

# Glossary of Common Insurance Terms

**NOTICE:** This document is for informational purposes only and is not intended to alter or replace the insurance policy. Additionally, this informational sheet is not intended to fully set out your rights and obligations or the rights and obligations of the insurance company. If you have questions about your insurance, you should consult your insurance agent, the insurance company, or the language of the insurance policy.

## A

**Accelerated death benefits** - An insurance policy with an accelerated death benefits provision will pay - under certain conditions - all or part of the policy death benefits while the policyholder is still alive. These conditions include proof that the policyholder is terminally ill, has a specified life-threatening disease or is in a long-term care facility such as a nursing home. By accepting an accelerated benefit payment, a person could be ruled ineligible for Medicaid or other government benefits. The proceeds may also be taxable.

**Accident** - An unforeseen, unintended event.

**Accident-only policies** - Policies that pay only in cases arising from an accident or injury.

**Accidental death benefits** - If a life insurance policy includes an accidental death benefit, the cause of death will be examined to determine whether the insured's death meets the policy's definition of accidental.

**Actual cash value (ACV)** - The value of your property, based on the current cost to replace it minus depreciation. Also see "replacement cost."

**Additional living expenses (ALE)** - Reimburses the policyholder for the cost of temporary housing, food, and other essential living expenses, if the home is damaged by a covered peril that makes the home temporarily uninhabitable.

**Adjuster** - An individual employed by an insurer to evaluate losses and settle policyholder claims.

**Administrative expense charge** - An amount deducted, usually monthly, from the policy.

**Agent** - A person who sells insurance policies. Must be licensed by the Alabama Department of Insurance to legally sell and transact insurance business.

**Annuitant** - A person who receives the payments from an annuity during his or her lifetime.

**Annuity** - A contract in which the buyer deposits money with a life insurance company for investment. The contract provides for specific payments to be made at regular intervals for a fixed period or for life.

**Annuity certain** - An annuity that provides a benefit amount payable for a specified period of time regardless of whether the annuitant lives or dies.

**Annuity period** - The time span between the benefit payments made under an annuity contract.

**Application** - A form to be filled out with personal information that an insurance company will use to decide whether to issue a policy and how much to charge.

**Appraisal** - An evaluation of a home insurance property claim by an authorized person to determine property value or damaged property value. Many policies provide an "appraisal" process to resolve claim disputes. In this process, you and the insurance company hire separate damage appraisers. The two appraisers choose a third appraiser to act as an "umpire." The appraisers then review your claim, and the umpire rules on any disagreements. The umpire's decision is binding on you and the insurance company, but only for the loss amount. If there is a dispute over what is covered, you can still pursue a settlement of the coverage issue after the appraisal takes place. You are required to pay for your appraiser and half of the umpire's costs.

**Assignment** - The transfer of all or part of a policy owner's legal title and rights to a policy to another person. It is possible to change this type of transfer at a later date.

## B

**Beneficiary** - The person, people, or entity designated to receive the death benefits from a life insurance policy or annuity contract.

**Binder** - A temporary insurance contract that provides proof of coverage until a permanent policy is issued.

**Bodily injury (BI)** - Physical injury to a person, including death.

## C

**Cancellation** - Termination of an insurance policy by the company or insured before the renewal date.

**Carrier** - A company that provides insurance coverage.

**Cash surrender option** - Nonforfeiture option that specifies the policy owner can cancel the coverage and receive the entire net cash value in a lump sum.

**Cash value** - The amount of money the life insurance policy owner will receive as a refund if the policy owner cancels the coverage and returns the policy to the company. Also called "cash surrender value."

**Certificates of coverage** - Printed material showing members of a group health benefit plan the benefits provided by the group master policy.

**Churning** - This can occur when an agent persuades a consumer to borrow against an existing life insurance policy to pay the premium on a new one.

**Claim** - A policyholder's request for reimbursement from an insurance company under a home insurance policy for a loss to property.

