Life, Health, and Variable Contracts

Glossary Terms

Gold Coast Professional Schools

Copyright © Reicon Publishing, LLC. All rights reserved.

ISBN 978-1-949118-11-7

This material may not be reproduced in any form or by any means, electronic or mechanical, including photocopying, recording, or by any information storage and retrieval system or used for teaching purposes without the express, written permission of Reicon Publishing, LLC.

Printed in the United States of America

This material is designed to provide accurate and authoritative information in regard to the subject matter covered. It is provided to students of Gold Coast Professional Schools with the understanding that the school and its employees are not engaged in rendering legal, accounting, or other professional services. If legal advice or other expert assistance is required, the services of a competent professional should be sought.

References to Florida statutes and rules of the Florida Administrative Code are included in this text between brackets indicating the appropriate statute or rule.

- NOTES -

GLOSSARY

1035 Exchange
A provision of the Internal Revenue Code (IRC) that allows for a tax-free transfer of an existing annuity contract, life insurance policy, long-term care product, or endowment for another one of like kind.

401(k) plan
A qualified retirement plan that permits an employee to reduce their taxable salary by deferring amounts (contributing) into a retirement plan. Employers have the option to match the employee's contribution in either a dollar-for-dollar match or percentage basis.

403(b) plan tax-sheltered account (TSA)
A qualified plan available to employees of certain nonprofit organizations registered under Section 501(c)(3) of the IRC, and the public-school system.

Absolute assignment
A transfer of ownership. The transfer of ownership is complete, irrevocable, and final. The assignee receives full control over the policy and rights to its benefits.

Absolute irrevocable beneficiary
This beneficiary has an absolute vested interest in the life insurance contract, even if the beneficiary predeceases the policyowner.

Accelerated death benefits
Allow the early payment of a portion of the death benefit if the insured meets certain conditions.

Accidental bodily injury
A more liberal definition as to "accidental means," here the injury only needs to have been accidental.

Accidental death and dismemberment insurance (AD&D)
As the primary form of pure accident coverage, AD&D can be purchased as a stand-alone policy or added as a rider. The purpose of this plan is to provide a lump-sum benefit in the event of an accidental death, loss of a specified body part, or use due to an accidental injury.

Accidental Death benefit rider
See Multiple indemnity

Accidental means
A very restrictive definition is very restrictive, thereby resulting in a lower premium that requires the cause of the injury must have been unexpected and accidental.

Accumulation period
Period when the policyowner or owner pays into the annuity and the payments earn interest on a tax-deferred basis.

Accumulation unit
A measurement of the value invested in a variable annuity account during the accumulation period or a kind of investment where a unit trust's income is reinvested into the trust.

Activities of daily living
Bathing, continence, dressing, eating, toileting, and transferring

Actuary
An individual who mathematically evaluates the likelihood of events and quantifies the contingent outcomes to minimize losses, both emotional and financial, associated with uncertain undesirable events.

Adjustable life
A flexible form of insurance contract that combines the benefits of both a temporary (term) life insurance policy with those of a permanent (whole life) insurance policy into one plan.

Adult day care
As defined by the state of Florida, provides therapeutic programs of social and health services as well

- NOTES -

as activities for adults in a non-institutional setting. Participants may utilize a variety of services offered during any part of a day, but less than a 24-hour period. The services rendered at an adult day care facility are similar to that of custodial care.

Adverse selection
A selection against the insurance company. The tendency of more poor risks than good ones to buy insurance or maintain existing insurance in force.

Aleatory contract
The consideration paid between both parties is not equal and is based on some event in the future. For example, with only one premium payment on a policy, an insured can receive hundreds of thousands of dollars should the protected entity be destroyed. On the other hand, an insurance company can collect more in premiums than it ever pays out in benefits.

Alien company
An insurance company organized under the laws of a foreign country.

Alternative care
This form of treatment is provided by training caregivers, home-delivered meals, transportation services, adult day care, and other treatments. Traditionally performed on a look-in or call-in service basis.

Annual renewable term (ART)
A form of term insurance where the benefit is level, but the premium increases each year. As time progresses, the policy becomes cost-prohibitive to the policyowner as the annual premium is based on the insured's attained age. This form of policy represents the most basic form of life insurance.

Annuitant
An individual (natural person) who receives the benefits or payments from an annuity.

Annuitization period
Period when the monies accumulated are converted into a stream of periodic payments to the annuitant.

Annuity
A contract in which a lump sum or series of payments are made to an annuitant to provide a steady stream of income during or for retirement. Along with providing an income at a later age, it is also designed to liquidate estates.

Annuity unit
An accumulation unit for which an annuitant has annuitized their contract.

Any occupation (any-occ)
A form of total disability where a disabled insured is unable to perform any occupation for which they are, by reason of education, training, or experience able to perform.

Approval receipt
Rarely used today, this receipt is more restrictive, whereas the contract only becomes effective after the application has been approved for issuance from the insurance company.

Approved company
See Authorized company

Assignment
When a policyowner gives up their rights to the policy and transfers their ownership to another party. To assign a policy, the policyowner must notify the insurance company in writing.

Attained age
Your current age or the age of insured on a given date.

Authorized company
An insurance company that is considered competent to conduct business within the state.

- NOTES -

Automatic premium loan
A supplementary provision that permits a company to automatically lend the amount of any premium that has not paid by the end of the grace period. The amount of the loan becomes a lien on the policy. It must be elected by the insured/policyowner; provides protection against an unintentional lapse of the policy.

Average indexed monthly earnings (AIME)
Used to calculate an individual's Social Security benefits; the calculation is based on the individual's top 35 years of earnings, up to the age 60.

Average monthly wage (AMW)
The amount of money a person earns on an average month before taxes are deducted.

Backdating
See Save-the-date

Basic hospital expense plan
Designed to reimburse policyowners for the cost of hospital confinement, hospital room and board expenses, and miscellaneous hospital expenses, such as x-ray charges, medicines, and the use of operating room and supplies. There is no deductible, and the limits for room and board are stipulated in the policy. Miscellaneous charges are generally expressed as a multiple of the room and board benefit or a stated amount.

Basic surgical expense plan
A plan written in conjunction with a hospital expense plan that provides coverage for the cost of a surgeon's services as well as fees of the anesthesiologist and post-operative care. There are no deductibles.

Beneficiary
The recipient of the annuity assets in the event the annuitant dies during the accumulation period, or a balance of annuity benefits that need to be paid out.

Benefit period
The length of time that the disability income benefit will be paid. The longer the benefit period, the higher the premium. The reverse is true as well.

