DOWNLOAD PDF GLOSSARY OF INSURANCE AND RISK MANAGEMENT TERMS

Chapter 1 : Insurance - Wikipedia

This glossary was originally published in Coverage, Claims and Consequences: An Insurance Handbook for Nonprofits.. Accident â€” Unexpected or chance event. This term is frequently defined in older commercial general liability (CGL) policies.

An Insurance Handbook for Nonprofits. Accident â€” Unexpected or chance event. This term is frequently defined in older commercial general liability CGL policies. Accident medical reimbursement insurance â€” Covers medical expenses for injuries arising out of accidents, regardless of liability. Traditionally also provides a schedule of payments for death or severe injury, such as loss of limb or sight. Actual cash value ACV â€” Replacement cost of damaged or lost property less depreciation. Actual damages also known as compensatory damages â€” Sum of money a plaintiff injured party is entitled to, to compensate him for actual economic loss sustained. Additional insured endorsement â€” An additional insured endorsement is the contract by which an additional insured a person or entity, other than the named insured is protected by a particular insurance policy. Agents, like brokers, are licensed by state regulatory agencies. However, they are restricted in the marketing and placement of coverage to those carriers with whom they have a contractual relationship. Some agents have relationships with a number of companies, while others represent a single insurer. An agent, therefore, represents the company or companies with whom she or he has a relationship. Aggregate limit â€” Maximum amount that the insurer will pay under a liability policy during one annual policy period, regardless of the number of occurrences, usually in addition to legal defense costs. For general liability, policies are sometimes written with the aggregate limit applying separately to each scheduled location. Alternative market â€” Nontraditional risk financing, including risk retention groups, risk pools, self-insurance and captive insurance companies. Appraising risks â€” Identifying the portfolio of risks and assigning values or weights to the risks. Risk appraisal is a hybrid of list making and brainstorming. This is the second step in the risk management process. Auto insurance â€” Business auto policy BAP â€” A standard business automobile policy that is designed to cover the liability and physical damage of motor vehicles. Liability coverage can be provided for the organization, regardless of whether a nonprofit, a staff member, volunteer or other party owns the vehicle. Brokers are typically licensed by a state to place insurance on behalf of clients individuals and organizations with any number of companies, while others represent a single insurer. A broker technically represents the client. Business auto policy â€” A hybrid policy that provides both property and liability coverage; main coverages are auto liability and physical damage coverage. Business interruption insurance loss of income coverage â€” Insurance coverage designed to protect the insured against loss of earnings resulting from the interruption of business caused by an insured peril, subject to the policy provisions. Captive insurance company â€” Subsidiary of one or more parent or member organizations formed for the purpose of insuring the exposures of the parent or member organization s. Certificate of insurance â€” A form that indicates the types of insurance policies written, policy dates, and coverage limits. Charitable immunity â€” Legal defense by which charitable organizations were protected from litigation by virtue of their charitable status. The common law doctrine of charitable immunity exists â€” to some degree â€” in nine states: The states with the least restrictive forms of charitable immunity are Arkansas, New Jersey and Virginia. A qualified charitable risk pool may only be comprised of nonprofit organizations that qualify under section c 3 of the Internal Revenue Code. Claims-made basis â€” A liability coverage form that requires that claims be reported to the insurance company while the policy is still in force in order for coverage to apply. In other words, a claim must be made while the policy is in force. The claims-made form is one of two types of liability policy forms. The other more common form is called occurrence form. Under an occurrence form policy, a claim occurring during the policy term may be reported to the insurance company at any time, even years after the policy expires. Claims management â€” Involves proper and timely notification and record keeping of specific claims and overall loss history for the organization. Commercial general liability insurance â€" Covers liability exposures that are common to all organizations; a combination of three separate coverages, each with its own insuring agreement and exclusions: Coverage can be on an all risk or specific perils basis. Conceptual competition â€" A method of choosing an insurance provider. Establish a comfortable relationship with a new insurance provider agent, broker or consultant prior to obtaining firm coverage proposals. Conditions â€" Part of every insurance policy; qualify the various promises made by the insurance company. Consequential damage insurance â€" Optional coverage for equipment insurance that insures against spoilage of specified property food or plants from lack of power, light, heat, steam or refrigeration. Context â€" The environment and circumstances facing your nonprofit which affect risks and risk management efforts. A nonprofit that has never faced an incident or lawsuit may be somewhat less enthusiastic about risk management activities. Exploring the context for risk management in a nonprofit is the first step in the risk management process. Crime coverage â€" A package of policies that protect an organization against intentional theft by insiders, as well as theft of assets by third parties. Crime coverage generally includes a fidelity bond plus a basic menu of other coverages. Declarations â€" Usually the first page of an insurance policy; summarizes key information specific to the policy; sometimes called a dec page. Deductible â€" Amount deducted from a loss. The deductible is an amount assumed in advance by an insured as required by the insurance company or as a means of obtaining a lower premium for the coverage. Also, the amount of the loss that the insured must pay. Defendant â€" Individual or organization against whom a lawsuit has been brought. Defense coverage â€" Source of funding for the defense of a legal challenge filed against the nonprofit. Definitions â€" Part of every insurance policy; explain the special meaning of the designated words identified in bold print or set off by quotation marks within the context of insurance. Disability insurance â€" Provides an employee security by providing an income should he or she become sick or injured and unable to work. Doctrine of contra proferentem â€" Latin term referring to practice of reviewing courts to construe ambiguous insurance policy terms in favor of the insured policyholder. Earthquake coverage â€" Purchased as separate policy as most property policies do not protect against damage by earthquake. Electronic property coverage â€" An inland marine floater designed specifically for computers and other electronic equipment. Provides coverage for perils not normally included in a standard property policy, such as electrical surge and loss of data. EPLI policies generally cover the organization, its directors, officers, and employees. Claims may be filed by injured workers or their spouse or family members for economic losses. Endorsement â€" Part of most insurance policies; policy forms that modify the main coverage form; changes to the policy language. Equipment breakdown insurance â€" Supplements property insurance which specifically excludes physical damage and the financial damage stemming from equipment breakdown to cover the unique causes that can damage equipment. Was known as boiler and machinery coverage. Excess and surplus lines carrier â€" Insurer that is not admitted not licensed to do business in a particular state, but is permitted because coverage is not available through licensed insurers. Excess liability insurance â€" Provides coverage over and above primary insurance. The coverage is triggered when the amount of a loss exceeds exhausts an existing primary policy. Excess liability coverage mirrors the terms and conditions of the underlying policy. Exclusions â€" Part of every insurance policy; policy provisions that eliminate coverage for specified exposures. Extra expense coverage is generally sold in tandem with business interruption coverage. Fidelity bond â€" A bond that reimburses an employer, up to the stated amount, in the event that an employee commits a dishonest act covered by the bond. Also known as employee dishonesty coverage. A nonprofit can purchase a fidelity bond as a stand alone or part of a crime coverage package. Fiduciary liability â€" Protects the fiduciaries of health and welfare, or pension plans from claims by employees alleging financial loss due to mismanagement of funds. Group insurance programs â€" Special programs generally developed to serve homogeneous or geographically similar groups of organizations; may offer better rates, specialized coverages or features, fewer restrictions and better acceptance of the risks inherent in the group programs. Hammer clause â€" A policy provision that acts as a financial incentive for an insured to agree to a settlement proposed by the insurer. Hard market â€" A phase of the insurance market cycle during which time coverage may be more costly, terms may be more restrictive, and policy conditions and requirements more stringent. Health insurance â€” Covers medical expenses for accidents or sickness, on a first-party basis, and regardless of fault. Hired and nonowned coverage is excess over the insurance on the auto involved in the accident. The policy protects the named insured, not the driver of the vehicle. Hold harmless agreement â€" Contract by which legal liability for damages of one party is assumed by the other party. One party agrees to hold the other party harmless and usually indemnify from the liabilities associated with the hazards of a particular activity or venture. Contracts may contain a hold harmless clause. Hybrid policies â€" Have both liability and property coverages. Examples are business auto policy, international coverage, volunteer accident medical reimbursement and personal liability policies. Immunity â€" A provision in the law which shields a person or organization from legal obligations. Improper sexual conduct coverage â€" Coverage that protects an organization against claims alleging improper sexual conduct. Indemnification agreement â€" When one party the indemnitor assumes the liability of another the indemnitee in the event of a claim or loss. An example is a hold harmless agreement. Indemnify â€" To compensate for actual losses sustained. Individual causing harm â€" The person whose actions led to the injury or loss. Inland marine coverage â€" Also known as a floater endorsement. Insure special items, such as computers, light and sound equipment, and camera equipment at an agreed amount. Insurance â€" Traditional risk-financing tool used to transfer the financial hazard of risk. An insurance policy spells out what is or is not covered caused by all or specific perils causes of damage or injury. Insurance policy â€" A legally binding contract that defines the obligations of both the insured and the insurer. Insurance professional â€" An agent, broker or consultant. Insurance Services Office ISO â€" An insurance industry-supported agency that creates standard policy forms and collects premium and claims statistics. Insured versus insured exclusion â€" Negates coverage for claims brought by one insured against another insured.

