Life Insurance & Mediclaim Glossary

Accelerated Benefits Rider A life insuran rider that allows for the early payment some portion of the policy's face amo should the insured suffer from a termi illness or injury.

Accidental Death Benefit Rider A insurance policy rider providing for paym of an additional cash benefit related to face amount of the base policy when de occurs by accidental means.

Accidental Death Insurance Insuran providing payment if the insured's de results from an accident.

Agent An authorized representative of insurance company who sells and servic insurance contracts.

Annually Renewable Term A form of renewable term insurance that provides coverage for one year and allows the policy owner to renew his or her coverage each year, without evidence of insurability. Also called yearly renewable term.**Assignment** The transfer of the ownership rights of a Life Insurance policy from one person to another.**Attained Age** Your current age. Your attained age is one of the factors life insurance companies use to determine your premiums. The older you are, the greater chance you'll die while you are covered - so the higher your premium.

Backdating A procedure for making the effective date of a policy earlier than the application date. Backdating is often used to make the age of the consumer at issue lower than it actually was in order to get lower premium. State laws often limit to six months the time to which policies can be backdated.

Beneficiary The person designated to receive the death benefit when the insured dies.

Binder A temporary insurance policy that expires at the end of a specific time period or when the permanent policy is written. A binder is given to an applicant for insurance during the time the complete policy paperwork is being completed.

Cash Benefits Money that is paid to the insured upon settlement of a covered claim. Often found with Hospital Income Programs, "cash benefits" are paid directly to the insured rather than the doctor or the hospital directly.

Cash Value The equity amount or "savings" accumulation in a whole life policy.

Claim Notification to an insurance company that payment of an amount is due under the terms of the policy.

Conditional Receipt Given to policy owners when they pay a premium at time of application. Such receipts bind the insurance company if the risk is approved as applied for, subject to any other conditions stated on the receipt.

Contestable Clause A provision in an insurance policy setting forth the conditions under which or the period of time during which the insurer may contest or void the policy. After that time has lapsed, normally two years, the policy cannot be contested. Example: Suicide.

Contingent Beneficiary Person or persons named to receive proceeds in case the original beneficiary is not alive. Also referred to as secondary or tertiary beneficiary.

Coverage Another word for insurance. Insurance companies use the term coverage to mean either the dollar amounts of insurance purchased ($200,000 of liability coverage), or the type of loss covered (coverage for theft).

Conversion Privilege Allows the policy owner, before an original insurance policy expires, to elect to have a new policy issued that will continue the insurance coverage. Conversion may be effected at attained age (premiums based on the age attained at time of conversion) or at original age (premiums based on ageat time of original issue).

Convertible Term A policy that may be changed to another form by contractual provision and without evidence of insurability. Most term policies are convertible into permanent insurance.

Cross-Purchase Plan An agreement that provides that upon a business owner's death, surviving owners will purchase the deceased's interest, often with funds from life insurance.

Death Benefit The amount of money paid to the beneficiary when the insured person dies.

Decreasing Term Insurance Term life insurance on which the face value slowly decreases in scheduled steps from the date the policy comes into force to the date the policy expires, while the premium remains level. The intervals between decreases are usually monthly or annually.

Double Indemnity Payment of twice the basic benefit in the event of loss resulting from specified causes or under specified circumstances.

Evidence of Insurability Any statement or proof of a person's physical condition, occupation, etc., affecting acceptance of the applicant for insurance.

Exclusions Specified hazards listed in a policy for which benefits will not be paid.

Expiry The termination of a term life insurance policy at the end of its period of coverage.

Face Amount The amount of insurance provided by the terms of an insurance contract, usually found on the first page of the policy. In a life insurance policy, the death benefit.

Final Expenses Expenses incurred at the time of a person's death. These include funeral costs, court expenses associated with probating his or her will, current bills or debt, and taxes. Depending on their circumstances, the survivors may also want to pay the outstanding balances of mortgage and loans.

First To Die Insurance Insurance policy whose death benefit is paid to the surviving insured upon the death of one of the insured's. There is no longer a benefit once the benefit is paid, however, the surviving insured usually has the option of purchasing a policy of the same amount without providing evidence of insurability.

Fixed Benefit A death benefit, the dollar amount of which does not vary.

Free Look Provision required in most states whereby policy owners have up to 20 days to examine their new policies at no obligation.

Funeral Expenses Expenses incurred for a funeral and burial. These can include casket, vault, grave plot, headstone and funeral director.

Grace Period Period of time after the due date of a premium during which the policy remains in force without penalty.

Graded Premium Policy A type of whole life policy designed for people who want more life coverage than they can currently afford. They pay a lower premium rate that increases gradually over the first three to five years and then remains constant over the life of the policy.

Guaranteed Term A form of renewable term insurance that remains in force as long as the premiums are paid on time. With guaranteed term insurance, the insurance company cannot terminate the policy during the term.