Binding receipt
A receipt that when issued indicates the coverage is guaranteed even if the proposed insured is found uninsurable. Regardless of the guarantee, the receipt specifies an exposure period and limit not greater than $100,000.

Blackout period
The time after the breadwinner's death in which no Social Security benefits are available for the surviving spouse. The blackout period begins when the youngest child turns 16. If there are no surviving children when the breadwinner dies, the blackout period starts immediately upon the death of the breadwinner and continues until the surviving spouse reaches age 60.

Blanket life insurance
A temporary (limited time) form of coverage; covers a group of people exposed to a common hazard, such as airline passengers, cruise line passengers, students, teachers, sports teams, volunteer fire department members, newspaper carriers, etc.

Burial insurance
See Industrial insurance

Business overhead expense (BOE)
A special form of disability insurance that covers a business' overhead operating expenses in the event a business owner becomes disabled. It pays a monthly expense benefit to the business, and the policy usually cannot be written for more than one year. This benefit does not provide coverage for the owner of the business, nor does it function as a replacement salary for the owner of the business. The

- NOTES -

premiums for BOE are tax deductible as a business expense but are treated as taxable income when received.

Buyer's Guide
A document approved by the Florida Department of Insurance that provides generic information about an insurance policy. It provides the buyer with an explanation on how to choose the type of insurance, the amount, costs, and more.

Buy-sell agreement
A legally binding contract among the owners of the business and the entity stipulating how an owner's share of a business may be reassigned if that owner dies. The premiums are not tax-deductible, and the death benefit is not subject to federal income tax.

Cap
A percentage that represents the limit on the increase of cash value. For example, if the index rises 20%, but there is a 12% cap, the cash value will rise a maximum of 12%.

Capital sum
Provides a monetary benefit, expressed as a percentage of the principal sum, to the insured in the event of a loss of a body part.

Carrier
See Insurance company

Cash refund option
Guarantees an annuitant an income for life. If an annuitant dies before the entire principal is paid out, a single, cash payment is paid to their beneficiary.

Cash surrender value option
A nonforfeiture option where if the policyowner decides they no longer wish to have the policy, they may request a cash-surrender value be paid. This amount is simply the cash value in the policy less administrative fees. Once paid, the policy may not be reinstated.

Cash value
The savings element of a permanent life insurance policy. It is created by the accumulation of premium within the policy that builds over the life of the policy. The three factors that affect the cash value are the face amount of the policy, the duration and amount of the premium payments, and how long the policy has been in force.

Cash value life insurance
See Whole life insurance

Catch-up contribution
Both SARSEP and SIMPLE plans qualify for catch-up contributions. An individual must be at least 50 years old or turning 50 before the end of the year.

Children's rider
A juvenile level term insurance is written on the life of the children, including all newborn children upon reaching 15 days old. The coverage on each child expires when they reach age 25. At that time, the child can convert their insurance to an individual plan. The face amount will increase five times, and the children are not required to furnish evidence of insurability.

Churning
The practice where values in an existing insurance policy or annuity contract are used, directly or indirectly, to purchase another policy from the same carrier for the purpose of earning additional premiums, fees, commissions, or other compensation or consideration.

Cliff vesting
Provides for the employee to become fully vested after reaching a specified period of service. If the employee were to sever their employment with the employer prior to this period of time, they would lose all of the employer's contributions. An employee always has 100% vested interest in monies they place within a plan.

- NOTES -

COBRA
A federal act of legislation that requires any employer with 20 or more employees to extend group coverage to terminated employees and their families after a qualifying event.

Coinsurance
A provision allows for the sharing of expenses between the insured and the insurance company. After the insured satisfies the policy deductible, the insurance company will pay the majority of the expenses. The larger percentage is paid by the insurance company.

Collateral assignment
A temporary transfer of ownership. This assignment involves a transfer of partial rights to another person. The purpose of this assignment is to provide a creditor with a method by which to guarantee a payment for a debt. Once the debt is paid off, the policy is returned to the policyowner. If the insured dies prior to paying off the debt, the creditor is paid from the death benefit proceeds for the amount owed.

Common disaster clause
The beneficiary must outlive the insured by a specified period of time, typically 14 to 30 days. In this scenario, if both the insured and beneficiary were to die from the same accident within a day of each other, the insured would be the beneficiary.

Company
See Insurance company

Competent parties
In order to have a legally binding contract, the parties entering the contract (the applicant and insurance company) must be 17 competent.

Comprehensive major medical plan
An all-in-one policy that covers virtually all medical expenses.

Conditional contract
A contract in which the offeree accepts the offer by performing an act that indicates their agreement with the bargain. The insurer has an obligation to pay claims conditional upon the insured paying the premiums and showing proof of loss as required.

Conditional receipt
A condition must be met before the coverage can go into effect. It can be divided into two types of receipts: insurability and approval.

Consideration
An exchange of something of value for something of value. The premium or money that puts insurance into effect is commonly called consideration.

Consolidated Omnibus Budget Reconciliation Act
See COBRA

Contingent beneficiary
The person or entity named in the policy to receive the proceeds in the event the primary beneficiary dies before the insured, and no new primary beneficiary was named.

Continuing care
The newest form of LTC coverage is designed to provide benefits to the elderly who live in continuing care retirement communities. The communities offer independent living, skilled nursing care, and active adult activities.

Contract
An agreement enforceable by law. It is when one or more parties bind themselves to a specific promise or set of promises in exchange for compensation.

Contract of adhesion
A contract in which the terms and provisions are fixed by the insurer and must be accepted or rejected by the prospective buyer. It is not a bargaining contract. It follows the "take-it or leave-it" premise.

- NOTES -

Contract owner
The purchaser of the annuity; however, they may not be the recipient of the benefits. Similar to life insurance, the contract owner has the rights to name a beneficiary and surrender the annuity. The contract owner pays into the annuity, and the annuity pays out to the annuitant.

Contractual capability
The legal capability to form a binding contract. Beneficiaries and insureds (if different from the applicant) do not have the ability to form a binding contract as they are not parties to the insurance contract.

Contributory
A group life policy where a subscriber pays a portion of the premium due.

Controlled business
Business coverage written by a licensed and appointed insurance agent on their own life, health, or property, and/or that of the agent's immediate family or business associates. In Florida, a violation of controlled business exists if the department finds that during a 12-month period, the premium writings represented by a licensed and appointed agent exceed 50% of the aggregate amount of commissions and compensation received.

Conversion
A benefit of group health plans. An individual may convert their group certificate to an individual policy, as long as it is within the same insurance company, and the conversion is exercised within 31 days. The insurance company can medically underwrite the individual and rate accordingly, but it is not permitted to decline the coverage.

