

# Glossary

[A](#) | [B](#) | [C](#) | [D](#) | [E](#) | [F](#) | [G](#) | [H](#) | [I](#) | [J](#) | [K](#) | [L](#) | [M](#) | [N](#) | [O](#) | [P](#) | [Q](#) | [R](#) | [S](#) | [T](#) | [U](#) | [V](#) | [W](#) | [X](#) | [Y](#) | [Z](#)

## A

### Actual Cash Value

The policy pays for the cost to repair or replace the damaged property at the time of loss, less depreciation. Example: A building has a roof with a 20-year life expectancy destroyed by hail 5 years after its installation, and the cost to replace the roof at the time of loss is \$10,000. The current replacement value of \$10,000, less depreciation of \$2,500 (25%), equals the actual cash value of \$7,500.

### Annuity

A contract with an insurance company that guarantees current or future payments in exchange for a premium or series of premiums. The interest earned on an annuity contract is not taxable until the funds are paid out or withdrawn. Withdrawals and income payments are taxed as ordinary income. If a withdrawal is made prior to age 59½, penalties may apply. The guarantees of an annuity contract depend on the issuing company's claims-paying ability. Annuities have fees and charges associated with the contract, and a surrender charge also may apply if the contract owner elects to give up the annuity before certain time-period conditions are satisfied.

### Appraisal

A formal assessment of a property's value at a specific point in time, performed by a qualified professional.

### Asset

Anything owned that has a current value that may provide a future benefit.

### Audit

In accounting, the formal examination of a company's financial records by a qualified professional to determine the records' accuracy, consistency, and conformity to legal standards and established accounting principles. In taxes, the formal examination of a tax return by the Internal Revenue Service or other authority to determine its accuracy.

[Back to Top](#)

B

## **Beneficiary**

The person or entity who will receive benefits from a life insurance policy, qualified retirement plan, annuity, trust, or will upon the death of an individual.

## **Bodily Injury**

Bodily harm, sickness, or disease, including death that results therefrom.

## **Book Value**

The value of a company's assets minus its liabilities, preferred stock, and redeemable preferred stock.

OR

The value of a specific year, make, model of a vehicle in a certain condition, according to Kelly Blue Book.

## **Business Personal Property**

Anything over which a business has legal title. This could include items such as desks, computers, office furniture, tools, industry specific items, etc.

## **Business Interruption**

Replaces business income lost as a result of an event that interrupts the operations of the business, such as fire or natural disaster.

## **Buy-and-Hold**

An investment strategy that advocates holding real estate or securities for the long term and ignoring short-term price fluctuations in the market.

[Back to Top](#)

## C

### Claim

A request for payment under the terms of an insurance policy.

### Coinsurance or Co-Payment

A policy provision under which an insurance company and the insured party share the total cost of covered services after the policy's [deductible](#) has been met.

### Collision

The upset of the covered vehicle or a non-owned auto, or their impact with another vehicle or object, such as a tree.

### Combined Single Limit (Liability)

The limit of the policy may be applied to either bodily injury or property damage, wherever needed, or in any combination.

### Compound Interest

A process under which interest is computed both on an account's principal and on any gains reinvested in prior periods. This is contrasted with simple interest, in which interest is calculated only on the principal amount.

### Comprehensive

Also known as "Other Than Collision". Any other cause of loss which is not defined as a [collision](#) and which is not otherwise excluded in the policy. This includes, but is not limited to the following causes of loss:

- Missiles or falling objects
- Fire
- Theft or larceny
- Explosion or Earthquake
- Windstorm
- Hail, water, or flood, including flash flood
- Malicious mischief or vandalism
- Riot or civil commotion
- Contact with a bird or animal
- Breakage of glass. If glass breakage is caused by a collision, the insured may elect to have it considered as a loss caused by collision.

[Back to Top](#)

## **Convertible Term Insurance**

A term life insurance policy under which the policyholder has the right to convert the policy to permanent life insurance, subject to limitations. Several factors will affect the cost and availability of life insurance, including age, health, and the type and amount of insurance purchased. Life insurance policies have expenses, including mortality and other charges. You should consider determining whether you are insurable before implementing a strategy involving life insurance. Any guarantees associated with a policy are dependent on the ability of the issuing insurance company to continue making claim payments.

