disability resulting from the same or a related cause as a prior disability.

**Recurring Clause**

A health insurance policy provision defining the duration of a period of time during which the recurrence of a condition will be considered a continuation of a prior period of disability or confinement.

**Recurring Disease**

A disease characterized by recurrence, such as malaria.

**Red-Lining**

Discriminating unfairly against a risk solely because of its location. An example would be refusing to insure a risk because the building is located in a depressed area or location. Sometimes these areas are referred to as blackout areas.

**Reduced Paid-Up Insurance**

A form of insurance available as a nonforfeiture option. It provides that the cash value of the policy be used as a single premium to purchase paid-up insurance in whatever amount the cash value will provide, which will be less than the original face amount in most cases.

**Reduction**

A decrease in the benefits in an insurance policy because of a specified condition. For example, benefits may be reduced because a disability is caused by a specific condition.

**Reduction of Risk**

Taking steps to reduce the probability or severity of a possible loss. For example, installing alarms and sprinkler systems to reduce the risk of fire loss to a building. One of the four major risk management techniques.

**Referral**

Occurs when a physician or other health plan provider receives permission to consult another physician or hospital.

**Referral Name**

Name of someone thought to be interested in a specific advertiser's product or service; submitted by a third party.

**Referral Provider**

The person or provider to whom a participating provider has referred a member of the plan.

**Refund Annuity**

A form of annuity that provides for a cash or installment refund to the beneficiary if the annuitant dies before having drawn benefits equal to the total consideration that he paid on the policy.

**Refund Life Annuity**

An annuity paying installments as long as the insured lives and installments after death to the beneficiary until the amount paid equals the principle sum of insurance.

**Regional Office**

A suboffice of a home office which is equipped to handle all lines of business in a particular territory or region. Some companies use the term branch office.

**Register**

A record of all policies charged to a debit account.

**Registered Mail Insurance**

Coverage for loss of money and securities sent through the post office by registered mail.

**Registered Nurse**

A licensed professional with a four-year nursing degree. Able to provide all levels of nursing care including the administration of medication.

**Registered Representative**

A person who has met the qualifications set by law or regulation to sell securities to the public.

**Registered Tonnage**

Warships: The weight or displacement. Commercial vessels: The cubic capacity of enclosed space. One ton occupies 100 cubic feet.

**Regular Stock Option Plan**

An executive stock option plan whereby key executives have the right to purchase company stock at a predetermined price. When the option is exercised it is taxable as compensation to the executive.

**Regulatory Information Retrieval Service**

A database product developed by the National Association of Insurance Commissioners in conjunction with state insurance departments which lists regulatory actions such as suspensions, revocations, fines, penalties, cease and desist orders, consent orders. etc. against insurance firms and individuals.

**Rehabilitation Benefits**

Physical and/or vocational rehabilitation benefits provided to an injured person following a work-related injury, and intended to restore the person to a point where gainful employment is possible.

**Rehabilitation Clause**

Any clause in a health insurance policy, particularly a disability income policy, that is intended to assist the disabled policyholder in vocational rehabilitation.

**Rehabilitation of Insurer**

Action undertaken by a State Insurance Department to restore an impaired or insolvent insurer to sound financial standing. Contrast with Liquidation of Insurer.

**Rehearing**

A second hearing by a court. Its purpose is to call the court's attention to an error or omission which may have occurred in the court's first consideration of the claim.

**Reimbursement**

Payment of an amount of money upon the occurrence of a loss covered by the policy.

**Reimbursement Benefits**

Reimbursement benefits are those under which the actual eligible expense incurred by the insured (usually for medical, nursing, and hospital treatment) are covered and payable to one degree or another. Reimbursement benefits are in contrast to indemnity benefits which pay a stated amount for whatever disability or injury they cover without regard to the cost charged to the insured.

**Reinstatement**

Putting a lapsed policy back in force.

**Reinstatement**

(1) Restoration of a lapsed policy. (2) Restoration of the original amount of a type of policy that reduces the principal amount by the amount of claims.

**Reinstatement**

(Reinsurance) Putting back into effect a catastrophe reinsurance coverage that has been reduced by the payment of a reinsurance loss as the result of one catastrophe. This is usually effected by the payment of a reinstatement premium.

**Reinsurance**

A type of insurance that involves acceptance by an insurer, called the reinsurer, of all or a part of the risk of loss covered by another insurer, called the ceding company. It is a way for an insurer to avoid having to pay for large or catastrophic losses.

**Reinsurance**

An agreement between an insurance company and a reinsurer company (or multiple reinsurance companies or syndicates) that provides for the insurer to pass premiums and losses to the reinsurer(s) for an agreed upon amount of premium on an agreed upon formula (quota share, excess of loss, etc.). Reinsurance can apply to a full line of business, a class of business or specific portfolio or a single policy or event.

**Reinsurance Agreement**

A contract specifying the terms and conditions of a reinsurance agreement or placement.

**Reinsurance Assumed**

(1) See Cession. (2) The premium for an assumption of reinsurance.

**Reinsurance Assumed**

A portion of risk that the reinsurer accepts from the original insurer or ceding company.

**Reinsurance Broker**

An individual or organization which places reinsurance for the ceding companies who are its customers.

**Reinsurance Ceded**

A portion of risk that the ceding company transfers to the reinsurer.

**Reinsurance Credit**

Credit taken on its annual statement by a ceding company for reinsurance premiums ceded and losses recoverable.

**Reinsurance Information Data Base**

Stores information on treaties, facultative reinsures, and intermediaries in the system. It can be accessed through UPS. Treaty, facultative, and intermediary information is available by name or number. The RIDB #, specific to each AIG billing branch, is important because it (NOT the RDPS/WWCC #) is used by underwriters for coding facultative business into front-end systems.

**Reinsurance Intermediary**

A specialty brokerage firm approved by both insurers and reinsurers to act on behalf of both parties.

**Reinsurance Limit**

Generally means the maximum amount of reinsurance provided on a per life, per risk or per occurrence basis. When

discussed by an insurer, it may be referring to the net risk limit above which reinsurance is required, hence, the "reinsurance limit".

### **Reinsurance Management Company**

An organization set up to underwrite business on behalf of various insurance companies who want to get into the reinsurance market but lack the expertise to do so. The insurance companies actually take on the risk of loss under the reinsurance contracts, but the management company provides the technical expertise needed to select, evaluate, and acquire the business.

### **Reinsurance Pool**

"Pool".

### **Reinsurance Premium**

The consideration paid by a ceding company to a reinsurer for the reinsurance afforded by the reinsurer.

### **Reinsurance Premium**

The premium paid by the ceding company to the reinsurer in consideration for the liability assumed by the reinsurer. On a pro-rata type of treaty, said premium is a pro-rata share of the ceding company's gross premium less the ceding commission. On excess of loss treaties, the premium may be a percentage of the ceding company's gross net premium income for the class business being reinsured or actual premium charged the insurer for the reinsurance liability assumed.

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### **Renewal Premiums**

LOMA defines Renewal Premiums that are payable after the initial premium and that are condition for continuation of the policy.

### **Rider**

LOMA defines a Rider as an addition to an insurance policy that becomes a part of the insurance contract and that is as legally effective as any other part of the policy. Riders usually expand or limit the benefits payable under the contract. Also known as endorsement.

### **Rollover**

LOMA defines a Rollover as a tax-free movement of cash or other assets disbursed from one retirement plan into another retirement plan. These funds do not pass through the hands of the owner and thus do not incur any tax liability for the owner.

## **S**

### **Sacrifice**

That cargo which is thrown overboard in order to save the rest of the cargo and the ship.

### **Safe Burglary**

The taking of property from within a locked safe or vault by a person unlawfully entering the safe or vault as evidenced by visible marks of forced entry upon its exterior, or the complete removal of a safe from the premises.

**Safe Depository Coverage**

Two commercial crime coverage forms are available for firms other than financial institutions that rent safe deposit boxes to others. One covers an insured's legal liability for loss or damage, while the other covers direct losses regardless of liability. Both cover customers' property on the insured's premises while in a safe deposit box or vault, or while being deposited or removed from such containers.

**Safe Driver Plan**

A system in which points are assigned for traffic violations and certain accidents, and each point adds a percentage surcharge to the rating factor. It is similar to merit rating. Also called a Safe Driver Incentive Plan.

**Salary Savings Insurance**

Insurance issued to an individual employee whose employer agrees to deduct the premiums from the insured's paychecks and submit them to the insurer.

**Sales Scripts**

Pre-written scripts for use in all forms of selling. Individual agents, work site enrollers, brokers etc use sales scripts as do telesales centers in outbound telemarketing.

**Salvage**

The value of property after it has been damaged by fire or other perils. It may also be considered to be the property itself, which an insurance company secures after making payment on a claim.

**Salvage**

Property taken over by an insurer to reduce its loss.

**Salvage**

(Ocean Marine) Property recoverable by salvagers under maritime law.

**Salvage Corps**

An organization whose duties are limited to preventing further damage to property during or after a fire. They are established by property insurance companies.

**Same Market Day Pricing**

Financial transactions requested including payments/premiums received in good order by 3PM CST on days that the market is open, must be processed using the current business day as the trade or effective date.

**Sanitary Evacuation**

The transportation of an insured for medical reasons, usually from a remote location or outward destination to the nearest appropriate or modern medical facility or, as is oftentimes the case, to a medical facility located in the insured's country of residence.

**Savings Bank Life Insurance**

Life insurance sold by mutual savings banks. Allowed only in a few states, such as New York, Connecticut, and Massachusetts.

**Schedule**

A list of the items covered by an insurance policy with their descriptions and valuations.

**Schedule Policy**

An insurance contract that lists separate kinds of property, separate locations, or separate insurance coverages with the amount of insurance applying to each.

**Schedule Rating**

Under Liability and Automobile Insurance, the schedule rating plan allows credits and debits for various good or bad features of a commercial risk. An example in automobile schedule rating would be allowing credits for driver training

classes or fleet maintenance programs. Within established limits, modifications depend entirely on the judgement or the underwriter. Schedule Rating in liability is usually more flexible and is frequently used for competitive leverage.

### **Schedule Rating Plan**

(1) Applying debits or credits within established ranges for various characteristics of a risk which are either below or above average according to an established schedule of items. (2) Under liability and automobile insurance, the schedule rating plan has been designed to allow credits and debits for various good or bad features of a particular commercial risk. An example in automobile schedule rating would be allowing credits for driver training classes or fleet maintenance programs.

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### **Scheduled Premium Variable Life Insurance**

A whole life policy which features a fixed, level premium and a minimum guaranteed face amount. The performance of the policy is dependent on the separate account.

### **Scope of Coverage**

Term to describe the operative time of coverage. E.g. 24 hour business & pleasure; 24 hour while on a business trip; while traveling as a fare paying passenger on a regularly scheduled airline; etc.

### **Scopes Manual**

A publication of the NCCI developed to aid in the understanding and assignment of rating classifications. This publication describes the basic scope of a classification assignable to a given set of exposure characteristics.

### **Seasonal Risk**

A risk which is present only during certain parts of the year. Examples might be manufacturing concerns such as canners who have operations only during the summer and seasonal dwellings such as cottages used for vacations.

### **SEC 38a-1**

The Securities and Exchange Commission rule that requires each investment company and investment adviser registered with the Commission to adopt and implement written policies and procedures reasonably designed to prevent violation of the federal securities laws, review those policies and procedures annually for their adequacy and the effectiveness of their implementation, and designate a chief compliance officer to be responsible for administering the policies and procedures. In the case of an investment company, the chief compliance officer will report directly to the fund board. These rules are designed to protect investors by ensuring that all funds and advisers have internal programs to enhance compliance with the federal securities laws.

### **SEC Liability**

The Federal Securities Act of 1933 and the Federal Securities Exchange Act of 1934 place very stringent obligations on those offering stock issues to the public to disclose full information on the offering. If misrepresentations, intended or not, are made, liability can attach to them.

### **Second Injury Fund**

As an employment incentive, these funds were developed to pay the extra costs arising when a pre-existing injury combines with a second to produce disability greater than that caused by the latter alone.

### **Second Injury Fund**

Special funds set up by each state to pay all or part of the compensation required when a partially disabled employee suffers a subsequent injury. Because the compound effect of two injuries can be greater than the effect of the same two injuries in isolation, employers might be reluctant to hire the handicapped if they had to bear the full burden for a second injury. Second injury funds relieve employers of some of this burden.

**Second Surgical Opinion**

A cost containment technique to help patients and insurance companies determine whether a recommended procedure is necessary, or whether an alternative method of treatment could accomplish the same result. Some health policies require a second surgical opinion before specified procedures will be covered, and many policies pay for the second opinion.

**Second Surplus Reinsurance**

Reinsurance accepted by a second reinsurer in a surplus treaty. It is that amount which exceeds the total of the original insurer's net retention and the full limit of the first surplus treaty. Also a form of treaty required by companies engaged in business requiring large policies (i.e., industrial risks, etc.) providing for the lines which are too large to be embraced in a first surplus treaty. It follows on the plan of the first surplus but obviously provides only a diminished spread of risks to the reinsurers.

**Secondary Beneficiary**

The second person named to receive benefits upon the death of an insured if the first-named beneficiary is not alive or does not collect all the benefits before his or her own death.

Medical services provided by physicians who do not have first contact with patients. Examples would be specialists such as urologists, cardiologists, etc.

**Secondary Care**

Medical services provided by physicians who do not have first contact with patients. Examples would be specialists such as urologists, cardiologists, etc.

**Secondary Coverage**

Coverage which provides payment for charges not covered by the primary policy or plan.

**Secondary Guarantees**

Contractual guarantees, in addition to the standard grace periods, that prevent a Universal or Variable Universal Life policy from lapsing. Is usually dependent upon certain premium levels paid for a predetermined period of time.

**Secondary Research**

Secondary research is an investigation of existing sources of information for market and consumer insight. Typical sources of secondary research are census information and published articles and studies. Most research projects start with secondary research.

**Section 125 Plan**

A plan which provides flexible benefits. This plan qualifies under the IRS code which allows employee contributions to meet with pre-tax dollars.

**Section 302 Stock Redemption**

A total stock redemption which qualifies as a capital transaction and not a dividend distribution.

**Secular Trust**

An irrevocable trust which provides for current taxation of deferred compensation assets and a degree of security in an informally funded plan.

**Securities Act of 1933**

A federal law which requires full and fair disclosure and the use of a prospectus in the sale of securities.

**Securities and Exchange Commission**

A federal agency that regulates the securities markets. The independent five member commission was created under the Securities Exchange Act of 1934. Members are appointed by the President and serve five year terms. The SEC has the responsibility to regulate the securities exchanges and markets, set disclosure and accounting rules for most issuers of corporate securities and to oversee securities firms, investment companies and investment advisors.

**Securities Deposited With Others Coverage Form**

A commercial crime coverage form that protects against loss by theft, disappearance or destruction of securities which



have been deposited with others, such as a bank, trust company, or stock broker.

### **Securities Exchange Act of 1934**

A federal law which requires the registration of companies and agents with the federal government if they are selling securities.

### **Security**

Evidence of direct ownership (stock), creditorship (bond), or indirect ownership (rights, warrants, and options).

### **Segment**

Refers to a segment of a given population or class within a population for marketing purposes. In direct marketing, the prospect list of a Campaign Selection can be divided into multiple Segments, which refine the Selection's target. For example in a given Campaign Selection, one Segment may define an offer of a seniors product for people over 65, and another Segment may define an offer of a different product (but same Product Type) for people below 65. Actual Values can be tracked at the Segment level.

### **Segregation of Payroll**

When any location of an employer's business is written on a divided payroll basis, an employees payroll may be split between more than one classification provided the employer maintains accurate payroll records and this payroll split does not conflict with any other rules.

### **Selection**

The choosing by an underwriter of risks acceptable to an insurer.

### **Selection Effect**

The effect of underwriting that allows for more positive underwriting results in the early policy durations than the ultimate loss will develop.

### **Selection of Risks**

A phrase used in reinsurance referring to the practice of ceding poorer business to a reinsurer while retaining good risks. It is also the process of accepting or rejecting risks in the attempt to produce the required underwriting profit.

### **Self-Administered Trusteed Plan**

A retirement plan where contributions are paid to a trustee who invests the money, accumulates the earnings and interest, and pays benefits to eligible employees.

### **Self-Funded Plan**

Plan of insurance where an employer, which has fairly predictable claim costs, pays the claims rather than an insurance company.

### **Self-Inflicted Injury**

An injury to the body of the insured inflicted by himself or herself. See also "Intentional Injury".

### **Self-Insurance**

Making financial preparations to meet pure risks by appropriating sufficient funds in advance to meet estimated losses, including enough to cover possible losses in excess of those estimated. Few organizations are large or dispersed enough to make this a sound alternative to insurance. Self-insurance generally refers to businesses that act as their own insurer by "self-insuring" all or a portion of their exposures. It requires the setting aside of funds by an individual or organization to meet his or its losses and to absorb fluctuations in the amount of loss, the losses being charged against the funds that were established for said purpose.

### **Self-Insured Retention**

A specific amount the Insured retains as its obligation for a covered loss. It is the Insured providing primary insurance over which the carrier provides excess coverage. Unlike a Deductible, the Insurer is not obligated to pay the Insured's SIR and then seek reimbursement from the Insured. The insured is directly responsible to the claimant for the amount of the SIR.

**Self-Insured Retention**

(Workers Compensation) The amount of each loss or annual aggregate loss for which the insured agrees to be responsible.

**Self-Insured Retention Program**

Any program where the insured legally retains the liability for all losses below a defined attachment point. The insured must have established itself as a self-insurer by complying with the requirements of the states in which it operates. This is contrasted with a loss reimbursement plan where the insurance carrier retains the legal liability for all losses. Self-insured retentions are the portion of the risk retained by a person for its own account.

**Self-Insured States**

Those states in which you, the insured, are providing the primary layer of insurance.

**Self-Insurer**

An individual, partnership, or corporation which, instead of buying insurance, retains all or part of the risk for its own account.

**Self-Reinsurance**

The creation of a fund by an insurer to absorb losses beyond its normal retention. It is used in place of buying reinsurance.

**Sensitivity (Testing)**

In product pricing it is necessary to test various scenarios to examine how the profitability varies. For example, increased morbidity will reduce the profit of A&H products but it is necessary to observe the relationship between increasing morbidity and profit so we test the expected morbidity, a higher and a lower than expected morbidity. Sensitivity testing is conducted by pricing actuaries, but can also be done by underwriters when reviewing large accounts or product initiatives.

**Separate Account**

An asset account established by a life insurance company separate from other funds, used primarily for pension plans and variable life products. This arrangement permits wider latitude in the choice of investments, particularly in equities.

**Separate Account**

(Annuity & Life) An investment company (usually a unit investment trust) registered with the SEC which owns and holds assets for the benefit of participants in variable contracts. Because of the investment risk, insurers are required to keep their variable contract portfolios separate from their fixed investment portfolios.

**Separate Account**

(Pension) An account established or maintained by an insurance company under which the income, gains, and losses of that specific account are credited or charged without consideration of the income and investment results of the other assets of the insurance company. Separate accounts are used to fund variable contracts and provide the participant with a hedge against inflation.

**Service Area**

The area, allowed by state agencies or by the certification of authority, in which a health plan can provide services.

**Service Benefits**

Medical expense benefits provided by service associations whereby benefits are identified in terms of days of coverage instead of monetary values.

**Service Employees Group Life Insurance**

Issued to members of the armed forces while they are in the service. After separation it is convertible to individual policies from certain private insurers.

**Service Plans**

Plans of insurance where benefits are the actual services rendered rather than a monetary benefit.

**Servicing Carrier**

When an insurance company provides only administrative services. For example, for an employer that self-insures his employee benefit plan. Or for some other arrangement such as when risks (would-be insureds) place their business directly in a reinsurance pool but still require the fronting and other services on an insurance company.

**Settlement**

Usually, a policy benefit or claim payment. It is an agreement between both parties to the policy contract as to the amount and method of payment.

**Settlement**

(Legal) Conclusion of litigation by the mutual agreement of parties involved prior to final verdict; certain settlements must be court-approved.

**Settlement Options**

The various methods for the payment of the proceeds or values of a life insurance policy that may be selected in lieu of a lump sum.

**Severity**

Describes the average cost per claim. Large claim amount but low frequency of occurrences. An example is a death claim (severity) and hospital cash claims (frequency).

**Severity**

Refers to the size (dollar amount) of a claim.

**Shell Team**

The team that looks after the temporary D&B numbers.

**Sherman Antitrust Act**

An antitrust law from which insurance is exempted to the extent that it is regulated by state law.

**Shock Loss**

A catastrophic loss so large that it has a material effect on the underwriting results of a company.

**Shoppers Guide**

A consumer publication that describes the type of coverage being offered, and provides general information to help an applicant for life or health insurance compare different types of policies and reach a decision about whether the proposed coverage is appropriate. Also known as Buyers Guide.

**Short Rate Cancellation**

A cancellation procedure in which the premium returned to the insured is not in direct proportion to the number of days remaining in the policy period. In effect, the insured has paid more for each day of coverage than if the policy had remained in force for the full term. Contrast with Pro Rata Cancellation.

**Short Rate Premium**

The premium required for issuing a policy for a period less than its normal term.

**Short Tail**

A terminology referring to lines of property/casualty insurance business where the claim is resolved typically in a "short" period of time. Short tail coverages include the personal lines---private passenger auto and homeowners---commercial property and ocean marine.

**Short-Term Disability Income Policy**

A disability income policy with benefits payable for "Short-Term," usually less than two years, as opposed to a long-term disability income policy.

**Short-Term Disability Insurance**

A group or individual policy usually written to cover disabilities of 13 or 26 weeks duration, though coverage for as long as two years is not uncommon. Contrast with Long-Term Disability Insurance.

### **Short-Term Policy**

A policy written for a period of less time than is normal for that type of policy.

### **Sickness**

Includes physical illness, disease, pregnancy, but does not include mental illness.

### **Sickness Insurance**

A form of health insurance against loss by illness or disease. It does not include accidental bodily injury.

### **Sidetrack Agreement**

Any agreement between a railroad and a customer who is served by a railroad sidetrack built on the customer's premises. Among other things, it provides that the customer hold the railroad harmless for losses resulting from certain types of accidents.

### **Simplified Employee Pension Plan**

A plan where the employer contributes a specific amount into an eligible employee's IRA on behalf of the employee.

### **Sine Qua Non Rule**

This rule says that a person's conduct is not held to be the cause of a loss if the loss would have occurred anyway.

### **Single Carrier Replacement**

A situation where one carrier replaces several other carriers who had been providing services.

### **Single Limit**

Any insurance coverage which is expressed as a single amount of insurance, or a single limit of liability. Contrast with Split Limit.

### **Single Premium Deferred Annuity**

Tax-deferred investment that is created to accept one lump-sum payment. The value of the sum appreciates over the years prior to distribution. Taxes are deferred on the interest and earnings until withdrawal or when annuity payouts begin, usually at retirement.

### **Single Premium Funding Method**

A method of accumulating money for future payment of pension benefits under which the money required to pay for each year's accumulated benefits is paid to an insurance company or paid to the trust fund annually.

### **Single Premium Policy**

A life insurance policy paid for in one single premium in advance rather than in annual premiums over a period of time.

### **Single Premium Whole Life**

A whole life policy which is paid with a single premium payment at the time of purchase. Compare with Continuous Premium Whole Life and Limited Payment Whole Life.

### **Sinkhole Collapse**

The peril of a sudden sinking or collapse of land into underground empty spaces created by the action of water on limestone or similar rock formations. This peril is now covered by the latest commercial property forms. Other forms of earth movement continue to be excluded in most cases.

### **SIO- Simplified Issue Offer**

Simplified Issue or underwriting means that each application underwritten but with a simplified form. Usually only 3 or 4 questions are asked rather than more detailed health questions because of marketing a specific product to a known and large group of people.

**Sistership Exclusion**

A products insurance exclusion which denies coverage for the withdrawal and recall of products from the market.

**SIU- Special Investigation Unit**

A unit within an insurer having the skill sets to handle complex investigations.

**Sizable Loss Payments**

A set amount shown in the Payment Agreement schedule for which the Insured will be obligated to reimburse us following our payment of any Loss and ALAE within the Insured's retention.

**Skilled Nursing Care**

Daily nursing and rehabilitative care that is performed only by or under the supervision of skilled professional or technical personnel. Skilled care includes administering medication, medical diagnosis and minor surgery.

**Skilled Nursing Facility**

A facility designed to qualify for treatment to Medicare eligible people. Included is treatment for rehabilitation and other care such as 24-hour nursing coverage, physical, occupational, and speech therapies, etc.

**Slander**

A spoken statement about someone which is personally injurious to the individual.

**Sliding Scale Commission**

A commission adjustment under a formula whereby the actual commissions paid by a reinsurer to a ceding insurer varies inversely with the loss ratio, subject to a maximum and minimum. The sliding scale refers to a predetermined formula under which commission or other compensation is payable by one party to another based on production, profit or similar.

**Slip**

The piece of paper submitted by the broker to the underwriters at their "boxes" in the "room" at Lloyd's of London. The slip contains certain information along with the syndicates accepting the risks and the extent of their participation.

**Small Capitalization**

In general, a public company with a total stock value (that is, market capitalization) of less than \$1 billion. Small companies may have higher earnings growth rates than large companies because they may operate in new markets.

**Small Deductible**

Any loss reimbursement plan with an attachment point of \$25,000 or less.

**Small Group Pooling**

The combining into one pool of several small group business - used especially for computing more accurate premium rates for members of the pool.

**Smoke Damage**

Damage caused by the smoke from a fire in contrast to damage caused by the actual combustion.

**Social Health Maintenance Organization**

A demonstration project funded by the Health and Human Services Department that combines the delivery of acute and long-term care with adult day care services and transportation.

**Social Insurance**

Compulsory insurance legislated to provide minimum economic security for large groups of people, particularly those with low incomes. It is primarily concerned with the costs and loss of income resulting from sickness, accidental injury, old age, unemployment, and the premature death of the head of a family.

**Social Security**

(1) The programs provided under the United States Social Security Act of 1935, plus amendments and additions thereto. It is now called Old Age, Survivors, Disability, and Health Insurance. (2) Any government program which provides

economic security for portions of the public, e.g., Social Insurance, Public Assistance, Family Allowances, and Grants-in-Aid.

**Social Security Rider**

An optional disability income rider that provides an additional benefit depending on the amount of disability benefits payable by Social Security. See also All or Nothing Rider and Offset Rider.

**Social Security Tax**

A tax paid by workers and employers on wages earned. The taxes support the benefit programs under the Social Security System.

**Society of Chartered Property and Casualty Underwriters**

The society of people who have been awarded the CPCU (Chartered Property and Casualty Underwriter) designation. Its primary purpose is the continuing education of its members. It also encourages insurance research.

**Society of Insurance Research**

An organization which encourages insurance research and promotes the exchange of ideas and methods of research.

**Soft Market**

Indicative of increasing capacity in the market that usually results in increased competition followed by a decrease in premium rates. This is more common in Property & Casualty business but not a major factor in Life or A&H.

**SOH- Statement of Health**

Declaration of health signed by insured.

**Sole Proprietorship**

A business entity owned by an individual.

**Sole Proprietorship**

A business enterprise owned by one person who is its manager and employee.

**Sole Proprietorship Insurance**

Life and health insurance that handles the business continuity problems peculiar to a sole proprietorship. Such insurance, for instance, could be used to enable the heirs of the sole proprietor to bring the value of the business back to the level where it was prior to the death of the owner.

**Solicitor**

An individual appointed and authorized by an agent to solicit and receive applications for insurance as the agent's representative. Solicitors are not usually given the power to bind coverage but are required to be licensed.

**Solo Mail**

This is a stand-alone mailing envelope, personalized and usually containing a letter, brochure, application and return envelope.

**Solvency**

With regard to insurers, having sufficient assets (capital, surplus, reserves) and being able to satisfy financial requirements (investments, annual reports, examinations) to be eligible to transact insurance business and meet liabilities. The capacity to honor future financial obligations presented against the company.

**Solvency Reserves**

Reserve required by regulators to assume solvency of a company. Reserve will vary by degree of risk that the company assumes.

**Sonic Boom**

Noise, pressure, and shock waves resulting from an aircraft or missile exceeding the speed of sound. At one time property damage caused by sonic boom was excluded under most property forms. Modern commercial property forms and

homeowner policies now cover losses by sonic boom.

### **Southeastern Underwriters Association**

A property insurance rating organization which was the defendant in the 1944 United States Supreme Court decision declaring insurance to be commerce and thus subject to regulation by federal law. This pronouncement was later modified by Public Law 15.

### **Special Acceptance**

A specific agreement by a reinsurer to accept a risk that would not be automatically included within the terms of a reinsurance contract.

### **Special Agent**

An insurer's representative in a territory. He services the insurer's agents and in general is responsible for the volume and quality of the business written in that territory. In the property and liability fields this person is a special agent or marketing representative, and in the life field he is known as a sales representative.

### **Special Auto Policy**

An automobile policy with a single limit of liability applying to bodily injury and property damage and a corresponding limit applying to medical payments. Broad physical damage coverage could be added to it. This policy, which was designed for private passenger vehicles, has become obsolete.

### **Special Building Form**

A form which provides open perils (all risk) coverage on commercial buildings, subject to certain exclusions. It was once the broadest coverage available on buildings. Largely replaced by the Building and Personal Property Coverage Form.

### **Special Coverage Form**

Any of the commercial or personal lines property forms which provide coverage on an open perils (all risk) type basis. These forms provide the broadest coverage and do not list covered perils, but do include a lengthy list of exclusions. Compare with Named Peril.

### **Special Extended Coverage**

An allied lines endorsement which extends a fire policy to cover all risks of physical loss not otherwise excluded.

### **Special Form**

For Commercial Property policies written under the Special Form, covered causes of loss means coverage from all risks of direct physical loss unless otherwise specifically excluded or limited.

### **Special Indemnities**

"Optional Benefits".

### **Special Multi-Peril**

A business policy which combined into one contract the coverages normally purchased under several. Property and liability coverages were mandatory, Crime and boiler and machinery were optional. Many other options and endorsements allowed the SMP to be tailor made for each policyholder. Largely replaced by new commercial forms.

### **Special Multi-Peril Policy**

A particular type of CMP contract, which is characterized by being a multiple line package policy. Coverages included in the SMP policy are divided into four sections: Property, Liability, Crime, Boiler and Machinery.

### **Special Personal Property Form**

A form which provides open perils (all risk) coverage on the personal property (contents) of commercial risks with certain exclusions. It was once the broadest coverage available on commercial contents. Largely replaced by the Building and Personal Property Coverage Form.

### **Special Power of Appointment**

A donee is authorized to appoint interest in property to specific individuals to the exclusion of others.

**Special Risk Group Distribution**

DBG is a major writer in the US of Specialty Markets products with distribution through traditional A&H brokers/agents as well as Program Managers, P&C brokers and cross marketing opportunities within AIG. Some or all of these methods of distribution can be used by other A&H operations in AIG companies.

**Special Tax and Assessment Charges**

Various assessments levied by states to cover costs not collected through rates. They are normally not considered premium items.

**Specific Insurance**

A policy which describes specifically the property to be covered. This is in contrast to a policy which covers on a blanket basis all property at one or more locations without specific definitions. In the case of overlapping coverages, specific insurance is considered the primary one.

**Specific Rate**

In fire and allied lines of insurance, it is a rate for an individual building or occupancy reflecting the individual characteristics as determined by an inspection and application of a rating schedule. Most specific rates can be found in the ISOTEL system.

**Specific Rate**

A rate applying to an individual piece of property.

**Specified Causes of Loss**

A commercial automobile physical damage coverage for loss by the specified perils of fire, lightning, explosion, theft, windstorm, hail, earthquake, flood, vandalism, or the sinking, burning, collision or derailment of any conveyance transporting a covered auto. Comprehensive coverage is slightly broader.

**Specified Perils Policy**

Opposite of an A policy which specifically states the perils covered by the insurance contract. The 'All Risk Policy'.

**Speculative Risk**

Uncertainty as to whether a gain or loss will occur. An example would be a business enterprise where there is a chance that the business will make money or lose it. Speculative risks are not normally insurable. Contrast with Pure Risk.

**Speculative Stock**

Common or preferred stock that offers extreme degrees of unrealized appreciated valuation and depreciated valuation. Typically, speculative stocks are issued by start-up, emergent-technology firms, or firms experiencing a decline in their financial condition.

**Spendthrift Clause**

A clause in most life insurance policies which prevents the creditors of a beneficiary from claiming any of the benefits before the beneficiary actually receives the money. The purpose of this clause is to keep those to whom he is in debt from taking legal action to require the insurer to pay the proceeds directly to them.

**Split Dollar Coverage**

(Health) An arrangement of disability income insurance in which the employer and employee each pay a portion of the premium. The employer purchases coverage for the sick pay or paid disability leave provided as an employee benefit. The employee pays for disability coverage beyond what the employer provides as a benefit.

**Split Dollar Coverage**

(Life) An arrangement under which an employer pays that part of the premium that equals the annual increase in the cash value of a policy, while the employee pays the rest. Under assignment upon the death of the employee, the employer recovers the total of its payments from the proceeds of the policy, with the remainder going to the employee's beneficiary.

**Split Dollar Plan**



A method of purchasing life insurance whereby the employer and employee jointly purchase the policy, pay premiums and share in the policy's benefits.

### **Split Life Insurance**

A combination of installment annuity and term insurance under which the amount of annuity consideration (premium) paid determines the amount of one-year renewable term insurance an annuitant can purchase and place on the life of anyone designated.

### **Split Limit**

Any insurance coverage which is expressed in different amounts for different types of losses. For example, automobile liability of 50/100/50 means bodily injury limits of \$50,000 per person, \$100,000 per accident, and a property damage limit of \$50,000 per accident. Contrast with Single Limit.

### **Spoliation**

The direct physical loss or damage of property and documentation that serves as material evidence in a legal proceeding.

### **Sponsor**

An organization with a collection of customer names that can be marketed. These usually are tied to a payment collection vehicle such as a credit card, and the sponsor is paid for access to the name. Marketing is done to the list under the name of the sponsor, in order that the customer recognizes their affinity with the sponsor, resulting in increased response over non-sponsored acquisition.

### **Sponsor Plan**

An employer that establishes or maintains a plan for its employees; or an employee organization that establishes or maintains a plan for the employees of the organization; or in the case of a plan established and maintained by two or more employers, the committee, Board of Trustees or relatives of the parties who establish or maintain the plan.

### **Spot Reinsurance**

A reinsurance technique that allows an underwriter to "carve out" or cede a specific line (or lines) of coverage (e.g., Pollution Liability) to a Reinsurer. "Spot Re" can be Treaty or Facultative and written on a pro-rata or excess of loss basis.

### **Spread Loss Reinsurance**

(1) The working cover subject to a prospective rating plan. (2) A form of excess reinsurance wherein each year's premium rate is determined by the amount of the ceding insurer's excess losses for a specified number of preceding years. A form of experience rating.

### **Sprinkler Leakage Insurance**

Insurance against damage done by the accidental discharge of water from an automatic sprinkler system, as contrasted with discharge because of heat from a fire.

### **Sprinkler Leakage Legal Liability Insurance**

Insurance which covers the legal liability of an insured who has a sprinkler leakage loss which damages the property of others, on a floor below or in adjoining premises, for instance.

### **Stacking**

Refers to a condition allowed in some states that permits you to add the policy limits of other vehicles covered by you, either on the same policy (interpolicy) or from other policies (intrepolicy), and recover the sum of these limits.

### **Stacking of Limits**

Applying the limits of more than one policy to an occurrence, loss or claim. In some cases, courts have required a stacking of limits when multiple policies, or multiple policy periods, cover an occurrence.

### **Staff Model HMO**

This is an HMO where physicians are employed and all premiums are paid to the HMO, which then compensates the physicians on a salary and bonus arrangement.

**Standard Annuity Table**

The 1937 Standard Annuity Table; a mortality table widely used for annuities.

**Standard Class Rate**

This is rate which is arrived at by using a base rate per participant multiplied by a factor to allow for group demographic information.

**Standard Deviation**

A measure of the range of variation from an average of a group of measurements. 68% of all measurements fall within one standard deviation of the average. 95% of all measurements fall within two standard deviations of the average.

**Standard Exception**

In workers compensation insurance certain classes of employees are classified separately for rating, rather than being included in the main classification for a risk. Examples would be clerical office employees, outside sales representatives, draftsmen, drivers, chauffeurs, and their helpers.

**Standard Industry Code**

A standard code assigned to every business which groups the businesses by operating characteristics for statistical purposes.

**Standard Policy**

(1) Coverage which has identical provisions regardless of the issuing insurer. Many common policies are standardized. (2) Insurance issued to a standard risk.

**Standard Policy Forms**

The more commonly used policy forms for the majority of business. Also, self-contained preprinted policy language used when a large number of insureds face similar loss exposures.

**Standard Premium**

Unmodified premium times experience modification factor and schedule modification factor.

**Standard Premium**

The premium determined on the basis of authorized rates, any experience rating modification, any applicable schedule rating modification, loss constants and minimum premiums. The Expense Constant shall be excluded from determination of the standard premium.

**Standard Premium**

Most often used in connection with retrospective rating for workers compensation and general liability insurance. It is the premium of which the basic premium is a percentage and is developed by applying the regular rates to an insured's payroll.

**Standard Provisions**

(1) Provisions prescribed by state law that must appear in all policies issued in that jurisdiction. (2) Provisions adopted by the NAIC to apply to group life insurance as minimum protection. They are required by law in most states. (3) Formerly, a set of prescribed provisions regulating the operating conditions of a health insurance policy required by law in most jurisdictions between about 1912 and 1950. They are now superseded by uniform provisions for individual accident and health insurance policies which contain an NAIC model bill. These have been enacted in virtually all jurisdictions.

**Standard Risk**

A risk that is on a par with those on which the rate has been based in the areas of health, physical condition, and morals. An average risk, not subject to rate loadings or restrictions because of poor health.

**STAT/SAP- Statutory Account Practices**

The rules and procedures prescribed or permitted by United States state insurance regulatory authorities for recording transactions and preparing financial statements. It is not the same as GAAP; for example, expenses are charged when incurred vs. being deferred and amortized over subsequent accounting periods.

**State Agent**

An outmoded term meaning an agent who has an exclusive territory of one or more states. Also, an obsolete term for special agent.

**State Associations of Insurance Agents**

Each state may have one or more associations of insurance agents. These organizations are made up of individual agents who have joined forces to discuss common problems and promote the American agency system.

**State Death Taxes**

A tax imposed by states on beneficiaries who receive property from a decedent.

**State Fund**

A fund set up by a state government to provide insurance. Some states permit competition by private insurers. The largest insurer of workers' compensation risks in the state of California is the State Fund.

**State Insurance Fund**

A fund set up by a state government to provide insurance. Some statutes permit competition by private insurers, while others may exclude competition from private insurers.

**Stated Amount**

An agreed amount of insurance which is shown on the policy, and which will be paid in the event of total loss regardless of the actual value of the property.

**Statement of Policy Information**

For universal life policies, this document is prepared at the end of each year giving complete information on all transactions affecting the policy, such as premium paid, current death benefit, interest credited, loans outstanding, monthly charges, and cash surrender value.

**Statement of Values**

A listing of values of buildings and contents which is used to compute a 'Blanket Average Rate'.

**Statement of Values**

Sometimes property is written using a blanket rate and one single limit of liability applying to all locations. In order to determine the blanket or average rate, a rating bureau or company requires an insured to submit a declaration of the amounts of value at each separate location on a Statement of Values form.

**Statewide Average Weekly Wage**

A statistical computation which is periodically updated and is used to determine compensation benefit amounts. Many benefits are set forth as a percentage of the SAWW.

**Statute of Frauds**

A statute which states that certain contracts must be in writing in order to be enforceable. An example would be any contract involving the sale of real estate.

**Statute of Limitations**

The time limit set by law during which a person must bring legal action on a case.

**Statutory**

Required by or having to do with law or statute.

**Statutory Accounting**

Accounting principles required by state law and followed by insurance companies when filing their financial statements with state regulators.

**Statutory Accounting Principals**

Those principals required by statute which must be followed by an insurance company when submitting its financial statement to the state insurance department. Such principles differ from generally accepted accounting principles (GAAP) in some important respects. For one thing SAP requires that expenses must be recorded immediately and cannot be deferred to track with premiums as they are earned and taken into revenue.

### **Statutory Earnings (or Losses)**

Earnings or losses shown on the NAIC convention blank, in contrast to earnings or losses that would be shown if generally accepted accounting procedure statements were used.

### **Statutory Requirement**

When a jurisdiction enacts law (statutes) that mandate specific benefits or coverages for certain classes of people. Examples are benefits for police officers in the state of Florida in the US and government mandated provision of murder and assault coverage in Thailand.

### **Statutory Reserve**

A reserve, either specific or general, required by law.

### **Statutory Surplus**

As determined under SAP, the amount remaining after all liabilities, including loss reserves, are subtracted from all admitted assets. Admitted assets are assets of an insurer prescribed or permitted by a state to be taken into account in determining the insurer's financial condition for statutory purposes. Statutory surplus is also referred to as "surplus" or "surplus as regards policyholders" for statutory accounting purposes.

### **Statutory Underwriting Profit or Loss**

Also known as 'Underwriting Gain or Loss'. It is the insurance company's profitability from an insurance operations standpoint. It does not take other sources of income, such as investments, into account. To calculate, subtract the losses and expenses from the premiums earned during the year.

### **Step-Rate Premium**

Premium is increased at times specified in the policy, based on a predetermined attained age, or number of policy years in force.

### **Stock**

Merchandise for sale or materials in the process of manufacture, as distinguished from furniture, fixtures, or equipment.

### **Stock Bonus Plan**

A type of profit sharing plan whereby contributions to the plan and benefits derived from the plan are in the form of the company's stock.

### **Stock Call and Put Options**

Contracts to buy or sell securities within a specific period of time. A call option is an option to purchase a specified number of shares of stock at or before some future date for a stated "striking" price. A put option is an option to sell a specified number of shares of stock at or before a specified future date for a stated striking price.

### **Stock Dividend**

A dividend paid in securities rather than cash: either additional shares of the issuing company; or shares of another company (usually a subsidiary) held by the issuing company. These shares are not taxable until they are sold.

### **Stock Insurer**

An incorporated insurer with capital contributed by stockholders, to whom the earnings are distributed as dividends on their shares. Contrast with Mutual Insurer.

### **Stock Option Plan**

Surviving stockholders have the option to purchase or not purchase the shares of a deceased stockholder.

### **Stock Purchase Agreement**

A formal buy-sell agreement whereby each stockholder is bound by the agreement to purchase the shares of a deceased stockholder and the heirs are obligated to sell.

### **Stock Redemption Agreement**

A formal buy-sell agreement whereby the corporation is bound by the agreement to purchase the shares of a deceased stockholder and the heirs are obligated to sell.

### **Stocks**

indicate ownership of a company by shares, which represent a piece of the corporation's assets and earnings.

### **Stop Gap**

Employers' liability coverage for injuries arising out of operations or exposures in monopolistic fund states.

### **Stop Gap Liability**

Provides Employers Liability coverage for those states where employers must obtain statutory workers compensation insurance from a compulsory state fund.

### **Stop Loss**

Any provision in a policy designed to cut off an insurer's losses at a given point. In effect, a stop loss agreement guarantees the loss ratio of the insurer.

### **Stop Loss Agreement**

A form of Excess-of-Loss reinsurance that defines the reinsured's retention as an aggregate.

### **Stop Loss Reinsurance**

A form of reinsurance under which the reinsurer reimburses the ceding company for the amount by which the ceding company's incurred losses, during the contract year exceed a specific loss ratio. Used particularly for classes of insurance with wide fluctuations in losses from one year to another, such as hail insurance.

### **Stop-Loss Insurance**

This is a type of reinsurance which can be taken out by a health plan or self-funded employer plan. The plan can be written to cover excess losses over a specified amount either on a specific or individual basis, or on a total basis for the plan over a period of time such as one year.

### **Stop-Loss Reinsurance**

(1) See Aggregate Excess of Loss Reinsurance. (2) A form of reinsurance under which the reinsurer reinsures the ceding insurer for an amount by which the latter's incurred losses in a calendar year for a specified class of business exceed a specified loss ratio.

### **Storekeepers Burglary and Robbery Insurance**

A type of package crime policy designed for a storekeeper which provides coverage on seven different crime hazards. A specific amount of coverage is purchased and the limits apply separately to each of the coverages. There is very little flexibility in that the insured must buy the package.

### **Storekeepers Liability Policy**

A single limit package policy covering bodily injury and property damage liability claims in the operation of the storekeeper's business. It includes limited coverage on contractual and products liability.

### **Straight Life Policy**

A whole life policy that stretches the premium payments over the insured's lifetime (to age 100). Also known as Continuous Premium Whole Life.

### **Stranded**

A term used to describe a ship that has run aground.

### **Strategic Asset Allocation**

Historical data is used in an attempt to determine how an asset class has performed and is likely to perform over long periods of time. The goal is not to "beat" the market, but to establish a long-term investment strategy using a core mix of asset classes.

**Strict Liability**

Usually used when referring to products coverage. The liability that manufacturers and merchandisers may be subject to for defective products sold by them, regardless of fault or negligence. A claimant must prove that the product is defective and therefore unreasonably dangerous.

**Strike-Through Clause**

A clause providing that, in the event of the insolvency of a ceding insurer, the reinsurer continues to be liable for its share of losses, which will then be payable directly to the insured rather than to the liquidator of the insolvent ceding insurer.

**Striking Price**

The amount at which a call or put option can be exercised, normally a price set close to the market price of the stock at the time the option is issued.

**Structured Settlements**

Periodic payments to an injured person or survivor for a determined number of years of life or for life, typically in settlement of a claim under a liability policy.

**Sub-Agents**

Agents reporting to other agents or general agents, and not directly to the company.

**Sub-Broker**

An intermediary from whom another intermediary obtains reinsurance business to be placed.

**Sub-Producer**

A producer who is working through another producer who, in turn, is working directly with the Insurance Company.

**Sub-Standard**

Below the standard (or "average"). Sub-standard risks in A&H insurance are usually modified, excluded or declined.

**Subbroker**

The intermediary from whom another intermediary obtains business to place.

**Subchapter S Corporation**

A corporate form of business in which all profits and losses are shared by the stockholders and thus the corporation is taxed on an individual basis as opposed to corporate taxation.

**Subject Premium**

"Subject Premium" is the portion of the Gross Program Premium subject to adjustments in accordance with the adjustment formula shown in this Binder. At the commencement of the program, it is the amount stated on the Pricing Page.

**Sublimit**

Any limit of insurance which exists within another limit. For example, special classes of property may be subject to a specified dollar limit per occurrence, even though the policy has a higher overall limit; a health insurance policy may limit certain benefits to fixed dollar amounts or maximum amounts per day, even though the overall coverage limit is higher.

**Sublines**

Individual lines of insurance, as defined in Commercial Statistical Plan (CSP), that are included within a larger category (Line of Insurance).

**Submitted Business**

Applications for insurance submitted to an insurer but not yet acted upon by it.

**Subordination**

Putting below in importance. Sometimes the creditors of a contractor will subordinate their interests in the obligations owed them until a construction project is completed. This has the effect of increasing the contractor's working capital.

**Subrogation**

A principle of law incorporated in insurance policies, which enables an insurance company, after paying a loss to its insured, to recover the amount of the loss from another who is legally liable for it.

**Subrogation Clause**

A clause giving an insurer the right to pursue any course of action, in its own name or the name of a policyowner, against a third party who is liable for a loss which has been paid by the insurer. One of its purposes is to make sure that an insured does not make any profit from his or her insurance. This clause prevents collecting from both the insurer and a third party. It is never part of a life insurance policy.

**Subrogation Release**

A release taken by an insurer upon indemnifying an insured. It contains a provision specifying that the insurer will be subrogated to the rights of recovery that the insured has against any person responsible for the loss.

**Subrogation Waiver**

A waiver by the named insured giving up any right of recovery against another party. Normally an insurance policy requires that subrogation (recovery) rights be preserved. In commercial property insurance, a written waiver of subrogation rights is permitted if it is executed before the loss occurs.

**Subscriber**

This term has two meanings - first, it refers to a person or organization who pays the premiums, and second, the person whose employment makes him or her eligible for membership in the plan.

**Subscriber Contract**

An agreement which describes the individual's benefits under a health care policy.

**Subscription Policy**

A policy to which two or more insurers may subscribe, indicating in the policy the share of the risk to be borne by each insurer.

**Subsidence**

Movement of the land on which property is situated. A structure built on a hillside may slide down the hill due to earth movement caused by heavy rains. This is different from earthquake damage.

**Substandard Risk**

A risk not measuring up to underwriting standards. It may still be written but usually at a surcharged premium.

**Succession Beneficiary**

As a general rule, benefits are usually paid to a named, designated beneficiary. If there are no designated beneficiaries or there are no living beneficiaries, then the benefit would be paid to 1) spouse ; 2) children ; 3) parents ; 4) brothers and sisters ; then if there are no survivors it goes to the Insured's estate.

**Sue and Labor Clause**

A provision permitting and requiring an insured to take all practical measures to protect any salvage, without prejudicing any right to claim against the insurer. The intent of this clause is to make sure the insured does not fail to use proper care to preserve the property. One effect of it is that in case of a total loss an insurer may pay the loss plus the cost of salvage.

**Summary Annual Report**

A summary of a qualified plan's operation which is required to be given to each participant annually.

**Summary Plan Description**

This is a recap or summary of the benefits provided under the plan. It is used most often with employees covered by self-funded plans.

**Superbill**

A form that specifically lists all of the services provided by the physician. It cannot be used in place of the standard AMA form.

**Superintendent of Insurance**

The title of the head of a state or provincial insurance department used in some jurisdictions. In most states the title "commissioner" is used.

**Superseded Suretyship Rider**

An endorsement or provision on a new bond under which the new bonding company assumes liability for claims that cannot be recovered from the prior bond because its discovery period has ended. The discovery period of a bond is normally one year, during which it will cover any loss which occurred during the term of the bond.

**Supplemental Actuarial Value**

The Actuarial Present Value of all benefits expected to be provided in the future under a plan reduced by the Actuarial Present Value of a future Annual Actuarial Values (including any Participants' contributions), with respect to the Participants included in the valuation of the plan.

**Supplemental Contract**

A rider usually relating to the method of settlement of the proceeds of a life insurance policy.

**Supplemental Executive Retirement Plans**

Similar to leverage COLI. The corporation uses cash value life insurance to meet its obligations to compensate executives.

**Supplemental Extended Reporting Period**

An optional "maxi tail" or "full tail" which extends for an unlimited period of time after expiration of a "claims-made" liability policy, and covers claims made after the policy period.

**Supplemental Health Business**

Health insurance products that are not intended to be the insured's primary health insurance. For example, hospital daily cash or other simple indemnity products that provide extra cash or can be used to cover the gap between the major medical benefits and out of pocket medical expenses.

**Supplemental Medical Insurance**

Part B of Medicare is a voluntary program which generally covers physician's services and various outpatient services. A premium is charged for electing Part B coverage.

**Supplemental Services**

Additional services which can be purchased over and above the basic coverage of a health plan.

**Supplementary Payments**

A provision in most liability policies under which the insurer agrees to pay defense costs, premiums on various bonds, interest accruing after a judgment, and other reasonable expenses in addition to the limit of liability.

**Surety**

(a) A term loosely used to describe the business of suretyship or bonds. Suretyship is an arrangement whereby one party becomes answerable to a third party for the acts or neglect of a second party. (b) The party in a suretyship arrangement who holds himself responsible to one person for the acts of another (customarily an insurance company).

**Surety**

One who guarantees the performance or faithfulness of another. A surety can be either a corporation or an individual, but it is usually an insurance company.



**Surety Association of America**

An association of bonding companies that establishes rules and regulations, rates and rating plans, and forms and collects information on rating that is supplied to members.

**Surety Bond**

An agreement providing for monetary compensation in the event of failure to perform specified acts within a stated period. The surety company, for example, becomes responsible for fulfillment of a contract if the contractor defaults.

**Surety Bond Guarantee Program**

A federal Small Business Administration program for minority contractors. The SBA agrees to back the surety company in the event of loss under a construction contract bond.

**Suretyship**

The means by which one person or entity, the surety, guarantees another entity, the obligee, that a third entity, the principal, will or will not do something. It differs from insurance by being a three-party contract, but most sureties today are insurers.

**Surgi-Center**

A separate facility (from a hospital) that provides outpatient surgical services.

**Surgical Insurance Benefits**

A form of health insurance against loss due to surgical expenses.

**Surgical Schedule**

A list of specified amounts payable for surgical procedures, dismemberments, ancillary expenses, and the like in hospital and medical reimbursement policies.

**Surplus**

The amount by which assets exceed liabilities.

**Surplus**

(Reinsurance) A reinsurer's portion of a risk, that part which remains after deducting the retention established by the ceding company.

**Surplus Lines**

(1) A risk or part of a risk for which there is no normal insurance market available. (2) Insurance written by nonadmitted insurance companies.

**Surplus Lines**

A risk or a part of a risk for which there is no market available through the original broker or agent in its jurisdiction. Therefore, it is placed with nonadmitted insurers on an unregulated basis, in accordance with the surplus or excess lines provisions of the state law.

**Surplus Reinsurance**

(1) A form of pro rata reinsurance wherein the reinsurer accepts that part of each risk written in excess of a specified retention. The part reinsured is usually a multiple of the retention. See also Lines. (2) The amount of any risk which exceeds the net line retained by the ceding company. The reinsurer receives premiums and contributes to the payment of losses in proportion to its share of the risk.

**Surplus Release**

The use of admitted reinsurance on a portfolio basis to offset extraordinary drains on policyholder's surplus.

**Surplus Share**

A variation of the Pro Rata reinsurance basis, whereby the insurer first chooses to retain a fixed limit and then proportionally shares premiums and losses with reinsurer(s) based on the fraction: (Retention)/(Total Limit).

### **Surplus Share Reinsurance**

Similar to a quota share arrangement except that the retention is stated as a dollar amount rather than as a percentage of the sum insured.

### **Surrender**

To give up a whole life policy. The insurer pays the insured the cash value which the policy has built up if it is surrendered.

### **Surrender Benefits**

That amount the policyholder is guaranteed if (s)he elects to surrender his/her policy. Such a benefit would be equal to the guaranteed cash value of the policy, plus any dividends due, less any outstanding policy loan amounts.

### **Survivor**

The beneficiary of an annuity contract, i.e., the annuitant's survivor.

### **Survivorship Benefits**

Funds available to pay an annuitant who survives longer than statistically expected from premiums paid by annuitants who died before they had collected amounts equal to their contributions.

### **Survivorship Life Insurance**

Also known as Joint and Survivor Insurance or second-to-die life insurance. Coverage on more than one person that pays a benefit after all of the insureds die. Survivorship life insurance might be used to help fund estate taxes after the deaths of a husband and wife or as a form of business continuation insurance.

### **Suspense**

In accounting, a temporary account where deposited funds can be held until the billing statement has been processed and the funds have been allocated to the appropriate accounts.

### **Swap Maternity**

A provision granting immediate maternity coverage in a group health insurance plan but terminating coverage on pregnancies in progress upon termination of the plan. The term "swap" means providing the coverage at the beginning of the policy where it is not usually provided, but not providing it after the end of the policy where it usually is provided.

### **Sweeper Clause**

Applies only to Permanent Invalidity (Continental Scale); if an insured suffers a permanent invalidity not specified (listed) in the schedule the insurance company will pay a benefit taking into consideration the stated percentages for specified losses shown in the schedule.

### **Switch Maternity**

A provision for group health maternity coverage on female employees only when their husbands are included in the plan as dependents.

### **Syndicate**

A group of insurers or underwriters who join to insure property that may be of such total value or high hazard that it can be covered more safely or efficiently on a cooperative basis.

### **Systematic Risk**

Also called market risk, or nondiversifiable risk. It is risk attributable to factors affecting all investments.

## **T**

### **T Tables**

The factors used to properly fund retirement benefits for employees of varying types of industries incorporating the ideas of interest, mortality, and turnover.

### **Table M**

This is a table of data used in retrospective rating. Historical data is gathered through the unit statistical plan, which shows

loss distributions by size of risk. Table M is used to determine the appropriate insurance charge for the retrospective rating formula.

**Tabular**

NCCI, or independent rating bureau, retrospective plan where the factors used to develop the basic premium are derived from filed tables of expected loss ratios, expense ratios, excess loss premium factors, hazard group differentials, tax multipliers and retrospective development factors. Note NCCI has discontinued tabular rating plans.

**Tabular**

Of or pertaining to a table. Tabular cost is the cost of mortality, morbidity, or other claims, according to the valuation tables and assumptions used by the insurer.

**Tabular Plan**

A retrospective rating plan, which uses tables to furnish the various values for the rating formula.

**Tabular Retro Plan**

These are retro plans that do not permit the flexibility of setting the plan parameters. Tabular retro plans are actually printed tables showing the pre-set plan parameters based on premium size. These were withdrawn in most states in 1991.

**Tacit Renewal**

Continuous renewal, unless prior notice of non-renewal is given.

**Tactical Asset Allocation**

Uses periodic assumptions about asset classes and the economy in general. The fund manager tries to improve portfolio performance by making "mid-course" changes in the long-term strategy based on near-term expectations.

**Tail**

This term has been used to describe both the exposure that exists after expiration of a policy and the coverage that may be purchased to cover that exposure. On "occurrence" forms a claims tail may extend for years after policy expiration, and the losses may be covered. On "claims made" forms tail coverage may be purchased to extend the period for reporting covered claims beyond the policy period.

**Take Ones**

These are printed pieces to be taken away. They are usually made available in a freestanding counter box with an elevated backboard.

**Take Out Credit**

Take Out Credit programs are available in a number of states. Take Out Credit is a plan to provide an incentive for insurers to take risks out of assigned risk pools. Carriers report premiums of risks taken out of assigned risk pools and receive a credit against their assessment base.

**Takeover Credibility**

Credibility of prior loss information from another carrier.

**Target Benefit Plan**

A qualified plan which is a combination of a defined benefit and defined contribution plan whereby an employer is required to fund a specific targeted benefit for plan participants. Target benefit plans impose defined contribution limitations for plan funding.

**Target Rate of Return**

This return is the starting point for the optimization program to search for more efficient portfolios and may be based on the client's required return to meet an investment goal.

**Target Risk**

(1) Certain high-value bridges, tunnels, and fine art collections that are excluded from an automatic reinsurance contract to permit specific handling of the capacity problem and to release the reinsurer from the potential heavy accumulation of

liability on any one risk. (2) A large, hazardous risk on which insurance is difficult to place. (3) A large, attractive risk that is considered a target for competing insurance companies. (4) A large risk that attracts unusually keen competition among insurers, agents or brokers. (5) A large hazardous risk on which insurance is difficult to place and which is often only the hazardous risk carved out of a larger more balanced risk.

**Tariff Rate**

A rate established by a rating organization, which comes from the tables, schedules and rules found in the tariff of rates.

**Tax Basis**

Money which has yet to be taxed, usually part of a qualified plan benefit or distribution.

**Tax Equity and Fiscal Responsibility Act**

A federal law intended to prevent group term life insurance plans from discriminating in favor of "key" employees, and which amends the Social Security Act to make Medicare secondary to group health plans.

**Tax Factor**

A factor applied in retrospective rating to an insurance premium to increase it to cover state premium taxes.

**Tax Levels**

A IRS lien against the value of a life insurance contract for taxes owed

**Tax Multiplier**

A factor in the retro rating formula which covers licenses, fees, assessments and taxes which the insurance carrier must pay on the premium which it collects.

**Tax Sheltered Annuity**

An annuity program under which contributions reduce the taxable income of participating employees, and the benefits are not taxable until distributed.

**Tax-Deferred**

Description of an investment whose earnings are not taxed until they are distributed to an investor. For example, funds placed in an individual retirement account (IRA) or Keogh plan are not taxed until withdrawal or when annuity payments begin.

**Tax-Deferred Annuity**

A tax-favored plan that permits an employee of a qualifying organization to enter into an agreement with his or her employer to have a portion of his or her earnings set aside for retirement. Income tax is deferred on the contributions, provided the amounts are used to purchase an annuity contract or regulated investment company's shares, as well as the interest and earnings. Contribution amounts are limited by tax law and taxes are due on all contributions and interest and earnings upon withdrawal or when annuity payments begin, usually at retirement.

**Tax-Exempt Securities**

Bonds offering income payments that are not subject to taxation. These securities are issued by various state and local governments and are often called "municipals" or "munis."

**Tax-Free Rollover**

The tax-free transfer of assets from one qualified retirement plan to an IRA or annuity, and vice versa.

**Taxable Estate**

Is equal to the adjusted gross estate less the marital deduction property and any charitable deductions.

**Teachers Insurance and Annuity Association**

An organization selling life and health insurance and annuities to college and university staff members.

**Tele**

The use of telecommunications as a sales vehicle.

**Temporary Agent**

A person who is licensed to act as an agent for a brief period of time (usually 90 days) without taking a written examination. Temporary licenses are commonly granted to allow someone to continue the business of an agent who has died, become disabled, or entered active military service.

**Temporary Disability Benefits**

Legislated benefits payable to employees for nonoccupational disabilities under TDB laws in certain states.

**Temporary Partial Disability**

This type of injury is considered temporary in terms of time and partial in terms of disabling injury.

**Temporary Partial Disability**

A condition where an injured party's capacity is impaired for a time, but he is able to continue working at reduced efficiency and is expected to fully recover.

**Temporary Total Disability**

A condition where an injured party is unable to work at all while he is recovering from injury, but he is expected to recover.

**Temporary Total Disability Claim**

This type of injury is temporary in terms of time, but during the temporary period of time the injury is total as respects its impact on the claimant.

**Ten Day Free Look**

A notice, placed prominently on the face page of the policy, advising the insured of his or her right to examine a health policy, and if dissatisfied return the policy within ten days for a full refund of premium and no further obligation.

**Ten Year Funding**

Primarily for older individuals, this type of funding requires that premiums be payable for 10 years even though retirement is permitted within 10 years.

**Tenancies for Years**

Ownership of real property for a specific period of time.

**Tenancy by the Entirety**

A form of property ownership similar to joint tenancy, but which carries no rights of survivorship, no exclusions from the probate process and no protection from lawsuits and creditors.

**Tenants Improvements and Betterments**

Property affixed to an owner's building by the lessee or tenant which may not be legally removed at the end of the rental period.

**Tenants in Common**

Where two or more persons have undivided ownership and possession of real property, but (unlike joint tenancy) each owner may transfer or dispose of their share of ownership. Contrast with Fee Simple and Joint Tenancy.

**Tenants Policy**

A Homeowners form which is specifically designed for people who rent.

**Term**

The length of a policy period. It also may refer to the length of time for which a specific coverage is provided, as in those situations where the term of the coverage is less than that of the entire policy.

**Term Insurance**

Life insurance payable to a beneficiary only if an insured dies within a specified period. Term insurance does not have cash value or a savings element.

**Term Insurance**

The type of life insurance policy that provides protection only for a specified period of time. A common policy period would be one year, five years, 10 years, or until the insured reaches age 65 or 70. It does not build up any of the nonforfeiture values associated with whole life policies. Contrast with Whole Life Insurance.

**Term Life**

A life insurance product that has no cash or investment values for the insured; a pure-risk-only life policy.

**Term Life Insurance**

Insurance that covers the insured for a specified period such as one, five, or 10 years, often with an option to renew. Premiums are paid throughout this time, but generally become higher during the course of the term, as the policyholder grows older.

**Term Rule**

The provision in a rating manual which states the periods for which coverages run, and discounts, if any, which apply to the rates or premiums of policies issued for more than one year.

**Terminal Funding**

This type of funding also requires no funds to be set aside for retirement benefits, however, as each employee retires, an immediate lifetime annuity is purchased for him or her.

**Terminally Ill**

A term which refers to the status of a person who will normally die within 6 months of a specific illness or sickness. Often refers to the terminally ill requirement for hospice care.

**Termination**

The time the coverage under an insurance policy ends, either because its term has expired or because it has been cancelled by either party.

**Terms and Condition**

The terms and conditions of our policy spell out exactly what the insured is covered for as well as such general provisions as how to file a claim, cancellation privileges, etc. It spells out what is required of the insured and what is required from the Company.

**Tertiary Beneficiary**

A beneficiary designated as third in line to receive proceeds or benefits if the primary and secondary beneficiaries do not survive.

**Tertiary Care**

Services provided by such providers as thoracic surgeons, intensive care units, neurosurgeons, etc.

**Test or Split**

In direct marketing a Test or Split is a Campaign Selection run to verify the impact of particular characteristics of the Campaign. After running a Test a Rollout may follow.

**Testamentary Capacity**

The testator satisfies the necessary requirements imposed by law for the purpose of making a will; the ability to form a valid will.

**Testamentary Transfer**

Transfer of the assets of an estate according to the provisions of the deceased person's last will and testament. Contrast with Inter Vivos Transfer.

**Testamentary Trust**

A trust created after the grantor's death, according to the provisions of the deceased person's last will and testament.

Contrast with Inter Vivos Trust.

**Testing Exclusion**

In boiler and machinery insurance, a provision that excludes coverage for any object while it is being tested.

**Thaisoi**

An ancient Greek benevolent society which was a step in the evolution of life and health insurance.

**The Risk and Insurance Management Society**

An association of 7,500 risk managers representing more than 4,400 industrial, service, non-profit and public sector organizations.

**Theatrical Floater**

An inland marine form used to cover theatrical properties, such as costumes and scenery.

**Theft**

The act of stealing. It includes such acts as larceny, burglary, and robbery.

**Theft, Disappearance and Destruction Coverage Form**

A commercial crime coverage form covering money and securities against the causes of loss described in its title.

**Theory of Probability**

The mathematical principle upon which insurance is based.

**Therapeutic Alternatives**

Alternate drug products which may be different in chemical content, but provide the same effect when administered to patients.

**Therapeutic Equivalence**

Different drugs which will control a symptom or illness exactly the same as other drugs used to control that illness.

**Third Party Administration**

Organizations who administer qualified plans by providing accounting and actuarial services as well as filing of various reports required by the IRS and the Department of Labor.

**Third Party Administrator**

An independent claims service, available to the insurance industry or its clients.

**Third Party Beneficiary**

A person who is not a party to a contract but who has legally enforceable rights under the contract. It might be a life insurance beneficiary, or a mortgagee.

**Third Party Contract**

Protection of the insured against liability for damage to or destruction of the bodies or property of others. The third party is the person injured or whose property is damaged; the other two parties being the insured and the insurance company.

**Third Party Insurance**

A term for liability insurance. Liability always involves a third party, the one who has suffered a loss, in addition to the insurer and the insured.

**Third Party Liability**

A liability owed to a claimant (or "third party") who is not one of the two parties to the insurance contract. Insured liability claims are referred to as third party claims.

**Third-Party Payor**

This refers to any organization such as Blue Cross/ Blue Shield, Medicare, Medicaid, or commercial insurance companies

which is the payor for coverages provided by a health plan.

### **Three-Fourths Value Clause**

A clause stating that the maximum loss the insurer will pay is three-fourths of the actual cash value of the property. It is rarely used today.

### **Threshold**

Also known as Conquest Price: Is typically used in a direct marketing context, the conquest price is the premium level that has been determined through market testing to be the most effective to maximize net response rate and campaign TARP. Direct marketing products are typically designed to arrive at an established conquest price.

### **Threshold Level**

The point at which the insured may bring tort action under a modified No-Fault Auto Plan. Many of these plans prohibit tort action for pain and suffering unless medical bills exceed some figure, like \$1,000, or disfigurement or death occurs.

### **Thrift Plan**

A defined contribution plan that requires employee contributions. These contributions are matched by employer contributions. Earnings on contributions accumulate on a tax-deferred basis until withdrawal or when annuity payments begin, usually at retirement.

### **Ticker Symbols**

A system of letters used to uniquely identify a stock or mutual fund. Symbols with up to three letters are used for stocks which are listed and traded on an exchange. Symbols with four letters are used for NASDAQ stocks. Symbols with five letters are used for NASDAQ stocks other than single issues of common stock. Symbols with five letters ending in X are used for mutual funds.

### **Ticket Reinsurance**

A notation on a separate sheet of paper attached to a daily report setting forth the details of any reinsurance which has been effected.

### **Time Element Insurance**

Insurance which covers expenses consequent to damage or destruction by an insured peril that continue over a period of time. The amount paid depends on the length of time during which the expenses accumulate. An example would be Business Interruption insurance, which pays for the loss of earnings during the time it takes to repair the property.

### **Time Horizon**

The amount of time remaining until the money will be needed by the investor.

### **Time Limit on Certain Defenses**

One of the uniform individual accident and sickness provisions required by state law to be included in every Individual health Policy. It sets a limit on the number of years after a policy has been in force that an insurer can use as a defense against a claim the fact that a physical condition of the insured existed before the policy was issued, but was not declared at that time.

### **Time Limits**

The limits of time within which notice of a claim and proof of a loss must be submitted.

### **Time of Payment of Claims Provision**

A health insurance provision that requires that claims be paid immediately upon receipt of proofs of loss. Some states specify a number of days in place of the word "immediately".

### **Title Insurance**

A device by which the purchaser of real estate may be protected against losses in case it is discovered that the title obtained is not legitimate or can be made legitimate only after certain payments are made.

### **Title Insurance**

Insurance which indemnifies the owner of real estate in the event that his clear ownership of property is challenged by the



discovery of faults in the title.

### **Tobacco Sales Warehouses Coverage Form**

A commercial property coverage form used to insure tobacco warehouse operations. Tobacco is covered only while in the warehouse, and only for a limited period before, during, and after the regular auction season.

### **Tontine Policy**

A kind of policy that came into use after the Civil War. It was a high premium contract that paid dividends to those participants who were still living at the end of a stated period, at the expense of those who had died or let their policies lapse. It is almost the opposite of insurance and is no longer allowed by law.

### **Top Line**

The gross premium written (GPW) and sometimes referred to as Direct Written Premium (DWP).

### **Tort**

A wrongful act, resulting in injury or damage, on which a civil action may be based.

### **Tort**

A private wrong, independent of contract and committed against an individual, which gives rise to a legal liability and is adjudicated in a civil court. A tort can be either intentional or unintentional, and it is mainly against liability for unintentional torts that one buys liability insurance.

### **Tortfeasor**

A person who has committed a tort.

### **Total Annualized Renewal Premium**

It represents the direct marketing campaign's Gross Premium received if all converted policies remain in force for 12 months.

### **Total Disability**

Disability which prevents the insured from performing any duty of his usual occupation or from performing any occupation for remuneration. The actual definition in any case depends upon the wording in the policy.

### **Total Estimated Annual Premium**

Standard Premium less deductible discount less premium discount, plus or minus other modifications such as Drug-Free credits, Safety credits, Managed Care credits, Merit Rating plus Expense Constants.

### **Total Loss**

A loss of sufficient size so that it can be said there is nothing left of value. The complete destruction of the property. The term is also used to mean a loss requiring the maximum amount a policy will pay.

### **Total Marketing Cost**

Total Marketing Costs = Marketing Cost + Incentive Cost + Creative Cost + Fulfillment Cost. If commissions are included in the marketing cost calculation it is important to make sure the file and internal communications are noted accordingly.

### **Total Return**

The rate of return on an investment, including all dividends and interest, plus or minus any change in the value of the asset. Also, an investment strategy that seeks a combination of growth and income.

### **Transfer**

This is a tax-free exchange directly from one tax-qualified product to another tax-qualified product of the same type [403(b) to 403(b), IRA to IRA, Pension to Pension, HR10 to HR-10].

### **Two and Five Day Rule**

Once an insurance company receives an in good order application for a variable product and an initial purchase payment, it must process the purchase payment and issue the contract within two business days. If an insurance

company receives an initial purchase payment and an application that is not in good order, it has five business days to obtain enough information to complete the application (it can hold the purchase payment for more than five days only if the applicant specifically consents) or return the purchase payment.

## U

### **U.S. Government Securities**

Securities issued by the U.S. government (i.e., Treasury bills, notes and bonds).

### **U.S. Longshoremen's and Harbor Workers' Compensation Act Coverage**

A Federal law which provides for payment of compensation and other benefits to employees such as longshoremen, harbor workers, ship repairmen, shipbuilders, shipbreakers and other employees engaged in loading, unloading, repairing or building a vessel. It applies to such employees while working on navigable waters of the United States and also while working on any adjoining pier, wharf, dry dock, terminal, building way, marine railway, or other area adjoining such navigable waters customarily used for loading, unloading, repairing or building a vessel. It does not cover masters or members of the crew of a vessel.

### **ULAE- Unallocated Loss Adjustment Expense**

Expenses of loss adjustment that cannot be charged specifically to any claim. Examples would be claim department salaries and office overhead.

### **Ultimate Incurred Loss Plan**

Loss Sensitive program in which you are paying, in advance of actual loss dollar payment, for the ultimate cost of expected losses and expenses that will occur during the policy period.

### **Ultimate Net Loss**

Refers to the net loss of an insurance company for the purposes of reinsurance recovery. I.e. under a catastrophe excess of loss reinsurance contract the reinsurer(s) will only count an insurance company's ultimate net losses in determining reinsurance liability. In determining the ultimate net loss all other applicable reinsurance placed on the same exposure must be deducted such as facultative placement.

### **UM/UIM/PIP**

Uninsured Motorist Coverage, Underinsured Motorist Coverage and Personal Injury Protection. All three are specific coverage available under a Business Auto, Truckers' or Garage Liability Policy.

UM and UIM coverage provides an insured with bodily injury (and in some states, property damage) coverage from its own carrier as if collecting from the tortfeasor's carrier.

PIP is a statutorily provided coverage that has insurers provide first party benefits for medical expenses, loss of income, funeral expenses and such without regard to fault.

### **Umbrella Coverage**

A form of insurance protection against losses in excess of amounts covered by other liability insurance policies or amounts not covered by the usual liability policies.

### **Umbrella Insurance Policy**

A policy with its own grant of coverage which provides limits of liability over specified underlying policies and/or self-insured retentions, in areas not covered by such underlying insurance.

### **Umbrella Liability**

Covers losses in excess of amounts covered by other liability insurance policies; also protects the insured in many situations not covered by the usual liability policies.

### **Umbrella Liability Policy**

A coverage basically affording high limit coverage in excess of the limits of the primary policies as well as additional liability coverages. These additional coverages are usually subject to a substantial self-insured retention. The term "umbrella" is derived from the fact that it is a separate policy over and above any other basic liability policies the insured may have.

**Umbrella Policy**

An insurance policy that provides excess liability coverage for both homeowners and automobile insurance, as well as coverage in some areas not provided for in either of these policies.

**Umpire**

For property coverage, if a company and a claimant fail to agree on the amount of loss, each may appoint an appraiser, and these in turn select an umpire. A decision by any two of the three is binding.

**Unallocated Benefit**

A benefit providing reimbursement of expenses up to a maximum but without any schedule of benefits as such.

**Unallocated Funds**

Plan contributions are made or pooled for the benefit of all plan participants collectively.

**Unapproved Forms**

Any contractual form (policy or endorsement), election form, notice to insureds, proof of coverage form, certificate of insurance, and the like which do or may impose legal obligations on the Company, which have not been either:

1. Filed with and approved by the insurance department of the state in which it applies, or
2. Approved for use by the DBG legal division and the SWC Chief Underwriting Officer.

**Unassigned Funds**

Also known as Surplus: The undistributed and unappropriated amount of statutory surplus.

**Underground Property Damage**

Refers to damage to underground property, such as wires, conduits or pipes, sewers, etc., beneath the surface of the ground caused by the use of mechanical equipment for the purpose of grading land, paving, excavating, drilling, burrowing, filling, backfilling, or pile driving.

**Underinsurance**

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

**Underinsured Motorist Coverage**

A coverage in Business Auto Policy (BAP) under which the insurer pays damages to the insured up to specified policy limits, for bodily injury caused by another driver who is not adequately insured.

**Underinsured Motorists Coverage**

A coverage in an automobile insurance policy under which the insurer will pay damages up to specified limits for bodily injury damages, if the limits of liability under the liable motorist's policy are exhausted and he cannot pay the full amount he is liable for.

**Underlyer**

Local policies issued under a Master Account Policy. The local policies are necessary if there are specific multinational country requirements under the Master Account Policy.

**Underlying**

In respect to excess of loss coverage, refers to that amount of risk which attaches before the next higher layer of insurance or reinsurance.

**Underwriter**

A person trained in evaluating and selecting risks and determining the rates and coverages that will be used for them. The underwriter also will participate in the marketing, auditing and product development functions within specific lines of business.

**Underwriter**

An employee of an insurance company who examines, accepts or rejects risks and classifies accepted risks in order to charge an appropriate premium for each accepted risk. The underwriter is expected to select business that will produce an average risk of loss no greater than that anticipated for the class of business.

**Underwriter**

A technician trained in evaluating risks and determining rates and coverages for them. The term derives from the practice at Lloyd's of each person willing to accept a portion of the risk writing his or her name under the description of the risk.

**Underwriters Laboratories, Inc.**

A testing laboratory for manufactured items to determine their safety propensities.

**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**

The insurer's or reinsurer's process of reviewing applications for insurance coverage, and the decision whether to accept all or part of the coverage and determination of the applicable premiums; also refers to the acceptance of such coverage.

**Underwriting Expense Ratio**

The ratio of underwriting expenses incurred to net premiums written.

**Underwriting Loss**

Loss Ratio and Expense Ratio is less than 100%.

**Underwriting Profit**

Loss Ratio and Expense Ratio is greater than 100%.

**Underwriting Profit (or Loss)**

(1) The profit or loss realized from insurance operations, as contrasted with that realized from investments. (2) The excess of premiums over losses and expenses (profit) or the excesses of losses over premiums (loss).

**Underwriting Profit or Loss**

The pretax profit or loss experienced by a property and casualty insurance company after deducting loss and loss adjustment expenses and operating expenses from net earned premiums. This profit or loss calculation includes reinsurance assumed and ceded but excludes investment income.

**Undiscounted Standard Premium**

Premium before the application of premium discount, but after the experience and schedule modification.

**Unearned Premium**

That portion of the written premium applicable to the unexpired or unused part of the period for which the premium has been paid. For example, if the one year premium is \$1200, at the end of the first month of the policy period, the company will have an earned premium of \$100 and have an unearned premium of \$1100.

**Unearned Premium**

That portion of the written premium applicable to the unexpired or unused part of the period for which the premium has been paid. Thus, in the case of an annual premium, at the end of the first month of the premium period eleven-twelfths of the premium is unearned.

**Unearned Premium Reserve**

The amount shown in the insurance company's balance sheet which represents the approximate total of the premiums which have not yet been earned as of a specific point in time.

**Unearned Reinsurance Premium**

That part of the reinsurance premium applicable to the unexpired portion of the policy reinsured.

**Unemployment Compensation Disability Insurance**

Health insurance that covers off-the-job accidents and sickness. It does not cover disability resulting from an injury or

sickness covered by workers compensation insurance.

**Unemployment Insurance**

Insurance against loss of income due to unemployment. It is funded by payroll taxes and subject to control by both the federal and state governments. Individuals who are willing and able to work qualify for this insurance by working at a job in an eligible classification, earning a minimum amount of money, and being subject to involuntary unemployment.

**Unfair Claim Settlement Practices Law**

State laws designed to protect the consumer against unfair practices in the reporting, investigation, payment, and final resolution of insurance claims.

**Unfair Trade Practices Law**

State laws designed to protect the consumer against misleading, deceptive, monopolistic, or otherwise unfair practices in the business of insurance.

**Unfunded Plan**

Any pension plan which follows a "pay-as-you-go" method.

**Unfunded Supplemental Actuarial Value**

The excess of the Supplemental Actuarial Value over the Actuarial Asset Value.

**Unified Tax Credit**

A standard credit (currently \$192,800) which can be used to offset gift and federal estate tax liabilities.

**Uniform Billing Code of 1992**

This code is scheduled to be implemented on October 1, 1993. It's a federal directive which states how a hospital must provide their patients with bills, itemizing all services included and billed on each invoice.

**Uniform Forms**

The wording on many policy documents has been agreed upon by most companies and standardized. They are printed and distributed by rating bureaus and by certain well-known establishments and are called standard or uniform forms.

**Uniform Premium**

A rating system that is used to calculate premiums for all insureds with no distinctions as to age, sex or occupation.

**Uniform Provisions**

(Health) A set of provisions regarding the operating conditions of individual health policies developed in a model law recommended by the National Association of Insurance Commissioners and required, with minor variations by almost all jurisdictions, and permitted in all jurisdictions.

**Uniform Provisions**

(Life) A set of provisions required by state law in life insurance policies. The actual wording of the provisions can vary, but the intent must be the same as the wording of the uniform provisions.

**Uniform Simultaneous Death Act**

State law which states that if the insured and beneficiary die in the same accident and it cannot be determined which died first, it will be assumed that the beneficiary died first, and all proceeds will then pass to the insured's contingent beneficiary.

**Unilateral Contract**

A contract such as an insurance policy in which only one party to the contract, the insurer, makes any enforceable promise. The insured does not make a promise but pays a premium, which constitutes the insured's part of the consideration.

**Uninsured Motorist Coverage**

A coverage in BAP under which the insurer pays damages to the insured for which another motorist is liable if that

motorist is unable to pay because he/she is uninsured. This coverage usually applies to Bodily Injury damages only. Injuries to the insured caused by a hit-and-run driver also are covered.

### **Uninsured Motorists Coverage**

A coverage in an automobile insurance policy under which the insurer will pay damages to the insured for which another motorist is liable if that motorist is unable to pay because he is uninsured. This coverage usually applies to bodily injury damages only. Injuries to the insured caused by a hit-and-run driver are also covered.

### **Unismoke Rate**

A premium that is charged regardless of smoking. Many products are priced according to smoking- i.e. non-smokers get a lower price than smokers.

### **Unit Benefit Plan**

A type of pension plan providing retirement benefits as a definite amount or percentage of earnings for each year of service with the employer. If a unit of annuity is purchased each year to fund the ultimate benefit, this may also be referred to as a unit-purchase type of plan.

### **Unit Investment Trust**

An investment company that has its own portfolio of securities in which it invests. It sells interests in this portfolio in the form of redeemable securities. UITs can be of two types: fixed (no portfolio changes are made) and nonfixed (portfolio changes are permissible).

### **Unit Stat Reporting System**

The Unit Stat Reporting System provides an efficient and accurate method of filing Unit Statistical Reports on a timely basis. A Unit Statistical Filing is made to the National Council on Compensation Insurance (NCCI) and the Independent Bureaus for every Workers Compensation policy issued in each state in which the policy has exposure. The Filings are utilized by NCCI and Bureaus for rate making purposes, actuarial and statistical studies, and promulgation of experience modifications. Therefore, the accuracy of the data directly affects the revenue for all insurers of Workers Compensation in the jurisdiction of a particular rating bureau.

### **Unit Statistical Report**

The unit statistical system is commonly referred to as "unit stat" or "USP". It is the statistical backbone of the workers compensation system. All insurance carriers writing workers compensation must report payroll and loss data for each state on each and every workers compensation policy written.

### **United States Government Life Insurance**

A form of life insurance issued to members of the armed forces during World War I until about the end of World War II.

### **Universal Life**

A combination flexible premium, adjustable life insurance policy. The premium payer may select the amount of premium he or she can pay and the policy benefits are those which the premium will purchase. Or, the premium payer may change the amount of insurance and pay premium accordingly. Many believe this is the only true solution to the "buy term invest the difference" problem.

### **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 and 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 rates which may change from time to time.

### **Universal Mercantile System**

A process used in some areas to rate property insurance risks. It is being replaced rapidly by a new system developed by the Insurance Services Office.

### **Unlevel Commission System**

A system of commissions under which the first year commission is a higher percentage of the premium than are renewal

commissions.

**Unmodified Premium**

The sum for all class codes of rates per \$100 of payroll plus increased limits premium for employer's liability and certain balance-to-minimum premiums, including FELA and Maritime minimum premiums.

**Unoccupied**

Refers to property which may be furnished or have furnishings in it but is not occupied or being lived in. The Standard Fire policy prohibits unoccupancy beyond a specified period of time. This term is contrasted with vacant, which means that there is nothing within the building.

**Unpaid Premium Provision**

A provision in a health insurance policy that allows deduction of unpaid premiums from claims payments.

**Unqualified Plan**

Any pension plan which does not meet the qualifications for special tax advantages as set forth in the IRS Code.

**Unreported Claims**

A reserve, based on estimates, to set up claims that have occurred but have not yet been reported to the insurer as of the time when either the policy has expired or the insurer is preparing its annual statement.

**Unsatisfied Judgment Fund**

Several states have laws which provide for reimbursement to a person injured in an automobile accident who has been unable to collect from the person responsible.

**Unscheduled Premium Payments**

In universal life insurance, the policyowner can pay extra premiums in addition to the scheduled premium payment amount. These payments can be made at any time, but are subject to a minimum amount.

**Unsystematic Risk**

Also called nonmarket or diversifiable risk. It is risk attributable to factors unique to the security.

**Up-Selling**

Promotion of more expensive products or services over the product originally discussed.

**Upgrade**

This is an offer which increased the amount of one or more coverage's by which are already in force on an existing policy. e.g.: A hospital cash policy which currently affords \$50 per day may be upgraded to provide a \$100 per day.

**Use and Occupancy Insurance**

A term that was once used to refer to the coverages later known as Business Interruption insurance, and now called Business Income Coverage. In this sense it is obsolete. It is, however, still used to refer to such loss of earnings in Boiler and Machinery insurance. It is also used in some contracts which promise to pay on a valued basis, or fixed amount, for each day the insured is deprived of the use or occupancy of described property because of damage caused by a peril insured against.

**Utilization**

This refers to how much a covered individual or group uses a particular health plan or program.

**Utilization and Review Committee**

A committee composed of medical personnel whose purpose it is to monitor the health care services and supplies provided to Medicare patients.

**Utilization Management**

This procedure or process utilizes a review coordinator to evaluate the necessity and appropriateness of various health care services.

**Utilization Review**

The review of services (specifically at AIGCS surgery, in-patient hospitalization, chiropractic reviews over 12 visits, and all experimental treatment) delivered by a health care provider to evaluate the appropriateness, necessity, and quality of the prescribed services. The review can be performed on a prospective and/or concurrent basis.

**Utilization Review**

A cost control mechanism by which the appropriateness, necessity, and quality of health care is monitored by both insurers and employers.

**Utmost Good Faith**

Acting in fairness and equity with a sincere belief that the act is not unlawful or harmful to others. The insurance contract requires that each party is entitled to rely upon the representations of the other without attempts to conceal or deceive.

**V****Vacant**

A term used in property insurance to describe a building that has neither occupants nor contents. Contrast with Unoccupied.

**Valuable Papers and Records Coverage**

An open perils (all risk) coverage for physical loss or damage to valuable papers and records of the insured. It includes practically all types of printed documents or records except money.

**Valuation**

(Life) Calculation of the policy reserve in life insurance.

**Valuation**

Estimation of the value of an item, usually by appraisal.

**Valuation**

(Pension) A mathematical analysis of the financial condition of a pension plan.

**Valuation Assumption**

An actuarial estimate of probable future experience of a pension plan with respect to rates of mortality, disability, turnover, age at hiring, age at retirement, investment yield, etc.

**Valuation Clause**

A clause stating the value of items for insurance purposes, making it a valued policy.

**Valuation Date**

The cut off date for adjustments made to paid claims and reserve estimates in a loss report.

**Valuation Reserve**

A reserve against the contingency that the valuation of assets, particularly investments, may be higher than what can be actually realized or that a liability may turn out to be greater than the valuation placed on it.

**Value Proposition**

When a company offers a product or service, the prospective buyer will consider purchase based on a wide range of considerations including the tangible product features, pricing, company reputation, distribution method, the customer service, etc. And each of these factors represents a certain amount of value to the buyer. It is the combination of all these factors that represents the consumer value proposition, and all of these factors should be considered and carefully packaged and communicated to maximize appeal and purchase take-up with target consumers.

**Value Reporting Form**

Commercial form designed for businesses that have fluctuating merchandise values during the year. As values are reported (monthly, quarterly or annually) the amount of insurance is adjusted. Reporting forms help eliminate problems of



overinsurance and underinsurance, as well as the need to continually endorse a policy.

### **Valued**

Relating to an agreement by an insurer to pay a specified amount of money to or on behalf of the insured upon occurrence of a defined loss.

### **Valued Policy**

A policy which states that in the event of a total loss, a specific amount will be paid, that being the amount stated in the policy. The effect is to eliminate the need for determining the actual cash value of an item of property in the event of a total loss. It is generally used with certain more valuable items, such as fine arts, antiques, and furs.

### **Valued Policy Law**

A law passed by a state legislature which requires that in the event of a total loss to a building, the insurance company must pay the face amount of a valued policy, regardless of the actual cash value of the property which was destroyed. It can have the effect of allowing the insured to recover an amount much greater than the actual cash value of the property. The intent of the law is to guard against unscrupulous insurers purposely writing in excess of the value of property in order to collect greater premiums.

### **Values**

Used in life insurance terminology as a shortened term for nonforfeiture values.

### **Vandalism**

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

### **Vandalism and Malicious Mischief**

Damage or destruction to property which is willful. Traditionally VM&M coverage was optional on many forms or added by endorsement, but today it is automatically covered by basic commercial and homeowner forms.

### **Variable Annuities**

Investment contracts whose issuer pays a periodic amount linked to the investment performance of underlying portfolios. The contract's returns vary with the performance of the underlying investments. Variable annuities are one of the most popular types of annuities.

### **Variable Annuity**

An annuity contract in which the amount of the periodic benefit varies, usually in relation to security market values, a cost-of-living index, or some other variable factor in contrast to a fixed or guaranteed return annuity. As a hedge against inflation, the variable annuity presents investment risks to the annuitant.

### **Variable Contracts**

Contracts such as variable annuities or variable life insurance which contain an element of risk for the investor depending on the performance of the separate account backing the contract. Generally, these contracts are products of insurers but regulated by both state insurance departments and the federal government.

### **Variable Life Insurance**

Any individual policy that provides life insurance, the face amount or duration of which varies according to the investment performance of the separate account established and maintained by the insurer for such a policy.

### **Variable Universal Life**

A policy combining features of Universal Life and Variable Life Insurance in that excess interest credited to the cash value account depends on investment results of separate accounts (equities, bonds, real estate, etc.). The policyowner selects the accounts into which the premium payments are to be made. However, since this is security, filing with the Securities and Exchange Commission (SEC), an annual prospectus, an audit of separate accounts, and agent registration with the National Association of Securities Dealers (NASD) are required.

### **Variable Universal Life Insurance**

A form of life insurance within which the benefits, payable upon death or surrender and/or the premium vary with the

investment performance of the assets backing the contract. These contracts usually include a choice of investments, such as stocks, bonds, money market accounts, etc. Earnings from variable life policies are tax-deferred until distributed.

**Vendee**

A person who purchases property.

**Vendor**

A person who sells property.

**Vested Commissions**

Commissions on renewal business which are paid to the agent whether or not he or she still works for the insurance company with which the business is placed.

**Vested Interest**

A person has a right to either the present or future enjoyment of personal property.

**Vested Liability**

The present value of a participant's retirement benefits which are non-forfeitable.

**Vesting**

The attainment of a benefit right by a participant, attributable to employer contributions, that is not contingent upon a participant's continuation in specified employment.

**VGA- Voluntary Group Accident**

Accident coverage that is provided to a group (usually employees) on a voluntary basis, the former name for Worksite Marketing or Voluntary Employee Benefit. In the US in DBG, VGA is PAI. Other companies have different names for the same product.

**Viatical Settlement**

A written contractual agreement under which the policyholder of a life insurance contract covering the life of a terminally ill person assigns, transfers ownership, or otherwise irrevocably designates all control and rights in the contract to another person or entity in exchange for the advance payment of a portion of the death benefits. Under these arrangements, a portion of the proceeds is paid to the insured or policyholder prior to the actual death of the insured person.

**Viatical Settlement Company**

A company or firm that specializes in negotiating viatical settlements with policyholders of life insurance contracts covering the lives of terminally ill persons.

**Vicarious Liability**

The law says that under certain circumstances a person is liable for the acts of someone else. For example, in matters related to an automobile a parent might be held responsible for the negligent acts of a child. In such a case the parent would be vicariously liable.

**Vis Major**

An accident for which no one is responsible, an act of God.

**Vision Care Coverage**

A health care plan usually offered only on a group basis which covers routine eye examinations, and which may cover all or part of the cost of eyeglasses and lenses.

**Vocational Rehabilitation**

The process of returning a qualified injured worker (QIW) back to the workforce either through modified or alternative work with the same employer, direct job placement with a new employer, on-the-job training with new employer, formal educational retraining in a new career field, or self-employment.

**Void**

A term used to describe a policy contract that is completely free of all legal effect.

**Voidable**

A policy contract that can be made void at the option of one or more of the parties to it. An example would be a property insurance policy which is voidable by the insurer if the insured commits certain acts.

**Volatility**

Accepted by academics and financial planning practitioners as a representation of risk, expressed statistically as the standard deviation, which analyzes the fluctuation of returns of an investment around an average. Also defined as the tendency of a security or market to fluctuate in price.

**Voluntary Compensation**

A method by which an employer may provide his/her employees with Workers Compensation coverage, given that such coverage is not already mandated for such employees by the state government.

**Voluntary Compensation Insurance**

A coverage similar to workers compensation used in circumstances in which workers compensation coverage does not apply or is not required by law. An example would be an employer wanting to voluntarily pay compensation benefits to members of a company-sponsored athletic team, or a church wishing to cover volunteer workers.

**Voluntary Employee Beneficiary Association**

A trust established under IRS Code 501(c)(9) that can be used to prefund health care.

**Voluntary Market**

The market in which a person seeking insurance obtains coverage without the assistance of residual market mechanisms.

**Voluntary Reserve**

An allocation of surplus not required by law. Such reserves are often accumulated by insurers in order to strengthen their financial structure.

**Voluntary Risk**

A risk for which specific coverage is 'readily available'. In automobile insurance, if a risk is denied coverage by any three carriers, it then becomes eligible for that state's assigned risk plan, or comparable facility which is in the 'involuntary market'.

**Voyage Clause**

A clause in ocean marine policies specifying the period of time of the number of trips that may be grouped together as one voyage.

**W****W Factor**

The W (weighting) Factor is used in the experience rating formula to adjust for the mathematical credibility of the insured's loss history. This value is a ratio that determines the percentage of excess losses to enter the experience rating calculation. It is applied to both actual excess losses and expected excess losses.

**Wage Indexing**

A cost of living increase applied to Social Security benefits after a worker has achieved eligibility for benefits.

**Waiting Period**

The period of time between the beginning of a disability and the start of disability insurance benefits, during which no indemnities are payable. Also called Elimination period.

**Waiver**

(1) A rider waiving (excluding) liability for a stated cause of injury or sickness. (2) A provision or rider agreeing to waive premium payments during a period of disability of the insured. (3) The act of giving up or surrendering a right or privilege

that is known to exist. In property and liability fields, it may be effected by an agent, adjuster, company, employee, or company official, and it can be done either orally or in writing.

### **Waiver of Coinsurance**

A provision in a property policy that the coinsurance clause will not apply if the total loss does not exceed a stated amount, such as 2% of the sum insured or the amount of \$2,500, whichever is greater. The reason for such a provision is to eliminate having to do a large inventory in order to determine whether or not the insured has complied with the coinsurance clause, especially where very small losses are involved.

### **Waiver of Restoration Premium**

(1) An agreement or decision to forego any premium for reinstatement of the face amount of coverage under an insurance policy after it has been reduced by the amount of a loss payment. (2) A provision, especially in bonds, for automatic restoration of the full amount of protection without cost to the insured.

### **Wall Street Journal Symbol**

The symbol under which an investment option is listed in The Wall Street Journal. This symbol may be different in other newspapers.

### **War Risk Coverage**

Special coverage to insure against one or more of the hazards normally listed in the "War" exclusion of an Accident and Health policy. Normally cover is extended to Passive War Risk, meaning that engagement in combat is not covered.

### **Warehouse and Custom Bond**

A bond guaranteeing the payment of custom duties.

### **Warehouse-to-Warehouse Coverage**

A clause sometimes found in inland marine coverages extending the policy to cover from the shipper's warehouse to the consignee's warehouse.

### **Warehousemen's Legal Liability**

Coverage protecting warehousemen from liability claims, common to the business of warehousing, for loss or damage to property in storage.

### **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 untruth was not known to the applicant, the contract may be voided without regard to the materiality of the statement. By contrast, statements in life and health applications are not warranties except in cases of fraud, and the trend in more recent court decisions in other lines has tended to modify the doctrine of warranty to an application only when the statement is material to a risk or the circumstances of a loss.

### **Warranty Policy**

A policy written by a reputable company. The term is used in cases where additional coverage is needed: The additional policies all state that the reputable company's warranty policy will stay in force and that they provide coverage exactly like that of the warranty policy.

### **Warsaw Convention**

An international agreement setting limits of liability on international flights with respect to payments for bodily injury and death.

### **Watchman Warranty Clause**

A provision often found in a burglary or fire policy providing for a reduced premium if there is a watchman on duty.

### **Watchperson**

Under commercial crime insurance coverages, any person retained to have care and custody of the insured's property inside the premises, and who has no other duties.

**Water Damage Clause**

A provision affording coverage for certain specified causes of water damage, e.g., damage caused by water leakage, overflow of heating or air-conditioning systems, or plumbing.

**Water Damage Legal Liability Insurance**

Coverage for an insured who suffers a water damage loss which also damages the property of others on the floor below or in adjoining premises.

**Wave Damage Insurance**

Coverage against damage to property resulting from high waves or tides.

**We/Us/Our**

These words are used to refer to the insurer in many of the modernized/personalized policy forms recently introduced.

**Wear and Tear Exclusion**

An exclusion found in many inland marine policies. It excludes loss resulting from wear and tear, which means normal usage over a period of time which reduces the value of the property insured.

**Wedding Presents Floater**

A form which provides temporary coverage for wedding presents, usually starting shortly before the wedding and ending shortly thereafter.

**Weekly Premium Insurance**

(1) A policy the premium on which is collected weekly by an agent calling at the door. It is usually sold in small face amounts. (2) A form of debit or industrial life insurance.

**Wet Marine Insurance**

Insurance provided on ocean marine forms, covering ships and their cargos.

**While Clauses**

Clauses which suspend coverage "while" certain conditions exist, such as vacancy.

**Whole Dollar Premium**

In many insurance contracts today, the premiums are rounded to the nearest dollar, rather than carrying them out to the nearest cent. An amount of 51 cents or more is usually rounded up to the next dollar, and any cents amount less than that is dropped.

**Whole Life Insurance**

Insurance which may be kept in force for a person's whole life and which pays a benefit upon the person's death, whenever that may be. All whole life policies build up nonforfeiture values, but they are paid for in 3 different ways. Under a straight or ordinary life policy, premiums are paid for as long as the insured lives. A single premium policy is paid for at one time in one premium. Between these two types there are many limited-payment plans, under which the insured pays premiums for a certain period or until reaching a certain age. Contrast with Term Insurance.

**Wholesale Insurance**

A system for covering a group of people (usually the employees of one employer or the members of a trade association or the like) under uniform individual policies. Wholesale insurance is used where the number of people is too small for Group insurance or greater flexibility in benefits and provisions is desired. Also called "Franchise".

**Wholesaler or Wholesale Broker**

A Wholesaler represents an insurance carrier or underwriter usually on a specific line of business. They will act in many capacities like an MGA but will never have any customer contact. They provide a product for the market and accept business from producers looking for that specific product. They may do administrative services like the MGA provides.

**Widow(er)'s Benefit**

An early retirement benefit, at age 60, under Social Security for the surviving spouse of a covered worker.

**Wilful Injury**

See "Intentional Injury".

**Will**

A legally enforceable declaration of an individual's plan for the disposition of property.

**Windstorm**

Wind of sufficient violence to be capable of damaging insured property. Windstorm coverage has traditionally been part of extended coverage (EC), but today it is usually included automatically as part of basic coverages.

**Wisconsin Life Fund**

The system of state underwritten and issued life insurance established by the state of Wisconsin and providing life insurance for citizens who apply. Wisconsin is unique among the 50 states in this respect.

**WOP or WAP- Waiver of Premium**

A rider or provision in a policy that waives the required premium otherwise due during a period of disability or similar. Waiver of Premium is a common rider and part of Life insurance policies.

**Work and Materials Clause**

This is a provision found in many property insurance policies which states that the insured is allowed to have the typical types of work and materials for his or her business. The clause makes this clear so that the policy cannot be voided later because of the "increased hazard" provision of the Standard Fire policy.

**Work Program**

In Contract Bond Reinsurance, a clause specifying that reinsurance attached at a specified level of a principal's total volume of work, rather than on the conventional basis of individual contract or bond amount.

**Workers Compensation**

(1) A system (established under state laws) under which employers provide insurance for benefit payments to their employees for work-related injuries, deaths and diseases, regardless of fault. (2) Insurance agreeing to pay workers compensation law benefits on behalf of the insured employer.

**Workers Compensation Catastrophe Policy**

Excess of Loss Reinsurance purchased by primary insurers to cover their unlimited medical and compensation liability under the compensation laws of the several states.

**Workers Compensation Insurance**

Insurance coverage which has a schedule of benefits providing for the cost of medical care and weekly payments for injury, disability, dismemberment or death of employees sustained in the workplace, regardless of blame.

**Workers' Compensation Insurance**

A method of providing for the cost of medical care and weekly payments to injured employees or to dependents of those killed in industry, regardless of blame.

**Workers' Compensation Insurance**

A method of providing for the cost of medical care and weekly payments to injured employees or to dependents of those killed in industry, regardless of blame.

**Working Cover**

A contract covering an area of excess reinsurance in which loss frequently is anticipated.

**Wrap-Up**

A package plan of a broad type, usually found only in large situations, which is coordinated in such a way as to be applicable to all liability risks. An example would be a wrap-up policy covering all contractors working on a specific job.

**Write**

To insure, to underwrite, or to accept an application.

**Written Business**

Insurance on which an application has been taken out but which is not yet delivered and/or the first premium settled.

**Written Premium**

All premium income (less return premiums) arising from policies issued by the company.

**Written Premium**

The total estimated premium for a policy.

**Written Premiums**

The total premiums on all policies written by an insurer during a specified period of time, regardless of what portions have been earned. Contrast with Earned Premium.

**Wrongful Abstraction**

A term which is used usually in connection with money and securities coverage. Insurance covering wrongful abstraction protects against all forms of burglary, robbery, and stealing.

**Wrongful Death Action**

A civil court suit brought by survivors against someone believed responsible, by negligence or intention, for another's death. In a few states actions for wrongful death have statutory minimums or maximums, but in most states they do not.

**WSM- Worksite Marketing**

Sale of voluntary employee benefits at the workplace, usually through payroll deductions. Voluntary Employee Benefits (VEB) are distributed via a worksite marketing platform.

A comprehensive marketing program for voluntary employee-paid insurance programs, offered at the place of business through payroll deduction.

**X****XCU**

Explosion, Collapse, and Underground (Damage)

**XOL**

Excess Of Loss

**XOL Reinsurance**

Excess Of Loss Reinsurance

**Y****Yacht Insurance**

Insurance providing hull coverage and protection and indemnity liability coverage on pleasure boats. It is usually written on an open perils (all risk) basis for hull coverage, although named-perils forms are sometimes used.

**Year Plan**

A calendar, policy, or fiscal year on which the records of the plan are kept.

**Yearly (or Annual) Renewable Term**

(1) Insurance that gives the policyowner the right to continue the coverage at the end of each year, up to the age specified in the policy. (2) A form of life, and sometimes health, reinsurance in which the reinsurer assumes only the mortality risk, which is usually calculated as the face amount of reinsurance minus the terminal reserve.

**Yearly Renewable Term**

Coverage that is renewable at the option of the insured, who is not required to take a medical examination. Regardless of

physical condition, the insured must be allowed to renew the policy and the premium cannot be increased to reflect any adverse physical condition. However, the premium of each renewal increases to reflect the life expectancy of the individual at that particular age.

### **Yield Equivalence**

The rate of interest at which a tax-exempt bond and a taxable security of similar quality provide the same return. To calculate the yield that must be provided by a taxable security to equal that of a tax-exempt bond for investors in different tax brackets, the tax-exempt yield is divided by the reciprocal of the tax bracket (100 less 28%, for example) to arrive at the taxable yield. To convert a taxable yield to a tax-exempt yield, the formula is reversed, that is, the tax-exempt yield is equal to the taxable yield multiplied by the reciprocal of the tax bracket.

### **Yield to Maturity**

The yield of a bond were it held to maturity, including purchase price, coupon rate and present value.

### **YorkAntwerp Rules**

A set of rules by which ocean marine general average losses are adjusted.

### **You/Your**

These words are used to refer to the named insured in many of the modernized/personalized policy forms.

## **Z**

### **Z Table**

A mortality table showing ultimate experience on insured lives computed from the experienced mortality on life policies issued by major companies from 1925 to 1934. The Z Table was a step in the development of the Commissioners' Standard Ordinary (CSO) Table of Mortality.

### **Zero Coupon Bonds**

Debentures and/or guaranteed debt securities issued at a discount of their redemption price. The investor's return is equal to the difference between the face amount of the bond (which is paid to the investor at maturity) and the purchase price.

### **Zone-Rated Risk**

Any commercial motor vehicle (other than a light truck) which travels on a regular and frequent basis a distance of more than 200 miles from its place of principal garaging. Rates for long-distance trucks, therefore, are based on 'zone pairs', i.e., the endpoints of the straight-line distance from the truck's principal garage to the place of its farthest operation.

## **Acronyms Glossary**

## **A**

### **A/E**

Architect Engineer

### **A/EGIS**

Adjuster/Examiner General Information System

### **A&H**

Accident and Health Insurance

### **AA**

Account Analysis

### **AA**

Approval Automation



**AAI**

Alliance of American Insurers. Now part of the Property Casualty Insurers Association of America.

**AAIS**

American Association of Insurance Services

**AARP**

Average Annualized Renewable Premium

**AAS**

Account Activity System

**AB**

Aid to the Blind

**ABC**

Association of Building Contractors (association relationship)

**ACAS**

Associate of the Casualty Actuarial Society

**ACCTIV**

Accounting IV

**ACCUMULATION**

(Also see "PML"). An accumulation is the total of all exposures or sums insured usually within a specific location or geographic area.

**ACGIH**

American Conference Of Governmental Industrial Hygienists

**ACH**

Automated Clearing House. Quick reference guide below.

**ACII**

Associate of the Chartered Insurance Institute and represents an Insurance qualification.

**ACM**

Asbestos Containing Material

**ACR**

Adjusted Community Rating

**ACT**

Account Coordination Team (AIGCS)

**ACTUAL VALUES**

Usually refers to the values measured during and after the execution of a direct marketing campaign to evaluate its performance including: Leads, Marketing Costs, Number of Contacted, Number of Responses, Number of Policies Issued, Number of Policies Converted (to premium-paying policies), Total Annualized Renewal Premium ("TARP"), Number of Policies in force, and Gross Premium Written ("GPW"). Actual Values can also be tracked at a segment level.

**ACV**

Actual Cash Value

**AD&D**

Accidental Death and Dismemberment

**ADB**

Account Database

**ADB**

Accidental Death Benefit

**ADL**

Activities of Daily Living

**AFLIC**

American Franklin Life Insurance Company

**AGAC**

American General Assurance Company

**AGC**

Association of General Contractors of America

**AGC**

American General Corporation. Subsidiaries: American General Property Insurance Company, American General Life and Accident Insurance Company, American General Life Insurance Company, AIG Life of Bermuda, Ltd., The United States Life Insurance Company in the City of New York, American General Bancassurance Services, Inc., AIG Business Processing Services, Inc., AIG Annuity Insurance Company, AIG Life Holdings (Canada), ULC, and before dissolution, USMRP Reinsurance Limited.

**AGF**

American General Finance

**AGL**

American General Life Insurance Company

**AGLA**

American General Life & Accident

**AGLA Subsidiaries 2/4**

Codes • Company

72 • Dixie Life of Nashville TN (effective 10/98)

22 • Equitable Life and Annuity

19 • Equitable Life Ins Co - Virginia and Washington DC

22 • Equity Life and Annuity - Greenville, SC

48 • Franklin Life Ins Co - Springfield, IL (business prior to 1953 only)

22 • Freedom Life

22 • General Protective Life Ins Co - Houston, TX

22 • Georgia Life

22 • Georgia Mutual

48 • Great American Life Ins Co (prefix: F, FP or Suffix: Y,P,E,G,N,R,B,K )

10 • Great Southern Life Ins Co

48 • Great Southern Life Ins Co - Houston, TX (business in TN and KY prior to 1939, sold to L&C suffix: G,S,GS )

22 • Great United

72 • Greensboro Life (changed to Home Security effective 10/98)

22 • Guarantee Reserve Life Ins - Indianapolis, IN

25 • Gulf Life Ins - Jacksonville, FL

22 • Herald Life Ins Co - Jacksonville, FL

- 72 • Home Beneficial Life - Richmond, VA (to AGLA 10/16/98 - in Richmond at 800-358-5753 until then)
- 72 • Home Security - DC (only 5 policies remaining)
- 56 • Home State Life
- 22 • Income Life Ins Co
- 22 • Independence Life and Accident Ins - Louisville, KY
- 22 • Independent Life and Accident - Jacksonville, FL
- 10 • Industrial Mutual Indemnity of Little Rock
- 25 • Integrity National Life Ins Co of Philadelphia
- 22 • Integrity National Life Ins Co of Philadelphia

#### **AGLA Subsidiaries 3/4**

##### Codes • Company

- 22 • Integrity of Savannah
- 22 • Inter-Ocean Casualty Co
- 25 • Interstate Life and Accident Ins Co - Chattanooga, TN
- 22 • Justice Life Ins Co - Dallas, TX
- 22 • Justin Mutual
- 22 • Kentucky National Mutual Ins Co
- 52 • Knights Life of Delaware - Eastern Region Off to L&C
- 25 • Lancer Life Ins Co - Orlando, FL
- 48 • Life and Casualty Ins Co of Tennessee
- 25 • Life and Health of America
- 22 • Lincoln Income Life Insurance Co (LILICO), - Louisville, KY
- 72 • Lincoln Income Life Ins (Tennessee business purchased by HB in 1940 - only 41 policies remain)
- 22 • Lincoln Life and Accident Ins Co of OK
- 56 • Lincoln Life
- 25 • Mississippi Life
- 72 • Mutual Benefit of Richmond, VA (acquired in 1942 by HB)
- 25 • Mutual Benefit (acquired by Interstate/Gulf/AGLA)
- 22 • National Accident Health Ins Co of Philadelphia
- 25 • National of Philadelphia
- 72 • National Ins of Virginia (effective 10/98)
- 25 • National Ins of Virginia, Norfolk VA
- 10 • National Life of Chicago, IL (old weekly assumed by NLA )
- 10 • National Life and Accident Ins Co Nashville, TN (now AGLA (weekly nos. prior to 1941 - address yr of issue)
- 22 • Newberry Life and Health - Newberry, SC
- 22 • Old American County Mutual
- 72 • Old Dominion (to AGLA 10/98 - only 1 initial policy remains)

#### **AGLA Subsidiaries 4/4**

##### Codes • Company

- 25 • Old Line
- 72 • Peninsular Life (to AGLA 10/98 - Virginia business purchased by HB in 1937 - only 17 policies remain)
- 22 • Peninsular Life (block of 17 policies of Ind. Accident and Health Ins acquired 8/26/46)
- 25 • Pinnacle Life
- 22 • Protective Hospital Aid Corp
- 22 • Provident Indemnity Life Ins Co (block of business only)
- 72 • Provident Relief
- 22 • Republic Life and Accident Ins (only 222 policies remain in force in 1996)
- 22 • Republic Mutual Casualty Ins Co (block of business only)
- 22 • Safeguard
- 72 • Security Life Ins Co of Maryland (business purchased by HB in 1937 - only 123 policies remained in 1997)
- 25 • Seminole Life
- 22 • South Atlantic Life Ins Co (SALICO - Charleston, SC)

25 • Southeast Life Ins Co (AGLA claim dept has record of prem refunds on 3000 policies)  
72 • Southern Industrial Life Ins Co of Jacksonville  
25 • Southern Ins Co - Nashville, TN  
56 • Southwestern National Ins Co - Enid, OK  
72 • Star Life  
25 • Sunshine State Life Ins Co - Tampa, FL  
22 • Time Life Ins Co  
10 • Transylvania Casualty Ins co (Old H&A business plan 01 issued in early 1900's)  
25 • U S National Life and Casualty  
25 • Union Life - Richmond, VA  
52 • Union National Life - Lincoln, NE  
22 • Union Royal (Louisiana)  
72 • United Life Ins Co of Cambridge, MD (Business purchased by HB 5/11/36 - only 18 policies remain in 1997)  
22 • United Security Life  
10 • United States National Life of Chicago  
25 • Victory National  
72 • Virginia Life and Casualty (effective 10/98)  
10 • Washington Fidelity  
22 • Washington Fidelity National Ins Co  
25 • Washington Fidelity  
25 • Wilson National Life of Lake City, FL

#### **AGNY**

American General Life Insurance Company of New York

#### **AHAC**

American Home Assurance Company

#### **AHERA**

Asbestos Hazards Emergency Response Act (1980's)

#### **AI LIFE**

American International Life Insurance

#### **AI PRIDE**

AI Policy Rating Insurance and Data Excellence

#### **AI QUIC**

AI Quality Underwriting Information Capture

#### **AI Recovery**

American International Recovery, Inc.

#### **AI SLIC**

American International Specialty Lines Insurance Co.

#### **AI Tech**

American International Technology Enterprises, Inc.

#### **AI WCS**

American International Workers Compensation System

#### **AI-START**

AI Submission Tracking And Reporting System

#### **AIA**

American International Assurance Company, Ltd.

**AIAC**

American International Adjustment Company

**AIAS**

American International Assistance Services

Effective March 2008, American International Assistance Services, Inc. changed its name to AIG Travel Assist, Inc. (AIGTA).

**AICCO**

A.I. Credit Corp.

**AICO**

American International Companies

**AIFS**

Aerometric Information Facility Subsystem

**AIG**

American International Group

**AIG CEF**

AIG Commercial Equipment Finance, Inc.

**AIG CSSEA**

AIG Corporate Security Southeast Asia, (Based in Hong Kong) AIG CSSEA provides security management services for all AIG companies in the Southeast Asia, Greater China and Australasia regions from India to New Zealand.

**AIG E**

AIG Environmental ® (registered trademark)

**AIG HMS**

AIG Healthcare Management Services

**AIG RISO**

AIG Reinsurance Services Office, formerly, SAIL (Societe Anonyme d'Intermediaires Luxembourgeois). New name effective May 16, 2006. Effective August 11, 2009, new name is Chartis Reinsurance Services.

**AIG WMS**

AIG Wealth Management Services Ltd. Taiwan.

This is the first wealth management unit that AIG has opened since it announced last year its plans to expand its Global Wealth Management businesses worldwide.

As a wholly owned subsidiary of AIG Private Bank, AIG Wealth Management Services Ltd. Taiwan provides a comprehensive range of products and services in asset management and investment advisory, targeted at wealthy individuals.

**AIGA**

AIG Aviation, Inc.

**AIGAM**

AIG Asset Management

**AIGC**

AIG Consultants, Inc. Rebranding as Global Loss Prevention.

**AIGCC**

AIG Capital Corp. Changed name to AIGTI, Inc. May 2001.

**AIGCEL**

AIG Cat Excess Liability In May 2007, the new brand name – AIG Cat Excess Liability (AIGCEL) – was introduced to underscore our mission to be the definitive global leader in catastrophic risk transfer liability solutions.

In June 2007, one of the insurance companies used by AIGCEL in the U.S. changed its name from Starr Excess Liability Insurance Company Ltd. to AIG Excess Liability Insurance Company Ltd.

In August 2007, the insurance company used by AIGCEL outside the U.S. changed its name from Starr Excess Liability Insurance International Limited to AIG Excess Liability Insurance International Limited.

**AIGCFG**

AIG Consumer Finance Group

**AIGCI**

AIG Centennial Insurance Company, former name, GE Property & Casualty Insurance Company

**AIGCN**

AIG Counsel Network

**AIGCS**

AIG Claim Services

**AIGDC**

AIG Data Center

**AIGEM**

AIG Environmental Management

**AIGESC**

AIG Equity Sales Corp.

**AIGGIC**

AIG Global Investment Corp.

Services provided to U.S. persons will be solely provided by U.S. members of AIGGIG (AIG Global Investment Group), and services provided to non-U.S. persons will be provided by non-U.S. members of AIGGIC in the applicable jurisdictions.

**AIGGIG**

AIG Global Investment Group. Then AIG Global Investment Group changed its name to AIG Investments. Then changed to AIG Asset Management Group (AMG).

**AIGHMS**

AIG Healthcare Management Services

**AIGII**

AIG Indemnity Insurance Company, former name, GE Indemnity Insurance Company

**AIGIRC**

AIG Insurance and Reinsurance Company

**AIGIRS**

International Retirement Services

**AIGKK**

AIGKK, American International Group KK (Kabushiki Kaisha = Co., Ltd. in Japanese).

Effective June 1, 2009, AIGKK will no longer oversee general insurance operations in Japan and Korea.

**AIGLife**

AIG Life Insurance Company

**AIGM**

AIG Marketing, Inc.

**AIGNJ**

AIG Auto Insurance Company of New Jersey, former name, Bayside Casualty Insurance Company

**AIGPD**

AIG Product Development

**AIGPI**

AIG Premier Insurance Company, former name, GE Casualty Insurance Company

**AIGPR**

AIG Preferred Insurance Company, former name, GE Auto & Home Assurance Company

**AIGRM**

AIG Risk Management

**AIGRMPUB**

AIGRM Quote Publishing System

**AIGSI**

In May 1998, American International Group, Inc. (AIG) and Software International Corporation formed a Malaysian joint venture to engage in information technology businesses. The joint venture is used for application software development for AIG's operations around the world, as well as to maintain the information systems in the Group's extensive Asian operations.

In August 2008, AIG-Software International JV Sdn Bhd was renamed as AIG Global Services (Malaysia) Sdn Bhd.

**AIGSS**

AIG Systems Solutions Private Limited

AIG Shared Services

**AIGSS - Asia**

AIG Shared Services - Asia (Operational Development shared services businesses): AIG Shared Services - Business Processing Inc.; AIG Shared Services (M) Sdn Bhd; AIG Shared Services - Management Services (ROHQ)

**AIGSS - IT**

AIG Shared Services - Technology (Applications Development & Management shared services business): AIG Shared Services Corporation (Philippines)

**AIGTA**

AIG Travel Assist, formerly AIAS (American International Assistance Services).

**AIGTI, Inc.**

AIG Treasury Investments, Inc. Formerly known as AIG Capital Corp.; name change in May 2001. Part of Financial Services.

This is for **internal use only**. This acronym is never used outside.

**AIGTS**

AIG Technical Services, Inc.

Now known as Chartis Claims, formerly, AIG Domestic Claims, Inc.

**AIH**

American International Healthcare, Inc.

**AIHRS**

American International Health and Rehabilitation Services, Inc. provides medical management services to AIGCS and other AIG affiliated clients. Sample products are: medical cost containment, medical coordination, vocational rehabilitation, and client training/support services.

**AIICO**

American International Insurance Company of Nigeria

**AIICO**

American International Insurance Company of Puerto Rico. Effective October 1, 2010, rebranded Chartis Insurance Company - Puerto Rico.

**AIMA**

American International Marine Adjusters or AI Marine Adjusters.

**Effective January 1, 2011** Chartis Marine Adjusters no longer exists. They are a part of Chartis Claims, Inc.

**AIMCS**

American International Managed Care System

**AIME**

Average Indexed Monthly Earnings

**AIMPLCA**

American International Management and Professional Liability Claims Adjusters

**AIMS**

AIG Insurance Management Services, Inc.® (AIMS®) is the global captive management operation of the AIG member companies. It offers the full range of captive and rent-a-captive management services as well as integrated risk management consulting services. AIMS provides access to the complete range of captive management and administrative services provided by member companies of AIG, enabling our clients' captives to benefit from the same risk management resources and expertise that have made AIG member companies consistently one of the most well respected insurance organizations in the world.

**AIPRIDE**

AI Premium Rating Issuing Data Excellence

**AIR**

Assumed Interest Rate

**AIRCOLIFE**

American International Reinsurance Company Life Division

**AIRS**

Arometric Information Retrieval System

 **AISLA**

American International Surplus Lines Agency. As of June 2008, new name is AIG Commercial Insurance Agency

**AISLIC**



American International Specialty Lines Insurance Company

**AISMART**

American International Surety Management And Reporting System

**AIU**

American International Underwriters

**AIUFEHKK**

AIU Far East Holdings KK is the new regional management company for general insurance business in Japan and Korea, effective June 1, 2009.

AIU Far East Holdings is the parent company or a shareholder for Techmark Japan, Orix Insurance Planning, AIG Corporate Solutions, T-Pec, and AIP. AIU Far East Holdings oversees operations in the region to include AIUI, AHA Japan, and AHA Korea.

Effective May 11, 2009, general insurance operations are no longer overseen by AIG East Asia Holdings Management KK.

**AIUOA**

American International Underwriters Overseas Association

**AIWS**

American International Warranty Services - this group was associated with runoff and handled special projects. AIWS' extended warranties were a special project. Now that this project is over the focus has shifted to helping the Aggregate group as well as the Global Claims Accounting group. Since all the contracts are expired AIWS really no longer exists, it was just set up for that specific project.

**ALAE**

Allocated Loss Adjusting Expense or Allocated Loss Adjustment Expense (allocated to specific claim file, etc)

**ALGICO (T&T) Ltd.**

American Life and General Insurance Company (Trinidad) Ltd.

**ALICO**

American Life Insurance Company

**ALIR**

Auto Liability Insurance Reporting

**ALL**

All American Life Insurance Company

**ALoP**

Advanced Loss of Profits

**ALOS**

Average Length of Stay

**ALPS**

All Lines Processing System

**ALS**

Administration Leverage System

**AMAS**

AIU Micro/Mini Accounting System

**AMC**

Agency Management Corporation or Asset Management Company

**AME**

Accident Medical Expense

**Amplico**

Originated from American Polish Life Insurance Company. Full name is Amplico Life First American Polish Life Insurance and Reinsurance Company S.A. often shorted to Amplico Life S.A.

**AMPS**

AIG MGA Processing System

**ANB**

Annuity New Business

**ANNA**

Assigned Names and Number Authority The primary objectives of AIG's Assigned Names and Number Authority (ANNA) are to eliminate the numerous separate groups of spreadsheets, word documents and text files that each region uses to track IP address allocation, eliminate the several independently managed DNS systems that run on a variety of hardware and software and to be established as the authoritative source for unique names and IP addressing.

**ANR**

Average Net Receivable

**AOC**

Area of Concern

**AOE**

Arising Out of Employment **AP**  
Additional Premium

**APECS**

Abandoned Property Escheatment and Compliance System

**API**

American Petroleum Institute (establishes standards for tanks)

**APR**

Annual Percentage Rate

**ARAP**

Assigned Risk Adjustment Program

**ARAR**

Appropriate Relevant & Applicable Requirements (refers to state, local and tribal [non federal] cleanup standards of SUPERFUND sites)

**ARC**

AIDS Related Complex

**ARD**

Anniversary Rating Date

**ARL**

Adjustable Rate Loan

**ARM**

Account Relationship Manager

**ARS**

Auto Residual System

**ARSNUS**

Auto Residual System - National Union System

**ART**

Annual Renewable Term

**ARTS**

Accounts Receivable Tracking System

**ASI**

ASI (a subsidiary of AIRCO) is the old trading name (American Securities International). They were rebranded in 2007 to AIG Life International Limited. They are managed by ALICO and are in the process of change ownership to ALICO from AIRCO.

**ASL**

American Security Life Insurance Company, Ltd.

**ASLOB**

Annual Statement Line of Business

**ASR**

Age/Sex Rates

**AST**

Aboveground Storage Tanks

**ASTM**

American Society for Testing and Materials (set Standards for Phase I's)

**AUM**

Assets under management: term used by financial services companies in the mutual fund and money management or investment management business to gauge how much money they are managing.

