Glossary

Accelerated Benefits - Riders attached to life insurance policies which allow death benefits to be used to cover nursing or convalescent home expenses.
Accident - An unplanned, unforeseen event which occurs suddenly and at an unspecified place.
Accident Insurance - A type of insurance that protects the insured against loss due to accidental bodily injury.
Accidental Bodily Injury - Unplanned, unforeseen traumatic injury to the body.
Accidental Death and Dismemberment (AD&D) - An insurance policy which pays a specified amount or a specified multiple of the insured's benefit if the insured dies, loses his/her sight, or loses two limbs due to an accident.
Accidental Death Benefits - A policy rider that states that the cause of death will be analyzed to determine if it complies with the policy description of accidental death.
Accidental Death Insurance – An insurance policy that provides payment if the insured's death is the result of an accident.
Accumulation Period - The time over which the annuitant makes payments or investments in an annuity, and when those payments earn interest tax deferred.
Acquired Immunodeficiency Syndrome (AIDS) - An infectious and incurable disease caused by the human immunodeficiency virus (HIV).
Activities of Daily Living (ADLs) - Activities individuals must do every day such as moving about, getting dressed, eating, bathing, etc.
Actual Cash Value (ACV) – The required amount to pay damages or for property loss, which is calculated based on the property's current replacement value minus depreciation.
Actual Charge - The amount a physician or supplier actually bills for a particular service or supply.
Actuary - A person trained in the technical aspects of insurance and related fields, particularly in the mathematics of insurance; a person who, on behalf of the company, determines the mathematical probability of loss.
Adhesion - A contract offered on a "take-it-or-leave-it" basis by an insurer, in which the insured's only option is to accept or reject the contract. Any ambiguities in the contract will be settled in favor of the insured.
Adjustable Life - Life insurance which permits changes in the face amount, premium amount, period of protection, and the duration of the premium payment period.
Adjuster - A representative of an insurance company who investigates and acts on the behalf of the company to obtain agreements for the amount of the insurance claim.
Administrator - An individual appointed by a court as a fiduciary to settle the financial affairs and estate of a deceased person.
Admitted (Authorized) Insurer - An insurance company authorized and licensed to transact business in a particular state.
Adult Day Care - A program for impaired adults that attempts to meet their health, social, and functional needs in a setting away from their homes.
Adverse Selection - The tendency of risks with higher probability of loss to purchase and maintain insurance more often than the risks who present lower probability.
Agency - An insurance sales office or company.
Agent - An individual who is licensed to sell, negotiate, or effect insurance contracts on behalf of an insurer.
Agent's Authority - Special powers granted to an agent by his or her agency contract.
Aleatory - A contract in which participating parties exchange unequal amounts. Insurance contracts are aleatory in that the amount the insured will pay in premiums is unequal to the amount the insurer will pay in the event of a loss.
Alien Insurer - An insurance company that is incorporated outside the United States.
Alzheimer's Disease - A disease that causes the victim to become dysfunctional due to

degeneration of brain cells causing severe memory loss.
Ancillary - Additional, miscellaneous services provided by a hospital, such as x-rays, anesthesia, and lab work, but not hospital room and board expenses.
Annual Statement - A detailed financial report that an insurance company must submit every year to the insurance department of state(s) in which it conducts business.
Annuity - A contract that provides income for a specified period of years, or for life.
Apparent Authority - The appearance or the assumption of authority based on the actions, words, or deeds of the principal or because of circumstances the principal created.
Applicant - A person making application for, or offering him/herself or another to be insured under an insurance contract.
Application - A document that provides information for underwriting purposes. After the policy is issued, any unanswered questions are considered waived by the insurer.
Approved Amount - The amount Medicare determines to be reasonable for a service that is covered under part B of Medicare.
Assignment (Life) - The transfer of ownership rights of a life insurance policy from one person to another.
Assignment (Health) - A claim to a provider or medical supplier to receive payments directly from Medicare.
Attained Age - The age of the insured at a determined date.
Attending Physician's Statement (APS) - A statement usually obtained from the applicant's doctor.
Authorized (Admitted) Insurer - An insurance company authorized and licensed to transact business in a particular state.
Avoidance - A method of dealing with risk by deliberately keeping away from it (e.g. if a person wanted to avoid the risk of being killed in an airplane crash, he/she might choose never to fly in a plane).
Back-End Load - a fee charged at the time of a sale, transfer or withdrawal from an annuity or a life insurance policy.
