

# Policy Definitions

**Alternate Care Provision** - when new ways to provide care for the elderly become available, your policy will give you an opportunity to take advantage of these benefits even though your current policy does not cover these services. The company must be notified of the change in your Plan of Care and agree before they will continue to pay benefits.

**Benefit Period** - the length of time that your policy will pay benefits.

**Example:** 3 year benefit with indemnity will pay for 1095 days of care or 3 year benefit with reimbursement will pay out \$109,500 in benefits with adjustment for inflation if included in your policy.

**Benefit Triggers** - will allow you to go on claim when you lose or needing assistance with you activities of daily living. Tax-qualified plans state that you must need assistance with 2 out of 6 of your Activities of Daily Living to trigger the benefits of your policy.

**Caregiver Training** - provisions will pay to train an unskilled caregiver on medical procedures such as administering drugs or changing bandages on critical wounds.

**Daily Benefit** - the amount per day that you have available as to the schedule page of your policy. Most facilities have priced themselves by a daily rate, which is why most policies use a daily benefit to structure their policies.

**Deductible (Elimination Period)** - the number of dates of service or amount of money that you will spend before the benefits will be paid by the policy.

**Disabled** - unable to perform activities of daily living due to an injury or permanent inability due to illness.

**Elimination period** - the number of dates of service that would be covered under the policy, which the company does not pay benefits before one can go on claim. This is like a deductible. The longer the elimination period, the lower the premium. Only one elimination period must be satisfied in a lifetime for most companies.

**Guaranteed Renewable** - this means as long as you pay the required premium, you have the right to continue the policy for as long as you live or until the policy limit is reached. The company cannot cancel the policy unless you do not make the required premium payments on a timely basis. However, the company does reserve the right to increase the premiums. The company cannot single you out (it must impose changes on an entire class of policyholders) and must give you advance notice of any changes in the premium or policy.

**Group Policy** - these are contracts that are offered on a group basis with a set structure of benefits. Usually they are issued on a guaranteed basis for those that are actively working for the company.

**Indemnity** - this policy feature will pay the claim at the full amount up to the daily benefit. In some cases the company will pay the monthly benefit to allow the policyholder to have full discretion.

**Incontestability Clause** - the company may deny claims within the first two years of the policy if there are any misrepresentations on your application that were material to the acceptance of your application or pertain to the condition for which the claim is made.

**Individual Policy** - a policy that is sold by an agent directly to the individual. The benefits are chosen by the individual and policy issued based on the underwriting of that individual's health.

**Inflation Protection Riders** - there are several inflation options that allow your policy values to keep up with the rising cost of long-term care. They are as follows:

- Consumer Price Index or Guaranteed Purchase Option - allow you to increase your daily benefit without evidence of insurability, usually offered every 1, 2 or 3 years.
- 5 % Simple Inflation will increase at a 5% Simple inflation of original daily benefit each year while your premiums remain level.
- 5 % Compound Inflation will increase at 5% Compounding of the previous year's daily benefit each year while your premiums remain level.
- 5% / 3% Compound Inflation will increase the Daily benefit at 5 % Compounding of the previous year's daily benefit and the pool will increase by 3% annually.

**International Coverage** - some policies will pay for services received outside the United States. Companies that offer this coverage may reduce benefits or pay for care for a limited amount of time.

**Lapse of Coverage** - the policy will lapse and no longer be in-force at the death of policyholder or when the policyholder stops paying the premiums.

**Maximum Benefit Amount** - the amount of total benefits available to be paid out for the care of the insured.

**Medically Necessary** - is the definition that allows a person to go on claim if their physician deems their care "medically necessary". This is a more liberal interpretation of the benefit trigger that allows you to go on claim.

**Monthly Benefit Amount** - converts your daily benefit into a monthly benefit amount that gives you more flexibility of benefits and less cash out-of-pocket as daily cost may fluctuate.

**Noncancellable Policies** - insurance contracts that cannot be cancelled and the rates cannot be changed by the company.

**Non-Forfeiture Benefit** - this will allow you to have a paid-up policy with reduced benefits even after you stop paying the premiums. Typically, the amount of premiums paid into the policy will be paid out at the rate of daily benefit if the policy was lapsed.

**One-Time Elimination Period** - one complete elimination period has to be met for the insured during the life of the contract. Most companies will allow you to accumulate days against your elimination under separate claims.

**Plan of Care** - means a written plan for long-term care services designed especially for the insured. This plan must specify the type, frequency and providers of all the services.

**Pre-Existing Condition** - illnesses or disability for which you were treated or advised within a time period before applying for a life or health insurance policy.

**Reimbursement** - the company will reimburse you for the expenses you incur up to the daily benefit amount that is shown on the schedule page. Some companies will reimburse up to a monthly amount to give you more flexibility.

**Restoration of Benefits** - your benefits will be restored to their original limits regardless of claims if you do not receive benefits or care for 180 days after the end of your period of care.

**Rider** - an addition to an insurance policy that changes the provisions of the policy.

**Schedule Page** - this is the page that shows the schedule of benefits that are provided in your policy.

**Third-Party Notice** - this will inform a person that resides outside your home that you did not pay the premium for your long-term care policy. This is intended to provide protection against unintended lapse of coverage due to non-payment.

**Underwriting** - the process that allows the company to compile your medical history by taking information from an application or receiving a copy of your doctor's records to make a decision whether you qualify for coverage. They can accept or reject you for coverage or classify those selected in order to charge the proper premium.

**Waiver of Premium** - a provision in an insurance policy that relieves the insured of paying the premiums while receiving benefits.