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Chapter 2 : Glossary of Insurance and Risk Management Terms - Ebook pdf and epub

Insurance Glossary Free Articles Insurance and Risk Management Terms.

View all The Voss Law Firm Helping Clients on a Contingency Fee Basis Paying a law firm on a contingency basis means that you pay nothing up front, all of your fees are taken out of any settlement you receive at the end of the case. This glossary was originally published in Coverage, Claims and Consequences: An Insurance Handbook for Nonprofits. Accident â€" Unexpected or chance event. This term is frequently defined in older commercial general liability CGL policies. Accident medical reimbursement insurance â€" Covers medical expenses for injuries arising out of accidents, regardless of liability. Traditionally also provides a schedule of payments for death or severe injury, such as loss of limb or sight. Actual cash value ACV â€" Replacement cost of damaged or lost property less depreciation. Actual damages also known as compensatory damages â€" Sum of money a plaintiff injured party is entitled to, to compensate him for actual economic loss sustained. 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Individual causing harm â€” The person whose actions led to the injury or loss. Inland marine coverage â€” Also known as a floater endorsement. Insure special items, such as computers, light and sound equipment, and camera equipment at an agreed amount. Insurance â€” Traditional risk-financing tool used to transfer the financial hazard of risk. An insurance policy spells out what is or is not covered caused by all or specific perils causes of damage or injury. Insurance policy â€” A legally binding contract that defines the obligations of both the insured and the insurer. Insurance professional â€” An agent, broker or consultant.

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Chapter 3 : Glossary of Insurance and Risk Management Terms | The Voss Law Firm, P.C.

The Glossary of Insurance and Risk Management Terms is your personal interpreter of 2, key insurance and risk management terms. The terms are written in plain English with a focus on practical application.

Additional insured An entity other than the named insured that is covered under the terms of the contract and shares in the limits of liability available. Aggregate limit The maximum amount of coverage for a specific period of time, usually the term of the contract, no matter the number of incidents. Benefit bank Any unused portion of the office overhead benefit that can be used by the insured at a later date, in the same period of disability, when actual expenses exceed the benefit limit. Benefit booster Option that serves as a cost of living adjustment on disability benefits. Business owners policy A single, comprehensive policy offering property and liability coverage. Designed typically for small and medium sized offices. Certificate of insurance A form verifying the issuance of a policy and details of coverage in general. Claims-made policy Coverage for incidents that happen after the retroactive date, but prior to the expiration of a policy. The claim, however, must be reported while a policy is in force. Claims filed after coverage ends may be covered by purchasing an extended reporting period ERP or tail. Declarations page This portion of the policy that names the insured, policy effective date, premium, and limits of liability. Disability any occupation The inability to perform the duties of any occupation you are suited for by age, education or training due to a medically determinable physical or mental impairment. Disability own occupation The inability to perform the substantial duties of your own occupation due to a medically determinable physical or mental impairment. Employment Practices Liability Insurance Coverage against legal actions connected to wrongful employment practices, such as discrimination, sexual harassment and termination. Extended reporting period Tail Extension of coverage on a claims-made liability policy after its expiration. Face amount The amount of insurance, usually found on the face page, provided by the terms of an insurance contract, i. Group When more than one practitioner is insured under one policy. Each individual receives separate aggregate limits that are not always available in other programs. Guaranteed renewability Term life policy that is renewable to age 75 without further medical evidence of insurability. Hard market An unfavorable insurance market for the consumer, exhibiting a rise in premiums and often a decrease in availability. Independent contractor A person to whom the named insured provides a form for income tax purposes. Limit of liability The maximum amount for which an insurer is liable, as stated in the contract. Occurrence policy A policy providing liability coverage for incidents occurring during the policy period, regardless of when the claim is filed. Offsets For Lifestyle plan only. Supplemental disability benefits that reduce the benefits to be received, such as social security disability benefits and any other disability benefits received under any state or federal law but not any individual insurance also owned. Preexisting condition Any physical condition for which an insured has received treatment six months prior to the approval date of an insurance policy, any mental condition for which treatment was received in the last year, or any substance addiction that treatment was received for in the last six months. Premium The cost of insurance coverage for a specified risk and time period. Pro rata Distribution of liability among several named insureds sharing a policy on a common risk. Residual benefits Disability benefits paid once an insured returns to work after a period of total disability, which has lasted six months or longer. The benefit will equal to the percentage of their lost earnings applied to the disability benefit for the next 12 months. Soft market An ideal insurance market for the consumer, exhibiting low prices, adequate availability, and low claims risks. Successive periods of disability Periods of disability, from the same or related cause, separated by a six month time period. In the case of Trust Income Protection Plans, benefit payments will begin again immediately without the imposition of a new benefit waiting period. Supplementary payments Common provision in liability policies under which the insurer agrees to pay, in addition to the limit of liability: Survivor benefits If the insured should die while receiving total disability benefits his or her survivors would receive a sum equal to three monthly benefit amounts. Term life insurance A plan of insurance that covers the insured for only a certain period of time term , not for his or her entire life. The policy pays death benefits only if the insured dies during the term. Coverage provides pure death protection without combining the insurance with elements of savings. Umbrella liability policy Separate, high limit policy in excess of the limits of the primary coverage and any other liability coverages. Waiver of premium In the event of total disability for consecutive period 6 months for income protection and 9 months for life , premiums due are waived until the next quarterly payment date that follows cessation of disability benefits. This plan includes a forced savings element that provides a cash value for the policy.