**Claimant** - A person who makes an insurance claim.

**Coinsurance** - The percentage of each health care bill a person must pay out of their own pocket. Non-covered charges and deductibles are in addition to this amount.

**Coinsurance maximum** - The most you will have to pay in coinsurance during a policy period (usually a year) before your health plan begins paying 100 percent of the cost of your covered health services. The coinsurance maximum generally does not apply to copayments or other expenses you might be required to pay.

**Collision coverage** - Pays for damage to a car without regard to who caused an accident. The company must pay for the repair or up to the actual cash value of the vehicle, minus the deductible.

**Company profile** - A summary of information about an insurance company, including its license status, financial data, complaint history, and a history of regulatory action.

**Complaint** - Communication primarily expressing a grievance against an entity or individual licensed by the Alabama Department of Insurance.

**Complaint history** - Information collected or maintained relating to the number of complaints received against an entity regulated by the Alabama Department of Insurance.

**Comprehensive coverage (physical damage other than collision)** - Pays for damage to or loss of your automobile from causes other than accidents. These include hail, vandalism, flood, fire, and theft.

**Conditional receipt** - A premium receipt given to an applicant that makes a life and health insurance policy effective only if or when a specified condition is met.

**Contestable period** - A period of up to two years during which a life insurance company may deny payment of a claim because of suicide or a material misrepresentation on an application.

**Contingent beneficiary** - Another party or parties who will receive the life insurance proceeds if the primary beneficiary should predecease the person whose life is insured.

**Contract** - In most cases, an insurance policy. A policy is considered to be a contract between the insurance company and the policyholder.

**Conversion privilege** - The right to change (convert) insurance coverage from one type of policy to another. For example, the right to change from an individual term insurance policy to an individual whole life insurance policy.

**Copayment** - The amount you must pay out of your own pocket when you receive medical care or a prescription drug. Copayments usually refer to set fees that HMOs charge to access health care services, but they also may apply to a PPO insurance contract.

**Coordination of benefits** - A group plan provision that stipulates the primary carrier when you have more than one health plan. This ensures that payments made by the carriers do not exceed the cost of the services provided.

**Credit life insurance** - This is a special type of coverage usually designed to pay off a loan or charge account balance if the policyholder dies. Some lenders or sellers may require credit life insurance before they will approve a loan. If credit life is required, the lender or seller cannot require the policyholder to purchase it from them or a particular insurance company.

## D

**Death benefit** - Amount paid to the beneficiary upon the death of the insured.

**Declarations page** - The page in a policy that shows the name and address of the insurer, the period of time a policy is in force, the amount of the premium, and the amount of coverage.

**Deductible** - The amount the insured must pay in a loss before any payment is due from the company.

**Deferred annuity** - An annuity under which the annuity payment period is scheduled to begin at some future date.

**Depreciation** - Decrease in the value of property over time due to use or wear and tear.

**Disability benefits** - Insurance company coverage that pays for lost wages when you are unable to work because of an illness or injury.

**Dread disease policies** - Policies that pay only if you contract the illness specified in the policy. (Also called specified disease policies.)

## **E**

**Earned premium** - The portion of a policy premium that has been used to actually buy coverage, or that the insurance company has "earned." For instance, if a policyholder has a six-month policy that was paid for in advance, two months into the policy, there would be two months of earned premium. The remaining four months of premium is "unearned premium."

**Effective date** - The date on which an insurance policy becomes effective.

**Eligible employee** - An employee who meets the eligibility requirements for coverage in a group plan.

**Emergency care** - Health care services provided in a hospital emergency facility or comparable facility to evaluate and stabilize sudden and severe medical conditions.

**Endorsement** - A written agreement attached to a policy expanding or limiting the benefits otherwise payable under the policy. Also called a "rider."

**ERISA plan** - Health plans created under the Employee Retirement and Income Security Act (ERISA) of 1974. These plans are self-funded, which means that claims are paid strictly from employer contributions and employee premiums. ERISA plans are administered by the U.S. Department of Labor. (Also known as a self-funded plan.)