Guaranteed Insurability (Guaranteed Issue) Arrangement, usually provided by rider, whereby additional insurance may be purchased at various times without evidence of insurability.

Incontestable Clause A clause in a policy providing that a policy has been in effect for a given length of time (two or three years), the insurer shall not be able to contest the statements contained in the application. In life policies, if an insured lied as to the condition of his health at the time the policy was taken out, that lie could not be used to contest payment under the policy if death occurred after the time limit stated in the incontestable clause.

In Force Insurance on which the premiums are being paid or have been fully paid.

Insurability All conditions pertaining to individuals that affect their health, susceptibility to injury and life expectancy; an individual's risk profile.

Insurable Interest Requirement of insurance contracts that loss must be sustained by the applicant upon the death of another and it must be sufficient to warrant compensation.

Insurance A formal social device for reducing risk by transferring the risks of several individual entities to an insurer. The insurer agrees, for a consideration, to pay for the loss in the amount specified in the contract.

Insurance Policy The printed form which serves as the contract between an insurer and an insured.

Insured The party who is being insured. In life insurance, it is the person because of his or her death the insurance company would pay out a death benefit to a designated beneficiary.

Insurer Party that provides insurance coverage, typically through a contract of insurance.

Irrevocable Beneficiary A beneficiary that cannot be changed without that beneficiary's consent.

Increasing Term Insurance Term life insurance in which the death benefit increases periodically over the policy's term. Usually purchased as a cost of living rider to a whole life policy.

Lapse Termination of a policy upon the policy owner's failure to pay the premium within the grace period.

Level Term Insurance Term coverage on which the face value and premiums remain unchanged from the date the policy comes into force to the date the policy expires.

Life Expectancy The average number of years remaining for a person of a given age to live as shown on the mortality or annuity table used as a reference.

Life Insurance An agreement that guarantees the payment of a stated amount of monetary benefits upon the death of the insured.

Limited Pay Policy A type of whole life insurance designed to let the policyholder pay higher premiums over a specific period such as 10 or 20 years and then not pay any premiums for the rest of his or her life.

Medical A document completed by a physician or another approved examiner and submitted to an insurer to supply medical evidence of insurability (or lack of insurability) or in relation to a claim.

Medical Expenses Reasonable charges for medical, surgical, x-ray, dental, ambulance, hospital, professional nursing, prosthetic devices, and funeral expenses. (The insurance company defines what is reasonable.)

Misrepresentation Act of making, issuing, circulating or causing to be issued or circulated an estimate, an illustration, a circular or a statement of any kind that does not represent the correct policy terms, dividends or share of surplus or the name or title for any policy or class of policies that does not in fact reflect its true nature.

Modified Premium Policy (See Graded Premium Policy)

Mortality Charge The charge for the element of pure insurance protection in a life insurance policy.

Mortality Cost The first factor considered in life insurance premium rates. Insurers have an idea of the probability that any person will die at any particular age; this is the information shown on a mortality table.

Mortality Rate The number of deaths in a group of people, usually expressed as deaths per thousand.

Mortality Table A table showing the incidence of death at specified ages. Non medical Insurance A contract of life insurance underwritten on the basis of an insured's statement of his health with no medical examination required.

Occupational Hazard A condition in an occupation that increases the peril of accident, sickness, or death. It usually will mean higher premiums.

Offer and Acceptance The offer may be made by the applicant signing the application, paying the first premium and, if necessary, submitting to physical examination. Policy issuance, as applied for, constitutes acceptance by the company. Or the offer may be made by the company when no premium payment is submitted with the application. Premium payment on the offered policy then constitutes acceptance by the applicant.

Original Age The age you were when you bought the policy.

Other Insured Rider A term rider covering a family member other than the insured that is attached to the base policy covering the insured.

Ownership All rights, benefits and privileges under life insurance policies are controlled by their owners. Policy owners may or may not be the insured. Ownership may be assigned or transferred by written request of current owner.

Para-Med (Paramedical) Examination The medical examination of an applicant for Life Insurance.

Para-Med (Paramedical) A physician, nurse, or para-med appointed by the medical director of a life insurance company to examine applicants.

Permanent Life Insurance A term loosely applied to life insurance policy forms other than Group and Term, usually Cash Value Life Insurance, such as Whole Life Insurance.

Policy The printed document issued to the policyholder by the company stating the terms of the insurance contract.

Policy Holder The person who owns a life insurance policy. This is usually the insured person, but it may also be a relative of the insured, a partnership or a corporation.

Preferred Risk A risk whose physical condition, occupation, mode of living and other characteristics indicate a prospect for longevity superior to that of the average longevity of unimpaired lives of the same age.

Premium The periodic payment required to keep an insurance policy in force.

Premium Flexibility The policy holder's right to vary the amount of premium paid each month towards a universal life policy.

Primary Beneficiary In life insurance, the beneficiary designated by the insured as the first to receive policy benefits.

Primary Policy The insurance policy that pays first when you have a loss that's covered by more than one policy.

