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Covey Inspection Services, PLLC

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Insurance Terminology

The following pages can be printed and cut to create games to help with memorization. The insurance terms are in the left column and the definitions are in the right column.

Two methods will be noted here and you may create more. Find whatever helps you retain the vocabulary.

Cut along the dotted lines, fold on the solid lines, and tape the open end.

Method 1 – Flashcards:

1. Turn all the cards with the insurance terms face down.
2. Assemble into one stack.
3. Pick the top card, read the definition, and try to recall the term.
4. If you are correct, place that card in a separate stack.
5. If you are not correct, place the card at the bottom of the stack.
6. Repeat until you have correctly identified each term.
7. Variations:
 - a. Turn the stack over, read the term, and try to state the definition in your own words.
 - b. Have a partner show you one side or the other and you tell them the answer.

Method 2 – Matching:

1. You will need an extra set of cards for this game.
2. Place one set with the insurance terms face up and the other set, face down.
3. Spread the cards out and mix both sets.
4. Pick a card by either the insurance term or the definition.
5. Find the matching card (you can check the back of the second card to make sure you are correct).
6. If you are correct, place the pair in a separate stack.
7. If you are incorrect, return the matching card and try to locate the correct card.
8. Repeat this until all cards have been correctly matched.

Method 3 – Memory:

1. For this game, you will need one set of cards; however, you will not tape the ends.
2. Cut along the dotted **and** solid lines, where each term and definition are on separate cards.
3. Place all cards face down and mix them thoroughly.
4. The object of this game is to remember the location of corresponding cards.
5. Turn two cards over. You can refer to the terminology list to verify a correct match.
6. If the cards match, remove them and place them in a separate stack.
7. If they don't match, turn them over and try two more cards.
8. Continue until all pairs have been matched.

** If you create another way to use these, please let me know and I may add it to this for future students.*

Accident	Sudden, unexpected events that cause property damage or bodily injury. These can include, but are not limited to, hurricanes, tornadoes, flood, vehicular, aviation, slip & fall, lightning, explosion, etc.
Actual Damages	Damages that have a specified cost to repair them.
Actual Total Loss	Complete destruction of insured property, so that nothing of value remains. There is no salvage component.
ACV (Actual Cash Value)	This is the value of the property after depreciation. As with anything that deteriorates with age, the value decreases, or depreciates.

<p>ALE (Additional Living Expense)</p>	<p>If a homeowner is temporarily displaced from their home due to a catastrophe to allow repairs, certain homeowner's policies provide coverage to help defray this cost.</p>
<p>All Risk Policy</p>	<p>This policy is only in name as there is no policy that actually covers all perils, though this policy is the most common. Every policy has some condition, provision, or exclusion, which limits coverage.</p>
<p>Amendment</p>	<p>A document attached to a policy reflecting a change to the policy language made by the insurance company or the department of insurance.</p>
<p>Assumption of Risk</p>	<p>If a person/company knows ahead of time that there is a possibility of injury, or worse, and agree not to hold anyone else responsible if an accident occurs, there really isn't negligence and insurance companies will generally not be liable and will resist paying.</p>

<p>Attachment</p>	<p>A court order allowing one person to take something of value belonging to another into custody for a particular purpose.</p>
<p>Bailee</p>	<p>Person(s) who, with permission, take care of another person/company's property.</p>
<p>Basic Form</p>	<p>The least expensive structural ACV policy covers only three perils on the structure and contents: fire, lightning, and demolition/removal. You may see the number "1" or "A" in the form number, such as HO-1 or HO-A.</p>
<p>Barratry</p>	<p>Fraud or gross negligence of a ship's master or crew at the expense of its owner or users.</p>

<p>Blanket Coverage</p>	<p>This is a specific endorsement that provides a preset dollar amount to a particular category, i.e. \$500 for “tree removal”, \$10,000 for “personal property.”</p>
<p>Bodily Injury</p>	<p>Bodily injuries, legal defense, and compensation to other parties caused by an insured.</p>
<p>Bond</p>	<p>A secured, long-term IOU with issuer obligations.</p>
<p>Broad Form</p>	<p>A bit costlier than the Basic Form, it covers 16 named perils on structure and content. It only pays (ACV), not (RCV). Often, you may see the number “2” or “B” in the form number, such as HO2, HO-B.</p>

