

B-SHARE VARIABLE ANNUITY

A form of variable annuity contract with no initial sales charge but if the contract is cancelled the holder pays deferred sales charges (usually from 5 to 7 percent the first year, declining to zero after from 5 to 7 years). The most common form of annuity contract.

BALANCE SHEET

Provides a snapshot of a company's financial condition at one point in time. It shows assets, including investments and reinsurance, and liabilities, such as loss reserves to pay claims in the future, as of a certain date. It also states a company's equity, known as policyholder surplus. Changes in that surplus are one indicator of an insurer's financial standing.

BANK HOLDING COMPANY

A company that owns or controls one or more banks. The Federal Reserve has responsibility for regulating and supervising bank holding company activities, such as approving acquisitions and mergers and inspecting the operations of such companies. This authority applies even though a bank owned by a holding company may be under the primary supervision of the Comptroller of the Currency or the FDIC.

BASIS POINT

0.01 percent of the yield of a mortgage, bond or note. The smallest measure used.

BEACH AND WINDSTORM PLANS

State-sponsored insurance pools that sell property coverage for the peril of windstorm to people unable to buy it in the voluntary market because of their high exposure to risk. Seven states (AL, FL, LA, MS, NC, SC, TX) offer these plans to cover residential and commercial properties against hurricanes and other windstorms. Georgia and New York provide this kind of coverage for windstorm and hail in certain coastal communities through other property pools. Insurance companies that sell property insurance in the state are required to participate in these plans. Insurers share in profits and losses

BINDER

Temporary authorization of coverage issued prior to the actual insurance policy.

BLANKET INSURANCE

Coverage for more than one type of property at one location or one type of property at more than one location. Example: chain stores.

BODILY INJURY LIABILITY COVERAGE

Portion of an auto insurance policy that covers injuries the policyholder causes to someone else.

BOILER AND MACHINERY INSURANCE

Often called Equipment Breakdown, or Systems Breakdown insurance. Commercial insurance that covers damage caused by the malfunction or breakdown of boilers, and a vast array of other equipment including air conditioners, heating, electrical, telephone, and computer systems.

BOND

A security that obligates the issuer to pay interest at specified intervals and to repay the principal amount of the loan at maturity. In insurance, a form of suretyship. Bonds of various types guarantee a payment or a reimbursement for financial losses resulting from dishonesty, failure to perform and other acts.

BOND RATING

An evaluation of a bond's financial strength, conducted by such major ratings agencies as Standard & Poor's and Moody's Investors Service.

BOOK OF BUSINESS

Total amount of insurance on an insurer's books at a particular point in time.

BROKER

An intermediary between a customer and an insurance company. Brokers typically search the market for coverage appropriate to their clients. They work on commission and usually sell commercial, not personal, insurance. In life insurance, agents must be licensed as securities brokers/dealers to sell variable annuities, which are similar to stock market-based investments.

BURGLARY AND THEFT INSURANCE

Insurance for the loss of property due to burglary, robbery or larceny. It is provided in a standard homeowners policy and in a business multiple peril policy.

BUSINESS INCOME INSURANCE (also known as BUSINESS INTERRUPTION INSURANCE)

Commercial coverage that reimburses a business owner for lost profits and continuing fixed expenses during the time that a business must stay closed while the premises are being restored because of physical damage from a covered peril, such as a fire. Business interruption insurance also may cover financial losses that may occur if civil authorities limit access to an area after a disaster and their actions prevent customers from reaching the business premises. Depending on the policy, civil authorities coverage may start after a waiting period and last for two or more weeks.

BUSINESSOWNERS POLICY / BOP

A policy that combines property, liability and business interruption coverages for small- to medium-sized businesses. Coverage is generally cheaper than if purchased through separate insurance policies