GLOSSARY OF INSURANCE & SECURITIES TERMS

This is a list of terms that will help you while you are shopping for insurance and securities products.

It is not meant to be all-inclusive, but should help you understand some of the most common terms.

401(a)
This retirement plan meets the qualification requirements of Internal Revenue Code Section 401(a). In this type of plan, employers determine the amount of money that they may contribute on your behalf each year, the requirements that you must meet to receive those contributions, and under what circumstances the money may be made available to you. Some 401(a) plans may allow for employee after-tax contributions or, in the case of a 401(k) plan, employee pre-tax contributions. Types of 401(a) plans include profit sharing plans, pension plans, and money purchase plans.

401(k)
Under section 401(k) of the Internal Revenue Code, employees of private corporations and, beginning in 1997, some tax-exempt organizations, can set aside money for retirement on a pre-tax basis through a plan sponsored by their employer. To encourage saving for retirement through these plans, the federal government created special tax advantages for 401(k) contributions.

403(b)
Under Section 403(b) of the Internal Revenue Code, employees of 501(c)(3) non-profit institutions (such as colleges and universities, hospitals, museums, research institutes, and foundations and public schools) can set aside money for retirement on a pre-tax basis through a plan offered by their employer. To encourage saving for retirement through these plans, the federal government created special tax advantages for 403(b) contributions.

457
Under section 457 of the Internal Revenue Code, employees of state or local governments, their agencies, and tax-exempt employers can set aside money for retirement on a pre-tax basis through a plan sponsored by their employer. To encourage saving for retirement through these plans, the federal government created special tax advantages for 457 contributions. Different from a 401(k) or other type of qualified retirement plans, a 457 has no requirement to be non-discriminatory.

457(f)
Under Section 457(f) of the Internal Revenue Code, an employer can set aside money to supplement retirement income for a select group of employees in their organization. Since these programs are designed to attract and retain key employees and do not provide a benefit for all employees, these programs do not qualify for all of the tax advantages that are made available to 401(a) plans, for example

ACCELERATION CLAUSE
A loan provision that allows a lender, according to the terms of a mortgage or other loan contract, to make the entire unpaid balance of the loan (including principal and interest) due and payable if specified events of default should occur. Such conditions include failure to meet loan payments on time, insolvency, and nonpayment of taxes on mortgaged property.

ACCELERATED DEATH BENEFITS
A life insurance policy option that provides policy proceeds to insured individuals over their lifetimes, in the event of a terminal illness. This is in lieu of a traditional policy that pays beneficiaries after the insured's death. Such benefits kick in if the insured becomes terminally ill, needs extreme medical intervention, or must reside in a nursing home. The payments made while the insured is living are deducted from any death benefits paid to beneficiaries.

ACCELERATED DEATH BENEFIT RIDER (ADB)
A rider added to a life insurance policy to protect the insured against financial loss in the event of a terminal illness. An ADB makes living benefits payable to the insured for medical expenses prior to death. Accelerated (or living) benefits paid reduce the death benefit payable to the beneficiary(ies) upon death.

ACCIDENT AND HEALTH INSURANCE
Coverage for accidental injury, accidental death, and related health expenses. Benefits will pay for preventative services, medical expenses, and catastrophic care, with limits.

ACCRUED BENEFIT
Pension benefits earned (vested) based on years of service at a company and credited to the employee using an actuarial method.

ACTUAL CASH VALUE
An amount equivalent to the fair market value of the stolen or damaged property immediately preceding the loss. For real property, this amount can be based on a determination of the fair market value of the property before and after the loss. For vehicles, this amount can be determined by local area private party sales and dealer quotations for comparable vehicles.

ACTUARY
An insurance professional skilled in the analysis, evaluation, and management of statistical information. Evaluates insurance firms' reserves, determines rates and rating methods, and determines other business and financial risks.

ADDITIONAL LIVING EXPENSES
Extra charges covered by homeowners policies over and above the policyholder's customary living expenses. They kick in when the insured requires temporary shelter due to damage by a covered peril that makes the home temporarily uninhabitable.

ADDITIONS AND ALTERATIONS
Improvements made to a home (e.g., a new bathroom or a remodeled kitchen) that increase the home's value and that may require additional homeowners insurance coverage.

ADJUSTER
An individual employed by a property/casualty insurer to evaluate losses and settle policyholder claims. These adjusters differ from public adjusters, who negotiate with insurers on behalf of policyholders, and receive a portion of a claims settlement. Independent adjusters are independent contractors who adjust claims for different insurance companies.

ADJUSTED GROSS INCOME
For federal income tax purposes, gross income less adjustments (e.g., IRA deductible contributions, self-employment health insurance deductions, etc.), but before standard or itemized deductions and personal exemptions.

ADJUSTMENT PERIOD
For adjustable-rate loans, the period of time between interest rate changes. For example, a mortgage with an adjustment period of one year is called a one-year ARM, and the interest rate can change once each year.

ADMINISTRATOR
An individual or professional organization, such as a bank's trust department, appointed by the probate court to administer an estate when the owner dies without having made a will or without nominating an executor. An executor may also be appointed if the named executor declines to serve.

ADMITTED ASSETS
Assets recognized and accepted by state insurance laws in determining the solvency of insurers and reinsurers.

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

ADVERSE SELECTION
The tendency of those exposed to a higher risk to seek more insurance coverage than those at a lower risk. Insurers react either by charging higher premiums or not insuring at all, as in the case of floods. (Flood insurance is provided by the federal government but sold mostly through the private market.)

AFFILIATION PERIOD
The time an HMO may require you to wait after you enroll and before your coverage begins. HMOs that require an affiliation period cannot exclude coverage of preexisting conditions. Premiums cannot be charged during HMO affiliation periods. Iowa law allows for the use of HMO affiliation periods in small group health plans. See also HMO, Small Group Health Plans.

AGENT
Insurance is sold by two types of agents: independent agents and exclusive or captive agents. Independent agents are self-employed, represent several insurance companies and are paid on commission. Exclusive or captive agents represent only one insurance company and are either salaried or work on commission.

AGGRESSIVE INVESTMENT
Such an investment focuses more on increasing the value of the original investment as an investing priority than on price stability or income. As a result, aggressive investments involve more investment risk.

ALL-RISK
A type of homeowners insurance that covers losses resulting from each and every peril, except for those specifically excluded by the policy. Also known as open peril coverage.

ALTERNATE PAYEE
According to the terms of a qualified domestic relations order (QDRO), an individual who has been granted the right to receive all or part of a participant's benefits under a qualified retirement plan. The alternate payee is generally a spouse, former spouse, child, or other dependent of the qualified plan participant.

AMORTIZATION
For loan purposes, the systematic process by which a lender calculates loan payments so as to liquidate a debt over time. Payments are made at specific time intervals to reduce the outstanding debt to zero at the end of the loan period.

ANNUAL STATEMENT
Summary of an insurer's or reinsurer's financial operations for a particular year, including a balance sheet. It is filed with the state insurance department of each jurisdiction in which the company is licensed to conduct business.

ANNUITY
A contract sold by life insurance companies that allows you to pay a lump sum or accumulate money over time, and the issuing company guarantees payment to the buyer in the future, usually at retirement. You will not pay income taxes on the money until those payments are made.

ANNUITY PAYMENTS
Periodic payments made to an annuitant or to the annuitant's designated beneficiary. The payments may be made on an annual, semiannual, quarterly, or monthly basis, and may last for life or for a specified period. Moreover, depending on whether the annuity in question is a fixed annuity or a variable annuity, the annuitant (or his/her beneficiary) may receive either

payments of a fixed dollar amount or payments that vary in amount according to the value of the underlying securities.

ANTITRUST LAWS
Laws that prohibit companies from working as a group to set prices, restrict supplies or stop competition in the marketplace. The insurance industry is subject to state antitrust laws but has a limited exemption from federal antitrust laws. This exemption, set out in the McCarran-Ferguson Act, permits insurers to jointly develop common insurance forms and share loss data to help them price policies.

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

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

APPRECIATION
When an investment increases in value, it appreciates. For example, a stock whose price goes from $20 a share to $25 a share, it has appreciated by $5.

ARBITRATION
Procedure in which an insurance company and the insured or a vendor agree to settle a claim dispute by accepting a binding or non-binding decision made by a third party.

ARREARAGE
Amount of any past due obligation. This term is used to refer to the amount of interest on bonds or dividends on cumulative preferred stock that is due and unpaid.

ARSON
The deliberate setting of a fire.

ASSET
Property and resources, such as cash and investments, comprise a person's assets; i.e., anything that has value and can be traded. Examples include stocks, bonds, real estate, bank accounts, and jewelry.

ASSET ALLOCATION
When you divide your money among various types of investments, such as stocks, bonds, and short-term investments (also known as "instruments"), you are allocating your assets. The way in which your money is divided is called your asset allocation.

ASSET PROTECTION ALLOWANCE
Used when calculating the expected family contribution as part of the federal student aid application process, this allowance permits a family to exempt certain assets from consideration when determining need.

AUTO POLICY
There are basically six different types of coverages. Some may be required by law. Others are optional. They are:
Bodily injury liability, for injuries the policyholder causes to someone else.
Medical payments or Personal Injury Protection (PIP) for treatment of injuries to the driver and passengers of the policyholder's car.
Property damage liability, for damage the policyholder causes to someone else's property.
Collision, for damage to the policyholder's car from a collision.
Comprehensive, for damage to the policyholder's car not involving a collision with another car (example: damage from fire, explosions, earthquakes, floods, riots and theft).
Uninsured motorists coverage, for costs resulting from an accident involving a hit-and-run driver or a driver who does not have insurance.

AVERAGE ANNUAL RETURN
This is the hypothetical rate of return that, if the fund achieved it over a year's time, would produce the same cumulative total return if the fund performed consistently over the entire period. A total return is expressed in a percentage and tells you how much money you have earned or lost on an investment over time, assuming that all dividends and capital gains are reinvested.

AVIATION INSURANCE
Commercial airlines hold property insurance on airplanes and liability insurance for negligent acts that result in injury or property damage to passengers or others. Damage is covered on the ground and in the air. The policy limits the geographical area and individual pilots covered.

BALANCED FUND
A mutual fund that tries to invest in a broadly diversified portfolio of high-yielding securities, such as common stocks, preferred stocks, and bonds. Its share price and return will vary; a fund that buys a mixture of common stocks, preferred stocks, and bonds. Its goal is to blend long-term growth from stocks with income from dividends. Because it must have at least one-fourth of its money invested in bonds and other debt obligations, its price usually will not vary as much as that of a growth fund.

BALANCE SHEET
Provides a snapshot of a company's financial condition at one point in time. It shows assets, including investments and reinsurance, and liabilities, such as loss reserves to pay claims in the future, as of a certain date. It also states a company's equity, known as policyholder surplus. Changes in that surplus are one indicator of an insurer's financial standing.

BEAR MARKET

A falling market, or a market in which prices are generally decreasing. A bear market in stocks is usually brought on by the anticipation of declining economic activity while a bear market in bonds is usually caused by rising interest rates.

BENEFICIARY

A person who is named in a will, retirement plan, individual retirement account, or insurance policy and who will inherit money or other property left by the decedent. A trust or institution also can be named as a beneficiary.

BINDER

A temporary or preliminary agreement which provides coverage until a policy can be written or delivered.

BLANKET COVERAGE

Insurance coverage for more than one item of property at a single location, or two or more items of property in different locations.

BLUE CHIP STOCKS

These are stocks of well-established companies that have a history of earnings and of paying dividends and increasing profits. These companies have reputations for sound management and quality products. The stock prices tend to rise and fall in conjunction with the overall market. These stocks are also known as large-cap stocks.

BODILY INJURY LIABILITY COVERAGE

Portion of an auto insurance policy that covers injuries the policyholder causes to someone else.

BOILER AND MACHINERY INSURANCE

Often called Equipment Breakdown, or Systems Breakdown insurance. Commercial insurance that covers damage caused by the malfunction or breakdown of boilers, and a vast array of other equipment including air conditioners, heating, electrical, telephone, and computer systems.

BOND MUTUAL FUND

This is a mutual fund that is primarily invested in bonds.

BONDS

Essentially loans or debt. When someone lends you money, he or she gets an IOU that promises the loan will be repaid with interest. When you buy a bond, you’re basically buying that IOU. A bond certificate is like an IOU: it shows the amount loaned (principal), the rate of interest to be paid on the loan and the date that the principal will be paid back (maturity date). Bonds can be issued by government agencies, such as the U.S. Treasury and by corporations to raise money.

BOOK OF BUSINESS
Total amount of insurance on an insurer's books at a particular point in time.

BORROWINGS
Borrowings are loans of any type.

BROKER
A licensed person or organization paid by you to look for insurance on your behalf.

BULL MARKET
A rising market, or a market in which prices are generally increasing for stocks, bonds, or commodities.

BURGLARY AND THEFT INSURANCE
Insurance for the loss of property due to burglary, robbery or larceny. It is provided in a standard homeowners policy and in a business multiple peril policy.

BUSINESS INTERRUPTION INSURANCE
Commercial coverage that reimburses a business owner for lost profits and continuing fixed expenses during the time that a business must stay closed because of a covered peril, such as a fire.

BUSINESS OVERHEAD EXPENSE INSURANCE
A business disability policy designed to pay the ongoing expenses of a business in the event the business owner becomes disabled.

BUSINESSOWNERS POLICY / BOP
A policy that combines property, liability, and business interruption coverages for small to medium-sized businesses

CAFETERIA PLANS
An employee benefits plan that allows employees to customize their benefit package. Employees receive a fixed amount of dollars that can be allocated between several fringe benefits.

CANCELLATION
The termination of insurance coverage during the policy period. Flat cancellation is the cancellation of a policy as of its effective date, without any premium charge.

CAPACITY
The supply of insurance available to meet demand. Capacity depends on the industry's financial ability to accept risk. Reduced capacity leads to higher premiums, but higher premiums eventually attract more capacity to the market.

