

TEXAS DEPARTMENT OF INSURANCE

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GLOSSARY OF COMMON AUTO INSURANCE TERMS

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NOTICE: This document is for informational purposes only and is not intended to alter or replace the insurance policy. Additionally, this informational sheet is not intended to fully set out your rights and obligations or the rights and obligations of the insurance company. If you have questions about your insurance, you should consult your insurance agent, the insurance company, or the language of the insurance policy.

[A](#) | [B](#) | [C](#) | [D](#) | [E](#) | [F](#) | [G](#) | [H](#) | [I](#) | [J](#) | [K](#) | [L](#) | [M](#) | [N](#) | [O](#) | [P](#) | [Q](#) | [R](#) | [S](#) | [T](#) | [U](#) | [V](#) | [W](#) | [X](#) | [Y](#) | [Z](#)

[\(En Español\)](#)

A

Actual cash value (ACV) - The value of your property, based on the current cost to replace it minus depreciation.

Adjuster - A person who investigates and settles insurance claims.

Agent - A person who sells insurance policies.

Application - A form you fill out with information about you that an insurance company will use to decide whether to issue you a policy and how much to charge.

B

Benchmark rate(s) - The rates set annually by the Commissioner of Insurance that rate-regulated insurance companies use to reference their rates. Rate-regulated insurance companies filing rates within a range of 30 percent above or below the benchmarks may use them immediately upon filing without prior approval. A company that wants to set its rates outside this range must receive the Commissioner's prior approval.

Binder - A temporary insurance contract that provides proof of coverage until you receive a permanent policy.

Bodily injury (BI) - Physical injury to a person.

C

Cancellation - Termination of an insurance policy by the company or insured before the renewal date.

Claimant - A person who makes an insurance claim.

Collision coverage - Pays for damage to your car without regard to who caused an accident. The company must pay for the repair or up to the actual cash value of your vehicle, minus your deductible.

Comprehensive coverage (physical damage other than collision) - Pays for damage to or loss of your automobile from causes other than accidents. These include hail, vandalism, flood, fire, and theft.

Contract - In most cases, the term "contract" refers to an insurance policy. A policy is considered to be a contract between the insurance company and the policyholder.

D

Declarations page - The page in your policy that shows the name and address of the insurer, the period of time a policy is in force, a description of the vehicle, the amount of the premium, and the amount of coverage.

Deductible - The amount the insured must pay in a loss before any payment is due from the company.

Depreciation - The act of lowering an item's value due to use or wear and tear.

E

Earned premium - The portion of a policy premium that has been used to actually buy coverage, or that the insurance company has "earned." For instance, if you have a six-month policy that you paid for in advance, two months into the policy, there would be two months of earned premium. The remaining four months of premium is called unearned premium.

Endorsement - A written agreement attached to a policy expanding or limiting the benefits otherwise payable under the policy. Same as a "rider."

F

G

Gap Insurance - Insurance that pays the difference between the actual cash value of a vehicle and the amount still to be paid on the loan. Some gap policies may also cover the amount of the deductible.

H

I

J

K

L

Lapse - Termination of a policy due to non-payment of premiums.

Liability insurance - Pays for injuries to the other party and damages to the other vehicle resulting from an accident you caused. It also pays if the accident was caused by someone covered by your policy, including a driver operating your car with your permission.

Liability limits - The maximum amount your liability policy will pay. Your policy must pay at least \$25,000 for each injured person, up to a total of \$50,000 per accident, and \$25,000 for property damage per accident. This basic coverage is called "25/50/25" coverage.

Loss - The amount an insurance company pays on a claim.

M

Medical payments and personal injury protection (PIP) - Both pay limited medical and funeral expenses if you, a family member, or a passenger in your car is injured or killed in a motor vehicle accident. PIP also pays lost-income benefits.

N

Named driver exclusion - An endorsement that provides that a policy does not cover accidents when a specifically named person is the driver.

Named driver policy - A policy that covers only the drivers specifically named in the policy. Generally, all other drivers are excluded from coverage under the policy. This type of policy is usually written by surplus lines companies.

Non-owners policy - Insurance coverage that offers liability, uninsured motorist, and medical payments to a named insured who does not own a vehicle.

Non-renewal - A decision by an insurance company not to renew a policy.

O

P

Policy period - The period a policy is in force, from the beginning or effective date to the expiration date.

Premium - The amount paid by an insured to an insurance company to obtain or maintain an insurance policy.

Property damage (PD) - Physical damage to property.

Q

R

Rental reimbursement coverage - Pays a set daily amount for a rental car if your car is being repaired because of damage covered by your auto policy.

Rider - A written agreement attached to the policy expanding or limiting the benefits otherwise payable under the policy. Same as an "endorsement."

Reinstatement - The process by which a life insurance company puts a policy back in force after it lapsed because of nonpayment of renewal premiums.

S

Surcharge - An extra charge added to your premium by an insurance company. For automobile insurance, a surcharge is usually added if you have at-fault accidents.

Surplus lines - Coverage from out-of-state companies not licensed in Texas but legally eligible to sell insurance on a "surplus lines" basis. Surplus lines companies generally charge more than licensed companies and often offer less coverage.

T

Towing and labor coverage - Pays for towing charges when your car can't be driven. Also pays labor charges, such as changing a flat tire, at the place where your car broke down.

U

Underwriter - The person who reviews an application for insurance and decides if the applicant is acceptable and at what premium rate.

Underwriting - The process an insurance company uses to decide whether to accept or reject an application for a policy.

Uninsured/underinsured motorist (UM/UIM) coverage - Pays for your injuries and property damage caused by a hit-and-run driver or a motorist without liability insurance. It will also pay when your medical and car repair bills are higher than the other driver's liability coverage.

V

W

X

Y

Z

For more information contact: ConsumerProtection@tdi.state.tx.us

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