Basic Hospital Expense Insurance - Coverage that provides benefits for room, board and miscellaneous hospital expenses for a certain number of days during a hospital stay.
Basic Illustration - A ledger or proposal used in the sale of a life insurance policy that shows both guaranteed and nonguaranteed elements.
Basic Medical Expense Insurance - Coverage for doctor visits, x-rays, lab tests, and emergency room visits; benefits, however, are limited to specified dollar amounts.
Beneficiary - The person who receives the proceeds from the policy when the insured dies.
Benefit Period - The length of time over which the insurance benefits will be paid for each illness, disability or hospital stay.
Binder (Binding Receipt) - A temporary contract that puts an insurance policy into force before the premium has been paid.
Birthday Rule - The method of determining primary coverage for a dependent child, under which the plan of the parent whose birthday occurs first in the calendar year is designated as primary.
Blanket Medical Insurance - A policy that provides benefits for all medical costs, including doctor visits, hospitalization, and drugs.
Boycott - An unfair trade practice in which one person refuses to do business with another until he or she agrees to certain conditions.
Broker - An individual who represents an insured in the process of purchasing and negotiating a contract of insurance.
Buy-Sell Agreement - A legal contract that determines what will be done with a business in the event that an owner dies or becomes disabled.
Buyer's Guide - A booklet that describes insurance policies and concepts, and provides general information to help an applicant make an informed decision.
Cafeteria Plan - A selection of health care benefits from which an employee may choose the ones that he/she needs.
Capital Amount - A percentage of the principal amount of a policy paid to the insured if he/she suffered the loss of an appendage.
Carriers - Organizations that process claims and pay benefits in an insurance policy
Cash Value - The amount to which a policyowner is entitled if the policy is surrendered before maturity.
Cease and Desist Order - A demand of a person to stop committing an action that is in violation of a provision.

Certificate – A statement (or booklet) that confirms that a policy has been written and that describes the coverage in general.
Certificate of Authority - A document that authorizes a company to start conducting business and specifies the kind(s) of insurance a company can transact. It is illegal for an insurance company to transact insurance without this certificate.
Certificate of Insurance - A legal document that indicates that an insurance policy has been issued, and that states both the amounts and types of insurance provided.
Claim - A request for payment of the benefits provided by an insurance contract.
Coercion - An unfair trade practice in which an insurer uses physical or mental force to persuade an applicant to buy insurance.
Coinsurance - An agreement between an insurer and insured in which both parties are expected to pay a certain portion of the potential loss and other expenses.
Coinsurance Clause - A provision that states that the insurer and the insured will share the losses covered by the policy in a proportion agreed upon in advance.
Commingling - A practice in which a person in a fiduciary capacity illegally mixes his/her personal funds with funds he/she is holding in trust.
Commission – The payment made by insurers to agents or brokers for the sale and service of policies.
Commissioner (Superintendent, Director) - The chief executive and administrative officer of a state insurance department.
Comprehensive Policy - A plan that provides a package of health care services, including preventive care, routine physicals, immunization, outpatient services and hospitalization.
Comprehensive Major Medical - A combination of basic coverage and major medical coverage that features low deductibles, high maximum benefits, and coinsurance.
Concealment - The withholding of known facts which, if material, can void a contract.
Conditional Contract - A type of an agreement in which both parties must perform certain duties and follow rules of conduct to make the contract enforceable.
Consideration - The binding force in a contract that requires something of value to be exchanged for the transfer of risk. The consideration on the part of the insured is the representations made in the application and the payment of premium; the consideration on the part of the insurer is the promise to pay in the event of loss.
Consideration Clause - A part of the insurance contract that states that both parties must give something of value for the transfer of risk, and specifies the conditions of the exchange.
Consolidated Omnibus Budget Reconciliation Act (COBRA) of 1986 - The law that provides for the continuation of group health care benefits for the insured for up to 18 months if he/she terminates employment or is no longer eligible, and for the insured's dependents for up to 36 months in cases of loss of eligibility due to death of the insured, divorce, or attainment of the limiting age.
Consumer Reports - Written and /or oral statements regarding a consumer's credit, character, reputation, or habits collected by a reporting agency from employment records, credit reports, and other public sources.
Contract - An agreement between two or more parties enforceable by law.
Contributory - A group insurance plan that requires the employees to pay part of the premium.
Controlled Business - An entity that obtains and possesses a license solely for the purpose of writing business on the owner, immediate family, relatives, employer and employees.