## **Corporation**

A legal organization created under the laws of a state as a separate legal entity that has privileges and liabilities that are distinct from those of its members. Corporations are taxable entities—they are taxed separately from their members or shareholders. Corporations are able to borrow money and to make a profit separately from their members or shareholders.

## **Credit Score**

A statistical estimation of how likely a potential borrower is to pay his or her debts and, by extension, how much credit he or she should have.

## **D**

## **Declarations Page**

Policy statements regarding the applicant and property covered. Basically a summary of the limits of your policy.

## **Deductible**

Portion of the insured loss (in dollars) paid by the policyholder/insured.

## **Deed**

A legal document that confirms ownership of an asset or that confirms the passage of an interest, right, or ownership in the asset from one person or legal entity to another.

[Back to Top](#)

## Deferred Annuity

A contract with an insurance company that guarantees a future payment or series of payments in exchange for current premiums. The interest earned on an annuity contract is not taxable until the funds are paid out or withdrawn. The guarantees of an annuity contract depend on the issuing company's claims-paying ability. Annuities have fees and charges associated with the contract, and a surrender charge also may apply if the contract owner elects to give up the annuity before certain time-period conditions are satisfied.

## Disability Income Insurance

An insurance policy that pays a portion of the insured's income when a specified disability makes working uncomfortable, painful, or impossible.

## Dwelling

The structure on the residence premises, described on the [Declarations Page](#), including structures attached to the main building such as an attached garage, carport, etc.

## Dwelling Coverage

The coverage amount in your homeowner policy that is to rebuild the structure of your home including anything permanently attached. At Arrow Insurance we recommend you add [Extended Dwelling Coverage](#) if possible.

## E

## Equipment Breakdown

Coverage applies to the cost to repair or replace the equipment and any other property damaged by the equipment breakdown.

## Equity

The value of real property or a business after all liabilities have been paid. A home worth \$300,000 with a \$200,000 mortgage would have \$100,000 in equity.

[Back to Top](#)

## Estate Management

The preparations necessary to manage a person's financial, real estate, and healthcare matters during his or her lifetime and to effectively and economically distribute the assets within that estate upon his or her death.

## Estate Tax

Federal and/or state taxes that may be levied on the assets of a deceased person upon his or her death. These taxes are paid by the deceased person's estate rather than his or her heirs.

## Executor

A person named by a will or appointed by the probate court to distribute the deceased's assets as directed by the will or, in the absence of a will, in accordance with the probate laws of the state.

## Extended Dwelling Coverage

Provides up to an additional percentage of the dwelling coverage amount should repair or replacement exceed the original dwelling coverage amount displayed on the [Declarations Page](#). Example: In the event of a catastrophe, soaring demand for building materials and labor could cause reconstruction costs to increase, leaving policy limits inadequate. That's where Extended Dwelling Coverage kicks in.

## F

## Financial Statement

A formal record of the financial activities of a business, person, or other entity. For a business, financial statements typically include a balance sheet, a profit and loss statement, and a cash flow statement.

## First-to-Die Life Insurance

Joint life insurance taken out on the lives of two or more people that pays its death benefit when the first insured person dies.

[Back to Top](#)

## **Fixed Annuity**

A contract with an insurance company that guarantees investment growth at a fixed interest rate as well as current or future payments in exchange for a premium or series of premiums. The interest earned on an annuity contract is not taxable until the funds are paid out or withdrawn. The guarantees of an annuity contract depend on the issuing company's claims-paying ability. Annuities have fees and charges associated with the contract, and a surrender charge also may apply if the contract owner elects to give up the annuity before certain time-period conditions are satisfied.

## **Fixed-Rate Mortgage**

A mortgage with a set interest rate that will not change over the life of the loan.

## **Foreclosure**

The legal process under which a creditor seizes the property of a borrower who has not made timely payments on his or her debt.

## **Full Replacement Cost**

Covered losses are settled for either the cost of an identical item, or of a comparable item if the lost item is no longer manufactured, with no deduction for depreciation.

