Accumulation of Days of Disability
In better disability policies, the Elimination Period days do not need to be consecutive. They may be accumulated, assuming each period of disability is not separated from the prior period by more than a specified period of time (usually six or twelve months).

Accumulation Period
A period of months that begins on the first day of disability and during which the Elimination period must be satisfied.

Attending Physician Statement (APS)
The APS is a report written by the insured’s doctor that documents his or her past and current health history. Insurance companies use this report to review applications for insurance and/or to evaluate benefit eligibility, in the event of a claim.

Automatic Increase Benefit
This policy provision increases the policy benefit on an annual basis without evidence of medical or financial insurability. This provision helps the benefit level keep pace with the rising cost of living.

Beneficiary
A beneficiary is a person or entity who is named to receive proceeds or benefits from an insurance policy. Some disability policies pay out two or three months benefits to a beneficiary if death occurs while the person is receiving disability insurance benefits.

Benefit Period
A benefit period is the maximum amount of time the insured may receive payments for a continuous disability. The benefit period is subject to underwriting requirements. The insured may select a benefit period of two years, five years or up to age 65.

Benefit Percentage
A benefit percentage is the amount payable to the insured, based on a percentage of the insured's income prior to disability. The proceeds are limited to an overall maximum amount. This clause is normally in group policies and not individual policies.

Business Overhead Expense
This type of policy reimburses business owners for covered business-related expenses that are incurred during their period of disability.

Buy-Sell Agreement
An agreement made by the owners of a business to purchase the share of a disabled or deceased owner. The agreement establishes the value of each owner’s share of the business and the exact terms of the buying and selling process before death or the onset of a disability.

Buy-Sell Policy
A buy-sell policy pays a lump sum or installments to the insured’s corporation or business partner to buy out the business interest of the disabled owner.

Carry-Over Account
Used in Business Overhead Expense policies, this account accumulates unused benefits so they carry-over and can be used by the insured later.

Cash or Accrual Method
To collect benefits for a partial disability under the residual provision, the insured must show proof of loss of earnings. The insured can choose one of two accounting methods to determine monthly earnings – either cash or accrual. The same method must be used at all times for any one disability.

Commencement Date
The commencement date is the first day a disability is covered. It immediately follows the completion of the waiting period.

Concurrent Disability
A concurrent disability occurs when there is more than one injury or illness. Though there is more than one factor causing disability, the concurrent disability benefits are paid as if there is only one injury or illness.

Conditional Receipt
If a policy owner pays a premium at the time of insurance application, she will receive a conditional receipt. With this receipt, the insured receives interim coverage during the underwriting process. This is subject to the terms and conditions of the receipt.
Conditionally Renewable
This policy provision indicates that the insurance company will renew the insurance policy if the insured complies with certain stated conditions, for example “still working fulltime at age 65”.

Continuous Disability
A continuous disability occurs when recurrent periods of disability stem from the same cause and are separated by less than 12 months of coverage.

Cosmetic or Transplant Surgery
A disability caused by cosmetic surgery or transplant surgery is considered the same as a total disability due to illness, after six months of coverage.

Cost of Living Rider
When a disabled person starts receiving disability payments, the cost of living rider increases the disability payout each year according to a percentage, usually derived from the Consumer Price Index measure.

Covered Expenses
This is a list of expenses that are covered and reimbursable by a Business Overhead Disability policy during an insured’s period of disability.

Definition of Partial/Residual Disability
To encourage a return to the workforce, most disability insurance carriers offer limited benefits to those who return to work part time or full time (with a loss of earnings). If the insured can work in a limited capacity and is earning less than a set level of income, he is eligible for limited benefits.

Disability Benefit
Disability benefits are any proceeds the insured receives for a disability covered in the policy provisions.

Disability Income
The monthly benefit received by the insured to help replace lost earnings during his or her period of disability.

Disability Insurance
Disability insurance is a type of health insurance which pays the insured a monthly benefit, replacing earnings lost from an accident or sickness.

Earned Income
Gross salary, wages, commissions, fees, etc, derived from active employment. This does not include investment income, rents, dividends, etc.

Education, Training and Experience
Some disability policies use this phrase when determining a person’s ability to return to work. In some cases, continuation of benefits may be denied if it is determined the insured can work in a different occupation that is comparable to the job held prior to injury or illness.

Effective Date
The effective date is the day the policy begins.

Elimination Period
Also referred to as the qualifying period, the elimination period is the time during which an employee must be disabled before benefits will begin. For example, “30 days”, or “60 days”.

Exclusions
Disability policies include specific conditions in which a disability will not be covered. For example, many plans will not provide benefits for disabilities arising from being in a war, participating in a riot, committing a felony, or self-inflicting an injury. Also, many policies are issued with a specific medical exclusion, based on the insured person’s previous medical history. For example, if an insured person has a history of back problems, they may be able to purchase a disability policy, but it will not pay for “disabilities caused by a bad back”. Also, some dangerous sports and recreational activities will be excluded if the insured person was participating in or contemplating participating in those activities before buying his or her disability policy.