**AVP**

Assistant Vice President

**AWD**

Automated Work Distributor

**B****B&M**

Boiler and Machinery (Insurance)

**BA**

Business Analyst

**BA**

Business Auto (Policy)

**BAP**

Business Auto Policy

**BARS**

Broker Agent Reporting System

**BAU**

Business As Usual

**BB**

Abbreviation for Bloomberg.

**BBS**

Broker Billing System

**BCP**

Business Continuity Planning or Business Continuance Plan

**BDM**

Business Development Manager

**BE**

Business Executive

BEs appoint OOPs, SAM preparers, provide Exception Approvals for OOPs, and approve all SAMs and SAM changes.

**BEI**

Biological Exposure Indices

**BER**

Business Environmental Risk

**BI**

Bodily Injury

**BI Liability**

Bodily Injury Liability

**BIA**

Business Impact Analysis

**BIB**

Been in Business

**BIF**

Business in Force

**BII**

Business Interruption Insurance

**BIP**

Bankruptcy In Process

**BISO**

Business Information Security Officer

**BAK**

Business Knowledge Associates are known experts, representing many parts of the organization, who provide support to the AIG InfoExchange when necessary.

BKAs are designated by BKA Coordinators (BKACs) who themselves, have been designated by Business Executives.

**BAK**

Business Knowledge Associate

**BKAB**

Business Knowledge Associate Backups are backups to BKAs, designated by BKACs.

**BKAC**

Business Knowledge Associate Coordinators help the AIG InfoExchange maintain the BKA/BKAB network. BKACs have been designated by the Business Executives.

**Blue Sky Regulations**

Regulation that pertains to the area of Stock Option Administration.

When a company goes public or offers stock for sale in a state other than the one in which they are incorporated, they must register the stock with that state. Your attorney will advise you regarding the rules of each particular state and what is required. There is generally some kind of exemption you can qualify for so that you don't need to register, which can be a lengthy and costly matter.

**BM**

Branch Manager

**BMP**

Best Management Practices

**BOD**

Biological Oxygen Demand

**BOLD**

Broker On Line Directory

**BOLI**

Bank Owned Life Insurance

**BOM**

Branch Operations Manager

**BOP**

Business Owners Policy

**BOR**

Broker of Record

**BPC**

BusinessObjects Planning and Consolidation

**BPO**

Business Process Outsourcing

**BPO**

Business Operations Group

**BPSI**

Business Processing Solutions, Inc. Integra Business Processing Solutions, formerly, AIG BPSI, is a member company of American General Life Companies, part of the Domestic Life Operations of American International Group, Inc.

**BRAC**

Base Realignment and Closure

**BRD**

Business Requirement Document

**BRICK Countries**

Brazil, Russia, India, China, and South Korea.

**BRS**

Biennial Reporting System

**BSA**

Business Systems Analyst

**BSA**

Business Security Administrator

Now knowns as "requestors." Requesters provision and de-provision users, assign roles, data categories and user financial authority via CASL. Requesters also open Remedy Tickets and are liaisons between the business user community and AIGCI Application Security.

**BSO**

Business Systems Officer or Business Systems Owner

BSOs are directly linked to their applications and serve as liaisons between the business application user community and ISG.

**BTEX**

Benzene Toluene Ethylbenzene Xylene

**C****CAA**

Clean Air Act 1970

**CAFO**

Concentrated Animal Feeding Operation

**CAA**

Clean Air Act 1970

**CAFO**

Concentrated Animal Feeding Operation

**CAMD**

Corporate Accounts Marketing Director

**CAP**

Corporate Accident Plans

**CAP**

Corporate Account Practice

**CAPP**

Customized Asset Protection Policy (and Issuance System)

**CARS**

Claims Accounts Receivable System

**CAS**

Casualty Actuarial Society

**CASL**

CASL is the Common Access Security Layer application that will allow for the creation and maintenance of user profiles based on the Security Application Matrix (SAM). CASL 2.0 will include migrating to a single point of control for user security maintenance, and implementation of a centralized security system for DBG.

**CAST**

Customer Advocacy and Strategy Team

**CAT**

Abbreviation for "Catastrophe" for claims Catastrophe Forecasting & Analysis.

**CATS**

Consultant Audit Tracking System

**CBD**

Company/Branch/Department charge code, usually in the format of #####-#####-#####. Company is AIG company that person is paid b;, branch is geographic location.

**CBPKK**

Chartis Business Partners K.K.

Effective June 1, 2010, AIGKK was separated into two entities providing IT Infrastructure Related Departments and Business Support Related Departments, with each entity to focus on their core respective functions.

The company for IT Related Departments retains the AIGKK name, supporting IT services to the AIG Group Companies in Japan and the parent company AIG Global Services, Inc.

The name of the new company for Business Support Related Departments is Chartis Business Partners K.K. who will support the group companies in Japan, and this new organization shall work as part of the Chartis group.

**CBRE**

CB Richard Ellis Group. Global Corporate Real Estate's global alliance partner.

**CBRNE**

Chemical, biological, radiological, nuclear, and explosive

**CCA**

Chromated Copper Arsenate (wood preservative product additive)

**CCC**

Cleanup Cost Cap (AIG E Product for Contaminated Properties)

**CCD/WC**

Cost Containment Department/Workers Compensation

**CCIA**

Consumer Credit Insurance Association

**CCRCs**

Continuing Care Retirement Communities

**CCRs**

Critical Customer Requirements

**CDAM**

Combine, Delete, Add, Modify

**CDC**

Centers For Disease Control

**CDCS**

Cash Disbursement Control System  
or Corporate Central Disbursement Control System  
or Central Disbursement Check System.

**CDI**

Common Data Interface

**CE & CIS**

Central Europe and Commonwealth of Independent States.

Central Europe usually is considered to consist of Austria, Czech Republic, Germany, Hungary, Liechtenstein, Poland, Slovakia, Slovenia, and Switzerland.

CIS, in Russian, Содружество Независимых Государств (СНГ), transliterated Sodruzhestvo Nyezavisimyykh Gosudarstv) is the international organization, or alliance, consisting of eleven former Soviet Republics: Armenia, Azerbaijan, Belarus, Georgia, Kazakhstan, Kyrgyzstan, Moldova, Russia, Tajikistan, Ukraine, and Uzbekistan. Turkmenistan discontinued permanent membership as of August 26, 2005 and is now an associate member.

**CEEC**

Compliance and Ethics Education Center

**CEO**

Chief Executive Officer

**CEP**

Company Edit Package

**CERCLA**

Comprehensive Environmental Response, Compensation, and Liability Act (1980)

**CERCLIS**

Comprehensive Environmental Response, Compensation, and Liability Information System

**CFO**

Chief Financial Officer

**CFP**

Certified Financial Planner

**CFP**

Common Financial Platform

**CFR**

Closed File Review

**CFR**

Code of Federal Regulations



**CGL**

Commercial General Liability (Insurance)

**CHAMPUS**

Civilian Health and Medical Program of the Uniformed Services

**ChFC**

Chartered Financial Consultant

**CHO**

China Head Office

**CID**

Claims Intake Department facilitates reporting of severity losses and expedites response to claim submissions.

**CIH**

Certified Industrial Hygienist

**CIMS**

Chartis Insurance Management Services, Inc.® (CIMS®) is the global captive management operation of the Chartis member companies. It offers the full range of captive and rent-a-captive management services as well as integrated risk management consulting services. CIMS provides access to the complete range of captive management and administrative services provided by member companies of Chartis, enabling our clients' captives to benefit from the same risk management resources and expertise that have made Chartis member companies consistently one of the most well respected insurance organizations in the world.

**CIO**

Chief Information Officer

**CIO**

Chief Information Officer

**CIPI**

Cost Improvement & Process Innovation, Chartis' new program for capturing cost savings by redesigning processes such as bill review, managing legal and other vendor resources more consistently and efficiently, improving collections.

**CIWMB**

California Integrated Waste Management Board

**CLIS**

Information Systems Co., Ltd. Chiyoda Life (CLIS). CLIS, a joint venture of IBM Japan and AIG Star Life.

**CLS**

Claims Litigation System

**CLTV**

Combined Loan To Value (Ratio)

**CLU**

Chartered Life Underwriter

**CM**

Construction Management

**CM/A**

Construction Management - Agency

**CM/R**

Construction Management - At Risk

**CMDB**

Configuration Management Database - is a repository of information related to all the components of an information system.

**CMG**

Client Management Group

**CMM**

Capability Maturity Model

**CMO**

Cash Management Operations

**CMP**

Competitive Medical Plan

**CMS**

Cash Management System

**CMS**

Client Management System

**CMS**

Contract Management System

**CMSI**

Contract Management System Inquiry

**CNS**

Central Nervous System

**CO**

Compliance Officer

**COA**

Certificate of Authority

**COA**

Certificate of Analysis (for Environmental Group)

**COATS**

Consultant Order And Tracking System

**COB**

Coordination of Benefits

**COBRA**

Consolidated Omnibus Budget Reconciliation Act (of 1986)

**COE**

Course of Employment

**COI**

Cost Of Insurance

**COLI**

Corporate Owned Life Insurance

**CON**

Certificate of Need

**COO**

Chief Operating Officer

**COOL**

Computer Output On-Line

**COPS**

Contractor Operations & Professional Services (AIGE Product for Service Industry/ Environmental Firms)

**CORS**

Claims Online Reporting System

**CP2**

Contractors Professional and Pollution Liability (AIGE Product for Service Industry)

**CPCU**

Chartered Property and Casualty Underwriter

**CPD**

Corporate Product Development

**CPI**

Consumer Price Index

**CPL**

Contractors Pollution Liability (AIGE Product for Service Industry Claims Made)

**CPLL**

PLL Commercial ®

**CPO**

Contractors Pollution Occurrence (AIGE Product for Service Industry/General Contractors)

**CPP**

Commercial Package Policy

**CPP**

Complete Policy Print

**CPP**

Credit Product Program

**CPR**

Compliance Plan Reporting

**CPT**

Current Procedural Terminology

**CPU**

Cost Per Unit

**CPU**

Central Processing Unit

**CR**

Change Request

**CRE**

Claims Re-Engineering System

**CRE**

PLL Real Estate (SM) (for Environmental Group)

**CREF**

College Retirement Equities Fund

**CREST**

Corporate Real Estate Strategic Technology

**CRIS**

Corporate Reinsurance Information System

**CRL**

Claims Resource Locator

**CRM**

Credit Risk Management

**CRRU**

Cash Receivables Reconciliation Utilities

**CRS**

Claims Recovery System

**CRS**

Corporate Reporting System

**CSBS**

Claims Salary Budget System

**CSFT**

Complex Structured Finance Transaction. Committee to help assure the highest level of risk management and corporate compliance.

**CSG**

Customer Service Group

**CSL**

Combined Single Limit

**CSO**

Claims Services Online

**CSO Letters**

Claims Services Online Letters

**CSO P&C**

Claims Services Online for Property and Casualty

**CSO WC**

Claims Services Online for Workers' Comp

**CSP**

Commercial Statistical Plan

**CSP**

Certified Safety Professional (for Environmental Group)

**CSS**

Claims Status System

**CTO**

Chief Technology Officer

**CTOM**

The Chartis Technology and Operations Management Corporation ("CTOM") is a global and dedicated captive business that will provide world-class Business Process Outsourcing and Technology Services to Chartis Insurance companies around the globe.

**CTS**

Corporate Treaties Systems

**CUO**

Chief Underwriting Officer

**CWA**

Clean Water Act (aka FWPCA)

**CWS**

Community Water System

**D****D/BB**

Design-Bid-Build

**D/BO**

Design-Build-Operate

**D/J**

Declaratory Judgments (Claims related)

**D.I.D.**

Direct Inward Dial

**D&B**

Dun & Bradstreet, Inc.

**D&O**

Directors & Officers

**DA**

Deposit Administration

**DAC**

DBG Access Central. Intranet-based application allowing HR, managers, and BSAs to efficiently submit all security-related requests, also allowing for management and HR to act efficiently for new hires, terminations, and transfers.

**DAC**

Deferred Acquisition Costs (Finance)

**DAFZA**

Dubai Airport Free Zone Authority

**DART**

Data Applications Reporting Transactions

**DASD**

Direct Access Storage Device

**DB**

Design Build

**DBA**

Database Administrator

**DBA**

Doing Business As

**DBAS**

Domestic Brokerage Advice System

**DBG**

Domestic Brokerage Group

**DBGPS**

Domestic Brokerage Group Processing System

**DBIA**

Design Build Institute of America

**DBO**

Death Benefit Only

**DBU**

Divesting Business Unit

**DCE**

Dichloroethene

**DCI**

Detailed Claims Information

**DCI**

Duplicate Coverage Inquiry

**DDLPI**

Due Date of Last Paid Installment

**DE**

Dedicated Engineer

**DEFRA**

Deficit Reduction Act of 1984.

**DELAM**

Delaware American Life Insurance Company

**DEP**

Department Environmental Protection

**DI**

Disability Insurance

**DI**

Double Indemnity

**DIC**

Difference In Conditions

**DIGS**

Dun & Bradstreet Intranet Gateway System

**DIV**

Diminution in Value

**DM**

Direct Marketing

**DMAIC**

Define, Measure, Analyze, Improve, and Control

**DMS**

Deal Management System

**DMV**

Department of Motor Vehicles.

**DNAPL**

Dense Non-Aqueous Phase Liquid

**DNQ**

Do Not Quote. High risk customers.

**DOA**

Director of Agency

**DOC**

District Office Coordinator

**DOCKET**

Enforcement Docket System

**DOD**

Department of Defense - Federal Agency

**DOE**

Department of Energy - Federal Agency

**DOJ**

U.S. Department of Justice

**DPD**

Days Past Due

**DPO**

Dental Plan Organization

**DPP**

Deferred Premium Payment (Plan)

**DPR**

Drug Price Review

**DRG**

Diagnostic Related Groupings

**DRP**

Dispute Resolution Procedure

**DRP**

Direct Repair Program (for automotive claims)

**DRS**

Domestic Retirement Services

**DRTV**

Direct response television, describing advertisements that elicit an immediate response from viewers, usually by telephone.

**DSF**

Direct Sales Force

**DTAB**

Domestic Table System

**DTI**

Directorate Insurance

**DTSC**

Department of Toxic Substance Control ( California)

**DUR**

Drug Utilization Review



**DVFS**

Delaware Valley Financial Services

**E****E&O**

Errors and Omissions

**EAE**

Examine All Expenses

**EAGLE**

Environmental & General Liability Exposures Program® (AIGE Product for Commercial & Industrial, Site Specific Facilities)

**EAI**

Enterprise Application Integration

**EAP**

Environmental Assessment Plan

**EAP**

Emergency Action Plan. In accordance with Local Law 26 of 2004, the FDNY requires that each floor has a designated Fire Safety/EAP Warden. This combines the former Shelter Warden and Fire Warden roles.

**EAS**

Entity Assessment Questionnaire - a process for assessing information security posture of a vendor, partner, or service provider. The SAQ is completed and included in this review.

**EBB**

Executive Briefing Book

**EC**

Extended Coverage

**ECHO**

Enforcement & Compliance History Online (free EPA database for environmental compliance)

**ECM**

External Content Management

**ECS**

Executive Claims Survey or Excess Claims Systems

**ED**

Economic Damages

**EDI**

Electronic Document Issuance

**EDP**

Electronic Data Processing

**EDR**

Environmental Data Resource

**EEA**

European Economic Area. This region is headquartered in London, and includes the following European domiciled insurance companies: Chartis Insurance UK Limited, Chartis Insurance Ireland Limited, and Chartis Europe SA.

**EENS**

Employee Emergency Notification System

This is a secure Internet-based website for employees to proactively report the status of their well being and provide contact information during emergencies. This system will also provide us the opportunity to quickly account for and assist employees who are impacted. We strongly encourage employees to utilize this system instead of a phone to contact the company in the event of an emergency.

**EGS**

Executive Goal Setting System

**EID**

European Insurance Daily (newsletter)

**EIFS**

Exterior Insulation and Finish Systems (synthetic stucco used to coat buildings)

**EIL**

Environmental Impairment Liability (Generic term for Environmental Insurance)

**EIT**

Engineer in Training

**EL**

Employers' Liability

**ELPF**

Excess Loss Premium Factor

**ELR**

Expected Loss Rate

**EMEA**

Region comprised of Europe, Middle East, and Africa

**EMEALAC**

Europe, Middle East, Africa, Latin America and the Caribbean

**EMF**

Electro-Magnetic Field

**EMI**

Ezer Mortgage Insurance Company Ltd. is the only insurer in Israel that specializes mortgage guaranty insurance, which protects mortgage banks from monetary losses due to borrowers' insolvency.

**EMIS**

European Insurance Daily (newsletter) \*Defined by DBG

**EMMA**

European Mass Marketing

**EMS**

Emergency Messaging System

EMS is the company's existing Internet-based messaging system for employee communications. In addition to local and

business specific communication vehicles, EMS will be used to communicate with employees regarding such things as impacted office locations, company assistance and other related information. Messages posted to EMS will also be posted to "AIG Contact," the company's intranet homepage.

**ENR**

Engineering News Record

**EOB**

Explanation of Benefits

**EOI**

Explanation Of Investment

**EOM**

End of Month

**EPA**

Environmental Protection Agency (1969)

**EPC**

Engineer-Procure-Construct/Emergency Planning Commission

**EPC/O**

Engineer-Procure-Construct-Operate

**EPCRA**

Emergency Planning & Community Right To Know Act 1986 (aka Title III of SARA)

**ePIT**

refer to PIT: DBG automated cross sell product - Construction Industry focused

**EPLI**

Employment Practices Liability Insurance

**EPMO**

Enterprise Program Management Office

**EPO**

Exclusive Provider Organization

**EPP**

Environmental Protection Program

**ePRS**

electronic Policy Review System

**ERC/RfC**

Environmental Reference Concentration (reported in milligrams of pollutant per cubic meter of air - mg/m<sup>3</sup>)

**ERGs**

AIG Employee Resource Groups

An ERG is a group of employees with similar interests or backgrounds whose activities are supported by the company and designed to promote diversity initiatives. At AIG, diversity initiatives include increasing the diversity of our workforce, products, services, clients, suppliers, and community outreach programs. Many leading companies have established employee resource groups with similar objectives.

**ERISA**

Employee Retirement and Income Security Act (of 1974)- US Federal law establishing an employee's rights under employer benefit programs.

**ERM**

Enterprise Risk Management

**ERNS**

Emergency Response Notification System

**ERP**

Extended Reporting Period

**ERP**

Emergency Readiness Program

**ERS (Employee Reimbursement System)**

Deactivated application. Replaced by Concur.

**ERTW**

Early Return to Work

**ESA**

Environmental Site Assessment

**ESOH**

Environmental, Safety & Occupational Health

**ESOP**

Employee Stock Ownership Plan

**eSTART**

electronic Submission Tracking & Reporting Tool

**EU**

European Union - The European Union (EU) is a family of democratic European countries, committed to working together for peace and prosperity. It is not a State intended to replace existing states, but it is more than just another international organisation. The EU is, in fact, unique. Its Member States have set up common institutions to which they delegate some of their sovereignty so that decisions on specific matters of joint interest can be made democratically at European level. As of 2010, there are 27 member states: Austria, Belgium, Bulgaria, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden, and the United Kingdom. Candidate Countries: Croatia, Former Yugoslav Republic of Macedonia, and Turkey.

**EUO**

Examination Under Oath

**eUPS**

electronic Underwriting Processing System

**EVP**

Executive Vice President

**EWS (Early Warning System)**

This Windows system tracks claim settlements and provides early feedback on large losses and trends for Excess or Environmental claims management.

**EXPSYS**

Experience System

**EY**

Effective Yield

**F****FAIR**

Fair Access to Insurance Requirements

**FAJUA**

Florida Automobile Joint Underwriting Association

**FAQ**

Frequently Asked Question

**FAS**

Free Along Side

**FASB**

Financial Accounting Standards Board

**FBO**

Fixed Base Operators

**FCAS**

Fellow of the Casualty Actuarial Society

**FCPA**

Foreign Corrupt Practices Act

**FDIC**

Federal Deposit Insurance Corporation

**FDLL**

Fire Damage Legal Liability

**FEGLI**

Federal Employees Group Life Insurance

**FEIN**

Federal Employer Identification Number

**FELA**

Federal Employers' Liability Act

**FEMA**

Federal Emergency Management Agency

**FET**

Federal Excise Tax

**FFIS**

Federal Facilities Information System

**FGAS**

Foreign General System (AIU's Corporate Records)

**FGU**

From the Ground Up - Used in claims analysis in referring to losses not involving deductibles, or retention amounts absorbed by insured.

**FHLMC**

Federal Home Loan Mortgage Corporation

**FICA**

Federal Insurance Contributions Act

**FIFRA**

Federal Insecticide, Fungicide, & Rodenticide Association

**FIP**

Foreclosure In Process

**FIPC**

Financial Integrity & Process Control

**FLIC**

Franklin Life Insurance Company

**FLMI**

Fellow, Life Management Institute

**FMC**

Field Marketing Consultant

**FNA**

Financial Need Analysis

**FNMA**

Federal National Mortgage Association

**FOB**

Free On Board

**FOIAR**

Freedom of Information Act Request

**FPA**

Free of Particular Average

**FR Laws**

Financial Responsibility Laws

**FRA**

Flat Rate Adjustment

**FRL**

Fixed Rate Loan

**FROI**

First Report of Injury

**FRP**

Fiberglass Reinforced Plastic (refers to tanks)

**FS**

Feasibility Study

**FSA**

Fellow of the Society of Actuaries

**FSA**

The Financial Services Authority (FSA) is an independent non-governmental body, given statutory powers by the Financial Services and Markets Act 2000.

**FSR**

Financial Strength Rating

**ft BGS**

Feet Below Ground Surface

**FTB**

Fast Track Billing

**FTR**

Facultative Treaty Recoverable

**FWA**

Flexible Work Arrangements Program. FWAs allow you to perform your job outside of the traditional work hours and office location. Learn more about FWAs, including how to request one, in this guide. Additionally, certain business units may offer a specific FWA to you and a group of employees based on the needs and objectives of that business unit.

**FWPCA**

Federal Water Pollution & Control Act or Federal Water Pollution & Control Administration (aka, CWA)

**G**

**GA**

General Agent

**GAAP**

Generally Accepted Accounting Principles

**GAAP Profit**

Generally Accepted Accounting Principles Profit

**GAB**

General Adjustment Bureau, (Inc.)

**GAO**

Government Accountability Office

**GASP**

Government Reporting and Special Projects

**GBCM**

Global Business Continuity Management

**GC**

General Contractor

**GDWH**

Global Data Warehouse, a central repository of employee information. It incorporates data submitted by HR coordinators to the following tools and applications: Monthly headcount, Global job function, Corporate repository, and OrgPlus applications.

**GEC**

Group Executive Committee

**GEMM**

Global Energy Middle Market

**GI**

Guaranteed Issue

**GIC**

Guaranteed Investment Contract

**GIFT**

General Insurance Finance Transformation. This is the successor to the Project FiRE initiative.

**GIU**

Global Infrastructure Utility

**GL**

General Liability

**GL - MSA**

General Ledger - Management Science America

**GLC**

Geographic Locator Codes

**Global Infrastructure Utility (GIU)****GNMA**

Government National Mortgage Association

**GOE**

General Operating Expenses

**GPL**

Graduated Payment Loan

**GPO**

General Printing Office

**GPW**

Gross Premium Written

**GRASP**

Government Reporting and Special Projects



**GRAT**

Grantor Retained Annuity Trust

**GRIT**

Grantor Retained Interest Trust

**GRUT**

Grantor Retained Unitrust Trust

**GS&PS**

Global Sourcing & Procurement Services organization within the Office of the Chief Administrative Officer (OCAO). Consolidation of Global Technology Sourcing, Global Sourcing Services, and e-Procurement Operations and Administration. The Domestic Non-IT (Temp) Program which is currently managed by Contingent Staffing in Corporate Human Resources was transitioned to Global Sourcing & Procurement Services effective March 7, 2011. GS&PS also currently supports the IT Contingent Resources Management Program.

**GTP**

Group Travel Policy

**GUI**

Graphical User Interface

**GW**

Ground Water

**GWP FY1**

Gross Premium Written in Year 1

**H****HAP**

Hazardous Air Pollutants

**HAZWOPER**

Hazardous Waste Operations & Emergency Response

**HC, HI or HIP**

HospitalCash, Hospital Income, Hospital Daily Indemnity

**HC, HI or HIP- Hospital Cash/ Hospital Income/Hospital Daily Indemnity**

Provides daily cash amount when an insured is hospital confined as an inpatient as a result of an accident or sickness.

**HCFA**

Health Care Financing Administration

**HCIC**

Casualty Insurance Company, former name, Montgomery Ward Insurance Company

**HFANZ**

Funds Association of New Zealand

**HHS**

Health and Human Services

**HI**

Health Insurance

**HIAA**

Health Insurance Association of America

**HIAS**

Health Insurance Administration System

**HIQA**

Health Insurance Quality Award

**HMO**

Health Maintenance Organization

**HO**

Homeowners Policy

**HPR**

Highly Protected Risk

**HQ**

Hazard Quotient

**HRC**

Hydrogen Releasing Compound (help to remediate PERC)

**HRS**

Hazard Ranking System

**HSA**

Health Service Agreement

**HSWA**

Hazardous and Solid Waste Amendments

**HTML**

HyperText Markup Language

**HUD**

Housing and Urban Development

**HVAC**

Heating, Ventilation, & Air Conditioning System

**I****IAD**

Internal Audit Division - AIG Internal Risk Management Tool

**IAG**

Independent Agency Group. An A.G. Life department

**IAN**

AIG American General's Independent Advisor Network

**IARC**

International Agency for Research on Cancer

**IASA**

Insurance Accounting Statistical Association

**IASS**

Insurance Accounting and Statistical Society

**IBNR**

Incurred But Not Reported

**ICA**

International Claim Association

**ICC**

Interstate Commerce Commission

**ICEDS**

Insurance Company Education Directors Society

**IDB**

Investment Decision Board

**IDLH**

Immediately Deadly to Life & Health

**IEEE**

Institute of Electrical and Electronics Engineers

**IFA**

Independent Financial Advisor

**IFSC**

Irish Financial Services Centre

**IHOU**

Institute of Home Office Underwriters

**IIA**

Insurance Institute of America

**IIAA**

Independent Insurance Agents of America

**IIC**

Independent Insurance Conference

**IIC**

Insurance Institute of Canada

**IICRC**

Institute for Inspection, Cleaning & Restoration Certification (Mold: IICRC S500 Guidelines)

**III**

Insurance Information Institute

**IIS**

International Insurance Seminars

**ILF**

Increased Limit Factors

**ILFC**

International Lease Finance Corporation

**ILOE**

Involuntary Loss of Employment

**IMB**

Inland Marine Basic

**IME**

Independent Medical Examination

**IMIS**

International Marine Insurance Services

**IMO**

International Maritime Organization (IMO). The Convention establishing the IMO was adopted in Geneva in 1948 and IMO first met in 1959. IMO's main task has been to develop and maintain a comprehensive regulatory framework for shipping and its remit today includes safety, environmental concerns, legal matters, technical co-operation, maritime security and the efficiency of shipping.

**IMO**

Independent Marketing Office. All life insurance agents must be appointed through an IMO.

**IMT**

Incident Management Team

**IP**

Insured Property

**IP&L (Integrated Premium and Loss)**

This is a process within LMS (Loss Management System)- not a separate application.

**IPA**

Individual Practice Association

**IPC**

International Property Catastrophe (Reinsurance Company)

**IPC Re**

International Property Catastrophe Reinsurance Company Ltd.

**IPL**

Integrated Premium & Loss

**IRA**

Individual Retirement Account or Annuity

**IRES**

Insurance Regulatory Examiners Society

**IRIS**

International Reinsurance System

**IRIS**

Insurance Regulatory Information System

**IRMI**

International Risk Management Institute

**IRR**

Internal Rate of Return

**ISF**

In-Substance Foreclosure

**ISG**

Information Service Group

**ISG**

Investigative Service Group, part of Chartis Claims, Inc.

**ISI**

Investment Savings and Insurance Association

**ISO**

Insurance Services Office/Organization: source of info about Property & Liability Risk or Insurance & Savings Ombudsman Scheme

**ISOP**

Insurance Company of the State of Pennsylvania

**IT**

Information Technology

**ITV**

Insurance to Value

**ITVM**

Information Technology Vendor Management

**IVP**

Install Verification Procedure

**IVR**

Interactive Voice Response

**J****JUA**

Joint Underwriting Association

**JV**

Joint Ventures

**L****LAD**

Latin America Division, which includes those countries in the region where AIG, or any of its affiliated offices/companies, do business.

These countries are:

Argentina, Aruba, Bermuda, Brazil, Chile, Colombia, Ecuador, El Salvador, Guatemala, Honduras, Jamaica, Mexico, Panama, Peru, Puerto Rico, Trinidad & Tobago, Uruguay, Venezuela.

**LAE**

Loss Adjustment Expense

**LAN**

Local Area Network

**LAN ADMIN**

Local Area Network Administrator

**LAN ADMINISTRATOR**

Local Area Network Administrator

**LBP**

Lead Based Paint

**LCF**

Loss Conversion Factor

**LD50**

Lethal Dose-50

**LEMC**

Legal Entity Management and Compliance

**LERC**

Local Emergency Planning Committee

**LIBOR**

London Interbank Offered Rate. The London Interbank Offered Rate is a daily reference rate based on the interest rates at which banks borrow unsecured funds from banks in the London wholesale money market (or interbank market).

**LIC R&D**

Legal information Center in New York

**LIFE-COMM**

Life Comm Insurance System

**LIFO**

Last In, First Out

**LIMRA**

Life Insurance Marketing and Research Association

**LLC**

Limited Liability Company

**LLLP**

Legal Limited Liability Partnership

**LLS**

Loss Leveling System

**LMS**

Loss Management System

**LNKL**

Letter of No Known Losses

**LOAEL**

Lowest-Observed-Adverse-Effect Level

**LOB**

Line of Business

**LOC**

Letter of Credit

**LOI**

Letter of Indemnity

Letter of Instruction

**LOL**

Limit of Liability

**LOMA**

Life Office Management Association

**LOS**

Length of Stay

**LRS**

Loss Rating System

**LRS**

License Renewal System

**LTG**

Long Term Guarantee. Series of term life products offering low-cost level death benefit with fully guaranteed premiums.

**LTS**

Loss Triangles System

**LTV**

Loan-To-Value (Ratio)

**LUST**

Leaking UST (underground storage tanks)

**LUTC**

Life Underwriting Training Council

**M**

**M&A**

Mergers and Acquisitions

**M&C**

Manufacturers and Contractors Liability

**M&D**

Minimum and Deposit Premium

**MAP**

Market Assistance Plan

**MAP/CAP**

Major Accounts and Commercial Accounts Practices

**MARS**

Multinational Account Request System

**MAS**

Military Automobile System (of 1945)

**MassBRAC**

Massachusetts Brownfields Redevelopment Access to Capital (AIGE Partner)

**MCL**

Maximum Contaminant Level

**MCO**

Managed Care Organization

**MCS-90**

Motor Carrier Act of 1980 - Endorsement required by the Motor Carrier Act of 1980 requiring evidence of financial responsibility for companies that haul hazmats/waste. Not intended to provide pollution covg

**MDO**

Monthly Debit Ordinary

**MDRT**

Million Dollar Round Table

**MEASA**

Middle East, Africa, and South Asia. Includes the following countries: Turkey, Lebanon, Egypt, Jordan, Kuwait, Bahrain, Qatar, Saudi Arabia, United Arab Emirates (UAB), Oman, Kenya, Pakistan, Nepal, and Bangladesh.

**MEK**

Methyl Ethyl Ketone (aka: methyl ethyl death)

**MEMSA**

Middle East Mediterranean and South Asia

MEMSA Countries: Bahrain, Cyprus, Egypt, Greece, India, Kuwait, Lebanon, Malta, Oman, Pakistan, Qatar, Kingdom of Saudi Arabia (KSA), Sri Lanka, Turkey & United Arab Emirates.

Non-MEMSA Countries: Israel, Libyan Arab Republic, Morocco, Sudan, and Tunisia.

**MERP**

Medical Expense Reimbursement Plan

**MET**

Multiple Employer Trust

**MEWA**

Multiple Employer Welfare Arrangements



**MGA**

Managing General Agent - An individual, corporation or partnership having authority to appoint, terminate and supervise producers on behalf of an insurance company. Managing general agents are compensated and often have additional administrative authority. Managing general agents do not directly negotiate, solicit, or procure insurance. A managing general agent has more authority than a general agent. States have their own specific laws regarding the qualification of managing general agents.

**MGA**

Managing General Agent

**MIB**

Medical Information Bureau

**MILR**

Master of Industrial and Labor Relations

**MIPS**

Million Instructions Per Second

**MIT**

Merger Acquisition Team

**MJC**

Major Class Code

**MLE**

Major Loss Event

**MLIRB**

Multi-Line Insurance Rating Bureau

**MLPDC Plan**

Multiple Location Premium and Dispersion Credit Plan

**MM**

Middle Market

**MOC**

Midwest Operations Center - Policies are issued and underwritten for AIG Life Brokerage, Milwaukee office.

**MOC**

Manila Operations Center

**MOP**

Manufacturers' Output Policy

**MOP**

Mobile Overseas Personnel

**MPCI**

Multi-Peril Crop Insurance

**MPIC**

Multiple Peril Insurance Conference

**MRI**

Mortgage Redemption Insurance

**MSA**

Master Separation Agreement

**MSA**

Medical Savings Account

**MSA**

Market Services Agreement

**MSDS**

Material Safety Data Sheets

**MSV**

Management System Verification (outside audit by 3rd party for NACD members)

**MSW**

Municipal Solid Waste

**MTBE**

Methyl Tertiary-Butyl Ether

**MUSIC**

Multinational Underwriting System for International Clients

**MVA**

Market value adjustment.

**MVR**

Motor Vehicle Record

**N****NAAQS**

National Ambient Air Quality Standards

**NAB**

Name and Address Book (Lotus Notes email)

**NAC**

No Additional Charge

**NACD**

National Association of Chemical Distributors (association which endorses AIGE)

**NAD**

North American Division of AIU is the marketing arm of AIUOA in the U.S. The corporate entity used to facilitate this business is AIU North America, Inc.

**NAIB**

National Association of Insurance Brokers, Inc.

**NAIC**

National Association of Insurance Commissioners

**NAICS**

North America Industry Classification System

**NAII**

National Association of Independent Insurers

**NAIW**

National Association of Insurance Women

**NALC**

National Association of Life Companies

**NALU**

National Association of Life Underwriters

**NAM**

North American Managers, Inc. manages U.S. branches of several unaffiliated foreign insurance companies.

**NAMIC**

National Association Of Mutual Insurance Companies

**Nan Shan Life**

Nan Shan Life Insurance Company, Ltd.

**NAPIA**

National Association of Professional Insurance Agents

**NAREIT**

National Association of Real Estate Investment Trusts (association which endorses AIGE)

**NARM**

National Accounts Regional Managers

**NASD**

National Association of Securities Dealers

**NBC**

Nuclear Biochemical Risk

**NCCI**

National Council on Compensation Insurance

**NCDB**

National Cancer Data Base/ National Compliance Data Base

**NEP**

Net Earned Premium

**NEPA**

National Environmental Policy Act 1969

**NESHAP**

National Emission Standards for Hazardous Air Pollutants

**NET**

National Emission Trends

**NFA**

No Further Action

**NFPA**

National Fire Protection

**NFRAP**

No Further Remedial Action Planned

**NGFS**

Next Generation File Services

**NGO**

Non Governmental Organizations

**NHIC**

New Hampshire Insurance Company

**NIMBY**

Not In My Backyard

**NIOSH**

National Institute of Occupational Safety and Health

**NJPAIP**

New Jersey Personal Automobile Insurance Plan.

**NJDEP**

New Jersey Department of Environmental Protection

**NLI**

Net Losses Incurred

**NNBS**

New New Business System

**NOAEL**

No-Observed-Adverse-Effect Level

**NOC**

Not Otherwise Classified

**NOC**

Notice of Coverage (Claims/Casualty Products)- For Environmental

**NODS**

Non-Owned Disposal Sites

**NOLS**

Non Owned Location Sites

**NOTP**

Non-Originating Third Parties

**NOV**

Notice of Violation

**NOW**

Negotiable Order of Withdrawal

**NPD**

No Payroll Division

**NPDES**

National Pollution Discharge Elimination System

**NPL**

National Priority List

**NPV**

Net Present Value

**NRD**

Natural Resource Damages

**NSLI**

National Service Life Insurance

**NSPS**

New Source Performance Standards (regulatory standard for air emissions in Fed Regs)

**NSWMA**

National Solid Wastes Management Association

**NTNCWS**

Non-Transient Non-Community Water System

**NUFIC**

National Union Fire Insurance Company. As of September 2007, rebranded as AIG Executive Liability.

**NUS**

National Union System

**NUS**

National Underwriting System

**NWP**

Net Written Premium

**O****O/S**

Outstanding

**O&M**

Operations & Management

**OAA**

Old Age Assistance

**OASDHI**

Old Age, Survivors, Disability, and Health Insurance

**OBRA**

Omnibus Budget Reconciliation Act

**OCWG**

Office of Corporate Web Governance. The Office of Corporate Web Governance (OCWG) operates in an oversight capacity, consolidating and coordinating all Website development, and works closely with Corporate Communications, Corporate Legal, the Office of the CIO and Corporate eBusiness.

**OD**

Occupational Disease

**OFAC**

Office of Foreign Assets Control: US Dept of Treasury administers and enforces economic and trade sanctions against targeted foreign countries, terrorists, etc. If you receive an "OFAC Alert" follow the guidelines as outlined on the AIG DBG UW site.

**OGIS**

Overseas General Information System

**OJT**

On-the-Job Training

**OL&T**

Owners, Landlord and Tenants

**OLAS**

Ordinary Life Administration System

**OLL**

Old Line Life Insurance Company

**OLN**

Operators License Number

**OMS**

Operations Management System

**OOA**

Out-of-Area

**OOC**

Office of the Customer. Was created to assist the company in reaching more consumer and commercial customers through cross- and up-selling, customer referrals, and increased retention.

**OOC**

Office Of the Customer

**OOP**

Operational Oversight Person responsible for the recertification of all users and respective security access and authority levels for his/her group.

OOPs appoint SAM preparers, are directly linked to their CBDs, provide Exception Approvals, appoint Requesters and complete Recertification's.

**OPA**

Oil Pollution Act 1990 ('CERCLA' for the Oil Industry)

**ORC**

Oxygen Releasing Compounds (help to remediate PERC)

**ORP**

Optional Retirement Program

**OSHA**

Occupational Safety & Health Administration

**OSL**

Owners Spill Liability

**OSRO**

Oil Spill Removal Organizations

**OTC**

Over-The-Counter Drugs

**OU**

Operable Units

**OUST**

Office of Underground Storage Tanks; a division of EPA

**P****P.T.**

Perseroan Terbatas Meaning Corporation in Indonesia.

**P&A**

Plug & Abandonment (re: oil rigs)

**P&I**

Protection and Indemnity (Insurance)

**P&T**

Pharmacy and Therapeutics

**P1 CSF**

Processor 1 Correspondence Front End

**P2P**

The Procure-to-Pay Initiative initiative is a strategic global program to deploy a fully integrated procurement platform to support AIG's Procure-to-Pay process. The new P2P platform will support domestic and international business units for the procurement of goods and services. The main strategic goal of the P2P program is to provide global spend management for AIG. AIG will attain significant benefits including savings, supplier contract compliance, risk management, spend visibility, as well as system efficiencies by utilizing a best of breed approach.

**PA**

Personal Accident

**PAC**

Preauthorized Check Plan

**PACU**

Pacific Union Assurance

**PAD**

Premium Audit Division

**PAF**

Personal Articles Floater

**PAH**

Possible' Carcinogenic Agents for Humans

**PAI**

Personal Accident Insurance

**PALS**

Producer / Agent Licensing System

**PAP**

Personal Auto Policy

**PAS**

Premium Audit System

**PASE**

Product and Single Event

**PATROL**

Planning and Tracking Response OnLine

**PATS**

Premium Audit Tracking System

**Payment Collection Mechanism**

A way to collect premium ( i.e., through payroll deduction, debit cards, credit cards).

**PBGC**

Pension Benefit Guaranty Corporation

**PBT**

Persistent, Biocccumulative and Toxic Chemical Program

**PCB**

Polychlorinated Biphenyls

**PCCORR**

PC Correspondence

**PCE**

Product Center of Excellence (ALICO A&H department).

**PCE**

Perchloroethylene (solvent)

**PCM**



Profit Center Manager

**PCN**

Primary Care Network

**PCR**

Physician Contingency Reserve

**PCRM**

Primary Casualty Risk Management

**PD**

Property Damage

**PD**

Product Development

**PD**

Product Development

**PE**

Professional Engineer (licensed state by state)

**PEL**

Permissible Exposure Limits

**Permanent Partial Disability (PPD)**

Permanent Partial Disability

**PFMS**

Performance Feedback Management System

**PG**

Professional Geologist (licensed state by state)

**Philamlife**

The Philippine American Life and General Insurance Company

**PIA**

Professional Insurance Agents

**PICC**

People's Insurance Company of China

**PICS**

Policy Information Capture System

**PIER (I & II)**

Pollution Incident & Environmental Response (AIGE value-added service)

**PIF**

Payment In Full

**PII**

Personally Identifiable Information

**PILR**

Property Insurance Loss Register

**PIP**

Personal Injury Protection

**PIP**

Pollution Insurance Products, a newly (2004) formed division separate from Environmental Claims. (AIGDC Unit)

**PIRP**

Protective Intelligence Reporting Products

**PIT**

Product Integration Team (cross-marketing effort by Lex, AH, Construction, Surety, & AIGE)

**PKA**

Product Knowledge Associates are known product experts, representing many parts of the organization, who provide support to the AIG InfoExchange when necessary.

**PLL**

Pollution Legal Liability (Group of AIGE Products for Comm'l & Industrial Fixed Facilities)

**PLM**

Product Line Manager

**PLS**

Producer Licensing Search (System)/ Pollution Legal Liability Select®

**PLUS**

Personal Lines Underwriting System

**PME**

Performance Management Engineering

**PML**

Probable Maximum Loss

**PMP**

Performance Management Program (within AIG DBG)

**PMS (Policy Management Systems)**

This is not a system but a vendor that processes premium and loss data for several AIG companies. CRS gets a monthly feed from these systems of premium and loss data.

**PNS**

Policy Numbering System

**POC**

Point Of Contacts

**Politically Exposed Persons (PEP)**

AIG companies that fall under the European Directive should also screen against the Politically Exposed Persons (PEP) List

**POP**

Persistent Organic Pollutants

**POTW**

Public Owned Treatment Works

**PPB**

Parts Per Billion

**PPD**

Permanent Partial Disability (Claim)

**PPGA**

Personal Producing General Agent

**PPM**

Parts Per Million

**PPO**

Preferred Provider Organization

**PPO**

Personal Property Owned

**PPS**

Premium Processing System

**PPSi**

Premium Processing System Issuance

**PPT**

Private Passenger Transportation

**PRB**

Permeable Reactive Barriers

**PRG**

Preliminary Remediation Goals

**PRO**

Peer Review Organization

**Pro-Pac**

Professional Package (AIGE Product for Service Industry / Environmental Firms)

**Project GiFT**

General Insurance Financial Transformation

**PROMS**

Premium Projection And Monitoring System

**PROS**

Premium Regression On-line System

**PRP**

Potential Responsible Party

**PSA**

Placement Service Agreement

**PSA**

Purchase & Sale Agreement

**PTD**

Permanent and Total Disability

**PTL**

Pension Trust Liability

**PUC**

Profit Unit Code (how we define and track business through our systems)

**QC**

Quality Control

**QMB**

Qualified Medicare Beneficiary

**QTIP**

Qualifying Terminal Interest Property

**R****R&D**

Corporate Research and Development

**RA**

Risk Assessment

**RAD**

Regional Administrative Director

**RAD\*RR**

Risk Activity Developmental Analysis Reporting System

**RAF**

Revenue Adjustment Factor

**RAP**

Remedial Action Plan

**RAS**

Regional Application Specialist

**RBNP**

Reported But Not Paid

**RBRVS**

Resource Based Relative Value Scale

**RCO**

Risk Specialist Office

**RCRA**

Resource Conservation & Recovery Act of 1976

**RCRIS**

Resource Conservation & Recovery Information System

**RDP**

Responsible Distribution Process (an NACD control)

**RDPS**

Reinsurance Data Processing System

**REA**

Registered Environmental Assessor (refers to DTSC and is unique to CA)

**REC**

Recognized Environmental Conditions (pertains to Phase I's)

**REINSYS**

Reinsurance System

**REIT**

Real Estate Investment Trust

**REO**

Real Estate Owned

**RETRO**

Retrospective Rate Derivation

**RfD**

Reference Dose

**RFP**

Request For Proposal - A department in AIG Global Asset in NY.

**RFS**

Request for Service (AIGC-EM)

**RG**

Registered Geologist

**RHU**

Registered Health Underwriter

**RI/FS**

Remedial Investigation / Feasibility Study

**RIDB**

Reinsurance Information Data Base

**RIM**

Record and Information Management

**RIMS**

Risk and Insurance Management Society

**RIMT**

Regional Incident Management Team

Regional Incident Management Teams (RIMTs) facilitate responses to incidents affecting multiple locations and/or businesses by helping to consolidate information, decision-making and communications across business lines before, during and after incidents.

They also leverage relationships with government agencies and other external parties during incident recovery periods.

The United States is divided into six regions: New York City, North East, South East, Midwest, Texas, and West.

**RIRS**

Regulatory Information Retrieval Service

**RM**

Regional Manager

**RMB**

Residual Market Burden

**RMBS**

Residential Mortgage-Backed Securities. AIG has terminated its U.S. Securities Lending program.

**RMG**

Risk Management Group.

Effective August 29, 2009, both for our internal colleagues, as well as for brokers and customers, the Risk Management Group has been renamed Commercial Casualty.

Commercial Casualty's brand will be Chartis, and it will distinguish itself as the premier provider of commercial casualty insurance in the United States and Canada. Commercial Casualty's existing divisions will continue to maintain their current names.

**RMIS**

Risk Management Information Services

**RML**

Residual Market Load

**RMM**

Regional Marketing Manager

**RMO**

Records Management Organization

**RMP**

Risk Management Plan

**RN**

Registered Nurse

**ROD**

Record of Decision

**ROE**

Return On Equity

**ROI**

Return On Investment

**ROM**

Regional Operations Manager

**RP**

Return Premium

**RPLU**

Registered Professional Liability Underwriter

**RPR**

Relative Performance Ratings. Performance Management is a strategic priority for AIG and Relative Performance Ratings (RPR) are a key step in this process. It entails the transition of our population from “absolute performance” to “relative performance” ratings.

**RPS**

Repetitive Payment System

**RRP**

Railroad Protective: Casualty Product

**RRS**

Renewal Reporting System

**RSA**

Royal & SunAlliance

**RSC**

Risk Specialists Company, Inc.

**RSD**

Regional Sales Director

**RSD**

Reinsurance Security Department, found on DBG U/W site: maintains list of reinsurers and reinsurance intermediaries

**RSM**

Regional Service Manager

**RSO**

Regular Stock Option Plan

**RSO**

Risk Specialist Office or Risk Specialist Organization. Renamed Risk Specialists Companies (RSC).

**RTK**

Right To Know (non-gov't network: [www.rtk.com](http://www.rtk.com))

**RTS**

Review Tracking Sheet

**RUM**

Regional Underwriting Manager

**RVP**

Regional Vice President

# S

## **S.à r.l.**

Société à responsabilité limitée.

A Société à responsabilité limitée, also known by the acronym SARL (sometimes SÀRL or Sàrl), is a form of private limited liability corporate entity that exists in France, Switzerland, Luxembourg, Algeria, Morocco and Tunisia, and has commerce as its purpose.

A SARL is a company whose liability is limited to the contributions of its members. Shares are not freely transferable, transfers requiring the agreement of all shareholders. The SARL is broadly equivalent to the private company limited by shares in the United Kingdom and the corporation in the United States.

## **S&A**

Sudden and Accidental

## **SAA**

Surety Association of America

## **SAAHP**

SunAmerica Affordable Housing Partners

## **SAAMCO**

SunAmerica Asset Management Company

## **SAB99**

Staff Accounting Bulletin #99

The SEC issued Staff Accounting Bulletin #99 that addresses the materiality of accounting errors. There is no “rule of thumb” defining “materiality of accounting errors”. Therefore, Corporate Comptrollers needs to track each error and assess the total effect of all errors across all business units. SAB99 is a web application that centralizes the recording of the SAB 99 information. It is used to record/track/report on the materiality of accounting errors, and for Corporate Comptrollers to assess its impact across business units.

## **SACRE**

SunAmerica Corporate Real Estate

## **SAI**

Special Account Instructions

## **SAIL**

Societe Anonyme d’Intermediaires Luxembourgeois, S.A.

## **SALIC**

SunAmerica Life Insurance Companies

## **SAP**

Statutory Accounting Principles

## **SAP**

System Application Project

## **SAQ**

Security Assessment Questionnaire (form can be found at

## **SAR**

Serious Accident Report



**SAR**

Hong Kong Special Administrative Region

Pursuant to an agreement signed by China and the UK on 19 December 1984, Hong Kong became the Hong Kong Special Administrative Region (SAR) of China on 1 July 1997.

**SAR**

Special Administrative Region of the People's Republic of China. It refers to Hong Kong.

**SARA**

Superfund Amendments and Reauthorization Act 1986 (amendment to CERCLA)

**SARM**

SunAmerica Retirement Markets

**SAS 70**

Statement on Auditing Standards 70

**SAWW**

Standard Average Weekly Wage

**SBA**

Server Based Applications

**SBM**

Specialty Business Manager

**SCAN**

Specialty Claims Assistance Network

**SCAR Treasury Group**

Supplemental Capital Adequacy Requirement

AIG is subject to the European Union Financial Conglomerates Directive (EU FCD). An important requirement of the EU FCD is the monitoring of capital adequacy on an enterprise-wide basis, and the Supplemental Capital Adequacy Requirement (SCAR) report is a key tool for this purpose. It is compiled on a regular basis by Corporate Treasury, and submitted to AIG Senior Management and the Office of Thrift Supervision (OTS) Examination Team (AIG's consolidated supervisor under the EU FCD). The CLARITY system is being used as the primary data collection system for the SCAR report, facilitating the collection of required data directly from business units.

**SCI**

Strategic Claims Interface

**SCI**

Strategic Claims Initiative

**SCR**

Standard Class Rate

**SCSA**

Source Code Security Assessment

**SCU**

Single Cashier Unit

**SDD**

Service Delivery Director

**SDE**

Supplementary Data Entry

**SDM**

Service Delivery Manager

**SDN**

Specially Designated Nationals

To see OFAC's current list, visit the site below.

**SDWA**

Safe Drinking and Water Act 1974

**SDWIS**

Safe Drinking Water Information System

**SEAL**

Supplemental Environmental Automobile Liability® (AIGE product for Environmental Transportation Exposures)

**SEARO**

Southeast Asia Regional Offices (AIG SEARO)

**SEC**

Securities and Exchange Commission

**SEGLI**

Service Employees Group Life Insurance

**SEI**

Software Engineering Institute

**SEL**

Senior Executive Liaison - a 2004 DBG Initiative re: Regional Brokers

**SEP**

Simplified Employee Pension

**SEPG**

Software Engineering Process Group

**SERC**

State Emergency Response Commission

**SERPs**

Supplemental Executive Retirement Plans

**SEUA**

Southeastern Underwriters Association

**SHMO**

Social Health Maintenance Organization

**SIC Code**

Standard Industry Code

**SICO**

Starr International Company.

From 1970 to 2005, SICO held a large block of AIG stock in trust to fund the long-term compensation of current and future generations of AIG's employees.

**SIL**

Syntel India, Ltd.

**SIMBAR**

SI Mapping Books and Records

The SI Mapping Books and Records (SIMBAR) system is a web based application that has been developed to serve two main objectives: Document and map the SI schedules to the underlying "books & records." This effort will complete the overall mapping of the 10-K filings back to the originating books and records. Match existing SOX controls to the associated books and records and identify any gaps and/or compensating controls. This effort will provide evidence of the completeness and effectiveness of the internal control framework over financial reporting. The SIMBAR system is supported by a database used as the repository for financial and controls data. The application will serve as the foundation for improved visibility into control gaps, compensating controls and their impact on the financial statements for all in scope SI filers. Scoping and materiality for the SIMBAR system is established by ORM and PWC as part of the annual SOX planning.

**SIMS**

Surety Imaging Management Studies

**SIO**

Strategic Initiatives Office

**SIP**

State Implementation Plan

**SIR**

Self-Insured Retention

**SL**

Survivorship Life Insurance

**SLA**

Service Level Agreement

**SLA#**

Surplus Lines Acct Number (used in CA & NJ for Lexington paper)

**SLR**

Specialty Litigation Risks

**SME**

Small to medium-sized enterprises

**SME**

Subject Matter Expert

**SMI**

Supplemental Medical Insurance

**SMO**

Strategic Marketing Office: unifies the worldwide business development and marketing activities of Commercial Lines, Energy and Accident & Health to create a consistent and comprehensive practice for commercial business development and broker management. The SMO consolidates existing commercial business development and marketing efforts into a

single structure.

**SMP**

Special Multi-Peril (Policy)

**SMP**

Special Multi-Peril

**SMS**

Service Monitoring System

**SMTP**

Simple Mail Transfer Protocol

**SNF**

Skilled Nursing Facility

**SOAR**

Sarbanes-Oxley Access Recertification

**SOCMI**

Synthetic Organic Chemical Manufacturing Industry (Wastewater)

**SOP**

Standard Operating Procedures

**SOW**

Scope of Work

**SOX**

Sarbanes-Oxley Act (Federal Securities Law affecting corporate governance)

**SPARS**

Submissions Processing And Reporting System

**SPCC**

Spill Prevention Control and Countermeasure

**SPDA**

Single Premium Deferred Annuity

**SPIES**

Special Accident System

**SPLEC**

Special Purpose and Legal Entity Controller

**SPOC**

Single Point of Contact

**SQA**

Software Quality Assurance

**SQMT**

Software Quality Management Team

**SR**

Service Request

**SRA**

Set Rate Annuity. The SRA is a single premium fixed annuity with market value adjustment (MVA) that offers tax-deferred growth without any upfront fees.

**SRG**

Special Risk Group

**SSA**

Software Security Assessment

**SSTS**

Section Seven Tracking System: EPA tracks pesticide producing establishments & amount of pesticides they produce.

**STAR**

Site Tracking & Recording (system used by AIGC-EM for CCC & EPP Programs)

**STC**

STC, Inc. was formerly known as SunAmerica Trust Company. It was owned by SAFG Retirement Services until 2001 at which point it was dissolved and is inactive.  
Policies are handled by SunAmerica Mutual Funds

**STC**

Subsequent Transactions and Corrections

**STIP**

Steel Tank Internal Protection

**SVE**

Soil Vapor Extraction

**SWC**

Specialty Workers' Compensation

**T****TAC**

Threat Assessment Center

The TAC is an important part of the AIG Corporate Incident Management Program.

**TAGIC**

Tata AIG General Insurance Company Limited

**TALIC**

Tata AIG Life Insurance Company Ltd.

**TAPS**

Target And Prospect System

**TARP**

Total Annualized Renewal Premium

**TARP**

Troubled Assets Relief Program

**TARSAS**

TransAmerica Reinsurance Self Administration System

**TBA**

Tertiary Butyl Ether or tert-butyl ether; associated w/the natural breakdown of MTBE

**TCC**

Transmittal Contract Code or Transmitter Control Code  
Assigned by the IRS.

**TCCAJ**

Total Commitments for Credit Approval Jurisdiction

**TCE**

Trichloroethene

**TDA**

Tax-Deferred Annuity

**TDB**

Temporary Disability Benefits

**TDF**

Transatlantic Domestic Facultative

**TEA**

Transportation Equity Act

**TEFRA**

Tax Equity and Fiscal Responsibility Act

**TIF**

Tax Increment Financing

**TIN**

Taxpayer Identification Number

**TIRB**

Transportation Insurance Rating Bureau

**TLV**

Threshold Limit Values

**TNOW**

Transient Non-Community Water System

**TOGAS**

Total Overseas Group Administration System

**TOLI**

Trust Owned Life Insurance

**TPA**

Third Party Administrator

**TPAIR**

Third Party Administrator Information Resource

**TPD- Totally and Permanently Disabled**

Also known as PTD, being unable to engage in any occupation or employment for compensation or profit for which the insured is reasonably qualified by education, training, or experience and unlikely ever to return to work. Other definitions may apply.

**TPH**

Total Petroleum Hydrocarbons: TPH-->Benzene-->Tolvene-->Ethylbenzene-->Xylene

**TPO**

Third Party Origination

**TPRMS**

Transatlantic Professional Risk Management Services, Inc. TransRe acquired PRMS in March 2007. ***(Separated from AIG effective June 10, 2009)***

**TR**

Technical Request

**Trans Re**

Transatlantic Reinsurance Company ***(Separated from AIG effective June 10, 2009)***

**TRH**

Transatlantic Holdings, Inc. ***(Separated from AIG effective June 10, 2009)***

**TRIA**

Terrorism Risk Insurance Act of 2002

**TRIC**

Toxicity, Reactivity, Ignitability, and Corrosivity (criteria for measuring hazardous material)

**TRS**

Time Reporting System

**TRS**

Total Reduced Sulfur

**TSA**

Transaction Separation Agreement.

**TSA**

Tax Sheltered Annuity

**TSCA**

Toxic Substances Control Act

**TSDF**

Treatment, Storage and Disposal Facility

**TTAS**

Toxic Tort Account System

**TTD**

Temporary Total Disability (Claim)

**TVRA**

Terrorism Threat & Vulnerability Risk Assessment

**U**

**U/A**

Underwriting Assistant

**U/W**

Underwriter

**U&O**

Use and Occupancy (Insurance)

**UAB**

Underwriters Adjustment Bureau

**UAC**

Underwriters Adjusting Company

**UAIN**

The Unemployment Account Identification Number is generated by the state.

**UAS**

Underwriting Audit System (self audit)

**UB-92**

Uniform Billing Code of 1992

**UCD**

Unemployment Compensation Disability Insurance

**UCPM**

United Commercial Program Managers (broker for a computer based tool for CPL rating program available to insurance agents nationwide. Soon to expand to SEAL & Pro-Pac)

**UEPR**

Unearned Premium Reserve

**UGC**

United Guaranty Corporation

**UIC**

Underground Injection Control

**UIM**

Underinsured Motorists

**UIT**

Unit Investment Trust

**UJF**

Unsatisfied Judgment Fund

**UL**



Universal Life (Insurance)

**ULIAS**

Universal Life Administration System

**UM**

Uninsured Motorists

**UNACO**

Underwriters Adjustment Company, Inc.

**UNEIIC**

Uzbekinvest National Export-Import Insurance Company. Chartis has joint venture shares with two Uzbek Insurance companies:

20% in Uzbekinvest International Insurance Company Limited (UIIC), and

51% in the underwriting agency Chartis Uzbekinvest Limited (also known as AIG Uzbekinvest Limited, or AIGU). Chartis Uzbekinvest Ltd., was appointed MGA of UIIC. And, Chartis Uzbekinvest Ltd. has signed a service agreement with Chartis UK (before AIG UK Services Ltd). Both agreements are currently in force. In Sept 2009, AIG withdrawn its capital (20% of shares) from UIIC, but kept its shares at Chartis Uzbekinvest Limited. Chartis Uzbekinvest Limited is a member company of Chartis Insurance UK Limited.

**UNEP**

United Nations Environment Program

**UPS**

Underwriter Processing System

**URD**

Underwriting Resource Division

**USGLI**

United States Government Life Insurance

**USID**

US Insurance Daily (newsletter)

**USL**

United States Life Insurance Company (USLIFE)

**UST**

Underground Storage Tanks

**UV**

Ultraviolet

**UWS**

Underwriters Workstation

**V**

**VALIC**

Variable Annuity Life Insurance Company

**VC**

Vinyl Chloride

**VCP**

Voluntary Cleanup

**VEBA**

Voluntary Employee Beneficiary Association

**VFA**

VALIC Financial Advisors

**VL**

Variable Life Insurance

**VMM**

Vandalism and Malicious Mischief

**VOC**

Volatile Organic Compounds

**VRSCO**

VALIC Retirement Services Company

**VRU**

Voice Response Unit

**VSO**

Vendor Services Oversight

**VUL**

Variable Universal Life

**W**

**WAC**

Weighted Average Coupon

**WARM**

Weighted Average Remaining Maturity

**WAVES**

Web Automated Vouchers Entry System

**WC**

Workers Compensation

**WCMF**

Workers Comp Mainframe

**WCPC**

Workers Compensation/Profit Center

**WFOE**

Wholly Foreign Owned Enterprise

**Wi-Fi**

Wireless Fidelity

**WIMP**

Water Intrusion Mold Plan

**WIP**

Work In Progress

**WOFE**

Wholly Owned Foreign Enterprise

**WP**

Waiver of Premium

**WRMPP**

Water Response and Mold Prevention Program

**WTS**

Work Tracking System

**Wuba**

Wurtembergische und Badische Versicherungs-AG. Based in Heilbronn, Germany, this company offers property and casualty, marine, personal lines, and accident & health insurance through brokers across the country.

**WWCC**

Worldwide Corporate Codes

**WWI**

Weekly Wage Inquiry

**WWRA**

World Wide Risk Analysis

**WWTP**

Waste Water Treatment Plant

**XCU**

Explosion, Collapse, and Underground (Damage)

**XOL**

Excess Of Loss

**XOLReinsurance**

Excess Of Loss Reinsurance

**Y****YRT**

Yearly Renewable Term

**Z****ZAD**

Zonal Administrative Director (DBG term)

## Companies Glossary

### A

**A.I. Credit Corp.**

Part of the Financial Services Group specializing in premium finance.

**AI Transport**

Writes motor carrier and public transportation insurance coverages.

**AIG**

American International Group, Inc. (AIG) is the world's leading international insurance and financial services organization, with operations in more than 130 countries and jurisdictions. AIG member companies serve commercial, institutional and individual customers through the most extensive worldwide property-casualty and life insurance networks of any insurer. In the United States, AIG companies are the largest underwriters of commercial and industrial insurance and AIG American General is a top-ranked life insurer. AIG's global businesses also include financial services, retirement services and asset management. AIG's financial services businesses include aircraft leasing, financial products, trading and market making. AIG's growing global consumer finance business is led in the United States by American General Finance. AIG also has one of the largest U.S. retirement services businesses through AIG SunAmerica and AIG VALIC, and is a leader in asset management for the individual and institutional markets, with specialized investment management capabilities in equities, fixed income, alternative investments and real estate. AIG's common stock is listed on the New York Stock Exchange, as well as the stock exchanges in London, Paris, Switzerland and Tokyo.

**AIG - Union y Desarrollo, SA**

Provides a wide range of commercial and liability insurance products and services in El Salvador.

**AIG Advisor Group**

FSC Securities, SagePoint Financial, Royal Alliance, Woodbury Financial are the four broker-dealers that comprise the AIG Advisor Group.

**AIG Affinity Group Services**

A single source for the distribution of AIG companies' products through alternative sources.

**AIG American General**

One of the leading life insurance organizations in the United States. It distributes a broad range of life insurance and annuity products.

**AIG Asset Management Group**

Consolidates the global third-party investment management businesses of the AIG companies.

**AIG Asset Management International**

Develops, manages, and distributes retail mutual funds worldwide.

**AIG Aviation, Inc.**

The leading U.S. based underwriter of aviation insurance with over 50 years of aviation underwriting experience. AIG Aviation continues to be a leading worldwide aviation underwriter with the financial capacity, products, and expertise to meet the needs of the aviation industry.

**AIG Bank Polska SA**

Provides institutional and commercial deposit products and services in Poland.

**AIG Bulgaria Insurance and Reinsurance Company EAD**

Provides a wide range of commercial and liability insurance products and services in Bulgaria.

**AIG Capital Management Corporation**

AIG Capital Management Corp. is an indirect wholly-owned subsidiary of American International Group, Inc. It is registered with the Securities and Exchange Commission and is engaged in investment advisory services to U.S. registered investment companies, offshore funds and institutional clients on a separate account basis.

**AIG Caspian Insurance Company**

Provides a wide range of commercial and liability insurance products and services in Azerbaijan.

### **AIG Colombia Seguros Generales, S.A.**

Provides a wide range of commercial and liability insurance products and services in Colombia.

### **AIG Commercial Insurance**

Formerly, Domestic Brokerage Group (DBG). Refers principally to the following AIG subsidiaries and business units that market their products through the brokerage community to large corporate buyers and other commercial customers:

American Home Assurance Company

AIG WorldSource Division (Formerly AIU North America)

Birmingham Fire Insurance Company of Pennsylvania

Commerce and Industry Insurance Company

Landmark Insurance Company

Lexington Insurance Company

National Union Fire Insurance Company of Pittsburgh, Pa.

Personal Lines

Mortgage Guaranty

Domestic lines of Transatlantic Holdings (Separated from AIG effective June 10, 2009)

### **AIG Commercial Insurance Agency, Inc.**

Formerly known as American International Surplus Lines Agency, Inc. (AISLA) - A surplus lines agency.

### **AIG Commercial Insurance Group**

Formerly known as the Domestic Brokerage Group (DBG).

### **AIG Company Rebranding**

*FORMER NAME || CURRENT NAME || Completion*

- AI Marine Adjusters, Inc || Chartis Marine Adjusters, Inc. || 2009
- AIG Aviation Adjustment Services, Inc || Chartis Aerospace Adjustment Services, Inc. || 2009
- AIG Aviation, Inc || Chartis Aerospace Insurance Services, Inc. || 2009
- AIG Bonfire Corporation || Chartis Bonfire Corporation || 07/29/09
- AIG BPSI || Integra Business Processing Solutions Inc. || 2009
- AIG Building Limited || Chartis Building Limited || 11/30/09
- AIG Capital Recovery Brazil Ltd. || Chartis Capital Recovery Brazil Limited || 09/21/09
- AIG Casualty Company || Chartis Property Casualty Company || 2009
- AIG CAT Excess Liability || Chartis Excess Limited || 2009
- AIG Central Europe & CIS Insurance Holdings Corporation || Chartis Central Europe & CIS Insurance Holdings Corporation || 07/27/09
- AIG Colombia Seguros Generales S.A. || Chartis Seguros Colombia S.A. || 08/12/09
- AIG Commercial Insurance Agency || Chartis Insurance Agency, Inc. || 2009
- AIG Consultants Limited || Chartis Consultants Limited || 11/30/09
- AIG Consultants, Inc || Global Loss Prevention, Inc. || 2009
- AIG Corporate Solutions Kabushiki Kaisha || Chartis Corporate Solutions Kabushiki Kaisha || 11/01/09
- AIG Direct (UK) || Chartis Direct ||
- AIG Domestic Claims, Inc || Chartis Claims, Inc. ||
- AIG Egypt Insurance Company S.A.E. || Chartis Egypt Insurance Company S.A.E. || 01/18/09
- AIG Europe Holdings Limited || Chartis Europe Holdings Limited || 10/22/09
- AIG Europe S.A. - Romania || Chartis Europe S.A. - Romania || 01/15/10
- AIG Europe S.A.- Bulgaria || Chartis Europe S.A. - Bulgaria (Чартис Европа СА клон България) || 09/24/09
- AIG Europe SA (Czech Republic branch) || Chartis Europe, S.A. - Czech Republic (Chartis EUROPE S.A., pobočka pro Českou republiku) || 10/01/09
- AIG Europe SA (Slovakia branch) || Chartis Europe, S.A. - Slovakia (Chartis Europe S.A. slovenská pobočka poisťovne z iného členského štátu) || 10/01/09
- AIG Europe, S.A. || Chartis Europe, S.A. || 08/12/09
- AIG Europe, S.A. - Austria || Chartis Europe, S.A. - Austria || 11/09/09
- AIG Europe, S.A. - Belgium || Chartis Europe, S.A. - Belgium || 09/24/09

- AIG Europe, S.A. - Denmark || Chartis Europe, S.A. - Denmark || 10/02/09
- AIG Europe, S.A. - Finland || Chartis Europe, S.A. - Finland (Chartis Europe S.A. (Suomen sivuliike)) || 10/02/09
- AIG Europe, S.A. - Georgia || Chartis Europe, S.A. - Georgia (sadažRvevo kompania Cartis evropa s.a. saqarTvelos filiali) || 09/16/09
- AIG Europe, S.A. - Germany || Chartis Europe, S.A. - Germany || 10/28/09
- AIG Europe, S.A. - Hungary || Chartis Europe, S.A. - Hungary (Chartis Europe S.A. Magyarországi Fióktelepe) || 10/05/09
- AIG Europe, S.A. - Italy || Chartis Europe, S.A. - Italy || 09/30/09
- AIG Europe, S.A. - Liechtenstein || Chartis Europe, S.A. - Liechtenstein || 10/01/09
- AIG Europe, S.A. - Luxembourg || Chartis Europe, S.A. - Luxembourg || 10/05/09
- AIG Europe, S.A. - Norway || Chartis Europe, S.A. - Norway || 09/29/09
- AIG Europe, S.A. - Spain || Chartis Europe, S.A. - Spain || 10/08/09
- AIG Europe, S.A. - Sucursal Em Portugal || Chartis Europe, S.A. - Portugal || 09/24/09
- AIG Europe, S.A. - Sweden || Chartis Europe, S.A. - Sweden || 10/26/09
- AIG Europe, S.A. - Switzerland || Chartis Europe, S.A. - Switzerland || 09/30/09
- AIG Europe, S.A. - United Kingdom || Chartis Europe, S.A. - United Kingdom || 10/01/09
- AIG European Insurance Investments Inc. || Chartis European Insurance Investments Inc. || 07/27/09
- AIG Excess Liability Insurance Company Ltd. || Chartis Select Insurance Company || 2009
- AIG General Insurance (Malaysia) Berhad || Chartis Malaysia Insurance Berhad || 12/01/09
- AIG General Insurance (Taiwan) Co., Ltd. || Chartis Taiwan Insurance Co., Ltd. || 11/23/09
- AIG General Insurance (Thailand) Ltd. || Chartis Insurance (Thailand) Company Limited ||
- AIG General Insurance (Vietnam) Company Limited || Chartis Vietnam Insurance Company Limited || 11/02/09
- AIG General Insurance Company China Limited || Chartis Insurance Company China Limited || 09/21/09
- AIG Global Management Company Ltd. || Chartis Global Management Company Limited || 10/22/09
- AIG Greece Representation of Insurance Services S.A. || Chartis Greece Representation of Insurance Services S.A. || 10/29/09
- AIG Insurance & Reinsurance Company ZAO || Chartis Insurance Company CJSC (Закрытое акционерное общество «Страховая компания Чартис» ) || 08/04/09
- AIG Insurance (Guernsey) PCC Limited || Chartis Insurance (Guernsey) PCC Limited || 08/14/09
- AIG Insurance and Reinsurance Company (Russia) || CJSC Chartis Insurance Company || 2009
- AIG Insurance Management Services (Guernsey) Limited || Chartis Insurance Management Services (Guernsey) Limited || 08/11/09
- AIG Insurance Management Services (Ireland) Limited (AIMS) || Chartis Insurance Management Services (Ireland) Limited || 08/18/09
- AIG Insurance Management Services (Isle of Man) Ltd. || Chartis Insurance Management Services (IOM) Limited || 08/19/09
- AIG Insurance Management Services (Luxembourg) S.A. || Chartis Insurance Management Services (Luxembourg) S.A. || 08/04/09
- AIG Insurance Management Services, Inc. || Chartis Insurance Management Services, Inc. || 07/28/09
- AIG Iraq, Inc. || Chartis Iraq, Inc. || 07/27/09
- AIG Ireland Limited || Chartis Insurance Ireland Limited || 12/01/09
- AIG Kenya Insurance Company Limited || Chartis Kenya Insurance Company Limited || 10/16/09
- AIG Lebanon S.A.L. || Chartis Lebanon S.A.L. || 12/24/09
- AIG Libya, Inc. || Chartis Libya, Inc. || 07/27/09
- AIG Life Hungary || AHICO || 2009
- AIG Life South Africa Limited || Chartis Life South Africa Limited || 08/12/09
- AIG Luxembourg Financing Limited || Chartis Luxembourg Financing Limited || 11/30/09
- AIG Medical & Rehabilitation Limited || Chartis Medical & Rehabilitation Limited || 11/30/09
- AIG Memsa Holdings, Inc. || Chartis MEMSA Holdings, Inc. || 07/27/09
- AIG MEMSA Insurance Company Limited || Chartis MEMSA Insurance Company Limited || 07/28/09
- AIG MEMSA Insurance Company Limited - Oman || Chartis MEMSA Insurance Company Limited – Oman || 10/01/09
- AIG MEMSA Insurance Company Limited - Qatar || Chartis MEMSA Insurance Company Limited -Qatar || 07/29/09
- AIG Non-Life Holding Company (Japan), Inc. || Chartis Non-Life Holding Company (Japan), Inc. || 07/27/09
- AIG Poland S.A./AIG Polska T.U. S.A. || Chartis Europe, S.A. - Poland (Chartis Europe Spółka Akcyjna Oddział w Polsce) || 09/30/09
- AIG Property Limited || Chartis Property Limited || 11/30/09

- AIG Reinsurance Services Office || Chartis Reinsurance Services || 08/11/09
- AIG Seguros de Personas, S.A. || Chartis Vida, Sociedad Anonima , Seguros de Personas || 11/30/09
- AIG Shared Services Corporation - Philippines || Chartis Technology & Operations Management Corporation - Philippines || 01/31/2013
- AIG Shared Services Corporation - Philippines || Chartis Technology & Operations Management Corporation (Malaysia) Sdn Bhd || 10/29/2013
- AIG Shared Services - Business Processing Inc. || Integra Business Processing Solutions Inc. || 04/29/2013
- AIG Shared Services Corporation - Management Services (ROHQ) || Integra Holdings Inc. (ROHQ) || 09/20/2013
- AIG Sigorta A.S. || Chartis Sigorta A.S. || 09/28/09 •AIG South Africa Limited || Chartis South Africa Limited || 08/12/09
- AIG Takaful - Enaya B.S.C. || Chartis Takaful - Enaya B.S.C. || 09/10/09
- AIG Trade Finance Limited || Chartis Trade Finance Limited || 11/30/09
- AIG Travel Assist Asia Pacific Pte. Ltd. || Travel Guard Asia Pacific Pte. Ltd. || 11/10/09
- AIG Travel Assist International Limited || Travel Guard EMEA, Limited || 11/30/09
- AIG Travel, Inc. || Travel Guard Worldwide, Inc. || 08/05/09
- AIG Uganda Limited || Chartis Uganda Insurance Company Limited || 09/04/09
- AIG UK Financing Limited || Chartis UK Financing Limited || 11/30/09
- AIG UK Holdings Limited || Chartis UK Holdings Limited || 11/30/09
- AIG UK Limited || Chartis Insurance UK Limited || 11/30/09
- AIG UK Services Limited || Chartis UK Services Limited || 11/30/09
- AIG UK Sub Holdings Limited || Chartis UK Sub Holdings Limited || 11/30/09
- AIG Ukraine || Chartis Ukraine Insurance Company CJSC || 09/21/09
- AIG Union y Desarrollo, S.A. (AIG El Salvador) || Chartis Seguros, El Salvador, Sociedad Anonima || 11/30/09
- AIG Uruguay Compania de Seguros S.A. || Chartis Seguros Uruguay S.A. || 12/09/09
- AIG Uzbekinvest Limited || Chartis Uzbekinvest Limited || 11/30/09
- AIG Vita S.p.A. || ALICO Italia S.p.A. || 2009
- AIG World Investigative Resources, Inc || Chartis Global Investigations, Inc. || 2009
- AIU Africa Holdings, Inc. || Chartis Africa Holdings, Inc. || 07/27/09
- AIU Far East Holdings, KK || Chartis Far East Holdings Kabushiki Kaisha || 09/30/09
- AIU Foreign Subsidiary Holdings LLC || Chartis Foreign Subsidiary Holdings LLC || 07/27/09
- AIU Holdings LLC || Chartis International, LLC || 07/27/09
- AIU Insurance (Philippines) Company, Inc. || Chartis Philippines Insurance Inc. || 10/15/09
- AIU Latin America Investments, LLC || Chartis Latin America Investments, LLC || 07/27/09
- AIU North America, Inc || Chartis North America, Inc || 07/27/09
- AIU Pacific Rim Holdings, L.L.C. || Chartis Pacific Rim Holdings, L.L.C. || 07/27/09
- AIU Seguros S.A. || Chartis Seguros Brasil S.A. || 07/27/09
- AIU Southeast Asia Limited || Chartis Southeast Asia Limited || 12/03/09
- AIU Southeast Asia Pte. Ltd. || Chartis Regional Headquarters Southeast Asia Pte. Ltd. || 11/03/09
- AIU Technology and Operations Management Corporation || Chartis Technology and Operations Management Corporation || 07/27/09
- AIU Technology and Operations Management Corporation - Philippines || Chartis Technology and Operations Management Corporation - Philippines || 11/20/09
- American Asiatic Underwriters, Ltd. || Chartis Hong Kong Limited || 11/18/09
- American International Company, Limited (AICO) || Chartis Bermuda Limited || 09/21/09
- American International Insurance Agency, Inc. || Chartis Insurance Agency, Inc. - Puerto Rico || 11/30/09
- American International Insurance Company of Puerto Rico || Chartis Insurance Company - Puerto Rico || 09/30/09
- American International Management Company (Barbados) Ltd. || Chartis Management Services (Barbados) Ltd. || 09/04/09
- American International South Insurance Company (AI South) || Chartis Casualty Company || 2009
- American International Underwriters Overseas Association || Chartis Overseas Association || 09/21/09
- American International Underwriters Overseas, I.I. || Chartis I.I. - Puerto Rico || 10/05/09
- American International Underwriters Overseas, Ltd. || Chartis Overseas Limited || 09/21/09
- American International Underwriters, Limited || Chartis Insurance Hong Kong Limited || 11/18/09
- Bridge Investments LLC || Pinebridge Global Investments LLC || 2009
- Chartis Australia Insurance Pty Limited || Chartis Australia Insurance Limited || 01/22/10
- Chartis Australia Insurance Pty Limited || Chartis Australia Insurance Limited || 01/22/10
- Claims Adjustment Service Pty. Ltd. || Chartis Australia Insurance Limited || 01/22/10

- Hayleys AIG Insurance Company Limited || Chartis Insurance Limited || 10/30/09
- Home Office Exp of AIUOA || AIU Overseas Association || 2009
- Japan Adjustment Company, Ltd. (JACO) || Chartis Claims Solutions Japan Kabushiki Kaisha || 12/01/09
- La Interamericana Compania de Seguros Generales S.A. [Chile] || Chartis Chile Compañía de Seguros Generales S.A. || 10/09/09
- La Seguridad de Centroamerica, Compania de Fianzas, S.A. || Chartis Fianzas Guatemala, S.A. || 08/27/09
- La Seguridad de Centroamerica, Compania de Seguros S.A. || Chartis Seguros Guatemala, S.A. || 08/27/09
- P.T. Asuransi AIU Indonesia || PT Chartis Insurance Indonesia || 09/09/09
- S. J. Zevlaris Insurance Agency Co. Limited || Chartis Cyprus Limited || 09/28/09
- Servicios Mantara S.A. de C.V. || Chartis Mexico Servicios S.A. de C.V. || 10/15/09
- Shanghai - AIG Technical Advisory Services Co. Ltd. || Chartis Shanghai Technical Advisory Service Company Limited || 08/03/09
- Unionvita S.p.A || ALICO Italia S.p.A. || 2009
- American International Underwriters (Singapore) Pte. Limited || Chartis Regional Headquarters Southeast Asia Pte. Ltd. || 12/30/09
- Chartis Australia Insurance Pty Limited || Chartis Australia Insurance Limited || 01/22/10
- AIG Europe S.A. - Romania || Chartis Europe S.A. - Romania || 01/15/10
- AIG Egypt Insurance Company S.A.E. || Chartis Egypt Insurance Company S.A.E. || 01/18/10
- American International Insurance Co. of Puerto Rico (AIICO) || Chartis Insurance Company - Puerto Rico || 10/01/09
- AIG Life Romania || Alico Asigurari Romania S.A. || 12/03/09
- AIG Uruguay Compania de Seguros S.A. || Chartis Seguros Uruguay S.A. || 12/29/09
- AIG Europe S.A. - Romania || Chartis Europe S.A. - Romania || 01/15/10
- AIG WarrantyGuard, Inc. || Chartis WarrantyGuard, Inc. || March 2010
- AIG Life Insurance Company || American General Life Insurance Company of Delaware || April 2010
- AIGKK separation. AIGKK retained for AIG and || Chartis Business Partners K.K. (CBPKK) for Chartis || 06/01/10

#### **AIG Consultants, Inc.**

The engineering/consulting company that provides risk assessment and risk improvement services for all AIG profit centers, as well as to outside clients. The services include property protection, worker safety, environmental pollution assessment and remediation, construction safety, industrial hygiene, ergonomics, public safety, product safety, fleet safety, health care risk assessment, and fidelity risk assessment.

#### **AIG Consumer Finance Group**

Through its subsidiaries, is engaged in developing a global consumer finance business, with an initial emphasis on overseas markets. AIGCFG offers a broad range of consumer finance products including credit cards, mortgages, personal and auto loans, sales finance, and deposit and savings accounts. It currently operates in the United States, Poland (AIG Bank Polska), Argentina (Compania Financiera Argentina), Colombia (Inversora Pichincha), Japan, Taiwan, Hong Kong, the Philippines and Thailand.

#### **AIG CZECH REPUBLIC pojistovna, a.s.**

Provides a wide range of commercial and liability insurance products and services in the Czech Republic.

#### **AIG Direct**

aigdirect.com is an internet website for consumers and small businesses. It offers a comprehensive portfolio of personal lines and small business commercial insurance products underwritten by AIG member companies, coupled with advanced transactional capabilities providing customers with a direct, secure vehicle to conduct transactions online.

#### **AIG Edison Life Insurance Company**

It was acquired in 2003. AIG Edison Life significantly expands the AIG companies' distribution in Japan, adding 8,000 agents. (Formerly GE Edison Life Insurance Company.)

#### **AIG Egypt Insurance Company S.A.E.**

Provides a wide range of commercial and liability insurance products and services in Egypt. Formerly known as Pharaonic Insurance Company S.A.E.

#### **AIG Environmental**



The leading U.S. provider of environmental insurance coverages and services. Environmental liability coverages are provided to cover a wide array of commercial and industrial risks including for property owners, financial institutions, contractors, and consultants. Environmental insurance products and services are transactional support mechanisms for companies involved in mergers and acquisitions, contaminated property development, military base redevelopment, transfer of power industry assets, and environmental loss portfolio transfers.

#### **AIG Equity Sales Corp.**

AIG Equity Sales Corp, a registered broker dealer, distributes investment products and services to institutional and sophisticated investors. Products it distributes include private placements, real estate investment funds, money market funds, commercial paper, variable life and annuities, securities lending, insurance collateral accounts, and hedge funds.

#### **AIG Executive Liability**

Branding name use for National Union Fire Insurance Company of Pittsburgh, Pa. (National Union) for their "executive" suite of products.

#### **AIG Financial Products Corp.**

AIG Financial Products Corp. (AIG-FP) is a wholly-owned subsidiary of American International Group, Inc., world leaders in insurance and financial services. Founded in 1987, AIG-FP was one of the first companies focused principally on the derivatives markets in the United States. AIG-FP is active in a full spectrum of OTC derivative and structured products markets, including commodities, credit, energy, equities, foreign exchange, and rates. As leading participants in the capital and derivatives markets, AIG-FP provides clients with corporate finance, investment, and financial risk management solutions. AIG-FP's clients include many of the world's top corporations, investment managers, pension funds, banks, investment banks, sovereigns, hedge funds, foundations and endowments, as well as select high-net-worth individuals. With group offices in London, Paris, Tokyo, Houston, Hong Kong, and Wilton, Connecticut, AIG-FP has extensive global reach.

#### **AIG Global Energy**

Responds to the specific needs of the oil and gas, utility and mining industries by making available through one source the full range of the AIG member companies' products and services.

#### **AIG Global Investment Group**

AIGGIG manages in excess of US \$450.6 billion in assets across a diversified product line including Private Equity, as well as Equity, Fixed Income strategies and Real Estate Investment Funds.

#### **AIG Global Real Estate Investment Corp.**

AIG Global Real Estate Investment Corp. (AIG Global Real Estate), a subsidiary of American International Group, Inc. (AIG), invests in and actively manages real estate around the world for unaffiliated investors and AIG member companies. AIG Global Real Estate's property portfolio comprises approximately 53 million square feet owned, developed or under management in more than 50 countries throughout Asia, Europe, Latin America and North America.

#### **AIG Global Services (AIGGS)**

Formerly AIG Technologies, Inc. A member company of American International Group, Inc. (AIG), providing industry-leading information technology solutions. Through a complement of cost-effective solutions, AIGGS helps clients leverage technology while minimizing risk, giving clients the opportunity to focus on their core business versus managing technology.

#### **AIG Greece / Hellas Insurance Company S.A.**

Provides a wide range of commercial and liability insurance products and services in Greece.

#### **AIG International Services, Inc.**

Provides the most relevant and innovative services designed to enhance the travel and relocation experience for travelers worldwide. Highly skilled travel assistance coordinators are available 24 hours a day, 7 days a week from anywhere in the world to assist with medical, financial, insurance or relocation needs. Formerly known as AIG Assist.

#### **AIG Israel**

Provides a wide range of commercial and liability insurance products and services in Israel. Formerly known as AIG

GOLDEN Insurance Ltd.

**AIG Japan Partners, Inc.**

Provides institutional and commercial asset management products and services in Japan.

**AIG Kazakhstan Insurance Company**

Provides a wide range of commercial and liability insurance products and services in Kazakhstan.

**AIG Marketing, Inc.**

Based in Wilmington, DE, it is the AIG companies' mass marketing arm for life, accident and health insurance.

**AIG Mexico - Seguros Interamericana, S.A. de C.V.**

Provides a wide range of commercial and liability insurance products and services in Mexico.

**AIG Private Bank Ltd. - No Longer an AIG Member Company**

Effective April 16, 2009 Aabar Investments PJSC ("Aabar") completed its acquisition of AIG Private Bank Ltd. ("AIG Private Bank"). AIG Private Bank will conduct its business under the new name Falcon Private Bank Ltd ("Falcon Private Bank").

Based in Zurich specializes in asset management and private banking services for high net worth clients throughout the world.

**AIG Private Client Group**

Provides insurance coverages and value-added services that enhance protection and can minimize threats to the personal wealth and safety of high net worth clients and their families.

**AIG Property Casualty Group**

Formerly known as AIG's Domestic General Insurance. Includes the Domestic Brokerage Group (DBG), Domestic Personal Lines, and United Guaranty.

**AIG Realty, Inc.**

Owns and manages the AIG companies' buildings and facilities throughout the world.

**AIG Reinsurance Advisors, Inc.**

A market leader in non-traditional reinsurance and retrocessional coverage, designing and underwriting reinsurance products to satisfy the risk transfer, leverage and long-term financial planning objectives of reinsurance buyers.

**AIG Retirement**

Formerly, AIG VALIC, led by The Variable Annuity Life Insurance Company, is the nation's leading provider of retirement services to primary and secondary education, the second-largest provider to healthcare groups, and the third-largest provider to higher education groups.

**AIG Retirement Services, Inc.**

AIG Retirement Services, Inc. (formerly AIG SunAmerica), a member of American International Group, Inc., specializes through its subsidiaries in retirement savings and investment products and services. In 2001, the company's balanced mix of businesses was enhanced by AIG's acquisition of American General Corporation and the subsequent integration of the retirement savings businesses of AIG, SunAmerica and American General.

**AIG Risk Management**

Provides a wide array of customized primary casualty programs to Fortune 1000 and large commercial customers. AIGRM also provides risk management services and risk transfer coverages to specific industries including construction, transportation, energy and public entities.

**AIG Russia Insurance Company**

Provides a wide range of commercial and liability insurance products and services in Russia.

Effective August 3, 2009, Russia-based AIG Insurance and Reinsurance Company, subsidiary of AIG, changed its brand into CJSC Chartis Insurance Company (Chartis). The new full name of the company is CJSC "Chartis Insurance

Company" in English, and Закрытое акционерное общество «Страховая компания Чартис» in Russian. The abbreviated name is CJSC "Chartis" in English, and ЗАО «Чартис» in Russian. Note that the legal and postal address of the Company and its management remains unchanged.

### **AIG Shared Services**

The integrated business solutions and operations management group of companies of AIG, one of the largest insurance organizations in the world. An integral part of AIG's Global Operations & Systems (O&S) flagship, AIG Shared Services delivers dedicated world-class, enterprise-wide Business Process Outsourcing (BPO), Technology Services (IT), and Operations Management services to the various AIG businesses around the globe.

### **AIG Shared Services - Asia**

The dedicated world-class, enterprise-wide Operations Development-focused insurance and F&A operations shared services center of AIG based in Manila and Kuala Lumpur.

### **AIG Shared Services - Technology**

The dedicated world-class, enterprise-wide Applications Development and Management-focused Technology Services (IT) shared services center of AIG based in Manila.

### **AIG Sigorta A.S.**

Provides a wide range of commercial and liability insurance products and services in Turkey.

### **AIG Small Business**

A division of the AIG companies, dedicated to serving the small business market -- businesses with less than \$25 million in annual revenue -- and their insurance brokers and agents. AIG Small Business provides this market segment with cost-effective insurance products, combined with excellent service.

### **AIG Star Life Insurance Co., Ltd.**

Provides general group life, group employee benefits and other related products and services in Japan. It was acquired by AIG as part of the Chiyoda Mutual Life Insurance Company reorganization in 2001. AIG Star Life is contributing to the AIG companies' growing life insurance presence in Japan.

### **AIG SunAmerica Asset Management Corp.**

Manages and administers retail mutual funds, as well as the underlying assets of AIG SunAmerica and AIG VALIC variable annuities sold to individuals and groups throughout the country.

### **AIG SunAmerica Institutional Products**

The \$100-plus billion investment business funded via the issuance of guaranteed investment contracts (GICs) to pension, 401(k) and other retirement plans and institutional investors around the globe. AIG SunAmerica is the largest issuer of GICs both in the United States and worldwide.

### **AIG Surety**

The largest provider of International Surety bonds in the world and a leading writer of surety in the USA. We provide a variety of bid, performance and payment, court and other statutory obligations to large contractors or Fortune 1000 clients.

### **AIG Systems Solutions Private Limited**

AIG Systems Solutions Private Limited is a joint venture between the AIG companies and Polaris Software Lab - a leading Indian IT Services provider. AIGSS has its corporate office in Chennai, India with a delivery center in Kolkata, India and 5 branches in the USA. AIGSS was incorporated in 2002 and has expanded to its current resource base of over 250 professionals handling projects from different AIG member companies on a variety of technologies.

### **AIG UK Limited**

AIG UK Limited is one of the largest companies specializing in the UK business insurance market. Based in London and with offices throughout the country, it includes over half the top 1000 UK companies among their clients as well as many public sector organizations and smaller businesses.

### **AIG Worldwide Accident & Health**

Accident & Health is AIG companies' only product line written by both life and non-life companies. As a consequence, the business is managed through three business units that span the organization's insurance operations: DBG, Life Division and AIU. The New York-based Worldwide A&H staff supports all three Divisions in the areas of:

- Financial Planning and Forecasting
- Business Development Strategy and Tactics
- Strategic Marketing and Product Development
- Underwriting
- Reinsurance
- Training
- Worldwide Travel Services The Worldwide A&H staff is also charged with assisting each Division in developing long-term strategies and initiatives.

### **AIG-Metropolitana Cia. de Seguros y Reaseguros, SA**

Provides a wide range of commercial and liability insurance products and services in Ecuador.

### **AIG's Capital Markets Services**

Capital Markets engages as principal to provide clients with risk management solutions and sophisticated hedging products in standard and customized interest rate, currency, equity, commodity, debt, energy and credit products. Clients include top-tier corporations, financial institutions, governments, agencies, institutional investors and high-net-worth individuals throughout the world.

### **aigcorporate.com**

AIG's corporate Web site that includes information for the investment community, media, employees and a range of other audiences seeking information about AIG and its global operations. Its resources include an AIG newsroom, investor and corporate governance information, the AIG annual report, and other corporate information.

### **aigonline.com**

Is an internet website for risk managers and other business professionals. It provides service, analytical tools and information focusing on risk management. The site includes a customer service center that will enable many AIG member company commercial insureds to monitor and manage their policy information and claims online.

### **AIU**

A marketing unit for the AIG companies' overseas property-casualty operations, the most extensive foreign network of any insurance organization. Stretching across Asia and the Pacific to Latin America, Europe, Africa and the Middle East, AIU markets a full range of property-casualty products to both commercial and consumer clients.

### **AIU Bermuda Captive Operations**

Provides a wide range of commercial and liability insurance products and services.

### **AIU Holdings, Inc.**

A global General Insurance holding company, including AIG's Commercial Insurance Group, Foreign General unit, and other property and casualty operations, to be called AIU Holdings, Inc., with a board of directors, management team and brand distinct from AIG. The establishment of AIU Holdings, Inc. will assist AIG in preparing for the potential sale of a minority stake in the business, which ultimately may include a public offering of shares, depending on market conditions.

### **AIU Insurance Company**

is a New York property/casualty insurance company which sells insurance primarily in Japan through a branch office.

### **ALICO Compania de Seguros**

offers a range of life and other related insurance products and services in Argentina.

### **All American Life Insurance Company**

An AIG American General life insurance company based in Dallas.

### **American Franklin Life Insurance Company**

An AIG American General company.

**American General Assurance Company**

An AIG American General company.

**American General Finance, Inc.**

One of the largest consumer finance organizations in the United States which, through its subsidiaries, offers a broad range of consumer finance products.

**American General Life & Accident Insurance Company**

An AIG American General company, based in Nashville.

**American General Life Insurance Company**

An AIG American General company based in Dallas.

**American General Life Insurance Company of New York**

An AIG American General subsidiary.

**American General Retirement Services Company**

An AIG VALIC company, offering mutual fund retirement options to retirement plan participants.

**American Home Assurance Company**

A top provider of commercial umbrella liability insurance, and primary workers' compensation insurance. The company is also one of the leading providers of extended service coverages for consumer electronics, appliance and computer retailers.

**American International Assurance Company (Bermuda) Limited**

Offers a wide range of traditional life insurance and financial and investment products primarily in Hong Kong.

**American International Assurance Company, Limited**

AIA is AIG's flagship life insurance company for Southeast Asia and the largest life insurer in the region, with an expanding base of operations in China. Its extensive network of branches, subsidiaries and affiliates spans China, Hong Kong, Singapore, Malaysia, South Korea, Indonesia, Thailand, Vietnam, Australia, Brunei, New Zealand, India, Macau, Guam and Saipan.

**American International Company, Limited**

is a management company which provides services for all Bermuda subsidiary operations.

**American International Group, Inc.**

American International Group, Inc. (AIG) is the world's leading international insurance and financial services organization, with operations in more than 130 countries and jurisdictions. AIG member companies serve commercial, institutional and individual customers through the most extensive worldwide property-casualty and life insurance networks of any insurer. In the United States, AIG companies are the largest underwriters of commercial and industrial insurance and AIG American General is a top-ranked life insurer. AIG's global businesses also include financial services, retirement services and asset management. AIG's financial services businesses include aircraft leasing, financial products, trading and market making. AIG's growing global consumer finance business is led in the United States by American General Finance. AIG also has one of the largest U.S. retirement services businesses through AIG SunAmerica and AIG VALIC, and is a leader in asset management for the individual and institutional markets, with specialized investment management capabilities in equities, fixed income, alternative investments and real estate. AIG's common stock is listed on the New York Stock Exchange, as well as the stock exchanges in London, Paris, Switzerland and Tokyo.

**American International Life Assurance Company of New York**

A domestic U.S. life insurance company.

**American International Pacific Insurance Company**

One of four regional property/casualty insurance companies designed to bring the AIG companies' middle market product

portfolio directly to the brokerage community in an efficient manner. The company is headquartered in Seattle, WA.

**American International Recovery, Inc.**

Provides subrogation and salvage services.

**American International Reinsurance Company, Ltd.**

A holding company which through its subsidiaries transacts all types of general and life insurance operations, primarily in southeast Asia and the Far East, and increasingly, in South America.

**American International South Insurance Company**

One of four regional property/casualty insurance companies designed to bring the AIG companies' middle market product portfolio directly to the brokerage community in an efficient manner. The company is headquartered in Charlotte, NC.

**American International Specialty Lines Insurance Company**

Provides non-admitted (Surplus Lines) coverages.

**American International Underwriters**

A marketing unit for the AIG companies' overseas property-casualty operations, the most extensive foreign network of any insurance organization. Stretching across Asia and the Pacific to Latin America, Europe, Africa and the Middle East, AIU markets a full range of property-casualty products to both commercial and consumer clients.

**American International Underwriters Overseas Association**

An unincorporated Bermuda association whose partners are individual insurance companies. The association conducts property and casualty insurance operations outside of the U.S. consisting of commercial and personal lines of business.

**American International Underwriters Overseas, Ltd.**

A Bermuda property/casualty insurance company which conducts its operations primarily outside of the U.S.

**American Life Hayat Sigorta A.S.**

Provides general group life, group employee benefits and other related products and services in Turkey.

**American Life Insurance Company**

Among the largest international life insurance companies in the world, with operations in more than 50 countries. ALICO's operations stretch from Japan to Europe, the Middle East, Africa, Latin America, South Asia and the Caribbean.

**American Security Life Insurance Company (Switzerland) Ltd.**

A Swiss life insurance company.

**Arabian American Insurance Company Ltd.**

Provides a wide range of commercial and liability insurance products and services in various Middle East countries.

**Audubon Insurance Company**

This company is in a transitional phase and the business is in run off. No new business is being written.

## B

**Birmingham Fire Insurance Company of Pennsylvania**

An AIG subsidiary property/casualty insurance company.

## C

**Chartis Claims, Inc.**

Formerly, AIG Domestic Claims, Inc., providing a broad portfolio of specialized claims services to support commercial insurance policyholders to effectively manage their losses.

These services are complemented by exceptional litigation management resources; comprehensive medical, investigative, loss control and engineering services; innovative loss prevention and crisis management solutions; cutting-edge technology; and complimentary risk management and information tools.

**Chartis Europe S.A.**

Formerly AIG Europe S.A., Chartis Europe S.A. provides general insurance company in continental Europe. Based in Paris, it has branches in thirteen continental countries.

**Chartis Insurance**

Chartis is a world leading property-casualty and general insurance organization serving more than 40 million clients in over 160 countries and jurisdictions. With a 90-year history, one of the industry's most extensive ranges of products and services, deep claims expertise and excellent financial strength, Chartis enables its commercial and personal insurance clients alike to manage virtually any risk with confidence. Chartis is the marketing name for the worldwide property-casualty and general insurance operations of Chartis Inc. All products are written by insurance company subsidiaries or affiliates of Chartis Inc. Coverage may not be available in all jurisdictions and is subject to actual policy language. Non-insurance products and services may be provided by independent third parties. Certain coverage may be provided by a surplus lines insurer. Surplus lines insurers do not generally participate in state guaranty funds and insureds are therefore not protected by such funds.

**Chartis Insurance Limited**

Formerly Hayleys AIG Insurance Company Limited (HAIG).

This company is a partnership between Hayleys Group of Companies, a highly diversified Sri Lankan multinational conglomerate, and the AIG Companies. This combines the local knowledge and strong brand of Hayleys, with the International experience, capacity and product range of the AIG Companies to form a dynamic local company with a powerful international influence.

Started in year 2000, Chartis Insurance Limited (of Sri Lanka) has expanded its operations to interiors of the Island, Kandy, Galle, Hatton & Negombo.

**Chartis WorldSource Division**

The renamed former North American Division of AIU is now part of the Domestic Brokerage Group. It also includes the former Foreign Multinational Division of AIGRM. It provides insurance coverages to U.S.-based companies with international operations, as well as foreign corporations doing business in the United States. The division serves as a single point of entry to the global network of AIG member companies' products and services.

**China America Insurance Company, Ltd.**

A joint venture between the AIG companies and the Peoples Insurance Company of China. CAIC offers property and casualty coverages for Asian related commercial operations.

**Colmena AIG Holding S.A.**

A pension fund administration company located in Colombia.

**Commerce and Industry Insurance Company**

AIG's environmental insurance company subsidiary. C&I offers pollution and environmentally focused property and casualty coverages.

**Compañia Anonima de Seguros American International**

Provides a wide range of commercial and liability insurance products and services in Venezuela.

**Compañia Financiera Argentina**

Offers asset management, investment and related products and services in Argentina.

**D****Delaware American Life Insurance Company**

A domestic (U.S.) life insurance company.

**Domestic Life Insurance**

The AIG companies' Life Insurance business within the United States which offers a comprehensive range of life insurance and annuity products for financial and estate planning and wealth transfer, using a full complement of distribution channels, including career agency networks, independent advisors, financial planners, brokers and banks. The principal domestic life operations include: AIG American General, Western National Life Insurance (formerly AIG Annuity

Insurance Company) and AIG SunAmerica.

**Dun & Bradstreet, Inc.**

A corporation which furnishes financial reports which are often of assistance in the underwriting of prospective policyholders.

**E**

**El Pacifico Peruano Suiza Compania de Seguros y Reaseguros, S.A.**

An affiliated company in which the AIG companies have a minority interest in Peru.

**El Pacifico Vida**

Provides general group life, group employee benefits and other related products and services in Peru.

**Europe R&D**

London and Paris offices of R&D representing all aspects of R&D.

**F**

**Financial Services Group**

Comprises International Lease Finance Corporation, AIG Financial Products Corp, AIG Trading Group Inc, AIG Consumer Finance Group Inc., Imperial AI Credit, American General Finance, Inc. and related companies.

**First American Czech Insurance Company, A.S.**

Provides general group life, group employee benefits and other related products and services in the Czech Republic.

**First American Hungarian Insurance Company**

Offers a range of life and other related insurance products and services in Hungary.

**First American Polish Insurance & Reinsurance Company**

Provides a wide range of commercial and liability insurance products and services in Poland.

**Foreign General Group**

Comprises AIG's international property-casualty operations. AIU and Transatlantic Holdings are the primary components. (Transreco separated from AIG effective June 10, 2009)

**Foreign Life Insurance & Retirement Services**

AIG's Foreign Life Insurance & Retirement Services operations are conducted principally through the following market-leading companies: -American International Assurance Company, Ltd. (AIA)

-American Life Insurance Company (ALICO)

-AIG Star Life Insurance Co., Ltd.

-AIG Edison Life Insurance Company

-Nan Shan Life Insurance Company, Ltd.

-The Philippine American Life and General Insurance Company

-Leveraging the AIG companies' financial strength, global intellectual capital and long-standing presence in local markets, the International Retirement Services unit offers annuities, mutual funds and pension products to customer throughout the world.

**G**

**Garantech Gardias e Servicos S/C Ltda.**

Provides a wide range of commercial and liability insurance products and services in Brazil.

**Granite State Insurance Company**

One of four regional property/casualty insurance companies designed to bring the AIG companies' middle market product portfolio directly to the brokerage community in an efficient manner. The company is headquartered in Parsippany, NJ.

**Group Management Division**

A global business dedicated to the development and distribution of employee benefits products and services. As a single source of innovative employee benefits and pensions, GMD provides a range of coverages and services to corporations



of all sizes who wish to offer competitive and attractive benefit packages to their employees.

### **Gulf United Corporation**

Gulf United is a former name of GUC Corporation. Technically, it was never part of AIG: we have it marked as a “Pre-acquisition entity” connected to American General, which dissolved it in 1988. According to the terms of the American General acquisition, we acquired their history, too, which is why we know about it at all.

## **H**

### **Hayleys AIG Insurance Company Limited**

A joint venture with Hayleys AIG Insurance and American International Group providing a wide range of commercial, liability, and personal insurance products and services in Sri Lanka.

### **Healthnow**

Offers a range of personal insurance products in the UK.

## **I**

### **Illinois National Insurance Company**

One of four regional property/casualty insurance companies designed to bring the AIG companies' middle market product portfolio directly to the brokerage community in an efficient manner. The company is headquartered in Chicago, IL.

### **Imperial A.I. Credit Companies**

Created by the consolidation of A.I. Credit Corp and SunAmerica's Imperial Premium Finance Inc. It is the largest premium finance company in the US.

### **International Lease Finance Corporation**

The international market leader in the leasing and remarketing of advanced technology commercial jet aircraft to airlines worldwide. Its core business activities are aircraft leasing, sales and portfolio management.

### **IPCR Limited**

Specializes in providing property catastrophe treaty reinsurance worldwide on an excess of loss basis.

## **J**

### **JI Accident & Fire Insurance Company, Ltd.**

Provides a wide range of commercial and liability insurance products and services in Japan.

### **John McStay Investment Counsel**

A leading provider of money management services to a variety of institutional clients, as well as the sponsor of a group of retail mutual funds.

## **L**

### **La Boliviana Ciacruz de Seguros y Reaseguros**

A representative company in Bolivia for fronting arrangements.

### **La Interamericana Compania de Seguros Generales, S.A.**

Provides a wide range of commercial and liability insurance products and services in Chile.

### **La Meridiana Compania Argentina de Seguros**

Offers a range of personal insurance products in Argentina.

### **La Seguridad de Centroamerica, Compania de Seguros, S.A.**

Provides a wide range of commercial and liability insurance products and services in Guatemala.

### **Landmark Insurance Company**

An excess and surplus lines insurance company.

### **Lexington Insurance Company**

The largest US-based excess and surplus lines carrier, specializing in difficult-to-place property and casualty risks. Lexington is one of the largest providers of casualty insurance to hospital systems, long term and other health care facilities, and is the leading provider of multi-line and specialty property-casualty programs to a wide range of businesses.

## M

### **Mass Marketing Division**

Provides coverage for preferred and standard personal auto risks. It also provides insurance products and services to cardholders of MBNA America Bank NA, the largest independent credit card lender in the world.

### **Mergers and Acquisitions Division**

This group focuses on minimizing or eliminating existing liabilities within an M&A transaction and on preparing the successor company to deal with potential future liabilities.

### **Middle Market**

Refers to the following insurance subsidiaries of AIG that market their products through the brokerage community to the commercial middle market:

A.I. Pacific

Chartis Casualty Company (formerly, A.I. South)

Granite State

Illinois National

New Hampshire

State of Penn

### **Montaldo Insurance Services Ltd.**

Provides a wide range of commercial and liability insurance products and services in Malta.

## N

### **Nan Shan Life Insurance Company**

An AIG member company that is Taiwan's second-largest life insurer.

### **National Union Fire Insurance Company of Pittsburgh, Pa.**

A leading provider of directors and officers liability, and other management and professional liability products and services. As of September 2007, rebranded as AIG Executive Liability.

### **New Hampshire Insurance Company**

AIG's principal subsidiary for middle market business throughout the brokerage community.

### **North American Managers, Inc.**

Manages U.S. branches of several unaffiliated foreign insurance companies.

### **NY R&D**

New York office of R&D incorporating the Information Center, Legal Information Center, Market Research, Information Analysis and the Account Database Group.

## O

### **Old Line Life Insurance Company**

An AIG American General company, based in Milwaukee.

## P

### **P.T. AIG Life**

Former name was P.T. Asuransi AIG Lippo Life (until 12/29/2004).

One of the leading insurance companies in Indonesia, with the largest capital in the insurance industry, is the pioneer and caters the largest dominant bancassurance market in Indonesia.

### **P.T. Asuransi AIU Indonesia**

Provides a wide range of commercial and liability insurance products and services in Indonesia.

**Pacific Union Assurance Company**

One of a group of domestic life companies. Pacific Union is currently in run-off.

**Personal Lines**

Not a company, but refers to those operations that mass market personal lines of insurance such as auto insurance, homeowners and personal umbrella coverage.

**Philam Group of Companies**

Offer a wide variety of insurance and financial services: from life and general insurance, pre-need plans, health care management, property development, mutual fund investments, savings and mortgage, property and casualty insurance and credit cards in the Philippines.

**Philam Plans Inc.**

Offer a wide variety of insurance and financial services: from life and general insurance, pre-need plans, health care management, property development, mutual fund investments, savings and mortgage, property and casualty insurance and credit cards in the Philippines.

**Philippine American Life and General Insurance Company**

The largest life insurance company in the Philippines.

**Primary Casualty Risk Management**

A division formed in 1995 to combine the operations of the Risk Management Division with the primary casualty, general casualty and major accounts divisions of American Home.

**R****Risk Specialists Companies, Inc.**

Risk Specialists Companies, Inc. and its subsidiaries are surplus lines brokers.

**S****Seesam International Insurance Co. Ltd.**

Provides a wide range of commercial and liability insurance products and services in Estonia.

**Seesam Latvia Insurance Co.**

Provides a wide range of commercial and liability insurance products and services in Latvia.

**Seesam Lithuania Insurance Company, Ltd.**

Provides a wide range of commercial and liability insurance products and services in Lithuania.

**Societe Anonyme d'Intermediaires Luxembourgeois, S.A. (SAIL)**

A Belgian reinsurance intermediary.

**Specialty Auto Division**

offers primarily non-standard personal auto risks, providing coverage through independent agents and brokers in 30 states.

**Starr Excess Liability Insurance Company**

A Bermuda joint venture specializing in excess general liability insurance and excess directors and officers insurance. It specializes in crafting excess liability solutions across all major industry groups around the world. Our clients include those with complex or hazardous risk profiles to those with more standard exposure levels.

**Stowe Mountain Resort**

In Stowe, Vermont, the resort has been part of the AIG family for over 50 years. In winter, Stowe Mountain Resort is known as the "Ski Capitol of the East" for its beautiful village and big mountain skiing and riding. In the summer, activities abound including golf, in-line skating, the Gondola Skyride, hiking, biking, the Alpine Slide and various festivals and events.

## **SunAmerica Financial Group**

AIG Domestic Life and Retirement Services has taken on a new umbrella name since coming together under common leadership: SunAmerica Financial Group (SAFG). The new brand name and sundial logo are designed to more accurately represent the size and stature of the enterprise to key institutional audiences, including ratings agencies and, in limited circumstances, financial markets and external media. It will only be used internally, with ratings agencies, and in limited circumstances to the financial market or external media as the umbrella name for its various businesses. At this time (December 2009), this name is not used with our customers or the general public. Meanwhile, individual businesses, products and services will continue to be presented to the marketplace under their respective brands (American General, AGLA, US Life, VALIC, Western National, SunAmerica Retirement Markets, SunAmerica Mutual Funds, SunAmerica Affordable Housing Partners, FSC, Royal Alliance and SagePoint Financial).

## **T**

### **Tata AIG General Insurance Company Ltd.**

Provides a wide range of commercial and liability insurance products and services in India.

### **The Insurance Company of the State of Pennsylvania**

A property/casualty insurance company subsidiary of AIG.

### **Transatlantic Holdings, Inc.**

A holding company whose two subsidiaries, Transatlantic Reinsurance Company and Putnam Reinsurance Company, provide reinsurance coverage through offices in the United States, Tokyo, Hong Kong, London, and Toronto. TRH is a public company approximately 60% owned by AIG. (Separated from AIG effective June 10, 2009)

### **Transatlantic Reinsurance Company**

Separated from AIG effective June 10, 2009.

One of two subsidiaries of Transatlantic Holding, Inc. (TRH). Along with Putnam Reinsurance Company, Transreco conducts business on both a treaty and facultative basis, with emphasis on specialty risks. (Separated from AIG effective June 10, 2009)

## **U**

### **Union AFP**

A pension fund administration company located in Chile and Peru.

### **United Guaranty Corporation**

Its subsidiaries write residential mortgage guaranty insurance for financial institutions and mortgage investors. The coverages provided by UGC protect lenders and investors against loan losses resulting from borrower default and foreclosure. Provides default protection insurance for first and second mortgages and student loans, as well as other financial services, to financial institutions and mortgage investors.

### **United States Life Insurance Company in the City of New York**

An American General subsidiary, based in New York City. Effective December 31, 2010, American International Life Assurance Company of New York (also an American General (AGC) subsidiary) is merging into The United States Life Insurance Company in the City of New York.

### **Uzbek American Insurance Company**

Provides a wide range of commercial and liability insurance products and services in Uzbekistan.

## **W**

### **Western National Life Insurance Company**

Effective June 1, 2009, AIG Annuity Insurance Company renamed to WNL. WNL is the largest issuer of fixed annuities in the United States and the leading provider of annuities sold through banks.

Prior to that, changed name from American General Annuity Insurance Company on March 1, 2002.

### **Worldwide Engineering and Loss Control Services**

Created to address worldwide environmental, health and safety issues, using e-service technology to disseminate information and knowledge to the global marketplace.

# Definitions Glossary

## A

### **Accelerate the Debt**

To call the entire remaining loan balance as due and payable immediately because of a default in one or more terms of the loan.

### **Acceptable Practices**

The reasonable applications of the policies and standards that include allowable tailoring or scalability options.

### **Accessibility**

The time it takes a user to navigate to target web pages.

### **Accident**

Something unintended fortuitous, unforeseen, and unexpected; something which could not be considered as a foreseeable occurrence and consequence of an undertaking. Actual definition in policies varies.

### **Account**

The account is the name that is most associated with a single or multiple programs. It usually represents the name of the ultimate parent, but at times can be the name of the insured or a subsidiary. AIU Credit and Risk Management Profit Center Managers review account names to ensure consistency and appropriateness.

### **Account Data Base**

A mainframe-based query and reporting system designed to give AIG employees easy access to general information about present policyholders and prospective customers. Addresses, standard industry codes (SIC), company contacts, sales figures and employee counts are provided for each company or account. The information is extracted from three sources: Domestic Brokerage Premium History Files, Domestic Brokerage Claims History Files and Dun and Bradstreet Duns Market identifiers (DMI) files. Premium information is updated weekly, claims information is updated monthly and D&B information is updated semiannually. It is managed by Corporate Research and Development.

### **Acquisition Cost**

Immediate cost of putting the policy on the books clerical work, inspection, medical fee (if any), commission, etc. Additional costs for underwriting, issuing policy, etc. add to the overall cost.

### **Action Item Register**

A document used to compile all action items from various meetings in one central location.

### **Action Plan**

The Action Plan is one of the main templates used in the PMP process. It is required for each Project, and tracks the progress of the project, including action items, responsibility, status, and deadlines.

### **Active Accounts**

All accounts with active transactions (e.g., lines of credit) and/or account balances during the preceding twelve months, even if the balance is zero. Factors considered should include payment of membership fee covering the current reporting period or time since last transaction (e.g., purchase, cash advance, payment, credit of any kind). See closed accounts.

### **Add-On Interest**

The full amount of interest calculated on the original principal for the term of the loan, which is then added to the principal amount for an installment loan so that it becomes part of the face amount of the promissory note. In some markets add-on interest is called flat rate.

**Adjustable Rate Loan**

A loan that permits the lender to adjust its interest rate periodically on the basis of movement in a specified index or prime rate. Also known as floating rate loan.

**Affiliate/Insider**

Confidential information which can be used for personal economic gain. Stock transactions for these individuals, their spouses, and their minor children are carefully tracked by the SEC and stock ownership must be reported in public, corporate financial documents.

**Affinity Diagram**

The Affinity Diagram may be used in the third phase of the DMAIC process, ANALYZE. The diagram is useful for teams having trouble determining the major cause of a problem (Root Cause Analysis). The process allows the generation of a large number of ideas to be organized and summarized. A typical Affinity Diagram has 40-60 items.

**Age**

For Personal Accident the age last previous birthday.

**Agency**

An insurance sales office which is directed by a general agent, manager, independent agent or company manager.

**Agent (Captive)**

An insurance solicitor designated by his principal (the company) to act as its representative in the transactions specified in his contract of agency. These transactions usually include solicit, negotiate, and countersign policies. 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.

**Agent (General)**

An independent business owner who represents two or more insurance companies under contract in a sale and service capacity and who is paid on a commission basis.

**Agent's Authority or Power**

The agent's authority or power is that which is granted in his agency contract. By case law, the authority which the public may reasonably expect the agent to have. The authority of the Personal Accident insurance agent is usually confined to the solicitation of applicants, and receiving premiums as trustee for the applicant and the company. It never includes authority to change or waive the provisions of a policy, to alter an application, or to make an amendment or rider, the last two being valid only when signed by an officer of the company.

**AGLA Subsidiaries Codes**

- 10 • AGLA
- 19 • Equitable Life
- 22 • Independent
- 25 • Gulf
- 48 • Life and Casualty
- 52 • AGD
- 56 • AGO
- 72 • HB
- 22 • American Empire Life
- 22 • American Family Life Ins Co
- 56 • American General Life Ins of OK
- 10 • American General life and Accident Ins Nashville
- 52 • American General Life Ins of Delaware, Eastern Reg.
- 22 • American Income Life
- 22 • American Liberty Life Ins Co - Birmingham, AL
- 22 • Appalachian Life
- 10 • Arkansas Life
- 26 • Atlantic and Gulf Ins - Palatka, FL

- 22 • Atlas Life Insurance
- 22 • Atlas Mutual Life Ins Co
- 22 • Atlas Republic Ins Co
- 22 • Banker Life Ins Co - Indianapolis, IN
- 22 • Calhoun Life
- 22 • Capitol Life Ins Co - Nashville, TN
- 10 • Central Southern Life of Jackson, MS
- 25 • Cherokee Life
- 22 • Citizens Home Ins Co - Richmond, VA
- 25 • Coastal States
- 22 • Continental American Life Ins Co - CALICO- Houston
- 25 • Cotton States of Nashville
- 22 • Dixie Atlas Republic Life Ins Co
- 22 • Dixie Life and Accident Ins Co

### **AIA Group**

The AIA Group is a leading pan-Asian life insurance organisation with a unique heritage of serving the world's most dynamic region for 90 years.

It provides consumers and businesses with products and services for life insurance, retirement planning, accident and health insurance as well as wealth management solutions. Through an extensive network of 250,000 agents and 20,000 employees across 14 geographical markets, the AIA Group serves over 20 million customers in the region. The AIA Group has branch offices, subsidiaries and affiliates located in jurisdictions including Australia, Brunei, China, Hong Kong, India, Indonesia, Macau, Malaysia, New Zealand, Singapore, South Korea, Taiwan, Thailand and Vietnam. Subject to regulatory approvals, AIG intends to incorporate the Philam Group of Companies, based in the Philippines into the AIA Group.

### **AIG Excess Casualty Group**

Formerly American Home Assurance. Its core units are AIG Excess Casualty®, AIG Warranty®, and AIG Specialty Excess®.

### **AIG Executive Liability**

As of September 6, 2007, AIG Companies will begin marketing its directors and officers (D&O), errors and omissions (E&O), employment practices (EPL), fiduciary (PTL) and fidelity liability insurance and services under the new AIG Executive Liability brand. These offerings, which traditionally have been marketed under the National Union Fire Insurance Company of Pittsburgh, Pa. (National Union) name, will continue to be underwritten by the AIG Companies.

### **AIG Senior O&S Executive**

The most senior position in the Operations & Systems governance framework. A member of the AIG Executive Council and Governance Group Executive Committee.

### **Amenity**

A feature of real property that enhances its attractiveness and increases the user's satisfaction, although the feature is not essential to the property's use (e.g., desirable location, scenic views, recreational facilities).

### **Amortization**

Gradual reduction of debt through periodic principal payments scheduled over at least a portion of the loan term.

### **Amortization Schedule**

A timetable for payment of a loan that shows the amount of each payment that should be applied to interest and principal (or principal only) and the remaining unpaid principal balance that will result from the application.

### **AMT**

Alternative Minimum Tax. A tax calculation on certain tax-preference items, such as ISO exercises, for individuals who avoid tax liabilities on economic gains by using deductions and credits.

### **Analyze**

DMAIC phase A, where process detail is scrutinized for improvement opportunities. Note that: -Data is investigated and verified to prove suspected root causes and substantiate the problem statement -Process analysis includes reviewing process maps for value-added/non-value-added activities.

### **Analyze Opportunity**

The Third Phase of DMAIC, Analyze Opportunity. The outputs of this phase are verified root causes that will eventually be reduced or eliminated by the team's solutions.

### **Annual Percentage Rate**

The effective annual interest rate that applies to a loan.

### **Appless Feeds**

Policy data that is electronically loaded onto a computer system.

### **Applet**

A program designed to be executed from within another application. Applets cannot be executed directly from an operating system. Web browsers, which are often equipped with Java virtual machines, can interpret applets from Web servers. Because applets are small in file size, cross-platform compatible, and highly secure (can't be used to access users' hard drives), they are ideal for small Internet applications accessible from a browser.

### **Applicant**

An individual who requests credit.

### **Application**

A form on which an individual or Group state facts requested by the company on the basis of which the company decides whether or not to issue a policy. It must be signed by the proposed insured. A copy of the application becomes part of the contract.

### **Application**

A program or group of programs designed for end users.

### **Application Rate**

The interest rate in effect on the date AIG registers the loan application. This rate includes any premiums which may apply.

### **Application Score**

The number of score points awarded to an applicant based solely on the information provided on the loan application. Excludes points derived from information from a credit report.

### **Approval Rate**

Ratio of approved loans to the number of credit applications underwritten. Contrast with decline rate.

### **Arbitrage**

A strategy aimed at profiting from differences in price when similar securities, currencies or commodities are traded in two or more markets. It involves the simultaneous purchase and sale which locks in a profit because of a price differential between two markets. For example, a riskless arbitrage profit may be made by buying (or selling) a Treasury bond in the spot market at one price and simultaneously contracting to sell (or buy) the same Treasury bond in the Chicago Board of Trade futures market at a higher (or lower) price.

### **ARS (Auto Residual System)**

ARS is a Windows system used by National Union to process claims for the residual value of leased cars.

### **Asset Management**

This group was established in 1999 to consolidate the growing investment management businesses of AIG (which includes AIG Global Investment Group, Inc. (AIGGIG) and AIG Asset Management International, Inc. (AIGAMI)), SunAmerica Inc.(which includes SunAmerica Asset Management Corp. (SAAMCo) and SunAmerica Financial Network),



John McStay Investment Counsel (JMIC), AIG Private Bank Ltd. and AIG's investments with The Blackstone Group and Emerging Markets Partnership. The Group's operations include third-party institutional, retail and direct investment fund asset management on a global basis, as well as real estate investment management.

**Assignment of Rents**

A written agreement wherein the owner of a property transfers a future stream of rental obligations (but not its ownership) to a creditor along with the right to collect rents, manage the property, and apply the net income toward delinquent loan payments. Such agreements are to be legally perfected in accordance with local laws which may require public recording.

**Assumption**

A transfer of interest in which the purchaser agrees to take over the primary liability for payment of an existing loan. This requires the lender's waiver of any enforceable due-on-sale-or-transfer provision.

**Attribute**

The particular value of a characteristic (e.g., Age = 40 Years, Tenure at Home Address = 5 Years, Occupation = Teacher, Number of Children = 0).

**Australasia**

Australia, New Zealand and Pacific Islands.

**Authorized Submitter**

An individual who has been given the authority to request changes to an application.

**Automobile Fleets**

Refers to a number of automobiles under the same ownership. For insurance purposes a fleet usually consists of five or more units and generally qualifies for certain premium reductions and rating plans.

**Autopsy**

A post mortem medical examination to determine the cause of death.

**Average Net Receivable**

For purposes of calculating various ratios (e.g., yields, losses, operating expenses), ANR is defined as the daily average balance of net receivables (principal balance). If the business computer system does not provide daily averages, ANR is defined as a two point average of the beginning of period (BOP) and end of period (EOP) net receivables.

**Aviation Hazard**

The extra hazard of accidental death or injury resulting from participation in flying.

## B

**Bads**

Accounts the credit grantor wishes he or she had not approved.

**Balloon Loan**

A loan that has level monthly payments over a stated term, with a lump-sum payment due at the end of that term.