**Escrow** - Money placed in the hands of a third party until specified conditions are met.

**Evidence of insurability** - To qualify for a particular policy at a particular price, companies have the right to ask for information about health and lifestyle. An insurance company will use this information - the evidence of insurability - in deciding if your application for insurance is acceptable and at what premium rate.

**Exclusions or limitations** - Provisions that exclude or limit coverage of certain named diseases, medical conditions, or services, as well as some sicknesses or accidents that occur under specified circumstances.

**Expiration date** - The date on which an insurance policy expires.

**Extended term insurance option** - A policy provision that provides the option of continuing the existing amount of insurance as term insurance for as long a period of time as the contract's cash value will purchase.

## F

**Face value** - The initial amount of death benefit provided by the policy as shown on the face page of the contract. The actual death benefit may be higher or lower depending on the options selected, outstanding policy loans, or premium owed.

**Fee for service** - A health plan that allows you to go to any physician or provider you choose, but requires that you pay for the services yourself and file claims for reimbursement. (Also known as an indemnity plan.)

**First-party claim** - A claim filed by an insured against his or her own insurance policy.

**Free examination period** - Also known as "10-day free look" or "free look," it is the time period after a life insurance policy or an annuity is delivered during which the policy owner may review it and return it to the company for a full refund of the initial premium. Variable life policies are required to include a "free-look" provision. For other coverage, it is at the company's option.

## G

**Gap insurance** - Insurance that pays the difference between the actual cash value of a vehicle and the amount still to be paid on the loan. Some gap policies may also cover the amount of the deductible.

**Grace period(s)** - The time - usually 31 days - during which a policy remains in force after the premium is due but not paid. The policy lapses as of the day the premium was originally due unless the premium is paid before the end of the 31 days or the insured dies.

**Grievance procedure** - The required appeal process for you to protest a decision regarding medical necessity or claim payment. Insurance companies also may have grievance procedures.

**Group life insurance** - This type of life insurance provides coverage to a group of people under one contract. Most group contracts are sold to businesses that want to provide life insurance for their employees. Group life insurance can also be sold to associations to cover their members and to lending institutions to cover the amounts of their debtor loans. Most group policies are for term insurance. Generally, the business will be issued a master policy and each person in the group will receive a certificate of insurance.

**Group of companies** - Several insurance companies under common ownership and often common management.

**Guaranteed renewable** - Policies that may not be non-renewed or canceled, except in certain cases. An insurer may cancel a guaranteed renewable policy for failure to pay premiums, fraud, or intentional material misrepresentation. It also may cancel your policy if the company formally leaves the individual or group health market.

## H

**Health benefit plan** - In most cases, health care services provided to employees by an employer. It can be an indemnity plan or an HMO plan.

**Health care reimbursement accounts** - Although not an insurance benefit, these accounts allow you to set aside pre-tax dollars to pay for medical care or medical costs not covered by your regular health benefit plan.

**Health maintenance organization (HMO)** - Managed care plans that provide health care services to their members through networks of doctors, hospitals, and other health care providers. HMOs are popular alternatives to traditional health care plans offered by insurance companies because they cover a wide variety of services, usually at a lower cost.

**Hospital confinement policies** - Policies that pay a fixed amount each day you are in the hospital.

**Hospital-surgical policies** - Insurance policies that cover hospital and surgical services.

## I

**Incontestability** - A provision that places a time limit - up to two years - on a life insurance company's right to deny payment of a claim because of suicide or a material misrepresentation on your application.

**Indemnity plan** - A health plan that allows you to go to any physician or provider you choose, but requires that you pay for the services yourself and file claims for reimbursement. (Also known as fee-for-service.)

**Independent adjuster** - A person who charges a fee to an insurance company to adjust the company's claim.

**Indexed life insurance** - A whole life plan of insurance that provides for the face amount of the policy and, correspondingly, the premium rate, to automatically increase every year based on an increase in the Consumer Price Index (CPI) or another index as defined in the policy.

