

Life, Annuities, Health & Accidental Insurance

GLOSSARY

Special

401(k) Plan

CODA plan in which plan participants make contributions via salary reductions, cash bonuses or thrift plans.

403(b) Tax-sheltered Annuity

401(k) plan for employees of nonprofit organizations and public schools.

408(k) Plan

Qualified plans for small employers. A mix of an IRA and profit-sharing plan. More commonly referred to as a SEP.

A

Absolute

An absolute assignment occurs when the policyowner assigns all rights including cash values to another person or entity. Synonymous with voluntary assignment.

Absolute Value

A medical expense plan that pays a fixed maximum dollar amount for a procedure.

Accelerated Benefit Rider

Life insurance rider which allows the insured to receive a portion of the death benefit prior to death if the insured has a terminal illness.

Accidental Bodily Injury

Definition of accident in which the injury is unintentional and unexpected. Policies using this definition cover all injuries except self-inflicted injuries.

Accidental Death and Dismemberment (AD&D)

Standalone accident-only policy which only pays benefits if an insured dies or has a dismembered body part as a result of an accident.

Accidental Death and Dismemberment (AD&D) Rider

Pays a lump-sum benefit for death, loss of limbs, or blindness. Identical to the standalone AD&D policy.

Accidental Death and Dismemberment Rider

Life insurance rider which pays an additional amount for dismemberment or death caused by an accident.

Accidental Death Benefit

Life insurance rider which pays an additional sum, termed the principal sum, to the beneficiary if the insured dies due to an accident. Also applies to accidental death and dismemberment policies in which the policy will pay double or triple the benefit based on dismemberment or death. Synonymous with multiple indemnity rider.

Accidental Injury

An unforeseen and unintentional bodily injury resulting from an accident.

Accidental Means

Restrictive definition of accident in which the cause of the accident must be unintentional and unexpected.

Accumulation at Interest

Dividend option in which the insurer retains the dividend to be invested.

Accumulation Period

The pay-in period of an annuity during which the contract owner pays premiums. Synonymous with accumulation phase.

Accumulation Phase

The pay-in period of an annuity during which the contract owner pays premiums. Synonymous with accumulation period.

Accumulation Units

A variable annuity contract owner's interest in the separate account prior to annuitization.

Activities of Daily Living (ADLs)

Functions of everyday life allowing an individual to maintain independence. ADLs include bathing, dressing, eating, mobility, transferring, personal hygiene, toileting, and continence.

Actual Charge

A physician's or medical provider's actual bill for services rendered (Medicare).

Actuaries

Mathematicians employed by insurers to collect and analyze risk data.

Additional Monthly Benefit (AMB)

Disability income policy rider that pays disability income benefits during the Social Security waiting period.

Adjustable Life

Mix of whole and term insurance. The policyowner can modify the premium, face amount, coverage period, and premium-paying period.

Adjusters

investigate losses and determine payment of claims.

Administrative Services Only

In group health insurance, a group policy is self-funded and the insurer is subcontracted only to process claims.

Admitted Insurers

Insurers authorized to transact insurance by holding a certificate of authority in a particular state, district or commonwealth; synonymous with authorized insurers.

Adult Day Care

Care provided to an individual who does not need 24-hour care. Adult day care may be provided in the home or at an adult day care facility.

Advance Beneficiary Notice

Provided to individuals by their medical providers stating which medical services Medicare will not or probably will not cover.

Adverse Selection

Tendency for poorer than average risks to seek insurance.

Age Discrimination in Employment Act (ADEA)

Legislation enacted to prevent discrimination of employees age 40 or older.

Agency

Insurance distribution system that uses producers to transact insurance.

Agent Report

Part III of the application, also referred to as the producer's report. The agent report is used to underwrite coverage, but does not become part of the policy.

Agents

Insurance producers who represent the insurer, not the insured.

Aggregate Claim Amount

The claim frequency rate and average cost per claim multiplied together. This is one of the primary factors in establishing health insurance rates.

Agreement (Offer and Acceptance)

An offer is made when the applicant submits an application for insurance with initial premium to the insurer. The offer is accepted after it has been approved by the insurer's underwriter. The agreement is one of the four elements required in a contract.

Aleatory Contract

Unequal exchanges because payment of benefits is contingent upon the occurrence of an uncertain loss.

Alien Insurer

Any insurer that conducts business in a country in which it wasn't incorporated.

American with Disabilities Act (ADA)

Legislation enacted to prohibit employer discrimination based on disability.

Ancillary Benefit

Miscellaneous expenses covered under a basic hospital expense plan.

Annual Renewable Term

Level term insurance which has a level face amount and increasing premiums.

Annuitant

The individual whose life the annuity has been issued, and the person who receives annuity payments.

Annuities

A contract which protects against the risk of living longer than expected. Annuities provide a guaranteed life income to protect against the risk of depleting retirement funds.

Annuitization

The point at which funds accumulated in an annuity are converted into periodic income payments beginning the annuity phase.

Annuity Certain

Provides income payments for a fixed time period. Three types: fixed period, fixed amount and temporary.

Annuity Payout Options

Ways that the accumulated funds in an annuity may be received upon annuitization.

Annuity Period

The payout period of an annuity during which the annuitant receives periodic income payments. Synonymous with annuity phase.

Annuity Phase

The payout period of an annuity during which the annuitant receives periodic income payments. Synonymous with annuity period.

Annuity Units

A variable annuity contract owner's interest in the separate account after annuitization.

Any Occupation

Definition used to establish total disability. The insured must be unable to perform the work duties of any occupation for which he is qualified by education, experience, or training. More restrictive than the own occupation definition of total disability.

Apparent authority

deals with the relationship between the insurer, the agent and the customer. It is a situation in which the insurer gives the customer reasonable belief that an agent has the power and authority to bind the principal even in cases where the agent does not have such authority.

Appeal

Action that an individual can take if he disagrees with the payment of Medicare plans for medical services and prescription drugs.

Applicant

The person applying for the policy who fills out the application.

Application

The form filled out by the applicant that includes information about the proposed insured's health history and background. The applicant's statements made on the application are representations.

Application Copy

A standard provision for group life and health insurance, stating that a copy of the application must be attached to the policy if considered part of the entire contract.

Approval Receipt

Conditional receipt which does not provide interim coverage; however, coverage begins when the application is approved by the insurer.

Assessment insurers

Assess policyholders a premium when losses are incurred.

Assignment (health insurance)

The transfer of benefits from the insured to the medical provider.

Assignment (Medicare)

Assignment occurs when physicians and medical providers accept the predetermined Medicare approved charge as full payment for covered services.

Assignment Clause

A required provision in a life insurance policy stating that policyowners have the right to transfer policy rights to another person or entity.

Attained Age

The age of the insured upon policy conversion.

Attending Physician Statement (APS)

The report from the applicant's physician or medical examiner that performs the applicant's medical examination.

Authorized insurers

Have a certificate of authority to transact insurance in a particular state, district or commonwealth; synonymous with admitted insurers.

Automatic Premium Loans

Life insurance provision which allows the insurer to automatically use the policy cash value to pay an overdue premium.

Aviation Clause

Optional life insurance provision stating that the insurer will not pay the claim if the insured dies due to involvement with aviation, such as a military pilot flying a jet aircraft.

Avoidance

Method of handling risk in which a person intentionally steers clear of exposure to a risk.

B

Back-end Loaded

Life insurance policy in which sales and administrative charges are not deducted until the policyowner takes out cash value from the policy or surrenders the policy for its cash value.

Backdating

The process of predating the application a certain number of months, up to 6 months, in an attempt to achieve a lower premium.

Base Plans

Medical expense plans providing first-dollar coverage which have low limits for catastrophic coverage. Base plans include medical, hospital and surgical.

Beneficiaries

The named individuals or entities designated by the policyowner to receive the policy proceeds.

Beneficiary

The named person(s) who receive the policy benefits.

Benefit Payment Clause

Optional provision in health insurance policies which describes how and when benefits are paid.

Benefit Period

The length of time a disability income policy pays benefits to the insured.

Benefit Period (Medicare)

Begins on the day an individual enters the hospital or a SNF (skilled nursing facility), and ends when care has ceased for 60 consecutive days (Part A).

Binding Receipt

Also referred to as the temporary insurance agreement or unconditional receipt. Coverage begins on the date of the application regardless of whether or not the applicant is insurable. Coverage is issued for a short period of time, such as 30 to 60 days.

Blanket

Health plans that insure a group of individuals participating in the same activity.

Blue Cross and Blue Shield

Service providers. Benefits are provided to subscribers on a service basis rather than a reimbursement basis. Blue Cross covers hospital costs and Blue Shield covers physician's fees.

Brokers

Insurance producers who represent the insured or purchaser of insurance, not the insurer. Brokers work for several different insurers.

Business Continuation Agreement

Business life and health insurance used to assure that the ownership of a business is properly transferred upon the death or disability of an owner.

Business Overhead Expense (BOE)

Business disability policy that helps small business owners pay overhead expenses and keep the business operating when the owner becomes disabled.

Buy-Sell Funding

Agreements used to assure that the ownership of the business is sold to the surviving owners in the event of the insured employee's death or disability.

Buyer's Guide

Document prepared by the NAIC which explains the type of coverages available to buyers.

C

Cafeteria plans

Allow employees to choose which health care benefits and coverages they want from a list of options.

Cancelable

A policy allowing the insurer to cancel the policy at any time with notice, provided the insurer return all unearned premiums.

Cancelation

Optional provision in individual health insurance policies stating that the insurer or insured may cancel a policy. If the insured cancels a policy, unearned premium will be returned on a short rate basis. If the insurer cancels a policy, unearned premium will be returned on a pro rata basis.

Capital Stock Insurers

Incorporated companies owned by their stockholders ; synonymous with stock insurers.

Capital Sum

A percentage (usually half) of the principal sum which is paid for loss of one limb, primary body part, or eye.

Capitation

Payment method in which medical providers are paid a fixed fee per person no matter how many medical services are performed.

Captive producers

Work for only one insurer; synonymous with exclusive agent and career agent.

Career agents

Work for only one insurer; synonymous with captive producer and exclusive agent.

Carriers

Private organizations which administer Medicare Part B benefits. Each state or region has its own carrier.

Cash (Lump-sum)

Annuity payout option in which the annuitant receives the cash value of the annuity in one lump-sum.

Cash Loan

Life insurance provision in which policyowners can make a policy loan in an amount up to the current cash value, less any existing indebtedness (prior loans with interest).