**Balloon Payment**

The remaining loan balance that must be paid in a lump sum at a pre-specified point in time in order to satisfy the terms of a balloon loan. The amount may represent slightly more than a regular periodic payment or can be substantial. This amount may also approximate the residual value of an auto or piece of equipment. The balloon payment occurs because the fixed installment did not fully amortize the loan (either intentionally or accidentally).

**Bankruptcies Initiated – Balances**

Total outstandings of new bankrupt accounts during period (BIP additions).

**Baseline**

A process to reach a common understanding and agreement, "a base", from which subsequent work can proceed. After baselining, all changes must undergo Change Control.

**Basis of Adjustment**

Exposure (such as payroll) and factor (such as a rate) used to determine a specific number or amount.

**Basis of Retrocession**

The basis of captive retrocession represents the factor used by Risk Management and AIG Reinsurance Security to determine the level of reinsurance. Often it is the per occurrence ceded to the captive less the captive per occurrence retention. Sometimes it is the aggregate ceded to the captive less the captive aggregate retention. Occasionally, the basis is an estimate of maximum loss ceded (below the per occurrence amount ceded) to the captive less the captive per occurrence or aggregate retention.

**Basis Point**

1/100th of 1%. For example, 150 basis points =  $0.015 = 1.50\%$

**BCP**

Business Continuity Planning

**Behavior Score**

A scoring system developed using as characteristics the purchase and payment behavior of the individual once he or she becomes part of the portfolio. While an application scoring system can only be applied once (at the time of application), a behavior scoring system can be applied at regular intervals in order to form a current estimate of the probability that an account will go bad.

**Below Market Value Option**

Stock options granted at a price below fair market value. The difference between the option price and the fair market value is considered a compensation expense, and is a reduction to earnings.

**Benchmarking**

The practice of establishing internal standards of performance by looking to how world-class companies run their business.

**Beneficiary**

A person or persons designated in a Personal Accident policy to proceeds in the event of the death of the insured.

**Benefit Limit**

Benefit limits are the minimum and maximum amounts allowable for a particular benefit. These limits are usually set by the schedule or table of benefits in the policy contract.

**Best Practices**

1. Procedures or guidelines, which have been successful in the past and may be adapted for another business or situation; usually the most efficient and effective way of accomplishing a task.
2. Information Technology: Sometimes referred to as software development methodology.

**Bid**

Rate at which dealer or market-maker buys a unit from the counterparty (who is selling).

**Binder**

A temporary agreement in writing which obligates the parties to a contract.

**BIP Units**

Total number of bankrupt accounts.

**BIP Value**

Total net outstandings of bankrupt accounts.

**BlackBerry**

A wireless pager capable of real-time access to the user's Outlook; email, calendar and address book.

**Blanket Insurance Policy**

A single policy that covers more than one person or one item of collateral.

**Booked Loan**

Loan which is now an asset. Also known as closed loan and drawn-down loan. Related to loan commitment.

**Booking Rate**

Ratio of booked loans to approved loans. Also known as closure rate and drawn-down rate.

**Bordereau**

A method of claim or premium reporting where the insurer simply receives an outline report showing summary information without individual customer details.

**Borrower**

The party obligated to repay the indebtedness. As distinguished from applicant. Also known as credit taker.

**Bottom-line Responsibility**

Term used to refer to the responsibility for generating an organization's profits. Under the new Business Model, the Profit Centers continue to retain current top-line (i.e. sales revenue) and bottom-line (i.e. profits) responsibility. (see also Top-line responsibility).

**Bounced Check**

Check returned by the bank because of insufficient funds to clear.

**Brainstorming**

Brainstorming is a common method used throughout the DMAIC process to generate a high volume of creative ideas. A Facilitator usually helps in keeping the session as productive as possible.

**Breadcrumb Trails**

Found in the upper right-hand corner of a website, breadcrumb trails show the location of a web page by listing the directories and subdirectories that led to the present location: Home / Products / Music / CDs / Liberace The purpose of a Breadcrumb Trail is to help the user find how he arrived at his present location and find his way back.

**Bridge Account**

An automatic claims settlement plan. An interest-bearing checking account that consists of proceeds payable from a Western National Life Insurance policy that is \$10k or more.

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**Broker**

A licensed person or organization paid by you to look for insurance on your behalf.

**Brokered TPO Transaction**

A loan for which a third party takes an application and may process or underwrite the loan documents. The third party then assigns the documents to the lender, who underwrites, funds, and closes the loan in its name.

**Budget ID**

A unique number assigned to a project and used to determine all costs applied to that project.

**Bug**

A bug is a glitch in computer software or hardware (where something doesn't do what it is supposed to do).

**Bulk Purchase**

Purchase or funding under specially defined conditions, of any group of loans or receivables from a common source or originator.

**Business Goals**

The Business Goals are the areas in which Senior Executives have decided to focus. These goals, if achieved, would provide the greatest value to our customers and to AIG's continued strength.

**Business Requirements Document**

Controlled document identifying client needs, business case, and high-level requirements.

**Business Security Administrator**

Responsible for granting and modifying access to the computer software applications and systems used by AIG businesses and, just as importantly, promote security awareness in their AIG regions.

**Business Sponsor**

The person or group who champions the project and provides the financial resources. The sponsor owns the business case and is actively involved in the ongoing project lifecycle.

**Business Unit**

A business unit within the Operations & Systems framework is defined as a business group characterized by the existence of the Business Unit Operations & Systems Executive and appointed by the AIG Senior O&S Executive. This includes companies or divisions within General Insurance, Life /Retirement, and Financial/Investments. It is not country or region specific

**Business Unit Senior O&S Executive**

1. Identified by the AIG Senior O&S Executive to represent an identified Business Unit, and who serve on the O&S Executive Committee. All policies, roles and mandatory practices are approved by the O&S Executive Committee.

**Buy-Down Account**

An account in which funds are held so that they can be applied as part of the periodic loan payment as each payment comes due during the period that an interest rate buy-down plan is in effect.

**Buy-Down Rate**

An arrangement wherein money is deposited into an account so that it can be released each month to reduce the borrower's monthly payments during the early periods of a loan. During the specified period, the borrower's effective interest rate is "bought down" below the actual loan interest rate.

# C

**C++**

A high-level programming language developed by Bell Labs. C has proved to be a powerful and flexible language that can be used for a variety of applications, from business programs to engineering. C is a particularly popular language for personal computer programmers because it is relatively small -- it requires less memory than other languages. The first major program written in C was the UNIX operating system, and for many years C was considered to be inextricably linked with UNIX. Now, however, C is an important language independent of UNIX. Although it is a high-level language, C is much closer to assembly language than are most other high-level languages. This closeness to the underlying machine language allows C programmers to write very efficient code. The low-level nature of C, however, can make the language difficult to use for some types of applications.

**Call Center**

The organizational unit within the Customer Service Group that is responsible for handling all inbound / outbound service

calls from producers / brokers / customers.

**Call Option**

A provision in a promissory note that gives the lender the right to call the loan due and payable prior to the end of its original term.

**Campaign P&L (STAT) By Net Premium Earned**

(Net Losses Incurred + Total expenses) for a specific campaign.

**Cancellable**

A Personal Accident insurance policy may be canceled by the company at any time on due notice to the insured as provided in the policy.

**Cancellation Flat**

Cancellation as of the inception date of the policy, with a return of all premiums received.

**Cancellation Pro Rata**

Cancellation whereby the premium returned to the insured is directly proportional to the unexpired portion of the policy period.

**Cancellation Short Rate**

Cancellation whereby the premium returned to the insured as calculated from the applicable short rate provision, is less than the proportional or pro rata portion of the policy period that remains.

**Cap**

A cap buyer has the right to receive the excess of a reference rate over the strike rate. For example, caps allow a floating-rate borrower to establish a ceiling by limiting the risk associated with an increase in rates. Capability Maturity Model Developed by the Software Engineering Institute (SEI), the Capability Maturity Model is a five level software process improvement model that relates the concept of process maturity to improved quality and performance.

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**Carrier**

Any organization that provides insurance or "carries" the risk. A carrier may be a company, corporation, association or facility.

**Cash Collateral**

Applicable primarily for high frequency accounts AIG may establish a segregated asset account as dedicated security for a given risk management program. This collateral may consist of escrow funds held by AIG, bank deposits, an investment trust or other forms of marketable securities. AIG takes a security interest in the assets and does not hold them as simply as premium received or as an advance against reimbursable losses. Pursuant to a Security Fund Agreement, an account may be established at a Custodian institution, normally a bank. Alternatively, AIG may hold funds in a segregated Escrow Account pursuant to the terms of an Escrow or Security Pledge Agreement, which establishes AIG's beneficial interest in monies held in the account. Although title remains with the entity depositing the funds (typically the insured or captive reinsurance company), assets in the account serve as security for the credit exposure AIG assumes under the risk management program. The security interest is achieved through the Escrow or Pledge Agreement, under which the depositor irrevocably pledges the assets in the account to the applicable AIG Company. In the event of default, AIG has the right to withdraw funds from the account and appropriate them to its own account to satisfy the obligor's outstanding payment obligations. Normally, any residual interest in the funds, after satisfaction of all obligations to AIG, remains with the depositor.

**Cash Flow Analysis**

In commercial lending, the analysis of the cash flow generated from the business operations and changes in cash. Generally, it requires that certain items are added and subtracted from pretax earnings: non-cash expenses (+), growth of

receivables (-), increase in inventory (-), and increase in accounts payable (+).

### **Cash Flow Underwriting**

Willingness to lose money on the underwriting side, which will be made up on the investment side. AIG is not a cash flow underwriter.

### **Cause & Effect Diagram**

The Cause & Effect Diagram is used in the third phase of the DMAIC process, ANALYZE. It allows the team to identify, explore, and display in detail, all of the possible causes related to a problem or condition to discover its root cause(s).

### **CDAM/ Multi-Vote**

CDAM (Combine, Delete, Add, Modify) is a technique used in the Improve Phase of DMAIC to consolidate output from brainstorming and help determine solutions.

### **Ceiling Rate**

The maximum rate to which the note rate may increase over the life of the loan.

### **Central Processing Unit**

The processor or "brains" of the computer. Certificate

A statement of coverage taking the place of the policy generally given to each person insured under certain Personal Accident Policies.

### **Cession**

The unit of insurance transferred to a reinsurer by a ceding company. It also refers to the process of ceding insurance to a reinsurer.

### **Change Control**

Manages the individual changes to software components and their relationships. Change control provides impact analysis before making a change, identifies possible regression situations, and provides the ability to test all software components of a change as a unit.

### **Change Map**

A Change Map is a tool used in the IMPROVE Phase of the DMAIC methodology to proactively identify the steps necessary to successfully implement a process change.

### **Change Request**

An artifact that documents a proposed change and identifies the impact to the system.

### **Characteristic**

Categories of information about an applicant (e.g., Age, Tenure at Home Address, Occupation, Number of Children).

**Charge Backs** Reversal of commission or other compensation because of canceled business or as an offset for other amounts owed.

### **Charters**

Charters consist of the project or team goals & objectives. It includes problem statement, mission, business case and benefits associated with the project or team.

### **Chartis - Northern Europe Region**

Consists of Austria, Czech Republic, Denmark, Finland, Germany, Hungary, Ireland, Netherlands, Norway, Poland, Slovakia, Sweden, and Switzerland. **Reorganized.** See Chartis Europe Region.

### **Chartis Access**

Formerly, AccessAIG. An internet website for brokers, agents, registered representatives and broker/dealers. It is specifically designed for property-casualty insurance brokers and agents working with Chartis' Domestic Brokerage Group, life insurance producers of the AIG Life Companies (U.S.), and SunAmerica broker/dealers and licensed

representatives. Each destination within [accessaig.com](http://accessaig.com) provides detailed product and industry information and enables the user to maintain account information, conduct transactions, and communicate with local representatives of AIG member companies.

### **Chartis Asia Pacific Region, part of Chartis Growth Economies**

Formerly, Australasia. Consisting of: Australia, China, Fiji, Guam, Hong Kong, Indonesia, Macau, Madagascar, Malaysia, Mauritius, Micronesia, New Guinea, New Zealand, Philippines, Singapore, AIGGI Taiwan, Thailand, Vietnam.

### **Chartis Claims, Inc.**

Effective January 1, 2011, this structure within the Chartis Claims Organization is the adjusting company and consists of:

- o Chartis Marine Adjusters
- o Chartis Claims of Nevada
- o Investigative Service Group (ISG)
- o All NY based Chartis International Claims staff including CLMD and Energy & Marine Adjusters Companies Chartis Global Investigations, Chartis Marine Adjusters, and Chartis Claims of Nevada no longer exist.

### **Chartis Europe Region**

Consisting of: Belgium, Bulgaria, Czech Republic, Denmark, Finland, France, Germany, Greece, Ireland, Israel, Italy, Luxembourg, Malta, Poland, Portugal, Romania, Slovakia, Spain, Switzerland, United Kingdom, and Ukraine.

### **Chartis Far East Region**

Consists of Japan (AIUI) and South Korea.

### **Chartis Global Claims Services, Inc.**

Effective January 1, 2011, this structure within the Chartis Claims Organization is the shared service company and consists of:

- o Recovery Services
- o Fraud
- o Litigation Management (excluding Staff Counsel)
- o Global Loss Prevention
- o Vendor Management
- o Claims Transformation
- o Claims Finance
- o Claims Legal
- o Claims Human Resources
- o Global Claims Operations
- o Claims ISG
- o Multinational Claims
- o Quality Assurance Group

### **Chartis Growth Economies (formerly Emerging Markets) - Central Region**

Formerly Chartis Central Region, before that, MEMSA. Consisting of: Azerbaijan, Bahrain, Cyprus, Egypt, Georgia, India, Kazakhstan, Kenya, Kuwait, Lebanon, Oman, Pakistan, Qatar, Russia, Saudi Arabia, South Africa, Sri Lanka, Turkey, Uganda, Uzbekistan, and United Arab Emirates.

### **Chartis Growth Economies (formerly Emerging Markets) - Latin America (LAR) Region**

Formerly, LAD. Consisting of: AIG Brasil, Argentina, Caribbean, Chile, Colombia, Ecuador, El Salvador, Guatemala, Honduras, Mexico, and Panama.

### **Chartis International Footprint**

Formerly consisting of seven regions: North America, Latin America, Northern Europe, Southern Europe, United Kingdom, Far East, Central, and Asia Pacific.

#### **Reorganized:**

- Chartis Asia Pacific
- Chartis Emerging Markets - Central
- Chartis Emerging Markets - LAR

- Chartis Europe
- Chartis Far East
- Chartis North America

### **Chartis North America Region**

Consists of Canada and the United States.

### **Chartis Reorganized as of March 2011**

Consists of two major global groups two major global groups – commercial and consumer – with the supporting claims, actuarial, and underwriting disciplines integrated into these two major business organizations. The new organization will include four principal regions: The U.S./Canada, Europe, the Far East, and Growth Economies (formerly Emerging Markets).

### **Chartis Southern Europe Region**

Consists of Belgium, Bulgaria, Cyprus, France, Greece, Italy, Luxembourg, Malta, Portugal, Romania, and Spain.

**Reorganized.** See Chartis Europe Region.

### **Chartis United Kingdom Region**

Consists of United Kingdom and Ireland.

**Reorganized.** See Chartis Europe Region.

### **Civil Commotion**

Disturbance between large numbers of individuals in a community frequently associated with damage to private and public property. An uprising of people creates a prolonged disturbance.

### **Claim Form**

A form required when a claim is filed. In general, it contains the facts on which the claim is based.

### **Claims Adjuster**

A person who seeks to determine the amount of loss suffered when an insurance claim is submitted and who attempts to settle the claim.

### **Claims Payment Deposit**

The amount deposited into the Claims Payment Fund.

### **Claims Payment Fund**

"Claims Payment Fund" is a non-interest bearing escrow fund established in the amount of two and one half (2 ½) months' estimated Reimbursable Loss Plus Allocated Loss Expenses. The Claims Payment Fund is deposited with the Claims Administrator for the payment of claims. The Claims Payment Fund is an estimated amount, and it will be adjusted depending upon the actual claims paid.

The prior four months' paid losses will be reviewed by the Company to determine a two and one-half (2 ½) month average.

### **Claims Service Charges**

Fees associated with the Third Party Administrator's handling of claims adjustment for a given account.

### **Clash Cover**

Also known as "Contingency Cover", this is a form of reinsurance that protects against an unusual combination of losses, usually arising out of one occurrence, as might be the case if two or more policies are triggered simultaneously and the total of policy losses exceed a predetermined threshold. A typical arrangement would be for the ceding company to retain a limit equal to a reasonable multiple of a primary limit and ceding the remainder in the event of multiple losses.

### **Classes of Stock**

Common: Represents the principal ownership of the corporation; the first class to be issued and the last to be retired.

**Classified Common Stock:** Common stock which is split into two different classes (generally Class A and B) to



differentiate the voting rights of the stockholders. **Preferred Stock:** Stockholders receive dividends before profits are distributed to holders of common stock.

### **Client**

The name for a computer that can request information such as a Web page, from a server. It also performs tasks independently by using its own applications and programs.

### **Closed Accounts**

Accounts which have been paid-off, written-off, or sold from the portfolio without recourse.

### **Closed Loans**

Loans which are committed and booked. Also known as booked loan and drawn-down loan.

### **Closely Held Corporation**

A corporation whose ownership of common stock is by a single individual, family, or a few holders. The stock is not publicly traded.

### **Closing Costs**

Money paid by the borrower to effect the closing of a loan.

### **Code Inspection**

A process through which code is inspected by someone other than the originator with the intent to find defects prior to conducting tests.

### **Coincident**

(Credit Quality Indicator) Indicators of the quality of the loan portfolio already on the books at a fixed point in time. Examples of coincident indicators include delinquency rates, flow rates, repossession rates, and foreclosure rates.

### **Collapse**

Literally, to cave in or give way.

### **Collateral Depreciation External**

A loss in value caused by factors external to the collateral. For example, loss in value of residential real estate when a prison is built nearby. Also called economic obsolescence.

### **Collateral Depreciation Functional**

A loss in value due to the collateral's inability to perform the function for which it was intended in accordance with current market tastes and standards. For example, operating computer equipment which is outmoded due to new developments in technology such that demand for the equipment drops.

### **Collateral Depreciation Physical**

A loss in value caused by deterioration of the physical condition of collateral. For example, loss in value of a printing press whose parts are worn out.

### **Collateral Ownership Risk**

Exists when there is a risk of liability to the lender if it becomes the owner of collateral (e.g., real property in such deteriorated condition that it poses a health or safety risk).

### **Collections Efficiency Rate**

A flow rate calculation based on unpaid delinquent installments. \*An example of delinquency flow rate.

### **Combined Loan-Value Ratio**

Ratio of the principal balance of all loans for which the collateral is pledged as security, to the collateral value.

### **Combined Ratio**

Shows whether or not the company is making money. If this ratio is over 100% then the company is underwriting at a loss

for the year whereas if it is under 100%, it is underwriting is profitable. The combined ratio is the sum of the loss ratio and all expenses.

### **Commercial Real Estate**

Space that is used for the production of income.

### **Commission**

The portion of premium paid to the broker, agent, or other intermediary as compensation for their services. In addition, when a company buys reinsurance they may receive a commission (ceding allowance) for giving the other company business, so a portion of the premium paid to the broker as commission may be recovered or offset.

### **Commission Ratio**

Percentage of the net written premium that will be used to pay commissions. The Commission Ratio is calculated by Net Commission Ratio = Net Commission Paid/Net Premium Written.

### **Commissioner**

The head of an insurance department. The public officer charged with the supervision of the insurance business and the administration of insurance laws.

### **Commitment Date**

Date of agreement among counterparties that a contract will be entered into. Hedge exposure normally commences on this date for derivative transactions.

### **Commodity and Equity Indexed Swaps**

Similar to interest rate swaps, however, the payment streams are indexed to the performance of a commodity (e.g., crude oil) or a stock index (e.g., Nikkei 225).

### **Common Causes**

Common causes are normal or natural variations in process outputs that are due to random variation. Normal process improvement procedures must be used to identify the root cause of the random variation in the process output.

### **Communication Plan**

The Communication Plan is a disciplined approach to planning and delivering communications. Determine the audience, identify the core message(s), and establish method(s) of communicating. Communication planning begins early and is a dynamic process.

### **Compensating Factor**

When approving an individual credit/loan, the particular fact that justifies making an exception to standard underwriting policy.

### **Competitive Strategy**

A course of action aimed at ensuring that the organization will achieve its objectives in the marketplace when competing against rival firms. Understanding competitors is a key factor in developing effective strategy since it helps management appreciate the strengths, weaknesses, and capabilities of existing and potential competitors and predict what strategies they are likely to adopt.

### **Computer Processing Related**

Staff, facilities, system management related, hardware maintenance, software maintenance, etc. (Data Center expenses are included here)

### **Concentration Risk**

The risk that exists when a loan portfolio, or sub-portfolio, contains a disproportionate level of assets in a certain category (e.g., product, geography, obligor).

### **Conditional Receipt**

A receipt, given for payment of premium with the application, which binds the company on the contract if the risk is

approved as applied for, and the full first term premium is paid.

**Condominium Conversion**

Changing the ownership of an existing building (usually rental apartments) to the condominium form of ownership.

**Condominium Hotel**

A condominium project that is operated as a commercial hotel even though the units are individually owned. Indicators may include property has rental or registration desks, short-term occupancy, food service, and/or daily cleaning services.

**Condominium Project**

Real estate that includes the separate ownership in fee (or an acceptable leasehold estate) of a specified unit with an undivided interest in the real estate designated for common ownership solely by unit owners.

**Condominium Unit**

A single unit located in a condominium project.

**Confidence Level**

A statistical term which indicates the reliability of the result of a sample review. It is usually expressed as a percentage. If a result is said to be "at a 95% confidence level," the same result would be found in 95 out of 100 samples of the same size selected from the same population.

**Consideration**

A legal term from the Law of Contracts for one of the three conditions necessary for a valid contract: Offer, Acceptance, and Consideration made on the Application and payment of premium.

**Construction Loan**

A short-term real estate loan to finance development costs. The funds are disbursed as needed or in accordance with a prearranged plan, and the money is repaid on completion of the project, usually from the proceeds of a mortgage loan. The lender usually has a security interest in the real property. See also home improvement loan.

**Construction to Permanent Loan**

One loan combining the features of both a construction loan and an amortizing mortgage loan.

**Continental Scale**

A dismemberment scale which foresees a variety of accident related injuries which entitle the insured person to a benefit ranging from 1% to 100% depending on the nature and degree of the dismemberment.

**Contingent Beneficiary**

Person or persons named to receive proceeds in case the primary (first) beneficiary is not alive.

**Contingent Lending Risk**

The risk that potential customer obligations will become actual obligations and will not be repaid on time. This risk is inherent in unused loan commitments and loan guarantees, for example.

**Contract Summary**

A high level synopsis of key commitments and responsibilities of the subcontractor and project team members who will be interacting during the course of the contract. A Contract Summary is created to ensure staff have a mutual understanding of project scope and expectations.

**Contractual Loan Payment**

The loan payment (amount and date) specified in the legal loan documents.

**Contributory**

A plan of insurance in which all or part of the cost is paid by the insured persons. (Opposite noncontributory).

**Control Charts**

A specialized time plot or run chart showing process performance, mean (average), and control limits; help determine process influences of common (normal) or special (unusual, unique) causes.

**Control Phase**

The fifth and final phase of DMAIC. During this phase, a pilot plan is developed and executed, a solution is planned and implemented, and there is closure to and recognition for the project.

**Controlled Document**

An artifact that is under change control. It is typically identified by a unique number and has undergone a review and been baselined.

**Conveyance**

A vehicle or means of travel. Example: auto, bus, ship, or cycle.

**Conveyance**

The transfer of title from one party to another.

**Cooperative Corporation**

A business trust entity that holds title to a cooperative project and grants occupancy rights to particular units to shareholders through proprietary leases or similar arrangements.

**Cooperative Limited Equity Cooperative**

A property where the cooperative corporation places a limit on the amount of the return which can be received by the seller when the stock, shares or membership shares in the cooperative corporation are sold.

**Cooperative Project**

A building wherein a corporation or trust holds title to the property and sells shares of stock representing the value of single units to individuals who, in turn, receive proprietary leases as evidence of title.

**Cooperative Share Loan**

The loans on individual cooperative units whereby the stock shares are pledged as loan collateral.

**Cooperative Underlying Mortgage**

The mortgage covering the entire cooperative project.

**Copyright**

Protects the rights of a creator to control how original works are used. Examples include Website content, training manuals, business forms, software code, photographs and presentations.

Copyrights protect only the "expression" of a work. Another work must be an exact copy to count as infringement. Rights exist upon creation, so no actual registration is necessary. However, using the © on all original works (policies, brochures, websites, press releases) is AIG policy to ensure that we have provided notice of our rights.

The recommended copyright notice is:

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**Corporate Relocation**

Arrangements under which an employer moves an employee to another area as part of the employer's normal course of business.

**Corporate Relocation Loan**

A loan made to facilitate an employee's transfer to a new business location. The loan is originated under a lending program especially structured for employees of a specific corporation.

**Correlation**

The relationship between two variables.

**Corridor Deductible**

A deductible amount between the benefits paid by the basic plan and the supplemental plan.

**Cost Approach to Value**

A method of measuring the value of collateral based on the cost of producing a substitute that has the same utility as the collateral being valued.

**Cost Benefit Analysis**

Used during the Improve Phase in evaluating alternative solutions and to determine economic impact.

**Country Risk**

A broad risk category encompassing political risk and transfer risk.

**Covenants and Credit Triggers**

Contractual arrangements included in underlying documentation can provide for the maintenance of certain financial ratios, ownership levels or other factors that influence credit quality, such as restrictions on withdrawal of capital. The arrangement may also be documented by covenant in a side agreement. The contract can provide that should designated credit triggers be breached, the obligor, insured or parent would be required to take corrective action. Remedies might include a restoration of the designated ratio or the provision of additional security. A failure to remedy the breach may, in some instances, provide the basis for cancellation of the insurance policies. Obligations to maintain given ratios or to provide security, as a remedy, are contractual. Breach of contract is a cause of action (can be litigated). Unless remedies provide for the cancellation of insurance in accordance with local law, AIG would remain liable under the insurance policies it had issued irrespective of the breach of covenant.

**Coverage**

The guarantee against specific losses provided under the terms of the policy. Also called "protection".

**Credit Bureau Score**

The sum of points awarded to an applicant based on information derived from an investigation of the borrower's credit history. Often, the credit bureau score is derived after the application score, because in many cases a decision can be reached on an application score alone, making it unnecessary to spend time and money on a credit investigation.

**Credit Product Program**

A comprehensive plan covering a specific credit product or program that includes target market definition; risk/reward aspects (as measured by forecast key credit indicators); competitive environment; legal/regulatory considerations; terms and conditions; procedures for credit initiation, approval, funding, account maintenance, collection, and repossession/foreclosure; reserve and write-off methodology; etc. The CPP should be based on consistently-applied demonstrable knowledge or prior experience.

**Credit Reporting Agency**

An organization that is engaged in the preparation of reports that are used by credit grantors to determine the credit and public records history of an individual. The bureau may obtain data for from many sources, including customer and creditor interviews and data recorded in a credit reporting repository. In some jurisdictions, the type and depth of available credit information is relatively comprehensive and includes public record data, court filings, creditor names, dates accounts opened/closed, amounts of high credit, current account balances, required minimum amount due on each account, and payment history for each account in a "number of times past due" format (i.e., 0x30, 0x60, 0x90 days late) with the dates of delinquency.

**Credit Reporting Repository**

A clearinghouse of information about an individual's prior credit performance that includes information from credit grantors as well as public records. Related to credit reporting agency.

**Credit Risk**

The risk that obligations will not be repaid on time and in full as expected or contracted, resulting in financial loss.

**Credit Signer**

An individual who has been designated a Credit Signer by an appropriate authority, in compliance with Credit Policy. Responsibilities include the review and approval of extensions of credit, whether judgmental or by the correct application of statistically valid approval criteria.

### **Critical Computer Resources**

The parameters of the computing resources deemed to be a source of risk to the project because the potential need for those resources may exceed the amount that is available. Examples include: target computer memory and host computer disk space.

### **Critical Customer Requirements**

CCRs are translations from the Voice of the Customer - a quantifiable and measurable characteristic of the product/service for which targets, available variation and allowable defect rates can be established.

### **Critical Score Error Rate**

The percentage of applications whose "approve" or "decline" decision would have been different had they been scored correctly as a percent of total scored applications during the time period. This is an area of particular risk for scores which are manually calculated. The reported error percentage is based upon the number of applications with one or more scoring errors (not the total number of individual errors). Errors include addition and subtraction errors, selection of wrong point value for a characteristic, misinterpretation of scoring characteristics, scoring missing information.

### **Cross Currency Interest Rate Swaps**

Counterparties agree to initially exchange principal amounts denominated in two different currencies at the current (spot) rate, under an agreement to repay the principal together with specified interest payments over a predetermined period of time. Interest payments may be based on fixed or floating rates. Some currency swaps may not provide for exchange of principal, only interest flows. Settlements are gross.

### **Cross Selling**

The process whereby customers of one insurance product (e.g. Automobile insurance) are informed of other insurance products that the company markets (e.g. Accident and Health insurance), which may be of interest to the customer; it is the most logical and natural way to expand business with the company's current customer base and enables the company to write new business for existing insureds, increase retention rates and generate fresh leads. It is assertive action by producers to constantly be alert to opportunities to introduce clients to appropriate, alternative products and services.

### **Cross-Default Provision**

A provision found in loan documents that allows a lender to declare a borrower in default if the borrower defaults on any other loan granted by the same institution, or by any other lender.

### **Cross-Functional Team**

A team of individuals which may include BA, development, architecture, DBA, project manager, configuration management, technical services, education, procurement, strategic staffing, application support, production support, help desk, network, security, test, and quality.

### **CUSIP**

A CUSIP (Committee on Uniform Securities Identification Procedures) Number is a universal security identification number assigned to each issue of common stock, preferred stock, corporate bond and municipal bonds.

There are three types of CUSIP numbers: DST, NSCC, and DTCC.

### **Customer**

Any internal or external person/organization who receives the output (product or service), or provides the input (see SIPOC) of the process; understanding the impact of the process on both internal and external customers is key to process management and improvement.

### **Customer Concurrence**

Quality record that documents the approval by a customer to proceed.

**Customer Service Center**

(a.k.a. Front Desk) The organizational unit within the Customer Service Group that is the single point of entry for brokers / agents / customers. Its function is to track and route all submissions, policies, endorsements, renewals, release policy documentation and handle all customer service requests.

**Customer Withdrawal**

When the potential borrower rescinds his or her request for credit.

**Customer/Employee Confidential**

This type of information applies to the non-public private or Personal Information of our clients, the clients of our business partners, and our employees. This type of information includes, but is not limited to, Personal Information protected by privacy and data protection laws and regulations.

Examples include:

- Government identification numbers, such as Social Security numbers
- Medical details and history
- Financial data
- Credit and other payment card numbers
- Employee performance evaluations

In certain regions, contact information, such as personal telephone numbers and addresses, must be considered Customer/Employee Confidential information

**Cut-off Date**

The day of the month specified for the purpose of preparing monthly reports (e.g., financial statements, management reports, delinquency reporting, loss analysis).

**Cut-Off Score**

The score below which applications are rejected.

**Cycle Time**

Cycle time is the total time from the beginning to the end of a process, as defined by the organization and the customer. Cycle time includes process time, during which a unit is acted upon to bring it closer to an output, and delay time, during which a unit of work is spent waiting to take the next action. In a nutshell - Cycle Time is the total elapsed time to move a unit of work from the beginning to the end of a physical process.

# D

**Data Classification - AIG Confidential**

This is information that belongs to the corporation; exposure may result in significant loss. AIG Confidential and the Customer/Employee Confidential categories are together commonly referred to within AIG as "Sensitive" or "Confidential" Data.

**Data Classification - Customer Employee Confidential**

This is information that, if compromised, may expose individuals to significant losses and result in adverse effects to the corporation. This includes regulated or controlled private data, examples include non-public personally identifiable information (NP-PII or PII), "Sensitive" data under the European Union (EU) Directives, Payment Card Industry (PCI) data security regulations and standards, among others. AIG Confidential and the Customer/Employee Confidential categories are together commonly referred to within AIG as "Sensitive" or "Confidential" Data.

**Data Classification - Publicly Accessible**

This is information that is intended for public disclosure.

**Data Classification - Restricted**

This is for information for internal and authorized use only.

**Data Migration**

The process of translating data from one format to another so you can use the "another" instead.

**Database**

A collection of information organized in such a way that a computer program can quickly select desired pieces of data. i.e., an address book.

**Database Administrator**

A person who coordinates, designs, maintains, and repairs computerized databases.

**Days Past Due**

The number of days that have elapsed since the last contractual loan payment was due and unpaid.

**Dealer**

Term used to describe an institution that stands ready to buy or sell financial securities and functions as an immediate liquidity provider to the market(s) they deal in (e.g., AIG Trading Corp. for foreign exchange spot contracts or AIG Financial Products Corp. for interest rate swap contracts). The "fee" they receive for providing this service is the spread between the bid-ask quoted rates.

**Debt**

Borrowed money, the repayment of which may be either secured or unsecured, with various possible repayment schedules. In commercial underwriting, this includes capital leases.

**Debt-to-Income Ratios**

Calculations that are used in determining whether a borrower can qualify for a loan. They consist of two separate calculations: a monthly housing expense-to-income ratio and a total debt obligations-to-income ratio.

**Declaration**

A formal written statement in which an individual avows under oath certain facts as personally known to him or her specifying of the facts constituting the plaintiff's cause of action against the defendant.

**Decline Rate**

Ratio of declined loans to the number of credit applications underwritten. Same as turn-down rate. Contrast with approval rate.

**Deed-in-Lieu**

A deed or title voluntarily given by the borrower and voluntarily accepted by the lender in satisfaction of a debt in order to avoid foreclosure or repossession, or subsequent liability.

**Default**

The failure of a borrower to make a loan payment when due or to fulfill other terms of the loan agreement.

**Defect Rate**

The percentage of loans from an entire portfolio that are not of investment quality.

**Deferred Expense Provision**

Is an estimated amount of expenses that you must pay as shown in the Schedule of Policies and Premiums to the Payment Agreement.

**Deferred Loss Provision**

Is the estimated amount you must pay us as regular (usually billed monthly) loss payments and sizable loss payments as described in the Schedule of Policies and Premiums to the Payment Agreement.

**Deficiency Judgment**

A personal judgment created by court decree for the difference between the amount of the loan indebtedness and any lesser amount recovered by other means.

**Delinquency Flow Rates**



The rates of movement of accounts from one delinquency bucket to the next.

**Delinquent Account**

An account is deemed delinquent if any portion of the borrower's periodic installment payment of principal plus interest plus escrow payments remains unpaid after the due date.

**Delta**

The delta (or hedge ratio) of an option indicates the amount by which the option premium or price will change relative to a given change in the market price of the underlying instrument. A delta of 0.50 means a half-point rise (or fall) in option premium for each point rise (or fall) in the underlying asset. For a given call (or put) option exercise price, the delta will approach zero (or one) as the price of the underlying falls and conversely the delta will approach one (or zero) as the price of the underlying rises. A delta-neutral hedge position implies that a proper mix of options and underlying assets will leave the combined financial position unaffected by small price changes.

**Deploy**

To bring into existence formally, in a deliberate order.

**Derivative**

A generic term applied to off-balance sheet financial instruments whose price is generally linked to an underlying debt or equity security, commodity, interest or foreign currency rate, or index. Examples include options, swaps, and forwards.

**Development**

-New system construction -Installation of new purchased packages

**Development Region**

The hardware and software environment where the application code is developed.

**DFSS**

DFSS (Design for Six Sigma) is the application of the SixSigma tools to product development and process design efforts with the goal of "designing in" SixSigma performance capability. Used when there is no process, the process is broken, or a process is not designed.

**Direct Expense Ratio**

The cost of acquiring, writing, and servicing business as a percentage of written premium. The Expense Ratio formula is as follows:  $\text{Expense Ratio} = \text{Commission Ratio} + \text{Direct Expense Ratio} + \text{Indirect Expense Ratio}$ .

**Direct Expenses**

Expenses incurred to directly run your local operation such as rent, electricity, supplies, printing, salaries, etc.

**Direct Inward Dial**

A range of company telephone numbers, which can be dialed directly without the assistance of a receptionist.

**Direct Lending Risk**

The risk that actual customer obligations will not be repaid on time. This risk is inherent in loans and continues to exist for the entire life of the transaction.

**Disability**

A physical condition which renders an insured incapable of performing at least some duties of his regular employment. (See the specific policy for complete definition).

**Disaster Recovery Related**

Tests & documentation, off-site storage, etc.

**Disqualifying Disposition**

A disposition of stock from an ISO exercise within two years of the grant date or one year of the exercise date. A disposition before the requisite holding period results in the loss of the preferential tax treatment given to an ISO.

**Document Custodian**

A financial institution that contracts to maintain custody of certain loan documents on the lender's behalf.

**Document Imaging**

The conversion of paper documents into electronic images on a computer. Once converted, these documents can be retrieved easily in seconds.

**Document Preparation**

The process of creating documents that will be used to book loans, legally transfer title, and/or perfect a lien position.

**Double Indemnity**

A provision under which the principal sums in an accident policy (and sometimes the other indemnities) are doubled when the accident is due to certain causes. In a Life insurance policy, a provision that the face amount payable on death will be doubled if the death is a result of an accident.

**Down-Payment**

The borrower's paid-in-cash equity in a purchase transaction.

**DTF**

Deliver the Firm - Deliver the Firm (DTF) Deliver the Firm is everyone at AIG working together to leverage our product and service capabilities to maximize our relationships with both existing and new customers.

**Due Date**

The date on which the borrower's installment payment is due as stated in the promissory note or loan agreement.

**Due Date of Last Paid Installment**

The due date of the last fully-paid installment. For example, if a customer pays his March 31 installment on May 15, the DDLPI is March 31. (DDLPI is not the date on which such payment was credited or the date of the next scheduled installment.)

**Due Diligence Review**

With respect to loans, a review in which the quality of a loan portfolio is assessed.

**Due-On-Encumbrance Provision**

A loan clause that allows the lender to call the loan due and payable if the borrower places a subordinate lien on encumbered property with or without the lender's permission. It also allows the lender to increase the loan interest rate if AIG approves the placement of a subordinate lien.

**Due-On-Sale-Or-Transfer Provision**

A loan clause that allows the lender to demand full payment of the outstanding balance if ownership of the encumbered collateral is transferred or sold.

# E

**Earnest Money Deposit**

Money paid by the purchaser of collateral to show that the buyer's offer is being made in "good faith" when the buyer and seller reach an oral agreement for the sale of the property.

**Earning Delinquents**

Delinquent loans, excluding loans which are categorized as non-earning assets.

**Earnings**

Money derived from the insured person's personal services; that is, salary, wages, and commissions.

**Effective Date**

Date on which contract begins. Normally two days after commitment, however may be deferred to a later date.

**Elective Benefits**

Optional benefits.

**Eligible Applicant**

An applicant who meets all the conditions required for loan consideration.

**Eligible Collateral**

The types of collateral acceptable to the lender as outlined in the applicable credit product program parameters.

**Elimination Period**

Waiting period, deductible in days. (Not to be confused with "Probation Period.")

**End User**

The person who ultimately uses the product, application or program.

**Enhancement**

-Modifications to existing systems -Integration of existing system to new platform -Changes to meet performance criteria.

**Enterprise**

Any large organization that utilizes computers. i.e., an intranet is a good example of an enterprise computing system.

**Enterprise Application Integration**

EAI is the unrestricted sharing of data and business processes throughout networked applications or data sources in an organization.

**Entrance Criteria**

A list of conditions that must be satisfied before this activity can begin.

**Equity Risk**

The risk that occurs as the result of investment in, holding of, or receipt of equity, equity-like securities, or other junior securities in nonaffiliated entities. Such securities include common shares, preferred shares, and related derivative instruments such as warrants, stock options, calls, and stock index futures. Equity risk encompasses exposure to permanent declines in carrying values.

**Escheat**

Unclaimed property which is turned over to the state after a specified period of time. The time period differs from state to state. Uncashed or returned dividend checks, shares from stock splits, unexchanged shares from mergers or acquisitions, and estates without benefactors are examples of property which may be unclaimed.

**Escheatment**

The process of turning over unclaimed or abandoned property to a state authority, as when a person dies without a will.

**Escrow**

With respect to payment of loan installments, generally refers to a portion of a installment that is accumulated by the lender to pay a borrower's obligation to a third party in a lump sum. Usually refers to items which if unpaid can jeopardize the lender's interest in collateral. For example, taxes and insurance.

**Estimated Cost**

All costs and amounts set out in the binder are considered estimated amounts subject to change prior to program binding and in the case of adjustable programs post program inception. Tax amounts quoted through out the binder are estimated and subject to change based on revised tax rates and additional assessments that come due during the policy period.

**Estimated Deferred Amounts**

Estimate of the Deferred Loss Provision and Deferred Expense Provision shown in the Schedule of Policies and Premiums to the Payment Agreement.

**Exceptions**

Exclusions not covered in policy.

**Excess of Loss**

Used to state the basis and/or amount of Excess of Loss Reinsurance being purchased. For example: 3 million XOL (or simply "x") \$1 million, would mean the insured has purchased \$3 million of reinsurance in excess of the \$1 million retained.

**Excess Workers' Compensation**

Insurance sold to qualified self-insurers under the workers' compensation laws and regulations of one or more states, to insure their liability as self-insurers for self-insured loss in excess of a stated amount per accident or per person, or in excess of an aggregate amount of self-insured loss.

**Executive Sponsor**

Typically a member of the IDB, who may also play the role of Business Sponsor. Provides executive leadership, priorities and commitment, goals and objectives to the project.

**Exit Criteria**

A list of conditions that must be satisfied before this activity can be considered complete.

**Expense Ratio (Direct)**

Direct Expenses incurred divided by Net Premium Written.

**Expense Ratio (Indirect)**

Indirect Expenses incurred divided by Net Premium Written.

**Explanation Of Investment**

A disclosure document which explains potential charges a customer might incur, i.e., if the customer were to sell the product with in five years of purchase.

**Extension**

The deferral of one or more installment payments until after the original contractual loan term.

# F

**Facility of Payment**

A "facility of payment" clause allows the company to pay up to certain amount of benefits or proceeds to any relative appearing entitled to it if there is no beneficiary or if the insured person or beneficiary is a minor or legally incompetent.

**Facultative Payable**

\*Deactivated \* This mainframe system was used by Manchester to remit payable balances on policies with ceded facultative reinsurance to the reinsurer community. It was replaced by MSA-AR.

**Facultative Reinsurance**

The reinsurance of part or all of (the insurance provided by) a single policy, with separate negotiation for each cession. The word "facultative" connotes that both the primary insurer and the reinsurer have the faculty or option of accepting or rejecting the individual submission (as distinguished from the obligation to cede and accept, to which the parties agree in treaty reinsurance).

**Fail-Over**

A back-up plan to restore features and functionality in case of system failure.

**Fall-Out Rate**

Percentage of approved loans that do not close (i.e., do not become booked loans).

**Family Takaful**

Islamic equivalent of Life Insurance.

**Federal workers' Compensation Laws**

This encompasses workers' compensation coverage under the following federal acts: Defense Base Act (DBA), Federal Coal Mine And Health Safety Act, Federal Employer's Liability Act, Non-Appropriated Fund Instrumentalities Act, Outer Continental Shelf Lands Act and Migrant and Seasonal Agricultural Worker Protection Act.

**Field**

A space allocated for a particular item of information.

**Final Score**

The sum of score points awarded for the application score and the credit bureau score. This final score represents the odds that the applicant will perform in a satisfactory manner.

**Financial Guarantee**

Financial Guarantee is an integrated database of information for financial guarantees/letter of credits. It includes data elements pertinent to the mentioned financial instruments such as type, currency, notional amount, custodial group, beneficiary, and obligor amongst others.

**FIP Units**

Total number of foreclosures initiated but for which title has not yet transferred to the lender.

**FIP-Book Value**

Book value of foreclosures initiated but for which title has not yet transferred to the lender.

**Firewall**

A system designed to prevent unauthorized access to or from a private network.

**Firm Confidential**

This type of business information is intended only for use within AIG, Inc. and its affiliates. It includes information that should be considered accessible only on a need-to-know basis and subject to additional protective controls, such as encryption.

Its unauthorized disclosure could adversely affect AIG, its employees, its affiliates, its stockholders, its business partners and its customers. Examples of Firm Confidential information include:

- Reports of new products or trade secrets
- Short-term marketing plans
- Analyses of competitive products
- Merger and acquisition plans

**First Lien**

A claim against property that, under the law of the jurisdiction where the collateral is located, is prior to the rights of all others.

**Fixed Rate Loan**

A loan that provides for a fixed interest rate for the entire term of the loan.

**Floor**

A floor buyer has the right to receive the excess of the strike price over a reference rate. For example, floors allow a floating-rate lender to establish a minimum by limiting the risk associated with a decline in rates.

**Flow to Loss Rate**

A flow rate calculation based on the remaining outstanding balances at risk (not solely unpaid delinquent installments).

\*An example of delinquency flow rate.

**Forbearance**

The act of postponing legal action in collecting loans. Usually part of a written repayment agreement.

**Foreclosure**

The legal process by which a borrower in default under a mortgage is deprived of his or her interest in the mortgaged property. This usually involves a forced sale of the property at public auction with the proceeds of the sale being applied towards settlement of the debt.

**Foreclosures Initiated Book Value**

Book value of delinquent accounts for which foreclosure proceedings were initiated during the period (FIP additions).

**Foreclosures Initiated Units**

Number of delinquent accounts for which foreclosure proceedings were initiated during the period (FIP additions).

**Forward Contract**

A legal contract between two parties to buy or sell an agreed upon quantity of a commodity, security, foreign currency or other financial instrument at an agreed upon price with settlement at a specified future date (beyond the two day spot contract). Whereas futures contracts are exchange-traded, forward contracts are customized over-the-counter.

**Fraternal Society**

A social organization which provides insurance for its members.

**Fraud**

Intentional misrepresentation of the truth to deceive another person or entity.

**Front End/Back End**

1) For software applications, front end is the same as user interface (i.e. screens). 2) In client/server applications, the client part of the program is often called the front end and the server part is called the back end.

**Full Payment**

The payment of principal and interest sufficient to fully amortize the remaining principal balance of the loan over the remaining loan term.

**Funding Date**

The date the lender disburses loan proceeds.

**Fusion Group**

Fusion Group is the fusion of several different departments, formerly, DBG Comptrollers. This includes collections, loss billing, retroactive adjustments, data management, and vendor management.

**Futures Contract**

A legal contract traded on an organized futures exchange (e.g., Chicago Mercantile Exchange) to buy or sell a standardized quantity of a commodity, financial instrument or index at a specified future date and price. The counterparty to the contract is the exchange's clearinghouse.

# G

**General Provisions**

Provisions in addition to the regular insuring and benefit provisions which limit and define the coverage as part of the policy.

**General Reserve**

Covers future losses possibly inherent in the portfolio, as of a particular balance sheet date, that are not covered under the specific reserve or inventory/foreclosure reserve.

**General Takaful**

Islamic equivalent of General Insurance.

**Generally Accepted Accounting Principles**

A method of reporting the financial results of an insurer more in accordance with the "going concern" basis used by other businesses. GAAP assigns income and disbursements to their proper period, as distinguished from the more conservative requirements of statutory accounting affecting insurers.

**Geographical Limitation**

A specification in a policy that coverage is limited to accident or sickness as covered in the policy occurring or acquired within certain geographical limits.

**Glitch**

A malfunction.

**Goods**

Accounts the credit grantor is glad he or she approved.

**Governance**

The control structure of a corporation.

**Governance**

1. Establishment of policies, and continuous monitoring of their proper implementation, by the members of the governing body of an organization.
2. Framework of rules and practices by which accountability is ensured.
3. Structure of processes that govern decision making around investment decisions, client relationships, or project management.

**Governance Committee**

The formal group of business representatives within each functional area responsible for the approval of policies, roles and mandatory practices before submission to the O&S Executive Council.

**Government Filing**

The AIG Government Reporting Department of AIG Corporate Comptrollers is responsible for the distribution, collection, auditing, consolidation and submission of various mandatory filings to the U.S. Department of Commerce, U.S. Department of the Treasury and other U.S. governmental agencies. These agencies use the information reported by AIG to produce economic statistics that provide government, businesses, households, and individuals with a comprehensive, up-to-date picture of and international economic activity.

**Grace Period**

The length of time (usually 31 days) after a premium is due and unpaid during which the policy, including all riders, remains in force. If a premium is paid during the grace period, the premium is considered to have been paid on time and the coverage continues uninterrupted.

**Graduated Payment Loan**

A loan that has its initial payments set at an amount lower than that required for full amortization of the debt. The payments are then increased by a specific percentage in a specified period of time. Ultimately payments are increased to a level that will fully amortize the loan.

**Graphical User Interface**

A program interface that takes advantage of the computer's graphics capabilities to make the program easier to use.

**Gross Commission**

A percentage of the premium that is paid to the broker as compensation for their services.

**Gross Credit Loss**

The remaining unpaid principal balance of a loan written-off, including unpaid interest, billed but unpaid late charges, fees, penalties, etc., less sales proceeds net of disposition costs but including legal fees.

**Gross Loss**

Actual amount of loss. As opposed to Net Loss after reinsurance has been applied.

**Gross Premium Written**

The total actual amount paid by a client or clients for the type(s) of coverage requested. It is the net premium plus operating expenses, commissions and other expenses.

**Ground Rent**

The amount of money that is paid for the use of land when title to a property is held as a leasehold estate, rather than as a fee simple estate.

**Guideline**

1. Non-specific rule as to how a policy should be accomplished. Guidelines determine action to be taken - the "how" of the policy.
2. Operations & Systems: guidelines, procedures, and best practices are used interchangeably. "Mandatory practices" are required and support the policy statement, used interchangeably with IT "gold" standards.

I

**iClass**

The name of the Interwise training component. A live, or on-demand, online training that can be accessed through a web-conferencing tool.

**Improve**

DMAIC phase I, where solutions and ideas are creatively generated and decided upon. This could include the Concept Design as well as the Detailed Design.

**In-Patient**

A person who is confined in a hospital as a resident patient and who is charged at least one (1) day's room and board in the hospital.

**In-Substance Foreclosures**

Risk asset treated, for accounting purposes, as a foreclosure because the probability of loss is high and/or the foreclosure process has begun.

**Inbound Call**

Inquiry / service calls (by voice, fax or Internet email) coming into the CSG's Call Center or Telemarketing Unit from producers / brokers / customers.

**Incentive Stock Option (ISO)**

ISOs are stock options which have preferential tax treatment for U.S. residents. The optionee defers paying taxes until the stock is sold. There are several restrictions placed on ISOs.

**Income Approach to Value**

A method of measuring the value of collateral based on the market rent or income that the collateral can be expected to earn.

**Incontestable Clause**

A clause in some insurance policies making the contract incontestable as to any statement made in the application after a



period of time, such as two years. Some PA or A&H policies do not have such a clause because of the lack of individual underwriting. However, all policies requiring any degree of individual underwriting should include an Incontestable Clause where legally permissible. Life contracts usually have a 2 year period after which a claim cannot be contested for nondisclosure.

**Incurred Loss Conversion**

Amendment of a program from one in which you are reimbursing us for loss and expense actually paid out, to a program in which you are paying loss and expense actually paid out, but also for reserve amounts established on pending claim activity.

**Index Rate**

A number derived from a formula used to characterize a set of data which serves as an indicator for determining interest rate changes on an adjustable rate loan.

**Industrial Group**

A group formed for Group insurance among the employees of one employer as contrasted to "Association Group."

**Industrial Risks insurance**

A branch of insurance involving large, highly protected risks such as an Oil Refinery or a Steel Manufacturing Complex.

**Inevitable Accident**

An accident which cannot be foreseen and prevented from happening (see also, "Fortuitous Event").

**Infrastructure**

An underlying base or foundation especially for an organization or system.

**Initial Note Rate**

The promissory note rate on a variable interest rate loan prior to the first interest rate adjustment date. This interest rate includes any premiums which may apply.

**Initial Payment Rate**

The interest rate the applicant pays prior to the first payment change. For a variable interest rate loan, this is the initial interest rate loan; for a graduated payment fixed rate loan, it is the application rate minus any partial term interest rate buydown or interest rate subsidy.

**Injury**

A generic definition might be: Accidental bodily injury resulting directly and independently of all other causes. This term may be further defined to limit the cause of injury such that only injuries, which are a result of a specific happening, are included in the definition. See specific policies for actual definition.

**Installment Debt**

Borrowed money that is repaid in several successive payments at regular intervals for a specific amount and specific term.

**Installment Premium**

Premium remitted in more than one payment. There may be an administrative fee for each installment.

**Installment Receivables**

Loan receivable whereby payment is received over a defined period of time with a specified interest rate. The interest rate may be fixed or floating.

**Installment to Income Ratio**

Debt payment for the loan being evaluated divided by gross income for the same period.

**Institute of Electrical and Electronics Engineers**

(Pronounced I-triple-E) Known for developing standards for the computer industry.

**Insurance**

A formal social device for reducing risk by transferring the risks of several individual entities to an insurer. The insurer agrees, for a consideration, to assume, to a specified extent, the losses suffered by the insured.

**Insured States**

States that are covered by insurance.

**Insuring Agreement**

In an insurance policy, a clause that defines and describes the scope of the coverage provided and the limits of indemnification. The insuring clause states the policy's intent and contains the insurance company's promises.

**Interactive Voice Response**

A telephony technology in which someone uses a touch-tone telephone to interact with a database to acquire information from or enter data into the database, i.e. banks and credit card companies use IVR systems so that their customers can receive account information. Same as VRU.

**Interest Change Date**

Each date on which the interest rate could change, as established in the promissory note. Also known as interest repricing date and interest adjustment date.

**Interest in Advance**

A loan where the monthly installment payment is calculated to include interest for the following month.

**Interest in Arrears**

A loan where the monthly installment payment is calculated to include interest for the prior month.

**Interwise**

A provider of enterprise-wide Web conferencing, elearning and mentoring communications solutions.

**Invalidity**

A condition that curtails to some degree a person's ability to carry on normal pursuits. Invalidity may be partial or total, and temporary or permanent. It is also known as disability.

**Inventory Reserve or Foreclosure Reserve**

Covers existing or future losses on repossessed or foreclosed assets that have not been sold. Losses typically result from carrying costs, reduction in market value due to the passage of time, etc.

**Investment Decision Board (IDB)**

A multi-functional Business Unit Governance Body accountable through portfolio management for the achievement of target business results. The IDB owns and manages the portfolio, assigns business sponsors to projects, approves funding for program commitments, monitors status, and resolves major issues or conflicts.

**IP Address**

An identifier for a computer on a network. For example, 1.160.10.240 could be an IP address.

**IRS Rule 83(b)**

Regulation that pertains to the area of Stock Option Administration. If an individual exercises stock or receives a stock award that is still subject to "substantial risk of forfeiture", they are entitled to file an 83(b) election. By filing an 83(b) election, they elect to pay taxes based on the FMV on the date of exercise or award instead of deferring the tax calculation and payment to the first day the stock is saleable or restrictions lapse. If the individual elects not to file an 83(b) election, the tax calculation and payment are required on the first day the stock is free from restrictions and freely tradable based on the FMV on that day. If the individual makes an 83(b) election and then forfeits the stock, they do not receive a refund.

The 83(b) election must be filed with the IRS within 30 days of the award or exercise.

**IT Procurement**

Any staff member who is primarily responsible for IT procurement, contracting, negotiations, or sourcing, whether in the central O&S ITVM Team, ITVM Steering Team or Business Unit organization.

**IT Standards**

IT Standards pertain to the infrastructure or security products, which have been approved through the systems organization. IT GOLD standards are the minimum mandatory requirements, approved by the Engineering and ratified by the CIO Council. IT product best practices (BLUE standard) are endorsed by the respective Domain Group and recommended by the Standards Domain Chairperson.

**Iterative**

Involving repetition, reiteration.

# J

**Java**

An object-oriented language similar to C++, but simplified to eliminate language features that cause common programming errors. Java source code files (files with a .java extension) are compiled into a format called byte code (files with a .class extension), which can then be executed by a Java interpreter. Compiled Java code can run on most computers because Java interpreters and runtime environments, known as Java Virtual Machines (VMs), exist for most operating systems, including UNIX, the Macintosh OS, and Windows. Byte code can also be converted directly into machine language instructions by a just-in-time compiler (JIT). Java is a general purpose programming language with a number of features that make the language well suited for use on the World Wide Web. Small Java applications are called Java applets and can be downloaded from a Web server and run on your computer by a Java-compatible Web browser, such as Netscape Navigator or Microsoft Internet Explorer.

**Jukebox**

A device that stores numerous CD-ROMs and uses a mechanical arm or other device to retrieve the disk for reading and writing. A jukebox can reside in a PC or be external. Large jukeboxes allow a network of users to access data simultaneously.

# K

**Kick-Off**

A meeting that establishes a common understanding of the project with all team members.

**Kidnap & Ransom/Extortion Insurance**

Also known as Kidnap Coverage - This insurance, which can be written for various types of entities, covers certain expenses incurred by the insured if covered persons are kidnapped and held for ransom, or if the insured or covered persons are victims of extortion or an extortion threat.

**Known Concentration**

When we know in advance that we are exposed to more than one person at the same event or place.

**Known Concentration Loss**

Any loss when we knew in advance that we were exposed to more than one person at the same event or place.

# L

**Lagging**

(Credit Quality Indicator) Indicators that evaluate the quality of the portfolio by correlating the current delinquency with the credits that produced it. Examples of lagging indicators include write-offs, recoveries, and losses on repossessed/foreclosed units.

**LANDesk**

A systems-management tool used by AIG SunAmerica to distribute software, remotely control computers on the network, and inventory hardware and software.

**Landscape**

In the case of the SAP R/3, we are referring to the hardware.

**Late Charge**

A penalty that a borrower must pay when a loan payment is not made until a stated number of days after its due date.

**Layoff of Risk**

Transfer of some or all of the risk assumed under an insurance policy to a reinsurer.

**Leading**

(Credit Quality Indicators) Indicators of quality and quantity of the business as it is being booked. Examples of leading indicators include volume of new business booked, loan approval rates, loan quality booked by credit score range (for scored loans), and score override rates.

**Legal and Regulatory Risk**

The risk that occurs whenever the company, a transaction, or a customer, is subject to a change in exposure resulting from regulatory, civil, or criminal sanctions, or litigation. Letter Loan Agreement  
A loan agreement that takes the place of a loan commitment.

**Letter of Credit**

The preferred letter of credit represents a clean and irrevocable, unconditional, commitment by the bank to pay AIG on behalf of the applicant, requiring presentation only of a sight draft. No additional documentation is required. As such, the letter of credit largely mitigates the risk of non-payment from the obligor. The letter of credit should contain an "evergreen" (continually renewing) clause, extending it automatically for one year, unless the applicable AIG insurance company, as beneficiary, is provided notice of cancellation.

**Leverage**

Positional advantage; power to act effectively.

**Limit Order**

An order that occurs only when a specific price is met. A limit order is an order to execute a transaction only at a specified price (the limit) or better. A limit order to buy, i.e., a cashless exercise, is executed when the price reaches or falls below the limit. A limit order to sell, i.e., disposition, is executed when the price is at or above the limit. Another feature of the limit order is an expiration date. If the order's limit price is not met within a specified period of time, the order expires and the transaction will not be executed. These periods are defined as GTC (good until cancelled) and GTD (good for day, day order). For Express Desktop systems, limit orders can be placed for cashless exercise types (i.e., Same-day Sale) only when the system is configured with Express Connect, Transcentive's real-time trading feature.

**Limited Policies**

Policies in which the coverage is limited to certain specified accidents or diseases.

**Limits**

The maximum amount of insurance the insurance company will write on one risk.

**Line of Business**

The general classification of business as utilized in the insurance industry, e.g., general liability, casualty, homeowners, accident & health, aviation, commercial lines, D&O, personal lines, etc.

**Liquidating Forbearance**

A relief provision that allows the borrower/guarantor to make payments in addition to the regularly scheduled payments in order to cure a delinquency.

**Liquidation Expenses**

Necessary and reasonable expenses incurred by the loan servicer in connection with the liquidation of any defaulted loan. This includes legal fees, expenses, amounts advanced or otherwise expended for taxes, collateral restoration, or prevention.

**Liquidation Proceeds**

Moneys (other than insurance proceeds) received in connection with the liquidation of a defaulted loan whether through bankruptcy trustee sale, foreclosure sale, or otherwise.

**Liquidation Value**

The value of collateral to be sold in distressed sale circumstances.

**Litigation Hold Notice Letter**

The communication that is distributed to preserve information and prevent or suspend destruction of paper documents and electronic data that must be retained during a litigation hold. Federal law requires parties to a lawsuit pending in federal court to preserve electronic data and documents pertaining to the lawsuit in conformance with the Federal Rules of Civil Procedure. There is a legal duty to preserve evidence (e.g., documents and things), including electronic documents, when the institution has notice that the evidence is relevant to pending federal litigation.

**Loan Cancellation**

The lender's act of rescinding a loan approval because the borrower did not draw-down before a defined offer expiration date.

**Loan Cancellation Rate**

The percentage of loan approvals subsequently canceled.

**Loan Capitalization**

The process of increasing the loan by applying delinquent amounts (e.g., interest, late charges, fees) to the outstanding principal balance of a loan.

**Loan Commitment**

A legally binding offer to extend credit under the terms and conditions specified.

**Loan Documents**

All documents and instruments evidencing, securing or relating to a loan, including but not limited to all documents, insurance policies, books, and records, with respect to such loans which are prepared by or come into the possession of the lender.

**Loan Interest Rate**

The rate of interest in effect for the periodic installment due. For fixed rate loans or for adjustable rate loans that have an initial fixed-rate period, it is the rate in effect during that period. For adjustable rate loans after any initial fixed rate period, it is the sum of the applicable interest rate index and interest rate margin (and subject to any applicable adjustment or rate ceilings or floors).

**Loan Modification**

The act of changing any of the terms of a preexisting loan.

**Loan Processing**

The preparation of a loan application, collection of supporting documents for underwriting, and subsequent operational maintenance of the loan.

**Loan-to-Value Ratio**

Ratio of the principal balance of a loan to the value of the property collateralizing the loan. At the time of loan origination, this amount is the lower of the appraised market value or sales price of the property. At the time of loan refinance, this amount is the property's appraised market value.

**Local Procedures**

Processes that describe how a department, project, or set of projects will implement the specified criteria in the DBG/ISG Process Improvement Framework in a way that addresses their unique needs. An example of a local practice would describe coding standards for programming languages for a project.

**Local Quality Management Team**

Responsible for defining and overseeing the use of local practices. Each department may have one or many LQMT's. Composed of managers, team leads, and individual contributors from within the department.

**Lock Box**

Literally a locked box where items received with a live check attached are stored until they can be deposited in the bank.

**Long**

(Position) Excess of purchase over sales or assets over liabilities.

**Long-Tail**

A colloquialism referring to the lengthy period of time between the occurrence of an event giving rise to a third-party claim and the claim itself. While this lengthy period is common to all kinds of third-party claims, as opposed to direct damage claims, it is most pronounced in professional liability insurance written on an "occurrence" basis, as opposed to a "claims-made" basis.

**Long-Tail Liability**

Covered liability occurrences may take many years to fully develop into claims, be investigated, and settled. This development process is called long-tail. As a result, liability rates are not as responsive to losses, nor are they as credible as other lines of insurance.

**Loss Deposit Funds**

Applicable primarily for high frequency accounts Loss Deposit Funds may be established as pre-payment of (an advance against) reimbursable losses and/or to hold a portion of premiums. Such funds may serve either (i) as a pool of funds from which claims will be paid or (ii) as an offsetting deposit in an amount sufficient to cover AIG's payment of claims that will subsequently be billed to the insured or captive. Such arrangements are typical in high frequency, low loss severity programs, where many small claims are paid on an ongoing basis. AIG treats such funds as advance payments of (i) reimbursable losses on deductible indemnity and captive reinsurance programs or (ii) premium on retrospectively rated programs. They are not legally collateral security for the exposure. Rather, they offset AIG's cost of funding claims payments prior to reimbursement from the obligor. Depending upon the agreed terms, they may be depleted and replenished in accordance with AIG's settlement of claims and the obligor's subsequent reimbursement of losses billed. The deposit accounts are established contractually as part of the underlying documentation between insured and policy issuing company and/or AIG ceding company and the captive reinsurer.

**Loss Ratio**

The percentage of incurred losses to premiums earned by the insurer. This ratio can be calculated on a Net Loss (loss after reinsurance) or Gross Loss (actual loss amount) basis.

**Loss-of-Income Benefits**

Benefits paid because the insured is disabled and unable to work.

**Lotus 1-2-3**

Lotus 1-2-3 stands for: 1) an electronic spreadsheet program, 2) a Graphics program, and 3) a Database Management Program.

**Lotus Notes**

This groupware promotes on-line discussions, shared information, shared applications among users, and provides a feature-rich electronic mail system. Data is shared across LANs via replication; copies of database reside on servers on each LAN and at frequent intervals, all changes, additions and deletions are exchanged between the servers. The Email component of Notes provides users with all word processing functions, including importing graphics and spreadsheets. Lotus Notes also provides an easy form-based platform for application development.

# M

## **Machine Language**

The lowest-level programming language (except for computers that utilize programmable microcode). Machine languages are the only languages understood by computers. While easily understood by computers, machine languages are almost impossible for humans to use because they consist entirely of numbers. Programmers, therefore, use either a high-level programming language or an assembly language. An assembly language contains the same instructions as a machine language, but the instructions and variables have names instead of being just numbers. Programs written in high-level languages are translated into assembly language or machine language by a compiler. Assembly language programs are translated into machine language by a program called an assembler. Every CPU has its own unique machine language. Programs must be rewritten or recompiled to run on different types of computers.

## **Mainframe**

A very large computer capable of supporting hundreds, or even thousands, of users simultaneously.

## **Maintenance**

-Bug Fixes -Preventive Measures -Operating System Upgrades -Regulatory Requirements.

## **Managing General Agent**

An individual or organization granted authority to act on behalf of an insurer or reinsurer in performing certain functions for it, such as, underwriting, inspection or adjusting. Functions may include the appointment of sales agents or intermediaries.

## **Mandatory Practices**

Minimum requirements in meeting the established policy. Mandatory practices must be approved by the appropriate business council and the **O&S IT Risk Committee**.

## **Margin Rate**

The amount that is added to the interest rate index value to establish the loan interest rate on each interest change date for an adjustable rate loan.

## **Market Data Approach to Value**

A method of measuring collateral value based on an analysis of comparable sales, contract offerings, and listings of properties that are the most comparable to the property being appraised.

## **Market Order**

A customer order for immediate execution, at the best price available, when the order reaches the marketplace. This is the most common type of order, and has the advantage of nearly always being filled, since no price requirements are specified. For Express Desktop systems, market orders can be placed for cashless exercise types (i.e., Same-day Sale) only when the system is configured with Express Connect, Transcendive's real-time trading feature.

## **Market Related Data**

Market data related data acquisition & redistribution infrastructure, but not data access charges which should be in the user departments Spending Plan.

## **Market Segmentation**

Describes the division of market of potential clients into homogeneous groups which will respond uniquely to sales promotions, communications, advertising, products and other marketing mix variables. Each group or "segment", can be targeted by a different marketing mix because the segments are created to minimize inherent differences between customers within each segment and maximize differences between each segment. In the Business Model, CMGs will seek to increase premium production by applying a sales discipline that is targeted towards specific market segments (e.g. Major Accounts or Consumer Lines).

## **Market Value**

The most probable price a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming that the price is not affected by undue

stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby: -Buyer and seller are typically motivated. -Both parties are well informed or well advised and acting in what they consider their best interests. -A reasonable time is allowed for exposure in the open market. -Payment is made in terms of cash or in terms of financial arrangements comparable thereto. -The price represents the normal consideration for the property sold, unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

**Master Agreement**

A written document containing mutually agreed upon terms and conditions that determine relationship, rights, obligations, and liabilities of the parties involved.

**Master Policy**

An insurance policy which covers a group of persons to whom certificates of insurance are issued as their evidence of coverage under the policy.

**Material Information**

Information is material if there is a substantial likelihood that a reasonable investor would consider it important in deciding whether to buy, hold or sell a security. Any information that could reasonably be expected to affect the price of the security should be considered material. Material information can be positive or negative.

**Matrix**

A situation or surrounding substance where something else originates or develops.

**Matrix Management**

A type of management where the matrix determines the manager, i.e., a person reports to a line manager as well as a project manager.

**Maximum Financing**

A loan amount that is at the highest loan-to-value allowed for a specific collateralized product.

**Maximum Premium**

Largest amount that the subject premium can attain.

**Measure**

DMAIC phase M, where key information and data are identified, collected, compiled, grouped, and displayed. They are typically key indicators of how various components of the organization, or the company as a whole, are performing.

**Medical Examination**

- (1) An examination by a physician, required as part of the policy application.
- (2) Examination of a claimant by a physician to determine extent, validity, or duration of a disability, injury, or illness.

**Medical Loss Ratio Medicare**

The cost ratio of health benefits used compared to revenue received. Calculated as follows: total medical expense/total revenue. The hospital insurance system and the supplementary medical insurance for the aged created by the 1965 amendment to the Social Security Act and operated under the provisions of the act.

**Meritocracy**

Meritocracy is a system of a government or another organization wherein appointments are made and responsibilities are given based on demonstrated talent and ability (merit), rather than by wealth (plutocracy), family connections (nepotism), class privilege (oligarchy), cronyism, the will of the people (as in democracy), or other historical determinants of social position and political power. In a meritocracy, society rewards (by wealth, position, and social status) those who demonstrated talent and competence, demonstrated through past actions or by competition.

**Metrics**

Measurements taken during the performance of an activity.



**Middleware**

Software that connects two separate applications.

**Million Instructions Per Second**

An inaccurate measure of CPU speed which does not account for the input/output speed of an application.

**Mind Mapping**

A method of note taking for the generation of ideas by association.

**Minimum and Deposit Premium**

The lowest flat or earned policy charge for which a policy will be issued or for which coverage will be provided.

**Minimum Cost**

The minimum amount that you must pay for the Subject Premium, and if applicable, non-subject premium, Self-Insured losses and ALAE.

Minimum Distributions(Required) Minimum Distribution: This is a distribution from qualified policies required by the IRS when a policy owner reaches age 70<sup>1/2</sup>. Also referred to as RMD (Required Minimum Distribution).

**Minimum Premium**

The smallest premium which an insurance company will accept for writing a particular policy for a designated period.

**Mission Statement**

1. Clear and brief statement of the organization's core purpose and focus.
2. Something to be accomplished in the current period (as opposed to the vision of the future).

**Modified Endowment Contract**Modified Endowment Contract (MEC): A life insurance contract entered into or materially changed after June 21, 1988, in which the cumulative premiums paid have exceeded the amount needed to reach a paid-up status. Classification of a policy as a MEC causes the policy to no longer be qualified for the tax deferred treatment of cash value under the Internal Revenue Code.

**Modified Flow to Loss Rate**

A flow rate calculation based on a variation of the flow to loss rate, if account delinquency is measured using an alternative methodology. \*An example of delinquency flow rate.

**Mortality**

In insurance, the relative incidence of death as measured within a given age group.

**Mortgage**

A debt instrument by which the borrower (mortgagor) gives the lender (mortgagee) a lien on property as security for the repayment of a loan. During the term of the loan the borrower has use of the property. The lien is removed when the obligation is fully paid. Also refers to, collectively, the security instrument, the promissory note, the title evidence, and all other documents and papers that evidence the debt. A mortgage usually involves real estate. For personal property, such as machines and equipment, the lien is called a chattel mortgage.

**MQSeries**

The MQSeries Family is integrated middleware that provides infrastructure integrating business application and processes both within the enterprise and through the firewall, across the extended enterprise. The MQSeries Family provides operational integrity across IT and e-business environments with a complete solution portfolio, complemented by highly skilled Business Partners. MQSeries - base messaging servers and clients that provide message and queuing capabilities on 35+ platforms. ---MQSeries Adapter Offering - provides a framework and tools that build and customize MQSeries adapters for existing and new, pre-packaged or custom-developed applications. ---MQSeries Everyplace - extends the capabilities of MQSeries base messaging to remote servers and to mobile workers using laptops, PDAs and telephones. - --MQSeries Integrator - combines a one-to-many connectivity model, transformation, routing and information flow modeling. It facilitates the development of new application services that comprise the functions of multiple, disparate existing business systems. ---MQSeries Workflow - a business process management system which facilitates the development and management of business processes that integrate the IT and organizational infrastructure of a

company.

**Multitiered Application**

An application in which one part runs on one server and another part runs on another server.

**Mutual Fund** LOMA defines a Mutual Fund as an account established by a financial services company that pools the funds of many people and invests in a variety of financial instruments, such as stocks and bonds.

**Mutual Fund Account** LOMA defines a Mutual Fund as an account established by a financial services company that pools the funds of many people and invests in a variety of financial instruments, such as stocks and bonds.

**MVR (Motor Vehicle Reporting)**

This is a software package that allows users to request information on registered drivers through PMSC, an outside vendor. It provides an interface with PMSC's database, retrieves the requested information, and provides printed reports for the users.

# N

**Negative Amortization**

An increase in debt that occurs when the monthly installment is not sufficient for full application of payments to both principal and interest. The shortage is added to the unpaid principal balance to create "negative" amortization. This occurs, for example, when floating rate loans have fixed installment payments. To avoid negative amortization, floating rate loans can have provisions to adjust the installment payment to be repaid as a fixed principal amount plus calculated interest.

**Net Commission**

Gross Commission paid minus the amount (ceded) received from the reinsurance company for providing them business.

**Net Credit Losses**

Gross credit loss less recoveries.

**Net Loss**

Amount of loss after reinsurance has been applied.

**Net Note Rate**

The loan interest rate after any applicable servicing fee has been subtracted.

**Net Outstandings**

Gross outstandings less unearned income.

**Net Premium Written**

Gross premium written minus premiums ceded for reinsurance.

**Net Receivables**

Gross customer risk asset balances less unearned income.

**Net Retention**

The amount of liability assumed but not reinsured by an insurance company.

**Net Worth**

The value of a borrower's assets less its total liabilities. A measure used to indicate financial strength.

**Net Yield**

The yield earned after fees and other expenses incurred to originate a loan are deducted (e.g., loan commitment fees, documentation fees, dealer commissions, salesperson commissions). Also known as effective yield.

**New Relationship**

A commercial credit applicant or credit relationship to which the lender has not extended credit during the preceding 12 months. Entities that are part of a credit relationship to which the lender has extended credit during the preceding 12 months are not considered new relationships.

**Niku**

A system for entering and tracking employee time.

**Non-Amortizing Loan**

The terms of this do not require installment payments to reduce the principal balance.

**Non-Disabling Injury**

An injury which does not cause loss of time.

**Non-Earning Assets**

Loans on which interest is not being accrued because principal and/or interest is contractually  $\geq 90$  days past due or the collection of principal and/or interest is doubtful. Contrast with earning delinquents.

**Non-Occupational Policy**

A policy which does not cover death or disability resulting from injury while on-the-job.

**Non-Originating Third Parties**

Entities or individuals engaged to handle or perform, for the lender or a TPO, part of the loan application processing, underwriting, funding, or post-closing functions, but not any activities related to obtaining the loan application. A NOTP is typically paid on a fee basis for services performed, with the payment of fees not contingent on loan approval or closing.

**Non-Participating**

A plan of insurance under which the insured is not entitled to share in the divisible surplus of the company.

**Non-Ratable**

A type of charge, especially in workers compensation rating, that is based on a catastrophic type exposure and is thus excluded from ordinary rate-making and is also not subject to experience rating and retrospective rating.

**Non-Shelf Loan**

A non-shelf loan is a loan for which there is no approved Credit Product Program (CPP). Contrast with shelf loan.

**Non-Starter**

A loan for which the borrower does not pay the very first installment. Same as straight.

**Nonpublic Information**

Nonpublic information is information that is not generally known or available to the public. Information becomes public when disclosed to achieve broad dissemination to the investing public generally, without favoring any special person or group, and there has been adequate time for the public to digest that information. Examples of broad dissemination include press releases, filings with the Securities and Exchange Commission and meetings, conference calls or webcasts that are open to the public.

**Note Rate**

The interest rate specified on the loan's promissory note.

**Null**

A value that indicates missing or unknown data in a field. Used in Access and Visual Basic, etc.

**Number of New Loans Booked**

Total number of new loans booked (excluding rewrites), credit lines opened, or units financed and booked during the month.

**Number of New Loans Processed**

The total number of loan applications during the month upon which a credit decision was made. This number includes customer withdrawals.

**NUS (National Union System)**

Provided an automatic facility for the capture of account and quote information. This information was then used for account analysis, rating, quote letter and policy insurance. Policy information was forwarded to other AIG systems for billing and corporate reporting. It was replaced by AI-QUIC.

# O

**Object Oriented**

Can mean different things depending on how it is being used. Object-oriented programming (OOP) refers to a special type of programming that combines data structures with functions to create re-usable objects. Object-oriented graphics is the same as vector graphics. The term object-oriented describes a system that deals primarily with different types of objects, and where the actions taken depend on what type of object being manipulating. For example an object-oriented draw program might enable you to draw many types of objects, such as circles, rectangles, triangles, etc. Applying the same action to each of these objects, however, would produce different results. If the action is Make 3D, for instance, the result would be a sphere, box, and pyramid, respectively.

**Objectives**

1. Statements of intended future results. Sometimes referred to as goals.
2. Objectives are attainable, specific, measurable, time-bound, and result driven.

**Obligor**

An obligor is the legal entity against which AIG holds a direct or contingent contractual claim for payment. The credit risk which AIG incurs is that the obligor is either unwilling or unable to pay claims when they become due. For Risk Management, the most common legal agreements specifying the obligor's responsibilities are a reinsurance agreement, an indemnity, and a deductible endorsement to an AIG insurance policy. For example, the obligor could be a captive or the corporation itself.

**Ocean**

Ocean Finance and Mortgages Limited, acquired by American General Finance Corporation. As a leading finance broker in the U.K., Ocean currently offers home owner loans, mortgages and remortgages (refinancing). Ocean maintains a residential mortgage portfolio of approximately £60 million (\$110 million).

**Off-the-Shelf**

Non-customized software

**Offer or Ask**

Rate at which dealer or market-maker sells a unit to the counterparty (who is buying).

**Opalis Robot**

Scheduling software used for data transmission.

**Open Enrollment Period**

A period during which members can elect to come under an alternate plan, usually without providing evidence of insurability.

**Open Systems**

Non-mainframe systems such as Unix and NT.

**Operations**

(a.k.a. Business Operations) Work processes performed by the people in an organization who are responsible for

producing the goods or providing the services that the business offers to customers.

**Operator**

The company that invests the capital (aka shareholder).

**Options Contract**

A legal contract giving its owner (buyer or purchaser) the right, but not the obligation, to buy (call) or sell (put) a specified item at a fixed price (exercise or strike price) during a specified period. The buyer pays a nonrefundable fee (the premium) to the seller or writer for this right. The option price or reference rate may be based on a debt or equity security, commodity, interest or foreign currency rate, or an index. Options are traded both on organized exchanges and over-the-counter.

**Oracle**

Oracle Corporation is a software company whose primary business is database products.

**Organization Chart**

An artifact that describes the management structure in place for a given project or collection of projects.

**Organization Structure**

Represents the organizational units and the relationships between the various units and/or members within an organization.

**Origination Date**

The date of the promissory note.

**Origination Fees**

The fees charged by a lender to prepare loan documents, make credit checks, and inspect and sometimes appraise collateral. Fees are sometimes expressed as a percentage of the face value of the loan.

**OS Vendor**

An Operating System vendor, i.e. Microsoft.

**Our Vision**

Our vision is . . . To be the world's first-choice provider of insurance and financial services. We will create unmatched value for our customers, colleagues, business partners and shareholders as we contribute to the growth of sustainable, prosperous communities.

**Out-Patient**

A patient who does not reside in a hospital in which he has received treatment.

**Outbound Call**

Calls made by the CSG's Call Center or Telemarketing Unit to generate sales leads, to retain and renew expiring policies, to win back customers who may be considering moving to a competitor, to promote the company's products, to provide product information and literature, to follow-up on direct mail campaigns, to up-sell / cross-sell to existing customers and to conduct other Customer Relationship Management (CRM) activities.

**Over-Insurance**

Personal Accident benefits of such size that they may present the moral hazard of temptation to fake or prolong a claim.

**Override**

An action by the credit grantor by which the decision indicated by the credit scoring system is overridden. HIGH-SIDE OVERRIDE A loan above score cut-off (recommend approve) which was declined. LOW-SIDE OVERRIDE A loan below cut-off (recommend decline) which was approved.

**Owner-Occupant**

An individual who resides primarily in the mortgaged premises, is listed as an owner of record on the property deed, and has executed the promissory note and security instrument.

## P

### **Paid to Date**

The contractual due date of the loan payment most recently made (e.g., if the loan payment contractually due on February 15, 1996, is received May 1, 1996, we say the loan is "paid to" February 15, 1996).

### **PALS (Producer Agency Licensing System)**

This contained broker and license information, and was rebuilt using the BARS database nightly. It was replaced by PLS.

### **Par**

The face value of a loan.

### **Parent Guarantees, Indemnities and "Hold Harmless" Agreements**

A parental guarantee, indemnity or hold harmless agreement is a legally enforceable contract document between AIG and the parent, whereby the parent corporation agrees to indemnify the policy issuing insurance company for the amount of the insured's or captive's obligations, if the obligor should fail to meet its obligations. There is extensive case law in most jurisdictions supporting the use of guarantees and indemnities. The legal enforceability of such agreements could, however, be jeopardized if the signing party does not have required corporate authority. Also, if the agreement were to be viewed by insurance regulators as contravening the risk transfer nature of the transaction, AIG could be seen as engaging in business outside the scope of its insurance license.

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### **Partial Payment**

Receipt of any payment less than that which is required.

### **Participating Policy**

An insurance policy under which the company agrees to distribute to policyholders the part of its surplus that 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 must pay.

### **Pass/Fail Status List**

Quality record listing final test results for a project.

### **Patent**

A property right on an invention that is either unique or a non-obvious improvement on an existing concept. Business method patents can include underwriting methodologies, software management systems and e-commerce methods.

### **Payment Change Date**

The date on which the periodic loan payment changes; the effective date that a new amount is due from a borrower.

### **Payment Change Interval**

The period that elapses between the payment change dates of a loan.

### **Payment Change Limitation**

A restriction on the amount that the monthly payment for an adjustable rate loan can change on any payment change date; also called a “per adjustment” cap.

**Payment Rate**

The percentage rate used to calculate the period payment when the periodic payment will not fully amortize the loan. It differs from the interest accrual rate. **Payment Shock**

A substantial increase in the amount of a monthly loan payment. Usually associated with variable payment loans.

**Payoff Date**

The date the lender receives the amount necessary to pay off the loan indebtedness.

**PDA**

Personal Digital Assistant

**Peer Review**

A review of a completed software work product (s), following defined procedures, by peers of the producer of the product for the purpose of identifying defects.

**Performance Metrics**

Data signifying the level of process performance used to determine how well the organization's processes meet the needs of the customer (e.g. customer satisfaction level, accuracy).

**Permanent Partial Disability**

Usually defined as inability to perform one or more of the functions of one's regular job. The actual definition depends on the wording of the particular policy.

**Permanent Total Disability**

Disablement which totally prevents an insured from working in his or her usual occupation which in all probability will continue for the remainder of his or her natural life." The complete inability to perform the material duties of one's regular job. Regular job is generally defined as the job the insured person was performing immediately before total disability began.

**Personal Digital Assistant**

A handheld device combining computing, telephone/fax, Web browser, email, and networking features Personal Digital Assistant, a handheld device combining computing, telephone/fax, Web browser, email, and networking features.

**Personal Information**

Information that identifies an individual, such as name, address, phone number, or employee identification number, and that is collected, maintained or otherwise Handled (defined below) by AIG. Personal Information may relate to any individual, including, for example, existing, prospective, and former customers; business contacts; employees; and personnel of vendors. In some cases, the name of a legal entity could constitute Personal Information.

**Personal Property Owned**

Personal property owned by the lender as a result of a repossession or acceptance of title in lieu of repossession.

**Physician**

A person legally licensed to practice medicine and/or surgery other than the insured or a member of the insured's immediate family. Policies may have variations of this definition.

**Point of Contacts**

Designees/representatives of the SQMT that may also provide oversight and approval of software improvement activities and artifacts.

**Policies**

The DBG/ISG Software Engineering Policies are the guiding principles for how we do our work. The policies are the high-level direction DBG/ISG supports. In case of confusion or conflicts within standards or recommendations, always consider

the DBG/ISG policies as pointing out the direction to take.

### **Policy**

1. A high level statement of principle or stated course of action, with a defined purpose and scope to guide decision-making. Supports the mission and strategic objectives.
2. Operations & Systems: Policies specify roles & responsibilities and mandatory practices to support the defined policy statement.

### **Policy Term**

The term of policy, usually the period for which the premium is paid. Nearly all Personal Accident policies are written on an Annual Term.

### **Policyholder**

The person or firm in whose name the policy is written. In Group Personal Accident this will be the name of the company, school or organization.

### **Political Risk**

The risk that actions of a sovereign government (e.g., nationalization or expropriation of privately owned property) or independent events (e.g., war, riots, civil unrest) may affect the ability of customers in that country to meet their obligations.

### **Populate**

To fill with inhabitants – in computer terms, fill with information. Population That segment of an organization's customer base to which the scoring system is applied. An organization may have several populations, each with its own scoring system. For example, there may be one scoring system built on the population that uses credit cards, another for the population that takes out auto loans, another for the population that takes out unsecured loans, and another for the population that takes out mortgage loans. While these four populations may overlap, they are usually sufficiently statistically different so that different scoring systems provide for better performance predictability.

### **Power of Agency**

The agent's authority or power is that which is granted in his agency contract. By case law, the authority which the public may reasonably expect the agent to have. The authority of the Personal Accident insurance agent is usually confined to the solicitation of applicants, and receiving premiums as trustee for the applicant and the insurance company. It never includes authority to change or waive the provisions of a policy, to alter an application, or to make an amendment or rider, the last two being valid only when signed by an officer of the company.

### **Pre-Existing Condition**

A condition (usually of health) which existed prior to the issuance of an Accident & Health or Personal Accident insurance policy. Definitions may vary but we generally consider a condition to be a pre-existing condition if it was something for which medical advice, treatment or service was provided or recommended by a physician during a specific period of time prior to becoming insured.

### **Pre-Foreclosure Sale**

A procedure in which the borrower is allowed to sell the collateral in order to avoid foreclosure of a defaulted loan.

### **Premium Entry**

This provides policy and premium data into AIMA. MultiSoft Inc's INFRONT software resides on a PC with an IBM software connection to the mainframe.

### **Prepayment Penalty**

A charge that a borrower may be required to pay during the early periods of a loan if he or she pays it in full, or pays large sums to reduce the unpaid balance, prior to the final maturity date of the loan. Also known as pretermination penalty.

### **Primary Residence**

The residential property physically occupied by an owner as the principal domicile. Among the criteria that should be



considered in evaluating whether a property is a principal domicile are the following: -It is occupied by the owner for the major portion of the year. -It is in a location relatively convenient to the owner's principal place of employment. -It is the address of record for such activities as income tax reporting and occupational licensing. -It possesses the physical characteristics to accommodate the owner's immediate dependent family. These characteristics are those traditional to both the owner and the neighborhood. -The borrower states an intention to occupy the property as a primary residence.

**Principle Sum**

The amount payable under a policy as a result of accidental death. The full face amount of the policy.

**Printer Definition**

The identity of the printer(s) assigned to a particular PC.

**Procedure**

1. Detailed instructions for the sequence of steps to accomplish an activity. Procedures may include: methods, instructions, best practices, guidelines, or help text.
2. A procedure has a sequence of events or activities with a definite start and end.

**Process**

Set of activities, methods or practices used to produce a deliverable or provide a service.

**Process Improvement**

Improvement approach focused on changes/solutions to eliminate or reduce defects, costs or cycle time in an existing process.

**Process Management**

Defined and documented coordinated tasks and activities, monitored on an ongoing basis, which ensures that measures are providing feedback on the flow/function of a process; key measures include financial, process, people, technology, service and quality.

**Process Map**

Graphic display of the flow of tasks within a discrete activity that shows all decision points, rework loops, reviews, approvals, and handoffs.

**Process Variation**

Refers to change or fluctuation in a process which determines how stable or predictable the process may be.

**Product Development**

Development of new insurance products to satisfy unmet market needs. When done right - with innovation, speed and market insights - it is a revitalizing process that serves as the engine for long-term, sustainable growth. Under the new Business Model, the Profit Centers continue to retain responsibility for product development. The product development life cycle typically includes market research, user requirements, operations and process definitions, analysis of costs and potential revenue, design of products, testing, acceptance, monitoring, modifying.

**Profit Center**

AIG Profit Unit. A business unit or department, which is treated as a distinct entity so that profitability can be measured.

**Program**

A group of related projects managed in a coordinated way. Programs may include elements of related work outside the scope of the discrete projects in the program.

**Program Administrator**

Producer that is under a contract with AIG to manage, sell and administer a company program. Most of these producers are AIG's own subsidiaries/corporations.

**Program Group**

A program group is one or more Risk Management transactions which have the same inception and expiration date or are

covered under one set of credit approvals.

### **Program Structure**

The Property and Energy profit centers use four terms to describe the structure of captive reinsurance transactions. Net: AIG cedes all or part of the risk to the captive. AIG either retains the remaining risk and/or cedes to professional reinsurers through facultative reinsurance. The captive does not retrocede any risk. Gross: AIG cedes all or part of the risk to the captive. AIG may retain some risk (usually a small percentage) and does not cede to professional reinsurers through facultative reinsurance. The captive retrocedes some of the risk. Modified Gross: AIG cedes at least half of the risk to the captive. AIG either retains the remaining risk and/or cedes to professional reinsurers through facultative reinsurance. The captive retrocedes some of the risk. Modified Net: AIG cedes less than half of the risk to the captive. AIG either retains the remaining risk and/or cedes to professional reinsurers through facultative reinsurance. The captive retrocedes some of the risk. Note: for credit purposes, gross includes modified gross and modified net.

### **Prohibited Risk**

Occupational classifications on which the company will not write Personal Accident insurance.

### **Project**

A team of individuals supporting the development and/or maintenance of one or more products.

### **Project Acceptance**

The acceptance that the lender issues for a condominium or cooperative project to indicate that the project's physical characteristics and marketability are acceptable to us, and that we may originate loans on units within the project.

### **Project FiRE**

A new global initiative to transform and simplify AIG's financial reporting environment.

The FiRE solution will address our need for integrated processes and data by creating a common financial language and re-engineering and standardizing our core accounting processes.

View this video for more information. Project FiRE is now "GIFT" (General Insurance Finance Transformation).

### **Project Plan**

Controlled document describing the overall procedures of a project including business objectives, customer needs and expectations, staffing and equipment requirements, and project management strategy.

### **Project Repository**

A repository for storing the artifacts required by the AIG DBG/ISG Process Improvement Framework produced during a project. It should be convenient for team members to access.

### **Project Schedule**

Artifact developed at a high level during Define phase, and updated throughout the project lifecycle.

### **Project Stakeholder**

A group or individual responsible for specific activities within a DBG/ISG project or otherwise involved in a project's outcome.

### **Project Team**

(a) Composed of all individuals assigned to work on a project. (b) Composed of those individuals who are members of the same group or department and work together on a project.

### **Promissory Note**

The note, bond, or other instrument evidencing the indebtedness of the borrower, including any rider thereto or amendment therein or incorporated by reference therein.

### **Protocol**

The language communications devices use to talk to each other, i.e. desktop to file server, modem to Internet.

### **Protocol d'Accord**

Applicable primarily for low frequency accounts This is a form of written contract, used by AIG in the European marketplace. It is a separate contract, giving AIG enforceable legal rights to collect funds from the issuer of the protocol under the circumstances identified in the agreement. There are three parties to a Protocol d'Accord, the relevant AIG issuing company(ies), the parent (as insured, captive owner and/or guarantor) and the captive (as reinsurer). The Protocol is drafted to document the specific nature of support provided in a given transaction. Thus it includes (i) A simultaneous payment commitment indicating that in consideration for influencing the selection of reinsurer and for obtaining a waiver of certain of AIG's customary requirements for reinsurance security, the company agrees that it and its subsidiaries will not enforce payment of claims under the policy(ies) until the reinsurer has funded the AIG ceding company. (ii) A provision to indemnify and hold harmless if AIG is forced to pay before payment by the captive reinsurer, and (iii) Often comfort language, indicating maintenance of ownership and captive support.

### **Prototyping**

Developing code used to verify feasibility of user requirements. Prototype code that is developed without a requirements artifact; may become the requirements artifact, however, the code must be reviewed and updated to become production quality code.

### **Proximate Cause**

The cause which directly produces the effect without the intervention of any other cause; Active cause nearest in effect or most immediately connected in producing a given result; Closely related with respect to space, time, or sequence. For example: A broken nose due to a fall. The fall is the proximate cause.

### **Public Accessible**

This is information that has been explicitly approved by AIG and its affiliate companies' management for release to the public and is considered Publicly Accessible. By definition, there is no such thing as unauthorized disclosure of this information and it is allowed to be freely publicized without potential harm.

Examples of Publicly Accessible information include:

- Product and service brochures
- Advertisements
- Public job opening announcements

### **Publicly Traded Corporation**

A corporation whose stock is traded on a stock exchange and can be purchased by anyone.

### **Purchase Money Transaction**

The acquisition of property through the payment of money or its equivalent.

### **Purchase Price**

The actual amount of consideration actually paid for the property less any seller concessions or credits that offset the purchase price.

### **Pure Rate**

The rate you would charge to cover every person in your population and just have enough premium to cover claims.

## **Q**

### **QA Region**

The hardware and software environment where the application is moved from development for the QA testing to begin.

### **Qualifying Rate**

The interest rate used to determine whether the applicant qualifies for the requested loan.

### **Quality Record**

An artifact that demonstrates the project is following the standard development process.

### **Quick Sale Value**

A value established based on review by competent professionals that assumes a prompt sale to a willing purchaser.

### **Quota Share**

A reinsurance arrangement where the insurer and reinsurer(s) share all premiums and losses according to a fixed percentage(s) expressed in the reinsurance agreement. For example, a participating reinsurer will receive 30% of the premium, but will also be obligated to pay 30% of any losses.

### **Quotation**

A statement offering to a potential client indicating the coverages and the premium that will be charged.

## **R**

### **Rate Improvement Loan**

A fixed rate loan that includes a provision that gives the borrower a one-time option to reduce the interest rate (without refinancing) during the early periods of the loan term.

### **RATES**

A mainframe-based rate display feature, RATES is available to all UPS users in all UPS regions. These on-line rate pages, built from rate stored on the Table Management Facility (TMF) resemble ISO rate pages. They can be retrieved by company, state, line of business, effective date, and ISO rule number/ coverage title.

### **Real Estate Owned**

Real property owned by the lender as a result of a foreclosure or acceptance of a deed-in-lieu of foreclosure.

### **Recoveries**

Amounts collected from borrowers subsequent to determination of deficiency balance (i.e., the write-off amount).

### **Redemption Period**

The specified period in which a borrower can reclaim foreclosed property by making full payment of the debt under a legally enforceable right of redemption in some jurisdictions.

### **Refinance Transaction**

The repayment of a debt from the proceeds of a new loan using the same property as collateral. We also consider the current owner's placement of financing on unencumbered property as a refinance transaction.

### **Refinance Transaction Cash-Out**

A refinancing transaction in which the amount of money received from the new loan exceeds the total of the money needed to repay the existing loan, closing costs, points, and the amount required to satisfy any outstanding subordinate liens. In other words, a refinance transaction in which the borrower receives additional cash that can be used for any purpose.

### **Refinance Transaction Limited Cash-Out**

A cash-out refinance in which the cash received by the borrower does not exceed 1.00% of the principal amount of the new loan.

### **Refinance Transaction No Cash-Out**

A refinancing transaction in which the new loan amount is limited to the total money needed to repay the existing first mortgage loan. In other words, a refinance transaction in which the borrower receives no additional cash.

### **Refinance Transaction Prearranged Agreement**

A formal arrangement between a lender and borrower in which the lender agrees to offer special terms (such as a reduction in costs) for a future refinance of the loan being originated as an inducement for the borrower to enter into the original loan transaction.

### **Region Codes**

Region Code • Regional Group 01 • NY Region Metro

02 • Chicago Region  
03 • Atlanta Region  
04 • San Francisco Region  
05 • Boston Region  
06 • Dallas Region  
07 • Philadelphia Region  
08 • Agency Auto  
10 • New Hampshire  
11 • New Hampshire - Comptrollers  
12 • Information Services Group (ISG)  
13 • Audubon and Subs  
14 • Houston Region  
15 • Los Angeles Region  
20 • P&C Severity Claims - New Jersey  
21 • Primary Claims - New Jersey  
25 • Data Center / New Jersey - Other  
30 • Lexington / Boston  
35 • Wilmington  
39 • Personal Lines Claims  
40 • Wilmington - Other  
45 • New Jersey - Other  
50 • Cleveland Region  
65 • Aviation  
70 • Claims Cleveland  
71 • Claims South Coast Metro  
72 • Claims Chicago  
73 • Claims Atlanta  
74 • Claims San Ramon  
75 • Claims Boston  
76 • Claims Dallas  
77 • Claims Philadelphia  
79 • Claims NY Region Metro  
80 • Region Companies  
85 • Berkeley Heights, NJ  
90 • Jersey City, NJ  
99 • New York (Branch 000)

### **Regression Reject Report**

This is a weekly report that provides a detail listing of policies with regression errors. After binding, policies must go through regression in order to complete the booking process. If errors exist, the policy details will appear on a weekly reject report. The report exists in two versions. Version one is by Branch/Division and is routed to all Regional Vice Presidents. Version two is by Division/Branch and is routed to all Division Managers.

### **Rehabilitation Loan**

A loan issued for the purpose of improvement of or repairing damage to the property collateralizing the loan.

### **Reimbursement Benefits**

Reimbursement benefits are those under which the actual expense incurred by the insured person (usually for medical, nursing, and hospital treatment) are paid. Reimbursement benefits are in contrast to indemnity benefits, which pay a stated amount for whatever disability or injury they cover without regard to the actual cost to the insured.

### **Release of Liability**

A formal agreement between the lender and the borrower absolving the borrower from responsibility under a loan because another party has agreed to assume the loan obligations.

**Relief Provision**

A temporary formal arrangement to help a borrower cure a delinquency. The alternatives include temporary indulgence, special forbearance, and liquidating forbearance.

**Remaining Loan Term**

Original loan term less the number of payments that have been received and applied.

**Renewal Processing Unit**

The organizational unit within the Customer Service Group that is responsible for contacting existing clients whose policies are expiring in order to persuade them to renew their policies for the same or a defined period of time, for the same or additional coverages, and for a defined premium.

**Rent Loss Insurance**

Insurance that protects the lessee against loss of rent or rental value due to fire or other casualty that renders the collateral unavailable for use and as a result of which the lessor is excused from paying rent.

**REO Added Book Value**

Book value of mortgages on which title has been transferred to the lender as a result of legal foreclosure plus the number of deed-in-lieu taken during the period.

**REO Added Units**

Number of mortgages on which title has been transferred to the lender as a result of legal foreclosure plus the number of deed-in-lieu taken during the period.

**REO Inventory Book Value**

Total book value of foreclosed properties on hand with title transferred to the lender.

**REO Inventory Units**

Total number of foreclosed properties on hand with title transferred to the lender.

**REO Sold Book Value**

Book value of REO properties disposed of and removed from REO inventory for the period.

**REO Sold Units**

Number of REO properties disposed of and removed from REO inventory for the period.

**Replacement Reserve**

A fund set aside for replacement of collateral elements that experience physical depreciation.

**Reposessed Inventory**

Reposessed units on hand with title transferred to the lender. Also known as acquired assets.

**Reposessed Inventory Net Book Value**

Total value of reposessed inventory units, net of any writedowns as required by applicable write-off policy.

**Reposessed Inventory Units**

Ending inventory of units physically reposessed, including the current period's reposessions.

**Repossession**

A legal procedure permitting a creditor to acquire title to, and sell, collateral that is pledged as security for a defaulted loan.

**Reposessions**

Assets that have been reposessed.

**Required Minimum Distribution (RMD)**

A Congressionally-mandated distribution from a qualified retirement plan. Starting with the April 1 after you reach 70.5 years old, you must take annual distributions from your qualified retirement plans, such as your 401(k) and IRA. The amount you must distribute is based on the value of your accounts at the beginning of the year for which you are required to take a distribution. That total is then divided by your life expectancy as determined by the IRS. Failure to take a RMD results in a 50% penalty. Roth IRA accounts are not subject to RMDs. Also, a 401(k) where you are still employed is exempt from RMDs.

### **Requirements Management**

The activities that are necessary to establish and maintain a mutual understanding between the business user and the developer regarding the technical and non-technical conditions, or capabilities, of software.

### **Restricted Information**

This type of Information relates to AIG's products, business or other activities, and includes data such as:

- Financial data
- Financial statements
- Product designs and performance specifications
- Marketing plans or techniques
- Client lists
- Computer programs
- Processes

It also includes documented knowledge and know-how that have been clearly identified and properly marked by the company as Restricted but are not considered as sensitive as Firm Confidential information.

### **Retention**

- (1) The portion of the premium which is used by the insurance company for administrative costs
- (2) The amount of liability retained by the ceding company and not reinsured. Contrast with Cession.

### **Retention Rate**

The percentage of the total number of quotations (or premium) bound or booked divided by the total number of policies (or premium) expiring in a given period, usually a month.

### **Retrocession**

Assumption by a reinsurance company of all or part of a risk undertaken by another reinsurance company. The company obtaining the retrocession is called the "retroceding company", and the company assuming the retrocession is called the "retrocessionaire".

### **Return On Equity**

Net income after tax divided by average equity for the period, expressed as a percentage. Net income should be annualized for periods less than one year in duration.

### **Return On Investment**

Net income after tax divided by average investment for the period. Net income should be annualized for periods less than one year in duration.

### **Review Tracking Sheet**

An artifact that keeps track of the current review status.

### **Revolving Debt**

An arrangement for credit in which the borrower's credit availability is reinstated as principal payments are made.

### **Rework**

When the transaction or activity moving through a process requires correction by returning it to a previous step or person/organization in the process. Rework adds time, costs, delays and potential for confusion and more defects.

### **Rewrite**

Rescheduling of a debtor's obligations.

**Right of First Refusal**

A provision in an agreement that requires the owner of property to give another party the first opportunity to purchase or lease the property before he or she offers it for sale or lease to others.

**Right of Ingress or Egress**

The right to enter into or exit from designated premises.

**Right of Setoff**

The right held by certain depository institutions to use deposit balances for repayment of defaulted debts owed to the institution.

**Riot**

A tumultuous disturbance of the public peace.

**Risk**

The product of: (a) the probability something could go wrong and (b) the possible adverse consequences if it does go wrong.

**Risk Acceptance Criteria**

Guidelines for evaluating and approving individual credit transactions.

**Risk Asset**

Held or sold loan for which the lender has a direct or indirect financial exposure, such as recourse or indemnification.

**Rolling Ratios**

A tool for managing your portfolio by looking at the averages of quarterly ratios over a moving one-year period. As the results in any particular month or quarter may fluctuate significantly because of a catastrophe or several "one time" losses, averaging gives a clearer picture of your portfolio's overall performance.

**Rollout**

The inauguration or initial public exhibition of a new product, service, or policy.

**Rule of 78's**

Also known as "sum of the year's digits." Also the term for a method used to calculate an interest rebate when an installment loan that has add-on interest is paid off prior to its maturity.

**Run Book**

A written set of procedures for the routine and operation of the system or network.

# S

**S.A.**

Société Anonyme. Example of usage: "Chartis Europe S.A." Comparable to the "Incorporated" in "American International Group, Inc."

S.A. generally designates corporations in various countries. This translates literally in all languages mentioned as anonymous company, anonymous partnership or share company and can be differentiated from partnerships and limited liability companies.

S.A. meaning "anonymous society/corporation" is the abbreviation of:

- Société anonyme in French (as commonly used in most French speaking countries, such as France, Belgium, Luxembourg, Switzerland, Monaco, Lebanon, Algeria, Tunisia, Morocco, Mauritania and various African countries)
- Sociedad Anónima or Sociedad por Acciones in Spanish; Societat Anònima in Catalan



-Sociedade Anónima in Galician and in Portuguese; Sociedade Anônima in Brazilian Portuguese  
-Società Anonima in Swiss Italian

### **Sales Report**

The Sales Report allows a user to view booked premium based on four different views: Region/Branch, Division/Department and Division/Region. The report displays booked premium for prior month, week-to-date, current month and year-to-date.

### **Sales Volume**

The total currency amount of loans originated during the month.

### **Salvage**

The portion of property that is taken over by an insurance company after payment of a claim for the loss. The insurance company may deduct the salvage value from the amount of the claim paid and leave the property with the insured. For example, on a Baggage and Personal Effects claim, an insured loses one earring. If we are unable to replace the missing earring and have to pay for a new pair, we have the right to obtain the other earring that was not lost. That "salvage" can be sold by AIG and the recovery credited to the claim file. Likewise, if we pay a Baggage loss and later the items are recovered, we are legally entitled to the property which can either be sold by us or given to the insured person with them giving back all or part of the loss payment.

### **Sample**

A body of accounts that are statistically analyzed to construct a credit scoring system. Both good and bad accounts are used in the sample, along with some applications that were rejected.

### **SAR- Serious Accident Report**

Report designed to inform the Line Claim Managers and examiners in New York of large or complex claims after the reserve has been set at specific threshold levels. The SAR contains sufficient information to enable the Home Office examiner to decide whether to 1) monitor or supervise the claim and provide assistance to the local office; or 2) not intervene and allow the local office to handle the claim on its own. The SAR is also used to report claims of a certain size to various management staff.

### **Schedule**

A part of the policy or application that indicates specific amounts or limits or a listing of rates used for computing premium.

### **Scheduled Interest**

Periodic interest scheduled to be paid in accordance with the terms of the loan's amortization schedule.

### **Scheduled Principal**

Periodic principal scheduled to be paid in accordance with the terms of the loan's amortization schedule.

### **Score Card**

A table listing the characteristics that provide predictive information in the scoring system, the attributes of each characteristics and the point values associated with each attribute.

### **Scoring**

Empirically derived and statistically sound risk/reward ranking techniques. Excludes judgmental approval systems. Common terms include: -APPLICATION SCORE -ATTRIBUTE -BADS -BEHAVIOR SCORE -CHARACTERISTIC - CREDIT BUREAU SCORE -CRITICAL SCORE ERROR RATE -CUT-OFF SCORE -FINAL SCORE -GOODS - OVERRIDE -POPULATION -SAMPLE -SCORE CARD -VALIDATION

### **Search Engine**

A program which allows a user to type keywords into a space provided, and returns a list where the keywords were found. Example: Yahoo.

### **Seasoned Loan**

A loan that has been closed for more than one year.

**SEC Rule 144**

Securities purchased in a “private placement” or stock held by affiliates may not be resold in the public market unless they are sold in compliance with Rule 144. Briefly, several requirements must be met, including a holding period and volume limitations on the amount of stock that can be sold. Check with your attorney whenever you have a Rule 144 sale. The company or outside counsel will need to write an opinion letter authorizing the sale. A person who has purchased the stock in a private placement must hold the stock for at least one year before it can be sold. All officers must also sell stock under Rule 144 at all times.

**SEC Rule 144(k)**

Regulation that pertains to the area of Stock Option Administration. This rule is similar to Rule 144 except that, if an individual is not an affiliate of the company and has owned stock purchased in a private placement more than two years ago, it may be sold with less stringent requirements.

**SEC Rule 16(b)**

The SEC rule regarding trading restrictions for company affiliates. Second Mortgage  
A mortgage lien which is subordinate only to the lien of the first mortgage.

**Secondary Residence**

Residential property physically occupied by an owner. Among the criteria that should be considered in evaluating whether a property is a second domicile are the following: -It is occupied by the owner during regular intervals throughout the year (e.g., weekends, seasonal vacation home). -It is in a recreational location relatively distant to the owner's principal place of residence. -Not used for rental purposes. -The borrower states an intention to occupy the property as a secondary residence.

**Security Documents**

Documents which legally evidence a debt and, for collateralized debts, the lender's security interest in the collateral.

**Security Instrument**

The instrument (e.g., mortgage, deed of trust, deed to secure debt) creating a valid lien on collateral property.

**Senior Lien**

Any lien that is superior to the claims of the holder of a subsequent (subordinate) lien.

**Senior Management**

The person(s) with the authority to affect any changes warranted by the information provided to them. These individuals should be free of any conflict of interest in performing this oversight role.

**Sensitive Personal Information**

(i) an individual's name in combination with the individual's: (A) Social Security number, Taxpayer Identification Number, passport number, driver's license number or other government-issued identification number; or (B) financial account number, with or without any code or password that would permit access to the account; or (ii) an individual's name or a unique identification number in combination with race, religion, ethnicity, marital status, medical or health information, background check information or sexual orientation. Sensitive Personal Information is a type of Personal Information.

**Server**

A computer or device on a network that manages network resources.

**Service Level Agreement**

A signed document that defines the parameters (e.g. timeliness, accuracy, completeness) of a set of transactions between two entities such as between the Customer Service Group (CSG) and the Profit Centers or the Client Management Groups (CMGs) and the Profit Centers or between the CMGs and the CSG, or between producers and the company, etc. When designing the SLA program, careful attention should be paid to also establish how each SLA will be monitored (type and frequency of reporting), who is the primary contact/owner on each side of the agreement, and when they will meet to discuss SLA performance for each period (e.g. the prior month), and how to make adjustments to reduce errors or modify the SLA.

**Service Request**

A form used to submit and authorize a request for DBG/ISG support.

**Servicing Advance**

"Out of pocket" costs and expenses a servicer incurs in the performance of servicing loans.

**Servicing Fees**

The income that a loan servicer receives for the collection of payments and management of operational procedures related to servicing a loan. It includes a base servicing fee, plus late charges, fees charged for special services, and pre-payment charges.

**Settlement Date**

The date that the sale of property is settled and funds are paid or transferred.

**Settlement or Value Date**

Delivery date for the currency or commodity.

**Sharia**

Islamic law based on Quran and the teachings of the Prophet (PBUH).

**Shelf Loan**

A shelf loan is a loan originated in accordance with an approved Credit Product Program. Contrast with non-shelf loan.

**Shell Code**

A vehicle in which company/branch/department codes are grouped into organizational units. Utilized for management reporting purposes by groups such as Human Resources, Payroll, and Accounting.

**Shock Loss**

A claim so large it will affect the underwriting averages materially.

**Short**

(Position) Excess of sales over purchases or liabilities over assets.

**Short Rate**

Return of premium based on the number of days the policy was in force, if canceled mid-term. In addition to the exact proportion of premium to the number of days for which protection was provided an additional charge is made to recover administrative costs at an accelerated rate. In the event of cancellation by the insured prior to a policy's normal expiration or renewal date, it's the return of unearned premium based on the number of days a policy was in force. In addition to the exact proportion of premium to the number of days for which protection was provided an additional charge is made to recover administrative costs at an accelerated rate. This is different from pro rata return of premium where the amount returned is calculated purely on the basis of time insured.

**Sickness**

An illness that confines the insured person to his/her home, a hospital, or sanitarium. As used in a Personal Accident policy "sickness" must be contracted and commence after the effective date of the policy. Thus pre-existing illnesses are not covered.

**Sign-Off**

Documented approval of a stakeholder in the form of a quality record.

**Simultaneous Payment Commitment Letter**

Applicable primarily for low frequency accounts The parent company (as the insured) may provide a separate agreement, a Simultaneous Payment Commitment letter from the provider (usually the parent company of a captive insurer) stating that in consideration for influencing the selection of reinsurer and for obtaining a waiver of certain of AIG's customary requirements for reinsurance security, the company agrees that it and its subsidiaries will not enforce payment of claims

under the policy(ies) until the captive reinsurer has funded the AIG ceding company. It is essentially the same as a Protocol d'Accord except that the language is different and it does not have the signature of the captive insurer. The agreement may also provide for a reduction of AIG's liability to the insured by the amount of any sums not paid by the reinsurer and/or to indemnify AIG for any amounts that it might be obligated to pay under the policy(ies) and does not recover from the captive reinsurer.

### **Single Currency Interest Rate Swaps**

Counterparties agree to exchange interest payments on a specified principal amount (referred to as the notional principal) for a specified period. There is no exchange of principal as both counterparties have the same amount and currency. In the most common instance a swap involves the exchange of streams of variable for fixed rate interest payments. Settlements are netted.

### **Six Sigma**

A quantitative measure of the difference between the level of service desired and the level of service provided.

### **Skip**

A delinquent borrower who cannot be located. Skips may be unintentional or intentional in nature. Unintentional skips are borrowers who inadvertently fail to notify their creditors about a change of address. Intentional skips are borrowers who purposely move to avoid their creditors.

### **Snapshot**

An isolated observation, as a photograph.

### **Software Configuration Management Tool**

A tool that manages the versions of software components.

### **Software Engineering Institute**

A non-profit organization dedicated to software process improvement. Located at Carnegie-Mellon University, in Pittsburgh.

### **Software Engineering Process Group**

Responsible for defining and implementing the DBG/ISG Process Improvement Framework across DBG/ISG. Serves as the owner of the DBG/ISG Process Improvement Framework. Composed of full-time process staff.

### **Software Quality Assurance**

(1) A planned and systematic pattern of all actions necessary to provide adequate confidence that a software work product conforms to established technical requirements deliverables. (2) A set of activities designed to evaluate the process by which software work products are developed and/or maintained.

### **Software Quality Management Team**

A team of SIOs which provide oversight and approval of all software improvement activities and artifacts.

### **Solicitation**

The blanket sourcing of a large potential or actual customer group in order to sell a new product or expand an existing customer base.

### **Solution**

A tool or answer, i.e. eLearning is a training solution that answers the question, "How do we train our employees?"

### **Special Forbearance**

A relief provision that provides for a period of reduced or suspended payments, followed by another period of larger-than normal payments to enable the borrower to cure a delinquency.

### **Specific Reserve**

Covers existing or future losses on particular accounts that have been identified as having a high probability of loss.

**Spot Contract**

An agreement to exchange currencies and/or commodities at a given spot rate in one or two days. The spot exchange rate is also known as the outright price. A "cash" position is synonymous with a spot position.

**Standard**

1. A measure or benchmark for expected quality and performance
2. Explains the specifics of policy requirements.
3. Measurable indicators for policies.
4. Information Technology: identifies products as gold or blue standards, where GOLD are the minimum requirements (mandatory practices), and BLUE are the IT best practices.

**Standardized Processes**

Refers to a group of processes where there is no variability among the steps in the set of tasks or activities.

**Standards**

The DBG/ISG Software Engineering Standards are the measurable indicators that the policies are being supported. Compliance with these standards is necessary to maintain and improve DBG/ISG SEI-CMM process maturity.

**Stock Appreciation Rights (SAR)**

The right offered by a company to an individual to receive the value of a given number of shares of the company's stock without purchasing the shares. The holder receives cash and/or stock equal to the difference between the aggregate option and market prices of the SARs.

**Stock Proxy**

Stock Proxies are typically issued by one party to another for purposes of allowing a party not owning voting shares to exercise the voting authority vested in such shares. Proxies are often granted to management of the corporation upon solicitation and are governed by state law in the state of incorporation. Proxies are also generally addressed in the by-laws of the corporation. You will want to consult with local corporate counsel familiar with these terms before finalizing your Proxy.

**Stock Swap**

The exercise of stock options using the value of currently owned shares in payment of the option price.

**Stop Loss**

Any provision in a policy designated to stop the insured's loss at a given point. In many health insurance products, the point during the year where an individual's co-insurance ceases.

**Straight**

A loan where the borrower does not pay the very first installment. Same as non-starter.

**Strategic Plan**

1. Management's plan for completing objectives.
2. An organization's process of defining its direction to implement the company's long term objectives. It is used as guidance to define functional and divisional plans.

**Straw Borrower**

A form of fraud in which one person takes out a loan for another person to conceal the identity of the real borrower. Usually the real borrower would not qualify for the loan.

**Subcontractor**

An individual, partnership, corporation, or association that contracts with an organization (i.e., the prime contractor) to design, develop, and/or manufacture one or more products.

**Submission**

The package of materials that go to the underwriter as part of a request for a quote (or a request for insurance). An application is usually the most important part of a submission.

**Subordinate Financing**

For secured lending, any lien that has a priority lower than that of first lien position.

**Subordinate Lien**

Any lien that is subsequent to the claims of the holder of a prior (senior) lien.

**Successive Periods**

In disability policies this provision is utilized to determine when a period of disability, which follows a prior period of disability, is considered either a new period of disability or a continuation of the previous period. Depending upon the circumstances, a new waiting period may or may not be required and benefit limits may either be consolidated under the prior claim or renewed as a new one. For example, Successive Periods of Disability will be considered one period of disability unless they are due to unrelated causes or separated by a return to work for (6) or more continuous months. See also "Recurrent Disability".

**Superintendent**

In some countries the official designation of the commissioner of insurance.

**Surety Imaging Management Studies**

SIMS is an imaging platform that provides Bond document scanning storage and retrieval for the Surety division of National Union. On-line viewing of bonds is available from any Division 60 Home Office workstation.

**Swaps**

Over-the-counter transactions which enable counterparties to legally contract to exchange payment streams based on a specified notional principal amount and time period. Normally used by a counterparty to synthetically transform asset and/or liability exposures. Buying (or selling) spot and simultaneously selling (or buying) it forward is also known as a swap.

**Swaption**

An option to enter into a swap at some future date, or to cancel an existing swap in the future.

**Switches or Differentials**

Swap payment streams are based on floating interest rates, plus or minus a spread, of different currencies with the settlement amount made in one of those or possibly a third currency. This attracts counterparties who want to hedge currency exposures by enhancing yields while settling in their local currencies.

**Synergy**

Cooperative interaction among groups, especially among the acquired subsidiaries or merged parts of a corporation, that creates an enhanced combined effect.

# T

**Table-Funding**

Loans for which a TPO takes the loan application and processes the documents. The lender may underwrite or approve the loan and fund the loan, but the loan is closed in the TPO's name. The closed loan is subsequently transferred to the lender.

**Tailored Loan**

A loan which falls outside the parameters of a product program.

**Takaful**

Insurance that avoids haram elements in accordance with the sharia law.

**Targeted Software Deployments**

Installing software on all PC's at one time – a software rollout.

**Tax Act of 1997**

Companies that have chosen to have only non qualified stock options should probably reconsider incentive stock options. Under the old tax law, a person in the 28% or 31% tax bracket had little or no incentive to hold ISO stock for 12 months. They would pay 28% capital gains if they held for a year or 28% ordinary income tax if they sold immediately. Therefore, most would execute cashless transactions. The new capital gains tax of 20% encourages employees to exercise and hold for 18 months. The same employee in the 28% tax bracket can save 8% taxes by holding. That is enough to encourage employees to think carefully about holding the stock. For employees in the 39.6% bracket, the incentive is even larger. Therefore, companies should review their options plans and consider instituting an ISO plan. If employees with ISOs want to hold for long-term capital gains tax - 20%, they should probably exercise in the first six months of the calendar year. This will minimize the length of time the employee must wait to receive credit for a prior years Alternative Minimum Tax. If the employee exercises in the second half of the calendar year, he must wait two years to receive the AMT credit. If the exercise is in the first half of the year, he may only wait one year to receive the AMT credit.

**Technical Progress Tracking**

A method of ensuring technical progress is being made towards completion of planned work; also know as earned-value project scheduling.

**Technical Request**

An artifact that documents a user-related problem, change, or enhancement.

**Technical Underwriting**

The process of selecting risks and classifying them according to their degrees of insurability so that the appropriate premium rates may be assigned. The process also includes the rejection of those risks that do not qualify.

**Tele-marketing**

Tele-marketing is a method used to assertively promote an organization's products, via the telephone and to answer questions from prospective customers, address their concerns, and overcome their objections. Inbound telemarketing activities include order taking, customer service, taking credit card orders, inquiry service, handling direct response from customers to print advertisements.

**Tele-marketing Unit**

The organizational unit within the Customer Service Group that is responsible for inbound / outbound telephone selling and cross-selling.

**Telecom Related**

Staff, LAN & WAN costs, network management related, telecom maintenance, etc.

**Telephony**

The science of telephones.

**Temporary Indulgence**

A relief provision that allows the borrower an additional 30 days before more formal action is taken to cure a delinquency.

**Terabyte**

Approximately 1 trillion bytes. A byte is a unit of storage capable of holding a single character.

**Term of Policy**

The period for which the policy runs, which is usually the period for which a premium has been paid in advance. In most instances, it is a year, even though the premium is paid on a semi-annual or other basis.

**Test Sign-Off Checklist**

A Quality Record to demonstrate Test is complete and the team agrees the project is ready for the customer.

**Texas Premium Discount**

Premium discounts on automobile policies with premiums in excess of \$5,000. These discounts are set when the policy is

issued and cannot be changed until an audit of the policy is completed.

**Third Party Administrator (TPA)**

A Third Party Administrator (TPA) is an organization that processes insurance claims or certain aspects of employee benefit plans for a separate entity. For a more detailed general definition please view the link below. Keep in mind that AIG is not responsible for outside source information.

**Third Party Originator**

An entity or individual other than the lender that receives a loan application. A TPO may completely or partially take the application, process the credit documents, underwrite or fund the loan, then subsequently transfers, assigns, or sells the loan to the lender.

**Third-Party Sale**

A foreclosure sale at which the successful purchaser of the collateral is someone other than the mortgagee, mortgagor, or either's representative(s).

**Tier**

A layer.

**Time Limits**

The limits of time within which notice of claim or proof of loss must be filed or expenses must be incurred.

**Timeshare Project**

A real estate development in which a purchaser can buy the exclusive right to occupy a unit for a specified period of time each year, but does not acquire any ownership of the underlying real estate.

**Tolerance Authority**

A commercial credit authority used to approve certain credit actions that otherwise exceed an officer's delegated credit approval authorities. This credit authority is used when the result of the approval is temporary or to expedite approvals when timing is critical.

**Tollgate Review**

A tollgate review is conducted at the end of each phase of the DMAIC process. The review is a checklist of suggested guidelines to follow for discussion and review between Team Leads, Project Managers, Executive Sponsors and possibly Stakeholders. Successfully completing this stem can ensure that the team is ready to move to the next Phase.

**Tons of Air Conditioning**

There are 12,000 BTU's (British thermal units) per 1 ton of A/C. It is a term used to identify how much air can be cooled in a certain amount of time.

**Top-line responsibility**

Term used to refer to ownership for generating an organization's sales revenue (see also Bottom-Line responsibility).

**Total Commitments for Credit Approval Jurisdiction**

Refers to individual credits to related parties that are aggregated for loan approval purposes.

**Total Serviced**

The total number or dollar volume of receivables under the lender's operational management regardless of who owns the underlying assets.

**TRA '86**

Tax Reform Act of 1986. Among other things, this act changed several ISO restrictions as well as the capital gains taxation structure.

**Trade Equity**

Equity that results from a property purchaser giving existing property as trade for all or part of the downpayment for the



property that is being purchased.

**Trade Secret**

A business secret or advantage that is never made public.

**Trademark/Service Mark**

A word, phrase, symbol or design (or a combination) that distinguishes one company's goods/services from another's and indicates the source of the goods/services.

In the U.S., trademark/service mark rights are based on actual commercial use. Without proven use in commerce, an application cannot mature to registration. A trademark/service mark registration can be valid forever if use is maintained and regularly proven to the USPTO. SM for service marks (pending applications)

TM for trademarks (pending applications)

® for registered marks (also referred to as a "circle R")

Never use the ® until a registration certificate issues.