<p>Cause & Origin (C&O) Investigation</p>	<p>Investigations often used to determine how, when, and why, specific damage occurred.</p>
<p>Cancellation</p>	<p>An insurance company or the insured can cancel a policy with 60 days' notice for various reasons, such as a change in the coverage, criminal felony conviction, misrepresentation in the policy application, etc.</p>
<p>Cargo</p>	<p>Goods transported by truck, train, ship, or aircraft. Also known as Freight.</p>
<p>Claimant</p>	<p>“First Party” files a claim against his own insurance company, aka “Second Party.” A “Third Party” is someone who files a claim against someone else’s insurance company.</p>

<p>Collision Coverage</p>	<p>Auto coverage for impact damage.</p>
<p>Comprehensive Coverage</p>	<p>Auto coverage for non-collision damage, such as fire, vandalism, theft, flood, etc.</p>
<p>Conditions</p>	<p>This is one of four basic parts of an insurance policy. This section has two main parts, “Your Duties After Loss” and “Settlement Provisions.”</p>
<p>Constructive Total Loss</p>	<p>The cost to repair an insured item exceeds the cost to replace the item, regardless of RCV or ACV policy.</p>

<p>Contents</p>	<p>Personal property such as clothing, furniture, televisions, computers, etc.</p>
<p>CE</p>	<p>24 Continuing Education hours are required every two years. 50% (12) hours must be in a classroom or classroom equivalent. Two hours must be ethics/consumer protection.</p>
<p>Contract</p>	<p>A written agreement (i.e. insurance policy) between two competent parties.</p>
<p>Date of Discovery (DOD)</p>	<p>The date when the damages were noticed which is often different from, and not to be confused with, the date of loss.</p>

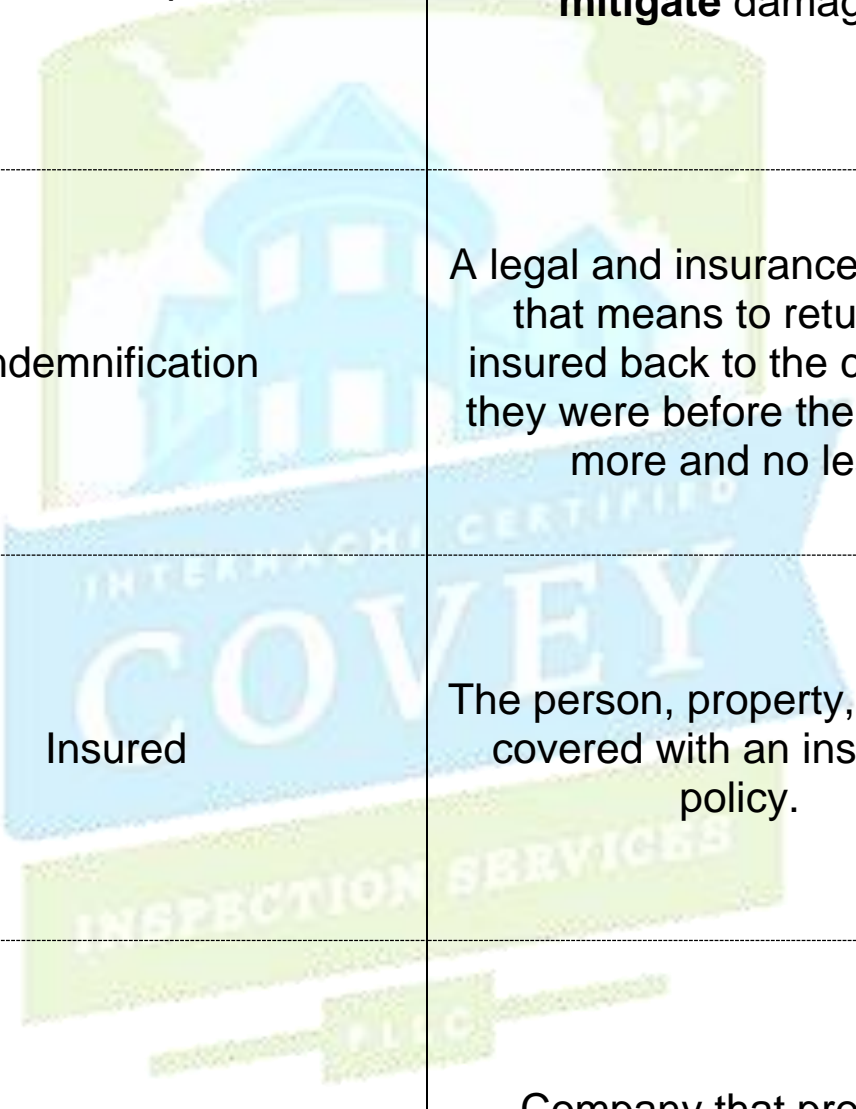
Date of Loss (DOL)	This is the date when the damages actually occurred. Do not confuse this with the date of discovery .
Declaration "Dec" Page	Usually the cover sheet of a policy listing the insured's name, mailing address, loss location, and basic policy information such as the policy period, list of endorsements, and dollar limits for different coverage types.
Deductible	This is the portion of the damages the insured has to pay. It is usually a set dollar amount, though in some cases, it is a percentage.
Depreciation	The decrease or loss in value based on the approximate age and/or wear & tear. This value is based on the perception of the adjuster and the normal life expectancy of the item.