**Inflation protection** - Automatically adjusts home insurance policy limits to account for increases in the costs to repair or rebuild a property.

**Inpatient medical care** - Medical and surgical care usually received in a hospital or skilled nursing home environment.

**Insurable interest** - Any financial interest a person has in the property or person insured. In life insurance, a person's or party's interest - financial or emotional - in the continuing life of the insured.

**Insured** - The person or organization covered by an insurance policy.

**Insurer** - The insurance company.

**Irrevocable beneficiary** - A named beneficiary whose rights to life insurance policy proceeds are vested and whose rights cannot be canceled by the policy owner unless the beneficiary consents.

## J

**Justified complaint** - A complaint that exposes an apparent violation of a policy provision, contract provision, rule, or statute; or which indicates a practice or service that a prudent layperson would regard as below customary business or medical standards.

## K

## L

**Lapse** - The termination of an insurance policy because a renewal premium is not paid by the end of the grace period.

**Liability** - Responsibility to another for one's negligence that results in injury or damage.

**Liability insurance** - An auto insurance coverage that pays for injuries to the other party and damages to the other vehicle resulting from an accident the policyholder caused. It also pays if the accident was caused by someone covered by the policyholder's policy, including a driver operating the car with their permission.

**Liability limits** - The maximum amount your liability policy will pay.

**Liability coverage** - Covers losses that an insured is legally liable. For homeowners insurance, for example, liability coverage protects the policyholder against financial loss if they are sued and found legally responsible for someone else's injury or property damage.

**Lifetime maximum** - The total dollar amount a health care plan will pay over a policyholder's lifetime.

**Long-term care benefits** - Coverage that provides help for people when they are unable to care for themselves because of prolonged illness or disability. Benefits are triggered by specific findings of "cognitive impairment" or inability to perform certain actions known as "Activities of Daily Living." Benefits can range from help with daily activities while recuperating at home to skilled nursing care provided in a nursing home.



**Loss** - The amount an insurance company pays on a claim.

**Loss of use** - A provision in homeowners and renters insurance policies that reimburses policyholders for the additional costs (housing, food, and other essentials) of having to live elsewhere while the home is being restored following a disaster.

**Loss history** - Refers to the number of insurance claims previously filed by a policyholder. A company will consider loss history when underwriting a new policy or considering a renewal of an existing policy. Companies view loss history as an indication of the likelihood that an insured will file a claim in the future.

## M

**Major medical policies** - Health care policies that usually cover both hospital stays and physicians' services in and out of the hospital.

**Managed health care** - A system that organizes physicians, hospitals, and other health care providers into networks with the goal of lowering costs while still providing appropriate medical services. Many managed care systems focus on preventive care and case management to avoid treating more costly illnesses.

**Mandated benefits** - Health care benefits that state or federal law says must be included in health care plans.

**Mandated offerings** - Health care benefits that must be offered to the employer or organization sponsoring a group policy. The sponsor is not required to include the benefits in its group plan.

**Market value** - The current value of your home, including the price of land.

**Material misrepresentation** - A significant misstatement on an application form. If a company had access to the correct information at the time of application, the company might not have agreed to accept the application.

**Maximum out-of-pocket expense** - The maximum amount someone covered under a health care plan must pay during a certain period for expenses covered by the plan. Until the maximum is reached, the person covered is required to pay a copayment or a percentage on each claim.

**Medical payments** – Optional auto insurance coverage which has an additional premium; it pays limited medical expenses if the policyholder, a family member, or a passenger in the car is injured or killed in a motor vehicle accident.

**Medically necessary care** - Health care that results from illness or injury or is otherwise authorized by the health care plan. This term can be defined differently from one health care plan to another.

**Mortality charge** - The cost of the insurance protection element of a universal life policy. This cost is based on the net amount at risk under the policy, the insured's risk classification at the time of policy purchase, and the insured's current age.

