



A

- **Absolute Liability:** Liability that is imposed without regard to fault or negligence, typically involving hazardous activities.
- **Accident:** A sudden, unplanned event, not under the control of the insured, resulting in injury or damage.
- **Actual Cash Value (ACV):** Replacement cost of property minus depreciation.
- **Admitted Insurer:** An insurer licensed and authorized to sell insurance in a particular state.
- **Aggregate Limit:** The maximum amount an insurer will pay for all covered losses during a policy period.
- **Aleatory:** A contract where the values exchanged are unequal and dependent on an uncertain event.
- **Alien Insurer:** An insurance company incorporated in a foreign country.
- **Application:** A form provided by the insurer that is completed by the applicant and used in the underwriting process.
- **Arbitration:** A method of settling a dispute using an impartial third party.

B

- **Bailee:** A person or entity that has possession of someone else's personal property for a particular purpose.
- **Bailee Policy:** Covers legal liability for damage to property held by a bailee.
- **Binder:** Temporary proof of insurance until a policy is issued.
- **Bodily Injury Liability:** Insurance that covers physical injuries to others.
- **Broker:** A licensed individual or firm that places insurance with multiple insurers.
- **Burglary:** Unlawful taking of property from within premises with visible signs of forced entry or exit.





C

- **Cancellation:** Termination of an insurance policy before its expiration date.
- **Captive Agent:** An insurance agent who works exclusively for one insurer.
- **Cease and Desist Order:** Regulatory order to halt illegal or unethical conduct.
- **Certificate of Authority:** A license granted to an insurer to transact business in a state.
- **Certificate of Insurance:** Document showing proof of insurance coverage.
- **Churning:** Replacing policies unnecessarily for commission.
- **Claim:** A formal request for insurance benefits.
- **Collision Coverage:** Pays for damage to the insured's car from a collision.
- **Combined Single Limit:** A single dollar limit for both bodily injury and property damage liability.
- **Commercial Lines:** Insurance for businesses, professionals, and commercial establishments.
- **Comprehensive Coverage:** Covers physical damage to a vehicle not caused by collision.
- **Concealment:** Intentional withholding of material facts.
- **Conditional:** A contract requiring certain conditions to be met.
- **Consideration:** The exchange of value in a contract.
- **Controlled Business:** Insurance written mainly for the agent's own interests.
- **Contract of Adhesion:** A contract prepared by the insurer and accepted by the insured.

D

- **Declarations Page:** Portion of the policy that includes key details like coverage amounts, insured name, and premium.





- **Deductible:** The amount the insured must pay before insurance benefits begin.
- **Defamation:** False statements harmful to another's reputation.
- **Depreciation:** Reduction in value due to age, wear and tear.
- **Dram Shop Law:** Laws assigning liability to establishments serving alcohol to intoxicated persons.
- **Domestic Insurer:** An insurer incorporated in the state where it sells insurance.

E

- **Endorsement:** Written modification or addition to an insurance policy.
- **Estoppel:** Legal principle preventing denial of a fact due to previous conduct.
- **Exclusions:** Specific perils or conditions not covered by the policy.
- **Exposure:** The risk or probability of loss.

F

- **Fair Credit Reporting Act:** Federal law protecting privacy of credit information.
- **Fair Plan:** State-run insurance pool for high-risk properties.
- **FEMA:** Federal Emergency Management Agency, oversees the NFIP.
- **Fidelity Bond:** Covers loss caused by dishonest acts of employees.
- **First Named Insured:** The person or entity whose name appears first on the policy.
- **Flood:** A temporary condition of partial or complete inundation of normally dry land.
- **Foreign Insurer:** An insurer licensed in one state but doing business in another.
- **Fraud:** Intentional deception for unlawful gain.
- **Friendly Fire:** A fire that remains within its intended boundaries.

G

- **Garagekeeper's Policy:** Covers damage to customers' autos in a garage's care.





- **Gross Negligence:** A severe degree of negligence demonstrating a reckless disregard.

