Insurance Glossary

There are many technical terms which should be well understood before we go in for comprehensive study of insurance contract. These are:

1. **Insurance:** It is a contract wherein one party i.e., the insurer agrees to pay a certain specified sum on the happening of a particular event, in consideration of money (premium) to be paid by another party, i.e., the insured person.

2. **Policy:** It is a stamped document issued by the insurer company which embodies the terms and conditions of the insurance contract. Technically, we call it an evidence of contract though it is not a contract in itself.

3. **Proposal:** It is an application for insurance contract. The person submitting application is called proposer and when it is accepted he is called insured.

4. **Cover Note:** It is an unstamped document issued by the insurer company giving the details of the insurance cover. It is issued in advance of the policy documents.

5. **Sum Assured:** It is the monetary limit of the insurer's liability which he is called upon to pay when there is a loss.

6. **Insurance Agent:** He is an intermediately person between the insurer company and the insured person and is remunerated by commission.

7. **Insured Peril:** The actual cause of the loss, e.g., fire (defined in the insurance policy) which entitles the insured to recover.

8. **Reinsurance:** If the insurer feels that he has undertaken a liability beyond his capacity, he can call another insurer to bear a specified portion of his own liability. This is a system where the insurer lays off a part of his risk to another insurer.

9. **Insured:** The insured can be individual, a group of persons or a corporate, body desiring to cover himself/themselves/itself under a policy of insurance. The insured claims and receives money as compensation in the event of the happening of the stated contingency.

10. **Insurer:** The party agreeing to pay money on the happening of a contingency is known as insurer. Usually the insurers are the insurance companies.

11. **Premium:** The monetary consideration payable by the insured to the insurers for the period (or term) of insurance contract granted by the insurance policy.

12. **Risk:** It refers to uncertainty about loss in insurance contract.
(13) **Term Assurance**: The sum assured is paid only on death during the term of contract.

(14) **Whole Life Insurance**: The sum assured is paid only on death of the insured which means only his legal heirs will get the benefit.

(15) **Endowment Assurance**: The benefit is paid either on death or maturity whichever is earlier.

(16) **Annuities**: It is reverse of life assurance and benefit is paid till the person survives. The plans can be for an individual or for a group. These plans can also be with profit or without profit. There are different plans for Female, Children, and Handicapped Children. Insurance contract is a long-term contract, therefore, terms and conditions should be well defined to avoid any legal battle at future date.