



GLOSSARY OF COMMON INSURANCE TERMS

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Absolute assignment

A policy assignment under which the person to whom an assignment is made receives full control and ownership over the policy and full rights to its benefits.

Assignment

The legal transfer of total or partial ownership of an insurance policy, for purposes of benefit payment. See Collateral assignment.

Beneficiary

The person (or entity) to whom the proceeds of an insurance policy are payable when the insured dies. In certain cases, a trust may be your designated beneficiary.

Benefit

The amount payable by the insurance company, as stipulated in your policy. Depending on the nature of the coverage, the benefit may be paid directly to you, your beneficiary or assignee, or the provider/institution that renders service.

Certificate

The written contract between a group and the insurance company that is issued to individual insured members of the group. The Certificate outlines the essential features of your coverage, along with the terms and provisions of the policy. Generally applies to group insurance only. See Policy and Policyholder.

Certificate holder

The person to whom a Certificate of insurance is issued unless otherwise assigned.

Claim

A request or demand for payment of benefits under the terms of your insurance policy.

Co-insurance

A shared financial burden in which you and your insurer share the cost of claims by a predetermined ratio. For example, in an 80/20 coinsurance arrangement, 80% is paid by the insurance company, and 20% is paid by you. Generally applies to medical and dental insurance only.

Collateral assignment

The assignment of a policy to a creditor as security for a debt.

Coordination of Benefits (COB)

The cooperative method by which multiple insurance carriers manage benefits to avoid duplication in payment when an insured is covered by more than one policy. Generally applies to medical, dental, and disability insurance only.

Copay (or Co-pay)

An out-of-pocket payment, usually required by the insurance company, that you are required to make at the time service or treatment is rendered. Generally applies to medical and dental insurance only.

Deductible

An out-of-pocket amount you agree to pay before the policy provides benefits. In general, the larger your deductible, the lower your insurance premium.

Exclusion

Specific items or circumstances not covered by your insurance policy. In life insurance policies, suicide is typically listed as an exclusion for cause of death.

Guaranteed issue

Coverage that the insurance company will guarantee to issue, or for which you will qualify (pending eligibility), without providing proof of insurability. See Proof of good health and Proof of insurability.

In force (or Inforce)

The status under which your insurance policy is “active” and legally binding.

Insurability

Personal conditions (such as your health, age, occupation, income, life expectancy, etc.) that determine your risk factor and ability to qualify for insurance coverage.

Lapse

Termination of your policy because of failure to pay the required premium. See Out of force.

Level premium

A premium that remains the same throughout the life of your policy, or for an identified period of time.

Liability

Your legally enforceable obligations, which may include compensation for damages to someone else's person or property.

Medical evidence

Any statements by you and/or your personal physician, laboratory test results, or medical records and reports, that help the insurance company determine your insurability when applying for life, medical, or disability coverage, or your eligibility for a benefit when you file a claim.

Out of force

A policy that is no longer legally binding, usually because its time period has expired or because it has terminated due to failure to pay premiums. A policy may also go out of force if terminated at your request, upon your death, or if you fail to satisfy eligibility requirements.

"Own occupation" coverage

Disability coverage that is defined (and for which benefits are payable) relative to your specific occupation or profession. By contrast, "any occupation" coverage is payable only if you cannot work in any occupation for which you are reasonably suited by education, training, and/or experience. An important distinction in disability insurance.

Policy

An insurance contract.

Policyholder

You, or the person who holds (or owns) an insurance policy. In group insurance, the group holds the policy, and individual members of the group receive coverage (and a Certificate) that is based on the terms and provisions of the group contract. See Certificate; Certificate holder; and Policy.

Premium

The periodic payment you make to keep an insurance policy in force. Premium, also known as the cost of insurance, is paid in advance of your coverage period. Payment frequency will vary by policy, but is typically monthly, quarterly, semi-annually, or annually.

Proof of good health

Written evidence that you are insurable according to the general underwriting standards of the insurance company. See Insurability and Medical evidence.

Reimbursement coverage

Insurance policies that reimburse you (or a service provider) for the exact expenses you incur. For example, business overhead expense insurance will reimburse you for certain office expenses while you are totally disabled.

Reinstatement

The resumption of coverage (according to the same parameters) under a policy that had previously terminated or gone out of force. See Lapse and Out of force.

Rider

An attachment or supplemental agreement that adds something to a standard insurance policy whereby the conditions of the coverage are expanded or some conditions of the coverage are waived and are therefore not covered. Issued on a case-by-case basis, a rider can be either restrictive (offered as a way for the insurance company to consider you an acceptable risk) or additive (offered to provide additional coverage for items/circumstances not generally insured).

Renewal guarantee

A clause that sets conditions under which you can automatically renew coverage. Many insurance policies offer guaranteed renewability as long as you satisfy its eligibility requirements and pay premiums when due.

Residual benefits

A term used in disability insurance to describe benefits that are paid when you are partially disabled.

Suspension of benefits

The status under which your insurance coverage will continue, but no benefits will be paid and perhaps no premiums will be due, usually after maximum benefits have been paid for a particular condition.

Underwriting

The process of evaluating your insurability, level of coverage, and/or premium rates based on a review of your medical evidence and/or financial status.

Waiver

An amendment or rider to a policy that excludes payment of benefits under certain conditions. For example, some homeowner's insurance policies will exclude claims for property damage caused by flood.

Waiver of premium

An agreement that suspends or "waives" payment of premium during a period of disability or other defined event.

Waiting period

The time, typically counted in consecutive days, that must elapse from the date of incident (or first coverage) until you can begin to receive benefits. Your waiting period options will vary by insurance type, but in general, the longer the waiting period, the lower your premium.