

GLOSSARY
OF
INSURANCE
TERMS
2006

A

Adjuster

An individual employed by a property/casualty insurer to evaluate losses and settle policyholder claims. These adjusters differ from public adjusters, who negotiate with insurers on behalf of policyholders, and receive a portion of a claims settlement. Independent adjusters are independent contractors who adjust claims for different insurance companies.

Actuary

A statistician who computes insurance risks and premiums. Actuaries keep carriers profitable and financially stable by setting prices, assessing trends, and determining how much to hold in reserve to pay claims.

Allowable costs/ charges

Costs for health care services or supplies that are covered under an insurance policy

Amendment

A change to the basic policy contract. An amendment alters the policy; an endorsement adds to it.

Appeal

An official request by an insured or provider for an insurer to review a decision in order to resolve a disagreement.

Arbitration

A process of settling a dispute through an impartial party. It is used as an alternative to litigation.

Assignment of benefits

An insurer directs a hospital or doctor to collect health insurance benefits directly from the carrier. If no assignment of benefits occurs the insured pays for the medical care up front and is then reimbursed by the carrier.

Assigned Risk Program

Facilities through which drivers can obtain auto insurance if they are unable to buy it in the regular or voluntary market. These are the most well-known type of residual auto insurance market, which exist in every state. In an assigned risk plan, all insurers selling auto insurance in the state are assigned these drivers to insure, based on the amount of insurance they sell in the regular market.

Authorized person

A parent, guardian, attorney or other person authorized to act on behalf of an insured with respect to health care.

Average length of stay

The average number of days spent on an inpatient basis in a hospital or other health care facility, admission to discharge. This number is determined by dividing the number of admissions for a period of time into the number of days in the facility for all admissions occurring during that same period the ALOS varies by time and facility.

B**Bad Faith**

An accusation by a policyholder that the carrier/insurers deliberately denied or failed to pay a related and/or covered claim

Balanced billing

A method of billing patients, whereby they are charged for all costs, above the physician rate paid by the insurer. This practice is prohibited by many managed care plans.

Billed claims

The charges for services rendered and submitted by a health care provider to the insurance company

Binder

A temporary agreement declaring that the policy is in effect. Used in certain cases to protect a policyholder when it is not possible to issue or endorse the policy immediately.

Blanket coverage Term used when the single face amount of a policy applies to all the coverage in the policy

Bodily Injury

An injury sustained by a person.

Bodily Injury Liability Coverage

Pays damages for bodily injury or death resulting from an accident for which you are at fault and provides you with a legal defense. This coverage is subject to the terms, limits and conditions of your policy contract.

C

C of A/COA

Certificate of Authority-State issued operating license for an HMO

Cafeteria Plan

Also known as flexible benefit plan. A benefit plan that allows employees to choose from a selection of insurance coverage: disability, dental, health and other insurance plans according to their individuals needs.

Calendar year deductible

The amount an insured must pay during a calendar year before benefits will be paid.

Capitation

A set amount paid to a physician or hospital for each person in an insurance plan regardless of the type or how often the service is rendered.

Carrier

The insurance company that issues a policy; or the company that underwrites a particular risk.

Catastrophe

A disaster affecting a specific geographic area. Catastrophes often cause injury or even death; most result in extensive property damage. Hurricanes, floods, tornadoes, and even large hailstorms are typical examples of catastrophes.

Certificate of coverage A statement given to members of a group policy spelling out the provision of the coverage.

Certificate of need/CON Documentation given by the government to an organization or person intending to build a health care facility, assuring the new facilities will address the needs of the community.

Certificate of Satisfaction

A form signed by the insured when he or she takes delivery of the car from the repairer. It certifies that he or she is satisfied with the vehicle operations, appearance, and visible quality of the repairs.

Claim

Any request or demand for payment under the terms of the insurance policy.

Claimant

Individual or entity presenting a claim.

COBRA

Consolidated Omnibus Budget Reconciliation Act

This federal law ensures that individual who work with 20 or more people may, for a limited time, maintain their health insurance coverage through their employers even after the employment ends.

Coding

A method of classifying and describing medical services

Coinsurance

Arrangement allowing the insurer and the insured to share in degrees of payment for losses covered by the policy. This is the agreed amount the insured is required to pay for medical care and services.

Collateral

Property that is offered to secure a loan or other credit and that becomes subject to seizure on default.

Comorbidity

A pre-existing condition that will likely extend the stay for a patient admitted to the hospital.

Comprehensive medical care

A wide range of package benefits for health care services including prevention care.

Confinement

A health insurance policy condition requiring the insured is confined to home or hospital to collect loss of income benefits.

Contributory Negligence

A doctrine of law that, in some states, may prevent claimants from recovering any portion of their damages if they are even partially at fault, or negligent.

Consumer Price index (CPI) A measure of the average change over time in the prices paid by consumer for consumer goods and services. (Cost of living index)

Coverage

Protection and benefits provided in an insurance contract.

D

Damage

Loss or harm to a person or property.

Damages

Money that one party becomes legally obligated to pay to another part

Declarations

The part of your policy that includes your name and address; the property that is being insured, its location and description; the policy period; the amount of insurance coverage and the applicable premiums.

Deductible

The portion of a claim you pay out of pocket. Choosing a higher deductible will lower your insurance premiums.

