

# **15** Terms You Should Know

**Accidental Death Benefit:** Also known as double indemnity, this policy provision doubles or triples the benefit in the case of death by accidental means.

**Beneficiary:** The person named in a policy as the recipient of the insurance money in the event of the insured's death.

**Cash Surrender Value:** The amount available in cash upon the policy owner's termination of a permanent life insurance policy before it matures or becomes payable by death.

**Claim:** The demand by an individual to recover losses covered under an insurance policy.

**Contingent Beneficiary:** The person designated to receive life insurance policy proceeds if the primary beneficiary dies before the person whose life is insured.

**Convertible Term Insurance:** A type of policy that allows the policy owner to change a term insurance policy to a permanent policy without providing evidence of insurability. The premium rate for the permanent policy is normally based on the age of the insured at the time of the conversion.

**Death Benefit:** The sum of money paid to a beneficiary when a person insured under a policy dies, and is income tax-free in most cases.

**Dividend:** A refund of excess premium paid to the owner of an individual participating life insurance policy.

**Permanent Life:** Life insurance that is designed to provide lifelong protection with generally level premiums. There are three main types: whole, universal and variable. All permanent policies accumulate cash value.

**Policy:** The contract or agreement made between the insurer and the insured.

**Premium:** The payment to the insurance company for insurance coverage.

**Term Life:** Life insurance that provides coverage for a specific period of time, usually from one to thirty years. Term policies provide a death benefit only if the insured dies during the term.

**Universal Life:** A permanent policy that gives the owner the right to vary premium payments and the death benefit within certain prescribed limits. The rate of return on the accumulation account fluctuates according to investment performance but will not fall below a guaranteed minimum rate of return, such as four percent.

**Variable Life:** A permanent policy under which the cash value of the policy may fluctuate according to the investment option performance of a separate account fund. Most variable life policies guarantee that the death benefit will not fall below a specified minimum.

**Whole Life:** A permanent policy designed to last for life and for which premiums stay level.