Glossary of Terms

Need to know what those insurance words mean? Shopping for insurance? Kevin Dahlke Insurance Brokerage can help. We've compiled a list of terms and their definitions to better help you navigate the sometimes confusing world of insurance

Please understand that specific terms and conditions apply to every insurance policy, and these terms and conditions may limit the coverage available for any given accident or loss - they may even modify the meaning of some of the terms listed here. Insurance GlossaryA - B - C - D - E - F - G - H - I - J
K - L - M - N - O - P - Q - R - S - T - U - V
W - X - Y - Z
AActual Cash Value: The value of property based on the cost of repairing or replacing it with property of the same kind and quality. Typically, actual cash value equals the current replacement cost minus depreciation (age, condition, length of time in use, and obsolescence).
Adjuster: A person who investigates and settles losses for an insurance carrier.
Broker: In insurance, the person authorized to represent the insurer in negotiating, servicing, or effecting insurance policies.
Applicant: A printed form developed by an insurer that includes questions about the prospective insured and the desired insurance coverage and limits.
Assigned Risk: A risk insured through a pool of insurers and assigned to a specific insurer. These risks are generally considered undesirable by underwriters, but due to state law or otherwise, they must be insured.
Auto Collision Coverage: Optional auto insurance which pays for damage to your car caused by collision with another car or object, or by rolling the car over. Frequently required if you have a car loan.
Auto Comprehensive Physical Damage Coverage: Optional auto insurance which pays for damage to your auto caused by things other than collision or rolling the car over, such as fire, theft, vandalism, flood or hail. Frequently required if you have a car loan.
BBinder: A written or oral contract issued temporarily to place insurance in force when it is not possible to issue a new policy or endorse the existing policy immediately. A binder is subject to the premium and all the terms of the policy to be issued.
Broker: A marketing specialist who represents insurance organizations and who deals with either brokers or companies in arranging for the coverage required by the customer.
CCancellation: The discontinuance of an insurance policy before its normal expiration date, either by the insured or the company.
Certificate of Insurance: A statement of coverage issued to an individual insured under a group insurance contract, outlining the insurance benefits and principal provisions applicable to the member
Claim: A person's request for payment from an insurer for a loss covered by the insurance policy.
Collision Insurance: Protection against loss resulting from any damage to the policyholder's car caused by collision with another vehicle or object, or by upset of the insured car, whether it was the insured's fault or not.
Comprehensive Automobile Insurance : Protection against loss resulting from damage to the insured auto, other than loss by collision or upset
Compulsory Auto Liability Insurance Insurance laws in some states required motorists to carry at least certain minimum auto coverage. This is called "compulsory" insurance.
Conditions: The part of your insurance policy that states the obligations of the person insured and those of the insurance company
Contract: A legally enforceable agreement between two or more parties.
DDeclination: The insurer's refusal to insure an individual after careful evaluation of the application for insurance and any other pertinent factors
Deductibles:
The portion of the loss that the policyholder agrees to pay out of pocket, before the insurance company pays the amount they are obligated to cover. For example, if the covered claim is $1000 and your deductible is $250, you pay $250 and your company will pay $750. Deductibles help to keep insurance rates reasonable. Raising the amount of the deductible lowers the cost of insurance. Depreciation: Reduction in the value of property due to age and use.
EEndorsement: Attachment or addendum to an insurance policy; an endorsement changes the contract's original terms.
FGGuaranty Association: Established by each state to support insurers and protect consumers in the case of insurer insolvency, guaranty associations are funded by insurers through assessments.
HIInsurable Interest: Any interest a person has in property that is the subject of insurance, so that damage to this property would cause the insured a financial loss.
Indemnification: Compensation to the victim of a loss, in whole or in part, by payment, repair, or replacement. Indemnity. Legal principle that specifies an insured should not collect more than the actual cash value of a loss but should be restored to approximately the same financial position as existed before the loss.
Insolvent: Having insufficient financial resources (assets) to meet financial obligations (liabilities).
Insurable Risk: The conditions that make a risk insurable are (a) the peril insured against must produce a definite loss not under the control of the insured, (b) there must be a large number of homogeneous exposures subject to the same perils,