CAPITAL
The amount of money you have invested. When your investing objective is capital preservation, your priority is trying not to lose any money. When your investing objective is capital growth, your priority is trying to make your initial investment grow in value.

CAPITAL GAIN
Profit from a sale of an investment constitutes a capital gain. For example, if you bought a share of stock for $5 and later sold it for $7.50, you would have a capital gain of $2.50.

CAPITAL GAINS TAX
Tax on the gain realized from the sale of capital assets such as stock, mutual funds, business interests, or other asset. Long-term capital gains tax rates apply to assets held longer than 12 months.

CAPITAL LOSS
Amount by which the proceeds from the sale of a capital asset are less than its cost basis.

CAPTIVE AGENT
Representative of a single insurer or fleet of insurers who is obliged to submit business only to that company, or at the very minimum, give that company first refusal rights on a sale. In exchange, that insurer usually provides its captive agents with an allowance for office expenses as well as an extensive list of employee benefits such as pensions, life insurance, health insurance and credit unions.

CARRIER
Insurance company that actually underwrites and issues the insurance policy. The term refers to the fact that the company carries (or assumes) certain risks for the policyholder.

CARRYOVER
Refers to the process of shifting to a future taxable year those losses and other deductions that exceed limits for the current tax year.

CARRYOVER BASIS
Basis in property that may ‘carry over’ from the transferor to the transferee. Generally this occurs when there is an exchange of property, or property is transferred by gift.

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.

CASH RESERVE
An emergency or contingency fund (or credit) set aside and held in an easily accessible form (such as a savings account) for the purpose of meeting emergency expenses and/or short-term cash flow needs.

CASH SURRENDER VALUE
Amount available to the owner if a life insurance policy or annuity is surrendered. The amount represents the cash value minus surrender charges and any outstanding loans due upon cancellation of the policy.

CASH VALUE
The cash within a permanent life insurance policy. Cash value is the premium paid less the cost of insurance policy. Cash value is also adjusted by any investment performance within the insurance policy.

CASH VALUE LIFE INSURANCE
A permanent insurance policy that builds cash value, often described as a savings account within the policy.

CASUALTY
Liability or loss resulting from an accident.

CASUALTY INSURANCE
Casualty Insurance coverage is primarily for the legal liability of an individual or organization that results from negligent acts and omissions causing bodily injury and/or property damage to a third party. However, the term is broad and includes such property insurance as aviation insurance, boiler and machinery insurance, glass insurance and crime insurance.

CATASTROPHE
Term used for statistical recording purposes to refer to a single incident or a series of closely related incidents causing severe insured property losses totaling more than a given amount, currently $25 million.

CATASTROPHE BONDS
Risk securities that pay high interest rates and provide insurance companies with a form of reinsurance to pay losses from a catastrophe such as those caused by a major hurricane. They allow insurance risk to be sold to institutional investors in the form of bonds, thus spreading the risk.

CATASTROPHE DEDUCTIBLE
A percentage or dollar amount that a homeowner must pay before the insurance policy kicks in when a major natural disaster occurs. These large deductibles limit an insurer’s potential losses in such cases, allowing it to insure more property. A property insurer may not be able to buy reinsurance to protect its own bottom line unless it keeps its potential maximum losses under a certain level.

CATASTROPHE FACTOR
Probability of catastrophic loss, based on the total number of catastrophes in a state over a 40-year period.

CATASTROPHE MODEL
Using computers, a method to mesh long-term disaster information with current demographic and building data to determine potential losses for a given geographic area.

CERTIFICATE OF CREDITABLE COVERAGE
A document provided by your health plan that lets you prove you had coverage under that plan. Certificates of creditable coverage will usually be provided automatically when you leave a health plan. You can obtain certificates at other times as well. See also Creditable Coverage.

CERTIFICATES OF DEPOSIT
Also known as CDs, these investment vehicles are usually issued by banks and other financial institutions, and they pay a fixed rate of interest for a specific period of time. Generally, amounts up to $100,000 in a bank are insured by the FDIC.

CLAIM
Notice to an insurer that under the terms of a policy, a loss maybe covered.

CLAIM WRITTEN
Request by an insured for the insurance company to cover an incurred loss, usually submitted on the company's standard form.

CLAIMANT
Any person who asserts right of recovery.

CLASS OF STOCK
A type of share with particular rights and privileges such as the right to vote on corporate matters. The most common classes of stock are common stock, voting preferred stock, and non-voting preferred stock.

CLOSING COSTS
These are expenses involved in buying or selling real estate, such as points, survey charges, title insurance fees, and filing fees for deeds.

COBRA
Consolidated Omnibus Budget Reconciliation Act, a federal law in effect since 1986. COBRA permits you and your dependents to continue in your employer's group health plan after your job ends. If your employer has 20 or more employees, you may be eligible for COBRA continuation coverage when you retire, quit, are fired, or work reduced hours. Continuation coverage also extends to surviving, divorced or separated spouses; dependent children; and children who lose their dependent status under their parent's plan rules. You may choose to

continue in the group health plan for a limited time and pay the full premium (including the share your employer used to pay on your behalf) plus a 2% administrative fee. COBRA continuation coverage generally lasts 18 months, or 36 months for dependents in certain circumstances. See also State Continuation Coverage.

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. For a 20 percent health insurance coinsurance clause, the policyholder pays for the deductible plus 20 percent of his covered losses. After paying 80 percent of losses up to a specified ceiling, the insurer starts paying 100 percent of losses.

COLLATERAL ASSET
Assets pledged to a lender until a loan is repaid. If the borrower defaults, the lender has the legal right to seize the collateral and sell it to pay off the loan.

COLLATERAL ASSIGNMENT
Assignment of an asset (e.g., a life insurance policy's death benefit or its cash surrender value) to a creditor as collateral for a loan.

COLLATERALIZED
Refers to a loan or other contract that is secured by collateral in the form of property or other assets. In the case of a loan, the lender can exercise its right to seize the collateral backing the loan in the event the borrower defaults.

COLLISION COVERAGE
Collision coverage refers to the part of an automobile insurance policy that covers damage to a vehicle caused by an impact with another vehicle or object or a rollover.

COMMERCIAL LINES
Products designed for and bought by businesses. Among the major coverages are boiler and machinery, business interruption, commercial auto, comprehensive general liability, directors and officers liability, fire and allied lines, inland marine, medical malpractice liability, product liability, professional liability, surety and fidelity, and workers compensation. Most of these commercial coverages can be purchased separately except business interruption which must be added to a fire insurance (property) policy. (See Commercial multiple peril)

COMMINGLED POOL
Like a mutual fund, a commingled pool combines your money with other investors' money and is professionally managed. However, a commingled pool is set up differently. While each mutual fund is a separate investment company, is registered with the Securities and Exchange Commission, and is available to the general public, commingled pools are part of a group trust maintained for qualified pension or profit sharing plans and is open only to participants in those

qualified retirement plans. A group trust must be maintained in accordance with applicable Internal Revenue Code and Department of Labor regulations. It can be invested just as a mutual fund can — for example, it could track a particular market index.

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 LAW MARRIAGE
A marriage deemed valid under some state laws which is created by an agreement to marry, followed by cohabitation between two people legally capable of making a marriage contract. Such a marriage requires a mutual agreement to enter into a marriage, cohabitation sufficient to establish the relationship of husband and wife, and an assumption of marital duties and obligations. The cohabitation requirement (e.g., the length of time the two people have to live together under the same roof) and other criteria defining a common law marriage may vary from state to state.

COMMON POLICY PROVISIONS
Words, sentences, and paragraphs in an insurance policy that generally take the form of clauses that govern the policy and that set forth the rights and obligations of both insured and insurer under the policy. Common policy provisions for a life insurance policy include the suicide clause, the incontestable clause, and the beneficiary clause.

COMMON STOCKS
When people talk about a company's stock, they usually mean common stock. When you own common stock in a company, you share in its success or failure. As part owner, you vote on important policy issues, such as picking the board of directors. If the company prospers, you may get part of the profits, called a dividend. Also, the value of your share of the company many go up; common stock generally has the most potential for growth. However, that value also can drop if the company does poorly, and if it goes bankrupt common stockholders are the last to receive any payment.

COMPLAINT RATIO
A measure used by some state insurance departments to track consumer complaints against insurance companies. Generally, it is written as the number of complaints upheld against an insurance company, as a percentage of premiums written. In some states, complaints from medical providers over the promptness of payments may also be included.

COMPENSABLE INJURY
An injury that qualifies for benefits paid under workers' compensation.

COMPOUNDING
When you deposit money in a bank, it earns interest. When that interest also begins to earn interest, the result is compound interest. Investing in a retirement plan is different from putting

money in the bank, but you still get the benefits of compounding. Compounding occurs if bond income or dividends from stocks or mutual funds are reinvested. Because of compounding, money has the potential to grow much faster.

COMPREHENSIVE COVERAGE
Comprehensive coverage refers to the part of an automobile insurance policy that covers damage to a vehicle caused by miscellaneous hazards other than collision, such as fire, theft, explosion, windstorm, hail, water or contact with an animal.

CONSERVATIVE
A conservative investment or strategy focuses primarily on capital preservation rather than capital appreciation.

CONSUMER PRICE INDEX (CPI)
Measure of change in consumer prices, published monthly by the U.S. Bureau of Labor Statistics in the Department of Labor. This index is widely used as a cost-of-living benchmark to adjust Social Security payments and other payment schedules.

CONTENTS-ONLY COVERAGE
Coverage is for personal property items that are movable, that is, not attached to the building's structure (the home), such as television sets, radios, clothes and household goods. Not included under the coverage are animals, automobiles and boats.

CONTESTABILITY PERIOD
Period of time, generally two years, during which an insurance company can declare a life insurance contract void because of misrepresentation or concealment by the insured in obtaining the policy. Once this period has elapsed, the company cannot cancel the policy or refuse to pay claims for any reason other than nonpayment of premiums.

CONTINUOUS COVERAGE
Health insurance coverage that is not interrupted by a break of 63 or more days in a row. Employer waiting periods and HMO affiliation periods do not count as gaps in health insurance coverage for the purpose of determining if coverage is continuous.

CONVERSION
Your right, when leaving a fully insured group health plan, to convert your policy to an individual health plan. In Iowa, conversion coverage also extends to surviving or divorced spouses, dependent children and children who lose their dependent status under their parent's plan rules.

CONVERTIBLE TERM INSURANCE
Term life insurance coverage that can be converted into permanent life insurance upon the policy's expiration. The insured generally cannot be denied permanent coverage or charged an additional premium because of health problems.

COPAYMENT
Partial payment of certain medical costs that individual participants may be required to make under a health insurance policy. For example, under your employer's health plan, you might have to pay $5 toward each prescription.

COST BASIS
The original price of an asset, plus any additions and reinvested earnings, that is used to determine capital gains or losses at the time of sale of the asset. In the case of an inheritance, the cost basis is the appraised value of the asset at the time of the donor's death

COUNTABLE ASSETS
In terms of eligibility for Medicaid, countable assets are anything of value you own that is not exempt by law or otherwise inaccessible to you. Countable assets include, but are not limited to: savings and checking accounts, stocks, bonds, CDs, Treasury notes and bills, savings bonds, investment property and vacation homes, second vehicles, livestock, IRAs and other retirement plans, mutual funds, precious metals and coins, and whole life insurance above a certain surrender value. States use the total value of your countable assets as one of three tests to determine your eligibility for Medicaid.

COVERED EXPENSES
In health insurance, reimbursement for an insured's medically-related expenses, including, but not limited to surgery, medicines, hospitalization, ambulance service, and X-rays.

COVERAGE FORMS
Attachments to an insurance policy to complete the coverage provided by the policy.

COUPON RATE
A bond's coupon rate is stated on the bond. It tells how much interest the bond will pay every year based on the bond's face value. For example, if you buy a $1,000 bond with an 8% coupon rate, you'll get $80 a year in interest. Like a bond's face value, its coupon rate never changes.

CREDIT INSURANCE
Commercial coverage against losses resulting from the failure of business debtors to pay their obligation to the insured, usually due to insolvency. The coverage is geared to manufacturers, wholesalers, and service providers who may be dependent on a few accounts and therefore could lose significant income in the event of an insolvency.

CREDIT LIFE INSURANCE
Life insurance coverage on a borrower designed to repay the balance of a loan in the event the borrower dies before the loan is repaid. It may also include disablement and can be offered as an option in connection with credit cards and auto loans.

CREDIT SCORE
The number produced by an analysis of an individual's credit history. Some companies use insurance scores as an insurance underwriting and rating tool.

CROP-HAIL INSURANCE
Protection against damage to growing crops from hail, fire, or lightning provided by the private market. By contrast, multiple peril crop insurance covers a wider range of yield-reducing conditions, such as drought and insect infestation, and is subsidized by the federal government.

CRUMMEY POWER
A right exercised by the beneficiary of a trust to withdraw money from the trust for a limited amount of time each year.

CUMULATIVE TOTAL RETURN
This number tells you a fund's actual performance for a certain period of time. A total return is expressed in a percentage and tells you how much money you have earned or lost on an investment over time, assuming that all dividends and capital gains are reinvested.

DEATH BENEFIT
The amount payable, as stated in a life insurance policy, to the designated beneficiary(ies) upon the death of the insured. The amount paid is the face value, plus any riders, less any outstanding loans.

DEBT OBLIGATIONS
This is another name for bonds, mortgages, and other kinds of loans.

DECLARATION
Part of a property or liability insurance policy that states the name and address of policyholder, property insured, its location and description, the policy period, premiums, and supplemental information. Referred to as the "dec page."

DECLINE
The company refuses to accept the request for insurance coverage.

DEDUCTIBLE
The amount of the loss which the insured is responsible to pay before benefits from the insurance company are payable. You may choose a higher deductible to lower your premium.

DEFERRED ANNUITY
An annuity in which the income payments/withdrawals begin at some future date.

