

# **General Insurance Definitions:**

## **Accidental Death Coverage**

Accidental death coverage is sometimes a part of your auto insurance policy's Personal Injury Protection (PIP) or may be offered as a separate Accidental death and Dismemberment Program.

If someone who is covered dies from accident-related injuries, this type of auto insurance coverage may provide a payment to the insured's designated beneficiary. They may also be covered for a catastrophic loss of sight, or limb, etc.

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## **Actual Cash Value**

You will see this term a lot in auto insurance policies or if you ever have to file an auto insurance claim. That is because most auto insurance coverage reimburses you only for the actual cash value of your car. Your car's actual cash value is calculated by determining its original value, minus the amount your car has depreciated since you bought it.

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## **Adjuster**

An adjuster is the person who investigates and settles auto insurance claims.

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## **Agent/Broker**

Agents and brokers both sell and manage insurance for their customers. Agents are the authorized representatives of an insurance company or companies, while brokers are the authorized representatives of people looking for insurance.

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## **Anti-Theft Recovery System**

These systems consist of an electronic device that is installed in a concealed area of your car. If your car gets stolen, you can activate the device and it will emit a signal that can be used to locate your car.

Such systems can be effective over a radius of several miles, depending on local geography. Ask your car dealer or nearby police department which brand of recovery systems are supported in your area.

By installing an anti-theft recovery system, you may be eligible for an auto insurance discount.

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## **Bodily Injury Liability Coverage**

Bodily injury liability coverage protects you if you are held responsible for injuring someone in a car accident.

This coverage helps pay for the injured party's medical expenses and lost wages. Bodily injury liability may also help pay your defense expenses in a related lawsuit.

The amount covered is capped at the limits you select when you buy your auto insurance policy. There is no cap on the defense costs however.

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## **Claim**

A claim is a request to be reimbursed for a loss. It may or may not be covered under insurance, however, the liability still may exist.

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## **Collision Coverage**

Collision coverage helps pay for auto repair, replacement costs, or cash in lieu of repairs, if your car hits another vehicle/object or if your car rolls over.

The maximum amount paid for repair or replacement is the car's actual cash value, minus the amount of the deductible you choose when you buy an auto insurance policy. This is called first party coverage because it is within a contract between you and the insurer.

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## **Commuting**

If you primarily use your car for commuting, this means that you mainly use the car to drive it to and from work or school.

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## **Comprehensive Coverage**

Comprehensive coverage helps pay for damage to your car resulting from fire, certain natural disasters, falling objects, and vandalism. Theft is covered as well as hitting an animal. Typically underwriters will look at comprehensive as a coverage used without fault.

The maximum amount paid for repair or replacement is the car's actual cash value (ACV), minus the amount of the deductible you choose when you buy your auto insurance policy.

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## **Continuously Insured**

The length of time you've been continuously insured is the number of years you have been covered by one or more insurance companies without a lapse in your auto insurance coverage.

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## **Deductible**

For some types of auto and homeowner insurance coverage, you're asked to choose a deductible. A deductible is the amount of damages you agree to pay for if you file an auto insurance claim.

Though choosing a higher deductible can substantially lower your insurance premium, if you file an insurance claim, you'll have to pay the full, pre-established amount of the deductible out of your own pocket in order to receive payment from your insurance company.

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## **Declarations**

The declarations page of your insurance policy summarizes the factual information essential to your insurance coverage: the policyholder's name and address, a description of the insured vehicles, the auto insurance premium, as well as the coverages, limits, and deductibles.

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## **Defensive Driver and Driver Improvement Courses**

These courses consist of defensive driving training for drivers of all ages as well as "mature driver safety courses" intended for drivers age 55 and over.

In certain states, you may qualify for an auto insurance discount if you're in the eligible age range and if you've taken one of these safety courses.

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## **Depreciation**

Depreciation is the decline in an object's value due to age, wear and tear, or obsolescence.

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## **Full Coverage Auto Insurance**

Full coverage auto insurance denotes an insurance policy containing all auto insurance coverage legally required in a given state. The term “full coverage” does not imply the policyholder will always be fully covered. This is a misnomer.

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## **Funeral Benefits**

Funeral benefits coverage is usually a part of your auto insurance policy's Personal Injury Protection (PIP). If a covered individual dies from accident-related injuries, this auto insurance coverage pays for a portion of funeral expenses, regardless of who is at fault in an accident.

Covered costs are subject to the limits you choose when you buy your auto insurance policy.

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## **Garaging Location**

The garaging location is where your insured car is parked most of the time. This location is usually indicated by the ZIP Code of the policyholder's primary residence. Notify your agent if you normally keep your car in a town other than the one you live. Your garaging location will affect your auto insurance rates.

