FACULTATIVE REINSURANCE
A reinsurance policy that provides an insurer with coverage for specific individual risks that are unusual or so large that they aren't covered in the insurance company's reinsurance treaties. This can include policies for jumbo jets or oil rigs. Reinsurers have no obligation to take on facultative reinsurance, but can assess each risk individually. By contrast, under treaty reinsurance, the reinsurer agrees to assume a certain percentage of entire classes of business, such as various kinds of auto, up to preset limits.

FAIR ACCESS TO INSURANCE REQUIREMENTS PLANS / FAIR PLANS
Insurance pools that sell property insurance to people who can't buy it in the voluntary market because of high risk over which they may have no control. FAIR Plans, which exist in 28 states and the District of Columbia, insure fire, vandalism, riot, and windstorm losses, and some sell homeowners insurance which includes liability. Plans vary by state, but all require property insurers licensed in a state to participate in the pool and share in the profits and losses.

FARMOWNERS-RANCHOWNERS INSURANCE
Package policy that protects the policyholder against named perils and liabilities and usually covers homes and their contents, along with barns, stables, and other structures.

FEDERAL FUNDS
Reserve balances that depository institutions lend each other, usually on an overnight basis. In addition, Federal funds include certain other kinds of borrowings by depository institutions from each other and from federal agencies.

FEDERAL INSURANCE ADMINISTRATION / FIA
Federal agency in charge of administering the National Flood Insurance Program. It does not regulate the insurance industry.

FEDERAL RESERVE BOARD
Seven-member board that supervises the banking system by issuing regulations controlling bank holding companies and federal laws over the banking industry. It also controls and oversees the U.S. monetary system and credit supply.

FIDELITY BOND
A form of protection that covers policyholders for losses that they incur as a result of fraudulent acts by specified individuals. It usually insures a business for losses caused by the dishonest acts of its employees.

FIDUCIARY BOND
A type of surety bond, sometimes called a probate bond, which is required of certain fiduciaries, such as executors and trustees, that guarantees the performance of their responsibilities.

FIDUCIARY LIABILITY
Legal responsibility of a fiduciary to safeguard assets of beneficiaries. A fiduciary, for example a pension fund manager, is required to manage investments held in trust in the best interest of beneficiaries. Fiduciary liability insurance covers breaches of fiduciary duty such as misstatements or misleading statements, errors and omissions.

FILE-AND-USE STATES
States where insurers must file rate changes with their regulators, but don't have to wait for approval to put them into effect.

FINANCIAL GUARANTEE INSURANCE
Covers losses from specific financial transactions and guarantees that investors in debt instruments, such as municipal bonds, receive timely payment of principal and interest if there is a default. Raises the credit rating of debt to which the guarantee is attached. Investment bankers who sell asset-backed securities, securities backed by loan portfolios, use this insurance to enhance marketability.

FINANCIAL RESPONSIBILITY LAW
A state law requiring that all automobile drivers show proof that they can pay damages up to a minimum amount if involved in an auto accident. Varies from state to state but can be met by carrying a minimum amount of auto liability insurance.

FINITE RISK REINSURANCE

Contract under which the ultimate liability of the reinsurer is capped and on which anticipated investment income is expressly acknowledged as an underwriting component. Also known as Financial Reinsurance because this type of coverage is often bought to improve the balance sheet effects of statutory accounting principles.

FIRE INSURANCE
Coverage protecting property against losses caused by a fire or lightning that is usually included in homeowners or commercial multiple peril policies.

FIRST-PARTY COVERAGE
Coverage for the policyholder's own property or person. In no-fault auto insurance it pays for the cost of injuries. In no-fault states with the broadest coverage, the personal injury protection (PIP) part of the policy pays for medical care, lost income, funeral expenses and, where the injured person is not able to provide services such as child care, for substitute services.

FIXED ANNUITY
An annuity that guarantees a specific rate of return. In the case of a deferred annuity, a minimum rate of interest is guaranteed during the savings phase. During the payment phase, a fixed amount of income, paid on a regular schedule, is guaranteed.

FLOATER
Attached to a homeowners policy, a floater insures movable property, covering losses wherever they may occur. Among the items often insured with a floater are expensive jewelry, musical instruments, and furs. It provides broader coverage than a regular homeowners policy for these items.

FLOOD INSURANCE
Coverage for flood damage is available from the federal government under the National Flood Insurance Program but is sold by licensed insurance agents. Flood coverage is excluded under homeowners policies and many commercial property policies. However, flood damage is covered under the comprehensive portion of an auto insurance policy

FORCED PLACE INSURANCE
Insurance purchased by a bank or creditor on an uninsured debtor's behalf so if the property is damaged, funding is available to repair it.

FOREIGN INSURANCE COMPANY
Name given to an insurance company based in one state by the other states in which it does business.

FRAUD
Intentional lying or concealment by policyholders to obtain payment of an insurance claim that would otherwise not be paid, or lying or misrepresentation by the insurance company managers, employees, agents, and brokers for financial gain.

FREE-LOOK PERIOD
A period of up to one month during which the purchaser of an annuity can cancel the contract with no penalty. Rules vary by state.

FREQUENCY
Number of times a loss occurs. One of the criteria used in calculating premium rates.

FRONTING
A procedure in which a primary insurer acts as the insurer of record by issuing a policy, but then passes the entire risk to a reinsurer in exchange for a commission. Often, the fronting insurer is licensed to do business in a state or country where the risk is located, but the reinsurer is not. The reinsurer in this scenario is often a captive or an independent insurance company that cannot sell insurance directly in a particular country.

FUTURES
Agreement to buy a security for a set price at a certain date. Futures contracts usually involve commodities, indexes or financial futures.