Coordination of benefits (COB)
Found only in group health plans, the purpose of this provision is to avoid duplication of benefit payments and over-insurance when an individual is covered under multiple group health insurance plans.

Corridor deductible
Both the supplemental and comprehensive major medical plans are subject to deductibles and coinsurance after the basic expense policy's limits are exhausted. This deductible derives its name from the fact that it is applied between the basic coverage and the major medical coverage.

Cost of living adjustment rider (COLA)
A vehicle used to counteract inflation during a benefit paying period. It is tied to an inflation index, such as the consumer price index (CPI), and is generally attached to increasing term insurance policies or return of premium riders.

Coverdell education savings accounts
A federally sponsored trust or custodial account designed to help families pay for education on a tax-favored basis. This benefit applies not only to qualified higher education expenses, but also to qualified elementary and secondary education expenses.

Credit life
Designed to cover the life of a debtor in the event of their death prior to paying off a covered loan. The length of the policy is matched to the length of the loan, and the amount of insurance is matched to the declining loan balance. The policy amount shall never exceed the indebtedness of the loan.

Critical illness
Pays a level lump-sum benefit upon diagnosis of a specified disease without payment of further benefit in connection with the hospital and medical care for the treatment of the specified disease.

- NOTES -

Cross-purchase plan
A form of buy-sell plan where partners individually agree to purchase the interest of a deceased partner. The individual partner owns, pays, and is the beneficiary of the policy. The partnership itself is not a party to the buy-sell agreement.

Current assumption life
See Interest-sensitive whole life

Custodial care
Provided by non-medical caregivers, custodial care can take place in an institutional facility or at a patient's home. The non-medical personnel, such as relatives or home health care workers, provide assistance in caring for the insured's ADLs, such as bathing, continence, dressing, eating, toileting, and transferring.

Death benefit
The face amount of the policy, plus any riders and less any outstanding loans or interest accrued thereon. It is guaranteed and level throughout the life of the policy.

Debt insurance
See Industrial insurance

Decreasing term insurance
A form of term insurance where the death benefit decreases over time, but the premium amount remains constant (level).

Defamation
Knowingly making, publishing, disseminating, or circulating, directly or indirectly, or aiding, abetting, or encouraging the making, publishing, disseminating, or circulating of, any oral or written statement, or any pamphlet, circular, article, or literature that is false or maliciously critical of, or derogatory to, any person and is calculated to injure such person.

Deferred annuity
An annuity policy that provides income payments that begin at some later date, frequently at a specified age. It can be purchased as a single payment or on an annual premium payment. A deferred annuity is also known as a flexible-premium deferred annuity (FPDA).

Defined benefit plan
A contribution plan that defines the retirement income benefit that each participant will receive. The three types of defined contribution plans include profit-sharing, stock-bonus, and money purchase.

Defined contribution plan
A contribution plan that requires the plan sponsor to make monthly or periodic contributions for each participant based on a defined formula.

Definite amount
See Fixed sum

Definite time
See Fixed period

Dental care plan
Covers the cost associated with dental preventative care, such as teeth cleanings, fluoride treatments, etc. It also covers dental surgeries and orthodontia. Most plans are subject to a maximum yearly benefit for preventative, basic, and major dental services.

Dependency period
The period of time following the death of the breadwinner during which dependent children are living at home. Social Security provides a benefit to the surviving spouse with small children during this time.

Disability income insurance
A product designed to provide an income replacement when a covered individual is unable to perform the duties of their occupation due to an accident or illness.

Disability income rider
A rider that provides a monthly income payment based on a percentage of the life insurance

- NOTES -

policy's face amount. It is payable when the insured meets the policy's definition of totally disabled and is unable to work.

Dividend options
CARP-5 (Cash, Accumulate at interest, Reduce premiums, Paid-up additions, 5th dividend option)

Dividends
A non-guaranteed return of unused premiums. Dividends are not considered income for tax purposes.

Domestic company
A name given to an insurance company in the state of its incorporation, as a Florida insurance company is domestic (domicile) in the state of Florida.

Dread disease plan
Provides a fixed-sum benefit on an indemnity, non-expense-incurred basis.

Education fund
A fund designed to assist with tuition, fees, room, and board.

Elimination period
Works like a deductible, however, instead of the deductible being a monetary amount, it is a period of time. (Applies to disability policies.)

Emergency fund
Monies put aside to cover various, miscellaneous, unforeseen expenses.

Endowment
A policy that pays the face amount if death occurs (death benefit) or pays the face amount at the end of the premium-paying period (living benefit). It is the most expensive type of insurance written today. The most common and best use of this policy is for educational purposes.

Entire contract
A standard provision that states that the policy and the application make up the entire contract and in the absence of fraud, all statements will be deemed representations of such application and the payments of premiums in accordance with the provisions of the policy. The application is attached to the back of the policy. The application and policy constitute the entire contract.

Estate
An estate is comprised of an individual's net worth, including all land and real estate, possessions, financial securities, cash, and other assets that the individual owns or has a controlling interest in. A policyowner's estate becomes the beneficiary of a life insurance policy when the insured outlives the named beneficiary, or the estate has been specifically named as the beneficiary.

Experience rating
A group's previous claims experience.

Extended-term option
The final nonforfeiture option, also the insurance company's default option, where a single-premium term life insurance policy is purchased for the lapsed policies' face amount but only for a period of time that the cash value will provide. For example, five years and 13 days.

Family plan
Sold in units, is designed to insure all family members under one inclusive policy. It may be written as a separate contract or as a rider on a basic plan. The format is usually to provide permanent (whole life) insurance on the policyholder, temporary (term) or whole life on the spouse, and decreasing or level term on the children until they reach a specified age.

Family rider
See Family plan

Final expense
Insurance that provides the amount necessary to cover the expenses upon the death of an

- NOTES -

individual. The funds are used to pay for the final expenses, such as funeral home, outstanding debts, federal and state taxes, legal fees, etc.

First-dollar coverage plan
Plans that typically do not require the insured to pay a deductible.

First-party ownership
When a policy is written where the insured and owner of the policy are the same person, the policy is considered to have first-party ownership.

Fixed annuity
Sold by licensed and appointed life insurance agents, an annuity provides for the payment of an income at stated intervals for a fixed or contingent period, often for the recipient's life. The purpose of an annuity is to establish an income for older age. It is not life insurance and can be bought regardless of health.

Fixed period
This settlement option provides proceeds to be paid in equal installments, usually monthly, over a specified number of years.

Fixed sum
This settlement option provides proceeds payable in specified installments of a designated amount until the principal and interest are exhausted.

Flat deductible
A stated amount that the insured must pay before any policy benefits are paid; used with comprehensive policies.

