C-SHARE VARIABLE ANNUITIES
A form of variable annuity contract where the contract holder pays no sales up front or surrender charges. Owners can claim full liquidity at any time.

CAPACITY
The supply of insurance available to meet demand. Capacity depends on the industry's financial ability to accept risk. For an individual insurer, the maximum amount of risk it can underwrite based on its financial condition. The adequacy of an insurer's capital relative to its exposure to loss is an important measure of solvency.

A property/casualty insurer must maintain a certain level of capital and policyholder surplus to underwrite risks. This capital is known as capacity. When the industry is hit by high losses, such as after the World Trade Center terrorist attack, capacity is diminished. It can be restored by increases in net income, favorable investment returns, reinsuring more risk and or raising additional capital. When there is excess capacity, usually because of a high return on investments, premiums tend to decline as insurers compete for market share. As premiums decline, underwriting losses are likely to grow, reducing capacity and causing insurers to raise rates and tighten conditions and limits in an effort to increase profitability. Policyholder surplus is sometimes used as a measure of capacity.

CAPITAL
Shareholder's equity (for publicly-traded insurance companies) and retained earnings (for mutual insurance companies). There is no general measure of capital adequacy for property/casualty insurers. Capital adequacy is linked to the riskiness of an insurer's business. A company underwriting medical device manufacturers needs a larger cushion of capital than a company writing Main Street business, for example.

CAPITAL MARKETS
The markets in which equities and debt are traded.

CAPTIVE AGENT
A person who represents only one insurance company and is restricted by agreement from submitting business to any other company, unless it is first rejected by the agent's captive company

CAPTIVES
Insurers that are created and wholly-owned by one or more non-insurers, to provide owners with coverage. A form of self-insurance.

CAR YEAR
Equal to 365 days of insured coverage for a single vehicle. It is the standard measurement for automobile insurance

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.

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 (per the Insurance Information Institute, iii.org).

CATASTROPHE BONDS
Risk-based 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, building and other data to determine the potential cost of natural disasters and other catastrophic losses for a given geographic area.

CATASTROPHE REINSURANCE
Reinsurance (insurance for insurers) for catastrophic losses. The insurance industry is able to absorb the multibillion dollar losses caused by natural and man-made disasters such as hurricanes, earthquakes and terrorist attacks because losses are spread among thousands of companies including catastrophe reinsurers who operate on a global basis. Insurers' ability and willingness to sell insurance fluctuates with the availability and cost of catastrophe reinsurance.

After major disasters, such as Hurricane Andrew and the World Trade Center terrorist attack, the availability of catastrophe reinsurance becomes extremely limited. Claims deplete reinsurers' capital and, as a result, companies are more selective in the type and amount of risks they assume. In addition, with available supply limited, prices for reinsurance rise. This contributes to an overall increase in prices for property insurance.

CELL PHONE INSURANCE
Separate insurance provided to cover cell phones for damage or theft. Policies are often sold with the cell phones themselves.

CHARTERED FINANCIAL CONSULTANT / ChFC
A professional designation given by The American College to financial services professionals who complete courses in financial planning.

CHARTERED LIFE UNDERWRITER / CLU
A professional designation by The American College for those who pass business examinations on insurance, investments, and taxation, and have life insurance planning experience.

CHARTERED PROPERTY/CASUALTY UNDERWRITER / CPCU
A professional designation given by the American Institute for Property and Liability Underwriters. National examinations and three years of work experience are required.

CLAIMS-MADE POLICY
A form of insurance that pays claims presented to the insurer during the term of the policy or within a specific term after its expiration. It limits liability insurers' exposure to unknown future liabilities.

COBRA
Short for Consolidated Omnibus Budget Reconciliation Act. A federal law under which group health plans sponsored by employers with 20 or more employees must offer continuation of coverage to employees who leave their jobs and their dependents. The employee must pay the entire premium. Coverage can be extended up to 18 months. Surviving dependents can receive longer 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
Property that is offered to secure a loan or other credit and that becomes subject to seizure on default. (Also called security.)

COLLATERAL SOURCE RULE
Bars the introduction of information that indicates a person has been compensated or reimbursed by a source other than the defendant in civil actions related to negligence or other liability.

COLLISION COVERAGE
Portion of an auto insurance policy that covers the damage to the policyholder's car from a collision.

COMBINED RATIO
Percentage of each premium dollar a property/casualty insurer spends on claims and expenses. A decrease in the combined ratio means financial results are improving; an increase means they are deteriorating.

COMMERCIAL GENERAL LIABILITY INSURANCE / CGL
A broad commercial policy that covers all liability exposures of a business that are not specifically excluded. Coverage includes product liability, completed operations, premises and operations, and independent contractors.

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.

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

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.

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 party.

CREDIT ENHANCEMENT
A technique to lower the interest payments on a bond by raising the issue's credit rating, often through insurance in the form of a financial guarantee or with standby letters of credit issued by a bank

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. The use of credit information affects all consumers in many ways, from getting a job, finding a place to live, securing a loan, getting a telephone, and buying insurance. Credit history is routinely reviewed by insurers before issuing a commercial policy because businesses in poor financial condition tend to cut back on safety which can lead to more accidents and more claims. Auto and home insurers may use information in a credit history to produce an insurance score. Insurance scores may be used in underwriting and rating insurance policies.

CRIME INSURANCE
Term referring to property coverages for the perils of burglary, theft and robbery.

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.