E

E.O.B. Explanation of Benefits

This billing form is sent to the policy holder. It details the payments made to the health care provider, or explains those charges that are disallowed or denied coverage and the reason.

Exclusion

Restriction in your insurance policy that limits and may exclude coverage for certain perils, persons, property, or locations.

F

Fiduciary Liability

Legal responsibility of a fiduciary to safeguard assets of beneficiaries. A fiduciary, for example a pension fund manager, is required to manage investments held in trust in the best interest of beneficiaries. Fiduciary liability insurance covers breaches of fiduciary duty such as misstatements or misleading statements, errors and omissions.

First Party

Term used to refer to an insured.

First Party Claims

A claim for damage, loss or injury made by an insured.

I

Indemnity

Compensation for a loss intended to restore an individual or entity to the approximate financial position prior to the loss.

Indemnification

The act of providing compensation for a loss with the intent to restore an individual or entity to the approximate financial position prior to the loss.

Insurance

Insurance is a system in which groups of people who have similar chances of suffering a loss transfer their risk of loss to an insurer who pools the risk of many people together. In exchange for payment of premium, the insurer promises to reimburse the person for their covered losses.

Insurance Fraud

The act of falsifying or exaggerating the facts of an accident to an insurance company to obtain payment that would not otherwise be made. Common types of insurance fraud are staged accidents, exaggerated injuries, and inflated medical bills.

Insured

A person or organization covered by an insurance policy.

Insurer

An organization that provides insurance.

L

Lien

A claim, charge, or encumbrance on property as a security for the payment of a debt.

Liability

Any legally enforceable obligation or responsibility for the injury or damage suffered by another person.

M

Material Damage

All property-related damage losses covered by the policy. This includes the following: property damage (PD), comprehensive damage (COMP), collision damage (COLL), Fire/Theft Combined Additional Coverage (FTCA), rental reimbursement (RR), or uninsured motorist property damage (UMPD).

Medical Payments Coverage

Pays medical expenses related to an automobile accident. This coverage is subject to the terms, limits and conditions of your policy contract.

Misrepresentation

To make written or verbal statements that are untrue or misleading.

N

Named Insured

The person or entity listed on the policy declarations page.

National Insurance Crime Bureau (NICB)

A not-for-profit organization that partners with insurers and law enforcement agencies to facilitate the identification, detection, and prosecution of insurance criminals. The NICB receives support from over 1,000 property/casualty insurance companies.

Negligence

The failure to exercise the care that is expected of a reasonable person in similar circumstances.

No-fault Insurance

May pay for your medical treatment, lost wages, or other accident-related expenses regardless of who caused the accident. This coverage is subject to the terms, limits and conditions of your policy contract and is not available in all states.

O

Occurrence

An event, or repeated exposure to conditions, which unexpectedly causes injury or damage during the policy period.

P

Personal Injury Protection

May pay for your medical treatment, lost wages, or other accident-related expenses regardless of who caused the accident. This coverage is subject to the terms, limits and conditions of your policy contract and is not available in all states.

Policy

A written contract for insurance between an insurance company and policyholder stating details of coverage.

Proof of Loss (often the a police report)

Documents showing the insurance company that a loss occurred.

Proximate Cause

An act or omission initiating an unbroken sequence of events resulting in injury to a person or damage to property.

R

Release

Legally binding contract stating that all obligations past, present or future arising from a particular accident or occurrence have been fulfilled.

Reserves

A dollar amount the insurance company assigns to a claim to cover the cost of the claim.

S

Stacking

Practice that increases the money available to pay auto liability claims. In states where this practice is permitted by law, courts may allow policyholders who have several cars insured under a single policy, or multiple vehicles insured under different policies, to add up the limit of liability available for each vehicle.

Structured Settlement

Legal agreement to pay a designated person, usually someone who has been injured, a specified sum of money in periodic payments, usually for his or her lifetime, instead of in a single lump sum payment. (May be an Annuity)

Subrogation

If your car is damaged because of another driver's negligence and you file a claim with your own insurance company . Your company will settle the claim for damage to your car, then will seek payment recovery (including your deductible) from the other party. This process of payment recovery is called subrogation.

T

Third Party

Person or entity not party to an agreement but with an interest in the agreement.

Third Party Claim

Claims for injury or damage to property of a third party alleged to have been caused by the insured.

Tort

A private or civil wrong or injury, other than breach of contract, which violates a person's legally protected right(s), and for which the law may permit a remedy in the form of money damages.

Tortfeasor

One who commits a tort (see above).

Total Loss

Property that has sustained damage so extensive that repairing it is not reasonable. A vehicle is considered a total loss if it cannot be repaired safely, if repairing the vehicle is not economically practical, or if state regulations require us to consider it a total loss.

U

Unbundling the billing

The practice of billing services individually, when the customary practice is to bill as one group (*Thyroid panels are billed as one unit and one lab test- unbundling that test to charge for individual lab i.e. one bill for TSH. one bill for T3, one bill for T4 for example.*)

Underwriting

The process an insurer goes through to determine whether or not it will provide coverage for an applicant.

Uninsured Motorist Coverage

In some circumstances, may pay for your injuries or property damage caused by an uninsured motorist or, in some states, an unidentified driver. In some cases it also includes coverage for underinsured motorists and at-fault drivers with insufficient insurance to pay your claim. This coverage is subject to the terms, limits and conditions of your policy contract.

Upcoding

Using the next higher level of complex CPT code to enhance the amount of the bill

