13 insurance terms everyone should know.



Insurance has a language all its own, and your policy documents may contain some insurance terms you're not familiar with. That's why your independent agent is always there for you, to answer any questions you may have.

Still, it's helpful to have these basic insurance terms in your vocabulary. See how many you know.

1. **Beneficiary:** The person, persons or entity to whom your life insurance company will pay a death benefit if you pass away. A **contingent beneficiary** is one you select to receive the death benefit in the event that the primary beneficiary can't or won't inherit the money (for instance, if the primary beneficiary passes away first).

2. **Claim:** This is the request the policyholder (that's you) or another involved party makes to the insurance company, asking for compensation for a loss (e.g., auto or home repair costs). An example of "another involved party" would be another driver with whom you collide in an auto accident. When you make a claim, you become the "claimant."

3. **Claims Adjuster:** A claims adjuster works for your insurance company and investigates insurance claims to determine the amount the insurance company will pay. Adjusters inspect damage to your property, review any police reports, speak to witnesses and talk to you, the claimant.

4. **Collision Coverage:** A form of auto insurance that covers costs related to damage incurred in a collision between your vehicle and something else—another car, a telephone pole, etc.

5. **Comprehensive Auto Coverage:** Comprehensive coverage covers costs not related to a collision. For instance, if your car is damaged by a vandal or a falling tree, comprehensive coverage would cover those repair costs.

6. **Deductible:** This is the amount the policyholder agrees to pay out of pocket before the insurance company pays the rest of a claim. For instance, if you have a $500 deductible on your auto insurance policy and an accident leaves you with a $1,500 covered repair, you will pay $500 and the insurance company will pay $1,000. Policies with higher deductibles are generally cheaper, so raising your deductible can save you money.

7. **Endorsement or Rider:** In insurance terms, “endorsement” doesn’t refer to a famous athlete getting a shoe deal. An endorsement is a statement attached to your policy that modifies it in some way—adding coverage, deleting coverage or changing provisions of the policy. “Rider” is another term sometimes used for the same thing.

8. **Floater:** A “floater” is similar to an endorsement. The difference is that a floater adds or extends coverage for one specific item—an expensive piece of jewelry, for example.

9. **Liability Coverage:** Liability coverage covers expenses for bodily injury or property damages to others, as a result of an incident for which you could be legally responsible. Liability coverage is a component of most auto and homeowners policies.

10. **Premium:** The amount the policyholder pays the insurance company for coverage. Premiums can be paid monthly, biannually or annually, depending on the type of coverage and your personal preference.

11. **Term Life Insurance:** Life insurance purchased to cover a finite term (such as 10, 20 or 30 years). At the end of the term, a new policy must be purchased. Term life insurance has no value as a savings vehicle; its primary purpose is to provide your beneficiaries with money when you are gone.

12. **Umbrella Policy:** An umbrella policy is kind of a backup policy for your standard liability insurance coverage. It covers expenses beyond the limits of your auto or homeowners coverage if you are found liable for an incident. For instance, if you are sued because unsafe conditions on your property caused an injury to a visitor, and the resulting settlement is more than the limit of your standard homeowners policy, an umbrella policy could cover the rest.

13. **Whole Life Insurance:** Whole life insurance lasts your whole life. The premiums are guaranteed to stay the same for your whole life as well, but are higher than term life premiums. Whole life also includes a savings element, which is called the policy’s cash value.

It’s good to be informed about how insurance works. But with the right independent agent, you don’t have to know all the lingo. At Patriot Insurance, we carefully select the agents who represent us, the ones we know will be a true partner in helping you choose and understand your coverage. (Find an agent here.)