**Mortality expenses** - The cost of the insurance protection based upon actuarial tables which are based upon the incidence of death, by age, among given groups of people. This cost is based on the amount at risk under the policy, the insured's risk classification at the time of policy purchase, and the insured's current age.

**Multiple employer plans** - Benefit plans that serve employees of more than one employer and are set up under terms of a collective bargaining agreement.

**Multiple Employer Welfare Arrangements (MEWAs)** - In general, employee association plans (not set up under a collective bargaining agreement) that provide benefits to employees of more than one employer.

## N

**Named driver exclusion** - An endorsement to an auto insurance policy that provides that a policy does not cover accidents when a specifically named person is the driver.

**Named driver policy** - An auto insurance policy that doesn't provide coverage for an individual residing in a named insured's household specifically unless the individual is named on the policy. The term includes an auto insurance policy that has been endorsed to provide coverage only for drivers specifically named on the policy.

**Network** - All physicians, specialists, hospitals, and other providers who have agreed to provide medical care to HMO members under terms of the contract with the HMO. Insurance contracts with preferred provider benefits also use networks.

**Non-network providers** - Health care providers and treatment facilities not under contract with the HMO or those that do not have an insurance PPO contract.

**Non-owners policy** - Auto insurance coverage that offers liability, uninsured motorist, and medical payments to a named insured who does not own a vehicle.

**Nonparticipating policy** - A life insurance policy that does not grant the policy owner the right to policy dividends.

**Non-renewal** - A decision by an insurance company not to renew a policy.

## O

**Out-of-network services** - Health care services from providers not in an HMO's or a PPO's network. Except in certain situations, HMOs will only pay for care received from within its network. If you're in a PPO plan, you will have to pay more to receive services outside the PPO's network.

**Out-of-pocket maximum** - The most you will have to pay during a policy period (usually a year) before you no longer have to pay your share of coinsurance for covered health services. Once you've reached your out-of-pocket maximum, your health plan generally pays 100 percent of your health care costs, up to your policy's coverage limit. You are still responsible for paying your premium. Depending on your plan, you also may have to continue paying copayments and some other expenses.

**Outpatient services** - Services usually provided in clinics, physician or provider offices, hospital-based outpatient departments, home health services, ambulatory surgical centers, hospices, and kidney dialysis centers.

## P

**Paid-up** - This event occurs when a life insurance policy will not require any further premiums to keep the coverage in force.

**Paid-up additions** - Additional amounts of life insurance purchased using dividends; these insurance amounts require no further premium payments.

**Peril** - A specific risk or cause of loss covered by a property insurance policy, such as a fire, windstorm, flood, or theft. A named-peril policy covers the policyholder only for the risks named in the policy. An all-risk policy covers all causes of loss except those specifically excluded.

**Personal property** - All tangible property (other than land) that is either temporary or movable in some way, such as furniture, jewelry, electronics, etc.

**Policy** - The contract issued by the insurance company to the insured.

**Policy loan** - An advance made by a life insurance company to a policy owner. The advance is secured by the cash value of the policy.

**Policy owner** - The person or party who owns an individual insurance policy. This person may be the insured, the beneficiary, or another person. The policy owner usually is the one who pays the premium and is the only person who may make changes to a policy.

**Policy period** - The period a policy is in force, from the beginning or effective date to the expiration date.

**Precertification** - A requirement that the health care plan must approve, in advance, certain medical procedures. Precertification means the procedure is approved as medically necessary, not approved for payment.

**Pre-existing condition** - A medical problem or illness you had before applying for health care coverage.

**Preferred provider organization (PPO)** - A type of plan in which physicians, hospitals, and other providers agree to discount rates for an insurance company. These providers are part of the PPO's network. Insurance contracts with PPO provisions reimburse at a higher percentage if you use providers in the network. If you go to providers outside the PPO's network, you will have to pay more for your care.