## **G**

## **Gross Monthly Income**

Total monthly income generated from all sources before taxes and other expenses are considered.

## **Group Life Insurance**

Life insurance that insures all the members of a specific group, most often the employees of a specific company or the members of a professional association.

## **H**

## **Home Equity**

The real value of a home after all liabilities have been paid. Thus a home worth \$300,000 with a \$200,000 mortgage would have \$100,000 in equity.

[Back to Top](#)

## I

### Identity Recovery Coverage

Coverage may be provided for expenses related to identity recovery, subject to an annual aggregate limit per customer.

### Income

Monies or other compensation received from any source. This includes wages, commissions, bonuses, Social Security and other retirement benefits, unemployment compensation, disability, interest, and dividends. Generally, all income is taxable unless it is specifically exempted by law.

### Index

An average of the prices of a hypothetical basket of securities representing a particular market or portion of a market. Among the most well known are the Dow Jones Industrials Index, or the Dow; the Standard & Poor's 500 Index, or the S&P 500; and the Russell 2000 Index. Index performance is not indicative of the past performance of a particular investment. Past performance does not guarantee future results. Individuals cannot invest directly in an index.

### Insured

The party to an insurance contract whom the insurer agrees to indemnify for losses to provide benefits for or to render services to. The definition of insured may also include others whose names do not even appear on the [Declarations Page](#) of the policy. Example: The insured's spouse, resident relatives of either, and others under age 21 that are in their care, custody, and control.

### Interest Rate

The cost to borrow money expressed as a percentage of the loan amount over one year.

### Intestate

The condition of an estate when its owner dies without leaving a valid will. In such circumstances, state law normally determines who inherits property and who serves as guardian for any minor children.

[Back to Top](#)

## Investment Objective

The stated financial goal of an investment.

## Irrevocable Trust

A trust that cannot be altered, stopped, or canceled after its creation without the permission of the beneficiary or trustee. Using a trust involves a complex set of tax rules and regulations. Before moving forward with a trust, consider working with a professional who is familiar with the rules and regulations.

## J

### Joint Tenancy

A form of property ownership under which two or more people have an undivided interest in the property and in which the survivor or survivors automatically assume ownership of the interest of any joint tenant who dies.

### Jointly Held Property

Property owned simultaneously by more than one person. All co-owners have an equal right to use the property, and no co-owner can exclude another co-owner from the property. The most common forms of jointly-held property are joint tenancy, tenancy in common, and, in some states, community property.

## K

### Key Person Insurance

Company-owned insurance designed to cover the cost of replacing a key employee if he or she were to die or become disabled.

## L

### Liability

Provides [bodily injury](#) or [property damage](#) coverage for damages which an insured is legally liable up to the limit of liability stated on the [Declarations Page](#). This includes defense costs for the company appointed counsel.

[Back to Top](#)

## **Life Insurance**

A contract under which an insurance company promises, in exchange for premiums, to pay a set benefit when the policyholder dies. Several factors will affect the cost and availability of life insurance, including age, health and the type and amount of insurance purchased. Life insurance policies have expenses, including mortality and other charges. If a policy is surrendered prematurely, the policyholder also may pay surrender charges and have income tax implications. You should consider determining whether you are insurable before implementing a strategy involving life insurance. Any guarantees associated with a policy are dependent on the ability of the issuing insurance company to continue making claim payments.

## **Living Trust**

A trust created by a living person which allows that person to control the assets he or she contributes to the trust during his or her lifetime and to direct their disposition upon his or her death.

## **Living Will**

A written document that allows the originator to designate someone to make medical decisions on his or her behalf in the event that he or she becomes incapacitated due to accident or illness.

## **Long-Term-Care Insurance**

Insurance that covers the cost of medical and non-medical services needed by those who have a chronic illness or disability—most commonly associated with aging. Long-term-care insurance can cover the cost of nursing home care, in-home assistance, assisted living, and adult day care.

## **Loss of Use**

This coverage pays the additional living expense incurred by the insured when an owner-occupied dwelling sustains a direct loss. Additional Living Expenses are deemed those sustained by an insured household in order to maintain its normal standard of living. Coverage can include the increased auto expense of driving a greater distance to and from work as the result of a direct loss.