**Transfer Agent**

The party responsible for the tracking of a company's stockholders, distribution of dividends, issuing and transferring shares, and the proxy process. This may be done by an independent agency or internally by the company. **Note:** Options transferred to you from another optionee or transferred from another optionee to you will be displayed only for the current option holder. Taxes on these options will be set by your Plan Administrator and may affect both the transferor and the transferee.

**Transfer of Ownership**

The conveyance of mortgaged property or any right, title or interest thereto, whether legal or equitable, voluntary or involuntary.

**Transfer Risk**

The risk that is inherent in any transaction in which a flow of funds, goods, or services, must pass an exchange control barrier in order to consummate the transaction.

**Treaty Reinsurance**

A form of reinsurance wherein the terms and conditions are expressed in general terms and apply automatically to a whole book of business meeting specific, pre-determined criteria. Many treaties are written on an annual basis, but term of coverage can vary just as it can for primary insurance policies... The reinsurance of a specified type or category of risks defined in a reinsurance agreement (a "treaty") between a primary insurer or other reinsured and a reinsurer. Typically, in treaty reinsurance, the primary insurer or reinsured is obligated to offer, and the reinsurer is obligated to accept, a specified portion of all such type or category of risks originally written by the primary insurer or reinsured.

# U

**Ultimate Losses**

Paid losses and expense dollars, and reserve loss and expense dollars developed using Loss Development Factor(s) to establish the maximum expected total loss and expense amount.

**Unallocated Benefit**

A reimbursement provision, usually for miscellaneous hospital and medical expenses, which does not specify how much will be paid for each type of treatment, examination, dressing, or the like, but only sets a maximum which will be paid for all such treatments.

**Unapproved/Overlined Reinsurance above Captive**

This is the captive retrocession that is in excess AIG Reinsurance Security's approved lines and without special approval.

**Unbundling**

Many surgeries involve incidental procedures, which are considered part of the overall procedure and should be included within the global price for that procedure. Unbundling dissects each incidental procedure and bills separately for it, thereby

inflating the bill.

**Underwriting**

The process of selecting applicants for insurance and classifying them according to their degrees of insurability so that the appropriate premium rates may be charged. The process includes rejection of unacceptable risks.

**Underwriting Authority**

The limit on decisions an underwriter can make without receiving approval from someone at a higher level.

**Underwriting Limit**

Is the maximum benefit amount which can be approved by the local underwriter or other underwriting authority levels without prior approval of a Regional Underwriting Authority or Home Office. Applications or quote requests can be taken for amounts above the underwriting limit; however, the review and approval of the Regional Underwriting Authority or Home Office, is required prior to quoting or policy issuance. Underwriting limit also refers to the maximum limit(s) set by management that may be written.

**Unearned Premium Reserve**

The proportion of Written Premium that has yet to be earned over the policy period.

**Uniform Provision**

General provisions in the policy, which outline the terms and conditions.

**Unknown Concentration**

Any time more than one person is at the same place or event and this exposure is not known in advance by the insurer.

**Unknown Concentration Loss**

Any loss involving more than one person at the same place or event and the exposure was not known in advance by the insurer.

# V

**Validation**

A procedure comparing the rank ordering of the quality of accounts of the accepted applicants to the rank ordering predicted by the system at development time. As long as the rank orderings remain substantially the same, the scoring system remains valid.

**Valuation**

A report that sets forth an estimate or opinion of value of collateral, usually proved for an individual qualified or certified as capable by a professional or governmental authority.

**Value-Adding Activities**

Steps/tasks in a process that meet all three criteria defining value as perceived by the external customer: 1.) the customer cares; 2.) the thing moving through the process changes; and 3.) the step is done right the first time.

**Variance**

The difference by which cost and schedule vary from the plan. Negative variances are unfavorable indicators, such as behind schedule or over cost. Positive variances are favorable indicators, such as ahead of schedule or under cost.

**Vesting**

The timetable on which all or part of an option can be exercised.

**Vetting**

To subject to usually expert appraisal or correction; to evaluate for possible approval or acceptance.

**Vintage/Life Cycle Analysis**

Tracking performance of specific portfolio segments from first booking through maturity (term loans) or steady state (revolving credits). This technique allows comparison of different portfolios at comparable points in the credit cycle. For example, a group of accounts approved in one year can be compared to others approved in another year (both at 12 months from the booking date). Managers can then relate policy decisions and process changes made during the credit cycle to performance variations from past vintages and identify the need for policy and/or process adjustments.

### **Vision**

1. The vision defines where we want to be in the future.
2. Short and inspiring statement of what the organization intends to become (as opposed to the current period - or mission).

### **Voice Response Unit**

A telephony technology in which a touch-tone telephone is used to acquire or enter information. i.e., "If you know your party's extension, press 1..."

### **Volatility**

Measure of an instrument's price movement during a specific period. Expected volatility is a component of option pricing models. The more volatile an instrument, the riskier it is and the higher the price of a related option contract.

## **W**

### **Waiver**

A DBG/ISG PIF exception is applied for at the inception of a project when it is recognized that during the Initiate phase all the required entrance and exit criteria for one or more activities of the DBG/ISG PIF can not be adhered to while meeting the mandated project deliverable dates. Re-negotiation of dates, additional staffing, phased implementation and other alternatives should be sought instead of a DBG/ISG PIF Waiver. Note: A Risk Notice is not used for waiver; a risk is created to manage a project slip.

### **Wakala Fee**

Fee paid by participants to operator.

### **Warehouse Line of Credit**

An agreement that covers the short-term lending of funds by a commercial bank or other institution to extend credit up to a certain amount for a certain time to an entity using the loans funded by the warehouse line as collateral. This form of interim financing is used until the loans are sold to a permanent investor.

### **Warranties**

Statements made on an application for insurance, which are warranted to be true; that is, that they are exact in every detail as opposed to "Representations."

### **Warrants**

Warrants are long term call options. Generally, a warrant holder has the right, but not the obligation, to buy common shares of a company at a given price during a specified period.

### **Weighted Average Coupon**

The WAC of any group of loans is calculated by -Multiplying the unpaid principal balance of each loan by its coupon rate (resulting in a "product" for each loan); then -Adding the products so obtained for all of the loans; then -Dividing the sum of the products by the aggregate unpaid principal balance of all the loans in the group.

### **Weighted Average Remaining Maturity**

The WARM of any group of loans is calculated by -Multiplying the gross receivable of each loan by the number of months remaining to maturity (resulting in a "product" for each loan); then -Adding the products so obtained for all of the loans; then -Dividing the sum of all the products by the aggregate unpaid principal balance of all the loans in the group.

### **Wireless Fidelity**

A high-speed, wireless networking standard.

**Wolmanized Wood**

Wolmanized wood is poles, piles, timber, posts, or plywood that is pressure-treated with CCA (chromated copper arsenate) preservative to provide structural protection.

**Work Life Cycle**

An approach to performing project management and related tasks according to a predefined phased approach such as start-up, planning, agree to proceed and tracking.

**Work Product**

Work products are work effort deliverables; any output created as part of defining, maintaining or using a software process.

**Workers Compensation Policy Information**

This is a weekly mainframe process that generates tapes containing policy level information to report compliance. It extracts workers compensation data from the Green database (which contains WCPC and AIWCS workers compensation policy data) and formats it into various state record types according to NCCI and independent State Bureau reporting requirements. It also includes Unit Stat reporting, Detailed Claim Reporting (DCI) and Individual Claim Reporting (ICR).

**Workout**

A permanent alternative to legal action such as repossession or foreclosure.

**Workplan**

A spreadsheet inventory of implementable software units, modules, or Change Requests that are scheduled for a release. Development as a spreadsheet is preferable to placing the information in the Project Plan, because it is more easily managed.

**World-class service**

Service that would be considered best-in-class by its customers.

**Wraparound Loan**

A loan that includes the remaining balance on an existing superior loan plus additional amount requested by the borrower. Full payments on both loans are made to the wraparound lender who then forwards the payments on the superior lien to that lender.

**Write-Off**

The accounting loss recognized when repayment of principal and/or interest is doubtful. GROSS WRITE-OFF Write-off before recoveries. NET WRITE-OFF Write-off after recoveries.

## Insurance Terms Glossary

### 0-99

**1035 Exchange**

LOMA defines a 1035 Exchange as a tax-free exchange of one life insurance policy or annuity contract for another policy or contract covering the same person that is performed in accordance with Section 1035 of the Internal Revenue Code, in the United States.

## A

**A/E - ACTUAL/EXPECTED**

Factor representing the ratio of the actual incurred claims amount over (divided by) the expected incurred claims for a

specific period of time.  
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### **AARP - AVERAGE ANNUALIZED RENEWABLE PREMIUM**

This is the amount of premium that expected for each converted policy if that policy were to remain in force for a full year. This is calculated by dividing the TARP by the number of converted policies (converted certificates).

### **AAW - Actively-At-Work**

An insurance provision often used in Group policies, it is a routine requirement to minimize the risk of anti-selection. In this case to qualify for benefits an employee needs to be at actively at work or available for work on his/her effective date of insurance. A similar provision applies to an employee's dependents: normally requires the dependent to be able to perform the usual duties of a person of like age and sex.

### **Abandon Rate**

The percentage of individuals who decide not to effect or pay for a policy after responding to a direct offer.

### **Abandonment**

A relinquishing of ownership of lost or damaged property by the insured to the insurer so that a total loss may be claimed. Abandonment is prohibited in most other types of property insurance.

### **Abandonment Clause**

A clause in fire insurance policies and other property forms that prohibits the insured from abandoning partially damaged property to the insurer in order to claim a total loss.

### **Absolute Assignment**

Assignment by a policyowner of all control of and rights in the policy to a third party.

### **Absolute Liability**

A type of liability that arises from extremely dangerous operations. An example would be in the use of explosives: A contractor would almost certainly be liable for damages caused by vibrations of the earth following an explosive detonation. With absolute liability it is usually not necessary for a claimant to establish that the operation is dangerous.

### **Accelerated Benefits**

Riders on life insurance policies which allow the life insurance policy's death benefits to be used to offset expenses incurred in a convalescent or nursing home facility.

### **Accelerated Endowment**

A dividend option allowing dividend accumulations to be applied to convert a life insurance policy into an endowment, or to shorten the endowment term.

### **Accelerated Option**

A provision whereby an insured may use accumulated policy dividends and the cash value of a life insurance contract to pay up the policy or to mature it as an endowment.

### **Accelerative Endowment**

An option to use life insurance policy dividends to mature a policy as an endowment before the regular maturity date.

### **Acceptance**

In insurance acceptance occurs when an applicant for insurance receives the policy from the company and, in the case of general insurance, pays the premium. In life insurance, since the initial premium is almost always submitted with the application, issuance of the policy by the company constitutes acceptance.

### **Access**

The availability of medical care to a patient. This can be determined by location, transportation, type of medical services in the area, etc.

**Accident**

A sudden unintentional event or happening that occurs unexpectedly, which may cause bodily injury or property damage.

**ACCIDENT**

Something unintended, unforeseen, and unexpected; something which could not be considered as a foreseeable occurrence and consequence of an undertaking.

**Accident and Health Insurance**

Coverage for accidental injury, accidental death or sickness. Benefits may include paid hospital expenses, medical expenses, surgical expenses, and income payments.

**Accident and Sickness Insurance**

An older name for health insurance.

**Accident Frequency**

The rate of the occurrence of accidents, often expressed in terms of the number of accidents over a period of time. It is one method used for measuring the effectiveness of loss prevention services. Contrast with Accident Severity.

**Accident Insurance**

A form of insurance against loss by accidental bodily injury to the insured.

**Accident Medical Expense**

Written to cover injuries suffered by a person engaged in a covered activity or event. May be written as excess of valid and collectible coverage or as primary coverage.

**Accident Severity**

A measure of the severity or seriousness of losses, rather than the number of losses. It is measured in terms of time lost from work rather than the number of individual accidents. It is another way of measuring the effectiveness of loss prevention services. Contrast with Accident Frequency.

**Accident Weekly Indemnity**

This benefit helps the insured who is unable to work for a temporary period due to an accidental total disability, to replace his/her lost income by providing a weekly income up to 104 weeks.

**Accident Year**

Refers to a method of accumulating loss data for all accidents occurring within a particular year.

**Accident Year**

A term used to describe the accounting of claims by the year in which the claim occurred. It is a much better way of analyzing how a particular prior year is developing than the calendar year method that measures claim activity during a given year, regardless of the year the claim occurred.

**ACCIDENT YEAR**

The annual accounting period in which loss events occurred, regardless of when the losses are actually reported, booked or paid.

**Accident Year Experience**

Measures premiums and losses relating to accidents which occurred during a 12-month period.

**Accidental Bodily Injury**

Traumatic damage to the body, of external origin, unexpected and undesigned by the injured person. Contrast with Accidental Means.

**Accidental Death and Dismemberment**

A form of accident insurance which indemnifies or pays a stated benefit to the insured or their beneficiary in the event of bodily injury or death due to accidental means. A predetermined schedule of payment is used to compensate the insured

or the beneficiary for their loss.

### **Accidental Death Benefit**

In a life insurance policy, benefit in addition to the death benefit paid to the beneficiary should death occur due to an accident. In double indemnity, twice the face value of the policy will be paid to the beneficiary; in triple indemnity, three times the face value is payable. Accidental death caused by war and illegal activities are generally excluded. Time and age limits are usually applicable.

### **Accidental Death Benefit Rider**

A supplementary benefit rider or endorsement that provides for an amount of money in addition to the basic death benefit of a life insurance policy. This additional amount is payable only if the insured dies as the result of an accident.

### **Accidental Death Insurance**

A form that provides payment if the death of the insured results from an accident. It is often combined with dismemberment insurance in a form called accidental death and dismemberment.

### **ACCIDENTAL DISMEMBERMENT**

Severance of a hand at or above the wrist or a foot at or above the ankle, loss of eyesight, due to accidental bodily injury. Frequently includes loss of speech and/or hearing and may include as severance of thumb and index finger of the same hand.

### **Accidental Means**

Unexpected or undesigned cause of an accidental bodily injury. Under a definition of accidental means, the mishap itself must be accidental, not just the resulting injury. An example would be an individual chopping wood: If the axe slipped out of his hand and cut his foot, it would have been accidental means. However, if his finger got in the way of the axe, it would not have been.

### **Accidental Permanent & Total Disability**

Economic hardship might result if the insured survives an accident but is unable to engage in any occupation for which he/she is reasonably qualified by education, training or experience, for the remainder of his lifetime. A benefit equal to the principal sum of the policy will be paid to the insured. The benefit can be expanded for earthquake.

### **Accommodation Line**

Business accepted from an agent or broker which would normally be rejected according to strict underwriting standards but which is accepted because of the overall profitability of the agent's or customer's other business. As an example, an insurer might accept coverage on property that would not normally meet its underwriting standards, if the other lines of insurance which it carries for the customer were profitable.

### **Account Analysis**

The Account Analysis is an expert system advises underwriters of the risks associated with an account's financial and business profile. Trend analysis, market comparisons and review of several accounting schedules make up the knowledge base of rules designed to identify undesirable or unprofitable accounts. The existing knowledge base is tailored to Surety Bond Underwriting. Most of the financial analysis is standard accounting practice and may be applied as a base for other underwriting lines.

### **Account Current**

A monthly financial statement provided to an agent by an insurer showing premiums written, cancellations, endorsements, and commissions.

### **Account Data Base**

The Account Data Base is a strategic marketing system used to develop new business and to expand the existing book of business. The system reports activity on AIG Property and Casualty business throughout the world.

### **Account Modification**

The total of deviations, schedule rating, expected dividend payments, safety credits, drug free credits, managed care credits, and ADR applied to the account. It is determined by adding the schedule credit/debit, deviation, expected dividend

payments, safety credits, drug free credits, managed care credits, and negotiated premium discount applied in each state. The maximum account modification would be 20%.

**Account Premium Modification Plan**

A rating plan for fire, property damage and time element coverages. The maximum credit or surcharge is 25%, and it is available to risks which develop a three-year premium of at least \$5,000.

**Account Value**

The value inherent in an annuity to the annuitant if (s)he does not surrender the contract. Cash surrender value is that value net of penalties which is stated in the contract. These penalties usually last seven years -at the end of year seven, account value equals surrender value.

**Accounts Receivable Insurance**

Insurance against the loss that occurs when an insured is unable to collect outstanding accounts because of damage to or destruction of the accounts receivable records by a peril covered in the policy.

**Accredited Service**

All service, by an employee, recognized under a pension plan as being allowable or creditable in calculating the amount of benefits due.

**Accrete**

A Medicare term which means the process of adding new members to a health plan.

**Accrued Benefit**

The amount of retirement benefit accumulated on behalf of a participating employee.

**Accrued Liability**

The amount of money needed to offset the employee's accumulated benefits under a retirement plan. Accrued liability equals the difference between the present value of the future benefits and the present value of future contributions.

**Accumulated Actuarial Benefit**

The sum of benefits assigned to credited service before a specified date, and which is determined pursuant to the actuarial valuation method in use.

**Accumulated Earnings Tax**

A tax penalty which is imposed on corporate earnings which are retained by the corporation for non-business related needs.

**Accumulated Plan Benefit**

That portion of a participant's retirement benefit that is attributable pursuant to the plan to the participant's period of credited service before a specified date.

**Accumulation at Interest**

A dividend option where interest is paid on accumulated dividends and compounded annually at a guaranteed minimum interest rate.

**Accumulation Period**

The period of time, prior to retirement, during which an annuitant is making payments or investments in an annuity. Such payments will accumulate on a tax deferred basis.

**Accumulation Units**

These are issued to owners of variable annuities during the accumulation period, as evidence of the annuitant's participation in the separate account.

**Accumulation Value**

A term used in universal life policies to describe the total of all premiums paid and interest credited to the account before



deductions for any expenses, loans or surrenders.

**Accumulations**

Percentage additions to policy benefits when the contract is continuously renewed.

**Acquired Immunodeficiency Syndrome**

An infectious and incurable disease, commonly referred to as AIDS, which is caused by the human immunodeficiency virus, commonly referred to as HIV.

**Acquisition Cost**

The expenses incurred by an insurer or reinsurance company that are directly related to putting the business on the books of the company, including clerical work, medical examiners fees, inspection costs, etc. The largest portion of this cost is usually the agent's or sales representative's commission or bonus.

**ACQUISITION COST**

The expenses incurred by an insurance or reinsurance company that are directly related to acquiring business. The largest portion of this cost is usually the agent's, broker's or sales representative's commission or bonus. Also applies to certain expenses in direct marketing and worksite marketing programs.

**Act of God**

An event arising out of natural causes with no human intervention which could not have been prevented by reasonable care or foresight. Examples are floods, lightning, and earthquakes.

**Action**

A lawsuit involving the right of one party to recover from another person in a court of law.

**Active Fund Management Style**

Fund manager actively analyzes and trades in securities that meet the overall objective of the fund. Generally, more aggressive than passive fund management style.

**Active Malfunction**

A products insurance term. If the product, instead of bringing a benefit to the user, actually damages the user's property, it is an active malfunction. An example is bug killer which, when applied to a crop, damages the crop. Active malfunctioning is covered.

**Actively-At-Work**

Most group health insurance policies state that if an employee is not actively at work on the day the policy goes into effect, the coverage will not begin until the employee does return to work.

**Activities of Daily Living**

Everyday living functions and activities performed by individuals without assistance. These functions would include mobility, dressing, personal hygiene and eating.

**Activities of Daily Living Standards**

Used to assess the ability of an individual to live independently, measured by the ability to perform unaided such activities as eating, bathing, toiletry, dressing, and walking. ADL standards are sometimes discussed as a way to measure or define eligibility for long-term care.

**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 Charge**

The actual amount charged by a physician for medical services rendered.

**Actuarial**

Having to do with insurance mathematics.

**Actuarial Asset Value**

The value assigned by the actuary to the assets of a plan for the purposes of an actuarial valuation.

**Actuarial Equivalence**

Two different series of payments or values are in actuarial evidence when they have an equal actuarial present value under a given set of actuarial assumptions.

**Actuarial Experience Gain or Loss**

The effect on the unfunded supplemental actuarial value of deviations between the past events that would have occurred according to the actuarial assumptions and those which actually occurred.

**Actuarial Present Value**

The single amount as of a given evaluation date that results from applying actuarial assumptions to an amount or series of amounts payable or receivable at various times; with the amount(s) referred to being adjusted where appropriate to reflect expected changes from the valuation date to the date of expected payment or receipt by reason of expected salary changes, cost of living adjustments, or other changes; and adjusted to reflect the time value of money (through discounts for interest) and the probability of payment (by means of decrements such as for death, disability, withdrawal or retirement) between the valuation date and the expected date of payment or receipt.

**Actuarial Valuation Method**

A procedure, using actuarial assumptions, for measuring the expected value of benefits and assigning such value to time periods.

**Actuarially Sound**

When the amount of money in a pension fund, and the current level of contributions to the fund, are sufficient to meet the liabilities which have already accrued and which are accruing on a current basis.

**Actuary**

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

**ACTUARY**

A formal qualification for persons involved with rate-making and statistical theories.

**Acute Care**

Skilled, medically necessary care provided by medical and nursing personnel in order to restore a person to good health.

**ACV- ACTUAL CASH VALUES**

The basis of loss settlement in property insurance policies (i.e. Baggage & Personal Effects), which takes into account such factors as replacement value less depreciation, market value, obsolescence, and any other factor which would have an effect upon the value.

**AD - ACCIDENTAL DEATH**

Death due to unintentional, violent and external injury.

**AD&D - ACCIDENTAL DEATH & DISMEMBERMENT**

A supplementary or core benefit payable if an insured dies as a result of an Accidental Death or suffers a Loss of an eye or limb (see Accidental Dismemberment).

**ADB - ACCIDENTAL DEATH BENEFIT**

A supplementary or core benefit payable if an insured dies as a result of an Accidental Death.

**ADD ON**

This is an offer of an additional coverage or benefit added to an existing policy. This coverage is usually related to a product within the product line under which the original policy was sold. E.g.: A hospital cash policy for which an add-on of

24 hour accident cover is offered.

**Add-On**

This is an offer of an additional coverage added to an existing policy. This coverage is related to a product within the product line under which the original policy was sold. e.g.: A hospital cash policy for which an add-on of 24 hour accident cover is offered.

**Additional Drug Benefit List**

Prescription drugs listed as commonly prescribed by physicians for patients' long-term use. Subject to review and change by the health plan involved. Also called drug maintenance list.

**Additional Insured**

A person other than the named insured who is protected under the terms of the contract.

**Additional Living Expense Insurance**

A contract to reimburse the insured for increased living costs when loss of property forces the insured to maintain temporary residence elsewhere. Examples of these types of expenses are the cost for a hotel or motel, the extra cost for restaurant meals, and the cost of using a laundromat. The term Extra Expense Insurance is defined with regard to additional expenses incurred by businesses.

**Additional Monthly Benefit**

Riders added to disability income policies to provide additional benefits during the first year of a claim while the insured is waiting for Social Security benefits to begin.

**Additional Premium**

AP - The premium due the insurer as a result of an endorsement increasing the limits of liability, adding additional coverages, etc.

**Additur**

A situation where the court increases a previous jury award. Compare to Remittitur.

**Adhesion**

This is a characteristic of a unilateral contract which is offered on a "take it or leave it" basis. Most insurance policies are contracts of "adhesion," because the terms are drawn up by the insurer and the insured simply "adheres." For this reason ambiguous provisions are often interpreted by courts in favor of the insured. Contrast with Manuscript Policy.

**Adjustable Life**

A form of life insurance which allows changes on the policy face amount, the amount of premium, period of protection, and the length of the premium payment period.

**Adjustable Premium**

The right of an insurer to change the premium rate on classes of insureds, or blocks of business at the time of policy renewal.

**Adjusted Community Rating**

Community rating adjusted by factors specific to a particular group. Also known as factored rating.

**Adjusted Gross Estate**

In the calculation of federal estate taxes, it is equal to the gross estate less specific deductions.

**Adjusted Net Worth**

The capital, surplus, and voluntary reserves of an insurer, plus an estimated value for business on the books and unrealized capital gains, less the potential income tax on such gains.

**Adjuster**

A person who seeks to determine the amount of loss suffered when an insurance claim is submitted and who attempts to

settle the claim.

**Adjustment Bureau**

A firm organized to provide adjustment services to insurers not wishing to create their own claims division.

**Administered Pricing**

Rates set by the regulator.

**Administration Bond**

A bond which is furnished by the executor or administrator of an estate. It guarantees that the estate will be settled in accordance with the terms of the will, or, if there is no will, in accordance with the law. It guarantees the fidelity of the executor or administrator.

**Administrative Insurance**

An administrative agreement between an insurer and an employer through which the insurer agrees to provide identified administrative and/or claims payment services. In the absence of a specific provision for individual and aggregate stop loss, risk is borne fully by the employer.

**Administrative Service Only**

An administrative agreement between an insurer and an employer through which the insurer agrees to provide identified administrative and/or claims payment services. In the absence of a specific provision for individual and aggregate stop loss, risk is borne fully by the employer.

**Administrative Services Only**

The services provided by an insurer, such as providing claim forms and processing claims, when the insurer is not the party funding the loss payments.

**Administrator**

A person appointed by a court as a fiduciary to settle the financial affairs and the estate of a deceased person. Compare to Executor.

**Admiralty Liability**

All laws relating to liability resulting from any kind of maritime activity. This would include common law and statutory law, such as the Jones' Act and the Seamen's Remedies.

**Admiralty Proceeding**

A type of proceeding involving questions of maritime suit. Any insurance claims involving ocean marine insurance would generally be settled by an admiralty court.

**Admissions/1,000**

The number of hospital admissions for each 1,000 members of the health plan.

**Admits**

The number of admissions to a hospital (including outpatient and inpatient facilities).

**Admitted Assets**

Assets whose values are permitted by state law to be included in the annual statement of the insurer.

**Admitted Company**

An insurance company authorized and licensed to do business in a given state.

**ADMITTED INSURANCE**

Insurance that is written by an insurance company with the appropriate license to transact that type of insurance in a specific state or country.

**ADMITTED INSURER**

A company licensed to transact insurance business within a state or country.

**Admitted Liability**

A coverage for guests in an aircraft. In the event of an accident, with this coverage guests can recover without having to go through a determination as to whether or not the insured was liable. It is written with a limit per seat in the aircraft.

**Adult Day Care**

A group program for functionally impaired adults, designed to meet health, social and functional needs in a setting away from the adult's home.

**Advance Funding**

Periodically, setting aside a predetermined sum of money to fund future retirement benefits of a pension plan.

**Advance Payment**

Premiums paid in advance of the current policy period, including the amount tendered with an application by an applicant for life insurance.

**Advance Premium**

The payment made at the beginning or before the start of the period covered by the policy.

**Adverse Selection**

The tendency of poorer-than-average risks to buy and maintain insurance. Adverse selection occurs when insureds select only those coverages that are most likely to have losses.

**ADVERSE SELECTION**

Selection "against the company". Adverse selection occurs in voluntary insurance programs or policies with participation or coverage options that allow the applicant to enroll or select only those coverages that he/she believes are most important for their individual situation or condition. Insurance companies must have appropriate underwriting rules and guidelines to prevent adverse selection (also known as anti-selection).

**Adverse Underwriting Decision**

Any decision involving individually underwritten insurance coverages resulting in termination of existing insurance, declination of an application, or writing the coverage only at higher rates. For property and casualty insurance, it also includes placing the coverage with a residual market mechanism or an unauthorized insurer.

**Advertising Injury**

Injury arising out of libel or slander, violation of the right to privacy, misappropriation of advertising ideas, or infringement of copyright, title or slogan committed in the course of advertising goods, products, or services. Contrast with Personal Injury.

**Affiant**

The person who executes an affidavit.

**Affidavit**

A written or printed declaration or statement of fact, made voluntarily and confirmed by the oath or affirmation of the party making it, and taken before an officer having authority to administer such oath.

**Affiliated Companies**

Linked together through common stock ownership or through interlocking directorates.

**AFFINITY GROUP**

Affinity refers to the relationship individuals have with the group or organization that they belong to such as employees of an employer, customers of a bank, members of an association, etc. In a voluntary program such as a direct marketing campaign, stronger affinity will have better marketing or sales results.

**Affirmed**

When an appellate court declares that a judgment, decree or order is valid and right, and must stand as rendered in the lower court.

**After Charge**

A charge sometimes included in fire rates for commercial buildings. It is usually added for conditions which can be corrected by the insured, such as failure to have the proper types of fire extinguishers.

**After-Tax**

The effective cost of, or return from, an investment, after the tax liability or credit has been taken into account.

**Aftercare**

Individualized patient services required after hospitalization or rehabilitation.

**AGE**

For Accident & Health the age last previous birthday used for calculation of premium rates in sickness policies.

**AGE BANDED RATE**

When premium rates are established by age band or bracket. An insured then pays the premium applicable to his/her age band such as 30-34, 35-39, 40-44, etc. This is more common with products including sickness coverage or sickness only coverage. The premium rate for an insured usually increases every time the insured moves into a new age band. Exception: level premium plans where the insured pays the premium rate based on his/her age at entry but the premium rate stays level thereafter.

**Age Change**

The date on which a person's age, for insurance purposes, changes. In most life insurance contracts this is the date midway between the insured's natural birth dates. Health insurers frequently use the age of the previous birth date for rate determinations. On the date of age change, a person's age may change to that of the last birth date, the nearer birth date, or the next birth date, depending upon the way in which the rating structure has been established by that particular insurer.

**Age Limits**

The limits of age below which and above which the company will not accept applicants.

**AGE LIMITS**

The minimum age to be eligible for coverage; the maximum age to which coverage continues or the termination age; the age at which coverage reduces; etc.

**AGE ULTIMATE FACTOR**

A factor applied to a standard table to estimate pricing incidence assumptions in later policy years.

**Age/Sex Factor**

Compares the age and sex risk of medical costs of one group relative to another. An age/sex factor above 1.00 indicates higher than average risk of medical costs due to that factor. Conversely, a factor below 1.00 indicates a lower than average risk. This measurement is used in underwriting.

**Age/Sex Rates**

Separate rates are established for each grouping of age and sex categories. Preferred over single and family rating because the rates and premiums automatically reflect changes in the age and sex content of the group. Also sometimes called table rates.

**Agency (LE)**

When one person acts on behalf of another person, an agency is created with the first person being the agent and the second person being the principal. The principal generally can be held responsible for acts of its agents.

**Agency Company**

An insurance company that produces business through an agency network. Contrast with Direct Writer.

**Agency Contract**

The document which establishes the legal relationship between an agent and an insurer.

**Agency Plant**

The total force of agents representing an insurer.

**Agency System**

A distribution system for insurance in which local agents are independent retailers representing several different insurers.

**Agent**

An independent business owner who 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.

**Agent**

One who solicits, negotiates or effects contracts of insurance on behalf of an insurer. The agent's right to exercise various functions, authority, and obligations and the obligations of the insurer to the agent are subject to the terms of the agency contract with the insurer, to statutory law, and to common law.

**AGENT**

One who solicits, negotiates or effects contracts of insurance on behalf of an insurer. The agent's right to exercise various functions, his authority, and obligations and the obligations of the insurer to the agent are subject to the terms of the agency contract with the insurer and to applicable statutory and common law.

**Agent Billing**

Premium collection system where the insurance company bills the agent, who in turn bills the insured for collection of premium.

**AGENT'S AUTHORITY OR POWER**

The agent's authority or power is that which is granted in his agency contract. By case law, the authority that the public may reasonably expect the insurance company to grant the agent. The authority of the insurance agents is usually confined to the solicitation of applicants and receiving premiums as trustee for the applicant and the company. It never includes authority to change or waive the provisions of a policy, to alter an application or to make an amendment or ride.

**Agent's Appointment**

Official authorization from an insurance company granting an agent the authority to act as its agent. In most states, agents must be appointed by at least one insurer in addition to being licensed by the state.

**Agent's Authority**

The authority and power granted to an agent by the agency contract. The agent is also clothed with additional power under the legal concept of apparent agency.

**Agent's Balance**

A periodic statement of the sums due and owed to an agent under the agent's contract with an insurer.

**Agent's Commission**

The method by which an insurance company compensates its agents for placing insurance. The commission is usually a percentage of the premium for the policy.

**Agent's License**

A certificate of authority from the state which permits the agent to conduct business.

**Agent's Qualification Laws**

Education, experience, and other requirements imposed by the state upon persons desiring to be licensed as agents.

**Aggregate Excess of Loss Reinsurance**

A form of Excess of Loss Reinsurance that indemnifies the ceding company against the amount by which its losses incurred during a specific period, usually 12 months, exceed either (1) a predetermined dollar amount, or (2) a percentage of the company's premiums (loss ratio) for that period. This is commonly referred to as Stop Loss Reinsurance or Excess of Loss Ratio Reinsurance.

**Aggregate Funding Method**

Accumulating money for a pension plan by actuarially determining the present value of all future benefit payments, deducting whatever funds may be on hand with the trustee or insurance company, and distributing the balance as a cost over the future.

**Aggregate Indemnity**

A maximum dollar amount that may be collected by the claimant for any disability, for any period of disability, or under the policy as a whole.

**AGGREGATE INDEMNITY**

A maximum dollar (or other currency) amount which may be collected for any coverage such as a hospital confinement or disability or period of disability under a policy. It may also apply to all policy benefits in total.

**Aggregate Limit**

Usually refers to liability insurance and indicates the amount of coverage that the insured has under the policy for a specific period of time, usually the policy period, regardless of how many separate accidents may occur.

**Aggregate Limit**

The maximum amount payable by the company on any one occurrence. Can also be written on an annual or policy year basis.

**Aggregate Limits**

The limits for the layer of coverage provided above the Aggregate Stop attachment point. The amount of Aggregate Stop coverage.

**Aggregate Products Liability Limit**

This limit represents the amount of money which an insurer will pay during the term of a policy for all products liability claims which it covers.

**Aggregate Reinsurance**

Also known as Stop Loss (or Stop-Loss-Ratio, or Excess-of-Loss-Ratio) Reinsurance, this variation of the Excess of Loss reinsurance basis defines the reinsured's retention as an aggregated, or totaled, amount of losses over a specified period of time (e.g., one year).

**Aggregate Stop**

Limit to the aggregate amount of loss that is retained by the insured within a retro loss limit or a large deductible.

**Aggregate Stop Amount**

The maximum amount of benefits, damages and, if stipulated, Allocated Loss Adjustment Expense payable by you for losses under policies that are subject to your retention/deductible/loss reimbursement, and (if applicable) self-insured retention insurance plan.

**Aggressive Growth Fund**

A mutual fund whose primary investment objective is substantial capital gains, as opposed to current dividend income.

**Agreed Amount Clause**

Under this clause, the insured and the insurer agree that the amount of insurance carried will automatically satisfy the coinsurance clause. The effect is to eliminate the necessity of determining whether or not the amount carried is equal to the stated percentage of the actual cash value indicated in the coinsurance clause.



**Agreement**

One of the elements of a legal contract. When an offer made by one party has been accepted by the other, with mutual understanding by both, an agreement exists.

**AIDS Related Complex**

The term given to a variety of symptoms and opportunistic infections and conditions which frequently manifest themselves in patients suffering from AIDS, or acquired immunodeficiency syndrome, which is caused by the human immunodeficiency virus.

**AIG Advisor Group**

The largest independent broker-dealer network in the United States, with nearly 9,000 individual financial professionals providing investment advice. The network consists of six affiliated broker-dealers – Royal Alliance Associates, SunAmerica Securities, Advantage Capital, FSC Securities, Sentra Securities Corporation, and Spelman & Co., Inc. – with representatives in all 50 states.

**AIG ASSIST**

the proprietary emergency assistance, evacuation and repatriation service offered exclusively to AIG insureds as an option or, as a component to a more comprehensive travel insurance product and services offering. AIG ASSIST services may also be added to other kinds of insurance products but is most commonly connected to travel products.

**AIG GENERAL INSURANCE**

Chinese language

**AIG General Insurance Operations**

Includes the largest U.S. underwriters of commercial and industrial insurance, the most extensive international property-casualty network, a personal lines business with an emphasis on auto insurance and high-net-worth clients, and mortgage guaranty insurance operations. AIG's leadership is a result of its underwriting skill, innovative insurance solutions, financial strength, superior service and responsive claims handling.

**AIG's Financial Services**

Businesses specializing in aircraft finance, capital markets, consumer finance and insurance premium finance. These businesses complement AIG's core insurance operations and achieve a competitive advantage by capitalizing on AIG's strong financial position and global network. The businesses in AIG's Financial Services Group include:

Aircraft Leasing (International Lease Finance Corporation (ILFC))

Capital Markets (AIG Financial Products Corporation)

Consumer Finance (American General Finance, Inc. and AIG Consumer Finance Group, Inc.)

Insurance Premium Financing (Imperial A.I. Credit Companies, Inc.)

**ALAE - ALLOCATED LOSS ADJUSTMENT EXPENSE**

These are allocated loss expenses that the insurance company has incurred that can be tied to a particular claim (legal fees, medical opinions, etc.)

**Aleatory Contract**

A contract in which the number of dollars to be given up by each party is not equal. Insurance contracts are of this type, as the policyholder pays a premium and may collect nothing from the insurer or may collect a great deal more than the amount of the premium if a loss occurs.

**Alien Insurance Company**

An insurance company formed under the laws of a country other than the United States.

**Alien Insurer**

An insurer formed under the laws of a country other than the United States. A U.S. company selling in other countries is also an alien insurer.

**Alienated**

In insurance, this term describes property that an insured no longer owns or holds title to. Generally a public liability policy will cover the insured's liability for premises alienated by him or her.

### **All or Nothing Rider**

A rider to a health insurance policy that provides additional benefits in the event no benefits are payable under Social Security. If Social Security benefits are payable, no additional benefit is paid under the rider.

### **All Other Allied Lines**

Allied lines' perils other than Extended Coverage, Vandalism and Malicious Mischief, and Sprinkler Leakage.

### **All Risk Insurance**

The name given to a policy which covers against loss caused by all perils except those specifically excepted. All Risk PA is usually referred to as "24 hour."

### **ALL RISK INSURANCE**

The name given to a policy which covers against loss caused by all perils except those specifically excluded. All Risk PA is usually referred to as "24 hour."

### **All Risk Policy**

A policy covering loss of, or damage to, property resulting from any perils, except those which are excluded specifically by the terms of the policy.

### **All States Coverage**

Prior to 1984, a separate endorsement providing coverage for incidental exposure developing in states not listed in the declarations. Coverage now provided under Part III of the Workers Compensation Form for states listed in Item C of the Information Page.

### **All-Risk Insurance**

An insurance policy that provides coverage for every risk except those specifically excluded by the policy itself, as opposed to a "named-perils" policy that covers only those risks specifically set forth in the policy.

### **Alliance of American Insurers**

An association of insurance companies working together in the following areas of common interest: (1) government affairs affecting insurance; (2) education of the employees of member companies; (3) loss prevention, and (4) other insurance activities.

### **Allied Health Personnel**

Health personnel who perform duties which would otherwise have to be performed by physicians, optometrists, dentists, podiatrists, nurses, and chiropractors. Also called paramedical personnel.

### **ALLIED LINES**

Forms of insurance allied with property insurance, covering such perils as sprinkler leakage, water damage, and earthquakes.

### **Allied Lines**

Various insurance coverages for additional types of losses, and against loss by additional perils, which are closely associated with and usually sold with fire insurance. Examples include coverage against loss by perils other than fire, coverage for sprinkler leakage damage, and business interruption coverage. The fire insurance field consists of coverages for "fire and allied lines."

### **Allied Lines of Insurance**

Various coverages offered by fire insurers, all of which are closely associated with fire insurance. Examples are Extended Coverage, Vandalism and Malicious Mischief (VMM), and Sprinkler Leakage.

### **ALLOCATED BENEFIT**

A provision under which certain covered expenses, usually miscellaneous hospital and medical charges such as X-ray,

dressings, drugs, sometimes surgery schedules, etc., will be paid for or reimbursed according to specific benefit schedule. Usually there is also a maximum total that will be paid for all such expenses. (See "Blanket Expense-Unallocated Benefit".)

### **Allocated Benefits**

Payments authorized for specific purposes with a maximum specified for each. In hospital policies, for instance, there may be scheduled benefits for X-rays, drugs, dressings, and other specified expenses.

### **Allocated Funds**

Qualified plan funds which are identified in the name of specific plan participants.

### **Allocated Loss Adjustment Expense**

Loss adjustment expenses that are assignable or allocated to specific claims. "Allocated Loss Expenses" or "ALAE" will include, but are not limited to, all fees for service of process and court costs and court expenses; pre- and post-judgment interest; attorney's fees; cost of undercover operative and detective services; costs of employing experts; costs for legal transcripts, copies of any public records and costs of depositions and court-reported or recorded statements; costs and expenses of subrogation; and any similar fee, cost or expense reasonably chargeable to the investigation, negotiation, settlement or defense of a loss or a claim or suit against you, or to the protection and perfection of either your or our subrogation rights.

ALAE will not include loss adjustment expenses explicitly included in the premium calculation formula or otherwise explicitly included in the rating values, nor the salary, employee benefits, or overhead of any of our employees, nor the fees of any attorney who is our employee or under our permanent retainer; nor the fees of any attorney we retain to provide counsel to us about our obligations, if any, under any policy issued by us or our affiliated companies, with respect to a claim or suit against you.

### **Allocation Changes**

Alloc Split (Split of Premium Allocation): The percentages of each premium payment to be invested in the investment options that have been requested. At any time, a change can be made to the investment options into which future premiums paid will be invested. Allocation for each option must be a whole percentage and all allocations must total 100%.

Deduct Split (Split of Required Policy Deductions): Percentages representing the portion of the required policy deductions that will be taken from the identified investment option. A policy owner can designate the investment options and portion (as a percentage) from which we deduct all monthly charges and any applicable surrender charges.

### **Allocation Formula**

In a profit-sharing trust, the formula under which the employer's contributions are credited to the employees.

### **Allowable Charge**

The lesser of the actual charge, the customary charge and the prevailing charge. It is the amount on which Medicare will base its Part B payment.

### **Allowable Costs**

Charges which qualify as covered expenses.

### **Alternate Employer**

Coverage provided by endorsement to the workers compensation policy to provide insurance against workers compensation and employers liability claims made by employees of the insured against a special or temporary employer named in the endorsement schedule.

### **ALTERNATIVE MARKET**

The segment of the insurance market which has developed in response to volatility in cost and availability of traditional commercial insurance coverage and consists of various risk-financing mechanisms, including self insurance, captive insurance companies, risk retention groups and residual market business.

### **Alternative Staffing**

This includes all Company that provide employees and/or employee related services. The types of Company that fall

under this definition include: Outplacement company, search and place company, temporary help company and professional employer organizations (also referred to as employee leasing company).

**Alzheimer's Disease**

A progressive, irreversible disease characterized by degeneration of the brain cells and severe loss of memory causing the individual to become dysfunctional and dependent upon others for basic living needs.

**Ambiguity**

Terms or words in an insurance policy which make the meaning unclear or which can be interpreted in more than one way. The general rule of law is that any ambiguity in the policy is construed against the insurer and in favor of the insured. This is because the contract is one of adhesion; that is, the insured must adhere to what the insurer has written. If the insurance does not make its contract clear, it is responsible.

**Ambulatory Care**

Similar to outpatient treatment in that it is care which does not require hospitalization.

**Ambulatory Setting**

Institutions such as surgery centers, clinics, or other outpatient facilities which provide health care on an outpatient basis.

**Amendment**

A formal document which corrects or revises an insurance master policy.

**American Academy of Actuaries**

A society concerned with the development of education in the field of actuarial science and with the enhancement of standards in the actuarial field. Members may use the designation MAAA (Member, American Academy of Actuaries).

**American Agency System**

A distribution system for insurance in which local agents are independent retailers representing several different insurers.

**American Association of Insurance Services**

An association of insurance companies performing various technical functions for its member and subscribers. AAIS is licensed to operate in all states, the District of Columbia, and the Commonwealth of Puerto Rico. AAIS offers program services, files rates, rules and forms on behalf of member and subscriber companies, acts as an official statistical agent, and offers a variety of professional services for its member companies.

**American College**

An educational institution within the life insurance business. It confers the Chartered Life Underwriter designation and is concerned with continuing agents' training and with research and publication in areas related to the life insurance business. It also sponsors specialty life insurance courses and offers a college degree in financial services. It was formerly known as the American College of Life Underwriters (ACLU).

**American Council of Life Insurance, Inc.**

An association made up of several previously independent insurance groups. It is concerned with legislative matters, intercompany communications, and the exchange of information.

**American Experience Table of Mortality**

A statement of expected mortality rates based upon data accumulated in 1868 from a large number of insured persons. This table was widely used by life insurers until the 1950s to establish rates.

**American Institute for Chartered Property and Casualty Underwriters, Inc.**

An insurance educational organization which establishes insurance standards and fosters educational work. Properly qualified individuals who pass a series of examinations given by this body receive the designation Chartered Property and Casualty Underwriter (CPCU).

**American Institute of Property and Liability Underwriters**

An institute supported by the property-liability insurance industry. The institute provides a curriculum and examinations

which lead to the designation CPCU.

### **American Insurance Association**

The informational, educational, technical and legislative organization of the capital stock insurance companies in the Property and Liability fields.

### **American Risk and Insurance Association**

An association of insurance educators and others interested in insurance study and research.

### **Amortization**

A method of spreading a fixed sum, together with accumulating interest, over a period of years.

### **AMORTIZATION MONTHS**

Number of months in which the marketing costs for a Campaign can be amortized.

### **Amortized Value**

The value of bonds purchased by an insurance company which are eligible for amortization. For example, if a 10-year bond were purchased at \$50 more than its face value, that \$50 would be "amortized" or spread over the 10-year period. Each year the bonds would be valued at \$5 less than the year before.

### **Amount At Risk**

The difference between the face amount of a whole life insurance contract and the cash value which it has built up. The net amount at risk declines throughout the life of the contract, while the policy reserve increases along with the cash value. It is the amount the insurer would have to draw from its own funds rather than the policy reserve were the contract to become a death claim.

### **Amount of Insurance**

The maximum dollar amount payable by the carrier under the conditions of the policy. In effect, amount of insurance is synonymous with 'Limits of Liability'.

### **Amount Subject**

The maximum amount which underwriters estimate can possibly be lost under the most unfavorable circumstances in any given loss, such as a fire or tornado. Contrast with Probable Maximum Loss.

### **AMR - ACCIDENTAL MEDICAL REIMBURSEMENT**

Expense reimbursement to cover the cost of medical care received as result of a covered accident. Also referred to as Accident Medical Expense (AME) or Blanket Accident Medical Reimbursement (BAMR).

### **Ancillary**

Additional services (other than room and board charges) such as X-rays, anesthesia, lab work, etc. Fees charged for ancillary care such as X-rays, anesthesia, and lab work. This term may also be used to describe the charge made by a pharmacy for prescriptions which exceed the health insurance plan's maximum allowable cost (MAC).

### **Ancillary Benefits**

Benefits for miscellaneous hospital charges.

### **ANCILLARY BENEFITS**

Benefits within a health or hospital insurance policy for miscellaneous hospital charges, surgical procedures, etc.

### **Anniversary Rating Date**

The anniversary rating date is the effective day and month that the insured purchased its first workers compensation policy. The anniversary rating date is used for each annual anniversary thereafter unless the National Council or other licensed rating organization establishes a different date—usually after a permanent change in policy effective date.

### **Annual (or Yearly) Renewable Term**

(1) Term Life Insurance that may be renewed annually without evidence of insurability until some stated age. (2) A form of

life, and sometimes health, reinsurance in which the reinsurer assumes only the mortality risk, which is usually calculated as the face amount of reinsurance minus the terminal reserve.

### **Annual Additions**

The total of employer contributions, voluntary employee contributions, and forfeited additions of terminated participants which equal the total annual contribution to a qualified retirement plan.

### **ANNUAL AGGREGATE DEDUCTIBLE**

The amount of expenses or losses to be paid annually by the insured before the applicable policy benefits become payable.

### **Annual Payment Annuity**

An annuity which was purchased by the payment of annual premiums for a specified period of time.

### **Annual Report**

The insurer's published statement to its stockholders (or policyholders in the case of a mutual insurance company), giving pertinent financial information and reviewing the year's activities.

### **Annual Return/Report**

A required annual report reflecting the pension plan's operation for the year; to be submitted to the IRS and the Department of Labor. (Form 5500)

### **Annual Statement**

A report to the state insurance department of the year's financial results. The insurer's income and expenses are stated in detail as well as its assets and liabilities.

### **Annual Statement Line of Business**

Any of a number of lines of insurance that are listed in the Annual Statement.

### **Annualization**

A rating procedure whereby annual installments for deferred premium payment plan policies are determined by the rates in effect at the time the installment is due.

### **Annuitant**

The person who is covered by an annuity and who will normally receive the benefits of the annuity.

### **Annuitize**

To begin a series of payments from an annuity. When someone who has been investing in an annuity retires, the built-up capital is annuitized and a payout schedule is selected according to need. The insurance company that sold the annuity then pays a fixed-dollar amount for an extended period of time, often the rest of the policyholder's life.

### **Annuity**

A contract sold by an insurance company that pays a monthly (or quarterly, semiannual, or annual) income benefit for the life of a person (the annuitant), for the lives of two or more persons, or for a specified period of time. The annuitant can never outlive the income from the annuity. While the basic purpose of life insurance is to provide an income for a beneficiary at the death of the insured, the annuity is intended to provide an income for the life of the annuitant. There are variations in both the way payments are made by the buyer during the accumulation period, and the way payments are made to the annuitant during the liquidation period.

### **Annuity**

(1) An amount of money payable yearly, or by extension, at other regular intervals; (2) An agreement by an insurer to make periodic payments that continue during the survival of the annuitant(s) or for a specified period.

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(1) An amount of money payable yearly, or by extension, at other regular intervals. (2) An agreement by an insurer to make periodic payments that continue during the survival of the annuitant(s) or for a specified period.

### **Annuity Certain**

An annuity that pays income for a fixed number of years regardless of whether the insured lives or dies. If it pays for life after the certain period, it is called an "annuity certain and for life thereafter."

**Annuity Due**

An annuity under which the benefits are paid at the beginning of the benefit period rather than at the end.

**Annuity Option**

A method of liquidating and distributing an annuity's principal and interest so that it lasts for the lifetime of the annuitant.

**Annuity Period**

The period of time, usually at retirement, during which the annuitant begins to receive annuity payments or benefits from the insurance company.

**Annuity With Period Certain**

An annuity that pays throughout the life of the insured, but also guarantees to pay income for a specific number of years regardless of whether the insured lives or dies. If the insured is living at the end of the time specified in the policy benefits continue beyond the guaranteed period until the death of the insured.

**ANP - ANNUALIZED NEW PREMIUM**

Amount that we expect to receive in premium if the new policy was to remain in force for a full year.

**Answer**

A statement made by the defendant and filed with a court to respond to a complaint or action which has been brought against the defendant. It states why the defendant should not be held liable.

**Anti-Coercion Law**

A provision usually contained in a section of the state code entitled "Unfair Trade Practices" or a similar name, declaring the use of coercion to be an unfair practice and, hence, a violation of the state law.

**ANTI-SELECTION**

The tendency of poorer or higher than average risks to buy and maintain insurance.

**APL - AUTOMATIC PREMIUM LOAN**

A life insurance non-forfeiture option that allows the insurer to pay overdue premiums on a policy by establishing a loan against the policy's cash value.

**App**

A trade expression for the insurance application.

**Apparent Authority**

Authority of an agent that is created when the agent oversteps actual authority, and when inaction by the insurer does nothing to counter the public impression that such authority exists.

**Appeal**

The right of a party who has received an adverse decision to take the case to a higher court for review.

**Appellant**

The person making an appeal to the higher court.

**Appellate**

Refers to courts which hear appeals for review of decisions rendered by a lower court.

**Appellee**

Also called the respondent. The person against whom the appellant is making his or her appeal.

**Application**

A form on which the prospective insured states facts requested by the insurer on the basis of which, together with information from other sources, the insurer decides whether to accept the risk, modify the coverage offered, or decline the risk.

**Apportionment**

The method of dividing a loss among insurers in the same proportions as their participation when two or more companies cover the same loss.

**Appointment**

LOMA defines an Appointment as a written statement issued by a licensed insurer authorizing the holder to act as an agent of the insurer.

**Appraisal**

An evaluation of property made to ascertain either the appropriate amount of insurance to be written or the amount of loss to be paid.

**Appreciation**

An increase in the value of a property, such as the market value of a stock. For real estate, it is often expressed as a percentage increase per year.

**Approved**

The condition which exists when the person or object to be insured meets the underwriting standards of the insurer.

**Approved Charge**

Amounts paid under Medicare as the maximum fee for a covered service.

**Approved Health Care Facility or Program**

A facility or program which has been approved by a health care plan as described in the contract.

**Approved Pension Plan**

A pension plan qualifying for tax exemptions under provisions of the Internal Revenue Code.

**Approved Roof**

A term used in building construction. It indicates a roof made of fire-resistive materials, such as tile or asphalt shingles.

**Apps Received**

The number of people requesting policies in response to a solicitation.

**Appurtenant Structures**

A structure pertaining or belonging to the insured structure, such as a tool shed. Appurtenant structures are covered in the Homeowners policy and other dwelling forms.

**APS - ATTENDING PHYSICIAN STATEMENT**

A written report, written statement, section of the claim form or supplemental to a claim form providing information from the applicant's or claimant's attending physician(s).

**Arbitration Clause**

The provision in a property insurance contract which states that if the insurer and insured cannot agree on an appropriate claim settlement, each will appoint an appraiser, and these will select a neutral umpire. A decision by any two of the three prescribes a settlement and binds both parties to it.

**ARBITRATION CLAUSE**

Normally in reinsurance contracts, an agreement designed to resolve differences between the reinsured and reinsurer without litigation. A provision is made for the appointment of two arbitrators. Each party has the privilege of selecting an arbitrator who, in turn, appoints an umpire. The umpire's selection must be agreed upon before arbitration proceedings begin. The decision of the majority of the arbitrators is binding on the parties to the agreement. The working of the clause may vary, but the general purpose is that difficulties shall be settled on an equitable rather than a strictly legal basis.



**Archer**

Archer is the tool in which the Information Security Policies and Control Standards are found. Access to this tool requires the approval of a Divisional/Business Unit Business Information Security Officer (BISO). Information Security Assessments are also submitted and managed through this tool.

**Arising Out of Employment in the Course of Employment**

This general concept is used to determine the compensability of a claim. The proximate cause of the injury, harm or death must be from the result of employment of the injured worker.

**Armstrong Investigation**

A study authorized by the New York state legislature in 1905 which reviewed the operations and practices of Life insurers operating in the state. Numerous changes in policy forms and investment practices came from the study and were eventually reflected in other state codes.

**Arrears**

A contract or policy under which premiums or reports are due after the period for which they apply.

**Arson**

The willful and deliberate burning of property.

**Assailing Thieves**

Those other than the crew using force or violence to steal a ship or its cargo. Such action is an insured peril under an Ocean Marine contract.

**Assessed Value**

The value of real estate or personal property as determined by a governmental unit, such as a city, for the purpose of determining taxes.

**Assessment Company, Society or Insurer**

An insurer who retains the right to assess policyholders additional amounts if premiums are insufficient for operations. In some cases, an assessment insurer may not charge a stipulated premium at all but will merely assess participants in the plan a pro rata share of each claim filed plus expenses.

**Asset**

Property that a person or business owns which has commercial or exchange value. Personal assets may be classified as financial (cash, gold, savings, stocks) or non-financial (real estate, automobiles, furniture). Business assets may be classified as current (convertible into cash within one year) or long-term (used in the production of income and not readily convertible into cash).

**Asset Allocation**

A method of portfolio management which allows investors to determine an appropriate portfolio mix to produce the maximum reward given the level of risk they are willing to accept. It involves assigning a percentage weight to various asset classes - in combination they are called a portfolio.

**Asset Category**

A broad group of assets which corresponds to a traditional investment objective -- such as growth, income or stability. Stocks represent the asset category for growth, bonds for income, and cash equivalents for stability.

**Asset Class**

A group of assets which are similar in type and investment objective, for example, large company stocks or international government bonds.

**Asset Share Value**

The value of a book of business to an insurer, assuming that the business has been in force long enough to show true mortality rates. This value must be known by the insurer in order to make rates and also in order to sell the business. If

assets share values do not grow properly, either the rates have been too low or expenses too high.

### **Assets**

The items on the balance sheet of the insurer which show the book value of property owned. Under state regulations, not all property or other resources can be admitted in the statement of the insurer. This gives rise to the term "nonadmitted assets."

### **Assigned Risk**

A risk which is not ordinarily acceptable to insurers and which is, therefore, assigned to insurers participating in an assigned risk pool or plan. Each participating company agrees to accept its share of these risks.

### **Assigned Risk Adjustment Plan**

ARAP is an assigned risk surcharge program designed to more equitably distribute premium between the voluntary and involuntary markets. The surcharge ranges from 0% to 25% of standard premium depending on the individual risks expected loss size and the relationship of primary losses to total losses.

### **Assigned Risk Plan**

In certain states, employers who are unable to obtain coverage in the voluntary market are referred to the state's assigned risk plan. The plan administrator, in turn, assigns individual policyholders to a designated servicing carrier. The servicing carrier is responsible for a variety of services, including premium collection, loss control, claims adjustment and defense. In exchange, the carrier receives a fixed percentage allowance for its expenses in servicing the assigned risks.

### **Assigned Risk Pool**

This term is commonly used to refer to the individual state assigned risk plans (see Assigned Risk Plans above). It can also refer to the National Workers' Compensation Reinsurance Pool, which reinsures the results of the individual state assigned risk plan business. It then allocates the losses (or gains) in each state in proportion to each carrier's share of the total voluntary workers compensation market in that state.

### **ASSIGNED RISK POOLS**

Reinsurance or similar pools which cover risks for those unable to purchase insurance in the voluntary market because the risk is too great or rate adequacy has reduced the supply of insurance. The costs of the risks associated with these pools are charged back to insurance carriers in proportion to their direct writings. Uncommon in A&H, although these can be found in Travel Insurance markets in order to provide cover to elderly persons or those with pre-existing medical conditions.

### **Assignee**

A person to whom policy rights are assigned in whole or in part by the original policyowner.

### **Assignment**

The legal transfer of certain rights in the policy to a third party such as a healthcare provider or creditor.

### **Assignment**

The transfer of the ownership rights of a life insurance policy from one person to another. The term also refers to the document that effects the transfer.

### **Assignment (Health)**

An authorization to pay Medicare benefits directly to the provider. Medicare payments may be assigned to participating providers only.

### **Assignment (Legal)**

Transfer by the policyowner of legal rights or interest in the policy contract to a third party. Most policies cannot be assigned without the permission of the insurer.

### **Assignment of Benefits**

A method where the person receiving the medical benefits assigns the payment of those benefits to a physician or hospital.

**Associate in Risk Management**

A professional designation granted by the American Institute for Property and Casualty Underwriters to those who have completed a series of examinations.

**Association Group**

A form of group insurance covering the members of trade or professional associations.

**Association Group Insurance**

Technically, group insurance issued to an association rather than to an employer or a union.

**Association of Life Insurance Counsel**

An organization of life company attorneys which seeks to increase knowledge in areas of the law affecting life insurance.

**Assume**

To receive from a ceding insurer all or a part of a risk in consideration of receipt of premium.

**Assumed Interest Rate**

An assumed value which is assigned to the annuitant's account during the annuity period. It is an estimated return for the separate account. Monthly annuity payments are based on the AIR in relation to the actual rate of return experienced by the separate account of a variable annuity.

**ASSUMED REINSURANCE**

Insurance liabilities acquired from a ceding company.

**Assuming Company**

The reinsurer

**Assumption**

An amount accepted by the reinsurer.

**Assumption Certificate**

A statement of coverage by the reinsurer under which payment is guaranteed to a party not in privity with the reinsurance contract. Same as Cut-Through Clause.

**Assumption of Risk**

One of the common law defenses available to an individual. For instance, one person riding with another in an automobile has generally "assumed the risk" and, therefore, has no action against the driver of the vehicle should an accident occur. This is a common law concept and has been modified by recent case law and by statute in some jurisdictions.

**Attachment**

A court order allowing one person to take something of value belonging to another into custody for a particular purpose. As an example, if an individual is at fault in an automobile accident, the insured person may get a court order attaching the first individual's automobile in settlement of the claim. The purpose of the attachment is to make sure something of value is available to settle the claim if the individual is held liable.

**Attained Age**

The age an insured has reached on a given date.

**Attending Physicians Statement**

A source of medical information used when underwriting a life or health insurance policy; usually obtained from the proposed insured's doctor.

**Attested Will**

A formal type of will which is produced (handwritten, typed, etc.), signed by the testator and witnessed.

**Attorney-In-Fact**

The individual who manages a reciprocal insurance exchange and to whom each subscriber gives authority to exchange insurance on the subscriber's behalf with other subscribers.

**Attractive Nuisance**

The law states that an individual owes no duty of care to someone trespassing upon that individual's property. This is an exception to that rule since it does state that a special duty of care is required of a person with respect to conditions which attract children.

**Audit**

A verification or determination of actual exposures, classes, locations, Experience Mods, Named Insureds, etc., for the purpose of computing actual premiums. An interim audit is an audit that occurs prior to the termination of the policy period. A final audit would occur after the end of the policy period.

**Audit**

A survey of the insured's payroll records to determine the premium that should be paid for the coverage furnished. Used in workers compensation and general liability policies.

**Audit Bureau**

A stamping office. A central office or bureau to which agents and companies send certain daily reports and endorsements for auditing before transmittal to the insurer.

**Audit of Statistics**

An examination of the insurer's records to ensure that the statistical codes reported accurately reflect the characteristics of the risk.

**Audited Premium**

Workers Compensation policies are issued using an estimated payroll amount for the coming policy year. When the policy term expires, the insurer conducts an audit to determine the actual payroll during the policy term. The premium is then recalculated using the actual payroll, which produces either an AP or RP. This premium is called the audited premium.

**Authorization**

The amount of insurance an underwriter will agree to accept on a risk of a given class on specific property. It is given for the guidance and information of agents.

**Authorized Insurer**

An insurer authorized by the state to transact business in that state for specific types of insurance.

**Automated Reinsurance Layoff**

Automated Reinsurance Layoff is an expert system embedded in the Corporate Reinsurance Information System (CRIS). Its main purpose is to apply percentages of reinsurance ceded to treaties and facultative reinsurance for a specific policy or surety bond.

**Automatic Cover**

Coverage given automatically by a policy, usually for a specified period and limited amount, to cover increasing values and newly acquired and changing interests.

**Automatic Non-Forfeiture Option**

In case the policyholder does not elect for a non-forfeiture option, the automatic non-forfeiture option operates as an automatic premium loan arrangement, under which the insurance company advances an amount from the policy cash value to pay the overdue premium. Such an arrangement can continue only while the accumulated loan and interest is less than the policy cash value.

**Automatic Premium Loan**

A provision in a life policy authorizing the insurer to use the loan value to pay any premiums still due at the end of the grace period.

**Automatic Reinstatement**

A clause providing for automatic reinstatement of the full value of the policy after payment of a loss.

**Automatic Reinstatement Clause**

A stipulation in a property insurance policy which states that after a partial loss covered by the policy has been paid, the original limit of the policy will be automatically reinstated. Same as Loss Clause.

**Automatic Reinsurance**

Reinsurance of specified types of risks which is automatically ceded and accepted within the terms of the contract, called a treaty, without consideration of each one individually. The reinsurance takes effect as soon as the original contract is in force. Same as Obligatory Reinsurance. Contrast with Facultative Reinsurance.

**Automatic Reinsurance (Health, Life)**

This form of reinsurance, also known as treaty reinsurance, is one whereby an insurer must cede that portion of a risk that is above the limit established by contract, and the reinsurer must accept all risks ceded to it.

**Automatic Withdrawal**

An insured funded account established to facilitate the carrier's payment of the insured's losses and ALAE within the insured's deductible layer. The Insured authorizes the insurer to make withdrawals as necessary and upon the insurer's demand from the account. The insured is obligated to fund the account to cover expected losses and ALAE within the Insured's retained/deductible layer. The Insured is responsible to replenish the account as necessary.

**Automobile Fleet**

Refers to a number of automobiles under the same ownership. For insurance purposes a fleet usually consists of five or more self-propelled units and generally qualifies for certain premium reductions and rating plans.

**Automobile Insurance**

A type of insurance which protects the insured against losses involving automobiles. Different coverages can be purchased depending on the needs and wants of the insured, e.g., the liability coverages of bodily injury liability, property damage liability, and medical payments, and the physical damage coverages of collision and comprehensive.

**Automobile Insurance Plan**

Usually called the 'Assigned Risk' plan. A program to make automobile insurance available to persons who are unable to obtain such insurance in the voluntary market.

**Automobile Insurance Plans**

The name used to identify assigned risk plans.

**AUTOMOBILE LIABILITY INSURANCE**

Protection against loss arising out of the insured's legal liability when his/her car injures others or damages their property.

**AUTOMOBILE PHYSICAL INSURANCE**

Coverage for damages or loss to automobile of policyholder resulting from collision, fire, theft, and other perils.

**Average Adjuster**

One whose primary work is the adjusting of ocean marine losses.

**Average Annualized Renewable Premium**

This is the amount that we can expect to receive in premium for each converted policy if that policy were to remain in force for a full year. This is calculated by dividing the TARP by the number of converted policies (converted certificates).

**Average Benefit Test**

A coverage or discrimination test for a qualified plan which states that at least 50% of the lower paid employees must benefit from the plan and the average benefit provided must be at least 70% of the benefit provided for the higher-paid employees.

**Average Clause**

A clause providing that similar items in one location or several locations which are insured by a policy shall be covered in the proportion that the value of each bears to the value of all. Previously known as the "Pro Rata Distribution Clause" and the "Average Distribution Clause."

**Average Cost Per Claim**

The total cost of administrative and/or medical services divided by the number of units of exposure such as costs divided by number of admissions, or cost divided by number of outpatient claims, etc.

**Average Indexed Monthly Earnings**

A wage indexing formula based on earnings listed in the records of the Social Security Administration; used to compute Social Security benefits for retirement, survivors benefits and disability income benefits.

**Average Length of Stay**

The total number of patient days divided by the number of admissions and discharges during a specified period of time. This gives the average number of days in the hospital for each person admitted.

**Average Rate**

A rate for a policy established by multiplying the rate for each location by the value at that location and dividing the sum of the results by the total value.

**Average Recovery Time**

How long it will take, on average, to recover from an average statistical loss.

**Average Weekly Wage**

A term generally used in workers compensation laws. It is the basis for determining weekly benefits under such laws.

**Aviation Accident Insurance**

A form of insurance which protects individuals as passengers or pilots, usually on scheduled aircraft, or which covers the flight travel of the employees of a company under a master policy.

**Aviation Hazard**

The extra hazard of death or injury resulting from participation in aeronautics, usually as other than a fare-paying passenger in licensed aircraft. This generally requires an extra premium rating or waiver of certain benefits or coverage.

**Avoidance of Risk**

Taking steps to remove a hazard, engage in an alternative activity, or otherwise end a specific exposure. One of the four major risk management techniques.

## B

**B-Account**

Premium booking and policy issuance for a local underlyer in a Branch or Agency of AIG that belongs to a worldwide program controlled by a Requesting Office in North America.

**B2B SALES**

Often referred to Business-to-Business sales in WSM, this step involves convincing key decision makers (the employee benefits manager, CFO, CEO, etc.) within the target company that AIG will create value for the company and that we should be allowed to market voluntary products to their employees.

**B2C SALES**

Often referred to Business-to-Business sales in WSM, this step involves convincing key decision makers (the employee benefits manager, CFO, CEO, etc.) within the target company that AIG will create value for the company and that we should be allowed to market voluntary products to their employees.

**BAC - BLOOD ALCOHOL CONTENT**

Blood Alcohol Content - A blood alcohol test that measures the amount of alcohol (ethanol) in a body.

**Back-End Load Fund**

An open- or closed-end investment company that charges a fee upon the redemption or sale of its fund shares. Typically, loads are reduced based on the value of the shares and/or the passage of time.

**Backdating**

A procedure for making the effective date of a policy earlier than the application date. Backdating is often used to make the age at issue lower than it actually was in order to get a lower premium. State laws often limit to six months the time to which policies can be backdated.

**Bail Bond**

A form of bond given to guarantee that a person released from legal confinement will appear as required in court, or the penalty of the bond will be forfeited to the court. In insurance policies, bail bond fees are covered under an automobile policy.

**Bailee**

A person or concern having possession of personal property entrusted to that person by the owner. An example would be a laundry which has custody of customers' clothing for washing or dry cleaning. Bailees are required to exercise the same care with the property of others as they would with their own property.

**Bailees Customer Insurance**

Insurance purchased by a bailee to protect the personal property of customers against loss caused by specific perils. An example would be a carpet cleaner who buys coverage to protect customers against loss or damage to their carpets while in the store's care.

**Bailees Liability Coverage**

Coverage that meets the needs of a bailee's liability. The bailee's legal responsibility is to exercise care appropriate to the circumstances of the bailment. In addition, most bailees want to carry enough insurance to make good any loss to property in their custody whether or not they are legally liable.

**Bailment**

The personal property of one person being held by another with the intent of its being returned to the original owner. Cars in a garage for repairs would be an example of a bailment.

**Bailor**

A person who owns property which has been entrusted to another. The owner of a fur coat who has entrusted it to a furrier for storage would be a bailor.

**Balance Sheet**

An accounting term which refers to a listing of the assets, liabilities, and surplus of a company or individual as of a specific date.

**Balanced Mutual Fund**

A mutual fund that purchases common stock, preferred stock, and bonds. Such funds tend to be less volatile than all-equity funds, outperforming them in a declining market but underperforming them in a rising market.

**BANGTAIL**

A direct marketing methodology whereby a perforated page is attached to the billing envelope. It must be torn off before the billing envelope is sealed, and is designed to fit inside the envelope. It provides an opportunity for the person paying the bill to take advantage of a promotional offer for insurance, upgrade, cross-sell, or other OOC activity.

**Bank Owned Life Insurance**

This product enables banks to purchase single premium policies on the lives of its officers, specifically to fund benefits.

The policies are owned by the bank and the policy cash value is shown on the bank's balance sheet as a long-term tax deferred asset.

### **Bankers Blanket Bond**

A type of insurance coverage purchased by banks to pay for losses to the dishonesty of employees as well as losses caused by people other than employees due to burglary, robbery, larceny, theft, forgery, and mysterious disappearance.

### **Barratry**

A fraudulent breach of duty on the part of a master of a ship causing loss to the owner of the ship or the owner of the cargo.

### **Base**

Describes a Campaign resulting in the issuance of new policies, rather than Campaigns which involve the solicitation of existing policy holders (e.g., an up-sell or cross-sell) in any line of business.

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Describes a Campaign resulting in the issuance of new policies, rather than Campaigns which involve the solicitation of existing policy holders (e.g., an up-sell or cross-sell) in any line of business.

### **Base Capitation**

The total amount which covers the cost of health care per person, minus any mental health or substance abuse services, pharmacy, and administrative charges.

### **Base Rate**

In loss cost states, the rate prior to modification for expense load and profit margin.

### **BASE RATE**

Burn Rate

### **Baseline Performance**

Process performance as it is/was operating at the initiation of an improvement project (prior to solutions).

### **Basic**

The basic premium factor in a retro is the sum of three components: expenses, the net insurance charge, and profit and contingencies. It is expressed as a percentage of the standard premium.

### **Basic AD&D**

The double indemnity portion of a life policy. Also known as carve out AD&D.

### **Basic Auto Policy**

Once used to insure commercial vehicles, motorcycles, motorscooters, and a variety of substandard risks. This policy had broad eligibility rules, but the scope of coverage was narrower than modern auto policies. Most automobile risks today are insured by business or personal auto policies, with appropriate endorsements.

### **Basic Coverage Form**

Any of the commercial or personal lines property forms which provide basic coverages. These forms generally provide the most limited coverage, which is surpassed by broad forms and special forms.

### **Basic Extended Reporting Period**

An automatic "tail" for reporting claims after expiration of a "claims-made" liability policy. It is provided without charge and consists of two parts: a mini-tail covers claims made within 60 days after the end of the policy; a midi-tail covers claims made within five years after the end of the policy period arising out of occurrences reported not later than 60 days after the end of the policy.

### **Basic Form**

For Commercial Property policies written under the Basic Form, covered causes of loss include the following: fire,



lightning, explosion, windstorm or hail, smoke, aircraft or vehicles, riot or civil commotion, vandalism, sprinkler leakage, sinkhole collapse and volcanic action.

### **Basic Form Rates**

Under the latest commercial lines program, Basic Form Rates are arrived at by adding Group I and Group II rates together. Refer to Group I Rates and Group II Rates.

### **Basic Hospital Expense Insurance**

Hospital coverage providing benefits for room and board and miscellaneous hospital expenses for a specified number of days during hospital confinement.

### **Basic Limit**

Usually refers to liability policies and indicates the lowest amount for which a policy can be written. This amount is either prescribed by law or company policy.

### **Basic Limits Coverage**

For Commercial Property policies written under the Basic Form, covered causes of loss include the following: fire, lightning, explosion, windstorm or hail, smoke, aircraft or vehicles, riot or civil commotion, vandalism, sprinkler leakage, sinkhole collapse and volcanic action.

### **Basic Limits of Liability**

Minimum amounts of insurance. The term is usually used in reference to bodily injury and property damage limits that are either the lowest amounts which can be written at the published or manual rates, the minimum amount of insurance an insurer is willing to underwrite, or the minimum amount of insurance required by law, e.g., automobile insurance financial responsibility laws.

### **Basic Medical Insurance**

Insurance that provides coverage for normal hospital expenditures, surgical expenses, and other miscellaneous expenses. Only expenses that are incurred while the insured is in the hospital are covered.

### **Basic Rate**

The manual rate from which discounts are taken or to which charges are added to reflect the individual circumstances of a risk.

### **Basis of Acceptance**

A crucial feature of every reinsurance agreement, the Basis of Acceptance defines how a reinsurer will participate in covered losses and allocated expenses. There are a number of variations, but all fall under two basic concepts, Pro-Rata (or Proportional) and Excess of Loss (Non-Proportional).

### **BB - BROKEN BONES**

Pays insured a lump sum in the event of covered fractures, dislocations, and burns. Primarily marketed to seniors.

### **Bed Days/1,000**

The number of inpatient hospital days per 1,000 members of the health plan.

### **Below Market Loan**

A demand loan with interest paid below the federal rate; typically, part of an executive loan program provided by an employer.

### **Bench Error**

A term used in products insurance which describes a loss that occurs in the production process. For instance, if production workers mistakenly use the wrong ingredients in a chemical formula, a bench error has occurred. Bench errors are covered.

### **Beneficiary**

A person who may become eligible to receive or is receiving benefits under an insurance policy other than a participant.

**BENEFICIARY**

A person or persons designated in a policy for receipt of proceeds in the event that a claim occurs.

**Benefit**

The amount to be paid to a participant of a retirement plan or to the participant's beneficiary at retirement, at death, or at termination of service.

**Benefit Levels**

The maximum amount a person is entitled to receive for a particular service or services as spelled out in the contract with a health plan or insurer.

**Benefit Package**

A description of what services the insurer or health plan offers to those covered under the terms of a health insurance contract.

**Benefit Period**

Defines the period during which a Medicare beneficiary is eligible for Part A benefits. A benefit period is 90 days which begins the day the patient is admitted to a hospital and ends when the individual has not been hospitalized for a period of 60 consecutive days.

**BENEFIT PERIOD**

Defines the period during which an insured is eligible to receive benefits such as 365 days per confinement in a hospital cash policy.

**Benefit, Flat Dollar**

A certain monthly benefit which is given to all employees regardless of length of service or standard of living. Everybody receives the same amount.

**Benefit, Flat Percentage**

A monthly pension benefit which is determined by a fixed percentage of compensation. Although recognizing the employee's standard of living, it still ignores the employee's length of service.

**Benefits**

The financial reimbursement and other services provided insureds by insurers under the terms of an insurance contract. An example would be the benefits listed under a life or health insurance policy or benefits as prescribed by a workers compensation law.

**Beta Coefficient**

Measure of a stock's relative volatility. The beta is the covariance of a stock in relation to the rest of the stock market. The Standard & Poor's 500 Stock Index has a beta coefficient of 1. Any stock with a higher beta is more volatile than the market, and any with a lower beta can be expected to rise and fall more slowly than the market.

**BEY - BREAK EVEN YEAR**

The year where revenues become equal to or exceed costs.

**Bid Bond**

A bond filed with a bid for a construction or other project which guarantees that if the contractor has the low bid and is awarded the job, the required performance bond will be furnished.

**Billed Claims**

The amounts submitted by a health care provider for services provided to a covered individual.

**Binder**

An agreement executed by an agent or insurer (usually the latter) putting insurance into force before the contract has been written or the premium paid. This term is not usually used in life insurance.

**BINDER**

A temporary agreement in writing which obligates the parties to a contract usually allowing a broker to accept risk (bind) on behalf of the company. In reinsurance, a temporary recording of the provisions of a reinsurance agreement pending execution of the formal reinsurance contract.

**Binder of Reinsurance**

A record of reinsurance arrangements pending the issuance of a formal reinsurance contract (which then replaces the binder).

**BINDING LIMIT**

This refers to benefit limits, premium size and/or other conditions for individual applications or group applications in respect of the applicable binding authority that has been delegated to a particular underwriter or other authorized party. Business that exceeds an individual's binding limit or authority may not be bound by that individual.

**Birth Rate**

The number of births related to the total population in a given group during a period of time. It is usually expressed as births per 100,000 people in one year.

**Birthday Rule**

One method of determining which parent's medical coverage will be primary for dependent children: the parent whose birthday falls earliest in the year will be considered as having the primary plan.

**Blackout Period**

The period of time during which a surviving spouse no longer receives survivors benefits (after the youngest child is no longer eligible) and before he or she is eligible for retirement benefits.

**Blanket**

Coverage for a whole group of persons without identifying each individual. Or insuring a whole category of risks, or one hazard in a number of locations, without identifying each. For example, a policy issued to cover a number of individuals such as an athletic team, passengers in a certain airplane, etc.

**Blanket Average Rate**

Rate established for blanket coverage. It is computed by multiplying the rate for each risk location by the value at that location declared by the insured, and then dividing the sum of the results by the total value.

**Blanket Bond**

A type of fidelity bond which covers losses caused by the dishonesty of all employees as opposed to bonds which specifically identify only certain employees to be covered.

**Blanket Coverage**

Coverage under a single amount of insurance for two or more properties or exposures; i.e., a single amount of insurance applies to two or more building risks, or a building and contents of one or more building risks.

**Blanket Crime Policy**

A policy that once provided a package of coverages for employee dishonesty, loss of money and securities inside and outside the premises, depositor's forgery, loss of money orders, and loss due to counterfeit paper currency. This has been replaced by modern commercial crime coverage forms.

**BLANKET EXPENSE BENEFIT**

A coverage that pays all eligible expenses for accident or sickness - medical, nursing, surgical, hospitalization, X-ray, etc., up to the benefit maximum

**Blanket Insurance**

A contract of health insurance that covers all of a class of persons not individually identified in the contract.

**Blanket Medical Expense**

A policy or provision in a health insurance contract that pays all medical costs, including hospitalization, drugs, and treatments, without limitation on any item except possibly for a maximum aggregate benefit under the policy. It is often written with an initial deductible amount.

**BLANKET POLICY**

A policy issued to cover a number of individuals such as an athletic team, passengers in a certain airplane, etc. - "No Name" policy.

**Blanket Position Bond**

A Blanket Fidelity Bond in which the amount of coverage applies separately to each position covered. Contrast with Commercial Blanket Bond, which provides a single amount of coverage for any one loss, regardless of the number of employees involved in the loss.

**Blanket Rated Risks**

Those risks for which blanket coverage is provided. A single rate is calculated based on a Statement of Values, or by use of the highest rate applicable to any individual item.

**Blasting and Explosion Exclusion**

Exclusion of liability for damages from blasting or explosions. Rates for the types of construction work followed by the letter "X" in the manual exclude this coverage. If it is desired, an additional rate must be charged.

**Block Policy**

An open perils (all risk) policy which derives its name from the French term en bloc meaning "all together." It provides coverage on stock, property being transported, property in bailment, and the property of the insured on the premises of others.

**Blowout and Cratering**

These are industry terms having to do with accidents that can arise from drilling operations. Generally, they are either excluded under the liability policy or can be added by endorsement for an additional premium, depending upon the judgment of the underwriter.

**Blue Chip Stock**

The common or preferred stock of well-known, major corporations that is traded on a national stock exchange. Blue chip status is derived from long periods of earnings growth, dividend payments, and financial stability.

**Blue Cross**

An independent, non-profit membership corporation providing protection on a service basis against the cost of hospitalization in a limited geographical area.

**Blue Cross**

An independent, non-profit membership corporation providing protection on a service basis against the cost of hospitalization in a limited geographical area.

**Blue Plan**

A generic designation for those companies, usually writing a service rather than a reimbursement contract, who are authorized to use the designation Blue Cross or Blue Shield and the insignia of either.

**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.

**Blue Shield**

Blue Shield plans are prepayment plans offered by service organizations covering medical and surgical expenses.

**Board Certified**

A physician or other professional who has passed an examination which certifies him or her as a specialist in a particular medical area.

**Board Eligible**

A professional person or physician who is eligible to take a specialty examination. Bobtailing  
Using the truck-tractor after unloading the trailer and not driving for trucking purposes.

**Bobtailing**

Using the truck-tractor after unloading the trailer and not driving for trucking purposes.

**Bodily Injury**

Typically means bodily injury, sickness or disease sustained by a person, including death resulting from any of these at any time.

**Bodily Injury**

Injury to the body of a person. The term is usually specifically defined in the policy.

**Bodily Injury Liability**

A legal liability that may arise as a result of the injury or death of another person.

**Bodily Injury Liability Insurance**

Protection against loss arising out of the liability of the insured for damages because of bodily injury, sickness, disease or death suffered by another person or persons.

**Boiler and Machinery Insurance**

Insurance against the sudden and accidental breakdown of boilers, machinery, and electrical equipment. Coverage is provided on (1) damage to the equipment, (2) expediting expenses, (3) property damage to the property of others, and (4) supplementary payments; and (5) automatic coverage is provided on additional objects. Coverage can be extended to cover consequential losses and loss from interruption of business.

**Boiler and Machinery Policy**

Insurance against loss due to accidents to boilers, pressure vessels or other machinery including the equipment itself as well as liability arising out of the accident.

**Bond**

An evidence of debt issued by corporations, municipalities and the federal government. Bonds represent the borrowing of money by a corporation or government. It is a legal obligation of the issuing company or government to repay principal in accordance with the terms and conditions of the bond.

**Bond**

A three-party contract guaranteeing that if one person, the principal, fails to perform as specified or proves to be dishonest, the person to whom the duty is owed, the obligee, will be financially protected by the issuer of the bond, the surety.

**Bond Fund**

A fund that holds corporate, municipal, or U.S. Treasury bonds, or a combination of those in the attempt to earn as much income as possible while maintaining a high degree of security.

**BONUS TELEMARKETING**

The Bonus Telemarketing Insurance Program offers the opportunity for the sponsoring organization to provide valuable supplemental insurance coverage to their customers at no cost for 60 days. In return, the Bonus Insurance Program generates substantial and immediate sales revenues for both the sponsoring organization and the underwriters involved.

**Book of Business**

A total of all insurance accounts written by a company or agent. It may be treated in different ways. For example: an insurer's book of automobile business, or an agent's overall book of business, or an agent's book of business with each

insurer.

### **Book Value**

Refers to the value of assets as shown in the official accounting records of the company.

### **Book Value Accounting**

A process which enables a stable value portfolio (e.g., the Fixed Income Fund [FIF]) to be insulated from fluctuations in the market value of assets which back it. The FIF incorporates book value accounting as a means of smoothing its returns over time.

### **Book Value Per Share**

The value of a single share of stock, calculated by dividing a company's net assets (i.e., assets minus liabilities) by the total number of shares issued.

### **Bordereau**

(1) A written report of individual cessions, usually detailed to show such items as reinsurance premiums or reinsurance losses with respect to specific risks. (2) A memorandum containing information concerning documents that accompany it. Used extensively in passing reinsurance from one insurer to another under a reinsurance agreement and by property and liability general agents for passing information to various insurers on coverages written.

### **BORDEREAU**

Applicable to both insurance and reinsurance, with respect to premiums: a detailed list of policies showing such information as name of insured, location and amount or risk, policy effective and expiration dates, exposure or amounts covered, and the premiums. With respect to losses: a detailed list of losses paid and the policies related to the claims. Also used by managing general agents (MGAs) and managing general underwriters (MGUs).

### **Borderline Risk**

An insurance prospect of doubtful quality from an underwriting point of view.

### **BORROWED DISTRIBUTION**

To use the distribution resources of another insurance company or third party to distribute your product. For example, Company X that has a distribution channel to which we don't have access. Assuming that Company X is not in the A&H business or has limited A&H products, an arrangement is made to provide Company X with relevant A&H products. We provide the product and management expertise and Company X provides the distribution. Company X retains some part of the business and reinsures the major share (e.g. 90%) back to us. A variation of this is to have Company X add or embed our product into one or more of their existing products. Either way the result is selling our products utilizing the resources of another carrier or third party.

### **Boston Plan**

This is a plan under which insurers agree that they will not reject property coverage on residential buildings in a slum area. Instead, they will accept the coverage until there has been an inspection and the owner has had an opportunity to correct any faults. Boston was the first city to originate such a plan, and many other cities have followed, including New York, Oakland, Cleveland, and Buffalo.

### **BOTTOM LINE**

Synonymous with profit.

### **Bottomry**

A contract of insurance by which a ship or its cargo is pledged as collateral for a loan required to support a maritime venture. If the ship or cargo is lost, the loan is cancelled and the borrower would not have to repay the loan.

### **Bounce Back**

A bounce back is an offer (either an up-sell or a cross-sell) made to a customer at the same time that we fulfill a previous purchase of insurance.

**BOUND ACCOUNT**

An account that has been bound. A quote or proposal that has been accepted by the applicant or proposed insured that has been accepted by the insurance company and bound, i.e. coverage has been made effective.

**Boycott**

An unfair trade practice which occurs when someone in the insurance business refuses to have business dealings with another until he or she complies with certain conditions or concessions.

**Branch Manager**

An executive who manages a branch office for an insurer or an agency.

**BRAND EQUITY**

The value of a "brand". In direct marketing some partners' brand will enhance the returns meaning high brand equity

**BREACH OF CONTRACT**

A legal claim that one party failed to perform as required or specified in or under a valid agreement with the other party.

**Brick Construction**

Refers to a building where at least 75% of the exterior walls are of some type of masonry construction, i.e., brick, stone or hollow masonry tile, poured concrete or reinforced concrete, or hollow masonry block.

**Brick Veneer Construction**

Refers to a building where the outside walls are constructed of wood with a facing of a single layer of brick.

**Brief**

A statement prepared by an attorney to be filed with a court which highlights the principal issues of his or her case.

**Broad Form**

For Commercial Property policies written under the Broad Form, covered causes of loss include all from the Basic form plus the following: breakage of glass, falling objects, weight of snow, ice or sleet, and water damage.

**Broad Form Nuclear Energy Liability Exclusion Endorsement**

A form which must be attached to every general liability coverage part. It excludes coverage for any loss resulting from the hazardous properties of nuclear material related to the operations of a nuclear facility.

**Broad Form Personal Theft Policy**

Theft coverage on personal property at private residences, usually on an open perils (all risk) basis. This type of coverage is most often part of a homeowners contract. A limited form of the Broad Form Personal Theft policy is known as the Personal Theft policy.

**Broad Form Property Damage Endorsement**

An endorsement to a general liability policy that deletes the exclusion referring to property in the care, custody, or control of the insured and replaces it with a less restrictive exclusion.

**Broad Form Storekeepers Insurance**

A form of coverage for small storekeepers. It includes several specific crime perils on the same basis as a Storekeepers Burglary and Robbery policy, plus open perils (all risk) protection on money and securities, depositors' forgery, and a small limit on employee dishonesty.

**Broad Theft Coverage Endorsement**

This form may be attached to a dwelling policy to provide theft coverage for a named insured who is an owner occupant.

**Broker**

A marketing specialist who represents buyers of property and liability insurance and who deals with companies in arranging for the coverage required by the customer. Brokers usually represent the policyholder, although they are paid commissions by the insurance company.

**BROKER**

A licensed insurance producer who does not represent a specific insurance company but places his business among various companies. In law, he is usually regarded as a representative of the insured rather than of the company.

**Broker of Record**

A broker who has been designated to handle certain insurance contracts for the policyholder.

**Broker-Agent**

One acting as an agent of one or more insurers and as a broker in dealing with one or more other insurers.

**Brokerage**

(1) The fee or commission received by a broker. (2) Insurance placed by brokers contrasted with that placed by agents.

**Brokerage Business**

Business offered to an insurer by a broker. This is sometimes called excess or surplus business.

**Brokerage Department**

A department of an insurer whose purpose is to deal with brokers in the placing of insurance.

**Brokerage Firm**

A company in the business of handling orders to buy and sell securities and commodities for a commission or fee.

**BTA - BUSINESS TRAVEL ACCIDENT**

AD&D and/or other personal accident coverage for a person traveling on business. Sometimes includes sickness benefits. May be limited to while the person/employee is traveling for business only, on-site or occupational only or 24 hour coverage. There are many variations in the scope of coverage and the benefits provided. Also known as Group Travel Policy.

**Budget**

A tool for planning short-term income and expenditures in order to achieve long-term financial goals. The budget shows income and expenses within a given period of time.

**Builder's Risk**

A property form providing coverage for causes of loss specified in the insurance contract while a building is in the course of construction.

**Builder's Risk Coverage Form**

A commercial property coverage form specifically designed for buildings in the course of construction.

**Building and Personal Property Coverage Form**

A commercial property coverage form designed to insure most types of commercial property (buildings, or contents, or both). It is the most frequently used commercial property form, and has replaced the General Property form, Special Building form, Special Personal Property form, and others.

**Building Code**

This refers to municipal or other governmental ordinances regulating the type of construction of buildings within its jurisdiction.

**Building Risk**

A building or part of a building which takes a separate rate. Platforms, wharves, piers and yard property which take separate rates are considered building risks.

**Bullion**

Refers to precious metals, such as gold, in the form of ingots or bars.



**Bumbershoot Policy**

A liability policy similar to the umbrella policy which includes coverage related to ocean marine risks. In addition to general liability coverage, protection and indemnity can be provided, as can liability under the Longshoremen's and Harbor Workers' Act. Collision coverage can be provided and general average and salvage charges can be included. A shipyard would be interested in a Bumbershoot policy.

**Bunk House Rule**

Where an employee is provided housing as part of his remuneration, any injury occurring while an employee is in such housing, is deemed to arise out of the employment.

**Bureau**

Most people refer to the NCCI and the other independent rating bureaus as the "bureau" for short.

**Burglary**

Breaking and entering into the premises of another with felonious intent and with visible signs of forced entry.

**Burglary and Theft Insurance**

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

**Burglary Insurance**

Insurance against loss caused by burglars. In personal lines, burglary insurance is provided by homeowners policies and theft endorsements which may be added to dwelling policies. In commercial lines, a variety of commercial crime coverage forms include burglary insurance.

**BURN RATE**

The underlying claims cost used in the pricing of products.

**Burning Ratio**

The ratio of losses suffered to the amount of insurance in effect.

**Business**

In property, liability, and health lines, it usually refers to the volume of premiums.

**Business Auto Coverage Form**

The latest commercial automobile insurance coverage form, which may be written as a monoline policy or as part of a commercial package. This form has largely replaced the Business Auto policy.

**Business Auto Policy**

A standardized, widely used coverage form developed by the Insurance Services Office (ISO), providing automobile liability and physical damage insurance for commercial risks that own or use automobiles.

**Business Income Coverage**

A time element coverage that pays for loss of earnings and for continuing expenses when operations are curtailed or suspended because of property damage due to a covered cause of loss.

**Business Income Coverage Form**

A commercial property form providing coverage for "indirect losses" resulting from property damage, such as loss of business income and extra expenses incurred. It has replaced earlier Business Interruption and Extra Expense forms.

**Business Insurance**

Commercial insurance. The term is generally used to refer to insurance for businesses or commercial establishments as opposed to insurance for the personal protection of individuals.

**Business Interruption Insurance**

Covers fixed expenses and the loss of profits in the event physical property is damaged by a named peril; requires that the business be shut down in whole or in part as a direct result of the named peril.

**Business Liability**

The term used to describe the liability coverages provided by the Businessowners Liability Coverage form. It includes liability for bodily injury, property damage, personal injury, advertising injury, and fire damage.

**Business Overhead Expense**

A disability income policy which indemnifies the business for certain overhead expenses incurred when the businessowner is totally disabled.

**Business Owners Policy**

Provides broad property and liability coverage in a single contract and is designed for small and medium-sized mercantile, office or apartment risks.

**Business Personal Property**

Traditionally known as "contents," this term actually refers to furniture, fixtures, equipment, machinery, merchandise, materials, and all other personal property owned by the insured and used in the insured's business.

**Business Risk Exclusion**

Also known as the (Product) Failure to Perform Exclusion. In products insurance, no coverage is provided for a product that does not meet the level of performance, quality, fitness, or durability warranted or represented by the insured. Coverage is provided, however, if liability results from a Bench Error or an Active Malfunction.

**Business Segment**

Within the Specialty Workers' Compensation group, there are further subdivisions of specialization by type of customer, geographical territory, or other Business Segment. Each underwriter is assigned to at least one of these subdivisions, which are known as "Business Segments".

**Business Strategy**

Long range plan of an organization and the methods to be used to achieve its corporate objectives.

**Businessowners Policy**

A package policy that provides broad property and liability coverage in a single contract and is designed for small and medium-sized mercantile, office, or apartment risks.

**Buy and Hold Strategy**

Contributions and assets are allocated to various types of investments and held for extended periods of time. This is the opposite of "market timing."

**BUY BACK**

A Policyholder may be able to "buy back" an exclusion such as War Risk under an insurance policy by paying an extra or higher premium.

**Buy-Sell Agreement**

(1) An agreement among part-owners of a business which says that under stated conditions, i.e., disability or death, the person withdrawing from the business or the person's heirs are legally obligated to sell their interest to the remaining part-owners, and the remaining part-owners are legally obligated to buy at a price fixed in the agreement; (2) a similar agreement between an owner or part-owner of a business and a nonowner, such as a key employee.

**Buyers Guide**

A consumer publication that describes the type of coverage being offered, and provides general information to help an applicant for life or health insurance compare different types of policies and reach a decision about whether the proposed coverage is appropriate. Also known as a Shoppers Guide.

**Bypass Trust**

Also referred to as the B trust; a trust which contains estate assets which will bypass the surviving spouse and pass directly to other family members.

**C-Account**

Premium booking and policy issuance for a local underlyer in a Branch, Agency, Subsidiary or Affiliate of AIG that belongs to a worldwide program controlled by a Requesting Office outside of North America.

**Cafeteria Plans**

An employee benefit which provides a series of flexible health care benefits from which an employee may choose, including a cash only option.

**Calendar Year**

Refers to a method of accumulating loss and premium data for all transactions recorded in a calendar year, regardless of the year in which the accidents occurred or the policies were written.

**Calendar Year**

Used to describe all of the premium and loss activity during a given year, i.e. 1994. Many loss ratios shown for a given policyholder are based on calendar year results and may reflect claim activity on claims from prior years as well as the current year.

**Calendar Year Experience**

This measures the premiums and losses entered on accounting records during the 12-month calendar.

**CALENDAR YEAR INCURRED LOSSES**

(also Policy Year Incurred Losses)-Incurred losses or claims for any calendar or policy year include reserves for newly reported claims that have not yet been paid, paid claims minus any reserve amount that may have been established for the specific previously reserved claims that were paid, the increase or decrease in IBNR, as well as any other plus positive or negative changes in the year-end loss reserves for that particular year. The total amount includes any reevaluation of open or pending claims already on the books at the beginning of the year.

**Calendar/Accident Year Loss Ratio**

The ratio between accident year losses and calendar year premium.

**Call For Statistics**

Annual publication of ISO that provides various details and guidelines concerning the reporting of data. Such information includes due dates, changes in eligibility requirements and technical requirements as to the reporting of data.

**CAMPAIGN**

A specific marketing initiative, usually direct marketing, to solicit/sell policies to members of affinity groups or to the public via broadmarketing. A campaign may be to all members or to select segments. Each campaign is must be supported by an acceptable P&L projection.

**CAMPAIGN AUTHORITY**

Campaign authority enables businesses to execute direct marketing campaigns provided that marketing costs are within certain limits and expected profitability reaches required specific targets. This is authority is similar in concept to that used in other areas of the insurance business such as underwriting and claims authority with a procedure for obtaining higher authorization when needed.

**CAMPAIGN STATUS**

Used to indicate the stage of a Campaign in its lifecycle and to manage the Campaign approval process. Standard values include: 1. Planning: Indicates the Campaign and Selections definition and values are being worked on. 2. To be approved: Indicates the Campaign numbers have been finalized and the campaign is pending approval. 3. Cancelled: Indicates the Campaign was never launched. 4. Approved: Indicates the Campaign is ready for execution. 5. Launched: Indicates the Campaign's execution has started therefore planned values can no longer be modified.

**CAMPAIGN SUBTYPE**

Defines the purpose of a Campaign Selection. Standard values include: 1. Base: New customer acquisition. 2. Upgrade: An offer that increases the coverage amount or type of an existing policy. 3. Add-On: An offer of an additional coverage added to an exiting policy. This coverage is related to a product within the product line under which the original policy was

sold. 4. Cross-Sell: An offer of a different insurance product to a current policyholder. 5. Retention: Target lapsed customers or customers for renewal.

### **CAMPAIGN TRACKING**

Comparison of Planned, Actual and Projected Values for a Campaign or Campaign Selection.

### **CAMPAIGN TYPE**

Defines the main target of the Campaign Selection. Standard values are: 1. Customer Marketing: Target existing customers. 2. New Business Marketing: Target new customers.

### **CANCELLABLE**

A policy that may be canceled by the company at any time on due notice to the insured as provided in the policy. Many times a policy may only be canceled as of its renewal or anniversary date. Some policy wordings allow a policy to be canceled after a claim has been paid.

#### **Cancellation**

The termination of a policy before its normal expiration date. Cancellation may be flat, pro rata or short rate.

#### **Cancellation (Flat)**

Cancellation as of the inception date of the policy, with a return of all premiums received.

#### **Cancellation (Pro Rata)**

Cancellation whereby the premium returned to the insured is directly proportional to the unexpired portion of the policy period.

#### **Cancellation (Short Rate)**

Cancellation whereby the premium returned to the insured in the first year of a policy, as calculated from the applicable short rate provision, is less than the proportional or pro rata portion of the policy period that remains.

### **CANCER**

Is a serious medical condition characterized by spread of malignant cells either within an organ or the entire body.

### **Capacity**

The largest amount of insurance or reinsurance available from a company. In a broader sense, it can refer to the largest amount of insurance or reinsurance available in the marketplace.

### **CAPACITY**

The maximum amount of insurance a company will write on a particular risk. The largest amount of insurance or reinsurance available from a company (insurance or reinsurance) for specific markets, the market in general or specific classes of risk or exposures.

### **Capital**

Wealth in the form of money or property, which is usually available for investment.

### **Capital Appreciation**

An increase in the market value of an investment.

### **Capital Asset**

Any asset held and used for the production of goods and services, including fixed assets, such as land, plant, raw materials sources, and reserves; investments in owned and affiliated companies; and some long-term intangibles, such as patents.

### **Capital Ratio**

The ratio for a financial guaranty insurer of aggregate net exposure to statutory capital.

### **Capital Stock**

The shares of ownership in a corporation.

**Capital Sum**

The maximum lump sum payable in the event of accidental death or dismemberment.

**CAPITAL SUM**

The amount provided for the loss of two limbs or eyesight, speech or hearing, permanent total disability, etc. Indemnities for loss of one limb, the sight of one eye and so on are usually percentages of the Capital Sum.

**Capital Transaction**

The sale of a capital asset, such as stock, which results in the transaction being taxed as ordinary income and not as a dividend.

**Capital Value**

The worth of capital.

**Capitation**

A rate paid, usually monthly, to a health care provider. In return, the provider agrees to deliver the health services agreed upon to any covered person.

**Captive Agent**

One who sells insurance for only one company as opposed to an agent who represents several companies.

**CAPTIVE COMPANY**

An insurance company formed to insure the risks of its parent entity or entities. Some non-insurance companies own an insurance agency or brokerage firm; these may also be known as captives as they are normally formed to do their parent's or owner's business.

**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.

**Captive Insurer**

A legally recognized insurance company organized and owned by a corporation or firm whose purpose is to use the captive to write its own insurance at rates lower than those of other insurers. Usually it is a nonadmitted insurer that has the right, under special circumstances, to reinsure with an admitted insurer.

**Care, Custody and Control**

Most liability insurance policies exclude coverage for damage to property in the care, custody, or control of the insured. In some cases this type of coverage is not available; in other cases it can be purchased through certain forms of inland marine insurance, like installation floaters, and in some cases this exclusion can be made less restrictive by adding a Broad Form Property Damage Endorsement.

**CAREER AGENTS**

Insurance agents who commit to sell the products of one insurance company on an exclusive basis. In some instances when the insurance company does not have the product needed, the agent is allowed to search the market place. However, the career agent owes his/her first allegiance to the insurance company for whom they are career agents.

**Cargo Insurance**

A policy covering the cargo being transported by a carrier.

**Carrier**

Any organization that provides insurance. A carrier may be a company, corporation, association or facility.

**CARRIER**

An insurance or reinsurance company which "carries" the insurance or reinsurance risk.

**Carrier (G)**

Sometimes used to designate the insurer. The term "insurer" is preferred because of the possible confusion of "carrier" with transportation.

**Carrier (H)**

Usually a commercial insurer contracted by the Department of Health and Human Services to process Medicare Part B claims payments.

**Carrier Replacement**

This refers to a situation where one carrier replaces one or more carriers.

**Carryover Provision**

In major medical policies, allowing an insured who has submitted no claims during the year to apply any medical expenses incurred in the last three months of the year toward the new calendar year's deductible.

**CARVE OUT**

The term used for benefits that are separated and insured independently, For example, a Group Life contract that also contains an AD&D component. When you remove (or carve out) the AD&D into a separate group insurance contract there are certain advantages: the company writing the carve out can offer ancillary benefits in addition the AD&D; usually a cheaper rate since a specialist AD&D carrier is more experienced to underwrite it; separation of Life and AD&D claims (not all Life claims are due to an accident) - by carving out the AD&D you separate the experience so the either rate will be affected by bad experience the other

**Case Management**

The assessment of a person's long-term care needs and the appropriate recommendations for care, monitoring and follow-up as to the extent and quality of services to be provided.

**Case Manager**

A person, usually an experienced professional, who coordinates the services necessary under the case management approach.

**Case Mix**

The number of cases requiring different needs and uses of hospital resources.

**CASE RESERVES**

Loss reserves established with respect to specific, individual reported claims.

**Cash Deferral Program**

Any form of payment plan where planned premium payments by the insured during the policy period are less than the earned premium at any time during the policy term.

**Cash Dividend Option**

A policy dividend option that instructs the insurance company to send the policyowner a cheque for the amount of policy dividend declared by the insurance company's board of directors.

**Cash equivalent**

A short-term investment with a high degree of safety that can be converted to cash quickly (i.e., T-bills, and money market funds).

**Cash Flow**

This refers to the actual stream of money (either premium dollars or loss dollars) as it changes hands from insured to insurer and vice versa.

**Cash Flow Plans**

Premium payment schemes which allow the insured to retain a large part of the premium and pay it out over a time period

such as a year.

### **Cash Flow Statement**

A listing of the sources and uses of the cash receipts and cash outlays of a person or business.

### **Cash Flow Underwriting**

Willingness to lose money on the underwriting side, which will be made up on the investment side.

### **Cash Refund Annuity**

A form of annuity contract which provides that if at the death of the annuitant installments paid out have not totaled the amount of the premium paid for the annuity, the difference will be paid to a designated beneficiary in a lump sum.

### **Cash Surrender Value**

The amount available in cash upon voluntary termination of a life policy by its owner, before it becomes payable by death or maturity.

### **CASH VALUE**

Funds accumulating while a policy remains in force and available for client's use, if needed; feature present in a number of life policies. Not common in A&H products.

### **CASTASTROPHE REINSURANCE**

A form of reinsurance that indemnifies the ceding company for the accumulation of losses in excess of a stipulated sum (i.e. the insured company's per occurrence net retention) arising from a catastrophic event. Catastrophe loss generally refers to the total loss of an insurance company arising out of a single catastrophic event.

### **CASTROPHE LOSS**

The loss and the directly-identified loss adjustment expenses resulting from the catastrophe loss.

### **Casualty Actuarial Society**

A professional society for actuaries in areas of insurance work other than life insurance. This society grants the designation of Associate and Fellow of the Casualty Actuarial Society (ACAS and FCAS).

### **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.

### **CASUALTY INSURANCE**

Insurance which is primarily concerned with the losses caused by injuries to third persons (i.e., not the insured) and the legal liability imposed on the insured resulting there from. It includes, but is not limited to, employers' liability, workers' compensation, public liability, automobile liability, personal liability, and aviation liability insurance. It excludes certain types of losses that by law or custom are considered as being exclusively within the scope of other types of insurance, such as fire or marine.

### **CAT - CATASTROPHE**

A severe loss involving 2 or more lives. Usually involving risks such as accident involving larger conveyances (airplanes, cruise ships, ferry boats and buses), fire, earthquake, windstorm, explosion, and other similar events.

### **Catastrophe**

An incident or series of related incidents involving a substantial loss to property or persons.

### **Catastrophe Hazard**

The hazard of large loss by reason of occurrence of a peril to which a very large number of insureds are subject. An example would be widespread loss due to a hurricane or tornado.

### **CATASTROPHE HAZARD**

The hazard of loss by reason of a simultaneous peril to which all insured in a group, or a large number of insureds, are subject.

**Catastrophe Policy**

This is an older name for major medical.

**Catastrophe Reinsurance**

A form of Excess of Loss Reinsurance which, subject to a specified limit, indemnifies the ceding company against an amount of loss in excess of a specified amount as the result of an accumulation of losses resulting from a catastrophic event or a series of catastrophic events.

**Causes of Loss**

The forces or circumstances (such as fire, theft, collision) that produce physical loss or damage. Covered Causes of Loss in Commercial Property policies are defined by one of four causes of loss forms: Basic and Broad, named perils forms that list specific causes of loss; Special, which applies to risks of direct physical loss other than those specifically excluded; and Earthquake, which includes only earthquake and volcanic eruption as covered causes of loss. In simplified language Commercial Property policies, the term 'Causes of Loss' has replaced the older term 'Perils'.

**Causes of Loss Forms**

Commercial property forms stating the perils insured against, additional coverages provided, and exclusions that apply. There are four Causes of Loss forms - Basic, Broad, Special and Earthquake.

Caveat Emptor

Let the buyer beware.

**CDR - COMMISSIONER'S DISABILITY RESERVE**

An actuarial reserve calculation used for determining Long-Term Disability reserves.

**CDW-COLLISION DAMAGE WAIVER**

Offered by rental car companies but in A&H it is an insurance coverage normally included with holiday and leisure travel (sometimes business travel) programs. It is also fairly common as a "NAC" cover included with major credit and charge cards. CDW provides benefits payable to the insured renter who has his/her rental car involved in a car accident. Coverage is only applicable to the rental car. At the time of rental, the insured must waive the insurance provided by the rental company. Terms and conditions of CDW coverage vary widely; CDW is not a core A&H product.

**Cease and Desist Order**

An order of the state Insurance Commissioner or of a court requiring that a company or person stop engaging in a particular act or practice, usually involving insurance trade practices.

**Cede**

To transfer to a reinsurer all or part of the insurance or reinsurance written by a ceding company. (2) The act of buying reinsurance.

**CEDE**

When a company reinsures its liability with another, it "cedes" business.

**Ceding Commission**

Commission received when ceding part of a risk to a reinsurer.

**CEDING COMMISSION**

The commission paid by a reinsurer for business reinsured to that company. The primary purpose is to "discount" the premiums payable to the reinsurer in order to give the ceding company an allowance for the expenses they incur in connection with the ceded business.

**Ceding Company**

The insurer which cedes all or part of the insurance or reinsurance it has written to another insurer. A company which has placed reinsurance, distinguished from the company that accepts it.

**CEDING COMPANY**



The original or primary insurer is the ceding company. The insurance company which purchases reinsurance.

## **CERTIFICATE**

A statement of coverage in addition to the policy generally given to each person insured under a group policy. A certificate in mostly for information and usually will not contain all of the policy provisions.

### **Certificate of Authority**

(1) A certificate showing the powers that an insurer grants to its agents. (2) A certificate issued by a state department of insurance showing the power of an insurer to write contracts of insurance in that state.

### **Certificate of Convenience**

A term used in some jurisdictions to refer to a temporary license or permit empowering a person to act as an agent even though not fully licensed according to the law. Usually this certificate is granted to an agent who is studying for a licensing examination. It might also be issued to the administrator or executor of the estate of an insurance agent, who must have the authority of an agent to settle the estate, or to someone acting for an agent during a disability or an absence such as military duty.

### **Certificate of Deposit**

A receipt issued by a bank for a cash deposit for a specified period of time at a fixed rate of interest (determined by the marketplace). Upon maturity, the bank pays the depositor the principal plus all accumulated interest. Negotiable CDs may be transferred before maturity; non-negotiable CDs are not readily transferable, and early withdrawals are subject to interest penalties.

### **Certificate of Insurance**

(1) A statement of the coverage and general provisions of a master contract in group insurance that is issued to individuals covered in the group. (2) A form which verifies that a policy has been written and states the coverage in general, often used as proof of insurance in loan transactions and for other legal requirements.

### **Certificate of Need**

Issued by a governmental body. It certifies that the proposed facility will meet the needs of those for whom it is intended. Such need might involve constructing a new health facility, offering a new or different health service, or acquiring new medical equipment.

### **Certificate of Reinsurance**

In addition to serving as "evidence of coverage", reinsurance certificates usually contain specific terms and conditions as to how the reinsurer will respond in the event of loss. Primary underwriters, must be sure to check the back of certificate plus any attachments that may alter their intentions.

## **CERTIFICATE OF REINSURANCE**

A short-form documentation of a reinsurance transaction, usually incorporating complete terms and conditions by reference.

### **Certified Financial Planner**

Professional designation conferred by the College for Financial Planning. In addition to professional business experience in financial planning, recipients must pass national examinations in insurance, investments, taxation, employee benefit plans, and estate planning.

### **Certiorari**

A writ issued by a higher court to a lower court asking the lower court to forward the record of a particular case in question.

### **Cession**

The unit of insurance transferred to a reinsurer by a ceding company. It also refers to the process of ceding insurance to a reinsurer.

## **CESSION**

The amount of insurance risk passed to a reinsurer by the ceding company. It generally corresponds with the net

underwriting limits of the insurance company. However, a cession may be all or a portion of: 1)single risks; 2)defined categories of business, policies or products; or 3)defined sections of or all of a portfolio. The business ceded under a reinsurance treaty is usually pre-defined in order to prevent selection against the reinsurer.

**Cestui Que Vie**

The person whose life measures the duration of a trust, gift, estate, or insurance contract. Thus, in life and health insurance it is the person on whose life or health the policy is written, commonly called the insured, policyholder, or policyowner.

**Change of Occupation**

A provision in a health insurance policy that allows the insurer to adjust policy benefits if the insured has changed to a more hazardous occupation.

**CHANNEL CONFLICT**

This occurs when the same prospect or group of prospects is approached by different distribution channels i.e. agents of a life company and brokers working with the non-life company or agents and the direct marketing departments of the same or sister companies and can lead to confusion for the potential clients.

**Charge Backs**

Reversal of commission or other compensation because of canceled business or as an offset for other amounts owed.

**Charitable Gifts**

Direct, outright or partial donations of cash, tangible or intangible property to eligible recipients, usually tax-exempt organizations.

**Charter**

Usually the same as articles of incorporation. This is the grant of rights from a state or federal government, such as the right to incorporate and transact business.

**Charter**

(Ocean Marine) To rent or lease a ship or boat.

**Chartered Financial Consultant**

Professional designation awarded by The American College. In addition to professional business experience in financial planning, recipients are required to pass national examinations in insurance, investments, taxation, employee benefit plans, estate planning, accounting, and management.

**Chartered Life Underwriter**

Professional designation conferred by The American College. In addition to professional business experience in insurance planning and related areas, recipients must pass national examinations in insurance, investments, taxation, employee benefit plans, estate planning, accounting, management and economics.

**Chartered Property Casualty Underwriter**

A professional designation granted by the American Institute of Property and Liability Underwriters. It is earned by taking and passing 10 insurance courses and exams that cover personal and commercial property insurance and risk management, insurance company operations, insurance issues and professional ethics. Business subjects include: accounting and finance, the legal environment of insurance, management and economics. The accreditation program and exams are administered by the American Institute for Property and Liability Underwriters in Malvern, Pennsylvania.

**Chattel**

All personal property items.

**Chattel Mortgage**

A type of mortgage where the collateral is personal property, rather than land or buildings.

**Chemical Dependency Services**

The services required in the treatment and diagnosis of chemical dependency, alcoholism, and drug dependency.

**Chemical Equivalents**

Drugs which contain identical amounts of the same ingredients.

**Christian Science Organization**

A religious organization which is certified by the First Church of Christian Scientists. The organization may also be Medicare certified as a hospital or skilled nursing facility.

**Churning**

An illegal practice where insurance agents unnecessarily replace existing life insurance for the purpose of earning additional (higher) first year commissions.

**CI - CRITICAL ILLNESS**

Pays a lump sum or structured payment benefit in the event of a diagnosis of a specified serious illness for the first time while policy is in effect. Pre-existing conditions are not covered. Examples of covered illnesses are heart attack, cancer, stroke, kidney failure requiring dialysis, major organ transplant, multiple sclerosis.

**Civil Commotion**

An uprising of a large number of people, usually resulting in damage to property. This term is generally used to describe one of the extended coverage perils in the Extended Coverage endorsement.

**Civilian Health and Medical Program of the Uniformed Services**

Part of the Uniformed Services Health Benefits Program which supplements the medical care available for families of active, deceased, and retired military personnel.

**Claim**

A demand made by the insured, or the insured's beneficiary, for payment of the benefits provided by the contract.

**CLAIM COST**

Cost related to the losses incurred by claims.

**Claim Expense**

The expense of adjusting a claim, such as investigation and attorneys' fees. It does not include the cost of the claim itself.

**CLAIM EXPENSE**

(also known as LOSS EXPENSE, OR ADJUSTMENT EXPENSE)- The expenses, both direct and indirect, of claim department staff and overhead, independent adjusters, lawyers, and witnesses, and other expenses. Allocated expenses are direct expenses that can be identified with specific claims. Unallocated or indirect claim expenses represent claim department salaries and other overhead expenses.

**CLAIM OCCURRENCE BASIS**

Method of determining whether or not coverage is available for a specific claim. If a claim arises out of an event that occurred during the time period when a liability policy is in force, an insurance company is responsible for its payment, up to the limits of the policy, usually regardless of when the insured submits the claim.

**Claim Payments**

Those payments made to the insured, or to a third party on behalf of the insured, which result from a claim.

**Claim Report**

A report filed by an agent setting forth the facts of a claim. Same as Loss Report.

**CLAIM YEAR**

The fiscal year in which the loss was incurred.

**Claimant**

The person making a demand for payment of benefits.

**CLAIMANT**

The person or party making formal request for payment of benefits payable (or that might be payable) under the terms of the insurance contract.

**CLAIMS MADE BASIS**

Method of determining whether or not coverage is available for a specific claim. If a claim is made during the time period when a liability policy is in effect, and insurance company is responsible for its payment, up to the limits of the policy, regardless of when the event causing the claim occurred.

**Claims Made Coverage**

Liability coverage which protects the insured only against claims made during the policy period and refers to occurrences taking place during the policy period. A Retroactive Date (Date of Entry Into Claims Made Program) is established as the earliest possible date of coverage for occurrences. Occurrences taking place prior to this date are excluded from claims made coverage.

**Claims Made Coverage - Tail**

Coverage which protects the insured against claims made after expiration of the standard 'claims made' policy period and refers to occurrences taking place during the tail period.

**Claims Made Policy Form**

The claims made policy only covers claims reported while the policy is in force.

**Claims Reserve**

Amounts set aside to meet costs of claims incurred but not yet finally settled. An example might be a workers compensation case where benefits are payable for several years. At any given point in time, the reserve would be the funds kept based on the estimate of what the claim will cost when finally settled.

**CLAIMS RESERVE**

Amounts set aside to meet costs of claims incurred but not yet finally settled. This is not the same as "IBNR".

**Claims-Made Coverage**

A policy providing liability coverage only if a written claim is made during the policy period or any applicable extended reporting period. For example, a claim made in the current year could be charged against the current policy even if the injury or loss occurred many years in the past. If the policy has a retroactive date, an occurrence prior to that date is not covered. Contrast with Occurrence Coverage.

**CLASH COVER**

A casualty excess of loss agreement with a retention higher than the limits on any one reinsured policy. The agreement is thus only exposed to loss when two or more casualty policies (perhaps from different lines of business) are involved in a common occurrence in an amount greater than the clash cover retention. Clash cover is sometimes also known as contingency cover. Another use for clash cover is to protect the company against multiple policies covering the same life or if there is regional reinsurance, to reduce the insurance company's net retention when there is a cat loss involving insureds from different regions.

**Class**

A group of insureds having the same general characteristics and who are, therefore, grouped together for rating purposes. Class rates apply to dwellings and apartments, since they usually have the same general characteristics and are exposed to the same perils.

**Class Action Suit**

A legal device allowing a group of individuals with a claim against a company or an individual to join together as plaintiffs in a single suit.

**Class Rate**

A rate which applies to all risks in a given category or classification.

**Classification**

The underwriter's designation of a risk. Various classes of risks are formulated and recognized by ratemaking bodies for the purpose of establishing rates. Commercial Statistical Plan (CSP) provides classification codes for the identification and reporting of risks according to class.

**Classification Code**

A unique code assigned to a group of insureds with similar exposures whose collective loss experience is pooled mathematically to develop rates that will be used to determine insurance premium.

**Classification Inspection**

This is an inspection by the insurance carrier for the purpose of assigning the proper classification(s) which best describes the business of the insured. It is the business that is classified, not the individual employment, occupations or operations within a business.

**Classified Insurance**

Life or health insurance on risks which do not meet the standards for the regular manual rate.

**Clause**

A section of a policy contract or endorsement dealing with a particular subject. For instance, a subrogation clause deals with the rights of the insurer in the event of payment of a loss under the contract.

**Cleanup Fund**

A commonly used term to designate policies whose express purpose is to pay final expenses of death.

**Clear Space Clause**

A clause requiring that insured property, such as stacks of lumber, be stored at some particular distance from each other or from other property.

**Clerical Error**

A provision in a group health insurance policy that provides if there is an error or omission in the administration of a group policy, the person's insurance is considered to be what it would be if there had been no error or omission.

**Client Management Group**

The organizational unit within the new organizational structure defined in the Business Model, whose sole focus is on business development and increasing premium production through multi-line sales and marketing.

**Close Corporation**

A corporate form of business controlled and operated by a small, close group of persons such as family members. The corporation's stock is not sold to outsiders.

**Closed Panel**

A situation where covered insureds must select one primary care physician. That physician is the only one allowed to refer the patient to other health care providers within the plan. Also called Closed Access or Gatekeeper model.

**CLOSED WITHOUT PAYMENT**

A claim file (or claim) that has been placed in "closed" status without any benefits payment made.

**Closed-End Fund**

An investment company that operates a fund with a limited number of shares outstanding. A closed-end fund starts with a set number of shares, often listed on an exchange, where they are traded like any other stock.

**CO-PAYMENT**

This is an arrangement where the covered person pays a specified amount for various services and the insurance provider pays the remainder. See "Coinsurance".

**Co-Surety**

One of a group of sureties directly participating in a bond with obligations joint and several.

**COB - COORDINATION OF BENEFITS**

In health insurance, a policy provision to avoid duplication of payment by coordinating benefit payments between or among insurance companies covering the same person. The COB provision designates the order in which the insurance companies have to respond (pay) in order that no more than 100% of the loss is paid by all companies. The COB clause is designed to prevent the insured from making a profit on the insurance.

**Codicil**

A change or amendment to a will.

**Coding**

A method of putting information into a numerical form for statistical use. Most information on policies is coded and then put into reports.

**Coercion**

An unfair trade practice which occurs when someone in the insurance business applies a physical or mental force to persuade another to transact insurance.

**Cognitive Impairment**

A deficiency in the ability to think, perceive, reason or remember resulting in loss of the ability to take care of one's daily living needs.

**Coinurance**

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 the value of the property. It provides for 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 proper amount of insurance, he or she assumes a proportionate share of the loss.

**COINSURANCE**

1. A principal under which the insurance company is responsible for only part of a covered loss, with the insured being responsible for the other part. For example, in a typical Major Medical Expense policy, the company agrees to pay 80% of the eligible covered expenses and the insured has to pay the other 20%. The principal of coinsurance can be utilized in different ways, e.g. in order to offer products with lower premiums or to implement in lieu of a premium rate increase. 2. Sharing of a risk between two or more insurance carriers where each carrier is responsible only for a part of a covered loss.

**Coinurance Clause**

A clause under which the insured shares in losses to the extent that he or she is underinsured at the time of loss. The insurer grants a reduced rate to the insured providing the insured carries insurance 80, 90, or 100% to value. If, at the time of loss, the insured carries less coverage than required, the loss must be shared. For example, if an insured has a building worth \$100,000 and carries an 80% coinsurance clause, it means that the insured agrees to carry at least \$80,000 of insurance. If the insurance carried is just \$60,000, then any loss under the policy would be paid for on the basis of the comparison of \$60,000 (amount carried) divided by \$80,000 (amount agreed upon in advance) times the amount of the loss. Thus, in the event of a \$10,000 loss the insured would only receive 75% of a loss or \$7,500.

**Coinurance Clause (H)**

A provision stating that the insured and the insurer will share all losses covered by the policy in a proportion agreed upon in advance, i.e., 80-20 would mean that the insurer would pay 80% and the insured would pay 20% of all losses.

**Cold Lead Advertising**

An illegal method of marketing insurance policies (often associated with Medicare supplement policies) which fails to disclose in a conspicuous manner that a purpose of the method of marketing is solicitation of insurance or other similar coverage, and that further contact will be made by an insurance agent, other producer or insurer.

**Collateral Assignment**

Assignment of a life insurance policy or its value as security for a loan. In the event of default, the creditor would receive proceeds or values only to the extent of the creditor's interest.

**Collateral Source**

A rule which allows a plaintiff to recover damages even if the plaintiff has already recovered damages from a source other than the defendant.

**Collateral Split Dollar**

A split dollar plan in which the employee controls the policy and pledges it as collateral for a series of employer loans to pay the premiums.

**Collection Book**

The debit agent's record book showing the amount collected on each policy, the week of the collection, and the policy period for which the premium has been paid.

**Collection Commission**

A percentage of premiums collected which is paid to an agent as the commission on collections of debit life insurance premiums.

**Collection Fee**

An industrial life insurance agent's fee which serves as compensation for making policy premium collections for which no commission is paid.

**Collective Trust**

An investment option which is established for the collective investment of institutional investors (i.e., qualified pension plans).

**College Retirement Equities Fund**

A separate organization affiliated with the Teachers Insurance Annuity Association. It introduces and sells a variable annuity to college and university personnel.

**Collegia**

Groups of associations in ancient Rome that were influential historically in the development of life insurance and pensions. They were the forerunners of mutual benefit societies or friendly societies.

**Collision Coverage**

Physical damage protection for the insured's own auto for damage resulting from collision with another object or by upset. This is part of most automobile insurance policies.

**Collision Insurance**

A form of automobile insurance that covers loss to the insured's own vehicle caused by its collision with another vehicle or object or its upset but not covering bodily injury or property damage liability arising out of the collision.

**Collusion**

An agreement, usually secret, between two or more persons to defraud or deprive another or others of their property or rights.