Flexible premium deferred annuity (FPDA)
See Deferred annuity

Flexible spending account (FSA)
A form of cafeteria plan that is funded by a salary reduction and employer contribution. Employees authorize a certain amount of money to be taken from their paycheck, on a pre-tax basis, and placed into an FSA. The funds in the account may be used to pay for healthcare-related services and products, as well as certain expenses for dependents, such as daycare costs. FSAs have a use-it or lose-it provision that means unused funds in the FSA are kept by the employer.

Floor
Opposite of a cap, a floor represents the percentage limit for which a cash value can drop over a specified period of time. For example, if the index drops 18%, but there is a floor of 6%, the cash value will drop by a maximum of 6%.

Foreign company
An insurance company formed under the laws of the United States but operating in a state other than the one in which it was incorporated.

Fraud
An intentional concealment or misrepresentation of a material fact that is used for the purpose of inducing another party to make or refrain from entering into a contract, or to deceive or cheat a party; grounds for voiding a life insurance contract if such fraud is discovered during the first two years of the policy period.

Free-look period
A period where policyowners may return their policy for a full refund of all premiums they have paid.

Full retirement age (FRA)
The age when an individual is entitled to 100% of their Social Security benefits.

Future increase options
See Guaranteed insurability rider (GIR)

General account
An investment sub-account that usually includes bond accounts, growth stock accounts, money market accounts, real estate

- NOTES -

accounts, and a balanced fund account.

Grace period
A period of time in which the insured is protected from an unintentional lapse of premium payment.

Graded premium whole life
A form of modified life insurance that provides for annual increases in premiums for a constant face amount of insurance during a preliminary period.

Graded vesting
A vesting schedule where the employee is vested incrementally, such as 10 or 20% per year until 100% vesting capacity is reached.

Group insurance
A single contract written on multiple people who fall under an employer-employee group, association, creditor, or union.

Guaranteed insurability rider (GIR)
A rider that guarantees the insured the right to purchase additional insurance at standard rates, during specified option dates, upon their attained age, and without evidence of insurability. It is only available to newly insured people, below the age of 40, at the time of application. Premium rates are based on the insured's attained age.

Hazard
A behavior or item that increases the likelihood of risk that are divided into three levels: physical, moral, and morale.

Health insurance
Contracts of insurance that provide funds for medical expenses due to injury, sickness, or disability. Additional areas of coverage include long-term care, Social Security, Medicare, Medicaid, and supplemental policies.

Health maintenance organization (HMO)
A type of organization offering comprehensive prepaid health care services to its subscribing members. It is available under an individual or family plan, or as a group insurance plan.

Health maintenance organization consumer assistance plan (HMO-CAP)
Created by Florida statute; designed to protect persons enrolled in coverage with HMOs against the failure of their HMO to perform its contractual obligations due to its insolvency. The HMO-CAP only protects "commercial" HMO members, those who have group coverage or persons who purchase individual coverage directly through the HMO. Persons who are enrolled in an HMO for Medicaid or Medicare coverage are not covered by the HMO-CAP.

Health savings account (HSA)
A type of health care savings account that allows an individual to set aside funds, on a pre-taxed basis, to pay for qualified medical expenses. By utilizing untaxed dollars in an HSA, account beneficiaries can make tax-free withdrawals to cover qualified health care expenses. Withdrawals used for nonqualified expenses are subject to a 10% penalty tax.

Hedge against inflation
The investing in an asset that is expected to maintain or increase its value over a specified period of time.

High deductible health plan (HDHP)
Used in coordination with health savings accounts (HSAs), flexible savings accounts (FSAs), and health reimbursement accounts (HRAs). These plans offer high deductibles and out-of-pocket limits that, in turn, provide for lower premiums. Except for preventative care, the annual deductible must be met before the plan will begin paying any benefits.

- NOTES -

High exposure
See Sub-standard risks

Home health care
Provided in the insured's home by skilled nursing or other professional services that may include nursing, rehabilitative, or speech therapy (under a physician's order) or unskilled care, such as cooking or cleaning.

Hospital fixed-rate policy
See Hospital indemnity policy

Hospital indemnity policy
A policy that provides a specific benefit amount on a daily, weekly, or monthly basis while the insured is confined in a hospital. Payment under this plan is unrelated to the medical expenses incurred but is based on the number of days confined in the hospital.

Housing fund
A fund designed to utilize the mortgage and rental allowance when the breadwinner's death occurs.

Human life value approach
The measuring of life's insurance needs, specifically an individual's future earnings potential. It goes beyond the everyday numbers and considers the financial needs of a family if the primary breadwinner dies.

Immediate annuity
An annuity contract that provides income payments that begin at the end of the first interval of the income period after purchase. It has a short accumulation period and can only be funded with a single-premium payment. It is designed for people who are already retired.

Incontestability clause
After a certain period, usually two years from the issue date and while the insured is living, the insurance company no longer has the right to contest the validity of the life insurance policy so long as the contract continues in force. If the insurer learns that an error was deliberately made on the application, it must pay the death benefit at the insured's death if the policy has passed the contestable period.

Increasing term insurance
Opposite of a decreasing term; increases the benefit period at periodic intervals. The primary purpose is that of inflation. It is typically tied to a cost of living index, such as a consumer price index (CPI).

Indemnity contract
Indemnity means, "to bring one back to the position they were prior to the covered loss." Fire and health policies are examples.

Indexed annuity (IA)
A fixed annuity provides an aggressive investment feature, the IA has a guaranteed minimum interest rate and is generally tied to a specific equity or stock index, such as the Standard & Poor's 500.

Indexed universal life (IUL)
A policy based on the performance of an equity index, such as the Standard & Poor's 500 or NASDAQ-100. The policy has a fixed premium, guaranteed death benefit, and a guaranteed minimum interest rate.

Individual retirement account (IRA)
A retirement account that allows for tax-deductible contributions to a retirement program for those who choose to have a private retirement plan even though they may be covered by another qualified plan. Contributions accumulate and grow on a non-taxable (tax-deferred) basis and are taxed only upon distribution.

Industrial insurance
Sold by home service companies and typically written on small face amounts, such as $1,000, with premiums collected by debit agents on a weekly basis at the policyowner's residence.

- NOTES -

Installment refund option
Guarantees that upon the annuitant's death, the beneficiary receives the annuity in the same annuity payment method until the fund is depleted. This is similar to the cash refund option except instead of a lump-sum payment, the payments are made in installments.

Insurability receipt
When an initial full premium is paid at the time of application, this indicates that coverage becomes effective on either the date the application was signed or the date of the medical exam, provided the applicant is proven to be insurable.

