Insurance Domain Important Def. & Que.

Accidental Death Benefit – In a life insurance policy, benefit in addition to the death benefit paid to the beneficiary, should death occur due to an accident.

Agent -an individual who sells and services insurance policies.

Approved for Reinsurance – Indicates the company is approved (or authorized) to write reinsurance on risks in this state.

Assets – Assets refer to "all the available properties of every kind or possession of an insurance company that might be used to pay its debts."

Automobile Liability Insurance – Coverage if an insured is legally liable for bodily injury or property damage caused by an automobile.

Balance Sheet – An accounting term referring to a listing of a company's assets, liabilities and surplus as of a specific date.

Benefit Period – In health insurance, the number of days for which benefits are paid to the named insured and his or her dependents.

Broker – Insurance salesperson that searches the marketplace in the interest of clients, not insurance companies.

Capital – Equity of shareholders of a stock insurance company. The company's capital and surplus are measured by the difference between its assets minus its liabilities.

Case Management – A system of coordinating medical services to treat a patient, improve care and reduce cost.

Casualty – Liability or loss resulting from an accident.

Claim – A demand made by the insured, or the insured's beneficiary, for payment of the benefits as provided by the policy.

Collision Insurance – Covers physical damage to the insured's automobile resulting from contact with another inanimate object.

Commission – Fee paid to an agent or insurance salesperson as a percentage of the policy premium.

Coverage – The scope of protection provided under an insurance policy.

Coverage Area – The geographic region covered by travel insurance.

Death Benefit – The limit of insurance or the amount of benefit that will be paid in the event of the death of a covered person.

Exclusions – Items or conditions that are not covered by the general insurance contract.

General Account – All premiums are paid into an insurer's general account.

Health Reimbursement Arrangement – Owners of high-deductible health plans who are not qualified for a health savings account can use an HRA.

Health Savings Account – Plan that allows you to contribute pre-tax money to be used for qualified medical expenses.

Income Taxes – Incurred income taxes (including income taxes on capital gains) reported in each annual statement for that year.

Investment Income – The return received by insurers from their investment portfolios including interest, dividends and realized capital gains on stocks.

Loss Ratio – The ratio of incurred losses and loss-adjustment expenses to net premiums earned.

Medical Loss Ratio – Total health benefits divided by total premium.

Member Month – Total number of health plan participants who are members for each month.

Net Income – The total after-tax earnings generated from operations and realized capital gains.

Net Premium – The amount of premium minus the agent's commission. Also, the premium necessary to cover only anticipated losses, before loading to cover other expenses.

Personal Injury Protection – Pays basic expenses for an insured and his or her family in states with no-fault auto insurance.

Policy – The written contract effecting insurance, or the certificate thereof, by whatever name called, and including all clause, riders, endorsements, and papers attached thereto and made a part thereof.

Premium – The price of insurance protection for a specified risk for a specified period of time.

Renewal – The automatic re-establishment of in-force status effected by the payment of another premium.

Risk Management – Management of the pure risks to which a company might be subject.

Term Life Insurance – Life insurance that provides protection for a specified period of time.

Underwriter – The individual trained in evaluating risks and determining rates and coverages for them.

Underwriting – The process of selecting risks for insurance and classifying them according to their degrees of insurability so that the appropriate rates may be assigned.

What are the different types of Insurance Coverage?

Insurance policy is categorized into two

a) General or Non-life Insurance

b) Life Insurance

What do you mean by 'insurance coverage'?

The term 'insurance coverage' means, when an individual takes an insurance policy the insured will be covered by insurance company for a specific amount for themselves or the things that he had taken the insurance policy, for which he would be paying premiums to the insurance company. The insurance company will pay the insured in case of damage or claims made by the insured according to their 'insurance coverage'.

What is a premium'?

It is the amount to be paid for a contract of insurance to the insurance company. It is the sum that a person pays monthly, quarterly or annually according to their plan, in return of the coverage he/she has taken from the insurance company.

What do you mean by term 'Insurer' and 'Insured'?

Insured is the one who holds the policy and Insurer is the company that covers the insured.

Who is the beneficiary?

Beneficiary is the one whom you have nominated for the insured amount in case of your death.

What is the contestable period' in insurance policy?

'Contestable period' is usually 1 or 2 years, during which the insurance company holds all the right to investigate the policy and decide whether to pay or not to pay to the insured.

What is the difference between "revocable beneficiary" and "irrevocable beneficiary"?

'Revocable beneficiary' designation gives right to the policy holder to change the beneficiary name without the consent of the named beneficiary. While in 'Irrevocable beneficiary' the policy holder has to take consent of the beneficiary before the name is changed.