**Combinability**

Separate legal entities may be insured in one policy only if the same person, or group of persons, owns the majority interest in such entities. Classifications shall be applied separately to each legal entity.

**Combination**

A term used to describe an agent, agency or insurer that sells both industrial life insurance and ordinary life policies.

**Combination Annuity**

A contract which combines both the guarantees of a fixed annuity and the non-guarantees and investment risk of a variable annuity.

### **Combination Business Interruption Extra Expense Insurance**

A policy which provides both business interruption and extra expense coverages in a single contract. This has been replaced by the latest business income forms.

### **Combination Crime Coverage Plan**

Under the latest commercial lines program, two combination crime coverage plans are available. When written with separate limits option, any combination of a variety of coverages may be included at different limits and the insurance is similar to the earlier Comprehensive Dishonesty, Disappearance and Destruction (3-D) policy. When written with a single limit, major coverages are mandatory, optional coverages may be included, but one limit applies to all coverages purchased and the insurance is similar to the earlier Blanket Crime Policy.

### **Combination Plan**

In pensions this is a term applied to the combining of life insurance contracts with a fund called a side fund or auxiliary fund. The purpose is to increase the amount of money available for a pension or annuity at some future date.

### **Combination Plan Reinsurance**

A form of combined reinsurance which provides that in consideration of a premium, which is a fixed percentage of the ceding company's subject premium on the business covered, the reinsurer will indemnify the ceding company for the amount of loss of each risk in excess of a specified retention and subject to a specified limit and, after deducting the excess recoveries on each risk, the reinsurer will indemnify the ceding company against a fixed quota share percent of all remaining losses.

### **Combination Policy**

A policy made up of the contracts of two or more insurers in which each provides a different kind of insurance. This was once commonly used in automobile insurance when state law limited casualty companies to the writing of liability insurance and fire insurance companies to physical damage insurance. Combination policies are rarely written today.

### **Combined Annuity Mortality Table**

A mortality table which was published in 1928 for use in determining rates for group annuities.

### **Combined Ratio**

The sum of the Loss Ratio and the Expense Ratio. A company could be considered extremely well managed if it has developed a consistent combined ratio of less than 100 percent.

### **COMBINED RATIO**

Usually the sum of the incurred loss ratio and the expense ratio (and where applicable, the ratio of dividends to policyholders) to net premiums earned. It's important to remember that the incurred loss ratio is calculated using net earned premium and the expense ratio is calculated using net written premium. (Definitions may vary among different types of insurance or reinsurance companies.) A combined ratio under 100% generally indicates an underwriting profit. A combined ratio over 100% generally indicates an underwriting loss.

### **Combined Single Limit**

A single limit of protection for both Bodily Injury and Property Damage, contrasted with split limits which apply separately to Bodily Injury and Property Damage.

### **Commercial Automobile Insurance**

Insurance contract providing both liability and physical damage insurance. Standard coverages include: Bodily Injury and Property Damage, Medical Payments, Collision, Comprehensive, Towing and Uninsured Motorist.

### **Commercial Blanket Bond**

This type of bond covers the insured against the dishonesty of all regular employees. A single amount of coverage applies to any one loss, regardless of the number of employees involved in the loss.



**Commercial General Liability**

A form of insurance designed to protect owners and operators of businesses from agreed upon liability exposures. These exposures may include liability arising out of accidents resulting from the premises or the operations of an insured, operations completed by the insured, and contractual liability.

**Commercial General Liability Coverage Part**

General liability coverage which may be written as a monoline policy or part of a commercial package. "CGL" now means "commercial" general liability forms which have replaced the earlier "comprehensive" general liability forms. The latest forms include all sublines, provide very broad coverage, and two variations are available - "Occurrence" or "Claims-Made" coverage.

**Commercial General Liability Insurance**

A simplified-language insurance policy providing coverage for businesses against the most typical liability exposures they face, i.e., bodily injury, property damage, advertising and personal injury arising out of premises, operations and products and completed operations of the insured.

**Commercial Lines**

This term is used to refer to insurance for businesses, professionals, and commercial establishments.

**COMMERCIAL LINES**

The various kinds of insurance which are written for businesses.

**Commercial Multiple Peril Policy**

A package type of insurance for the commercial establishment that includes a wide range of essential coverages.

**Commercial Package Policy**

A policy containing two or more of the following coverage parts: Commercial Property, Commercial General Liability, Commercial Crime, Commercial Inland Marine, Boiler and Machinery, or Commercial Auto.

**Commercial Paper**

Short-term obligations with maturities ranging from two to 270 days issued by banks, corporations, and other borrowers to investors with temporarily idle cash. Such instruments are unsecured and usually discounted, although some are interest-bearing.

**Commercial Policy**

In health insurance, this term originally applied to policy forms intended for sale to individuals in commerce, as contrasted with industrial workers. Currently the term is loosely used to mean all policies that do not guarantee renewability.

**Commercial Property Coverage**

Property coverage which may be written as a monoline policy or part of a commercial package.

**Commingling**

An illegal practice which occurs when an agent mixes personal funds with the insured's or insurer's funds.

**Commission**

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

**COMMISSION**

In insurance, brokers and agents are usually compensated for production by the insurer paying them a certain percentage of the premiums paid. In reinsurance, the ceding company usually pays the reinsurer on a gross basis less a ceding commission to cover acquisition costs, taxes and overhead expenses.

**Commission of Authority**

A document outlining the powers delegated to an agent by an insurer.

**Commissioner**

The title of the head of the department of insurance in most states. In some states, the title Superintendent is used.

## **COMMISSIONER**

The head of a government insurance department or agency. The public officer charged with the supervision of the insurance business and the administration of insurance laws. May be referred to as "Superintendent" in some jurisdictions. May be part of a Ministry of Finance or similar department

### **Commissioner of Insurance**

The title of the head of most state insurance departments. In some states, the title Director or Superintendent of Insurance is used instead.

### **Commissioners' Disability Table**

A morbidity table approved by the National Association of Insurance Commissioners for use in setting legal minimums for disability income insurance policy reserves.

### **Commissioners' Industrial Extended Term Mortality Table**

An industrial mortality table approved by the NAIC for evaluation and computation of extended term insurance in industrial policies, where additional mortality margins are deemed necessary. This is a companion table to the CSI.

### **Commissioners' Standard Ordinary**

A mortality table approved by the NAIC as a standard for evaluation and for computation of nonforfeiture values for ordinary life policies.

### **Commissioners' Values**

An annual list of securities published by the NAIC. The values are to be used in recording security values on insurance company balance sheets.

## **Commodities**

Generic term for goods such as grains, foodstuffs, livestock, oil and metals that are traded on national exchanges.

## **Commodity Futures**

A contract providing for the delivery of a tangible asset at a specified future date and price. The commodities traded in futures markets include cocoa, copper, corn, eggs, frozen concentrated orange juice, lumber, oats, wheat and soybeans. Commodities futures are traded in order to profit from price changes, or provide cash flow to producers and shippers.

## **Common Accident**

An accident in which two or more persons are injured.

## **Common Carrier**

An individual or organization that offers its services to the public for carrying persons or property from one place to another for payment. A common carrier cannot refuse to carry goods for one customer as opposed to another.

## **Common Disaster**

A situation in which the insured and the beneficiary appear to die simultaneously with no clear evidence of who died first.

## **Common Disaster Clause**

A clause sometimes added to a life insurance policy that provides a means for the insurer to distribute the proceeds of the policy in the event of a common disaster.

## **Common Law**

The unwritten law developed primarily from judicial case decisions based on custom and precedent. It developed in England and constitutes the basis for the legal systems of most of the states in the United States.

## **Common Law Defenses**

Pleas that can defeat an injured worker's suit for injuries against the employer in the absence of a workers compensation law or employers liability legislation. The three defenses are contributory negligence, assumption of risk, and fellow

servant rule.

### **Common Law Liability**

Responsibility based on common law for injury or damage to another's person or property which rests on an individual because of the individual's actions or negligence. This is opposed to liability based on statutory law.

### **Common Policy Conditions**

Under the latest commercial lines program, a form including six common conditions which apply to all coverage parts attached to a commercial policy.

### **Common Policy Declarations**

Under the latest commercial lines program, a common declaration page which is part of every commercial policy. It shows information applicable to the entire policy (policy number, insurer, insured, total premium, forms attached, etc.). Each individual coverage part may also have its own declarations page.

### **Common Stock**

An equity security that represents ownership in a corporation.

### **Common Stock**

A security representing ownership of a corporation's assets. The right of common stock to dividends and assets is subordinate to the rights of bonds, preferred stocks, and other creditors. Generally, shares of common stock carry voting rights.

### **Common Stock Fund**

An investment company whose portfolio consists primarily of common stocks. Such a company may, at times, take a defensive position in cash, bonds and other senior securities.

### **Community Property**

Common or statutory law which holds that husband and wife are each entitled to 1/2 of the total earnings and the property of both parties to the marriage. It is applicable in Arizona, California, Idaho, Louisiana, Nevada, New Mexico, Texas and Washington state.

### **Community Rating**

Under this rating system, the charge for insurance to all insureds depends on the medical and hospital costs in the community or area to be covered. Individual characteristics of the insureds are not considered at all.

### **Commutation**

The exchange of one thing for another. In insurance it is usually the exchange of installment benefits for a lump sum.

### **Commutation Clause**

A clause that provides for estimation, payment, and complete discharge of all future obligations for reinsurance loss or losses incurred, regardless of the continuing nature of certain losses. This clause is found particularly in Lloyd's treaties.

### **Commutation Rights**

The right of a beneficiary to receive in one sum the unpaid payments remaining under an installment option which was selected for the settlement of the proceeds or values of a life insurance policy.

### **Commute**

In insurance it means to determine as of a given date the single sum that is the equivalent of a series of sums due at various future dates, with allowances for interest that would have been earned on the unpaid portion of the series of payments.

### **Commuted Value**

The amount of a single sum payment as determined under the definition of Commute.

### **Company Edit Package**

A package of computer programs, tables and supportive documentation, constructed by ISO. Available to reporting carriers, for the purpose of data error detection and correction prior to submission to ISO.

### **Comparative Negligence**

In some states the negligence of both parties to an accident is established in proportion to the degree of their contribution to the accident. Several states have comparative negligence laws, and each one varies somewhat from the others. This is in contrast to contributory negligence, which is a general common law rule.

### **Compensation Related Loan**

A below market loan between an employer and employee.

### **Compensatory Damages**

Damages recoverable or awarded for injury or loss sustained. In addition to actual loss or injury, this term may include amounts for expenses, loss of time, bodily suffering and mental suffering, but does not include punitive damages.

### **Competency**

This is one of the elements that must be present in order to have a legal contract. It relates to the fitness or ability of either of the parties to the contract. An example of incompetency would be an alcoholic or a mental incompetent.

### **Competitive Medical Plan**

This refers to permission given by the federal government that allows an organization to write a Medicare risk contract.

### **Competitive Rating**

When used in the context of workers compensation, it refers to states where insurers adopt and file their own independent rates.

### **Competitive State Fund**

These are workers' compensation markets established by states to enhance competition and availability in the marketplace. Usually, but not always, serves as the market of last resort.

### **Completed Operations Insurance**

A form of insurance issued particularly to various types of contractors. It covers a contractor's liability for accidents arising out of jobs or operations that have been completed.

### **Completion Bond**

This is a bond issued to a mortgagee. It guarantees that the construction for which the mortgagor has borrowed money will be completed and will be able to serve as collateral for the mortgage upon completion.

### **COMPLETION FACTOR**

Term used when developing IBNR - it indicates a percentage of the ultimate claims that have been paid so far in relation to a specific incurral year.

### **Composite Rate**

A single rate with a single basis of premium, e.g., payroll or sales. For this single rate the insured is covered for a variety of hazards, such as premises and operations, completed operations, products liability, and automobile. Its primary value is to make it simpler for the policy's premium to be computed.

### **COMPOSITE RATE**

A single average rate used for all persons covered in the same policy or classification within a policy. Composite premium rates are calculated by averaging the applicable individual premium rates. Keep in mind that if the assumptions used when calculating composite premium rates are inaccurate the product will either be over-priced or under-priced. This is a common occurrence and has to be avoided when possible.

### **Composite Rating**

A method of computing a single special rate using an exposure base which is different from the manual or 'usual' exposure base for the class. A single rate is computed based on an exposure base specially selected for convenience

(e.g., sales or payroll), and which serves as a representative substitute for the 'true' exposure base of the risk. The exposure base chosen for rating, therefore, reasonably reflects variations in insurable hazards for the coverages provided. Composite rating allows for ease in handling and a lessening of administrative costs for the insured.

### **Composition Roof**

A roof of either asbestos or asphalt shingles. The term is most frequently used in connection with construction factors used in determining the rate for property insurance.

### **Comprehensive Coverage**

Automobile 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 General Liability**

A policy covering a variety of general liability exposures, including premises and operations (OL&T or M&C), completed operations, products liability, and owners and contractors protective. Contractual liability and broad form coverages could be added. In most jurisdictions, the "Comprehensive" General Liability policy has been replaced by the newer "Commercial" General Liability (CGL) forms which include all the standard and optional coverages of the earlier forms.

### **Comprehensive Glass Insurance Policy**

A policy which covers the insured against loss by breakage of glass from almost any peril. Fire is usually excluded because it is covered under any basic property policy, and war is excluded. This policy has largely been replaced by a new commercial form.

### **Comprehensive Major Medical**

A plan of insurance which has a low deductible, high maximum benefits, and a coinsurance feature. It is a combination of basic coverage and major medical coverage which has virtually replaced separate hospital, surgical and medical policies with each having its own deductible requirements.

### **Comprehensive Major Medical Insurance**

A medical insurance plan that combines basic hospital, surgical, and medical expense coverage with traditional major medical protection to form a single policy.

### **Comprehensive Personal Liability**

This coverage protects individuals and families from liability for nearly all types of accidents caused by them in their personal lives as opposed to business lives. It is most commonly a part of the protection provided by a Homeowners policy.

### **Comprehensive Personal Liability Insurance**

Protection for an insured against loss arising out of his/her legal liability to pay money for damage or injury (s)he has caused to others. This does not include automobile liability or business operations.

### **Comprehensive Policy**

In automobile and liability insurance, this is an open perils (all risk) coverage with certain named exclusions.

### **Compromise and Release Agreement**

A settlement practice under which an injured worker agrees to a compromised liability amount (usually a lump sum) in exchange for releasing the employer from further liability.

### **Compulsory Insurance**

Any form of insurance required by law. For example, some states have compulsory automobile insurance laws, some have compulsory disability benefits laws, etc.

### **Computation Base Years**

A calculation which is the total of the computation elapsed years less the five lowest earnings years for Social Security tax purposes.

**Computation Elapsed Years**

The total number of years since 1950 or attainment of age 21, if later, up to age 62, during which Social Security taxes have been paid.

**Computer Fraud**

Fraudulent theft or transfer of money, securities or other property resulting from the use of any computerized equipment or systems.

**Computer Fraud Coverage Form**

A commercial crime coverage form that protects against loss of money, securities, and property other than money and securities resulting from computer fraud.

**Concealment**

The failure to disclose a material fact.

**CONCENTRATION**

Concentration is the exposure or amount of a potential net loss that is located in the same proximity and consequently subject to the occurrence of an event that could cause large losses. Examples include air travel exposure, employees in a building, passengers on cruise ships, buses, and similar.

**Concurrent Causation**

A term referring to two or more perils acting concurrently (at the same time or in sequence) to cause a loss. This created problems for property insurers when one of the perils was covered and one was not, and it led to recent revisions in policy language.

**Concurrent Insurance**

Two or more policies with the same conditions and coverages that cover the same interest in the same property. If an insured has two or more property insurance policies, the policies should be concurrent (similar) or the property will not be insured properly if the policies are not concurrent (similar).

**Concurrent Review**

A case management technique which allows insurers to monitor an insured's hospital stay and to know in advance if there are any changes in the expected period of confinement and the planned release date.

**Conditional Binding Receipt**

This is the more exact terminology for what is often called a binding receipt. It provides that if a premium accompanies an application, the coverage will be in force from the date of application or medical examination, if any, whichever is later, provided the insurer would have issued the coverage on the basis of the facts revealed on the application, medical examination and other usual sources of underwriting information. A life and health insurance policy without a conditional binding receipt is not effective until it is delivered to the insured and the premium is paid.

**CONDITIONAL RECEIPT**

Normally in agency-produced business, a receipt, given for payment of premium with the application, which binds the company on the contract if the risk is approved as applied for, and the full first term premium is paid.

**Conditional Sales Floater**

A type of policy designed to cover property that has been sold on an installment or conditional sales basis. It covers the interest of the seller.

**Conditional Vesting**

A form of vesting in a contributory pension plan under which entitlement to a vested benefit is conditional upon nonwithdrawal of the participant's contribution.

**Conditionally Renewable**

A contract that provides that the insured may renew it to a stated date or an advanced age, subject to the right of the insurer to decline renewal only under conditions stated in the contract.

**Conditions**

These are provisions of an insurance policy which state either the rights and duties of the insured or the rights and duties of the insurer. Typical conditions have to do with such things as the insured's duties in the event of loss, cancellation provisions, and the right of the insurer to inspect the property.

**Condominium Association Coverage Form**

A commercial property form designed to cover the joint insurance needs of members of a condominium association who collectively own commercial property.

**Condominium Unit Owners Coverage Form**

A commercial property form designed to cover the individual needs of commercial (not residential) condominium unit-owners.

**Confining**

A form of disability or sickness that confines the insured indoors, usually at home or in a hospital. Many policies state that coverage is afforded only if the insured is confined.

**Consent Order**

A disciplinary action in which the party at fault (usually an insurance company or agent) agrees to discontinue a particular practice (usually an unfair trade or claims practice) through a written agreement with the Insurance Department. Consent orders (also known as consent decrees) may or may not involve a fine.

**Consequential Loss (or Damage)**

(1) An indirect loss arising out of the policyholder's inability to use the property over a period of time, as opposed to a direct loss that happens almost instantaneously. Business interruption, extra expense, rents insurance, and leasehold interest are the most common coverages included under the category of consequential loss coverages. (2) A loss not directly caused by a peril insured against, such as spoilage of frozen foods caused by fire damage to the refrigeration equipment.

**Consequential Losses**

Indirect losses; (i.e., those that occur in connection with or as a result of the direct or main loss). Some policies cover only direct losses, others cover both direct losses and indirect losses.

**Conservation**

The insurance company's efforts to prevent current policies from lapsing.

**Conservator**

Someone appointed to manage an insurer deemed by law or court action to be in danger of failure.

**Consideration**

The exchange of values on which a contract is based. In insurance, the consideration offered by the insured is usually the premium and the statements contained in the application. The consideration offered by the insurer is the promise to pay in accordance with the terms of the contract.

**CONSIDERATION**

A legal term from the Law of Contracts for one of the three conditions necessary for a valid contract: Offer, Acceptance, and Consideration made on the Application and payment of premium.

**Consignee**

This is a person to whom materials or goods are delivered for resale. The consignee pays the owner after the goods have been sold.

**Consolidated Omnibus Budget Reconciliation Act of 1986**

A federal legislation providing for a continuation of group health care benefits under the group plan for a period of time when benefits would otherwise terminate.

**Consortium**

The companionship of a spouse. If a spouse is injured through the fault of another, part of the damages could include the value of the spouse's services or companionship which was lost due to the accident.

**Conspiracy**

A combination of two or more persons that by concerted action seek to accomplish an unlawful purpose or to accomplish a lawful purpose by unlawful means.

**Construction Bond**

This bond protects the owner of a building or other structure under construction in case the contractor cannot complete the job. If the contractor defaults, the insurer is obligated to see that the work is completed.

**Construction Classes**

A factor that affects property rates. Construction refers to the types of materials with which the building is made. There are six construction classes including: frame, joisted masonry, non-combustible, masonry non-combustible, modified fire resistive and fire resistive.

**Constructive Delivery**

Intentionally relinquishing control over a policy and turning it over to someone acting for the policyowner, such as when an insurer mails the policy to its own agent for delivery to the policyowner. Legally, an insurance policy is considered delivered when mailed or turned over to the policyowner or someone acting on his or her behalf.

**Constructive Performance**

A situation in which an act has not actually been completed but conduct has gone so far as to show intent to complete the act.

**Constructive Total Loss**

A partial loss of sufficient degree to make the cost of repairing the damaged property more than the property is worth. For example, an old automobile might suffer damage which could be repaired, but the cost of repairs would be more than the actual cash value of the automobile.

**Consumer Credit Insurance Association**

A trade association for insurers of credit insurance in the areas of life and health.

**Consumer Price Index**

Measure of changes in the cost of consumer goods (housing, food, transportation, medical care, entertainment, etc.). The U.S. Department of Labor calculates the index each month from the cost of items in urban areas across the nation.

**Consumer Protection Act**

A law passed by many states which protects a policyholder from the misconduct, misrepresentation, or "sharp" trade practices of insurers, brokers, and agents.

**Consumer Report**

A report ordered on an insured or applicant under which information about the person's credit, character, reputation, personal characteristics or lifestyle is obtained primarily through institutional sources. Contrast with Investigative Consumer Report.

**CONTACT RATE**

Contacted Number divided by Leads.

**Contents Rate**

The fire insurance rate on the contents of a building rather than on the building itself.

**Contents Risk**

The property of an insured which is described by a single occupancy classification code and is located within a single building risk.



**Contestable Clause**

A provision in an insurance policy setting forth the conditions under which or the period of time during which the insurer may contest or void the policy. After that time has lapsed, normally two years, the policy cannot be contested.

**CONTESTABLE PERIOD**

A clause in the insurance policy that provides a time limit on the insurer's right to dispute a policy's validity based on material misstatements made in the application.

**CONTINENTAL SCALE**

A long table or schedule of permanent losses resulting from accidental bodily injury. Unlike the US type Dismemberment scale, the Continental Scale includes benefits for permanent loss of use as well as dismemberment. The Continental Scale also provides benefits for many more parts of the body. Continental Scale is also known as Permanent Invalidity or Permanent Disablement.

**Contingency Reserve**

A reserve in an insurer's annual statement, in addition to the legal requirements, to provide for unexpected contingencies or losses.

**Contingent (or Profit) Commission**

An allowance payable to the ceding insurer, in addition to the normal ceding commission, based on the net profit derived from a reinsurance treaty.

**Contingent Annuitant**

A person(s) named to receive annuity benefits if the primary annuitant is deceased at the time benefits become payable.

**Contingent Annuity**

An annuity in which payment of benefits is contingent upon the occurrence of an uncertain event, such as death of a person not an annuitant. For example, an annuity might be purchased to pay benefits to a wife in the event of the death of her husband.

**Contingent Beneficiary**

A person(s) named to receive policy benefits if the primary beneficiary is deceased at the time the benefits become payable.

**CONTINGENT BENEFICIARY**

(also known as PROFIT COMMISSION) - In reinsurance, an amount payable to the ceding company in addition to the normal ceding commission allowance. It is a predetermined percentage of the reinsurer's net profits derived from the subject treaty. When this type of payment is included under an insurance policy (vs. reinsurance) it is usually referred to as profit-sharing or experience-rating refund. In A&H it is not very common to include profit-sharing to policyholders but it may be available for very large groups or programs.

**Contingent Business Interruption Insurance**

Coverage for the loss of earnings of an insured because of a loss to another business which is one of the insured's major suppliers or customers. This insurance is now known as business income from dependent properties.

**Contingent Fund**

A reserve to cover possible liabilities resulting from an unusual happening.

**Contingent Interest**

An interest in personal property which is dependent upon some future event.

**Contingent Liability**

A liability imposed because of accidents caused by persons other than employees for whose acts an individual, partnership or corporation may be responsible. For example, an insured who hires an independent contractor can in some cases be held liable for negligence.

**Contingent Modification**

A contingent modification may be issued by the rating organization when unsuccessful in obtaining the unit statistical data to promulgate an experience modification or a record of coverage is not available for an experience period.

**Contingent Trust**

A revocable living trust that only becomes operational upon a specified occurrence or contingency.

**Contingent Vesting**

In pensions, a form of vesting under which entitlement to a vested interest is conditional upon circumstances surrounding the employee's termination of service or conduct after termination.

**Continuation**

Allows terminated employees to continue their group health insurance coverage under certain conditions.

**Continuing Care Retirement Communities**

Residential communities set up to provide residents with easy access to health care.

**Continuing Education Requirement**

State-level requirement that insurance licensees periodically complete a minimum number of hours of insurance-related education in order to be eligible for license renewal.

**Continuous Improvement Framework**

Establishes the skills, discipline and technical competence in the organization that provides it with the structure and capability to consistently devise programs that enable it to perform better, using the PMP/Six Sigma methodology. In some cases, an organizational unit will be set up that is responsible for monitoring core performance metrics, assessing sigma levels, and initiating improvement projects.

**Continuous Premium Whole Life Policy**

A whole life policy that stretches the premium payments over the insured's lifetime (to age 100). Also known as Straight Life. Compare with Limited Payment Whole Life and Single Premium Whole Life.

**Contract**

In insurance, the agreement by which an insurer agrees, for a consideration, to provide benefits, reimburse losses or provide services for an insured. A 'policy' is the written statement of the terms of the contract.

**Contract**

(1) An agreement entered into by two or more persons under which one or more of them agree, for a consideration, to do or refrain from doing acts in accordance with the wishes of the other party(s). (2) In insurance, the agreement by which an insurer agrees, for a consideration, to provide benefits, reimburse losses or provide services for an insured.

**Contract Bond**

A guarantee of the faithful performance of a construction contract and the payment of all material and labor bills incidental thereto. A bond covering faithful performance only is known as a Performance Bond, and one covering payment of labor and materials only is a Payment Bond.

**Contract Carrier**

A transportation company which carries the goods of only certain customers and not the public in general, as in the case of a common carrier.

**Contract of Adhesion**

A contract that one party must accept or reject in toto, without bargaining over the wording. An insurance contract is an example, since the contract is developed by the insurer, and the insured must accept it as it is.

**Contract of Insurance**

The contract whereby an insurer agrees to indemnify an insured for losses, provide other benefits, or render services to or

on behalf of the insured. The contract of insurance is often called an insurance policy, but the policy is merely the evidence of the agreement.

**Contract Year**

This period runs from the effective date to the expiration date of the contract.

**Contractual (or Assumed) Liability Insurance**

This insurance protects the insured in the event a loss occurs for which the insured has assumed liability, express or implied, under a written contract. For example, under most construction agreements with a municipality, the contractor agrees to "hold the municipality harmless" for any accidents arising out of the job. Contractual liability insurance would thus protect the contractor from any loss for which the municipality would be liable in connection with the construction.

**Contractual Liability**

Specific coverage assumed under a written contract or agreement over and above the liability imposed by law and provided by the basic liability policy. Example: A builder or contractor may be required to assume responsibility for all liability of a municipality, before being allowed to use city streets, sidewalks, or other public property or facilities in connection with his operations. Thus he/she assumes additional responsibility and therefore must 'contract' additional coverage by means of contractual liability form.

**Contributing Location**

A location upon which the insured depends as a source of materials or services. One of the four types of dependent properties for which business income coverage may be written.

**Contribution**

(1) The share of a loss payable by an insurer when contracts with two or more insurers cover the same loss. See also Apportionment. (2) The insurer's share of a loss under a coinsurance or similar provision. (3) The amount of the premium for group insurance or a pension plan paid by the employee.

**Contribution Formula**

As used under a qualified profit-sharing trust or money-purchase plan, the formula which spells out when and in what amounts the employer will make contributions to the trust.

**Contributory**

A general term used to describe a plan of employee coverage in which the employee pays at least part of the premium.

**CONTRIBUTORY**

A plan of insurance in which all or part of the cost is paid by the insured. (The opposite: non-contributory.) These words or conditions are usually used in group or employee benefit insurance. E.g. an employer may pay 75% of the employees' premium but the employees' have to pay the other 25%. Or, the employer may pay all of the employees' premiums but the employees' have to pay the premium to include their eligible family members.

**Contributory Negligence**

If an injured party fails to exercise proper care and in some way contributes to his or her injury, the doctrine of contributory negligence will probably negate or defeat the claim, even though the other party is also negligent. Contrast with Comparative Negligence.

**Contributory Retirement Plan**

One in which the participant pays part of the cost of purchasing the annuity or building up the fund from which benefits are paid.

**Control**

(Performance) DMAIC phase C; once solutions have been implemented, ongoing measures track and verify the stability of the improvement and the predictability of the process. Often includes process management techniques and systems including process ownership, cockpit charts and/or process management charts.

**Control**

Authority given to an agent or broker by a policyowner to place the insurance where the agent or broker sees it.

### **Control Provision**

A policy provision found most frequently in juvenile contracts, providing that ownership control is to be exercised for a stated or indefinite duration by a person other than the one whose life is insured.

### **Controlled Business**

This term refers to the amount of insurance countersigned, issued or sold by a producer covering the life, property or interests of that producer, members of the producer's immediate family, or the producer's employer or employees. Many states limit the amount of controlled business that may be written, and if the premium or commissions on controlled business exceed a given percentage (usually 50%) of all business, the producer's license may be suspended, revoked, or not renewed.

### **Controlled Insurance**

An insurance account that an agent or broker can control by influencing the buyer, as contrasted with controlling it by actual agreement.

### **Convention (or Statement) Blank**

The uniform annual financial statement required by all United States insurance jurisdictions as prescribed by the National Association of Insurance Commissioners. It must be filed annually in an insurer's home state and every state in which it is licensed to do business. Nearly all insurance accounting practices are geared to it.

### **Convention Values**

Values assigned to insurers' assets in the convention blank.

### **Conversion**

(1) Wrongful use of property by one in lawful possession of it. (2) Change of one policy form to another, usually without evidence of insurability. This usually refers to life or health insurance contracts.

### **Conversion Fund (Supplemental)**

A fund used with ordinary life or limited payment life which augments the cash value at retirement to provide monthly retirement income.

### **Conversion Privilege**

This is the right of an individual to convert a group health or life policy to an individual policy should the individual cease to be a member of the group. Usually this can be done without a physical examination.

### **Conversion Rate**

Percentage of people who pay the first premium installment after the policy is issued, and expressed as a percentage of the total number of applications issued.

### **CONVERSION RATE**

Percentage of potential customers, or the percentage of those responding to an offer, that become buyers.

### **CONVERTED NUMBER**

Number of people who pay the first premium installment after the policy is issued.

### **Convertible**

A policy that may be changed to another form by contractual provision and without evidence of insurability. Most term policies are convertible into permanent insurance.

### **Convertible Collision Insurance**

Automobile collision insurance with a deductible that, after claims exceeding the deductible have been paid, converts to full coverage for all losses thereafter. Rarely written today.

### **Convertible Securities**

Securities carrying the right (either unqualified or understated conditions) to exchange the security for other securities of the issuer. Most frequently applies to preferred stocks or bonds carrying the right to exchange for given amounts of common stock.

### **Cooperative Insurance**

Insurance issued by a mutual association such as a fraternal society, an employee association, an industrial association, or a trade union.

### **Cooperative Processing**

Different processing functions which reside on different machines; each machine does the part of the system it can do best.

### **Coordination of Benefits**

A group policy provision which helps determine the primary carrier in situations where an insured is covered by more than one policy. This provision prevents an insured from receiving claims overpayments.

### **Copay**

This is an arrangement where the covered person pays a specified amount for various services and the health care provider pays the remainder. The covered person usually must pay his or her share when the service is rendered. Similar to coinsurance, except that coinsurance is usually a percentage of certain charges where the co-payment is a dollar amount.

### **Copay Provision**

Often used with major medical policies. The copay provision states what percentage of a claim the company will pay and what percentage the insured will pay. For example, an 80% copay provision would provide that the insurer pay 80 percent of claims and the insured pay 20 percent.

### **Corporate Accident Plans**

The Basic AD&D, Voluntary AD&D, and Group Travel lines of business.

### **Corporate Bond**

A debt security issued by a corporation at a given rate of interest for a specified term, usually in units with a par value of \$1,000.

### **Corporate Owned Life Insurance**

A general term applied to any life insurance purchased and owned by a corporate entity to meet corporate employee benefit funding obligations. Depending upon the intended financial outcome, these programs may include many different life insurance products and product designs.

### **Corporation**

A business entity which has a legal identity as itself, separate from the legal identities of its owner(s), and authorized by law to act as a single person with various rights and duties as prescribed by law.

### **Correlation Coefficient**

A number that expresses the amount of similarity or dissimilarity in behavior between two asset classes.

### **Corridor**

In universal life insurance, it is necessary to maintain a certain level of pure insurance protection in excess of the accumulation value in order to qualify as life insurance for income tax purposes. This portion of the pure insurance protection is called a "corridor."

### **Corridor Deductible**

A major medical provision that provides for a deductible, or "corridor," that applies after full payment of basic hospital and medical expenses up to a stated amount, and before additional expenses are shared on a coinsurance basis. For example, a policy might pay 100% of the first \$2,000 of expenses, followed by a \$500 corridor deductible paid by the insured, followed by a sharing of additional expenses on the basis of 80% payable by the insurer and 20% payable by the

insured.

### **CORRIDOR DEDUCTIBLE**

A deductible amount between the benefits paid under a basic plan and those payable under a supplemental plan. The deductible amount is applied after the basic benefits have been used before any benefits are payable under the supplemental plan.

### **Cosmetic Procedures**

Procedures which improve the appearance, but are not medically necessary.

### **Cost Basis**

Money which has already been taxed; used in reference to taxation of investment dollars.

### **Cost Contract**

An agreement between a provider and the Health Care Financing Administration to provide health services to covered persons based on reasonable costs for service.

### **Cost of Insurance**

A value or cost of the actual net protection, in life insurance, in any year (face amount less reserve) according to the yearly renewal term rate used by an insurance company.

### **Cost of Insurance Charge**

Another term to describe the charge for the pure insurance protection element of a life insurance contract. It is also known as the Mortality Charge.

### **COST OF LIVING ADJUSTMENTS**

An increase in a disability benefit or life income benefit to compensate for an increase in the cost of living.

### **Cost of Living Benefit**

An optional disability benefit where the monthly benefit will be increased annually once the insured is on claim for 12 months.

### **COST PER CONTACT OR COST PER UNIT (CPU)**

This is the total cost of preparing and making the offer to each person, rounded to the nearest cent and calculated by taking total marketing cost excluding commission and dividing it by the number mailed/contacts - Marketing Costs divided by Leads.

### **COST PER RESPONSE**

The actual cost of a campaign of individuals that initially respond to the offer.

### **Cost Per Unit**

This is the total cost of preparing and making the offer to each person, rounded to the nearest cent and calculated by taking the total marketing cost excluding commission and dividing it by the number mailed/contacts. Marketing costs include all of the costs associated with the preparation of the solicitation and the fulfillment kit, including the following: concept, design, and layout costs, paper/envelopes, business reply or other permit costs, printing, insertion, list rental, postage/delivery costs, gift/incentive costs, the salaries of any temporary personnel, the cost of writing telemarketing scripts and the cost of temporary telemarketing staff or external telemarketing personnel.

### **Cost Sharing**

A situation where covered persons pay a portion of the health costs such as deductibles, coinsurance, or copayment amounts.

### **Cost-of-Living Rider**

Designed to adjust policy benefits in relation to the change in the economic climate. The majority of such riders are tied to changes in the Consumer Price Index (CPI). The amount of insurance may be automatically increased, without evidence of insurability, at predetermined periods for a maximum amount.

**Countersignature**

The signature of a licensed agent or representative on a policy.

**Countersignature Law**

Refers to the laws which most states have requiring that any insurance contract in a state be countersigned by a representative of the insurer located in that state.

**Countrywide Rates**

For each major division of the Commercial Lines Manual, a section called "Countrywide Rates" contains rates and minimum premiums. State rates are used for coverages for which there are no countrywide rates, or to modify countrywide rates.

**Countrywide Rules**

For each major division of the Commercial Lines Manual, a section called "Countrywide Rules" contains rules and rating factors applicable to coverages in that division.

**Coupon Policy**

A life insurance policy, usually 20-pay life or some other limited payment period, with attached coupons that may be cashed in for a specified amount at the time of the payment of each annual premium.

**Court Bond**

Any bond required of a litigant to enable him or her to pursue a remedy in court.

**Cover**

(1) A contract of insurance. (2) To effect insurance, that is, to "cover" an insured, for instance, for automobile insurance effective as of a given time. (3) To include within the coverage of a contract of insurance. For example, one could "cover" additional buildings under a property insurance contract.

**Cover Note**

A written statement issued by an intermediary, broker, or direct writer of reinsurance that indicates coverage has been affected. A cover note, acts much in the same way as a binder - outlining coverage in general terms with, perhaps, selected terms and conditions. Compare Certificate of Reinsurance and Master Certificate of Reinsurance.

**COVER NOTE**

A document issued by an agent or a broker that tells the insured that the agent or broker has effected the insurance described therein. Since there are often delays in issuing formal policies, a cover note gives the insured a description of what insurance has been put into effect.

**Coverage**

The scope of the protection provided under a contract of insurance.

**COVERAGE**

The guarantee against specific losses provided under the terms of the policy. Also called "protection". Extent of hazards covered such as "24 Hour" versus Business Travel. Other examples: scheduled air, common carrier, specified activity, etc.

**Coverage A**

Prior to 1984, the section in the standard workers compensation policy that provided the statutory workers compensation coverage. The 1984 policy revision changed "Coverage A" to "Part I".

**Coverage B**

Prior to 1984, the section in the standard workers compensation policy that provided Employers' Liability Coverage. The 1984 policy revision changed "Coverage B" to "Part II."

**Coverage Part**

Comprises the declarations, forms and endorsements used for each commercial line.

### **Coverage Trigger**

A mechanism that determines whether a policy covers a particular claim for loss. For example, the difference between the coverage triggers of liability "occurrence" forms and "claims made" forms is that loss must occur during the policy period in the first case and the claim must be made during the policy period in the second case.

### **Covered Expenses**

Health care expenses incurred by an insured or covered person that qualify for reimbursement under the terms of a policy contract.

### **Covered Loss**

Illness, injury, death, property loss, legal liability, or any other situation or loss for which an insurance company will pay benefits under a policy when such event occurs.

### **Covered Person**

An insured person under a contract of insurance.

### **CPA-COST PER ACQUISITION**

Marketing Costs divided by Converted Number.

### **CPM-COST PER THOUSAND**

Common rate for list rentals when fee is based on every 1,000 names rented to telemarketers or other direct marketers.

### **Crash Coverage**

A type of coverage which is optional under an aviation policy. It provides coverage for damage to an airplane caused by a crash, and is usually referred to as Hull coverage or physical damage coverage.

### **Credentialing**

This involves approving a provider based on certain criteria to provide or participate in a health plan.

### **Credit and Mortgage Life**

Administration and total claims processing system for credit life and credit A&H.

### **Credit Card Forgery**

This protects the insured against losses caused by forgery in the use of credit cards or the alteration of them or of any other written instruments connected with them.

### **Credit Carried Forward**

The transfer of credit or profit from one accounting period to another under a Spread Loss or other form of long-term reinsurance.

### **CREDIT CARRY- FORWARD**

The transfer of credit or profit from one accounting period, under a spread loss or other form of long-term reinsurance treaty, to the succeeding accounting period. CRM – CUSTOMER RELATIONSHIP MANAGEMENT - CRM is a

### **Credit Carryover**

Each year an employer is allowed to contribute 15% of payroll towards a profit-sharing plan and deduct it from taxable income. If the contribution is less than 15% in a particular year, the unused percentage can be made up in succeeding years. However, deductible contributions are limited to a total amount not greater than 25% of the participants' payroll: 15% for the current year's contribution plus 10% for credit carryover.

### **Credit Health Insurance**

A group disability income insurance contract whereby a creditor is protected in the event of the total disability of a debtor. The policy will pay benefits equal to the monthly installment of the debtor.



**Credit Insurance**

A guarantee to manufacturers, wholesalers, and service organizations that they will be paid for goods shipped or services rendered.

**Credit Insurance**

Insurance coverage that makes loan payments on behalf of the borrower in the event of default due to specific reasons (e.g., job loss, physical disability, illness).

**Credit Life Insurance**

Term life insurance providing for payment of a loan, installment purchase, or other obligation in case of death. In the Philippines, if collateral is involved, this is also known as mortgage redemption insurance.

**Credit Report**

A confidential report made by an independent individual or organization that has investigated the reputation and record of an applicant for insurance. Also called Consumer Report.

**CREDITIBILITY**

The measure of credence or belief which is attached to a particular body of statistical experience for ratemaking purposes. Generally, as the body of experience increases in volume, the corresponding credibility also increases. This term would frequently be defined in terms of specific mathematical formulas.

**Creditor**

The person to whom a debt is owed.

**Crime**

A public wrong, a violation of criminal law. The state is the entity that brings charges against one who commits a crime, and the matter is adjudicated in a criminal court. Contrast with Tort.

**Criticism**

A correction suggested by a rating or auditing bureau to an insurer.

**CRM-CUSTOMER RELATIONSHIP MANAGEMENT**

CRM is a strategy used by AIG to develop its relationship with existing customers beyond the point of sale; its goal is to better understand their customer preferences and needs as well as their buying life cycle. Tools used in the CRM platform are the OOC initiative as well as the technology system Quickstart (please refer to the definition of two terms in the glossary).

**Cromie Rule**

A method or guide used to apportion losses under policies which are nonconcurrent, that is, not identical as to coverage provided.

**Crop Insurance**

Provides protection against damage to growing crops by such perils as hail, windstorm, and fire. Traditionally, crop-hail coverage was the most common coverage sold. In recent years premiums for broad multi-peril crop insurance (MPCI) have exceeded those for the crop-hail business.

**Cross Purchase**

A form of business life insurance in which each party to a mutual agreement (usually to buy out a disabled or deceased co-owner) insures each of the other parties.

**Cross Purchase Agreement**

A binding buy-sell agreement usually used with a partnership in which each partner agrees to purchase the business interest of a deceased or disabled partner.

**Cross-Sell**

The offer of a different insurance product to a current policyholder.

**CROSS-SELL**

The offer of a different insurance product to a current policyholder.

**Crude Death (or Mortality) Rate**

The ratio of total deaths to total population during any given period.

**Crummey Privilege**

The annual withdrawal privilege offered by a trust to trust beneficiaries in order for the trust property to remain qualified for the gift tax exclusion.

**CSP Commercial Statistical Plan**

ISO requirement for data reporting for all commercial lines of business.

**Cumulative Liability**

(Reinsurance) The accumulation of the liability of a reinsurer that has been assumed under several policies from several ceding companies covering different lines of insurance, all of which are involved in a common event or disaster.

**Cumulative Liability**

(Surety) The liability of a surety bonding company for the accumulation of loss under its own bond and under a bond which it replaced before a loss under the replaced bond was discovered.

**CUMULATIVE LIABILITY**

The total of the limits of liability of all insurance policies that an insurer has outstanding on a risk. Such limits include ceding contracts from all insurers representing all lines of coverage for the single risk.

**Current Disbursement**

The funding and disbursement of pension benefits as they become due. Also known as "pay-as-you-go." In the long run, this is the most costly method of funding pension plans.

**Current Future Service**

The amount of pension payable for each year of future participation in the pension plan.

**Current Ratio**

The ratio of current assets to current liabilities. Bond underwriters like this ratio to be 2 to 1 on the balance sheets of contractors for whom they are considering contract bonds.

**Current Service Benefit**

The portion of a participant's pension benefit that relates to credited service in a contemporary period, usually 12 months.

**Current Service Cost**

The cost in a pension plan to make provision for annuity credits earned by employees in the current year.

**Current Value**

The fair market value of a security or other property as determined by the trustees or a named beneficiary, according to the terms of the plan.

**Current Yield**

Annual return on a bond, computed by dividing the annual coupon rate by the market price. Current yield equals the coupon rate for bonds purchased at par and exceeds it for bonds purchased at discount.

**Currently Insured Status**

A provision of OASDHI. The requirements for being "currently insured" are less than those for being "fully insured," and the former entitles a worker's dependents to survivor benefits in the event of the worker's death. Contrast with Fully Insured.

**Custodial Care**

Care that is primarily for meeting personal needs such as help in the activities of daily living (bathing, dressing, eating, taking medicine etc.). It can be provided by someone without professional medical skills or training but must be according to doctor's orders.

**Custodian**

Under commercial crime insurance coverages, the named insured or any of the insured's partners or employees while having care and custody of insured property inside the insured's premises.

**Custom House Bonds**

Bonds required by U.S. customs in connection with the payment of duties or the production of bills of lading.

**Customary Charge**

Used to determine Medicare benefit amounts, this usually means the average fee charged for a particular medical service in the geographical area in the preceding year.

**Customer Service Group**

The organizational unit within a country's Operations function that takes on responsibility for technical underwriting, administration and processing for all business that is basic to medium in terms of underwriting complexity; the CSG's focus is on processing efficiency and customer service and it includes sub-units that deal with technical underwriting, customer service, document processing, call center activities and telemarketing activities.

**Cut Rate**

This term generally applies to insurance companies who charge premiums below a normal or average rate.

**Cut-Off**

The termination provision of a reinsurance contract stating that the reinsurer shall not be liable for loss as a result of occurrences taking place after the date of termination.

# D

**D Ratio**

The D (discount) ratio is the factor used in experience rating to determine the amount of expected loss for each classification that are expected primary losses.

**DAC - DEFERRED ACQUISITION COST**

Expenses (primarily marketing cost) related to the production of new business that are deferred and amortized to achieve a matching of revenues and expenses when reported in financial statements prepared in accordance with GAAP.

**Daily Report**

An abbreviated statement of pertinent policy information with copies for the insurer, the agent, and others. It is usually the top page of a policy.

**Damages**

The amount required to pay for a loss.

**Data Processing Coverage**

A special form providing protection for loss due to the breakdown of data processing systems. It also includes coverage for the additional expense of putting the system back into operation.

**Date of Issue**

The date stated in a policy as the date on which the contract was issued by the insurer. This is not necessarily the effective date of the policy.

**Date of Service**

The date that the health service was provided.

### **DBG General Ledger**

The DBG General Ledger system records all the accounting transactions so as to provide data for management and regulatory reporting. All DBG profit center premiums, losses and expenses flow through this system.

### **Death Benefit**

The amount stated in a policy contract as payable upon the death of the person whose life is being insured (cesti que vie).

### **Death Benefit Only Plan**

A plan in which part of an employee's salary is deferred and paid upon the contingency of death.

### **Death Repatriation**

If the Insured dies during the Insured Journey, the company must be contacted to verify, approve and arrange to return the body to the country stated in the Schedule of Benefits. The company will pay the reasonable covered expenses incurred up to the amount stated in the Schedule of Benefits. Covered expenses include, but are not limited to, expenses for embalming, cremation, coffins and transportation. This benefit does not include the transportation expenses of any person accompanying the body.

### **Debenture**

A bond that is backed only by the general credit of the issuer.

### **Debit**

(1) The amount of premium charged or debited to an agent to be collected. (2) The book of business represented by such premiums. (3) The territory where most of the insureds are located. (4) The total number of individual or home service insureds assigned to a given agent for collection of weekly or monthly premiums and for servicing, commonly referred to as "people in my debit."

### **Debit Agent**

An agent who works on the debit system.

### **Debit System**

The system of collecting insurance premiums weekly or monthly by an agent.

### **Debris Removal Clause**

A provision that may be included in a Property policy contract to provide the insured with indemnification for expenditures incurred in the removal of debris produced by the occurrence of an insured peril. Ordinarily a property policy covers only the direct damage caused by an insured peril.

### **Debt**

The amount owed to creditors.

### **Debt Securities**

Securities that provide interest payments as compensation for the use of an investor's (i.e., lender's) funds. These payments usually last for a specific period. The principal (original loan amount) is usually paid at the end of this period. Some debt securities are backed by the credit of the issuer (i.e., Treasury bonds are backed by the credit of the U.S. government). However, other debt securities are backed by specific assets of the issuer. These securities are known as asset-backed bonds.

### **Debtor**

One who owes a legal obligation or money to another.

### **Decedent**

Same as Deceased.

### **Declaration**

(Liability & Property) A term used in insurance other than Life or Health to denote that portion of the contract in which is stated such information as 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 representations by the insured.

**Declaration**

(Legal) A formal written statement in which an individual avows under oath certain facts as personally known to him or her specifying of the facts constituting the plaintiff's cause of action against the defendant.

**Declaration Page**

The page of a policy or an application where the insured signs to agreeing to various terms.

**Declarations Page**

The 'dec page' or that part of the property or liability policy which includes the name and address of the insured, the property insured, its location and description, the policy period, the amount of coverage, applicable premium and supplemental information provided by the insured.

**Declination**

Rejection of an application for insurance by the insurer.

**Decreasing Term**

A form of life insurance that provides a death benefit which declines throughout the term of the contract, reaching zero at the end of the term.

**Decreasing Term Insurance**

A term life insurance policy where the death benefit decreases but the premium remains level for the policy term.

**Deductible**

An amount of expenses or loss to be paid by the insured before the policy benefits become payable.

**Deductible Calendar Year**

A deductible that specifies that one deductible needs to be satisfied for a calendar year regardless of the number of claims.

**Deductible Carryover Credit**

During the last three months of a calendar year, charges incurred for health services can be used to satisfy the deductible for the following calendar year. These credits may be applied whether or not the prior calendar year's deductible had been met.

**Deductible Clause**

A contract provision that sets forth the deductible.

**Deductible Per Cause**

A deductible that must be satisfied for each separate claim.

**Defamation**

Under insurance law an unfair trade practice involving false, maliciously critical or derogatory statement intended to injure a person engaged in the insurance business.

**Defamation**

(Legal) Any derogatory statement which is designed to injure a person's business or reputation. Defamation can be accomplished as libel (written) or slander (spoken).

**Defendant**

The person being sued in a court action.

**Defense Base Act (DBA)**

The Defense Base Act extends the provisions of the U.S.L. & H.W. Act to employers and their employees on overseas military bases and on other overseas locations under public works contracts being performed by contractors with agencies of the United States Government.

**Deferred Annuity**

An annuity providing for income payments to begin at some future date.

**Deferred Annuity**

An annuity in which payments to the annuitant (or named beneficiary) are to begin either at a stated number of years in the future or when the annuitant reaches a certain age. During the accumulation period, the cash values of the annuity accumulate on a tax-deferred basis.

**Deferred Compensation**

A plan which may be qualified or non-qualified which allows a key person to defer receipt of current income in accordance with a written agreement with the employer. Deferral is usually until death, disability, or retirement.

**Deferred Compensation Administrator**

This refers to a company that provides services under a deferred compensation plan. Services may include administration of self-insured plans, compensation planning, salary surveys, retirement planning, etc.

**Deferred Group Annuity**

A group annuity contract providing for the purchase each year of a paid-up deferred annuity for each person covered in the group. The total amount of the annuity payments starts at a deferred date, usually retirement, and is the sum of the individual paid-up annuities.

**Deferred Premium**

The unpaid and yet undue premiums on life insurance, paid on other than an annual premium basis.

**Deferred Premium Payment Plan**

A method for payment of premium in installments.

**Deferred Vesting**

That form of vesting under which rights to vested benefits are acquired by a participant commencing upon a fulfillment of specified requirements, usually, reaching a certain age or number of years of service or membership.

**Deficiency Reserve**

A supplemental reserve that Life insurers are required to show in their balance sheet if the gross premium charged on a class of insureds is less than the net level premium reserve or modified reserve.

**Deficit**

Any excess of debits over credits at the end of a given accounting period.

**Deficit**

The amount of underwriting loss resulting from a policy's or reinsurance contract's fiscal year. Usually calculated by subtracting all net incurred claims and expenses from the net earned premiums. Or, expressed differently, deficit means any excess of charges over credits at the end of any accounting period. It is normal to carry-forward deficits to be recovered in subsequent years. (See Deficit Carry-Forward). Before any profit-sharing or contingent commissions become payable, deficits must be recovered.

**Deficit Carried Forward**

The transfer of a debit balance from one accounting period to another.

**Deficit Carry-Forward**

(Also known as Carry-Back)- The transfer of deficit or loss from one accounting period to another. The length of time that deficits are carried-forward varies from forever to three years (more common than forever).

**Define**

(the Opportunities) First DMAIC phase D; defines the problem/opportunity, process, and customer requirements; because the DMAIC cycle is iterative, the process problem, flow, and requirements should be verified and updated for clarity, throughout the other phases.

**Defined Benefit**

A qualified retirement plan where the employer makes contributions on behalf of all eligible employees in order to provide a specific retirement benefit. The amount of the contribution is not specifically defined, but the amount of the retirement benefit is defined.

**Defined Benefit Pension Plan**

A qualified retirement plan where the employer makes contributions on behalf of all eligible employees in order to provide a specific retirement benefit. The amount of the contribution is not specifically defined, but the amount of the retirement benefit is defined.

**Defined Contribution Pension Plan**

A type of pension plan under which contributions are fixed as flat amounts or flat percentages of an employee's salary. Benefits consist of whatever amounts the accumulated contributions will produce.

**Defined-Benefit Plan**

A pension plan under which the benefit the employee is to receive in the future is predetermined. (Example: \$10 per month income at retirement for each year employed.) The amount of the required annual employer contributions depends on the level of benefits to be provided and the estimated number of years in the accumulation period.

**Defined-Contribution Plan**

A pension plan under which the amount of the employee's retirement benefit is determined by contributions, not a pre-determined formula. The amount of the employee's benefit equals the accumulated contributions plus earnings the fund will produce in terms of a retirement income or lump-sum payment.

**Deflation**

An economic period characterized by falling prices, high unemployment and a generally sluggish or slow economy.

**Degree of Care**

A duty owed to others which depends on circumstances. Persons who invite others on their premises, those who invite children on their premises and those who sell what might be considered inherently dangerous products are all required to take different degrees of care to prevent harm to others.

**Degree of Risk**

The amount of uncertainty that exists in a given situation. For instance, if you've chosen heads in the flip of a coin, the degree of risk present is 50%, since there is a 50% chance any flip of the coin will come up tails.

**Delay Clause**

A contract provision permitting the insurer to defer granting a loan on the sole security of the policy for any other purpose than that of paying premiums on the policy for a stated interval of time, usually six months.

**Delay Clause**

(Ocean Marine) A contract provision that excludes liability as a result of damage or loss of market arising out of delayed voyages.

**Delayed Payment Clause**

In life insurance, a clause deferring payment to the beneficiary for a specified period after the death of the insured with proceeds to be paid to contingent beneficiaries or the estate if the primary beneficiary does not survive the delay. It is used as one method of handling common-disaster situations, such as the death of the insured and the death of the primary beneficiary occurring in the same accident. The clause usually states that the beneficiary has to survive the death of the insured by a certain period of time in order to collect.

**Delivered Business**

Contracts issued by an insurer and delivered to an insured but not yet paid for.

**Delivery**

The actual placing of a life or health insurance policy in the hands of an insured. Demand Loan  
Any loan with an indefinite maturity.

**Demolition Clause**

A provision that excludes liability for costs incurred in demolishing undamaged property, often necessitated by building ordinances requiring that structures must be demolished after a certain degree of damage has been sustained.

**Demolition Insurance**

Insurance written to cover the cost of demolition excluded by a demolition clause. It may be endorsed to property insurance for an additional premium.

**Demurrer**

A formal statement in a court action which states that even if the other party's facts are true, there is no cause of action.

**Dental Insurance**

A group health insurance contract that provides payment for certain enumerated dental services.

**Dental Plan**

A dental plan is any contractual arrangement for dental services provided or arranged for on a prepaid or postpaid individual or group service basis.

**Dental Plan Organization**

A dental plan organization refers to a direct provider of dental services compensated on a prepaid or postpaid basis to individuals or groups. An arrangement for providing dental services indirectly through independent contractors or on a fee-for-service basis is not a DPO. A DPO may be an arrangement for dental services to be provided through an agreement with providers, or by employing dentists, where the dentists agree to treat enrollees of the plan in their private offices or a central facility.

**Dental Plan, Supplemental**

A supplemental dental plan is an arrangement in which a dentist or group of dentists agree to relieve patients of paying any patient charges or copayments associated with dental insurance or other dental coverage for a predetermined fee. Supplemental dental plan may also refer to an arrangement which covers less than 50% of an enrollee's dental expenses, regardless of whether the enrollee has other coverage.

**Department of Health and Human Services**

A federal department whose responsibility is primarily dealing with social service functions such as administration and supervision of the Medicare program.

**Dependent**

An individual who depends on another for support and maintenance.

**Dependent Care Plan**

An employee benefit whereby the employee is reimbursed for dependent care expenses or an actual day care program provided by the employer on business premises.

**Dependent Coverage**

Insurance coverage on the head of a family which is extended to his or her dependents, including only the lawful spouse and unmarried children who are not yet employed on a full-time basis. "Children" may be step, foster, and adopted, as well as natural. Certain age restrictions on children usually apply.

**Dependent Life Insurance**

A life insurance benefit which is part of a group life insurance contract which provides death protection to the eligible



dependents of a covered employee.

**Dependent Properties**

Properties which an insured business does not own, operate or control, but upon which the insured's income depends. Examples include major suppliers or customers. Previously known as "contingent" properties.

**Deposit**

The contributions or payments made to a fund by the employer; or, sometimes by both the employer and employee if there are employee contributions in the plan.

**Deposit (or Provisional) Premium**

The premium paid at the inception of a contract which provides for future premium adjustments. It is based on an estimate of what the final premium will be.

**Deposit Account**

An account linked to a life insurance policy that allows the policy owner to deposit funds separate from premium. The funds are held in an interest bearing account and can be used to automatically pay future premiums due to prevent unintended lapse or may be withdrawn and paid out in cash at the policyowner's request.

**Deposit Administration**

A group annuity providing for the accumulation of contributions in an undivided fund out of which annuities are purchased for each covered person in the group for retirement purposes.

**Deposit Administration Group Annuity**

A group contract providing a deposit fund prior to retirement, with annuities bought from the fund at retirement.

**Deposit Premium**

The initial premium charged for coverage for a given policy period. Such a premium is established in anticipation that interim or final audits may result in subsequent premium adjustment. The deposit premium is usually computed based on estimated exposure as of the inception date.

**Deposition**

A sworn statement of a witness or other party in a judicial proceeding, usually conducted in an oral question and answer format where attendance is compelled.

**Depositor's Forgery Insurance**

A type of protection against the forgery or alteration of instruments such as checks, drafts, and promissory notes purported to have been written by the insured. It is issued to individuals, firms, and corporations, but not to banks or building and loan associations. It can be written to cover incoming items, but this is seldom done.

**Depository Bond**

A form of bond that guarantees to the government that its deposits with banks will not be subject to loss.

**Depreciation**

A decrease in the value of any type of property over a period of time resulting from use, wear and tear, or obsolescence.

**Depreciation**

A form of tax deduction that permits the recovery of the cost of an asset over its useful life in the form of tax savings. It is a bookkeeping entry and does not represent a cash outlay. The simplest method is straight-line depreciation, which allocates a constant amount each year during an asset's life. For example, an asset with a useful life of 10 years and no salvage value would generate a deduction of 10% of its cost annually. Accelerated depreciation is a method that permits deduction of a greater percentage of the cost of an asset in the early years of the asset's useful life with smaller deductions in later years. Examples of accelerated depreciation are the double-declining balance and the sum of the years-digits method. A recent method put into use is the Accelerated Cost Recovery System (ACRS), which applies accelerated methods of cost recovery over statutory periods.

**Derivative Security**

A "derivative security" is any security with a value that is derived from, to a material extent, the value of a Company security. Examples include put and call options, forward contracts, collars and equity swaps relating to Company common stock.

**Designated Mental Health Provider**

The organization hired by a health plan to provide mental health and substance abuse services.

**Detoxification**

The process an individual goes through when withdrawing from alcohol. Usually is done under guidance of medical personnel.

**Development**

"Loss Development".

**Deviated Rate**

Companies that adhere to rates promulgated by a bureau sometimes offer lower rates than those recommended in certain areas. The company is said to have "deviated" from the bureau rate for that area.

**Deviation**

A rate that varies from the manual rate.

**Deviation**

(Ocean Marine) Voluntary departure, not brought about by necessity and not resulting from reasonable cause, from the customary, usual course between the port of shipment and the port of destination; or certain fundamental breaches of the carrier's obligations under the contract of carriage. There are various types of deviations, including geographical deviation, deviation by carriage on a vessel other than the one agreed upon, deviation by carriage by rail, deviation by dry-docking with cargo on board, deviation by unreasonable delay, and deviation by carriage on deck. There are conditions under which deviation is excused, such as when it is reasonably necessary for the safety of the ship and cargo or for humanitarian reasons, such as rescuing another ship in distress.

**Deviation Clause**

An ocean marine insurance clause providing the insured with coverage in the event of a deviation en route beyond the insured's control.

**Devise**

A gift of real property in accordance with a valid will.

**DI- Double Indemnity**

Not to be confused when "DI" is used to refer to disability income insurance, in this context DI is a provision under which the principal sum in an accident policy (and sometimes the other indemnities) is doubled when the accident is due to certain causes. In a Life insurance policy, a provision that the face amount payable on death will be doubled if the death is a result of an accident.

**Diagnosis**

The process of identifying a disease.

**Diagnosis Related Groups**

A method of classifying inpatient hospital services. It is used as a method of determining financing to reimburse various providers for services performed.

**Difference in Conditions**

A contract that expands or supplements insurance on property written on a named perils basis so as to cover on an all-risk basis, subject to agreed upon exclusions.

**Direct**

Operating expenses directly associated with a given Campaign.

**Direct Billing**

Premium billing system where the insurance company bills the insured directly for premium collection.

**Direct Expense**

Operating expenses directly attributable to the subject business. For example, the salaries of the staff in the local A&H department are direct expenses whereas the part of the salary cost allocated to the A&H department from general management departments are indirect expenses. Another example of direct expenses is the marketing expenses associated with a specific sales campaign.

**Direct Loss (or Damage)**

A loss which is a direct consequence of a particular peril. Fire damage to a refrigerator would be a direct loss. Spoiling of food in the refrigerator as a result of the fire damage would be an indirect loss. Contrast with Indirect Loss and Consequential Loss.

**Direct Sales**

Insurance sales made by an employee or Sponsor at the Sponsor's place of business (e.g.: employee at a Sponsor bank.)

**Direct Sales**

Insurance sales normally made by a direct sales force or individuals at a sponsor's place of business (e.g.: employee at a sponsor bank.) Note: licensing may be required.

**Direct Selling System**

A distribution system within which an insurer deals directly with its insureds through its own employees. This definition applies typically to property and liability insurance business. Included are mail-order insurance and the sale of insurance from vending machines at airport booths and elsewhere. Contrast with Independent Agency System.

**Direct Writer**

An insurer which sells its policies through salaried employees who represent it exclusively, rather than through independent agents who may represent several insurance companies.

**Direct Writer**

(Liability & Property) An insurer whose distribution mechanism is either the direct selling system or the exclusive agency system.

**Direct Writer**

(Reinsurance) The insurer that negotiates with the insured as distinguished from the reinsurer.

**Direct Written Premium**

The premiums collected, without any allowance for premiums ceded to reinsurers.

**Direct Written Premiums**

The amounts charged by a primary insurer to insureds in exchange for coverages provided in accordance with the terms of an insurance contract.

**Directed Verdict**

A verdict for the defendant based on the court's decision that the plaintiff's case has not been proven.

**Directing**

(as used in Chapter 9 "Services") Means steering injured people to accept medical services from a "provider" selected by the employer or the employer's insurer rather than from a provider of their own choice (as outlined by state statute).

**Director of Insurance**

A title used in some states for the head of the department of insurance.

**Directors and Officers Liability Insurance**

Coverage for directors and officers of firms 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 to some degree a person's ability to carry on normal pursuits. A disability may be partial or total, and temporary or permanent.

**Disability**

A physical condition resulting from an accident or sickness which renders an insured incapable of performing the duties of his regular employment. The definition of disability can vary. See the specific policy for complete definition.

**Disability Benefit**

The benefit payable under a disability income policy or a provision of some other policy, such as a life insurance contract.

**Disability Benefits Law**

A state law requiring an employer to provide disability benefits to covered employees for nonoccupational injuries, in contrast to workers compensation, which pays for occupational injuries. These laws are currently in effect in New York, New Jersey, Rhode Island, California, and Hawaii.

**Disability Buy-Sell**

A disability income policy used to fund a disability buy-sell agreement whereby the business interest of a disabled stockholder following the elimination period. The policy's benefits may be paid in a lump sum or in installments.

**Disability Income Insurance**

A form of health insurance that provides periodic payments to replace income, actually or presumptively lost, when the insured is unable to work as a result of sickness or injury.

**Disability Insurance**

Health insurance that provides income payments to the insured wage earner when income is interrupted or terminated because of illness, sickness or accident.

**Disability Insurance Training Council, Inc.**

The educational arm of the National Association of Health Underwriters, the health insurance agents' professional society. It seeks to encourage agent educational projects by local health associations, conducts university seminars in advanced health underwriting areas, and conducts annual seminars for home office executives in sociological social insurance and demographic trends that may affect future application of policy forms and health insurance.

**Disability Insured**

A Social Security insured status required to satisfy eligibility for disability income benefits. The status is based on having paid Social Security taxes in 20 of the 40 calendar quarters ending with the quarter in which a disability claim is submitted.

**Disability Pension**

A pension paid to a disabled worker prior to the time of normal retirement.

**Disappearing Deductible**

A type of deductible that gradually disappears as the loss gets larger. If the deductible is \$50, the insurer will pay 111% of that part of the loss which is in excess of \$50. The deductible on losses between \$50 and \$500 is gradually reduced by this system, and if the loss reaches \$500, the full amount is covered.

**Disbursement Funding**

Also known as the "pay-as-you-go" method, this type of funding requires no funds to be set aside to provide retirement benefits. All benefits paid to retired employees are paid from the company's gross income and are deducted as a normal business expense.

**Discharge Planning**

Determining what the patient's medical needs will be after discharge from a hospital or other inpatient treatment.

### **Disclosure Authorization Form**

A form authorizing the disclosure of personal information obtained in connection with an insurance transaction. Insurers are required to give applicants advance notice of their information practices. Among other things, the form must state the kind of information collected and to whom information may be disclosed.

### **Discount**

The difference between an amount due at a future date and its present value at a specified rate of interest.

### **Discounted (Commuted) Value Table**

A table showing the discounted or present value, for several interest rates, of dollars payable at various times in the future.

### **Discounted Premiums**

Premiums that have been modified by such things as company filed deviations, the application of schedule rating, and dividends are termed discounted premiums.

### **Discovery Cover**

A reinsurance treaty covering losses that are discovered during the term of the treaty regardless of when they were sustained.

### **Discovery Period**

The period of time allowed an insured who has cancelled a bond to discover and report to the previous surety a loss that occurred during the term of that bond. Losses so reported are paid by the original surety even though another surety is on the risk at the time of the discovery. The usual discovery period is one year.

### **Discrimination**

Refusal of an insurer to provide comparable insurance or use comparable rates for certain individuals or groups with basic characteristics the same as those to whom the coverage or rates are offered. Unfair discrimination is prohibited by law.

### **Disease Loading**

An amount included in a rate to account for exposure to disease in the course of performing Job duties.

### **Dishonesty, Disappearance and Destruction Policy**

A once popular commercial crime insurance form used to protect money and securities against loss by employee dishonesty, robbery, depositor's forgery, and other causes of loss. The 3-D policy has been replaced by modern commercial crime coverage forms.

### **Dishonesty, Disappearance and Destruction Policy**

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### **Dismemberment**

The loss of, or loss of use of, specified members of the body resulting from accidental bodily injury.

### **Dismemberment**

The complete severance of a hand at or above the wrist or foot at or above the ankle joints, or the entire and irrevocable loss of sight. This is the typical US scale and can also be expanded to include loss of speech and hearing; and/or thumb and index finger.

### **Dismemberment Benefit**

The benefits payable for various types of dismemberment.

### **Dissent**

This occurs when one or more judges disagree with the majority decision.

**Distribution Costs**

Costs associated with selling an organization's insurance products through brokers, agents, direct marketing or other sales channels. It includes the expense of research, commissions, facilities, technical support, management, etc.

**Diversification**

The combination in a portfolio of assets which have dissimilar behavior.

**Divided Cover**

The placing of insurance on a given subject or object with more than one insurer.

**Dividend**

A return of part of the premium on participating insurance to reflect the 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 Accumulation**

One of the options in a life insurance policy which allows the policyholder to leave any premium dividends with the insurer to accumulate at compound interest.

**Dividend Additions**

An option whereby the insured can leave dividends with the insurer, and each dividend is used to buy a single premium life insurance policy for whatever amount it will purchase. Also called Paid-Up Additions.

**Dividend Option**

Alternative ways in which insureds under participating life insurance policies may elect to receive their policyholder dividends.

**Dividends (Investments)**

The portion of a corporation's earnings that it distributes among its stockholders, in proportion to the number and kind of shares they own. The decision to pay dividends is made by the board of directors, and they usually are paid quarterly, in the form of cash, stock, or rarely, some other property. Preferred stock dividends usually are fixed over a period of time, whereas common stock dividends are more dependent on the company's earnings and current cash position.

**Divisible Contract Clause**

A clause providing that a violation of the conditions of the policy at one insured location will not void the coverage at other locations.

**Division Dividend Manual**

This is the current manual released by home office that defines the dividend plans that are available by state and Company. Since this manual may change frequently, it is important that you refer to the manual on a regular basis to stay current on allowed dividend plan options.

**DM- Direct Marketing**

Direct marketing involves uniquely designed and pre-underwritten insurance products sold directly to the consumer. It uses sophisticated techniques, products, and scientific measurements to determine who we can market to. DM requires important up-front investment to acquire customers. When maintained over time, DM brings a very significant return to AIG.

**DMAIC**

Acronym for a Process Improvement/Management System which stands for Define, Measure, Analyze, Improve, and Control; lends structure to Process Improvement initiatives.

**Document Processing Unit**

The organizational unit within the Customer Service Group that handles all document / transaction processing, assembly, filing and mailroom activities.

**Dollar Cost Averaging**

A system of buying a fixed dollar amount of securities at regular intervals. The investor thus buys more shares when the price is low and fewer shares when it rises. The average price per share is thus lower than it would have been had the investor periodically bought a fixed number of shares.

**Domestic Insurance Company**

An insurance company formed under the laws of the state where the insurance is written.

**Domestic Insurer**

An insurer formed under the laws of the state in which the insurance is written.

**Donee**

The recipient of a gift.

**Donor**

The individual who gives a gift.

**Double Indemnity**

Payment of twice the basic benefit in the event of loss resulting from specified causes or under specified circumstances. For example, a life insurance contract may provide for twice the basic benefit if death is due to accident. Accident policies may provide double indemnity coverage for death due to an elevator accident.

**Double Protection**

A form of life insurance combining whole life and an equivalent amount of term, with the term expiring at a stated future date, usually at 65 years of age. For example, an individual may purchase \$50,000 worth of life insurance protection, \$25,000 of it being term insurance and the other \$25,000 whole life. The provision would state that the \$25,000 of term insurance ceases when the insured reaches age 65.

**Dram Shop Laws**

Liquor liability laws are called dram shop laws. They provide that a person serving someone who is intoxicated or contributing to the intoxication of another person may be liable for injury or damage caused by the intoxicated person.

**Dram Shop Liability Insurance**

A form of insurance contract that protects the owners of an establishment in which alcoholic beverages are sold against liability arising out of accidents caused by intoxicated customers who have been served or sold the alcoholic beverages.

**Dread (or Specified) Disease Policy**

Coverage, usually with a high maximum limit, for all types of medical expenses arising out of diseases named in the contract. Common diseases covered are poliomyelitis, diphtheria, multiple sclerosis, spinal meningitis, and tetanus. Cancer is sometimes covered or may be added with some companies by a rider.

**Dread Disease**

A group of diseases of severe nature which generally include Cancer, Poliomyelitis, Emphysema, Muscular Dystrophy, Multiple Sclerosis and Cirrhosis of the Liver. Generally speaking, the "CI" of earlier days.

**DRG- Diagnostic Related Groupings**

A payment method used in the healthcare delivery (medical insurance) system in the US in which payment takes into consideration the reasonable and customary expense based on diagnosis.

**Drive-In Claim Service**

A facility maintained by an automobile insurer in which the extent of damage to a claimant's automobile can be determined and, in many cases, a settlement made.

**Drive-Other-Car Endorsement**

A coverage that may be added to an automobile policy affording auto coverage to the individuals named in the

endorsement while they are driving cars not owned by the individuals and not named in the policy.

**Drug Formulary**

A schedule of prescription drugs approved for use which will be covered by the plan and dispensed through participating pharmacies.

**Drug Free Plan**

A loss prevention incentive plan in certain states which allows a premium credit for loss control activities designed to eliminate drug use in the workplace.

**Drug Price Review**

A procedure used to determine drug price maximums. It involves determining wholesale drug prices based on the American Druggist Blue Book.

**Drug Utilization Review**

A method for evaluating or reviewing the use of drugs in order to determine the appropriateness of the drug therapy.

**Druggists Liability Insurance**

A contract that protects a druggist in case of a suit arising out of filling prescriptions, missed delivery of drugs, and other operations normal to a drugstore.

**DSF- Direct Sales Force**

Similar to captive agency operation, a DSF is controlled and managed by the insurance company and exclusively sells products as directed by the company.

**Dual Capacity**

A role assumed by an employer brought about by their acting as other than an employer, such as a manufacturer of a product involved in the injury. Example: An employee of a punch press manufacturer is injured using a punch press manufactured by the employer.

**Dual Choice**

The federal requirement that employers having 25 or more employees who are within the service area of a federally qualified HMO, who are paying at least minimum wage and offer a health plan to their employees, must offer HMO coverage as well as an indemnity plan.

**Dual Life Stock Company**

A stock life insurer issuing both participating and nonparticipating policy contracts.

**Dun and Bradstreet Account Number**

The identifying number assigned to a business entity by the Dun and Bradstreet financial rating organization.

**Duplicate Coverage Inquiry**

A request to determine whether or not other coverage exists. Used to apply the coordination of benefits provisions where two or more insurance companies are involved.

**Duplication of Benefits**

A situation where identical or overlapping coverage exists between two or more insurance companies or service organizations.

**Dwelling Forms**

A policy form designed specifically to cover a dwelling building and the personal property in it plus other additional coverages. There are several forms available, depending on what coverage is to be provided.

# E



**Early Return to Work**

A loss reducing program whereby the employer agrees to modified work for an injured employee in order to return the employee back to work in a shorter period of time thus reducing costs.

**Earned Exposure**

The pro rata portion of the total exposure. It corresponds to the earned premium and to that part of the policy period that has already elapsed.

**Earned Income**

The money individuals earn as a result of working at some job or occupation for which they are paid a salary.

**Earned Premium**

The part of an insurance premium that pays for the protection the insurance company has already provided on a policy. Thus, insurance on which a premium has been paid one year in advance will, at the end of six months, be half earned by the insurance company.

**Earned Premium**

The estimated annual premium for the policy divided by 365 days times the number of days the policy has been in force.

**Earned Premium**

That portion of premiums written that applies to the expired portion of the policy term.

**Earnings**

Something earned, especially wages. As a financial term, earnings also refers to the balance of revenue after deducting costs and expenses.

**Earnings Income**

Interest or dividends that are credited or paid to an investor.

**Earnings Insurance**

A form of gross earnings business interruption insurance, whose principal feature is the lack of a coinsurance clause. It is designed for small risks, and the maximum amount of loss the insured can collect in any 30-day period is established when the policy is written.

**Earth Movement**

A peril including landslide, mudflow, earth sinking, rising or shifting, and earthquake. Usually excluded on homeowners' and commercial property policies.

**Earthquake Insurance**

Insurance covering damage caused by an earthquake as defined in the contract.

**Easement**

An interest in land owned by another that entitles its holder to specific uses.

**Economic Risk**

A risk experienced by those who invest in securities identified as the uncertainty of the economy.

**Economies of Scale**

Reduction in unit cost (e.g. cost to issue a policy) as fixed costs (e.g. general operating expenses or GOE) are spread over increasingly more units. It enables the organization to process more volume at a declining unit cost per transaction.

**Educational Assistance Plan**

An employee benefit whereby certain educational expenses incurred by the employee is reimbursed on a tax-favorable basis by the employer.

**Educational Fund**

One of the uses of life insurance. It is designed to provide money for a child's education should the breadwinner of the family die.

**Effective Date**

The date on which the protection of an insurance policy goes into effect.

**Efficiency**

Measures related to the quantity of resources used in producing the output of a process (e.g. cost of a process such as policy issuance, total cycle time, costs of defects); links primarily to the organization's profitability. It is reflected in the number of units produced in a shorter time at the same or decreasing cost.

**Efficient Portfolio**

A portfolio that minimizes historical portfolio risk for a given potential return, or maximizes portfolio potential return for a given level of historical risk.

**Elective Benefits**

Lump sum payments which the insured may generally choose in lieu of periodic payments for certain injuries, such as fractures and dislocations.

**Elective Deferral Plan**

A type of qualified plan (401(k) or TSA) whereby participants voluntarily elect to defer current amounts of compensation and these amounts are placed in a retirement plan on a tax favorable basis.

**Elective Indemnity**

Optional method of payment.

**Elective Non-Forfeiture Option**

One of the choices available to a policyholder if he discontinues premium payments on a policy with a cash value. This may be encashed or continued as a reduced paid up insurance.

**Electrical (or Electrical Apparatus) Exemption Clause**

A clause providing that damage to electrical appliances caused by artificially generated electrical currents is recoverable only if fire ensues and then only for the damage caused by the fire.

**Electronic Data Processing Coverage**

A specialized type of insurance designed to cover risks associated with computer equipment, data systems, information storage media, and expenses or income loss related to EDP losses.

**Elevator Collision Coverage**

Coverage for damage caused by collision of an elevator without regard to fault. This includes damage to personal property, the building, and the elevator itself. Liability coverage is usually provided automatically by business liability policies.

**Eligibility Date**

The date that a person is eligible for benefits.

**Eligibility Period**

(1) The period of time during which potential members of a group life or health program may enroll without providing evidence of insurability. (2) The period of time under a Major Medical policy during which reimbursable expenses may be accrued.

**Eligibility Requirements**

Requirements imposed for eligibility for coverage, usually in a group insurance or pension plan.

**Eligible Dependent**

A dependent of an insured person who is eligible for coverage according to the requirements set forth in the contract.

**Eligible Employee**

An employee who is eligible based on the requirements as indicated in the group contract.

**Eligible Expenses**

Expenses as defined in the health plan as being eligible for coverage. This could involve specified health services fees or "customary and reasonable charges."

**Eligible Person**

Similar to eligible employee except it could be a contract covering people who are not employees of a specified employer. An example might be members of an association, union, etc.

**Elimination Period**

A loosely used term, sometimes designating the probationary period, but most often designating the waiting period in a health insurance policy.

**Embedding**

Where we add an A&H benefit or rider into an existing contract often from another profit center. The A&H element is usually of low cost so it has little effect on the price of the base contract. Example: embedding travel AD&D into a Directors & Officers liability policy.

**Embezzlement**

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

**Emergency**

An injury or disease which happens suddenly and requires treatment within 24 hours.

**Emergency Accident Benefit**

A group medical benefit which reimburses the insured for expenses incurred for emergency treatment of accidents.

**Emergency Fund**

One of the uses of life insurance which provides money for the emergency expenses of a deceased's family prior to the final settlement of the estate.

**Employee Benefit Program**

Benefits offered an employee at work by the employer, covering such contingencies as medical expenses, disability, retirement, and death, usually paid for wholly or in part by the employer. These benefits are usually insured.

**Employee Certificate of Insurance**

The employee's evidence of participation in a group insurance plan, consisting of a brief summary of plan benefits. The employee is provided with a certificate of insurance rather than the actual insurance policy.

**Employee Contribution**

(Health) The employee's share of the premium costs. Employee Contribution

(Pension) Deduction from employee's pay to apply toward the cost of a retirement plan.

**Employee Dishonesty**

Any dishonest act of an employee which may contribute to a loss for the employer. Fidelity bonds are usually used to protect against such losses.

**Employee Dishonesty Coverage Form**

A commercial crime coverage form, which is actually a fidelity bond, providing coverage for losses resulting from employee dishonesty. This form covers losses of money, securities, and property other than money and securities.

**Employee Leasing**

The practice of paying another company to hire, train, insure, and administer benefits for staff used in business

operations.

**Employee Pension Benefit Plan or Pension Plan**

Any program established and maintained by an employer or an employee organization providing retirement benefits to employees or deferred income until employment is terminated.

**Employee Retirement and Income Security Act of 1974**

A federal statute governing U.S. pension plans.

**Employee Retirement Income Security Act**

This act prescribes federal standards for funding, participation, vesting, termination, disclosure, fiduciary responsibility, and tax treatment of private pension plans.

**Employee Stock Ownership Plan**

A qualified employee plan which provides eligible employees with part ownership in the corporation for which they work. Stock is issued and held in trust for the benefit of the employees.

**Employee Welfare Benefit Plan**

Any program established or maintained by an employer or an employee organization to provide its participants or their beneficiaries with medical, surgical, or hospital care, or benefits in the event of sickness, accident, disability, death or unemployment.

**Employees' Trust**

One way for a pension or profit-sharing plan to be financed and given effect.

**Employer Contribution**

The portion of the cost of a health insurance plan which is borne by the employer.

**Employers Liability**

Part 2 of the standard workers compensation policy which provides coverage for situations in which an employee or dependent could sue for injuries suffered under common law liability. For example, failure to maintain a safe workplace.

**Employers Liability Coverage**

A section of the Workers Compensation policy (Part Two of the policy) which provides coverage against the common law liability of an employer for injuries to employees, as distinguished from the liability imposed by a Workers Compensation law (Part One of the policy).

**Employers Liability Coverage**

This is coverage B of the standard workers compensation policy. It provides coverage against the common law liability of an employer for injuries to employees as distinguished from the liability imposed by a workers compensation law. Employers liability applies in situations where a worker does not come under these laws.

**Employers Nonownership Liability Insurance**

Protects the employer for liability arising from the use by employees of their own cars on company business.

**Employment Benefit Plan**

Any plan which is both an employee welfare plan and an employee pension plan.

**Encounter**

Each time a person meets with a health care provider to receive services, is a separate "encounter."

**Encumbrance**

A claim on property, such as a mortgage, a lien for work and materials, or a right of dower. The interest of the property owner is reduced by the amount of the encumbrance.

**Endemic Disease**

Any disease ordinary (endemic) to the place of an employee's employment outside of the United States, its territories or possessions, or Canada, and as such, is considered a covered occupational disease and a compensable injury in most states.

**Endorsement**

A document used to amend, change or modify the coverages in an otherwise complete policy.

**Endorsement**

A provision added to a policy, usually by being written in on the printed policy page. An Endorsement may also be in the form of a Rider. No Endorsement is valid unless signed by an executive officer of the company and attached to and made a part of the policy.

**Endorsement Extending Period of Indemnity**

An endorsement attached to business interruption policies which extends coverage to the period during which a business has reopened for business but have not reached the level of business activity which existed prior to the business interruption loss.

**Endorsement Premium**

The change in premium that results from an endorsement. Such a change may be either a 'Return Premium' or an 'Additional Premium'.

**Endorsement Split Dollar**

A split dollar plan in which the employer owns and controls a life policy on the life of an employee. The employee's rights to certain policy benefits are protected by an employer endorsement.

**Endowment**

Life insurance payable to the policy-holder on the maturity date stated in the policy, or to a beneficiary, if the insured dies before the date.

**Endowment Insurance**

A form of life insurance where the face amount is payable to the insured at the end of the contract period or to a beneficiary if the insured dies before that. An example would be an insured purchasing an endowment payable at age 65. Upon reaching that age, the proceeds would be payable to the insured. If the insured dies prior to that age, the proceeds would be payable to the designated beneficiary as a life insurance benefit.

**Engineer**

An insurer's staff member who is charged with the responsibility of loss prevention and who assists in the securing of underwriting and rating information.

**Enhancement**

Ancillary benefit which makes the insurance product more attractive or competitive.

**Enrollee**

An eligible individual who is enrolled in a health plan - does not include an eligible dependent.

**Enrolling Unit**

The organization (such as an employer) that contracts for participation in a health insurance plan.

**Enrollment**

Used to describe the total number of enrollees in a health plan. It may also be used to refer to the process of enrolling people in a health plan.

**Enrollment Period**

The amount of time an employee has to sign up for a contributory health plan.

**Entire Contract Clause**

A provision in an insurance contract stating that the entire agreement between the insured and the insurer is contained in the contract, including the application if it is attached, declarations, insuring agreements, exclusions, conditions and endorsements.

### **Entity Agreement**

A buy-sell agreement usually used with a partnership in which the partnership agrees to purchase the interest of a deceased or disabled partner.

### **Entry Age**

The age when an employee satisfies all the age, service, and other eligibility requirements for participation in a pension plan.

### **Entry Date into Claims-Made**

Initial effective date of a "claims-made" liability policy. An entry date is used to determine extent of maturity for rating purposes. If claims-made coverage is interrupted and reestablished, or if a retroactive date is changed on renewal, the entry date will change.

### **Environmental Impairment Liability**

Insurance coverage used to pay claims arising out of negligent acts, errors or omissions of an insured, resulting in third party bodily injury or property damages for losses caused by sudden and accidental or gradual pollution/contamination. Environmental Restoration

Restitution for the loss, damage or destruction of natural resources arising out of the accidental discharge or escape of any commodity transported by a motor carrier, including the cost of removal and measures to minimize damage to human health, the natural environment, fish, shellfish and wildlife. Federal regulations require common carriers of hazardous materials to maintain minimum liability coverages for BI, PD and environmental restoration.

### **EPLI**

Employment Practices Liability Insurance typically covers claims of sexual harassment, discrimination, and wrongful termination. It even covers discrimination or sexual harassment claims brought by customers, clients or other third parties, an area of increasing concern for growth companies. Coverage can be enhanced to include claims against independent contractors and punitive as well as exemplary and multiple damages awards, where permissible by law.

### **Equipment Floater**

A form which covers various types of equipment, e.g., construction equipment, against specified perils or occasionally on an all-risk basis subject to exclusions.

### **Equity**

The money value of an insurance company that is over and above its liabilities. Liabilities include almost all of its reserves.

### **ERISA Liability**

Liability imposed by law upon officers or other employees operating in a fiduciary capacity for the proper handling of pension funds and other employee benefits. It is excluded from most general liability policies.

### **ERM-14**

This form, titled "Confidential Request for Information", is filed by the insurance carrier to the appropriate rating organization when an ownership change occurs.

### **Errors and Omissions Clause**

A clause usually found in an obligatory reinsurance treaty which provides that if an error is made or an omission takes place in describing a risk that falls within the automatic reinsurance coverage of the treaty, it shall not invalidate the liability of the reinsurer for the risk.

### **Errors and Omissions Insurance**

A form of professional liability insurance that provides coverage for negligent acts or omissions by a professional.

### **Estate**

The assets and liabilities of a deceased person.

### **Estate Panning**

Planning for the orderly handling, disposition, and administration of an estate when the owner dies. Estate planning includes drawing up a will, setting up trusts, and minimizing estate taxes, perhaps by passing property to heirs before death or by setting up a testamentary trust.

### **Estate Plan**

A plan for the disposition of one's property at death, including the handling of property in the event of the incompetency or total disability of the estate owner. A will is part of an estate plan.

### **Estate Planning**

The process of accumulation, conservation, distribution, and administration of an estate in order to minimize the impact of taxation and estate shrinkage.

### **Estate Tax**

A tax payable to the federal government. The amount is based on the value of the estate of the decedent.

### **Estimated Premium**

A provisional premium which is adjusted at the end of the year. For example, in workers compensation insurance an estimated premium is based on estimated payrolls for the coming year. At the end of the year, final payrolls are determined and the final premium is computed.

### **Estoppel**

The legal principle whereby a person loses the right to deny that a certain condition exists by virtue of having acted in such a way as to persuade others that the condition does exist. For example, if an insurer allows an insured to violate one of the conditions of the policy, the insurer cannot at a later date void the policy because the condition was violated. The insurer has acted in such a way as to lead the insured to believe that the violation did not void the coverage.

### **Evidence Clause**

A clause in a policy which requires the insured to cooperate in the investigation of a claim by producing records and submitting to examinations. This is required to help an adjuster establish the validity of a claim. An evidence clause in a health policy requires the insured to submit to physical examinations.

### **Evidence of Insurability**

Any information concerning health status required for to satisfy underwriting standards, such as a medical examination or physician's statement.

### **Ex Gratia Payment**

Latin for "from favor." A payment by an insurer to an insured for which there is no liability under the contract. In some cases an insurer may feel there has been a mistake or a misunderstanding, and he may pay a claim even though he does not appear to be liable.

### **Ex-Gratia Payment**

A payment made for which the company is not liable under the terms of its policy, usually in lieu of incurring greater legal expenses in defending of a claim. It is rarely encountered in reinsurance. The reinsurer, by custom and for practical reasons, follows the fortunes of the ceding company.

### **Ex-Med**

Policies issued to exclude statutory medical coverage.

### **Examination**

An examination of an insurance company by the state insurance department.

### **Examiner**

An employee assigned by the state insurance department to audit insurers' records.

**Examiner**

(Health & Life) A physician appointed by the medical director of a life or health insurer to examine applicants.

**Excepted Period**

Probation Period.

**Exception**

A provision in an insurance policy that eliminates coverage.

**Excess Coverage**

Coverage that is offered or written above all other valid and collectible insurance.

**Excess Insurance**

A coverage designed to be in excess over one or more primary coverages, and which does not pay a loss until the loss amount exceeds a certain sum. Contrast with Primary Coverage.

**Excess Insurance Policy**

A policy which (a) provides limits of liability over and above those of specified underlying primary policies, but which relies on the insuring agreements and conditions of such underlying policies as to definitions of coverage; or (b) provides limits of liability in excess of a self-insured retention (SIR) for agreed upon exposure.

**Excess Interest**

Interest credited to an insured's contract in excess of the amount guaranteed by the terms of the contract.

**Excess Liability**

Additional casualty coverage above the first layer.

**Excess Limit**

(1) That limit provided in a policy which is in excess of the basic limit. See Basic Limit. (2) A limit provided in a separate policy with another insurer which is in excess of the limit provided in the basic policy.

**Excess Limits Coverage**

Coverage for damages over and above the basic limits. Increased limits factors are applied to the basic rate in order to determine the charge for this insurance. Excess limits coverage is often referred to as 'Increased Limits Coverage'.

**Excess Line Broker**

A person licensed to place insurance not available in his or her state through insurers not licensed to do business in the state. A person licensed to deal with nonadmitted insurers.

**Excess Loss Premium Factor**

This factor is used in a retro rating plan when the insured chooses to limit losses that are subject to retro rating.

**Excess Loss Premium Factor**

This expression is used in connection with retrospective rating plans. It is a factor which compensates the insurer for the fact that the insured has elected to limit the effects of any one large loss under the retrospective rating formula. For example, the insured might elect a loss limitation of \$50,000, which would mean that would be the maximum amount of any one loss that would go into the retrospective calculation.

**Excess of Loss**

A basis of risk acceptance by a reinsurer, whereby the reinsurer provides an agreed monetary amount of reinsurance, or layer, above a specified monetary limit retained by the reinsured. Separate premiums are determined for each layer, and coverage between layers may be concurrent or non-concurrent. Three variations of EOL Reinsurance are generally used to define how a reinsured's retention applies: Per Risk, Per Occurrence, or Aggregate (Stop Loss).

**Excess of Loss Reinsurance- XOL Reinsurance**



(1) A generic term describing reinsurance which, subject to a specified limit, indemnifies the ceding company against the amount of loss in excess of the specified retention. It includes various types of reinsurance, such as Catastrophe, Per Risk, Per Account, and Aggregate Excess of Loss. Contrast with Pro Rata Reinsurance. (2) A form of reinsurance which indemnifies the ceding company for that portion of the loss resulting from a single occurrence, however defined, that exceeds a predetermined amount, which is referred to as a first loss retention or deductible.

### **Excess per Risk Reinsurance**

A form of Excess of Loss Reinsurance which, subject to a specified limit, indemnifies the ceding company against the amount of loss in excess of a specified retention with respect to each risk involved in each occurrence.

### **Excess Plan**

A retirement plan designed around the benefits of Social Security.

### **Excess Workers' Compensation**

Insurance sold to qualified self-insurers under the workers' compensation laws and regulations of one or more states, to insure their liability as self-insurers for self-insured loss in excess of a stated amount per accident or per person, or in excess of an aggregate amount of self-insured loss.

### **Exclusion**

An insurance policy provision that denies coverage for certain perils, persons, property or locations.

### **Exclusion**

Certain causes and conditions, listed in the policy, which are not covered.

### **Exclusion**

Item or loss exposure not covered in a particular insurance policy. Exclusions reduce the broad coverage provided in the insurance policy.

### **Exclusion Ratio**

The relationship or ratio of cost basis to total expected return from an annuity; used to calculate the percentage of each annuity payment which is considered to be a return of cost basis.

### **Exclusive Agency System**

An insurance distribution system within which agents sell and service insurance contracts that limit representation to one insurer and which reserve to the insurer the ownership, use, and control of policy records and expiration date.

### **Exclusive Provider Organization**

A type of preferred provider organization where individual members use particular preferred providers rather than having a choice of a variety of preferred providers. EPOs are characterized by a primary physician who monitors care and makes referrals to a network of providers.

### **Exclusive Remedy Doctrine**

The intent of the various workers compensation acts is to be the exclusive (sole) remedy for injuries to employees. In return for benefits paid under workers compensation, the injured employees, by law, give up the right to sue their employer.

### **Exculpatory**

That portion of a contract or agreement which relieves one party to the agreement of the consequences of his or her own acts.

### **Executive Officer**

In a corporation, the individuals named to executive positions listed in the corporate charter and charged with the administration of corporate affairs—normally President, Vice-President(s), Treasurer, and Secretary.

### **Executive Workstation**

This system allows company presidents and Regional Vice Presidents (RVPs) to access several systems during the same

session, with the software providing user friendly screens and performing the automatic logon process.

**Executor**

The person or entity specified by will who is responsible for the probating of an individual's will and the settlement of an estate.

**Exhibitions Insurance**

A type of policy designed for people who display their products through public exhibitions. Usually written on an all-risk basis with certain specified exclusions.

**Expectation of Life**

The average number of years of life remaining for persons of a given age according to a particular mortality table. Also called life expectancy.

**Expected Claims**

The estimated claims for a person or group for a contract year based usually on actuarial statistics.

**Expected Loss Rate**

The factor used to determine the amount of expected losses by classification for each \$100 of payroll. These factors can be obtained from the Tables of Expected Loss Rates and Discount Ratios in the Experience Rating Plan.

**Expected Morbidity**

The expected incidence of sickness or injury within a given group during a given period of time as shown on a morbidity table.

**Expediting Expenses**

Expenses incurred in order to speed up repair or replacement so as to reduce the amount of loss by a peril covered in a policy. Most commonly used in connection with business interruption and boiler and machinery insurance. Expediting expenses are generally covered if they do reduce the amount of the loss that the insurer would otherwise have to pay.

**Expense**

A policy's share of the company's operating costs, fees for medical examinations and inspection reports, underwriting, printing costs, commissions, advertising, agency expenses, premium taxes, salaries, rent, etc. Such costs are important in determining dividends and premium rates.

**Expense Allowance**

A compensation paid to an insurance agent in excess of prescribed commissions.

**Expense Constant**

The expense constant is a premium charge that applies to every policy in addition to the premium, inclusive of loss constants. It covers expenses such as those for issuing, recording and auditing, which are common to all workers compensation policies regardless of premium sizes.

**Expense Guarantee**

One of the guarantees of all annuities; that is, the guarantee that expenses, the cost of doing business, will not be increased or exceed a certain percentage of the annuity contributions.

**Expense Loading**

The amount added to the rate during the ratemaking process to cover expenses.

**Expense Ratio**

Cost of acquiring, writing and servicing business as a percentage of net written premium. The ratio is calculated as follows:  $\text{Expense Ratio} = (\text{Direct Expenses} + \text{Indirect Expenses}) / \text{Net Premium Written}$ . The Expense Ratio can be calculated separately for both Indirect and Direct Expenses.

**Expense Ratio**

"Underwriting expense ratio."

**Expense Reserve**

A liability for incurred but unpaid expenses.

**Expenses**

The cost of conducting an insurance operation aside from the amount paid for losses.

**Experience**

1. The loss record of an insured or of a class of coverage or portfolio. 2. Classified statistics of events connected with insurance, outgo, or actual or estimated income. 3. Experience may be compiled on different bases to provide various means of appraisal (i.e., accident year, calendar year, or policy year). For underwriting purposes, earned premium should always be compared with incurred losses after the latter have been modified by an allowance for loss development and "incurred but not reported" (I.B.N.R.) losses.

**Experience Modification**

Adjusting renewal rating to reflect previous loss history.

**Experience Modifications**

A factor to adjust the premium in anticipation of loss experience that is expected to vary from the provision for losses in the rates. It is based upon the past variance of experience from expected experience.

**Experience Modifier**

An employer-specific multiplier that measures the employer's loss experience relative to that of other employers in the same industry. The experience modifier is applied to the unmodified premium to adjust for prior loss experience.

**Experience Rating**

A method of rating that is based on the actual individual experience of the risk. The rate computed by this method is a percentage adjustment of the manual rate, either upward or downward, depending on the experience of the insured. The compilation of definitions, rules, regulations, formulas and forms necessary to describe and apply the procedure is called the 'Experience Rating Plan'.

**Experience Rating**

Developing rates for future risk based on past loss experiences.

**Experience Refund**

In life reinsurance, a predetermined percentage of the net reinsurance profit which the reinsurer returns to the ceding company as a form of profit sharing at year's end.

**Experience Tables**

Published by the Institute of Actuaries, these are tables of incidence rates from population sources such as WHO (World Health Organization).

**Experienced Mortality**

The mortality that actually occurs to a group of insureds of a given insurance company in contrast to expected mortality.

**Experienced Mortality or Morbidity**

The actual mortality or morbidity experienced in a group of insureds as compared to the expected mortality or morbidity.

**Experimental or Unproven Procedures**

Any health care services, supplies, procedures, therapies, or devices that the health plan determines regarding coverage for a particular case to be either (1) not proven by scientific evidence to be effective, or (2) not accepted by health care professionals as being effective.

**Expiration**

The date indicated in an insurance contract as its termination date.

**Expiration Card**

A way of recording the date on which a policy terminates. It is used to remind the agent or sales representative of a policy coming up for renewal.

**Expiration Date**

The date indicated in an insurance contract as its termination date.

**Expiration Date**

The date on which the insurance policy ceases to be in effect with respect to the insured or policyholder. Not only is the date mentioned but the hour of the day. 12:01 A.M. is standard for Personal Accident policies.

**Expiration File**

A record kept by agents or insurers of the dates on which policies they have written or are servicing expire.

**Expiration Notice**

Notification to the insured of the impending termination of the insurance contract.

**Expiry**

The termination of a term life insurance policy at the end of its period of coverage.

**Explanation of Benefits**

The statement sent to a participant in a health plan listing services, amounts paid by the plan, and total amount billed to the patient.

**Explanation of Medicare Benefits**

A notice which is sent to the Medicare patient which provides information designed to explain how the claim is to be paid.

**Explosion Insurance**

Insurance against loss of property due to explosion but not including explosion of steam boilers, pipes, and certain pressure instruments. Most commonly written as part of the extended coverage endorsement.

**Explosion, Collapse, and Underground Damage**

This term is used in business liability insurance to indicate that certain types of construction work involve these hazards. Many liability policies exclude them. They can be added by endorsement for an additional premium charge.

**Exports**

Materials and goods shipped to other countries.

**Exposure**

A measure of the size of the insured portion of a risk. In the property modules of Commercial Statistical Plan (CSP), exposure is expressed as the 'amount of insurance'. In automobile, exposure may be expressed in terms of number of automobiles or value. Each CSP module contains specific instructions for the reporting of exposure.

**Exposure**

(1) The state of being subject to the possibility of loss. (2) The extent of risk as measured by payroll, gate receipts, area, or other standards. (3) The possibility of loss to a risk being caused by its surroundings. This is used in property insurance rating. (4) Surroundings producing a loss to the insured property. An example of definitions (3) and (4) would be an insured building suffering loss because a dynamite factory next to it exploded.

**Exposure Units**

(1) These units refer to individuals or property which may be subject to loss or damage on which a monetary value may be placed. When these exposure units have similar characteristics they meet the requirement of insurability as homogeneous exposure units. (2) The term may also be used to refer to the premium base, in the sense that the exposure units times the rate equals the premium. For example, in workers compensation, each \$100 of payroll is an exposure unit.

**Express Authority**

Authority of an agent that is specifically granted by the insurer in the agency contract or agreement.

### **Extended Care Facility**

A facility such as a nursing home which is licensed to provide 24-hour nursing care service in accordance with state and local laws. Three levels of care may be provided-skilled, intermediate, custodial, or any combination.

### **Extended Coverage**

An extension of perils originally offered as a package in property insurance beyond coverage for fire and lightning. Includes riot, explosion, vehicles, smoke, hail, aircraft, and windstorm. These causes of loss are now included in both the Basic and Broad Cause of Loss Form of the Commercial Property Policy.

### **Extended Death Benefit**

A group policy provision which will pay the life benefit when (1) the insured is totally and continuously disabled at the time the policyholder stops paying premium until the insured's death, and (2) if the insured dies within one year of the date the premium payments stopped, or prior to age 65.

### **Extended Non-Owner Liability**

An endorsement attached to a personal auto policy to provide broader liability coverage only for specifically named individuals. When attached, it covers non-owned autos furnished for the regular use of an insured, use of vehicles to carry persons or property for a fee, and broader coverage for business use of vehicles.

### **Extended Period of Indemnity**

A business income coverage that continues coverage for income losses for a period of time after operations have resumed.

### **Extended Reporting Period**

A period allowing for making claims after expiration of a "claims-made" liability policy. Also known as a "tail."

### **Extended Term Insurance**

A provision in most policies which provides the option of continuing the existing amount of insurance as term insurance for as long a period of time as the contract's cash value will purchase. This is one of the nonforfeiture options available to the insured in case a premium is not paid within the grace period.

### **Extended Wait**

A form of reinsurance under which, after the ceding insurer has paid monthly benefits to the claimant for a given number of months under a disability insurance contract, further benefits will be paid by the reinsurer.

### **Extension of Benefits**

A condition in the insurance policy which allows coverage to continue beyond the expiration date of the policy in the case of employees who are not actively at work or dependents who are hospitalized on that date. The extended coverage applies only where the employee or dependent is disabled as of that date and continues only until the employee returns to work or the dependent leaves the hospital.

### **Extortion**

The surrender of property away from an insured's premises as a result of a threat to do bodily harm to an insured or an employee, or to a relative or invitee of either, who is or allegedly is being held captive.

### **Extortion Coverage Form**

A commercial crime coverage form that protects against loss of money, securities, and property other than money and securities, resulting from extortion.

### **Extra Contractual Obligations Losses**

Losses incurred by an insurer, beyond those that would have been incurred as specified in the insurance agreement with an insured, due to monetary awards required by a court of law against the insurer for its negligence to its insured.

### **Extra Expense Coverage Form**

A commercial property form designed to cover extra expenses incurred by a business so it can remain in operation following a property loss.

### **Extra Expense Insurance**

A form of time element insurance that provides reimbursement to the insured for the extra expense reasonably incurred to continue the operation of a business when the property has been damaged by a cause of loss covered by the policy. This insurance normally is used by businesses where continuity of operation, regardless of cost, is a necessity. For example, banks or other businesses providing necessary services.

### **Extra Percentage Tables**

Mortality or morbidity tables showing the extra premium for certain impaired health conditions. Usually this premium is shown as a percentage of the standard premium. A form of substandard rating.

### **Extra Premium**

An added premium charge for extra hazardous exposures that is levied because the normal rate does not take these into account.

### **Extra Premium Removal**

Removal of an extra premium when the cause for it ceases to exist.

## **F**

### **Fac Oblig.**

Fac Oblig is a form of reinsurance which is a cross between facultative and treaty reinsurance. The risk to be ceded is submitted to the reinsurer, which has limited rights to decline individual risks. In the case of AIU Fac Oblig reinsurance arrangements are generally dealt with as in the same manner as treaties.

### **FAC Payables**

The FAC (Facultative) Payables system is a LAN-based data capture of payables data for entry into the corporate FAC Payables system.

### **Face**

The first page of a life insurance policy.

### **Face Amount**

That 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-of-Payment Clause**

A contract provision found in industrial life policies which permits the insurer to pay a portion of the proceeds of the policy to any relative or person who has possession of the policy and who appears equitably entitled to such payment. This provision is designed to facilitate payment when some doubt may exist as to who the beneficiary is and to save legal expenses in the settling of an estate.

### **Factory Mutual**

A mutual insurer specializing in large risks, with special emphasis on loss prevention.

### **Factory Mutuals**

Member insurers of the Factory Mutual System, which is a group of mutual coinsurers formed to provide member insurers with insurance and engineering services.

### **Facultative**

("Fac") The reinsurance of part or all of (the insurance provided by) a single policy, with separate negotiation for each cession. The word "facultative" connotes that both the primary insurer and the reinsurer have the faculty or option of accepting or rejecting the individual submission (as distinguished from the obligation to cede and accept, to which the

parties agree in treaty reinsurance).

### **Facultative (or Specific) Reinsurance**

Reinsurance by offer and acceptance of individual risks, wherein the reinsurer retains the "faculty" to accept or reject each risk offered by the ceding company. Contrast with Treaty Reinsurance.

### **Facultative Certificate of Reinsurance**

A document formalizing a facultative reinsurance policy.

### **Facultative Obligatory Treaty**

The blending of the facultative and treaty approach; a treaty under which the ceding company may cede identified risks which the reinsurer must accept.

### **Facultative Reinsurance**

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

### **Facultative Reinsurance**

The reinsurance of all or a portion of a specific insurance policy. Each policy reinsured is separately negotiated. Also known as "FAC".

### **Fair Access to Insurance Requirements Plan**

A pooling plan reinsured by the United States Government that makes insurance available to those in inner-city or other high risk areas who cannot obtain insurance through normal channels. Coverages for fire and allied perils is available, with considerably high limits, after inspection of the premises.

### **Fair Credit Reporting Act**

Public Law 91-508 requires that an applicant be advised if a consumer report may be requested and be told the scope of the possible investigation. Should the request for insurance be declined because of information contained in that report, the applicant must be given the name and address of the reporting agency.

### **Fair Rental Value Coverage**

Insurance that pays the loss of rental value, minus expenses which do not continue, when property rented to others or held for rental is damaged by a peril insured against.

### **Fallen Building Clause**

A provision in certain property insurance contracts which specifies that if a material part of an insured building collapses from causes other than fire or explosion, the fire coverage becomes void.

### **Family Automobile Policy**

A form which was once widely used to write automobile insurance for individual car owners. It is a package policy which provides protection against legal liability for bodily injury and property damage to others, injury to the insured and other occupants of the vehicle, and damage to the vehicle itself. It has largely been replaced by the more modernized Personal Auto policy.

### **Family Dependent**

A person entitled to coverage because he or she is: (1) The enrollee's spouse, or (2) A single dependent child of either the enrollee or the enrollee's spouse (including stepchildren or legally adopted children), and (3) A resident of the enrollee's home.

### **Family Expense Policy**

A policy which insures the medical expenses of all members of a family.

### **Family Income Policy**

A policy that pays an income up to some future date designated in the policy to the beneficiary after the death of the insured. The period of payment is measured from the date of the inception of the contract, and at the end of the income

period the face amount of the policy is paid to the beneficiary. If the insured lives beyond the income period, only the face amount is payable in the event of the insured's death.

### **Family Maintenance Policy**

A policy that pays an income to the beneficiary starting after the death of the insured and continuing for a stated period of time. At the end of the income period, the face amount of the policy is paid to the beneficiary.

### **Family Policy**

A Personal Accident insurance policy covering all the members of one family. The definition of family members may vary.

### **Family Policy**

This policy typically consists of whole life insurance for the head of the household with smaller amounts of term insurance on other family members.

### **Farm Coverage Part**

One of the coverage parts available under the Commercial Package Policy program. Coverages may be included for farm property, agricultural equipment, livestock, and farm liability.

### **Farm Liability Coverage Form**

A commercial liability form attached to a Farm Coverage Part to provide coverage for bodily injury, property damage, personal injury, advertising injury and medical payments for farm exposures.

### **Farm Personal Property**

Scheduled or unscheduled classes of farm property which may be covered by the Farm Property Coverage form. It may include grain, feed, supplies, livestock, farm machines and farm vehicles. Contrast with Household Personal Property.

### **Farm Property Coverage Form**

A farm coverage form which may be used to cover residential dwellings, other private structures, household personal property, farm personal property, and other farm structures.

### **Farmers Comprehensive Personal Liability**

Similar to the Comprehensive Personal Liability policy but adapted to cover farm hazards, such as damage caused by grazing animals.

### **Farmowners-Ranchowners Policy**

A package policy providing property coverage on farm dwelling buildings and contents, as well as barns, stables, and other farm outbuildings. Liability coverage is also included. It is similar to a homeowners policy adapted to cover farm properties.

### **Fast-track Technical Underwriting Unit**

The organizational unit within the Customer Service Group that handles the technical underwriting of all business that is basic to medium in terms of underwriting complexity.

### **FC&S Bulletins**

A service, published by the National Underwriter Company, explaining coverages, forms, underwriting, and rating procedures for the various property, casualty, and surety lines of insurance.

### **FCII**

Fellow of the Chartered Insurance Institute, whose designation is gained by the completion of examinations and other requisites.

### **Federal Crime Insurance Program**

A federally administered program under which pooling companies write crime insurance for those unable to secure it in the open market. Available for residential and commercial risks in various states.

### **Federal Crop Insurance Corporation**



An agency within the U.S. Department of Agriculture which provides insurance on growing crops.

### **Federal Deposit Insurance Corporation**

An agency of the federal government which insures bank deposits up to a stated maximum.

### **Federal Emergency Management Agency**

A government agency that provides disaster relief during emergencies, such as floods, fire, earthquakes, etc.

### **Federal Employees Compensation Act**

Under this Act, workers compensation benefits are provided to civilian federal government employees. The U.S. government administers and operates the system, as well as provides the benefits. Therefore, no private insurance is involved.

### **Federal Employer Identification Number**

A tax identification number for businesses that has serves a tax-tracking function similar to the social security number for individuals.

### **Federal Employers Liability Act**

Passed by Congress in 1908 before there were worker compensation statutes and benefits in this country, this Act applies to railroad workers only. It puts injured workers in a favorable position in terms of liability claims, allowing them to sue the employer for negligence. Because railroad workers and their unions were unwilling to trade their favorable positions for statutory benefits, they remain exempt from compensation laws in many states. Cases are decided on the issue of employer liability.

### **Federal Employers' Liability Act**

Applies to employees of interstate railroads. Such employees are not subject to state workers compensation laws. This federal law imposes liability on the railroad if the injured railroad employee can show any negligence on the part of the railroad.

### **Federal Estate Tax**

The federal tax which is imposed on the deceased's estate which includes the total assets comprising a person's estate at death.

### **Federal Home Loan Mortgage Corporation**

A publicly chartered agency that buys qualifying residential mortgages from lenders, packages them into new securities backed by those pooled mortgages, provides certain guarantees, and then resells the securities on the open market. The corporation's stock is owned by savings institutions across the U.S. and is held in trust by the Federal Home Loan Bank System. The corporation, nicknamed Freddie Mac, has created a secondary market, which provides more funds for mortgage lending and allows investors to buy high-yielding securities backed by federal guarantees.

### **Federal Insurance Administration**

A government office, part of HUD, which oversees the handling of FAIR plans, Federal Crime Insurance plans, and the Flood program.

### **Federal National Mortgage Association**

A publicly-owned, government-sponsored corporation chartered in 1938 to purchase mortgages from lenders and resell them to investors. The agency, known by the nickname Fannie Mae, mostly packages mortgages backed by the Federal Housing Administration, but also sells some non-governmentally backed mortgages. Shares of FNMA itself, known as Fannie Maes, are traded on the New York Stock Exchange.

### **Federal Officials Bond**

A bond which provides reimbursement to the federal government for loss occasioned by the dishonest acts of its employees or their lack of faithful performance.

### **Federal Qualification**

Approval of any HMO made by the HCFA after conducting their evaluation of methods of doing business, documents,

contracts, facilities, and systems.

### **Federal Workers' Compensation Laws**

This encompasses workers' compensation coverage under the following federal acts: Defense Base Act, Federal Coal Mine And Health Safety Act, Federal Employer's Liability Act, Non-Appropriated Fund Instrumentalities Act, Outer Continental Shelf Lands Act and Migrant and Seasonal Agricultural Worker Protection Act.

### **Fee Maximum**

The maximum amount available to a provider for specific health care services under a contract.

### **Fee Schedule**

A list of maximum fees for providers who are on a fee-for-service basis.

### **Fee Simple**

Complete ownership of property with the unconditional right to dispose of it. Compare with Joint Tenancy and Tenancy in Common.

### **Fee Simple Form of Ownership**

The ownership of property where the owner is entitled to the entire property without conditions or limitations.

### **Fee-for-Service Equivalency**

The difference between the amount a provider receives from a reimbursement system such as capitation (a flat charge per month, for instance) compared to fee-for-service reimbursement.

### **Fee-for-Service Reimbursement**

A health care system where physicians and other providers receive payment based on their billed charge for each service provided.

### **Fellow of the Casualty Actuarial Society**

This designation is gained by the completion of a series of examinations and other requirements.

### **Fellow of the Society of Actuaries**

A designation which is gained by the completion of a series of examinations, as well as other experience requirements.

### **Fellow Servant Rule**

A common law defense used by employers before the passage of compensation laws. It held that if an employee was injured due to the carelessness of a fellow employee, the right of action was against the fellow worker and not against the employer.

### **Fellow, Life Management Institute**

A professional management designation earned by passing 10 national examinations on life and health insurance subjects including insurance, finance, marketing, law, information systems, accounting, management and employee benefits. Examinations and course materials are prepared and administered by the Life Office Management Association.

### **Fictitious Groups**

Groups formed primarily for the purpose of buying insurance. Under the law such groups may not be underwritten.

### **Fidelity**

A form of insurance that reimburses an employer under agreed upon terms and conditions for losses caused by dishonest or fraudulent acts of employees.

### **Fidelity and Surety Programs**

Insurance which guarantees performance of an obligation (surety) or indemnifies for loss due to embezzlement or wrongful abstraction of money securities or other property (fidelity).

### **Fidelity Bond**

A bond that will reimburse an employer, the insured, for loss due to the dishonest acts of a covered employee.

**Fidelity Insurance**

A liability insurance coverage for loss caused by dishonest or fraudulent acts committed by persons covered by the policy.

**Fiduciary**

A person holding the funds or property of another in a position of trust, and who is obligated to act in a prudent and ethical manner. An example would be an attorney, bank trustee, the executor of an estate, etc.

**Fiduciary**

A person, such as an investment manager or the executor of an estate, or an organization, such as a bank, entrusted with the property of another party and in whose best interests the fiduciary is expected to act when holding, investing, or otherwise using that party's property.

**Fiduciary Bond**

A bond which guarantees the faithful performance of a fiduciary.

**Field**

Refers to a group of adjacent columns on a statistical record layout. It is used to report a specific item of information.

**Field**

(1) See Field Force. (2) A type or line of insurance as "in the life insurance field." (3) An area or territory covered by an agent, agency, or insurer.

**Field Force**

The agents and supervisory personnel of insurers who operate away from the home office in the branch offices and general agencies of the company.

**Field Underwriting**

The initial screening of prospective buyers of health insurance, performed by sales personnel "in the field." May also include quoting of premium rates.

**File-and-Use Rating Laws**

State laws pertaining to insurance rates which permit insurers to adopt new rates without the prior approval of the insurance department. Usually insurers submit their new rates along with supporting statistical evidence, but this is not necessary in all cases.

**Filing**

A formal submission to a regulatory body (typically the Department of Insurance) of forms, rates or other information usually for the purpose of obtaining license or approval to sell and issue policy forms or products.

**Final Mod**

The Final Mod is the term used to describe the experience modification calculated by the bureau experience rating plan.

**Financed Insurance**

Payment of insurance premiums, in whole or in part, with funds derived from borrowing, usually from the cash value of the policy. Also known as Minimum Deposit Insurance.

**Financed Premium**

The payment of insurance premiums with funds borrowed outside the contract itself.

**Financial Accounting Standards Board**

A non-governmental group that sets standards for generally accepted accounting principles.

**Financial Guarantee Bond**

A guarantee that others will pay sums of money due. A Sales Tax Bond, for instance guarantees the state that the

merchant will pay sales taxes on time and in full.

**Financial Responsibility Clause**

A clause which states that a policy conforms to the financial responsibility laws of any state in which the insured is operating the insured vehicle.

**Financial Responsibility Law**

A state law which requires the insured to furnish evidence of ability to pay for losses. Some laws require this evidence before an accident, whereas others require evidence after the first accident. Evidence of ability to pay most often takes the form of an insurance policy with certain minimum limits of coverage.

**Financial Responsibility Laws**

Laws that serve to provide encouragement for all motorists to purchase liability coverage. FR laws allow the individual to register and operate a motor vehicle, without his/her having to provide evidence of financial responsibility until after he/she has become involved in an accident causing specific injury or damage. Any motorist who already has insurance in an amount equal to or greater than the limits required by law at the time of an accident has satisfied the law.

**Financial Risk**

Risk related to the amount of debt used in financing a company.

**Financial Statement**

The disclosure of the financial results of a firm's operations. It involves the balance sheet, profit and loss statement, and associated information.

**Fine Arts Floater**

Covers fine arts, such as antiques, leaded glass, and other art work of all types, usually on an open perils (all risk) basis.

**Fine Print**

A reference to imaginary small type in a policy contract supposedly containing exclusions, reductions, exemptions, and limitations of coverage. Most state laws include specifications for the minimum type size that can be used in a policy, and they also provide that exclusions cannot be printed in type smaller than that used to print the benefits.

**Fire**

Combustion which is rapid enough to produce a flame or glow. Property insurance only covers "hostile" fires, which means those that have escaped their intended limits or were not started intentionally. In their proper contained area are called "friendly fires" and are not covered under most basic property insurance policies.

**Fire Damage Limit**

A General liability limit that applies only to the coverage for fire legal liability.

**Fire Department Service Clause**

A provision in a fire insurance policy that provides the insured with indemnification for charges incurred due to action by a fire department to save the insured's property. It is useful for property located outside the jurisdiction of the nearest fire department and where the call will be answered only for a fee.

**Fire Legal Liability**

An insurance policy which protects the insured against liability incurred when the insured's negligent actions result in the destruction of property which is in the insured's care, custody or control.

**Fire Maps**

A visual record of the distribution of fire insurance written by all reporting insurers placed on sectional maps. The maps show graphically the distribution of the insureds' covered properties in a given area and make it possible to avoid catastrophic losses.

**Fire Mark**

An insignia, generally metal, once placed on buildings insured by the insurer represented by the mark. Since the insurers

had their own fire brigades, they had to check the mark on a burning building to determine whether or not they should extinguish the fire.

**Fire Marshal**

A public official responsible for the prevention and investigation of fires. The marshal and his or her office are usually financed by a tax on the premiums of property insurers.

**Fire Resistive Construction**

A building which has exterior walls, floors, and roof constructed of masonry or other fire-resistive materials.

**Fire Wall**

A structure (wall) which is designed to seal off fires within a building.

**Fireproof**

A term used in describing building construction. It refers to buildings which are of such construction as to be practically undamageable by fire. However, the term is a misnomer, since no building is completely undamageable by fire, and it is gradually being replaced by the words "fire resistive."

**First GPW Month**

Month in which the premium from the policies sold in a Campaign Selection will start to get collected.

**First Loss Insurance**

(1) Popularly used, an insurance policy which is called upon to pay a loss before others covering the same risk. (2) A contract written in such an amount as to cover only an insured's expected loss during the policy period with no other insurance in existence.

**First Named Insured**

The first named insured appearing on a commercial policy. The latest forms permit the insurer to satisfy contractual duties by giving notice to the "first" named insured rather than requiring notice to all named insureds.

**First Offer Plan**

A provision in a buy-sell agreement which specifies that an offer to sell common stock must first be made to current stockholders.

**First Party Insurance**

Property insurance is an example of first party insurance, since the contract between the insurer and insured will pay the insured in the event of loss or damage to the insured's property.

**First Surplus**

One of the oldest forms of treaty reinsurance. The reinsurer shares the risk with the ceding company on a pro-rata basis. The proportion is sometimes fixed or varied according to: 1. Different classes of risks, and 2. The net retention which the insurance company keeps for its own account. "First" referred to the first layer of reinsurance over the company's net retention. Then would come Second Surplus, etc.

**First Surplus Reinsurance**

The first amount allocated to reinsurance in excess of the original insurer's net retention. See also Surplus Reinsurance. and Lines.

**First Surplus Treaty**

A contract under which the reinsurer shares the risk with the ceding company on a pro rata basis. Under this form of insurance, the reinsurer would pay a proportion of each loss.

**First Year**

The term used to refer to various matters during the first year a policy is in force, such as first year premiums and first year claims.

**First Year Commission**

The commission paid to an insurance agent on the first year's premium as compensation for a newly sold policy.

**Fiscal Intermediary**

A commercial insurer contracted by the Department of Health and Human Services for the purpose of processing and administering Part A Medicare claims.

**Fiscal Year**

The formal twelve month accounting or operating period of a company or entity.

**Five Year Income Averaging**

A tax device for lump sum distributions from a qualified plan which enables the individual to pay a lesser amount of income tax on the distribution.

**Fixed Annuities**

Investment contracts whose issuer pays a guaranteed fixed rate of return to the holder. Fixed annuities can hold stocks, bonds, and/or money market instruments.

**Fixed Annuity**

An annuity that provides that the annuitant will receive a fixed payment during the period of the annuity.

**Fixed Base Liability**

The liability coverage needed by fixed base operators, i.e., those who operate commercial enterprises and operate out of one airport. Aircraft dealers, charterers, and instructors are examples.

**Fixed Benefit**

A benefit, the dollar amount of which does not vary.

**Fixed Benefit Retirement Plan**

A plan providing retirement benefits only on a fixed amount or at a fixed percentage - such as 1% of monthly salary times the number of years of credited employment; or 25% of the employee's average pay over the last few years prior to retirement.

**Fixed Dollar Annuity**

Guarantees a fixed, minimum dollar payout, during each payout period.

**Fixed Indemnity**

"Indemnity".

**Fixed-Amount Installments**

A settlement option under which fixed, periodic benefits payments are made until the principal and interest are exhausted.

**Fixed-Income Investment**

A security that pays a set rate of interest over the duration of the investment term (i.e., a bond).

**Fixed-Period Installments**

A settlement option under which the proceeds are guaranteed to be paid in equal installments for a specified period of time.

**Flat**

Without interest or service charges.

**Flat Cancellation**

A policy which is cancelled upon its effective date. Usually under a flat cancellation no premium charge is made.

**Flat Commission**

A standard scale commission paid to an agent regardless of the type of exposure or the type of policy. Contrast with Graded Commission.

**Flat Deductible**

A deductible which is not one of the disappearing or franchise type. A specific amount deducted from each loss or claim.

**Flat Maternity Benefit**

A stipulated benefit in a hospital reimbursement policy that is paid for maternity confinement, regardless of the actual cost of the confinement.

**Flat Rate**

A reinsurance premium rate based on the entire premium income received by the ceding company from business ceded to the reinsurer, as distinguished from a rate applicable only to the excess limits premium.

**Flat Rate**

A rate not subject to adjustment under a retrospective or other form of rating formula. In A&H, generally refers to group blanket accident insurance.

**Flat Rate Adjustment**

This is a percentage change in workers compensation premium (not rates) usually due to law changes that affect the amount payable for claims.

**Fleet (or Group) of Companies**

A number of insurance organizations under common ownership and often common management.

**Fleet Policy**

An insurance contract that applies to a number of vehicles. Usually five or more self-propelled vehicles constitute a fleet.

**Fleet Rating**

A method of rating in automobile insurance when coverage is provided for a number of vehicles (five or more) for the same insured owners.