Cash or Deferred Arrangement Plan (CODA)

Modified profit-sharing or pension plan. Part of the participant's compensation is deferred by putting it into the plan. Examples: 401(k) and 403(b) plans.

Cash Payment

Dividend option in which the policyowner receives a check for the amount of the dividend.

Cash Refund

Refund life annuity payout option in which the beneficiary receives the balance of premiums plus interest minus benefits paid in a lump-sum.

Cash Surrender Value

Nonforfeiture option that allows the policyowner to receive the policy's cash value.

Cash Surrender Value (Disability Income)

Disability income rider which refunds 60-80% of invested premiums from terminated disability income policies in cases where premiums far exceed claims paid.

Cash Value

The value of premiums plus interest in a permanent life insurance policy.

Casualty Insurance

It is a form of insurance, which protects against the risk of legal liability for injury, death, disability, damage and destruction to property.

Ceding Company

The insurer that gives the risk to the reinsurer. Also termed primary insurer.

Centers for Medicaid Services (CMS)

U.S. federal agency that administers Medicare.

Certificate of Insurance

Proof of insurance coverage issued to each member insured under a group contract. The certificate lists the type of coverage provided, the amount of benefits, who will receive the policy benefits and include coverage for dependents if provided by the policy.

CHAMPUS

The Civilian Health and Medical Program of the Uniformed Services, replaced by TRICARE.

Change of Beneficiary

Provision in individual health insurance policies stating that unless the policyowner makes an irrevocable designation of beneficiary, the right to change a beneficiary is reserved to the policyowner and does not require the consent of the beneficiary.

Change of Occupation

Optional provision in individual health insurance policies stating that the insurer has the right to adjust the policy benefits or premium if the insured changes occupations to one that is either more or less hazardous.

Changes

A required provision in a life insurance policy stating only the policyowner has the right to request permitted changes to the policy, and only an authorized officer of the insurer can make changes to the policy. Producers cannot make any change to the policy.

Children's Term Rider

Life insurance rider which covers children with term protection, usually until age 21.

Claim

The insured's notification to the insurer that a payment is requested for a covered loss.

Claim Forms

Provision in individual health insurance policies stating that the insurer, upon receipt of the notice, must furnish the forms for filing proofs of loss. If not provided within 15 days, the claimant may submit proof of loss on any form he chooses.

Claim Frequency Rate

Frequency at which a specific population is predicted to become injured, sick or disabled.

Class Designation

Classes of individuals may be named as beneficiaries. Naming a class of beneficiaries allows the policyowner to name a group of individuals generally, without naming each individual member of the group.

Closed Panel

Arrangement in which medical providers may only treat patients that are part of the managed care plan.

Coinsurance

A cost-sharing mechanism between the insurer and the insured in a medical insurance transaction in which the insurer agrees to pay a large percentage of the expenses, and the insured is responsible for paying the remainder.

Collateral

A collateral assignment is the partial and temporary transfer of ownership rights to another person or entity. Synonymous with partial and conditional assignment.

Commercial Insurers

Insurers who sell insurance to make a profit.

Common Disaster Clause

Clause protects the contingent beneficiaries' rights by stipulating a certain number of days the primary beneficiary must outlive the insured after a common accident causing near-simultaneous death in order for the primary beneficiary to receive the policy proceeds.

Community Rating

Group premiums are based on the actual or projected costs of insured members in a particular geographic location with reference to insureds' age, gender, occupation and health.

Competent Parties

All parties must be of legal competence, meaning they must be of legal age, mentally capable of understanding the terms, and not influenced by drugs or alcohol. Competence is one of the four required elements of a contract.

Comprehensive Major Medical

A combination of a base plan and a major medical policy with first-dollar coverage, catastrophic coverage and deductibles. Also referred to as supplementary major medical.

Comprehensive Policies

Health insurance policies that provide broad coverage.

Concealment

Withholding information material to the risk. Insurers may void policies if the concealment is intentional and material to the risk.

Conditional Assignment

The partial and temporary transfer of ownership rights to another person or entity. Synonymous with partial and collateral assignment.

Conditional Contract

Certain conditions must be met by all parties to the contract when a loss occurs in order for the contract to be legally enforceable.

Conditional Receipt

The producer issues a conditional receipt to the applicant when the application and premium are collected. There are two types of conditional receipts: insurability and approval.

Conditionally Renewable

Health insurance policy providing the insurer the right to not renew the policy for any reason specified in the policy and allowing the insurer to increase premium rates.

Conditions

The rights and responsibilities of all parties of the contract.

Confining Disability

Disability which restricts a person to staying indoors.

Conformity with State Statutes

Optional provision in individual health insurance policies which assures that policies are always in alignment with state laws.

Consideration

An exchange of value between parties of the contract. Consideration is one of the four elements required in a contract.

Consideration Clause

A required provision in a life insurance policy stating that a policyowner must pay a premium in exchange for the insurer's promise to pay benefits.

Consolidated Omnibus Budget Reconciliation Act (COBRA)

Legislation enacted to allow employees and dependents to continue group health coverage for up to 18 months after termination or loss of group eligibility.

Constructive Delivery

Handing over control of the policy to another person.

Consultants

They provide insurance advice to insurers and prospective buyers for a fee.

Consumer Driven Health Plan (CDHP)

Savings account with high-deductible coverage offered by an employer to its employees. The savings account can be an HSA or a HRA.

Consumer Reporting Agencies

They compile and maintain credit information about consumers nationwide, and issue credit reports to third parties who have a valid business need for the information. Examples: MIB, Experian and Equifax.

Consumer Reports

They are any written, oral, or other communication of information by a consumer reporting agency about a consumer's credit worthiness, character, general reputation, personal characteristics or mode of living which are used to determine a consumer's eligibility for credit, insurance, employment, or other authorized purposes.

Contingent Beneficiary

Naming beneficiaries by succession. If the primary beneficiary predeceases the insured, then the contingent beneficiary will receive the policy proceeds. Synonymous with secondary beneficiary.

Continuous Premium

The most common type of whole life insurance sold. Coverage has a level face amount and level premiums payable over the entire life of the insured. Synonymous with straight life and ordinary life.

Contract

A legally binding agreement between 2 or more parties where a promise of consideration is exchanged.

Contract Law

Law based on legal contracts.

Contract of Adhesion

Take it or leave it agreements, where the insured has no say in the contract terms and conditions.

Contract Owner

The person who purchases the annuity, pays the premiums and has all ownership rights.

Contributory

In group insurance, a premium payment method where the premiums are paid jointly by the policyowner and the insureds.

Convertible Term

Term life insurance which can be converted to permanent life insurance.

Coordination of Benefits

Claims payment process in which a person is insured under multiple health plans providing coverage for the same loss.

Copayment

Payments the insured makes for benefits or services provided under the policy coverage. Sometimes called "copays", these fixed-dollar payments are usually small ranging from \$5 to \$40.

Corridor Deductible

Deductible in comprehensive major medical plans. The corridor deductible is paid after the base plan portion of the policy pays benefits, and before the major medical portion of the policy pays benefits.

Cost of Living Adjustment (COLA)

Policy rider that automatically increases the insured's disability income benefits to account for inflation.

Cost of Living Rider

Life insurance rider that allows the policy face amount to be adjusted to account for inflation.

Counter-offer

If the insurer receives an application and initial premium, but issues the policy with modified coverage or premium.

Covered Worker

A worker who is covered by Social Security.

Credit Health Insurance

Health coverage used to insure a debt. If a debtor becomes disabled, payments are made to a creditor until the insured can resume work.

Credit Insurance

Protects against the risk that a person in debt, termed debtor, cannot repay the debt to the creditor because of accident, sickness, disability or death.

Credit Life Insurance

Insurance that is issued on the life of the person who has the debt (debtor) and the creditor owns and is the beneficiary of the policy.

Creditable Coverage

Proof of prior insurance, used to reduce waiting periods and exclusions for preexisting conditions.

Cross-purchase Plan

A buy-sell plan in which each partner buys, pays the premiums, and is the beneficiary of a life insurance policy on each of the other partners.

Current Assumption Whole Life

Coverage provides flexible premiums based on a changing interest rate. Synonymous with interest-sensitive whole life.

Currently Insured

A covered worker who has accrued at least 6 quarters of coverage over the past 13 quarters ending with the quarter of disability onset, death or retirement, is currently insured.

Custodial Care

Care provided to assist an individual with ADLs. Custodial care can be performed by a medical non-professional, but must be performed under physician's orders.

D

Death Benefit

The amount paid to the beneficiary under an insurance policy upon the death of the insured.

Declined

Underwriting classification in which the risk is uninsurable because the applicant poses too great a risk for the insurer to provide coverage.

Decreasing Term

Insurance that provides a face amount that decreases to zero over the policy period. Example: mortgage reduction insurance.

Deductible

The amount the insured must pay before the insurer will pay for a health insurance claim.

Deferred Annuities

Annuities that have annuity periods beginning sometime in the future, after one year or many years from the date of purchase.

Deferred Compensation

An executive benefit that an employer can use to pay a highly paid employee at a later date, such as upon disability, retirement or death.

Defined Benefit Plan

Retirement plan which pays a specified benefit amount.

Defined Contribution Plan

Retirement plan which doesn't guarantee a specific benefit amount, but specifies a certain contribution amount.

Delivery

A policy is delivered after the insurer approves the application and issues the policy for delivery.

Demutualization

Transformation of a mutual insurer into a stock insurer.

Direct Writing Companies

Insurance companies that do not use producers to market and sell their policies.

Disability

A medical condition, whether physical or mental, resulting from accident or sickness preventing a person from being able to work.

Disability Buy-sell Policy

Business disability insurance policy that establishes how ownership in a business is transferred upon an owner's disability.

Disability Income Benefit

Life insurance rider in which periodic income payments are paid by the insurer in the event that the policyowner becomes totally and permanently disabled.

Disability Income Insurance

Pays periodic benefits when an insured cannot work because of accident or injury.

Disability Insured

A covered worker who qualifies for Social Security disability benefits based on the number of quarters of credit earned.

Disability Reducing Term

Business disability policy that pays off a business' loan if the owner becomes disabled.

Dividend Options

Choices available to policyowners for settling dividend payment.

Dividends

A return of overcharged premium, which is not taxable.

Do Not Call List

National registry operated by the Federal Trade Commission which allows consumers to limit the number of telemarketing phone calls they receive.

Domestic Insurer

An insurer that conducts business in the state, district or commonwealth in which it was incorporated.

Doughnut Hole

Part D combined spending reaches \$2,840, at which point the individual pays 100% of prescription drug costs until he has spent \$4,550 out-of-pocket.

Dread Disease

Health insurance policies covering specific diseases.

