

Auto Insurance Glossary—a Supplement to the Automobile Insurance Guide

These definitions are offered to give you a general understanding of the terms you may hear that are associated with automobile insurance. Please note that your individual company may define similar terms differently. **The definitions page in your policy is the final authority regarding your coverage.**

Adjuster

The person who manages the various aspects of a claim and determines what will be paid out in accordance with the policy and the facts.

Aftermarket Crash Part

A non-original equipment manufacturer (OEM) replacement part, either new or used, for any of the non-mechanical parts that generally constitute the exterior of the motor vehicle, including inner and outer panels.

Appraiser

The person who evaluates the damage caused by an accident or other covered loss and determines the amount to be paid under the policy terms.

Assigned Risk Plan

A program where drivers can get coverage when insurance companies are unwilling to sell them a policy.

Binder

A short-term agreement that provides temporary insurance coverage until the policy can be issued or delivered.

Bodily Injury Liability

If you injure someone in a car accident, this coverage pays damages for which you are liable, such as medical and rehabilitation expenses.

Cancellation

The termination of a policy at a date other than its annual anniversary date.



Claim

Notice to an insurance company that a loss has occurred which may be covered under the terms and conditions of the policy.

Collision

Pays to repair damage to your car as a result of an accident. Most banks or lenders require you to buy this coverage to receive a car loan.

Commission

A portion of the policy premium that is paid to an insurance producer (agent) by the insurance company as compensation for the producer's work.

Comprehensive Coverage

Pays for theft or damage to your car from hazards such as fire, flood, vandalism, and striking an animal. Most banks or lenders require you to buy this coverage to receive a car loan.

Declarations (DEC) Page

Usually the first page of an insurance policy, it contains the full legal name of your insurance company, your name and address, the policy number, effective and expiration dates, premium payable, the amount and types of coverage, deductibles, the vehicle(s) that are covered on the insurance policy, and the vehicle identification numbers (VIN).

Deductible

The amount a policyholder is responsible to pay up front before covered benefits from the insurance company are payable. This is applicable to comprehensive or collision coverage only.

Endorsement

A written agreement that changes the terms of an insurance policy by adding or subtracting coverage.

Exclusion

A provision in the policy that explains what is not covered.

Extraordinary Medical Benefits

Pays for medical and rehabilitation expenses that exceed \$100,000, up to a maximum limit of \$1.1 million.

First Party

The named policyholder (insured) in an insurance contract and any relatives residing in the named policyholder's household.

Full Tort

You retain unrestricted rights to bring suit against the negligent party.

Funeral Benefits

Pays, up to the limit specified in the policy, for funeral expenses if you or a family member dies as a result of an auto accident, regardless of who was at fault in the accident.

Income Loss

Pays a portion of your wages when injuries sustained in an auto accident keep you from working.

Insured

The person(s) entitled to covered benefits in case of an accident or loss.

Insurer

The insurance company who issues the insurance and agrees to pay for losses and provide covered benefits.

Lienholder

A person or business, usually a bank or financial firm, that retains the title of a vehicle while the purchaser pays off the loan.

Limited Tort

Limited Tort offers you significant savings on your premiums. You are still able to recover out-of-pocket medical and certain other expenses; however, you are not able to recover certain damages—such as payments for pain and suffering—unless the injuries meet one of the exceptions in the law.

Limits

The maximum amount of benefits the insurance company agrees to pay under an insurance policy in the event of a loss.

Minimum Limit

The state-mandated minimum mandatory amount of benefits.

Medical Benefits

Pays medical bills for you and others who are covered by your policy, regardless of fault.

Non-Renewal

The termination of an insurance policy at its annual anniversary date.

Policy

A contract that states the rights and duties of the insurance company and the insured.

Premium

The price paid to the insurance company for a policy.

Premium Finance Company

A lending institution that finances automobile insurance premiums for a fee.

Producer (agent)

An individual or organization authorized to sell, solicit, negotiate, and service insurance policies for an insurance company.

Property Damage Liability

Covers damage to someone's property (such as his or her car) resulting from an accident in which you are at fault.

Quotation or Quote

An estimate of the cost of insurance based on the information supplied to the insurance producer (agent) or company. This amount may change depending upon findings during the underwriting process.

Rental Reimbursement Coverage

Pays—up to a defined amount—your expenses to rent a vehicle if you have a loss covered under comprehensive or collision benefits. Coverage is sold based on a daily amount of expense, subject to a maximum limit.

Single Limit Liability

Some companies offer single limit liability coverage, which pays—up to the specified limit—damages for which you are liable under **bodily injury** and property damage coverages.

Stacking of UM or UIM

When you stack your UM and/or UIM coverages, your limit of coverage for each covered vehicle on your policy is multiplied by the number of vehicles on the policy. You can also stack your UM and/or UIM coverages to receive uninsured or underinsured motorist coverage from more than one policy under which you are insured. Stacked coverage applies unless you reject it.

Subrogation

The process of recovering the amount of claims damages paid out to a policyholder from the legally liable party. When a company pursues the legally liable third party, they are required to include the policyholder's deductible in the recovery process if requested by the policyholder. The company must then share any subrogation recoveries with the policyholder on a proportionate basis.

Surcharge

An extra charge applied to the premium by an insurance company, usually applied as a result of at-fault accidents or moving violations.

Third Party

An individual other than the policyholder or the insurance company who has suffered a loss and may be able to collect compensation under the policy, due to the negligent acts or omissions of the policyholder.

Total Loss

Damage or destruction to real or personal property to such extent that it cannot be rebuilt or repaired to its condition prior to the loss or when it would be cost-prohibitive to repair or rebuild in comparison to the value of the property prior to the loss.

Towing Coverage

An optional coverage of an automobile policy that pays a specified amount for towing and related labor costs.

Underinsured Motorist (UIM)

This coverage applies to you, relatives residing in your household, and your passengers if injured by an at-fault motorist who does not have enough insurance to pay your claim. This does not cover damage to property.

Underwriting

The initial 60-day time frame wherein the company processes and investigates the information provided on the application. The results of this process determine acceptability and the premium.

Uninsured Motorist (UM)

This coverage applies to you, relatives residing in your household, and your passengers if injured by an at-fault uninsured motorist or hit and run driver. This does not cover damage to property.