

National Insurance Company Ltd

Assistants / Clerks Exam Study Materials

Insurance Terminology



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Acceptance

The act of assuming risks by the insurer when the proposer has complied with all requirements.

Accident

An event or occurrence causing damage/injury to an entity, and is unforeseen and unintended.

Accident Benefit

Provides for payment of an additional benefit equal to the sum assured in instalments on permanent total disability and waiver of subsequent premiums payable under the policy.

Advance Deposit

The amount paid with the proposal equal to the first premium is called an advance deposit till the acceptance of risk by the insurer.

Age Limits

Stipulated minimum and maximum ages below and above which the company will not accept applications or may not renew policies.

Agent

An insurance company representative licensed by the state who solicits, negotiates or effects contracts of insurance, and provides service to the policyholder for the insurer.

Annuity Plans

These plans provide for a "pension" (or a mix of a lumpsum amount and a pension) to be paid to the policy holder or his spouse. In the event of death of both of them during the policy period, a lump sum amount is provided for the next of kin.

Application Form

Supplied by the insurance company, usually filled in by the agent and medical examiner (if applicable) on the basis of information received from the applicant. It is signed by the applicant and is part of the insurance policy if it is issued.

Assignment

Assignment means legal transference. A method by which the policy holder can person on his interest to another person. An assignment can be made by an endorsement on the policy document or as a separate deed. Assignment can be of two types

- Conditional
- absolute

Beneficiary

The person(s) or entity(ies) (e.g. corporation, trust, etc.) named in the policy as the recipient of insurance proceeds upon the death of the insured.

Business Insurance

A policy which primarily provides coverage of benefits to a business as contrasted to an individual. It is issued to indemnify a business for the loss of services of a key employee or a partner who becomes disabled.

Cancelable

A contract of health insurance that may be cancelled during the policy term by the insurer or insured.

Coinurance

1) A provision under which an insured who carries less than the stipulated percentage of insurance to value, will receive a loss payment that is limited to the same ratio which the amount of insurance bears to the amount required;

2) a policy provision frequently found in medical insurance, by which the insured person and the insurer share the covered losses under a policy in a specified ratio, i.e., 80 per cent by the insurer and 20 per cent by the insured.

Convertible Whole Life Policy

A mix of "whole life policy" and "endowment policy", it provides for very low insurance premiums with maximum risk cover while the life assured is just beginning his working career, and the possibility of converting the policy to an "endowment" policy after five years of commencement.

Coverage

The scope of protection provided under a contract of insurance; any of several risks covered by a policy.

Days Of Grace

Policy holders are expected to pay premium on due dates. a period of 15-30 days is allowed as grace to make payment of premium; such period is days of grace.

Deferment Period

Period between the date of subscription to an insurance-cum-pension policy and the time at which the first installment of pension is received. Such policies generally prescribe a minimum and maximum limit on the deferment period.

Depreciation

A decrease in the value of property over a period of time due to wear and tear or obsolescence. Depreciation is used to determine the actual cash value of property at time of loss.

Double/Triple Cover Plans

These offer to the beneficiaries double/triple the sum assured on death of life assured during the term of the policy. On survival to the date of maturity, the basic sum assured is paid to the assured. These are low-premium plans, most useful for situations such as housing.

Embezzlement

Fraudulent use or taking of another's property or money which has been entrusted to one's care.

Endowment Policy

The assured has to pay an annual premium which is determined on the basis of the assured's age at entry and the term of the policy. The insured amount is payable either at the end of specified number of years or upon the death of the insured person, whichever is earlier.

Excess And Surplus Insurance

- 1) Insurance to cover losses above a certain amount, with losses below that amount usually covered by a regular policy.
- (2) Insurance to cover an unusual or one-time risk, e.g., damage to a musician's hands or the multiple perils of a convention, for which coverage is unavailable in the normal market.

Exclusions

Specific conditions or circumstances for which the policy will not provide benefits.

Facultative Reinsurance

A type of reinsurance in which the reinsurer can accept or reject any risk presented by an insurance company seeking reinsurance.

Family Insurance.

A life insurance policy providing insurance on all or several family members in one contract, generally whole life insurance on the principal breadwinner and small amounts of term insurance on the other spouse and children, including those born after the policy is issued

Fiduciary

A person who holds something in trust for another.

Fire Insurance

Coverage for losses caused by fire and lightning, plus resultant damage caused by smoke and water. Flood insurance Coverage against loss resulting from the flood peril, available at low cost under a programme developed by the Central government.

Franchise Insurance

A form of insurance in which individual policies are issued to the employees of a common employer or the members of an association under an arrangement by which the employer or association agrees to collect the premium and remit them to the insurer.

Guaranteed Insurance Sum (GIS)

A lump sum purchase price is given to purchase future pensions under the Jeevan Akshay Plan of Life Insurance Corporation of India. This amount is referred to as GIS. The monthly pension that is payable one month after payment of first premium is calculated on the basis of the age at entry.

Gross Insurance Value Element (GIVE)

The amount payable on the deferred date under Jeevan Dhara Life of Life Insurance Corporation of India. An annuity of 1% of the GIVE is payable per month after the deferment period. And the entire GIVE is payable on death after deferment period.

