



## Glossary for the Life and Health Insurance Exam from InsuranceTestHelp.com

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### A

- **Accelerated Death Benefit** – Pays part of the death benefit early if the insured is terminally ill.
- **Accident** – An unplanned event that results in injury or harm.
- **Accident Insurance** – Pays benefits for injuries from accidental causes.
- **Accidental Death and Dismemberment (AD&D)** – Pays a lump sum for accidental death or severe injury (e.g. loss of limb).
- **Accidental Death Insurance** – Additional coverage that pays out if death occurs due to an accident.
- **Account Value** – The cash amount in an annuity contract at a given time.
- **Actual Cash Value (ACV)** – Replacement cost minus depreciation.
- **Actuary** – A professional who calculates insurance risks and premiums.
- **ADLs (Activities of Daily Living)** – Basic personal care tasks: eating, bathing, dressing, toileting, transferring, and continence.
- **Adjustable Life** – A flexible policy that allows changes to face amount, premium, and coverage type.
- **Adjuster** – A person who investigates and settles claims.
- **Admitted Insurer** – An insurance company licensed in a specific state.
- **Adult Day Care** – Care services during the day for adults needing assistance.
- **Affiliation Period** – A time before HMO coverage begins; similar to a waiting period.
- **Aleatory** – A contract in which unequal value is exchanged (e.g. small premium for large death benefit).
- **Alien Insurer** – An insurer domiciled outside the U.S.
- **Annual Renewable Term (ART)** – Term insurance that renews each year at higher premium.
- **Annuitant** – The person who receives annuity payments.



- **Annuity** – A financial product that pays income over time.
  - **Apparent Authority** – Authority a third party believes an agent has, based on actions.
  - **Applicant** – The person applying for insurance.
  - **Application** – The written form used to apply for coverage.
  - **Assignment of Life Insurance** – Transfer of policy ownership to another party.
  - **Attained Age** – The insured's current age.
  - **Attending Physician Statement (APS)** – A doctor's report used in underwriting.
  - **Authorized Insurer** – An insurer that holds a certificate of authority to operate in a state.
  - **Automatic Premium Loan (APL)** – A policy provision that automatically pays the premium using cash value.
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## B

- **Back-End Load** – A fee charged when withdrawing money from an investment.
- **Basic Hospital Expense Insurance** – Covers hospital room, board, and minor expenses.
- **Basic Medical Expense Insurance** – Covers nonsurgical doctor visits and basic care.
- **Benefit Period** – The time benefits are paid (common in health and disability policies).
- **Binder** – Temporary proof of insurance.
- **Blanket Medical Insurance** – Covers groups exposed to similar risk, like sports teams or school events.
- **Boycott** – Illegal act of refusing to do business to force compliance.
- **Broker** – Represents the insured, not the insurer.
- **Buyer's Guide** – An educational document explaining policy types and coverage in plain language.



- **Buy-Sell Agreement** – A contract to buy a business partner's share upon death or disability, often funded with life insurance.
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## C

- **Cafeteria Plan** – Employee benefit plan offering a choice of benefits.
- **Cancellation** – Termination of a policy before its natural expiration.
- **Carriers** – Insurance companies.
- **Cash Surrender Value** – The amount the owner receives when a policy is surrendered.
- **Cash Value** – The savings portion of permanent insurance.
- **Cease and Desist Order** – An official order to stop a harmful or illegal practice.
- **Certificate of Authority** – State-issued approval for insurers to operate.
- **Certificate of Insurance** – Proof of coverage, often given to group policyholders.
- **Churning** – Replacing a policy unnecessarily to earn new commission.
- **Child Term Rider** – Provides temporary life insurance for children on a parent's policy.
- **Claim** – A request for benefits under an insurance contract.
- **Coercion** – Forcing someone to buy insurance through threats or pressure.
- **Coinsurance** – The insured's share of covered expenses (e.g., 80/20 split).
- **Commingling** – Illegally mixing client and personal funds.
- **Commission** – Payment to a producer for selling policies.
- **Commissioner of Insurance** – State official responsible for regulating insurance.
- **Comprehensive Policy** – Broad health coverage with few exclusions.
- **Concealment** – Deliberate failure to disclose material information.
- **Conditional Receipt** – Temporary coverage during underwriting.
- **Conservation** – Effort to keep policyholders from lapsing or canceling.