Chapter 4 : IRMI Glossary Of Insurance And Risk Management Terms Available Online At No Charge

In addition to defining more than 3, terms, the IRMI Glossary cross-references to specific sections in other IRMI resources, provides a directory of important organizations and regulatory offices, and contains a unique interpreter of nearly 1, frequently-used abbreviations and acronyms.

Mostly, it happens when the brand new readers discontinue using the eBooks as they are not able to use all of them with the proper and effective fashion of reading these books. There present number of reasons behind it due to which the readers quit reading the eBooks at their first most attempt to use them. Nonetheless, there exist some techniques that could help the readers to have a good and effectual reading encounter. Someone ought to adjust the proper brightness of display before reading the eBook. Due to this they suffer from eye sores and head aches. The very best alternative to overcome this severe issue would be to decrease the brightness of the screens of eBook by making specific changes in the settings. It is proposed to keep the brightness to possible minimal level as this will help you to raise the time you could spend in reading and give you great relaxation onto your eyes while reading. A great eBook reader ought to be set up. You can also use complimentary software that could provide the readers with many functions to the reader than just a simple platform to read the desirable eBooks. Apart from offering a place to save all your valuable eBooks, the eBook reader software even give you a high number of attributes in order to enhance your eBook reading experience in relation to the standard paper books. You may also improve your eBook reading experience with help of options furnished by the software program like the font size, full display mode, the certain number of pages that need to be exhibited at once and also alter the color of the background. You must not use the eBook consistently for a lot of hours without breaks. You need to take appropriate breaks after specific intervals while reading. Constant reading your eBook on the computer screen for a long time without taking any rest can cause you headache, cause your neck pain and suffer with eye sores and in addition cause night blindness. So, it is necessary to give your eyes rest for some time by taking rests after particular time intervals. This can help you to prevent the problems that otherwise you may face while reading an eBook always. While reading the eBooks, you should favor to read enormous text. It is suggested to read the eBook with enormous text. So, boost the size of the text of the eBook while reading it at the screen. It is suggested that never use eBook reader in full screen mode. It is recommended not to go for reading the eBook in full screen mode. While it may look simple to read with full-screen without turning the page of the eBook quite often, it place lot of stress in your eyes while reading in this mode. Constantly prefer to read the eBook in exactly the same span that would be similar to the printed book. This really is so, because your eyes are used to the span of the printed book and it would be comfortable that you read in exactly the same way. By using different techniques of page turn you can additionally enhance your eBook experience. You can try many strategies to turn the pages of eBook to improve your reading experience. Check out whether you can turn the page with some arrow keys or click a special section of the display, apart from using the mouse to handle everything. Prefer to make us of arrow keys if you are leaning forwards. Attempt to use the mouse if you are comfortable sitting back. Lesser the movement you must make while reading the eBook better will be your reading experience. Specialized issues One issue on eBook readers with LCD screens is the fact that it is not going to take long before you strain your eyes from reading. This will definitely help make reading easier. By using each one of these effective techniques, you can definitely boost your eBook reading experience to a fantastic extent. This advice will help you not only to prevent certain hazards that you may face while reading eBook often but also facilitate you to enjoy the reading experience with great comfort. The download link provided above is randomly linked to our ebook promotions or third-party advertisements and not to download the ebook that we reviewed. We recommend to buy the ebook to support the author. Thank you for reading.

