

# Auto A-Z

[www.insweb.com/learningcenter/glossary/auto.htm](http://www.insweb.com/learningcenter/glossary/auto.htm)

## **Additional Insured or Additional Interest**

A person or an organization, other than the named insured or covered person, who is protected under the named insured's auto policy. If an auto is leased, the leasing company may want to be listed as an Additional Insured as well as a lien holder or loss payee. This protects the leasing company if it's named in a lawsuit for an accident caused by a policyholder.

## **Anti-Theft Device**

Devices designed either to reduce the chance an auto will be vandalized or stolen, or assist in its recovery. Examples include car alarms, keyless entry, starter disablers, motion detectors, parts of the vehicle etched with the Vehicle Identification Number, and recovery systems.

## **Assigned Risk**

A risk not ordinarily acceptable to insurers which is, according to state law, assigned to insurers participating in a plan in which the insurers agree to accept their share of these risks.

## **Automobile Insurance**

A form of insurance that protects against losses involving autos. Different types are available depending on the needs and wants of those buying policies. Examples of coverage types include: bodily injury liability, property damage liability, medical payments, and collision and comprehensive coverage for physical damage to the insured's vehicle.

## **Automobile Insurance Plans**

The name for "assigned risk" plans. These are plans set up and monitored by the state to help people who are unable to secure auto insurance through standard insurance carriers. See Assigned Risk.

## **Basic Auto Policy**

Although still used today to insure substandard risks, two-wheel motorized vehicles, and commercial autos, the Basic Auto Policy has been primarily replaced by the Personal Auto Policy, which combines both physical damage coverage and liability insurance for claims arising out of the ownership or use of a vehicle.

## **Basic Limits of Liability**

The least amount of liability coverage that can be purchased, which is generally equivalent to the minimum amount required by state law. In determining rates, a carrier will use the basic limits to develop the base rates. If an insured person wants higher limits, the carrier applies an increased limits factor to the base rate in calculating the new premium for the increased coverage.

## **Bodily Injury Liability**

Legal liability for causing physical injury or death to another.

## **Collision Insurance**

This covers loss to the insured person's own auto caused by its collision with another vehicle or object.

## **Combined Single Limit**

Bodily Injury and Property Damage coverage expressed as one single amount of coverage.

## **Commission**

That portion of the premium paid to the agent as compensation for the agent's services.

## **Comprehensive Coverage**

Covers damage to a vehicle caused by an event other than a collision or overturn. Examples include fire, theft, vandalism, and falling objects.

## **Continuous Coverage or Continuous Liability Insurance**

Continuous coverage refers to the length of time you have maintained insurance on your vehicle.

## **Covered Person**

This refers to the individuals (named insured, spouse, resident relatives, etc.) insured under a policy contract.

## **Customized Equipment/Special Equipment**

Items not included in standard insurance options available for cars. These may include extra electronic equipment, special paint or exterior items, or amenities added to the inside of a van or truck.

## **Deductible**

The amount an insured person must pay before the insurance company pays the remainder of each covered loss, up to the policy limits.

## **Defensive Driver Course**

These are classes either offered through or approved by Departments of Motor Vehicles to enhance driving skills. These courses may make drivers eligible for discounts on their premiums. Courses taken for traffic school because of a moving violation are not eligible.

## **Drive-Other-Car Endorsement**

Optional coverage that broadens the definition of a covered auto to include non-owned vehicles the insured person operates.

## **Driver Education**

State accredited educational course that consist of at least 30 hours of professional classroom instruction.

## **Driver Training**

State accredited training course that consists of at least six hours of behind-the-wheel professional instruction.

## **Earned Premium**

The portion of a premium that has been "used up" during a policy term. With a one-year policy, half of the total premium has been earned after six months.

## **Effective Date/Inception Date**

The date that coverage begins on an insurance policy.

## **Expiration Date**

The date your coverage ends. There is usually a time of day associated with this date, for example, an expiration date of 5/1/2002 at 12:01 am. This means your coverage ends one minute after midnight on the date listed.

## **Extended Non-Owner Liability**

An endorsement that provides broader liability coverage for specifically named people operating any non-owned automobile or trailer. It covers non-owned autos, use of autos to carry people or property for a fee, and individuals driving employer-furnished cars who do not own vehicles themselves.

## **Family Automobile Policy**

Now replaced by the Personal Auto Policy, the Family Auto Policy was a package policy in which both liability and physical damage protection to an insured's vehicle was offered under one policy.

## **Financial Ratings**

Financial ratings reflect a rating organization's opinion on the financial strength and ability to meet ongoing obligations to policyholders. The ratings organizations most commonly identified with the insurance industry are AM Best, Standard & Poor's and Moody's.