- **Consideration** – Exchange of value; premium in return for coverage.
  - **Contestable Period** – First two years when an insurer can void a policy for misrepresentation.
  - **Contingent Beneficiary** – Receives death benefit if primary beneficiary is deceased.
  - **Contract** – A legal agreement. Insurance policies are legal contracts.
  - **Contract of Adhesion** – One-sided contract written by the insurer.
  - **Contributory Plan** – Group plan where employees pay part of the premium.
  - **Conversion Option** – Allows a term policy to convert to whole life.
  - **Convertible Term** – Term life that can become permanent without proof of insurability.
  - **Coordination of Benefits (COB)** – Prevents overpayment when multiple health plans apply.
  - **Credit Life Insurance** – Pays off a loan if the borrower dies.
  - **Custodial Care** – Personal care without medical needs. Common in long-term care.
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## D

- **Death Benefit** – The money paid to the beneficiary when the insured dies.
- **Decreasing Term** – Term life with a declining death benefit (e.g., mortgage protection).
- **Deductible** – The portion the insured must pay before benefits start.
- **Defamation** – False or malicious statements about an insurer or agent.
- **Disability** – Physical or mental impairment that limits work or life activity.
- **Disability Income Insurance** – Pays income during a period of disability.
- **Disclosure** – Required provision of information to the applicant.
- **Domestic Insurer** – Domiciled and licensed in the same state.
- **Domicile of Insurer** – Legal location where insurer is incorporated.
- **Double Indemnity** – A rider that pays double the death benefit for accidental death.



- **Durable Power of Attorney** – Allows another to make legal decisions if you're incapacitated.
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## E

- **Earned Income** – Income from active work (wages, salary).
  - **Earned Premium** – Portion of the premium earned based on time elapsed.
  - **Eligibility Period** – Window to enroll in group coverage without underwriting.
  - **Elimination Period** – Waiting time before benefits begin (especially for disability policies).
  - **Endorsement** – A change or addition to the terms of a policy.
  - **Errors and Omissions Insurance** – Liability coverage for professionals for mistakes.
  - **Estoppel** – Legal principle preventing contradiction of prior conduct or statements.
  - **Evidence of Insurability** – Medical or other proof that a person qualifies for coverage.
  - **Exclusions** – Conditions not covered by the policy.
  - **Exempt Income** – Not taxed by federal or state governments.
  - **Exposure** – Condition of being at risk of loss.
  - **Express Authority** – Authority explicitly given in writing to an agent.
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## F

- **Fair Credit Reporting Act (FCRA)** – Regulates access and use of credit reports, requiring notification if used in underwriting.
- **False Advertising** – Misleading promotion of insurance products.
- **Family Term Rider** – Provides term coverage for a spouse and children under one rider.



- **FIFO (First In, First Out)** – Tax rule where the first dollars invested are the first withdrawn.
  - **Fiduciary** – A person legally responsible for managing money on behalf of others.
  - **Fixed Annuity** – An annuity with guaranteed payments and fixed interest.
  - **Flexible Premium** – A policy that allows variable payment amounts and frequency.
  - **Flexible Spending Account (FSA)** – Pre-tax account used for medical or dependent care expenses.
  - **Foreign Insurer** – An insurer licensed in one state but operating in another.
  - **Front-End Load** – Fees charged at the time a premium is paid or investment is made.
  - **Fully Insured (Social Security)** – Earned 40 quarters of coverage, qualifying for full SS benefits.
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## G

- **Gatekeeper Model** – In an HMO, the primary care physician controls referrals to specialists.
  - **Grace Period** – The time (typically 30–31 days) after a missed premium payment before lapse.
  - **Group Disability Insurance** – Employer-sponsored disability coverage.
  - **Group Life Insurance** – Insurance covering members of a group under a master policy.
  - **Guaranteed Insurability Rider** – Allows purchase of additional coverage without underwriting.
  - **Guaranteed Renewable** – A policy the insurer must renew, although premiums can rise by class.
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## H

- **Hazard** – Increases the chance of a loss (physical, moral, or morale).



