

## Introduction

Although not all-inclusive, the following classification guideline is designed to aid in the interpretation and application of the new concepts, definitions, distinguishing characteristics (DCs), and examples of duties (EoDs) for the class specifications of the Insurance Specialist job class series, which was implemented February 16, 2011, as part of the Insurance Analyst job class study.

### A Brief Note Regarding Allocation to Insurance Specialist III

In order to meet the definition and DCs of the Insurance Specialist III job class, the incumbent must be responsible for *ALL* of the following:

1. Lead or perform the review and authorization of the most complex insurance lines and/or product filings and resolve issues related to uniqueness, regulatory ambiguities or inconsistencies, political or social controversy and sensitivity, and/or unusually complex mathematical or actuarial modeling;
2. Provides effective recommendations to division management regarding policy, regulatory, and/or legislative actions;
3. Serve as the lead examiner for the more complex and/or politically sensitive market regulations examinations; *AND*
4. Represent the division during public meetings as a regulatory or administrative hearing officer.

### Dictionary of Insurance Terms

The following terms and definitions are a composite of those provided by the Department of Commerce, Community and Economic Development, Division of Insurance, at [http://www.commerce.state.ak.us/insurance/Insurance/programs/Consumers/ConsumerGuide/consumerGuide\\_terms.html](http://www.commerce.state.ak.us/insurance/Insurance/programs/Consumers/ConsumerGuide/consumerGuide_terms.html), and those compiled by the study analyst\* over the course of analyzing the work of insurance regulators during the 2010-2011 Insurance Analyst job class study. These are terms that may be encountered when reviewing and discussing the duties and responsibilities of Insurance Specialists I/II/III with the incumbents and their coworkers and/or supervisors.

**Actual Cash Value:** In automobile insurance, actual cash value is equivalent to a vehicle's pre-loss market value. In homeowners insurance, actual cash value represents the actual cost to replace a damaged item less depreciation.

**Actuary**\*: In insurance, a person who computes premium rates, dividends, risks, etc., according to probabilities based on statistical records.

**Agent:** A person or firm authorized to sell insurance as a representative of the insurance company (also see producer).

**Adjuster:** A person or firm who is employed by the insurance company (or contracted by the company) and is responsible for investigating and determining the value of your loss.

**Alaska Automobile Insurance Plan:** An entity established to provide automobile insurance to people who are unable to find a licensed insurance company willing to sell them a policy.

**Annuity\***: An annuity is a contract that guarantees to provide you with periodic income payments for your lifetime, for a fixed period of time, or both. Annuities may be purchased with a single lump sum of money, with fixed periodic premium payments, or with premium payments made at your discretion. Periodic income payments may begin almost immediately (called an immediate annuity) or may be deferred until a specified time (called a deferred annuity). The person who receives income payments under an annuity is called the annuitant.

**Annuitant:** A person who receives income payments from an annuity.

**Application:** The form on which you provide the information required by the insurer for their use determining whether to sell you an insurance policy. The information provided on this form is also used to determine the premium rate you will be charged for the insurance policy.

**Arbitration:** A process of resolving disputes in a nonjudicial setting to determine the rights or obligations under a contract.

**Beneficiary:** A person named by the owner of a life or annuity to receive benefits under an insurance policy.

**Base Loss Costs<sup>1</sup>:** The portion of a rate that is attributable to losses—and in some cases some defense and containment expenses—but which do not include provision for other expenses that would vary by individual company.

**Binder:** A temporary proof of insurance that is only valid for the number of days indicated on the binder or until the actual insurance policy is issued, which time period is shorter. A binder is not issued in life and health insurance.

**Broker:** A producer who represents you, not the insurance company, and who helps you find an insurance policy. Brokers cannot bind your coverage.

**Cancellation:** The termination of your insurance coverage at any time other than at a policy anniversary date.

**Cash Value:** The amount of money you are entitled to receive from the insurance company when you terminate a life insurance or annuity policy. The amount of cash value will be determined as stated in the policy.

**Claim:** A request for benefits for a loss made against you or your insurance company.

**Commission:** The amount paid by the insurance company to the producer as compensation for selling and servicing an insurance policy.