DEFINED BENEFIT PLAN

This is a type of retirement plans that provides a fixed amount of money after you retire following a set number of years (in other words, the benefit is “defined” in advance). Once you retire, the amount you receive is fixed and usually does not increase with inflation.

DEFINED CONTRIBUTION PLAN

This is a type of retirement plan in which the level of contributions and the benefits will vary, depending on the return from the investments. You don’t owe any income taxes on the money or any earnings until you make a withdrawal.

DEMAND LOAN

A loan with no set maturity date that can be called for repayment when the lender chooses. Interest on these loans is usually billed at fixed intervals.

DEMUTUALIZATION

The conversion of insurance companies from mutual companies owned by their policyholders into publicly-traded stock companies.

DENTAL INSURANCE

Individual or group plan that helps pay the costs of normal dental care as well as damage to teeth from an accident.

DEPENDENT

An individual for whom the taxpayer provides at least 50 percent of the support regardless of where they live. Generally the individual bears a specific relationship to the taxpayer (i.e., child, sibling, parent) and/or resides primarily in taxpayer’s household.

DEPOSIT PREMIUM

The premium deposit paid by a prospective policyholder when an application is made for an insurance policy. It is usually equal to at least the first month’s estimated premium and is applied toward the total policy premium when billed.

DEPRECIATION

A decrease in value due to age, wear and tear, etc.

DIFFERENCE IN CONDITIONS INSURANCE (DIC)

“All-risks” policy that covers other perils not insured by basic property insurance contracts, supplemental to and excluding the coverage provided by underlying contracts.

DIMINUTION OF VALUE

The idea that a vehicle loses value after it has been damaged in an accident and repaired.

DIRECT PREMIUMS
Property/casualty premiums collected by the insurer from policyholders, before reinsurance premiums are deducted. Insurers share some direct premiums and the risk involved with their reinsurers.

DIRECT RESPONSE SYSTEM
A marketing method where insurance is purchased by customers without the solicitation or advice of an agency (though an agent may be needed to complete the transaction). Potential customers are solicited by advertising in the mail, newspapers, magazines, television, and other media.

DEREGULATION
In insurance, reducing regulatory control over insurance rates and forms. Commercial insurance for businesses of a certain size has been deregulated in many states.

DISABILITY
A physical or mental impairment that substantially limits one or more of an individual's major life activities. Disability may be partial or total.

DISABILITY BENEFIT PERIOD
The period during which disability insurance benefits are paid. While this period may vary between policies, benefits paid until age 65 are common for long-term policies and benefits paid for 26 weeks are common for short-term policies.

DISABILITY INCOME RIDER
Addition to a life insurance policy stating that when an insured becomes disabled for at least six months, premiums are waived. Depending on the rider, the insured may also begin to receive monthly income payments from the policy.

DISABILITY INSURANCE
Also known as disability income insurance, this type of policy provides income benefits to the insured if he or she becomes ill or is injured and can no longer work.

DISAPPEARING DEDUCTIBLE
Deductible in an insurance contract that provides for a decreasing deductible amount as the size of the loss increases, so that small claims are not paid but large losses are paid in full.

DISCHARGE OF BANKRUPTCY
Refers to a court order which terminates bankruptcy proceedings and frees the debtor of legal responsibility for dischargeable debts and other specified obligations.

DISCOUNT RATE
The rate of interest banks must pay when they borrow funds from the Federal Reserve to meet their reserve requirement.

DISCOVERY
Refers to the process by which a party to a legal action supplies the other party with certain relevant information and/or documents (as required by law or by a judge) either before or during the legal proceedings.

DISCRETIONARY INCOME
Amount of a consumer's income remaining after essentials such as food, housing, and utilities and prior commitments have been paid.

DISCRETIONARY TRUST
A trust which allows the trustee discretion in making distributions of income or principal to the beneficiary.

DISMEMBERMENT INSURANCE
A form of health insurance that provides payment when the insured loses one or more limbs, or the sight in one or both eyes. This coverage is usually issued in combination with accidental death insurance.

DISTRIBUTION
This refers to a withdrawal from your retirement account.

DIVERSIFICATION
This concept of spreading your money across different kinds of investments could potentially moderate your investment risk. It's the idea of not putting all your eggs in one basket. A diversified portfolio can help shield you from large losses because even if some securities falter, others may perform well.

DIVIDEND
Distribution of a company's earnings to shareholders, generally on a quarterly basis, paid in cash or additional shares of the company's stock. The dividend amount per share is decided by the company's board of directors. Dividends must be declared as income by the shareholder in the year received.

DIVIDEND ADDITION
An amount of paid-up life insurance purchased with a policy dividend and added to the face amount of the policy.

DOLLAR COST AVERAGING
This is a method of investing. Money is invested at regular intervals in the same investment. Because you invest the same amount each time, you automatically buy less of the investment

when its price is higher and more when its price is lower. Though the method doesn't guarantee a profit or guard against loss in declining markets, the average cost of each share is usually lower than if you buy at random times. For dollar cost averaging to work you must continue to invest regularly over time and purchase shares in both market ups and downs.

DOLLAR THRESHOLD
In certain states with no-fault auto insurance, the dollar threshold prevents individuals from suing to recover for pain and suffering unless their medical expenses exceed a specified dollar amount.

DOMESTIC INSURANCE COMPANY
Term used by a state to refer to any company incorporated there.

DOMESTIC PARTNER BENEFITS
Employer benefits offered to unmarried partners of employees. Although laws regarding domestic partner benefits apply only to same-sex couples, in practice, many employers offer domestic partner benefits to both same- and opposite-sex couples. Benefits may include health insurance, leave to care for an ill partner, and bereavement leave at a partner's death.

DOMICILE
The place an individual resides and that is intended to be the permanent residence. Domicile does not refer to a summer home or a temporary residence. Once a domicile has been established, it will remain so until the individual moves to a different location with the intent of making that location the permanent residence.

DOUBLE INDEMNITY
Also called an accidental death benefit, a life insurance policy provision that doubles payment of a designated death benefit when death results from certain specified causes (usually certain types of accidents).

DOW JONES INDUSTRIAL AVERAGE
The most widely used indicator of how the country's industrial leaders are performing. The DJIA is a formula based on the stock prices of 30 major industrial companies. These 30 companies are chosen from sectors of the economy most representative of our country's economic condition. There are three other Dow Jones Averages: the transportation, the utility, and the composite.

DRIVER EDUCATION CREDIT
Discount on auto insurance premiums for which young drivers become eligible upon completion of a driver education course.

DUPLICATION OF BENEFITS
Overlapping or identical medical insurance coverage under two or more separate health plans.

DURABLE POWER OF ATTORNEY
Legal document which appoints an individual to act on the principal's behalf and remains in effect even if the principal becomes incapacitated.

DWELLING POLICY
An insurance policy for liability covering a building's structure and usually its contents when the building is used as a dwelling. This type of coverage is normally purchased when the building can't be covered under a homeowner's policy (for example, when the individual does not own a home).

EARLY WARNING SYSTEM
A system of measuring insurers' financial stability set up by insurance industry regulators. An example is the Insurance Regulatory Information System (IRIS), which uses financial ratios to identify insurers in need of regulatory attention.

EARNED INCOME
Income generated by providing goods or services and received in the form of wages and salaries.

EARNED INCOME LIMIT
An annually adjusted limit that applies to Social Security recipients who continue to work while receiving benefits. This applies only to individuals under age 70, and limits earned income to an annually adjusted level, above which Social Security benefits are reduced. Also known as the retirement earnings test.

EARNED PREMIUM
The portion of premium that applies to the expired part of the policy period. Insurance premiums are payable in advance but the insurance company does not fully earn them until the policy period expires.

EARNINGS RECORD
Record compiled by the Social Security Administration that shows an individual's actual lifetime earnings as reported to the SSA by an employer, or for self-employed individuals, by the Internal Revenue Service (IRS). Only earnings that are less than the maximum earnings limit for that year are credited to the earnings record and will be used to compute Social Security benefits.

EARTHQUAKE INSURANCE
Covers a building and its contents, but includes a large percentage deductible on each. A special policy exists because earthquakes are not covered by standard homeowners or most business policies.

ECONOMIC LOSS
Total financial loss resulting from the death or disability of a wage earner, or from the destruction of property. Includes the loss of earnings, medical expenses, funeral expenses, the cost of restoring or replacing property, and legal expenses. It does not include noneconomic losses, such as pain caused by an injury.

ELECTRONIC COMMERCE / E-COMMERCE
The sale of products such as insurance over the Internet.

ELIMINATION PERIOD
A kind of deductible or waiting period usually found in disability policies. It is counted in days from the beginning of the illness or injury.

EMPLOYEE BENEFIT PROGRAM
The collection of non-salary compensation offered by an employer that may include health insurance, life insurance, disability insurance, pensions or other retirement plans, tuition reimbursement, stock options, and child care benefits.

ENDORSEMENT
Amendment to the policy used to add or delete coverage. Also referred to as a “rider.”

ENROLLMENT PERIOD
The period during which all employees and their dependents can sign up for coverage under an employer group health plan. Besides permitting workers to elect health benefits when first hired, many employers and group health insurers hold an annual enrollment period, during which all employees can enroll in or change their health coverage. See also Group Health Plan, Special Enrollment Period.

ENVIRONMENTAL IMPAIRMENT LIABILITY COVERAGE
A form of insurance designed to cover losses and liabilities arising from damage to property caused by pollution.

EQUITY
This term refers to stocks or stock investments. When you own part of something, such as your home, you have equity in it. A stock is an equity investment because each share means you own part of the company that issued it. An equity mutual fund buys equities.

EQUITY CREDIT LINE
When someone grants you a line of credit for a certain amount, you have the ability to borrow that amount as you need it. An equity credit line is backed by the equity you have in your home — in other words, the amount of the loan that you have already paid off, not counting interest. If you can’t repay the loan, the lender can lay claim to that equity.

EQUITY FUND
This mutual fund invests primarily in stocks. The fund's goal is to make money from increases in the prices of the stocks that it holds. An equity growth fund invests primarily in growth stocks.

ERRORS AND OMISSIONS COVERAGE / E&O
A professional liability policy covering the policyholder for negligent acts and omissions that may harm his or her clients.

ESCROW ACCOUNT
Funds that a lender collects to pay monthly premiums in mortgage and homeowners insurance, and sometimes to pay property taxes.

ESTATE
All assets a person owns at the time of death, including securities, real estate, business interests, physical property, and cash, less outstanding liabilities. The estate is distributed to heirs according to the terms of the person's will or, if there is no will, by court ruling.

ESTATE FREEZE
Techniques or methods used to control the future appreciation of assets for the purpose of reducing estate taxes.

ESTATE PLANNING
The process of developing and implementing a master plan that facilitates the distribution of your property after your death according to your goals and objectives.

ESTATE TAX
A tax imposed by the federal government and some state governments on the transfer of assets to heirs.

EXCESS & SURPLUS LINES
Property/casualty coverage that isn't available from insurers licensed by the state (called admitted insurers) and must be purchased from a non-admitted carrier.

EXCHANGE
This action refers to moving some or all of the money from your account from one investment option to another.

EXCLUSION
Certain causes and conditions listed in the policy, which are not covered.

EXECUTION
The signing, sealing, and delivery of a contract or agreement making it valid. Also, a broker who buys or sells shares of stock upon a client's request is said to have executed an order.

EXECUTOR/EXECUTRIX
An individual or professional organization, such as a bank's trust department, named in a will to administer an estate upon the death of the owner.

EXEMPT
Assets that are not considered for bankruptcy proceedings. Exempt is also used to refer to assets not considered in the determination of eligibility for Medicaid.

EXPENSE RATIO
Percentage of each premium dollar that goes to insurers' expenses including overhead, marketing, and commissions.

EXPERIENCE
Record of losses.

EXPIRATION DATE
The date on which the policy ends.

EXPOSURE
Possibility of loss.

EXTENDED COVERAGE
An endorsement added to an insurance policy, or clause within a policy, that provides additional coverage for risks other than those in a basic policy.

EXTENDED REPLACEMENT COST COVERAGE
Pays a certain amount above the policy limit to replace a damaged home, generally 120 percent or 125 percent. Similar to a guaranteed replacement cost policy, which has no percentage limits. Most homeowner policy limits track inflation in building costs. Guaranteed and extended replacement cost policies are designed to protect the policyholder after a major disaster when the high demand for building contractors and materials can push up the normal cost of reconstruction.

FACE AMOUNT
The dollar amount to be paid to the beneficiary when the insured dies. It does not include other amounts that may be paid from insurance purchased with dividends or any policy riders.

FAIR ACCESS TO INSURANCE REQUIREMENTS PLANS / FAIR PLANS
Insurance pools that sell property insurance to people who can't buy it in the voluntary market because of high risk over which they may have no control. FAIR Plans, which exist in 28 states and the District of Columbia, insure fire, vandalism, riot, and windstorm losses, and some sell homeowners insurance which includes liability. Plans vary by state, but all require property insurers licensed in a state to participate in the pool and share in the profits and losses.

FAIR MARKET VALUE
The price that a willing buyer would pay a willing seller.

FARMOWNERS-RANCHOWNERS INSURANCE
Package policy that protects the policyholder against named perils and liabilities and usually covers homes and their contents, along with barns, stables, and other structures.

FEDERALLY ELIGIBLE
Status you attain once you have had 18 months of continuous creditable health coverage. To be federally eligible, you also must have used up any COBRA or state continuation coverage; you must not be eligible for Medicare, Medicaid, or a group health plan; you must not have other health insurance; and you must apply for individual health insurance within 63 days of losing your prior creditable coverage. When you are buying individual health coverage, federal eligibility confers greater protections on you than you would otherwise have in most other states. In Iowa you do not need to meet all of the requirements of federal eligibility to have these protections. See also COBRA, Continuous Coverage, Creditable Coverage, State Continuation Coverage.