Insurable interest
Prior to issuing a life insurance policy, the person who will receive the benefits of the policy must show to have an interest in the continuation of the life of the insured.

Insurance
A device that transfers the risk of a large financial loss from an individual to an insurance company.

Insurance company
An institution that provides a range of risk transference policies to protect individuals and businesses against the uncertainty of financial losses.

Insurer
See Insurance company

Insuring agreement
The promise between the insurance company and the insured that states that the insurance company agrees to pay a definite sum of money when the insured dies in exchange for a certain premium.

Insuring clause
See Insuring agreement

Integrated deductible
Used with supplemental plans. The deductible satisfied may be used to offset other deductible-based benefits of the policy.

Interest-sensitive whole life
A non-participating, fixed premium whole life insurance policy that provides a guaranteed minimum cash value that increases each year and equals the policy's face amount at age 100.

Intermediate nursing care
Under the supervision of a physician, this is administered by registered nurses, nurse practitioners, and nurse's aides on a less frequent basis than skilled nursing care. It provides for services, such as dispensing medication, changing bandages, or physical therapy, etc., and can take place in a nursing home, an intermediate-care unit, or in the patient's home.

Intermediate premium whole life
A whole life insurance policy that allows for an adjustable premium based on the insurance company's earnings, mortality rate, and expense costs. The premiums can be adjusted either up or down but cannot exceed the guaranteed maximum stated in the contract.

Investigative consumer report
Provides information on the applicant's character, reputation, and habits. The information is obtained through an investigation and interviews with associates, friends, and neighbors.

IRC Section 457
Deferred compensation plans that are available for certain state and local governments and non-governmental entities tax-exempt under the IRC.

Irrevocable beneficiary
A beneficiary that cannot be changed without the beneficiary's written permission and is generally used in business situations for partnerships or corporations.

- NOTES -

Joint and survivorship option
Another method of saying, "second-to-die." This annuity option is based on the lives of two annuitants. The income is paid until the second annuitant dies. This payout option can be written as a joint and two-thirds survivor, or joint and one-half survivor. The age and sex of the applicants affect the premium and the income payout.

Joint life
A contract that insures two or more people under one permanent insurance policy. The policy is designed to pay the death benefit upon the death of the first insured.

Jumping juvenile insurance
A special form of juvenile insurance written on children's ages one to 15 in units of $1,000. These units automatically increase to five times the face amount at age 21. The benefits are that the premium remains the same although the face amount jumps five times, and no evidence of insurability is required.

Junior estate builder
See Jumping juvenile insurance

Juvenile insurance
An insurance policy issued on an individual aged one day to 15 years. The insured is the child, and the policyowner is an insurable interest bearing adult, such as a parent or guardian. The premium payor is typically the adult policyowner, until the insured child reaches a specified age indicated in the contract.

Key-person insurance
A policy that a business purchases on the life of a key employee or key executive. The business owns the policy, is responsible for premium payments, and is the beneficiary. The premiums are not tax-deductible, and the death benefit is not subject to federal income tax.

Law of large numbers
This means that if something is done or occurs often enough (in large numbers), it can be predicted with a high degree of accuracy.

Level premium
A premium that does not change with the term of the policy.

Level term insurance
A policy in which both the premium and death benefit remain level for the duration of the term. When the term expires, so does the insurance.

Life insurance
A legally binding contract that, for a specified premium, the insurance company agrees to pay a beneficiary a definite sum of money when the insured dies; thus, creating an estate.

Life settlement
An arrangement similar to that of a viatical settlement; however, the individual's health condition may or may not be terminal or chronically ill. This type of transaction results in ownership transfer of the life insurance policy to a third-party. The purchase price is greater than what the surrender value would be if the policyowner were to surrender it to the insurance company but less than the actual death benefit.

Life with period certain option
Guarantees an annuitant income for life but only a minimum number of payments. For example, if an annuitant has a ten-year period certain, the benefits will be paid for as long as the annuitant is alive. However, if the annuitant were to die before the end of the ten-year period, the remainder of the annuity would be paid to their beneficiary.

Limited risk plan
See Dread disease plan

Limited-pay whole life
Another form of permanent life insurance, similar to ordinary

- NOTES -

whole life whereas it endows or matures at age 100, but its differences lay within how long the premiums must be paid.

Living benefits
A benefit of a whole life insurance policy is that the policyowner can borrow against the cash value while the policy is in effect.

Loan
A provision that allows the policyowner to borrow money from the cash value of their policy. A loan against one's own money is a withdrawal with the presumption that it will be repaid (with accrued interest) or that future benefits will be reduced by the loan and interest amount.

Long-term care insurance policy
Any insurance policy or rider advertised, marketed, offered, or designed to provide coverage on an expense-incurred, indemnity, prepaid, or another basis for one or more necessary or medically necessary diagnostic, preventive, therapeutic, curing, treating, mitigating, rehabilitative, maintenance, or personal care services provided in a setting other than an acute care unit of a hospital.

Long-term care rider (LTC)
Added benefits to a life insurance policy or annuity contract that will provide care for an insured when they can no longer perform two out of the six ADLs.

Major medical expense plan
Commonly known as major medical; offers broad coverages under one policy.

Material misrepresentation
Intentional statements that, if discovered, would alter the insurance company's underwriting decision. These are often considered to be fraud.

Maximum out-of-pocket (MOOP)
A safeguard for the insured. Once this amount is reached, the insurance company will pay 100% of the expenses incurred.

Medicaid
A jointly funded, federal, and state program designed to provide medical assistance to low income and medically needy individuals. Those who claim this benefit must be able to prove that they have neither the ability nor means to pay for their medical care.

Medical expense insurance
Basic hospital, surgical, and physicians' expense plans that provide benefits for the cost of medical care that results from both accidents and sickness.

Medicare
A health insurance for people who are age 65 or older, under age 65 with certain disabilities, and any age with permanent kidney failure called end-stage renal disease (ESRD).

Medicare Advantage plan
Also known as Medicare Part C, this managed-care plan consists of a network of approved hospitals, doctors, and other health care professionals who provide service to Medicare beneficiaries for a set monthly payment from Medicare. The health care provider receives the same fee every month, regardless of the actual services provided.

Medicare supplement insurance (SMI)
Policies issued by private insurance companies that are designed to fill in some of the gaps in coverage of Medicare Part A and Part B. Known as Medigap, these plans do not pay for the costs incurred in Medicare Part C or Part D. It is prohibited for anyone to sell a Medigap policy to a person who is in a Medicare Advantage (Medicare Part C) plan.

Medigap
See Medicare supplement insurance

- NOTES -

Minimum deposit whole life
A permanent whole life policy where cash value begins upon the payment of the first premium.

