

Glossary of Insurance Terms

Adjuster. A person who settles insurance claims. An adjuster may be an insurance company employee or an independent operator.

Adjustment. The settlement of a claim; financial premium determination.

Agent's authority. The authority placed in an agent by the insurance company; the extent to which the agent may act on behalf of the company. This authority is defined by a contract between the agent and the company.

All-risk. A term commonly used to describe broad forms of property or liability coverage. It is misleading because no property or liability policy truly provides an all-risk coverage -- a policy will invariably contain some exclusions.

Appraisal. An estimate of value loss or damage.

Assigned risk. A risk that has been declined by one or more companies. Such a risk may be assigned to designated companies by a recognized authority. The operation is called an assigned risk plan.

Assured. The insured; the one for whom insurance is written.

Basic benefits. Generally all benefits offered by a group health plan except major medical. Basic benefits may include hospital surgical physician care diagnostic lab and X-ray radiation therapy dental expenses and supplemental accident coverage.

Beneficiary. A person who will receive policy benefits.

Benefit formula. Defines the amounts of life insurance that may be purchased for employees in a specific classification (e.g. salary occupation length of service etc.).

Benefit. That amount payable under an insurance policy because of an accident injury or illness.

Binder. An agreement usually written whereby one party agrees to insure another party pending receipt of a final action upon the application.

Business interruption. Insurance covering the loss of earnings resulting from the destruction of property; called use and occupancy insurance.

Cancellation. The termination of an insurance contract by either the insurance company or the insured.

Carrier. An insurance company.

Cash deductible. The amount of money the insured must pay for covered expenses before certain benefits can begin.

Cash value. The value in cash of a life insurance policy.

Casualty. An accident occurrence or event or the person to whom it happens; the general term applied to insurance coverages for an accident occurrence or event.

Certlet. A booklet describing the benefits and all the provisions of a group policy that affect the insured. The certlet becomes a certification of insurance when the person is eligible for the insurance. It is then the legal document that proves the person is actually insured.

Claim. A request by the insured for benefits under an insurance policy.

Coinsurance. Two or more entities providing insurance protection and sharing in losses.

Compensation. Wages salaries awards fees or commissions; any return in payment for a financial loss.

Comprehensive. A loosely used term signifying broad or extensive insurance coverage.

Contributory. A group insurance plan paid partly by employees and partly by the employer.

Contributory negligence. Partial responsibility for one's own injury or damage.

Coverage. The insurance protection provided by the policy.

Declarations. That part of an insurance policy containing the information about the applicant listed on the insurance application.

Deductible. An amount the insured must pay before insurance benefits will be paid.

Discount. A reduction applied to an insurance premium.

Draft. A financial instrument similar to a check frequently used by insurance companies to pay losses.

Effective date. The date a policy is put in force; the inception date.

Endorsement. A written amendment affecting the declaration insuring agreements exclusions or conditions of an insurance policy; a rider.

Evidence of insurability. Medical proof from either a questionnaire or a physical examination that an applicant employee or dependent is healthy and therefore insurable.

Examiner. An individual who reviews evaluates and processes claims.

Exclusion. That which is expressly eliminated from the coverage under an insurance policy.

Expiration date. The date an insurance policy terminates.

Exposure. Person or property to whom injury or damage will cause an economic loss.

Face amount. In life insurance the amount of basic coverage stated on the face of the policy.

Grace period. A period beyond the premium due date during which the premium may be paid and the insurance will be continued in force.

Group insurance. Insurance covering a group of employees.

Hazards. A condition that creates or increases the probability of a loss.

Health insurance. Commonly called accident and health insurance protection against financial loss from a personal accident or illness.



Incurred loss. A loss that while not yet paid has been sustained and for which reserves have been established to pay in the future.

Indemnity. Insurance protection that will place the insured in the same financial position as before a loss was sustained.

Inspection. An examination by those having authority. An insurance company usually reserves the right to inspect any property it insures.

Insurance. Protection against loss. The insured sacrifices a small certain loss (the premium) for protection against a large uncertain loss (e.g. an accident fire or death). The insurance company assumes the risk by employing the law of large numbers and the principle of risk spreading.

Insured. The entity whose life or property is protected by the insurance. The one for whom insurance is written.

Lapse. To fail to continue an insurance policy; to cease to provide insurance protection.

Liability. Being bound by law and justice to do something that may be enforced by the courts.

Limits. The value or amount of a policy; the greatest amount that can be collected under the policy.

Loss. In insurance the amount the insurer is required to pay because of the insured's loss.

Multi-peril insurance. An insurance policy that provides coverage against many perils. Sometimes called a package policy.

Occurrence. A continuance of a repeated exposure to conditions that result in injury.

Peril. Anything that may cause a loss.

Policy. A legal contract of insurance.

Policyholder. The owner of the policy; the one who purchases the policy and pays the premiums.

Policy period. The term for which insurance remains in force sometimes definite sometimes not.

Premium. The cost of an insurance policy; the charge the policyholder pays for the insurance protection.

Property. The thing owned; real property is real estate and things attached to it; anything else is personal property.

Property damage. Physical damage to property.

Provisions. The terms or conditions of an insurance policy.

Rate. Cost per unit of insurance.

Reinstate. To restore coverage after it has been canceled or suspended.

Reinsurance. Insurance placed by an underwriter in another company to reduce the amount of the risk his or her company has assumed.



Renew. To continue; to replace as with a new policy.

Rider. An endorsement.

Schedule of benefits. The amount of insurance for which each classification of employee is eligible. (Classifications can be based on salary wage occupation or length of service.)

Self-insurance. An arrangement whereby instead of purchasing an insurance policy a party maintains a reserve fund for self-protection against a loss.

Settlement option. The way in which money for the death benefit of an insurance policy will be paid to a beneficiary.

Surety. A guarantee that a person normally called the principal will perform according to a statute or a contract. Surety offers protection to a third party normally called an obligee.

Underwriter. The insurance company; a party assuming risk; the person performing the underwriting function.

Void. Of no force; null.

Waiting period. A period immediately after the inception of the policy during which no benefits will be paid even if a loss occurs. Pertains to health insurance.

Waiver of premium. In life insurance a provision that states that if the insured becomes disabled and the disability appears total and permanent the insurance policy will continue in full force without further payment or premium.