**Premium** - The amount paid by an insured to an insurance company to obtain or maintain an insurance policy.

**Premium load** - An amount deducted from each life insurance premium payment, which reduces the amount credited to the policy.

**Preventive care** - Health care services such as routine physical examinations and immunizations that are intended to prevent illnesses before they occur.

**Primary care physician** - The physician selected by the insured to serve as their primary doctor.

**Property damage (PD)** - Physical damage to property.

**Provider** - A hospital, pharmacist, registered nurse, organization, institution, or person licensed to provide health care services. A physician also may be referred to as a provider. The term provider is often used collectively to refer to individual or facilities who provide health services.

**Provider network** - All the doctors, specialists, hospitals, and other providers who agree to provide medical care to HMO or PPO members under terms of a contract with the HMO or insurance company.

## Q

## R

**Rated policy** - A policy issued at a higher premium to cover a person classified as a greater-than-average risk, usually due to impaired health or a dangerous occupation.

**Refund** - An amount of money returned to the policyholder for overpayment of premium or if the policyholder is due unearned premium.

**Reinstatement** - The process by which a life insurance company puts a policy back in force after it lapsed because of nonpayment of renewal premiums.

**Renewal** - Continuation of a policy after its expiration date.

**Rental reimbursement coverage** - Auto insurance coverage that pays a set daily amount for a rental car if the policyholder's car is being repaired because of damage covered by the auto policy.

**Renters insurance** - A form of property insurance that covers a policyholder's belongings against perils. It also provides personal liability coverage and additional living expenses. Possessions can be covered for their replacement cost or the actual cash value, which includes depreciation.

**Replacement cost** - Insurance coverage that pays the dollar amount needed to replace the structure or damaged personal property without deducting for depreciation but limited by the policy's maximum dollar amount.

**Rescission** - The termination of an insurance contract by the insurer when material misrepresentation has occurred.

**Return premium** - A portion of the premium returned to a policy owner as a result of cancellation, rate adjustment, or a calculation that an advance premium was in excess of the actual premium.

**Rider** - A written agreement attached to the policy expanding or limiting the benefits otherwise payable under the policy. Also called an "endorsement."

## S

**Self-funded plans** - Plans funded strictly from employer contributions and employee premiums. These plans are authorized by the federal Employee Retirement and Income Security Act (ERISA) of 1974 and are regulated by the U.S. Department of Labor. State regulation of these plans is limited. Although an insurance company may be hired to administer the plan, the insurance company assumes no risk. (Also known as ERISA plans.)

**Service area** - The counties, or portions of counties, where an HMO or PPO provides coverage.

**Single interest insurance** - Insurance coverage for only one of the parties having an insurable interest in that property. For instance, if a policyholder still owes money on their mortgage and they do not have homeowners insurance, the lender may take out a single interest insurance policy to protect its own interest in the property. Single interest insurance protects only the policy owner, not the homeowner. Often referred to as "forced placed coverage".

**Single-premium whole life policy** - A type of limited-payment policy that requires only one premium payment.

**Skilled nursing care** - Care needed after a serious illness. It is available 24 hours a day from skilled medical personnel such as registered nurses or professional therapists. A doctor orders skilled nursing care as part of a treatment plan.

**Specified disease policies** - Policies that pay only if you contract the illness specified in the policy. (Also called dread disease policies.)

**Specified medical limitations** - A dollar limit placed on treatment of certain medical conditions or types of treatment.

**Staff adjuster** - Employee of the insurance company's claims department.

**Subrogation** - Assignment of rights of recovery from insured.

**Suicide clause** - Life insurance policy wording which specifies that the proceeds of the policy will not be paid if the insured takes his or her own life within a specified period of time after the policy's date of issue.

**Surcharge** - An extra charge added to a premium by an insurance company. For automobile insurance, a surcharge is usually added if a policyholder has at-fault accidents.

**Surplus lines** - For high risk or special insurance coverage needs.

**Surrender charges** - Charges that are deducted if a life insurance policy or annuity is cashed in (surrendered). These charges also are deducted if the policyholder borrows money on the policy or if the policy lapses for non-payment.