Dual Benefit Eligibility

A person who is eligible for multiple Social Security benefits, such as survivors and retirement.

Durable Medical Equipment

Necessary medical equipment prescribed by a physician for use in an individual's home, such as walkers, wheel chairs, and oxygen.

E

Earned Premium

Insurance premium paid in advance which is used to pay current coverage.

Economatic Whole Life

Combines a whole life policy with a term rider in which dividends are used to buy paid-up coverage. Synonymous with enhanced ordinary life and extra ordinary life.

Effective Date of Coverage

The date in which an insurance policy is in force.

Eligibility Period

The period during which an eligible individual may enroll in a group insurance plan without needing to undergo a medical exam.

Eligible Expenses

Benefits or services provided under the policy coverage.

Elimination Period

Optional provision in health insurance policies which states the length of time between when sickness, accident, or disability begins and when benefits become payable. Often referred to as a "time deductible".

Employee Benefit Plans

Insurance plans given to employees as perks or privileges designed to provide incentive to join or remain with the company long-term.

Employee Retirement Income Security Act (ERISA)

Legislation enacted to provide minimum benefit standards for pensions and employee benefit plans, including fiduciary responsibility, reporting and disclosure practices, and vesting rules.

End Stage Renal Disease (ESRD)

Permanent kidney failure.

Endodontics

Treatment for the pulp, or soft tissue in the core of each tooth, root canal.

Endowment

An endowment policy is a whole life policy that will pay the face amount under one of two situations: 1.) if the insured is alive at the contract maturity date, or 2.) if the insured dies during the policy period. The policy cash value must equal the face amount by the end of the policy period.

Enhanced Ordinary Life

Combines a whole life policy with a term rider in which dividends are used to buy paid-up coverage. Synonymous with economic whole life and extra ordinary life.

Entire Contract

A required provision in a life insurance policy stating that the insurance policy itself (including any riders and endorsements/amendments) and the application, if attached to the policy, comprise the entire contract between all parties.

Entire Contract; Changes

Provision in individual health insurance policies stating that the entire contract between the parties consists of the policy, any endorsements and the application, if attached. Any change to the policy must be made by an executive officer of the insurer with the consent of all parties to the contract. No agent has authority to make changes to a policy.

Entity Plan

A buy-sell plan in which the business agrees to buy the deceased partner's share of the business. Entity plans are best for businesses with several partners.

Equity Indexed Annuities

Fixed annuities that provide a guaranteed minimum interest rate and earn a current interest rate that is tied to an equity index.

Equity Indexed Universal Life

Equity indexed universal life works the same way as universal life insurance except the interest rate is tied to a stock market index.

Errors and Omissions (E&O)

Coverage for professional liability. Producers are recommended to have E&O coverage.

Estate

All of the insured's assets and liabilities.

Estate Builder

Juvenile life insurance policy in which a parent or guardian purchases a life insurance policy on a child. The face amount is small (e.g. \$1,000), but jumps fivefold upon the child's 21st birthday. Synonymous with jumping juvenile.

Estoppel

The legal process of preventing one party from reclaiming a right that was waived.

Evidence of Insurability

A standard provision for group life and health insurance where the insurer must stipulate what information individuals must provide as evidence of insurability.

Excess and Surplus Lines

Insurers that insure risks that traditional insurers will not insure due to the nature or amount of coverage of the risk.

Excess Charge

The difference between the actual charge and the Medicare approved charge.

Exchange Privilege Rider

Rider that allows the insured under a life insurance policy to be

Exclusion Ratio

Informs contract owners what portion of each annuity payment is taxable.

Exclusions

All the things the insurer will not do, including the risks that are not covered.

Exclusive Agents

Agents that work for only one insurer. Synonymous with captive producers and career agents.

Exclusive Provider Organization (EPO)

A specialized PPO in which members must use certain medical providers rather than choosing from a list of preferred providers.

Execution Clause

A required provision in a life insurance policy stating that the policy is established when all parties to the contract have met the policy's conditions.

Executive Bonus Plan

An employee benefit plan in which an employer gives an employee a bonus in the amount of the premium payments on a life insurance policy.

Expenses

The insurer's costs which include: acquisition costs, staff salaries, rent, contingency funds, and claims payments.

Experience Rating

Method used to establish premium rates for group health plan members, based on the claims experience of the group.

Exposure

It is the condition of being prone to loss due to a hazard or uncertain event.

Exposure Unit

The item insured in the policy.

Express Authority

It is the explicit authority granted to the agent by the principal as written in the agency contract.

Extended Term

Nonforfeiture option that permits the policyowner to use the policy's cash values to buy paid-up term insurance.

Extra Ordinary Life

Combines a whole life policy with a term rider in which dividends are used to buy paid-up coverage. Synonymous with enhanced ordinary life and economic whole life.

F

Face Amount

The amount of coverage under a life insurance policy. Synonymous with face value.

Face Value

The amount of coverage under a life insurance policy. Synonymous with face amount.

Facility of Payment Provision

Allows the insurer to choose a beneficiary if the insurer cannot get in contact with the named beneficiaries after a certain amount of time.

Fair Credit Reporting Act (FCRA)

Act that regulates the way consumer reporting agencies collect and use an applicant's personal credit information in order to preserve the confidentiality, accuracy, relevance, and appropriate utilization of credit information.

Family Income

policies combine whole life and decreasing term. Only the primary breadwinner is insured, not the entire family. Coverage provides income payments to the family if the primary breadwinner dies during the income period. The income period begins when the policy is issued.

Family Maintenance Policies

Family maintenance policies combine whole life and level term. Only the primary breadwinner is covered, not the entire family. In contrast to family income policies, the income period begins on the date of the primary breadwinner's death.

Family Policy

A family policy insures each member of a family. The primary breadwinner is insured with whole life coverage, and the spouse and children are covered with term coverage.

Family Term Rider

Combines the spouse and children's term rider in one rider.

Federal Employees' Group Life Insurance (FEGLI)

A government group life insurance plan that offers group term life insurance for federal employees, retirees, and their family members.

Fee-for-Service

Medical providers are paid for each service they provide.

Fiduciary

A person in a position of financial trust and responsibility. Producers are fiduciaries.

Field Underwriting

Underwriting done by the producer, face-to-face with the applicant.

FINRA

The Financial Industry Regulatory Authority (FINRA), formerly known as the National Association of Securities Dealers (NASD).

First-dollar Coverage

Health insurance policy that does not have deductibles or coinsurance. Example: base plans.

First-to-die Joint Life Policy

Joint life policy that pays the face amount upon the death of the first insured.

Fiscal Intermediaries (FI)

Private organizations contracted by the CMS to process claims payments, enroll medical providers and investigate fraud. Each state or region has its own FI. Also referred to as intermediaries.

Fixed Amount Installment

Annuity certain payout option which pays the annuitant a stipulated amount periodically.

Fixed Annuities

Annuities that have a guaranteed minimum interest rate.

Fixed Life Insurance

Policies that earn a constant rate of interest and provide guaranteed minimum benefits.

Fixed Period Installment

Annuity certain payout option which pays periodic annuity payments to the annuitant for a stipulated period of time.

Fixed-amount Installment Settlement Option

Life insurance settlement option that uses an annuity to pay the policy proceeds in a fixed amount.

Fixed-period Installment Settlement Option

Life insurance settlement option that uses an annuity to pay the policy proceeds to the beneficiary for a certain number of years.

Flat Dollar Deductible

A deductible that must be paid each time the insured receives a medical service.

Flexible Premium Adjustable Life

Life insurance that allows the policyowner to buy term and invest the difference. Synonymous with unbundled life insurance and universal life.

Flexible Premium Deferred Annuity (FPDA)

An annuity where multiple premiums are paid into the annuity and both the premium amount and frequency of premium payments are flexible.

Flexible Premium Policies

Life insurance policies with flexible features including: premiums, face amounts, coverage period and premium-paying period.

Flexible Spending Account (FSA)

Tax-advantaged savings account in which funds are used for qualified medical expenses and dependent care. Funds are subject to the use-it or lose-it rule.

Foreign Insurer

Any insurer that conducts business in a state, district, or commonwealth in which it wasn't incorporated.

Franchise

Health plans that cover a small group of individuals; however, unlike group insurance each individual is issued an individual policy.

Fraternal Benefit Societies

Special types of mutual insurers/ nonprofit religious, ethnic or charitable organizations that provide insurance solely to their members. Synonymous with fraternal.

Fraternal

Special types of mutual insurers/ nonprofit religious, ethnic or charitable organizations that provide insurance solely to their members. Synonymous with fraternal benefit societies.

Fraud

Fraud is an intentional misrepresentation or concealment of material fact made by one party in order to cheat another party out of something that has economic value.

Front-end Loaded

Life insurance policy in which sales and administrative charges were deducted from the first-year premium.

Fully Contributory

Non-employer groups in which members are fully responsible for paying premiums.

Fully Insured

Insured status in which 40 quarters are required for survivors and retirement benefits, and 6 quarters are required for disability.

Future Increase Option

Life insurance rider that permits the policyowner to purchase additional amounts of whole life coverage at specific points in the future. Also applies to disability income insurance permitting the insured to purchase additional disability income coverage at future dates. Synonymous with guaranteed insurability rider.

G

Gatekeeper

Primary care physician.

General Enrollment Period

Medicare enrollment period - January 1st through March 31st annually.

Government Insurance

Insurance which provides protection against fundamental risks by redistributing income to help people who cannot afford to pay the cost of incurring such losses themselves.

Grace Period

A standard provision for group life and health insurance, stating that a grace period of at least 31 days is allotted for nonpayment of premium during which period the policy remains in force.

Graded Premium Whole Life

Coverage has several premium increases that occur annually during each year of the step-rate premium period, which is usually the first five or ten years of the policy. After this period, premiums level off at the higher rate for the remainder of the policy.

Gramm-Leach-Bliley Act

Act which allows financial entities to merge and accommodate greater competition, including the ability to merge with banks, and either financial institution to perform the duties of both. Regardless, any entity acting as an insurer is regulated by its respective state insurance department.

Gross Annual Premium

Net premium plus loading expenses for one year.

Gross Premium

Mortality plus loading expenses minus interest. Also: net premium plus loading expenses.

Gross Single Premium

Net premium plus loading expenses.

Group Health Conversion Privilege

All eligible persons covered under the group policy have the right to convert to an individual policy without evidence of insurability.

Group Life Conversion Option

A group life provision which permits an individual to convert group coverage to individual coverage.

Group Life Insurance

Insurance which provides life insurance to many people under one policy, where a master policy is issued to the organization and individual certificates are given to each member.