[Back to Top](#)

## **Lump-Sum Distribution**

A one-time payment of the entire amount held in an employer-sponsored retirement, pension plan, annuity, or similar account, rather than breaking payments into smaller installments.

### **M**

## **Marital Deduction**

A provision of the tax code that allows an individual to transfer an unlimited amount of assets to his or her spouse at any time—including upon the individual's death—without triggering a tax liability.

## **Maturity**

The date on which a debt security, annuity or life insurance policy comes due for payment and on which an investor's principal is due to be repaid.

## **Medical Payments (to others)**

The insurer will pay reasonable expenses incurred for necessary medical and funeral services caused by an accident, sustained by an insured, and incurred within 3 years from the date of the accident.

### **N**

## **Net Income**

A company's total revenues minus its costs, expenses, and taxes. Net income is the bottom line of a company's income statement (which may also be called the profit and loss statement).

## **Net Worth**

The value of a company's or individual's assets minus liabilities.

[Back to Top](#)

## O

### Other Structures

Provides coverage for fences, driveways, walkways, and sheds as well as other structures on the residence premises not attached to the dwelling including structures connected to the [dwelling](#) by only a fence, utility line, plumbing, or similar connection.

## P

### Partnership

A contract under which two or more individuals manage and operate a business venture.

### Permanent Life Insurance

A class of life insurance policies that do not expire—as long as premiums are kept current—and which combine a death benefit with a savings component. This savings portion can accumulate a cash value against which the policy owner may be able to borrow funds. Several factors will affect the cost and availability of life insurance, including age, health and the type and amount of insurance purchased. Life insurance policies have expenses, including mortality and other charges. If a policy is surrendered prematurely, the policyholder also may pay surrender charges and have income tax implications. You should consider determining whether you are insurable before implementing a strategy involving life insurance. Any guarantees associated with a policy are dependent on the ability of the issuing insurance company to continue making claim payments.

### Personal Liability

If a claim is made or lawsuit is brought against and insured that applies to activities and conditions on the residence premises as well as personal (non-business) activities worldwide resulting in bodily injury or property damage to a third part arising out of the insured's negligence the policy will:

- 1) Pay up to the limit of liability for the damages for which an insured becomes legally liable, including prejudgment interest awarded against an insured;
- 2) Provide a defense, at the insurer's expense, even if the suit is groundless, false, or fraudulent. The insurer may investigate and settle any claim or suit that the insurer decides is appropriate.

[Back to Top](#)

## Personal Offense

This coverage can extend liability for things that you say or type (including social media) that lead to libel, slander, defamation of character, and invasion of privacy. This is not part of a basic policy and must be added on.

## Personal Property

Household and personal property, usual and incidental to the occupancy of the premises as a dwelling and owned by the insured or by the members of the insured's family residing with the insured while it is on the described location. Includes all the stuff you own like clothes, furniture, electronics, kitchenwares, etc.

## Personal Property Replacement Cost

Extends full replacement cost coverage to personal property like televisions, stereos, and computers. It is an important upgrade from a standard homeowner policy, which takes into account depreciation and settles personal property losses on an [Actual Cash Value](#) (depreciated) basis.

## Policy Loan

A loan made by an insurance company to a policyholder. Policy loans are secured by the cash value of a life insurance policy. Withdrawals of earnings are fully taxable at ordinary income tax rates. If you are under age 59½ when you make the withdrawal, you may also be subject to a 10% federal income tax penalty. Also, withdrawals may reduce the benefits and value of the contract.

## Policy Rider

A provision to a life insurance policy that is purchased separately from the basic policy and that provides additional benefits at additional cost.

## Policyholder

The person or entity who holds an insurance policy; usually the client in whose name an insurance policy is written.

## Portfolio

The combined investments of an individual investor (including life insurance policies) or mutual fund.

[Back to Top](#)

## **Power of Attorney**

A legal document that grants one person authority to act for another person in specific legal or financial matters in the event that said individual becomes incapacitated.

## **Premium**

Money charged for the insurance coverage reflecting expectation of loss. A payment or periodic payments made by the policy owner to keep insurance policy in effect. Earned Premium is the portion of a premium for which protection has already been given, and Unearned Premium is the portion of a premium for which policy protection has not yet been given.