What is no-claim bonus?

No claim bonus is a benefit for those who have not claimed insurance during the preceding year of cover. This will lower the premium on the following year.

What is 'declaration page' in insurance policy?

'Declaration page' in insurance policy, bears all the information of the policy holder like name, address, vehicle information, type of coverage and loss payee information.

What do you mean by 'Loss Payee'?

The loss payee is a person or institution (Bank) that receives the insurance payment on the loss of the property or vehicle you own. It is a legal definition used to cover the investment of other parties or bank that is owned by you. For example, you have a car on loan, and also you have insurance for that car. Now you met an accident, and your car is a total loss(meaning completely damaged beyond repair). Your bank still owes money from you in such case when you claim the insurance; the insurance company will pay money directly to Bank or person you owes money. Here bank is a loss payee.

What do you mean by 'Deductible'?

Deductible is one of the several types of clause that are used by the insurance company as a threshold for policy payment for health insurance or travel insurance. Deductible is a decided amount that you have to pay from your pocket while claiming the insurance. For example, you have a deductible of $500, and you have insurance coverage for $2000, then you are responsible for paying for $500 and the remaining amount $1500 will be paid by insurance company.

What is Co-insurance?

Co-insurance term is usually referred to health insurance companies. In this type of policy, you share the coverage with, the insurance company in percentage of the policy value, after paying deductible or co-payment. It is the split of insurance coverage between you and insurance company; usually the split would be 80/20 % where you are liable to pay 20% and the remaining amount by the insurance company. For example, for health policy you have claimed for $200, according to policy clause you have to pay deductible, let say $100, now after paying deductible the remaining amount is $100, now you have a co-insurance which is split into 80/20%. So you will pay $20 out of $100 from your pocket while the $80 will be paid by co-insurance(meaning the insurance company).

What do you mean by term "Annuity"?

An annuity is the term used for the regular amount paid by the insurance company to the insured, after a certain period of time. The payment can be monthly or quarterly, this is often done to supplement income after retirement.

What is the Surrender Value?

Surrender Value is the amount when you stop paying the premium and withdraw the entire amount. The policy ceases as soon as you withdraw the money, and the insured will lose out all the returns on it.

What is Paid Value?

The paid value is something, when the insured stops paying the premium but do not withdraw the amount. The sum assured by the insurance company is reduced proportionally depending when insured has stopped paying the premium. You will get the amount at the end of the term.

Is it advisable to replace the policy with another policy?

If it is not a long duration that you have bought the policy, then you can replace the policy. But in other case it is not advisable as you will lose all the benefits of the previous policy also the premium will go high as you go older. Also, the two-year period of contestability will also begin again.

How to claim the policy?

In order to claim the policy, you have to fill up the claim form and contact your financial advisor from whom you have bought the policy. You have to supplement all the required documents like original payment receipt to your insurance company. If everything is ok, you will be paid within seven days of the policy claimed.

What happens if you fail to make required premium payments?

Usually, Insurance Company gives a grace period of 10-15 days to the insured if they fail to pay the premium before the due date. Further, if you fail to pay a premium, then your policy will lapse. You can revive your policy by paying the outstanding premium along with the interest, counted from the date the policy got lapsed. Different Insurance Company has a different norm for reviving the policy.

However, if your policy is in force for alonger period like say more than2-3 years,and if you fail to pay a premium, then insurance company will deduct the premium amount from your accumulated funds, especially in permanent life insurance. This will continue till there is an available fund after which your policy will be terminated.

Is it safe to pay the premium through Insurance Agent?

It is safe to pay the premium through your agent as far as you are making the payment through cheque on the name of Insurance Company and receiving all the receipts for the payments.

Is it possible to get the full payment on canceling the new policy in free look period?

'Free Look Period' is a time-period where the insured can cancel their newly bought policy in a specific period of time from the date of issuing the policy without any penalties or surrender charges.

Yes, it is possible to get the full payment in free look period; you can cancel your new policy in 15 days by returning the policy to the life Insurance company after you receive all the documents related to the policy.

What is the difference between the participating and non-participating policy?

Participating policy is a policy, where the profit or benefits of the insurance company is shared with the insured in the form of a dividend or reversionary bonuses. While, the non-participating policy, does not share their profit with insured.

Is it possible to restrict the premium payment for a lesser number of years than the duration of the policy?

Certain Insurance company have a provision of Limited Premium Payment, through which you can pay the premium in 3, 5, 7 or 10 years depend upon your income,and you still can have the coverage for the entire tenure of the policy.

Can beneficiary claim the policy if the insured person is missing or disappeared for several years?