Minor beneficiary
In Florida, the age of a minor beneficiary is set to the age of 15.

Misrepresentation
Untrue statements on an application that can void a contract.

Misstatement of age or sex
Not subject to a policy's incontestability period. If the age or gender is misstated on the application, this provision reserves the insurance company's rights to make an adjustment at any time.

Modified endowment contract (MEC)
A result of a revised tax law definition of life insurance contracts, its purpose is to discourage the sale and purchase of life insurance for investment purposes or as a tax shelter.

Modified whole life
A permanent policy in which the premium is lower but similar to that of a temporary policy during the first several years. The premium then increases to a higher rate in the later years.

Money-purchase plan
A qualified plan that is similar to the profit-sharing plan. The difference is that contribution amounts are fixed rather than variable.

Moral hazard
A form of hazard that demonstrates the tendencies that affect an individual's living habits, reputation, character, or insurability. For example, alcoholism, drug addiction, and dishonesty.

Morale hazard
A form of hazard that reflects an individual's attitude or state of mind that causes indifference towards a loss. For example, the lack of concern about suffering an injury while doing something reckless.

Morbidity
The probability of loss due to sickness and accident.

Mortality
The probability of loss due to death.

Multiple employer trusts (METs)
Designed for employers who have a small number of employees. METs provide either a single form of insurance (such as life or health insurance) or a wide range of coverages (such as life, disability income, and medical expenses).

Multiple employer welfare arrangements (MEWA)
A type of MET for union employees that is self-funded and has tax-exempt status. Employees covered under a MEWA are required by law to have an employment-related common bond.

Multiple indemnity
An additional sum paid to the beneficiary if the insured dies as a direct result of accidental bodily injury independently of all other causes and within a 90-day period. Can usually be purchased for two or three times the original face amount of the policy, does not have a cash value, and usually ceases by age 65.

Multiple protection policy
A policy that pays a benefit equal to a factor of the face amount if death occurs during a predetermined specified period. If death occurs after that period has expired, only the face amount is paid.

Non-contributory
The employer pays the entire premium of a group policy. Florida law requires 100% participation by eligible employees in noncontributory group life insurance plans.

- NOTES -

Non-forfeiture values
A benefit offered to a policyowner when their cash value policy lapses. The three non-forfeiture options are cash-surrender, reduced paid-up, and extended-term option.

Non-occupational
An accident or illness related to an off-the-job event.

Non-qualified plan
A retirement plan that does not receive favorable benefits, such as deductible contributions, tax-deferred growth, or government protection under ERISA.

Notice of claim
A 20-day period in which the insured must notify the insurance company about a claim.

Occupational
An accident or illness related to an on-the-job event.

Offer and acceptance
Delivering the policy to the applicant and the applicant's payment of the premium are intended to be concurrent acts of offer and acceptance. When the first full premium is paid before the physical delivery of the policy, the applicant accepts the offer, and the contract comes into being at that moment (providing the applicant is found insurable, at the time of application, and the policy is subsequently issued as applied for). The payment of the premium means the client accepts the policy.

Old Age Survivors Disability Insurance (OASDI)
See Social Security

Option to convert
A provision that gives the insured the right to exchange or convert the term policy into a permanent (whole life) policy without evidence of health insurability.

Option to renew
A provision that allows a policyowner to renew their policy before the termination date without evidence of health insurability.

Ordinary insurance
A form of individual insurance includes many forms of both temporary and permanent insurance protection plans written with monthly, quarterly, semi-annually, or annually paid premiums.

Original Medicare Plan
Medicare Part A and Part B

Own occupation (own-occ)
A form of total disability in which a disabled insured is unable to work at their own occupation as a result of a covered accident or illness. This definition is more liberal, has stricter underwriting guidelines, and incurs a higher premium.

Partial disability
A disability provision designed to reduce the frequency and length of total payments that an insured receives. Its purpose is to allow the insured to return to work without losing all of their benefits. Available as a rider or as part of the basic policy, the benefit will pay if the insured incurs a decrease in income and is unable to perform one or more important duties of the job, or the insured has the inability to work at that job on a full-time basis

Participation
The ability to join an employer sponsored plan.

Participation rate
A percentage of the index growth that is credited to an annuitant's account. For example, if the underlying index increases by 10% and the rate of participation is 60%, the annuitant will be credited with 6%.

Parties of legal capacity
See Competent parties

- NOTES -

Payor-provision
Attached to a juvenile policy. For an additional premium, the policy will waive future premiums of the policy in the event the person responsible for the payment of the premiums dies or is disabled.

Per capita approach
"By person" or "by head." Under per capita, only living beneficiaries would receive the death proceeds.

Per stirpes approach
"By way of branches." A deceased beneficiary's shares would pass down to their children in equal shares.

Perils
A cause of a loss that triggers or activates the process of transferring a risk.

Period certain option
Based only on a specified period, not on the life of the annuitant. For example, a 15-year period certain means the income will be paid for 15 years and then cease. If the annuitant dies during that time, the income continues to be paid to their beneficiary.

Permanent life insurance
See Whole life insurance

Personal agreement
See Personal contract

Personal contract
A personal agreement between the insured and the insurance company. It may not be transferred to another person without the insurance company's approval. Life insurance is not a personal contract.

Physical hazard
A form of hazard that includes physical characteristics of an individual, past and current medical conditions, and congenital disorders. For example, blindness and deafness.

Point-of-service plan (POS)
A plan that operates like a combination of an HMO and a PPO plan. Under the POS plan, a subscriber may choose to receive care from an in-network or out-of-network physician (PPO). The subscriber must select a PCP for referrals (HMO) but may choose to go to an out-of-network physician and incur additional out-of-pocket expenses such as a deductible and coinsurance (PPO).

Point-to-point
When a tracked index rises, the insurance carrier will take the percentage difference between the beginning and endpoints in order to calculate an interest credit to the annuity.

Policy rider
An enforceable document added to a policy that becomes part of the contract. Most riders require an additional premium and they must be attached to a policy. In addition, riders do not have cash value, nor does the cash value affect them. In most cases, benefits cease at age 65 unless a different age is stated in the policy.

Policy summary
A document written by the insurance company that describes specific features and elements of the policy being issued. The policy summary must include the name and address of the agent, full name and home office or administrative office address of the insurer, and the generic name of the basic policy and each rider. A policy summary document also provides premium, cash value, dividend, surrender value, and death benefit figures for specific policy years.

Preexisting conditions
Medical expense policies not impacted by the Affordable Care Act (ACA) and disability income policies may exclude paying benefits for losses due to conditions that existed before the start of a policy, pertaining to

- NOTES -

illness, disease, or other physical impairments.