Exclusion Rider
This document is attached to the disability policy and outlines the specific conditions that will not be covered under the policy. Excluded conditions often include preexisting conditions identified by medical history or physical exam.

Financial Underwriting
Because disability insurance is designed to replace income or other financial loss, insurers do financial underwriting to evaluate earnings and other financial aspects, to determine an insured’s appropriate monthly benefit.

Future Purchase Option Rider
The future purchase option rider allows the insured to buy additional monthly benefits in the future on specific option dates. This is regardless of the insured’s health, as long as the earned income at the time justifies the increase of benefits.

Grace Period
A grace period is the 31 days immediately following the due date of a premium. The policy will continue during the 31 days, but if the premium is not paid by the end of the grace period, all coverage will be terminated.

Group Insurance
Insurance that covers the employees of a business.

Injury
An injury is any accidental bodily injury sustained by the insured after the policy effective date and while the policy is in force.
Inspection Report
A report ordered by the underwriter that summarizes an applicant’s health history, employment and habits. This information is obtained by interviewing the applicant directly and by interviewing his/her personal and professional associates.

Key Person Policy
This policy reimburses the business for financial loss during a key person’s period of disability.

Loss of Income
The difference between an insured’s prior income while at work and current income during a partial or residual disability. It is usually measured as a percentage.

Lump-Sum Payment
Buy-sell policies typically pay the disability benefit in a lump sum.

Mandatory Rehabilitation
To encourage disabled employees to participate in rehabilitation programs, some policies (usually “group” policies) include a mandatory rehabilitation provision. This provision states that if an employee refuses to cooperate or participate in a rehabilitation program, benefits will be terminated.

Maximum Benefit Period (Benefit Duration)
The maximum benefit period is the longest length of time benefits are payable as long as the employee remains continuously disabled.

Maximum Monthly Benefit
The maximum monthly benefit is the most a disabled person can receive on a monthly basis under the group LTD plan.

Medical Examination
A medical examination and report are often part of the application process for disability insurance policies. The information becomes part of the contract and is attached to the policy.

Medical Underwriting
A method of evaluating an applicant’s health and medical history to determine if a policy will be issued and if so, the appropriate rates and exclusions.

Minimum Residual Benefit
Under the residual disability provision, the minimal residual benefit provision typically stipulates that during the first six months of disability, the insured must be paid at least 50 percent of the total disability benefit.

Occupation Class
An underwriting category in which insureds are placed based on their specific, customary job duties.

Other Income Benefits (Benefit Integration)
This usually applies only to group insurance plans. An insured, while disabled, may receive benefits from other sources, such as Social Security, workers’ compensation or disability benefits received from other employer-sponsored plans. However, benefits payable under a group LTD plan may be reduced by other sources of income.

Own Occupation
Own Occupation is the most generous policy definition available. It defines disability as the insured’s ability to perform the duties of his or her own occupation, regardless of whether they are back at work in another occupation.

Partial Disability
This policy provision or rider pays a specified benefit percentage if the policyholder is unable to perform one or more duties of his own occupation.

Personnel Replacement Expense
This optional policy benefit reimburses a company for the expense of recruiting a replacement for a disabled key person.

Physician Care Requirement
This policy provision requires the insured to be under the regular care of his or her attending physician in order to continue receiving disability payments. Depending upon the medical condition, insurers sometimes waive or modify this clause.

Policy Schedule Page
This page within the policy outlines all policy data such as the policy number, benefit amount and premium.

Pre-Disability Earnings
Pre-disability earnings (also called “prior income”) is the insured person’s income before they became disabled. Many policies allow different methods of calculating “pre-disability earnings”. For example, “best year of the last two years”, or “best consecutive six months out of the last 24 months”.

Pre-Existing Conditions
This clause generally only applies to group insurance policies. Pre-existing conditions are often defined in Group Long-term disability policies as any mental or physical condition for which:
- The insured has consulted a physician; or
- The insured has received medical treatment or services; or
- The insured has taken prescribed drugs or medications; or
- A reasonably prudent person would have sought medical advice, care or treatment.

If the insured, during a specified period of time (often three months) prior to coverage, received medical attention for
the same reason as a claimed disability that began after the policy’s effective date of coverage, the disability will not be covered. Some policies have more restrictions that state if the insured did not seek medical attention for the condition but still experienced the symptoms prior to coverage, the disability may be excluded from benefits.

**Premium**
A premium is the periodic payment required to keep an insurance policy in effect.

**Premium Mode**
The premium payment frequency selected by the insured. Many insurance companies offer annual, semi-annual, quarterly or monthly payment modes.

**Presumptive Total Disability**
Some disability policies pay for a “presumptive disability”, regardless of the insured person’s ability to work. The grounds for presumptive total disability can include:
- Loss of speech;
- Loss of hearing in both ears, not restorable by hearing aids;
- Loss of sight in both eyes
- This means that both eyes must measure at or below 20/200 after efforts have been made to correct vision;
- Loss of use of both hands;
- Loss of use of both feet; or
- Loss of use of one hand and one foot.