Convertible - A policy that may be exchanged for another type of policy by contractual provision, at the option of the policyowner, and without evidence of insurability (i.e. term life changed to a form of permanent life).
Coordination of Benefits - A provision that helps determine the primary provider in situations where an insured is covered by more than one policy, thus avoiding claims overpayments.
Co-pay - An arrangement in which an insured must pay a specified amount for services "up front" and the provider pays the remainder of the cost.
Countersignature - The act of signing an insurance policy by a licensed resident agent.
Coverage - The inclusion of causes of loss (perils) which are covered within a scope of a policy.
Credit Life Insurance - A special type of coverage written to pay off the balance of a loan in the event of the death of the debtor.
CSO Table - (The Commissioner's Standard Ordinary Table) A mortality table used in life insurance that mathematically predicts the likelihood of death.

Custodial Care– Care that is rendered to help an insured complete his/her activities of daily living.

Death Benefit – The amount payable upon the death of the person whose life is insured.
Decreasing Term – A type of life insurance that features a level premium and a death benefit that decreases each year over the duration of the policy.
Deductible – The portion of the loss that is to be paid by the insured before any claim benefits may be paid by the insurer.
Defamation – An unfair trade practice in which one agent or insurer makes an injurious statement about another with the intent of harming the person's or company's reputation.
Dependent – A person who relies on another for support and maintenance.
Director (Commissioner, Superintendent) – The head of the state department of insurance.
Disability – A physical or mental impairment, either congenital or resulting from an injury or sickness.
Disability Income Insurance – Health insurance that provides periodic payments to replace an insured's income when he/she is injured or ill.
Disclosure – An act of identifying the name of the producer, representative or firm, limited insurance representative, or temporary insurance producer on any policy solicitation.
Domestic Insurer – An insurance company that conducts business in the state of incorporation.
Domicile of Insurer – Insurer's location of incorporation and the legal ability to write business in a state.
Dread (Specified) Disease Policy – A policy with a high maximum limit that covers certain diseases named in the contract (such as polio and meningitis).
Dual Choice – A federal requirement that employers who have 25 or more employees, who are within the service area of a qualified HMO, who pay minimum wage, and offer a health plan, must offer HMO coverage as well as an indemnity plan.
Earned Premium – The amount of the premium for which the policy protection has been given.
Effective Date – The date when an insurance policy begins (also known as the inception date).
Eligibility Period – The period of time in which an employee may enroll in a group health care plan without having to provide evidence of insurability.
Elimination Period – A waiting period that is imposed on the insured from the onset of disability until benefit payments begin.
Emergency – An injury or disease which occurs suddenly and requires treatment within 24 hours.
Employee Retirement Income Security Act (ERISA) – The act that stipulates federal standards for private pension plans.
Endodontics – An area of dentistry that deals with diagnosis, prevention and treatment of the dental pulp within natural teeth at the root canal.
Endorsement – A form changing the provisions of and attached to a life insurance policy (also known as a rider).
Endow – to reach the maturity date or time at which the face amount equals cash values.
Enrollment Period – The amount of time an employee has to sign up for a contributory group health plan.
Errors and Omissions Policy (E&O) – A professional liability insurance that protects the insurer from claims by the insured for errors or oversights on the part of the insurer.
Estoppel – A legal impediment to denying a fact or restoring a right that has been previously waived.
Excess Charge – The difference between the Medicare approved amount for a service or supply and the actual charge.
Excess Insurance – Insurance that pays over and above or in addition to basic policy limits.
Exclusions – Causes of loss, exposures, conditions, etc. listed in the policy for which the benefits will not be paid.
Executory Contract – A contract which has not yet been fulfilled by one or both parties that promises action in the event of a specified future occurrence.
Expiration – The date specified in the policy as the date of termination.
Explanation of Benefits (EOB) – A statement that outlines what services were rendered, how much the insurer paid, and how much the insured was billed.

Explanation of Medicare Benefits – A statement sent to a Medicare patient indicating how the Medicare claim will be settled.
Exposure – A unit of measure used to determine rates charged for insurance coverage.
Express Authority – The authority granted to an agent by means of the agent's written contract.
Extended Care Facility – A facility which is licensed by the state to provide 24 hour nursing care.
Extension of Benefits – A provision that allows coverage to continue beyond the policy's expiration date for employees who are not actively at work due to disability or who have dependents hospitalized on that date. This coverage continues only until the employee returns to work or the dependent leaves the hospital.