Chapter 5 : Risk Management

It occurs when an investor buys low-risk government bonds over riskier corporate bonds, when a fund manager hedges his currency exposure with currency derivatives , and when a bank performs a credit check on an individual before issuing a personal line of credit. Inadequate risk management can result in severe consequences for companies, individuals, and for the economy. For example, the subprime mortgage meltdown in that helped trigger the Great Recession stemmed from poor risk-management decisions, such as lenders who extended mortgages to individuals with poor credit, investment firms who bought, packaged, and resold these mortgages, and funds that invested excessively in the repackaged, but still risky, mortgage-backed securities MBS. The Good, the Bad, and the Necessary We tend to think of "risk" in predominantly negative terms. However, in the investment world, risk is necessary and inseparable from performance. A common definition of investment risk is a deviation from an expected outcome. We can express this in absolute terms or relative to something else, like a market benchmark. That deviation can be positive or negative, and it relates to the idea of "no pain, no gain" to achieve higher returns, in the long run, you have to accept more short-term risk, in the shape of volatility. How much volatility depends on your risk tolerance, which is an expression of the capacity to assume volatility based on specific financial circumstances and the propensity to do so, taking into account your psychological comfort with uncertainty and the possibility of incurring large short-term losses. How Do Investors Measure Risk? Investors use a variety of tactics to ascertain risk. One of the most commonly used absolute risk metrics is standard deviation , a statistical measure of dispersion around a central tendency. You look at the average return of an investment and then find its average standard deviation over the same time period. This helps investors evaluate risk numerically. If they believe that they can tolerate the risk, financially and emotionally, they invest. This number reveals what happened for the whole period, but it does not say what happened along the way. This is the difference between the average return and the real return at most given points throughout the year period. If he can afford the loss, he invests. The field of behavioral finance has contributed an important element to the risk equation, demonstrating asymmetry between how people view gains and losses. In the language of prospect theory , an area of behavioral finance introduced by Amos Tversky and Daniel Kahneman in , investors exhibit loss aversion: Often, what investors really want to know is not just how much an asset deviates from its expected outcome, but how bad things look way down on the left-hand tail of the distribution curve. Value at risk VAR attempts to provide an answer to this question. The idea behind VAR is to quantify how bad a loss on an investment could be with a given level of confidence over a defined period. For example, the following statement would be an example of VAR: Spectacular debacles like that of the hedge fund Long-Term Capital Management in remind us that so-called "outlier events" may occur. In measuring drawdown, we attempt to address three things: One measure for this is beta known as "market risk" , based on the statistical property of covariance. A beta greater than 1 indicates more risk than the market and vice versa. Beta helps us to understand the concepts of passive and active risk. The returns are cash-adjusted, so the point at which the x and y-axes intersect is the cash-equivalent return. Drawing a line of best fit through the data points allows us to quantify the passive risk beta and the active risk alpha. For example, a gradient of 1. A manager employing a passive management strategy can attempt to increase the portfolio return by taking on more market risk i. Of course, this is not the case as returns vary because of a number of factors unrelated to market risk. Active strategies include stock, sector or country selection, fundamental analysis , and charting. Active managers are on the hunt for alpha, the measure of excess return. In our diagram example above, alpha is the amount of portfolio return not explained by beta, represented as the distance between the intersection of the x and y-axes and the y-axis intercept, which can be positive or negative. In their quest for excess returns, active managers expose investors to alpha risk, the risk that the result of their bets will prove negative rather than positive. If unexpected economic developments cause energy stocks to sharply decline, the manager will likely underperform the benchmark, an example of alpha risk. The Price of Risk In general, the more active the investment strategy the more alpha a fund manager seeks to generate , the more an investor will need to pay for exposure to that strategy. The difference in pricing between passive and active strategies or beta risk and alpha risk respectively encourages many investors to try and separate these risks e. This is popularly known as portable alpha , the idea that the alpha component of a total return is separate from the beta component. To the investor, that 1. Portable alpha strategies use derivatives and other tools to refine how they obtain and pay for the alpha and beta components of their exposure. The Bottom Line Risk is inseparable from return. Every investment involves some degree of risk, which can be very close to zero in the case of a U. Treasury security or very high for something such as concentrated exposure to Sri Lankan equities or real estate in Argentina. Risk is quantifiable both in absolute and in relative terms. A solid understanding of risk in its different forms can help investors to better understand the opportunities, trade-offs, and costs involved with different investment approaches.

Chapter 6 : A.M. Best's Consumer Insurance Information Center

Risk management program â€" Educated projections about the future and sound management practices. Risk retention â€" A method of funding loss using internal money. Risk transfer or sharing â€" A method of funding loss using external funds (such as insurance) or risk sharing with another organization.

