Underwriter - The person who reviews an application for insurance and decides if the applicant is acceptable and at what premium rate.

Underwriting - The process an insurance company uses to decide whether to accept or reject an application for a policy.

Unearned premium - The amount of a pre-paid premium that has not yet been used to buy coverage. For instance, if you paid in advance for a six-month premium, but then cancel the policy after two months, the company must refund the remaining four months of "unearned" premium to you

Glossary of Common Auto Insurance Terms

Many terms are common between Homeowners and Auto Insurance, what follows are terms specific to auto coverage.

Collision coverage - Pays for damage to your car without regard to who caused an accident. The company must pay for the repair or up to the actual cash value of your vehicle, minus your deductible.

Comprehensive coverage (physical damage other than collision) - Pays for damage to or loss of your automobile from causes other than accidents. These include hail, vandalism, flood, fire, and theft.

Gap Insurance - Insurance that pays the difference between the actual cash value of a vehicle and the amount still to be paid on the loan, Some gap policies may also cover the amount of the deductible.

Liability insurance - Pays for injuries to the other party and damages to the other vehicle resulting from an accident you caused. It also pays if the accident was caused by someone covered by your policy, including a driver operating your car with your permission.

Liability limits - The maximum amount your liability policy will pay. Your policy must pay at least $25,000 for each injured person, up to a total of $50,000 per accident, and $25,000 for property damage per accident. This basic coverage is called "25/50/25" coverage.

Medical payments and personal injury protection (PIP) - Both pay limited medical and funeral expenses if you, a family member, or a passenger in your car is injured or killed in a motor vehicle accident. PIP also pays lost-income benefits.

Named driver policy - An automobile insurance policy that doesn't provide coverage for an individual residing in a named insured 's household specifically unless the individual is named on the policy. The term includes an automobile insurance policy that has been endorsed to provide coverage only for drivers specifically named on the policy.

Non-owners policy - Insurance coverage that offers liability, uninsured motorist, and medical payments to a named insured who does not own a vehicle.

Rental reimbursement coverage - Pays a set daily amount for a rental car if your car is being repaired because of damage covered by your auto policy.

Towing and labor coverage - Pays for towing charges when your car can´t be driven. Also pays labor charges, such as changing a flat tire, at the place where your car broke down.

Uninsured/underinsured motorist (UM/UIM) coverage - Pays for your injuries and property damage caused by a hit-and-run driver or a motorist without liability insurance. It will also pay when your medical and car repair bills are higher than the other driver´s liability coverage.

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Glossary of Common Insurance Terms

This document is for informational purposes only and is not intended to alter or replace the insurance policy. Additionally, this informational sheet is not intended to fully set out your rights and obligations or the rights and obligations of the insurance company. If you have questions about your insurance, you should consult your insurance agent, the insurance company, or the language of the insurance policy.

Homeowners Insurance Terms

Actual cash value (ACV) - The value of your property, based on the current cost to replace it minus depreciation. Also see "replacement cost."

Additional living expenses (ALE) - Reimburses the policyholder for the cost of temporary housing, food, and other essential living expenses, if the home is damaged by a covered peril that makes the home temporarily uninhabitable. Policies cap the amount of ALE payable to 20 percent of the policy's dwelling coverage.

Adjuster - An individual employed by an insurer to evaluate losses and settle policyholder claims. Also see "public insurance adjuster."

Agent - A person who sells insurance policies.

Application - A form you fill out with information about you that an insurance company will use to decide whether to issue you a policy and how much to charge.

Appraisal - An evaluation of a home insurance property claim by an authorized person to determine property value or damaged property value. Many policies provide an "appraisal" process to resolve claim disputes. In this process, you and the insurance company hire separate damage appraisers. The two appraisers choose a third appraiser to act as an "umpire." The appraisers then review your claim, and the umpire rules on any disagreements. The umpire's decision is binding on you and the insurance company, but only for the loss amount. If there is a dispute over what is covered, you can still pursue a settlement of the coverage issue after the appraisal takes place. You are required to pay for your appraiser and half of the umpire's costs.

Binder - A temporary insurance contract that provides proof of coverage until you receive a permanent policy.

Cancellation - Termination of an insurance policy by the company or insured before the renewal date.

Claim - A policyholder's request for reimbursement from an insurance company under a home insurance policy for a loss to property.

Claimant - A person who makes an insurance claim.

Company profile - A summary of information about an insurance company, including its license status, financial data, complaint history, and a history of regulatory action.

Complaint - A written communication primarily expressing a grievance against an insurance company or agent.

Complaint history - Information collected or maintained by the Department of Insurance relating to the number of complaints received against a particular insurer, agent or premium finance company and the disposition of the complaints.

Contract - In most cases, an insurance policy. A policy is considered to be a contract between the insurance company and the policyholder.

Declarations page - The page in a policy that shows the name and address of the insurer, the period of time a policy is in force, the amount of the premium, and the amount of coverage.

Deductible - The amount the insured must pay in a loss before any payment is due from the company.

Depreciation - Decrease in the value of property over time due to use or wear and tear.

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Earned premium - The portion of a policy premium that has been used to actually buy coverage, or that the insurance company has "earned." For instance, if you have a six-month policy that you paid for in advance, two months into the policy, there would be two months of earned premium. The remaining four months of premium is "unearned premium."

