

Insurance Glossary

Accident

An accident is an unforeseen event or occurrence causing damage or injury to a person

Age Limit

It is the stipulated minimum and maximum ages below and above which the company will not accept applications or may not renew insurance policies.

Agent

An insurance company representative who sells and services life insurance contracts for the insurer; He is an intermediary between the insurer and the policyholder

Annuity Plan

An insurance contract that provides for an income for a specified period of time, such as a number of years or for life

Application/Proposal Form

This is to be filled by the insurance company's agent and sometimes a medical examiner including information given by the proposer. In addition, it has to be signed by the proposer. It is one of the primary steps to get an insurance policy.

Assignment

An assignment is a legal transfer where a policyholder can transfer his interest to another. It can be made by an endorsement on the policy document or by a separate deed. Assignment can be either Conditional or Absolute.

Beneficiary

The beneficiary is the person or entity, named in the policy as the recipient of the life insurance benefit in the event of policyholder's death.

Coverage

The amount of protection that the policyholder will receive based on the terms of the policy.

Exclusions

These are stipulated in a policy as what will not fall under the insurance policy and hence will not provide benefit to the insured or beneficiaries.

Fiduciary

A fiduciary is a person who has been legally trusted by a beneficiary. For example, if a beneficiary legally documents that someone will act on his behalf when required.

Grace Period

Policy holders are expected to pay their premium on time. However, a certain additional period is given to the insured. During this additional period, or grace period, the policyholder is allowed to pay the premium without any interest. Therefore it is a specified period after a premium payment is due, in which the policyholder may make such payment, and during which the protection cover of the policy normally continues.

Insurable Interest

This means that the insured, or the beneficiary who receives the policy benefits, must necessarily suffer an emotional or financial loss if an unforeseen or untouching event occurs. Without insurable interest an insurance contract stands invalid.

Insurability

Insurability means all conditions that affect the health, susceptibility to injury and life expectancy of an insured.

Insurance

It is to indemnify the insured, or beneficiary on the death of the insured, as protection against unforeseen circumstances. (A system under which individuals, businesses, and other entities, in exchange for a monetary payment (a premium), are guaranteed compensation for losses resulting from certain perils under specified conditions.)

Insured

The insured is the person who is covered in the insurance policy.

Lapsed Policy

A policy which has been terminated for non-payment of premiums. A policy lapses usually when the premium due is not paid even after the grace period.

Maturity Date

The maturity date is the date when the amount paid towards the life insurance policy is given to the policy holder once the term of the policy ends.

Maturity Claim

The amount given to the insured at the end of the maturity period is called the maturity claim.

Moral Hazard

An insurance policy is based on the need for insurance, the health and personal habits of the insured, the insured's standard of living and income. The moral hazard is the decision of the insurance company to accept the risk and issue a policy after taking the factors mentioned above into consideration.

Nomination

This is when the policy holder or insured officially authorises another person to receive any monetary benefits of the policy. The authorised person is the Nominee.

Premium

The amount paid by the insured, either in lump sum or in periodic amounts, to the insurance company under the life insurance policy.

Reinstatement

Reinstatement of a policy is the act of putting a lapsed policy back into force, after the grace period has expired. The company may require evidence of insurability and will always require the insured to pay the total amount of overdue past premiums.

Surrender Value

The surrender value is the amount paid to an insured who wishes to terminate the policy before its maturity date.

Vesting Age

The age at which the insured starts receiving a pension from the insurance company in an insurance-cum-pension policy.

NOTE: The above definitions are only explanatory in nature. If any of the above terms have been defined in the policy contract, then the policyholder should consider the definition as specified