Early methods[edit] Merchants have sought methods to minimize risks since early times. Methods for transferring or distributing risk were practiced by Chinese and Babylonian traders as long ago as the 3rd and 2nd millennia BC, respectively. The Babylonians developed a system which was recorded in the famous Code of Hammurabi , c. This allowed groups of merchants to pay to insure their goods being shipped together. The collected premiums would be used to reimburse any merchant whose goods were jettisoned during transport, whether due to storm or sinkage. The first known insurance contract dates from Genoa in , and in the next century maritime insurance developed widely and premiums were intuitively varied with risks. Insurance became far more sophisticated in Enlightenment era Europe , and specialized varieties developed. Property insurance as we know it today can be traced to the Great Fire of London , which in devoured more than 13, houses. Initially, 5, homes were insured by his Insurance Office. In the late s, Edward Lloyd opened a coffee house , which became the meeting place for parties in the shipping industry wishing to insure cargoes and ships, and those willing to underwrite such ventures. By the late 19th century governments began to initiate national insurance programs against sickness and old age. Germany built on a tradition of welfare programs in Prussia and Saxony that began as early as in the s. This gave the British working classes the first contributory system of insurance against illness and unemployment. The insured entities are therefore protected from risk for a fee, with the fee being dependent upon the frequency and severity of the event occurring. In order to be an insurable risk , the risk insured against must meet certain characteristics. Insurance as a financial intermediary is a commercial enterprise and a major part of the financial services industry, but individual entities can also self-insure through saving money for possible future losses. Insurability Risk which can be insured by private companies typically shares seven common characteristics: Since insurance operates through pooling resources, the majority of insurance policies are provided for individual members of large classes, allowing insurers to benefit from the law of large numbers in which predicted losses are similar to the actual losses. However, all exposures will have particular differences, which may lead to different premium rates. The loss takes place at a known time, in a known place, and from a known cause. The classic example is death of an insured person on a life insurance policy. Fire , automobile accidents , and worker injuries may all easily meet this criterion. Other types of losses may only be definite in theory. Occupational disease , for instance, may involve prolonged exposure to injurious conditions where no specific time, place, or cause is identifiable. Ideally, the time, place, and cause of a loss should be clear enough that a reasonable person, with sufficient information, could objectively verify all three elements. The event that constitutes the trigger of a claim should be fortuitous, or at least outside the control of the beneficiary of the insurance. The loss should be pure, in the sense that it results from an event for which there is only the opportunity for cost. Events that contain speculative elements such as ordinary business risks or even purchasing a lottery ticket are generally not considered insurable. The size of the loss must be meaningful from the perspective of the insured. Insurance premiums need to cover both the expected cost of losses, plus the cost of issuing and administering the policy, adjusting losses, and supplying the capital needed to reasonably assure that the insurer will be able to pay claims. For small losses, these latter costs may be several times the size of the expected cost of losses. There is hardly any point in paying such costs unless the protection offered has real value to a buyer. If the likelihood of an insured event is so high, or the cost of the event so large, that the resulting premium is large relative to the amount of protection offered, then it is not likely that the insurance will be purchased, even if on offer. Furthermore, as the accounting profession formally recognizes in financial accounting standards, the premium cannot be so large that there is not a reasonable chance of a significant loss to the insurer. If there is no such chance of loss, then the transaction may have the form of insurance, but not the substance see the U. Financial Accounting Standards Board pronouncement number There are two elements that must be at least estimable, if not formally calculable: Probability of loss is generally an empirical exercise, while cost has more to do with the ability of a reasonable person in possession of a copy of the insurance policy and a proof of loss associated with a claim presented under that policy to make a reasonably definite and objective evaluation of the amount of the loss recoverable as a result of the claim. Limited risk of catastrophically large losses: Insurable losses are ideally independent and non-catastrophic, meaning that the losses do not happen all at once and individual losses are not severe enough to bankrupt the insurer; insurers may prefer to limit their exposure to a loss from a single event to some small portion of their capital base. In the United States, flood risk is insured by the federal government. Such properties are generally shared among several insurers, or are insured by a single insurer who syndicates the risk into the reinsurance market. Legal[edit] When a company insures an individual entity, there are basic legal requirements and regulations. Several commonly cited legal principles of insurance include: Benefit insurance â€” as it is stated in the study books of The Chartered Insurance Institute, the insurance company does not have the right of recovery from the party who caused the injury and is to compensate the Insured regardless of the fact that Insured had already sued the negligent party for the damages for example, personal accident insurance Insurable interest â€” the insured typically must directly suffer from the loss. Insurable interest must exist whether property insurance or insurance on a person is involved. The concept requires that the insured have a "stake" in the loss or damage to the life or property insured. What that "stake" is will be determined by the kind of insurance involved and the nature of the property ownership or relationship between the persons. The requirement of an insurable interest is what distinguishes insurance from gambling. Utmost good faith â€” Uberrima fides the insured and the insurer are bound by a good faith bond of honesty and fairness. Material facts must be disclosed. Contribution â€” insurers which have similar obligations to the insured contribute in the indemnification, according to some method. The Insurers can waive their subrogation rights by using the special clauses. Causa proxima, or proximate cause â€” the cause of loss the peril must be covered under the insuring agreement of the policy, and the dominant cause must not be excluded Mitigation â€” In case of any loss or casualty, the asset owner must attempt to keep loss to a minimum, as if the asset was not insured. Indemnity To "indemnify" means to make whole again, or to be reinstated to the position that one was in, to the extent possible, prior to the happening of a specified event or peril. Accordingly, life insurance is generally not considered to be indemnity insurance, but rather "contingent" insurance i. There are generally three types of insurance contracts that seek to indemnify an insured: If the Insured has a "reimbursement" policy, the insured can be required to pay for a loss and then be "reimbursed" by the insurance carrier for the loss and out of pocket costs including, with the permission of the insurer, claim expenses. Most modern liability insurance is written on the basis of "pay on behalf" language which enables the insurance carrier to manage and control the claim. Under an "indemnification" policy, the insurance carrier can generally either "reimburse" or "pay on behalf of", whichever is more beneficial to it and the insured in the claim handling process. An entity seeking to transfer risk an individual, corporation, or association of any type, etc. Generally, an insurance contract includes, at a minimum, the following elements: An insured is thus said to be " indemnified " against the loss covered in the policy. When insured parties experience a loss for a specified peril, the coverage entitles the policyholder to make a claim against the insurer for the covered amount of loss as specified by the policy. The fee paid by the insured to the insurer for assuming the risk is called the premium. Insurance premiums from many insureds are used to fund accounts reserved for later payment of claims â€” in theory for a relatively few claimants â€” and for overhead costs. Social effects[edit] Insurance can have various effects on society through the way that it changes who bears the cost of losses and damage. On one hand it can increase fraud; on the other it can help societies and individuals prepare for catastrophes and mitigate the effects of catastrophes on both households and societies. Insurance can influence the probability of losses through moral hazard , insurance fraud , and preventive steps by the insurance company. Insurance scholars have typically used moral hazard to refer to the increased loss due to unintentional carelessness and insurance fraud to refer to increased risk due to intentional carelessness or indifference. While in theory insurers could encourage investment in loss reduction, some commentators have argued that in practice insurers had historically not aggressively pursued loss control measuresâ€"particularly to prevent disaster losses such as hurricanesâ€"because of concerns over rate reductions and legal battles. However, since about insurers have begun to take a more active role in loss mitigation, such as through building codes. Watson, is a slapstick silent film about the methods and mishaps of an insurance broker. Underwriting and investing[edit] The business model is to collect more in premium and investment income than is paid out in losses, and to also offer a competitive price which consumers will accept. Profit can be reduced to a simple equation: Insurers make money in two ways: Through underwriting , the process by which insurers select the risks to insure and decide how much in premiums to charge for accepting those risks By investing the premiums they collect from insured parties The most complicated aspect of the insurance business is the actuarial science of ratemaking price-setting of policies, which uses statistics and probability to approximate the rate of future claims based on a given risk. After producing rates, the insurer will use discretion to reject or accept risks through the underwriting process. At the most basic level, initial ratemaking involves looking at the frequency and severity of insured perils and the expected average payout resulting from these perils. Thereafter an insurance company will collect historical loss data, bring the loss data to present value , and compare these prior losses to the premium collected in order to assess rate adequacy. Rating for different risk characteristics involves at the most basic level comparing the losses with "loss relativities"â€"a policy with twice as many losses would therefore be charged twice as much. More complex multivariate analyses are sometimes used when multiple characteristics are involved and a univariate analysis could produce confounded results. Other statistical methods may be used in assessing the probability of future losses. Insurance companies earn investment profits on "float". Float, or available reserve, is the amount of money on hand at any given moment that an insurer has collected in insurance premiums but has not paid out in claims. Insurers start investing insurance premiums as soon as they are collected and continue to earn interest or other income on them until claims are paid out. Some insurance industry insiders, most notably Hank Greenberg , do not believe that it is forever possible to sustain a profit from float without an underwriting profit as well, but this opinion is not universally held. Naturally, the float method is difficult to carry out in an economically depressed period. Bear markets do cause insurers to shift away from investments and to toughen up their underwriting standards, so a poor economy generally means high insurance premiums. This tendency to swing between profitable and unprofitable periods over time is commonly known as the underwriting, or insurance, cycle. Claims may be filed by insureds directly with the insurer or through brokers or agents. The insurer may require that the claim be filed on its own proprietary forms, or may accept claims on a standard industry form, such as those produced by ACORD. Insurance company claims departments employ a large number of claims adjusters supported by a staff of records management and data entry clerks. Incoming claims are classified based on severity and are assigned to adjusters whose settlement authority varies with their knowledge and experience. The adjuster undertakes an investigation of each claim, usually in close cooperation with the insured, determines if coverage is available under the terms of the insurance contract, and if so, the reasonable monetary value of the claim, and authorizes payment. The policyholder may hire their own public adjuster to negotiate the settlement with the insurance company on their behalf. For policies that are complicated, where claims may be complex, the insured may take out a separate insurance policy add-on, called loss recovery insurance, which covers the cost of a public adjuster in the case of a claim. Adjusting liability insurance claims is particularly difficult because there is a third party involved, the plaintiff , who is under no contractual obligation to cooperate with the insurer and may in fact regard the insurer as a deep pocket. The adjuster must obtain legal counsel for the insured either inside "house" counsel or outside "panel" counsel , monitor litigation that may take years to complete, and appear in person or over the telephone with settlement authority at a mandatory settlement conference when requested by the judge.