## T

**Third-party administrator (TPA)** - An organization that performs managerial and clerical functions related to an employee benefit insurance plan by an individual or committee that is not an original party to the benefit plan.

**Third-party claim** - A claim filed against another person's insurance policy.

**Towing and labor coverage** - Auto insurance coverage that pays for towing charges when a car can't be driven. Also pays labor charges, such as changing a flat tire, at the place where the car broke down.

## U

**Underwriter** - The person who reviews an application for insurance and decides if the applicant is acceptable and at what premium rate.

**Underwriting** - The process an insurance company uses to decide whether to accept or reject an application for a policy.

**Unearned premium** - The amount of a pre-paid premium that has not yet been used to buy coverage. For instance, if a policyholder paid in advance for a six-month premium, but then cancel the policy after two months, the company must refund the remaining four months of "unearned" premium.

**Uninsured/underinsured motorist (UM/UIM) coverage** - Optional auto insurance coverage which has an additional premium. This coverage pays for the policyholder's bodily injuries when the other motorist does not have liability insurance or carries insufficient coverage.

**Universal life insurance** - The key characteristic of universal life insurance is flexibility. Within limits, a policyholder can choose the amount of insurance and the premium they want to pay. The policy will stay in force as long as the policy value is sufficient to pay the costs and expenses of the policy. The policy value is "interest-sensitive," which means that it varies in accordance with the general financial climate. Lowering the death benefit and raising the premium will increase the growth rate of your policy. The opposite also is true. Raising the death benefit and lowering the premium will slow the growth of your policy. If insufficient premiums are paid, the policy could lapse without value before the maturity date is reached. (The maturity date is the time your policy ceases and cash surrender value would be payable if the policyholder is still living.) Therefore, it is the policyholder's responsibility to consistently pay a premium that is high enough to ensure that the policy's value will be adequate to pay the monthly cost of the policy. The company is required to send an annual report and also to notify the policyholder if they are in danger of losing their policy due to insufficient value.

**Usual and customary** - The charge for medical services that refers to the amount approved by the carrier for payment. These charges may be based on rates usually charged by physicians and providers in your area; rate averages compiled by independent rating services; or rate averages compiled by the insurance company.

**Utilization review** - The review process aimed at helping HMOs and insurance companies reduce health care costs by avoiding unnecessary care. The review includes evaluating requests for medical treatment and determining, on a case-by-case basis, whether that treatment is necessary.

## V

**Variable annuity** - A form of annuity policy under which the amount of each benefit payment is not guaranteed and specified in the policy, but which instead fluctuates according to the earnings of a separate account fund.

**Variable life insurance** - A type of whole life policy in which the death benefit and the cash value fluctuate according to the investment performance of a separate account fund that the policyholder selects. Because the investment account is regulated by the Securities and Exchange Commission, the policyholder must be presented with a prospectus before they purchase a variable life policy.

**Viatical settlement agreements** - Viatical settlements involve the sale of an existing life insurance policy by a viator (person with a life threatening or terminal illness) to a viatical settlement company in return for a cash payment that is a percentage of the policy's death benefit.

## W

**Whole life insurance** - Whole life insurance policies are one type of cash value insurance. Whole life policies offer protection through a lifetime - that is, for a person's "whole life." From the day a person buys the policy, they pay a scheduled premium. The scheduled premium may be level or may increase after a fixed time period, but it will not change from the amount(s) shown in the policy schedule. It is important to look at the policy schedule to understand what the premium payments will be and that they are affordable over time. This premium is based on age at the time of purchase. Initially, it will be higher than the premium paid for a term policy, but they are likely to decrease over time if the policy is kept for a long time. Part of each premium payment will go to cash value growth, part for the death benefit and part for expenses (such as commissions and administrative costs). There is no need to renew whole life policies. As long as the premium is paid when due, coverage will continue in force.

## X

## Y

## Z