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## **HEV**

Hybrid Electric Vehicles are powered by a combination of battery and fuel. By using less gas, HEVs emit fewer pollutants and receive better gas mileage than standard vehicles.

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## **Homeowners Insurance**

If your car is vandalized or stolen, it should be reported to your auto insurance company; however, items stolen from your vehicle are usually covered under your homeowners insurance subject to sub limits and a deductible (e.g. \$2500 with a \$250 deductible).

## **Income Loss**

Income Loss coverage is usually part of your auto insurance policy Personal Injury Protection (PIP). Income loss coverage protects you if you are unable to work due to accident-related injuries. This auto insurance coverage helps you recover portions of your lost salary and other expenses you may incur as you try to return to work. There is usually a 14 day waiting period.

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## **Indemnity**

An indemnity is a pre-determined sum paid for a covered loss. In a contract, the predetermined amount may be called “liquidated damages”.

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## **Insurance Score**

Insurance scores are based on analytical models that objectively measure the relative likelihood of future insurance losses based on your credit history. These scores and analyses of their significance are provided by independent consumer reporting agencies.

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## **Judgment**

A judgment is a final decision rendered by a court of law. For example, in a lawsuit related to an accident, where A hit B’s fence, the court determined that A was wholly responsible for the accident. The judgment determined that A should pay for the costs of repairing B’s fence. It may be with or without depreciation.

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## **Liability**

Liability is a term that broadly means legal responsibility. If you run a stop sign and hit another car, you may be found liable for the damages to the other driver's car.

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## **Liability Coverage**

Liability coverage protects you from having to deplete your assets to pay for damages if you are held responsible for injuries or damages arising from an accident.

The two main types of liability coverages in an auto insurance policy are bodily injury and property damage.

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## **Limits**

Limits are the maximum amount an insurance company will pay for a covered loss. Though you can choose your limits for certain coverages, some states require you to buy certain levels of auto insurance coverage. In such states, you'll have to choose limits that at least meet your state's auto insurance requirements. Homeowner's and Renter's liability coverages are not required by law and therefore have no state minimums.

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## **Medical Payments Coverage**

This insurance coverage pays medical bills and/or funeral expenses if a covered driver and/or accompanying passengers are injured or killed while in an insured vehicle, regardless of fault in an accident.

This may also cover policyholders and their family members when in others' vehicles, or when policyholders and their family members are on foot and hit by a car. Additionally, as a homeowner this may pay a visitor injured, without any fault on your part. Usually sold in the 1,000 to 5,000 range.

The amount paid by medical payments coverage is capped at the limit you choose when you buy your insurance policy.

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## **Motor Vehicle Report**

A Motor Vehicle Report (MVR) provides information on your driving record. This report includes accidents and moving violations. Auto insurance companies obtain MVRs from states where you or other insured drivers have been licensed to drive.

## **National Credit File**

The National Credit File provides objective consumer information regarding the financial history of an individual. Information contained in this report is often used to calculate insurance scores.

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## **No-Fault Insurance**

If a type of auto insurance coverage is described as no-fault, this generally refers to the way the insurance company settles a covered auto insurance claim. Though the State of Washington has Comprehensive and PIP, sometimes called “no fault coverages”, these are different.

Generally, if a certain coverage is no-fault, responsibility doesn't have to be assigned before an auto insurance claim gets settled.

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## **No-Fault States**

In some states, called no-fault states, insurance companies are legally required to pay a policyholder's covered losses, regardless of who is held responsible for an accident.

Some no-fault states also restrict the right to sue for damages. In states without no-fault regulations, the insurance company covering the person who caused an accident is forced to pay for covered losses.



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## **Non-Passive Alarm**

A non-passive alarm has to be manually activated every time you leave the car. If someone attempts to open your car, the alarm sounds, and the system disables the automobile's starter, ignition system, and/or fuel circuit. You may qualify for an auto insurance discount if your car is equipped with such an alarm.

## **Passive Alarm**

Passive alarms are automatically activated and emit warning sounds when someone tries to get into your car or home. Once the passive alarm has been triggered, the system disables the automobile's starter, ignition system, and/or fuel circuit or notifies a contractor of the break into your home.

You may receive an insurance discount if your car or home is outfitted with such an alarm.

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## **Personal Injury Protection**

Personal Injury Protection, or PIP, is a kind of auto insurance coverage available only in certain states, where it's often mandatory. Washington and Oregon are two of those States.

PIP generally includes expanded coverage of accident-related medical costs. In some states, PIP also pays for lost wages, home care and similar losses.

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## **Pleasure Use**

If you use your car for pleasure, this means that you typically drive it for fun, with no regular commuting or business use. Often this term is used to receive favorable rates

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## **Policy Expiration Date**

Your insurance policy's expiration date is the date when auto insurance coverage ends if your insurance policy isn't renewed. The expiration date can be found on the declarations page of your insurance policy, on a proof of insurance card, or on a recent insurance renewal notice.