Chapter 7 : Glossary of Terms | TrustPARMA

The Glossary of Insurance and Risk Management Terms is your private interpreter of 2, key insurance coverage and danger administration phrases. The phrases are written in plain English with a concentrate on sensible software.

Most often, it occurs when the new readers discontinue utilizing the eBooks as they are unable to utilize them with the appropriate and effectual fashion of reading these books. There present number of reasons behind it due to which the readers stop reading the eBooks at their first most attempt to utilize them. However, there exist some techniques that can help the readers to truly have a good and effective reading encounter. A person should fix the suitable brightness of display before reading the eBook. Due to this they suffer from eye sores and head aches. The very best alternative to overcome this acute difficulty is to decrease the brightness of the screens of eBook by making specific changes in the settings. It is suggested to keep the brightness to potential minimum level as this can help you to raise the time which you can spend in reading and provide you great relaxation onto your eyes while reading. An excellent eBook reader should be set up. You can even make use of free software that can provide the readers that have many functions to the reader than just a simple platform to read the desirable eBooks. You can even save all your eBooks in the library that is additionally supplied to the user by the software program and have a great display of all your eBooks as well as access them by identifying them from their unique cover. Aside from offering a place to save all your valuable eBooks, the eBook reader software even give you a great number of features as a way to boost your eBook reading experience compared to the conventional paper books. You can even enhance your eBook reading experience with help of choices supplied by the software program for example the font size, full display mode, the particular variety of pages that need to be displayed at once and also change the colour of the backdrop. You should not make use of the eBook continuously for many hours without breaks. You must take appropriate rests after specific intervals while reading. Yet, this will not mean that you should step away from the computer screen every now and then. Constant reading your eBook on the computer screen for a long time without taking any break can cause you headache, cause your neck pain and suffer from eye sores and also cause night blindness. So, it is vital to provide your eyes rest for a little while by taking breaks after specific time intervals. This can help you to prevent the troubles that otherwise you may face while reading an eBook always. While reading the eBooks, you must favor to read large text. It is proposed to read the eBook with huge text. So, boost the size of the text of the eBook while reading it on the display. Despite the fact that this may mean that you will have less text on each page and greater number of page turning, you will be able to read your desired eBook with great convenience and have a great reading experience with better eBook display. It is recommended not to go for reading the eBook in fullscreen mode. Even though it may appear easy to read with full-screen without turning the page of the eBook quite frequently, it set ton of strain on your own eyes while reading in this mode. Constantly favor to read the eBook in the exact same span that will be similar to the printed book. This is so, because your eyes are used to the length of the printed book and it would be comfy for you to read in the same manner. By using different techniques of page turn you can additionally boost your eBook experience. Check out whether you can turn the page with some arrow keys or click a special part of the screen, aside from using the mouse to handle everything. Prefer to make us of arrow keys if you are leaning forward. Lesser the movement you must make while reading the eBook better will be your reading experience. This will help make reading easier. By using each one of these effective techniques, you can definitely enhance your eBook reading experience to a great extent. These tips will help you not only to prevent certain dangers which you may face while reading eBook often but also facilitate you to relish the reading experience with great comfort. The download link provided above is randomly linked to our ebook promotions or third-party advertisements and not to download the ebook that we reviewed. We recommend to buy the ebook to support the author. Thank you for reading.

Chapter 8 : Glossary of Insurance & Risk Management Terms | FLMIC

Glossary of Insurance Terms Actuary A professional trained in the mathematics of insurance and risk management, including the calculations of premiums, policy reserves and other values.