## **Principal**

The original amount invested in a security, excluding earnings; the face value of a bond; or the remaining amount owed on a loan, separate from interest.

## **Probate**

The court-supervised process in which a deceased person's debts are paid and any remaining assets distributed to his or her heirs.

## **Property**

Anything over which a person or business has legal title. Property may be held in common or privately owned.

## **Property Damage**

Physical injury to, destruction of, or loss of use of tangible property.

## **Q**

## **R**

## **Refrigerated Products**

Protects your refrigerated food if power failure beyond your control or mechanical failure causes spoilage. This is perfect coverage for hunters or policyholders who maintain a large amount of frozen or refrigerated meat in their refrigerator or freezer.

[Back to Top](#)

## Rental Car Reimbursement

Pays a specified amount per day for the insured to rent a vehicle in the event the covered auto is out of service due to a covered loss, such as [collision](#).

## Replacement Cost

The policy pays the full cost to replace or repair the damaged property (not exceeding policy limits) at the time of the loss without an adjustment for depreciation. Replacement Cost of a [dwelling](#) can be *very* different than the market value of a home. You want to be sure you have enough coverage to rebuild/replace in the event of a total loss.

## Replacement Cost Estimator

Most companies have a cost calculator in their system that is required to complete to determine the cost to rebuild the [dwelling](#). Specifics of the dwelling like square footage, construction type, year built, number of bedrooms and bathrooms is entered into the cost calculator to determine the estimated cost to rebuild. The company requires that dwelling coverage is at least 100% of the replacement cost estimator and can be increased. Replacement Cost of a dwelling can be *very* different than the market value of a home. You want to be sure you have enough coverage to rebuild/replace in the event of a total loss.

## Revocable Trust

A trust that can be altered or canceled by its grantor. During the life of the trust, any income earned is distributed to the grantor; upon the grantor's death, the contents of the trust are transferred to its beneficiaries according to the terms of the trust. Often used in Estate Planning.

## S

## Split-Dollar Plan

An arrangement under which an employer and employee share the obligations and benefits of a life insurance policy.

[Back to Top](#)

## Split-Dollar Life Insurance

An arrangement under which a life insurance policy's premium, cash values, and death benefit are split between two parties—usually a corporation and a key employee or executive. Under such an arrangement an employer may own the policy and pay the premiums and give a key employee or executive the right to name the recipient of the death benefit. Several factors will affect the cost and availability of life insurance, including age, health, and the type and amount of insurance purchased. Life insurance policies have expenses, including mortality and other charges. If a policy is surrendered prematurely, the policyholder also may pay surrender charges and have income tax implications. You should consider determining whether you are insurable before implementing a strategy involving life insurance. Any guarantees associated with a policy are dependent on the ability of the issuing insurance company to continue making claim payments.

## Split Limit (Liability)

The amount of coverage is divided between [bodily injury](#) and [property damage](#).

## T

## Tenancy in Common

A form of property ownership under which two or more people have an undivided interest in the property and in which the interest of a deceased owner passes to his or her beneficiaries rather than to the surviving owners.

## Term Insurance

Life insurance that provides coverage for a specific period. If the policyholder dies during that time, his or her beneficiaries receive the benefit from the policy. If the policyholder outlives the term of the policy, it is no longer in effect. Several factors will affect the cost and availability of life insurance, including age, health, and the type and amount of insurance purchased. Life insurance policies have expenses, including mortality and other charges. If a policy is surrendered prematurely, the policyholder also may pay surrender charges and have income tax implications. You should consider determining whether you are insurable before implementing a strategy involving life insurance. Any guarantees associated with a policy are dependent on the ability of the issuing insurance company to continue making claim payments.

[Back to Top](#)

## **Testamentary Trust**

A trust created by a will or trust that is established on the death of the trustor. Using a trust involves a complex set of tax rules and regulations. Before moving forward with a trust, consider working with a professional who is familiar with the rules and regulations.

## **Time Horizon**

The amount of time an investor plans to hold an investment or portfolio of investments.

## **Title**

A legal document that serves as evidence of ownership of an asset or security.