Dock	A platform extending from shore over water, used to secure, protect, and provide access to ships or boats.
Endorsement	Document(s) attached to a policy that add, take away, or limits coverage, conditions, and/or terms. An endorsement is also known as a “Floater” or “Rider.”
Estoppel	This is a legal principle that bars a party from changing its mind after initially indicating they would act in a certain way.
Exclusions	Every policy has limits on certain causes of loss for various reasons. There are two main parts: the list of excluded causes of loss and exceptions to exclusions.


<p>Expiration Date</p>	<p>The date when the policy expires.</p>
<p>Fair Rental Value</p>	<p>The reasonable value of a building being rented. This is an option available in some homeowner's policies instead of paying ALE.</p>
<p>Fidelity Bond</p>	<p>Usually provided for businesses to cover dishonest acts of an employee.</p>
<p>Forced Place Insurance</p>	<p>If an active loan exists and the insured's insurance is allowed to lapse, the lender/lien holder can force insurance on the property to protect their interest in the loan.</p>

Fraud	Intentional misrepresentation (lying, falsifying documents, etc.) when filing a claim in an attempt to get money from an insurance company that would otherwise not be paid.
Freight	Goods transported by truck, train, ship, or aircraft. Also known as cargo.
General Contractor	Someone who is hired to either perform all repairs (electrical, framing, plumbing, etc.) during construction or hire subcontractors for various trades.
General Damages	These damages are subjective and usually quite difficult to place an actual value on, such as pain and suffering, emotional distress, scarring, and disfigurement.

HO-1 / HO-A	This was one of the first policy types, still in use today, by those who want the least expensive policy. This ACV policy is also known as a Basic form.
HO-2 / HO-B	A bit costlier than the Basic Form, this ACV policy covers 16 named perils on structure and content. It is also known as a Broad form.
HO-3 / HO-C	A bit costlier than the Broad Form, it covers 16 named perils on structure and content. It pays RCV on the structure and ACV on contents. It is also known as a Special form.
Inchmaree	A clause that protects against damage or loss caused by the negligence of a vessel's captain or crew or by any defect in the ship's hull or machinery and not caused by nature.



<p>Incurred Expense</p>	<p>What the insured has spent to mitigate damages.</p>
<p>Indemnification</p>	<p>A legal and insurance principle that means to return the insured back to the condition they were before the loss, no more and no less.</p>
<p>Insured</p>	<p>The person, property, or entity, covered with an insurance policy.</p>
<p>Insurer</p>	<p>Company that provides insurance.</p>



<p>Invitee</p>	<p>Person(s) invited into a business for the purpose of conducting business, customer.</p>
<p>Jettison</p>	<p>A voluntary sacrifice of cargo to lighten a ship's load in time of distress.</p>
<p>Liability</p>	<p>The responsibility for an act.</p>
<p>Liability Coverage</p>	<p>Coverage for unintentional bodily injury or property damage.</p>

<p>Licensee</p>	<p>Person(s) invited into a business for non-business activity, a social visit.</p>
<p>Loss History</p>	<p>This information, though sometimes critical in determining coverage, may not always be readily available. It may require more investigation by the desk adjuster.</p>
<p>Loss of Income</p>	<p>Major part of a business policy which is usually the net profit lost for a specific amount of time due to an accident or loss.</p>
<p>Loss Payee</p>	<p>The person, or entity, to whom the claim proceeds are to be paid.</p>