Group Model

Method of organizing an HMO. The HMO contracts with one independent medical group to provide medical services to HMO members. Synonymous with medical group model and group practice model.

Group Practice Model

Method of organizing an HMO. The HMO contracts with one independent medical group to provide medical services to HMO members. Synonymous with group model and medical group model.

Group Term Life

Group life which is issued for one year and may be renewed annually without evidence of insurability at the discretion of the policyowner.

Group Whole Life

Group life insurance which offers permanent protection for insured members under the group.

Guaranteed Insurability Rider

Life insurance rider that permits the policyowner to purchase additional amounts of whole life coverage at specific points in the future. Also applies to disability income insurance permitting the insured to purchase additional disability income coverage at future dates. Synonymous with future increase option.

Guaranteed Renewable

A health insurance policy providing continuation of coverage of the insured to a specified age subject to payment of premiums and allowing the insurer to increase premium rates by classes of insureds.

H

Hazard

It is anything that increases the chance of a loss occurring from a particular peril.

Hazardous Occupation or Hobby

Optional life insurance provision stating that if the insured dies as a result of a hazardous occupation or hobby, the insurer will not pay the claim.

Health Insurance

It is designed to protect against the severity of financial loss due to illness, disease, short- or long-term disability, wages lost while ill or disabled, and medical expenses.

Health Insurance Portability and Accountability Act (HIPAA)

Legislation enacted to protect coverage for individuals and their families who change or lose jobs. HIPAA also establishes a standard for protected health information.

Health Insuring Corporation (HIC)

Prepaid managed care plan focused on preventive care and cost containment. Also referred to as a health maintenance organization (HMO).

Health Maintenance Organization (HMO)

Prepaid managed care plan focused on preventive care and cost containment. Also referred to as a health insuring corporation (HIC).

Health Reimbursement Account (HRA)

Savings account with a high deductible health plan established by an employer for the benefit of employees.

Health Savings Account (HSA)

Replaced medical savings accounts (MSAs) in 2003. HSAs are a combination of a savings account and a high deductible health plan.

Home Health Care

Care provided in an individual's home. Home health care usually includes intermediate or custodial care.

Home Service Insurance

It is industrial life insurance sold by debit agents who collect premiums from policyholders on a weekly basis. Synonymous with industrial life insurance.

Hospice Care

Medical care for individuals who have a terminal illness expected to result in death within six months.

Hospital Confinement Rider

Optional benefit which waives the elimination period of a disability income policy if the insured requires inpatient hospitalization.

Hospital Income

Policies that pay a dollar benefit for each day the insured is confined to a hospital. Benefits can be used for anything, not strictly medical purposes.

HR-10 Plan

Qualified retirement plan for self-employed individuals. May be organized as a defined contribution plan or a defined benefit plan. Synonymous with Keogh Plan.

Human Life Value Approach

This method calculates the amount of money a person is expected to earn over his lifetime to determine the face amount of life insurance needed, thereby placing a dollar value on the life of an individual.

I

Illegal Occupation

Optional provision in individual health insurance policies stating that the insurer will not pay benefits if the insured incurs a loss while committing a felony or engaging in an illegal occupation.

Illustration

A document depicting the nonguaranteed aspects of a policy.

Immediate Annuities

Annuity payments that begin immediately after the annuity is purchased, do not have an accumulation period, and have payout periods which must begin within one year of purchase.

Impairment Riders

Rider that exclude coverage for a specific condition that would otherwise be covered under the policy.

Implied Authority

It is implicit in the agent's duties, an authority that the agent is presumed to have.

In-Network Provider

Medical facilities and physicians that have contracts with an HMO or POS plan.

Income Period

The period of time in which the family is most vulnerable to financial instability if the insured dies prematurely.

Income Replacement Contract

Disability income policy that pays a portion of the insured's earned income. The insured is not required to be totally disabled. The amount of the benefit is based on the percentage of income earnings lost. Synonymous with pure loss of income contract.

Incontestability

Provision in individual health insurance policies stating that the policy becomes incontestable and cannot be voided or claims denied after two years (three years in some states) except in the case of fraud.

Incontestability Clause

A standard provision for group life and health insurance, stating that except for nonpayment of premium, the policy is incontestable after having been in force for at least two years.

Incontestable Clause

A required provision in a life insurance policy which prevents the insurer from denying a claim or voiding a life insurance policy, except for nonpayment of premiums, after the policy has been in force for a certain number of years, usually 2.

Increasing Term

Term insurance that provides an increasing face amount with level premiums.

Indemnity

Means "to make whole". Insurance policies agree to provide payment of benefits to restore the insured's economic loss.

Independent Insurance Agents

Agents that are appointed to work for several insurers non-exclusively.

Independent Rating Services

They are credit rating agencies that rate or "grade" the financial strength and stability of insurers based on claims, reserves, and company profits. These include: A.M. Best, Moody's Investors Service, Standard and Poor's, Fitch Ratings Ltd., LACE Financial and Japan Credit Rating Agency, Ltd.

Indeterminate Premium Term

Term policies that have premiums which fluctuate between the current rate and the maximum rate.

Indeterminate Premium Whole Life

Whole life policies that provide a lower initial premium which can fluctuate up to a maximum premium as stated in the policy.

Index-Linked Whole Life

Policy face amount increases with respect to inflation without requiring the insured to undergo a medical exam or provide proof of insurability.

Individual Life Insurance

Insurance that is issued on the life of one individual, with individual underwriting, rates, and coverage.

Individual Practice Association Model

Method of organizing an HMO. Functions like the group model except the HMO contracts with medical groups, physicians' associations and independent physicians providing open panel services.

Individual Retirement Account (IRA)

Investment account established by an individual with earned income to save for retirement.

Industrial Life Insurance

It is sold by debit agents who collect premiums from policyholders on a weekly basis. Synonymous with home service insurance.

Initial Enrollment Period

Medicare eligibility period, six-month period spanning three months prior to reaching age 65 to three months after a person's 65th birthday.

Initial Premium

The first premium due on an insurance policy. Typically, the initial premium is collected upon application submittal.

Inside Limits

They are limits placed on certain medical coverages within a policy.

Inspection Report

Investigative consumer report.

Installment Refund

Refund life annuity in which the beneficiary receives the balance of premium minus benefits paid in installments.

Insurability Receipt

Conditional receipt in which coverage begins upon approval of the application with premium payment, there is interim coverage.

Insurable Interest

An individual's valid concern for the continuation of the life or well-being of the person insured, which must be present at the time of application.

Insurance Company

The entity that assumes the insured's risk. Insurance company and insurer are synonymous terms.

Insurance Contract

A legal agreement made between an insurer and an individual, in which the insurer collects a small amount of money, called a premium, from the insured in exchange for the insurer's promise to pay benefits in the event of covered losses. Insurance contract and insurance policy are synonymous.

Insurance Policy

A legal agreement made between an insurer and an individual, in which the insurer collects a small amount of money, called a premium, from the insured in exchange for the insurer's promise to pay benefits in the event of covered losses. Insurance policy and insurance contract are synonymous.

Insurance with Other Insurers- Expense-Incurred

Optional provision in individual health insurance policies stating that an insurer will only be liable for the proportionate share of loss if an insured has excess insurance coverage under different insurers and has not notified each insurer of the excess coverage.

Insurance with Other Insurers- Not Expense-Incurred

Optional provision in individual health insurance policies stating that an insurer will only be liable for the proportionate share of loss if an insured has excess insurance coverage under different insurers and has not notified each insurer of the excess coverage.

Insured

The person who is covered under the policy.

Insured Status

Qualification for Social Security benefits based on the quarters of credit earned cumulatively throughout employment.

Insurer

The entity that assumes the insured's risk. Insurance company and insurer are synonymous terms.

Insuring Clause

The insurer's promise to pay covered losses as long as the insured pays the premiums and abides by the terms and conditions.

Integrated Deductible

Deductible in comprehensive major medical policies used in lieu of a corridor deductible. The amount of the integrated deductible is the greater of what the base plan pays and a stated amount in the policy.

Interest Earnings

Interest earned on invested premiums.

Interest Only Settlement Option

Life insurance settlement option in which the insurer retains the policy proceeds, which become the principal, and pays out only the interest earned on the principal.

Interest-Sensitive Whole Life

Coverage provides flexible premiums based on a changing interest rate. Synonymous with current assumption whole life.

Interim Term

Interim term coverage provides instantaneous coverage and is intended for people who plan on purchasing permanent life insurance coverage within one year.

Intermediaries

Private organizations contracted by the CMS to process claims payments, enroll medical providers and investigate fraud. Each state or region has its own FI. Also referred to as fiscal intermediaries.

Intermediate Care

Nursing care and rehabilitation needed occasionally. Intermediate care is performed by a medical professional under physician's orders.

Intoxicants and Narcotics

Optional provision in individual health insurance policies which states the insurer will not pay benefits if the insured incurs a loss while being intoxicated or using any non-prescribed narcotic.

Invitation to Offer

If the applicant submits the application to the insurer without the initial premium.

IRA Transfer

IRA funds moved from one trustee to another trustee.

Irrevocable Beneficiary

A beneficiary who essentially becomes co-owner of a life insurance policy. The policyowner must receive the irrevocable beneficiary's written consent for any change made to the policy.

Issue Age

The age of the insured upon policy application. Synonymous with original age.

J

Joint and Survivor

Life income settlement option which allows two or more individuals to receive income payments for their entire lives.

Joint and Survivor Life

Annuity payout option in which two or more annuitants receive annuity payments.

Joint Annuity

Pays annuity benefits to two or more annuitants until the death of the first annuitant.

Joint Life

Joint life insurance policies insure the lives of two or more people.

Jumping Juvenile

Juvenile life insurance policy in which a parent or guardian purchases a life insurance policy on a child. The face amount is small (e.g. \$1,000), but jumps fivefold upon the child's 21st birthday. Synonymous with estate builder insurance.

Juvenile Policies

Policies that provide life insurance protection on the lives of minors. Example: jumping juvenile.

K

Keogh Plan

Qualified retirement plan for self-employed individuals. May be organized as a defined contribution plan or a defined benefit plan. Synonymous with HR-10 plan.

Key Person Disability Income Insurance

Business disability insurance policy that pays benefits to businesses when a key employee is disabled.

Key Person Insurance

Insurance purchased to protect a business from potential loss due to the death of a key employee.

L

Law of Large Numbers

An economic phenomena, where in order to have a general idea of how many losses will occur in a given year, insurers use the law of large numbers, which states that as the group increases in size, it is easier to predict the number of future losses over a certain period of time.