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## **Policy Term**

A policy term is the length of time an insurance policy is valid. Auto insurance policies typically have a policy term of 6 months while homeowners and life policies are 12 months, depending on where you live.

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## **Primary Driver**

The primary driver is the person who drives a car most frequently.

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## **Primary Use**

A vehicle's primary use is how the car is typically used. Auto insurance companies usually classify primary use as commuting, business/commercial, or pleasure use.

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## **Property Damage Liability Coverage**

Property damage liability coverage protects you if you are held responsible for damaging someone else's property in a car accident.

Property damage coverage helps you reimburse another person for their damaged property (such as a car, a fence, or a home). This type of auto insurance coverage also helps pay your expenses in a related lawsuit.

The amount covered by property damage liability is capped at the limit you choose when you buy your auto insurance policy. It usually pays on an ACV basis.

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## **Rental Car Reimbursement**

Rental car reimbursement is an optional kind of auto insurance coverage that helps pay for your rental car expenses if an insured car is damaged or stolen and you need a rental car. Some insurers use a co-pay or a flat rate system with a capped limit for number days and or dollar amounts.

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## **SR-22**

An SR-22 is an official document that shows proof of financial responsibility. Motor Vehicle Departments may require an SR-22 or a similar form for people convicted of certain traffic violations.

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## **Secondary Driver**

A secondary driver is one of the drivers listed on your auto insurance policy who's insured for driving an insured vehicle. However, this driver is not a car's primary driver.

A secondary driver is also sometimes known as an occasional driver in auto insurance terminology.

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## **Steering Restraint**

A steering restraint is a durable collar or shield fitted to the upper and lower casing of your car's steering column. The collar makes it harder for potential thieves to access, or "hotwire," your car's ignition system.

You may qualify for an auto insurance discount if your car is fitted with a steering restraint.

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## **Tort**

Tort is a legal term used to describe instances when someone is deemed legally responsible for injuring another person or damaging his/her property.

Some states ask you to select a tort provision. In these states, you can limit your right to sue for non-monetary damages (like pain and suffering) in exchange for a reduced auto insurance premium.

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## **Towing Coverage**

This type of auto insurance coverage is optional, and pays a fixed amount toward towing if your car breaks down or if it's disabled in an accident.

## **Workers Compensation**

This is a mandatory coverage for workers in the State of Washington. It is designed to pay for lost wage, the injury treatment and rehabilitation and may pay indemnity for a permanent loss of function or ability. It protects our fellow employees from a lawsuit from you, though you may be injured.

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## **Underinsured Motorist Bodily Injury (UIM) Coverage**

Underinsured motorist bodily injury coverage is available in some states, where it is often mandatory. It is available in Washington as well and as an endorsed Umbrella coverage.

This type of auto insurance coverage pays for your medical expenses, lost wages, and other damages when you or your passengers are injured in an accident caused by a driver who has insufficient auto insurance coverage.

This kind of auto insurance coverage typically pays the difference between the coverage limit you select and the other driver's bodily injury coverage limit.

The amount covered by underinsured motorist bodily injury is capped at the limit you choose when you buy your auto insurance policy.

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## **Underinsured Motorist Property Damage (UIMPD) Coverage**

Underinsured motorist property damage coverage is available in some states, where it is often mandatory.

This type of auto insurance coverage protects you if your car is damaged in an accident caused by a driver who has insufficient auto insurance coverage. Other specific protection afforded by this type of auto insurance coverage varies from state to state.

The amount covered by underinsured motorist property damage is capped at the limit you choose when you buy your auto insurance policy.

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## **Uninsured Motorist Bodily Injury (UMBI) Coverage**

Uninsured motorist bodily injury coverage is available in some states, where it is often mandatory.

This kind of auto insurance coverage pays for your medical expenses, lost wages, and other general damages when you or your passengers are injured in an accident caused by a driver who has no car insurance. Uninsured motorist coverage also pays for injuries sustained in hit-and-run accidents. Be sure to file a Police Report, most policies require it.

The amount covered by uninsured motorist bodily injury is capped at the limit you choose when you buy your auto insurance policy.

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## **Uninsured Motorist Property Damage (UMPD) Coverage**

Uninsured motorist property damage coverage is available in some states, where it is often mandatory.

This kind of auto insurance coverage protects you if your vehicle is damaged in an accident caused by a driver who has no car insurance. Other protection afforded by this type of auto insurance coverage varies from state to state.

The amount covered by uninsured motorist bodily injury is capped at the limit you choose when you buy your auto insurance policy. In some states, you will need to pay a deductible each time you file an auto insurance claim. But, the deductible is often less than the collision deductible and bears no fault.