**Covered Loss:** Any claim that is covered under the provisions of your insurance policy.

**Credit Life Insurance** \* : A life insurance policy designed to pay off a borrower's debt if that borrower dies. The face value of a credit life insurance policy decreases proportionately with an outstanding loan amount as the loan is paid off over time until both reach zero value.

**Collaborative Action Designee (CAD)** \* : The Collaborative Action Designee is the one contact identified by the director/commissioner of each state/territory to have the responsibility for all communications related to the collaborative effort. This includes participating, or assigning a designee to participate, in all Market Analysis (D) Working Group meetings or conference calls. Together with the Market Analysis Chief (MAC), the CAD is responsible for communicating with other state insurance departments via the NAIC Market Regulation and Market Analysis electronic forums (bulletin boards). This individual is also the person identified with authority to receive information regarding collaborative actions from MAWG.

**Declaration Page:** The part of your insurance policy that shows the policy period, who and what is insured, the basic amounts, and general types of coverage being provided. The declaration page also lists all the documents or policy forms, endorsements, and riders which make up the insurance policy.

**Deductible:** The amount you pay when you have a claim before your insurance company begins payment.

**The Examiner-in-Charge (EIC)** \* : The Examiner who, along with other examiners that complement the EIC's skills, is responsible for managing the examination and functions as the coordinator with the company.

**Endorsement:** Written agreement attached to a policy to add or subtract insurance coverages. An endorsement modifies the original provisions in a policy.

**Evidence of Insurability:** Statement or proof of a person's medical history, occupation, age, lifestyle, and physical condition upon which acceptance for coverage will be made.

**Incontestability Clause:** Section in a life insurance policy stating that after the policy is in force for a period of time (usually two years) , the company cannot terminate the policy because of misrepresentation or concealment by the insured in obtaining the policy.

**Inflation Guard Endorsement:** An endorsement to a homeowners policy that adjusts the policy limits based on the insurer's estimates of increases in building costs.

**Insurance Policy:** The entire written legal contract of insurance that describes you and your insurance company's rights and responsibilities.

**Insurance Services Office, Inc. (ISO) \*** : A provider of data, underwriting, risk management and legal/regulatory services (with special focus on community fire-protection efforts and Building Code Effectiveness Evaluation) to property-casualty insurers and other clients. ISO has developed enormous databases of information about hundreds of millions of individual insurance policies, along with a large volume of public records pertaining to fraud, real property, employment screening, and motor vehicles. ISO also monitors regulatory standards and insurance laws, and makes many filings and other communications with regulatory authorities on behalf of its clients.

**Insured:** The person covered by an insurance policy. The insured is often the policyholder.

**Insurer:** The insurance company.

**Lapse:** For property/casualty insurance, termination of your policy for failure to pay your premium. For life insurance, termination of your policy for failure to pay premium and lack of enough cash value to pay the premium.

**Lienholder:** The person or entity that holds a security interest in a property until debt on the property is paid off.

**Limits of Liability:** The maximum amount a policy will pay, either overall or under a particular coverage.

**Market Analysis Chief (MAC) \*** : The Market Analysis Chief (MAC) is the principal liaison with the NAIC Market Regulation Department and the Market Analysis Priorities (D) Working Group (MAP) and is responsible for communication with other work units within the department. This person is responsible, together with the CAD, for communicating with other state insurance departments via the NAIC Market Regulation and Market Analysis electronic forums (bulletin boards).

**Misrepresentation:** When a policyholder or applicant makes an oral or written false statement of any fact.

**National Association of Insurance Commissioners (NAIC) \*** : Founded by state insurance regulators in 1871, the National Association of Insurance Commissioners (NAIC) is the organization of insurance regulators from the 50 states, the District of Columbia and the five U.S. territories. The NAIC provides a forum for the development of uniform policy when uniformity is appropriate. NAIC members are the elected or appointed state government officials who along with their departments and staff, regulate the conduct of insurance companies and agents in their respective state or territory. The mission of the NAIC is to assist state insurance regulators, individually and collectively, in serving the public interest and achieving the following fundamental insurance regulatory goals in a responsive, efficient and cost effective manner, consistent with the wishes of its members:

- Protect the public interest;
- Promote competitive markets;
- Facilitate the fair and equitable treatment of insurance consumers;
- Promote the reliability, solvency and financial solidity of insurance institutions; and
- Support and improve state regulation of insurance.