Legal Action

A required provision in a life insurance policy which places a limit on the period in which a claimant can file suit against an insurer, usually 60 days since the insurer received proof of loss and within 2 years from the date proof of loss was submitted to the insurer.

Legal Actions

Provision in individual health insurance policies stating that legal action may not be brought to recover on the policy until 60 days after written proof of loss is provided to the insurer, and no later than two years (three years in some states) after written proof of loss is provided to the insurer.

Legal Hazard

The application of laws, regulations, and legal court rulings which increase the chance or amount of loss.

Legal Purpose

An insurance contract must be legal and not in opposition of public policy. If an insurance contract has insurable interest and the insured has provided written consent, it has legal purpose. Legal Purpose is one of the four required elements of a contract.

Level Premium Term

Level term insurance which has a level face amount and level premiums.

Level Term

Term insurance that provides a level face amount.

Life Annuities

Annuity payout options which guarantee income for the entire life of the annuitant.

Life Annuity with Period Certain

Life annuity payout option which provides the annuitant with guaranteed income for life and further guarantees annuity payments for a minimum number of years, such as 10 or 20. If the annuitant dies within the period certain, the beneficiary will receive annuity payments for the remainder of the period.

Life Income Certain

Life income settlement option that pays periodic payments to a beneficiary for his entire life. If the beneficiary dies before the period certain ends, then a second beneficiary will receive payments until the period certain ends.

Life Income Settlement Option

Life insurance settlement option in which an annuity is used to pay the policy proceeds. The beneficiary is provided a stream of income that cannot be outlived.

Life Insurance

It is designed to protect against the risk of premature death.

Life Only

Life annuity payout option in which the annuitant receives annuity payments for his entire life; however, once the annuitant dies, annuity payments stop. Synonymous with straight life and pure life.

Lifetime Benefits

Provision in disability income policies which prolongs the benefit period to the duration of the insured's life.

Lifetime Reserve Days

60 nonrenewable days that may be used after an individual has been using Medicare Part A hospital benefits for over 90 days.

Limit of Liability

The total amount the insurer will pay for an insured risk.

Limited Payment

With a limited payment (LP) whole life policy, the insured is covered for his entire life, but premiums are paid for a limited time. The face amount and premiums are level.

Limited Policies

Health insurance policies that provide specialized limited coverage, such as AD&D and dread disease.

Limiting Charge

15% higher than the Medicare approved charge.

Lingering Implied Authority

When the agent retains evidence of authority, such as sales brochures and applications, after the agent no longer has expressed authority with the insurer.

Liquidity

Ability for assets to be converted into cash.

Living Benefits

Cash value in a whole life insurance policy.

Living Needs Rider

Integrated accelerated benefit which pays the accelerated benefit as long as the insured is expected to die within one or two years.

Lloyd's Associations

A market where individuals and groups gather to exchange insurance - corporations that advertise and market the financial services of an association of underwriters.

Lloyd's of London

Oldest Lloyd's association.

Long-term Care (LTC) Insurance

Policies that provide nursing or home health care for individuals no longer capable of performing activities of daily living or are cognitively impaired.

Long-term Care Rider

A type of accelerated benefit which is used to pay long-term care costs.

Long-term Disability Income Policies

Disability income policies with benefit periods of two years or more.

Loss

It is the unintentional decrease in value of an asset due to a peril.

Loss Ratio

The proportion of losses incurred by an insurer with respect to the total dollar value of premiums received (total losses divided by total premiums).

M

Major Medical Policies

Policies that provide high limits for catastrophic coverage and broad coverage for medical expenses. Major medical plans have deductibles, coinsurance, eligible expenses and a maximum dollar benefit.

Managed Care

Health coverage centered on cost containment.

Managing General Agents (MGAs)

Exclusive agents who hire and train new producers and supervise several other producers.

Market Conduct

Ethical code describing how insurers and producers handle business.

Market Value Adjusted Annuities

Fixed annuities in which a surrender fee is incurred if surrendered prior to annuitization.

Master Policy

The group contract, which is issued to and owned by the group entity.

Material to the Risk

It means information that is fundamental to insuring a risk.

Maximum Annual Deductible

Annual deductible that must be met for the year prior to the policy paying benefits. Also referred to as all cause or calendar year deductible.

Maximum Benefit Limit

Caps the amount of benefits an insurer is obligated to pay on an annual, lifetime, or per incident basis.

Maximum Family Benefit

The maximum monthly amount a covered worker and his family can receive from Social Security.

Maximum Lifetime Benefit

Caps the amount of total lifetime benefits per individual, usually \$1 million.

McCarran Ferguson Act

A statute stating that while the federal government has the power to regulate the insurance industry, it may not exercise such rights if the insurance industry is effectively and adequately regulated on the state level.

Medicaid

State and federally-funded medical assistance program for financially disadvantaged individuals.

Medical Examination and Autopsy

Life insurance provision that requires the proposed insured to undergo a medical examination prior to issuing coverage, and autopsy where not prohibited by law.

Medical Expense Insurance

Insurance that covers the cost of medical treatments, physician's fees, hospitalization and other medical costs that ensue when the insured incurs an accidental injury or sickness.

Medical Group Model

Method of organizing an HMO. The HMO contracts with one independent medical group to provide medical services to HMO members. Synonymous with group model and group practice model.

Medical Information Bureau (MIB)

A nonprofit trade organization which maintains medical information about individuals.

Medical Reimbursement Benefit

Pays medical expenses for nondisabling injuries.

Medicare

Government health insurance coverage for individuals over the age of 65, and special needs individuals.

Medicare Advantage

Medicare Part C, which provides managed care Medicare coverage.

Medicare Approved Charge

The Medicare approved charge/amount is the dollar amount that Medicare considers to be the reasonable charge for a particular medical service.

Medicare Savings Program

It receives funds from Medicaid to assist individuals in paying Medicare premiums.

Medicare Select

Medicare supplement policies offered on a PPO basis

Medicare Supplement Policies

Medical expense policies issued by private organizations which help cover certain costs not covered by Medicare, such as deductibles, coinsurance and actual charges in excess of what Medicare pays. Also referred to as Medigap.

Medigap

Medical expense policies issued by private organizations which help cover certain costs not covered by Medicare, such as deductibles, coinsurance and actual charges in excess of what Medicare pays. Also referred to as Medicare supplement policies.

Member

In health insurance, individuals covered by prepaid health plans. Synonymous with subscriber.

Military Suspense Provision

Optional health insurance provision allowing for reduction or refund of premiums during the period of service.

Misrepresentations

Intentional misstatements made by the insured. Misrepresentations that are material to the risk may void the contract.

Misstatement of Age

A standard provision for group life and health insurance, stating that if the insured misstates his age, the insurer will either adjust the premiums or the benefits. The method for this adjustment must be stated in the policy.

Modifications

Life insurance provision stating that policy changes must be made by an authorized officer of the insurer and attached to the policy and only the policyowner has the right to request changes.

Modified Endowment Contracts (MEC)

Overfunded life insurance policies which lose their tax advantages.

Modified Whole Life

Policies which use convertible term and whole life to provide permanent protection that has lower premiums during the early policy years.

Money-purchase Pension Plan

The employer contributes a fixed amount to the plan every year, and this amount is apportioned among each plan participant's account.

Moral Hazard

The predisposition, character, habits and values of a person which increase the chance of a loss occurring.

Morale Hazard

An insured's careless attitude, indifference or lack of responsibility which increase the chance of a loss occurring.

Morbidity

In health insurance, the rate at which accident, sickness or disability will occur.

Mortality

In life insurance, the rate at which a specific population dies.

Mortgage Reduction Insurance

Decreasing term insurance used to secure a mortgage.

Multiple Employer Trust (MET)

When several employers form a trust fund to reduce the tax effects of providing employee benefits, especially life insurance.

Multiple Employer Welfare Arrangement (MEWA)

Partially self-funded METs.

Multiple Indemnity Rider

Life insurance rider which pays an additional sum, termed the principal sum, to the beneficiary if the insured dies due to an accident. Also applies to accidental death and dismemberment policies in which the policy will pay double or triple the benefit based on dismemberment or death. Synonymous with accidental death benefit.

Multiple Lives Annuity

An annuity that covers the lives of two or more people, and annuity payments are based on multiple individuals.

Mutual Insurers

Commercial insurers who are owned by their policyholders.

Mutualization

Transformation of a stock insurer into a mutual insurer.

N

Names

Individuals who are members of a Lloyd's syndicate.

National Association of Insurance Commissioners (NAIC)

Association that promotes the standardization of insurance laws between states on a state-level.

Natural Premium

The base premium for life insurance calculated using mortality tables.

Needs Approach

This method calculates the amount of life insurance a family needs immediately upon the death of the insured to pay for their expenses and basic necessities, by looking at expenses, maintenance income, debts or mortgages, and dependent children's education.

Negotiated Trusteeship

One or more labor unions or associations forming a trust fund for a MET. Synonymous with Taft-Hartley Trust.

Net Payment Cost Index

An interest-adjusted net cost method that excludes the cash value and only predicts the average annual premium cost.

Net Premium

Mortality minus interest.

Net Single Premium

Mortality minus interest.

Network Model

Method of organizing an HMO. Similar to the group model, a network model HMO contracts with two or more medical groups (instead of one) to provide medical services to HMO members.

Non-Participating (Medicare)

Physicians, medical providers and suppliers who have the option of accepting Medicare assignment.

Nonadmitted Insurers

Non-licensed insurers. These insurers do not have licensure because they have not yet applied, have applied and been denied licensure, or are excess and surplus lines insurers.

Noncancelable

A health insurance policy providing the insured's right to continuation of coverage by timely payment of premiums and no changes to the policy's coverage or premiums at renewal without the insured's consent. Same as guaranteed renewable except that premiums cannot be increased.

Noncommercial Organizations

Nonprofit entities offering strictly health coverage on a service basis.

Nonconfining Disability

Disability which does not restrict a person to staying indoors.

Noncontributory

In group insurance, a premium payment method where the premiums are paid entirely by the policyowner, not by member insureds.

Nonforfeiture Options

Guarantees that are required by law to be part of life insurance policies that build cash value. Insurers are required to make nonforfeiture values available when policyowners discontinue premium payments for any reason.

Nonforfeiture Values

Feature of a policy that cannot be forfeited. Example: policy cash value.

Noninsurance Sponsors

They issue insurance policies but are not insurers themselves. These include financial institutions including the banking and credit issuing companies.

Nonoccupational Coverage

Health insurance coverage that pays benefits for sickness or injury occurring only while not on the job.