Probate Costs The legal fees and other costs incurred in the probate process, which is the legal processing of your will. Assets that you leave to other people through your will cannot be distributed until the will is probated.

Provisions Statements contained in an insurance policy which explain the benefits, conditions and other features of the insurance contract.

Rated Coverage's issued at a higher rate than standard because of some health condition, or impairment of the insured.

Re-entry Option An option in a renewable term life policy under which the policy owner is guaranteed, at the end of the term, to be able to renew his or her coverage without evidence of insurability, at a premium rate specified in the policy.

Reinstatement Putting a lapsed policy back in force by producing satisfactory evidence of insurability and paying any past-due premiums required.

Renewable Term/Annual Renewable Term Term insurance that may be renewed for another term without evidence of insurability. Level term usually turns into renewable term with increasing premiums after the level premium period.

Replacement A new policy written to take the place of one currently in force.

Representation Statements made by applicants on their applications for insurance that they represent as being substantially true to the best of their knowledge and belief but that are not warranted as exact in every detail.

Revocable Beneficiary The beneficiary in a life insurance policy in which the owner reserves the right to revoke or change the beneficiary. Most policies are written with a revocable beneficiary.

Rider An attachment to a policy that modifies its conditions by expanding or restricting benefits or excluding certain conditions from coverage.

Risk The chance of injury, damage, or loss.

Risk Selection The method a home office underwriter uses to choose applicants that the insurance company will accept. The underwriter must determine whether risks are standard, substandard or preferred and set the premium rates accordingly.

Secondary Beneficiary An alternate beneficiary designated to receive payment, usually in the event the original beneficiary predeceases the insured.

Single Premium Policy A whole life policy for people who want to buy a policy for a one-time lump sum, and then be covered for the rest of their lives without paying any additional premiums.

Standard Risk Person who, according to a company's underwriting standards, is entitled to insurance protection without extra rating or special restrictions.

Substandard Risk Person who is considered an under-average or impaired insurance risk because of physical condition, family or personal history of disease, occupation, residence in unhealthy climate or dangerous habits.

Term Insurance Protection during limited number of years; expiring without value if the insured survives the stated period, which may be one or more years but usually is five to twenty years, because such periods usually cover the needs for temporary protection.

Term Period for which the policy runs. In life insurance, this is to the end of the term period for term insurance.

Tertiary Beneficiary In life insurance, a beneficiary designated as third in line to receive the proceeds or benefits if the primary and secondary beneficiaries do not survive the insured.

Third-Party Owner A policy owner who is not the prospective insured. The policy owner and the insured may be, and often are the same person. If for example, you apply for and are issued an insurance policy on your life, then you are both the policy owner and the insured and may be known as the policy owner-insured. If, however, your mother applies for and is issued a policy on your life, then she is the policy owner and you are the insured.

Underwriter Company receiving premiums and accepting responsibility for fulfilling the policy contract. Also, company employee who decides whether the company should assume a particular risk; or the agent who sells the policy.

Uninsurable Risk A person who is not acceptable for insurance due to excessive risk.

Universal Life An interest-sensitive life insurance policy that builds cash values. The premium payer has control over how the policy is structured. He has the flexibility to eliminate the premiums (essentially pay up the policy and pay no more premiums) or have the premiums continue for life. It is a matter of juggling three variables: the assumed interest rate, the cash value and the premium payment plan. The policy is interest-sensitive, and if interest rates change from the assumed interest, it will affect the other two variables. In the past, many Universal Life Policies were structured assuming a higher interest rate then was actually received, therefore, most of them have under performed. If you have a Universal Life Policy, you should have it evaluated to see if it needs to have the premiums adjusted to get it back on track. A fourth variable that has not been a factor but could be in the future, and the owner should be aware of, is the Mortality variable. Universal Life policies are usually structured assuming current mortality rates. The insurance companies reserve the right to change those rates.

Variable Life Life insurance under which the benefits relate to the value of assets behind the contract at the time the benefit is paid. The assets fluctuate according to the investment experience of funds managed by the life insurance company. Premium payments may be fixed as to timing and amount (scheduled premium variable life) or subject to change by the policy holder (flexible premium variable life).

Waiver of Premium Rider or provision included in most life insurance policies exempting the insured from paying premiums after he or she has been disabled for a specified period of time, usually six months.

Whole Life Insurance Life insurance that is kept in force for a person's whole life as long as the scheduled premiums are maintained. All Whole Life policies build up cash values. Most Whole Life policies are guaranteed as long as the scheduled premiums are maintained. The variable in a Whole life Policy is the dividend which could vary depending on how well the insurance is doing. If the company is doing well and the policies are not experiencing a higher mortality than projected, premiums are paid back to the policy holder in the form of dividends. Policyholders can use the cash from dividends in many ways. The three main uses are: it can be used to lower or vanish premiums, it can be used to purchase more insurance or it can be used to pay for term insurance.

Yearly Renewable Term (YRT) (See Annually Renewable Term)