<p>Medical Payments / Personal Injury Protection (PIP) Coverage</p>	<p>Pays small dollar medical expenses (usually up to \$20,000) for the insured and their passengers due to an auto or home accident, regardless of who was at fault.</p>
<p>Mitigation</p>	<p>The process to protect property from further harm, such as having a tarp placed on a roof after a hurricane or windstorm.</p>
<p>Negligence</p>	<p>Unintentional and accidental damages that could have been avoided due to what is reasonably expected of persons/entities in similar situations.</p>
<p>Non-recoverable Depreciation</p>	<p>Depreciation on item(s) that cannot be returned to the claimant, valuing that item as actual cash value (ACV).</p>

<p>Non-renewal</p>	<p>When an insurance company decides to cancel the policy at the end of its current period.</p>
<p>Notice of Loss</p>	<p>To avoid breach of contract, this written notice is required by insurance companies immediately after an accident or loss.</p>
<p>Occurrence</p>	<p>Usually an unexpected loss due to events or repeated exposure to conditions over a period of time.</p>
<p>Overhead & Profit (O&P)</p>	<p>This is a calculated percentage increase based on the complexity of damages usually applied if a general contractor must oversee the repairs or if more than three trades are involved, such as plumbing, electrical, flooring, etc.</p>

<p>Personal Auto Policy (PAP)</p>	<p>This is the most standardized automobile policy for personal vehicles. It excludes recreational vehicles.</p>
<p>Perils</p>	<p>Actual causes of loss that are identified in the policy.</p>
<p>Piers</p>	<p>A platform extending from shore over water, providing access to ships or boats.</p>
<p>Policy</p>	<p>A written contract of insurance. See Basic, Broad, and Special Forms.</p>

<p>Policy Limits</p>	<p>The maximum amount of payout per loss.</p>
<p>Policy Period</p>	<p>The period of actual coverage provided by an insurance company.</p>
<p>Premium</p>	<p>The dollar amount (cost) of an insurance policy paid by the insured.</p>
<p>Preservation Companies</p>	<p>When properties are vacant and/or abandoned by insured parties, lenders hire preservation companies to visit the property on a monthly basis to maintain the yard and monitor for damages.</p>

Recorded Statement	A recorded question and answer session usually between the insured and insurer regarding questions about the claim, often based on suspicion of fraud.
Recoverable Depreciation	Depreciation on item(s) that can be returned to the claimant once repairs are completed, valuing that item as replacement cost value (RCV).
Reinstatement	Once an insurance policy lapses, it can be reinstated after payment is made.
Reinsurance	Insurance coverage for an insurance company itself. Usually, this is set on catastrophic losses over a certain dollar amount. The initial amount will be paid by the original company and the excess will be paid by the reinsurance coverage.