Nonpar

Nonparticipating life insurance.

Nonparticipating Insurers

Insurers that pay dividends to stockholders, not policyholders.

Nonqualified Plans

Retirement plans without the tax advantages of qualified plans. Nonqualified plans do not have to be approved by the IRS and may favor highly-paid employees.

Normal Retirement Age

The age (65 years) when a person is entitled to Social Security retirement benefits regardless of employment status.

Notice of Claim

Provision in individual health insurance policies stating that written notice of claim must be given to the insurer within 20 days of the loss, or as soon as reasonably possible.

O

OASDI

Old Age, Survivors, and Disability Insurance. More commonly referred to as Social Security.

Occupational Coverage

Health insurance coverage that pays benefits for sickness or injury occurring only while on the job. Example: Workman's Compensation.

Offer

An offer is made when the applicant submits an application for insurance with initial premium to the insurer.

Omnibus Budget Reconciliation Act (OBRA)

Legislation enacted to extend COBRA benefits to 29 months for disabled individuals.

One-year Term Option

Dividend option in which the policyowner uses the dividend as a single premium to purchase one-year term protection.

Open Enrollment Period

The period of time new members may enroll in group coverage each year.

Open Panel

Arrangement in which medical providers may treat any patient.

Optionally Renewable

Health insurance policy providing the insurer the right to not renew the policy for any reason and allowing the insurer to increase premium rates.

Options

They involve how policy funds are utilized.

Oral Pathology

Tissue biopsy to diagnose oral diseases such as cancer.

Oral Surgery

Surgery of the oral cavity (i.e. wisdom teeth extraction).

Ordinary Life

The most common type of whole life insurance sold. Coverage has a level face amount and level premiums payable over the entire life of the insured. Synonymous with straight life and continuous premium.

Original Age

The age of the insured upon policy application; synonymous with issue age.

Original Medicare

Medicare Parts A and B providing only hospital and medical coverage.

Orthodontics

Prevention and correction of teeth irregularities; braces.

Other Insurance in this Insurer

Optional provision in individual health insurance policies stating that an insured with excess insurance coverage under one insurer, will have the excess coverage voided and premiums returned.

Out-of-network

Medical providers not contracted with an HMO or PPO. Members using out-of-network medical providers typically pay higher copayments.

Out-of-pocket Limit

Once the insured has paid a certain amount out-of-pocket, the insurer pays the remaining eligible expenses. Synonymous with stop-loss.

Outline of Coverage

In health insurance, document explaining the coverage purchased and the names of the insurer and agent.

Own Occupation

Definition used to establish total disability. The insured must be unable to perform the work duties of his own occupation. Less restrictive than the any occupation definition of total disability.

Ownership

A required provision in a life insurance policy which stipulates the rights of the policyowner.

Ownership Clause

Clause used when the insured is a minor. The applicant maintains control over the policy until the insured reaches the age of majority.

P

Paid-up Additions

Dividend option in which the policyowner uses the dividend as a single premium to purchase an additional amount of whole life coverage. This dividend option increases the face amount of the policy.

Paid-up Insurance

Dividend option in which the policyowner uses the dividend to pay up the policy earlier.

Par

Participating life insurance.

Paramedical Report

Report made on a prospective insured from an abbreviated medical examination. Paramedical reports are made by a paramedic or a registered nurse.

Parol Evidence Rule

Rule that prevents parties to a contract from changing the meaning of a written contract by introducing oral or written statements made prior to the formation of the contract but are not part of the contract.

Part A

Medicare hospital insurance.

Part B

Medicare medical insurance.

Part C

Medicare managed care. Formerly known as Medicare+Choice. Also referred to as Medicare Advantage.

Part D

Medicare prescription drug coverage.

Partial Assignment

The partial and temporary transfer of ownership rights to another person or entity. Synonymous with collateral and conditional assignment.

Partial Disability

The inability to perform one or more work duties of a person's own occupation, or inability to work full-time.

Participating Doctor or Suppliers

Physicians, medical providers and suppliers who sign agreements to accept assignment for Medicare claims, charging the Medicare approved charge.

Participating Insurers

Insurers that issue dividends to their policyholders.

Paul v. Virginia

Court ruling that insurance transactions crossing states lines are not interstate commerce which meant that insurance transactions would be regulated on state and local levels, rather than on the federal level.

Payment of Claims

A required provision in a life insurance policy stating that once the insurer receives notice of the insured's death and receives the death certificate, the insurer must pay the claim within a certain number of days, usually 60.

Payment of Premiums

A required provision in a life insurance policy stating when premium payments are due, how and to whom they must be paid.

Payor Rider

Life insurance rider which waives premiums if the premium-payor becomes disabled or dies before the insured child reaches a certain age.

Pediatric Dentistry

Dental care for children.

Peer Review Organizations

Physicians and other medical professionals selected by the government to audit the quality of care received by Medicare patients.

Pension Plan

Qualified retirement plan which provides plan participants with periodic income benefits upon retirement. Examples: money-purchase pension plan and target benefit pension plan.

Per Capita

"By the head" class designation for beneficiaries.

Per Cause Deductible

Deductible paid for each cause in which medical care is sought.

Per Stirpes

"By the root" class designation for beneficiaries.

Peril

It is the cause of the loss and the event insured against. In life and health insurance, the perils are premature death, dependency during old age, accident, and sickness.

Period Certain

Duration of time that annuity payments are guaranteed to be paid. Typically 5, 10, or 15 years.

Periodontics

Treatment of gums and structures around teeth; treatment of gum disease.

Permanent Disability

Disability for which the insured is not expected to recover.

Permanent Life Insurance

Life insurance policies effective for the entire life of the insured, or up to age 100. Permanent life insurance is synonymous with whole life insurance.

Permanent Partial Disability

The insured has a total disability, returns to work but can only perform some of the duties he could perform prior to the disability. Synonymous with residual disability.

Persistency

The group's ability to pay premiums and renew coverage.

Personal Contract

A contract between an individual and an insurer.

Physical Examination and Autopsy

Provision in individual health insurance policies stating that the insurer, at its own expense, has the right and opportunity to examine the person or autopsy of the insured when reasonably required while a claim is pending. The insurer has the right to have an autopsy performed on the insured if not prohibited by law.

Physical Hazard

Physical characteristics which raise the loss potential.

Point of Service Plan (POS)

Managed care plan that combines HMO and PPO arrangements. Members can choose in-network or out-network providers.

Point-of-Service HMO

HMOs operate on a point-of-service basis allowing members to use medical providers not authorized by the HMO.

Policy Face

The title page of the contract, identifying the insured's name, policy number, issue date, limits, premiums, due dates, right to return provision, and the insurer's signature.

Policy Loan

Nonforfeiture value- the policyowner is entitled to the cash value of a whole life policy. A loan may be taken from the cash value and need not be repaid.

Policy Proceeds

The benefits payable from an insurance policy or contract.

Policy Replacement

Purchasing a new life insurance policy or annuity contract to replace an existing policy or contract.

Policy Summary

In life insurance, document explaining the coverage purchased and the names of the insurer and agent.

Policy Term

Period during which the policy or contract is effective.

Policyholder

The person who has all the ownership rights under the policy, pays premiums, and accepts the policy when delivered. Synonymous with policyowner.

Policyowner

The person who has all the ownership rights under the policy, pays premiums, and accepts the policy when delivered. Synonymous with policyholder.

Pre-need Funeral

Life insurance used to fund funeral and burial costs. The funeral home is the beneficiary of the policy.

Preauthorization

Approval required by some health insurers prior to a treatment or procedure.

Preexisting Conditions

Existing medical conditions for which the insured sought medical treatment or advice prior to policy issuance.

Preferred

Underwriting classification in which individuals are above average in terms of physical condition and lifestyle and present a less than average risk to the insurer.

Preferred Provider Organization (PPO)

A managed care plan in which a group of medical facilities, physicians and practitioners in a designated geographic area agree to provide medical services at a reduced cost to members.

Premium

Set cost of insurance coverage, paid by the policyholder to the insurer.

Premium Payment Mode

Frequency at which premium payments are made.

Premium Receipt

Receipt given to the applicant by the producer or insurer, as proof of a premium payment.

Premium-free Part A

People enrolled in Part A who do not pay premiums because they have met the minimum Medicare tax requirements.

Prepaid Basis

Medical providers are compensated on a service basis, instead of a dollar reimbursement. Medical providers are paid a set amount per month regardless of how many patients they treat. Synonymous with service basis.

Presumptive Disability

A condition, such as loss of sight, hearing, speech, or the use of arms or legs, which qualify as total disability, regardless of ability to work.

Pretext Interview

An interviewer assumes a false identity or refuses to disclose his true identity and interviews a person without disclosing the true purpose of the interview.

Preventive Care

Early disease detection and health maintenance. Examples: annual physical exams and immunizations.

Primary Beneficiary

Naming beneficiaries by succession. The first person to receive policy proceeds upon the insured's death.

Primary Care Physician (PCP)

Each patient of an HMO selects a physician from whom care is received. HMO patients must see their PCP prior to seeing medical specialists.

Primary Insurance Amount (PIA)

The average monthly wage of an individual used in determining the amount of the individual's Social Security retirement benefits.

Principal

The insurer.

Principal Sum

The face amount of AD&D coverage which is paid out if the insured loses two limbs, two hands, two feet, vision in both eyes, or dies as a result of an accident.

Privacy Act of 1974

Statute that establishes a code of fair information practices dictating how information is handled by federal agencies.

Private Insurers

Insurance which offers coverage to people through the individual market.

Probationary Period

The waiting period, prior to being eligible for coverage under a group plan, that individuals must undergo when they join a group with existing group coverage. For non-group policies, the time between the effective date of the policy and the date coverage begins.

Producer Cooperative

Health coverage is sponsored and provided by a group of medical providers. Example: Blue Cross and Blue Shield.

Producer's Report

Part III of the application, also referred to as the agent report. The producer's report is used to underwrite coverage, but does not become part of the policy.

Producers

People who sell, solicit and negotiate insurance. "Producers" is an all-encompassing term which includes agents and brokers.

Profit-sharing Plan

Qualified retirement plan in which company profits are contributed to plan participants.

Programs for All-inclusive Care for the Elderly (PACE)

Medical care for elderly and disabled individuals. Includes medical services, long-term care, social services and prescription drug coverage.

Proof of Loss

Provision in individual health insurance policies stating that written proof of loss must be provided to the insurer within 90 days after the date of loss unless not reasonably possible. Under no circumstance may proof of loss be submitted later than one year from the date proof of loss was initially required.