Liability arising from extremely dangerous operations. For example, builders would be liable for damages caused by vibrations after detonating an explosive. Claimants usually do not need to establish that the operation is dangerous. See Strict Liability Accident: An unforeseen, unintended event. A standard used to determine the value of property exposures based on the original cost of property minus depreciation. Property damage usually resulting from theft, vandalism of other acts. See Acts of Nature. The fair and reasonable cash price for which a property could be sold in the market in the ordinary course of business of business and not at a forced sale. Other parties in a contract agreement in addition to the primary named insureds. An insurance company licensed to do business in a given state. A principle that states that those who believe that they are most likely to incur a loss will be most likely to buy insurance. One who solicits, negotiates or effects a contract or insurance on behalf of an insurer. The total amount recoverable from an insurance policy period regardless of how many separate claims are made on a single project. See Limits Agreed Amount: A provision in an insurance policy whereby the coinsurance clause is suspended if the insured carries a certain amount of insurance, usually 90 percent or more of the value of the property covered by the policy. Assertions that a party in a suit, claim or complaint is attempting to prove. Policies that insure against all losses that are not specifically excluded. See Named-Peril Insurance Polices. Intentional destruction of property by fire. A professional designation awarded by the Insurance Institute of America. A dangerous object or situation that may be attractive to certain persons, especially children. Best is one of several rating services. Protects the insured against losses involving automobiles. Coverage can be purchased to cover several kinds of losses including bodily injury liability or collision and comprehensive coverage. Intentionally not engaging in activities that have been determined to be too great a risk. B Basic Extended Reporting Period: The day and five-year extended reporting periods provided to insureds under the ISO claims-made CGL policy when a claims-made policy is cancelled. The minimum limits of coverage that can be purchased for a specific policy. Compensation for loss and other services provided to a policyholder by an insurer under the terms of the policy. A legal agreement by an insurance company to provide coverage. The agreement is temporary pending the writing of a formal policy. Fidelity bonds that pay for losses resulting from dishonest acts of all employees. Liability from a physical injury or death of a person. See Personal Injury Liability. Boiler and Machinery Insurance: Covers losses to all pumps, blowers, power stations, motors, and engines, settling tanks, aerators, boilers, coolers and heaters. It also covers damage to other property caused by the equipment failure and for losses due to interruption in business. A policy that guarantees the performance of a contract or the honesty of employees. The failure to live up to conditions in a contract without having a legal excuse. An insurance policy that provides coverage beyond standard coverages. An independent representative who seeks and negotiates insurance coverage on behalf of an insured. Coverage usually carried by a building contractor as a contractual requirement. It provides coverage for a broad range of exposures from the materials and labor involved in a construction project. Conditions providing for the cancellation of an insurance policy before the termination date. It usually requires each party to notify the other within a certain period before cancellation. The highest amount of insurance available from an insurance company. It can also refer to the highest amount of insurance available in the marketplace. An insurance company that is a subsidiary of another company for which it provides insurance. It may be owned by and write policies for several companies that have common risks. A large loss from a peril. For example, a catastrophic loss can come from a hurricane or a tornado. Written verification from an insurance company that coverage exist. It usually includes the names of the insureds, policy amounts, and policy period. A demand for compensation for a loss. Person or organization that demands compensation for a loss. An insurance policy providing liability coverage only if a claim is made during the policy period, regardless of when the loss occurred. Federal legislation that regulates the release of harmful substances into the atmosphere. Established standards for treating wastewater. An insurance policy provision requiring the insured to carry an amount of insurance coverage that is equal to a certain percentage of the value of the property that is covered under the policy. Fidelity blanket bonds that pay an employer a specified limit for each occurrence of dishonesty by employees. See Blanket Position Bonds. A broad form of liability insurance that generally covers bodily injury and property damage claims but not auto claims. Judgement awards that include actual losses or injuries as well as amounts for expenses, loss of time, and suffering, but not punitive damages. Also known as Superfund, was enacted to set standard for identifying and cleaning up hazardous waste sites. It also established a federal cleanup fund. See Commercial General Liability. Provisions of an insurance policy that state the rights and duties of insureds and insurers. Any area that allows the concentration of toxic gases or precludes an atmosphere that can support life. Conditions found in very few insurance forms, which allow a jurisdiction to have some input in setting law enforcement suits. The provisions allow the Jurisdictions to protest an untimely or ill-advised settlement offer. Requires employers to continue health benefits to employees who have ended employment for reasons other than dismissal. The rating is based on the combined performance of the parent and its subsidiaries. Additional expenses incurred in order to function normally or to maintain services after a loss. For example, if abridge were destroyed during a storm, contingent expenses would include the costs of cleaning up any debris and rerouting traffic. Liability imposed on the insured because of activities of persons other than employees, such a contractors. Duties and responsibility assumed through a contractual relationship for products or services. Used as a defense in negligence suits, it refers to the plaintiff having contributed or added to his or her own injury. A policy provision requiring the insured to assume a portion of each loss over the deductible. Total costs associated with loss exposures, including insurance premiums, deductibles and uninsured losses, costs of loss prevention services, and general risk management expenses. The type of protection provided by an insurance policy. The geographical area covered under an insurance policy. The amount of money required to pay for a loss. Required payment of prevailing wages for work done on federally funded construction projects. Part of an insurance policy that states factual information such as the name and address of the insureds, location and description of the property to be insured, policy period, coverage limits, and premiums. Amount of a loss to be paid by the injured before an insurance policy pays. Holding up a person to ridicule, scorn or contempt. It may be either a criminal or civil violation. A liability policy agreement whereby the insurance company agrees to defend all suits against the insured, with respect to the coverage limits provided in the policy. The defense cost is in addition to the liability limits set forth in the policy. An exception to insurance policy coverage exclusions for fraud, dishonesty and similar acts. It ensures that defense will be provided for these allegations and that damages and damage payments will be excluded for officials and employees who allegedly knew of or participated in the acts. Contracts that can be negotiated to expand or supplement named-peril insurance so that it covers insureds on an all-risk basis. The time an insured has to identify and report losses during the period of a policy of bond. Duties and Notification Requirements: Set by insurance companies for insureds to perform certain acts in the event of loss or to notify the company of a loss within a certain period in order for coverage to be in effect. An obligation to take some action to prevent harm to another. There may be no liability for this obligation depending upon the circumstances and the relationship of the parties to each other. An agreement by a landowner entitling another party to use his or her land.

DOWNLOAD PDF GLOSSARY OF INSURANCE AND RISK MANAGEMENT TERMS

Chapter 9 : Glossary of Risk Management and Insurance Terms â€“ Nonprofit Risk Management Center

GLOSSARY OF RISK MANAGEMENT TERMS This is a comprehensive list of insurance terms. Not all concepts or coverages identified in this list are found at.

