

insurance contract. Also called a policy, is a legally binding document that outlines the terms of an insurance agreement between an insurance company and the potential policyholder.

legally binding. An agreement, or contract, between parties that can be enforced through legal action if one of the parties fails to abide by the terms of the agreement.

utmost good faith. A central principle of an insurance product that requires the consumer and the insurance agent to be honest with each other.

insurance agent. A professional licensed to sell an insurance contract.

ISO (Insurance Services Office, Inc). An organization that advises the insurance industry and produces policy forms.

declarations. The section of an insurance agreement that lists a policy number, the name of the policyholder, and the insurance carrier.

definitions. The section of an insurance agreement to clearly define terms used in the contract.

insuring agreement. The contract between insurance carrier and policyholder that identifies the commitment the insurance carrier has made to the policyholder. It outlines perils the policy does or does not cover.

named-perils policy. A type of insurance contract that only covers losses resulting from the causes listed in the insuring agreement.

all-risk policy. A type of insurance contract that list perils it will not cover.

conditions. A section of an insurance agreement that describes the responsibilities the policyholder has when a loss occurs.

exclusions. Losses the insurance carrier will not cover.

endorsements. An add-on to a standard insurance policy.

law of large numbers. A statistical law that states the accuracy of a statistic increases with sample size.

underwriter. An insurance professional who determines whether to accept the risk of an applicant and what premium to charge.

adverse selection. Those who are more likely to present a risk to insurance companies are more likely to seek insurance coverage than are those in the wider population.

smart systems. Computer applications that can quickly analyze applications, recommend whether to deny or accept them, and adjust premiums based on the applicant's risk profile.

inspection report. A report that provides more detailed look at the applicant's finances, health habits, occupation, and character.

Medical Information Bureau. An agency that maintains records of applications for life, health, disability, long-term care, and critical-care insurance.

credit score. A numerical value that reflects a person's credit history.

insurance score. A numerical value that reflects the risk the applicant represents to the insurance carrier.

actuary. A person who uses statistics, math, computer science, and finance to determine risk for insurance companies.

ratings bureau. A business collects loss and claims information from across the industry and sells it to insurance companies.

reinsurance. The transfer of some of an insurance company's risk to another insurance company.

claim. The process of documenting the loss against the policy.

loss adjuster. A specialist who visits with the policyholder to determine the cause of a loss and its extent, whether the policy covers the loss, and whether the amount claimed is reasonable.

arbitration. The process of bringing the dispute in front of a professional mediator.

mediator. A person who looks at both sides of an arbitration case, favoring neither side, and then makes a judgment.

ratings agency. An organization that provides an expert opinion on the health of companies and investment products.

financial analyst. A professional that researches companies to determine their ability to pay their debts.

statistician. A professional that collects and analyzes numerical data.

state insurance departments. State-level government departments that supervise and regulate insurers in their respective states.