**Flesch Test**

A method for determining the degree of ease or difficulty for reading material. This method counts not only the number of words in a sentence, but also the number of syllables in each word. It has come into popular use because of state laws requiring that contracts of insurance be easily understandable by someone at the eighth grade level.

**Flexible Benefit Plan**

A type of program where employees can tailor their benefits to meet their own specific needs.

**Flexible Premium Adjustable Life Insurance Policy**

This is another term used to describe universal life type policies.

**Flexible Premium Annuity**

An annuity that allows the contract holder to vary the amount of the premium payment, or stop payments and resume payments at will. A flexible premium annuity is used to fund IRA and Keogh retirement plans because it allows the amount of premium to change as wages change.

**Flexible Premium Policy**

A life insurance policy under which the policyholder may vary the amount or timing of premium payments.

**Flexible Premium Variable Life**

A whole life contract and a security which features flexible premium payments, nonguaranteed cash values and either a minimum guaranteed death benefit or no guaranteed death benefit. Policy values are dependent on the performance of a separate account.

**Flexible Spending Account**

A salary reduction cafeteria plan whereby employee funds are used to provide various types of health care benefits.

**Floater**

A form of insurance that applies to movable property, whatever its location, if it is within the territorial limits imposed by the contract. The coverage "floats" with the property.

**Flood**

A general and temporary condition of partial or complete inundation of normally dry land areas from (1) overflow of inland or tidal waters, (2) the unusual accumulation and runoff of surface waters from any source, or (3) abnormal, flood-related erosion and undermining of shorelines. Flood also means inundation from mud flows caused by accumulations of water on or under the ground, as long as the mud flow and not a landslide is the proximate cause of loss.

**Flood Insurance**

A form of insurance designed to reimburse property owners from loss due to the defined peril of flood. Usually sold in connection with a government Flood Insurance plan.

**Floor Plan Insurance**

A form of insurance covering merchandise held for sale by a retailer which has been used as collateral for a loan. The lending institution, in effect, is insuring its collateral the merchandise "on the floor" of the retailer.

**Focus Group**

A focus group is a qualitative research technique where groups of individuals, typically six to ten, are brought together to participate in a facilitated discussion. Focus group participants should have attributes characteristic of the target market for the business that is being developed. Focus groups can be used to gain directional insight on consumer needs, attitudes and behaviors related to a particular product category, and to get feedback on marketing messages and product concepts. Because of the small number of people involved in focus groups, findings are not considered to be statistically representative of the overall target market; therefore, the findings are directional, not definitive.

**Following Form**

A term for a Fire or other form written exactly under the same terms and coverages as other insurance on the same property.

**Following The Fortunes**

The clause stipulating that once a risk has been ceded by the reinsured, the reinsurer is bound by the same fate as experienced by the ceding company thereon.

**Foreign Insurance Company**

An insurer formed under the laws of another state other than the state in which the property is written.

**Foreign Insurer**

An insurer domiciled in a state of the United States other than the one in which the insured's insurance is written.

**Foreign Voluntary Coverage**

This provides coverage for work-related injuries to employees while outside the United States and treats these injuries as compensable as if they were covered under the workers compensation policy.

**Forfeitures**

The non-vested remainders in pension plans left by terminated employees. Forfeitures must be used to reduce employer contributions in subsequent years. In profit-sharing plans, forfeitures may be allocated among remaining participants.

**Forgery**

The false and fraudulent making or altering of a written instrument.

**Forgery or Alteration Coverage Form**

A commercial crime coverage form that protects the insured against losses resulting from forgery or alteration of outgoing



checks, drafts, promissory notes and similar instruments drawn against the insured's accounts.

**Form**

An insurance document, or part of a document, prepared in a prescribed arrangement of words and layout. It may be the policy itself, or may be a rider or endorsement attached to the policy. As part of the policy, the form contains information necessary to clarify the terms of the policy.

**Form**

(1) An insurance document which, when attached to a policy, makes it complete. For example, a Standard Fire policy would have to have a Business Interruption form attached to it to make up a Business Interruption policy. (2) Any rider or endorsement, such as a Deductible Endorsement

**Formal Plan**

A retirement plan set forth in writing under which contractual and legally enforceable rights pass on to the participating employees.

**Formula**

How the amount of pension to be received, or contribution to be made under a retirement plan is determined.

**Fortuitous Event**

An accident caused by an unforeseen happening. (See, also, "Inevitable Accident.")

**Foundation Exclusion Clause**

A provision in a fire insurance contract which provides that the value of the foundation is not to be included when determining the value of property at the time of a loss.

**Foundering**

This refers to a ship which is sinking.

**Fractional Premium**

A proportionate amount of the annual premium, such as semiannual, quarterly, or other fraction.

**Frame**

A type of construction. A frame building is primarily made with wood frames and joists.

**Franchise**

"Wholesale Insurance".

**Franchise Deductible**

A type of deductible which originated with marine insurance. It states that no claim is payable unless it exceeds a stated amount or a stated percentage of the amount of insurance. Once the claim exceeds that amount or percentage, the entire amount of the claim is payable.

**Franchise Insurance**

A plan for covering groups of persons with individual policies having uniform provisions, although they may differ in benefits. Individual contracts are issued to each person with individual underwriting. It is usually applied to groups too small to qualify for true group coverage, and the solicitation of cases usually takes place among an employer's workforce with employer consent. In life insurance, it is sometimes called wholesale insurance. Contrast with True Group Insurance.

**Fraternal "Society" or "Company"**

A social organization which provides insurance for its members.

**Fraternal Insurance**

Insurance offered a special group of people, namely, members of a lodge or a fraternal order. Such insurance may be written on an assessment basis or on a legal reserve basis.

**Fraud**

Deceit, trickery or misrepresentation with the intent to induce another to part with something of value or surrender a legal right.

**Fraudulent Delivery**

In connection with Transportation Floaters, when a shipper surrenders goods to someone posing as an agent for the carrier, it is held that the goods did not come into the custody of the carrier. If the carrier delivers goods to someone posing as an agent for the receiver, it is held that no valid delivery is made, and the carrier is liable for the loss.

**Free Along Side**

A marine shipping agreement which requires the seller to place the goods alongside a named vessel or a designated dock. The seller is responsible for insuring goods up to the time they are alongside.

**Free Look**

A period of time (usually 10, 20 or 30 days) during which a policyholder may examine a newly issued individual policy of life or health insurance, and surrender it in exchange for a full refund of premium if not satisfied for any reason.

**Free of Particular Average**

A contract provision which excuses the insurer from liability for losses below a certain percentage or fixed amount. Similar to a deductible.

**Free On Board**

The term has special significance in Marine Insurance, where it is vital to determine when title passes from the seller to the buyer. If the materials are shipped FOB point of destination, the seller is liable for damage caused during the course of transportation. If the material is shipped FOB point of departure, then the buyer becomes liable for it.

**Free-look Provision**

The Free Look provision gives the Policyowner a right to cancel his policy and obtain a refund of any premium(s) paid by giving a written notice to the company. Such notice must be signed by the Policyowner and received directly by the company along with the policy document, within 15 days from the date of receipt of the policy document. The refund of premium is subject to deduction of expenses incurred on medical examination of the Insured and Stamp Duty charges.

**Free-of-Capture-and-Seizure Clause**

An insurance contract provision that excludes losses due to war, capture, and seizure.

**Free-Standing Emergency Medical Service Center**

A facility whose primary purpose is the provision of care for emergency medical conditions. Also called emergi-center or urgi-center.

**Free-Standing Outpatient Surgical Center**

A facility which only provides outpatient surgical services. Also called surgi-center.

**Freight**

A charge for the transportation of goods.

**Frequency**

Represents the number of insurance claims made, usually expressed relative to the number of policyholders.

**Frequency**

Refers to the number of claims.

**Frequency**

Frequency is the number of times a loss occurs. Accident Medical Expense is considered a frequency benefit: low benefit/high frequency of claims.

**Frequency Products**

"Frequency".

### **Fresh Start**

Under the 1984 Tax Act, the difference between the reserves at the end of 1983 under the 1959 Act and the starting year reserves for 1984 under the 1984 Act were not taxed and were permanently forgiven. This adjustment to income tax expense is called Fresh Start.

### **Front-Load Fund**

An open- or closed-end investment company that charges a fee upon the purchase of its shares. This fee, called "the load," is deducted from the amount invested.

### **Fronting**

A situation where the ceding company retains a very small part of a risk and reinsures the large majority of it with one or more reinsurers.

### **Fronting Policy**

Often constructed as a Matching Deductible Plan, this is an insurance contract where the risk is 100% reinsured over policy terms and conditions set by the ceding company. When purchasing any kind of reinsurance, it is important for the "fronting" company to select its reinsurers carefully, for it is still considered to be the primary insurer and thereby fully responsible for covered losses up to the policy limits regardless of whether reinsurance applies or not. So, if insolvency or some other reason keeps the reinsurer from upholding its part of the deal the fronting insurer may end up paying losses it had intended to transfer.

### **Fulfillment**

Process of supplying goods after an order has been received.

### **Full Coverage**

Insurance that provides for the payment of all insured losses in full. For example, some health insurance policies provide for full coverage without a deductible, participation, or a coinsurance clause.

### **Full Preliminary Term Reserve Valuation**

A method for determining reserves on life insurance contracts, whereby no reserve is required for the first year of a contract's life, with an appropriate adjustment in subsequent years' reserves to make up the difference. This method of valuation makes it possible for an insured to have more funds available for the high first year expenses incurred in the writing of life insurance.

### **Full Reporting Clause**

Under this clause, an insured is required to report values periodically. The clause provides for a penalty to the insured if true values are not reported.

### **Full-Term Premium**

The total premium charged for coverage for a given policy period. In such situations, the exposure generating the premium is known as of the effective date, and is not expected to vary during the period. A premium of this designation is in contrast with a deposit premium, or installment premium.

### **Fully Insured Plan**

A qualified plan whereby contributions are made to an insurer and benefits, and plan administration are provided by the insurance company in behalf of plan participants.

### **Fully Insured Status**

A provision of OASDHI which sets forth the qualifications a person must have before being eligible for retirement benefits under the Social Security system. For most people this means having worked 40 calendar quarters (usually 10 years) at covered employment, though there are some exceptions. Contrast with Currently Insured Status.

### **Fully Paid Policy**

A limited payment life insurance contract on which all required payments have been made. For instance, a 20-pay life

policy would be fully paid after the insured has paid premiums for 20 years.

**Fund**

(1) Money and investments held in trust in order to pay pension benefits. (2) To accumulate money necessary to pay pension benefits; to pay into the fund each year enough to cover the the pension plan's obligations for that year.

**Funded**

Having sufficient funds to meet future liabilities. This term is most often used with a pension plan's outstanding claims account.

**Funded Pension Plan**

In this type of retirement plan, the employer puts aside enough money each year to cover the cost of currently promised pension benefits.

**Funded Plan**

All plans under which funds are deposited to provide for retirement benefits.

**Funding Medium**

The arrangement through which funding methods operate; i.e., a trust agreement; a custodial account; a deposit administration contract; a group annuity contract.

**Funding Method**

(Pension) How money is accumulated for future payment of pension benefits.

**Funding Methods**

(Health) The agreed means by which an employer pays for health coverage.

**Fur and Jewelry Floater**

Usually an open perils (all risk) form which applies to the furs and jewelry scheduled in the policy whatever their location worldwide.

**Furriers Customers Insurance**

An inland marine form purchased by a furrier to protect furs in storage belonging to customers.

**Future Increase Option**

An option which allows the insured to increase disability income benefits at predetermined times, specified in the policy, without evidence of insurability.

**Future Interest**

Generally means the future interest and enjoyment of personal property provided for an individual by means of a gift.

**Futures Contract**

A contract providing for the delivery or receipt of financial assets at a specified date and price.

# G

**GAAP Profit- Generally Accepted Accounting Principles Profit**

An accepted method of accounting for deferred expenses (e.g. marketing costs) among other items that allows for spreading or amortizing. These principles have substantial authoritative support for use in the insurance business and in the reporting of profit. They are intended to produce financial results consistent with those of other industries and to assure consistency in financial reporting.

**Gain and Loss Exhibit**

The portion of the convention blank which represents an analysis of gains, losses, and surplus during an accounting period.

**Gambling**

The creation of a situation where there is a chance of either loss or gain. This is the opposite of insurance, which either eliminates or reduces the risk of loss and presents no chance of gain.

**Garage Coverage Form**

A commercial automobile insurance coverage form used to insure automobile dealers, repair shops, service stations, and garage risks. Garage liability, garagekeepers coverage, and physical damage coverages may be included.

**Garage Keepers Legal Liability Insurance**

An insurance contract that protects a garage keeper against liability for damage to vehicles in the keeper's care, custody, or control caused by specific perils.

**Garage Liability Insurance**

Insurance to protect garage owners or automobile dealers for liabilities arising out of their business operations.

**Garagekeepers Insurance**

An insurance contract that protects a garagekeeper against liability for damage to vehicles in his care, custody, or control caused by specified perils.

**Gatekeeper Model**

Under this model of HMO and PPO organizations, the primary care physician (the gatekeeper) is the initial contact for the patient for medical care and for referrals. This is also called a closed access or closed panel.

**Gender Rule**

One method of determining which parent's medical coverage will be primary for dependent children: the father's coverage will automatically be considered primary and will pay first.

**General Account**

All assets of an insurer other than assets held in separate accounts.

**General Account**

An investment portfolio used by the insurer for investment of premium income. This portfolio generally consists of safe, conservative, guaranteed investments, such as real estate and mortgages.

**General Adjustment Bureau, Inc.**

An independent company which adjusts claims of all types for insurance companies. GAB also provides training programs for adjusters.

**General Agency System**

The marketing of life insurance through general agents.

**General Agent**

An individual appointed by a life or health insurer to administer its business in a given territory. General agents are responsible for building their own agency and service force and are compensated on a commission basis, with possibly some additional expense allowances.

**General Agents and Managers Conference**

An association of insurance general agents and managers affiliated with the National Association of Life Underwriters.

**General Aggregate Limit**

A Commercial General liability limit that applies to all damages paid for bodily injury, property damage, personal injury, advertising injury, and medical expenses, except damages included in the products-completed operations hazard.

**General Average**

A partial loss incurred to save the total venture from destruction. Any such losses are prorated among all parties to the

venture, including the parties whose interests first suffered such loss. An example would be throwing cargo overboard in order to save a ship from a particular peril.

### **General Liability**

Coverage for bodily injury or property damage losses for which the insured is legally liable as a result of negligence.

### **General Liability Insurance**

Form of coverage that pertains to claims arising out of the insured's liability for injuries or damage caused by ownership of property, manufacturing operations, contracting operations, sale and distribution of products as well as professional services. General Liability is sometimes referred to as 'Liability Other Than Auto'.

### **General Liability Insurance**

A form of insurance designed to protect owners and operators of businesses from a wide variety of liability exposures. These exposures could include liability arising out of accidents resulting from the premises or the operations of an insured, products sold by the insured, operations completed by the insured, and contractual liability.

### **General LTC Rider**

A LTC rider which is attached to a life insurance policy but stands alone or is independent of the life policy. Any LTC benefits paid do not reduce any of the life insurance benefits.

### **General Operating Expense**

The expense of an insurer other than commissions and taxes. Called "General and Insurance Expense" in the convention statement blank.

### **General Operating Expenses**

The company's operating costs, fees for medical examinations and inspection reports, underwriting, commissions, advertising, agency expenses, premium taxes, salaries, rent etc. Such costs are important in determining premium rates.

### **General Partnership**

A business enterprise owned and operated by two or more persons for the purpose of generating business income and profits.

### **General Power of Appointment**

A donee is given the authority to pass on a property interest to whomever he or she pleases.

### **General Property Form**

This form commonly in use for coverage on the property of commercial risks from whatever perils are specified in the contract.

### **General Provisions**

Provisions of a policy in addition to the regular insuring and benefit provisions which limit and define the coverage. The general provisions are usually common to all similar policies whereas insuring, benefit and exclusion clauses or provisions usually vary.

### **Generally Accepted Accounting Principles**

These principles have substantial authoritative support for use in the insurance business. They are intended to produce financial results consistent with those of other industries and to assure consistency in financial reporting. Contrast with Statutory Accounting Principles.

### **Generation Skipping Transfer**

A transfer of property due to death or by gift, to a person who is two or more generations below the grantor.

### **Generic Drug**

A drug which is exactly the same as a brand name drug and which is allowed to be produced after the brand name drug's patent has expired. It is also called a "generic equivalent."

**Geographical Limitation**

A contractual provision which is specifically names geographical areas outside of which the insurance is not effective.

**Geographical Limitation**

A condition or requirement in a policy that restricts coverage to losses occurring within certain geographical limits.

**GI- Guaranteed Issue**

A contract is issued with no individual underwriting. This normally means there is no individual health underwriting. We guarantee to issue the policy as long as the applicant is eligible for the coverage.

**Gift**

A sale, exchange, or transfer of property without adequate consideration.

**Gift Tax**

Both federal and state governments have gift tax laws which tax gifts made by one person to another.

**Glass Coverage Form**

A commercial property form used to insure plate glass, lettering, frames and ornamentation. It has replaced earlier commercial glass insurance forms.

**GOE- General Operating Expenses**

Overall expenses inclusive of both direct expenses and indirect expenses. May also be referred to as "Opex".

**Going & Coming Rule**

This rule stipulates that while en route to and from work, an employee is not considered as being on the job.

**Good Driver Discount**

A system which entitles good drivers (as defined by driving safety record, number of miles driven annually, number of years driving experience, and other factors related to the risk of loss) to discounts on automobile insurance rates and premiums.

**Good Student Discount**

A discount granted to students with high scholastic ratings. There is a proven relationship between good grades and safe driving.

**Goodwill**

An intangible business asset. It refers to the value of a business which has been built up through the reputation of the business concern and its owners.

**Governing Class**

- 1) The class code that best describes the business of the insured.
- 2) In retrospective rating, the class with the highest premium in a state.

**Governing Classification**

The classification, which carries the highest amount of payroll exclusive of the Standard Exceptions--This describes the principal work activity of the employer's business.

**Government National Mortgage Association**

A government-owned corporation, nicknamed Ginnie Mae, which is an agency of the U.S. Department of Housing and Urban Development. The GNMA purchases mortgages from private lenders, such as banks and savings and loans, packages them into securities called Ginnie Maes, and sells the certificates to investors. The agency guarantees the timely payment of principal and interest to the Ginnie Mae holders.

**Government Savings Bond**

A bond issued by the United States Treasury at a discount equal to the present value of a future interest payment. The amount paid at maturity is the face amount which, in this case, is principal and interest.

**Government Securities**

Bonds and other debt instruments issued by federal agencies. Although government securities have high credit ratings, they are not backed by the full faith and credit of the federal government.

**GPW FY1**

Gross Premium Written in Fiscal Year 1. Actual premium collected during the fiscal year in which the Campaign Selection was executed.

**GPW- Gross Premiums Written**

Total premiums for insurance written including reinsurance assumed during a given period.

**Grace Period**

A prescribed period, usually 30 to 31 days from the premium due date, during which an insurance contract is in force and the premium may be paid.

**Grace Period**

A period of time after the premium due date if the premium due has not been paid during which the policy will remain in force without penalty. The usual period is 31 days.

**Graded Commission**

A compensation scale for agents which provides for varying commission rates depending upon the class, type, or volume of insurance written. Contrast with Flat Commission.

**Graded Death Benefits**

A provision in life insurance contracts for death benefits that, in the early years of the contract, are less than the face amount of the policy but that increase with the passage of time. Most commonly found in juvenile policies issued at or near age zero.

**Graded Premium**

A modified life insurance policy for which the initial premium is low, and then increases in steps over a period of time (usually five years), after which it becomes a level premium.

**Grading Schedule for Cities and Towns**

A schedule prepared by the National Board of Fire Underwriters for the purpose of determining which of ten grades to assign to a city for fire rating purposes, based on such factors of fire protection as water supply.

**Graduated Life Table**

A mortality table in which the experience has been smoothed out by formula.

**Grantee**

The buyer of real estate.

**Grantor**

The seller of real estate.

**Grantor Retained Annuity Trust**

A trust in which the grantor substitutes retention of a right to payment of a fixed income in exchange for a fixed period of time.

**Grantor Retained Interest Trust**

An irrevocable trust in which the grantor of the trust property receives an income for a fixed period of time. Usually, a personal residence is used as the trust property.

**Grantor Retained Unitrust Trust**

A trust in which a grantor substitutes retention of a right to a fixed percentage of the trust value in exchange for a fixed



period of time.

**Grievance Procedure**

A procedure which allows a member of a health plan or a provider of benefits to express complaints and seek remedies.

**Gross Earnings**

An accounting term which is arrived at by subtracting the cost of goods sold from the total sales. Traditionally, the term was used primarily in business interruption insurance as the basis for determining how much insurance a policyholder should carry. The latest business income insurance forms have dropped this term.

**Gross Earnings Form**

A form once used widely in the writing of business interruption insurance. Coverage was written on either the Gross Earnings Form or the Earnings Form. The latest business income coverage forms no longer refer to gross earnings.

**Gross Estate**

Consists of all property owned directly by the decedent; property transferred during the decedent's lifetime, but with certain strings attached, annuities and life insurance benefits receivable by the beneficiary and jointly owned property over which the decedent had certain controls.

**Gross Line**

The total limit accepted by an insurer on an individual risk, including the amount to be reinsured.

**Gross Line**

The amount of insurance the company has on a risk including the amount it has reinsured. (Net lines plus reinsurance ceded equal gross lines).

**Gross Negligence**

Willful and wanton negligence or misconduct.

**Gross Premium**

Premium as calculated before deducting any reinsurance ceding commission. See net premium.

**Gross Premium**

The net premium plus operating expenses, commissions and other expenses.

**Gross Premium**

(Life) The premium for participating life insurance. If an insured elects to use dividends to pay premiums, this becomes the net premium when dividends are subtracted from it. Contrast with Net Premium.

**Gross Pull**

In Direct Marketing, the Issued Number divided by Contacted Number of individuals.

**Ground Coverage**

Insurance for specified perils applicable to the hull when a plane is not flying. Similar to collision and comprehensive coverage in an automobile policy. There are different forms of ground coverage: "Not in Flight" covers the plane on the ground only but includes taxiing. "Not in Motion" covers the plane on the ground and not in motion.

**Group**

A collection of individuals grouped together for the purpose of treating them as a single entity. The term usually refers to employee benefits.

**Group Annuity**

A retirement plan designed for a group of persons (usually employees of a single employer) funded by a single annuity contract which is written on a group basis.

**Group Certificate**

The document provided to each member of a group plan. It shows the benefits provided under the group contract issued to the employer or other insured.

**Group Contract**

A contract of insurance made with an employer or other entity that covers a group of persons identified by reference to their relationship to the entity buying the contract. The group contractual arrangement is generally used to cover employees of a common employer, members of a trade association or trusteeship, members of a welfare or employee benefit association, members of a labor union, or members of a professional or other association not formed only for the purpose of obtaining insurance.

**Group Credit Insurance**

Insurance on the life or health of debtors of a creditor, payable for reduction or extinguishment of the debts in case of the disability or death of the debtor.

**Group Deposit Administration Contract**

A funding contract for a qualified plan whereby contributions are accounted for on an unallocated basis for the benefit of all plan participants.

**Group Disability Insurance**

Coverage provided for a group of individuals for loss of compensation due to accident or sickness.

**Group Health Insurance**

The same definition as life insurance but with the application to health insurance coverages.

**Group I Rates**

Under the latest commercial lines program, this term replaces the term "Fire Rates" for property coverages. Rates are included in Group I for fire, lightning, explosion, sprinkler leakage and vandalism.

**Group II Rates**

Under the latest commercial lines program, this term replaces the term "Extended Coverage Rates" for property coverages. Rates are included in Group II for windstorm, hail, smoke, riot or civil commotion, aircraft, vehicles, sinkhole collapse and volcanic action.

**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 an association with which they are affiliated, with an individual certificate given to each insured person.

**Group Life Insurance**

Life insurance provided for members of a group. It is most often issued to a group of employees but may be issued to any group provided it is not formed for the purpose of buying insurance. The cost is lower than for individual policies because administrative expenses per life are decreased, there are certain tax advantages, and measures taken against adverse selection are effective.

**Group Model HMO**

A health plan where a group of physicians is reimbursed for services they provide at a negotiated rate. The HMO also contracts with hospitals for the care of the patients of the physicians who belong to the group.

**Group or Association Programs**

All group and association programs, either new or renewal, must have prior approval by the home office before commitments are made to brokers. A completed "group submission form" must accompany each request.

**Group Ordinary Life Insurance**

Level premium ordinary life insurance issued on a group basis.

**Group Permanent Insurance**

A retirement plan which combines life insurance with retirement benefits. It uses the level premium method under a group contract.

### **Group Permanent Life Insurance**

A form of life insurance under which members of a group are provided one of several plans of permanent life insurance on a group basis instead of the more usual plan of term life insurance.

### **Group Property and Liability Insurance**

The same definition as group life insurance but applied to property and liability coverages.

### **Group Renewable Term Insurance**

Yearly renewable term insurance on a group basis; often called "group life insurance."

### **Group Retirement Income Insurance**

Level premium retirement income insurance issued on a group basis.

### **Group Travel Policy**

AD&D coverage for a person traveling on business. May be business only, occupational only or 24 hour coverage. Also known as Business Travel Accident.

### **Group-Basis Personal Accident Insurance**

A plan of insurance under which a group of people (usually the employees of one employer or the members of a trade or similar association) are insured by a master contract. The employees, etc., are not policyholders or policyowners. The "Group" insurance basis or format is commonly used by companies that write Group Life Insurance, Group Health Insurance, Group Long Term Disability Insurance, etc.

### **Growth and Income Fund**

An investment with this objective seeks a combination of current income (dividends and interest) and growth (capital appreciation).

### **Growth Fund**

A fund with an investment objective of long-term capital growth and capital gains, rather than of current income.

### **Growth Investments**

Investments that allow for capital growth but are not highly speculative, for example, mutual funds, managed equities and stocks, among others. Growth investments are riskier than conservative fixed-interest investments (certificates of deposit, government securities) but less risky than speculative investments such as collectibles, penny stocks, or commodities.

### **Growth Stock**

A stock that has shown better-than-average growth in market price appreciation and is expected to continue to do so through discoveries of additional resources, development of new products, or expanding markets.

### **Guarantee Fund**

State-regulated mechanism which is financed by assessing insurers doing business in those states. Should insurance company insolvencies occur, these funds are available to meet some or all of the insolvent insurer's obligations to policyholders.

### **Guaranteed Cash Value**

In whole life insurance, the policy's cash value increases over the life of the policy until at the insured's age 100 the cash value is equal to the policy's face amount.

### **Guaranteed Cost**

This term is commonly used to refer to workers compensation policies that are not subject to a loss responsive rating plan.

### **Guaranteed Cost**

The premium charged on a prospective basis which may be fixed or adjustable on a specified rating basis but never on the basis of any one policy's loss experience.

### **Guaranteed Cost Policies**

Policies of insurance under which premium is charged on a prospective basis without adjustment for loss experience during the policy period.

### **Guaranteed Insurability**

An option in life and health insurance contracts that permits the insured to buy additional prescribed amounts of insurance at prescribed future time intervals without evidence of insurability.

### **Guaranteed Insurance Option**

Permits the policyholder to purchase up to a specified amount of additional life insurance regardless of his or her health.

### **Guaranteed Investment Contract**

A contract between an insurance company and a corporate profit-sharing or pension plan that guarantees a specific rate of return on the invested capital over the life of the contract. Although the insurer takes all market, credit and interest rate risks on the investment portfolio, it can profit if its returns exceed the guaranteed amount. For pension and profit-sharing plans, guaranteed income contracts are a conservative way of assuring beneficiaries that their money will achieve a certain rate of return.

### **Guaranteed Premiums**

Premiums are guaranteed for a period. In regular A&H, group policy premiums are normally guaranteed not to change more frequently than once every twelve months. Guarantees for up to three years can be considered. Guarantees of individual policies can vary from one year to periods of 10 or 20 years or more, i.e. lifetime.

### **Guaranteed Renewable**

A policy that is renewable at the option of the insured only, until a stated age, period of time or until a lifetime aggregate in benefits has been paid. Premiums for guaranteed renewable type individual policies usually can only be changed on categories or classes of insureds, but not for anyone individual policy.

### **Guaranteed Renewable**

A contract that the insured has the right to continue in force by the timely payment of premiums for a substantial period of time as set forth in the contract. During that period of time, the insurer has no right to make any change in any provision of the contract other than a change in the premium rate for all insureds in the same class. Contrast with Noncancellable, from which Guaranteed Renewable should be distinguished.

### **Guaranteed Standard Issue**

An underwriting term used to describe the fact that a group insurance contract was issued without reference to any medical underwriting. All group participants are covered regardless of health history.

### **Guarantor**

One who guarantees or promises to back up another's actions or debts. It is a term used in surety bonds, usually the surety company is the guarantor.

### **Guaranty Fund**

Established to pay claims of insolvent insurance companies. These funds are funded by contributions of companies operating in a particular state in proportion to their business written in the state.

### **Guaranty Funds**

Funds created by state law from contributions by insurance companies operating in the state which are used to make good any unpaid claims or otherwise to make money available to insolvent companies. Each state which has a fund has a different plan.

### **Guardian**

A person appointed by the court to take care of affairs of another. A common example would be a guardian to take care of the affairs of a minor or a mentally incompetent.

**Guaranteed Investment Contract**

A contract between an insurance company and a corporate profit-sharing or pension plan that guarantees a specific rate of return on the invested capital over the life of the contract. Although the insurer takes all market, credit and interest rate risks on the investment portfolio, it can profit if its returns exceed the guaranteed amount. For pension and profit-sharing plans, guaranteed income contracts are a conservative way of assuring beneficiaries that their money will achieve a certain rate of return.

**Guertin Laws**

The valuation and nonforfeiture laws which have been standard in all states since 1947, named for Alfred Guertin, then actuary of the New Jersey Insurance Department and head of the NAIC committee which developed the model bill for these laws.

**Guest Law**

Some states have legislation which restricts the rights of a guest to collect from the driver of an automobile he is riding in on the grounds of ordinary negligence. Usually such cases require proof of willful and wanton negligence on the part of the driver before the guest can collect.

**Guest Property Coverage**

Two commercial crime coverage forms are available for hotels, motels, inns and other lodging facilities to protect the property of guests against loss or damage. One form covers guests' property while it is in a safe deposit box on the insured's premises. The other form covers an insured's legal liability for loss or damage to guests' property while in the insured's premises or in the insured's possession.

**Guideline Premium**

A universal life insurance term used to describe the maximum premium that may be paid while still qualifying as life insurance under the federal Internal Revenue Code.

**Guideline Violations**

amounts received in excess of the maximum amounts permitted by law to be paid into a life insurance contract and still maintain the tax deferred benefits afforded life insurance cash values.

**Guiding Principles**

Rules established by major property and liability trade associations for the adjustment of losses, particularly with respect to how losses should be apportioned between insurance companies under certain circumstances.

# H

**Hail Insurance**

Insurance against loss of crops caused by hail.

**Hand In Hand**

Common name for the first fire insurance company created in the 'New World' by Benjamin Franklin in 1752. The actual name is the 'Philadelphia Contributorship for the Insurance of Houses from Loss by Fire'.

**Hangerkeepers Legal Liability Insurance**

Insurance which the owner of an airplane hanger buys to protect against liability for damage or injury to others arising out of the ownership, maintenance, or use of the premises for an aircraft hanger.

**Hard Market**

Indicative of shrinking capacity in the market followed by increases in rates.

**Hazard**

Condition which creates or increases the chances of a loss arising from a peril. Examples of hazards include: slippery floors, congested traffic, unguarded premises and uninspected boilers.

**Hazard**

A specific situation that increases the probability of the occurrence of loss arising from a peril, or that may influence the extent of the loss. For example, accident, sickness, fire, flood, liability, burglary, and explosion are perils. Slippery floors, unsanitary conditions, shingled roofs, congested traffic, unguarded premises, and uninspected boilers are also hazards.

**Hazard Group**

In retrospective rating, all classifications are assigned to hazard group I, II, III, or IV or in California groups A through J. Hazard groups indicate the relative loss severity potential of the classifications. Refer to the retrospective plan. Hazard Group I is the lowest severity and California Hazard Group A is the lowest rating.

**HCFA 1500**

A form used by providers of health services to bill their fees to health carriers. It was developed by the government agency known as Health Care Financing Administration.

**Head Office**

The term "head office" is primarily used in British insurance operations, whereas "home office" is used for American operations.

**Health Benefits Package**

The coverages offered by a health plan to an individual or group.

**Health Care Financing Administration**

Part of the Department of Health and Human Services, responsible for administration of the Medicare and Medicaid programs. The HCFA establishes standards for medical providers which must be complied with if the provider is to meet certification requirements.

**Health History**

A form used by underwriters to assist in evaluating groups or individuals to determine whether they are acceptable risks.

**Health Insurance**

Insurance against loss by sickness or bodily injury. The generic form for those forms of insurance that provide lump sum or periodic payments in the event of loss occasioned by bodily injury, sickness or disease, and medical expense. The term health insurance is now used to replace such terms as accident insurance, sickness insurance, medical expense insurance, accidental death insurance, and dismemberment insurance. The form is sometimes called accident and health, accident and sickness, accident, or disability income insurance.

**Health Insurance Association of America**

An association supported by life and health insurers to provide the research, public relations, education, and legislative base for the promotion of voluntary private health insurance.

**Health Insurance Quality Award**

An award granted annually by the International Association of Health Underwriters or the National Association of Life Underwriters for high persistency of health insurance policies written by agents.

**Health Maintenance Organization**

An HMO is a prepaid medical service plan which provides services to plan members. Medical providers contract with the HMO to provide medical services to plan members. Members must use contracted providers. The emphasis is on preventive medicine, and it is an alternative to employee benefit plans. Employers of more than 25 persons are required to offer the alternative of HMO to employees, but not if the cost exceeds that of present employee benefit plans.

**Health Plan**

This refers to any kind of plan that covers health care services such as HMOs, insured plans, preferred provider organizations, etc.

**Health Service Agreement**

The agreement between employer and the health plan which outlines a description of benefits, enrollment procedures, eligibility standards, etc.

**Health Services**

The benefits covered under a health contract.

**Hearsay**

Testimony based on what someone else has said or told a witness.

**Hedge**

An investment undertaken to offset the risk entailed by another investment.

**High (or Large) Deductible**

An insurance policy (usually health insurance) where the customer assumes a high deductible, for example, \$25,000 or more of each unrelated loss.

**High Pressure Tactics**

An illegal method of marketing insurance policies (often associated with Medicare supplement policies) employing tactics having the tendency to induce the purchase or to recommend the purchase of coverage through force, fright, explicit or implied threat, or undue pressure.

**High Risk Activity**

Activities that have a high potential for accidents such as sky diving, bungee jumping, acrobatic flying, bronco riding, etc.

**Highly Protected Risk**

Refers to property risks which meet the standards required for lower rates. Risks of this type are usually protected by sprinklers and have better-than-average construction and occupancy. The term is most often used in connection with the factory mutuals, factory insurance association, and the improved risk mutuals.

**Hired Automobile**

Autos the insured leases, hires, rents, or borrows, but not autos owned by employees or members of their households.

**Historical Loss Risk**

The likelihood of experiencing a loss, a return less than zero measured in a probability.

**Historical Mean Return**

The statistical average return provided by an asset, asset category, or portfolio mix over a specified time period. Also referred to as Average Annual Return.

**Historical Variation Ranges**

A statistical measure of the historical variation of asset class returns that shows the minimum and maximum returns at a given confidence level. This gives the investor a broad view of the historical characteristics of asset classes and provides a valid method for comparison of portfolio allocations.

**Hit**

Name appearing on two or more mailing lists.

**HMO- Health Maintenance Organization**

An organization providing comprehensive health care services for subscribing members in a particular geographic area. HMOs provide both group and individual health insurance, generally on a set fee basis.

**Hold Harmless Agreement**

A contractual arrangement whereby one party assumes the liability inherent in a situation, thereby relieving the other party of responsibility. Such agreements are typically found in contracts like leases, sidetrack agreements, and easements. For example, a typical lease may provide that the lessee must "hold harmless" the lessor for any liability from accidents arising out of the premises. The effect of such an agreement is that the lessee must provide a defense for the lessor, and

if any judgment is rendered against the lessor, the lessee would have to pay.

**Hold-Up**

A form of robbery.

**Holding Period**

The length of time that an investor has owned a capital asset. The Tax Reform Act of 1984 shortened the capital gains holding period from a year and a day to six months and a day.

**Holographic Will**

A valid will which is completely handwritten and signed by the testator.

**Home Foreign Referral**

Premium booking and policy issuance for a local underlyer in a Subsidiary or Affiliate of AIG that belongs to a worldwide program controlled by a Requesting Office in North America.

**Home Health Agency**

A certified facility approved by a health plan to provide services under contract.

**Home Health Care**

Care received at home as part-time skilled nursing care, speech therapy, physical or occupational therapy, part-time services of home health aides or help from homemakers or choreworkers.

**Home Health Services**

Health care services provided by a licensed home health agency in the patient's home which is a covered expense under Part A of Medicare.

**Home Office**

Generally the corporate headquarters of insurers and the location where the chief officers of the organization are housed.

**Home Office Life Underwriters Association**

An organization offering a course of study for home office life underwriters.

**Home Service Insurance**

A variation in the industrial life concept, home service life insurance policies are usually modest in size, ranging from \$10,000 to \$15,000 in face value, and are typically sold on a monthly debit plan (automatic bank draft) or payments by mail.

**Home Shopping**

A live television broadcast on a live, 24 hour television shopping station. No pre-recorded broadcast shows are usually shown. Each broadcast is typically one half hour or hour in length, and composed of four 15 minute segments that are acted out and improved throughout the time slot, based on live response. Note that the network will typically maintain a database of customer names, past purchases, times of purchases, credit card information, phone numbers, addresses, amounts purchased and additional up-sell and cross-sell activity. A specific dedicated time slot is agreed based on test methodology and viewer demographics matched to the product offer, and the network will produce the show from their studios, and can feature a live audience.

**Homeowners Policy**

A package policy for the homeowner that includes coverages ranging from fire and extended coverage, theft, and personal liability, to "all risk" coverages.

**Homeowners Policy**

A property and liability insurance contract that provides insurance against any of the property and liability perils to which a homeowner or renter is exposed.

**Honorable Undertaking**



This is stated in the reinsurance contract: "This agreement is considered by the parties hereto as an honorable undertaking, the purpose of which is not to be defeated by a strict or narrow interpretation of the language thereof."

### **Honorable Undertaking**

A clause found in many reinsurance contracts that reads: This Agreement is considered by the parties hereto as an honorable undertaking the purpose of which is not to be defeated by a strict or narrow interpretation of the language thereof.

### **Hospice**

An organization which is primarily designed to provide pain relief, symptom management and supportive services for the terminally ill and their families. Hospice care is covered under Part A of Medicare.

### **Hospital**

The exact definition of a hospital for insurance purposes can vary by jurisdiction but is generally as follows: An establishment which meets all of the following requirements: (1) holds a license as a hospital, if licensing is required in the country or governmental jurisdiction; (2) operates primarily for the reception, care and treatment of the sick, ailing or injured persons as in-patients; (3) provides 24-hour a day nursing service by registered or graduate nurses; (4) provides organized facilities for diagnosis and major surgical procedures.

### **Hospital Affiliation**

A contract whereby one or more hospitals agrees to provide benefits to members of a specific health plan.

### **Hospital Alliances**

A group of hospitals that work together to share common services and thereby reduce health costs. By grouping together, they are better able to compete with other alliances or chains.

### **Hospital Benefits**

Benefits payable for hospital room and board, plus miscellaneous charges resulting from hospitalization.

### **Hospital Confinement Rider**

An optional disability income rider that results in the elimination period being waived when the insured is hospitalized as an inpatient.

### **Hospital Income Insurance**

A form of insurance that provides a stated weekly or monthly payment while the insured is hospitalized, regardless of expenses incurred and regardless of whether or not other insurance is in force. The insured can use the weekly or monthly benefit as he chooses, for hospital or other expenses.

### **Hospital Indemnity**

Coverage that pays based on daily, weekly, or monthly limits regardless of the amount of actual hospital expenses.

### **Hospital Insurance**

Also identified as Part A of Medicare. HI provides inpatient hospital care, skilled nursing care home health and hospice care subject to a benefit period deductible and copayments for certain services.

### **Hospital Tax**

A Social Security tax of 1.45% on an unlimited amount of income, paid by both the employee and employer to prepay for Part A of Medicare.

### **Hospitalization Expense Policy**

A policy which covers daily hospital room and board charges and also covers miscellaneous hospital expenses (such as X-ray, etc.). It also often covers emergency treatment charges and many times will also include a surgical benefit.

### **Hospitalization Insurance**

A form of insurance that provides reimbursement within contractual limits for hospital and specific related expenses arising from hospitalization caused by injury or sickness.

**House Confinement**

A provision in some health insurance contracts which requires an insured to be confined to the house in order to be eligible for benefits. This provision is most commonly found in policies providing loss of income benefits.

**Household Personal Property**

The term given to household goods, furniture and personal belongings of residents of a farm dwelling. The Farm Property Coverage Form uses the term "household" to distinguish it from the separate coverage for "farm" property. Contrast with Farm Personal Property.

**Housekeeping**

The general care, cleanliness and maintenance of an insured's property. It is an important underwriting consideration in many forms of insurance, such as workers compensation and property.

**HR-10**

A qualified retirement plan for the self employed. Also known as a Keogh Plan.

**Hull Policy**

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

**Hull Syndicates**

A group of companies which agree to share or prorate insurance on oceangoing vessels or aircraft. Coverage on the ship or plane itself is called hull insurance.

**Human Immunodeficiency Virus**

The virus, commonly referred to as HIV, which causes acquired immunodeficiency syndrome, an infectious and incurable disease commonly referred to as AIDS.

**Human Life Value**

A method of determining life insurance needs by considering a person's income, expenses, remaining years of earning capacity, and depreciation in the value of the dollar over time.

I

**IBNR- Incurred But Not Reported**

IBNR is the reserve required to provide for the payment of claims incurred on or prior to a specific date e.g. the policy anniversary or renewal date that are "incurred but not reported" for which we may be liable. This is usually the result of the time delay from the actual date an accident occurs until it is reported or a covered claim or expense (e.g. medical) is incurred or reported. That generally means claims that we expect but don't know about yet. IBNR is also for claims that have been reported but not yet paid nor had a specific case reserve assigned. In other words, IBNR also recognizes that a claim may actually have been reported but may be in the "process" and not yet recorded in the statistical or other records and data used in underwriting and pricing.

**ICC**

A business information provider, specializing in UK company data.

**ICPI**

Insurance Crime Prevention Institute

**Identification Card**

A card given to each person covered under the plan which identifies him or her as being eligible for benefits.

**Identification of Benefits**

A provision that the cost of putting a disabled insured in touch with and in the care of relatives will be reimbursed, usually up to a maximum amount.

**If Clauses**

Clauses which terminate coverage "if" certain conditions are created or discovered. An example is the concealment or misrepresentation provision which states that if this is discovered, the coverage is void. Contrast with "While" Clauses.

**Illegal Occupation Provision**

A health insurance policy provision that voids liability if the loss results from the insured's committing or attempting to commit a felony or from the insured's engaging in an illegal occupation.

**Illness**

A loss which is sustained due to sickness or disease usually due to an organic cause.

**Illness**

Sickness, health and illness means the same thing. As used in A&H policies—generally means the illness must be contracted and commence after the effective date of the policy.

**ILOE- Loss of Income Benefits**

Not to be confused with disability or loss of income insurance, ILOE insurance pays benefits that allow an insured to make required payments while he/she is out of work for specified reasons and generally not where employment is terminated for cause. ILOE is not a core A&H product. Typically it is a NAC or credit insurance product but not to be written stand-alone.

**IME- Independent Medical Examination**

A medical examination that is set up by and paid for by the insurer to validate a loss. The medical doctor is not an employee of the insurer.

**Immature Policies**

Claims-made coverage which has not been in effect, on an uninterrupted basis, for at least five years. For rating purposes, a discount applies to manual rates for immature policies.

**Immediate Vesting**

A term used in pension or retirement plans. With immediate vesting an employee's right to benefits begin as soon as he enters the plan.

**Impaired Insurer**

An insurer which is in financial difficulty to the point where its ability to meet financial obligations or regulatory requirements is in question.

**Impaired Property**

Tangible property which cannot be used or has become less useful because it incorporates the insured's product or work which is defective or inadequate, or because the insured has failed to fulfill a contractual obligation.

**Impaired Risk**

A risk, or subject of insurance, with insurable qualifications below the standard of risks on which the premium for the coverage was based. For example, a life insurance prospect with heart disease would be an impaired risk.

**Impairment of Capital**

A condition in which the surplus account of a stock insurer has been exhausted so that it must invade the capital account (amounts contributed by stockholders) to meet liabilities. Some jurisdictions allow a percentage invasion of capital; some do not.

**Impeach**

Evidence which tends to detract from the credibility of the witness.

**Implied Authority**

Authority of an agent that the public may reasonably believe the agent to have. If the authority to collect and remit premiums is not expressly granted in the agency contract, but the agent does so on a regular basis and the insurer accepts, the agent has implied authority to do so.

**Implied Seaworthiness**

Seaworthiness of a vessel insured in an ocean marine contract is an implied warranty. The assumption is that the vessel, its equipment, and its crew are in good condition and prepared to make the voyage.

**Implied Warranty**

In certain cases the law says that one has given a warranty to another even though the warranty is not in writing. An example would be in sales: A seller implies that the product is fit for the purpose it purports to serve.

**Import**

Goods or services purchased from another country and brought into one's own country.

**Improvements and Betterments**

Additions or changes made by a lessee at his or her own cost to a building which he or she is occupying which enhance its value. These become part of the realty and require special insurance consideration.

**Imputed**

Occurs when actions of one party, usually the agent, are deemed to be actions of the other party, usually the principal.

**In Kind**

An expression relating to the insurer's right in many property contracts to replace damaged objects with new or equivalent (in kind) material, rather than to pay a cash benefit.

**In-Area Services**

Services which are provided within the "authorized" service area as designated in the plan.

**In-Force**

The aggregate amount of insurance policies that are paid up (or are being paid), which a life or health insurance company has on its books.

**In-Force Business**

The aggregate amount of insurance policies that are paid up (or are being paid), which a life or health insurance company has on its books.

**In-Patient**

A person who is confined in a hospital as a resident patient and who is charged at least one (1) day's room and board in the hospital.

**Inbound Calls**

Calls made to a telemarketing or call center by persons interested in obtaining quotes, placing orders, etc., for insurance.

**Inbound Telemarketing**

Selling Products to customers who have called the call center through an inbound call. Typically, the customer is calling in response to an advertisement.

**Incentive Stock Option Plans**

A type of stock plan whereby executives are granted options to purchase company stock without incurring a tax liability at the time the option is granted or subsequently exercised.

**Inception Date**

The beginning date of a period of coverage, as defined for reporting by Commercial Statistical Plan (CSP). The inception date may refer to policies which are new, renewed, continuous, installment, installment (rerated), audit, endorsed, or cancelled. CSP provides detailed instructions for the reporting of this date.

**Inception Date**

Date the policy was initially made effective and the date that coverage begins.

**Inchmaree Clause**

A provision which provides reimbursement to an insured in the event of a loss which is due to the negligence of the master or crew of a vessel.

**Incidence Rate**

The number of occurrences for a given event against a given population.

**Incidental Exposure**

If the total payroll for the individual class, state or coverage is less than or equal to 15% of the total payroll for the account. It is calculated as the total payroll for the individual class, state or coverage, as appropriate, divided by the total payroll for the account, all states, classes and coverages combined. When determining the total payroll for the account the following standard exception classes should not be included: 8810 (clerical) and 8742 (salespersons).

**Incidents of Ownership**

Various rights that may be exercised under the policy contract by the policyowner. Some of the incidents of ownership would be: (1) the right to cash in the policy, (2) to receive a loan on the cash value of the policy, and (3) to change the beneficiary.

**Income**

Earnings, generally from interest or dividends, that are credited or paid to an investor.

**Income Bond**

A type of bond on which interest is paid only when earned by the issuing entity.

**Income Fund**

A fund whose investment objective is current income rather than capital growth. Income funds are often invested in bonds and other fixed-income securities.

**Income Investments**

Interest-bearing corporate or government bonds. The issuer must pay the bondholder a specified sum of money on a specified maturity date and pay periodic interest until that time. Bondholders have no corporate ownership privileges.

**Income Policy**

A life insurance contract which provides income on a monthly basis, as opposed to a policy which pays proceeds in a lump sum.

**Incompetent**

A person who cannot manage his or her own affairs. One who is legally declared insane would be an example of an incompetent. Children under a certain age are also considered incompetents for some purposes.

**Incontestable Clause**

A clause in a policy providing that after a policy has been in effect for a given length of time (two or three years), the insurer shall not be able to contest the statements contained in the application. A health insurance provision also states that after that time no claim shall be denied or reduced on the grounds that a condition not excluded by name at the time of issue existed prior to the effective date. In life policies, if an insured lied as to the condition of his or her health at the time the policy was taken out, that lie could not be used to contest payment under the policy if death occurred after the time limit stated in the incontestable clause.

**Increased Cost of Construction Insurance**

Insurance that covers the additional cost of reconstructing a damaged or destroyed building where ordinances require rebuilding with more expensive materials, services, or techniques.

**Increased Hazard**

Property insurance policies provide that coverage shall be suspended when the hazard in a risk is increased beyond that contemplated when the insurance was written. For example, if a dwelling owner commences manufacturing dynamite in

his home, the hazard is extremely increased, and coverage could be denied by the insurer if there were a loss.

**Increased Limits Coverage**

Those limits provided in a policy in excess of the basic limits of insurance.

**Increased Limits Factor**

The factor used for increasing the rate when increased limits are purchased by the insured. The basic limits rate is multiplied by an increased limits factor.

**Increasing Term Insurance**

A term life insurance policy where the death benefit increases but the premium remains level for the policy term.

**Incurred But Not Reported**

The insurance company will establish a loss reserve for claims that have occurred but have not yet been reported to the company.

**Incurred Expense**

Expenses not yet paid. Can also include paid expenses in some accounting systems.

**Incurred Loss Ratio**

The percentage of losses incurred to premiums earned.

**Incurred Losses**

Amount of money paid out for claims, and monies in reserve for known outstanding losses and incurred but not reported losses (IBNR).

**Incurred Losses or Loss Ratio**

The total losses meaning claims paid, pending, contested, reserved including IBNR and LAE; the ratio of this total to premiums earned produces the loss ratio. (See Experience).

**Indemnify**

To restore the victim of a loss to the same position as before the loss occurred.

**Indemnify**

To pay a specified benefit as outlined in the policy contract.

**Indemnitor**

An entity or person who enters into an agreement with a surety to hold the surety harmless from loss incurred as a result of issuing a contract bond to an applicant who falls just short of acceptability. If the principal defaults, the indemnitor, rather than the surety, assumes the obligation.

**Indemnity**

Benefits paid regardless of exact amount of expense, in contrast to a "reimbursement" benefit, which repays only actual money expended. Also known as Fixed Indemnity.

**Indemnity**

Restoration to the victim of a loss by payment, repair, or replacement.

**Indemnity Bond**

A bond that indemnifies an obligee against loss which may arise as the result of failure to perform on the part of the principal.

**Indemnity Business**

The reimbursement practice of paying cash benefits to the insured individual following submission of a claim. The term is used more generally to refer to the traditional group insurance business.

**Indemnity Loss**

The amount payable by the carrier to the insured, or to some third party on behalf of the insured, for reimbursement of actual damages sustained. Such losses, therefore, do not include adjustment expenses.

**Indemnity Reinsurance**

A transaction whereby the reinsurer agrees to indemnify the ceding company against all or part of the loss that the latter may sustain under the policies it issued that are being reinsured. The ceding company remains primarily liable as the direct insurer on all risks ceded. "reinsurance".

**Independent Financial Advisor (IFA)**

is either an agent or broker whose first loyalty is to the client. An IFA can be a regulated entity such as a broker or an agent who holds agencies with a number of insurance companies depending on local legislative requirements. In some countries a broker must be licensed to provide independent advice.

**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. Independent adjusters represent the interests of insurance companies. Contrast with Public Adjuster. Independent Agency System

The method of sales, service and distribution of insurance through agents who own their 'renewals' and are compensated on a commission basis. The agents usually represent more than one insurer and have binding authority.

**Independent Agency System**

An insurance distribution system within which independent contractors, known as agents, sell and service property liability insurance solely on a commission or fee basis under contract with one or more insurers that recognize the agent's ownership, use, and control of policy records and expiration data.

**Independent Agent**

An agent operating as an independent contractor under the independent agency system.

**Independent Bureau**

A state rating bureau that promulgates rates and experience modifications based on its own state's rules and regulations using its own data and that is not part of the National Council on Compensation Insurance (NCCI).

**Independent Contractor**

An individual performing a service on behalf of a business based on specific criteria, but not considered an employee.

**Independent Insurance Agents of America**

An association of independent insurance agents historically known to represent stock insurance companies more than mutual companies. Members are also members of their state associations.

**Index**

A tool that is used to measure the performance of the economy, a particular market, or a group of investments (i.e., the S&P 500 Index).

**Index Bureau Experience**

A measure of losses relating to claims reported through a claim office during a 12-month period.

**Indexing**

A method of investment in funds by which the portfolio manager seeks to emulate the performance of a broad-based index such as the S&P 500 Index.

**Indexing Year**

The second year prior to attainment of age 62, death or disability, whichever occurs first, used for purposes of adjusting wages to allow for inflation when calculating Social Security benefits.

**Indirect Expenses**

Expenses that are part of the overhead of the company or branch but not directly incurred by the specific department. For example, the part of the salary cost allocated to the A&H department from general management departments are indirect expenses. General overhead of the company including the overhead costs of non income producing departments must be allocated to income producing departments (i.e. profit centers).

**Indirect Loss (or Damage)**

Loss resulting from a peril but not caused directly and immediately by that peril. For example: Loss of property due to fire is a direct loss, while the loss of rental income as the result of the fire would be an indirect loss.

**Individual Account Plan**

A defined contribution plan or a profit sharing plan which provides an individual account for each participant and whose benefits are based solely upon the amount contributed to the participant's account and any income, expenses, gains and losses, as well as forfeitures which may be allocated to the remaining participant's account.

**Individual Contract**

A contract made with an individual that covers that individual and perhaps also specified members of his or her family for benefits as described in the policy.

**Individual Contract Pension Trust**

A pension plan under which a trust holds title to individual insurance or annuity contracts for employees covered by the plan.

**Individual Life Insurance**

(1) That type of life insurance which covers in one contract usually only one insured. (2) The term used to distinguish this type of life insurance from group life insurance.

**Individual Practice Association Model HMO**

A situation where an individual practice association is contracted with to provide health care services. The individual practice association contracts with individual physicians or groups of physicians for their services.

**Individual Retirement Account**

A qualified retirement plan established by ERISA for anyone under age 70½ with earned income, allowing them to set aside up to \$2,000 per year on a tax favorable basis for retirement purposes.

**Individual Retirement Account Rollover**

Provision of the IRA law that enables persons receiving lump-sum payments from their company's pension or profit-sharing plan because of retirement or other termination of employment to roll over the amount into an IRA within 60 days. Also, current IRAs may be transferred to other investment options within the 60-day period. Through an IRA rollover, the capital continues to accumulate tax-deferred until time of withdrawal.

**Individual Risk Premium Modification Rating Plan**

A plan which modifies the premium on large package policies by considering such factors as reduced expenses for handling costs (Expense Modification) and special characteristics of the risk not contemplated by the basic rate (Risk Modification).

**Indivisible Premium Package Policy**

A package policy, usually multiple line in nature, for which the premium is not allocated to each coverage in the policy. Such policies include farm owners and business owners.

**Industrial Life Insurance**

One of the major classes of insurance. It is generally sold in amounts of less than \$1,000 by agents who service insureds on debits. The premiums are collected weekly or monthly at the address of the insured.

**Industrial Risk Insurers**

A consortium of major stock property and casualty insurers formed to write large, highly protected risks. The organization was formed in 1975 by the merger of the Factory Insurance Association and the Oil Insurance Association.



**Inflation**

An economic period characterized by rising prices, low unemployment, an expanding economy and erosion of consumer's purchasing power due to the higher cost of living.

**Inflation Factor**

A premium loading to provide for future increases in medical costs and loss payments resulting from inflation.

**Inflation Guard Coverage**

Coverage which provides for automatic periodic increases in the amount of insurance on buildings to keep an appropriate "limit to value" considering the effect of inflation on building replacement costs. An endorsement is usually used to add this coverage to a homeowners policy. On the latest commercial property forms, inflation guard coverage is an option that may be activated by an entry in the declarations.

**Inflation Hedge**

An investment undertaken to offset the risk of inflation.

**Inflation Protection**

Provisions in a health insurance policy that increase benefit levels to account for anticipated increases in the cost of covered services.

**Inflation Risk**

The risk that inflation will erode the value of an investment. Investments with low historical earnings have more inflation risk than investments that generally have had higher earnings.

**Infomercial**

A pre-recorded commercial, ranging from 90 seconds to one hour in length. The format can consist of several "commercials" within a commercial. Extended blocks of time are usually sold to consolidators. The consolidators then format the time with a succession of ½ hour blocks of individual pre-recorded "shows". These times are usually during odd-lot time periods during low viewer ship, when it is difficult to sell traditional individual commercials to support scheduled advertising.

**Informal Plan**

A retirement system under which the employer has no legal obligation and the employee has no legal rights. These plans have no standard of benefits to be paid, and have no special method of funding.

**Inherent Explosion**

An explosion caused by some condition existing in and natural to an insured's premises. An example would be a dust explosion in a grain elevator.

**Inherent Vice**

A fault in property that leads to its self-destruction. Insurance contracts usually exclude such damage.

**Initial Eligibility Period**

The time period during which prospective members can apply for coverage without providing evidence of insurability.

**Initial Premium**

An amount paid at the inception of an insurance contract, usually subject to adjustment at the end of the policy period.

**Initial Public Offering**

The first sale of a corporation's stock to general investors.

**Injunction**

A court order intended to prevent a person from doing something which might later be termed to be wrongful or illegal.

**Injury**

Accidental bodily injury resulting directly and independently of all other causes. Some jurisdictions allow the use of older wording that requires visible, external injury, etc. The Injury definition may be further defined to limit the cause of injury such that only injuries which are a result of a specific happening (e.g. hazard, activity, exposure) are included in the definition.

### **Inland Marine**

A broad type of insurance, generally covering articles that may be transported from one place to another as well as bridges, tunnels and other instruments 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 art and others.

### **Inland Marine**

A broad type of insurance covering articles that may be transported.

### **Inland Marine Insurance**

A branch of the insurance business which developed from the insuring of shipments which did not involve ocean voyages. The inland marine forms borrowed their language from fire, ocean marine, theft and other contracts. Exposures eligible for this form of protection are described in the nationwide definition of marine insurance. Such diverse properties as bridges, tunnels, jewelry and furs can now be written under Inland Marine forms.

### **Innkeepers Legal Liability**

A coverage for motel and hotel operators, protecting them against the legal liability they have for the safekeeping of the property of guests. The policy usually has a limit per guest and an aggregate limit per policy year.

### **Insert**

In the context of direct marketing, an insert is a single sheet of paper, inserted into the customer's monthly statement from the Sponsor, which makes the offer, includes an application and can be folded, glued and mailed postage free.

### **Inside Limits**

Limits placed on hospital expense benefits which modify benefits from the overall maximums listed in the policy. An inside limit when applied to room and board, limits the benefit to not only a maximum amount payable, but also limits the number of days the benefit will be paid.

### **Insolvency Clause**

In reinsurance, the clause which holds a reinsurer liable for his pro-rata share of any loss (or losses) assumed under a treaty even though the primary (ceding) company has become insolvent.

### **Insolvent**

Where a person's or business's liabilities exceed their assets.

### **Insolvent Insurer**

An insurer which is unable to meet its financial obligations.

### **Inspection**

Independent checking on facts about an applicant, policyholder, or claimant, usually by a commercial inspection agency.

### **Inspection Bureau**

An organization created by property and liability insurers to investigate exposures and to establish rates. Many bureaus which establish fire and related perils rates for property contracts are called "inspection bureaus."

### **Inspection Report**

A summary statement of the physical, financial, and moral attributes of an insured or an applicant for insurance on the insured's property. Such reports are prepared by inspection bureaus, specialized organizations, and insurers.

### **Installment Premium**

A fraction of the total premium, based on the method of payment.

**Installment Refund Annuity**

An annuity which promises to continue the periodic payments after the death of the annuitant, until the combined benefits paid to the annuitant and to the beneficiary have equaled the purchase price of the annuity.

**Installment Refund Option**

An annuity option which provides for continued annuity payments after the death of the annuitant until the total benefits paid have equaled the purchase price of the annuity.

**Installment Settlement**

Payment of the proceeds of a life insurance policy or its cash value in installments rather than in a lump sum. The term refers to any one of the options in a life insurance policy that has this result.

**Installment Settlement**

A clause in a policy permitting the beneficiary to elect to receive the claim amount via multiple payments.

**Installments Certain**

A settlement option under which the proceeds are guaranteed to be paid in equal installments for a specified period of time.

**Institute of Life Insurance**

Formerly an agency of the life insurance business responsible for building the image of life insurance through a variety of programs. It is now a division of the American Council of Life Insurance.

**Institutional Property**

Property eligible for special treatment under package policies. Essentially these are properties occupied by sanitariums and educational, religious, charitable, government, and non-profit organizations.

**Insurability**

Acceptability to the insurer of an applicant for insurance.

**Insurable Interest**

Any interest a person has in a possible subject of insurance, such as a car or home, of such a nature that a certain happening might cause that person financial loss.

**Insurable Interest**

A connection by relationship, or an economic connection to the insured, under which the beneficiary stands to suffer financial loss by reason of death of the insured.

**Insurable Risk**

A risk which meets most of the following requisites: (1) The loss insured against must be capable of being defined. (2) It must be accidental. (3) It must be large enough to cause a hardship to the insured. (4) It must belong to a homogeneous group of risks large enough to make losses predictable. (5) It must not be subject to the same loss at the same time as a large number of other risks. (6) The insurance company must be able to determine a reasonable cost for the insurance. (7) The insurance company must be able to calculate the chance of 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 perils under specified conditions.

**Insurance Charge**

The insurance charge (or "Risk") charge is part of the retro rating plan formula. It is made up of the net charge for those risks whose loss levels will exceed the maximum premium and savings for those risks whose loss levels will be below the minimum premium.

**Insurance Commissioner**

The head of a state's insurance regulatory agency in most jurisdictions. In some states the title of Director or Superintendent is used.

### **Insurance Company Education Directors Society**

An organization of insurance company educators whose primary purposes are to promote insurance education and exchange information on the subject.

### **Insurance Department**

A governmental bureau in each state or territory charged with the administration of the insurance laws including licensing of agents and insurance companies and regulation and examination of them. In some jurisdictions, a division of some other state department or bureau.

### **Insurance Department**

A governmental department charged with supervision and licensing of insurance companies and agents and the general administration of insurance laws.

### **Insurance Examiner**

The representative of a state insurance department assigned to participate in the official audit and examination of an insurer.

### **Insurance Guaranty Act**

The legislation enacted in many states providing for guaranty funds for the policyholders of insolvent insurers.

### **Insurance Hall of Fame**

An institution created to honor those who have made outstanding contributions to insurance thought and practice. Selections are made on an international basis.

### **Insurance In Force**

(Health) The annual premium payable on current contracts of insurance. (Life) The face amounts of contracts still to be paid out to insureds.

### **Insurance Information Institute**

The agency of the property and liability business designed to deal with the public relations programs of various segments of the business.

### **Insurance Institute of America**

An institution offering a variety of insurance diplomas after the successful completion of certain insurance examinations.

### **Insurance Institute of America, Inc.**

An organization which develops programs and conducts national examinations in general insurance, risk management, management, adjusting, underwriting, auditing, and loss control management. Diplomas are given to recognize achievement in these areas.

### **Insurance Policy**

The printed form which serves as the contract between an insurer and an insured.

### **Insurance Regulatory Examiners Society**

An organization made up of the state regulatory examiners who conduct financial and market conduct examinations of insurance companies, and whose purpose it is to foster educational programs, cooperation, and support between state examiners.

### **Insurance Regulatory Information System**

Information and early-warning system used by the National Association of Insurance Commissioners (NAIC) to keep track of the financial soundness of insurers.

### **Insurance Services Office**

An independent service organization of the insurance industry which provides a wide range of advisory, rating, actuarial, statistical and other services relating to property and liability insurance.

**Insurance Services Office**

An organization of the property and liability insurance business designed to gather statistics, promulgate rates, and develop policy forms.

**Insurance Services Organization**

A non-profit organization which provides data collection, actuarial services, policy design and regulatory filing services to member insurance companies.

**Insurance to Value**

Insurance written in an amount approximating the value of the insured property.

**Insured**

The party to an insurance arrangement whom the insurer agrees to indemnify for losses, provide benefits for, or render services to. This term is preferred to such terms as policyholder, policyowner, and assured.

**Insured Contract**

A definition which shapes the extent of contractual liability coverage by describing the types of contracts which are insured. On modern liability forms, "insured contract" includes leases of premises, sidetrack agreements, elevator maintenance agreements, easement agreements, and other agreements related to the insured's business.

**Insured Plan**

A retirement plan under which some kind of benefits are guaranteed by an insurance carrier. It does not imply that there is an element of life insurance connected with the plan.

**Insurer**

The party to an insurance arrangement who undertakes to indemnify for losses, provide pecuniary benefits, or render services. It is desirable to use the word "insurer" in preference to "carrier" or "company" since it is a functional word applicable without ambiguity to all types of individuals or organizations performing the insurance function. The word insurer is generally used in statutory law.

**Insuring Agreement**

That portion of an insurance contract which states the perils insured against, the persons and/or property covered, their locations, and the period of the contract.

**Insuring Clause**

That part of an insurance policy or bond which states the agreement of the insurer to protect the insured against some form of loss or damage. Also known as 'Insuring Agreement'.

**Insuring Clause**

That clause in the policy, which specifies in brief the contract's intent (coverages) and parties thereto. Usually found on the front page of the policy. Also known as "Insuring Agreement."

**Integrated LTC Rider**

A LTC rider which is added to a life insurance policy whereby LTC benefits paid will reduce the life insurance policy's benefits. LTC benefits are dependent on the life insurance benefits available.

**Integrated Plan**

A pension plan which builds benefits according to an approved Treasury Department formula.

**Intentional Injury**

An injury resulting from an act intended to inflict injury. In an accident insurance contract, an intentionally self-inflicted injury is not covered (because it is not an accident). In general, intentional injuries inflicted on the insured are covered (assuming no collusion).

**Inter Vivos Transfer**

Transfer of all or a portion of the assets of a person's estate while that person is still alive. Contrast with Testamentary Transfer.

**Inter Vivos Trust**

A trust that is created and takes effect during the lifetime of the grantor. Contrast with Testamentary Trust.

**Interest**

In the calculation of premium, it is the rate of return on the company's investment of premium dollars over the lifetime of the policy. Insurance company investment experience will affect life insurance cost.

**Interest Adjusted Cost**

A method of determining the cost of life insurance that takes into account the interest that might have been earned on premium money if it had been invested rather than put into premiums.

**Interest Rate**

Interest rates are used in virtually all of our profit calculations and actuarial assumptions. In particular we use medical inflation to calculate the future costs for any medical reimbursement products, we use an inflation factor when calculating the returns on reserves (when relevant), and we use an inflation rate when calculating the future value of money in respect of profit calculations.

**Interest Rate Risk**

A risk faced by investors who invest in bonds characterized by an individual being locked into a lower interest rate when interest rates are generally increasing in the economy.

**Interest Sensitive Provision**

Provisions in variable and flexible premium policies which guarantee certain interest earnings plus an additional interest percentage should the current interest rate rise above a specified percentage.

**Interest-Bearing Account**

An account which pays interest on the money deposited.

**Interline Endorsement**

Commercial endorsements that apply, or could apply, to more than one coverage part of a package policy.

**Intermediary**

A reinsurance broker who negotiates contracts of reinsurance on behalf of the insured. These transactions normally take place with those reinsurers that recognize brokers and pay them commissions on reinsurance premiums ceded.

**Intermediate Care**

A level of care associated with a skilled nursing facility which provides nursing care under the supervision of physicians or a registered nurse. The care provided is a step down from the degree of care described as skilled nursing care.

**Intermediate Care Facility**

A facility licensed by the state, which provides nursing care to persons who do not require the degree of care which a hospital or skilled nursing facility provides.

**Intermediate Disability**

"Partial Disability".

**Intermediate Report**

A claim report on the condition of a continuing disability.

**International Association of Health Underwriters**

An association of agents and related personnel on the health insurance business.

**International Insurance Seminars, Inc.**

An institution established to promote worldwide exchanges of ideas and techniques between insurance people. The major focus of IIS is its annual seminar which brings together academicians and insurance practitioners.

**Interrogatories**

A procedure for gaining evidence which involves one party submitting questions to the other party in order to gather facts and information to prepare for a trial.

**Interstate Carrier**

A transportation company which does business across state lines.

**Interstate Commerce Commission Endorsement**

An endorsement required on all policies issued to interstate motor carriers who haul goods for hire. For further information, please contact *The AIG Truck Insurance Group Group* in Atlanta, GA.

**Intervening Cause**

A possible defense against negligence. Negligence may be avoided or reduced if it can be shown that an intervening cause broke the uninterrupted chain of events required to establish a proximate cause. Contrast with Proximate Cause.

**Intestate**

Dying without a will thus permitting the probate court to appoint an administrator to settle the estate.

**Intoxicants and Narcotics Provision**

A health insurance policy provision that voids liability if the loss results from the insured's being intoxicated or under the influence of any narcotic unless administered on the advice of a physician.

**Intrastate Carrier**

A transportation company whose business is confined to one state.

**Invalidity**

Sickness.

**Invalidity**

Another word for describing a disability or disablement, more commonly used with loss of use coverages. For example, a permanent total loss of use of a person's hand makes the hand

**Investigative Consumer Report**

A report ordered on an insured or applicant under which information about the person's character, reputation, or lifestyle is obtained through personal interviews with the person's neighbors, friends, associates or acquaintances. Contrast with Consumer Report.

**Investment Company**

A company established under the investment Company Act of 1940 that invests in various securities. Two types exist: a closed-end and an open-end (mutual funds). Closed-end shares trade on various exchanges similar to stocks that trade on the New York Stock Exchange. That is, they trade in the open market and can be bought and sold like other securities. Their number of shares is fixed unless action is taken to change it (e.g., stock split). Open-end funds continuously issue new shares, stand ready to redeem the shares and are not listed on any exchange. Their number of outstanding shares is always changing.

**Investment Company Act of 1940**

A federal law which regulates the organization and activities of investment companies and requires the registration of investment companies with the federal government.

**Investment Fund Objectives**

Objectives indicate the investment goals of the subaccount of a particular variable annuity contract. Broad investment objectives include: Growth — seek capital appreciation, not current income, through investments in stocks and stock

funds. Income — seek current income through investments in interest-bearing government or corporate bonds or bond funds. Stability — seek preservation of capital through investments in cash equivalents such as fixed annuities, Treasury bills and money-market fund options. See also "Morningstar's Fund Objectives"

**Investment Income**

The return received by insurers from their investment portfolios, including interest, dividends, and realized capital gains on stocks. Realized capital gains means the profit realized on stocks that have actually been sold for more than their purchase price.

**Investment Income**

Interest income, gained by investment of premium reserves, claim reserves, etc. In AIG companies, investment income is credited to the line of business or profit center in Life companies only. While the AIG non-life companies also earn investment income, it is normally not credited back to the profit centers.

**Investment Manager**

A fiduciary (other than a trustee or a plan's named fiduciary) who manages, acquires, or disposes of a pension plan's assets.

**Investment Opportunity Curve**

The set of the most efficient portfolios for a given set of asset classes, with the asset classes constrained according to the investor's risk tolerance.

**Investment Planning**

Planning to achieve your investment objectives by managing your investment portfolio.

**Investment Portfolio**

A collection of stocks, shares, or other securities held by an investor.

**Investment Reserve**

An item in the balance sheet of an insurance company which represents a setting aside of assets to compensate for a possible reduction in the market value of securities owned by the company.

**Investment Risk**

The risk that your invested capital may be lost or reduced.

**Invitee**

One who has been either expressly or implicitly invited onto the premises of another. The most common example would be customers invited to a store to purchase goods or services.

**Involuntary Benefits**

Some benefits are provided automatically and these are sometimes referred to as involuntary. (It is more common to refer to these "automatic" benefits as mandatory, compulsory or non contributory – and sometimes "NAC").

**Involuntary Unemployment Insurance**

Insurance providing coverage for consumer credit repayment obligations when an insured is involuntarily unemployed due to individual or mass layoff, general strike, termination by employer, unionized labor dispute, and lockout. Usually sold to borrowers under a master group policy issued to a creditor (bank, association, or other financial institution). Also called Job Loss Insurance. Can be classified as either property/casualty or life/health insurance.

**Iron Safe Clause**

A provision in a property insurance policy which requires the insured to keep records in a safe when they are not used.

**IRR- Internal Rate of Return**

The long term return that AIG makes on the initial expense in writing the business.

**Irrevocable Beneficiary**



A beneficiary designation that cannot be changed without the beneficiary's consent.

### **Irrevocable Life Insurance Trust**

Trusts used to keep life insurance proceeds of the estate of the deceased who was insured.

### **Irrevocable Trust**

A type of trust instrument that cannot be revoked by the person who created it. Contrast with Revocable Trust.

### **ISOTEL**

A service of ISO which allows the insurer/subscriber online access to some of ISO's services including specific rate promulgations, requests for inspections and class rate tables.

### **Issue**

The number of policies (certificates) issued from a Campaign.

### **Issue**

In direct marketing, the number of policies or certificates issued from a Campaign.

### **Issue Rate**

In direct marketing, the Issued Number divided by Response Number.

### **Issued Number**

In direct marketing, the number of policies issued from a Campaign Selection.

### **Issuing Division**

The Division (Branch) that underwrites and is responsible for issuing the policies.

### **Item**

(1) A term used to identify a statement in a policy as to what is insured. In a fire policy one might refer to the contents item, meaning the coverage in the policy which applies to the contents. (2) An individual entry, such as a piece of jewelry, listed with its description and valuation on a schedule by a policy showing items covered.

### **IW**

Injured Worker.

## **J**

### **Jettison**

The act of throwing overboard part of a vessel's cargo or hull in hopes of saving the ship from sinking.

### **Jewelers Block Insurance**

An open perils (all risk) insurance contract which provides jewelers with coverage on most types of losses to which they are exposed. A contract covering both owned property and property in their care, custody, and control.

### **Jewelry Floater**

An all-risk policy covering listed jewelry. Usually each item is described and insured for a specific amount.

### **Joint and Several Liability**

A legal doctrine permitting recovery from any of several co-defendants based on ability to pay, rather than the degree of negligence.

### **Joint and Survivor Annuity Option**

An option under which an employee may elect to receive a reduced amount of an annuity with a specified amount

continuing after the employee's death to another person(s) designated as the contingent annuitant.

### **Joint and Survivorship Annuity**

An annuity which is payable to the named annuitants during the period of their joint lives which will continue to the survivor when the first annuitant dies.

### **Joint and Survivorship Option**

An option in a life insurance contract which permits the cash value of the policy to be paid out as a joint and survivorship annuity.

### **Joint Annuity**

An annuity which is paid to the two named persons until the first one dies, at which time the annuity ceases. An example might be an annuity payable to a husband and wife which would cease upon the death of the first spouse.

### **Joint Committee on Interpretation and Complaint**

A committee formed to rule on what types of insurance can come within the standard definition of marine insurance.

### **Joint Control**

Control of the handling of an estate by both the surety (bonding company) and the fiduciary (administrator, executor, etc.). Funds are kept in joint accounts, and disbursements made only with both signatures so the surety can assure itself that the affairs of the estate are being handled properly.

### **Joint Insurance**

Insurance written on two or more persons with benefits usually payable only at the first death.

### **Joint Insured**

One whose life is insured by a joint insurance contract.

### **Joint Liability**

Liability which rests upon more than one person.

### **Joint Life and Survivorship Annuity**

A contract which provides income to two or more people and continues in force as long as any one of them survives.

### **Joint Life Annuity**

This policy pays a benefit which continues throughout the joint lifetime of two people but terminates at the first death.

### **Joint Tenancy**

Ownership of property shared equally by two or more parties under which the survivor assumes complete ownership. This is different from a tenancy in common where the heirs of a deceased party to the tenancy inherit his or her share. Compare with Fee Simple and Tenants in Common.

### **Joint Underwriting Association**

An unincorporated association of insurance companies formed to provide a particular form of insurance to the public. Those who insure with a JUA pay assessments in addition to their premiums which provide monies for the operation of the association. JUAs are usually free to set their own rate levels and use whatever coverage forms are deemed proper, subject to approval by state authorities.

### **Joint Venture**

This expression is applied most often to construction ventures where several contractors agree to combine together on a construction project rather than to act as separate contractors. Under the joint venture agreement, they share profits and losses in some agreed-upon proportion.

### **Joint-Survivor Option**

An annuity option which provides for a guaranteed income to the annuitant and upon death of the annuitant, a continued income to the annuitant's survivor.

**Joisted Masonry Construction**

A building which has exterior walls constructed of masonry materials, such as adobe, brick, concrete, gypsum block, hollow concrete block, stone, tile, or other similar materials, and a roof and floor constructed of combustible materials. A floor which rests directly on the ground is an exception and may be disregarded.

**Jones Act**

Masters and members of the crews of vessels are not covered under state workers compensation laws or under the U.S.L. & H.W. Act. They are subject to admiralty law and, if injured, have the right to sue their employers for damages in the Admiralty Courts where the proceeding is in the nature of an employers' liability suit. They also have the right to transportation, wages, maintenance and cure. Such seamen are subject to a Federal law, the Merchant Marine Act of 1920, known as the Jones Act (46 U.S. Code, section 688, 1970) which applies the provisions of the Federal Employers' Liability Act to seamen. Every person employed on board a vessel is deemed to be a seaman if connected with the operation or welfare of the vessel while in navigable waters.

**Judgement Rates**

Rates established by the judgement of the underwriter with or without the application of a formal set of rules or a schedule.

**Judgment**

The formal decision by a judge or court. Also known as Decree.

**Judicial Bond**

A bond required in civil and criminal court actions.

**Jumbo Risk**

An exceptionally large policy or policy owner.

**Jumping Juvenile**

A popular name for a life insurance contract written on the life of a child, usually in units of \$1,000. When the child reaches a prescribed age, generally 21, the face of the policy is increased automatically without the imposition of either an additional premium charge or a medical examination. Hence the term "jumping" juvenile.

**Jurisdiction**

Authority of the court to decide cases of a particular type or in a particular area.

**Juvenile Insurance**

Life insurance written on a child.

# K

**KEOGH**

A plan under which self-employed persons have the right to establish retirement plans for themselves and their employees that permit them the same tax advantages available to corporate employees covered by qualified pension plans.

**Keogh Act Plan**

A plan under the Self-Employed Individual's Tax Retirement Act which permits a self-employed individual to establish a formal retirement plan and to obtain tax advantages similar to those available in qualified corporate pension plans.

**Key Employee Insurance**

(1) Insurance on the life or health of a key employee, the loss of whose services would cause an employer financial loss. The policy is owned by and payable to the employer. (2) In health insurance the term is also used to designate salary continuation insurance or a medical benefit plan payable to the key employee, with the employer paying all or part of the premium.

### **Key Person Insurance Policy**

An insurance policy on the life of a key employee whose death would cause the employer financial loss, owned by and payable to the employer. In health insurance, the term is also used to designate salary continuation insurance payable to a key employee or to a medical benefits plan, payable to that employee paying all or part of the premium.

## **L**

### **Land Contract**

A type of instrument used in connection with the sale of real estate. It differs from a mortgage in that title to the land remains with the seller until the buyer has completed the payments, though possession rests with the buyer. Specifically, a land contract is the instrument that conveys the deed of land from one person to another upon full payment of the stated purchase price.

### **Landlords Protective Liability**

Coverage provided to the owner of property who leases the entire premises to another. This coverage is very reasonable because the full control of the premises rests with the lease.

### **Lapse**

Policies canceled during a period as a percent of policies in-force at the beginning of that period.

### **Lapse**

Termination of the policy because of failure to pay the required premium, i.e. non-payment of premium.

### **Lapse Rate**

$\text{Lapse Rate} = [\text{Policies Canceled} / \text{Beginning Policies In-Force}] * 100$

### **Lapse Rate**

The percentage measuring the number of policies that lapsed during a specific period compared to the total number of policies that were in force at the beginning of the same period. For example, if the period started with 1,000 policies and ended with 900 policies, 100 policies lapsed resulting in a 10% lapse rate.

### **Lapse Ratio**

The number of policies lapsed as a percentage of the total number of policies.

### **Lapse Ratio**

The ratio of the number of life insurance contracts lapsed within a given period to the number in force at the beginning of that period.

### **Lapsed Policy**

One which has been allowed to expire because of nonpayment of premiums.

### **Larceny**

The unlawful taking of the personal property of another without the person's consent and with intent to deprive him or her of ownership or use thereof. It is a broader term than burglary or robbery, largely synonymous with theft.

### **Large Capitalization**

A company with a relatively high total stock market value. Large-cap companies usually compete in mature markets. They will utilize competitive advantages (i.e., production capabilities or low costs) to sustain consistent earnings growth.

### **Large Claim Pooling**

A system designed to help stabilize premium fluctuations in smaller groups. Large claims (those over a stated amount) are charged to a pool contributed to by many small groups who belong and share in that pool. The smaller the group of groups, the lower the pooling level. Larger groups will have a larger pooling level.

**Large Deductible**

Insureds who choose to assume some of the risk from losses under a workers compensation policy can select a deductible policy. Generally the insurer handles claims the same as a non-deductible policy. However when loss payments are made the carrier obtains reimbursement from the insured. A large deductible is generally considered to be \$100,000 or greater. Large deductible plans are filed by individual insurance companies.

**Laser Beam Endorsement**

An endorsement to a "claims made" liability form used to exclude specific accidents, products, work or locations. It earned its nickname because it allows an insurer to zero in with a sharp focus to exclude specific exposures.

**Last Clear Chance**

A doctrine that liability may attach to a person who, immediately before an accident, had a last clear chance to avoid it and did not.

**Last In, First Out**

Refers to a method of keeping inventory records for accounting purposes where the last item purchased for inventory is the first item used.

**Latent Defect**

A defect which is not immediately apparent.

**Law of Large Numbers**

Theory of probability that is the basis of insurance. The larger the number of risks or exposure, the more closely will the actual result obtained approach the probable results expected from an infinite number of exposures. (Also see Credibility).

**Law of Large Numbers**

This law states that the larger the number of exposures considered, the more closely the losses reported will match the underlying probability of loss. The simplest example of this law is the flipping of a coin. The more times the coin is flipped, the closer it will come to actually reaching the underlying probability of 50% heads and 50% tails.

**Leader Location**

A location which attracts customers to the insured's business. One of the four types of dependent properties for which business income coverage may be written.

**Leads, Prospects or Quantity**

Number of people eligible and potentially contactable in a sales campaign or direct marketing campaign selection.

**Lease**

Contract whereby the owner or user of property (the lessor) agrees to let another party (the lessee) use the property for a consideration (money or rent).

**Leasehold**

An agreement which gives a person the right to use and occupy property.

**Leasehold Interest Coverage Form**

Commercial property coverage form used to insure an insured tenant's interest in a favorable lease under which the rent paid is less than the rental value of alternative premises. Pays the difference between rent paid and the rental value for remainder of the lease if the lease is cancelled because of property damage caused by a peril insured against.

**Leasehold Interest Insurance**

A form of property insurance that provides protection against the loss of a favorable lease if it should be terminated as a result of damage to the property by a peril covered by the contract. A leasehold value is determined by finding the difference between the rental value of the property at current rates and the rent payable under the terms of the lease. This amount is multiplied times the remaining term of the lease.

**Ledger Cost**

The net cost of a life insurance contract which is found by subtracting the cash value of the contract at the end of a given year from the premiums paid, less all dividends.

**Legacy**

A gift of personal property in accordance with the provisions of a will.

**Legal Expense Insurance**

A group form of insurance which provides members with legal services paid for on a schedule basis. Similar to dental insurance.

**Legal Hazard**

An increase in the likelihood that a loss will occur because of court actions.

**Legal Liability**

Liability under the law as opposed to liability arising from contracts or agreements. In insurance, it is most often used to refer to the liability that an individual has if he or she should negligently injure another party. For example, an owner of an automobile may be held legally liable if he or she is negligent in the operation of the automobile and injures another person or damages another person's property as a result of that negligence.

**Legal Reserve**

The minimum reserves required to be established for a life insurance contract under the laws of the jurisdiction within which an insurer operates.

**Legal Reserve Life Insurance Company**

A life insurer that maintains the reserves required by the jurisdiction within which it operates.

**Legend Drug**

A drug which has on its label "caution: federal law prohibits dispensing without a prescription."

**Legislated Coverages**

Coverages provided through creation of facilities legislated into existence by federal or state law. FAIR Plans, the Flood Insurance Program and the assigned risk pools are examples.

**Legislative Risk**

A risk faced by investors whereby changes in tax laws can result in adverse effects on the individual's investment results.

**Length of Stay**

The total number of days a participant stays in a facility such as a hospital.

**Lessee**

The person to whom a lease is granted. Commonly called the "tenant."

**Lessee's Safe Deposit Box Coverage Form**

A commercial crime coverage form that protects against loss of property other than money while it is in the insured's safe deposit box inside a depository premises.

**Lessor**

The person granting a lease. Also known as the "landlord."

**Letter of Intent**

A letter sent by one party to another expressing the intent of the parties to enter into a formal agreement.

**Level Annual Premium Funding Method**

A method of accumulating money for payment of future pensions under which the level annual charge is payable each year until retirement so that the benefit is fully funded.

**Level Commission System**

A system of commissions in which the first year and all renewal commissions are the same percentage of the premium.

**Level Death Benefit Option**

Under Universal life insurance, the level death benefit option provides the greater of (1) the face amount of the policy at the time of death, or (2) a stipulated percentage of the accumulation value.

**Level Funding**

The dollar amount required to purchase a particular medical care program. Usually measured by the premium rate for an insured program, or an amount assessed for expected claim loss and related fees under a self-funded program.

**Level Premium**

Premiums stay at the same dollar amount (does not increase as the insured ages) for the contract period or fixed period of time.

**Level Premium Insurance**

That form of insurance for which the premium remains the same throughout the life of the contract. Most whole life insurance is paid for in this way. The amount of a level premium is higher than needed for the protection afforded in the early years of the contract but less than needed for protection in the later years. It is a method of leveling off the cost of insurance so as not to have it increase each year until it becomes unaffordable.

**Level Term Insurance**

A type of term policy where the face value remains the same from the effective date until the expiration date.

**Leverage**

The use of borrowed money or other senior capital to increase business and earnings opportunities.

**Leveraged Coli**

Under this arrangement, groups of selected employees are insured. The policies purchased are owned and paid for by the corporation or a grantor trust for the benefit of the corporation's employees. The corporation fully borrows the cash value of the policies and pays interest on the borrowed cash value. Premiums are generally not tax deductible, however, as long as the policyowner complies with the applicable tax laws, the loan interest is deductible by the corporation subject to certain limits.

**Liabilities**

Money owed or expected to be owed. Insurance company financial statements, for instance, show assets and liabilities.

**Liability**

A debt or obligation.

**Liability Insurance**

Provides protection for the insured against loss on agreed upon terms and conditions arising out of his/her legal liability resulting from injuries to other persons or damage to their property.

**Liability Insurance**

That insurance which pays and renders service on behalf of an insured for loss arising out of his or her responsibility to others imposed by law or assumed by contract.

**Liability Limits**

The maximum amount for which a liability insurance company provides protection in a particular policy.

**Liability Offset**

An A&H plan could help to offset (reduce) the cost of Liability insurance. For example, for a Day Care Center by providing AD&D and AME benefits for the children on the premises of the day care facility.

**Liability Risk**

Any operations, premises, products, or completed operations located or conducted in a single rating territory, which are described by a single classification code. Stated simply, it is any risk to which liability coverage is attached by means of an

insurance contract.

**Libel**

A written statement about someone which is personally injurious to that individual. In maritime law it means legal action brought against the owner of another ship.

**Libel Insurance**

A form of liability insurance that protects the insured against legal liability for libelous statements he may write.

**Liberalization Clause**

A clause in property insurance contracts which provides that if policy or endorsement forms are broadened by legislation or ruling from rating authorities and no additional premium is required, then all existing similar policies will be construed to include the broadened coverage.

**License**

A certification of authority for an agent or insurer to operate, given by the appropriate jurisdiction.

**License and Permit Bonds**

Bonds often required by jurisdictions to be posted by persons performing certain services, such as security dealers and plumbers. It provides indemnification in the event that the licensee fails to conform to pertinent regulations of the jurisdiction.

**Licensee**

(1) One who is licensed. (2) A person who goes on the premises of another for his or her own interests. The owner of the premises must use ordinary care not to injure a licensee. A person using another's land for a shortcut, as long as he had the permission of the owner, would be an example.

**Lien**

A claim against property which then serves as security for the payment of that claim.

**Lien Plan**

(1) A plan for issuing coverage on substandard risks under which a standard premium is paid but less than the full face amount of the policy is payable if death occurs within a certain period of years. It is rarely used and is even illegal in some states. (2) A plan under which an impairment of the insurer's assets is offset by pro rata liens against policies to be deducted from the face amount when paid as a claim.

**Life Annuity**

A contract that provides a stated income for life, payable annually or more frequently.

**Life Conservation**

The administration of efforts to preserve human life through research, legislation, and appeals to society.

**Life Estate**

Ownership of land for an individual's lifetime.

**Life Expectancy**

The average number of years remaining for a person of a given age to live as shown on the mortality or annuity table used as a reference.

**Life Expectancy Term Insurance**

A form of term life insurance that provides protection for a person's "expectation of life." This becomes the term of the policy, as opposed to the ordinary term policies which are for a given number of years or to a stated age, such as 65.

**Life Income**

A settlement option under which equal installments are paid as long as the beneficiary lives, even if the principal has been exhausted.



**Life Insurance**

This form of insurance provides for payments of a specified amount on the insured's death, either to his/her estate or to a designated beneficiary or, in the case of an endowment policy, to the insured at a specified date.

**Life Insurance**

(Generic) A contractual system of risk sharing under which contributions are accumulated and redistributed to meet the economic consequences of the uncertain duration of life.

**Life Insurance**

(Narrow) An agreement that guarantees the payment of a stated amount of monetary benefits upon the death of the insured, or under other circumstances specified in the contract, such as total disability.

**Life Insurance Cost Surrender Index**

The guaranteed cash surrender value of a life insurance policy is often required to be calculated into an index for presentation to prospective life insurance buyers. Such an index determines the guaranteed cash surrender value, if any, available at the end of the 10th and 20th policy years according to the accumulation of the annual cash dividends at 5% interest compounded annually to the end of a selected period, if the policy is a participating policy.

**Life Insurance Marketing and Research Association**

Organization that conducts research on distribution systems for the life and health insurance products on behalf of its member companies.

**Life Insurance Trust**

A type of life insurance policy where a trust company is named as the beneficiary and distributes the proceeds of the policy under the terms of the trust agreement.

**Life Insurers Conference**

An organization that provides for exchange of information on management problems among the member insurers.

**Life Office Management Association**

An organization serving a large proportion of the life insurance business by providing educational programs relating to administrative and technical procedures within the industry. It confers the designation of Fellow, Life Management Institute (FLMI) upon those who complete a prescribed course of study.

**Life Paid Up At Age**

A form of limited payment life insurance that provides protection for the whole of life but with payment of premiums to stop at a particular age, thus paying up the policy. A common form would be Life Paid Up At Age 65.

**Life Underwriter**

Usually, a life insurance agent. It can be more narrowly defined as a risk appraiser.

**Life Underwriting Training Council**

An organization that prepares and administers training programs for life insurance agents.

**Life With Period Certain**

An annuity option which provides a lifetime income to the annuitant plus an extra guarantee of income for a specified period of time such as 5 or 10 years. The period certain provides income to the annuitant or the annuitant's survivor.

**Lifetime Policy**

(1) A policy guaranteed renewable or noncancellable to age 65 or some later date. (2) A policy paying disability benefits for life.

**Lift Letter**

In direct marketing, a separate piece added to conventional solo mailings asking the reader to consider the offer just once more.

**Limit of Liability**

The maximum amount for which an insurer is liable as set forth in the contract.

**Limit of Liability Rule**

A prescribed procedure for allocating property insurance losses among insurers that provide protection on a given piece of property. It is called the "pro rata liability rule" in a Standard Fire policy.

**Limitations**

Exceptions or reductions to the general coverage.

**Limitations**

Exceptions to coverage and limitations of coverage as contained in an insurance contract. For instance, a limit of liability would be one limitation on an automobile policy. Another example would be policies written to cover only certain described automobiles, or, in the case of general liability insurance, certain described premises.

**Limited Agent**

An agent authorized to transact only a limited form of insurance, such as travel-accident or credit insurance. In many states, limited agents are exempt from licensing examination and education requirements.

**Limited Coding**

A method of modified Commercial Statistical Plan (CSP) reporting whereby fewer fields on the record are required for reporting. Limited coded reporting applies only to certain situations.

**Limited Health Insurance**

Special health insurance policies that provide limited coverage for specific injuries or illnesses, such as travel accident, hospital income, and specified disease coverage.

**Limited Partner**

A member of a partnership who has little if any role in the management of the partnership. Limited partners are also called silent partners. Their potential loss is limited to their capital contribution, and usually they receive a fixed-dollar return that is payable in full before the general partner shares in any profits.

**Limited Partnership**

An association of two or more persons who operate and manage a business for profit; at least one the partners does not work in the business but does have some management voice and financial investment. The limited partner has limited liability.

**Limited Payment Life**

A life insurance contract providing protection for the whole of life with premiums paid for an indicated number of years. See also Life Paid Up At Age.

**Limited Payment Whole Life**

A whole life policy that allows the policyholder to pay the entire premium in a shorter period of time (such as a 20 year period or to age 65). Compare with Continuous Premium Whole Life and Single Premium Whole Life.

**Limited Policies**

(1) Health insurance contracts, such as those offered by newspapers to their customers, with low limits and somewhat restricted forms. (2) Policies paid only upon the occurrence of certain contingencies, such as cancer, in contrast to policies covering all contingencies other than those excluded.

**Limited Pollution Liability Coverage Form**

Commercial form providing pollution liability coverage on a "claims made" basis, but not providing any coverage for clean-up costs.

**Limited Theft Coverage Endorsement**

This form may be attached to a dwelling policy to provide theft coverage for a named insured who is not an owner occupant.

**Limits**

(1) Ages below or above which the insurer will not issue a policy or above which it will not continue a policy presently in force. (2) The maximum amount of benefits payable for a given situation or occurrence, e.g., a limit of \$50,000 on the contents of a home, or a \$40,000 per accident limit for property damage liability.

**Limits**

Used various ways such as (a) the maximum and minimum ages above and below which the company will not issue insurance, or the policy does not provide coverage; (b) the maximum amount of insurance the company will write on one risk; (c) the coverage or benefit limit in a policy; etc.

**Limits of Liability**

The maximum amount for which an insurer is liable as set forth in the insurance contract.

**LIMRA International**

An organization that, through research, seeks solutions to the problems of administering the agency costs of a life insurer.

**Line**

A colloquial term with several meanings. It may be used to mean a particular type of insurance, such as the liability "line." It may be used to describe all the various types of insurance written for a property owner, e.g., carrying all "lines" of the XYZ Company. It is also used to describe the amount of insurance on a given property, e.g., a \$250,000 "line" on buildings of the XYZ Company.

**Line**

Has different meanings: (1) a broad category of risks or lines of business (i.e., accident & health, workmen's compensation, personal property, etc.); (2) an amount of risk, gross and/or net, that an insurance company accepts on a class of business or on a single risk or other unit; (3) in reinsurance, the percentage of a placement a reinsurer accepts.

**Line Card**

A record kept by a property insurer of the insurance sold to any one particular insured.

**Line of Business**

Any of a number of types of insurance offered by carriers and reportable to ISO under CSP. Statistics are reported for those lines of business listed in the General Rules of CSP, as well as for the same lines that may be written as part of commercial package policies.

**Line Sheet**

A schedule showing the limits of liability to be written by an insurer for different classes of risks. This kind of guide is also used by a ceding company to define the limits of liability it will assume on various types of exposures.

**Line Sheet**

The schedule which a company keeps for guidance of its underwriting staff showing the maximum amount of insurance which can be written on a different class of risks.

**Line Slip**

A document (most commonly used at Lloyd's) which describes a risk to be insured. It is circulated by brokers, and underwriters subscribe to it by indicating what percentage of the risk they are willing to take.

**Lines**

The amount a reinsurer accepts, usually in multiples of a net retention, under a surplus treaty. If a given treaty specifies a retention of \$10,000, and a risk is written for \$50,000, 4 lines (\$40,000) would be reinsured.

**Liquidated Damages**

Damages that are agreed to either by the court or by the parties to a suit or action.

**Liquidation of Insurer**

Action undertaken by a state insurance department to dissolve an impaired or insolvent insurer which cannot be restored to sound financial standing. Contrast with Rehabilitation of Insurer.

**Liquidity**

The ability of an insurer to convert its assets into cash to pay claims if necessary.

**Litigant**

One who is engaged in a lawsuit.

**Livery Use**

Use of a vehicle for hire to carry persons. Livery use is excluded in automobile insurance contracts unless coverage for it is stated in the policy.

**Livery Vehicle**

An automobile which is hired to transport people.

**Livestock Coverage Form**

A commercial property form which may be attached to a Farm Coverage Part to insure livestock. This form replaced various inland marine forms which were commonly used to insure farm property and livestock.

**Livestock Insurance**

A named perils contract that provides a prescribed lump sum payment to an insured upon the death of any animal covered by the policy.

**Livestock Mortality Insurance**

The equivalent of life insurance for livestock.

**Livestock Transit Insurance**

Insurance against accidents causing death or crippling on shipments of livestock while in transit by rail, truck, or other similar means of transportation.

**Living Benefits Rider**

A rider attached to a life insurance policy which provides LTC benefits or benefits for the terminally ill. The benefits provided are derived from the available life insurance benefits.

**Living Need Benefits**

A combination of life insurance and long-term care insurance which allows life insurance benefits to generate long-term care benefits. Up to a certain percentage of the life insurance policy's death benefit may be used in advance to offset nursing home or medical expenses, reducing the face amount of the life policy.

**Living Trust**

A trust created by a person during his/her lifetime. Also referred to as an inter vivos trust.

**Lloyd's**

Refers to "Lloyd's of London", where insurance and reinsurance trading is conducted by underwriters employed by a group or groups of individuals, known as "syndicates", which assume liability through an underwriter. Each individual ("name") independently assumes a proportionate part of the insurance or reinsurance accepted by the underwriter. It is common in Lloyd's that underwriters (of different syndicates) share risk - that is they write lines or percentages of the whole placement.

**Lloyd's Association**

A group of individuals who band together to assume risks are sometimes called a Lloyd's association. They are organized along the same lines as, though not connected with, Lloyd's of London. Each person is responsible only for the share of the risk that he assumes. There are a limited number of these associations in the United States.

**Lloyd's Broker**

A person who has the authority to negotiate insurance contracts with the underwriters on the floor at Lloyd's.

**Lloyd's Groups**

Groups of individuals called syndicates (not insurance companies) assuming liability through an underwriter. Each individual personally assumes a proportionate share of the risk accepted by the underwriter. Lloyd's of London is an example.

**Lloyd's Syndicate**

A consortium of individual Lloyd's or London underwriters. Usually one person acts for the syndicate in accepting risks or rejecting them.

**Lloyd's Underwriter**

An individual who underwrites risks through the facility of Lloyd's. These individuals are liable only for their own assumptions of risk and not those assumed by others in the same syndicate or in the overall Lloyd's organization.

**Loading**

Amounts added to a premium in addition to that required to meet policy guarantees. Loading may consist of amounts added to cover acquisition costs, general expenses, cost of handling claims, taxes, and costs of preparing extra billings (more frequently than the basic rates anticipate).

**Loading**

The amount added to the pure insurance cost to cover the cost of the operations of an insurer, the possibility that losses will be greater than statistically expected, and fluctuating interest rates on the insurer's investments. The "pure" insurance cost is that portion of the premium estimated to be necessary for losses.

**Loan Impairment Insurance**

A type of insurance coverage that protects the lender against the lack or inadequacy of insurance coverage for a specific loan, if the lender is not directly responsible for the insufficiency.

**Loan Value**

A term which refers to the amount of money an insured can borrow using the cash value of his or her life insurance policy as security.

**Local Agent**

An agent representing companies in a sales and service capacity as an independent contractor on a commission basis. A local agent usually has a small territory, and agent powers are limited by contract.

**London Market**

Consists of two distinct sources of insurance: Lloyd's of London and the company market. Each source handles about half the insurance business conducted in London. All of Lloyd's activities take place on the Underwriting Floor of the Lloyd's building. Activities for other insurance companies and underwriting agencies may be carried out in offices within and outside the United Kingdom.

**Long Term Care**

Insurance designed to help pay some or all long-term care costs, reducing the risk that the policyholder would need to deplete all of his/her assets to pay for long-term care. Long-term care insurance can help a person avoid relying on family or friends for assistance with activities of daily living (ADL) and can reduce or eliminate the need to rely on Medicaid.

**Long-Term Care**

Care which is provided for persons with chronic diseases or disabilities. The term includes a wide range of health and social services provided under the supervision of medical professionals.

**Long-Term Care Facility**

Usually a state licensed facility which provides skilled nursing services, intermediate care and custodial care.

**Long-Term Care Insurance**

A health insurance policy which provides daily benefits when the insured is confined to a nursing home.

**Long-Term Debt**

In securities, a bond or other debt instrument with a maturity of 10 years or longer; in finance, a debt that will not come due for at least one year.

**Long-Term Disability Insurance**

A group or individual policy which provides coverage for longer than a short term, often until the insured reaches age 65 in the case of illness and for life in the case of accident.

**Long-Term Gain (or loss)**

Profit (or loss) on the sale of an asset or security that has been held for longer than six months.

**Longshoremen's and Harbor Workers' Act**

A federal act that stipulates compensation levels for injured longshoremen and harbor workers.

**Loss**

Generally means a loss suffered by the insured that is covered under a policy. In a dismemberment schedule, with reference to hand or foot means complete severance at or above the wrist or ankle joint; as used with reference to speech or hearing, entire and irrecoverable loss of either.

**Loss**

Generally refers to (1) the amount of reduction in the value of an insured's property caused by an insured peril, (2) the amount sought through an insured's claim, or (3) the amount paid on behalf of an insured under an insurance contract.

**Loss Adjustment Expense**

The cost of adjusting losses, excluding the amount of the loss itself.

**Loss Adjustment Expense**

Expenses associated with the adjustment of a claim.

**Loss Assessment Charge**

An insured's share of a loss assessment for property damage or liability which is charged by a corporation or association of property owners. Homeowners policies provide some coverage for loss assessments charged against the insured as owner or tenant of a residence premises.

**Loss Constant**

A flat amount included in the premium for small Workers Compensation policies, for dwelling policies in some jurisdictions, and for some prescribed Inland Marine Insurance lines. The purpose of the Loss Constant is to offset the greater than average loss experience which most small risks have when compared to all other risks in a given classification.

**Loss Control**

Any combination of actions taken to reduce the frequency or severity of losses. Installing locks, burglar or fire alarms and sprinkler systems are loss control techniques.

**Loss Conversion Factor**

The loss conversion factor covers claim adjustment expenses and the cost of the insurance carriers claim services in a retro plan. Incurred losses are multiplied by this factor to arrive at converted losses.

Factors used in the retention rating formula that provides a charge to cover the cost of the insurer's claims service fee.

**Loss Cost**

The portion of a rate that goes towards paying losses only--Each carrier files a loss cost multiplier that grosses up the rate to contemplate that company's expenses.

**Loss Costs**

In 1989 ISO began a transition from providing advisory base rates to providing only prospective loss costs, made up of claims payments and loss adjustment expenses. Individual insurers develop their own rating factors to reflect their own underwriting expense and profit/contingencies.

**Loss Development**

The difference between the amount of losses initially estimated by the insurer and the amount reported in an evaluation on a later date.

**Loss Development**

The difference between the original group loss as first reported and its subsequent evaluation at a later date or at the time of its final disposal. Also known as "loss tag".

**Loss Development Factor**

This is a recent development under retrospective rating plans. It was designed to give the insurer additional money to allow for the subsequent development of losses and to reimburse for claims which are late in being reported. The factor was introduced primarily because of the effect of inflation on losses which take a long time to settle.

**Loss Development Factor**

Element used to adjust losses to reflect the incurred but not reported claim (IBNR) under retrospective method of rating.

**Loss Development Factor/Loss Development**

A factor used to adjust existing claims to reflect the ultimate or final claims costs. The factor is usually created by each carrier to reflect its' own claims handling experience.

**Loss Event**

The total losses to the ceding company or to the reinsurer resulting from a single cause such as an earthquake.

**Loss Expectancy**

An underwriter's estimate of the probable maximum loss to be suffered on an exposure being considered, with attention given to the expected level of loss prevention activities on the part of the insured.

**Loss Frequency**

The number of times a loss occurs over a specific period of time.

**Loss Limit**

As part of the retro rating plans, an insured may decide to limit the amount of any one loss that will be included in the retro adjustment calculation. A loss limitation charge is made by the insurer to accept this additional risk of loss above the selected loss limit.

**Loss Limitation**

Another term used in retrospective rating formulas. It is designed to limit the effect of catastrophic losses that would otherwise be considered in full in figuring the final retrospective premium.

**Loss Loading**

A factor applied to the pure loss cost to produce a reinsurance rate or premium.

**Loss Multiplier**

Used in retrospective reinsurance rating plans to convert losses to premium and to provide for reinsurer's loss adjustment expense, overhead, and profit margin. It is subject to established maximums and minimums.

**Loss of Market**

A term found in ocean and inland marine contracts as part of the delay and loss of market exclusion. Loss of market is the inability to sell a product to prospective buyers. This is considered a normal business risk and not coverable under insurance contracts except in some cases such as meats, where spoilage can result in loss of market. If the spoilage is the result of some event such as a storm at sea or a derailing, coverage can be purchased for an additional premium.

**Loss of Use Insurance**

Coverage to compensate an insured for the loss of use of property if it cannot be used because of a peril covered by the policy.

**Loss Payable Clause**

A provision in insurance contracts that authorizes payment to persons other than the insured, to the extent that they have an insurable interest in the property. This clause may be used when there is a lien or loan on the property being insured, and it protects the lender.

**Loss Payee**

The party to whom money or insurance proceeds is to be paid in the event of loss, such as the lienholder on an automobile or the mortgagee on real property.

**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 incurred losses to earned premiums.

**Loss Ratio**

The losses divided by the premiums paid. The numerator (losses) can be losses incurred or losses paid, and the denominator (premium) can be earned premiums or written premiums, depending on what use is going to be made of the loss ratio.

**Loss Reimbursement**

Any loss reimbursement plan with an attachment point greater than \$25,000.

**Loss Reimbursement Limit**

The portion of any loss and ALAE we pay that you must reimburse us for under any "Loss Reimbursement" provisions of a Policy.

**Loss Reimbursement Plan**

Any plan where the insured must reimburse us for all losses paid below a defined attachment point (they may also be referred to as deductible plans). Because we retain the liability for all losses paid it is essential that a proper financial review is done on these insureds and appropriate security is obtained.

**Loss Reimbursement Plan**

A form of high deductible plan.

**Loss Reserve**

An insurer's estimated liability for unpaid insurance claims or losses that will have to be paid in the future. Such reserves refer to (a) claims, or (b) demands or requests (for payments) which have yet to be made. This last situation refers to IBNR (Incurred But Not Reported) losses, which are not reported to ISO. Synonymous with 'Outstanding Losses'.

**Loss Reserve**

The estimated liability for unpaid insurance claims or losses that have occurred as of a given evaluation date. Usually includes losses incurred but not reported (IBNR), losses due but not yet paid, and amount not yet due. The above describes a loss reserve as it would appear in an insurer's financial statement. As to individual claims, the loss reserve is the estimate of what will ultimately be paid out on that case.

**Loss Reserves**

Liabilities established by insurers and reinsurers to reflect the estimated cost of claims incurred that the insurer or reinsurer will ultimately be required to pay in respect of insurance or reinsurance it has written. Reserves are established for losses and for LAE, and consist of case reserves and IBNR reserves.



**Loss Run**

A list of all claims for an existing, terminated, or cancelled policy, any line of business.

**Loss Severity**

The amount of a loss expressed in financial terms.

**Loss-Of-Income Benefits**

Benefits paid for inability to work for remuneration because of disability resulting from accidental bodily injury or sickness. The loss of income may be real or presumptive.

**Loss-of-Income Insurance**

Insurance paying loss of income benefits.

**Losses Incurred**

The total losses, whether paid or not, sustained by an insurer during a given period, e.g., 12 months.

**Losses Incurred**

The total losses meaning claims paid, pending, contested, reserved including IBNR and LAE.

**Losses Outstanding**

A summary statement prepared by property, life, and liability insurers showing claims not yet settled.

**Losses Outstanding**

Losses that have been sustained but have not been paid.

**Losses Paid**

A summary of claims paid.

**Lost Instrument Bond**

When the owner of a stock certificate loses it, the insurer of the certificate will not issue a duplicate until the owner furnishes an indemnity bond guaranteeing that if he finds the original he will turn it over to the surety company.

**Lost Policy Release**

A statement signed by an insured releasing the insurer from all liability for a lost or mislaid contract of insurance. It is usually signed after the company has issued a replacement policy.

**Lost-Or-Not-Lost Clause**

(1) A provision in an Ocean Marine contract which assures coverage whether the property is in existence at the time the contract is written or has already been destroyed. (2) Coverage of a ship at sea "afloat or sunk." The reason for such a clause is that many times the owners of cargoes or ships would insure them after the ship had left the port, and prior to modern methods of communication, there was no way of knowing whether or not the venture had been lost at the time the insurance was taken out.

**Loyalty Scheme**

Frequent flyer schemes are loyalty schemes. Any scheme that provides customers with a "bonus" for activity provides an opportunity for marketing of our products.

**LRRP**

LRRP (Large Risk Rating Plan) is RMG's version of the NCCI/ISO Large Risk Alternative Rating Option. The LRRP endorsement moves the adjustment process from the individual policies to the overall program adjustment and moves expenses among different lines of insurance.

**LRRP Endorsement**

LRRP (Large Risk Rating Plan) is RMG's version of the NCCI/ISO Large Risk Alternative Rating Option. The LRRP endorsement moves the adjustment process from the individual policies to the overall program adjustment and moves

expenses among different lines of insurance.

### **Lump Sum**

This term is commonly used to describe a loss payment where the entire loss payment is made in one lump sum.

### **Lump Sum**

A method of settlement whereby the beneficiary receives the entire proceeds of a policy at once rather than in installments.

### **Lump-Sum Distribution**

A distribution in which the entire balance of the retirement plan is received in a single tax year.

## **M**

### **Maintenance Bond**

A bond guaranteeing against defects in workmanship or materials for a stated time after the acceptance of completed work. Two years is a common term for a construction bond.

### **Maintenance, Care and Wages**

An admiralty law provision for coverage for injured seamen. Maintenance refers to providing food, shelter, and rehabilitation while the seaman is injured. Care refers to the medical treatment necessary for recovery. Wages, of course, refers to the usual seaman's wages, which under this law, must be paid even during an illness or after an accident.

### **Major Accounts**

All retrospectively rated accounts, all large loss reimbursement accounts, all accounts requiring collateral or security and accounts with "plus" services as defined by AIGCS or AI Consultants.

### **Major Class**

This term defines type of business covered like general liability, automobile, workers' compensation, etc.

### **Major Hospitalization Policy**

The same as major medical insurance, except that it applies to expenses incurred only when the insured is hospitalized.

### **Major Line**

Line of business. Examples: A&H, Life, Financial Lines, Commercial Lines (Commercial Property & Casualty), Energy and Personal Lines.

### **Major Medical Insurance**

A type of health insurance that provides benefits up to a high limit for most types of medical expenses incurred, subject to a large deductible. Such contracts may contain limits on specific types of charges, like room and board, and a percentage participation clause sometimes called a coinsurance clause. These policies usually pay covered expenses whether an individual is in or out of the hospital.

### **Malicious Mischief**

Similar to vandalism. Purposely damaging the rights or property of another.

### **Malicious Mischief Management and Regulatory Reporting**

The willful damaging or destruction of another person's property. The Management and Regulatory Reporting system encompasses various systems, files and reports to address profit and loss reporting, expense reporting, Annual Statements and Tort Reform. The source of this data is CRS and the General Ledger.

### **Malingering**

To feign a disability for the purpose of continuing to collect benefits longer than actually necessary.

**Maloney Act**

A 1938 amendment to the Securities Exchange Act of 1934. The Maloney Act established the National Association of Security Dealers (NASD) as a self regulatory organization (SRO) for those involved in the sale of securities.

**Malpractice**

Professional misconduct or lack of ordinary skill in the performance of a professional act which renders the practitioner liable to suit for damages.

**Malpractice Insurance**

Insurance on a professional practitioner that will (1) defend suits instituted against the insured professional for malpractice, and/or (2) pay any damages set by a court, subject to policy limits.

**Managed Care**

A system of health care where the goal is a system that delivers quality, cost effective health care through monitoring and recommending utilization of services, and cost of services.

**Managed Care Organization Program**

A loss reduction incentive plan in certain states, which allows a premium credit for post-claim loss control activities designed to minimize claim expenses.

**Managed Health Care Plan**

A plan which involves financing, managing, and delivery of health care services. Typically, it involves a group of providers who share the financial risk of the plan or who have an incentive to deliver cost effective, but quality, service.

**Management Expense**

A charge deducted in a contingent commission formula to cover the reinsurer's overhead expenses.

**Management Fee**

The charge made by an investment adviser for supervision of a portfolio. Frequently includes various other services and is usually a fixed or declining percentage of average assets at market value.

**Manager**

A common title for the head of an agency that is operated as a branch office, as opposed to being operated as a general agency. The manager is a salaried employee, usually with an incentive bonus based on the agency's volume.

**Managing General Agent**

The MGA will appoint any number of General Agents (already defined in text) or individual agents to sell business which they administer.

**Mandated Benefits**

Benefits required by state or federal law.

**Mandated Providers**

Types of providers of medical care whose services must be included by state or federal law.

**Mandatory Retirement**

A specified age in a pension plan when the member must retire even if he or she does not wish to do so.

**Mandatory Valuation Reserve**

A reserve required by a state law to offset any declines in the valuation of securities listed as admitted assets.

**Manual**

A book giving rates, classifications, and underwriting rules for some line of insurance. An example would be the Automobile Manual which gives such information for automobile insurance.

**Manual Excess**

The premium for an amount of insurance in excess of the basic limit of liability. This premium is determined by referring to a table of rate factors which are multiplied by the manual rate in order to arrive at a premium for the higher limit selected.

**Manual Premium**

That premium based on ISO rates. The ISO monoline manual premium is the premium that would result from the use of ISO rates and rules prior to the application of any rating modifications.

**Manual Premium**

The unmodified premium, all states and classes combined, before the application of experience rating, deviations, schedule rating, premium discount or other rating credits.

**Manual Rate**

That rate which appears in ISO manuals. It is the rate which exists prior to the application of any rating plan modifications. Manual rates do not exist for all classes of risks; such 'nonmanual' risks are subject to an 'A' or 'Judgement' rating.

**Manual Rate**

Premium rates can be either based on experience or a company's published manual rates. Many times a combination of both depending on the credibility involved. Manual rates are based on population or demographic data and adjusted by portfolio or other experience such as WHO, Injury Facts or IARC.

**Manual Rates**

Usually the published rate for some unit of insurance. An example is in the Workers Compensation Manual where the rates shown apply to each \$100 of the payroll of the insured, \$100 being the "unit."

**Manual Rates**

(Health) Rates based on average claims data for a large number of groups. These rates are then adjusted for specific groups based on that group's characteristics, such as the type of industry, changes in benefits from the standard, etc.

**Manufacturer's Selling Price Clause**

Values unsold finished goods at the price at which they could have been sold at the time of a loss.

**Manufacturers and Contractors Liability Insurance**

A form of premises and operations liability insurance designed to cover manufacturing or contracting risks. The basis of premiums for this coverage is the payroll.

**Manufacturers Output Policy**

A policy covering the personal property of a manufacturer on an open perils (all risk) basis. Coverage is usually restricted to property away from the premises. Its original use was for manufacturers who send some of their products out to be processed by other companies.

**Manufacturers' Output Policy**

A contract that provides coverage for personal property of the manufacturer on an all-risk basis, while the property is away from the premises of the insured.

**Manufacturing Location**

A location which manufactures products for delivery to the insured's customers under a sales contract. One of the four types of dependent properties for which business income coverage may be written.

**Manuscript Policy**

A policy written to include specific coverages or conditions not provided in a standard policy. It is often prepared by a large brokerage house for a large account, and it must conform to state laws. In the event of a dispute over policy language, the contract of adhesion doctrine is modified.

**Map**

A geographical map is used by a property insurance underwriter to locate the area and character of a risk, especially in a

large city. Maps may also be used to keep track of the number of insureds in a particular area so that an insurer does not subject itself to a possible catastrophic loss.

**Map Clerk**

A junior underwriter who enters such essential data as policy numbers, amounts of coverage, and property covered on maps to enable an insurer to determine its liability or exposure in a given area.

**Margin**

The amount of money paid by investors when they use their broker's credit to buy a security.

**Marine Insurance**

A form of insurance primarily concerned with means of transportation and goods in transit. Marine used alone refers to ocean transportation, and inland marine refers to transportation and goods in transit by land.

**Marital Deduction**

An unlimited amount of qualifying property which can be passed or transferred upon the death of one spouse to the surviving spouse.

**Marital Deduction Trust**

An arrangement whereby the surviving spouse is provided with full use of the family's wealth while minimizing the impact of federal estate taxes.

**Maritime Coverages**

This encompasses workers' compensation and employer's liability coverage under the following endorsements: maritime coverage, voluntary compensation maritime coverage and limited maritime coverage.

**Market**

A public place where goods and services are traded, purchased and sold.

**Market Assistance Plan**

A plan promulgated by the Department of Insurance to assist buyers to obtain certain types of insurance when they are limited in availability.

**Market Conduct**

Used to measure how insurance companies and insurance agents comply with state laws regulating the sales and marketing, underwriting, and issuance of insurance products. Proper market conduct means conducting insurance business fairly and responsibly.

**Market Conduct Examination**

When state insurance department investigators examine the business practices and operations of an insurer and its agents in order to determine their authority to conduct insurance business in the state.

**Market Risk**

A risk experienced by those who invest in securities which is the risk of possible loss of investment since there are no guarantees associated with such investments.

**Market Risk**

The market as a whole for an asset may decline, as in the financial crises of 1929 and 1987 and in other economic recessions.

**Market Segment**

An aggregate of people who have common attributes and, as a result, can be approached with the same distribution, products, service, messaging, etc. Examples of market segments that A&H pursues in many markets around the world are women, seniors, and business travelers.

**Market Timing**

A strategy, based on various economic or stock market indicators, for deciding when to buy or sell securities.

**Market Value**

The price for which something would sell, especially the value of certain types of assets, such as stocks and bonds. It is based on what they would sell for under current market conditions. For example, common stock market value would be the price of the stock as of a specified date.

**Market Value Clause**

A provision that may be used in certain property insurance forms which obligates an insurer to pay the established market price of destroyed or damaged stock rather than its cost to the insured, as is usually provided in the Standard Fire policy. This coverage is only available to manufacturers with finished products, not to wholesalers or retailers.

**Marketability**

The ability to buy or sell a security quickly, without consideration for loss.

**Marketing Costs**

Total cost of preparing and making the offer to each contacted person. Marketing costs typically include creative, personalization, telemarketing and phoning, postage, printing, promotion, script development, and temporary help. Marketing costs can be fixed or variable, and the latter can be applied to different bases, for example, creative costs may be applied to the whole quantity of Leads, while phoning costs may be applied only to the Contacted Number, and printing costs to the Issued Number.

**Marketing Risk**

The risk of incurring marketing expenses that are not recaptured over time.

**Marketing Test**

A Campaign component used as an indicator of the future performance of a new offer or product, a new marketing kit, or a particular list segment.

**Masonry Noncombustible Construction**

A building which has exterior walls constructed of masonry materials, such as adobe, brick, concrete, gypsum block, hollow concrete block, stone, tile, or other similar materials, with floors and roof constructed of metal or other noncombustible materials.

**Mass Merchandising**

A technique whereby a group of people, usually employees or members of a union or trade association, insure with one company. Premiums are collected and remitted to the insurer in a lump sum.

**Master**

The admiralty law term for the captain of a ship.

**Master Contract**

In group insurance, the master contract is given to the employer. Individuals insured under the plan receive certificates to evidence their coverage under the plan.

**Master Contract**

(See Master Policy below)-An insurance contract which covers a group of persons to whom certificates of insurance are issued as their evidence of coverage under the policy. Note that certificate issuance is not always required.

**Master Policy**

(1) The policy contract issued to an employer or other entity authorized by state law for a group insurance plan. See also the first definition of Certificate of Insurance. (2) A property insurance policy issued to an insured who can issue certificates of coverage to cover the property of others.

**Master Policy**

An insurance policy which covers a group of persons to whom certificates of insurance are issued as their evidence of

coverage under the policy. Note that certificate issuance is not always required.

**Master-Servant Rule**

The rule that all employers are obligated to protect the public from the acts of their employees. Courts hold employers liable for torts committed by employees in the course of their employment.

**Masters and Members of Crew**

For the purposes of general maritime law, the term "seamen" applies to the master and crew members of a vessel who are primarily on board for the function of its navigation or its operation on a permanent basis.

**Matching Deductible Plan**

(See Fronting Policy) This is a device wherein the primary insurer sets a deductible equal to the entire limit of liability and then transfers the amount to one or more reinsurers.

**Material Fact**

In insurance, it refers to a fact which is so important that the disclosure of it would change the decision of an insurance company, either with respect to writing coverage, settling a loss, or determining a premium. Usually, the misrepresentation of a material fact will void a policy.

**Mature**

In insurance, a policy matures when its face amount becomes payable. This could occur upon the death of the insured, or in some forms of insurance such as endowments, as of a specified date.

**Mature Policies**

Uninterrupted claims-made coverage continuously in effect for at least five years, and no longer eligible for rating credits given on immature policies.

**Maturity**

The date on which a debt instrument (bond) must be repaid.

**Maturity Date**

The date at which the face amount of a life insurance policy becomes payable by reason of either death or endowment.

**Maturity Value**

The amount payable to a living insured at the end of an endowment period or to the owner of a whole life policy if he lives past a certain age.

**Maxi Tail**

Unlimited extended reporting period allowing for making claims after expiration of a "claims-made" liability policy.

**Maximum Allowable Costs List**

A list of prescriptions where the reimbursement will be based on the cost of the generic product.

**Maximum Approved Limit**

The maximum limit allowed to be reinsured by one of AIG's approved reinsurers. This limit is assigned separately to each approved carrier, and it appears on the approved lists maintained by the Reinsurance Services Division.

**Maximum Benefit**

The greatest amount that (a) will be paid for a particular loss (b) or payable for all losses in the aggregate under a policy or (c) may be written. The amount stated in the application under schedule as respects an insured.

**Maximum Cost**

The maximum amount that you must pay for the Subject Premium, and if applicable, non-subject premium, Self-Insured losses and ALAE.

**Maximum Disability Policy**

A form of noncancellable disability income insurance that limits an insurer's liability for any one claim but not the aggregate amount of all claims. In other words, for any one claim there is a maximum amount payable, but there could be any number of separate claims for different disabilities.

### **Maximum Insurance Cost**

Subject, non-subject and deductible reimbursements and surcharges and special taxes.