FEDERAL GIFT TAX
A federal tax that is imposed on the transfer of securities, property, or other assets. The tax is based on the fair market value of the transferred assets and applies to transfers valued over $10,000 per individual per year (indexed for inflation).

FEDERAL INSURANCE ADMINISTRATION / FIA
Federal agency in charge of administering the National Flood Insurance Program.

FICA – FEDERAL INSURANCE CONTRIBUTIONS ACT
Commonly known as Social Security, it is a federal law that requires employers to withhold wages and make payments to finance the Old Age, Survivors, Disability, and Health Insurance (OASDHI) plan.

FEDERAL RESERVE BOARD
Seven-member board that supervises the banking system by issuing regulations controlling bank holding companies and federal laws over the banking industry. It also controls and oversees the U.S. monetary system and credit supply.

FIDELITY BOND
A form of protection that covers policyholders for losses that they incur as a result of fraudulent acts by specified individuals. It usually insures a business for losses caused by the dishonest acts of its employees.

FIDUCIARY
A person, company, or association that holds assets in trust for a beneficiary. The fiduciary is charged with the responsibility of investing the assets wisely for the beneficiary’s benefit.

Examples of fiduciaries include executors of wills and estates, trustees, and those who administer the assets of underage or incompetent beneficiaries.

FIDUCIARY CAPACITY

A person is said to act in a fiduciary capacity when business is transacted, or money and property are handled for the benefit of another. The term is not limited to technical or express trusts, but may also apply to such offices or relations as attorneys, guardians, executors, brokers, and agents.

FIDUCIARY INCOME TAX RETURN

An income tax return that is filed by the court representative or estate administrator for a decedent's estate, trust, or a bankruptcy estate to report income, deductions, gains, losses, distributions, income that is accumulated or held for future distribution, income tax liability of the estate or trust, and employment taxes on wages paid to household employees. The return is not required if the decedent's estate is not probated.

FILE-AND-USE STATES

States where insurers must file rate changes with their regulators, but don't have to wait for approval to put them into effect.

FINANCIAL GUARANTEE INSURANCE

Covers losses from specific financial transactions and guarantees that investors in debt instruments receive timely payment of principal and interest if there is a default. Raises the credit rating of debt to which the guarantee is attached. Investment bankers who sell securities backed by loan portfolios use this insurance to enhance marketability.

FINANCIAL RESPONSIBILITY LAW

A state law requiring that all automobile drivers show proof that they can pay damages up to a minimum amount if involved in an auto accident. Varies from state to state but can be met by carrying a minimum amount of auto liability insurance

FINITE RISK REINSURANCE

Contract under which the ultimate liability of the reinsurer is capped and on which anticipated investment income is expressly acknowledged as an underwriting component. Also known as Financial Reinsurance because this type of coverage is often bought to improve the balance sheet effects of statutory accounting principles.

FIRE INSURANCE

Coverage protecting property against losses caused by a fire or lightning that is usually included in homeowners or commercial multiple peril policies.

FIRST-PARTY COVERAGE

Coverage for the policyholder's own property or person. In no-fault auto insurance it pays for the cost of injuries. In no-fault states with the broadest coverage, the personal injury protection

(PIP) part of the policy pays for medical care, lost income, funeral expenses and, where the injured person is not able to provide services such as child care, for substitute services.

FIXED ANNUITY

A contract issued by an insurance company allowing for a fixed rate of interest in both the accumulation and income phases; periodically adjusted by the insurance company.

FIXED INCOME SECURITIES

These securities pay a fixed rate of return by investing in government, corporate, or municipal bonds, which pay such a fixed rate. These investments could offer you an advantage in times of low inflation, but are not likely to protect you against the declining buying power of your money during times of high inflation.

FLOATER

Attached to a homeowners policy, a floater insures movable property, covering losses wherever they may occur. Among the items often insured with a floater are expensive jewelry, musical instruments, and furs. It provides broader coverage than a regular homeowners policy for these items.

FLOOD INSURANCE

Coverage for flood damage is available from the federal government under the National Flood Insurance Program but is sold by licensed insurance agents. Flood coverage is excluded under homeowners policies and many commercial property policies. However, flood damage is covered under the comprehensive portion of an auto insurance policy.

FORCED PLACE INSURANCE

Insurance purchased by a bank or creditor on an uninsured debtor's behalf so if the property is damaged, funding is available to repair it.

FOREIGN INSURANCE COMPANY

Name given to an insurance company based in one state by the other states in which it does business.

FRAUD

Intentional lying or concealment by policyholders to obtain payment of an insurance claim that would otherwise not be paid, or lying or misrepresentation by the insurance company managers, employees, agents, and brokers for financial gain.

FREE LOOK PERIOD

The right of an insured to examine an insurance policy for a stated period, often 10 days, and if not satisfied, the right to return the policy and receive a full refund of the initial premium.

FREQUENCY

Number of times a loss occurs. One of the criteria used in calculating premium rates.

FRINGE BENEFITS
Non-cash benefits (such as group health insurance, term life insurance, and disability insurance) made available to employees in addition to salary, but are generally not taxable to the employee.

FRONTING
A procedure in which a primary insurer acts as the insurer of record by issuing a policy, but then passes the entire risk to a reinsurer in exchange for a commission. Often, the fronting insurer is licensed to do business in a state or country where the risk is located, but the reinsurer is not. The reinsurer in this scenario is often a captive or an independent insurance company that cannot sell insurance directly in a particular country.

FULLY INSURED GROUP HEALTH PLAN
Health insurance purchased by an employer from an insurance company. Fully insured health plans are regulated by the state of Iowa. See also Self-Insured Group Health Plans.

FUTURE BENEFIT INCREASE RIDER
A rider attached to a disability insurance policy that guarantees the insured's right to purchase additional coverage without going through medical underwriting to prove physical insurability. Also called a Guaranteed Purchase Option Rider.

GAAP ACCOUNTING
Generally accepted accounting principles (GAAP) are used in financial statements that publicly-held companies prepare for the Securities and Exchange Commission.

GAIN
The profit made on a securities transaction realized when a stock, bond, mutual fund, futures contract, or other financial instrument is sold for more than its purchase price. When the security has been held for more than one year, the gain is taxable at more favorable capital gain rates. If the asset is held for less than one year the gain is taxed at regular income tax rates.

GAP INSURANCE
An automobile insurance option, available in some states, that covers the difference between a car's actual cash value when it is stolen or wrecked and the amount the consumer owes the leasing or finance company. Mainly used for leased cars.

GENETIC INFORMATION
Includes information about family history or genetic test results indicating your risk of developing a health condition. A health plan cannot consider preexisting a condition about which you have genetic information, unless that health condition has been diagnosed by a health professional.

GLASS INSURANCE
Coverage for glass breakage caused by all risks; fire and war are sometimes excluded. Insurance can be bought for windows, structural glass, leaded glass, and mirrors. Available with or without a deductible.

GRACE PERIOD
A period (usually 31 days) after the premium due date, during which an overdue premium may be paid without penalty. The policy remains in force throughout this period.

GRAMM-LEACH-BLILEY ACT
Financial services legislation, passed by Congress in 1999, that removed Depression-era prohibitions against the combination of commercial banking and investment-banking activities. It allows insurance companies, banks, and securities firms to engage in each others' activities and own one another.

GROUP DISABILITY INSURANCE
A disability insurance policy that covers a group of individuals who are affiliated in some way, either through an employer, trade association, or other organization. Group disability coverage is generally less expensive than individual disability coverage, however, benefits are limited to a stated length of time and the maximum monthly income benefit is usually no more than 50 to 60 percent of earnings.

GROUP HEALTH PLAN
Health insurance (usually sponsored by an employer, union or professional association) that covers at least 2 employees. See also Fully Insured Group Health Plan, Self-Insured Group Health Plan.

GROWTH FUNDS
These funds try to make money from increases in the prices of stock that they hold rather than from dividends. They are more risky than more conservative funds; their value can rise and fall quickly, and they pay little or no dividends. However, over time these funds have the potential to offer higher returns.

GROWTH AND INCOME FUND
This fund invests for both long-term growth from stocks as well as regular dividend income. Some growth and income funds are weighted more heavily toward growth, others toward income.

GROWTH STOCKS
Some companies' stocks have shown or are expected to show quick earnings and revenue growth. These stocks may be more risky investments than most other stocks, and you usually receive little or no dividend payments.

GUARANTEED INCOME CONTRACT / GIC
Often an option in an employer-sponsored retirement savings plan. Contract between an insurance company and the plan that guarantees a stated rate of return on invested capital over the life of the contract.

GUARANTEED INSURABILITY
An option that permits the policyholder to buy additional stated amounts of life insurance at stated times in the future without evidence of insurability.

GUARANTEED ISSUE
A requirement that health plans must permit you to enroll regardless of your health status, age, gender, or other factors that might predict your use of health services. All health plans sold to small employers in Iowa are guaranteed issue.

GUARANTEED RENEWABILITY
A feature in health plans that means your coverage cannot be canceled because you get sick.

GUARANTEED REPLACEMENT COST COVERAGE
Homeowners policy that pays the full cost of replacing or repairing a damaged or destroyed home, even if it is above the policy limit.

GUARANTY FUND
The mechanism by which solvent insurers bail out the policyholders of companies that fail. Such a fund is required in all 50 states, the District of Columbia, and Puerto Rico, but what is included varies from state to state.

HACKER INSURANCE
A coverage that protects businesses engaged in electronic commerce from losses caused by hackers.

HARD MARKET
A seller's market in which insurance is expensive and in short supply.

HARDSHIP WITHDRAWAL
Because of the tax advantages given to workplace retirement plans, they are subject to certain withdrawal restrictions. Some 401(a), 401(k), and 403(b) plans have hardship withdrawal provisions. If you have no other way of getting the money for a large expense, you may be able to withdraw money from your retirement plan. However, restrictions vary by plan. If you need money for the purchase of a primary home, medical emergency costs, to prevent foreclosure on or eviction from your home, or college tuition, you might be able to take money from your 401(k) or 403(b) plan for those expenses. If your company's plan allows withdrawals, you'll owe ordinary income tax on the money you take out, plus a possible 10% penalty if you're under age 59½. Federal income tax will be withheld at a rate of 20% unless eligible rollover distributions are directly rolled over to an Individual Retirement Account or another employer's plan. But if

you have a 457 retirement plan, such a withdrawal may only be allowed for unforeseen emergencies that cause you a severe financial hardship. Under these plans, the Internal Revenue Code does not provide for hardship withdrawals. However, your employer may be ultimately responsible for determining whether a certain instance constitutes an emergency for withdrawal purposes.

HAZARD
A circumstance that increases the likelihood or probable severity of a loss.

HEALTH INSURANCE
A policy that will pay specified sums for medical expenses or treatments. Health policies can offer many options and vary in their approaches to coverage.

HEALTH PLAN FLEXIBLE SPENDING ACCOUNT
Central fund into which employees contribute pre-tax earnings to pay for health insurance premiums and uninsured medical costs. When the employee submits evidence of medical expenses paid out-of-pocket, he or she is reimbursed from the fund.

HEALTH PLAN YEAR
The calendar period during which your health plan coverage is in effect. Many group health plan years begin on January 1, while others begin in a different month.

HEALTH STATUS
When used in this guide, refers to your medical condition (both physical and mental illnesses), claims experience, receipt of health care, medical history, genetic information, evidence of insurability (including conditions arising out of acts of domestic violence), and disability. See also Genetic Information.

HEIR
An individual who inherits some or all of the estate of a deceased person by virtue of being in the direct line of descent, or being designated in a will or by legal authority. The term is often applied to those who would inherit by will, deed, or operation of law.

HIGH-YIELD BOND FUND
These mutual funds invest in high-yield bonds, sometimes known as “junk” bonds. The chance that the company issuing such bonds will default on that loan is higher than with other bonds. That’s why higher-yield bonds usually pay a higher interest rate to get people to buy them, but these bonds also have greater risk associated with them.

HIPAA
The Health Insurance Portability and Accountability Act, better known as Kassebaum-Kennedy, after the two senators who spearheaded the bill. Passed in 1996 to help people buy and keep health insurance, even when they have serious health conditions, the law sets basic

requirements that health plans must meet. Since states can and have modified and expanded upon these provisions, consumers' protections vary from state to state.

HMO
Health maintenance organization. A kind of health insurance plan. HMOs usually require you to get care from doctors who work for or contract with the HMO. They generally do not require deductibles, but often do charge a small fee, called a co-payment, for services like doctor visits or prescriptions. HMOs in Iowa can require affiliation periods. See also Affiliation Period.

HOLD HARMLESS AGREEMENT
A clause in a contract in which one party agrees not to hold the other responsible for, or to protect the other from, any claims.

HOLDING PERIOD
Length of time an asset is held by its owner.

HOME EQUITY
Credit offered to homeowners on the accumulated equity of their homes. The amount of money available for these loans is based on how much the homeowner has actually paid so far on the house itself, excluding other payments, such as interest on the mortgage.

HOMEOWNER INSURANCE
An elective combination of coverages for the risks of owning a home. Can include losses due to fire, burglary, vandalism, earthquake, and other perils.

HOMESTEAD EXEMPTION
A state law provision that permits the home to be exempted from creditors claims.

HOSPICE
Facility that provides short-term continuous care in a home-like setting for terminally ill people with a life expectancy of six months or less. Some health insurance plans cover hospice stays up to a certain limit with no deductible.

IMMEDIATE ANNUITY
An annuity that begins to make income payments immediately (or soon after) after the first premium is paid, as opposed to a deferred annuity.

INCAPACITY
The inability to properly care for one's property and/or person, or to make or communicate rational decisions concerning one's affairs.

INCIDENTS OF OWNERSHIP
A policyowner's rights under a life insurance policy, including the right to change the beneficiary and the right to surrender the policy for the cash value.

INCONTESTABLE CLAUSE
A policy provision in which the company agrees not to contest the validity of the contract after it has been in force for a certain period of time, usually two years.

