

PACKAGE POLICY

A single insurance policy that combines several coverages previously sold separately. Examples include homeowners insurance and commercial multiple peril insurance.

PAY-AT-THE-PUMP

A system proposed in the 1990s in which auto insurance premiums would be paid to state governments through a per-gallon surcharge on gasoline.

PENSION BENEFIT GUARANTY CORPORATION

An independent federal government agency that administers the Pension Plan Termination Insurance program to ensure that vested benefits of employees whose pension plans are being terminated are paid when they come due. Only defined benefit plans are covered. Benefits are paid up to certain limits

PENSIONS

Programs to provide employees with retirement income after they meet minimum age and service requirements. Life insurers hold some of these funds. Since the 1970s responsibility for funding retirement has increasingly shifted from employers (defined benefit plans that promise workers a specific retirement income) to employees (defined contribution plans financed by employees that may or may not be matched by employer contributions).

PERIL

A specific risk or cause of loss covered by an insurance policy, such as a fire, windstorm, flood, or theft. A named-peril policy covers the policyholder only for the risks named in the policy in contrast to an all-risk policy, which covers all causes of loss except those specifically excluded.

PERSONAL ARTICLES FLOATER

A policy or an addition to a policy used to cover personal valuables, like jewelry or furs.

PERSONAL INJURY PROTECTION COVERAGE / PIP

Portion of an auto insurance policy that covers the treatment of injuries to the driver and passengers of the policyholder's car.

PERSONAL LINES

Property/casualty insurance products that are designed for and bought by individuals, including homeowners and automobile policies.

POINT-OF-SERVICE PLAN

Health insurance policy that allows the employee to choose between in-network and out-of-network care each time medical treatment is needed.

POLICY

A written contract for insurance between an insurance company and policyholder stating details of coverage.

POLICYHOLDERS' SURPLUS

The amount of money remaining after an insurer's liabilities are subtracted from its assets. It acts as a financial cushion above and beyond reserves, protecting policyholders against an unexpected or catastrophic situation.

POLITICAL RISK INSURANCE

Coverage for businesses operating abroad against loss due to political upheaval such as war, revolution, or confiscation of property.

POLLUTION INSURANCE

Policies that cover property loss and liability arising from pollution-related damages, for sites that have been inspected and found uncontaminated. It is usually written on a claims-made basis so policies pay only claims presented during the term of the policy or within a specified time frame after the policy expires.

PREFERRED PROVIDER ORGANIZATION

Network of medical providers which charge on a fee-for-service basis, but are paid on a negotiated, discounted fee schedule.

PREMISES

The particular location of the property or a portion of it as designated in an insurance policy.

PREMIUM

The price of an insurance policy, typically charged annually or semiannually

PREMIUM TAX

A state tax on premiums paid by its residents and businesses and collected by insurers.

PREMIUMS IN FORCE

The sum of the face amounts, plus dividend additions, of life insurance policies outstanding at a given time.

PREMIUMS WRITTEN

The total premiums on all policies written by an insurer during a specified period of time, regardless of what portions have been earned. Net premiums written are premiums written after reinsurance transactions.

PRIMARY COMPANY

In a reinsurance transaction, the insurance company that is reinsured.

PRIMARY MARKET

Market for new issue securities where the proceeds go directly to the issuer.

PRIME RATE

Interest rate that banks charge to their most creditworthy customers. Banks set this rate according to their cost of funds and market forces.

PRIOR APPROVAL STATES

States where insurance companies must file proposed rate changes with state regulators, and gain approval before they can go into effect.

PRIVATE PLACEMENT

Securities that are not registered with the Securities and Exchange Commission and are sold directly to investors

PRODUCT LIABILITY

A section of tort law that determines who may sue and who may be sued for damages when a defective product injures someone. No uniform federal laws guide manufacturer's liability, but under strict liability, the injured party can hold the manufacturer responsible for damages without the need to prove negligence or fault.

PRODUCT LIABILITY INSURANCE

Protects manufacturers' and distributors' exposure to lawsuits by people who have sustained bodily injury or property damage through the use of the product.

PROFESSIONAL LIABILITY INSURANCE

Covers professionals for negligence and errors or omissions that injure their clients.

PROOF OF LOSS

Documents showing the insurance company that a loss occurred.

PROPERTY/CASUALTY INSURANCE

Covers damage to or loss of policyholders' property and legal liability for damages caused to other people or their property. Property/casualty insurance, which includes auto, homeowners and commercial insurance, is one segment of the insurance industry. The other sector is life/health. Outside the United States, property/casualty insurance is referred to as nonlife or general insurance.

PROPERTY/CASUALTY INSURANCE CYCLE

Industry business cycle with recurrent periods of hard and soft market conditions. In the 1950s and 1960s, cycles were regular with three year periods each of hard and soft market conditions in almost all lines of property/casualty insurance. Since then they have been less regular and less frequent.

PROPOSITION 103

A November 1988 California ballot initiative that called for a statewide auto insurance rate rollback and for

rates to be based more on driving records and less on geographical location. The initiative changed many aspects of the state's insurance system and was the subject of lawsuits for more than a decade.

PURCHASING GROUP

An entity that offers insurance to groups of similar businesses with similar exposures to risk.

PURE LIFE ANNUITY

A form of annuity that ends payments when the annuitant dies. Payments may be fixed or variable.