- **Health Insurance** – Coverage for medical expenses due to illness or injury.
  - **Health Maintenance Organization (HMO)** – Managed care with a network of providers, typically requiring referrals.
  - **Home Health Care** – Medical care provided in the patient's home.
  - **Hospice Care** – Comfort care for the terminally ill.
  - **Hospital Confinement Rider** – Pays additional benefits for hospital stays.
  - **HRA (Health Reimbursement Arrangement)** – Employer-funded, tax-free medical reimbursement account.
  - **HSA (Health Savings Account)** – Pre-tax savings used alongside high-deductible health plans.
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## I

- **Illustration** – A document showing non-guaranteed and guaranteed policy values.
- **Implied Authority** – Powers assumed by an agent to fulfill duties, though not explicitly granted.
- **Incontestability Clause** – Prevents the insurer from voiding the policy after two years, except for fraud.
- **Indemnity** – Restoring the insured to the same financial position as before the loss.
- **Inducement** – Offering something of value to sway someone to buy insurance (illegal if not filed).
- **Insolvent Organization** – An insurer unable to meet financial obligations.
- **Insurable Interest** – A valid financial or emotional relationship with the insured.
- **Insurability** – A person's eligibility for insurance based on risk factors.
- **Insurance** – A contract to indemnify against loss.
- **Insurance Counselor** – Licensed to offer guidance but not to sell policies.
- **Insured** – The person covered by the insurance policy.
- **Insurer** – The company providing insurance.



- **Insuring Clause** – States the agreement and promise to pay benefits.
  - **Intentional Injury** – Self-inflicted injury; typically excluded from coverage.
  - **Investigative Consumer Report** – A background check including interviews.
  - **IRA (Individual Retirement Account)** – A tax-deferred retirement savings account.
  - **Irrevocable Beneficiary** – A beneficiary whose rights cannot be changed without consent.
  - **Issue Age** – The insured's age when the policy is issued.
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## J–L

- **Joint Life** – Covers two lives; pays on the first death.
  - **Joint and Survivor** – Annuity that pays until the second of two lives dies.
  - **Law of Large Numbers** – A statistical principle allowing risk prediction in large groups.
  - **Legal Purpose** – The contract must be for a lawful reason.
  - **Level Premium** – Premium remains the same over time.
  - **LIFO (Last In, First Out)** – Tax rule for withdrawals from annuities (earnings out first).
  - **Life Expectancy** – Average number of years a person is expected to live.
  - **Life Insurance** – Provides a death benefit to a named beneficiary.
  - **Lump Sum** – Benefit paid all at once rather than in installments.
  - **Limited Pay Whole Life** – Whole life paid up in a fixed period (e.g., 20-pay).
  - **Living Benefits** – Access to benefits while alive (e.g., accelerated death benefits).
  - **Loss** – A decrease in value due to a covered peril.
  - **Loss of Income Insurance** – Pays when an injury prevents earning income.
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## M



- **Major Medical Insurance** – Covers significant medical expenses beyond basic plans.
- **Maturity Date** – When the cash value equals the face value (usually age 100 or 121).
- **Medicaid** – State and federally funded health insurance for low-income individuals.
- **Medicare** – Federal health insurance for individuals 65+ or disabled.
- **Medicare Part A** – Covers hospital stays and some nursing care.
- **Medicare Part B** – Covers doctors, outpatient, and preventive services.
- **Medicare Part C (Medicare Advantage)** – Private plans that combine Parts A and B.
- **Medicare Part D** – Prescription drug coverage.
- **Medicare Supplement (Medigap)** – Private policies that cover Medicare cost-sharing gaps.
- **MEWA (Multiple Employer Welfare Arrangement)** – Group plan for small employers pooling health coverage.
- **MIB (Medical Information Bureau)** – Central database used by insurers for underwriting.
- **Misrepresentation** – False statements on the application.
- **Mode of Premium Payment** – Frequency of payment (monthly, quarterly, annually).
- **Moral Hazard** – Dishonesty that increases risk.
- **Morale Hazard** – Carelessness due to having insurance.
- **Morbidity Rate** – Likelihood of illness in a group.
- **Morbidity Table** – Statistical chart showing illness risk by age/gender.
- **Mutual Company** – Owned by policyholders, may pay dividends.
- **MEC (Modified Endowment Contract)** – Overfunded life insurance that loses tax advantages.

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## N-P

- **NAIC** – National Association of Insurance Commissioners; promotes uniformity.



