

Insurance Glossary

1035 Exchange - The exchange of a life insurance contract for another life insurance contract, endowment, or annuity contract, done under the provisions of section 1035(a) of the Internal Revenue Code, so as to defer recognition of any taxable gain from the policy being exchanged.

Accumulation Period - An annuity term referring to the period of time, prior to retirement, during which an annuitant is making payments into an annuity. Such payments will accumulate on a tax deferred basis.

Applicant - The party that submits an application to an insurer for an insurance policy.

Application - A form on which the prospective insured provides information requested by the insurer and is the information (together with any information from medical examiners, attending physicians, hospitals, investigators, and the agent) which the insurer uses to decide whether or not to accept the risk, modify the coverage offered, or decline the risk.

Assignment - A transfer of rights in a policy to an individual or entity other than the policyowner.

Beneficiary - A person, other than the insured, who may become eligible to receive, or is receiving, benefits under an insurance policy.

Cash Accumulation - The amount of cash available to the policyowner.

Cash Value - Money built up in a permanent policy. The policyowner may borrow the cash value as a policy loan or receive it if the policy is surrendered before maturity. Surrender charges may be assessed at policy surrender. The cash value is paid to the policyowner upon maturity or endowment. Some financial authors suggest that cash value may be a source of supplemental income.

Carrier - The insurance company that "carries" the insurance. The term "insurer" is often used when referring to the carrier

Combogrid™ - A tool, developed by CrailHuntly, used to compare the general characteristics associated with different insurance products.

Combosurance™ - A patent-pending insurance offering, developed by CrailHuntly, that is the aggregation and packaging of multiple insurance products produced by a variety of insurance companies to create the advantage of diversification.

Conversion Option - Allows the insured to convert to some other type of policy, such as a term policy to a cash value policy.

Diversification - To make diverse or various in form or quality, to give variety; to distinguish by numerous differences or aspects.

Dividends - The return of unearned premium on a participating policy.

Endow (Endowment) - The date and time at which the cash value equals the face amount. If the policy matures, it is said to endow, and the proceeds are paid to the policyowner.

Exclusions - Conditions stipulated in the contract for which the insurer will not provide coverage. Common exclusions in health policies include preexisting conditions, suicide, self-inflicting injuries, and many others. In life policies, common exclusions are death through flying in a private airplane, riot, or state of war.

Face Amount - The amount stated on the face of a life policy that will be paid at death or when the policy matures.

Free Look Period - Allows the insured/policyowner a specified number of days following receipt of the policy to look it over and if dissatisfied for any reason to return it for a full refund (usually ten days). States may vary. The policy is in force with the free look period starting the date the owner receives the policy.

Grace Period - A period of time after the premium due date and before the policy lapses during which a policy remains in force without penalty even though the premium due has not been paid. Commonly 30 or 31 days in life insurance policies; seven, 10, or 31 days in various health insurance policies.

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Insurance Glossary (cont.)

Insurance Illustration - A document that depicts current and future policy values of an insurance product. These values may include guaranteed cash values, current cash values, guaranteed death benefit, and current death benefit. Current values or non-guaranteed values are only projections that may or may not come true over time.

Liquidity - Immediate funds available upon death to pay creditors, taxes and final expenses.

Non-Participating Policies (Non Par) - A pure cost policy marketed by a company owned by stockholders with all future values guaranteed. There is no contractual provision for the policyowner to participate in the surplus.

Ownership - Policyowners have the right to all cash values, loans, dividends, and any other benefits. The owner may change the beneficiary, assign the policy and exercise all privileges and options of ownership. The insured and owner need not be the same person.

Participating (Par) - Policy marked by a mutually owned company. The word participating means a dividend will be paid to the policyowner as dividends are declared. It entitles a policyowner to participate in allocations of the insurer's surplus. In life insurance there are several options available for the use of such dividends.

Payment of Premiums (Mode of Premium) - Stipulates when the premiums are due, The frequency of premium payment (mode) elected by the policyowner. Modes generally available are monthly, quarterly, semiannually, and annually.

Permanent Life Insurance - A policy that remains level in amount and premium. It does not require renewal and normally provides protection to age 100 or until the policy is surrendered or canceled. It is a term loosely applied to life insurance policy forms other than group and term, usually cash value life insurance, such as endowments and whole or ordinary life policies.

Policy - The contract effecting insurance and including all clauses, riders, endorsements, and papers attached to and made part of the contract.

Policy Owner - The individual who may exercise the rights and privileges in the policy or contract. The policyowner may or may not be the insured, depending on the policy ownership and assignment, if any.

Premiums - (1) part of the consideration for the insurance. (2) A payment or periodic payments made by the insured/owner to keep an insurance policy in effect.

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

Rider - An endorsement to an insurance policy that modifies the conditions of the policy by expanding or decreasing its benefits or excluding certain conditions from coverage.

Single Premium Policy - The entire cost of the policy is paid at the time of purchase.

Term Insurance - Term insurance is temporary protection for a specified period of time, and normally does not have cash accumulations.

Universal Life - A combination of flexible premium, adjustable life insurance policy. The insured/owner may select the amount of premium he or she can pay and the policy benefits are those which the premium will purchase. Or, the insured/owner may change the amount of insurance and pay premium accordingly.

Whole Life - Insurance which may be kept in force for a person's whole life and which pays a benefit upon the person's death, whenever that may be. Under a straight or ordinary life policy, premiums are paid for as long as the insured lives.