Face – The first page of a policy.
Fair Credit Reporting Act – A federal law that established procedures that consumer-reporting agencies must follow in order to ensure that records are confidential, accurate, relevant and properly used.
Fiduciary – An agent/broker who handles insurer's funds in a trust capacity.
Fixed Annuity – An annuity that offers fixed payments and guarantees a minimum rate of interest to be credited to the purchase payment or payments.
Flexible Premium – A policy feature that allows the policyholder to vary premium payments in the amount and/or timing.
Flexible Spending Account (FSA) – A salary reduction cafeteria plan that uses employee funds to provide various types of health care benefits.
Foreign Insurer – An insurance company that is incorporated in another state.
Fraternal Benefit Societies – Life or health insurance companies formed to provide insurance for members of an affiliated lodge, religious organization, or fraternal organization with a representative form of government.
Fraud – Intentional misrepresentation or deceit with the intent to induce a person to part with something of value.
Free Look – A period of time, usually required by law, during which a policyowner may inspect a newly issued individual life or health insurance policy for a stated number of days and surrender it in exchange for a full refund of premium if not satisfied for any reason.
Front-End Load – a fee or commission charged at the time of purchase of an annuity or a security.
Gatekeeper Model – A model of HMO and PPO organizations that uses the insured's primary care physician (the gatekeeper) as the initial contact for the patient for medical care and for referrals.
Grace Period – Period of time after the premium due date during which premiums may still be paid, and the policy and its riders remain in force.
Group Disability Insurance – A type of insurance that covers a group of individuals against loss of pay due to accident or sickness.
Group Health Insurance – Health coverage provided to members of a group.
Group Life – Life insurance provided for members of a group.
Hazard – A circumstance that increases the likelihood of a loss.
Hazard, Moral – The effect of a person's reputation, character, living habits, etc. on his/her insurability.
Hazard, Morale – The effect a person's indifference concerning loss has on the risk to be insured.
Hazard, Physical – A type of hazard that arises from the physical characteristics of an individual, such as a physical disability due to either current circumstance or a condition present at birth.
Health Insurance – Protection against loss due to sickness or bodily injury.
Health Maintenance Organization (HMO) – A prepaid medical service plan in which specified medical service providers contract with the HMO to provide services. The focus of the HMO is preventive medicine.
Health Reimbursement Accounts (HRAs) – Plans that allow employers to set aside funds for reimbursing employees for qualified medical expenses.
Health Savings Accounts (HSAs) – Plans designed to help individuals save for qualified health expenses.
Home Health Agency – An entity certified by the insured's health plan that provides health care services under contract.
Home Health Care – Type of care in which part-time nursing or home health aide services,

speech therapy, physical or occupational therapy services are given in the home of the insured.
Home Health Services – A covered expense under Part A of Medicare in which a licensed home health agency provides home health care to an insured.
Hospice – A facility for the terminally ill that provides supportive care such as pain relief and symptom management to the patient and his/her family. Hospice care is covered under Part A of Medicare.
Hospital Confinement Rider – An optional disability income rider that waives the elimination period when an insured is hospitalized as an inpatient.
Implied Authority – Authority that is not expressed or written into the contract, but which the agent is assumed to have in order to transact the business of insurance for the principal.
Income Replacement Contracts – Policies which replace a certain percentage of the insured's pure loss of income due to a covered accident or sickness.
Indemnify – To restore the insured to the same condition as prior to loss with no intent of loss or gain.
Illustration – A ledger or proposal used in the sale of a life insurance policy that shows both guaranteed and nonguaranteed elements.
Insolvent organization – A member organization which is unable to pay its contractual obligations and is placed under a final order of liquidation or rehabilitation by a court of competent jurisdiction.
Insurability – The acceptability of an applicant who meets an insurance company's underwriting requirements for insurance.
Insurable Interest – A financial interest in the life of another person; a possibility of losing something of value if the insured should die. In life and health insurance, insurable interest must be stated at the time of policy issue.
Insurance – A contract whereby one party (insurer) agrees to indemnify or guarantee another party (insured) against a loss by a specified future contingency or peril in return for payment of a premium.
Insured – The person or organization that is protected by insurance; the party to be indemnified.
Insurer – An entity that indemnifies against losses, provides benefits, or renders services (also known as "company" or "insurance company").
Insuring Clause – A general statement that identifies the basic agreement between the insurance company and the insured, usually located on the first page of the policy.