- **Non-Admitted Insurer** – Not licensed in the state; operates through surplus lines.
  - **Non-Contributory Plan** – Employer pays 100% of group premiums.
  - **Nonforfeiture Values** – Benefits retained if a whole life policy is canceled.
  - **Non-Qualified Plan** – Retirement plan not eligible for special tax benefits.
  - **Nonrenewal** – Insurer decision not to continue a policy at expiration.
  - **Notice of Claim** – Notification to insurer that a claim is being made.
  - **Option** – A choice offered to the insured or beneficiary (e.g., settlement options).
  - **Oral Surgery** – Covered service under many dental/health plans.
  - **Out-of-Pocket Costs** – What the insured pays (deductibles, copays, coinsurance).
  - **Overinsurance** – Having more coverage than needed, often prohibited.
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## P-R

- **Partial Disability** – Unable to perform some duties of the job.
- **Payment of Claims** – Provision stating how/when claims will be paid.
- **Peril** – The cause of loss (fire, accident, sickness).
- **Permanent Life Insurance** – Lifetime coverage with cash value.
- **Physical Exam & Autopsy** – Provision allowing insurer to request an exam.
- **Policy Loan** – A loan against a policy's cash value.
- **Policy Owner** – Person with ownership rights under the policy.
- **Pre-existing Condition** – A medical issue present before coverage begins.
- **Presumptive Disability** – Loss of sight, hearing, speech, or limbs presumed to be total disability.
- **Primary Beneficiary** – First in line to receive death benefit.
- **Primary Policy** – The plan that pays first when multiple policies apply.
- **Producer** – An agent or broker who sells insurance.
- **Proof of Loss** – Written statement submitted to insurer after a loss.



- **Pro Rata** – Proportional share (often in refunds or coverage splits).
- **Pure Risk** – Only possibility is loss (insurable).
- **Rebating** – Giving something of value to induce the purchase of insurance (usually illegal).
- **Reciprocity** – Recognition of licensing by another state.
- **Recurrent Disability** – A return of the same disability within a time frame; may not require waiting period.
- **Reinsurance** – When one insurer transfers risk to another.
- **Renewable Term** – Term life that can be renewed without new underwriting.
- **Representation** – A truthful statement made during the application.
- **Replacement** – Changing one policy for another; regulated to prevent churning.
- **Rescission** – Canceling a policy due to misrepresentation or fraud.
- **Respite Care** – Temporary care to give a caregiver a break.
- **Retention** – The portion of risk kept by the insurer (vs. reinsured).
- **Rider** – An added provision that modifies a policy.
- **Risk** – The chance of loss.

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## S–Z

- **Settlement Options** – Methods for distributing life insurance proceeds.
- **Short-Term Disability Insurance** – Replaces income for brief disabilities.
- **Single Premium Whole Life** – One lump sum payment funds the entire policy.
- **Skilled Nursing Care** – Medical care by licensed professionals in a facility.
- **Social Security** – Government program providing retirement, disability, and survivors' benefits.
- **Speculative Risk** – Risk of gain or loss (not insurable).
- **STOLI (Stranger-Owned Life Insurance)** – Prohibited arrangement where policies are bought for investors.



- **Stock Company** – Owned by shareholders, may or may not pay dividends.
- **Subrogation** – Insurer's right to recover from third parties after paying a claim.
- **Substandard Risk** – Higher-than-average risk, often charged higher premiums.
- **Surplus Lines** – Insurance from non-admitted carriers for unusual risks.
- **Surrender** – Cancellation of a policy for its cash value.
- **Tax Deferred** – Earnings grow without being taxed until withdrawn.
- **Tax Deductible** – Expenses that can be subtracted from taxable income.
- **Term Life Insurance** – Temporary life coverage with no cash value.
- **Twisting** – Misleading replacement of a policy with another carrier.
- **Unilateral Contract** – Only one party (insurer) makes a binding promise.
- **Universal Life Insurance** – Permanent coverage with flexible premiums and adjustable benefits.
- **Utmost Good Faith** – Both parties must act honestly.
- **Vesting** – Employee's right to retirement benefits.
- **Viatical Settlement** – Sale of a policy by a terminally ill insured to a third party.
- **Waiting Period** – Time before benefits begin after coverage starts.
- **Waiver** – Voluntary surrender of a known right.
- **Waiver of Premium** – Waives premium during disability.
- **Whole Life Insurance** – Permanent insurance with level premiums and cash value.
- **Workers Compensation** – State-mandated benefits for job-related injury or illness.