It is possible to claim, if the beneficiary has court declaration that says that the insured person is missing or legally dead (disappeared for more than 7 years).

Can an individual take two policies and claim for both of them?

Yes,an individual can take two policies and claim for both.

What do you mean by 'Additional Insured'?

'Additional Insured' is the status associated mainly with property insurance and liability insurance. The additional insured will be protected under the main policy holder. For example a vehicle insurance policy which covers all the members of family and not only the owner.

General Insurance

What is General Insurance policy? What does it cover?

General Insurance is basically an insurance policy that protects you from losses and damages other than covered by life insurance. For example it covers

a) Personal property such as car or house

b) Accident and health Insurance

c) Liability Insurance – legal Liabilities

d) Property against natural calamities like flood, fire, earthquake etc.

e) Burglary and theft

f) Coverage on transport vehicles carrying goods like Cargo Ship

g) Coverage against machinery breakdown

h) Travel

What do you mean by term 'cash value'?

'Cash Value' is the cash amount offered to the policy holder while canceling the policy, where a portion of the premium paid goes into saving plan. It is also referred as surrender value. This term is normally used for life Insurance contract.

What happens to the cash value after the policy is fully paid up?

After the policy is fully paid up, the company plans to use the cash value to pay your premium until you die. If you take the cash value out, the insurer will require you to pay the premium or reduce the amount of the death benefit so the remaining cash value will support.

Life-Insurance

What is the different type of Life Insurance?

There are two type of life insurance

a) Term Life Insurance :

Term life Insurance is a type of life Insurance, which provides coverage for fixed rate of premium for a limited period of time. Term Insurance can cover you for the term of one or two years.

b) Permanent Life Insurance:

Permanent Life Insurance coversn individual for the whole life; people take permanent life insurance about 25-30 years normally. The premiums are slightly higher than Term Life Insurance.

What is Elimination period in insurance?

In the disability income insurance or loss of income insurance, the elimination period is the amount of time you have to wait before benefits are paid. In other words,it is a time-period between the beginning of the injury and the benefits you are paid off. Longer the Elimination period lower the premium and vice versa.

What does it mean when company says "no physical exam"?

Such insurance company that says,"No physical exam" gives freedom to the policyholder to take policy and exempt the physical test that is mandatory by certain life insurance company. Normally, such insurance company is more expensive and the insured has to pay a higher premium on their policy.

What is 'group life' insurance?

'Group life insurance' is a single policy that covers an entire group. Such policy is taken by an employer for the bigger organization to cover their employee, as an individual policy holder, it may cost more than a group policy.

Does beneficiary have to pay tax on the proceeding of life insurance policy?

Generally, the benefits on the life insurance policy are tax free and the beneficiary is not liable to pay any tax after the death of the policy holder. But if you are changing your beneficiary for monetary gain or other purposes then the beneficiary has to pay tax on it.

Is it possible to convert a part of term life insurance into permanent life insurance?

Yes, it is possible to convert as far as you are having a convertible life insurance policy. But there is a deadline that has to be taken care of, for converting term life insurance into permanent life insurance. Also, your premium will rise soon you convert your policy.

Auto-Insurance

What is third party Insurance?

An insurance policy that covers the damage caused by another person or party is known as third party Insurance. In this type of insurance, the insured is the first party, insurance company is the second party while the damage done by another is referred as the third party. This type of Insurance policy is purchased for vehicles, so that in case of the accident they can claim it.

What is Personal Accident cover? Does it cover anywhere in the world?

Personal Accident Insurance is for your personal vehicle and covers any fatal accidents to you or your family excluding driver. Most of the insurance companies gives coverage anywhere in the world.

In what all Instances you cannot claim your Personal Accident Insurance?

1) If your injuries are a result of sickness or disease
2) If your injuries are self-inflicted or attempt to suicide
3) Stress fractures, sprains and strains
4) Injury occurred while committing crime
5) Deliberately cause an car accident

Can a Person Pay the Premium Through an Insurance Agent? If so, is it Safe to do So?

Yes, a person can pay the premium through their agent if they make the payment through cheque to their Insurance company and receive all the receipts for such payments.

What is a General Insurance Policy and What Does it Cover?

General insurance policies are also known as non-life insurance policies and offer payments based on the loss from a specific financial event. They are generally defined as any insurance that is not a life insurance policy. Some of the things it covers are legal liabilities, travel, personal property (house or car), accident, health, machinery breakdown, theft, etc.

Can a Person Take Two Life Insurance Policies and Claim For Both?

Yes, a person can take two life insurance policies and claim for both of them.