### **Maximum Out-of-Pocket Costs**

The most a member will pay considering copayments, coinsurance, deductibles, etc.

### **Maximum Retrospective Premium**

The most an insured will be required to pay under a retrospective rating plan, regardless of the amount of losses incurred.

### **McCarran-Ferguson Act**

This law provides that fair trade and antitrust laws would apply to the insurance business only, 'to the extent that such business is not regulated by state law.' This allowed the individual states to supervise and regulate the insurance business. It is also called 'Public Law 15'.

### **Mean-Variance Optimization**

Based on an approach to asset allocation developed by Harry Markowitz in the 1950s, whose goal is to provide the maximum return for a given risk or a given return for the minimum risk.

### **Media**

Method used in the Campaign Selection to contact the prospects. Standards include: 1. Bang Tail: offer found on the back flap of a return envelope. 2. Bounce Back: material inserted into fulfillment mailing that attempts to sell an upgrade. 3. Direct Mail: independent mail package sent directly to the prospect. 4. Direct Sales: sale made directly by an employee or a sponsor at the sponsor's place of business. 5. Email: an offer made via e-mail. 6. Inbound Telemarketing: contact will be based on inbound phone calls. 7. Insert: offer material that is inserted into some other mailing. 8. Magazines: an advertisement placed in a magazine publication. 9. Newspapers: an advertisement placed in a newspaper publication. 10. Internet: an offer made either through an AIG internet site or offered through any sponsor's internet site. 11. Outbound Telemarketing: contact will be based on outbound phone calls. 12. Radio: an advertisement placed via radio. 13. SMS: stands for short messaging system, where a text message (usually less than 160 characters) is sent to a mobile device. 14. Take One: printed pieces or brochures to be taken away. 15. TV: an advertisement placed via TV.

### **Mediation**

An informal means of trying to promote settlement of a dispute. It involves a third-party mediator who meets the parties to the dispute and tries to get them to agree on a settlement.

### **Medicaid**

A medical benefits program administered by states and subsidized by the federal government. Under this plan, various medical expenses will be paid to those who qualify. It is technically referred to as Title XIX Benefits.

### **Medical Cost Containment**

Refers to any of a number of techniques or strategies that control the cost and utilization of medical services including Pre-Injury Management, Medical Expense Management, Case Management and Utilization Management.

### **Medical Examination**

The examination of an applicant for insurance or a claimant by a physician who acts in the capacity of the insurer's agent.

### **Medical Examiner**

The physician who examines an applicant or claimant on behalf of the insurer and as an agent of the insurer.

### **Medical Expense Insurance**

A form of health insurance that provides benefits for medical, surgical, and hospital expenses. This term is used to include coverage under the names hospital-surgical expense insurance and medical care insurance.



**Medical Expense Reimbursement Plan**

A plan which provides for corporate reimbursement of specific health care expenses to employees.

**Medical Information Bureau**

A central computerized facility which keeps on file the health history of the applicants for life and health insurance with member MIB companies. The MIB was organized to guard against fraud by applicants.

**Medical Information Bureau**

A data pool service that stores coded information on the health histories of persons who have applied for insurance from subscribing companies in the past. Most life and health insurers subscribe to this bureau to get more complete underwriting information.

**Medical Information Bureau**

An index service in the US providing underwriting and claims information to participating insurers.

**Minimum Distributions**

(Required) Minimum Distribution: This is a distribution from qualified policies required by the IRS when a policy owner reaches age 70 ½. Also referred to as RMD (Required Minimum Distribution).

**Modified Endowment Contract**

Modified Endowment Contract (MEC): A life insurance contract entered into or materially changed after June 21, 1988, in which the cumulative premiums paid have exceeded the amount needed to reach a paid-up status. Classification of a policy as a MEC causes the policy to no longer be qualified for the tax deferred treatment of cash value under the Internal Revenue Code.

**Mutual Fund**

LOMA defines a Mutual Fund as an account established by a financial services company that pools the funds of many people and invests in a variety of financial instruments, such as stocks and bonds.

**Mutual Fund Account Redemptions**

Full or partial liquidation of funds from a mutual fund account.

# N

**NAC-No Additional Charge**

Usually refers to a credit card program meaning that there is no additional charge to the cardholder for the insurance or other enhancements that the credit card company agrees to provide to its cardholders.

**NAIC-National Association Of Insurance Commissioners**

An organization in the USA of the insurance commissioners or directors of all 50 states and the District of Columbia organized to promote consistency of regulatory practice and statutory accounting standards throughout the United States.

**Name Position Bond**

A type of fidelity bond which covers losses caused by the dishonesty of only those employees holding positions specifically named in the bond. Contrast with Name Schedule Bond and Blanket Bond.

**Name Schedule Bond**

A type of fidelity bond which covers losses caused by the dishonesty of only those employees specifically named in the bond. Contrast with Name Position and Blanket Bond.

**Named Insured**

That person, partnership, or organization for whom an insurance contract is written, and who is specifically designated as being 'insured' in the contract.

**Named Insured**

Any person, firm, or corporation, or any member thereof, specifically designated by name as the insured(s) in a policy. Others may be protected as insureds even though their names do not appear on the policy. A common application of this latter principle is in automobile policies where, under the definition of insured, protection is extended to cover other drivers using the car with the permission of the named insured.

### **Named Non-Owner Policy**

An automobile insurance policy issued to someone who does not own an automobile, but who drives borrowed or rented autos.

### **Named Perils**

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

### **Named Perils**

Perils specifically covered on property insured. Contrast with Open Perils (All Risk) Insurance, which covers all losses not specifically excluded.

### **National Association of Independent Insurers**

An association comprised of fire, casualty, and surety insurers which do not belong to large rating bureaus. The association distributes considerable information about legislation and litigation.

### **National Association of Insurance Brokers, Inc.**

A voluntary association of insurance brokers which exists to exchange information and make recommendations to state legislatures.

### **National Association of Insurance Commissioners**

An association of state insurance commissioners active in discussions of regulatory problems and in the formation and recommendation of uniform insurance practices and legislation.

### **National Association of Life Companies**

Membership organization primarily of medium and small life and health insurance companies.

### **National Association of Life Underwriters**

Organization of local life underwriter associations representing life and health insurance agents on practices of selling and servicing life and health insurance products.

### **National Association of Mutual Insurance Companies**

A voluntary intercompany organization of mutual property and liability insurers formed for the exchange of information and discussion.

### **National Association of Securities Dealers**

An organization of brokers and securities dealers in the over-the-counter market regulated by the Securities and Exchange Commission.

### **National Auto Theft Bureau**

An organization engaged in the prevention and reduction of motor vehicle fire and theft losses.

### **National Council on Compensation Insurance**

The National Council on Compensation Insurance is an independent service organization of the insurance industry which provides a wide range of advisory, rating, actuarial, statistical and other services relating to Workers Compensation Insurance.

### **National Crop Insurance Association**

A sister organization to the Crop Hail Insurance Actuarial Association (CHIAA). In 1989 these two organizations were consolidated to become National Crop Insurance Services (NCIS).

### **National Crop Insurance Services**

A voluntary, nonprofit organization made up of more than 140 member companies that compiles research and statistics in order to develop crop insurance rates and forms.

**National Drug Code**

A system for identifying drugs.

**National Flood Insurance Program**

Federal program providing flood insurance for fixed property. Under a "dual" program coverage may be written directly by the NFIP or by private carriers whose losses may be reimbursed by the NFIP.

**National Fraternal Congress of America**

A federation of fraternal benefit societies.

**National Insurance Association, Inc.**

An intercompany association of insurers formed to exchange information and ideas on common problems unique to the black community.

**National Safety Council**

A nonprofit organization chartered by Congress in 1913. It is made up of approximately 12,000 industry members nationwide. The purpose of the council is the dissemination of safety education material.

**National Service Life Insurance**

Life insurance made available by the federal government for members of the United States armed forces from 1940 to 1951.

**Nationwide Definition of Marine Insurance**

A statement recommended by the National Association of Insurance Commissioners which indicates the types of insurance which are to be written under ocean or inland marine policies. Most states use this definition, subject to some individual exceptions.

**Natural Death**

Any death that is not accidental.

**Natural Death**

Death by means other than accident or homicide.

**Natural Premium**

The pure mortality cost of life insurance for one year at any given age.

**NBC-Nuclear Biochemical Risk**

Nuclear, Biochemical and Chemical Risk. (Not to be confused with NCB which refers to a no claims bonus.)

**Negative Correlations**

Investments that react in generally opposite ways to changes in the economy are said to have negative correlations. For example, as one investment gains value, the other tends to lose value.

**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 omission or commission, or both.

**Negligence**

Failure to use that degree of care which an ordinary person of reasonable prudence would use under the given or similar circumstances. A person may be negligent by acts of omission or commission or both.

**Negotiated**

A type of retrospective plan where the basic premium factor is fully negotiated between the insured and the insurance

carrier. This is typically referred to as the large risk alternative rating option in the NCCI retrospective manual.

### **NEP- Net Earned Premium**

Also referred to as NPE, or Net Premium Earned, it's the total net premium earned for the period. For example, consider a policy where the full annual premium is paid in advance – this would be the NWP or NPW. Halfway through the policy year (end of 6 months) only 50% of the net premium would be earned. By the end of the policy year, all of the net premium paid at the beginning of the year for that policy year would be earned.

### **Net Amount At Risk**

A term which refers to the differences between the face amount of a policy and the reserve or cash value which has been built up under that policy.

### **Net Asset Value**

Used by investment companies to measure net assets. It is calculated by subtracting liabilities from the value of a fund's securities and other items of value and dividing this by the number of outstanding shares. Net asset value is popularly used in newspaper mutual fund tables to designate the price per share for the fund.

### **Net Cost**

Premiums paid minus cash value and any policy dividends paid as of the date the calculation is being made. In the life business, it is common to draw up net cost comparisons at the end of ten and twenty years.

### **Net Increase**

The increase in the total amount of business an insurer has to force over a given period of time. It is figured as the total of new policies issued plus those renewed less policies lapsed and cancelled.

### **Net Interest Earned**

The average interest earned by an insurer on its investments after investment expense but before federal income taxes.

### **Net Level Premium**

The pure mortality cost of a life insurance policy from its inception to its maturity date, divided by the number of years the policy is to be in force.

### **Net Level Premium Reserve**

The reserve needed by an insurer to cover net level policies which are in their later years. Loosely speaking, the level premium system of paying for a long-term life or health policy involves overpayment in the early years and underpayment in the later years.

### **Net Line**

The amount of coverage retained by the ceding company on an individual risk in a surplus reinsurance treaty. This term can also be used to mean the maximum amount of loss on a particular risk to which an insurer will expose itself without reinsurance.

### **Net Line**

1. The amount of insurance the company carries on a risk after deducting reinsurance from its gross line. 2. The maximum amount of loss on a particular sort of risk to which an insurer or reinsurer exposes itself without reinsurance.

### **Net Loss**

The amount of loss sustained by an insurer after giving effect to all applicable reinsurance, salvage, and subrogation recoveries.

### **Net Premium**

(1) The amount of premium minus the agent's commission. (2) The premium necessary to cover only anticipated losses, before loading to cover other expenses. (3) The original premium minus dividends paid or anticipated in participating life insurance when the insured elects to use dividends toward payment of the premiums. Contrast with Gross Premium.

### **Net Premium Non-Concurrence**

Premium remaining after the deduction of reinsurance ceding commission. The characteristic whereby one policy differs from another, directly related, policy in a significant way, such as effective/expiration dates, coverage, and/or exclusions. Concurrent dates, for example, play an important role when establishing erosion of limits for primary and excess/umbrella policies. Likewise, non-concurrent coverages between primary and reinsurance policies must be carefully monitored to make sure coverage allocations are properly evaluated and priced.

**Net Pull**

Direct Marketing- the Converted Number divided by Contacted Number.

**Net Quick Assets**

The difference between allowable current assets and changeable current liabilities. This figure is referred to as the working capital. A contractor must have adequate working capital in order to be bonded.

**Net Rate**

(1) See the third definition of Net Premium for the definition applicable to participating life insurance policies. (2) In a nonparticipating policy, the rate book rate.

**Net Retention**

The amount of insurance that a ceding company keeps for its own account and does not reinsure.

**Net Worth**

The amount by which assets exceed liabilities. It is of concern to bond indemnifiers in determining the size of a job a contractor can handle.

**Network Model HMO**

Under this model, an HMO contracts with several physician groups. Physicians may share in savings, but may provide care for other than HMO members.

**New For Old**

Replacing old damaged parts or equipment with new ones rather than repairing them.

**New York Standard Fire Policy**

The basic fire insurance contract which was used in nearly every state with only a handful of exceptions. It provided coverage against loss by fire, lightning, and removal, and established policy provisions that became the foundation for property insurance contracts. EC and VMM coverage could be added by endorsement. With the introduction of modern policy forms, the standard fire policy has become obsolete, except in a few states where its use continues to be required by law.

**Newly Acquired Autos**

Any automobile purchased after the effective date but before the end of the term of an automobile policy. Newly acquired autos receive some automatic coverage but the insured must notify the insurance company of the acquisition within 30 days.

**Newspaper Policy**

A form of limited health insurance often sold by newspapers to build or conserve circulation.

**NFIA**

National Flood Insurers Association

**NLI-Net Losses Incurred**

Total net losses (excludes reinsurance) incurred during a given period.

**No Benefit to Bailee**

A provision in an inland marine form which states that any insurance a person has on property in the possession of a bailee will not be for the benefit of the bailee. Example: If a suit is lost or destroyed at the cleaners, the cleaner cannot deny coverage on the basis that other insurance exists.

**No-Fault Insurance**

A law permitting the individual automobile victim to collect directly from his/her own insurance company for medical and hospital expenses, regardless of who was at fault in the accident. Many states have passed this kind of law. There are many variations in the laws of those states which have no-fault statutes. Most states do allow the individual to sue the negligent party if the amount of damages exceeds a certain stated limit.

**No-Load Fund**

An open- or closed-end fund investment which charges no fees or commissions upon the sale or redemption of its shares.

**Nominal Damages**

A small amount of money awarded to a plaintiff to verify his or her legal rights, even though no actual damages have been proven.

**Non-Admitted Coverage**

Insurance coverage written in a given state or jurisdiction by an insurer not licensed in that state or jurisdiction.

**Non-Admitted Insurance Company**

An insurance company not licensed to do business in a given state.

**Non-Admitted Reinsurance**

A company is non-admitted when it has not been licensed and thereby recognized by the appropriate insurance authority of a state or country. Reinsurance is non-admitted when placed in a non-admitted company. It may not be treated as an asset against reinsured losses or unearned premium reserves for insurance company statement purposes.

**Non-Bureau**

A program or policy not written in accordance with ISO utilizing specified and/or additional instructions and codes.

**Non-Confining Sickness**

Sickness which prevents the insured from working but does not confine the insured to the home or hospital.

**Non-Contributory**

A group policy where the persons covered under the policy don't pay any of the premium.

**Non-Disabling Injury**

An injury that does not qualify the insured for total or partial disability benefits. A Disability Income policy may contain a provision for a small benefit in the case of such an injury, including medical costs of up to 25% or 50% of one month's disability benefit payment.

**Non-Disabling Injury**

An injury which does not cause loss of time off work or any permanent level of disability.

**Non-Disabling Injury Rider**

An optional disability income policy rider that does not pay a disability benefit but rather provides for the payment of medical expenses incurred due to injury which does not result in total disability.

**Non-Fleet Rating**

Refers to the situation in commercial automobile insurance when the insured owns four or less vehicles and is, therefore, not eligible for fleet-rating.

**Non-Occupational Policy**

A policy or provision of a policy which excludes accidents occurring on the job, when such employment is covered by workers compensation.

**Non-Occupational Policy**

A policy or coverage which does not cover losses resulting from injury while on-the-job.

**Non-Participating (Non-Par)**

A plan of insurance under which the insured is not entitled to share in the profit or surplus of the insurance company.

**Non-Participating Policy**

A life insurance policy in which the company does not distribute to policyholders any part of its surplus. Note that premiums for nonparticipating policies are usually lower than for comparable participating policies. Some non-participating policies 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.

**Non-Qualified Annuity**

A type of annuity offered outside of a tax-favored employer-sponsored retirement plan to which contributions are made with after-tax dollars. Taxes on earnings and interest are deferred until withdrawal or when annuity payments begin, usually at retirement.

**Non-Subject Premium**

All other premium under a policy that is not subject to adjustment on the basis of loss adjustment.

**Nonadmitted Assets**

Assets that do not qualify under state law for insurance statement purposes. Examples would be furniture, fixtures, agents' debit balances, and accounts receivable which are over ninety days old.

**Nonadmitted Insurer**

An insurer not licensed to do business in the jurisdiction in question. Same as Unauthorized Insurer and Unlicensed Insurer.

**Nonadmitted Reinsurance**

Reinsurance for which no credit is given in a ceding company's annual statement because the reinsurer is not licensed or authorized to transact that particular line of business in the jurisdiction in question.

**Nonappropriate Fund Instrumentalities Act**

This act extends the provisions of the USL&H Act to employees of nonappropriated fund instrumentalities of the armed forces. This extension applies to the Army and Air Force Exchange Service, Army and Air Force Motion Picture Service and other similar armed forces activities or post exchanges.

**Nonassessable Policy**

A policy for which the policyowner pays a set premium. No additional premiums or amounts can be assessed. These are issued primarily by stock insurers, but can also be issued by mutual insurers who qualify to do so by meeting certain standards under state laws.

**Nonassessable Policy**

A policy for which the policyowner pays a set premium. No additional premiums or amounts can be assessed. These are issued primarily by stock insurers, but can also be issued by mutual insurers who qualify to do so by meeting certain standards under state laws.

**Nonassignable**

A policy that the owner cannot assign to a third party. Most policies are nonassignable unless approval is given by the insurer.

**Noncancellable**

A contract of health insurance that the insured has a right to continue in force by payment of premiums, as set forth in the contract, for a substantial period of time, also as set forth in the contract. During that period of time, the insurer has no right to make any change in any provision of the contract. The NAIC recommends that the term "noncancellable" not be permitted to be used to designate any form that is not renewable to at least age 50 or for at least five years if issued after age 44. Note that this is in contrast to guaranteed renewable, on which the premium may be increased by classes. The

premium for noncancellable policies must remain as stated in the policy at the time of issue. Contrast with Guaranteed Renewable.

**Nonconcurrency**

The situation that exists when a number of insurance policies intended to cover the same property against the same hazards are not identical as to the extent of coverage. Nonconcurrency usually results in an insured not being fully covered for a loss. Modern forms have minimized the problem of nonconcurrency.

**Nonconfining Sickness**

Sickness that does not confine the insured indoors.

**Noncontributory**

A plan or program of insurance, usually group, for which the employer pays the entire premium and the employee contributes no part of the premium.

**Noncontributory Retirement Plan**

A retirement plan funded entirely by the employer.

**Noncupative Will**

An oral will given in the presence of witnesses usually at the time when the testator is very near death.

**Nonduplication of Benefits**

A provision in some health insurance policies specifying that benefits will not be paid for amounts reimbursed by others. In group insurance, this is usually called coordination of benefits (COB).

**Nonforfeitable Benefit**

A benefit payable under a pension plan which unconditionally belongs to a participant of the plan.

**Nonforfeiture Option**

A benefit available from a "cash value" life insurance policy if it is canceled before the insured dies. There are usually three types of nonforfeiture options: (1) cash surrender value, (2) reduced paid-up life insurance, or (3) extended term life insurance.

**Nonforfeiture Values**

Those values in a life insurance policy that by law the policyowner cannot forfeit even if he ceases to pay the premiums. These benefits are the cash surrender value, the loan value, the paid-up insurance value, and the extended term insurance value. The policyowner may choose one of these nonforfeiture options, but even if he fails to do so, the one specified in the contract for such a case automatically goes into effect.

**Noninsurable Risk**

A risk that cannot be measured actuarially or in which the chance of loss is so high that insurance cannot be written against it.

**Noninsurance**

Making no financial preparation for meeting losses.

**Nonmedical**

A contract of life or health insurance underwritten on the basis of an insured's statement of health with no medical examination required.

**Nonowned Auto**

Any autos not owned, leased, hired, or borrowed which are used in connection with the business.

**Nonparticipating**

Insurance contracts on which no policy dividends are paid because there is no contractual provision for the policyowner to participate in the surplus. Contrast with Participating.



**Nonparticipating Provider**

(1) A provider who has not signed a contract with a health plan. (2) A medical or health care provider who is not certified to participate in the Medicare program.

**Nonparticipating Provider Indemnity Benefits**

Coverage where services provided by nonparticipating providers are reimbursed under an indemnity basis.

**Nonprofit Insurers**

Insurers organized under special state laws, usually exempting them from some taxes imposed on regular insurers, to supply medical expense reimbursement insurance, usually on a service basis. "Blue" plans (Blue Cross and Blue Shield) in most states are an example.

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**Nonproportional Reinsurance**

A term for the first instance cited under that entry.

**Nonqualified Plan**

A benefit type of plan, such as a retirement plan, which may be discriminatory, need not be filed with the IRS and does not provide a current tax deduction for contributions.

**Nonrenewal**

Termination of insurance coverage at an expiration date or anniversary date. This action may be taken by an insurer who refuses to renew, or by an insured who rejects a renewal offer.

**Nonresident Agent**

An agent licensed in a state in which he does not live.

**Nonstandard Auto Occurrence Policy Form**

Risks rejected or canceled by a standard markets company. The occurrence-type policy provides coverage for losses arising out of incidents that occur while the policy is in force.

**Nonvalued Policy**

A policy that is not valued; that is, when the policy is written, the amount to be paid in the event of a loss is not stated. Most property policies are nonvalued.

**Noon Clause**

A provision in an insurance contract stating that the insurance coverage starts at noon, standard time, at the location of the insured's property. Most property policies have now been changed so that the effective time is 12:01 a.m., thus the noon clause is not often encountered.

**Normal Retirement**

Retirement at an age specified by the pension plan as being the "normal" or standard age for retirement.

**Normal Retirement Benefit**

An employee's early retirement benefit from a plan, or the benefit payable at the time of his or her normal retirement age, whichever is greater. The value of the benefits are determined without regard to medical and/or disability benefits.

**Not Otherwise Classified**

A classification designated "NOC" shall apply only if no other classification more specifically describes the insured business.

**Not Otherwise Classified**

A term often found in the classification section of liability or workers compensation rating manuals. If a listing is followed by an NOC, it means to use this classification if an insured cannot be classified more specifically.

**Not Taken**

Policies applied for and issued but rejected by the proposed owner and not paid for.

**Notice of Cancellation**

Written notice by an insurer of intent to cancel insurance, or written notice by an insured requesting cancellation.

**Notice of Loss**

Notice to an insurer that a loss has occurred. Notice of loss is a condition of most policies, and it is frequently required within a given time and in a particular manner.

**Notice To Company**

Written notice to an insurer of the occurrence of an event which a claim is to be based.

**NOW Account**

The negotiable order of withdrawal (NOW) is similar to a checking account except that it often requires advance notice of withdrawal. It can be viewed as an interest-earning checking account.

**Nuisance Value**

An amount that an insurance company will pay to settle a claim not because it is a valid claim but because the company considers it worth that amount to dispose of it.

**Numerical Rating**

An underwriting method of determining the extra rate to be charged for a substandard insured. "Standard" is rated 100. Various impairments are assigned various numerical values. The sum of 100 plus the values of the ratings of the impairments indicates the table to use in determining the rate of the policy.

**Nurse Fees**

A provision in a medical expense reimbursement policy calling for reimbursement for the fees of nurses other than those employed by the hospital.

**Nursing Home**

A licensed facility which provides general nursing care to those who are chronically ill or unable to take care of necessary daily living needs. May also be referred to as a long term care facility.

**NWP-Net written Premium**

Also referred to as NPW, or Net Premium Written, it's the Gross Premium Written less premiums ceded to reinsurers.

# O

**Object**

In boiler and machinery insurance, the name of the vessel insured; the object of insurance.

**Obligee**

Broadly, anyone in whose favor an obligation runs. This term is used most frequently in surety bonds where it refers to the person, firm, or corporation protected by the bond. The obligee under a bond is similar to the insured under an insurance policy. In the case of a construction bond, the person for whom the building is being built is the obligee.

**Obligor**

Commonly called the principal. One bound by an obligation. In the case of a construction bond, the contractor is the principal.

**Occupancy**

Refers to the activity or property of the insured, i.e., what the building is used for or the nature of its contents

**Occupancy**

This refers to the type or character of use of the property in question. The type of occupancy has a bearing on its

desirability and also effects the rate for the policy.

**Occupational Accident**

An accident arising out of or occurring in the course of one's employment and caused by hazards inherent in or related to it.

**Occupational Disease**

This is normally meant to include the sustaining of a disease common to the workplace, such as black lung. An injury arising out of employment and due to causes or conditions characteristic of, and peculiar to, the particular trade, occupation, process or employment and excluding all ordinary diseases to which the general public is exposed. This definition is changing rapidly as the workplace changes and courts continue to interpret coverage.

**Occupational Disease**

(Health) Impairment of health caused by continued exposure to conditions inherent in a person's occupation or a disease caused by an employment or resulting from the nature of an employment.

**Occupational Disease**

(Workers Comp) Sickness or disease arising out of or in the course of employment. State compensation laws provide coverage for this type of loss.

**Occupational Hazard**

A danger inherent in the insured's line of work.

**Occupational Hazard**

A condition in an occupation that increases the peril of accident, sickness, or death.

**Occupational Health Provider**

A medical specialty concerned with diagnosing, evaluating, and treating patients with limited function as a consequence of work related disease or injury. Emphasis is placed on maximal restoration of the physical and vocational functions of the individual. Occupational health providers focus on rehabilitation management and return to work.

**Occupational Manual**

A book listing occupational classifications for various types of work.

**Occupational Safety and Health Act**

A federal statute which establishes safety and health standards on a nationwide basis. The act is enforced by Labor Department safety inspectors and also provides for the recordkeeping of statistics relevant to work injuries and illnesses.

**Occurrence**

(a) An event that results in an insured loss. In some lines of insurance, such as liability, it is distinguished from accident in that the loss does not have to be sudden and fortuitous and can result from continuous or repeated exposure which results in bodily injury or property damage neither expected nor intended by the insured. (b) Liability insurance written on an 'occurrence' basis that applies to bodily injury or property damage which occurs during the policy period, regardless of how far into the future such claims are filed or reported.

**Occurrence Coverage**

Liability coverage which protects the insured against claims arising from all occurrences that take place during the policy period, regardless how far into the future such claims are filed or reported.

**Occurrence Coverage**

A policy form providing liability coverage only for injury or damage that occurs during the policy period, regardless of when the claim is actually made. For example, a claim made in the current policy year could be charged against a prior policy period, or may not be covered, if it arises from an occurrence prior to the effective date. Contrast with Claims-Made Coverage.

**Ocean Marine**

Coverage for seagoing vessels, including liabilities connected with them and their cargoes.

### **Ocean Marine Insurance**

A general term used to indicate all types of insurance associated with coverage on vessels and their cargoes.

### **Odds**

The probable frequency of incidence of a given occurrence in a statistical sample. It is expressed as a ratio to the probable number of nonoccurrences or as a decimal fraction of the total occurrences. For example, a probability of .25 equals odds of three to one against. A probability of .75 equals odds of three to one for.

### **Off Premises**

A clause in a property insurance contract extending coverage away from the premises described in the policy. The amount of coverage away from the premises is usually restricted to a percentage of the total coverage on the premises, e.g., 10%.

### **Offer**

The terms of a contract proposed by one party to another. In property and casualty insurance, submitting an application to the company is usually considered an offer. In life insurance, the application plus the initial premium constitutes an offer.

### **Offeree**

One to whom an offer is made.

### **Offeror**

One who makes an offer.

### **Office Burglary and Robbery Policy**

A special policy designed for offices. It usually consists of several crime coverages on office equipment and supplies which are purchased as a package. There is relatively low limit for each coverage and very little flexibility in that the policyholder must buy the complete package.

### **Office Visit**

Services provided in the physician's office.

### **Officers and Directors Liability Insurance**

A type of insurance which protects the officers and directors of a corporation against damages resulting from negligent or wrongful acts which may harm the corporation or its stockholders.

### **Offset Plan**

A retirement plan in which each employee's standard benefit is reduced by a portion of the Social Security benefits he or she will receive.

### **Offset Rider**

A rider in a health insurance policy designed to reduce the benefit by a portion of the Social Security benefits received.

### **Old Age Assistance**

A form of public assistance.

### **Old Age, Survivors, Disability, and Health Insurance**

The system of social insurance benefits for the aged, surviving dependents, and disabled workers set up by the Social Security Act of 1935, plus amendments and additions.

### **Old Line**

A term without a precise meaning but generally applied to nonfraternal insurers operating on a legal reserve basis. The origin of the term is in doubt but it seems to have come into use at the time of the competition between the "new" fraternal insurers and the commercial insurers to indicate the fact that the fraternal were "newcomers."

**Omnibus Budget Reconciliation Act**

A federal law which extends the minimum COBRA continuation of group health care coverage from 18 to 29 months for qualified beneficiaries who are disabled at the time of qualification.

**Omnibus Clause**

An agreement in most automobile liability policies and some others that, by its definition of insured, extends the protection of the policy to others within the definition without the necessity of specifically naming them in the policy. An example would be a policy which covers the named insured and "those residing with him or her."

**Omnibus Risk**

A structure housing a number of tenants engaged in a variety of businesses.

**One Step**

A Campaign where an application for insurance goes to the customer in "one" step or solicitation.

**OOC-Office Of the Customer**

The Office of the Customer (OOC) was created to help AIG companies better address the needs of existing customers. It is a repository for marketing expertise and database analytics. The OOC's goal is to extend customer relationships beyond the initial sale.

**Open Access**

Allows a participant to see another participating provider of services without a referral. Also called Open Panel.

**Open Claims/Outstanding Claims/Pending Claims**

Claims that have been registered which have not been resolved or formally closed via payment or denial.

**Open Cover**

A reinsurance facility under which risks of a specified category and declared and insured.

**Open Cover**

A term infrequently used in reinsurance. It is a facility under which risks of a specified category may be declared and ceded to the reinsurer(s).

**Open Debit**

A life and health insurance debit (territory) currently without an agent.

**Open End Investment Company**

An investment company managed by professional investment advisors who invest in stocks and bonds on behalf of shareholders. Also known as a mutual fund.

**Open Perils**

Insurance against loss of or damage to property arising from any cause except those that are specifically excluded.

**Open Policy**

An insurance contract in which the terms of the policy are not fixed at the inception nor is an expiration date specified, but limits of liability are set forth for the protection it offers. No deposit premium is required, but monthly reports are made and sent with premiums due at that time, and certificates of insurance are issued to indicate the property covered. An open policy is commonly used to cover goods in transit.

**Open Rating**

When used in the context of workers compensation, it refers to states where insurers adopt bureau loss costs and file their own independent loss cost multiplier.

**Open Reserve**

The Claim Department's estimate of the amount of money needed to pay a particular claim.

**Open-End Fund**

A fund whose shares are redeemable at any time at approximate asset value. In most cases, new shares are offered for sale continuously.

**Opt-Out**

Not participating.

**Optimal Portfolio**

The efficient portfolio allocation which is best suited to the individual investor's financial situation, risk tolerance, time horizon and investment preferences and, provides the lowest level of historical risk for a specific potential return, or the highest return for a given level of historical risk.

**Optimization Constraints**

Constraints, or limitations, on including certain types of investments in a portfolio. Constraining the asset classes to allow for minimums and maximums of certain classes of assets prior to optimization produces "personalized" portfolios to meet a specific risk tolerance, time horizon, and investment preferences.

**Option**

A choice of methods of receiving policy dividends, nonforfeiture values, death benefits, or cash values.

**Optional Benefits**

Are additional benefits usually for an additional premium included in a policy such as lump sum indemnities for specified injuries (usually dislocations, sprains, and fractures).

**Optional Modes of Settlement**

The different options from which the beneficiary can choose to receive the proceeds from a life insurance policy.

**Optional Retirement Program**

A state-sponsored defined-contribution plan designed to help state employees save for retirement, usually within a tax-deferred annuity or fund and often as an alternative or option (hence the name) to a state-sponsored defined-benefit plan.

**Optionally Renewable**

A contract of health insurance in which an insurer reserves the unrestricted right to terminate coverage at any anniversary or, in some cases, at any premium due date. It may not do so in between.

**Ordinary Agency**

A life insurance agency handling only ordinary life.

**Ordinary Construction**

A building in which floors are on wood joists, in which the interior finish usually conceals space where fire can spread, and which has little protection of stair shafts.

**Ordinary Life Insurance**

Life insurance usually issued in amounts of \$1,000 or more with premiums payable on an annual, semiannual, quarterly, or monthly basis.

**Ordinary Life Pension Trust**

A pension plan funded by means of a trust, which provides death benefits through the purchase of ordinary or whole life insurance contracts for covered employees. The trust pays the insurance premium until the employee reaches retirement age, and accumulates the additional sums necessary to purchase the retirement benefits, using the paid-up value of the life insurance policies.

**Ordinary Life Policy**

A whole life policy for which premiums are paid continuously as long as the insured lives. Same as Straight Life Policy. See also Whole Life Insurance.

**Ordinary Payroll**

A business interruption term meaning the entire payroll expense for all the employees of an insured except officers, executives, department managers, employees under contract, and other important employees. This payroll can be excluded or limited from Business Interruption forms, reducing the amount of insurance and insured is required to carry.

**Ordinary Register**

The record book in a combination insurer or agency containing data on the ordinary policies in an agent's account.

**Orphan Policies**

In force policies where the agent/broker is no longer contracted (licensed or active with the insurer). The policy has no services agent.

**OSHA**

Occupational Safety and Health Act

**Other Insurance**

The existence of other contracts covering the same interest and perils.

**Other Insurance Clause**

A provision found in almost every insurance policy except life and sometimes health stating what is to be done in case any other contract of insurance embraces the same property and/or hazards.

**Other Liability**

A 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 professional services.

**Other States**

This is Part III coverage under the standard workers compensation policy. It provides coverage in states listed in section 3. C. of the policy if work begins in those states after the policy effective date.

**Other Structures**

Structures, such as a garage or storage shed, which are separated from an insured dwelling by a clear space, or are connected only by a fence or utility line. Dwelling and homeowner policies provide coverage for other structures.

**Out-of-Area**

Treatment given to a member outside of the normal area.

**Out-of-Pocket Costs**

The amounts the covered person must pay out of his or her own pocket. This includes such things as coinsurance, deductibles, etc.

**Out-of-Pocket Limit**

The maximum coinsurance an individual will be required to pay, after which the insurer will pay 100% of covered expenses up to the policy limit.

**Out-Patient**

A patient who does not stay overnight in a hospital in which he has received treatment. Out-patient benefits may be payable when an insured has treatment in a clinic or doctor's offices.

**Outage Insurance**

A type of insurance which covers against loss of earnings due to the failure of machinery to operate because of an insured peril causing damage to the premises. Similar to Extra Expense Insurance.

**Outcomes Measurement**

A method of keeping track of a patient's treatment and the responses to that treatment.

**Outer Continental Shelf**

The Outer Continental Shelf Lands Act extends the provisions of the U.S.L. & H.W. Act to employers and their employees exploring for natural resources on the Outer Continental Shelf of the United States. That area is generally described as all submerged lands lying seaward and outside of the area of lands beneath navigable waters of the United States and subject to its jurisdiction.

**Outline of Coverage**

A document presented to applicants for life or health insurance that provides a brief description of proposed coverages, premiums, benefits, limitations and exclusions. It generally warns an applicant that it is a summary only and encourages the applicant to read the actual policy or certificate carefully. An Outline of Coverage may include various disclosures, and inform the applicant of certain rights, such as the right to a "free look" - the right to return the policy and receive a full refund of premium within a stipulated time period if not satisfied for any reason.

**Outpatient**

A patient who is not a bed patient in the hospital in which he or she is receiving treatment.

**Outstanding Claim Reserves**

The Claim Department's estimate of the amount of money needed to pay claims. These claims are not closed and therefore a liability to the Company.

**Outstanding Losses**

Estimates of all payments yet to be made on a claim, at the time of accounting or reporting; synonymous with 'Loss Reserves'.

**Outstanding Premiums**

Premiums due but not yet collected.

**Outstanding Rate Change**

Most rate changes are applied to new and renewal policies as of the anniversary rating date, normally the policy effective date. Outstanding rate changes are rate changes that have been filed, but are not yet approved. Once approval is received the rate change will apply retroactively to the ARD.

**Over-Insurance**

Insurance coverage or benefits of such size that they may present the moral hazard of temptation to fake or prolong a claim.

**Over-The-Counter Drugs**

A drug that can be purchased without a prescription.

**Overage Insurance**

Health insurance issued at ages above the usual limit, which is generally 65.

**Overhead**

Fixed charges which do not vary with the amount of business done (i.e., rent property taxed, etc.)

**Overhead Expense Insurance**

Insurance which covers such things as rent, utilities, and employee salaries when a business owner becomes disabled. The insurance benefit is generally not a fixed amount, but pays the amount of expenses actually incurred.

**Overinsured**

A term used to describe the condition that exists when an insured has purchased coverage for more than the actual cash value or replacement cost of a subject of insurance. It is also used to describe a situation where so much insurance is in force as to constitute a moral or morale hazard, such as having so much disability income insurance in force that it becomes profitable to be disabled.



**Overlapping Insurance**

Coverage from two or more policies or insurers which duplicates coverage of certain risks.

**Overline**

(1) The amount of insurance or reinsurance exceeding an insurer's or reinsurer's normal capacity inclusive of automatic reinsurance facilities. (2) A commitment by an insurer or reinsurer above and beyond normal facilities or capacities.

**Overriding Commission**

(1) A commission which an agent or broker may receive on any business sold in his or her exclusive territory by subagents. Also sometimes called "overwriting" or "overriding." (2) An allowance paid to a ceding company over and above the acquisition cost to allow for overhead expenses, often including a margin for profit.

**Overriding Commission**

An agent or a general agent may have the sole privilege of representing a company in a certain territory and also have a contract whereby he is entitled to a commission on any business which a company may write in his territory or through one of his subagents. The portion of the commission which the general agent or supervising agent keeps is the overriding commission.

**Owners and Contractors Protective Liability Policy**

A policy which protects an insured against losses caused by the negligence of a contractor or subcontractor that he hires. Also sometimes referred to as independent contractors insurance.

**Owners, Landlord and Tenants**

Liability coverage for damage arising out of the ownership, maintenance or use of premises designated in the policy.

**Owners, Landlords, and Tenants Liability Insurance**

Coverage for an insured against legal liability for bodily injury or property damage caused to others by negligence and arising out of the ownership, maintenance, or use of the premises designated in the policy and all operations necessary or incidental to those premises. A form of premises and operations liability insurance designed to cover premises where the public is invited. The OL&T form has largely been replaced by the Commercial General Liability Coverage Form.

**Ownership**

All rights, benefits and privileges under life insurance policies are controlled by their owners. Policy owners may or may not be the insureds. Ownership may be assigned or transferred by written request of the current owner.

**Ownership of Expirations**

An agreement by an insurer that certain information regarding the details of a policy, usually a property or liability form, will be revealed to no agent or broker other than the originating agent.

**Ownership Provision**

A provision that a policy may be owned by someone other than the insured.

# P

**P.S. 58 Charges**

An IRS table which identifies the cost of pure death protection. The taxable economic benefit to an employee under a split dollar plan and certain other plans is equal to the P.S. 58 charges less any employee contributions.

**PA-Personal Accident**

In a broad sense, PA is another term for A&H. However, most people will refer to the accident part of A&H as PA. In some parts of the world, PA is used in the broader sense. In the USA in AIG, DBG's A&H division's Corporate Markets profit center calls their 24 hour - all risk product Personal Accident Indemnity or Insurance, or "PAI", which is voluntary AD&D. The main use of the product is with employer -employee groups. It's usually offered on a payroll deduction basis to employees and their families with no minimum participation requirements.

**Package Policy**

A single insurance policy that includes several coverages. For example, a Homeowners Policy includes both property and liability coverages.

**Paid Business**

Insurance for which the application has been signed, the medical examination completed, and the settlement for the premium tendered.

**Paid Claims**

Amounts paid to providers based on the health plan.

**Paid Claims Loss Ratio**

Paid claims divided by total premiums.

**Paid Loss Adjustments**

Recalculation of the estimated premium based on audited exposures and factors shown in the binder, plus the difference between losses and expenses you have paid to date and the losses and expenses paid by us as of the loss and expense evaluation date used in the Paid Loss Adjustment.

**Paid Losses**

Loss payments that have been made on a claim at the same time of accounting or reporting. They are paid under the insurance program as they become due.

**Paid Losses**

Actual amount of total losses paid by an insurance company during a specified time interval.

**Paid-For**

Insurance on which the premium has been paid.

**Paid-In Capital**

The amount paid for the stock sold by a corporation.

**Paid-In Surplus**

Surplus paid in by stockholders, as contrasted with surplus earned through the operations of a business.

**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 nonforfeiture option.

**Paid-Up Insurance**

Insurance on which all premiums are paid but which has not yet matured by either death or endowment. An example would be a limited payment life policy for which the premium-paying period is over.

**Pair and Set Clause**

A clause which states that if a part of a pair or set is lost or damaged the measure of the loss shall be a reasonable and fair proportion of the total value of the set, giving consideration to the importance of the article. The insurer is under no obligation to pay for the total loss of a set when one part is lost, damaged, or destroyed.

**Par**

Abbreviation for participating.

**Parasol Policy**

Another name for the Difference in Conditions policy.

**Parcel Post Insurance**

Coverage to protect an insured against damage to or loss of parcels while they are in the care of the United States Post

Office Department. Packages can be insured by either the United States Post Office or by private insurance companies.

**Parent Company**

The senior company in a group or fleet of insurers.

**Parol**

A legal term which refers to oral statements as distinguished from written statements.

**Parol Evidence Rule**

This rule states that a written instrument or contract cannot be modified by an oral agreement. It is based on the concept that written contracts should contain all of the facts and agreements between the parties and, therefore, prevents contemporaneous oral declarations from being included in the contract.

**Part I**

Provides coverage for the statutory obligation of an employer to provide benefits for employees as required by: a. Workers compensation law or occupational disease law of any state or territory of the United States, including the District of Columbia b. United States Longshoremen's and Harbor Workers' Compensation Act (if endorsed).

**Part II**

Employers liability insurance--Provides coverage for the legal obligation of an employer to pay damages because of bodily injury by accident or disease, including resulting death, sustained by an employee. Employers liability coverage applies only if the injury or death of an employee arises out of and in the course of employment and is sustained in the United States or while temporarily outside the United States.

**Part III**

Employers liability insurance and, where permitted by law, workers compensation insurance are provided in other states not listed in item 3.A. of the Information Page by listing the states in Item 3.C. the Information Page. If workers compensation insurance does not apply because the insured or carrier is unable to take the necessary action to bring the insured under a workers compensation law, the carrier will reimburse the insured for all compensation and other benefits required of the insured under such law.

**Partial Disability**

A condition in which, as a result of injury or sickness, the insured cannot perform all of the duties of his or her occupation but can perform some. Exact definitions vary from policy to policy.

**Partial Disability**

Usually defined as inability to perform one or more of the functions of one's regular job but still working. In some jurisdictions it is a medical determination. The actual definition depends on the wording of any particular policy.

**Partial Hospitalization Services**

Additional services provided to mental health or substance abuse patients which provides outpatient treatment as an alternative or follow-up to inpatient treatment.

**Partial Loss**

A loss covered by an insurance policy which does not completely destroy or render worthless the insured property.

**Partial Withdrawal**

LOMA defines a Partial Withdrawal as a transaction in which the owner of a cash value life insurance policy or a deferred annuity contract elects to receive a portion of the policy's cash value while the policy is in force or of the contract's accumulation value during the accumulation period. Also known as a partial surrender or policy withdrawal. A full withdrawal, also known as a surrender, results in the termination of the policy.

**Participant**

An employee or former employee who is eligible to receive benefits from an employee benefit plan or whose beneficiaries may be eligible to receive benefits from the plan.

**Participating**

A plan of insurance under which the policyowner receives shares of the divisible surplus of the company. Such shares are commonly called "dividends".

**Participating**

(1) Insurance that pays policy dividends. In other words, it entitles a policyowner to participate in allocations of the insurer's surplus. In life insurance there are several options available for the use of such dividends. (2) Insurance that contributes proportionately with other insurance on the same risk.

**Participating (Or Pro-Rata) Reinsurance**

Includes quota share, first surplus, second surplus, and all other sharing forms of reinsurance under which the reinsurer participates pro-rata (i.e. proportionately) in all losses and in all premiums.

**Participating Policy**

An insurance policy where a policyowner shares in the insurance company's profits in the form of policy dividends. Also known as a par policy.

**Participating Provider**

A health care provider approved by Medicare to participate in the program and receive benefit payments directly from carriers or fiscal intermediaries.

**Participation**

The number of employees enrolled compared to the total number eligible for coverage. Many times, a minimum participation percentage is required.

**Particular Average**

Refers to a partial loss which must be borne entirely by the individual owning the property which is damaged or lost. In many cases, it is used synonymously with the term Partial Loss.

**Partnership**

Business entity that is owned by two or more persons (can be a corporate entity) who are jointly and severally responsible for the business assets and liabilities.

**Partnership Entity**

The partnership considered as an entity and not in terms of its individual part-owners.

**Partnership Insurance**

Life or health insurance sold to a partnership, usually for guaranteeing business continuity in case of the death or disability of one of the partners. For instance, two partners might buy life insurance on each other so that in the event of one partner's death, the other can use the insurance proceeds to purchase the deceased partner's share of the business from the heirs.

**Party Wall**

A common wall between two buildings.

**Party-In-Interest**

Any of the parties to an employee benefit plan, including individuals serving as a fiduciary or counsel, or employees of an employee benefit plan; or any person providing service to the plan; or the employer who establishes the plan; or an employee organization whose members are covered by the plan; or an owner of 50% or more of a company that establishes an employee benefit plan.

**Passive Fund Management Style**

Fund manager seeks to emulate the performance of a particular market index. Generally more passive than the active fund management style.

**Past Service Benefit**

A term used in pension or retirement insurance policies to refer to credit given an employee for the amount of time the person was employed prior to the effective date of the retirement plan. Example: An insured starts a pension plan on January 1, 1980. It states that all eligible employees will be given credit for their length of service or employment prior to that date.

**Past Service Liability**

The monetary value at the start of a pension plan of all annuity credits vested prior to the effective date.

**Paul Versus Virginia**

The 1869 United States Supreme Court decision holding that insurance is not commerce and, hence, not subject to regulation by the federal government. This was the ruling decision with respect to insurance regulation until the SEUA case in 1944 which reversed that decision, but which was later modified by Public Law 15.

**Pay**

An abbreviation for payment as in "20-Pay Life policy."

**Payee**

The person receiving money.

**Paymaster Robbery Insurance**

Coverage against loss by the robbery of a payroll from a custodian.

**Payment Bond**

A bond furnished by a contractor which guarantees that he will pay for the labor and materials used in a particular project. It relieves the owner of the project from possible liability because of non-payment by the contractor. Same as Labor and Material Bond.

**Payment Plan**

Terms for payment of premium, often over time in two or more installments.

**Payor Benefit**

A rider or provision often found in juvenile policies under which premiums are waived if the person paying the premium, usually one of the parents, becomes disabled or dies while the child is still a minor.

**Payroll Audit**

An examination of an insured's payroll record by a representative of the insurer to determine the final premium due on a policy for the latest policy year.

**Payroll Deduction Insurance**

A term used to describe a plan whereby an employer is authorized by an employee to deduct insurance premiums for an individual life insurance policy which he has purchased from an insurer. The employer pays the insurer the amount deducted on a periodic basis.

**Peak Season Endorsement**

An endorsement which provides increased amounts of coverage on inventories during peak seasons, beginning and ending on dates specified in the endorsement.

**Peer Review**

Review of health care provided by a medical staff with training equal to the staff which provided the treatment.

**Peer Review Organization**

Groups of physicians who are paid by the federal government to conduct pre-admission, continued stay and services reviews provided to Medicare patients by Medicare approved hospitals.

**Penalty**

The limit of an insurance company's liability under a Fidelity Bond.

**Pension Benefit Guaranty Corporation**

A government entity created to pay pension benefits, under certain circumstances, in place of a corporate pension plan which becomes under or un-funded.

**Pension Benefit Guaranty Corporation**

A non-profit corporation within the Department of Labor, which insures participants in, and beneficiaries of covered plans against the loss of benefits arising from a premature termination of a retirement plan.

**Pension Fund**

Fund established by a corporation, labor union or other public or private sector organization to invest employer and, in many cases, employee contributions and administer retirement benefits.

**Pension Plan**

A risk experienced by those who invest in securities identified as the uncertainty of the economy.

**Pension Trust Fund**

A fund consisting of money contributed by the employer, and, in some cases, the employee, to provide pension benefits.

**Per Capita**

Literally "by heads." Distribution among survivors by persons on a share-and-share-alike basis. The term is often used in beneficiary designations. Contrast with Per Stirpes.

**Per Diem Business Interruption**

A type of business interruption policy which provides a stated amount to be paid for each day that the business is interrupted due to an insured peril.

**Per Mille Rate**

The rate per mille is a price per thousand sum insured of coverage used to calculate the annual premium.

**Per Occurrence**

A variation of the Excess of Loss reinsurance basis, whereby reinsurance is purchased to cover all losses arising out of a single occurrence. In determining whether the retention limit has been met, all losses arising from a single occurrence are totaled.

**Per Risk**

A variation of the Excess of Loss reinsurance basis, whereby reinsurance is purchased to cover one or more particular aspects of risk in a predefined way. Per risk can be quite broad, as when an occurrence limit applies per location, or it can be quite narrow, as when reinsuring a particular high-value automobile or a tough product exposure.

**Per Risk Excess Reinsurance**

Reinsurance in which the retention and the cession apply per risk rather than per accident, per event, or on an aggregate basis.

**Per Risk Excess Reinsurance**

Retention and amount of reinsurance applies "per risk" rather than on a per accident, event or aggregate basis.

**Per Stirpes**

Literally "by branches." Distribution of property between or among two or more beneficiaries with the provision that if one dies before the insured, the beneficiary's heirs shall have the beneficiary's full share distributed among them. Contrast with Per Capita.

**Percentage Participation**

A provision in a health insurance contract which states that the insurer will share losses in an agreed proportion with the insured. An example would be an 80-20 participation where the insurer pays 80% and the insured pays the 20% of losses covered under the contract. Often erroneously referred to as coinsurance.

**Percentage Test**

A coverage test for a qualified plan in which a formula is used to determine if a plan benefits at least 70% of the lower paid employees.

**Performance Bond**

A bond which guarantees the faithful performance of a contract.

**Performance Management Program**

The AIG name for the "Six Sigma" performance improvement methodology which is a comprehensive and flexible approach for achieving, sustaining and maximizing business success and is uniquely driven by a close understanding of customer needs, disciplined use of facts, data and statistical analysis and diligent attention to managing, improving and re-inventing business processes (see also Six Sigma).

**Peril**

A cause of possible damage or loss, such as fire, explosion, or windstorm.

**Perils of the Sea**

A term which appears in most ocean marine contracts. It refers to such perils as collision, sinking, stranding, and burning.

**Period of Restoration**

The period during which business income coverage applies. It begins on the date direct physical loss occurs and interrupts business operations, and ends on the date that the damaged property should be repaired, rebuilt or replaced with reasonable speed.

**Permanent and Total Disability**

Total disability from which the insured does not recover. When used as a definition in a policy (usually a life insurance policy rider), "permanent" is presumed after a stated period of time, commonly six months.

**Permanent Life Insurance**

A term loosely applied to life insurance policy forms other than group and term, usually cash value life insurance, such as endowments and whole or ordinary life policies.

**Permanent Partial Disability**

A condition where the injured party's earning capacity is impaired for life, but he is able to work at reduced efficiency.

**Permanent Partial Disability Claim**

This type of injury is considered permanent in terms of time and partial in terms of degree of disabling injury.

**Permanent Total Disability**

A condition where the injured party is not able to work at any gainful employment for the remaining lifetime.

**Permissible Loss Ratio**

All A&H products are priced using various assumptions and the Permissible Loss Ratio is one of these assumptions. It is the amount of claim we expect and may include various reserves. See Pricing Loss Ratio.

**Permit Bond**

A bond which guarantees that a person who has been issued a permit will comply with the laws and ordinances regulating the privilege for which the permit was issued. A house movers permit bond is an example.

**Persistency**

The converted policies (converted certificates) remaining in force at a given time after the lapsed or canceled policies (or certificates) have been deducted, expressed as a number and as a percentage of the number converted.

**Persistency**

The tendency or likelihood of insurance business not lapsing or being replaced by another insurer's product; an important

underwriting factor.

**Persistency**

(Life) The staying quality of insurance policies, i.e., the renewal quality. High persistency means that a high percentage of policies stay in force to the end of the period coverage, while low persistency means that a high percentage of policies lapse for nonpayment of premiums.

**Personal Accident**

Similar to AD&D; both domestic A&H and AIU refer to AD&D products as Personal Accident.

**Personal Accident Insurance**

A voluntary benefit program for eligible individuals and family to purchase AD&D. Also known as VGA - Voluntary Group Accident.

**Personal Articles Floater**

Originally an inland marine policy. It can be sold as a separate policy or attached to an existing property insurance policy, such as a homeowners form. The PAF is used for listing items to be covered, such as furs and jewelry, with an amount shown for each item. This is usually an open perils (all risk) form.

**Personal Assets**

Wealth and things of value accumulated and owned by an individual. These would include real estate, cash, investments and other items of value.

**Personal Auto Policy**

A revised edition of the Family Auto policy, with simplified wording used in the policy provisions. It is the most common auto insurance policy sold today.

**Personal Effects Floater**

A policy covering personal effects usually carried by tourists. It can be written on either an open perils (all risk) or specified-peril form. It covers worldwide but excludes coverage at the insured's residence, as it provides travel coverage only.

**Personal Injury**

Injury other than bodily injury arising out of false arrest or detention, malicious prosecution, wrongful entry or eviction, libel or slander, or violation of a person's right to privacy committed other than in the course of advertising, publishing, broadcasting or telecasting. Contrast with Advertising Injury.

**Personal Injury Protection**

(for automobile insurance) This refers to first-party, no-fault coverage for damages due to an automobile accident. In property, this refers to 'Public and Institutional Risk Rating Plan'.

**Personal Injury Protection**

The formal name usually given to no-fault benefits in states that have enacted mandatory or optional no-fault automobile insurance coverages.

**Personal Liability Supplement**

This form is used to provide personal liability insurance. It may be attached to a dwelling policy or written as a separate policy.

## Q

**Q Schedule**

A schedule of the business expenses of a life insurer required by the New York State Code to be filed to determine compliance with the state's limitation on total expenses. This limitation has the effect of setting a ceiling on commissions.



**Quadruple Indemnity**

A multiple indemnity form similar to double indemnity and triple indemnity.

**Qualified Medicare Beneficiary**

This is a person whose income is below the federal poverty guidelines. In these cases, the state is required to pay the Medicare Part B premiums, plus any deductibles or copayments.

**Qualified Plan**

A retirement plan under which contributions by the employer are allowed as a deduction from taxable income, and which provides that the deposits for employees' future benefits are not to be considered as taxable income to them in the year in which they are made.

**Qualified Retirement Plan**

Plan that meets the qualification requirements set out in detail in Internal Revenue Code sections 401 and 403(a), and as such, are plans established, operated and supported by employers, which have been submitted to and formally approved and "qualified" by the Internal Revenue Service.

**Qualified Self-Insured**

A business entity that qualifies to be self-insured based on the state laws applicable.

**Qualifying Event**

An occurrence (such as death, termination of employment, divorce, etc.) that triggers an insured's protection under COBRA, which requires continuation of benefits under a group insurance plan for former employees and their families who would otherwise lose health care coverage.

**Qualifying Terminal Interest Property**

A trust which may contain marital deduction property as determined by the executor at some future time. All trust income goes to the surviving spouse.

**Qualitative Research**

Relates to or involves the measurement of quality or kind often subjective in nature and not projectable.

**Quality Assurance**

Activities involving a review of quality of services and the taking of any corrective actions to remove any deficiencies.

**Quantitative Research**

Relates to or involves the measurement of quantity or amount. Often used to describe projectable data.

**Quantity**

The number of solicitations mailed or contacts made, using any media.

**Quantity Discount**

A premium discount given for the purchase of a policy with a larger face amount.

**Quarantine Benefit**

A benefit paid for loss of time resulting from the quarantining of an insured by health authorities.

**Quasi-Contract**

A legal doctrine for situations in which there is no specifically drawn contract. It prevents unjust enrichment or injustice by treating the situation as if a contract actually had been in effect.

**Quasi-Insurance Institutions**

A term sometimes applied to government institutions created to carry out social insurance arrangements that have some, but not all, the characteristics of insurers. An example is the United States Department of Health and Human Services.

**Quick Assets**

Assets that are quickly convertible into cash.

### **Quickstart**

The technology component of AIG's Customer Relationship Management . It provides: customer/marketing data warehouse; a campaign planning and performance module; campaign management system; automated customer and campaign reporting ; data mining and automated scoring.

### **Quid Pro Quo**

Latin for "this for that," or "one thing for another." In insurance it could refer to the consideration in an insurance contract which calls for the exchange of values by both parties to the contract in order for it to be a valid contract.

### **Quota Share**

(Also known as "Contributing Excess") A variation of the Pro Rata reinsurance basis, whereby insurer and reinsurer(s) share all premiums and losses according to a fixed percentage(s) expressed in the Declarations.

### **Quota Share**

The basic form of a participating reinsurance treaty whereby the reinsurer accepts a stated percentage of the premium and loss of each and every risk within a defined category of business on a pro-rata basis. Participation in each risk is fixed and certain.

### **Quota Share Insurance**

Property insurance which shares according to some percentage, or quota, with other policies covering the same risk.

### **Quota Share Reinsurance**

A form of pro rata reinsurance indemnifying the ceding company with a fixed percentage of any loss on each risk covered in the contract and paid for with the same percentage of the premium, with an allowance made for the writing company's expenses.

### **Quote**

The price, terms and conditions for a quote for the coverage or product requested, based on the underwriting risk and exposure information submitted. A quote may be distributed or presented various ways ranging from a form letter to a professionally prepared multi-page document. All quotes should have an expiration date, normally no more than 30 days from the date quoted.

## **R**

### **Rabbi Trust**

An irrevocable trust often used with an informally funded non-qualified deferred compensation whereby plan assets are subject to the claims of creditors and thus current taxation to the employee is avoided.

### **Radioactive Contamination Insurance**

Coverage which may be added to a property policy to cover certain risks where there is neither a nuclear reactor nor nuclear fuel on the premises but which might occasionally be exposed to contamination damage from other material on the insured's premises. Liability losses caused by nuclear reaction and radioactive contamination are excluded from most insurance contracts and are usually covered under policies issued by pools created for this purpose.

### **Radius of Operation**

Usually used to determine rates for automobiles owned by a business. Beyond a certain number of miles in radius, e.g., 50, the rate is increased.

### **Railroad Protective Liability**

A protective liability coverage written in favor of a railroad on behalf of those who are conducting operations on or adjacent to railroad property.

### **Railroad Retirement**

A system which provides retirement and other benefits, including eligibility for Medicare, for railroad workers.

### **Railroad Subrogation Waiver Clause**

A provision in a property insurance contract that the contract shall be valid even though the insured has an agreement with the railroad waiving subrogation against the railroad. Usually used in connection with a railroad sidetrack agreement.

### **Railroad Travel Policy**

A form of accident insurance policy sold in railroad stations by ticket agents or by vending machines. See also Travel Accident Insurance.

### **Rain Insurance**

A type of coverage which protects an insured against losses caused by cancellation of an outdoor event due to rain. The policy usually covers loss of income. The rain, hail, snow or sleet usually must exceed a certain amount and must occur during a stated period of time, either before or during the event.

### **Rate**

The cost of a given unit of insurance. For example, in ordinary life insurance, it is the price of \$1,000 of the face amount. In disability income insurance, it is usually the price per \$10 or per \$100 of monthly benefits. In property insurance, it is the rate per \$100 of value to be insured. The premium, then, is the rate multiplied by the number of units of insurance purchased.

### **Rate**

(Reinsurance) The percent or factor applied to the ceding company's subject premium to produce the reinsurance premium or the percent applied to the reinsurer's premium to produce the commission.

### **Rate Card**

A pocket size card issued by an insurer giving rates for various coverages. It is carried by an agent or sales representative for quotation purposes.

### **Rate Departure Factor**

A three-digit factor which reflects the relationship of the company monoline manual premium to the ISO monoline manual premium (SAA monoline manual premium for fidelity). This factor combines with the rating modification factor to provide ISO overall premium modification information.

### **Rate Deviation**

Some insurers compare their experience to that of NCCI and the independent rating bureaus. To the extent their experience is better or worse, they may file deviations in states to recognize this difference (normally as a percentage off the NCCI or bureau filed rates). These are referred to as deviations.

### **Rate Discrimination**

The use of different rates for insureds or risks of the same class and general characteristics. Rate discrimination is prohibited by all state insurance laws.

### **Rate Guarantee**

The period of time for which a premium rate is guaranteed not to change. The exact application of rate guarantees varies by company and product. Rate guarantees can range from a simple year-to-year guarantee as in the case of most group policies to a lifetime guarantee on certain kinds of individual policies. Guarantee periods may also vary by life company vs. non-life company. It is more common for life insurance company individual products to have longer term guarantees. However, while the guarantee may protect an individual client from being singled out for a rate increase, it usually allows the company to seek rate increases on an entire class or product basis.

### **Rate Manual**

A manual containing rates for various coverages, information and instructions for field underwriting, insurer's rules for the guidance of agents, and, in the case of life insurance rate manuals, cash amount forfeiture values and dividend scales (if any).

**Rate of Natural Increase (Or Decrease)**

The birth rate minus the death rate. If there were no migration, this would equal the rate of population increase (or decrease).

**Rate of Renewal/Retention Ratio**

Current period renewal accounts or policies as a percentage of expired accounts or policies.

**Rate of Return**

For a stock, the annual dividend divided by the purchase price; for a bond, the coupon rate divided by the purchase price; for a mutual fund, total return is capital appreciation (increase in the price of an asset) plus income return (dividend paid to the shareholder).

**Rated**

Coverages issued at a higher rate than standard because of impairment of the insured. Usually used as an adjective in such expressions as "rated risk," "rated policy," and "rated up."

**Rating Bureau**

A private organization that classifies and promulgates manual rates and in some cases, compiles data and measures the hazards of individual risks in terms of rates in geographic areas.

**Rating Bureau**

A private organization that classifies and promulgates manual rates and in some cases compiles data and measures the hazards of individual risks in terms of rates in geographic areas, the latter being true especially in connection with property insurance.

**Rating Class**

The rate class into which a risk has been placed.

**Rating Group**

A sub-group or sub-groups designated by the insured within a state, usually for premium allocation purposes.

**Rating Process**

The steps used to determine a premium rate for a particular group based on the amount of risk that group presents. Items that generally go into the rating process include age, sex, type of industry, benefits, and administrative costs.

**Ratio Test**

A coverage test for a qualified plan in which a percentage of lower paid employees benefiting from the plan must equal 70% of the higher paid employees from the plan.

**RBC- Risk Based Capital**

A measure adopted by the NAIC (in the USA) for assessing the minimum statutory capital requirements of insurers.

**RBNP-Reported But Not Paid**

Claims that have been reported to the Company but have not been paid.

**Readjustment Income**

(1) The income needed after the death or disability of a wage earner to allow the family time to adjust to a new, lower standard of spending. (2) The insurance coverage that provides readjustment income.

**Real Estate Investment Trust**

An organization similar to an investment company but concentrating its holdings in property or real estate investments. Real estate investment trusts are required to distribute as much as 90% of their income so the yield is generally very attractive.

**Realty**

Real property such as land, buildings, mineral rights, etc., as opposed to personalty, such as movable personal property

items.

**Reasonable and Customary Charge**

The amount most frequently charged for certain medical procedures in a given geographical area. Other criteria may be considered such as a physician's specialty.

**Reasonable and Customary Charges**

The charge for medical services which refers to the amount approved by the Medicare carrier for payment. Customary charges are those which are most often made by a provider for services rendered in that particular area.

**Reassured**

The company that purchases reinsurance.

**Rebalancing**

Adjusting a portfolio, through fund transfers or sales or purchases, to re-establish the initial allocation of assets.

**Rebate**

A portion of the agent's commission returned to an insured or anything else of value given an insured as an inducement to buy. The payment of policy dividends, retroactive rate adjustments, and reduced premiums that reflect the savings of direct payment to an agent or home office are not usually considered to be rebates. In most cases rebates are illegal, both for the agent or insurer to give a rebate and for an insured to receive one.

**Rebating**

Returning part of the commission or giving anything of value to the insured as an inducement for buying the policy. Rebating is generally illegal and otherwise an unacceptable business practice. It can be cause for license revocation.

**Recapture**

The action of a ceding company taking back from a reinsurer insurance previously ceded.

**Receipt**

A written document showing money was paid. A receipt need not be a "Conditional Receipt."

**Recidivism**

This term refers to how often a patient returns to an inpatient hospital status for the same reason.

**Recipient**

Anyone designated by Medicaid as being eligible to receive Medicaid benefits.

**Recipient Location**

A location which accepts the insured's products or services. One of the four types of dependent properties for which business income coverage may be written.

**Reciprocal Exchange**

Unincorporated association with each insured insuring the other insureds within the association. Thus, each participant in the pool is both an insurer and an insured.

**Reciprocal Insurance Exchange**

An unincorporated group of individuals, called subscribers, who mutually insure one another, each separately assuming his or her share of each risk. Its chief administrator is an attorney in fact.

**Reciprocal Rate Exchange**

The pricing factor upon which the insurance buyer's premium is based. Unincorporated association with each insured insuring the other insureds within the association. Thus, each participant in the pool is both an insurer and an insured.

**Reciprocity**

A system of placing reinsurance on a reciprocal basis so that a ceding company will give a share of its reinsurance to a

reinsurer who is able to offer reinsurance in return.

**Reciprocity**

In reinsurance, the practice of requiring incoming reinsurance in exchange for reinsurance ceded or vice versa.

**Recording Agent**

The name by which a policywriting agent is known in the property insurance business.

**Recruiting**

The hiring of insurance agents, or the process of looking for, interviewing, and hiring agents. It is also used to mean the process of locating and hiring any type of employee.

**Recurrent Disability**

A relapse. After going back to work, the disability returns.

**Recurrent Disability**

Disability resulting from the same or a related cause as a prior disability.

**Recurring Clause**

A health insurance policy provision defining the duration of a period of time during which the recurrence of a condition will be considered a continuation of a prior period of disability or confinement.

**Recurring Disease**

A disease characterized by recurrence, such as malaria.

**Red-Lining**

Discriminating unfairly against a risk solely because of its location. An example would be refusing to insure a risk because the building is located in a depressed area or location. Sometimes these areas are referred to as blackout areas.

**Reduced Paid-Up Insurance**

A form of insurance available as a nonforfeiture option. It provides that the cash value of the policy be used as a single premium to purchase paid-up insurance in whatever amount the cash value will provide, which will be less than the original face amount in most cases.

**Reduction**

A decrease in the benefits in an insurance policy because of a specified condition. For example, benefits may be reduced because a disability is caused by a specific condition.

**Reduction of Risk**

Taking steps to reduce the probability or severity of a possible loss. For example, installing alarms and sprinkler systems to reduce the risk of fire loss to a building. One of the four major risk management techniques.

**Referral**

Occurs when a physician or other health plan provider receives permission to consult another physician or hospital.

**Referral Name**

Name of someone thought to be interested in a specific advertiser's product or service; submitted by a third party.

**Referral Provider**

The person or provider to whom a participating provider has referred a member of the plan.

**Refund Annuity**

A form of annuity that provides for a cash or installment refund to the beneficiary if the annuitant dies before having drawn benefits equal to the total consideration that he paid on the policy.

**Refund Life Annuity**

An annuity paying installments as long as the insured lives and installments after death to the beneficiary until the amount paid equals the principle sum of insurance.

**Regional Office**

A suboffice of a home office which is equipped to handle all lines of business in a particular territory or region. Some companies use the term branch office.

**Register**

A record of all policies charged to a debit account.

**Registered Mail Insurance**

Coverage for loss of money and securities sent through the post office by registered mail.

**Registered Nurse**

A licensed professional with a four-year nursing degree. Able to provide all levels of nursing care including the administration of medication.

**Registered Representative**

A person who has met the qualifications set by law or regulation to sell securities to the public.

**Registered Tonnage**

Warships: The weight or displacement. Commercial vessels: The cubic capacity of enclosed space. One ton occupies 100 cubic feet.

**Regular Stock Option Plan**

An executive stock option plan whereby key executives have the right to purchase company stock at a predetermined price. When the option is exercised it is taxable as compensation to the executive.

**Regulatory Information Retrieval Service**

A database product developed by the National Association of Insurance Commissioners in conjunction with state insurance departments which lists regulatory actions such as suspensions, revocations, fines, penalties, cease and desist orders, consent orders. etc. against insurance firms and individuals.

**Rehabilitation Benefits**

Physical and/or vocational rehabilitation benefits provided to an injured person following a work-related injury, and intended to restore the person to a point where gainful employment is possible.

**Rehabilitation Clause**

Any clause in a health insurance policy, particularly a disability income policy, that is intended to assist the disabled policyholder in vocational rehabilitation.

**Rehabilitation of Insurer**

Action undertaken by a State Insurance Department to restore an impaired or insolvent insurer to sound financial standing. Contrast with Liquidation of Insurer.

**Rehearing**

A second hearing by a court. Its purpose is to call the court's attention to an error or omission which may have occurred in the court's first consideration of the claim.

**Reimbursement**

Payment of an amount of money upon the occurrence of a loss covered by the policy.

**Reimbursement Benefits**

Reimbursement benefits are those under which the actual eligible expense incurred by the insured (usually for medical, nursing, and hospital treatment) are covered and payable to one degree or another. Reimbursement benefits are in contrast to indemnity benefits which pay a stated amount for whatever disability or injury they cover without regard to the cost charged to the insured.

**Reinstatement**

Putting a lapsed policy back in force.

**Reinstatement**

(1) Restoration of a lapsed policy. (2) Restoration of the original amount of a type of policy that reduces the principal amount by the amount of claims.

**Reinstatement**

(Reinsurance) Putting back into effect a catastrophe reinsurance coverage that has been reduced by the payment of a reinsurance loss as the result of one catastrophe. This is usually effected by the payment of a reinstatement premium.

**Reinsurance**

A type of insurance that involves acceptance by an insurer, called the reinsurer, of all or a part of the risk of loss covered by another insurer, called the ceding company. It is a way for an insurer to avoid having to pay for large or catastrophic losses.

**Reinsurance**

An agreement between an insurance company and a reinsurer company (or multiple reinsurance companies or syndicates) that provides for the insurer to pass premiums and losses to the reinsurer(s) for an agreed upon amount of premium on an agreed upon formula (quota share, excess of loss, etc.). Reinsurance can apply to a full line of business, a class of business or specific portfolio or a single policy or event.

**Reinsurance Agreement**

A contract specifying the terms and conditions of a reinsurance agreement or placement.

**Reinsurance Assumed**

(1) See Cession. (2) The premium for an assumption of reinsurance.

**Reinsurance Assumed**

A portion of risk that the reinsurer accepts from the original insurer or ceding company.

**Reinsurance Broker**

An individual or organization which places reinsurance for the ceding companies who are its customers.

**Reinsurance Ceded**

A portion of risk that the ceding company transfers to the reinsurer.

**Reinsurance Credit**

Credit taken on its annual statement by a ceding company for reinsurance premiums ceded and losses recoverable.

**Reinsurance Information Data Base**

Stores information on treaties, facultative reinsures, and intermediaries in the system. It can be accessed through UPS. Treaty, facultative, and intermediary information is available by name or number. The RIDB #, specific to each AIG billing branch, is important because it (NOT the RDPS/WWCC #) is used by underwriters for coding facultative business into front-end systems.

**Reinsurance Intermediary**

A specialty brokerage firm approved by both insurers and reinsurers to act on behalf of both parties.

**Reinsurance Limit**

Generally means the maximum amount of reinsurance provided on a per life, per risk or per occurrence basis. When discussed by an insurer, it may be referring to the net risk limit above which reinsurance is required, hence, the "reinsurance limit".

**Reinsurance Management Company**



An organization set up to underwrite business on behalf of various insurance companies who want to get into the reinsurance market but lack the expertise to do so. The insurance companies actually take on the risk of loss under the reinsurance contracts, but the management company provides the technical expertise needed to select, evaluate, and acquire the business.

### **Reinsurance Pool**

"Pool".

### **Reinsurance Premium**

The consideration paid by a ceding company to a reinsurer for the reinsurance afforded by the reinsurer.

### **Reinsurance Premium**

The premium paid by the ceding company to the reinsurer in consideration for the liability assumed by the reinsurer. On a pro-rata type of treaty, said premium is a pro-rata share of the ceding company's gross premium less the ceding commission. On excess of loss treaties, the premium may be a percentage of the ceding company's gross net premium income for the class business being reinsured or actual premium charged the insurer for the reinsurance liability assumed.

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### **Renewal Premiums**

LOMA defines Renewal Premiums that are payable after the initial premium and that are condition for continuation of the policy.

### **Rider**

LOMA defines a Rider as an addition to an insurance policy that becomes a part of the insurance contract and that is as legally effective as any other part of the policy. Riders usually expand or limit the benefits payable under the contract. Also known as endorsement.

### **Rollover**

LOMA defines a Rollover as a tax-free movement of cash or other assets disbursed from one retirement plan into another retirement plan. These funds do not pass through the hands of the owner and thus do not incur any tax liability for the owner.

## **S**

### **Sacrifice**

That cargo which is thrown overboard in order to save the rest of the cargo and the ship.

### **Safe Burglary**

The taking of property from within a locked safe or vault by a person unlawfully entering the safe or vault as evidenced by visible marks of forced entry upon its exterior, or the complete removal of a safe from the premises.

### **Safe Depository Coverage**

Two commercial crime coverage forms are available for firms other than financial institutions that rent safe deposit boxes to others. One covers an insured's legal liability for loss or damage, while the other covers direct losses regardless of

liability. Both cover customers' property on the insured's premises while in a safe deposit box or vault, or while being deposited or removed from such containers.

**Safe Driver Plan**

A system in which points are assigned for traffic violations and certain accidents, and each point adds a percentage surcharge to the rating factor. It is similar to merit rating. Also called a Safe Driver Incentive Plan.

**Salary Savings Insurance**

Insurance issued to an individual employee whose employer agrees to deduct the premiums from the insured's paychecks and submit them to the insurer.

**Sales Scripts**

Pre-written scripts for use in all forms of selling. Individual agents, work site enrollers, brokers etc use sales scripts as do telesales centers in outbound telemarketing.

**Salvage**

The value of property after it has been damaged by fire or other perils. It may also be considered to be the property itself, which an insurance company secures after making payment on a claim.

**Salvage**

Property taken over by an insurer to reduce its loss.

**Salvage**

(Ocean Marine) Property recoverable by salvagers under maritime law.

**Salvage Corps**

An organization whose duties are limited to preventing further damage to property during or after a fire. They are established by property insurance companies.

**Same Market Day Pricing**

Financial transactions requested including payments/premiums received in good order by 3PM CST on days that the market is open, must be processed using the current business day as the trade or effective date.

**Sanitary Evacuation**

The transportation of an insured for medical reasons, usually from a remote location or outward destination to the nearest appropriate or modern medical facility or, as is oftentimes the case, to a medical facility located in the insured's country of residence.

**Savings Bank Life Insurance**

Life insurance sold by mutual savings banks. Allowed only in a few states, such as New York, Connecticut, and Massachusetts.

**Schedule**

A list of the items covered by an insurance policy with their descriptions and valuations.

**Schedule Policy**

An insurance contract that lists separate kinds of property, separate locations, or separate insurance coverages with the amount of insurance applying to each.

**Schedule Rating**

Under Liability and Automobile Insurance, the schedule rating plan allows credits and debits for various good or bad features of a commercial risk. An example in automobile schedule rating would be allowing credits for driver training classes or fleet maintenance programs. Within established limits, modifications depend entirely on the judgement or the underwriter. Schedule Rating in liability is usually more flexible and is frequently used for competitive leverage.

**Schedule Rating Plan**

(1) Applying debits or credits within established ranges for various characteristics of a risk which are either below or above average according to an established schedule of items. (2) Under liability and automobile insurance, the schedule rating plan has been designed to allow credits and debits for various good or bad features of a particular commercial risk. An example in automobile schedule rating would be allowing credits for driver training classes or fleet maintenance programs.

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#### **Scheduled Premium Variable Life Insurance**

A whole life policy which features a fixed, level premium and a minimum guaranteed face amount. The performance of the policy is dependent on the separate account.

#### **Scope of Coverage**

Term to describe the operative time of coverage. E.g. 24 hour business & pleasure; 24 hour while on a business trip; while traveling as a fare paying passenger on a regularly scheduled airline; etc.

#### **Scopes Manual**

A publication of the NCCI developed to aid in the understanding and assignment of rating classifications. This publication describes the basic scope of a classification assignable to a given set of exposure characteristics.

#### **Seasonal Risk**

A risk which is present only during certain parts of the year. Examples might be manufacturing concerns such as canners who have operations only during the summer and seasonal dwellings such as cottages used for vacations.

#### **SEC 38a-1**

The Securities and Exchange Commission rule that requires each investment company and investment adviser registered with the Commission to adopt and implement written policies and procedures reasonably designed to prevent violation of the federal securities laws, review those policies and procedures annually for their adequacy and the effectiveness of their implementation, and designate a chief compliance officer to be responsible for administering the policies and procedures. In the case of an investment company, the chief compliance officer will report directly to the fund board. These rules are designed to protect investors by ensuring that all funds and advisers have internal programs to enhance compliance with the federal securities laws.

#### **SEC Liability**

The Federal Securities Act of 1933 and the Federal Securities Exchange Act of 1934 place very stringent obligations on those offering stock issues to the public to disclose full information on the offering. If misrepresentations, intended or not, are made, liability can attach to them.

#### **Second Injury Fund**

As an employment incentive, these funds were developed to pay the extra costs arising when a pre-existing injury combines with a second to produce disability greater than that caused by the latter alone.

#### **Second Injury Fund**

Special funds set up by each state to pay all or part of the compensation required when a partially disabled employee suffers a subsequent injury. Because the compound effect of two injuries can be greater than the effect of the same two injuries in isolation, employers might be reluctant to hire the handicapped if they had to bear the full burden for a second injury. Second injury funds relieve employers of some of this burden.

#### **Second Surgical Opinion**

A cost containment technique to help patients and insurance companies determine whether a recommended procedure is necessary, or whether an alternative method of treatment could accomplish the same result. Some health policies require a second surgical opinion before specified procedures will be covered, and many policies pay for the second opinion.

**Second Surplus Reinsurance**

Reinsurance accepted by a second reinsurer in a surplus treaty. It is that amount which exceeds the total of the original insurer's net retention and the full limit of the first surplus treaty. Also a form of treaty required by companies engaged in business requiring large policies (i.e., industrial risks, etc.) providing for the lines which are too large to be embraced in a first surplus treaty. It follows on the plan of the first surplus but obviously provides only a diminished spread of risks to the reinsurers.

**Secondary Beneficiary**

The second person named to receive benefits upon the death of an insured if the first-named beneficiary is not alive or does not collect all the benefits before his or her own death.

Medical services provided by physicians who do not have first contact with patients. Examples would be specialists such as urologists, cardiologists, etc.

**Secondary Care**

Medical services provided by physicians who do not have first contact with patients. Examples would be specialists such as urologists, cardiologists, etc.

**Secondary Coverage**

Coverage which provides payment for charges not covered by the primary policy or plan.

**Secondary Guarantees**

Contractual guarantees, in addition to the standard grace periods, that prevent a Universal or Variable Universal Life policy from lapsing. Is usually dependent upon certain premium levels paid for a predetermined period of time.

**Secondary Research**

Secondary research in an investigation of existing sources of information for market and consumer insight. Typical sources of secondary research are census information and published articles and studies. Most research projects start with secondary research.

**Section 125 Plan**

A plan which provides flexible benefits. This plan qualifies under the IRS code which allows employee contributions to meet with pre-tax dollars.

**Section 302 Stock Redemption**

A total stock redemption which qualifies as a capital transaction and not a dividend distribution.

**Secular Trust**

An irrevocable trust which provides for current taxation of deferred compensation assets and a degree of security in an informally funded plan.

**Securities Act of 1933**

A federal law which requires full and fair disclosure and the use of a prospectus in the sale of securities.

**Securities and Exchange Commission**

A federal agency that regulates the securities markets. The independent five member commission was created under the Securities Exchange Act of 1934. Members are appointed by the President and serve five year terms. The SEC has the responsibility to regulate the securities exchanges and markets, set disclosure and accounting rules for most issuers of corporate securities and to oversee securities firms, investment companies and investment advisors.

**Securities Deposited With Others Coverage Form**

A commercial crime coverage form that protects against loss by theft, disappearance or destruction of securities which have been deposited with others, such as a bank, trust company, or stock broker.

**Securities Exchange Act of 1934**

A federal law which requires the registration of companies and agents with the federal government if they are selling securities.

**Security**

Evidence of direct ownership (stock), creditorship (bond), or indirect ownership (rights, warrants, and options).

**Segment**

Refers to a segment of a given population or class within a population for marketing purposes. In direct marketing, the prospect list of a Campaign Selection can be divided into multiple Segments, which refine the Selection's target. For example in a given Campaign Selection, one Segment may define an offer of a seniors product for people over 65, and another Segment may define an offer of a different product (but same Product Type) for people below 65. Actual Values can be tracked at the Segment level.

**Segregation of Payroll**

When any location of an employer's business is written on a divided payroll basis, an employees payroll may be split between more than one classification provided the employer maintains accurate payroll records and this payroll split does not conflict with any other rules.

**Selection**

The choosing by an underwriter of risks acceptable to an insurer.

**Selection Effect**

The effect of underwriting that allows for more positive underwriting results in the early policy durations than the ultimate loss will develop.

**Selection of Risks**

A phrase used in reinsurance referring to the practice of ceding poorer business to a reinsurer while retaining good risks. It is also the process of accepting or rejecting risks in the attempt to produce the required underwriting profit.

**Self-Administered Trusteed Plan**

A retirement plan where contributions are paid to a trustee who invests the money, accumulates the earnings and interest, and pays benefits to eligible employees.

**Self-Funded Plan**

Plan of insurance where an employer, which has fairly predictable claim costs, pays the claims rather than an insurance company.

**Self-Inflicted Injury**

An injury to the body of the insured inflicted by himself or herself. See also "Intentional Injury".

**Self-Insurance**

Making financial preparations to meet pure risks by appropriating sufficient funds in advance to meet estimated losses, including enough to cover possible losses in excess of those estimated. Few organizations are large or dispersed enough to make this a sound alternative to insurance. Self-insurance generally refers to businesses that act as their own insurer by "self-insuring" all or a portion of their exposures. It requires the setting aside of funds by an individual or organization to meet his or its losses and to absorb fluctuations in the amount of loss, the losses being charged against the funds that were established for said purpose.

**Self-Insured Retention**

A specific amount the Insured retains as its obligation for a covered loss. It is the Insured providing primary insurance over which the carrier provides excess coverage. Unlike a Deductible, the Insurer is not obligated to pay the Insured's SIR and then seek reimbursement from the Insured. The insured is directly responsible to the claimant for the amount of the SIR.

**Self-Insured Retention**

(Workers Compensation) The amount of each loss or annual aggregate loss for which the insured agrees to be responsible.

**Self-Insured Retention Program**

Any program where the insured legally retains the liability for all losses below a defined attachment point. The insured must have established itself as a self-insurer by complying with the requirements of the states in which it operates. This is contrasted with a loss reimbursement plan where the insurance carrier retains the legal liability for all losses. Self-insured retentions are the portion of the risk retained by a person for its own account.

**Self-Insured States**

Those states in which you, the insured, are providing the primary layer of insurance.

**Self-Insurer**

An individual, partnership, or corporation which, instead of buying insurance, retains all or part of the risk for its own account.

**Self-Reinsurance**

The creation of a fund by an insurer to absorb losses beyond its normal retention. It is used in place of buying reinsurance.

**Sensitivity (Testing)**

In product pricing it is necessary to test various scenarios to examine how the profitability varies. For example, increased morbidity will reduce the profit of A&H products but it is necessary to observe the relationship between increasing morbidity and profit so we test the expected morbidity, a higher and a lower than expected morbidity. Sensitivity testing is conducted by pricing actuaries, but can also be done by underwriters when reviewing large accounts or product initiatives.

**Separate Account**

An asset account established by a life insurance company separate from other funds, used primarily for pension plans and variable life products. This arrangement permits wider latitude in the choice of investments, particularly in equities.

**Separate Account**

(Annuity & Life) An investment company (usually a unit investment trust) registered with the SEC which owns and holds assets for the benefit of participants in variable contracts. Because of the investment risk, insurers are required to keep their variable contract portfolios separate from their fixed investment portfolios.

**Separate Account**

(Pension) An account established or maintained by an insurance company under which the income, gains, and losses of that specific account are credited or charged without consideration of the income and investment results of the other assets of the insurance company. Separate accounts are used to fund variable contracts and provide the participant with a hedge against inflation.

**Service Area**

The area, allowed by state agencies or by the certification of authority, in which a health plan can provide services.

**Service Benefits**

Medical expense benefits provided by service associations whereby benefits are identified in terms of days of coverage instead of monetary values.

**Service Employees Group Life Insurance**

Issued to members of the armed forces while they are in the service. After separation it is convertible to individual policies from certain private insurers.

**Service Plans**

Plans of insurance where benefits are the actual services rendered rather than a monetary benefit.

**Servicing Carrier**

When an insurance company provides only administrative services. For example, for an employer that self-insures his employee benefit plan. Or for some other arrangement such as when risks (would-be insureds) place their business directly in a reinsurance pool but still require the fronting and other services on an insurance company.

**Settlement**

Usually, a policy benefit or claim payment. It is an agreement between both parties to the policy contract as to the amount and method of payment.

**Settlement**

(Legal) Conclusion of litigation by the mutual agreement of parties involved prior to final verdict; certain settlements must be court-approved.

**Settlement Options**

The various methods for the payment of the proceeds or values of a life insurance policy that may be selected in lieu of a lump sum.

**Severity**

Describes the average cost per claim. Large claim amount but low frequency of occurrences. An example is a death claim (severity) and hospital cash claims (frequency).

**Severity**

Refers to the size (dollar amount) of a claim.

**Shell Team**

The team that looks after the temporary D&B numbers.

**Sherman Antitrust Act**

An antitrust law from which insurance is exempted to the extent that it is regulated by state law.

**Shock Loss**

A catastrophic loss so large that it has a material effect on the underwriting results of a company.

**Shoppers Guide**

A consumer publication that describes the type of coverage being offered, and provides general information to help an applicant for life or health insurance compare different types of policies and reach a decision about whether the proposed coverage is appropriate. Also known as Buyers Guide.

**Short Rate Cancellation**

A cancellation procedure in which the premium returned to the insured is not in direct proportion to the number of days remaining in the policy period. In effect, the insured has paid more for each day of coverage than if the policy had remained in force for the full term. Contrast with Pro Rata Cancellation.

**Short Rate Premium**

The premium required for issuing a policy for a period less than its normal term.

**Short Tail**

A terminology referring to lines of property/casualty insurance business where the claim is resolved typically in a "short" period of time. Short tail coverages include the personal lines---private passenger auto and homeowners---commercial property and ocean marine.

**Short-Term Disability Income Policy**

A disability income policy with benefits payable for "Short-Term," usually less than two years, as opposed to a long-term disability income policy.

**Short-Term Disability Insurance**

A group or individual policy usually written to cover disabilities of 13 or 26 weeks duration, though coverage for as long as two years is not uncommon. Contrast with Long-Term Disability Insurance.

**Short-Term Policy**

A policy written for a period of less time than is normal for that type of policy.

### **Sickness**

Includes physical illness, disease, pregnancy, but does not include mental illness.

### **Sickness Insurance**

A form of health insurance against loss by illness or disease. It does not include accidental bodily injury.

### **Sidetrack Agreement**

Any agreement between a railroad and a customer who is served by a railroad sidetrack built on the customer's premises. Among other things, it provides that the customer hold the railroad harmless for losses resulting from certain types of accidents.

### **Simplified Employee Pension Plan**

A plan where the employer contributes a specific amount into an eligible employee's IRA on behalf of the employee.

### **Sine Qua Non Rule**

This rule says that a person's conduct is not held to be the cause of a loss if the loss would have occurred anyway.

### **Single Carrier Replacement**

A situation where one carrier replaces several other carriers who had been providing services.

### **Single Limit**

Any insurance coverage which is expressed as a single amount of insurance, or a single limit of liability. Contrast with Split Limit.

### **Single Premium Deferred Annuity**

Tax-deferred investment that is created to accept one lump-sum payment. The value of the sum appreciates over the years prior to distribution. Taxes are deferred on the interest and earnings until withdrawal or when annuity payouts begin, usually at retirement.

### **Single Premium Funding Method**

A method of accumulating money for future payment of pension benefits under which the money required to pay for each year's accumulated benefits is paid to an insurance company or paid to the trust fund annually.

### **Single Premium Policy**

A life insurance policy paid for in one single premium in advance rather than in annual premiums over a period of time.

### **Single Premium Whole Life**

A whole life policy which is paid with a single premium payment at the time of purchase. Compare with Continuous Premium Whole Life and Limited Payment Whole Life.

### **Sinkhole Collapse**

The peril of a sudden sinking or collapse of land into underground empty spaces created by the action of water on limestone or similar rock formations. This peril is now covered by the latest commercial property forms. Other forms of earth movement continue to be excluded in most cases.

### **SIO- Simplified Issue Offer**

Simplified Issue or underwriting means that each application underwritten but with a simplified form. Usually only 3 or 4 questions are asked rather than more detailed health questions because of marketing a specific product to a known and large group of people.

### **Sistership Exclusion**

A products insurance exclusion which denies coverage for the withdrawal and recall of products from the market.

### **SIU- Special Investigation Unit**

A unit within an insurer having the skill sets to handle complex investigations.



### **Sizable Loss Payments**

A set amount shown in the Payment Agreement schedule for which the Insured will be obligated to reimburse us following our payment of any Loss and ALAE within the Insured's retention.

### **Skilled Nursing Care**

Daily nursing and rehabilitative care that is performed only by or under the supervision of skilled professional or technical personnel. Skilled care includes administering medication, medical diagnosis and minor surgery.

### **Skilled Nursing Facility**

A facility designed to qualify for treatment to Medicare eligible people. Included is treatment for rehabilitation and other care such as 24-hour nursing coverage, physical, occupational, and speech therapies, etc.

### **Slander**

A spoken statement about someone which is personally injurious to the individual.

### **Sliding Scale Commission**

A commission adjustment under a formula whereby the actual commissions paid by a reinsurer to a ceding insurer varies inversely with the loss ratio, subject to a maximum and minimum. The sliding scale refers to a predetermined formula under which commission or other compensation is payable by one party to another based on production, profit or similar.

### **Slip**

The piece of paper submitted by the broker to the underwriters at their "boxes" in the "room" at Lloyd's of London. The slip contains certain information along with the syndicates accepting the risks and the extent of their participation.

### **Small Capitalization**

In general, a public company with a total stock value (that is, market capitalization) of less than \$1 billion. Small companies may have higher earnings growth rates than large companies because they may operate in new markets.

### **Small Deductible**

Any loss reimbursement plan with an attachment point of \$25,000 or less.

### **Small Group Pooling**

The combining into one pool of several small group business - used especially for computing more accurate premium rates for members of the pool.

### **Smoke Damage**

Damage caused by the smoke from a fire in contrast to damage caused by the actual combustion.

### **Social Health Maintenance Organization**

A demonstration project funded by the Health and Human Services Department that combines the delivery of acute and long-term care with adult day care services and transportation.

### **Social Insurance**

Compulsory insurance legislated to provide minimum economic security for large groups of people, particularly those with low incomes. It is primarily concerned with the costs and loss of income resulting from sickness, accidental injury, old age, unemployment, and the premature death of the head of a family.

### **Social Security**

(1) The programs provided under the United States Social Security Act of 1935, plus amendments and additions thereto. It is now called Old Age, Survivors, Disability, and Health Insurance. (2) Any government program which provides economic security for portions of the public, e.g., Social Insurance, Public Assistance, Family Allowances, and Grants-in-Aid.

### **Social Security Rider**

An optional disability income rider that provides an additional benefit depending on the amount of disability benefits payable by Social Security. See also All or Nothing Rider and Offset Rider.

### **Social Security Tax**

A tax paid by workers and employers on wages earned. The taxes support the benefit programs under the Social Security System.

### **Society of Chartered Property and Casualty Underwriters**

The society of people who have been awarded the CPCU (Chartered Property and Casualty Underwriter) designation. Its primary purpose is the continuing education of its members. It also encourages insurance research.

### **Society of Insurance Research**

An organization which encourages insurance research and promotes the exchange of ideas and methods of research.

### **Soft Market**

Indicative of increasing capacity in the market that usually results in increased competition followed by a decrease in premium rates. This is more common in Property & Casualty business but not a major factor in Life or A&H.

### **SOH- Statement of Health**

Declaration of health signed by insured.

### **Sole Proprietorship**

A business entity owned by an individual.

### **Sole Proprietorship**

A business enterprise owned by one person who is its manager and employee.

### **Sole Proprietorship Insurance**

Life and health insurance that handles the business continuity problems peculiar to a sole proprietorship. Such insurance, for instance, could be used to enable the heirs of the sole proprietor to bring the value of the business back to the level where it was prior to the death of the owner.

### **Solicitor**

An individual appointed and authorized by an agent to solicit and receive applications for insurance as the agent's representative. Solicitors are not usually given the power to bind coverage but are required to be licensed.

### **Solo Mail**

This is a stand-alone mailing envelope, personalized and usually containing a letter, brochure, application and return envelope.

### **Solvency**

With regard to insurers, having sufficient assets (capital, surplus, reserves) and being able to satisfy financial requirements (investments, annual reports, examinations) to be eligible to transact insurance business and meet liabilities. The capacity to honor future financial obligations presented against the company.

### **Solvency Reserves**

Reserve required by regulators to assume solvency of a company. Reserve will vary by degree of risk that the company assumes.

### **Sonic Boom**

Noise, pressure, and shock waves resulting from an aircraft or missile exceeding the speed of sound. At one time property damage caused by sonic boom was excluded under most property forms. Modern commercial property forms and homeowner policies now cover losses by sonic boom.

### **Southeastern Underwriters Association**

A property insurance rating organization which was the defendant in the 1944 United States Supreme Court decision declaring insurance to be commerce and thus subject to regulation by federal law. This pronouncement was later modified by Public Law 15.

### **Special Acceptance**

A specific agreement by a reinsurer to accept a risk that would not be automatically included within the terms of a reinsurance contract.

### **Special Agent**

An insurer's representative in a territory. He services the insurer's agents and in general is responsible for the volume and quality of the business written in that territory. In the property and liability fields this person is a special agent or marketing representative, and in the life field he is known as a sales representative.

### **Special Auto Policy**

An automobile policy with a single limit of liability applying to bodily injury and property damage and a corresponding limit applying to medical payments. Broad physical damage coverage could be added to it. This policy, which was designed for private passenger vehicles, has become obsolete.

### **Special Building Form**

A form which provides open perils (all risk) coverage on commercial buildings, subject to certain exclusions. It was once the broadest coverage available on buildings. Largely replaced by the Building and Personal Property Coverage Form.

### **Special Coverage Form**

Any of the commercial or personal lines property forms which provide coverage on an open perils (all risk) type basis. These forms provide the broadest coverage and do not list covered perils, but do include a lengthy list of exclusions. Compare with Named Peril.

### **Special Extended Coverage**

An allied lines endorsement which extends a fire policy to cover all risks of physical loss not otherwise excluded.

### **Special Form**

For Commercial Property policies written under the Special Form, covered causes of loss means coverage from all risks of direct physical loss unless otherwise specifically excluded or limited.

### **Special Indemnities**

"Optional Benefits".

### **Special Multi-Peril**

A business policy which combined into one contract the coverages normally purchased under several. Property and liability coverages were mandatory, Crime and boiler and machinery were optional. Many other options and endorsements allowed the SMP to be tailor made for each policyholder. Largely replaced by new commercial forms.

### **Special Multi-Peril Policy**

A particular type of CMP contract, which is characterized by being a multiple line package policy. Coverages included in the SMP policy are divided into four sections: Property, Liability, Crime, Boiler and Machinery.

### **Special Personal Property Form**

A form which provides open perils (all risk) coverage on the personal property (contents) of commercial risks with certain exclusions. It was once the broadest coverage available on commercial contents. Largely replaced by the Building and Personal Property Coverage Form.

### **Special Power of Appointment**

A donee is authorized to appoint interest in property to specific individuals to the exclusion of others.

### **Special Risk Group Distribution**

DBG is a major writer in the US of Specialty Markets products with distribution through traditional A&H brokers/agents as well as Program Managers, P&C brokers and cross marketing opportunities within AIG. Some or all of these methods of distribution can be used by other A&H operations in AIG companies.

### **Special Tax and Assessment Charges**

Various assessments levied by states to cover costs not collected through rates. They are normally not considered premium items.

### **Specific Insurance**

A policy which describes specifically the property to be covered. This is in contrast to a policy which covers on a blanket basis all property at one or more locations without specific definitions. In the case of overlapping coverages, specific insurance is considered the primary one.

### **Specific Rate**

In fire and allied lines of insurance, it is a rate for an individual building or occupancy reflecting the individual characteristics as determined by an inspection and application of a rating schedule. Most specific rates can be found in the ISOTEL system.

### **Specific Rate**

A rate applying to an individual piece of property.

### **Specified Causes of Loss**

A commercial automobile physical damage coverage for loss by the specified perils of fire, lightning, explosion, theft, windstorm, hail, earthquake, flood, vandalism, or the sinking, burning, collision or derailment of any conveyance transporting a covered auto. Comprehensive coverage is slightly broader.

### **Specified Perils Policy**

Opposite of an A policy which specifically states the perils covered by the insurance contract. The 'All Risk Policy'.

### **Speculative Risk**

Uncertainty as to whether a gain or loss will occur. An example would be a business enterprise where there is a chance that the business will make money or lose it. Speculative risks are not normally insurable. Contrast with Pure Risk.

### **Speculative Stock**

Common or preferred stock that offers extreme degrees of unrealized appreciated valuation and depreciated valuation. Typically, speculative stocks are issued by start-up, emergent-technology firms, or firms experiencing a decline in their financial condition.

### **Spendthrift Clause**

A clause in most life insurance policies which prevents the creditors of a beneficiary from claiming any of the benefits before the beneficiary actually receives the money. The purpose of this clause is to keep those to whom he is in debt from taking legal action to require the insurer to pay the proceeds directly to them.

### **Split Dollar Coverage**

(Health) An arrangement of disability income insurance in which the employer and employee each pay a portion of the premium. The employer purchases coverage for the sick pay or paid disability leave provided as an employee benefit. The employee pays for disability coverage beyond what the employer provides as a benefit.

### **Split Dollar Coverage**

(Life) An arrangement under which an employer pays that part of the premium that equals the annual increase in the cash value of a policy, while the employee pays the rest. Under assignment upon the death of the employee, the employer recovers the total of its payments from the proceeds of the policy, with the remainder going to the employee's beneficiary.

### **Split Dollar Plan**

A method of purchasing life insurance whereby the employer and employee jointly purchase the policy, pay premiums and share in the policy's benefits.

### **Split Life Insurance**

A combination of installment annuity and term insurance under which the amount of annuity consideration (premium) paid determines the amount of one-year renewable term insurance an annuitant can purchase and place on the life of anyone

designated.

### **Split Limit**

Any insurance coverage which is expressed in different amounts for different types of losses. For example, automobile liability of 50/100/50 means bodily injury limits of \$50,000 per person, \$100,000 per accident, and a property damage limit of \$50,000 per accident. Contrast with Single Limit.

### **Spoliation**

The direct physical loss or damage of property and documentation that serves as material evidence in a legal proceeding.

### **Sponsor**

An organization with a collection of customer names that can be marketed. These usually are tied to a payment collection vehicle such as a credit card, and the sponsor is paid for access to the name. Marketing is done to the list under the name of the sponsor, in order that the customer recognizes their affinity with the sponsor, resulting in increased response over non-sponsored acquisition.

### **Sponsor Plan**

An employer that establishes or maintains a plan for its employees; or an employee organization that establishes or maintains a plan for the employees of the organization; or in the case of a plan established and maintained by two or more employers, the committee, Board of Trustees or relatives of the parties who establish or maintain the plan.

### **Spot Reinsurance**

A reinsurance technique that allows an underwriter to "carve out" or cede a specific line (or lines) of coverage (e.g., Pollution Liability) to a Reinsurer. "Spot Re" can be Treaty or Facultative and written on a pro-rata or excess of loss basis.

### **Spread Loss Reinsurance**

(1) The working cover subject to a prospective rating plan. (2) A form of excess reinsurance wherein each year's premium rate is determined by the amount of the ceding insurer's excess losses for a specified number of preceding years. A form of experience rating.

### **Sprinkler Leakage Insurance**

Insurance against damage done by the accidental discharge of water from an automatic sprinkler system, as contrasted with discharge because of heat from a fire.

### **Sprinkler Leakage Legal Liability Insurance**

Insurance which covers the legal liability of an insured who has a sprinkler leakage loss which damages the property of others, on a floor below or in adjoining premises, for instance.

### **Stacking**

Refers to a condition allowed in some states that permits you to add the policy limits of other vehicles covered by you, either on the same policy (interpolicy) or from other policies (intrepolicy), and recover the sum of these limits.

### **Stacking of Limits**

Applying the limits of more than one policy to an occurrence, loss or claim. In some cases, courts have required a stacking of limits when multiple policies, or multiple policy periods, cover an occurrence.

### **Staff Model HMO**

This is an HMO where physicians are employed and all premiums are paid to the HMO, which then compensates the physicians on a salary and bonus arrangement.

### **Standard Annuity Table**

The 1937 Standard Annuity Table; a mortality table widely used for annuities.

### **Standard Class Rate**

This is rate which is arrived at by using a base rate per participant multiplied by a factor to allow for group demographic information.

### **Standard Deviation**

A measure of the range of variation from an average of a group of measurements. 68% of all measurements fall within one standard deviation of the average. 95% of all measurements fall within two standard deviations of the average.

### **Standard Exception**

In workers compensation insurance certain classes of employees are classified separately for rating, rather than being included in the main classification for a risk. Examples would be clerical office employees, outside sales representatives, draftsmen, drivers, chauffeurs, and their helpers.

### **Standard Industry Code**

A standard code assigned to every business which groups the businesses by operating characteristics for statistical purposes.

### **Standard Policy**

(1) Coverage which has identical provisions regardless of the issuing insurer. Many common policies are standardized. (2) Insurance issued to a standard risk.

### **Standard Policy Forms**

The more commonly used policy forms for the majority of business. Also, self-contained preprinted policy language used when a large number of insureds face similar loss exposures.

### **Standard Premium**

Unmodified premium times experience modification factor and schedule modification factor.

### **Standard Premium**

The premium determined on the basis of authorized rates, any experience rating modification, any applicable schedule rating modification, loss constants and minimum premiums. The Expense Constant shall be excluded from determination of the standard premium.

### **Standard Premium**

Most often used in connection with retrospective rating for workers compensation and general liability insurance. It is the premium of which the basic premium is a percentage and is developed by applying the regular rates to an insured's payroll.

### **Standard Provisions**

(1) Provisions prescribed by state law that must appear in all policies issued in that jurisdiction. (2) Provisions adopted by the NAIC to apply to group life insurance as minimum protection. They are required by law in most states. (3) Formerly, a set of prescribed provisions regulating the operating conditions of a health insurance policy required by law in most jurisdictions between about 1912 and 1950. They are now superseded by uniform provisions for individual accident and health insurance policies which contain an NAIC model bill. These have been enacted in virtually all jurisdictions.

### **Standard Risk**

A risk that is on a par with those on which the rate has been based in the areas of health, physical condition, and morals. An average risk, not subject to rate loadings or restrictions because of poor health.

### **STAT/SAP- Statutory Account Practices**

The rules and procedures prescribed or permitted by United States state insurance regulatory authorities for recording transactions and preparing financial statements. It is not the same as GAAP; for example, expenses are charged when incurred vs. being deferred and amortized over subsequent accounting periods.

### **State Agent**

An outmoded term meaning an agent who has an exclusive territory of one or more states. Also, an obsolete term for special agent.

### **State Associations of Insurance Agents**

Each state may have one or more associations of insurance agents. These organizations are made up of individual agents who have joined forces to discuss common problems and promote the American agency system.

#### **State Death Taxes**

A tax imposed by states on beneficiaries who receive property from a decedent.

#### **State Fund**

A fund set up by a state government to provide insurance. Some states permit competition by private insurers. The largest insurer of workers' compensation risks in the state of California is the State Fund.

#### **State Insurance Fund**

A fund set up by a state government to provide insurance. Some statutes permit competition by private insurers, while others may exclude competition from private insurers.

#### **Stated Amount**

An agreed amount of insurance which is shown on the policy, and which will be paid in the event of total loss regardless of the actual value of the property.

#### **Statement of Policy Information**

For universal life policies, this document is prepared at the end of each year giving complete information on all transactions affecting the policy, such as premium paid, current death benefit, interest credited, loans outstanding, monthly charges, and cash surrender value.

#### **Statement of Values**

A listing of values of buildings and contents which is used to compute a 'Blanket Average Rate'.

#### **Statement of Values**

Sometimes property is written using a blanket rate and one single limit of liability applying to all locations. In order to determine the blanket or average rate, a rating bureau or company requires an insured to submit a declaration of the amounts of value at each separate location on a Statement of Values form.

#### **Statewide Average Weekly Wage**

A statistical computation which is periodically updated and is used to determine compensation benefit amounts. Many benefits are set forth as a percentage of the SAWW.

#### **Statute of Frauds**

A statute which states that certain contracts must be in writing in order to be enforceable. An example would be any contract involving the sale of real estate.

#### **Statute of Limitations**

The time limit set by law during which a person must bring legal action on a case.

#### **Statutory**

Required by or having to do with law or statute.

#### **Statutory Accounting**

Accounting principles required by state law and followed by insurance companies when filing their financial statements with state regulators.

#### **Statutory Accounting Principals**

Those principals required by statute which must be followed by an insurance company when submitting its financial statement to the state insurance department. Such principles differ from generally accepted accounting principles (GAAP) in some important respects. For one thing SAP requires that expenses must be recorded immediately and cannot be deferred to track with premiums as they are earned and taken into revenue.

#### **Statutory Earnings (or Losses)**

Earnings or losses shown on the NAIC convention blank, in contrast to earnings or losses that would be shown if generally accepted accounting procedure statements were used.

### **Statutory Requirement**

When a jurisdiction enacts law (statutes) that mandate specific benefits or coverages for certain classes of people. Examples are benefits for police officers in the state of Florida in the US and government mandated provision of murder and assault coverage in Thailand.

### **Statutory Reserve**

A reserve, either specific or general, required by law.

### **Statutory Surplus**

As determined under SAP, the amount remaining after all liabilities, including loss reserves, are subtracted from all admitted assets. Admitted assets are assets of an insurer prescribed or permitted by a state to be taken into account in determining the insurer's financial condition for statutory purposes. Statutory surplus is also referred to as "surplus" or "surplus as regards policyholders" for statutory accounting purposes.

### **Statutory Underwriting Profit or Loss**

Also known as 'Underwriting Gain or Loss'. It is the insurance company's profitability from an insurance operations standpoint. It does not take other sources of income, such as investments, into account. To calculate, subtract the losses and expenses from the premiums earned during the year.

### **Step-Rate Premium**

Premium is increased at times specified in the policy, based on a predetermined attained age, or number of policy years in force.

### **Stock**

Merchandise for sale or materials in the process of manufacture, as distinguished from furniture, fixtures, or equipment.

### **Stock Bonus Plan**

A type of profit sharing plan whereby contributions to the plan and benefits derived from the plan are in the form of the company's stock.

### **Stock Call and Put Options**

Contracts to buy or sell securities within a specific period of time. A call option is an option to purchase a specified number of shares of stock at or before some future date for a stated "striking" price. A put option is an option to sell a specified number of shares of stock at or before a specified future date for a stated striking price.

### **Stock Dividend**

A dividend paid in securities rather than cash: either additional shares of the issuing company; or shares of another company (usually a subsidiary) held by the issuing company. These shares are not taxable until they are sold.

### **Stock Insurer**

An incorporated insurer with capital contributed by stockholders, to whom the earnings are distributed as dividends on their shares. Contrast with Mutual Insurer.

### **Stock Option Plan**

Surviving stockholders have the option to purchase or not purchase the shares of a deceased stockholder.

### **Stock Purchase Agreement**

A formal buy-sell agreement whereby each stockholder is bound by the agreement to purchase the shares of a deceased stockholder and the heirs are obligated to sell.

### **Stock Redemption Agreement**

A formal buy-sell agreement whereby the corporation is bound by the agreement to purchase the shares of a deceased stockholder and the heirs are obligated to sell.



### **Stocks**

indicate ownership of a company by shares, which represent a piece of the corporation's assets and earnings.

### **Stop Gap**

Employers' liability coverage for injuries arising out of operations or exposures in monopolistic fund states.

### **Stop Gap Liability**

Provides Employers Liability coverage for those states where employers must obtain statutory workers compensation insurance from a compulsory state fund.

### **Stop Loss**

Any provision in a policy designed to cut off an insurer's losses at a given point. In effect, a stop loss agreement guarantees the loss ratio of the insurer.

### **Stop Loss Agreement**

A form of Excess-of-Loss reinsurance that defines the reinsured's retention as an aggregate.

### **Stop Loss Reinsurance**

A form of reinsurance under which the reinsurer reimburses the ceding company for the amount by which the ceding company's incurred losses, during the contract year exceed a specific loss ratio. Used particularly for classes of insurance with wide fluctuations in losses from one year to another, such as hail insurance.

### **Stop-Loss Insurance**

This is a type of reinsurance which can be taken out by a health plan or self-funded employer plan. The plan can be written to cover excess losses over a specified amount either on a specific or individual basis, or on a total basis for the plan over a period of time such as one year.

### **Stop-Loss Reinsurance**

(1) See Aggregate Excess of Loss Reinsurance. (2) A form of reinsurance under which the reinsurer reinsures the ceding insurer for an amount by which the latter's incurred losses in a calendar year for a specified class of business exceed a specified loss ratio.

### **Storekeepers Burglary and Robbery Insurance**

A type of package crime policy designed for a storekeeper which provides coverage on seven different crime hazards. A specific amount of coverage is purchased and the limits apply separately to each of the coverages. There is very little flexibility in that the insured must buy the package.

### **Storekeepers Liability Policy**

A single limit package policy covering bodily injury and property damage liability claims in the operation of the storekeeper's business. It includes limited coverage on contractual and products liability.

### **Straight Life Policy**

A whole life policy that stretches the premium payments over the insured's lifetime (to age 100). Also known as Continuous Premium Whole Life.

### **Stranded**

A term used to describe a ship that has run aground.

### **Strategic Asset Allocation**

Historical data is used in an attempt to determine how an asset class has performed and is likely to perform over long periods of time. The goal is not to "beat" the market, but to establish a long-term investment strategy using a core mix of asset classes.

### **Strict Liability**

Usually used when referring to products coverage. The liability that manufacturers and merchandisers may be subject to

for defective products sold by them, regardless of fault or negligence. A claimant must prove that the product is defective and therefore unreasonably dangerous.

#### **Strike-Through Clause**

A clause providing that, in the event of the insolvency of a ceding insurer, the reinsurer continues to be liable for its share of losses, which will then be payable directly to the insured rather than to the liquidator of the insolvent ceding insurer.

#### **Striking Price**

The amount at which a call or put option can be exercised, normally a price set close to the market price of the stock at the time the option is issued.

#### **Structured Settlements**

Periodic payments to an injured person or survivor for a determined number of years of life or for life, typically in settlement of a claim under a liability policy.

#### **Sub-Agents**

Agents reporting to other agents or general agents, and not directly to the company.

#### **Sub-Broker**

An intermediary from whom another intermediary obtains reinsurance business to be placed.

#### **Sub-Producer**

A producer who is working through another producer who, in turn, is working directly with the Insurance Company.

#### **Sub-Standard**

Below the standard (or "average"). Sub-standard risks in A&H insurance are usually modified, excluded or declined.

#### **Subbroker**

The intermediary from whom another intermediary obtains business to place.

#### **Subchapter S Corporation**

A corporate form of business in which all profits and losses are shared by the stockholders and thus the corporation is taxed on an individual basis as opposed to corporate taxation.

#### **Subject Premium**

"Subject Premium" is the portion of the Gross Program Premium subject to adjustments in accordance with the adjustment formula shown in this Binder. At the commencement of the program, it is the amount stated on the Pricing Page.

#### **Sublimit**

Any limit of insurance which exists within another limit. For example, special classes of property may be subject to a specified dollar limit per occurrence, even though the policy has a higher overall limit; a health insurance policy may limit certain benefits to fixed dollar amounts or maximum amounts per day, even though the overall coverage limit is higher.

#### **Sublines**

Individual lines of insurance, as defined in Commercial Statistical Plan (CSP), that are included within a larger category (Line of Insurance).

#### **Submitted Business**

Applications for insurance submitted to an insurer but not yet acted upon by it.

#### **Subordination**

Putting below in importance. Sometimes the creditors of a contractor will subordinate their interests in the obligations owed them until a construction project is completed. This has the effect of increasing the contractor's working capital.

#### **Subrogation**

A principle of law incorporated in insurance policies, which enables an insurance company, after paying a loss to its insured, to recover the amount of the loss from another who is legally liable for it.

#### **Subrogation Clause**

A clause giving an insurer the right to pursue any course of action, in its own name or the name of a policyowner, against a third party who is liable for a loss which has been paid by the insurer. One of its purposes is to make sure that an insured does not make any profit from his or her insurance. This clause prevents collecting from both the insurer and a third party. It is never part of a life insurance policy.

#### **Subrogation Release**

A release taken by an insurer upon indemnifying an insured. It contains a provision specifying that the insurer will be subrogated to the rights of recovery that the insured has against any person responsible for the loss.

#### **Subrogation Waiver**

A waiver by the named insured giving up any right of recovery against another party. Normally an insurance policy requires that subrogation (recovery) rights be preserved. In commercial property insurance, a written waiver of subrogation rights is permitted if it is executed before the loss occurs.

#### **Subscriber**

This term has two meanings - first, it refers to a person or organization who pays the premiums, and second, the person whose employment makes him or her eligible for membership in the plan.

#### **Subscriber Contract**

An agreement which describes the individual's benefits under a health care policy.

#### **Subscription Policy**

A policy to which two or more insurers may subscribe, indicating in the policy the share of the risk to be borne by each insurer.

#### **Subsidence**

Movement of the land on which property is situated. A structure built on a hillside may slide down the hill due to earth movement caused by heavy rains. This is different from earthquake damage.

#### **Substandard Risk**

A risk not measuring up to underwriting standards. It may still be written but usually at a surcharged premium.

#### **Succession Beneficiary**

As a general rule, benefits are usually paid to a named, designated beneficiary. If there are no designated beneficiaries or there are no living beneficiaries, then the benefit would be paid to 1) spouse ; 2) children ; 3) parents ; 4) brothers and sisters ; then if there are no survivors it goes to the Insured's estate.

#### **Sue and Labor Clause**

A provision permitting and requiring an insured to take all practical measures to protect any salvage, without prejudicing any right to claim against the insurer. The intent of this clause is to make sure the insured does not fail to use proper care to preserve the property. One effect of it is that in case of a total loss an insurer may pay the loss plus the cost of salvage.

#### **Summary Annual Report**

A summary of a qualified plan's operation which is required to be given to each participant annually.

#### **Summary Plan Description**

This is a recap or summary of the benefits provided under the plan. It is used most often with employees covered by self-funded plans.

#### **Superbill**

A form that specifically lists all of the services provided by the physician. It cannot be used in place of the standard AMA form.

### **Superintendent of Insurance**

The title of the head of a state or provincial insurance department used in some jurisdictions. In most states the title "commissioner" is used.

### **Superseded Suretyship Rider**

An endorsement or provision on a new bond under which the new bonding company assumes liability for claims that cannot be recovered from the prior bond because its discovery period has ended. The discovery period of a bond is normally one year, during which it will cover any loss which occurred during the term of the bond.

### **Supplemental Actuarial Value**

The Actuarial Present Value of all benefits expected to be provided in the future under a plan reduced by the Actuarial Present Value of a future Annual Actuarial Values (including any Participants' contributions), with respect to the Participants included in the valuation of the plan.

### **Supplemental Contract**

A rider usually relating to the method of settlement of the proceeds of a life insurance policy.

### **Supplemental Executive Retirement Plans**

Similar to leverage COLI. The corporation uses cash value life insurance to meet its obligations to compensate executives.

### **Supplemental Extended Reporting Period**

An optional "maxi tail" or "full tail" which extends for an unlimited period of time after expiration of a "claims-made" liability policy, and covers claims made after the policy period.

### **Supplemental Health Business**

Health insurance products that are not intended to be the insured's primary health insurance. For example, hospital daily cash or other simple indemnity products that provide extra cash or can be used to cover the gap between the major medical benefits and out of pocket medical expenses.

### **Supplemental Medical Insurance**

Part B of Medicare is a voluntary program which generally covers physician's services and various outpatient services. A premium is charged for electing Part B coverage.

### **Supplemental Services**

Additional services which can be purchased over and above the basic coverage of a health plan.

### **Supplementary Payments**

A provision in most liability policies under which the insurer agrees to pay defense costs, premiums on various bonds, interest accruing after a judgment, and other reasonable expenses in addition to the limit of liability.

### **Surety**

(a) A term loosely used to describe the business of suretyship or bonds. Suretyship is an arrangement whereby one party becomes answerable to a third party for the acts or neglect of a second party. (b) The party in a suretyship arrangement who holds himself responsible to one person for the acts of another (customarily an insurance company).

### **Surety**

One who guarantees the performance or faithfulness of another. A surety can be either a corporation or an individual, but it is usually an insurance company.

### **Surety Association of America**

An association of bonding companies that establishes rules and regulations, rates and rating plans, and forms and collects information on rating that is supplied to members.

### **Surety Bond**

An agreement providing for monetary compensation in the event of failure to perform specified acts within a stated period. The surety company, for example, becomes responsible for fulfillment of a contract if the contractor defaults.

#### **Surety Bond Guarantee Program**

A federal Small Business Administration program for minority contractors. The SBA agrees to back the surety company in the event of loss under a construction contract bond.

#### **Suretyship**

The means by which one person or entity, the surety, guarantees another entity, the obligee, that a third entity, the principal, will or will not do something. It differs from insurance by being a three-party contract, but most sureties today are insurers.

#### **Surgi-Center**

A separate facility (from a hospital) that provides outpatient surgical services.

#### **Surgical Insurance Benefits**

A form of health insurance against loss due to surgical expenses.

#### **Surgical Schedule**

A list of specified amounts payable for surgical procedures, dismemberments, ancillary expenses, and the like in hospital and medical reimbursement policies.

#### **Surplus**

The amount by which assets exceed liabilities.

#### **Surplus**

(Reinsurance) A reinsurer's portion of a risk, that part which remains after deducting the retention established by the ceding company.

#### **Surplus Lines**

(1) A risk or part of a risk for which there is no normal insurance market available. (2) Insurance written by nonadmitted insurance companies.

#### **Surplus Lines**

A risk or a part of a risk for which there is no market available through the original broker or agent in its jurisdiction. Therefore, it is placed with nonadmitted insurers on an unregulated basis, in accordance with the surplus or excess lines provisions of the state law.

#### **Surplus Reinsurance**

(1) A form of pro rata reinsurance wherein the reinsurer accepts that part of each risk written in excess of a specified retention. The part reinsured is usually a multiple of the retention. See also Lines. (2) The amount of any risk which exceeds the net line retained by the ceding company. The reinsurer receives premiums and contributes to the payment of losses in proportion to its share of the risk.

#### **Surplus Release**

The use of admitted reinsurance on a portfolio basis to offset extraordinary drains on policyholder's surplus.

#### **Surplus Share**

A variation of the Pro Rata reinsurance basis, whereby the insurer first chooses to retain a fixed limit and then proportionally shares premiums and losses with reinsurer(s) based on the fraction: (Retention)/(Total Limit).

#### **Surplus Share Reinsurance**

Similar to a quota share arrangement except that the retention is stated as a dollar amount rather than as a percentage of the sum insured.

#### **Surrender**

To give up a whole life policy. The insurer pays the insured the cash value which the policy has built up if it is surrendered.

#### **Surrender Benefits**

That amount the policyholder is guaranteed if (s)he elects to surrender his/her policy. Such a benefit would be equal to the guaranteed cash value of the policy, plus any dividends due, less any outstanding policy loan amounts.

#### **Survivor**

The beneficiary of an annuity contract, i.e., the annuitant's survivor.

#### **Survivorship Benefits**

Funds available to pay an annuitant who survives longer than statistically expected from premiums paid by annuitants who died before they had collected amounts equal to their contributions.

#### **Survivorship Life Insurance**

Also known as Joint and Survivor Insurance or second-to-die life insurance. Coverage on more than one person that pays a benefit after all of the insureds die. Survivorship life insurance might be used to help fund estate taxes after the deaths of a husband and wife or as a form of business continuation insurance.

#### **Suspense**

In accounting, a temporary account where deposited funds can be held until the billing statement has been processed and the funds have been allocated to the appropriate accounts.

#### **Swap Maternity**

A provision granting immediate maternity coverage in a group health insurance plan but terminating coverage on pregnancies in progress upon termination of the plan. The term "swap" means providing the coverage at the beginning of the policy where it is not usually provided, but not providing it after the end of the policy where it usually is provided.

#### **Sweeper Clause**

Applies only to Permanent Invalidity (Continental Scale); if an insured suffers a permanent invalidity not specified (listed) in the schedule the insurance company will pay a benefit taking into consideration the stated percentages for specified losses shown in the schedule.

#### **Switch Maternity**

A provision for group health maternity coverage on female employees only when their husbands are included in the plan as dependents.

#### **Syndicate**

A group of insurers or underwriters who join to insure property that may be of such total value or high hazard that it can be covered more safely or efficiently on a cooperative basis.

#### **Systematic Risk**

Also called market risk, or nondiversifiable risk. It is risk attributable to factors affecting all investments.

## **T**

#### **T Tables**

The factors used to properly fund retirement benefits for employees of varying types of industries incorporating the ideas of interest, mortality, and turnover.

#### **Table M**

This is a table of data used in retrospective rating. Historical data is gathered through the unit statistical plan, which shows loss distributions by size of risk. Table M is used to determine the appropriate insurance charge for the retrospective rating formula.

#### **Tabular**

NCCI, or independent rating bureau, retrospective plan where the factors used to develop the basic premium are derived from filed tables of expected loss ratios, expense ratios, excess loss premium factors, hazard group differentials, tax multipliers and retrospective development factors. Note NCCI has discontinued tabular rating plans.

**Tabular**

Of or pertaining to a table. Tabular cost is the cost of mortality, morbidity, or other claims, according to the valuation tables and assumptions used by the insurer.

**Tabular Plan**

A retrospective rating plan, which uses tables to furnish the various values for the rating formula.

**Tabular Retro Plan**

These are retro plans that do not permit the flexibility of setting the plan parameters. Tabular retro plans are actually printed tables showing the pre-set plan parameters based on premium size. These were withdrawn in most states in 1991.

**Tacit Renewal**

Continuous renewal, unless prior notice of non-renewal is given.

**Tactical Asset Allocation**

Uses periodic assumptions about asset classes and the economy in general. The fund manager tries to improve portfolio performance by making "mid-course" changes in the long-term strategy based on near-term expectations.