INCOME IN RESPECT OF A DECEDENT
All gross income that the decedent had a right to receive, but did not receive, prior to death such as uncollected wages, deferred compensation, and pension benefits. These income amounts are not included on the final Form 1040 but are reported on the fiduciary return or the beneficiary's tax return.

INCOME MUTUAL FUND
This fund invests in securities that produce dividend income.

INCOME PROTECTION ALLOWANCE
An allowance that is based on the living costs of those family members who are not attending post secondary school. The allowance is included when calculating the expected family contribution as part of an application for federal student aid.

INCOME REPLACEMENT
Benefit in disability insurance policies where an injured or sick wage earner receives a monthly income payment that is sufficient to replace a percentage of lost earnings.

INCOME TAX
The annual tax on income that is levied by the federal government and by certain state and local governments.

INCOMPETENCY
The inability to properly care for one's property and/or person, or to make or communicate rational decisions concerning one's person.

INCURRED BUT NOT REPORTED LOSSES / IBNR
Losses that are not reported to the insurer or reinsurer until years after the policy is sold. Liability claims may be filed long after the event that caused the injury to occur. Asbestos-related diseases, for example, do not show up until decades after the exposure. Also, estimates made about claims already reported but where the full extent of the injury or property damage is not yet known. Insurance companies regularly adjust reserves for such losses as new information becomes available.

INCURRED LOSSES
Losses occurring within a fixed period, whether or not adjusted or paid during the same period.

INDEMNIFY
Provide financial compensation for losses.

INDEMNITY
The principle upon which all property/casualty insurance contracts are based. According to this principle, the objective of insurance is to restore the insured to the same financial position after a loss that he/she was in prior to the loss.

INDEMNITY PLAN
A type of health insurance plan that provides reimbursement of covered medical expenses and gives plan participants considerable freedom to choose their own health care providers.

INDEPENDENT AGENT
A contractor who represents different insurance companies, is not controlled by any one company, and earns commissions from policies sold.

INDEX
A statistical composite that measures changes in the economy or in financial markets by measuring the ups and downs of stock, bond, and commodities markets, and reflecting market prices and the number of shares outstanding for the companies in the index. Some well known indexes include the New York Stock Exchange Composite Index, S&P 500, American Stock Exchange Composite Index, and Dow Jones Industrial Average.

INDEX FUND
A mutual fund that tries to match the results of a particular index, such as the S&P 500, an unmanaged index of common stock prices. A bond index measures the bond market's ups and downs by reflecting the behavior of a broad selection of bonds.

INDIRECT LOSS
A loss that arises from a peril, but is not directly and immediately caused by it.

INDIVIDUAL POLICY
An insurance policy (life, health, or disability) that provides coverage for an individual person (and, in some cases, his/her family members), as opposed to a group policy that provides coverage for a group of individuals.

INDIVIDUAL RETIREMENT ACCOUNT
Also known as an IRA, this tax-advantaged retirement account allows an employed person to invest up to $2,000 each year. Depending on your income, whether you're married, and whether your employer offers a retirement plan at work, your contribution may be tax deductible on your tax return.

INFLATION
When the price of goods and services rises, the result is called inflation. This means that things you buy today at one price are likely to cost more in the future.

INFLATION RIDER
An attachment or amendment to an insurance policy that provides protection against inflation by adjusting the level or amount of the benefit to keep pace with inflation.

INFLATION RISK
It is the risk you run that the return on your investments will not keep up with the cost of living. If they do not, your money will buy less and less as time goes on.

INLAND MARINE INSURANCE
A broad type of coverage developed for shipments that do not involve ocean transport. Covers all forms of land and air transit. Floaters are included in this category.

INSOLVENCY
Insurer's inability to pay debts. Insurance insolvency standards and the regulatory actions taken vary from state to state. The last resort in the case of insolvency is liquidation.

INSTALLMENT PAYMENTS
A sale made with the agreement that the purchased goods or services will be paid for in fractional amounts over a specified period of time.

INSURABLE
An individual applicant who qualifies for an insurance policy based on the coverage standards that are set by the insurance company.

INSURABLE INTEREST
A relationship between an insured person or property and the potential beneficiary of the insurance. This requirement must be present at the time the life insurance policy is applied for but doesn't need to exist at the time of the insured's death. Insurable interest exists because there is a reasonable expectation that the beneficiary will benefit from the continued life of the insured, or experience a loss at the death of the insured.

INSURABLE RISK
Risks for which it is relatively easy to get insurance and that meet certain criteria. These include being definable, accidental in nature, and part of a group of similar risks large enough to make losses predictable. The insurance company also must be able to come up with a reasonable price for the insurance.

INSURED
The policyholder – the person(s) protected in case of a loss or claim.

INSURER
The insurance company.

INTERMEDIATE BOND FUND
Generally, this is a mutual fund that buys bonds with maturities from three to ten years.

INSURANCE PREMIUM
This is the amount you pay for your insurance policy.

INSURANCE REGULATORY INFORMATION SYSTEM / IRIS
Uses financial ratios to measure insurers' financial strength. Developed by the National Association of Insurance Commissioners. Each individual state insurance department chooses how to use IRIS.

INTEREST
The cost charged for the use of money, expressed as a rate per period of time, usually one year (in which case it is called an annual rate of interest). The rate is derived by dividing the dollar amount of interest by the amount of principal borrowed.

INTEREST RATE CAP
Method of limiting the interest-rate increases of an adjustable rate mortgage (ARM). A periodic rate cap limits how much the interest rate can increase from one adjustment period to the next. A lifetime cap limits the interest rate increase over the life of the mortgage.

INTEREST-RATE RISK
The risk that changes in interest rates will adversely affect the value of an investment portfolio. Interest-rate risk affects portfolios with large holdings in long-term bonds or many dividend-paying utility company stocks because the value will fall in the event interest rates rise.

INTERNATIONAL STOCK FUND
This type of fund buys securities of companies around the world. Because they are affected by changes in value of various currencies, international funds involve greater risk and greater potential return than U.S. investments.

INTERNET INSURER
An insurer that sells exclusively via the Internet.

INTERNET LIABILITY INSURANCE
Coverage designed to protect businesses from liabilities that arise from the conducting of business over the Internet, including copyright infringement, defamation, and violation of privacy.

INVESTMENT CONTRACTS
Investment contracts are offered to retirement savings plans by insurance companies, banks, and other financial institutions. By investing in these contracts, plan participants are essentially lending money to the financial institution. The institution is, in turn, promising to pay a specified rate of interest on that loan and to repay principle when the loan (contract) matures.

These contracts are unsecured obligations, and neither the FDIC, investment manager, nor the plan sponsor guarantees repayment.

INVESTMENT INCOME
Income generated by the investment of assets. Insurers have two sources of income, underwriting (premiums less claims and expenses) and investment income. The latter can offset underwriting operations, which are frequently unprofitable.

IOWA COMPREHENSIVE HEALTH ASSOCIATION (ICHA)
The state-run program for people with high health risks (called a high-risk pool). ICHA also sells individual and family coverage to those who are federally eligible and to certain individuals not eligible for a standard or basic individual health plan. See also Federally Eligible.

IOWA INDIVIDUAL HEALTH BENEFIT REINSURANCE ASSOCIATION
An association established by the State of Iowa to help spread the cost of insuring people with serious health conditions broadly across all participating insurance companies. Every insurance company in the state of Iowa is required to participate. Self-insured group health plans can participate on a voluntary basis. See also Self-Insured Group Health Plan.

IRREVOCABLE BENEFICIARY
A beneficiary designation that cannot be changed.

IRREVOCABLE TRUST
A trust that cannot be altered, amended, revoked, or terminated by the settlor.

JOINT LIFE EXPECTANCY
The probability that two people will live to specific ages according to a mortality table.

JOINT UNDERWRITING ASSOCIATION / JUA
Insurers which join together to provide coverage for a particular type of risk or size of exposure, when there are difficulties in obtaining coverage in the regular market, and which share in the profits and losses associated with the program. JUAs may be set up to provide auto and homeowners insurance and various commercial coverages, such as medical malpractice.

JUDGMENT
Decision by a court of law ordering someone to pay a certain amount of money. The term also refers to the condemnation awards by government entities in payment for private property taken for public use.

JUDGMENT FORECLOSURE
A court judgment that terminates all interest and rights of a mortgagor (borrower) in the property covered by the mortgage. Such a judgment usually results from the mortgagor defaulting on the mortgage loan, exposing the mortgaged property to the enforceable lien held by the lender (usually a bank). When a judgment foreclosure occurs, the mortgaged property is

generally sold under court supervision and the proceeds are used to satisfy the outstanding mortgage debt.

JUNK BONDS
Corporate bonds with credit ratings of BB or less. They pay a higher yield than investment grade bonds because issuers have a higher perceived risk of default. Such bonds involve market risk that could force investors, including insurers, to sell the bonds when their value is low. Most states place limits on insurers' investments in these bonds. In general, because property/casualty insurers can be called upon to provide huge sums of money immediately after a disaster, their investments must be liquid. Less than 2 percent are in real estate and a similarly small percentage are in junk bonds.

KASSEBAUM-KENNEDY
(see HIPPA) requires all health plans to be guaranteed renewable. Your coverage can be canceled for other reasons unrelated to your health status.

KEY PERSON INSURANCE
Insurance on the life or health of a key individual whose services are essential to the continuing success of a business and whose death or disability could cause the firm a substantial financial loss.

KIDNAP/RANSOM INSURANCE
Coverage up to specific limits for the cost of ransom or extortion payments and related expenses. Often bought by international corporations to cover employees. Most policies have large deductibles and may exclude certain geographic areas. Some policies require that the policyholder not reveal the coverage's existence.

LADDERING
A method of staggering the purchase of certificates or bonds whereby, when the investment matures, the funds can be reinvested in short or long-term investments depending on the current interest rate.

LAPSE
The expiration of a right or privilege when one party does not live up to its obligations during the time allowed.

LAST IN FIRST OUT (LIFO)
This refers to a method used to distribute cash value withdrawals for policies where the withdrawals are treated as first coming out of interest and are considered taxable income.

LARGE GROUP HEALTH PLAN
One with more than 50 eligible employees.

LATE ENROLLMENT
Enrollment in a health plan at a time other than the regular or a special enrollment period. Iowa requires fully insured group plans to cover you if you are a late enrollee. However, you may be subject to a longer preexisting condition exclusion period. See also Special Enrollment Period.

LAW OF LARGE NUMBERS
The theory of probability on which the business of insurance is based. Simply put, this mathematical premise says that the larger the group of units insured, such as sport-utility vehicles, the more accurate the predictions of loss will be.

LEHMAN BROTHERS AGGREGATE BOND INDEX
This unmanaged index of U.S. bonds, which includes reinvestment of any earnings, is widely used to measure the overall performance of the U.S. bond market.

LEVEL TERM POLICY
This is a type of insurance that pays a level benefit in case of death during the term of the policy. The premium is also level.

LIABILITIES
A claim on the assets of a company or individual to satisfy a debt.

LIABILITY INSURANCE
Protection for your negligent acts that result in bodily injury and/or damage to another's property.

LIEN
A creditor's claim against assets to secure a debt. Liens may also be granted by courts to satisfy judgments.

LIFE ANNUITY
An annuity that makes regular (e.g., monthly, quarterly, etc.) income payments for the life of a person (the annuitant). The annuitant cannot outlive the payments. Upon his/her death, however, all income payments cease and there are no beneficiary benefits.

LIFE ESTATE
A form of property ownership, also known as a life interest, giving the holder (the life tenant) an interest in the property to possess, use, and enjoy the property, or income from the property, for the duration of their life. Upon the death of the holder, the remainder interest automatically reverts to the original owner or passes to a beneficiary (known as the remainder person).

LIFE EXPECTANCY
The number of years a person is expected to live as determined by actuaries using mortality (actuarial) tables This information is used to calculate annuity payments, life insurance premiums, and annual minimum distributions from IRAs.

LIFE EXPECTANCY TABLES
Mortality tables that are used to calculate life expectancy figures.

LIFE INSURANCE
A policy that will pay a specified sum to beneficiaries upon the death of the insured.

LIFE SETTLEMENTS
The purchase of life insurance contracts by a Viatical Settlement Company, for a fraction of the policy's face amount, from healthy individuals with a life expectancy of greater than two years These are also known as Senior Settlements, since the typical person selling his or her life insurance policy is at least 65 years old.

LIMIT
Maximum amount a policy will pay either overall or under a particular coverage.

LIMITED HEALTH INSURANCE
A health insurance contract that provides limited coverage in special circumstances.

LIPPER RANKING
This fund ranking is calculated quarterly or annually by Lipper Analytical Services of New York. Each fund is ranked within a universe of funds similar in investment objective. Lipper Analytical Services, Inc. is an independent, nationally recognized organization that reports on mutual fund total return performance and calculates fund rankings.

LIQUIDITY
The ability to buy or sell an asset quickly, or to convert an asset to cash quickly, and in large volume without substantially affecting the price of the asset. The asset is considered “liquid.”

LIVING BENEFITS PROVISION
In the event of a terminal illness where medical and long term care costs occur, life insurance benefits that are payable to the insured prior to death through the use of an accelerated death benefit rider (ADBR). Accelerated or ‘living’ benefits paid will reduce the amount of death benefits payable to the beneficiary upon the insured's death.

LIVING TRUST
A revocable or irrevocable trust created during the life of the grantor that is also known as an inter vivos trust.

LLOYD'S OF LONDON
A marketplace where underwriting syndicates, or mini-insurers, gather to sell insurance policies and reinsurance. Originally, Lloyd's was a London coffee house in the 1600s patronized by shipowners who insured each other's hulls and cargoes.

LOAD
This is a sales charge added to the price of a mutual fund share. Mutual funds that don't have sales charges are called no-load funds.