Acceleration Clause The part of a contract that says when a loan may be declared due and payable. 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. There can be certain exclusions, as well as time and age limits. Active Participant Person whose absence from a planned event would trigger a benefit if the event needs to be canceled or postponed. Activities of Daily Living Bathing, preparing and eating meals, moving from room to room, getting into and out of beds or chairs, dressing, using a toilet. Actual Cash Value Cost of replacing damaged or destroyed property with comparable new property, minus depreciation and obsolescence. For example, a year-old sofa will not be replaced at current full value because of a decade of depreciation. Adjustable Rate An interest rate that changes, based on a published market-rate index. Annual Administrative Fee Charge for expenses associated with administering a group employee benefit plan. Annual Crediting Cap The maximum rate that the equity-indexed annuity can be credited in a year. Annuitization Process by which you convert part or all of the money in a qualified retirement plan or non-qualified annuity contract into a stream of regular income payments, either for your lifetime or the lifetimes of you and your joint annuitant. Annuitization Options Choices in the way to annuitize. For example, life with a year period certain means payouts will last a lifetime, but should the annuitant die during the first 10 years, the payments will continue to beneficiaries through the 10th year. Selection of such an option reduces the amount of the periodic payment. Automobile Liability Insurance Coverage if an insured is legally liable for bodily injury or property damage caused by an automobile. Benefit Period In health insurance, the number of days for which benefits are paid to the named insured and his or her dependents. For example, the number of days that benefits are calculated for a calendar year consist of the days beginning on Jan. Case Management A system of coordinating medical services to treat a patient, improve care and reduce cost. A case manager coordinates health care delivery for patients. Catch-Up Contributions Additional money you can contribute to a Health Savings Account if you have reached the age of 55 before the end of a taxable year. Coinsurance In property insurance, requires the policyholder to carry insurance equal to a specified percentage of the value of property to receive full payment on a loss. For health insurance, it is a percentage of each claim above the deductible paid by the policyholder. Commission Fee paid to an agent or insurance salesperson as a percentage of the policy premium. The percentage varies widely depending on coverage, the insurer and the marketing methods. Common Carrier A business or agency that is available to the public for transportation of persons, goods or messages. Common carriers include trucking companies, bus lines and airlines. Comprehensive Insurance Auto insurance coverage providing protection in the event of physical damage other than collision or theft of the insured car. For example, fire damage or a cracked windshield would be covered under the comprehensive section. Congenital and Hereditary Disorders Disorders present at birth congenital or passed on from parent to offspring hereditary. Some pet insurance covers these disorders, which are likely to be first noticed when the pet is young. The individual cannot be denied coverage or charged an additional premium for any health problems. Copayment A predetermined, flat fee an individual pays for health-care services, in addition to what insurance covers. Copayments are not usually specified by percentages. Coverage Area The geographic region covered by travel insurance. Creditable Coverage Term means that benefits provided by other drug plans are at least as good as those provided by the new Medicare Part D program. This may be important to people eligible for Medicare Part D but who do not sign up at their first opportunity because if the other plans provide creditable coverage, plan members can later convert to Medicare Part D without paying higher premiums than those in effect during their open enrollment period. Death Benefit The limit of insurance or the amount of benefit that will be paid in the event of the death of the covered person. Deductible Amount of loss that the insured pays before the insurance kicks in. Disease Management A system of coordinated health-care interventions and communications for patients with certain illnesses. Elimination Period The time which must pass after filing a claim before policyholder can collect insurance benefits. Also known as "waiting period. Extended Replacement Cost This option extends replacement cost loss settlement to personal property and to outdoor antennas, carpeting, domestic appliances, cloth awnings, and outdoor equipment, subject to limitations on certain kinds of personal property; includes inflation protection coverage. Financing Entity Provides money for purchases. Floater A separate policy available to cover the value of goods beyond the coverage of a standard renters insurance policy including movable property such as jewelry or sports equipment. Future Purchase Option Life and health insurance provisions that guarantee the insured the right to buy additional coverage without proving insurability. Also known as "guaranteed insurability option. Thus, buyers are subject to credit-risk exposure to the insurance company, which is low but not zero. 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. In Universal Life policies, it typically provides for coverage to remain in force for 60 days following the date cash value becomes insufficient to support the payment of monthly insurance costs. Guaranteed Renewable A policy provision in many products which guarantees the policyowner the right to renew coverage at every policy anniversary date. The company does not have the right to cancel coverage except for non-payment of premiums by the policyowner; however, the company can raise rates if they choose. Guaranty Association An organization of life insurance companies within a state responsible for covering the financial obligations of a member company that becomes insolvent. Hazardous Activity Bungee jumping, scuba diving, horse riding and other activities not generally covered by standard insurance policies. For insurers that do provide cover for such activities, it is unlikely they will cover liability and personal accident, which should be provided by the company hosting the activity. Health Maintenance Organization HMO Managed health-care plan that provides medical care to its members through a network of participating health-care providers. Health Reimbursement Arrangement An IRS-approved tax-advantaged benefit that reimburses employees for medical care expenses not covered by the employer-sponsored health plan. It is funded exclusively by the employer. Qualified expenses are paid tax-free. Health Savings Account Plan that allows you to contribute pre-tax money to be used for qualified medical expenses. HSAs, which are portable, must be linked to a high-deductible health insurance policy. Hurricane Deductible Amount you must pay out-of-pocket before hurricane insurance will kick in. Many insurers in hurricane-prone states are selling homeowners insurance policies with percentage deductibles for storm damage, instead of the traditional dollar deductibles used for claims such as fire and theft. Indemnity Restoration to the victim of a loss by payment, repair or replacement. Insurable Interest Interest in property such that loss or destruction of the property could cause a financial loss. Interest-Crediting Methods There are at least 35 interest-crediting methods that insurers use. They usually involve some combination of point-to-point, annual reset, yield spread, averaging, or high water mark. Laddering Purchasing bond investments that mature at different time intervals. Least Expensive Alternative Treatment The amount an insurance company will pay based on its determination of cost for a particular procedure. Lifetime Reserve Days Sixty additional days Medicare pays for when you are hospitalized for more than 90 days in a benefit period. These days can only be used once during your lifetime. For each lifetime reserve day, Medicare pays all covered costs except for a daily coinsurance amount. Living Benefits This feature allows you, under certain circumstances, to receive the proceeds of your life insurance policy before you die. Such circumstances include terminal or catastrophic illness, the need for long-term care, or confinement to a nursing home. Also known as "accelerated death benefits. Noncancellable Contract terms including costs can never be changed. Own Occupation Insurance contract provision that allows policyholders to collect benefits if they can no longer work in their own occupation. Participation Rate In equity-indexed annuities, a participation rate determines how much of the gain in the index will be credited to the annuity. Period Certain When annuitizing a deferred annuity, or when buying an immediate annuity, it is one of several options that define how you want to take your stream of income payments. Period certain means you choose to take them for a special time rather than over your lifetime. Personal Injury Protection Pays basic expenses for an insured and his or her family in states with no-fault auto insurance. No-fault laws generally require drivers to carry both liability insurance and personal injury protection coverage to pay for basic needs of the insured, such as medical expenses, in the event of an accident. Point-of-Service Plan Health insurance policy that allows the employee to choose between in-network and out-of-network care each time medical treatment is needed. Policy or Sales Illustration Material used by an agent and insurer to show how a policy may perform under a variety of conditions and over a number of years. Pre-Existing Condition A coverage limitation included in many health policies which states that certain physical or mental conditions, either previously diagnosed or which would normally be expected to require treatment prior to issue, will not be covered under the new policy for a specified period of time. Preferred Provider Organization Network of medical providers which charge on a fee-for-service basis, but are paid on a negotiated, discounted fee schedule. Qualified High-Deductible Health Plan A health plan with lower premiums that covers health-care expenses only after the insured has paid each year a large amount out of pocket or from another source. High-deductible plans are also known as catastrophic plans. Qualified Higher Education Expenses Expenses for which money in plans may be used tax-free. Generally, these are tuition, room and board, mandatory fees, and books and computers, if required. Pre-paid plans cover tuition and mandatory fees only, though some provide options. When a plan is approved, contributions made by the employer are tax deductible expenses. Re-Entry Re-entry, which is the allowance for level-premium term policyowners to qualify for another level-premium period, generally with new evidence of insurability. Replacement Cost The dollar amount needed to replace damaged personal property or dwelling property without deducting for depreciation but limited by the maximum dollar amount shown on the declarations page of the policy. Residual Benefit In disability insurance, a benefit paid when you suffer a loss of income due to a covered disability or if loss of income persists. This benefit is based on a formula specified in your policy and it is generally a percentage of the full benefit. It may be paid up to the maximum benefit period. Risk Class Risk class, in insurance underwriting, is a grouping of insureds with a similar level of risk. Typical underwriting classifications are preferred, standard and substandard, smoking and non-smoking, male and female.