## **Towing**

Provides payment, in a selected amount, for towing to a garage or for labor performed at the site of mechanical disablement. The coverage applies per occurrence and to the insured's use of a non-owned auto.

## **Trust**

A trust is a legal arrangement that creates a separate entity which can own property and is managed for the benefit of a beneficiary. A living trust is created while its grantor is still alive. A testamentary trust is created upon the grantor's death—usually by another trust or by a will. Using a trust involves a complex set of tax rules and regulations. Before moving forward with a trust, consider working with a professional who is familiar with the rules and regulations.

## **Trustee**

An individual, corporation, or other entity that manages property held in a trust.

## **Trustee-to-Trustee Transfer**

A means for transferring assets from one qualified retirement program to another without triggering a taxable event.

[Back to Top](#)

## U

### **Umbrella**

An *Excess Liability Policy* is written over a primary policy to increase the overall amount of protection. Coverage is usually written in increments of 1 million dollars. This policy will require the insured to have specific underlying coverage limits on the Automobile, Homeowner, and Watercraft.

### **Uninsured / Underinsured Motorist**

The insurance company will pay damages that an insured is legally entitled to recover from the owner or operator of a vehicle where said owner/operator 1) does not have; or 2) does not have adequate liability limits for bodily injury.

### **Uninsured Motorist Property Damage**

Also known as UMPD, this coverage pays for damage to your vehicle when it is struck by an uninsured driver, a hit-and-run driver, or an insured driver whose property damage liability limit is inadequate to cover the property damage losses incurred. If you have [Comprehensive](#) and [Collision](#) coverages on your car you don't need UMPD.

### **Universal Life Insurance**

Permanent life insurance that allows the policyholder to vary the amount and timing of premiums and, by extension, the death benefit. Universal life insurance policies accumulate cash value which grows tax deferred. Several factors will affect the cost and availability of life insurance, including age, health, and the type and amount of insurance purchased. Life insurance policies have expenses, including mortality and other charges. If a policy is surrendered prematurely, the policyholder also may pay surrender charges and have income tax implications. You should consider determining whether you are insurable before implementing a strategy involving life insurance. Any guarantees associated with a policy are dependent on the ability of the issuing insurance company to continue making claim payments.

[Back to Top](#)

## V

### **Valuable Articles / Scheduled Items**

From jewelry to collectables you might have more valuables than you realize. From art, bicycles, cameras, china and crystal, computers, golf equipment, guns, jewelry, musical instruments, stamp and coin collections, sound equipment, sports equipment, wedding gifts, etc. you may want to list specific items!

### **Variable Universal Life Insurance**

Permanent life insurance that allows the policyholder to vary the amount and timing of premiums and, by extension, the death benefit. Universal life insurance policies accumulate cash value which grows tax deferred. Within certain limits, policyholders can direct how this cash value will be allocated among subaccounts offered within the policy. Several factors will affect the cost and availability of life insurance, including age, health, and the type and amount of insurance purchased. Life insurance policies have expenses, including mortality and other charges. If a policy is surrendered prematurely, the policyholder also may pay surrender charges and have income tax implications. You should consider determining whether you are insurable before implementing a strategy involving life insurance. Any guarantees associated with a policy are dependent on the ability of the issuing insurance company to continue making claim payments.

## W

### **Water/Sewer Backup**

Coverage may be provided for a loss caused by water which backs up through, or overflows from, a sewer, drain, sump, sump pump, or any system on the residence premises designated to remove subsurface water from the foundation area. This coverage does not apply if the loss is flood induced.

[Back to Top](#)

## Whole Life Insurance

Permanent life insurance with fixed premiums and death benefit. Whole life insurance policies accumulate cash value which grows tax deferred. Several factors will affect the cost and availability of life insurance, including age, health, and the type and amount of insurance purchased. Life insurance policies have expenses, including mortality and other charges. If a policy is surrendered prematurely, the policyholder also may pay surrender charges and have income tax implications. You should consider determining whether you are insurable before implementing a strategy involving life insurance. Any guarantees associated with a policy are dependent on the ability of the issuing insurance company to continue making claim payments.

**X**

**Y**

**Z**

[Back to Top](#)