LOAN VALUE
The amount which can be borrowed at a specified rate of interest from the issuing company by the policyholder, using the value of the policy as collateral. In the event the policyholder dies with the debt partially or fully unpaid, then the amount borrowed plus any interest is deducted from the amount payable.

LONG-TERM CARE INSURANCE
Coverage that, under specified conditions, provides skilled nursing, intermediate care, or custodial care for a patient (generally over age 65) in a nursing facility or his or her residence following an injury.

LONG-TERM COVERAGE
Disabilities that last more than two years are said to be long-term. Disability policies that pay benefits for long-term disabilities are said to offer long-term coverage.

LONG-TERM DISABILITY INSURANCE
A disability insurance policy that provides coverage in the form of monthly income payments for as long as the insured remains disabled (usually up to age 65).

LONG-TERM INVESTING
Experts generally consider an investment a "long-term" one if it is held for at least eight years, or long enough to outlast the longest amount of time the stock market has stayed in an extended down cycle in the past.

LOOK BACK
The maximum length of time, immediately prior to enrolling in a health plan, that can be examined for evidence of preexisting conditions. See also Preexisting Condition.

LOSS
A reduction in the quality or value of a property, or a legal liability.

LOSS ADJUSTMENT EXPENSES
The sum insurers pay for investigating and settling insurance claims, including the cost of defending a lawsuit in court.

LOSS COSTS
The portion of an insurance rate used to cover claims and the costs of adjusting claims. Insurance companies typically determine their rates by estimating their future loss costs and adding a provision for expenses, profit, and contingencies.

LOSS FREQUENCY METHOD
Procedure used by insurance companies to project the number of future losses within a given time frame. This prediction of future losses is used as the basis for setting policyholder premiums.

LOSS OF INCOME
A definition of disability based on income loss, not on loss of occupation. Loss-of-income disability definitions are used in residual disability (income replacement) policies.

LOSS RATIO
Percentage of each premium dollar an insurer spends on claims.

LOSS RESERVES
The company's best estimate of what it will pay for claims, which is periodically readjusted. They represent a liability on the insurer's balance sheet.

LOSS OF USE
Part of a standard homeowners policy that covers financial losses (up to a certain limit) you suffer when your home is damaged and temporarily unfit to live in. These losses generally refer to living expenses (e.g., hotel, dining, telephone) that you must incur in order to maintain your usual standard of living until you move back into your house.

LUMP-SUM DISTRIBUTION
When you withdraw all your money during one tax year from a retirement plan, such as a 401(k) or 403(b) retirement account, you get a lump-sum distribution. This type of withdrawal does not apply to some other retirement plans, such as 457 plans.

MAJOR MEDICAL PLAN
A kind of health plan that reimburses you or your health care provider on the basis of services rendered. Major medical plans generally do not restrict you to a limited network of providers for covered care. However, major medical plans often impose other restrictions on covered services. For example, plans can require prior authorization of hospital care or other expensive services.

MALPRACTICE INSURANCE
Professional liability coverage for physicians, lawyers, and other specialists against suits alleging negligence or errors and omissions that have harmed clients.

MANAGED CARE
A kind of health insurance plan. Like an HMO, managed care plans can limit coverage to health care provided by doctors and hospitals that work for or contract with them – also called "network providers." Often managed care plans will require you to get permission (a "referral") from your family doctor before you get care from a specialist in their network. Some managed care plans will reduce coverage for your care if you go to a non-network provider or if you get specialist care without a referral. See also HMO.

MANAGEMENT FEE
A mutual fund pays this fee to its investment manager or advisor for overseeing the fund's investments. A management fee is usually between one-half and one percent of the fund's share price, or net asset value.

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

MARINE INSURANCE
Coverage for goods in transit, and for the commercial vehicles that transport them, on water and over land. The term may apply to inland marine but more generally applies to ocean marine insurance. Covers damage or destruction of a ship's hull and cargo and perils include collision, sinking, capsizing, being stranded, fire, piracy, and jettisoning cargo to save other property. Wear and tear, dampness, mold, and war are not included. (See Inland marine and Ocean marine)

MARKET RISK
If a child catches the flu, there's a good chance the rest of the family will, too. Market risk works the same way for stocks and bonds. If investors are pessimistic, the sentiment may spread, thereby tending to cause prices of all stocks to drop, regardless of how well any one company is doing. You cannot eliminate market risk, but you can take steps to reduce your exposure to it, such as diversifying your investments among many different securities or investing in mutual funds, which offer built-in diversification.

MARKETABLE SECURITIES
Securities that are easily sold or that can be readily converted into cash such as government securities, banker's acceptances, and commercial paper.

MATERIAL MISREPRESENTATION
The policyholder / applicant makes a false statement of any material (important) fact on his/her application.

MCCARRAN-FERGUSON
Federal law signed in 1945 in which Congress declared that states would continue to regulate the insurance business. Grants insurers a limited exemption from federal antitrust legislation.

MATURITY
This is the length of time (term) before a debt, a bond or policy is due to be paid in full.

MEDICAID
A federal/state public assistance program created in 1965 and administered by the states for people whose income and resources are insufficient to pay for health care.

MEDICAL PAYMENTS INSURANCE
A coverage in which the insurer agrees to reimburse the insured and others up to a certain limit for medical or funeral expenses as a result of bodily injury or death by accident. Payments are without regard to fault.

MEDICAL UTILIZATION REVIEW
The practice used by insurance companies to review claims for medical treatment.

MEDICARE
Federal program for people 65 or older that pays part of the costs associated with hospitalization, surgery, doctors' bills, home health care, and skilled-nursing care.

MEDIGAP/MEDSUP
Policies that supplement federal insurance benefits particularly for those covered under Medicare.

MISQUOTE
An incorrect estimate of the insurance premium.

MODIFIED ENDOWMENT CONTRACT (MEC)
A special class of life insurance. Funds withdrawn from a MEC policy in the form of policy loans, partial surrenders, assignments, and pledges are treated as gross income to the recipient and therefore subject to taxation.

MONEY MARKET FUNDS
These mutual funds invest in short-term securities but are not insured or guaranteed by the government. Because the price of each share tends to stay at $1, investors often use them to temporarily hold money to be invested later. The funds try to maintain a $1 share price, but there is no assurance that they will.

MORTALITY (ACTUARIAL) TABLE
A statistical table showing the rate of death at each age in terms of the number of deaths per thousand, indicating the probability of a certain number of people from a group dying in a given year. Insurance companies and the IRS use mortality (actuarial) tables to establish premiums for different age groups, to base life estates, and annuity valuations.

MORTALITY CHARGE
The cost of the insurance protection based on a statistical projection of future deaths.

MULTIPLE PERIL POLICY
A package policy, such as a homeowners or auto insurance policy, that provides coverage against several different perils. It also refers to the combination of property and liability coverage in one policy. In the early days of insurance, coverages for property damage and liability were purchased separately.

MUNICIPAL BOND INSURANCE
Coverage that guarantees bondholders timely payment of interest and principal even if the issuer of the bonds defaults. Offered by insurance companies with high credit ratings, the coverage raises the credit rating of a municipality offering the bond to that of the insurance company. It allows a municipality to raise money at lower interest rates. A form of financial guarantee insurance.

MUNICIPAL LIABILITY INSURANCE
Liability insurance for municipalities.

MUTUAL FUND
Corporation or trust, managed by an investment adviser, that raises money from shareholders and invests it in securities, such as stocks, bonds, options, commodities and/or money market securities. Registered with the US Securities and Exchange Commission under the Investment Company Act, mutual funds offer investors the advantages of diversification and professional management for which they charge a management fee.

MUTUAL HOLDING COMPANY
An organizational structure that provides mutual companies with the organizational and capital raising advantages of stock insurers, while retaining the policyholder ownership of the mutual.

MUTUAL INSURANCE COMPANY
A company owned by its policyholders that returns part of its profits to the policyholders as dividends. The insurer uses the rest as a surplus cushion in case of large and unexpected losses.

NAMED PERIL
Peril specifically mentioned as covered in an insurance policy.

NATIONAL FLOOD INSURANCE PROGRAM
Federal government-sponsored program under which flood insurance is sold to homeowners and businesses.

NET ASSET VALUE
Also known as NAV, this is the share price (or dollar value) of one share of a mutual fund. NAV is calculated at the end of every business day. It is figured by adding up the value of all the

securities and cash in the mutual fund's portfolio (its assets), subtracting the fund's liabilities, and dividing that number by the number of shares that the fund has issued. It does not include a sales charge. The NAV increases (or decreases) when the value of the mutual fund's holdings increases (or decreases).

NET WORTH
A person's net worth is equal to the total value of all possessions, such as a house, stocks, bonds, and other securities, minus all outstanding debts, such as mortgage and revolving credit lines.

NO-FAULT
Auto insurance coverage that pays for each driver's own injuries, regardless of who caused the accident. No-fault varies from state to state. It also refers to an auto liability insurance system that restricts lawsuits to serious cases. Such policies are designed to promote faster reimbursement and to reduce litigation.

NO-FAULT MEDICAL
A type of accident coverage in homeowners policies.

NO-LOAD
A mutual fund that does not charge a sales fee for mutual fund transactions, such as buying and selling shares, is called a "no-load" fund.

NONCANCELLABLE GUARANTEED RENEWABLE
An insurance policy that is not subject to alteration, termination, or increase in premium upon renewal.

NOTICE OF LOSS
A written notice required by insurance companies immediately after an accident or other loss. Part of the standard provisions defining a policyholder's responsibilities after a loss.

NUCLEAR INSURANCE
Covers operators of nuclear reactors and other facilities for liability and property damage in the case of a nuclear accident and involves both private insurers and the federal government.

NURSING HOME INSURANCE
A form of long-term care policy that covers a policyholder's stay in a nursing facility.

OCCUPATIONAL DISEASE
Abnormal condition or illness caused by factors associated with the workplace. Like occupational injuries, this is covered by workers compensation policies.

OCCUPATIONAL HAZARD
Condition surrounding a work environment that increases the probability of death, illness, or disability to a worker. This type of hazard is considered when evaluating an application for insurance.

OCCURRENCE POLICY
Insurance that pays claims arising out of incidents that occur during the policy term, even if they are filed many years later.

OCEAN MARINE INSURANCE
Coverage of all types of vessels and watercraft, for property damage to the vessel and cargo, including such risks as piracy and the jettisoning of cargo to save the property of others. Coverage for marine-related liabilities has been expanded to include transit by rail, truck, etc.

OPEN COMPETITION STATES
States where insurance companies can set new rates without prior approval, although the state's commissioner can disallow them if they are not reasonable and adequate or are discriminatory.

OPEN ENROLLMENT PERIOD
A period of time, often once or twice a year, during which individuals are permitted to enroll in group insurance plans.

OPEN PERIL COVERAGE
Insurance coverage for all risks other than those that the policy specifically excludes.

ORDINANCE OR LAW COVERAGE
Endorsement to a property policy, including homeowners, that pays for the extra expense of rebuilding to comply with ordinances or laws that did not exist when the building was originally built.

ORDINARY LIFE INSURANCE
A life insurance policy that remains in force for the policyholder's lifetime.

ORIGINAL EQUIPMENT MANUFACTURER PARTS / OEM
Sheet metal auto parts made by the manufacturer of the vehicle.

OWN OCCUPATION
A term for a disability policy that provides benefits when the insured is unable to perform the usual and customary duties of one's own occupation.

PACKAGE POLICY
A single insurance policy that combines several coverages previously sold separately. Examples include homeowners insurance and commercial multiple peril insurance.

PAID UP ADDITIONS
An amount of paid up insuranced purchase with a policy dividend and added to the face amount of the policy.

PARTIAL DISABILITY
Inability of the insured to perform one or more of the important daily duties of his or her regular occupation. The income payment to the insured is reduced from that of total disability.

PAYEE
An insured individual or a beneficiary who receives a loss or benefit payment from an insurer.

PERIL
The cause of a possible loss. For example, fire, theft, hail, windstorm, flood, or theft.

PENSION PLANS
Also known as defined benefit retirement plans, these provide a specified amount of money after you retire following a set number of years of service (in other words, the benefit is "defined" in advance). Once you retire, the amount you receive is fixed and usually does not increase with inflation.

PERMANENT
In the insurance context, permanent life insurance is ordinary life insurance such as whole life– as opposed to term life insurance which expires unless renewed at the end of each term.

PERSONAL LIABILITY INSURANCE
Part of a standard homeowners policy that covers financial losses you suffer when you accidentally cause bodily injuries to others or damage to their property.

PERSONAL LINES
Property/casualty insurance products that are designed for and bought by individuals, including homeowners and automobile policies.

PERSONAL PROPERTY
For homeowners insurance purposes, this term generally includes all the contents of your household (e.g., furniture, jewelry, knickknacks, etc.). Coverage for personal property is automatically set at 50 percent of your coverage limit for your house, unless you choose to raise your coverage. This coverage is generally subject to a deductible.

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.

POINTS
To cover administrative costs, lenders often require you to pay mortgage origination fees, called “points.” One point equals one percent of your mortgage amount. You may have to pay as much as three points. You may also choose to pay more than the minimum; the more points you pay, the lower your interest rate.

POLICY
The written contract of insurance.

POLICY LIMIT
The maximum amount a policy will pay, either overall or under a particular coverage.

POLICY LOAN
The amount that the owner of a life insurance policy can borrow, at an interest rate set by the company, from the insurer up to the cash surrender value. If interest is not paid when due it is deducted from any remaining cash value. At the death of the policyholder any outstanding policy loans and interest due are subtracted from the death benefit.

POLICY PERIOD
Time period during which an insurance policy is in force.

POST MORTEM
After death.

POWER OF ATTORNEY FOR HEALTH CARE
A durable power of attorney for health care. Allows a representative to make medical decisions only for an individual who is seriously ill or incapacitated. Also called a health care proxy.