## **Financial Responsibility Laws**

Financial responsibility laws require owners and operators of autos to maintain enough money to compensate those they injure. Liability insurance is the most common way to satisfy these requirements.

### **First Party Benefits**

This pays policyholders and others covered by the policy in the event of injury, no matter who caused the accident. The benefits can include medical expenses, loss of income, funeral and death benefits. This may also be called Personal Injury Protection.

### **Gap Insurance**

If you are making lease or loan payments and you experience a total loss, there may be a difference (gap) between the market value of your vehicle and what you still owe on it. This optional coverage pays the difference.

### **Good Student Discount**

A premium discount for students with high scholastic grades. Some statistical research has shown a relationship between good grades and safe driving.

### **Hit and Run**

An accident caused by someone who does not stop to assist or provide information.

### **ID Card**

An identification card issued by your insurance company that provides evidence of liability insurance. Such evidence is required in most states.

### **Lapse in Coverage/Policy Lapse**

A point in time when a policy has been canceled or terminated for failure to pay the premium, or when the policy contract is void for other reasons.

### **Lender/Lessor**

Your lender is the institution to which you make car payments. Your lessor is the institution to which you make your lease payments.

### **Loss Payee/Lien holder**

A person or entity with a legally secured insurable interest in another's property, usually a financial institution that loaned money to buy a car. The car is the loan collateral. If the auto is damaged in an accident, loss payments will be made to you and to the loss payee on your policy.

### **Medical Payments**

This pays for medical and funeral expenses incurred in an auto accident, regardless of fault. It will also cover injuries sustained by passengers in your car, or while you're operating someone else's car (with their permission), in addition to injuries you or your family members incur when you're pedestrians.

### **Multi-car discount**

A discount offered by some insurance companies for those with more than one vehicle insured on the same policy. In some cases, if you drive a company car insured by your company, your own insurance company may give you the multi-car discount.

### **MVR - Motor Vehicle Record**

A motor vehicle record, also referred to as DL printout, or MVR, contains information obtained from an individual's driver license application, abstracts of convictions and accidents.

### **Named Insured**

Any person, firm or corporation designated by name as the insured person(s) in a policy. Others may be protected by policy definition even though their names aren't on the policy, such as other drivers operating (with consent) the named insured's covered auto.

## **Named Non-Owner Policy**

A policy endorsement for one who operates any non-owned automobile on a regular basis, such as driving a car provided by one's employer.

### **No-Fault Insurance**

Many states have enacted auto accident compensation laws permitting auto accident victims to collect directly from their own insurance companies for medical and hospital expenses regardless of who was at fault in the accident. Although there are many legal variations of no-fault insurance, most states still allow people to sue the negligent party if the amount of damages exceeds a certain state-determined threshold. (see "Threshold Level.")

### **Non-Owned Auto**

Any vehicle that is not owned, borrowed, or leased by the insured, and which is used primarily for a business purpose.

### **Per Occurrence Limit**

This refers to the cap amount an insurance company will pay for all claims arising from a single incident. In an automobile accident, it comprises bodily injuries sustained by all parties. When Bodily Injury coverage is purchased in split limits, the second limit is the "per occurrence" limit: e.g. \$100,000(per person)/\$300,000(per occurrence)

### **Per Person Limit**

This refers to the cap amount an insurance company will pay for any one person's injuries arising from a single incident. In an automobile accident, it comprises bodily injuries sustained by each person. When Bodily Injury is purchased in split limits, the first limit is the "per person" limit: e.g. \$100,000(per person)/\$300,000(per occurrence)

### **Personal Auto Policy**

The most common auto insurance policy sold today. Often referred to as "PAP," this policy is written in simple wording and provides coverage for liability, medical payments, uninsured/underinsured motorist coverage, and physical damage protection.

### **Personal Injury Protection**

The name usually given to no-fault benefits in states that have enacted mandatory or optional no-fault auto insurance laws. Personal Injury Protection (PIP) usually includes benefits for medical expenses, loss of income from work, essential services, accidental death, funeral expenses, and survivor benefits.

### **Physical Damage**

Damage to your covered vehicle from perils including (but not limited to) collision or upset with another vehicle object, fire, vandalism and theft.

### **Policy**

The written documents of a contract for insurance between the insurance company and the insured. Such documents include forms, endorsements, riders and attachments.

### **Policy Period**

The period of time in which a policy is in effect. (For example, six months or one year).

### **Policyholder**

One who maintains ownership in an insurance policy. This may refer to the policy owner or those covered under the policy. See also Named Insured.

### **Preferred Risk**

Any risk considered to be better than the standard risk on which the premium rate was calculated.

### **Premium**

The price of insurance an insured person pays for a specified risk for a specified period of time.