**Prior Income**
See “pre-disability earnings”.

**Qualification Period**
The qualification period is the number of days that the insured must be totally disabled before he/she becomes eligible for residual benefits.

**Recurrent Disability**
This provision protects employees who return to work, but become disabled again from the same or a related cause. If this situation occurs within a certain period of time, the insured is considered still disabled from the original disability and is not subject to a new elimination period. The recurrent disability provision encourages employees to return to work without the fear of losing benefits if the disability continues.

**Rehabilitation**
Rehabilitation is a program of clinical and vocational services that aids in the restoration or improvement of the insured’s health and functionality. The goal of rehabilitation is the return of a disabled employee to work and health.

**Regular Occupation (or Regular Job)**
The term “Regular Occupation” or “Regular Job” refers to the job (or jobs) the insured was doing at the time of becoming disabled.

**Rehabilitation Benefit**
The rehabilitation benefit is an added benefit for those who join a vocational rehabilitation program approved by the insurer. While still receiving total disability benefits for up to 36 months, the rehabilitation benefit will pay any reasonable costs of the program that are not covered by other plans, policies or programs.

**Reimbursement Policy**
Most Business Overhead Disability policies reimburse actual incurred expenses, as opposed to paying a fixed monthly dollar amount.

**Relation of Earnings to Insurance**
This clause is normally found in group insurance policies. This term means that income from all sources including insurance cannot exceed a specified percentage of the insured’s pre-disability earnings.

**Residual Disability**
Is a situation where the insured is not totally disabled, but is working earning some income. Under the residual disability clause, the insured will receive some insurance benefits, the amount dependent upon the percentage of income lost compared to their prior income.

**Return of Premium**
This benefit refunds a percentage of the premium less the amount paid in claims at specified intervals during the life of the policy.

**Return to Work Provision**
An additional incentive is usually provided for a period of time to encourage disabled employees to return to work. This is called a return to work provision. The insured can receive up to 100 percent of pre-disability earnings, based on a combination of disability benefits and return-to-work earnings, under this provision.

**Rider**
A rider is any extra agreement that is part of the policy that expands or limits the policy’s conditions, coverage or benefits.

**Smoker Rating**
Policy applicants who use tobacco produces are subject to a higher premium rate, called a smoker rating. Those who do not smoke or use tobacco products are given a lower premium rate. If an applicant smoked in the past, but has quit more than a year ago, most insurers will still consider the applicant as a nonsmoker. Nicotine can be detected in routine screening tests commonly required by most insurance companies.

**Substitute Salary Expense**
This optional business overhead policy benefit reimburses for the business expense of paying a replacement worker during insured’s period of disability.
Survivor Benefit
The survivor benefit is an amount payable to the insured’s estate or the insured’s designee, if the insured dies while receiving total disability benefits. The survivor benefit is a lump sum payment that provides benefits to the insured’s eligible survivors. This is an optional benefit for most policies.

Total Disability/ Totally Disabled
This important provision in a disability contract defines the parameters used to determine if the insured person is eligible to receive benefits. There are several levels to this definition:
- “Own Occupation” usually means the insured is unable to do the duties of their normal job (the job being done prior to disability), regardless of whether they have returned to work at another job. Note that in some policies they use the phrase “Own Occupation and not working elsewhere”, which is different from the definition just shown in the previous sentence for “Own Occupation”.
- “Regular Occupation” usually means the insured is unable to do the duties of their normal job, and is not working at another job (but if they have returned to work at another job, “total disability” benefits will stop).
- “Any Occupation” usually means the insured is unable to do any job. In some cases, with the “Any Occupation” clause, the insurer will add “unable to do any job he is qualified for by education, training, or experience.”

Note that in some policies the definition for Total Disability includes words like “any and every duty”, “important duties”, “all duties”, or “substantial duties”.

Total Disability in Your Occupation Rider
This rider changes the definition of total disability by allowing the insured to work another job while still totally disabled from the regular occupation.

Underwriter
The underwriter is the insurance company employee who decides what risks the company should assume.

Unearned Income
Unearned income continues regardless of whether an individual is working. Examples include interest or dividend income.

Uninsurable Risk
An uninsurable risk is someone who is not accepted for insurance due to excessive risk of loss.

Waiting Period
- The waiting period is the time from the first day of disability until disability benefits go into effect. To become eligible for coverage the insured must be disabled for a certain number of continuous days. This is also called the elimination period.
- To qualify for disability coverage under the policy, the insured must satisfy a certain number of continuous days of active, full-time work.

Waiver of Premium
As long as benefits are being paid out, no further disability premium payments are required from individuals who become disabled and qualify for benefits. The waiver of premium typically starts after the insured person has been disabled for three months.

NOTE: Not all of these clauses are in all disability policies. This information is meant as an OVERVIEW. Please check your Disability Policy for the specific wording and meanings that will apply for you.