POWER OF ATTORNEY
A written document that authorizes an individual to perform certain acts on behalf of the person signing the document. The document, which must be witnessed by a notary public or some other public officer, may bestow either full power of attorney or limited power of attorney and it becomes void upon the death of the signer.

PREEXISTING CONDITION
Any condition (either physical or mental) for which medical advice, diagnosis, care, or treatment was recommended or received within the 6-month period immediately preceding enrollment in a group health plan. Pregnancy cannot be counted as a preexisting condition. Genetic information about your likelihood of developing a disease or condition, without a diagnosis of that disease or condition cannot be considered a preexisting condition. Newborns, newly adopted children, and children placed for adoption covered within 30 days cannot be subject to preexisting condition exclusions.

PREEXISTING CONDITION EXCLUSION PERIOD
The time during which a health plan will not pay for covered care relating to a preexisting condition. See also Preexisting Condition.

PREFERRED PROVIDER ORGANIZATION
Network of medical providers which charge on a fee-for-service basis, but are paid on a negotiated, discounted fee schedule.

PREFERRED RISK
An insured or applicant for insurance who has a lower expectation of incurring a loss than the standard applicant and can obtain favorable premiums.

PREFERRED STOCK
When you own this stock, you get preferential treatment. When a company distributes its profits, you get paid a fixed dividend even if common stockholders don't. Also, if the company goes bankrupt, you have a better chance of getting your money back before common stockholders do. However, your dividend payments do not go up if the company does well, and usually you cannot vote on company policy. And, just as with common stock, the value of your stock can go up or down.

PREMIUM
A bond premium is the amount by which a bond sells above its par (face) value. For insurance, the premium is the amount you pay for your insurance policy.

PREMIUM FINANCING
A policyholder contracts with a lender to pay the insurance premium on his/her behalf. The policyholder agrees to repay the lender for the cost of the premium, plus interest and fees.

PREMIUM TAX
A state tax on premiums paid by its residents and businesses and collected by insurers.

PREMIUMS WRITTEN
The total premiums on all policies written by an insurer during a specified period of time, regardless of what portions have been earned. Net premiums written are premiums written after reinsurance transactions.

PRESENT VALUE
Value today of a future payment, or stream of payments, discounted at some appropriate compound interest or discount rate.

PRESUMPTIVE DISABILITIES
The assumption of total disability when an insured loses sight, hearing, speech, or a limb.

PRIMARY INSURANCE AMOUNT (PIA)
The monthly benefit payable to a retired or disabled worker under Social Security that is calculated using the average monthly earnings of the covered person while working.

PRICE STABILITY
Price stability protects the original dollars you put into an investment. A mutual fund's price stability is seen in changes in its net asset value over time.

PRINCIPAL
The amount borrowed or unpaid on a loan.

PRINCIPAL
The applicant for or subject of insurance. The one from whom an agent derives his or her authority.

PRINCIPAL RESIDENCE
The home that a taxpayer lives in most of the time during the taxable year.

PRIOR APPROVAL STATES
States where insurance companies must file proposed rate changes with state regulators, and gain approval before they can go into effect.

PRODUCT LIABILITY
A section of tort law that determines who may sue and who may be sued for damages when a defective product injures someone. No uniform federal laws guide manufacturer's liability, but under strict liability, the injured party can hold the manufacturer responsible for damages without the need to prove negligence or fault.

PRODUCT LIABILITY INSURANCE
Protects manufacturers' and distributors' exposure to lawsuits by people who have sustained bodily injury or property damage through the use of the product.

PROFESSIONAL LIABILITY INSURANCE
Covers professionals for negligence and errors or omissions that injure their clients.

PROFIT SHARING PLAN
With this type of defined contribution retirement plan, your employer allows you to share in the organization's profits. Profit sharing plans generally allocate an amount of money annually to an eligible employee's account, based on the employer's profits. Contributions are made to the profit sharing accounts of each eligible employee, and those contributions may then be invested in options similar to the organization's other defined contribution plan(s).

PROPERTY DAMAGE LIABILITY COVERAGE
Part of a standard auto insurance policy that covers you (up to the policy limit) for losses that result when you damage or destroy someone else's personal property. This is required coverage in most states.

PROPERTY INSURANCE
Property Insurance indemnifies an insured whose property is stolen, damaged, or destroyed by a covered peril. The term property insurance includes direct or indirect property losses covered in several lines of insurance.

PROPOSITION 103
A November 1988 California ballot initiative that called for a statewide auto insurance rate rollback and for rates to be based more on driving records and less on geographical location. The initiative changed many aspects of the state's insurance system and was the subject of lawsuits for more than a decade.

PRO-RATA CANCELLATION
When the policy is terminated midterm by the insurance company, the earned premium is calculated only for the period coverage was provided. For example: an annual policy with premium of $1,000 is cancelled after 40 days of coverage at the company's election. The earned premium would be calculated as follows: 40/365 days X $1,000=.110 X $1,000=$110.

PROSPECTUS
This printed brochure provides a thorough description of a mutual fund. It explains the fund's objective, how it invests its money, and describes fees and expenses associated with the fund.

PROVISIONS
Words, sentences, and paragraphs in an insurance contract that specify the terms and limitations of the policy as well as the rights and obligations of the insured and the insurer.

PROXIMATE CAUSE
The actual cause of loss under an insurance policy

PUBLIC OFFERING
The offering to the investment public of new securities, after registration requirements of the Securities and Exchange commission (SEC) have been complied with, at a public offering price agreed upon by the issuer and the investment bankers.

PURE INSURANCE
The difference between the face amount of a life insurance policy and and its cash value.

QUALIFIED RETIREMENT PLAN
A retirement plan that permits contributions by both you and your employer and enables you to defer both contributions and any earnings from taxes until you withdraw money from the plan. A 401(a) and 401(k) are examples of qualified plans.

QUOTE
An estimate of the cost of insurance, based on information supplied to the insurance company by the applicant.

RATE
Cost per unit of insurance. When used to calculate a premium, it must be adequate enough to pay expected losses according to frequency and severity, reasonable to the point that insurers do not not earn an excessive profit and not discriminatory or inequitable. Based on the amount of coverage needed, an individual will purchase the appropriate number of units of insurance with the total cost reflected in a premium payment.

RATED POLICY
A policy for which the insured pays a higher-than-standard premium because of a higher risk due to a physical impairment, past medical condition, hazardous occupation, or a hazardous hobby. This type of policy is sometimes called an extra-risk policy.

RATE REGULATION
The process by which states monitor insurance companies' rate changes, done either through prior approval or open competition models.

RATING AGENCIES
Six major credit agencies determine insurers' financial strength and viability to meet claims obligations. They are A.M. Best Co.; Duff & Phelps Inc.; Fitch, Inc.; Moody's Investors Services; Standard & Poor's Corp.; and Weiss Ratings, Inc. Factors considered include company earnings, capital adequacy, operating leverage, liquidity, investment performance, reinsurance programs, and management ability, integrity and experience. A high financial rating is not the same as a high consumer satisfaction rating.

REDLINING
Literally means to draw a red line on a map around areas to receive special treatment. Refusal to issue insurance based solely on where applicants live is illegal in all states. Denial of insurance must be risk-based.

REDEMPTION FEE
You pay this when you redeem, or sell, your shares. Not all funds charge redemption fees.

REINSTATEMENT
The restoring of a lapsed policy to full force and effect. The reinstatement may be effective after the cancellation date, creating a lapse of coverage. Some companies require evidence of insurability and payment of past due premiums plus interest.

REINSURANCE
Insurance bought by insurers. A reinsurer assumes part of the risk and part of the premium originally taken by the insurer, known as the primary company. Reinsurance effectively increases an insurer's capital and therefore its capacity to sell more coverage. The business is global and some of the largest reinsurers are based abroad. Reinsurers don't pay policyholder claims. Instead, they reimburse insurers for claims paid.

RENTERS INSURANCE
A form of insurance that covers a policyholder's belongings against perils such as fire, theft, windstorm, hail, explosion, vandalism, riots, and others. It also provides personal liability coverage for damage the policyholder or dependents cause to third parties. It also provides additional living expenses, known as loss-of-use coverage, if a policyholder must move while his or her dwelling is repaired. It also can include coverage for property improvements. Possessions can be covered for their replacement cost or the actual cash value that includes depreciation.

REPLACEMENT COST
The cost to repair or replace lost or damaged property with new materials of like kind and quality, at current prices. Some insurance only pays the actual cash or market value of the item at the time of the loss, not what it would cost to repair or replace it. If you have personal property replacement cost coverage, your insurance will pay the full cost to repair an item or buy a new one once the repairs or purchases have been made.

REPLACEMENT VALUE
The full cost to repair or replace the damaged property with no deduction for depreciation, subject to policy limits and contract provisions.

RIDER
Usually known as an endorsement, a rider is an amendment to the policy used to add or delete coverage.

RISK
The chance of loss -or- the person or entity that is insured.

RISK MANAGEMENT
Management of the varied risks to which a business firm or association might be subject. It includes analyzing all exposures to gauge the likelihood of loss and choosing options to minimize loss. These options typically include reducing and eliminating the risk with safety measures, buying insurance, and self-insurance.

RISK RETENTION GROUPS
Insurance companies that band together as self-insurers and form an organization that is chartered and licensed as an insurer in at least one state to handle liability insurance.

RISK-BASED CAPITAL
The need for insurance companies to be capitalized according to the inherent riskiness of the type of insurance they sell. Higher-risk types of insurance, liability as opposed to property business, generally necessitate higher levels of capital.

ROLLOVER IRA
An Individual Retirement Account can hold money distributed from an employer's qualified or 403(b) retirement plan.

ROTH IRA
An individual retirement account which permits account holder's capital to accumulate tax free under certain conditions. Individuals can invest up to $2,000 per year, subject to income limitations. Withdrawals of principal and earnings are totally tax free after age 59 1/2 as long as the assets have remained in the IRA for at least five years after the first contribution. In addition, there are no minimum distribution requirements.

SALVAGE
Damaged property an insurer takes over after paying a claim to reduce its loss. Insurers receive salvage rights over property on which they have paid claims, such as badly-damaged cars. Insurers that paid claims on cargoes lost at sea now have the right to recover sunken treasures. Salvage charges are the costs associated with recovering that property.

SECONDARY MARKET
The organized trading of securities (stocks, bonds, etc.) through various exchanges and over-the-counter markets where securities are bought and sold subsequent to their original issuance. Trading in secondary markets is subject to the rules and regulations of the SEC.

SECURITIES
This is another word for stocks, bonds, and short-term investments.

SECURITIES AND EXCHANGE COMMISSION / SEC
The organization that oversees publicly-held insurance companies. Those companies make periodic financial disclosures to the SEC, including an annual financial statement (or 10K), and a quarterly financial statement (or 10-Q). Companies must also disclose any material events and other information about their stock.

SELF-INSURED GROUP HEALTH PLANS
Plans set up by employers who set aside funds to pay their employees' health claims. Because employers often hire insurance companies to run these plans, they may look to you just like fully insured plans. Employers must disclose in your benefits information whether an insurer is

responsible for funding, or for only administering the plan. If the insurer is only administering the plan, it is self-insured. Self-insured plans are regulated by the U.S. Department of Labor, not by the state of Iowa.

SERIES EE SAVINGS BONDS
The U.S. government issues these bonds in amounts from $50 to $10,000. The interest is exempt from state and local taxes, and no federal tax is due until the bonds are redeemed.

SHARE PRICE
For a mutual fund, the value of one share is known as its share price, or its net asset value (NAV), and is calculated daily or even hourly. That's because the value of a fund's securities changes in response to the movements of the stock, bond, and money markets. Multiplying the share price, or NAV, times the number of shares you have in the fund gives you the value of your investment.

SHARE PRICE APPRECIATION
When a share increases in value, it appreciates. For example, a mutual fund share whose net asset value (NAV) goes from $20 a share to $25 a share appreciated by $5.

SHORT-RATE CANCELLATION
When the policy is terminated prior to the expiration date at the policyholder's request. Earned premium charged would be more than the pro-rata earned premium. Generally, the return premium would be approximately 90 percent of the pro-rata return premium. However, the company may also establish its own short-rate schedule.

SHORT-TERM BOND FUND
This mutual fund invests in bonds that mature in one to three years. It is sometimes used as an alternative to a money market fund because it usually pays a higher rate of interest, although the risk of loss is greater.

SHORT-TERM COVERAGE
Coverage that lasts less than one year in duration.

SHORT-TERM DISABILITY INSURANCE
A disability insurance policy that pays benefits only for a limited period of time (e.g., 26 weeks or one year).

SHORT-TERM LIQUIDITY
The ability to convert an asset into cash relatively easily. This concept also is simply known as "liquidity."

SMALL GROUP HEALTH PLANS
Plans with at least 2 but not more than 50 eligible employees.

SOLVENCY
Insurance companies' ability to pay the claims of policyholders. Regulations to promote solvency include minimum capital and surplus requirements, statutory accounting conventions, limits to insurance company investment and corporate activities, financial ratio tests, and financial data disclosure.

SPECIAL ENROLLMENT PERIOD
A time, triggered by certain specific events, during which you and your dependents must be permitted to sign up for coverage under a group health plan. Employers and group health insurers must make such a period available to employees and their dependents when their family status changes or when their health insurance status changes. Special enrollment periods must last at least 30 days. Enrollment in a health plan during a special enrollment period is not considered late enrollment. See also Late Enrollment.

SPLIT DOLLAR LIFE INSURANCE
Life insurance policy in which premiums, ownership rights, and death benefit proceeds are split between an employer and an employee.

SPREAD OF RISK
The selling of insurance in multiple areas to multiple policyholders to minimize the danger that all policyholders will have losses at the same time. Companies are more likely to insure perils that offer a good spread of risk. Flood insurance is an example of a poor spread of risk because the people most likely to buy it are the people close to rivers and other bodies of water that flood.