**Nonrenewal:** The insurance company's failure to continue coverage at a policy anniversary.

**Personal Property:** Property that belongs to the insured and family members living in the insured's home other than real estate.

**Policyholder:** The person who purchases or owns an insurance policy.

**Premium:** The amount of money that you are charged to purchase or maintain your insurance coverage.

**Producer:** The person who sells you an insurance policy.

**Proof of Loss:** A formal statement made by the insured to the insurance company providing sufficient information concerning the loss that the company uses to determine its liability under the policy.

**Provider:** Physicians and other individuals or entities that provide medical care.

**Rating Agency:** An independent organization that reviews the financial condition of insurance companies and provides a grade based on their review.

**Rating Organizations (ROs)\*:** Collect and analyze data by having individual companies report to them. They publish base loss costs (the portion of a rate that is attributable to losses—and in some cases some defense and containment expenses—but which does not include provision for other expenses that would vary by individual company), rules, formulas, rating plans, etc. that many individual companies either adopt directly or use in developing or supporting their own independent rates and rating plans. By accumulating so much industry-wide data, they are able to use much more complex methods to determine base loss costs than individual companies (e.g. their filings are generally more difficult to review). Also, because so many companies rely on them for their data, analysis, methods, recommendations, etc. and look to them for precedent and industry standards on emerging issues, any approval of rates, rules, assumptions, modeling/ratemaking methods, etc. for the rating organization has a huge effect on the industry, especially in commercial lines.

**Rebate:** When an insurer or producer agrees to accept a lower commission or provides something of value not stated in the insurance policy to an applicant or the insurance company in exchange for the applicant's agreement to purchase an insurance policy.

**Renewal:** The continuation of your insurance coverage at the end of the original policy period with the same insurance company.

**Replacement Cost:** The cost to repair or replace an insured item without adjustment for depreciation.

**Securities** \* : A security is a fungible, negotiable instrument representing financial value. Securities are broadly categorized into debt securities (such as banknotes, bonds and debentures) and equity securities, e.g., common stocks; and derivative contracts, such as forwards, futures, options and swaps. The company or other entity issuing the security is called the issuer. A country's regulatory structure determines what qualifies as a security. For example, private investment pools may have some features of securities, but they may not be registered or regulated as such if they meet various restrictions.

Securities may be represented by a certificate or, more typically, "non-certificated", that is in electronic or "book entry" only form. Certificates may be *bearer*, meaning they entitle the holder to rights under the security merely by holding the security, or *registered*, meaning they entitle the holder to rights only if he or she appears on a security register maintained by the issuer or an intermediary. They include shares of corporate stock or mutual funds, bonds issued by corporations or governmental agencies, stock options or other options, limited partnership units, and various other formal investment instruments that are negotiable and fungible.

**Stop-Loss Insurance:** Insurance coverage purchased by employers, associations, labor unions, and other entities that choose to self-insure. Stop-loss insurance pays for claims that exceed a preset limit often called the retention amount.

**Subrogation:** In property/casualty insurance, the transfer to an insurance company of an insured's rights to recover from a third party.

**Twisting:** Misrepresentation by an insurer or producer that is intended to cause you to terminate an existing insurance policy and purchase a new policy.

**Underwrite:** The process of examining, accepting or rejecting an individual or group for insurance coverage, and classifying those accepted into categories based on their risk in order to charge an appropriate premium.

**Unearned Premium:** That portion of a premium payment that has not yet been used for coverage. For example, if you pay an annual premium at the end of the first month of the premium period, 11/12 of the premium would still be unearned.

**Viatical** \* : A financial transaction in which a company buys life insurance policies from the terminally ill at less than their face value and may sell the policies to investors: *viatical settlements*.

**Waiting Period:** The period of time indicated in a policy that must pass before you are covered.

Revision Dates and Comments:

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