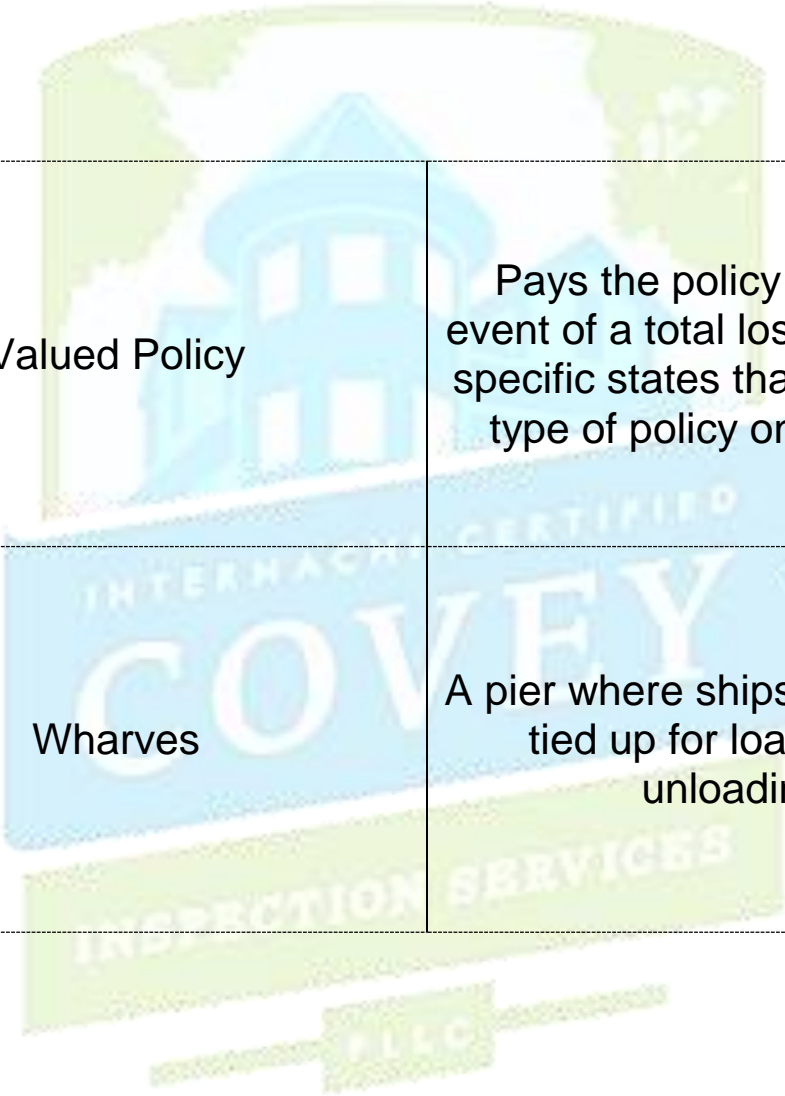
<p>Repair ACV</p>	<p>The cost of repairs minus depreciation.</p>
<p>Replacement Cost Value (RCV)</p>	<p>The total cost to replace damaged property without deductions for depreciation or overhead & profit. Not to be confused with actual cost value (ACV).</p>
<p>Reserves</p>	<p>The insurance company's best estimated cost of repairs. Proper setting of reserves can determine an insurance company's solvency.</p>
<p>Restoration Company</p>	<p>A company that works with insured or insurers to minimize loss or return to pre-loss conditions. They often repair buildings, contents, furnishings, etc.</p>

<p>Risk</p>	<p>The item/property/person insured.</p>
<p>Salvage</p>	<p>If damaged property has any value, and if the insurance company pays for replacing the item, the insurance company can have the item sold and collect whatever worth it may have. It may also elect to sell it back to the insured.</p>
<p>Severity</p>	<p>The extent of damages. This is also used in determining premium rates.</p>
<p>Slip</p>	<p>A ramp (such as a boat ramp) beside a body of water, where ships are built and launched.</p>

<p>Special Form</p>	<p>Similar, but a bit costlier than the Broad Form, it covers 16 named perils on structure and content. It pays RCV on the structure and ACV on contents. You may see the number “3” or “C” in the form number which designates specific forms such as HO-3 or HO-C.</p>
<p>Subrogation</p>	<p>A legal and insurance principle that allows an insurance company to seek restoration of financial costs incurred with a claim payment from a third party.</p>
<p>Supplement</p>	<p>If there are hidden damages, or if the adjuster overlooked something, an additional payment could be issued to bring the insured to pre-loss condition.</p>
<p>Surety Bond</p>	<p>A promise to pay a certain amount if the other party fails to meet an obligation such as a contract.</p>

<p>Third Party Administrators (TPA)</p>	<p>These are companies that file claims on behalf of lenders.</p>
<p>Total Loss</p>	<p>Complete destruction of insured property, so that nothing of value remains (Actual Total Loss) or when the cost to repair exceeds the cost to replace (Constructive Total Loss).</p>
<p>Total Value ACV</p>	<p>The actual cash value of the entire property, including the damaged area.</p>
<p>Trespasser</p>	<p>Person(s) on the premises without permission.</p>

<p>Umpire</p>	<p>This is a person who helps settle disputes between the insured and insurer.</p>
<p>Underwriting</p>	<p>This is the process the insurance company goes through when it is trying to determine to approve or deny a policy application.</p>
<p>Unearned Premium</p>	<p>The amount of insurance premium the insurance company collected for the remainder of the policy period.</p>
<p>Uninsured/Under Insured Motorists Coverage</p>	<p>Pays for damages caused by another person/entity if they don't have insurance.</p>



<p>Valued Policy</p>	<p>Pays the policy limit in the event of a total loss. There are specific states that require this type of policy on buildings.</p>
<p>Wharves</p>	<p>A pier where ships or boats are tied up for loading and unloading.</p>