Integrated LTC Rider – A rider that is added to a life insurance policy to pay long-term care benefits. The amount of benefits available for LTC depends upon the life insurance benefits available; however, the benefits paid toward LTC will reduce the life insurance policy's benefits.
Intentional Injury – An act that is intended to cause injury. Self-inflicted injuries are not covered under accident insurance; intentional injuries inflicted on the insured by another are covered.
Intermediaries – Organizations that process inpatient and outpatient claims on individuals by hospitals, skilled nursing facilities, home health agencies, hospices and certain other providers of health services.
Intermediate Care – A level of care that is one step down from skilled nursing care; provided under the supervision of physicians or registered nurses.
Investigative Consumer Report – Similar to consumer reports in that they also provide information on the consumer's character, reputation, and habits.
Issue Age – The individual's age when a policy is issued.
Joint Life – A single policy that is designed to insure two or more lives.
Juvenile Life – Any life insurance written on the life of a minor.

Lapse – Termination of a policy because the premium has not been paid by the end of the grace period.
Law of Large Numbers – A principle stating that the larger the number of similar exposure units considered, the more closely the losses reported will equal the underlying probability of loss.
Legal Reserve – The accounting measurement of an insurer's future obligations to pay claims to policyowners.
Level Premium – A policy premium that remains the same over the period of time premiums are paid.

Life Expectancy – Average number of years remaining for a person of a given age to live, as shown on the mortality table.
Limited-Pay Whole Life – A variation of whole life insurance that charges a level annual premium and provides a level, guaranteed death benefit to the insured's age 100 and will endow for the face amount if the insured lives to age 100. Limited-pay life is designed so that the premiums for coverage will be completely paid-up well before age 100.
Limited Policies – Health insurance policies that cover only specific accidents or diseases.
Limiting Charge – The maximum amount a physician may charge a Medicare beneficiary for a covered service if the physician does not accept assignment of the Medicare approved amount.
Liquidation – Selling assets as a method of raising capital.
Living Benefits Rider – A rider attached to a life insurance policy that provides LTC benefits or benefits for the terminally ill by using available life insurance benefits.
Lloyd's Associations – Organizations that provide support facilities for underwriters or groups of individuals that accept insurance risk.
Loan Value – The amount of money an insured can borrow using the cash value of his/her life insurance policy as collateral.
Long-Term Care (LTC) – Health and social services provided under the supervision of physicians and medical health professionals for persons with chronic diseases or disabilities. Care is usually provided in a Long-Term Care Facility which is a state licensed facility that provides services.
Long-Term Disability Insurance – A type of individual or group insurance that provides coverage for illness until the insured reaches age 65 and for life in the case of an accident.
Loss – The reduction, decrease, or disappearance of value of the person or property insured in a policy, by a peril insured against.
Loss of Income Insurance – Insurance that pays benefits for inability to work because of disability resulting from accidental bodily injury or sickness.
Lump Sum – Settlement method that pays the beneficiary the entire proceeds of a life insurance policy in one payment rather than in installments.
Major Medical Insurance – A type of health insurance that usually carries a large deductible and pays covered expenses up to a high limit whether the insured is in or out of the hospital.
Maturity Date –The date when the face amount of the life insurance becomes payable.
Medicaid – A medical benefits program jointly administered by the individual states and the federal government.
Medical Expense Insurance – A type of insurance that pays benefits for medical, surgical, and hospital costs.
Medical Information Bureau (MIB) – An information database that stores the health histories of individuals who have applied for insurance in the past. Most insurance companies subscribe to this database for underwriting purposes.
Medical Savings Account – An employer-funded account linked to a high deductible medical insurance plan.
Medicare – The United States federal government plan for paying certain hospital and medical expenses for persons who qualify.
Medicare Supplement Insurance – A type of individual or group insurance that fills the gaps in the protection provided by Medicare, but that cannot duplicate any Medicare benefits.
Medigap – Medicare supplement plans issued by private insurance companies that are designed to fill some of the gaps in Medicare.
Misrepresentation – A false statement or lie that can render the contract void.
Mode of Payment – The method of premium payment, whether annually, semiannually, quarterly, or monthly.
Morbidity Rate – The ratio of the incidence of sickness to the number of well persons in a given group of people over a given period of time.
Morbidity Table – A table showing the incidence of sickness at specified ages.
Mortality Table – A table showing the probability of death at specified ages.