Property Insurance

Insurance that protects against the risk of damage and destruction to all types of property.

Prospectus

A document that must be given to policyowners of variable insurance products which describes the investments, charges on the contract and policy features.

Prosthodontics

Tooth replacement with artificial structures, dental implants, bridges and dentures.

Provider Sponsored Organization

Medicare Part C plan managed by one or more medical providers.

Provisions

The characteristics, privileges, duties of all parties, and rights of a policy.

Pure Life

Life annuity payout option in which the annuitant receives annuity payments for his entire life; however, once the annuitant dies, annuity payments stop. Synonymous with life only and straight life.

Pure Loss of Income Contract

Disability income policy that pays a portion of the insured's earned income. The insured is not required to be totally disabled. The amount of the benefit is based on the percentage of income earnings lost. Synonymous with income replacement contracts.

Pure Risks

Risk that present a potential for loss only (not gain). Pure risks include injury, illness, and death, and are the only insurable risks.

Q

Qualified LTC Plans

Long-term care plans which provide tax advantages.

Qualified Plans

Retirement plans approved by the IRS that provide special tax advantages for employers and employees.

Quarters of Coverage

Basis for determining Social Security insured status. A maximum of 4 quarters can be earned in one year. Synonymous with quarters of credit.

Quarters of Credit

Social Security insured status. A maximum of 4 quarters can be earned in one year. Synonymous with quarters of coverage.

R

Rate

Premium.

Reciprocal Exchanges

They are also referred to as interinsurance exchanges or simply reciprocals, are unincorporated groups of individuals. Each individual member, called a subscriber, provides insurance for other members through indemnity contracts.

Recurrent Disability

If the insured becomes disabled from the same or related event or condition caused from a prior disability.

Recurrent Disability Provision

A disabling condition which returns within a specified period of time to be considered an extension of prior disability. The insured is not required to undergo another elimination period.

Reduced Paid-up Insurance

Nonforfeiture option that allows the policyowner to purchase paid-up whole life coverage at a reduced face amount based on the amount of the policy cash value.

Reduction

Method of handling risk in which ways of minimizing loss exposure are actively sought.

Reduction of Premium Payments

Dividend option in which the dividend is used to offset the cost of a future premium payment.

Reentry Term

Term insurance that permits the policyowner to renew a term life policy at the end of the policy period by providing evidence of insurability so the insured can obtain a lower premium than the renewal premium that is offered without evidence of insurability. Synonymous with reissue term.

Referral Physician

Medical specialist. HMO members must receive a referral from their PCPs prior to seeing a specialist.

Refund Life

Life income settlement option which pays the beneficiary periodic income for his entire life. If the beneficiary dies before the policy proceeds have been paid out entirely, then a second beneficiary receives the payments until the principal reaches zero.

Refund Life Annuity

Life annuity payout option in which the annuitant receives income for life and the beneficiary will receive the balance of premiums plus interest minus benefits already paid when the annuitant dies. Two types: cash refund and installment refund.

Rehabilitation Benefit

Provides job training coverage to an insured with total disability so he can return to work.

Reimbursement Basis

The insured pays the medical providers for services, and the insurer reimburses the insured. Commercial insurers use this payment method.

Reinstatement

A required provision in a life insurance policy which permits the policyowner to reinstate a policy that has lapsed, as long as the policyowner can provide proof of insurability, within 3 years.

Reinsurance

Spreading risk from one insurer to one or more other insurers.

Reinsurer

The insurer that accepts the additional risk.

Reissue Term

Term insurance that permits the policyowner to renew a term life policy at the end of the policy period by providing evidence of insurability so the insured can obtain a lower premium than the renewal premium that is offered without evidence of insurability. Synonymous with reentry term.

Relation of Earnings to Insurance- Average Earnings Clause

Optional provision in individual health insurance policies stating that monthly disability income benefits may not exceed the amount of monthly earnings of the insured at the time the disability began or the average amount of monthly earnings for the previous two years, whichever is greater.

Relative Value

A medical expense plan that pays benefits for certain nonscheduled medical procedures as a percentage of the absolute value of another medical procedure.

Renewability

Provision of policy specifying the insured's and insurer's rights to renew or terminate a policy during or after the expiration of the original policy term.

Renewable Term

Term insurance that allows the policyowner to renew the term policy after the designated term expires without having to prove insurability.

Representations

Statements made by the insured, to the best of his knowledge.

Rescission

Insurance contracts may be voided if one or more parties to the contract commit a material misrepresentation or concealment.

Residual Disability

The insured has a total disability and returns to work but can only perform some of the duties he could perform prior to the disability. Synonymous with permanent partial disability.

Respite Care

Temporary care that allows an individual's family member or caregiver to have time off from caring for the individual.

Restoration of Benefits

Medical expense policy that allows the insured's maximum lifetime benefit to be restored after a large portion of benefits has been used.

Restorative Dental Care

Repairing teeth or damaged dental work; fillings and crowns.

Results Clause

Optional provision in life insurance policies: war exclusion stating that the insurer will not pay the claim if the insured dies due to an act of war.

Retention

Method of handling risk in which a person chooses not to take proactive steps to transfer, avoid or reduce the risk.

Retirement Income Annuities

A deferred annuity with a decreasing term life insurance rider which provides a beneficiary with a death benefit and the annuity's surrender value if the annuitant dies prior to retirement.

Retrospective Premium

The insurer collects a base premium amount, but is entitled to collect additional premium amounts based on the actual loss experience.

Return of Cash Value

Life insurance rider that pays the amount of the policy cash value in addition to the policy face amount upon the insured's death.

Return of Premium (Disability Income)

Rider refunds premiums that far exceed claims paid.

Return of Premium Rider

Life insurance rider that pays the total amount of premiums paid into the policy in addition to the policy face amount upon the insured's death.

Revocable Beneficiary

Beneficiary designation that can be changed without the beneficiary's consent.

Riders

They are policy elements that "ride on" or add to the existing coverage by modifying provisions or coverage.

Right to Examine (Free Look)

A required provision in a life insurance policy stating that the policyowner is permitted 10 days from the date the policy is delivered to examine the policy and return it for a refund of all premiums paid. In health insurance, this provision is optional but is usually included.

Rights

A required provision in a life insurance policy stating the policyowner's ownership rights.

Risk

It is defined as the possibility of a loss occurring.

Risk Pooling

The insurance practice of combining similar losses from many people so that the average loss over the entire group is relatively constant.

Risk Purchasing Group

In contrast to risk retention groups, risk purchasing groups do not retain risk. Risk purchasing groups buy group liability insurance from an outside insurer or from a risk retention group.

Risk Retention Groups

They are limited liability companies or member-owned corporations which collectively assume and spread its members' liability risks through self insurance.

Rollover

A transfer of funds from one IRA or qualified plan to another preventing withholding tax on a withdrawal.

Roth IRA

Individual retirement account in which contributions are not tax-deductible, but withdrawals are tax-free.

S

Savings Incentive Match Plan for Employees (SIMPLE)

Qualified retirement plan available to small businesses with no more than 100 employees. Plans may be organized as an IRA or 401(k).

Schedule

Medical expense plans may pay benefits based on the type of procedure, or a fixed amount.

Scheduled

Medical expense plan that pays on a first-dollar basis.

SEC

The U.S. Securities and Exchange Commission (SEC), which oversees the operations of FINRA.

Second Surgical Opinions

It allows members to consult other medical practitioners to obtain second and third opinions regarding the necessity of surgical procedures.

Second-to-die Joint Life Policy

Joint life policy that pays out only upon the death of the second insured. Synonymous with survivorship life policy.

Secondary Beneficiary

Naming beneficiaries by succession. If the primary beneficiary predeceases the insured, then the secondary beneficiary will receive the policy proceeds. Synonymous with contingent beneficiary.

Section 1035 Exchange

Section 1035 of the Internal Revenue Code allows for certain exchanges without recognizing a gain or loss for tax purposes, such as an annuity exchanged for another annuity.

Section 303 Stock Redemption

A type of stock redemption plan in which the corporation redeems a portion of the stock to provide the shareholder's heirs with cash to cover the costs of the deceased's death taxes, estate administration, and funeral expenses.

Section 457 Plan

A nonqualified deferred compensation plan for government and nonprofit employees.

Securities Act of 1933

Legislation requiring policyowners of variable products receive a prospectus. Legislation also defines securities products.

Securities Act of 1934

Legislation requiring sales representatives have a Series 6 license. Legislation also regulates the duties of sales representatives.

Securities Act of 1940

Legislation requiring insurers maintain a separate account for variable investments. Legislation also establishes maximum sales fees.

Self Insurers

The insured retains risk.

Separate Account

The insurer's account used to invest premium dollars for variable life insurance and annuities.

Series 6 License

Securities license permitting a person to transact only mutual funds and variable annuities.

Series 7 License

Securities license permitting a person to sell all securities products except commodities and futures.

Service Area

Geographic area to which HMO services and medical providers are limited.

Service Basis

Medical providers are paid a set amount per month regardless of how many patients they treat. Synonymous with prepaid basis.

Servicemembers' Group Life Insurance (SGLI)

A government group life insurance plan that offers inexpensive group term life insurance for members of the armed forces.

Settlement Options

The ways, other than lump-sum, that life insurance policy proceeds are paid out to beneficiaries upon the insured's death or when the policy ends.

Seven-pay Test

Premiums paid cannot cause a policy to be paid-up after seven years.

Shared-funding

In group health insurance, the policyowner may self-fund its medical expenses.

Sharing

Method of handling risk which entails distributing risk over a large number of people so that all members of the group carry a portion of the risk.

Short-term Disability Income Policies

Disability income policies with benefit periods of less than two years.

Sickness

A medical condition, disease or illness.

Simplified Employee Pension (SEP)

Qualified plan for small employers. A mix of an IRA and profit-sharing plan. Also referred to as a 408(k) plan.

Simplified Issue Life Insurance

A life insurance policy that does not require the prospective insured to undergo a medical examination.

Single Life Annuity

An annuity that covers the life of one person.

Single Premium Deferred Annuity (SPDA)

A deferred annuity purchased with a single premium.

Single Premium Immediate Annuity (SPIA)

An immediate annuity which is purchased with a single premium.

Single Premium Whole Life Policy

Insurance policy which allows the insured to pay the entire premium in one lump-sum.

Skilled Care

Nursing care and rehabilitation needed on a daily basis performed by a medical professional under physician's orders.

Social Insurance Supplement (SIS)

Rider that supplements Social Security, Worker's Compensation or other social insurance which pays a benefit equivalent to Social Security disability benefits, but is reduced by the amount of social insurance benefits.