(c) the loss must be calculable and the cost of insuring it must be economically feasible, (d) the peril must be unlikely to affect all insured’s simultaneously, and (e) the loss produced by a risk must be definite and have a potential to be financially serious.
Insurance Company: An organization that has been chartered by a governmental entity to transact the business of insurance
Insured: A person or organization covered by an insurance policy, including the "named insured" and any other parties for whom protection is provided under the policy terms.
Insurer: The party to the insurance contract who promises to pay losses or benefits. Also, any corporation engaged primarily in the business of furnishing insurance to the public.
JKKey Employee: Insurance Protection of a business against financial loss caused by the death or disablement of a vital member of the company, usually individuals possessing special managerial or technical skill or expertise. Also called key executive insurance.
LLapse: Termination of a policy due to nonpayment of premiums.
Liability: A legal obligation to compensate a person harmed by one's acts or omissions.
Liability Coverage: Insurance that provides compensation for a harm or wrong to a third party for which an insured is legally obligated to pay.
Loss: The happening of the event for which insurance pays
Loss Expense - Allocated: Handling expenses, such as legal or independent adjuster fees, paid by an insurance company in settling a claim which can be definitely charged to that particular claim.
Loss Expense - Unallocated: Salaries and other expenses incurred in connection with the operation of a claim department of an insurance carrier which cannot be charged to individual claims.
MMedical Payments Coverage: Medical and funeral expense coverage for bodily injuries sustained from or while occupying an insured vehicle, regardless of the insured's negligence.
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.
NNegligence: Failure to use a generally acceptable level of care and caution
No-fault Insurance: A system of compensation enacted by law in many states under which indemnification is made by the insured's own insurance company regardless of who is at fault. Details of this system vary significantly from state to state.
OOffer and Acceptance: The offer may be made by the applicant by 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.
PPeril: The cause of loss or damage.
Personal Injury Protection: First-party no-fault coverage in which an insurer pays, within the specified limits, the wage loss, medical, hospital and funeral expenses of the insured.
Physical Damage: Damage to or loss of the automobile resulting from collision, fire, theft or other perils.
Personal Property Insurance: Protects against the loss of or damage to property other than real property (real estate) caused by specific perils.
Policy: The written forms that make up the insurance contract between an insured and insurer. A policy includes the terms and conditions of the coverage, the perils insured or excluded, etc.
Policy Declarations: The part of the insurance contract that lists basic underwriting information, including the insured's name, address and description of insured locations as well as policy limits.
Policy Limits: The maximum amount an insured may collect or for which an insured is protected, under the terms of the policy.
Policyholder: The person who buys insurance.
Policy Period: The amount of time an insurance contract or policy lasts.
Premium: The price for insurance coverage as described in the insurance policy for a specific period of time.
Proof of Loss: A sworn statement that usually must be furnished by the insured to an insurer before any loss under a policy may be paid.
Property Damage Coverage: An agreement by an insurance carrier to protect an insured against legal liability for damage by an insured automobile to the property of another.
QRRate: The pricing factor upon which the insurance buyer's premium is based.
Rebating: Giving any valuable consideration, usually all or part of the commission, to the prospect or insured as an inducement to buy or renew. Insurance rebating is prohibited by law.
Reimbursement: The payment of an amount of money by an insurance policy for a covered loss.
Reinstatement: The process by which an insurance company puts back in force a policy that has lapsed or has been canceled for nonpayment of premium.
Riders: An addition to an insurance policy that becomes a part of the contract. See Endorsement
Risk: The possibility or chance of loss or injury
SSalvage: Recovery made by an insurance company by the sale of property which has been taken over from the insured as a part of loss settlement.
Settlement: An agreement between a claimant and beneficiary to an insurance policy and the insurance company regarding the amount and method of a claim or benefit payment.

TTheft Limit (or Inside Policy Limits): The highest amount an insurance company will pay on certain items of personal property. For instance, some policies have a $5,000 limit for computers. If an item would cost more than the limit to replace.
UUnderwriter: (a) A company that receives the premiums and accepts responsibility for the fulfillment of the policy contract; (b) the company employee who decides whether or not the company should assume a particular risk; (c) the broker who sells the policy.
Underwriting: The process of reviewing applications for coverage. Applications that are accepted are then classified by the underwriter according to the type and degree of risk
Unilateral: A distinguishing characteristic of an insurance contract in that it is only the insurance company that pledges anything. The policy owner does not even promise to pay premiums; therefore, it is really a one-sided contract favoring the policy owner.
Uninsured (Underinsured) Motorist Coverage: A form of insurance that pays the policy holder and passengers in his/her car for bodily injury caused by the owner or operator of an uninsured or inadequately insured automobile.
Uninsurable Risk: One not acceptable for insurance due to excessive risk.
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