Multiple-Employer Trust (MET) – A group of small employers who do not qualify for group insurance individually, formed to establish a group health plan or self-funded plan.
Multiple Employer Welfare Association (MEWA) – Any entity of at least two employers, other than a duly admitted insurer, that establishes an employee benefit plan for the purpose of offering or providing accident and sickness or death benefits to the employees.
Mutual Companies – Insurance organizations that have no capital stock, but are owned by

the policyholders.
Natural Premium – The amount of premium that must be collected from each member of a group composed of the same age, sex and risk in order to pay $1,000 for each death that will occur in the group each year.
Nonadmitted (Nonauthorized) – An insurance company that has not applied for, or has applied and been denied a Certificate of Authority and may not transact insurance in a particular state.
Nonauthorized (Nonadmitted) – An insurance company that has not applied for, or has applied and been denied a Certificate of Authority and may not transact insurance in a particular state.
Noncancellable – An insurance contract that the insured has a right to continue in force by payment of premiums that remain the same for a substantial period of time.
Nonforfeiture Values – Those guaranteed values in a life insurance policy that cannot be taken from the insured, even if he or she ceases to pay premiums.
Nonmedical – A life or health insurance policy that is underwritten based on the insured's statement of health rather than a medical examination.
Non-participating Policies (Non-par) – Insurance that does not pay dividends.
Nonqualified Plan - A type of benefit plan that may discriminate, is not required to be filed with the IRS, and does not provide a current tax deduction for contributions.
Nonrenewal – A termination of a policy by an insurer on the anniversary or renewal date.
Nonresident Agent – An agent licensed in a state in which he or she is not a resident.
Notice of Claim – A provision that spells out an insured's duty to provide the insurer with reasonable notice in the event of a loss.
Omnibus Budget Reconciliation Act – A federal law which extends the minimum COBRA continuation of group health care coverage from 18 to 29 months for qualified beneficiaries who are disabled at the time of qualification.
Option – A choice of ways of receiving policy dividends, nonforfeiture values, death benefits, or cash values.
Oral Surgery – Operative treatment of the mouth such as extractions of teeth and related surgical treatment.
Orthodontics – A special field in dentistry which involves treatment of natural teeth to prevent and/or correct dental anomalies with braces or appliances.
Out-of-Pocket Costs – Amounts an insured must pay for coinsurance and deductibles before the insurer will pay its portion.
Over Insurance – An excessive amount of insurance that would result in overpayment to the insured in the event of a loss.

Paid-Up Insurance – A policy on which all premiums have been paid but which has not matured due either to death or endowment.
Parol – Legal term that distinguishes oral statements from written statements.
Parol Evidence Rule – A rule that states a contract may not be altered without written consent of both parties; in other words, the contract may not be altered by an oral agreement.
Partial Disability – Ability to perform some, but not all, of the duties of the insured's occupation as a result of injury or sickness.
Participating Policies (Par) – Insurance that pays dividends to policyholders.
Payment of Claims – A provision that specifies to whom claims payments are to be made.
Payor Benefit – A rider found in juvenile policies which waives the premiums if the person paying them (often the parent) is disabled or dies while the child is still a minor.
Peril – The cause of a possible loss.
Periodontics – A specialty of dentistry that involves treatment of the surrounding and supporting tissue of the teeth such as treatment for gum disease.
Permanent Disability – Disability from which the insured does not recover.
Permanent Life Insurance – A general term used to refer to various forms of whole life insurance policies that remain in effect to age 100 so long as the premium is paid.
Persistency – The tendency or likelihood of insurance policies not lapsing or being replaced with insurance from another insurer.
Personal Contract – An agreement between an insurance company and an individual that states that insurance policies cover the individual's insurable interest.
Physical Exam and Autopsy – A provision that allows an insurer, at its own expense, to have an insured physically examined when a claim is pending or to have an autopsy performed where not prohibited by law.

Policy Loan – A nonforfeiture value in which an insurer loans a part or all of the cash value of the policy assigned as security for the loan to the policyowner.
Policyholder – The person who has possession of the policy, usually the insured.
Policyowner – The person who is entitled to exercise the rights and privileges in the policy. This person may or may not be the insured.
Pre-Existing Condition – A physical condition that existed before the effective date of the policy, usually excluded from coverage.
Preferred Provider Organization (PPO) – An organization of medical professionals and hospitals who provide services to an insurance company's clients for a set fee.