Group Life Insurance

Life insurance usually without medical examination, on a group of people under a master policy. It is typically issued to an employer for the benefit of employees, or to members of an association, for example a professional membership group. The individual members of the group hold certificates as evidence of their insurance.

Guaranteed Policies

These are policies where the payment stays fixed.

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.

Insurable Interest

A condition in which the person applying for insurance and the person who is to receive the policy benefit will suffer an emotional or financial loss, if any untouching event occurs. Without insurable interest, an insurance contract is invalid.

Insurability

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

Insurance

Social device for minimizing risk of uncertainty regarding loss by spreading the risk over a large enough number of similar exposures to predict the individual chance of loss.

Insured

The person whose life is covered by a policy of insurance.

Joint Life Endowment Assurance Plans

The sum assured (plus any accrued bonuses) under this type of policy is payable on the end of the endowment term or on the first death of the two lives assured, whichever is earlier. Typically (though not a necessity) taken out by a couple, a variation is available for couples only. In this case, the sum assured will be payable on first death and then again on the second death (along with all vested bonuses) if both deaths occur during the term of the policy. If one or both lives survive to the maturity date, the sum assured along with all vested bonuses will be payable on maturity date. Premiums during this plan cease on the first death or the expiry of the selected term, whichever is earlier. Another variation provides for annuity to both/surviving spouse, or a lump sum amount to the legal heirs.

Keyman Insurance Policy

A life insurance policy taken by a person on the life of another person who is or was his employee/connected to his business in any manner whatsoever.

Lapsed Policy

A policy which has terminated and is no longer in force due to non-payment of the premium due

Limited Payment Life Policy

Premiums need to be paid only for a certain number of years or until death if it occurs within this period. Proceeds of the policy are granted to the beneficiaries whenever death of the policy holder occurs. Again, this policy can also be of the "with profits " or "without profits" type.

Loyalty Additions

The loyalty addition is given upon the maturity of the policy, and not before. It's a small percentage of the sum assured. Broadly speaking, loyalty addition is the difference between the performance, of the insurance company and the guaranteed additions. It is LICs effort to further share its surplus after valuation with the policy holders, as LIC is a non-profit organization.

Life Assured

The person whose life is insured by an individual life policy is called life assured.

Maturity

The date upon which the face amount of a life insurance policy , if not previously invoked due to the contingency covered (death), is paid to the policyholder.

Maturity Claim

The Payment to the policy holder at the end of the stipulated term of the policy is called maturity claim.

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.

Money Back Policy

Unlike endowment plans, in money back policies, the policy holder gets periodic "survivorship payments" during the term of the policy and a lumpsum amount on surviving its term. In the event of death during the term of the policy, the beneficiary gets the full sum assured, without any deductions for the amounts paid till date, and no further premiums are required to be paid. These type of policies are very popular, since they can be tailored to get large amounts at specific periods as per the needs of the policy holder.

Moral Hazard

Risk depends on the need for insurance, state of health, personal habits standard of living and income of insured person. Moral hazard is the risk factors that affects the decision of the insurance company to accept the risk.

Nomination

An act by which the policy holder authorises another person to receive the policy moneys. The person so authorised is called Nominee.

Non-cancelable policies

Such policies stay in effect regardless of whatever that might happen and as long as the premium is paid from time to time

Premium

The payment, or one of the regular periodic payments, that a policy holder makes to an insurer in exchange for the insurer's obligation to pay benefits upon the occurrence of the contractually-specified contingency (e.g., death).

Premium Back Term Insurance Plans

These provide for refund of all the premiums paid, in the event of the life assured surviving to the end of the policy term. The total sum assured is paid to the beneficiaries in the event death occurs during the policy term.

Reinstatement

The restoration of a lapsed policy to in-force status. Reinstatement can only occur after the expiration of the grace period. The company may require evidence of insurability (and, if health status has changed, deny reinstatement), and will always require payment of the total amount of past due premium.

Risk

The obligation assumed by the insurer when it issues a policy. The spreading of risk across a broad base of the population, adjusted for statistical probability, and the protection against catastrophic loss, is the entire purpose of insurance. For risk assumption purposes, death is viewed as a contingency. That is, although death is certain, its timing is unknown. The process of evaluating and selecting risk is known as underwriting.

Salary Saving Scheme

This scheme provides for payment of premiums by money deduction from the salary of the employees by one employer.

Sub Standard 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.

Surrender Value

The value payable to the policy holder in the event of his deciding to terminate the policy before the maturity of the policy.

Survival Benefit

The payment of sum assured to the insured person which has become due by instalments under a money back policy.

Vesting Age

The age at which the receipt of pension starts in an insurance-cum-pension plan.

Whole Life Policy

Premiums are paid throughout the life time of life assured . This can be with profits or without profits (A "with profit" policy is eligible for various bonuses declared by LIC every year, while a "without profits" policy does not have this privilege)

With-Profit policy

Policies entitled to bonus, which is paid at the time of claim-death or maturity one with-profit policies.

Without-Profit policy

These policies are not entitled to participate in bonuses.

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