Preferred provider organization (PPO)
A network-based form of managed care providers that contract with employers, insurance companies, or other third-party payers to provide medical care services at a reduced fee.

Preferred risks
A form of risk classification. Generally, a lower premium rate than standard risks, and includes the more favorable risks, such as individuals who do not smoke, whose weight is within a specified range, and who are not limited by medical issues.

Presumptive disability provision
This provision applies when the severity of the condition presumes that the insured is totally disabled even though they may be able to work. The benefit paid is usually made as a lump-sum settlement. Conditions that fall under this provision are blindness, deafness, loss of speech, and loss of two or more limbs.

Primary beneficiary
The first person or entity named in the policy to receive the proceeds upon the insured's death.

Primary insurance amount (PIA)
The amount of Social Security benefits paid to an individual at full retirement age or a disabled worker.

Principal sum
A death benefit payable in the event an insured dies from an accident. Represents the maximum amount the policy will pay.

Probationary period
A time period that must elapse, following the effective date of the policy before coverage is available. It applies to sickness claims only. The purpose of this provision is to exclude preexisting sicknesses from coverage. It does not apply to accident claims.

Profit-sharing plan
A qualified plan in which a portion of the company's profits are contributed to the plan and shared with the employees.

Proof of loss
A 90-day period in which the insured must complete the claim forms.

Pure endowment
An endowment policy in which the policy guarantees to pay a specified sum at the end of the state period, only if the insured is living.

Pure risk
An insurable event because it is limited to the chance of a loss only.

Qualified plan
A retirement plan that receives favorable benefits, such as deductible contributions, tax-deferred growth, and government protection under ERISA.

Ratcheting
A guarantee that past increases in accumulated cash value will not be lost. The ratcheting process places a minimum floor on previous cash value amounts.

Rated risks
See Sub-standard risks

Rating the policy
When an insurance company needs to off-set a higher-risk selection, it does so by charging an additional premium.

Recording method
The most common method used in changing a beneficiary in a life insurance policy. This allows the policyowner to notify the insurance company, in writing, of the requested change. Once the insurance company records the change, it becomes effective as of the date the policyowner signed the request.

- NOTES -

Recurrent disability
When an insured suffers from the same disability within a six-month period, the disability will be considered a continuation of the prior disability and will not be subject to a new elimination period.

Reduced paid-up option
A nonforfeiture option where the policy's face amount is reduced to a single-premium amount that the cash value will purchase. The policyowner is subject to underwriting requirements and still has the ability to reinstate their initial policy.

Reinstatement provision
If the renewal premium is not paid before the grace period ends, the policy will lapse. Later acceptance of the premium by the insurer, or by an agent authorized to accept payment without requiring an application for reinstatement, will reinstate this policy.

Replacement
A transaction in which a new life insurance policy is to be purchased or existing insurance is to be converted to reduced paid-up insurance, continued as extended term insurance, or otherwise reduced in value by the use of non-forfeiture benefits.

Representation
An applicant's statements that are believed to be true at the time of application.

Residual disability
When a disabled insured returns to work on a part-time basis, an indemnity benefit is determined by multiplying the insured's percentage of lost income by the stated monthly benefit for full disability. The insured must be under a physician's care.

Respite care
Provides short-term relief for a primary caregiver, enabling a temporary hiatus from the demands of caregiving a sick or disabled family member. Can take place in the insured's home or a full-time care facility.

Retirement plan
Financial strategies used to sustain one's self during retirement. For example: 401(k), profit-sharing, 403(b), and Keogh (HR-10) plans.

Return of premium rider (ROP)
Designed to pay the face amount plus an additional benefit that equals the sum of all premiums paid upon the death of the insured within a specified period.

Reversionary irrevocable beneficiary
The rights of the policyowner are returned to the policyowner should the beneficiary die before the insured. Reversionary means, "the rights are returned to."

Revocable beneficiary
The policyowner is free to change this type of beneficiary at any time.

Risk
The uncertainty regarding a financial loss.

Risk avoidance
A method of treating risk by choosing not to do something in order to avoid the chance of injury. For example, not flying in a plane to avoid being in a plane crash.

Risk reduction
A method of treating risk by taking an action that might reduce the risk from happening. For example, washing your hands to help reduce the spread of disease.

Risk retention
A method of treating risk by confronting the risk when it occurs. For example, setting up a fund to offset the cost of potential loss.

Risk transfer
The most effective method of treating risk by replacing certainty for uncertainty. This takes place when one transfers the risk to the insurance company, rather than keeping it themselves.

- NOTES -

Rollover IRA
Tax-free distribution of cash from one retirement plan to another. Commonly used when an individual leaves one employer, is hired by another, and has received a complete distribution from their previous employer's plan. To benefit from this tax-deferred rollover, the full amount of the distribution must be transferred and must take place within 60 days of the distribution and may only be done once a year.

Roth IRA
An individual retirement account to which an individual contributes after-tax dollars. Although there are no current-year tax benefits, the individual's contributions and earnings can accumulate and grow tax-free. Additionally, they can withdraw the funds tax- and penalty-free if the policy has been in effect for five years.

Save-the-date
When permitted by the insurance company, this provision allows the applicant to backdate a policy (up to six months) so that the insured's age is lower. This provides for a lower insurance premium. If opted for, the applicant will also need to pay all-back premiums to the date backdated.

Savings incentive match plan for employees (SIMPLE) retirement plan
Available to small and self-employed businesses that employ less than 100 employees who received at least $5,000 in compensation from the employer during the previous year. To establish a SIMPLE, an employer must not have a qualified plan already in place.

SECURE Act of 2019
The SECURE Act of 2019 pushes back the age at which retirement plan participants need to take required minimum distributions from age 70½ to 72. The Act also permits traditional IRA owners to keep making contributions indefinitely.

Separate account
An unrestrictive sub-account, in that it allows an investor to choose an investment category according to their risk tolerance and desire for performance.

Simplified employee pension (SEP)
A type of qualified plan suited for the small employer or the self-employed. With this type of plan, an employee establishes and maintains an individual retirement account to which the employer contributes. The employer's contributions are not included in the employee's gross income.

Simultaneous death law
The law states that if there is not sufficient evidence as to who died first, the policy proceeds will be distributed as if the insured had survived the beneficiary; therefore, the insured died last.

Single-premium whole life
Protection is in place until age 100 but the premium is paid entirely at one time.

Skilled nursing care
Provided by medical personnel under the direction of a physician; offers continuous nursing and rehabilitative care in an institutional setting, such as a nursing home. Examples include changing complex wound dressings, rehabilitation, and tube feedings.