Effective date - The date on which an insurance policy becomes effective.

Endorsement - A written agreement attached to a policy expanding or limiting the benefits otherwise payable under the policy. Also called a "rider."

Escrow - Money placed in the hands of a third party until specified conditions are met.

Exclusion - A provision in an insurance policy that denies coverage for certain perils, people, property, or locations.

Expiration date - The date on which an insurance policy expires.

File and Use - Residential property rates utilize a system called "file and use." Under this system, insurance companies file their rates with the state, but they do not need prior approval to implement new rates. If the state determines that a company's rates are excessive, the company can be ordered to pay refunds to the policyholders it overcharged. Companies can appeal adverse rate decisions.

First-party claim - A claim filed by an insured against his or her own insurance policy.

Grace period - The time – usually 31 days – during which a policy remains in force after the premium is due but not paid. The policy lapses as of the day the premium was originally due unless the premium is paid before the end of the 31 days or the insured dies. This is not a "free-insurance" period.

Independent adjuster - A person who charges a fee to an insurance company to adjust the company's claim.

Inflation protection - Automatically adjusts your home insurance policy limits to account for increases in the costs to repair or rebuild a property.

Insurable interest - Any financial interest a person has in the property or person insured. In life insurance, a person´s or party´s interest - financial or emotional - in the continuing life of the insured.

Insured - The policyholder - the person(s) protected in case of a loss or claim.

Insurer - The insurance company.

Justified complaint – A complaint that exposes an apparent violation of a policy provision, contract provision, rule, or statute; or which indicates a practice or service that a prudent layperson would regard as below customary business or medical standards

Lapse - The termination of an insurance policy because a renewal premium is not paid by the end of the grace period.

Liability coverage - Covers losses that an insured is legally liable. For homeowners insurance, liability coverage protects you against financial loss if you are sued and found legally responsible for someone else's injury or property damage.

Loss - The amount an insurance company pays on a claim.

Loss of use - A provision in homeowners and renters insurance policies that reimburses policyholders for the additional costs (housing, food, and other essentials) of having to live elsewhere while the home is being restored following a disaster.

Loss history - Refers to the number of insurance claims previously filed by a policyholder. A company will consider loss history when underwriting a new policy or considering a renewal of an existing policy. Companies view loss history as an indication of the likelihood that an insured will file a claim in the future.

Market value - The current value of your home, including the price of land.

Non-renewal - A decision by an insurance company not to renew a policy.

Peril - A specific risk or cause of loss covered by an insurance policy, such as a fire, windstorm, flood, or theft. A named-peril policy covers the policyholder only for the risks named in the policy. An all-risk policy covers all causes of loss except those specifically excluded.

Personal property - All tangible property (other than land) that is either temporary or movable in some way, such as furniture, jewelry, electronics, etc.

Policy - The contract issued by the insurance company to the insured.

Policy owner - The person or party who owns an individual insurance policy. This person may be the insured, the beneficiary, or another person. The policy owner usually is the one who pays the premium and is the only person who may make changes to a policy.

Policy period - The period a policy is in force, from the beginning or effective date to the expiration date.

Premium - The amount paid by an insured to an insurance company to obtain or maintain an insurance policy.

Property damage - Physical damage to property.

Public insurance adjuster - An individual employed by a policyholder to negotiate a claim with the insurance company in exchange for a percentage of the claim settlement. Public insurance adjusters must be licensed by TDI.

Refund - An amount of money returned to the policyholder for overpayment of premium or if the policyholder is due unearned premium.

Reinstatement - The process by which a life insurance company puts a policy back in force after it lapsed because of nonpayment of renewal premiums.

Renewal - Continuation of a policy after its expiration date.

Renters insurance - A form of insurance that covers a policyholder's belongings against perils. It also provides personal liability coverage and additional living expenses. Possessions can be covered for their replacement cost or the actual cash value, which includes depreciation.

Replacement cost - Pays the dollar amount needed to replace the structure or damaged personal property without deducting for depreciation but limited by the policy's maximum dollar amount.

Residual market - Insurers, such as assigned risk plans and the Texas FAIR Plan, that exist to provide coverage for those who cannot get it in the standard market.

Return premium - The premium returned to an insured for canceling or amending a policy.

Rider - A written agreement attached to the policy expanding or limiting the benefits otherwise payable under the policy. Also called an "endorsement."

Single interest insurance - Insurance coverage for only one of the parties having an insurable interest in that property. For instance, if you still owe money on your mortgage and do not have homeowners insurance, your lender may take out a single interest insurance policy to protect its own interest in your property. Single interest insurance protects only the policy owner, not the homeowner.

Staff adjuster - Employee of the insurance company's claims department.

Surcharge - An extra charge added to your premium by an insurance company.

Surplus lines - Coverage from out-of-state companies not licensed in Texas but legally eligible to sell insurance on a "surplus lines" basis. Surplus lines companies generally charge more than licensed companies and often offer less coverage.

Third-party administrator (TPA) - An organization that performs managerial and clerical functions related to an employee benefit insurance plan by an individual or committee that is not an original party to the benefit plan.

Third-party claim - A claim filed against another person's insurance policy.