

GLOSSARY OF INSURANCE TERMS

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EXHIBIT
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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 policy)

COMMERCIAL MULTIPLE PERIL POLICY

Package policy that includes property, boiler and machinery, crime, and general liability coverages.

COMMERCIAL PAPER

Short-term, unsecured, and usually discounted promissory note issued by commercial firms and financial companies often to finance current business. Commercial paper, which is rated by debt rating agencies, is sold through dealers or directly placed with an investor.

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.

COMMUNITY RATING LAWS

Enacted in several states on health insurance policies. Insurers are required to accept all applicants for coverage and charge all applicants the same premium for the same coverage regardless of age or health. Premiums are based on the rate determined by the geographic region's health and demographic profile.

COMPETITIVE REPLACEMENT PARTS

See Crash parts; Generic auto parts

COMPETITIVE STATE FUND

A facility established by a state to sell workers compensation in competition with private insurers.

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.

COMPLETED OPERATIONS COVERAGE

Pays for bodily injury or property damage caused by a completed project or job. Protects a business that sells a service against liability claims.

COMPREHENSIVE COVERAGE

Portion of an auto insurance policy that covers damage to the policyholder's car not involving a collision with another car (including damage from fire, explosions, earthquakes, floods, and riots), and theft.

COMPULSORY AUTO INSURANCE

The minimum amount of auto liability insurance that meets a state law. Financial responsibility laws in every state require all automobile drivers to show proof, after an accident, of their ability to pay damages up to the state minimum. In compulsory liability states this proof, which is usually in the form of an insurance policy, is required before you can legally drive a car.

CONTINGENT LIABILITY

Liability of individuals, corporations, or partnerships for accidents caused by people other than employees for whose acts or omissions the corporations or partnerships are responsible.

COVERAGE

Synonym for insurance.

CRASH PARTS

Sheet metal parts that are most often damaged in a car crash. (See Generic auto parts)

CREDIT

The promise to pay in the future in order to buy or borrow in the present. The right to defer payment of debt.

CREDIT DERIVATIVES

A contract that enables a user, such as a bank, to better manage its credit risk. A way of transferring credit risk to another