Preferred Risk – An insurance classification for applicants who have a lower expectation of incurring loss, and who, therefore, are covered at a reduced rate.
Premium - A periodic payment to the insurance company to keep the policy in force.
Presumptive Disability – A provision that is found in most disability income policies which specifies the conditions that will automatically qualify the insured for full disability benefits.
Primary Beneficiary – The person who is named as first to receive benefits from a policy.
Primary Policy – A basic, fundamental insurance policy which pays first with respect to other outstanding policies.
Principal Amount – The full face value of a policy.
Private Insurance – Insurance furnished by nongovernmental insuring organizations.
Pro Rata Cancellation – Termination of an insurance policy, with an adjustment of the premium charge in proportion to the exact coverage that has been in force.
Probationary Period – The period of time between the effective date of a health insurance policy and the date coverage for all or certain conditions begins.
Proceeds – The amount payable by the insurance company, usually in at the insured's death or when the policy matures.
Producer – Insurance agent or broker.
Proof of Loss – A claim form that a claimant must submit after a loss occurs.
Prosthodontics – A special area of dentistry that involves the replacement of missing teeth with artificial devices like bridgework or dentures.
Provider – Any group or individual who provides health care services.
Pure Protection – Insurance whereby premiums are paid for protection in the event of death or disability, not for cash value accumulation.
Qualified Plan - A retirement plan that meets the IRS guidelines for receiving favorable tax treatment.
Rate Service Organization – An organization that is formed by, or on behalf of, a group of insurers to develop rates for those insurers, and to file the rates with the insurance department on behalf of its members. They may also act as a collection point for actuarial data.
Rebating – Any inducement offered in the sale of insurance products that is not specified in the policy.
Reciprocal Exchange – An unincorporated group of individuals who mutually insure one another, each separately assuming a share of each risk.
Reciprocity – A situation in which two parties provide the same help or advantages to each other (for example, Producer A living in State A can transact business as a nonresident in State B if State B's resident producers can transact business in State A).
Recurrent Disability – A policy provision that specifies the period of time during which the recurrence of an injury or illness will be considered a continuation of a prior period of disability.
Reduction – Lessening the possibility or severity of a loss.
Reinsurance – A form of insurance whereby one insurance company (the reinsurer) in consideration of a premium paid to it, agrees to indemnify another insurance company (the ceding company) for part or all of its liabilities from insurance policies it has issued.
Renewability Clause – A clause that defines the insurance company's and the insured's right to cancel or renew coverage.
Renewable Term – Insurance which can, at the election of the policyowner, be renewed at the end of a term without evidence of insurability.
Representations – Statements made by the applicant on the insurance application that are believed to be true, but are not guaranteed to be true.
Rescission – The termination of an insurance contract due either to material misrepresentation by the insured or by fraud, misrepresentation, or duress on the part of the agent/insurer.

Reserve – An amount representing actual or potential liabilities kept by an insurer in a separate account to cover debts to policyholders.
Residual Disability – Type of disability income policy that provides benefits for loss of income when a person returns to work after a total disability, but is still not able to perform at the same level as before becoming disabled.
Respite Care - A type of temporary health or medical care provided either by paid workers who come to the home or by a nursing facility where a patient stays to give a caregiver a short rest.
Restorative Care – An area of dentistry that involves treatments that restore functional use to natural teeth such as fillings or crowns.
Retention – A method of dealing with risk by intentionally or unintentionally keeping a portion of it for the insured's account; the amount of responsibility assumed but not reinsured by the insurance company.
Rider – Any supplemental agreement attached to and made a part of the policy indicating the policy expansion by additional coverage, or a waiver of a coverage or condition.
Right to Return (aka **Free Look**) – A period of time, usually required by law, during which a policyowner may inspect a newly issued individual life or health insurance policy for a stated number of days and surrender it in exchange for a full refund of premium if not satisfied for any reason.
Risk – Uncertainty as to the outcome of an event when two or more possibilities exist.
Risk, Pure – The uncertainty or chance of a loss occurring in a situation that can only result in a loss or no change.
Risk Retention Group – A liability insurance company owned by its members, which are exposed to similar liability risks by virtue of being in the same business or industry.
Risk, Speculative – The uncertainty or chance of a loss occurring in a situation that involves the opportunity for either loss or gain.
Risk, Standard – An applicant or insured who is considered to have an average probability of a loss based on health, vocation and lifestyle.
Risk, Substandard – An applicant or insured who has a higher than normal probability of loss, and who may be subject to an increased premium.