H

- **Hazard:** A condition that increases the chance of loss.
 - **Physical Hazard:** Tangible conditions (e.g., faulty wiring).
 - **Moral Hazard:** Arises from dishonesty or character flaws.
 - **Morale Hazard:** Arises from carelessness or indifference.

I

- **Implied Warranty:** An unwritten guarantee that the product or service works as expected.
- **Inland Marine:** Coverage for property in transit or movable property.
- **Indemnity:** Principle of restoring the insured to their pre-loss condition.
- **Insurable Interest:** Financial interest in the subject of the insurance.
- **Insurance:** A contract transferring the risk of financial loss.
- **Insuring Agreement:** Section of policy describing the coverage provided.

J

- **Jeweler's Block Policy:** Covers jewelers' inventory and customers' property.

L

- **Law of Large Numbers:** Statistical principle used to predict losses.
- **Legal Purpose:** A valid contract must be for a legal activity.
- **Liability:** Legal responsibility for damage or injury to another.
- **Liberalization Clause:** Broadens coverage automatically if laws change.

M

- **Material Fact:** A fact that influences underwriting decisions.





- **Misrepresentation:** A false statement that can void a policy.
- **Monoline Policy:** An insurance policy covering only one type of risk.
- **Mortgagee Clause:** Protects the interest of a mortgage lender.
- **Mutual Company:** An insurance company owned by its policyholders.

N

- **Named Peril:** Coverage only for perils specifically listed in the policy.
- **Negligence:** Failure to exercise reasonable care.
- **NFIP:** National Flood Insurance Program.
- **Non-Owned Auto:** A vehicle not owned by the insured but used with permission.
- **Non-Renewal:** Insurer's decision not to renew a policy at expiration.

O

- **Occurrence:** An accident or repeated exposure to conditions resulting in injury or damage.
- **Open Peril:** Covers all causes of loss except those specifically excluded.
- **Offer and Acceptance:** Legal requirement to form a binding contract.

P

- **Pair and Set Clause:** Limits insurer's obligation to repair/replace one item of a pair/set.
- **Peril:** The cause of a loss.
- **Personal Injury Liability:** Liability for offenses like slander, libel, false arrest.
- **Personal Articles Policy:** Scheduled personal property coverage.
- **Policyholder:** The person or entity who owns the insurance policy.
- **Premium:** The payment made for an insurance policy.
- **Proximate Cause:** The primary cause of a loss.





R

- **Rebating:** Giving back part of a commission to the insured as an inducement to buy.
- **Replacement Cost:** Cost to replace property with new of like kind and quality.
- **Risk:** The uncertainty of loss.
- **Robbery:** Taking of property through violence or threat.

S

- **Self-Insured Retainer:** Amount the insured pays before umbrella coverage kicks in.
- **Speculative Risk:** Risk with possibility of gain or loss; not insurable.
- **Split Limit:** Separate coverage limits for different categories of losses.
- **Stock Company:** Insurance company owned by shareholders.
- **Strict Liability:** Liability regardless of fault, typically for defective products.
- **Subrogation:** The insurer's right to recover from a third party after paying a claim.
- **Surety Bond:** Guarantees that obligations will be fulfilled.

T

- **Temporary Substitute Auto:** A car used temporarily in place of an insured auto.
- **Theft:** Unlawful taking of property.
- **Twisting:** Misleading a client to replace one policy with another.

U

- **Umbrella Policy:** Provides excess liability coverage.
- **Underwriter:** Person who evaluates risk and determines premiums.
- **Underwriting:** The process of selecting and classifying risks.
- **Unilateral:** A contract where only one party makes an enforceable promise.
- **Uninsured Motorist Coverage:** Covers injuries caused by uninsured drivers.





- **Underinsured Motorist Coverage:** Covers injuries when at-fault driver's coverage is insufficient.
- **Utmost Good Faith:** The expectation that both parties will act honestly.

V

- **Vacant:** Property is empty and without contents.
- **Vicarious Liability:** One party is held responsible for the actions of another.

W

- **Waiver:** The voluntary relinquishment of a known right.
- **Workers' Compensation:** Insurance providing wage replacement and medical benefits to employees injured on the job.