Sliding
A deceptive tactic of adding non-required insurance items to a policy.

Social insurance substitute rider
See Social Security rider

Social Security
A federal program designed to provide protection for eligible workers and their dependents against financial loss due to old age, disability, or death.

- NOTES -

Social Security rider
Pays an additional income when an insured is eligible for social insurance benefits, but the benefits have not started, have been denied, or have begun, but the amount received is less than the benefit amount of the rider.

Speculative risk
An uninsurable event because it involves both the chance of success (gain) or loss.

Spendthrift trust clause
Protects beneficiaries from the claims of their creditors. The spendthrift trust shelters the life insurance proceeds that have yet to be paid from the claims of either the beneficiary or policyowner's creditors.

Split-dollar plan
Designed to provide an effective way to attract and retain quality employees. As a nonqualified plan, it offers a low premium outlay and uses cash value, whole life, and term insurance protection to guarantee the return of the premium to one party while ensuring a death benefit to the policy beneficiary. The employer and employee share the premium costs.

Spousal IRA
Established and funded by an individual on behalf of their spouse, who makes little or no income. Contributions are subject to the same rules and limits as traditional IRA participant contributions. It must be held separately since IRAs cannot be held as joint accounts.

Spread
A percentage subtracted from the underlying index. For example, the underlying index increases by 15%, the spread is 5%, the annuitant will be credited with 10%.

Standard risks
A form of risk classification. Policies are issued according to the published rates in the rate manual. Those that fall into this category generally have minor medical issues or higher risk, but insurable, physical characteristics.

Step-rate premium
A premium that increases at set intervals.

Stock-bonus plan
Similar to that of a profit-sharing plan except the contributions by the employer do not depend on profits. Distributions are in the form of company stock.

Stop-loss
See Maximum out-of-pocket (MOOP)

Straight life income option
An annuity policy that pays a predetermined income to the annuitant for their life only. The age of the annuitant and the assumed interest rate determines the amount of the payout the annuitant will receive as a lifetime income. Designed for people with no dependents. It gives the greatest returns of all the annuities available today.

Straight life insurance
See Whole life insurance

Straight whole life
A form of permanent insurance protection that provides for a level premium for the life of the insured (age 100).

Subrogation
The process by which an insurance company seeks recovery of the amount paid to the insured from a third party who may have caused the loss.

Sub-standard risks
A form of risk classification. Policies issued at an additional cost to the insured. This increase in premium may be due to poor health, type of work, or any factor that increases the probability of loss to the insurance company.

- NOTES -

Suicide
A standard provision found in most policies states that if the insured kills themself (suicide) within the first two years, the company will not be pay the death benefits, but will refund any premiums less any loans.

Supplemental major medical plan
Used in addition to the basic medical expense plan, whereas to provide coverage for expenses not included by or that exceed the maximum benefit limit of a basic policy.

Tax-deferred annuity
See 403(b) plan tax-sheltered account (TSA)

Temporary insurance
See Term insurance

Term insurance
The simplest and most common type of life insurance plan. It provides life insurance protection to an insured for a specified period (term) and pays a death benefit (no cash value) only if the insured dies during that covered period.

Tertiary beneficiary
The is third in line if the primary and secondary beneficiaries dies before the insured.

Theory of probability
See Law of large numbers

Time limit on certain defenses
After two years from the issue date, only fraudulent misstatements in the application may be used to void the policy or deny any claim for loss incurred or disability starting after the two-year period.

Total disability
A definition that varies from company-to-company and policy-to-policy but must be met to obtain benefits.

Twisting
Knowingly making misleading statements for the purpose of inducing any person to lapse, forfeit, surrender, terminate, retain, pledge, assign, borrow on, convert, or take out another insurance policy with another carrier.

Underwriting
The selection process of examining, accepting, or rejecting insurance risks, and then classifying them into appropriate risk categories.

Unilateral Contract
A one-sided contract in which one party (offeror) makes a promise in exchange for an act (or abstention from acting) by another party (offeree). For example, the offeror says, "I will pay you $1,000 if you bring my car from Cleveland to San Francisco." Taking the car to San Francisco is the offeree's acceptance.

Universal life (UL)
A combination of a life insurance plan that offers both insurance and a savings account that provides for affordable death protection with considerable policy flexibility. The insurance component is always annually renewable term insurance. The UL policy includes a cash (savings or accumulation) account.

Usual, reasonable, and customary charges (URC)
A benefit schedule based on the average charge for that procedure in a specific geographic area.

Valued contract
A contract that pays a stated sum regardless of the actual loss.

Variable annuity
Sold by a licensed life agent who must also have a registered representative license issued by FINRA, this annuity's value is based on the performance of an underlying mutual funds portfolio.

Variable universal life (VUL)
A combination of both UL and variable life, it provides the policyowner with the flexibility of

- NOTES -

having an adjustable premium and a death benefit, and the ability to decide where the net premiums (cash value) will be invested.

Vesting
A participant's right of access to retirement benefits in a plan.

Viatical settlement
An arrangement whereby an individual, with a terminal illness or severe chronic illness, sells their life insurance policy to a third-party for an amount that is less than the maturity value. The policy must be beyond the contestability period, and the sale must comply with the NAIC Viatical Settlements Model Act.

Vision care plan
Covers reasonable and customary charges for eye exams by licensed eye doctors. The cost for fitting contact lenses or eyeglasses is often excluded.

Waiting period
See Elimination period

Waiver of monthly deduction
After a six-month waiting period, pays all monthly deductions while an insured person is totally disabled. It neither pays the full premium nor adds to the cash value.

Waiver of premium (WP)
A rider that prevents a policy from lapsing if the insured becomes totally and permanently disabled and is unable to work.

Warranty
Statements that are literally true in every respect.

Whole life insurance
Provides permanent protection for the entire whole life of an insured (from the date of issue to the date of the insured's death) if premiums are paid.

Withdrawal
Only available with UL and VUL policies, similar to a loan, but there is no presumption that the loan will be repaid. The withdrawn amount is treated as a permanent withdrawal, thereby immediately reducing the death benefit and cash value.

Workers' compensation
A state-regulated plan that provides coverage for occupational (on-the-job) injuries and sickness. To be eligible for workers' comp, the injury or sickness must be a result of and related to the insured's work. Benefits include medical benefits, income benefits, death benefits, and rehabilitation benefits.

Worksite employer-sponsored plan
A plan in which an employee can choose from a variety of voluntary benefits and use pre-tax dollars to pay for them. Marketed to the employees at the worksite, and generally involves no contribution from the employer.

Yearly renewable term (YRT)
See Annual renewable term (ART)