**Tail**

This term has been used to describe both the exposure that exists after expiration of a policy and the coverage that may be purchased to cover that exposure. On "occurrence" forms a claims tail may extend for years after policy expiration, and the losses may be covered. On "claims made" forms tail coverage may be purchased to extend the period for reporting covered claims beyond the policy period.

**Take Ones**

These are printed pieces to be taken away. They are usually made available in a freestanding counter box with an elevated backboard.

**Take Out Credit**

Take Out Credit programs are available in a number of states. Take Out Credit is a plan to provide an incentive for insurers to take risks out of assigned risk pools. Carriers report premiums of risks taken out of assigned risk pools and receive a credit against their assessment base.

**Takeover Credibility**

Credibility of prior loss information from another carrier.

**Target Benefit Plan**

A qualified plan which is a combination of a defined benefit and defined contribution plan whereby an employer is required to fund a specific targeted benefit for plan participants. Target benefit plans impose defined contribution limitations for plan funding.

**Target Rate of Return**

This return is the starting point for the optimization program to search for more efficient portfolios and may be based on the client's required return to meet an investment goal.

**Target Risk**

(1) Certain high-value bridges, tunnels, and fine art collections that are excluded from an automatic reinsurance contract to permit specific handling of the capacity problem and to release the reinsurer from the potential heavy accumulation of liability on any one risk. (2) A large, hazardous risk on which insurance is difficult to place. (3) A large, attractive risk that is considered a target for competing insurance companies. (4) A large risk that attracts unusually keen competition among insurers, agents or brokers. (5) A large hazardous risk on which insurance is difficult to place and which is often only the hazardous risk carved out of a larger more balanced risk.

**Tariff Rate**

A rate established by a rating organization, which comes from the tables, schedules and rules found in the tariff of rates.

**Tax Basis**

Money which has yet to be taxed, usually part of a qualified plan benefit or distribution.

**Tax Equity and Fiscal Responsibility Act**

A federal law intended to prevent group term life insurance plans from discriminating in favor of "key" employees, and which amends the Social Security Act to make Medicare secondary to group health plans.

**Tax Factor**

A factor applied in retrospective rating to an insurance premium to increase it to cover state premium taxes.

**Tax Levels**

A IRS lien against the value of a life insurance contract for taxes owed

**Tax Multiplier**

A factor in the retro rating formula which covers licenses, fees, assessments and taxes which the insurance carrier must pay on the premium which it collects.

**Tax Sheltered Annuity**

An annuity program under which contributions reduce the taxable income of participating employees, and the benefits are not taxable until distributed.

**Tax-Deferred**

Description of an investment whose earnings are not taxed until they are distributed to an investor. For example, funds placed in an individual retirement account (IRA) or Keogh plan are not taxed until withdrawal or when annuity payments begin.

**Tax-Deferred Annuity**

A tax-favored plan that permits an employee of a qualifying organization to enter into an agreement with his or her employer to have a portion of his or her earnings set aside for retirement. Income tax is deferred on the contributions, provided the amounts are used to purchase an annuity contract or regulated investment company's shares, as well as the interest and earnings. Contribution amounts are limited by tax law and taxes are due on all contributions and interest and earnings upon withdrawal or when annuity payments begin, usually at retirement.

**Tax-Exempt Securities**

Bonds offering income payments that are not subject to taxation. These securities are issued by various state and local governments and are often called "municipals" or "munis."

**Tax-Free Rollover**

The tax-free transfer of assets from one qualified retirement plan to an IRA or annuity, and vice versa.

**Taxable Estate**

Is equal to the adjusted gross estate less the marital deduction property and any charitable deductions.

**Teachers Insurance and Annuity Association**

An organization selling life and health insurance and annuities to college and university staff members.

**Tele**

The use of telecommunications as a sales vehicle.

**Temporary Agent**

A person who is licensed to act as an agent for a brief period of time (usually 90 days) without taking a written examination. Temporary licenses are commonly granted to allow someone to continue the business of an agent who has



died, become disabled, or entered active military service.

### **Temporary Disability Benefits**

Legislated benefits payable to employees for nonoccupational disabilities under TDB laws in certain states.

### **Temporary Partial Disability**

This type of injury is considered temporary in terms of time and partial in terms of disabling injury.

### **Temporary Partial Disability**

A condition where an injured party's capacity is impaired for a time, but he is able to continue working at reduced efficiency and is expected to fully recover.

### **Temporary Total Disability**

A condition where an injured party is unable to work at all while he is recovering from injury, but he is expected to recover.

### **Temporary Total Disability Claim**

This type of injury is temporary in terms of time, but during the temporary period of time the injury is total as respects its impact on the claimant.

### **Ten Day Free Look**

A notice, placed prominently on the face page of the policy, advising the insured of his or her right to examine a health policy, and if dissatisfied return the policy within ten days for a full refund of premium and no further obligation.

### **Ten Year Funding**

Primarily for older individuals, this type of funding requires that premiums be payable for 10 years even though retirement is permitted within 10 years.

### **Tenancies for Years**

Ownership of real property for a specific period of time.

### **Tenancy by the Entirety**

A form of property ownership similar to joint tenancy, but which carries no rights of survivorship, no exclusions from the probate process and no protection from lawsuits and creditors.

### **Tenants Improvements and Betterments**

Property affixed to an owner's building by the lessee or tenant which may not be legally removed at the end of the rental period.

### **Tenants in Common**

Where two or more persons have undivided ownership and possession of real property, but (unlike joint tenancy) each owner may transfer or dispose of their share of ownership. Contrast with Fee Simple and Joint Tenancy.

### **Tenants Policy**

A Homeowners form which is specifically designed for people who rent.

### **Term**

The length of a policy period. It also may refer to the length of time for which a specific coverage is provided, as in those situations where the term of the coverage is less than that of the entire policy.

### **Term Insurance**

Life insurance payable to a beneficiary only if an insured dies within a specified period. Term insurance does not have cash value or a savings element.

### **Term Insurance**

The type of life insurance policy that provides protection only for a specified period of time. A common policy period would be one year, five years, 10 years, or until the insured reaches age 65 or 70. It does not build up any of the nonforfeiture

values associated with whole life policies. Contrast with Whole Life Insurance.

**Term Life**

A life insurance product that has no cash or investment values for the insured; a pure-risk-only life policy.

**Term Life Insurance**

Insurance that covers the insured for a specified period such as one, five, or 10 years, often with an option to renew. Premiums are paid throughout this time, but generally become higher during the course of the term, as the policyholder grows older.

**Term Rule**

The provision in a rating manual which states the periods for which coverages run, and discounts, if any, which apply to the rates or premiums of policies issued for more than one year.

**Terminal Funding**

This type of funding also requires no funds to be set aside for retirement benefits, however, as each employee retires, an immediate lifetime annuity is purchased for him or her.

**Terminally Ill**

A term which refers to the status of a person who will normally die within 6 months of a specific illness or sickness. Often refers to the terminally ill requirement for hospice care.

**Termination**

The time the coverage under an insurance policy ends, either because its term has expired or because it has been cancelled by either party.

**Terms and Condition**

The terms and conditions of our policy spell out exactly what the insured is covered for as well as such general provisions as how to file a claim, cancellation privileges, etc. It spells out what is required of the insured and what is required from the Company.

**Tertiary Beneficiary**

A beneficiary designated as third in line to receive proceeds or benefits if the primary and secondary beneficiaries do not survive.

**Tertiary Care**

Services provided by such providers as thoracic surgeons, intensive care units, neurosurgeons, etc.

**Test or Split**

In direct marketing a Test or Split is a Campaign Selection run to verify the impact of particular characteristics of the Campaign. After running a Test a Rollout may follow.

**Testamentary Capacity**

The testator satisfies the necessary requirements imposed by law for the purpose of making a will; the ability to form a valid will.

**Testamentary Transfer**

Transfer of the assets of an estate according to the provisions of the deceased person's last will and testament. Contrast with Inter Vivos Transfer.

**Testamentary Trust**

A trust created after the grantor's death, according to the provisions of the deceased person's last will and testament. Contrast with Inter Vivos Trust.

**Testing Exclusion**

In boiler and machinery insurance, a provision that excludes coverage for any object while it is being tested.

**Thaisoi**

An ancient Greek benevolent society which was a step in the evolution of life and health insurance.

**The Risk and Insurance Management Society**

An association of 7,500 risk managers representing more than 4,400 industrial, service, non-profit and public sector organizations.

**Theatrical Floater**

An inland marine form used to cover theatrical properties, such as costumes and scenery.

**Theft**

The act of stealing. It includes such acts as larceny, burglary, and robbery.

**Theft, Disappearance and Destruction Coverage Form**

A commercial crime coverage form covering money and securities against the causes of loss described in its title.

**Theory of Probability**

The mathematical principle upon which insurance is based.

**Therapeutic Alternatives**

Alternate drug products which may be different in chemical content, but provide the same effect when administered to patients.

**Therapeutic Equivalence**

Different drugs which will control a symptom or illness exactly the same as other drugs used to control that illness.

**Third Party Administration**

Organizations who administer qualified plans by providing accounting and actuarial services as well as filing of various reports required by the IRS and the Department of Labor.

**Third Party Administrator**

An independent claims service, available to the insurance industry or its clients.

**Third Party Beneficiary**

A person who is not a party to a contract but who has legally enforceable rights under the contract. It might be a life insurance beneficiary, or a mortgagee.

**Third Party Contract**

Protection of the insured against liability for damage to or destruction of the bodies or property of others. The third party is the person injured or whose property is damaged; the other two parties being the insured and the insurance company.

**Third Party Insurance**

A term for liability insurance. Liability always involves a third party, the one who has suffered a loss, in addition to the insurer and the insured.

**Third Party Liability**

A liability owed to a claimant (or "third party") who is not one of the two parties to the insurance contract. Insured liability claims are referred to as third party claims.

**Third-Party Payor**

This refers to any organization such as Blue Cross/ Blue Shield, Medicare, Medicaid, or commercial insurance companies which is the payor for coverages provided by a health plan.

**Three-Fourths Value Clause**

A clause stating that the maximum loss the insurer will pay is three-fourths of the actual cash value of the property. It is rarely used today.

**Threshold**

Also known as Conquest Price: Is typically used in a direct marketing context, the conquest price is the premium level that has been determined through market testing to be the most effective to maximize net response rate and campaign TARP. Direct marketing products are typically designed to arrive at an established conquest price.

**Threshold Level**

The point at which the insured may bring tort action under a modified No-Fault Auto Plan. Many of these plans prohibit tort action for pain and suffering unless medical bills exceed some figure, like \$1,000, or disfigurement or death occurs.

**Thrift Plan**

A defined contribution plan that requires employee contributions. These contributions are matched by employer contributions. Earnings on contributions accumulate on a tax-deferred basis until withdrawal or when annuity payments begin, usually at retirement.

**Ticker Symbols**

A system of letters used to uniquely identify a stock or mutual fund. Symbols with up to three letters are used for stocks which are listed and traded on an exchange. Symbols with four letters are used for NASDAQ stocks. Symbols with five letters are used for NASDAQ stocks other than single issues of common stock. Symbols with five letters ending in X are used for mutual funds.

**Ticket Reinsurance**

A notation on a separate sheet of paper attached to a daily report setting forth the details of any reinsurance which has been effected.

**Time Element Insurance**

Insurance which covers expenses consequent to damage or destruction by an insured peril that continue over a period of time. The amount paid depends on the length of time during which the expenses accumulate. An example would be Business Interruption insurance, which pays for the loss of earnings during the time it takes to repair the property.

**Time Horizon**

The amount of time remaining until the money will be needed by the investor.

**Time Limit on Certain Defenses**

One of the uniform individual accident and sickness provisions required by state law to be included in every Individual health Policy. It sets a limit on the number of years after a policy has been in force that an insurer can use as a defense against a claim the fact that a physical condition of the insured existed before the policy was issued, but was not declared at that time.

**Time Limits**

The limits of time within which notice of a claim and proof of a loss must be submitted.

**Time of Payment of Claims Provision**

A health insurance provision that requires that claims be paid immediately upon receipt of proofs of loss. Some states specify a number of days in place of the word "immediately".

**Title Insurance**

A device by which the purchaser of real estate may be protected against losses in case it is discovered that the title obtained is not legitimate or can be made legitimate only after certain payments are made.

**Title Insurance**

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

**Tobacco Sales Warehouses Coverage Form**

A commercial property coverage form used to insure tobacco warehouse operations. Tobacco is covered only while in the

warehouse, and only for a limited period before, during, and after the regular auction season.

### **Tontine Policy**

A kind of policy that came into use after the Civil War. It was a high premium contract that paid dividends to those participants who were still living at the end of a stated period, at the expense of those who had died or let their policies lapse. It is almost the opposite of insurance and is no longer allowed by law.

### **Top Line**

The gross premium written (GPW) and sometimes referred to as Direct Written Premium (DWP).

### **Tort**

A wrongful act, resulting in injury or damage, on which a civil action may be based.

### **Tort**

A private wrong, independent of contract and committed against an individual, which gives rise to a legal liability and is adjudicated in a civil court. A tort can be either intentional or unintentional, and it is mainly against liability for unintentional torts that one buys liability insurance.

### **Tortfeasor**

A person who has committed a tort.

### **Total Annualized Renewal Premium**

It represents the direct marketing campaign's Gross Premium received if all converted policies remain in force for 12 months.

### **Total Disability**

Disability which prevents the insured from performing any duty of his usual occupation or from performing any occupation for remuneration. The actual definition in any case depends upon the wording in the policy.

### **Total Estimated Annual Premium**

Standard Premium less deductible discount less premium discount, plus or minus other modifications such as Drug-Free credits, Safety credits, Managed Care credits, Merit Rating plus Expense Constants.

### **Total Loss**

A loss of sufficient size so that it can be said there is nothing left of value. The complete destruction of the property. The term is also used to mean a loss requiring the maximum amount a policy will pay.

### **Total Marketing Cost**

Total Marketing Costs = Marketing Cost + Incentive Cost + Creative Cost + Fulfillment Cost. If commissions are included in the marketing cost calculation it is important to make sure the file and internal communications are noted accordingly.

### **Total Return**

The rate of return on an investment, including all dividends and interest, plus or minus any change in the value of the asset. Also, an investment strategy that seeks a combination of growth and income.

### **Transfer**

This is a tax-free exchange directly from one tax-qualified product to another tax-qualified product of the same type [403(b) to 403(b), IRA to IRA, Pension to Pension, HR10 to HR-10].

### **Two and Five Day Rule**

Once an insurance company receives an in good order application for a variable product and an initial purchase payment, it must process the purchase payment and issue the contract within two business days. If an insurance company receives an initial purchase payment and an application that is not in good order, it has five business days to obtain enough information to complete the application (it can hold the purchase payment for more than five days only if the applicant specifically consents) or return the purchase payment.

# U

## **U.S. Government Securities**

Securities issued by the U.S. government (i.e., Treasury bills, notes and bonds).

## **U.S. Longshoremen's and Harbor Workers' Compensation Act Coverage**

A Federal law which provides for payment of compensation and other benefits to employees such as longshoremen, harbor workers, ship repairmen, shipbuilders, shipbreakers and other employees engaged in loading, unloading, repairing or building a vessel. It applies to such employees while working on navigable waters of the United States and also while working on any adjoining pier, wharf, dry dock, terminal, building way, marine railway, or other area adjoining such navigable waters customarily used for loading, unloading, repairing or building a vessel. It does not cover masters or members of the crew of a vessel.

## **ULAE- Unallocated Loss Adjustment Expense**

Expenses of loss adjustment that cannot be charged specifically to any claim. Examples would be claim department salaries and office overhead.

## **Ultimate Incurred Loss Plan**

Loss Sensitive program in which you are paying, in advance of actual loss dollar payment, for the ultimate cost of expected losses and expenses that will occur during the policy period.

## **Ultimate Net Loss**

Refers to the net loss of an insurance company for the purposes of reinsurance recovery. I.e. under a catastrophe excess of loss reinsurance contract the reinsurer(s) will only count an insurance company's ultimate net losses in determining reinsurance liability. In determining the ultimate net loss all other applicable reinsurance placed on the same exposure must be deducted such as facultative placement.

## **UM/UIM/PIP**

Uninsured Motorist Coverage, Underinsured Motorist Coverage and Personal Injury Protection. All three are specific coverage available under a Business Auto, Truckers' or Garage Liability Policy.

UM and UIM coverage provides an insured with bodily injury (and in some states, property damage) coverage from its own carrier as if collecting from the tortfeasor's carrier.

PIP is a statutorily provided coverage that has insurers provide first party benefits for medical expenses, loss of income, funeral expenses and such without regard to fault.

## **Umbrella Coverage**

A form of insurance protection against losses in excess of amounts covered by other liability insurance policies or amounts not covered by the usual liability policies.

## **Umbrella Insurance Policy**

A policy with its own grant of coverage which provides limits of liability over specified underlying policies and/or self-insured retentions, in areas not covered by such underlying insurance.

## **Umbrella Liability**

Covers losses in excess of amounts covered by other liability insurance policies; also protects the insured in many situations not covered by the usual liability policies.

## **Umbrella Liability Policy**

A coverage basically affording high limit coverage in excess of the limits of the primary policies as well as additional liability coverages. These additional coverages are usually subject to a substantial self-insured retention. The term "umbrella" is derived from the fact that it is a separate policy over and above any other basic liability policies the insured may have.

## **Umbrella Policy**

An insurance policy that provides excess liability coverage for both homeowners and automobile insurance, as well as

coverage in some areas not provided for in either of these policies.

**Umpire**

For property coverage, if a company and a claimant fail to agree on the amount of loss, each may appoint an appraiser, and these in turn select an umpire. A decision by any two of the three is binding.

**Unallocated Benefit**

A benefit providing reimbursement of expenses up to a maximum but without any schedule of benefits as such.

**Unallocated Funds**

Plan contributions are made or pooled for the benefit of all plan participants collectively.

**Unapproved Forms**

Any contractual form (policy or endorsement), election form, notice to insureds, proof of coverage form, certificate of insurance, and the like which do or may impose legal obligations on the Company, which have not been either:

1. Filed with and approved by the insurance department of the state in which it applies, or
2. Approved for use by the DBG legal division and the SWC Chief Underwriting Officer.

**Unassigned Funds**

Also known as Surplus: The undistributed and unappropriated amount of statutory surplus.

**Underground Property Damage**

Refers to damage to underground property, such as wires, conduits or pipes, sewers, etc., beneath the surface of the ground caused by the use of mechanical equipment for the purpose of grading land, paving, excavating, drilling, burrowing, filling, backfilling, or pile driving.

**Underinsurance**

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

**Underinsured Motorist Coverage**

A coverage in Business Auto Policy (BAP) under which the insurer pays damages to the insured up to specified policy limits, for bodily injury caused by another driver who is not adequately insured.

**Underinsured Motorists Coverage**

A coverage in an automobile insurance policy under which the insurer will pay damages up to specified limits for bodily injury damages, if the limits of liability under the liable motorist's policy are exhausted and he cannot pay the full amount he is liable for.

**Underlyer**

Local policies issued under a Master Account Policy. The local policies are necessary if there are specific multinational country requirements under the Master Account Policy.

**Underlying**

In respect to excess of loss coverage, refers to that amount of risk which attaches before the next higher layer of insurance or reinsurance.

**Underwriter**

A person trained in evaluating and selecting risks and determining the rates and coverages that will be used for them. The underwriter also will participate in the marketing, auditing and product development functions within specific lines of business.

**Underwriter**

An employee of an insurance company who examines, accepts or rejects risks and classifies accepted risks in order to charge an appropriate premium for each accepted risk. The underwriter is expected to select business that will produce an average risk of loss no greater than that anticipated for the class of business.

**Underwriter**

A technician trained in evaluating risks and determining rates and coverages for them. The term derives from the practice at Lloyd's of each person willing to accept a portion of the risk writing his or her name under the description of the risk.

**Underwriters Laboratories, Inc.**

A testing laboratory for manufactured items to determine their safety propensities.

**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**

The insurer's or reinsurer's process of reviewing applications for insurance coverage, and the decision whether to accept all or part of the coverage and determination of the applicable premiums; also refers to the acceptance of such coverage.

**Underwriting Expense Ratio**

The ratio of underwriting expenses incurred to net premiums written.

**Underwriting Loss**

Loss Ratio and Expense Ratio is less than 100%.

**Underwriting Profit**

Loss Ratio and Expense Ratio is greater than 100%.

**Underwriting Profit (or Loss)**

(1) The profit or loss realized from insurance operations, as contrasted with that realized from investments. (2) The excess of premiums over losses and expenses (profit) or the excesses of losses over premiums (loss).

**Underwriting Profit or Loss**

The pretax profit or loss experienced by a property and casualty insurance company after deducting loss and loss adjustment expenses and operating expenses from net earned premiums. This profit or loss calculation includes reinsurance assumed and ceded but excludes investment income.

**Undiscounted Standard Premium**

Premium before the application of premium discount, but after the experience and schedule modification.

**Unearned Premium**

That portion of the written premium applicable to the unexpired or unused part of the period for which the premium has been paid. For example, if the one year premium is \$1200, at the end of the first month of the policy period, the company will have an earned premium of \$100 and have an unearned premium of \$1100.

**Unearned Premium**

That portion of the written premium applicable to the unexpired or unused part of the period for which the premium has been paid. Thus, in the case of an annual premium, at the end of the first month of the premium period eleven-twelfths of the premium is unearned.

**Unearned Premium Reserve**

The amount shown in the insurance company's balance sheet which represents the approximate total of the premiums which have not yet been earned as of a specific point in time.

**Unearned Reinsurance Premium**

That part of the reinsurance premium applicable to the unexpired portion of the policy reinsured.

**Unemployment Compensation Disability Insurance**

Health insurance that covers off-the-job accidents and sickness. It does not cover disability resulting from an injury or sickness covered by workers compensation insurance.



**Unemployment Insurance**

Insurance against loss of income due to unemployment. It is funded by payroll taxes and subject to control by both the federal and state governments. Individuals who are willing and able to work qualify for this insurance by working at a job in an eligible classification, earning a minimum amount of money, and being subject to involuntary unemployment.

**UnfairClaim Settlement Practices Law**

State laws designed to protect the consumer against unfair practices in the reporting, investigation, payment, and final resolution of insurance claims.

**UnfairTrade Practices Law**

State laws designed to protect the consumer against misleading, deceptive, monopolistic, or otherwise unfair practices in the business of insurance.

**Unfunded Plan**

Any pension plan which follows a "pay-as-you-go" method.

**Unfunded Supplemental Actuarial Value**

The excess of the Supplemental Actuarial Value over the Actuarial Asset Value.

**Unified Tax Credit**

A standard credit (currently \$192,800) which can be used to offset gift and federal estate tax liabilities.

**Uniform Billing Code of 1992**

This code is scheduled to be implemented on October 1, 1993. It's a federal directive which states how a hospital must provide their patients with bills, itemizing all services included and billed on each invoice.

**Uniform Forms**

The wording on many policy documents has been agreed upon by most companies and standardized. They are printed and distributed by rating bureaus and by certain well-known establishments and are called standard or uniform forms.

**Uniform Premium**

A rating system that is used to calculate premiums for all insureds with no distinctions as to age, sex or occupation.

**Uniform Provisions**

(Health) A set of provisions regarding the operating conditions of individual health policies developed in a model law recommended by the National Association of Insurance Commissioners and required, with minor variations by almost all jurisdictions, and permitted in all jurisdictions.

**Uniform Provisions**

(Life) A set of provisions required by state law in life insurance policies. The actual wording of the provisions can vary, but the intent must be the same as the wording of the uniform provisions.

**UniformSimultaneous Death Act**

State law which states that if the insured and beneficiary die in the same accident and it cannot be determined which died first, it will be assumed that the beneficiary died first, and all proceeds will then pass to the insured's contingent beneficiary.

**Unilateral Contract**

A contract such as an insurance policy in which only one party to the contract, the insurer, makes any enforceable promise. The insured does not make a promise but pays a premium, which constitutes the insured's part of the consideration.

**Uninsured Motorist Coverage**

A coverage in BAP under which the insurer pays damages to the insured for which another motorist is liable if that motorist is unable to pay because he/she is uninsured. This coverage usually applies to Bodily Injury damages only. Injuries to the insured caused by a hit-and-run driver also are covered.

**Uninsured Motorists Coverage**

A coverage in an automobile insurance policy under which the insurer will pay damages to the insured for which another motorist is liable if that motorist is unable to pay because he is uninsured. This coverage usually applies to bodily injury damages only. Injuries to the insured caused by a hit-and-run driver are also covered.

**Unismoke Rate**

A premium that is charged regardless of smoking. Many products are priced according to smoking- i.e. non-smokers get a lower price than smokers.

**Unit Benefit Plan**

A type of pension plan providing retirement benefits as a definite amount or percentage of earnings for each year of service with the employer. If a unit of annuity is purchased each year to fund the ultimate benefit, this may also be referred to as a unit-purchase type of plan.

**Unit Investment Trust**

An investment company that has its own portfolio of securities in which it invests. It sells interests in this portfolio in the form of redeemable securities. UITs can be of two types: fixed (no portfolio changes are made) and nonfixed (portfolio changes are permissible).

**Unit Stat Reporting System**

The Unit Stat Reporting System provides an efficient and accurate method of filing Unit Statistical Reports on a timely basis. A Unit Statistical Filing is made to the National Council on Compensation Insurance (NCCI) and the Independent Bureaus for every Workers Compensation policy issued in each state in which the policy has exposure. The Filings are utilized by NCCI and Bureaus for rate making purposes, actuarial and statistical studies, and promulgation of experience modifications. Therefore, the accuracy of the data directly affects the revenue for all insurers of Workers Compensation in the jurisdiction of a particular rating bureau.

**Unit Statistical Report**

The unit statistical system is commonly referred to as "unit stat" or "USP". It is the statistical backbone of the workers compensation system. All insurance carriers writing workers compensation must report payroll and loss data for each state on each and every workers compensation policy written.

**United States Government Life Insurance**

A form of life insurance issued to members of the armed forces during World War I until about the end of World War II.

**Universal Life**

A combination flexible premium, adjustable life insurance policy. The premium payer may select the amount of premium he or she can pay and the policy benefits are those which the premium will purchase. Or, the premium payer may change the amount of insurance and pay premium accordingly. Many believe this is the only true solution to the "buy term invest the difference" problem.

**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 and 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 rates which may change from time to time.

**Universal Mercantile System**

A process used in some areas to rate property insurance risks. It is being replaced rapidly by a new system developed by the Insurance Services Office.

**Unlevel Commission System**

A system of commissions under which the first year commission is a higher percentage of the premium than are renewal commissions.

**Unmodified Premium**

The sum for all class codes of rates per \$100 of payroll plus increased limits premium for employer's liability and certain balance-to-minimum premiums, including FELA and Maritime minimum premiums.

**Unoccupied**

Refers to property which may be furnished or have furnishings in it but is not occupied or being lived in. The Standard Fire policy prohibits unoccupancy beyond a specified period of time. This term is contrasted with vacant, which means that there is nothing within the building.

**Unpaid Premium Provision**

A provision in a health insurance policy that allows deduction of unpaid premiums from claims payments.

**Unqualified Plan**

Any pension plan which does not meet the qualifications for special tax advantages as set forth in the IRS Code.

**Unreported Claims**

A reserve, based on estimates, to set up claims that have occurred but have not yet been reported to the insurer as of the time when either the policy has expired or the insurer is preparing its annual statement.

**Unsatisfied Judgment Fund**

Several states have laws which provide for reimbursement to a person injured in an automobile accident who has been unable to collect from the person responsible.

**Unscheduled Premium Payments**

In universal life insurance, the policyowner can pay extra premiums in addition to the scheduled premium payment amount. These payments can be made at any time, but are subject to a minimum amount.

**Unsystematic Risk**

Also called nonmarket or diversifiable risk. It is risk attributable to factors unique to the security.

**Up-Selling**

Promotion of more expensive products or services over the product originally discussed.

**Upgrade**

This is an offer which increased the amount of one or more coverage's by which are already in force on an existing policy. e.g.: A hospital cash policy which currently affords \$50 per day may be upgraded to provide a \$100 per day.

**Use and Occupancy Insurance**

A term that was once used to refer to the coverages later known as Business Interruption insurance, and now called Business Income Coverage. In this sense it is obsolete. It is, however, still used to refer to such loss of earnings in Boiler and Machinery insurance. It is also used in some contracts which promise to pay on a valued basis, or fixed amount, for each day the insured is deprived of the use or occupancy of described property because of damage caused by a peril insured against.

**Utilization**

This refers to how much a covered individual or group uses a particular health plan or program.

**Utilization and Review Committee**

A committee composed of medical personnel whose purpose it is to monitor the health care services and supplies provided to Medicare patients.

**Utilization Management**

This procedure or process utilizes a review coordinator to evaluate the necessity and appropriateness of various health care services.

**Utilization Review**

The review of services (specifically at AIGCS surgery, in-patient hospitalization, chiropractic reviews over 12 visits, and all experimental treatment) delivered by a health care provider to evaluate the appropriateness, necessity, and quality of the prescribed services. The review can be performed on a prospective and/or concurrent basis.

### **Utilization Review**

A cost control mechanism by which the appropriateness, necessity, and quality of health care is monitored by both insurers and employers.

### **Utmost Good Faith**

Acting in fairness and equity with a sincere belief that the act is not unlawful or harmful to others. The insurance contract requires that each party is entitled to rely upon the representations of the other without attempts to conceal or deceive.

## **V**

### **Vacant**

A term used in property insurance to describe a building that has neither occupants nor contents. Contrast with Unoccupied.

### **Valuable Papers and Records Coverage**

An open perils (all risk) coverage for physical loss or damage to valuable papers and records of the insured. It includes practically all types of printed documents or records except money.

### **Valuation**

(Life) Calculation of the policy reserve in life insurance.

### **Valuation**

Estimation of the value of an item, usually by appraisal.

### **Valuation**

(Pension) A mathematical analysis of the financial condition of a pension plan.

### **Valuation Assumption**

An actuarial estimate of probable future experience of a pension plan with respect to rates of mortality, disability, turnover, age at hiring, age at retirement, investment yield, etc.

### **Valuation Clause**

A clause stating the value of items for insurance purposes, making it a valued policy.

### **Valuation Date**

The cut off date for adjustments made to paid claims and reserve estimates in a loss report.

### **Valuation Reserve**

A reserve against the contingency that the valuation of assets, particularly investments, may be higher than what can be actually realized or that a liability may turn out to be greater than the valuation placed on it.

### **Value Proposition**

When a company offers a product or service, the prospective buyer will consider purchase based on a wide range of considerations including the tangible product features, pricing, company reputation, distribution method, the customer service, etc. And each of these factors represents a certain amount of value to the buyer. It is the combination of all these factors that represents the consumer value proposition, and all of these factors should be considered and carefully packaged and communicated to maximize appeal and purchase take-up with target consumers.

### **Value Reporting Form**

Commercial form designed for businesses that have fluctuating merchandise values during the year. As values are reported (monthly, quarterly or annually) the amount of insurance is adjusted. Reporting forms help eliminate problems of

overinsurance and underinsurance, as well as the need to continually endorse a policy.

### **Valued**

Relating to an agreement by an insurer to pay a specified amount of money to or on behalf of the insured upon occurrence of a defined loss.

### **Valued Policy**

A policy which states that in the event of a total loss, a specific amount will be paid, that being the amount stated in the policy. The effect is to eliminate the need for determining the actual cash value of an item of property in the event of a total loss. It is generally used with certain more valuable items, such as fine arts, antiques, and furs.

### **Valued Policy Law**

A law passed by a state legislature which requires that in the event of a total loss to a building, the insurance company must pay the face amount of a valued policy, regardless of the actual cash value of the property which was destroyed. It can have the effect of allowing the insured to recover an amount much greater than the actual cash value of the property. The intent of the law is to guard against unscrupulous insurers purposely writing in excess of the value of property in order to collect greater premiums.

### **Values**

Used in life insurance terminology as a shortened term for nonforfeiture values.

### **Vandalism**

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

### **Vandalism and Malicious Mischief**

Damage or destruction to property which is willful. Traditionally VM&M coverage was optional on many forms or added by endorsement, but today it is automatically covered by basic commercial and homeowner forms.

### **Variable Annuities**

Investment contracts whose issuer pays a periodic amount linked to the investment performance of underlying portfolios. The contract's returns vary with the performance of the underlying investments. Variable annuities are one of the most popular types of annuities.

### **Variable Annuity**

An annuity contract in which the amount of the periodic benefit varies, usually in relation to security market values, a cost-of-living index, or some other variable factor in contrast to a fixed or guaranteed return annuity. As a hedge against inflation, the variable annuity presents investment risks to the annuitant.

### **Variable Contracts**

Contracts such as variable annuities or variable life insurance which contain an element of risk for the investor depending on the performance of the separate account backing the contract. Generally, these contracts are products of insurers but regulated by both state insurance departments and the federal government.

### **Variable Life Insurance**

Any individual policy that provides life insurance, the face amount or duration of which varies according to the investment performance of the separate account established and maintained by the insurer for such a policy.

### **Variable Universal Life**

A policy combining features of Universal Life and Variable Life Insurance in that excess interest credited to the cash value account depends on investment results of separate accounts (equities, bonds, real estate, etc.). The policyowner selects the accounts into which the premium payments are to be made. However, since this is security, filing with the Securities and Exchange Commission (SEC), an annual prospectus, an audit of separate accounts, and agent registration with the National Association of Securities Dealers (NASD) are required.

### **Variable Universal Life Insurance**

A form of life insurance within which the benefits, payable upon death or surrender and/or the premium vary with the

investment performance of the assets backing the contract. These contracts usually include a choice of investments, such as stocks, bonds, money market accounts, etc. Earnings from variable life policies are tax-deferred until distributed.

**Vendee**

A person who purchases property.

**Vendor**

A person who sells property.

**Vested Commissions**

Commissions on renewal business which are paid to the agent whether or not he or she still works for the insurance company with which the business is placed.

**Vested Interest**

A person has a right to either the present or future enjoyment of personal property.

**Vested Liability**

The present value of a participant's retirement benefits which are non-forfeitable.

**Vesting**

The attainment of a benefit right by a participant, attributable to employer contributions, that is not contingent upon a participant's continuation in specified employment.

**VGA- Voluntary Group Accident**

Accident coverage that is provided to a group (usually employees) on a voluntary basis, the former name for Worksite Marketing or Voluntary Employee Benefit. In the US in DBG, VGA is PAI. Other companies have different names for the same product.

**Viatical Settlement**

A written contractual agreement under which the policyholder of a life insurance contract covering the life of a terminally ill person assigns, transfers ownership, or otherwise irrevocably designates all control and rights in the contract to another person or entity in exchange for the advance payment of a portion of the death benefits. Under these arrangements, a portion of the proceeds is paid to the insured or policyholder prior to the actual death of the insured person.

**Viatical Settlement Company**

A company or firm that specializes in negotiating viatical settlements with policyholders of life insurance contracts covering the lives of terminally ill persons.

**Vicarious Liability**

The law says that under certain circumstances a person is liable for the acts of someone else. For example, in matters related to an automobile a parent might be held responsible for the negligent acts of a child. In such a case the parent would be vicariously liable.

**Vis Major**

An accident for which no one is responsible, an act of God.

**Vision Care Coverage**

A health care plan usually offered only on a group basis which covers routine eye examinations, and which may cover all or part of the cost of eyeglasses and lenses.

**Vocational Rehabilitation**

The process of returning a qualified injured worker (QIW) back to the workforce either through modified or alternative work with the same employer, direct job placement with a new employer, on-the-job training with new employer, formal educational retraining in a new career field, or self-employment.

**Void**

A term used to describe a policy contract that is completely free of all legal effect.

**Voidable**

A policy contract that can be made void at the option of one or more of the parties to it. An example would be a property insurance policy which is voidable by the insurer if the insured commits certain acts.

**Volatility**

Accepted by academics and financial planning practitioners as a representation of risk, expressed statistically as the standard deviation, which analyzes the fluctuation of returns of an investment around an average. Also defined as the tendency of a security or market to fluctuate in price.

**Voluntary Compensation**

A method by which an employer may provide his/her employees with Workers Compensation coverage, given that such coverage is not already mandated for such employees by the state government.

**Voluntary Compensation Insurance**

A coverage similar to workers compensation used in circumstances in which workers compensation coverage does not apply or is not required by law. An example would be an employer wanting to voluntarily pay compensation benefits to members of a company-sponsored athletic team, or a church wishing to cover volunteer workers.

**Voluntary Employee Beneficiary Association**

A trust established under IRS Code 501(c)(9) that can be used to prefund health care.

**Voluntary Market**

The market in which a person seeking insurance obtains coverage without the assistance of residual market mechanisms.

**Voluntary Reserve**

An allocation of surplus not required by law. Such reserves are often accumulated by insurers in order to strengthen their financial structure.

**Voluntary Risk**

A risk for which specific coverage is 'readily available'. In automobile insurance, if a risk is denied coverage by any three carriers, it then becomes eligible for that state's assigned risk plan, or comparable facility which is in the 'involuntary market'.

**Voyage Clause**

A clause in ocean marine policies specifying the period of time of the number of trips that may be grouped together as one voyage.

# W

**W Factor**

The W (weighting) Factor is used in the experience rating formula to adjust for the mathematical credibility of the insured's loss history. This value is a ratio that determines the percentage of excess losses to enter the experience rating calculation. It is applied to both actual excess losses and expected excess losses.

**Wage Indexing**

A cost of living increase applied to Social Security benefits after a worker has achieved eligibility for benefits.

**Waiting Period**

The period of time between the beginning of a disability and the start of disability insurance benefits, during which no indemnities are payable. Also called Elimination period.

**Waiver**

(1) A rider waiving (excluding) liability for a stated cause of injury or sickness. (2) A provision or rider agreeing to waive

premium payments during a period of disability of the insured. (3) The act of giving up or surrendering a right or privilege that is known to exist. In property and liability fields, it may be effected by an agent, adjuster, company, employee, or company official, and it can be done either orally or in writing.

### **Waiver of Coinsurance**

A provision in a property policy that the coinsurance clause will not apply if the total loss does not exceed a stated amount, such as 2% of the sum insured or the amount of \$2,500, whichever is greater. The reason for such a provision is to eliminate having to do a large inventory in order to determine whether or not the insured has complied with the coinsurance clause, especially where very small losses are involved.

### **Waiver of Restoration Premium**

(1) An agreement or decision to forego any premium for reinstatement of the face amount of coverage under an insurance policy after it has been reduced by the amount of a loss payment. (2) A provision, especially in bonds, for automatic restoration of the full amount of protection without cost to the insured.

### **Wall Street Journal Symbol**

The symbol under which an investment option is listed in The Wall Street Journal. This symbol may be different in other newspapers.

### **War Risk Coverage**

Special coverage to insure against one or more of the hazards normally listed in the "War" exclusion of an Accident and Health policy. Normally cover is extended to Passive War Risk, meaning that engagement in combat is not covered.

### **Warehouse and Custom Bond**

A bond guaranteeing the payment of custom duties.

### **Warehouse-to-Warehouse Coverage**

A clause sometimes found in inland marine coverages extending the policy to cover from the shipper's warehouse to the consignee's warehouse.

### **Warehousemen's Legal Liability**

Coverage protecting warehousemen from liability claims, common to the business of warehousing, for loss or damage to property in storage.

### **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 untruth was not known to the applicant, the contract may be voided without regard to the materiality of the statement. By contrast, statements in life and health applications are not warranties except in cases of fraud, and the trend in more recent court decisions in other lines has tended to modify the doctrine of warranty to an application only when the statement is material to a risk or the circumstances of a loss.

### **Warranty Policy**

A policy written by a reputable company. The term is used in cases where additional coverage is needed: The additional policies all state that the reputable company's warranty policy will stay in force and that they provide coverage exactly like that of the warranty policy.

### **Warsaw Convention**

An international agreement setting limits of liability on international flights with respect to payments for bodily injury and death.

### **Watchman Warranty Clause**

A provision often found in a burglary or fire policy providing for a reduced premium if there is a watchman on duty.

### **Watchperson**

Under commercial crime insurance coverages, any person retained to have care and custody of the insured's property inside the premises, and who has no other duties.



**Water Damage Clause**

A provision affording coverage for certain specified causes of water damage, e.g., damage caused by water leakage, overflow of heating or air-conditioning systems, or plumbing.

**Water Damage Legal Liability Insurance**

Coverage for an insured who suffers a water damage loss which also damages the property of others on the floor below or in adjoining premises.

**Wave Damage Insurance**

Coverage against damage to property resulting from high waves or tides.

**We/Us/Our**

These words are used to refer to the insurer in many of the modernized/personalized policy forms recently introduced.

**Wear and Tear Exclusion**

An exclusion found in many inland marine policies. It excludes loss resulting from wear and tear, which means normal usage over a period of time which reduces the value of the property insured.

**Wedding Presents Floater**

A form which provides temporary coverage for wedding presents, usually starting shortly before the wedding and ending shortly thereafter.

**Weekly Premium Insurance**

(1) A policy the premium on which is collected weekly by an agent calling at the door. It is usually sold in small face amounts. (2) A form of debit or industrial life insurance.

**Wet Marine Insurance**

Insurance provided on ocean marine forms, covering ships and their cargos.

**While Clauses**

Clauses which suspend coverage "while" certain conditions exist, such as vacancy.

**Whole Dollar Premium**

In many insurance contracts today, the premiums are rounded to the nearest dollar, rather than carrying them out to the nearest cent. An amount of 51 cents or more is usually rounded up to the next dollar, and any cents amount less than that is dropped.

**Whole Life Insurance**

Insurance which may be kept in force for a person's whole life and which pays a benefit upon the person's death, whenever that may be. All whole life policies build up nonforfeiture values, but they are paid for in 3 different ways. Under a straight or ordinary life policy, premiums are paid for as long as the insured lives. A single premium policy is paid for at one time in one premium. Between these two types there are many limited-payment plans, under which the insured pays premiums for a certain period or until reaching a certain age. Contrast with Term Insurance.

**Wholesale Insurance**

A system for covering a group of people (usually the employees of one employer or the members of a trade association or the like) under uniform individual policies. Wholesale insurance is used where the number of people is too small for Group insurance or greater flexibility in benefits and provisions is desired. Also called "Franchise".

**Wholesaler or Wholesale Broker**

A Wholesaler represents an insurance carrier or underwriter usually on a specific line of business. They will act in many capacities like an MGA but will never have any customer contact. They provide a product for the market and accept business from producers looking for that specific product. They may do administrative services like the MGA provides.

**Widow(er)'s Benefit**

An early retirement benefit, at age 60, under Social Security for the surviving spouse of a covered worker.

**Wilful Injury**

See "Intentional Injury".

**Will**

A legally enforceable declaration of an individual's plan for the disposition of property.

**Windstorm**

Wind of sufficient violence to be capable of damaging insured property. Windstorm coverage has traditionally been part of extended coverage (EC), but today it is usually included automatically as part of basic coverages.

**Wisconsin Life Fund**

The system of state underwritten and issued life insurance established by the state of Wisconsin and providing life insurance for citizens who apply. Wisconsin is unique among the 50 states in this respect.

**WOP or WAP- Waiver of Premium**

A rider or provision in a policy that waives the required premium otherwise due during a period of disability or similar. Waiver of Premium is a common rider and part of Life insurance policies.

**Work and Materials Clause**

This is a provision found in many property insurance policies which states that the insured is allowed to have the typical types of work and materials for his or her business. The clause makes this clear so that the policy cannot be voided later because of the "increased hazard" provision of the Standard Fire policy.

**Work Program**

In Contract Bond Reinsurance, a clause specifying that reinsurance attached at a specified level of a principal's total volume of work, rather than on the conventional basis of individual contract or bond amount.

**Workers Compensation**

(1) A system (established under state laws) under which employers provide insurance for benefit payments to their employees for work-related injuries, deaths and diseases, regardless of fault. (2) Insurance agreeing to pay workers compensation law benefits on behalf of the insured employer.

**Workers Compensation Catastrophe Policy**

Excess of Loss Reinsurance purchased by primary insurers to cover their unlimited medical and compensation liability under the compensation laws of the several states.

**Workers Compensation Insurance**

Insurance coverage which has a schedule of benefits providing for the cost of medical care and weekly payments for injury, disability, dismemberment or death of employees sustained in the workplace, regardless of blame.

**Workers' Compensation Insurance**

A method of providing for the cost of medical care and weekly payments to injured employees or to dependents of those killed in industry, regardless of blame.

**Workers' Compensation Insurance**

A method of providing for the cost of medical care and weekly payments to injured employees or to dependents of those killed in industry, regardless of blame.

**Working Cover**

A contract covering an area of excess reinsurance in which loss frequently is anticipated.

**Wrap-Up**

A package plan of a broad type, usually found only in large situations, which is coordinated in such a way as to be applicable to all liability risks. An example would be a wrap-up policy covering all contractors working on a specific job.

**Write**

To insure, to underwrite, or to accept an application.

**Written Business**

Insurance on which an application has been taken out but which is not yet delivered and/or the first premium settled.

**Written Premium**

All premium income (less return premiums) arising from policies issued by the company.

**Written Premium**

The total estimated premium for a policy.

**Written Premiums**

The total premiums on all policies written by an insurer during a specified period of time, regardless of what portions have been earned. Contrast with Earned Premium.

**Wrongful Abstraction**

A term which is used usually in connection with money and securities coverage. Insurance covering wrongful abstraction protects against all forms of burglary, robbery, and stealing.

**Wrongful Death Action**

A civil court suit brought by survivors against someone believed responsible, by negligence or intention, for another's death. In a few states actions for wrongful death have statutory minimums or maximums, but in most states they do not.

**WSM- Worksite Marketing**

Sale of voluntary employee benefits at the workplace, usually through payroll deductions. Voluntary Employee Benefits (VEB) are distributed via a worksite marketing platform.

A comprehensive marketing program for voluntary employee-paid insurance programs, offered at the place of business through payroll deduction.

**X****XCU**

Explosion, Collapse, and Underground (Damage)

**XOL**

Excess Of Loss

**XOL Reinsurance**

Excess Of Loss Reinsurance

**Y****Yacht Insurance**

Insurance providing hull coverage and protection and indemnity liability coverage on pleasure boats. It is usually written on an open perils (all risk) basis for hull coverage, although named-perils forms are sometimes used.

**Year Plan**

A calendar, policy, or fiscal year on which the records of the plan are kept.

**Yearly (or Annual) Renewable Term**

(1) Insurance that gives the policyowner the right to continue the coverage at the end of each year, up to the age specified in the policy. (2) A form of life, and sometimes health, reinsurance in which the reinsurer assumes only the mortality risk,

which is usually calculated as the face amount of reinsurance minus the terminal reserve.

### **Yearly Renewable Term**

Coverage that is renewable at the option of the insured, who is not required to take a medical examination. Regardless of physical condition, the insured must be allowed to renew the policy and the premium cannot be increased to reflect any adverse physical condition. However, the premium of each renewal increases to reflect the life expectancy of the individual at that particular age.

### **Yield Equivalence**

The rate of interest at which a tax-exempt bond and a taxable security of similar quality provide the same return. To calculate the yield that must be provided by a taxable security to equal that of a tax-exempt bond for investors in different tax brackets, the tax-exempt yield is divided by the reciprocal of the tax bracket (100 less 28%, for example) to arrive at the taxable yield. To convert a taxable yield to a tax-exempt yield, the formula is reversed, that is, the tax-exempt yield is equal to the taxable yield multiplied by the reciprocal of the tax bracket.

### **Yield to Maturity**

The yield of a bond were it held to maturity, including purchase price, coupon rate and present value.

### **YorkAntwerp Rules**

A set of rules by which ocean marine general average losses are adjusted.

### **You/Your**

These words are used to refer to the named insured in many of the modernized/personalized policy forms.

## **Z**

### **Z Table**

A mortality table showing ultimate experience on insured lives computed from the experienced mortality on life policies issued by major companies from 1925 to 1934. The Z Table was a step in the development of the Commissioners' Standard Ordinary (CSO) Table of Mortality.

### **Zero Coupon Bonds**

Debentures and/or guaranteed debt securities issued at a discount of their redemption price. The investor's return is equal to the difference between the face amount of the bond (which is paid to the investor at maturity) and the purchase price.

### **Zone-Rated Risk**

Any commercial motor vehicle (other than a light truck) which travels on a regular and frequent basis a distance of more than 200 miles from its place of principal garaging. Rates for long-distance trucks, therefore, are based on 'zone pairs', i.e., the endpoints of the straight-line distance from the truck's principal garage to the place of its farthest operation.

## **Systems Glossary**

### **800 Teleclaim**

800 Teleclaim speeds the reporting of Workers' Compensation claims by interfacing claim notices from First Notice directly to the Claim Control Centers for timely abstraction of the claim.

<http://aignet.aig.com/isg/sysa-d.htm>

## **A**

### **A/EGIS Warranty**

This system provides claims administration capabilities for Warranty claims.

**Abandoned Property**

Provides the AIG domestic Claims Organization with a proactive mechanism for identifying and tracking checks that are outstanding by more than 180 days, and an automated process for reporting Abandoned Property items per state requirements. This is being replaced by Tracker 2000.

**Abandoned Property Escheatment and Compliance System (APECS)**

Software that enables a company to meet all legal requirements that regulate unclaimed property.

**Account Activity System (AAS)**

Provides the business community with a query facility to view account activity. This provides inception to date, premium, and loss experience. The user can navigate through a corporate or subsidiary structure to view activity on a cumulative or individual level. AAS is usually accessed through an option in the AIG/PS Reporting System. This system was replaced by OPAL in spring of 1999.

**Account Data Base (ADB)**

An online query and reporting system designed to give AIG employees easy access to general information about present policyholders and prospective customers. Addresses, standard industry codes (SIC), company contacts, sales figures and employee counts are provided for each company or account. The information is extracted from three sources: Domestic Brokerage Premium History Files, Domestic Brokerage Claims History Files and Dun and Bradstreet Duns Market identifiers (DMI) files. Premium information is updated weekly, claims information is updated monthly and D&B information is updated semiannually.

**Account Database**

This system allows authorized users to access high level D&B information for: All companies in the US with 10 or more employees, all companies in Canada with 20 or more employees, any foreign firm doing business in two or more countries, specific premium/submission history and/or AIG Intelligence for accounts written by AIG.

**Accounting IV (ACCTIV)**

Ledger based system which records all accounting activities that are subsequently used in all financial reporting. Mainframe and AS/400 versions. Domestic companies and marketing, Variable Life (MSAGL/GLOBAL 3).

**Accounts Receivable Transaction System (ARTS) aka Accounts Receivable Tracking System**

Monitors and enhances cash flow, as well as providing a flexible database for the extraction of information. ARTS is comprised of three subsystems: PACS, ACES and UPS/PDE. The Producer and Collector System allows authorized users to assign producers to collectors. Information on the producers is fed to PACS from PALS. The ARTS Cash Entry System is used by SCU to enter cash received from producers into a collector's file. UPS and PDE are two underwriting systems where premium is booked daily. The premium bound in UPS or PDE is fed directly into ARTS on a weekly basis.

**Acct IV**

An Expense System with data fed from SCU. The data includes accounts payable, expense accounts and any invoices from SCU. It is a mainframe system that handles only 720 account codes. The hardcopy reports from this system are used by department managers. The reports include expense information by company, branch and department for current month, prior month and year-to-date.

**Accutrac**

The corporate tool of choice for tracking corporate documents.

**ACES**

Check Entry System (Select)

**ACEU**

Check Entry System (Update)

**Adjuster/Examiner General Information System**

Windows-based claims handling component of the Strategic Suite of Systems (S3). Provides a front-end data capture mechanism to feed claim information to existing corporate back-end systems. A/EGIS interfaces the underwriting systems.

#### **Administration Leverage System (ALS)**

Life administration system which supports variable and niche market type policies.

#### **AI Comprehensive Litigation Integration Project (AI-CLIP)**

A set of claims litigation modules that are embedded into CSO P&C, CSO WC and PL Toolkit. These modules facilitate the establishment of a suit and the subsequent management of that suit. AI-CLIP interfaces with AIGCN for communication to panel firms and to LMD for communication to Staff Counsel.

#### **AI Premium Rating Issuing Data Excellence (AI-PRIDE)**

A new rating and policy issuance system for the New Hampshire Group.

#### **AI-PRIDE**

AI Pride is the rating and policy issuance system for New Hampshire. It provides a quick quote, rating, reinsurance, billing and policy issuance for package products for middle market business.

#### **AI Quality Underwriting Information Capture (AI-QUIC)**

An underwriting system which allows users to adjust the business processes to meet their changing requirements. It enables rapid identification, quoting, negotiation, binding and issuing of new business. AI-QUIC replaces NUS which was shut down in September 1998.

#### **AI Questionnaire**

A tool used to build questionnaires for open file reviews (OFR) for the purpose of determining training needs for claims adjusters and evaluating performance. It links to Toolkit for claims information and has a feed to PFMS for the performance appraisal process.

#### **AI Submission Tracking and Reporting System (AI-START)**

AI-START replaced SPARS as the new corporate reservation system. It is an account maintenance facility that interacts with an Account Database shared with Corporate R&D.

#### **AI-CAPP**

The Small Business Insurance Service's CAPP application has been rewritten to run on the internet. AI-CAPP will allow products to be changed or added as needed by the business.

#### **AI-Service**

A customer tracking tool for AIGCS Account Coordination Teams.

#### **AICAL**

American International Claims Adjuster Licensing Database

#### **AIG Counsel Network (AIGCN)**

An online communication mechanism between defense counsel and the claims technicians. It facilitates the transmission of initial assignments, litigation plans, budgets, deposition summaries, pretrial reports, matter resolution forms and billing invoices in standard AIG billing grid format. Information is transmitted using the Lotus Notes Replication process,

(formerly ELF).

### **AIG Corporate Real Estate Strategic Technology (AIG CREST)**

Uses IBM's TRIRIGA system, replacing CenterOne.

### **AIG Specialty Workers' Compensation's (AIG SWC) System**

AIG e-WC system is an online quote and order system providing the ability to do business from any internet -connected computer 24 hours-a-day, 7 days-a-week. This easy-to-use-tool, with a comprehensive menu of features and benefits, gives you the power needed to configure guaranteed workers' compensation programs.

### **AIG eDelivery**

An Internet-based system that makes newly-issued insurance policies and endorsements from Environmental available for download by brokers, expediting policy delivery and eliminating the need for traditional paper policy issuance. Policies and endorsements will be available to brokers online the next business day after issuance.

### **AIG MGA Processing (AMPS)**

This is a local area network (LAN)-based data entry application system providing entry and processing of MGA (Managing General Agent) premium transactions and data for National System Union profit centers. It includes reinsurance processing and interfaces with backend accounting and management reporting systems

### **AIG Panel System**

A database of panel counsel law firms, for the use by AIGCS claims staff. The Panel was replaced by DCRS in August 1998.

### **AIG Rates**

A rate display feature, RATES, is available to all UPS users in all UPS regions. These on-line rate pages, built from rates stored on the Table Management Facility (TMF), resemble ISO rate pages. They can be retrieved by company, state, line of business, effective date, and ISO rule number/coverage title.

### **AIG Risk Tool System (GLP RiskTool System)**

A collaborative loss prevention and risk management system which is accessed via the Internet.

### **AIGCS Information Exchange**

Web-based document management system, formerly Market Exchange.

### **AIGMCRS**

AIG Marketing Corporate Reporting System

### **AIGPS**

AIG Premium System

### **AIGRM Quote Publishing System (AIGRMPUB)**

A pc-based system that provides quote documents that are presentable to the client.

### **AIMA**

Marine Insurance Premium and Loss System

### **AIQ**

AI Questionnaire

### **AISTARTS**

AIG Submission Tracking/Reporting (Shadow)

**AIU Micro/Mini Accounting System (AMAS)**

Used to manage the Cash Receipt, Accounts Receivable, Accounts Payable, General Ledger and Reporting requirements of Hyundai Marine and Fire Insurance of Korea, a Korean company writing primarily marine insurance. This is a fee generating service managed by North America Managers (NAM) DBG Comptrollers.

**AIU Smart/AIU CM**

The AIU Client Management System tracks relationships with clients and brokers of AIU worldwide. The system can be accessed directly via EMIS.

**AIWCS**

American International Workers' Compensation System is the rating, policy issuance, and booking system utilized by American Home Assurance Company's Specialty Workers' Compensation group.

**ALIR System**

Automobile Liability Insurance Reporting software system used for the reporting of required vehicle data to the various state DMV offices.

**Allocation**

This system automatically allocates one bill for large settlements on multiple-claim matters, reducing the number of checks printed by CDCS. Allocation is used by persons who use the Site Linking system.

**Alternative Delivery Systems**

Systems which cover health care costs, other than on the usual fee-for- service basis. Could include HMOs, IPAs, PPOs, etc.

**AMBeR**

Auditable Medical Bill email Request workers' compensation.

**American International Managed Care System**

AIMCS is a managed care reporting system that measures the quality, cost and effectiveness of Managed Care Organizations (MCOs) relative to medical management services proved for Workers' Compensation products within the AIG companies. AIMCS will satisfy provider profiling, cost/benefit analysis of medical outcomes, and help evaluate patterns of care.

**American International Workers Compensation System**

AIWCS performs all functions necessary to rate, issue policies, and report on all Workers' Compensation business for the Domestic Brokerage Group.

**Annuity New Business (ANB)**

LAN-based SQL Windows application. Front ends LIFE-COMM submit process. Used by Annuity department.

**American General Producer Exchange (APEX)**

Provides access to critical, time-sensitive information on the status of your business, including pending business, in-force policy information and commissions. The Marketing Library provides access to current interest rates, state approvals, forms, product information, underwriting guidelines and requirements, advanced sales concepts, field bulletins, and more.

**Apollo**

System used by VALIC to process AIG Retirement Benefits.

**AppointPak**

Electronic system that produces state appointment forms.

**Ariba**



AIG's purchasing system. Effective July 1, 2011, all invoices are processed online through ARIBA, replacing WAVES.

### **Account Service Database (ASD)**

This system is intended to serve as a central repository of information pertaining to all of AIGCS' clients. It is the means by which AIGCS personnel can search for information on a specific account or search for all accounts that fit a particular profile. It is the method by which AIGCS will obtain new account information and update existing account information.

### **Assigned Risk**

This mainframe system extracts premium, loss and commission information from the Green database (a combined repository for WCPC and AIWCS workers' compensation policy data), CRS, ARS and UCF for Division 13's Assigned Risk business.

### **Assigned Risk Plan Reporting (PLANRTG)**

This system extracts premium, loss and commission information from the Green database (a combined repository for WCPC and AIWCS workers' compensation policy data), CRS, ARS and UCF for Division 13's Assigned Risk business.

### **Audit Advice System (AAS)**

Calculates and bills adjustments to the insured from the audit of policy. This application feeds the Consultant/Audit Tracking System (CATS) and the Corporate Reporting System (CRS).

### **Audit Pro**

A third-party software package that enables the users to enter audits on their PC and download to the Audit Pro Library.

### **Audit Pro Library**

Uploads audits created by Audit Pro and audit information. Also downloads audits from the library to a PC upon request.

### **AuSuM**

Audit and Survey Management System is a proprietary application developed to automate the field survey process. It is a web-based application utilized by Underwriting and AIGC. In addition to managing the survey process, AuSuM is also used to enter time to be billed on a survey or non-billable time, such as vacation.

### **Auto Residual System (ARS)**

Used to process claims for the residual value of leased cars.

### **Autocession**

An automated process used in the RDPS accounting system to produce assumed and ceded reinsurance reports.

### **Automated Reinsurance Integration**

This is part of the strategy to link various standalone reinsurance systems into a comprehensive reinsurance database and processing system.

### **Automated Work Distributor (AWD)**

AWD electronically routes work throughout the organization.

## **B**

### **BAR (Billing Application Research)**

This is a Lotus Notes based system for AIGCS which takes bills from Panel firms and verifies them against a rules engine for accuracy.

### **Bill Audit System**

Bill Audit monitors the costs of vendors providing AIG with Bill Audit Services versus the savings they provide by lowering the cost of medical payments. Bill Audit is a mainframe application; future developments include a client-server front-end application.

### **Billing Research**

This takes bills from AIGCN and verifies them against a rules engine for accuracy.

### **Bind vs. Effective**

The Bind versus Effective Date Report displays the relation of policies. Date Report bound to the number of days before or after the effective date. There is a numerical count and percent section for each region of this monthly report. The report displays information for all lines of insurance. It also has a Workers' Compensation only version due to tighter rules for binding WC policies.

### **Blind vs. Effective Date Report**

The Blind versus Effective Date Report displays the relation of policies bound to the number of days before or after the effective date. There is a numerical count and percent section for each region of this monthly report. The report displays information for all lines of insurance. It also has a Workers' Compensation only version due to tighter rules for binding WC policies.

### **BriefBase**

An online collection of legal documents pertaining to securities litigation User firms are members of the prestigious National Union Securities Litigation Panel.

### **Broadcast Messages**

This system is used by the Help Desk to send instant pop-up messages to PC users nationwide concerning system problems or other important information.

### **Broker Agent Reporting System (BARS)**

A producer database which allows underwriting assistants to identify AIG producers. BARS tells the user if the producer, either individual or corporation, holds an authorized license and appointment, that latter not being necessary if the producer has a current broker license. It also provides a profile of pertinent data regarding a producer. This system replaced the Producer/Agent Licensing System (PALS).

### **Broker Billing System (BBS)**

Premium entry system designed to bill premiums to brokers on a monthly basis.

### **Budget Application of OCIO**

Used by the Office of the CIO for the collection/submission of all domestic and international IT Budgets for AIG subsidiaries.

### **Budget System**

This system collects, consolidates and reports on budget data. It updates the DBG General Ledger with budget data, so as to provide budget to actual comparisons during the year.

### **Bureau Criticism System (Bureau Crits)**

This system provides the users a way to track criticisms that come from the Bureaus. These "Crits" are entered into the system and various reports track them as action is taken to comply with the request.

## **C**

### **c-CLAIM**

centralized - Customer Link And Information Management

### **Call Manager System (CMAPP)**

CMAPP allows management to monitor marketing and sales efforts by Business Development Managers across branches, regions and zones.

### **Canadian Draft Control**

Draft Control reconciles cashed checks against losses paid out through LMS, tracking the outstanding issued items. Items cashed but not yet showing as issued have a potential reinsurance impact.

### **CAP**

Catastrophe Advantage Program

**Captive Enhancement**

This is an enhancement to RDPS that automates the processing of premiums for captive reinsurers.

**CARS**

Claims Accounting & Reporting System

**CaseShare Application**

Also known as "Catalyst."

**CaseTrak**

ISD CaseTrak monitors claims and fraud investigations for Internal Audit.

**Cash Collateral System**

Cash Collateral is an on-line application that automates the current manual process for promissory note interest billing and cash collateral interest calculations.

**Cash Disbursement Control System (CDCS)**

Records disbursements, generates checks and automates reconciliation for the check production function.

**Cash Management System (CMS)**

Allows the Claims organization to monitor all issued and paid checks against the budget by tracking all issued and accepted checks for certain issuing companies. It also enables users to retrieve claim information from LMS and use the information as the basis for entering and approving project payments equal or greater than \$250,000. CMS will track if the payment had been issued within the projected period.

**Cash Receivables Reconciliation Utilities (CRRU)**

An Intellect system that allows users to match outstanding cash items from ARTS with booked premium in ADB. Extract files are provided from ARTS and ADB on a month-end basis.

**CASL**

Common Access Security Layer

**CBD (Corporate Business Directory)**

Has been replaced by GOLD (Global On Line Directory), a repository of AIG and member company employees, worldwide.

**CCD**

Credit Control System

**CDS**

Cash Disbursement System

**Central Cashiers Unit (CCU)**

CCU pays the Life Companies expenses in the same manner as SCU does for the P&C Companies.

**Chartis Access**

Formerly, AccessAIG, permits on-line access to AIG information, including product listings, regional contacts, and career opportunities. The Broker Site offers brokers complete product information, and permits registered brokers to complete generic coverage forms and forward them on-line to the responsible AIG marketing or underwriting contact.

**CL (Commercial Lines)**

Commercial Lines Underwriting component of the Strategic Suite of Systems (S3). This Windows system provides underwriting, rating, billing, and issuing capabilities for commercial products. CL interfaces with the claims system (A/EGIS), financial system (Computron), reservation system (AI Start) and the multinational account system (MARS).

**Claims Accounts Receivable System (CARS)**

CARS will track all financial information and transactions arising from a RMG deal. The CARS database will be integrated with the DMS database to obtain the details of the deal structure governing each customer relationship, and will receive loss information from TPAIR to trigger loss billing and excess recovery transactions.

**Claims Counsel Trigger Database**

Provides event driven reporting on Claims Counsel Panel firms. Developed by Claims Litigation.

**Claims Entry**

This provides loss data into AIMA. MultiSoft Inc.'s INFRONT software resides on a PC with an IBM software connection to the mainframe.

**Claims Litigation System (CLS)**

Supports claims examiner functions. The purpose of CLS was to track litigation, both in staff counsel offices and outside counsel firms. CLS was deactivated in August 1998, and replaced by AI-CLIP.

**Claims Online Reporting System (CORS)**

Generates customized and standard reports based on user requests. The requests draw data from a set of DB2 tables via batch programs and generate printed output or downloadable data in Excel format.

**Claims Re-Engineering System (CRE P&C)**

A re-engineering of LMS, CLS and Special Account Instructions (SAI). Additional value-added functions were incorporated, including Activity Notes, Diary Functions, and Fast Track Tools. CRE P&C was replaced by CSO P&C.

**Claims Recovery System (CRS)**

A processing system that kept track of both cash and non-cash recoveries on AIG claim losses with interfaces to and from LMS Front-end system. It was replaced by IRS.

**Claims Reporting**

The LRP database extracts information from the keys in the IP&L trigger tables, LMS and CRS systems to provide reports for the claims users.

**Claims Services Online for Property and Casualty (CSO P&C)**

A re-write of the old CRE application, with several new features.

**Claims Services Online for Workers' Comp (CSO-WC)**

A claims processing system that supports AIGCS specialized Workers Compensation Claims Handling. The CSO-WC System provides basic claims handling functions, as well as value added support functions.

**Claims Services Online Letters (CSO Letters)**

A utility that generates customized letters in Microsoft Word using input from the user and a variety of document templates.

**Claims Status System (CSS)**

A reporting system written in DataFlex, that took downloads from LMS and provided users with Claims Status reports. \*Deactivated

**Clarity - AIG Comptrollers Financial Planning Application**

Corporate Service Department – Budget The AIG Comptrollers Services Department application facilitates collection and analysis of operating expenses and capital expenditures. The application captures/host information for budget, actual, service fees allocation, rates for all parent company departments.

**Client Management System (CMS)**

Consolidates key data from multiple sources, creating client records that can be used for customer service, billing and marketing.

**Closed File Review (CFR)**

An Access application that tracks claims and adjuster performances and claim leakage. \*Deactivated

**Cognos**

IBM Cognos 8 Planning is a finance-managed solution that provides real-time visibility into resource requirements and future business results. It supports best practices such as driver-based planning and rolling forecasts, and serves as the cornerstone for enterprise-wide performance management.

**Common Data Interface (CDI)**

A batch processing system that is able to convert AIU data into RMIS and LMS formats through a validation process. The error free data is then processed by RMIS and feeds the IntelliRisk application. Common Reference Tables Common repositories of AIG reference tables found on the mainframe DB2 databases. These tables are referred to by all systems for validation and editing of data. They replace STEP (Super Tables).

**Compass 2000**

GMD's total group insurance administration, customer service, financial and management reporting system. System automatically updates corporate Account Data Base. A LAN-based application.

**Complete Policy Print (CPP)**

PC-based policy print system. In-house SQL Windows developed application. Prints complete policy package at remotes sites. Currently used in underwriting departments and at VFIS agency.

**Compliance Plan Reporting (CPR)**

Extracts data from WCPC and UCF files and generates reports for the purpose of satisfying the NCCI and/or state regulatory agency requirements to have financial (premium and loss) data on AIG's Voluntary and Residual Workers Compensation business.

**Computron Computer Output On-Line (COOL)**

Provides report viewing and indexing to the general population of Chartis report recipients/users. Reports are imported from ARTS, MSA AR, MSA GL, LMS and RDPS. Data from these reports can be exported into Excel.

**Computron General Ledger**

This provides Chartis Comptrollers with a full functioning General Ledger that provides accounting, regulatory and MIS reporting.

**Concur**

Employee expensing application replacing ERS (Employee Reimbursement System).

**Configuration Management Library System (CMLS)**

Tools and procedures to access the contents of the software baseline library.

**Consultant Audit Tracking System (CATS)**

Provides an inventory and inventory status of policies in the audit process. CATS links to both the Audit Advice System (AAS) and the Audit Pro Library (APL). The application receives feeds from the Corporate Reporting System (CRS) and the Workers Compensation system (AIWCS).

**Consultant Order and Tracking System (COATS)**

This application was developed by AIGCS/Insurance Services. It is a request and tracking system used by loss controllers and underwriters.

**Contract Management System (CMS)**

A PC- and mainframe-system that allows PCRM users to work on a contract level rather than a policy level. The system incorporates account pricing, rating, billing, quoting, binding, booking and cancellations.

**Contract Management System Inquiry (CMSI)**

Allows PCRM users to view all CMS accounts prior to January 1, 1997.

**Corporate Reporting System (CRS)**

The central repository for all premium and loss information which is booked to the corporate record. The CRS receives daily premium feeds from all premium booking systems, weekly feeds from all loss processing systems, monthly feeds from outside sources, and quarterly non-machine feeds from the General Ledger. This data is then used to feed the General Ledger, Accounts Receivables System, RDPS, Annual Statements System, Actuaries, Regulatory reporting, the online sales system and P&L Reporting. CRS creates the corporate records for premium and loss files.

**Corporate Treaties Systems (CTS)**

Processes ceded reinsurance for the Association.

**Cost Containment Department / Workers Compensation (CCD/WC)**

Functions and sub-functions of LMS Front-end that include interfaces with outside Cost Containment Vendors, AI Health and Rehab, Electronic Data Systems, UCF, and Electronic Data Interchange. \*Deactivated

**Credit Risk Management (CRM)**

CRM was designed to evaluate the credit risk associated with a given account based upon the financial background of the account. CRM facilitated the retrieval of financial information for publicly held companies via the Hoover information service. The application was best suited for middle-market companies. \*Deactivated

**Claims Resource Locator (CRL)**

Helps AIG employees locate contact persons within Chartis Domestic Claims and (what was formerly) Personal Lines Claims for phone inquiries and misdirected mail. The CRL also identifies Business Knowledge Associates (BKAs) who can assist with technical claims issues and provides links to various claims applications. \*Deactivated 2012.

**CRUIS (Corporate Reporting User Interface System)**

A web application providing premium reporting and analysis, replacing OPAL, iOPAL, and Sales.

**Customer Service Center**

The Customer Service Center application enables electronic communication of telephone messages from centralized AIMPLCA "message center" to the staff of AIMPLCA. The software includes a customer database, and will enable the message center staff to determine if a message has been read.

**Customized Asset Protection Policy and Issuance System ((OLD) CAPP)**

Provides rate, quote and policy issuance capability for the Small Business Division of New Hampshire. The Small Business Division provides business owners policies for small companies. The policies issued may include enhancements or optional coverages to fit a specific program or individual insured's specific needs. CAPP is in the process of being replaced by AI- CAPP.

**D****D&O BriefBase Opinion Tracker**

Online searchable database containing coverage opinions obtained by AIMPLCA claim personnel.

**D&O BriefBase Tracker**

The BriefBase Tracker contains information about each of the panel law firms who are users of BriefBase.

**Date Report**

Bound to the number of days before or after the effective date. There is a numerical count and percent section for each region of this monthly report. The report displays information for all lines of insurance. It also has a Workers' Compensation only version due to tighter rules for binding WC policies.

**DBG Scorecard**

This will be a Cognos-based management reporting product.

**DBGM**

Domestic Brokerage Group Marketing (DBG Marketing) tracks relationships with clients and brokers for AIG in the US.

The system can be accessed directly via EMIS. The DBGM system is a client relationship management system created as a subset of EMIS to take advantage of linking to all the existing data in EMIS. This tool can be used to track targets and new business opportunities, giving users the ability to manage accounts, brokers and business partners. The system includes the ability to input strategies, notes, and action plans on these relationships. DBGM also provides a Call Report tool to facilitate the management of information resulting from meetings with brokers or intermediaries by both DBG Marketing staff as well as Profit Center staff. DBGM monitors predefined marketing initiatives and segment targeting using data from the AIG reservation system, AISTART/eSTART.

## **DCS**

Domestic Claims System

## **DDSP**

Division, Department, Section, and Profit Unit. This application was used to identify a product which AIG DBG sells. This was replaced by DSP (Division, Section, and Profit unit), merging department and section. Some older underwriting systems still use DDSP.

## **Deal Management System**

DMS automates current manual methods of data collection and retrieval by underwriting personnel in the issuance of policies, and deal data capture for deal documenting and proposal needs.

## **Defense Counsel Reporting System**

DCRS is used to maintain defense counsel firm, rate, audit and exception information; and to view and print firm and firm-related reports. It replaces the DOS "Panel" application.

## **DEGC**

Direct Entry Guaranteed Cost Express System allows booking in DMS.

## **Detailed Claims Information System**

DCI reports detailed information of all workers compensation claims which are determined to be DCI reportable to the NCCI and TX bureaus. Data is extracted from the UCF files and kept on the DCI ancillary and snapshot files.

## **DIG**

Dun & Bradstreet Duns Intranet Gateway

## **DIGS**

Duns Intranet Gateway - D&B company reports via EMIS.

## **Direct Bill**

(Under Development) \*Not ISG Managed.

## **Directorate Insurance**

Also known as FormsGen, DTI is an accounting package designed to allow preparation of various DTI (Insurance Directorate) returns on an annual basis.

## **Directory vs. Folder**

The difference between a Directory and a Folder on a mini computer is:

### *Directory Definition:*

A special type of file that enables you to organize other files into a hierarchical structure. Only use the term directory when you make specific references to the structure of the file system.

### *Folder Definition:*

A representation of a directory in a graphical program. Use the term folder when you document programs that use folder icons to represent directories. Because the purpose of the graphical interface is to abstract away the underlying complexity, and the graphical interface has long used the folder metaphor.

## **Distribution Systems**

Distribution Systems is used to manage the distribution of RMIS reports to the users. The application allows users to view and maintain existing distribution information for an RMIS account.

## **DMRS**

DMRS (Direct Marketing Reporting System) is an A&H system facilitating the strategic process of aggregating and managing all relevant reporting inputs enabling the A&H DMG (Direct Marketing Group) Financial Analysts to produce and distribute timely profit and loss information necessary to run their business. This solution will deliver operational access, insight and provide information at a granular level supporting channels, partners, offers and products enabling users to assess measures of revenue and cost. The DMRS system will receive monthly settlement data feed files via an encrypted FTP process.

## **Dollar\$**

A billing application that replaces the Operations Management System (OMS). It provides a Windows graphical user interface which allows AIG Claim Services to establish contracts, rates and billing rules for claims services rendered.

## **Domestic Brokerage Group Processing System (DBGPS)**

A user friendly version of UPS, the Underwriting Processing System. DBGPS rates, reinsures, bills, books and prints domestic inland Marine, Commercial Property, Fire, General Liability, Commercial Auto and Excess subscription policies.

## **Domestic Table System (DTAB)**

A table system used to feed other systems with general updateable information. For codes, parameters, descriptions, etc.

## **Draft Control**

Reconciles cashed checks against losses paid out through LMS, tracking the outstanding issued items. Items cashed but not yet showing as issued have a potential reinsurance impact.

## **Draft Control System**

Provides Claims Administration with an automated process for resolving Outstanding Issued and Outstanding Accepted items. It maintains a history of items deleted from the Outstandings database, and provides accurate reporting of Outstanding items and supporting information to assist in the research and resolution of any Outstanding issues.

## **Draft Reconciliation System**

A system that allows the user to reconcile issued drafts with the paid document on-line. It is part of AIMA.

## **DRS**

Dynamic Rating System: Used by agents for quotes. Desktop or web-based application.

## **DSP**

DSP (Division, Section, and Profit Unit) replaced DDSP. This system is an underwriting application in which comptrollers make entries for new DSP's and their corresponding DDSP and transfer old DSP's and runoff a DSP. This information is fed to all major systems for assigning Division/Section/Profit unit codes to premiums and losses.

## **Duns Intranet Gateway**

Dun & Bradstreet has implemented a new access system at AIG. It gives desktop accessibility to any AIG associate worldwide that has access to the AIG intranet. Users can request and view company information from a stored D&B database at AIG - or for a fee, download reports from D&B.

# **E**

## **e-PASS**

Electronic Pension Administration System and Services, Information Services Division, American Life Insurance Company (ALICO). GMD's Pension Administration System (PASS) on the Web provides your members and payees with access to relevant data and benefit estimates via the Internet. PASS on the Web also increases service by allowing members and payees of the plan to access data at any time and at their convenience. This means the retirement office staff will have more time to handle other tasks.



**eBAC**

Billing and Collections

**ECHO**

Enterprise Communications - Home Office. A company mass-emailing application.

**ECPS**

Environmental Claims Processing System

**ECS**

Excess Claims System. This Windows application is a claims handling system for the Home Office Excess claims organization. It interfaces with the existing LMS application to provide creation, abstraction and financial functionality.

**ECS**

Executive Claim Summary Review System

**ECS (Excess Claims System)**

This Windows application is a claims handling system for the Home Office Excess claims organization. It interfaces with the existing LMS application to provide creation, abstraction and financial functionality.

**eDCRS**

eDefense Counsel Reporting System

**EDI (Electronic Data Interchange)**

Allows the Comptroller to electronically distribute statements of accounts to intermediaries and reinsurers, and to electronically receive cash settlements from them.

**EDI**

Electronic Document Issuance is concerned with policy form, assembly, and laser printing.

**EIS**

Executive Information System

**Electronic Document Issuance**

EDI is concerned with policy form, assembly and laser printing.

**eLMD**

eLitigation Management Desktop.

**EMIS**

Executive Marketing Information System.

**Enterprise Data Warehouse (EDW)**

The EDW is the center piece of AIG initiative to consolidate data/information sources and reporting, eliminate redundancy and provide world class Business Intelligence reporting vehicles and essential data transportation models. The EDW Organization consists of five key groups, each of which dedicated in maintaining a core Reporting Center of Excellence.

- Decision Support Services (DSS): maintains a Reporting environment for the DBG Comptrollers and Underwriting community.
- DBG Reporting: caters to the increasing demand for more advanced business intelligence reporting. Customized Web portal capsules allows DBG companies to streamline their data acquisition procedures and drastically reduce time/effort/errors in report publishing.
- EDW Inquiry Systems: provides the backbone maintenance for all on-line Inquiry systems into the EDW. These systems (CRUIS, iOPAL, OPAL, Sales, EDW Inquiry) provide flexible, parameterized, filterable reporting front end solutions used daily by DBG business and considered crucial tools in facilitating data.
- EDW Production Support: provides for the daily, weekly, and monthly maintenance of EDW data tables and provides

essential maintenance balance control mechanisms to ensure integrity of data.

- A&H Reporting, WorldSource: Worldwide A&H exists as a central resource for all A&H businesses and as such, collects and analyzes information at a global level. This group also supports the WorldSource Business Intelligence application reporting requirements.

### **Environmental Reallocation**

This Windows System allows Environment examiners to spread payments across a group of clients' files to allow for proper distribution of Reinsurance Recoveries.

### **EPCG**

A Private Client Group application that resides on the LIVDAAIT AS400 server and is utilized by a number of customers, most importantly PCG. Others include Arrowhead and Columbia Lloyds.

### **ePro**

Chartis Broker Services application for underwriters. As of September 2009, This underwriting application no longer exists and has been replaced by a new online platform.

### **ePRS/ePolicy (ePolicy Review Systems)**

This is a browser-based system which provides an easy way of searching the Policy documents from its large archive Database on-line for viewing, printing, and downloading. The database of policy documents is created at the time of Policy Bind in major underwriting systems of AIG like Workers' Comp, National Union, Underwriting Processing System and Lexington underwriting system.

### **eSMART**

Electronic Surety Management and Risk Tracking System

### **eSource**

Global Sourcing has implemented AIG eSource, an online requisitioning system, company-wide. With this new system, employees are able to order a variety of commodities, including office supplies, software, copiers and much more. One click will get you to the AIG eSource system where you can create your requisition, get it approved, and automatically transmit it to the supplier. Formerly Ariba EZ-Buy.

### **ESP**

Employee Skills Profile. Human Resources Worldwide Skills Database. Replaced ODIN system.

### **eSTART**

Electronic Submission Tracking and Reporting Tool is the replacement for SPARS, the Corporate Reservation System. The purpose of eSTART is to ensure that AIG Companies do not compete for the same business. eSTART is a critical part of the daily work flow and is easy to use and provides quick and meaningful information to the users. It is also a source of sales and marketing information.

### **eTreaty**

An application used by underwriters for Treaty Reinsurance, an agreement between a primary insurer or other reinsured and a reinsurer.

### **European Mass Marketing (EMMA)**

A system to track mass marketed business by campaign, etc.

### **European Mass Marketing 2 (EMMA2)**

A&H Direct Marketing component of the S3 Strategic Suite of Systems. This Windows system provides an integrated policy administration and marketing system for A&H Direct business, as well as providing a vehicle for consistent campaign reporting to the A&H profit center.

### **Ewriter Underwriting System**

This is a project that enhances AI-QUIC to allow brokers to use the internet to complete and submit insurance applications.

**EWS**

Early Warning System

**Executive Information System (aka On-Track Hyperion)**

A system to provide senior HYPERION management with business information from other systems.

**Experience System (EXPSYS)**

System records premiums and claims data from various systems and provides "experience" details on a policy level.

**F****Facultative Treaty Recoverable (FTR)**

An on-line billing and cash receipt system for processing facultative and excess of loss recoverables.

**Fast Tax**

This is a Windows accounting package designed for the DBG Comptrollers to file tax premiums by state. It provides accounting, finance and annual reports.

**Fast Track Billing(FTB)**

The FTB system generates binder bills from various rating systems prior to binding the policy. This allows the underwriter to meet the corporate time requirements in sending out bills. After reserving an account in SPARS, the underwriter then can issue a fast track bill, using an estimated premium amount or an actual quoted premium amount if available. If an estimated premium is used and the premium changes in the quote, a new bill is issued as a revision with the policy documents. FTB information interfaces with an FTB system within ARTS. This system was designed to provide a tool for the accounts receivable department to handle binder bills and reports on billing.

**Fidelity Visa/Mastercard**

This Windows application forges a strategic relationship between AISLIC and one of its key clients, VISA Corporate Credit Card program.

**Figgy (Financial Guarantee Bond Loss Recovery System)**

This Windows system contains historical information in connection with the Financial Guarantee Bond Product line. It keeps track of indemnity payments, legal payments, and recoveries to date. It also tracks bankruptcies and non-collectible debt, providing detailed information on both a partnership level as well as on an individual investor level.

**FileTrak**

The FileTrak system maintains a record of the physical location of a claim file using bar code technology.

**Financial Need Analysis (FNA)**

System that when fed personal and financial information can produce a report of amounts and types of insurance products that would best compliment client's needs.

**FMS (Forms Management System)**

A Windows system that tracks DBG Underwriting systems forms/policy changes as they move through the various processing stages, including production and implementation.

**FNL (First Notice of Loss)**

A web-based tool that enables AIGCS customers to file workers' compensation, property and casualty claims online. FNL prompts users to fill out all relevant details associated with the claim, including employer, employee and insurance carrier information. The information is immediately processed, and FNL confirms successful transmission with identification of the AIGCS service center assigned to handle the claim. The online procedure is completed within minutes, and a formal notification letter is emailed to the client verifying receipt.

**Foreign General System (FGAS)**

Used to consolidate accounting and statistical information reported by field production offices. It imposes standards (such as a standard method of calculating earned premium and standard rates of exchange) that allow for a consistent view of

the results.

### **FormMaker**

This is a client-server and mainframe based document printing application. FormMaker positions DBG for electronic delivery of policy documents and allows for greater flexibility of form delivery routing to multiple print locations.

### **Forms Plus**

Claims Setup uses the Forms Plus system to find and save copies of policies into the policy folder in iClaims.

### **Frankona Treaty Reinsurance Bordereau Application**

This mainframe system automates the Excess group's monthly Bordereau process for Frankona Treaty Reinsurance. The new process streamlines the data collection, which is captured on Microsoft Outlook forms and posted to a Public Folder. Reports can be run off the virtual tables created by the forms, so that information from all branches can be found on one report.

### **FRS**

Fidelity Recovery System

### **FSS (First Security Systems)**

This Windows system addresses non-statutory financial security given by AIG by the direct insured client for unpaid premiums (Letters of Credit, Bonds, Trust Agreements).

## **G**

### **Gateway C/S Purchasing System (GCS)**

Used for procurement, prepares requisitions and generates purchase orders. Used by Wilmington purchasing department.

### **GEARS**

This was a standalone work tracking database built in MS Access, used by DBG service centers in order to monitor service center work inventories, inventory aging, service-level performance, and policy issuance milestones. It replicated over the WAN. It was replaced by WTS.

### **GEMS (Global Entity Management System)**

The consolidation and integration of AIG's various existing separate legal entity databases (Classic GEMS, Secretariat, Corporate Comptrollers and Tax) are now housed in a single multi-functional database - now known as GEMS. The consolidated GEMS application serves as a central repository and information source for all of AIG's operating Legal Entities. GEMS is an electronic gateway which facilitates a controlled environment for the formation and life cycle management of AIG's legal entities. GEMS contains critical legal, tax and accounting information concerning the corporation's subsidiary operations.

### **General Ledger - Management Science America (GL-MSA)**

A repository of all functional data for the Domestic Brokerage Group. Its functions are: general accounting, financial and management reporting, and budget and planning. Data comes from manual journal entries or is fed from systems such as UPS, PDE, Acct IV or LMS. This system will serve as the backend for processing Cost Statements and Profit and Loss.

### **GEO Access**

This is a Windows suite of products that provide a number of functions including identifying Managed Care providers by location, analyzing the geographic accessibility of the MC networks, and allowing for user defined searches and customization of Provider directories.

### **Global Operating Budget Application**

Used by the AIG Corporate Budget & Planning group for the collection/submission of all domestic and international subsidiary Operating Budgets, quarterly P&L estimates and quarterly Actual vs. Budget results.

### **GMD Contracts**

PC system that produces contracts for GMD clients using Microsoft Word.

**GMD Financial**

PC system that uses Accounting IV extracts files to produce GMD P&L's by territory.

**GMD Hungarian Reimbursements (HREIM)**

System to reimburse Hungarian Diplomats for medical expenses incurred in the course of overseas travel.

**GMD Pension Administration System (PASS)**

LAN based PC system that processes 401L contracts.

**GMD Pooling**

System to produce annual pooling reports for GMD corporate clients.

**GOLD**

Global On Line Directory: database of AIG employees and contacts. \*To be replaced by Employee Profile in 2012.

**GPG**

Global Product Guide: repository of AIG product offerings. \*Deactivated 2012

**GTE Wage Verification System**

This is a web-based system that provides an online mechanism for AIGCS Workers' Comp claims offices to verify the average wage of a GTE employee who suffers a workers comp claim.

**H****Health Insurance Administration System (HIAS)**

Only used by AIA Companies in SE Asia. Total health administrative system including the new business, underwriting, and contract maintenance, agent/agency payments, billing and accounting functions.

**Healthcare Rating System**

A Windows system that provides a common rating structure to the Healthcare business, an on-line rating engine and a centralized database containing healthcare exposure information. Users input manual rating information, loss rating (claims) information, and various rate and factors tables. Outputs of the system are calculated premiums, historical information, rate monitoring information for Actuaries, and reports.

**Home Foreign System**

Policy Issuance for AIU

**Hyperion Budget System**

Budget generation, consolidation and reporting system.

**Hyperion Financial Reporting**

A system for reporting financial information from other systems.

**I****IAB (Industrial Accident Board)**

This mainframe application extracts WC policy data from the Green database and provides proof of coverage to the industrial accident boards of various states.

**IdM**

Identity Management system - a repository of user accounts that are sourced from HR or Consultant systems and used to create, update, or disable accounts in AIG systems like LAN, Email, or Mainframe.

**IMPACT**

An Accident & Health Underwriting System providing end-to-end underwriting functionalities (Quote, New Business, Endorsements, Cancellations, Premium Computations, Document Generation, Booking, Reinsurance, etc.).

**Impromptu**

This is a third-party Windows program used to create customized reports based off mainframe.

**Independent Agency System**

The method of sales, service and distribution of insurance through agents who own their 'renewals' and are compensated on a commission basis. The agents usually represent more than one insurer and have binding authority.

**Infopac**

Infopac is an output management system used to distribute reports on-line or via hardcopy or microfiche. It allows a user to select specific data for viewing and printing from a variety of reports. Infopac has the ability to tailor the distribution of reports to allow the user to receive only the section or pages they desire. The reports from Infopac can be printed at the local level, on printers such as the regional 4050 laser printers. Infopac is a menu driven system. Its selective viewing and printing function, reduces paper production and the time needed for manual distribution of reports. Infopac provides access to a variety of reports, such as: Expense and Budget reports, Profit & Loss Statements, Policy Registers, Cost Statements and Sales Reports.

**IntelliRisk (Risk Management Information System)**

This is an Internet-based Risk Management Information Systems that provides immediate access to accurate, timely information in Real Time. It allows dynamic viewing, reporting and analysis claims, and provides electronic communications facilities with AIG Underwriting and Claims Services staff.

**International Reinsurance System**

A system to handle reinsurance administration.

**iOPAL**

Intranet Online Premium & Loss

**IRAS ( Insurance and Investment Risk Assessment System)**

This is a Windows investigative system consisting of extensive databases and a state of the art approach to provide a means for underwriting to underwriting guidelines for Reinsurance. Catastrophe management is provided for by portfolio analysis. The system provides a cost-effective means for achieving balance sheet protection, improved loss control, increased profitability, capacity utilization and improved risk sharing.

**IRS (Integrated Recovery System)**

IRS for AI Recovery is a comprehensive system that replaces CRS (Claims Recovery System), AI recovery's primary database for the past twelve years. IRS also allows access to other applications used by AIG such as LMS, LMD, AI Clip and NIFS. IRS is used for creating and tracking cases identified for recovery, as well as indexing, recording recoveries and performing most recovery handling functions. *\*On September 27, 2010, IRS was deactivated (sunsetting).*

**ISO**

Insurance Services Office, Inc. AIG utilizes numerous methods and employs several external resources to enhance the quality of its claim handling practices, this being one of those.

**Issued Business**

Contracts actually written by an insurer and paid for but not yet delivered to or accepted by the insured.

**iSuite**

UW-iSuite is a Business Rules based workflow solution that minimizes the challenges of Service Centers and synchronizes the activities of the Submissions process with electronic storage of documents. iSuite processes submissions from brokers, underwriters, and managers and controls workflow for issuance through service centers.

**ITAM**

Innovation Tracker and Manager. AIG Product Development application.

**ITG**

ITG is a management tool that integrates project scheduling, resource management, time management and project financials. It is also used to document time spent on specific projects for management approval and monitoring.

#### **ITIM**

IBM Tivoli Identity Management (ITIM). Automated Account Provisioning, generated and disabled as appropriate.

#### **iTrack**

The Online Invoice Tracking system (iTrack) enables vendors, adjusters, managers and administrators to create invoices via a secure web-based application.

#### **iWorks**

UW-iWorks is an online underwriting platform.

#### **J**

#### **Jacada Web**

An on-line interactive enabled computer system used to enter claim information. LMS screens were converted to Jacada to align with the company strategy of moving all front end systems to a thin client platform.

#### **James/Workflow Application**

This system provides a single workflow management platform for the PCG (Private Client Group) business.

#### **L**

#### **LA60**

This mainframe system collects, controls, and edits claims draft data from TPA vendors and updates the Universal Claim file.

#### **LAS**

Leave Administration System (formerly, Short Term Disability).

#### **LAW3**

IBM mainframe application. It is part of the UCF (Universal Claims Facility). This Policy Verification System provides an online CICS interface to the users to query claim and policy information, request reports to be generated with the batch cycle, link and reverse of policies on a claim. The LAW3 database is updated daily with new policy information and changes to existing policies from the Green DB, which is the database for American International Worker's Compensation System (AIWCS).

#### **Legal Audit**

This Windows system supports the Legal Auditing department and stores their Panel firm questionnaires. The application is laptop-based, with the results of the questionnaires transmitted to a user-maintained Access database.

#### **Letter of Credit**

This Windows system enables the Reinsurance Accounting Comptroller to determine which reinsurers require additional financial security in the form of letters of credit, and it facilitates the composition of requests for letter of credit.

#### **LEWS**

LEtter Writing System

#### **LeX**

Legal eXchange is a web-based product created by Bottomline Technologies that allows AIG to review electronic budgets and invoices for legal work performed by outside counsel.

#### **LEXCS (Lexington Claims System)**

This Windows system lets Lexington users track and report on high cost claims.

#### **Lexington Claims Finder**

This Windows system allows users to easily locate a claims file in its file room box.

**Lexington Facultative Payable**

Lexington Fac Payable was a data entry application. Users entered facultative payable information, which was fed to ARTS.

**LEXIS**

The Lexington Insurance system is a LAN and mainframe system which provides policy booking and issuance for Lexington business. Casualty business and property booking are fully supported.

**License Renewal System**

LAN based agent license renewal system, an SQL Windows application. Interfaces with LIFE-COMM Agency System. Used by Agency department.

**LIFE-COMM Insurance System**

Total individual life administrative system including new business, underwriting, contract maintenance, billing, accounting, agent/agency commissions/ payments, valuation and tax reporting subsystems which support all life product lines.

**Life Insurance Underwriting System**

Work tracking system for Underwriters to manage and control all case information prior to policy issue and delivery. System automatically interfaces with MIB.

**LISA (Lexington Insurance Special Accident)**

This was a claims processing system that replaced the LMS front end for all claims entry.

**LMD**

Litigation Management Desktop adds new business functionality for Staff Counsel and replaced CLS.

**LMS**

The Loss Management System is a claims processing system that supports the activity of the AIGCS/AIGTS technicians in all aspects of claims handling, from basic policy and claim data entry to sophisticated routines for processing reinsurance. LMS is the central processing system at AIG. It has interfaces to most of the other major systems, including: Corporate Reporting System (CRS), Operations Management System (OMS). Cost Containment (CCB), Claims Litigation System (CLS), Reinsurance Database (RIDB), Special Account Instructions (SAI), and others. LMS has two main sections of screens. The Alternate Cross Reference (ACR) screens allow the user the ability to cross reference key policy and claim information. This supports the process of checking for duplicate claims, mail matching and isolating misdirected mail. The second main section contains the Policy Information File (PIF) screens. These screens allow a user to confirm coverage, establish a reserve, issue a check, abstract an existing case or create a new case.

**LMS**

Learning Management System by Think Cornerstone

**Local Area Network (LAN)**

A data communications network spanning a limited geographical area which provides communications between computers and peripherals.

**Loss Leveling System**

A system to level mortgage losses over the term of the mortgage.

**Loss Rating System (LRS)**

Loss Reporting System is a PC based system that was designed to operate on a LAN as well as a single machine. It is used to rate PCRM's new and renewal business (across four lines) based on loss history, exposure, premium and logistics. LRS helps underwriters to determine state taxes, residual market loading and premiums charged for excess, aggregate and deductible insurance.

**Loss Triangles System (LTS)**

A system to report summarized claims for actuarial use.



## **LSI**

Litigation Strategic Initiative

## **LSS (Loss Sensitive System)**

This performed Loss Rating and calculated Loss Pick for the Risk Management Business, and provides the necessary reports for effective risk analysis. It is now a module in DMS.

## **M**

## **M.G.A. Data Entry System (MGADE)**

Used for keying information into a file for processing claims. Developed in-house using Visual Basic. Used by Rockwood Claims.

## **MAAS Pension System**

Pension system for defined benefit plans.

## **Major Case**

This mainframe system reports claims, which meet the major case threshold criteria as defined by each state bureau, to the state bureaus. Data is extracted from the UCF files and kept on the Major Case master file. MCI Manual Consultant Interface for Fieldglass Consultant Extensions or Re-Activations. The MCI is a web application that managers of consultants or designated administration groups must use to update the termination dates of consultants in the IdM system when their SOWs are longer than 90 days. Consultants cannot be active for more than 90 days at a time.

## **Medical Bill Payment System**

This is a subset of CSO. It streamlines the medical bill payment process by linking the medical bill audit, claims systems, and CDCS system.

## **Medical Information Bureau (MIBLINK)**

A system to link underwriting with the medical information bureau.

## **MGA Systems (Managing General Agent Systems)**

This receives electronic data from individual agents. The system then processes that information to provide automated Premium feeds to CRS, and automated Account Current feeds to ARTS. This eliminates the manual coding of both Premium and Account Current data to the AIG system. MGA Systems are client-server and mainframe applications.

## **MIBLINK**

Medical Information Bureau

## **Microsoft Excel**

Microsoft Excel is a Windows-based electronic spreadsheet application, Excel allows you to enter data in a spreadsheet in the form of text, numbers and formulas. The formulas perform a range of calculations from simple arithmetic to the more complex functions of calculating interest, monthly loan payments and amortization tables. In addition, Excel includes a sophisticated charting program as well as a database manager, and its macro-editor can create standalone applications.

## **Microsoft Windows**

An operating environment developed by the Microsoft Corporation. Windows is a graphical environment that introduces new, more streamlined ways for users to work with their personal computers. Users can run several powerful applications at once and switch quickly among them (known as multi-tasking). It is easy to transfer information from one application to another as well. Since Windows is a graphical user interface application, it has WYSIWYG (what you see is what you get) capability. All Windows applications are mouse-driven, but users can use keyboarding techniques as well. Windows reduces the learning curve for new packages as all compatible applications use the same interface.

## **Microsoft Word**

MS Word is a powerful word processing program that runs in the MS DOS environment. It is a menu-driven application. Word speeds your work by enabling you to organize and reorganize a document. As you make changes, word adjusts lines and paragraphs for you. Word helps you to use features to help mark revisions to a document, help

you create, display, and organize sections of an outline; combine two documents; or create entirely new document from separate files. Word distinguishes clearly and consistently between the words in a document (content) and the look of the words in a document (format). Word provides users with built-in formats to speed up and ensure a neat and uniform appearance for letters, manuscripts, reports, and other documents.

#### **MSA-AR (MSA Accounts Receivable)**

This is a mainframe system that tracks facultative reinsurance, treaty and excess of loss for the Domestic Brokerage Group.

#### **Multinational Account Request System (MARS)**

Used to request that an affiliated AIG location issue an underlying policy on behalf of a producing branch. In multinational accounts, there may be requirements to issue policies for overseas risks. MARS identifies the risk location, necessary coverages, limits, deductibles, reinsurance and collection terms. It is electronically routed to the issuing office and acted upon. There could be an electronic dialogue between producing and issuing offices until the local admitted policy is issued. MARS resides on a PC, but has cooperative processing with the mainframe repository.

#### **Multinational Underwriting System for International Clients (MUSIC)**

A PC-based, cooperative processing product used to build an international account for property coverages. Worldwide accounts can be very complex, and the MUSIC workstation is built to cooperatively communicate with various other systems. For example, a worldwide account may have a domestic master policy with various underlyers, which is foreign to the account representative, but are locally admitted policies for the overseas exposure. MUSIC collects all rating information by location by coverage and portrays the account on a spreadsheet. Upon binding, MUSIC communicates with the underlyer request system (MARS) and the Home/Foreign system.

#### **Multiview Administrative System (MAS)**

LAN based automated performance tracking system. In-house developed application. Tracks incoming correspondence and subsequent response. Used by Annuity, Ordinary, Payroll, Pension, Variable, and Direct Marketing departments. Approximately 40 users in total.

#### **MURS (Medical Underwriting Review Systems)**

National Health Insurance. Any system of socialized insurance benefits covering all or nearly all of the citizens of a country, established by its federal law, administered by its federal government, and supported or subsidized by taxation.

## **N**

#### **National Health Insurance**

Any system of socialized insurance benefits covering all or nearly all of the citizens of a country, established by its federal law, administered by its federal government, and supported or subsidized by taxation.

#### **National Underwriting System (NUS)**

Provides an automated facility for the capture of account and quote information. This information is used for account analysis, rating, quote letter and policy issuance. Policy information is forwarded to other AIG systems for billing and corporate reporting. NUS handles: Submissions, Account Analysis, Rating, Quotes, Endorsements, Binding, Billing, and Issuance.

#### **National Union System (NUS)**

Provides an automatic facility for the capture of account and quote information. This information is then used for account analysis, rating, quote letter and policy insurance.

#### **NBARS (New Business Activity Reporting System)**

This was a data entry and MIS Reporting system that tracked Target Marketing Activity. It was replaced by PLS.

#### **NBD (National Broker Database)**

This is a compilation of individual nationwide brokers/agents from all regions and branches. It is a marketing database with current addresses, telephone and fax numbers, and is connected to Access to AIG. NBD is also available on the intranet for online viewing only.

**NetSoft**

A Windows-based mainframe emulation and access software program.

**New Business System (NNBS)**

Front end underwriting and issue system that links to LIFE-COMM.

**NIFS (National Inventory File System)**

Keeps track of the location of claim files in offices and warehouses throughout the country.

**ODEN Policy Terminator**

This is a third-party Windows tool used for processing Cancellation, Non-Renewals by state.

**OGAS (Oregon Guarantee Association System)**

This mainframe system provided invoices to the state of Oregon for policy premiums written in the state.

**Online Sales**

This is a Windows application that utilizes the SQL server and remote stored procedures (RSP) to generate programs that will seek the requested information. The programs draw data from the CRS tables. On-line Sales provides daily, weekly, monthly, quarterly, and YTD booked premium information to all levels of management in DBG.

**OPAL**

On-line Premium & Loss Tracking, an intranet-based inquiry system which provides senior management and underwriters a dynamic and flexible facility to view domestic brokerage premium and loss experience. It replaces the DBAS and AAS tools.

**Operations Management System (OMS)**

Provides the AIGCS/AIGTS professional staff and management with an information system to assist in managing claims adjustment and loss activities. The information collected enables AIGCS/TS to better operate its business by establishing a diversified database. In addition to data provided by adjuster activity entries, OMS also accesses data from other AIG electronic systems, such as the Loss Management System, Claims Litigation System and Corporate Reporting System. OMS compares case header information (Branch, Case, Symbol and Loss Date) to claims information. If OMS header information does not match claims records, processing is delayed until the records are matched or new records created.

**Ordinary Life Administration System (OLAS)**

Total administrative system including the new business, underwriting, contract maintenance, agent/agency payments, billing and accounting functions.

**Overseas General Information System (OGIS)**

The front end data feed to FGAS. Field offices are required to report premium and loss data in a standardized format to the Head Office monthly. The OGIS system edits and processes this data through Foreign General (FGAS).

**PACS**

Producer to Collector Systems

**PACU**

Producer to Collector Systems

**PANEL**

Panel was a LAN-based database of panel counsel law firms, for the use of AIGCS claims staff. It was replaced by DCRS.

**PARS (Pre-processing Accounts Receivable System)**

Windows Accounts Receivable System that provides reporting and accounting capabilities, with data feeds to the

Transaction Processing System (TPS) Network.

### **PC Correspondence (PCCORR)**

LAN based correspondence system. In-house SQL Windows developed application. Generates correspondence to policy owners, agents, and between internal departments. Interfaces with LIFE-COMM. Used by Annuity, Ordinary, Payroll, Pension, Variable, and Direct Marketing departments. Approximately 50 users in total.

### **PDE**

PDE was a premium booking system for the Domestic Brokerage Group. It was replaced by PPS in 1997.

### **Pegasus**

An A&H Underwriting component of the S3 Strategic Suite of Systems. This Windows system provides underwriting, rating, billing and issuing capabilities for Accident & Health products. Pegasus interfaces with the claims system (A/EGIS) and financial system (Computron).

### **PegaSystem**

This will create an internet-enabled policy issuance system for Division 13. The system interfaces with AIWCS for automated renewal processing. \*Deactivated 2008.

### **PeopleSoft**

A Web based workforce management system managing benefits and payroll.

### **Peregrine**

This web-based system is a tool for the AIG Help Desk to set up problem tickets, search for solutions in a customizable knowledge base, assign problem tickets, and generate reports.

### **Personal Lines Underwriting System (PLUS)**

A component of the Strategic Suite of Systems. This Windows system provides underwriting, rating, billing and issuing capabilities for auto and homeowner products. PLUS interfaces with the claims system (A/EGIS) and financial system (Computron).

### **PFMS (Performance Feedback Management System)**

This is a Windows-based performance management appraisal system used to track performance for the Professional Liability claims organization.

### **Phoenix Personal Lines System**

A Windows underwriting system for Florida Homeowners policies. It provides full policy rating with underwriter edits, point of sales quoting and issuance, and real-time policy form generation.

### **PLCS**

Personal Lines Claims System

### **PLS (Producer Licensing System/Search)**

This Windows system maintains records of all Producers, tracks licenses by state, line of business, and by AIG Company. This system also maintained the relationships between Producer "Families" (alpha houses, etc.) through the use of DUNS numbers.

### **PLUS Warranty**

Integrated with the PLUS system, the Warranty system is used for setting up and processing warranties.

### **Pluvios Insurance**

Another name for Rain Insurance.

### **POINT**

A mainframe legacy system capable of complete policy and claims processing for the AIG Audubon companies.

**Policy Information Capture System (PICS)**

Replaces the hard copy of the policy that insurance carriers file with the bureau with magnetic tape. PICS was implemented by the NCCI several years ago as a method to reduce paper flow between insurance carriers and the NCCI. All NCCI bureaus, as well as some independent bureaus accept PICS filings.

**Policy Numbering System (PNS)**

A PC and mainframe based cooperative processing system that supplies unique policy numbers for all PCRM business directly to the underwriter. The system produces several informative reports that document policy aging and PCRM volume.

**Powerlan Office Converter**

A completely automated scan and repair conversion product that migrates Microsoft Office application files to newer versions.

**PowerPlay**

By Cognos, a third-party Windows-based management reporting tool that allows users to create "cubes" of multidimensional data from mainframe and client-server business system.

**PPG**

Policy Prefix Guide: database of policy prefixes and associated service centers.

**PPM**

Project & Portfolio Management System

**PPM (formerly Mercury ITG)**

Information Technology Governance system, also known as Hewlett Packard Project Portfolio Management (HP PPM). A tool used for workflow processing, project tracking, and reporting.

**PPS (Premium Processing System)**

The premium booking system for the Domestic Brokerage Group.

**Premium Audit Tracking System (PATs)**

Provides an inventory and inventory status of policies in the audit process. Issue systems provide primary input while status is entered by the audit staff.

**Premium Processing System (PPS)**

Replaces the PDE (Premium Direct Entry) system is used for coding policy information. PPS was created prior to the UPS rating system as a means of coding policy premium. PDE is not a rating system; all rates and premiums must be calculated manually and then entered into PPS. It does not produce any EDI except bills. PPS is accessed through option 20 of the UPS main menu, but is not considered part of UPS.

**Premium Regression**

This replaced PDE Regression and supports PPS, DMS, LEXIS, MGA, A&H, AI Life, NCAP, and AI-SMART systems using externalized tables instead of hard-coded rules and internal tables.

**Processor 1 (PROC 1)**

Individual and group, life and health claim adjudication and payment system. Project on-going to move to PC.

**Processor 1 Correspondence Front End (P1 CSF)**

A front end correspondence system used to generate letters for the claims system. Developed in-house using Visual Basic. Used by Domestic A&H and Life Claims.

**Procuri**

Provides a tracking process for new and renewal business and monitors the flow of information among the following departments: Claims Accounting, Claims Services and Marketing Group (CSMG) and Legal.

### **Producer Fast-Entry System**

This Windows system was developed independently of PLS for DBG Legal Services in order to facilitate the rapid clean-up of producer license and appointment information. It provides access to information in a way that is better suited to multiple updates and entries.

### **Project Harmony**

Replacing ECO with SAP (Systems Application Products) BPC (Business Objects Planning and Consolidation - which is an application from SAP), specific to financial consolidations.

### **Project Partner**

Formed in response to an assessment of the current landscape of the Finance organization to provide overall alignment of several key finance initiatives that collectively focus on delivering a stronger financial system and control framework. The P2P Program scheduling and deployment are aligned within Project Partner with other key initiatives including the STARS and GIFT programs. In order to ensure that the strategic objectives are understood, the eProcurement Strategy and Implementation team has engaged all key stakeholders through working sessions and discussions. A key dependency of the P2P program includes working in alignment with stakeholders, including other initiatives, to ensure the outlined objectives are met.

### **Project STARS**

Standard Treasury Integrated Payment Hub. As part of the Project Partner Initiative, Project STARS will build a single AIG Accounts Payable and Integrated Payment Hub that will replace the existing AP and Treasury application (SCU and WAVES) and migrate the Parent Company GL to the SAP system. Project STARS will provide the technology foundation for future centralization, consolidation and upgrade of AIG global financial systems. Some of the benefits of Project STARS include a basis for integrated financials, simplified and standardized IT platform, a common financial accounting structure, robust management reporting functionality, transparent AP processing and a paperless workflow. Ariba Buyer 9R is an element of the technology upgrade and is fully integrated into the STARS initiative. Joining standardized business processes with updated technology yields tight financial control and process efficiencies.

### **PROMS (Premium Projection and Monitoring System)**

This Windows system allows users to load forecast, budget, non-machine sales and current projects and view the information online. COGNOS reports can be produced with the PROMS data.

### **Property Reinspection**

This is a laptop based application used by Claims Reinspectors who audit the handling of Property and Auto Claims. The results of their inspections are entered into this application from the remote sites and transmitted to the central Parsippany location for consolidated management reporting.

### **PROS (Premium Regression Online System)**

The Windows system is for Premium transactions. It provides a front-end facility to correct policy transactions that are rejected by the backend regression cycle due to AIG or CSP credits.

### **PRS (Policy Review System)**

Provides DBG Underwriting Systems with a query and archive print of previously issued policies and their associated schedules, riders and other attachments.

### **PRSAS (Performance Review Salary Administration System)**

This Windows system is used to administer salaries for the AIGCS claims department.

### **PTL Account**

An expert system application used by National Union.

### **PTS**

Payment Tracking System

## **R**

## **Reference Tables**

Replaced STEP Super Tables

## **Regulatory Reporting**

This Windows system automates the collection and reporting of statistical data currently provided by the Regulatory Reporting Statistical Group. This improves data integrity and reporting capabilities, and centralizes reporting.

## **Reinsurance Company System**

This maintains a database containing relevant information concerning the reinsurers and brokers with whom AIG does business and provides a means of updating that information.

## **Reinsurance Data Base (RIDB)**

Stores information on treaties, facultative reinsurers and intermediaries in the system. It can be accessed through UPS. Treaty, facultative and intermediary information is available by name or number.

## **Reinsurance Data Processing System (RDPS)**

Provides complete Assumed and Ceded Reinsurance Processing of Pro-Rata and Excess of Loss (XOL) business for all AIG reinsurance entities. Provides full accounting, statistical, actuarial and statutory reporting capabilities.

## **Reinsurance Imaging**

Formerly named Treaty History, this Windows system is an image database to maintain treaty terms and information. The information can be accessed and updated by reinsurance officers.

## **Reinsurance System (ReinSys)**

Total reinsurance administration system for individual life and A&H. The system, productional in the larger SE Asia/Japan locations, provides complete assumed and ceded reinsurance processing.

## **Reinsurance Tracking System (RTS)**

This Windows system allows the underwriting community to track facultative reinsurance on National Union policies and to produce applicable reports.

## **REM (Reinsurance Module)**

Domestic Reinsurance Layoff Module. Reinsurance system utilized when underwriters bind an account.

## **Renewal Reporting System (RRS)**

Used to report on policy renewals in the A&H area. Developed in-house using Gupta SQL Windows. Used in New York.

## **Repetitive Payment System (RPS)**

Domestic Life only; pension and annuities payout system. An automated system that pays predetermined amounts at fixed intervals.

## **Risk Activity Developmental Analysis Reporting System (RADRR)**

An inquiry system designed for Risk Managers to track policy claim information. Allows the user to view information such as: all policies for an account, all claims against a policy, claim abstract data, claimant abstract data and claim draft data. RADRR is downloaded from LMSRADRR.

## **Risk Management Information Services (RMIS)**

The Risk Management Information Services system is a complete system for all types of claims, including Workers Compensation, Property, Casualty, Professional Liability, etc. Developed in conjunction with AIAC clients, this state of the art system is based on input received at a series of nationwide seminars. The flexibility and usability of RMIS reflects the experienced views of brokers and risk managers, concerning the formats and data elements needed to perform their jobs more efficiently. RMIS ties together the AIAC network of services with reports generated on a monthly, quarterly or semiannual schedule, in any required format: print, tape or diskette.

## **RITA**

An internal application that Internal Audit uses to store reports and audit issues.

# S

## **SAIGE (Services for AIG Employees)**

### **SailPoint**

A web-based manager hierarchy program for Human Resources. It is used for recertification using an eDirectory LDAP authentication tree.

### **Salary Budget System**

The Salary Budget System is a comprehensive windows-based system that allows users to easily update salary budget information and view actual vs. budget information. You can generate detailed reports from any point in the system.

### **SAM**

Security Access Matrix

### **Satin**

This was used for processing payment vouchers to approved vendors. It was replaced by WAVES on the intranet. \* Deactivated \*

### **Schedule F**

This is a statutory annual statement filing with various state insurance departments. Data is obtained from different sources including CRS, RDPS, MSA, ARTS, Excel spreadsheets and data entry. Reports for Assumed and Ceded Reinsurance are produced for the DBG companies. The reports show the ceded aged reinsurance recoverables for each reinsurer as well as provisions for Unauthorized Reinsurance.

### **Service Monitoring System (SMS)**

Tracks the mailing of new business policies, renewals and endorsements to the insured. This system captures UPS, PDE and WC/PC data for new businesses and renewals with premium greater than \$10,000 and endorsements with premium greater than \$5,000. The system displays various policy data. It is the underwriter's responsibility to update the release date to indicate when the policy was mailed.

### **Service-Now**

Replacement application for Remedy as of 5/17/10.

### **Shadow Direct**

This is a middleware product from Neon Systems that links LAN-based applications directly to the mainframe.

### **SI Quarterly Mapping**

The objective of the quarterly SI Legal Entity Mapping Process is to ensure that all of AIG's legal entities, whether wholly or partially-owned, are included in AIG's consolidated quarterly financial results. This process was initiated for the fourth quarter of 2005 and has continued on a quarterly basis and is regarded as a key control to assure completeness of AIG's quarterly financial reporting process.

### **Silver Plume**

A third-party software package which allows users to view regulatory information. This information is updated monthly.

### **Single Bill**

This Windows system produces a consolidated weekly bill (single bill) and a monthly statement of direct premium, as well as provide ad-hoc reporting capabilities and the ability to download information into Excel. It is now available to brokers through Access AIG.

### **Single Cashier's Unit (SCU)**

Records receipts and disbursements, and generates payment requests. Also contains all vendor details.

### **Site Linking**

Receives data from LMS and the mainframe, and allows the users to link claims that are handled in LMS to Accounts and



to Environmental Sites. The Staffing Matrix system is a part of the Site Linking application. It serves management as a productivity measurement and monitoring tool by allowing Environmental Claims to rate their accounts via a questionnaire and estimate staffing levels.

### **SRS**

"Server Requisition System" managed by Allen Livingston's group in Ft.Worth

### **Special Accident System (SPIES)**

Captures, bills, reinsures, and books special accident policies for Lexington.

### **Special Account Instructions (SAI)**

AIGCS and AIGTS have many accounts which require special handling. These special Account instructions were handled manually until the advent of the SAI system. Instead of an adjuster having to hunt down the paper file that has these instructions, SAI puts them on-line and a single keystroke (F9) away. The SAI system contains information on, E.g.: Marketing, Underwriting, SIR (self insured retention) deductibles and limits and aggregates, Acknowledgments, Closing notices, Draft copies, NCCI codes, consultation and settlement authority limits and contacts, rehabilitation, expert witness, litigation, division and location coding.

### **SPECTRUM**

Underwriting, Rating and Issue for Accident & Health. Issues group Accident and Health and provides premium entries to Broker Billing. Also provides query capability for claims processors. Client server system.

### **StarTeam®**

Is a tool used by the Business System Development team to report system problems within applications.

### **State Tax System**

A system to do state taxes for life insurance companies. Auxiliary state and local tax reporting system.

### **Submission Processing and Reporting System (SPARS)**

A mainframe system used for reserving and tracking accounts for new business and renewals. It is a subsystem of the Account Data Base. This system has several functions including submission clearance, automatic renewal entry, new business and renewal tracking, codes directory, account snapshot and history and batch reports. SPARS provides inquiry capability by submission number, account number or name, underwriter, region, branch, profit center and producer.

### **Super Table Maintenance Facility (STEP)**

This was replaced by Common Reference Tables. \* Deactivated \*

### **Supplementary Data Entry (SDE)**

A PC based system that captures data not captured via OGIS.

### **Support Magic**

This Windows based system is a tool for the AIG Help Desk to set up problem tickets, search for solutions in a customizable knowledge base, assign problem tickets, and generate reports.

### **Sures**

This was an Access application that provided a diary and notes for Claims staff processing Surety claims. It was replaced by Toolkit. \* Deactivated \*

### **Surety Automation**

This system enables Surety underwriters to enter and maintain accounts, power of attorney and bond information. Automated tools will be available for account and bond analysis. On-line links also are under development to the imaging platform and reinsurance systems.

### **Surety Management and Reporting System (AI-SMART/eSMART)**

Replaced the SURETY system. This system serves the Surety division of National Union. The new system supports Commercial as well as Contract bonds.

**Syntel Workflow Manager**

This is used by ISG and Syntel management to track application development, enhancement, and maintenance service according to the Service Level Agreement between ISG and Syntel. Quarterly reports are run from the information in the system to measure Syntel's adherence to the service agreement.

**T****Target and Prospect System (TAPS)**

A marketing tool used to track all prospective new business opportunities for AIG commercial accounts. These opportunities may be with accounts for which AIG has no current or past relationship; they may also be with accounts that AIG now writes, but wishes to cross-market using other profit centers.

**Thrift Plan**

Any type of retirement plan in which an employee savings feature is added.

**Time Reporting System (TRS)**

This is an Access based application that tracks ISG resource hours by task and project, providing project management, reporting and accounting functions.

**Toolkit PL**

ToolKit unites all AIMPLCA lines of business in a single claims system. It serves as a platform for the creation of an electronic claim file. It has five modules: Notes and Diary capture claim information, Digest provides a summary of claim facts online, Maintenance and Navigation allow for system maintenance and user access.

**Tort Reporting**

This is a mainframe reporting system that provides users with legal reports on a monthly, quarterly and yearly basis. Users access TORT through TSO (Time Sharing Option).

**Total Overseas Group Administration System (TOGAS)**

GMD group insurance administration, customer service, financial, claims processing and management reporting system.

**Toxic Tort Account System (TTAS)**

This is a Windows version of Site Linking modified for use by Toxic Tort Claims. It allows users to link claims that are handled in LMS to Accounts.

**Tracker 2000**

This Windows system provides the domestic claims organization with a proactive mechanism for identifying and tracking checks that are outstanding by more than 180 days, and an automated process for reporting Abandoned Property items per New York State requirements.

**TransAmerica Reinsurance Self Administration System (TARSAS)**

Total reinsurance administration system for individual life and accident and health.

**Transatlantic Domestic Facultative (TDF)**

A system that consists of premiums, losses, drafts, cash and management reports. These reports are used by the underwriters, controllers, claims group and collection department. On-line update of the Division, Department, Section and Profit unit table (DDSP) provides the user with the ability of keeping this table up to date for validation of input to premium and loss systems. CICS premium suspense fire corrections can be done daily by the user.

**TSO(Time Sharing Option)**

In computing, TSO is an interactive time-sharing environment for IBM mainframe operating systems.

**TTAS**

Toxic Tort Accounting System

**U**

### **Underwriter Processing System**

Used by underwriters to process policies for many line of insurance. UPS processing includes rating, quoting, billing, binding and reinsurance. It provides automated rating for the simplified lines of insurance. After the policy is bound through batch processing, the EDI (Electronic Document Issuance) produces complete copies of the policy the next day via the local printers. UPS includes the following: General Liability, Commercial Property, Inland Marine, Builders' Risk, Umbrella, Excess Workers Compensation, Crime, Commercial Package Policies, Renewals/Cancellations/Endorsements/Reinsurance Revisions, and Stats/Layoffs.

### **Universal Claims Facility**

UCF collects, controls and edits claims and drafts data from 47 Vendors and updates the Universal Claims file. The file structure for UCF is VSAM and the system is written in COBOL. Universal Claims Facility is the Claims database that is used in statistical reporting. UCF functionality includes pre-processing of the claims and payment details sent by the TPA's, updating of the master files, auditing of data, transfer of claims between TPA's, batch report generation, online reports request, ad-hoc data extraction and formatting.

### **Universal Life Administration System**

Total administrative system for the universal life product including the new business, underwriting, contract maintenance, agent/agency payments, billing and accounting functions.

### **UNIX**

A multi-user, multitasking operating system. Due to its portability, flexibility, and power, UNIX has become the leading operating system for workstations. The emergence of a new version called Linux is revitalizing UNIX across all platforms.

### **UPS Regression**

This is the back-end system for UPS that transfers data from UPS to CRS. It resides on the mainframe. Data from UPS must conform to the rules and edits contained in the UPS Regression in order to be transferred to CRS.

### **V**

### **VARS (Vendor Assignment & Reporting System)**

Used to assign and track the vendor assignment process, including maintaining vendor information, creating assignments to specific vendors, monitoring the progress of assignments and closing assignments.

### **Vendor Loss Processing (VLP)**

Provides a mainframe functions for processing monthly TPA loss tapes. This consists of monthly reports and produces financial journal entries used for booking and invoicing as well as quarterly reports. It also produces an extract file for the General Ledger.

### **Vendor Services Oversight (VSO)**

This captures data on Vendor Services operations, including claim data, travel and expense information. It also has a Diary and Activity Notes facility.

### **Verint**

Captures incoming and outgoing CCIC contacts via a server based application. This means 100% of all Contacts are recorded for quality and training purposes.

### **VMU (Vendor Maintenance Unit)**

### **VoltageSecureMail**

Uses encryption technology from a leading identity-based encryption software program, offering a more secure way to communicate via e-mail.

### **VRS**

Vendor Reporting System

### **W**

**Web Automated Voucher Entry System (WAVES)**

This intranet-based system is used by the Cash Management Office to process payment vouchers. \* *Effective 2011, WAVES was discontinued and the invoicing is done primarily through Ariba.* \*

**WinScribe®**

Internet Author software. Software used to record and play back dictation. Recording jobs saved to the WinScribe server are stored and delivered to Internet Typists.

**WINTRACK**

Agents' Tracking System Work; tracking system to manage the processing of agent licensing and appointment applications.

**Workers' Comp Mainframe (WCMF)**

The mainframe portion of the Workers Compensation/Profit Center system (WC/PC). Data that is captured on WC/PC is bound and sent to the mainframe. The data is stored on the mainframe in a file known as WCRN. From the file, many daily reports and extract feeds are produced for other systems.

**Workers' Compensation/Profit Center (WCPC)**

Rates, reinsures, bills, books, and prints all domestic Workers Compensation policies. A complete rating system that incorporates all state regulations for the Worker Comp line of insurance. All policy processes (rating, reinsurance, billing, binding, as well as renewals, cancellations and endorsements) are handled by WC/PC. Accounts must be reserved in SPARS first. WC is a PC system and is resident on the LANs (Local Area Networks). WC/PC supports full EDI. It was replaced by AIWCS. \* Deactivated \*

**World Wide Risk Analysis (WWRA)**

Provides accurate and timely risk analysis reporting for AIU and PCRM.

**Worldrisk**

The Windows-based WorldRisk underwriting system provides foreign commercial risk coverage for middle market companies.

**WTS (Work Tracking System)**

This is an intranet-based joint AIGRM and DBG systems development project that will replace the old WTS as well as manual inventory systems as well as GEARS. It tracks key business processes from inception to conclusion, including New and Renewal Policy Issuance, Endorsement Requests, Security Installments, Legal Agreements, and more.