

Glossary of Essential D.I. Terms

COMMON TERMS

Benefit Period (BP) - Amount of time benefits will last from the day they begin. Typical examples are 2 years, 5 years, or to age 67.

Elimination Period (EP) or Waiting Period - Amount of time you must be disabled for before benefits can begin. Typical examples are 60, 90, or 180 days.

Benefit Amount - Typically 60% of gross pay (or 83% of net pay, assuming a 28% tax bracket) up to a limit of \$15,000 per month. However, coverage can be obtained for up to 65% of even the highest incomes.

IMPORTANT PROVISIONS AND CLAUSES

- ✓ **Non-Cancelable and Guaranteed Renewable** - Guarantees once the policy is in-force, there will be no changes to the premium or policy benefits through age 65-regardless of insured's working status, health, or income level.
- ✓ **Guaranteed Renewable** - It is not possible for an insurance carrier to change the premium or the benefit for an individual, but it can make a change to premium for an entire group of policyholders, categorized by state, underwriting class, or policy year. The change would need to be approved by insurance regulators first.
- ✓ **Conditionally Renewable** - Found in group and association plans. It states that the policy is renewable only if the insured continues to meet certain conditions outlined in the policy. The most common condition for renewal is maintaining full-time employment (group) or membership (association). The carrier may increase the premium at the anniversary date or at prescribed time bands, such as two-year increments.
- ✓ **Optionally Renewable and/or Cancelable** - Allows the insurance carrier to change the terms or cancel the policy, at an individual level. It provides immediate protection, but not guarantees.
- ✓ **The Presumptive Clause** - Says that the policy will waive the elimination period and begin paying benefits from the first day of Presumptive Total Disability. The insured is presumed to be totally if he/she suffers from the permanent loss of (a) the sight of both eyes; (b) the use of both hands; both feet or one hand and one foot; (c) speech; or (d) hearing in both ears.
- ✓ **The Recurrent Disability Clause** - This clause defines how the insurance carrier will respond to recurrent butts with the same disabling illness or injury. Many policies state that if the same disability recurs within six months following cessation of benefits, the recurrence will be treated as a continuation, and the elimination period and benefit period do not start over. Some policies allow for a waiver of the elimination period in the event that any disability occurs within one year of the first.
- ✓ **The Concurrent Disability Clause** - Benefits will be paid for one disabling condition at a time. Even if there are multiple causes of disability, the policy will treat the culmination of causes as one disabling claim.
- ✓ **Waiver of Premium Clause** - Waives any premium due after 90 days of disability. Some companies refund the premium paid within the first 90 days.
- ✓ **Rehabilitation Benefit** - Many policies contain this benefit that helps workers return to suitable occupations ASAP. This may include retraining, counseling, and physical rehabilitation. The benefit is paid in addition to monthly disability benefits.
- ✓ **Transplant/Cosmetic Surgery Benefit** - Pays regular sickness benefits in the event of disabilities related to organ transplant or cosmetic surgery.
- ✓ **Survivor Benefit** - Pays the benefit to a named survivor in event of an insured's death. Survivor benefits are typically payable for a period of three months after the insured's death-only if the insured received total disability benefits under the policy.

BENEFIT RIDERS

- ✓ **Own-Occupation Definition:** Same as the Own-Occupation Disabling Definition, this rider pays benefits even if the insured is gainfully employed in another occupation. This rider is often only available for middle management through executive classes as well as traditional professionals.
- ✓ **Residual Benefits:** This rider pays a percentage of monthly earnings if the insured suffers a loss of income of 20 percent or more. This eliminates the all or nothing benefit structure and can help facilitate a more gradual return-to-work experience. This rider is very helpful because in many cases, insureds can work part time, but not full time.
- ✓ **Future Purchase Option / Future Increase Option:** This option allows insureds through age 51 to purchase additional coverage, regardless of health, and without the need for a medical exam or blood work. Some policies allow insureds to turn-back-the-clock, allowing additional benefits to be purchased at the policy's original rates.
- ✓ **Supplemental Social Insurance Benefit (SSIB):** If an insured does not qualify for Social Security benefits, this rider increases the monthly disability benefit by up to \$2,000.
- ✓ **Cost of Living Adjustment (COLA):** This option applies to those who are disabled for more than one year. It automatically increases the amount of coverage each year to keep up with inflation. Some policies increase by a fixed amount each year while others are indexed to inflation. COLA is of particular importance to young clients with longer life expectancies.
- ✓ **Automatic Increase Rider (AIR):** This rider increases the monthly benefit for the first five years to keep pace with inflation. The AIR will only increase the benefit while not on claim where the COLA rider requires the client to be on claim in order for the benefits to increase.
- ✓ **Return of Premium:** In some states, carriers offer a Return of Premium option, with which an insured with favorable claims experience becomes eligible for a refund of part of the premium paid. Some insurance carriers refund money periodically throughout the policy period, while others refund at age 65.
- ✓ **CATastrophic:** Pays additional benefit if the insured is receiving total disability benefits and becomes unable to perform at least two activities of daily living (ADLs), has severe cognitive impairments, or is presumptively totally disabled.
- ✓ **Non-Disabling Injuries:** If the client suffers injuries requiring medical treatment prescribed by a physician or dentist, the insurance carrier will pay for up to one half of the monthly benefit amount (or state benefit amount). No EP is required.

DISABLING DEFINITIONS

Own-Occupation: "You are unable to perform the substantial and material duties of your regular occupation and you are under the regular care of a physician appropriate for your injury or sickness." The insurance company will consider the client's occupation to be the occupation he has at the time he becomes disabled. It will pay benefits even if he returns to work in another occupation.

Modified Own-Occupation: "You are unable to perform the substantial and material duties of your regular occupation, you are not engaged in any other gainful occupation, and you are under the regular care of a physician appropriate for your injury or sickness."

Any Occupation: "Because of Injury or Sickness you are unable to perform the material and substantial duties of your occupation, or any occupation for which you are deemed reasonably qualified by education, training, or experience."

COMMON EXCLUSIONS AND LIMITATIONS

Mental and Nervous
Alcohol and Drug
Claims Caused by Crime
Claims Caused by War