**Private Passenger Automobile**

A four-wheeled motor vehicle that is subject to motor vehicle registration and used for private personal use.

**Pro Rata Cancellation**

Termination of an insurance contract before the policy expiration date on which the premium returned to the insured person is adjusted in proportion to the amount of time the policy was in effect.

**Property Damage Liability Insurance**

Protection against liability for damage to another's tangible property, including loss of use. Although this coverage is different than liability for bodily injury to another person, Bodily Injury and Property Damage Liability protection are generally written together.

**Renewal**

The process of keeping an active policy in force through the issuance of a renewal policy.

**Rental Reimbursement**

This optional coverage will reimburse you for a rental car if your vehicle is disabled due to a covered loss. This coverage will pay all or part of your rental car costs.

**Safe Driver Plan**

A rating system that assigns points for traffic convictions and certain accidents. Similar to a merit-rating plan, each point increases the surcharge percentage to the baseline rates.

**Short Rate Cancellation**

A policy termination in which the refunded premium is not proportional to the amount of time remaining in the policy period due to the fixed expenses incurred by the company. The insured will generally pay more for each day of coverage than if the policy had remained in force throughout the entire policy period.

**Split Limit**

Any insurance coverage with separately stated limits for different types of coverage. Example: an automobile liability policy of 100/300/50 provides a maximum of \$100,000 bodily injury coverage per person, \$300,000 bodily injury coverage per accident, and a property damage limit of \$50,000 per accident.

**Stacking of Limits**

The application of more than one policy limit to the same loss or occurrence. In some jurisdictions, courts have required stacking of limits when multiple policies, or multiple policy periods, cover an occurrence. For example, Uninsured motorist bodily injury limits of \$100,000/300,000 on two policies owned by the same person may be added together to pay a loss. In this event, the total amount of coverage available for an accident would be \$200,000/600,000.

**Term**

The length of time for which a policy or bond is in force.

**Threshold Level**

Under some no-fault insurance laws, the threshold level represents the degree of injury a claimant must establish before being allowed to sue the negligent party. The threshold may be verbal (regarding the severity of the injuries) or a dollar amount (\$10,000), or both. For example, with a threshold of \$5,000, an injured person may sue if his/her injuries and other economic damages (rehabilitation expenses, loss of income, etc.) exceed \$5,000.

**Tort**

A private wrong or harm (other than a breach of contract)

committed against another, resulting in legal liability. A tort is either intentional or accidental (negligent). Automobile liability insurance is purchased to protect one from suits arising from unintentional torts.

**Tort Feasor**

One who commits a tort.

**Towing and Labor Costs**

This endorsement, which is added to the physical damage coverage, provides reimbursement up to a specified limit to tow your vehicle or pay for on-site labor costs.

**Transportation Expenses**

Subject to a daily and maximum dollar limit, this coverage (under the physical damage portion of an automobile policy) pays for transportation expenses incurred by the named insured only in the event of theft of an entire covered auto. Coverage generally begins after a stated minimum waiting period.

**Uninsured Motorists Bodily Injury**

Uninsured motorists bodily injury coverage (which must be offered in most states) pays for a covered person's bodily injuries of which an uninsured or hit-and-run motorist is legally liable, but unable to pay.

**Underinsured Motorists Bodily Injury**

Underinsured motorists bodily injury coverage (which must be offered in most states) pays for a covered person's bodily injuries of which a person with not enough insurance is legally liable.

**Uninsured Motorists Property Damage**

Uninsured Motorist Property Damage Liability coverage pays for property damages caused by uninsured drivers.

**Unearned Premium**

The portion of your premium remaining on your policy term. For example, with a six-month premium, at the end of the first month of the premium period, five-sixths of the premium is unearned by the insurance company.

**Unsatisfied Judgment Fund**

Some states have established laws to reimburse those injured in auto accidents that have been unable to collect from the responsible party.

**Usage**

This refers to the primary function or purpose in which you intend to operate your vehicle. For example, if you primarily drive your car to and from work, the usage is considered "commute;" if you're self-employed and you primarily drive to see customers, the usage is considered "business;" if you're retired, your usage is considered "pleasure."

**VIN Vehicle Identification Number**

A Vehicle Identification Number is a 17-digit alpha-numeric code that provides valuable information concerning the vehicle's serial number, make, model, options, and year in official records (like a Social Security number for your car).

**Waiver of Collision Deductible**

This option pays your collision deductible when you carry collision coverage on a vehicle that is damaged by an uninsured or hit-and-run motorist who is at fault. Coverage applies only when there is actual physical contact and when you can identify the uninsured driver or vehicle.

**Whole Dollar Premium**

Generally, insurance premiums are rounded to the nearest dollar; an amount of 51 cents or more being rounded up to the next dollar, and any amount less than that being dropped