Rollover – Withdrawing the money from a qualified plan and placing it into another qualified plan.
Secondary Beneficiary – The person who is named to receive benefits upon the death of the insured if the (primary) first-named beneficiary is no longer alive or does not collect all the benefits due to his/her own death.
Service Plans - Insurance plans where the health care services rendered are the benefits instead of monetary benefits.
Settlement Options – Choices available to the insured/owner for distribution of insurance proceeds.
Sharing – A method of dealing with risk for a group of individual persons or businesses with the same or similar exposure to loss who share the losses that occur within that group.
Short-Rate Cancellation – Canceling the policy with a less than proportionate return of premium.
Short-Term Disability Insurance – A group or individual policy that covers disabilities of 13 to 26 weeks, and in some cases for a period of up to two years.
Sickness – A physical illness, disease, or pregnancy, but not a mental illness.
Single Premium Whole Life (SPWL) – A life insurance policy designed to provide a level death benefit to the insured's age 100 for a one-time, lump sum payment.
Skilled Nursing Care – Daily nursing care or skilled care, such as administration of medication, diagnosis, or minor surgery that is performed by or under the supervision of a skilled professional.
Spendthrift Clause – A clause that prevents the debtors of a beneficiary from collecting the benefits before he/she receives them.
Standard Provisions – Requirements approved by state law that must appear in all insurance policies.
Standard Risk – An applicant or insured who is considered to have an average probability of a loss based on health, vocation and lifestyle.
Stock Companies – Companies owned by the stockholders whose investments provide the capital necessary to establish and operate the insurance company.
Straight Life – A basic policy that charges a level annual premium for the lifetime of the insured and provides a level, guaranteed death benefit.

Subrogation – The legal process by which an insurance company seeks recovery of the amount paid to the insured from a third party who may have caused the loss.
Substandard Risk – An applicant or insured who has a higher than normal probability of loss, and who may be subject to an increased premium.
Superintendent (Commissioner, Director) – The head of the state department of insurance.
Supplemental Illustration – An illustration furnished in addition to a basic illustration that may be presented in a different format than the basic illustration, but may only depict a scale of nonguaranteed elements that is permitted in a basic illustration.
Surrender – An act of giving up a life policy, in which the insurer will pay the insured the cash value the policy has built up.
Term Insurance – Insurance that provides protection for a specific period of time.
Terminally Ill – A patient who is expected to die within an amount of time specified in the policy.
Tertiary Beneficiary – The third in line to receive the benefits of a life insurance policy.
Total Disability – A condition which does not allow a person to perform the duties of any occupation for payment as a result of injury or sickness.
Transfer – A basic principle of insurance under which the risk of financial loss is assigned to another party.
Twisting – A form of misrepresentation in which an agent persuades an insured/owner to cancel, lapse, or switch policies, even when it's to the insured's disadvantage.
Underwriter – A person who evaluates and classifies risks to accept or reject them on behalf of the insurer.
Underwriting – The process of reviewing, accepting or rejecting applications for insurance.
Unearned Premium – The portion of premium for which policy protection has not yet been given.
Unilateral Contract – A contract that legally binds only one party to contractual obligations after the premium is paid.
Universal Life – A combination of a flexible premium and adjustable life insurance.
Utmost Good Faith – The fair and equal bargaining by both parties in forming the contract, where the applicant must make full disclosure of risk to the company, and the insurance company must be fair in underwriting the risk.
Valued Contract – A contract that pays a stated amount in the event of a loss (disability insurance/life insurance).
Viatical Settlement – An arrangement that allows someone living with a life threatening condition to sell their existing life insurance policy and use the proceeds when and where they are most needed, before death.
Waiting Period – Time between the beginning of a disability and the start of disability insurance benefits.
Waiver – The voluntary abandonment of a known or legal right or advantage.
Waiver of Cost – A disability rider, found in Universal Life Insurance, that waives the cost of the insurance but does not waive the cost of premiums necessary to accumulate cash values.
Waiver of Premium – Continuation of life insurance coverage if the insured becomes totally disabled and is unable to pay the premiums.
Warranty – A material stipulation in the policy that if breached may void coverage.
Whole Life Insurance – Insurance that is kept in force for a person's entire life and pays a benefit upon the person's death, whenever that may be.
Workers Compensation – Benefits required by state law to be paid to an employee by an employer in the case of injury, disability, or death as the result of an on-the-job hazard.