STANDARD & POOR'S 500 INDEX (S&P 500)®
The S&P 500, a registered trademark of the Standard & Poor's Corporation, is a widely recognized, unmanaged index of common stocks. The index returns reflect reinvestment of all dividends paid by stocks included in this index but do not reflect any brokerage commissions or other fees you might pay if you actually invested in those stocks.

STATE CONTINUATION COVERAGE
A program similar to COBRA for small employers. In Iowa, if you are in a fully insured group health plan sponsored by an employer with 2 to 19 employees, you have the right to continue your health coverage for up to 9 months when your job ends. Under state continuation coverage, you will be required to pay the full premium (including the share your employer used to pay on your behalf). See also COBRA.

STOCK
When you own a company's stock, you own part of the company. How much you own depends on how many shares of stock you have. Holders of common stock are the last to be paid any profits from the company but are likely to profit most from the company's growth. Owners of preferred stock are paid a fixed dividend before owners of common stock, but the amount of the dividend doesn't usually grow if the company grows.

STOCK MUTUAL FUND
Such a mutual fund invests primarily in stocks. Sometimes it is called an equity or growth fund.

STOCK RIGHTS
A short-term option, often lasting only two to four weeks, granted to existing shareholders of a corporation the right to subscribe to shares of a new common stock issue at a designated subscription price. The subscription price is usually set lower than the common stock's current market value.

STOCK SPLITS
To make shares of its stock more affordable, a company may decide to issue more stock but cut the price of each share. Each stockholder gets enough additional shares but the dollar amount of the total investment at the time of the split does not change.

STOCK WARRANTS
An option issued along with bonds or preferred stock that entitles the holder to buy a stated number of shares of the company's common stock at a specified price. The option price is usually set higher than the stock's market price at the time the fixed income security is issued. Warrants are generally used as sweeteners to enhance the marketability of the accompanying fixed income securities. Most warrants are detachable and can be traded on the major stock exchanges.

SUBORDINATIONS
Debts that are repayable only after other debts with a higher claim have been satisfied. Some subordinated debt may have less claim on assets than other subordinated debt.

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

SUBSTANTIALLY EQUAL PAYMENTS
A method of distributing funds from a traditional IRA or retirement plan where the owner or participant had not yet begun taking required minimum distributions. This method allows you to withdraw approximately equal amounts each year based on your life expectancy.

SUICIDE CLAUSE
Limitation in life insurance policies to the effect that no death benefits will be paid if the insured commits suicide during a specified initial period, usually the first two years that the policy is in force.

SURCHARGE
An extra charge applied by the insurer. For automobile insurance, a surcharge is usually for accidents or moving violations

SURETY BOND
A guarantee to one party that the contractor will perform specified acts, usually within a stated period of time. Contractors are often required to purchase surety bonds if they are working on public projects. The surety company becomes responsible if the contractor defaults.

SURPLUS LINES
Property/casualty coverage that isn't available from insurers licensed by the state, called admitted companies, and must be purchased from a non-admitted carrier. Examples include risks of an unusual nature that require greater flexibility in policy terms and conditions than exist in standard forms or where the highest rates allowed by state regulators are considered inadequate by admitted companies. Laws governing surplus lines vary by state.

SURRENDER
To terminate or cancel a life insurance policy before the maturity date. In the case of a cash value policy, the policyholder may exercise one of the nonforfeiture options at the time of surrender.

SURRENDER CHARGE
Many annuities impose a surrender charge to discourage withdrawals in the early years of the contract. The charges typically decline year by year — perhaps from 5% in year one of the plan to 4% in year two and so on — until they eventually no longer apply.

SURRENDER TO BASIS
With cash value life insurance policies that allow policy withdrawals, this is a strategy where the policyholder withdraws only up to his or her basis (i.e., the amount he or she has paid into the policy) so as to avoid having the withdrawal taxed. Investment earnings, which would be taxable upon withdrawal, are left in the policy.

TAX-DEFERRED RETIREMENT PLANS
This is a retirement plan that allows you to not pay current income taxes on pre-tax money invested or any earnings in an account until you withdraw it from the plan. Such a plan allows you to set aside part of your pay for retirement.

TAX-FREE EXCHANGE
Section 1035 of the Internal Revenue Code provides that certain exchanges of life insurance contracts, annuity contracts, and modified endowment contracts will generally not trigger a taxable gain as long as the owner is the same person under both contracts.

TERM INSURANCE
Protection against premature death that comes in a form of life insurance. It pays a benefit only when an insured dies within a specified period, and a designated beneficiary receives the death benefit. If the insured lives beyond the specified period, the beneficiary receives nothing.

TERRITORIAL RATING
A method of classifying risks by geographic location to set a fair price for coverage. The location of the insured may have a considerable impact on the cost of losses. The chance of an accident or theft is much higher in an urban area than in a rural one, for example.

THIRD-PARTY ADMINISTRATOR
Outside group that performs clerical functions for an insurance company.

THIRD-PARTY COVERAGE
Liability coverage purchased by the policyholder as a protection against possible lawsuits filed by a third party. The insured and the insurer are the first and second parties to the insurance contract.

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

TORT
A wrongful act, resulting in injury or damage on which a civil action may be based.

TORT LAW
The body of law governing negligence, intentional interference, and other wrongful acts for which civil action can be brought, except for breach of contract, which is covered by contract law.

TORT REFORM
Refers to legislation designed to reduce liability costs through limits on various kinds of damages and through modification of liability rules.

TOTAL LOSS
The condition of an automobile or other property when damage is so extensive that repair costs would exceed the value of the vehicle or property.

TRANSFER FOR VALUE RULE
The transfer of some or all of the ownership rights in a life insurance policy to another party in exchange for cash or other forms of valuable consideration (as defined by the IRS). In general, if you effect a transfer for value with a life insurance policy, the death benefit proceeds payable under the policy may lose their income tax-exempt status.

TREASURY BILLS
Also known as “T-Bills”, these investments mature in a year or less and are issued by the U.S. government. They require at least a $10,000 investment. They are sold at less than face value; and the interest is paid when the T-Bills mature or reach face value.

TREASURY BONDS
Treasury bonds are long-term debt instruments with maturities of 10 years or longer. They are issued in minimum denominations of $1,000. Though repayment of the initial investment in a "T-bond" is guaranteed when the bond matures, its value can go up and down in the meantime, like that of Treasury notes and other bonds. That means that when you sell it before maturity, it could be worth more or less than you paid for it.

TREASURY NOTES
These are intermediate government securities with maturities of one to 10 years. Denominations range from $1,000 to $1 million or more. Notes are sold by cash subscription, in exchange for outstanding or maturing government bond issues, or at auction.

UMBRELLA POLICY
Coverage for losses above the limit of an underlying policy. It applies to losses over a large dollar amount, but terms of coverage are sometimes broader than those of underlying policies.

UNCONSCIONABLE
Unscrupulous or unreasonable; in legal terms, an unconscionable contract is one found to lack meaning because the contract is one-sided and/or unfairly executed.

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 INCOME
The insurer's profit on the insurance sale after all expenses and losses have been paid. When premiums aren't sufficient to cover claims and expenses, the result is an underwriting loss. Underwriting losses are typically offset by investment income.

UNEARNED PREMIUM
The portion of a premium already received by the insurer under which protection has not yet been provided. The entire premium is not earned until the policy period expires, even though premiums are typically paid in advance.

UNINSURABLE RISK Risks for which it is difficult for someone to get insurance.

UNINSURANCE/UNDERINSURANCE
The result of the policyholder's failure to buy sufficient insurance. An underinsured policyholder may only receive part of the cost of replacing or repairing damaged items covered in the policy.

UNINSURED MOTORISTS COVERAGE
Portion of an auto insurance policy that protects a policyholder from uninsured and hit-and-run drivers.

UNISEX PRICING
A policy whose premium is the same for both men and women, mandated by certain states and optional in others.

UNIVERSAL LIFE INSURANCE
A flexible premium policy that combines protection against premature death with a savings account that typically earns a money market rate of interest. Premiums can be changed during the life of the policy within limits and the policy will lapse if there isn't enough money to cover mortality and administrative costs.

VALUED POLICY
A policy under which the insurer pays a specified amount of money to or on behalf of the insured upon the occurrence of a defined loss. The money amount is not related to the extent of the loss. Life insurance policies are an example.

VANDALISM
The malicious and often random destruction or spoilage of another person's property.

VARIABLE ANNUITY
A type of annuity that has a variety of investment options available for your selection. The rate of return you receive will depend on the performance of the investments you choose.

VARIABLE ANNUITY
While a fixed annuity offers a return guaranteed by the issuing insurance company, a variable annuity offers a chance to increase the return through a portfolio of underlying investments, typically stocks, bonds, and money markets. However, the contract holder also could face greater risk along with the greater potential gain. The contract holder hopes the underlying portfolios increase in value over time, but the eventual payouts could vary substantially as the value of the annuity units fluctuates with the value of the underlying portfolios. You may have a gain or loss when you withdraw money.

VARIABLE LIFE INSURANCE
A policy that combines protection against premature death with a savings account that can be invested in stocks, bonds, and money market mutual funds at the policyholder's discretion.

VARIABLE UNIVERSAL LIFE INSURANCE
A form of permanent cash value life insurance that combines features of both variable life and universal life. As with universal life, you have flexibility with both premium payments and death benefit coverage. As with variable life, the rate of return on the cash value portion of the policy is not fixed, but rather depends on the performance of the underlying investments selected.

VESTING
Depending on your plan's provisions, after you have been with your employer for a certain amount of time, you can take ownership of employer-contributed money in a pension fund or profit sharing plan when you leave the company. You are "vested" in that fund or plan.

VIATICAL SETTLEMENT AGENT
A viatical settlement agent represents the viatical settlement provider and sells the viatical settlement investment contract to a viatical settlement investor. A viatical settlement agent must be registered with the Iowa Insurance Division.

VIATICAL SETTLEMENT BROKER
A person that negotiates viatical settlement contracts between a life insurance policyholder and a viatical settlement provider for a commission. A viatical settlement broker must be licensed with the Iowa Insurance Division.

VIATICAL SETTLEMENT COMPANIES
Firms that buy life insurance policies at a discount from policyholders who are often terminally ill. The companies provide early payouts to the policyholder, assume the premium payments, and collect the face value of the policy upon the policyholder's death.

VIATICAL SETTLEMENT CONTRACT
A viatical contract is made when an investor purchases the right to receive the benefits of a life insurance policy. This is often done when the policy owner is terminally ill and wants to receive the cash payout. (How the viatical settlement contract works: A viatical settlement broker arranges the sale of a policyholder's life insurance policy to a viatical settlement provider. A viatical settlement provider then may resell all or a portion of its interest in the life insurance policy to an investor through a viatical settlement agent.)

VIATICAL SETTLEMENT INVESTMENT CONTRACT
A viatical settlement investment contract is made when an investor purchases the right to receive the benefits of a life insurance policy from a viatical settlement provider. (How the viatical settlement investment contract works: A viatical settlement provider sells an interest in a viaticated life insurance policy to an investor at a discount. The investor may be required to make the remaining premium payments and collects all or a portion of the face value of the policy upon the policyholder's death.)

VIATICAL SETTLEMENT INVESTOR
A person who buys an interest in all or a portion of the death benefits of a life insurance policy through a viatical settlement investment contract.

VIATICAL SETTLEMENT PROVIDER
A company that buys life insurance policies at a discount from persons that no longer need the life insurance policies or that have an immediate need for cash due to a terminal illness. The provider may then resell all or a portion of its interests to an investor through a viatical

settlement investment contract. Companies typically assume the premium payments, collect the face value of the policy upon the policyholder's death and pay settlement benefits to the viatical settlement investor. A viatical settlement provider must be licensed with the Iowa Insurance Division.

VISION CARE INSURANCE
Insurance that provides coverage for expenses relating to routine eye care (e.g., eye examinations, glasses, contact lenses).

VOID
A policy contract that for some reason specified in the policy becomes free of all legal effect. One example under which a policy could be voided is when information a policyholder provided is proven untrue.

VOLCANO COVERAGE
Most homeowners policies cover damage from a volcanic eruption.

VOLATILITY
In investing, volatility refers to the ups and downs of the price of an investment. The greater the ups and downs, the more volatile the investment.

WAITING PERIOD
The time you may be required to work for an employer before you are eligible for health benefits. Not all employers require waiting periods. Waiting periods do not count as gaps in health insurance for purposes of determining whether coverage is continuous. If your employer requires a waiting period, your preexisting condition exclusion period begins on the first day of the waiting period. See also Preexisting Condition Exclusion Period.

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

WAIVER OF PREMIUM
A clause or rider on a life insurance, disability, or long-term care insurance policy that cancels the premium payments the insured must make if he or she is disabled longer than a certain time period (usually six months) and as long as he or she continues to be disabled. The policy remains in force even though the insured is no longer paying the premiums.

WAR RISK
Special coverage on cargo in overseas ships against the risk of being confiscated by a government in wartime. It is excluded from standard ocean marine insurance and can be purchased separately. It often excludes cargo awaiting shipment on a wharf or on ships after 15 days of arrival in port.

WEATHER INSURANCE
A type of business interruption insurance that compensates for financial losses caused by adverse weather conditions.

WHOLE-LIFE INSURANCE
The insurance policy offers protection in case the insured dies, but it also builds up cash value over time. Under normal circumstances, the policy remains active for the lifetime of the insured or for until a specified age. The insured usually pays a level annual premium, and the earnings on the cash value in the policy accumulate tax-deferred. You may borrow against the premium.

WORKERS COMPENSATION
Insurance that pays for medical care and physical rehabilitation of injured workers and helps to replace lost wages while they are unable to work.

WRAP-UP INSURANCE
Broad policy coordinated to cover liability exposures for a large group of businesses that have something in common. Might be used to insure all businesses working on a large construction project, such as an apartment complex.

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

ZERO-COUPON BONDS
These are bonds that are sold at less than their face value and pay no interest until they are redeemed at face value on a specific date. They are often used to plan for a specific investment goal.