Social Security

Federal social insurance program which provides retirement, disability, and survivors benefits. Also referred to as OASDI, or Old Age, Survivors, and Disability Insurance.

Social Security Blackout Period

The time during which a surviving spouse is ineligible to receive Social Security survivors benefits.

Solicitors

Licensed salespeople who work for an agent or broker.

Special Enrollment Period

Medicare enrollment period. Enrollment is delayed because the person has coverage under his employer or his spouse's employer group health plan. Enrollment spans an eight-month period which begins upon cessation of employment or termination of group health coverage, whichever occurs first.

Special Needs Plan (SNP)

Medicare Part C plan intended for individuals who are insured under Medicare and Medicaid.

Speculative Risks

Risk that present a chance for loss or gain. Gambling is an example of a speculative risk. Speculative risks are not insurable.

Spend-down

Individuals applying for Medicaid assistance must deplete their financial resources to a specific minimum before receiving Medicaid benefits.

Spendthrift Clause

Prevents creditors from seizing life insurance policy proceeds provided there is at least one named beneficiary, excluding the insured's estate.

Split-Dollar Plan

An employee benefit plan in which an employer and an employee share in the cost of purchasing a life insurance policy on the employee.

Spouse/Other-insured Term Rider

Life insurance term rider covering a spouse or other individual, usually until age 65.

Staff Model

Method of organizing an HMO. Physicians are employees of the HMO.

Standard

Underwriting classification in which individuals are in average physical condition with average lifestyles and habits for people of their respective sex and age group.

Statement of Good Health

The statement required to be signed by the applicant upon policy delivery to assure the insured's health status has not changed since policy application. The statement of good health is used when the initial premium is not submitted with the application.

Statements of the Insured

A required provision in a life insurance policy stating that the applicant's statements in the application are considered representations and not warranties, unless fraudulent.

Status Clause

Optional provision in life insurance policies: military exclusion stating that the insurer will not pay the claim if the insured dies while in active military service.

Stock Insurers

Incorporated companies owned by their stockholders , synonymous with capital stock insurers.

Stock Purchase Plan

A cross-purchase plan used by corporations to buy the stock from deceased shareholders.

Stock Redemption Plan

A stock redemption plan is an entity plan used by a corporation.

Stop-loss

Once the insured has paid a certain amount out-of-pocket, the insurer pays the remaining eligible expenses. Synonymous with out-of-pocket limit.

Straight Life

The most common type of whole life insurance sold. Coverage has a level face amount and level premiums payable over the entire life of the insured. Synonymous with continuous premium and ordinary life.

Straight Life Settlement Option

Life income settlement option in which one beneficiary receives income payments for his entire life. Once the beneficiary dies, the payments cease.

Subrogation

The right of the insurer to assume the rights of the insured and sue the responsible third party for damages inflicted upon the insured.

Subscriber

In health insurance, individuals covered by prepaid health plans. Synonymous with member.

Substandard

Underwriting classification in which the risk is greater than standard risks, due to the applicant's physical condition, medical history, hazardous occupation or dangerous hobbies or habits.

Succession Designation

Naming beneficiaries in succession allows the policyowner to name up to three levels of prioritized beneficiaries: primary, contingent and tertiary.

Suicide Clause

Optional life insurance provision stating that the policy will be voided and no death benefit will be paid if the insured commits suicide within a stipulated time period.

Supplemental Security Income Benefits

Monthly income paid by Social Security to individuals with limited incomes, disabled, blind, or age 65 and older. It pays for individuals' food, shelter and clothing needs.

Supplementary Major Medical

A combination of a base plan and a major medical policy with first-dollar coverage, catastrophic coverage and deductibles. Also referred to as comprehensive major medical.

Surrender Cost Index

It measures the cost of an insurance policy by projecting the total amount of cash value in a policy and deducting the total cost of premiums after a certain number of years.

Survivorship Life Policy

Joint life policy in which the policy proceeds are paid out upon the death of the second insured. Synonymous with second-to-die joint life policy.

T

Taft-Hartley Trust

One or more labor unions or associations forming a trust fund for a MET. Synonymous with negotiated trusteeship.

TAMRA

Tax Reform Act of 1984. This act restricts the payout of endowment policies.

Target Benefit Pension Plan

Combination of a defined contribution plan and a defined benefit plan.

Target Premium

The premium in a universal life policy that builds policy cash value.

Tax Equity and Fiscal Responsibility Act (TEFRA)

Legislation enacted to end discriminatory practices of group plans in favor of key employees, and made Medicare secondary to group health plans.

Tax-sheltered Annuities

Annuities available to employees of tax-exempt nonprofit organizations and public schools.

Temporary Annuity Certain

Annuity certain payout option where the insurer guarantees annuity payments for a certain number of years or life, whichever is shorter.

Temporary Disability

A disability in which a person is prevented from working during recovery or rehabilitation, but is expected to fully recover.

Temporary Insurance Agreement

also referred to as the binding receipt or unconditional receipt. Coverage begins on the date of the application regardless of whether or not the applicant is insurable. Coverage is issued for a short period of time, such as 30 to 60 days.

Term Health Policy

A health insurance policy which is only effective for a short period of time and is canceled at the end of the period.

Term Life Insurance

Insurance provides pure death protection since it only pays a death benefit if the insured dies during the policy term. Term life insurance does not accrue cash value.

Term Rider

Life insurance rider that adds term coverage to an existing life insurance policy.

Tertiary Beneficiary

Naming beneficiaries by succession. If both the primary and contingent beneficiaries predecease the insured, then the tertiary beneficiary will receive the policy proceeds.

Third Party Administrator (TPA)

A third party that processes insurance claims.

Third Party Ownership

A person other than the insured is the owner of the policy.

Time of Payment of Claims

Provision in individual health insurance policies stating that claims other than those providing periodic payment are payable immediately upon receipt of written proof of loss.

Tort Law

Law based on legal liability for civil wrongs.

Total Disability

Requirement for full disability income benefits, typically inability to perform work duties. Each policy defines total disability differently.

Traditional IRA

Individual retirement account in which contributions are tax-deferred.

Transfer

Method of handling risk in which risk is transferred from one party to another. This is the essence of insurance.

Travel Accident

A type of accident-only medical expense coverage which only pays for death or injury to a fare-paying passenger on a regularly scheduled commercial carrier.

TRICARE

Health insurance coverage for active duty and retired members of the uniformed services and their dependents.

Two-tiered Annuities

Annuities which have two distribution values contingent upon whether or not the annuity is surrendered in a lump-sum prior to annuitization.

U

Unauthorized Insurers

Non-licensed or nonadmitted insurers. These insurers do not have licensure because they have not yet applied, have applied and been denied licensure, or are excess and surplus lines insurers.

Unbundled Life Insurance

Life insurance that allows the policyowner to buy term and invest the difference. Synonymous with universal life insurance and flexible premium adjustable life.

Underwriters

They select, classify and rate risks.

Underwriting

The process that insurers use to select, classify and rate risks so that they accurately reflect the amount of risk undertaken.

Unearned Premium

Insurance premium paid in advance which is used for future coverage.

Uniform Individual Accident and Sickness Policy Provisions Law

Model health provisions developed by the NAIC which provide standardization for all individual health insurance policy provisions and identify the rights of the insurer and policyowner.

Uniform Simultaneous Death Act

If the insured and the primary beneficiary are killed at the same time due to a common accident and there is no conclusive evidence as to who died first, the policy proceeds will be paid as if the primary beneficiary died first, in which case the policy proceeds are paid to the contingent beneficiaries or to the insured's estate.

Unilateral Contract

One sided agreement, where only the insurer is legally bound.

Universal Life

Life insurance that allows the policyowner to buy term and invest the difference. Synonymous with unbundled life insurance and flexible premium adjustable life.

Unpaid Premium

Optional provision in individual health insurance policies stating that any premium due and unpaid may be deducted from the payment of a claim.

US v. South-Eastern Underwriters Association

Case holding that insurance transactions crossing state lines are interstate commerce and are subject to federal regulation.

Usual, Reasonable and Customary

The insurer pays an amount for each procedure or treatment based on the average charges in that geographic area. Payment method for nonscheduled plans.

Utilization Management

Cost control program used by HMOs which utilizes primary care physicians also referred to as gatekeepers, utilization reviews, and prescription drug formularies.

V

Variable Annuities

Annuities that have variable interest rates and benefits.

Variable Insurance

Insurance that is comprised of variable life and variable annuities. Variable insurance products invest premium dollars in securities, which carry more risk due to price fluctuations. A requirement of selling variable products is a securities license and a life insurance producer license.

Variable Life Insurance

Policies that earn a fluctuating rate of interest and do not guarantee a certain cash value. Policies have fixed level premiums and a guaranteed minimum death benefit.

Variable Universal Life

Universal life insurance with a separate account. The variable portion of premiums is invested in the insurer's separate account.

Vesting Rules

For qualified plans, a set of ERISA-mandated rules establishing how participants achieve ownership of contributions made by employers.

Viatical Settlement

When a terminally or chronically ill insured sells his life insurance policy to a third party in exchange for payment of a large portion of the death benefit.

Viatical Settlement Provider

The third party that purchases the insured's life insurance policy.

Viator

The insured individual under a viatical settlement.

Voluntary Assignment

A voluntary assignment occurs when the policyowner assigns all rights including cash values to another person or entity. Synonymous with absolute assignment.

W

Waiver

Surrendering a known right.

Waiver of Cost of Insurance

Life insurance rider that allows a universal life policyowner who becomes disabled to waive the cost of death protection but does not waive the cost of premium required to build cash value.

Waiver of Premium

Optional provision in health insurance allowing continuation of coverage without payment of premium in the event of permanent and total disability.

Waiver of Premium Rider

Life insurance rider that allows the policyowner to waive premium payments during a disability, and keeps the life insurance policy in force as long as the disability is total and permanent.

War or Military Service

Optional life insurance provision stating that the insurer will not pay the claim if the insured dies while in active military service or due to an act of war.

Warranties

Statements that are guaranteed to be true and are part of the legal contract. Breach of warranty is grounds for voiding an insurance contract.

Whole Life Insurance

Insurance that provides life insurance protection for the insured's entire life, or until age 100. Whole life insurance provides living benefits. Synonymous with permanent life insurance.

Withdrawals or Partial Surrenders

Provision in universal life insurance policies that provides for withdrawals or partial surrenders of policy cash value.

Workman's Compensation

Health insurance coverage for accidental injury and sickness that occurs as a result of employment. Coverage is mandatory for most employers.