

# LIFE INSURANCE

## Glossary of Jargon



There's a lot of unique language that comes along with purchasing a life or AD&D insurance policy, trying to file a claim, or dealing with the insurance company. Knowing the meaning of these terms can be essential to making the right decisions when purchasing a policy, filing a claim, or resolving a dispute.

**Here are some of the common terms and their meanings.**

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### **AD&D:**

This stands for accidental death and dismemberment, a kind of insurance policy that pays out if the insured suffers very specific kinds of accidental deaths and serious bodily injuries. Commonly acquired through an employer.

### **ACTIVE EMPLOYMENT:**

Many policies acquired through an employer require the insured be 'actively employed' to be eligible for coverage. Active employment can be defined slightly differently depending on the terms of the policy. For example, under certain policies employees on disability, on legally mandated family leave (FMLA), or other leave, as well as some part-time employees, may not always be considered 'actively employed'.

### **ADMINISTRATOR:**

The administrator is the person or company responsible for managing a policy you acquired through your employer. The administrator may be your employer or a third party hired to handle your group's policy. The administrator is responsible for keeping

you notified of any changes to your coverage, and can be held liable if a claim is denied due to their failure to meet this duty.

### **BENEFICIARY:**

The beneficiary is the individual selected by the insured to receive the proceeds of a life insurance policy. The insured often selects both a 'primary beneficiary' and a 'contingent beneficiary', who receives the life insurance benefits in the event the primary beneficiary cannot be paid.

### **CONTESTABILITY PERIOD:**

The contestability period, also called the incontestability period, is a period of time (usually the first 2 years after purchase) during which insurance companies can request medical and other records during an in-depth claim review if a claim is filed. They may deny a claim due to inconsistencies between an insured's application answers and their medical records. After this period, the insurer is generally not allowed to deny claims based on assertions of inaccurate or incomplete information.



## **CONVERSIONS:**

If you have a policy through your employer and your employment status changes, be it through retirement, a layoff, or termination, you have the right to convert your group policy into an individual policy. Administrators are required by law to provide you with notice of this right and instructions on how to convert your policy. If you didn't receive this when your employment ended, your claim may still be payable.

## **DEPENDENT:**

Some policies offer coverage for an insured person's spouse and/or children. There are limits to this coverage, though. Dependents often must meet several criteria to be considered eligible for coverage under the policy, including age requirements, being a full-time student, being financially reliant on the primary insured person, or living in that person's home. Claims can be denied if a dependent does not meet these criteria.

## **ERISA:**

The Employee Retirement Income Security Act, or ERISA, is a federal law that governs most life and accidental death insurance policies acquired through an employer and supersedes state law. ERISA also impacts how claims are handled in numerous ways, including restricting your time to file an appeal if your claim is denied. If you obtained your policy through your work, chances are ERISA applies to your claim.

## **EVIDENCE OF INSURABILITY:**

This refers to the application process for some policies from some providers. Applicants will be required to provide evidence that usually includes medical records, though this can vary.

## **EXCLUSION:**

Accidental Death & Dismemberment policies have restrictions on what kinds of accidents they will pay for. Self-inflicted injuries, accidents while the insured was under the influence of drugs or alcohol, and even accidents related to medical treatment are often not covered by these policies. Regular life insurance policies will also commonly have an exclusion for deaths by suicide.

## **GRACE PERIOD:**

By law insurance companies cannot terminate a policy immediately if a premium payment is missed. The grace period is a period of time (typically 30 days) after a premium payment is due during which the policy is still active, and you have the opportunity to catch up on any payments. Even if this grace period is passed however, there may still be circumstances which would by law prevent the insurance company from terminating the policy.

## **INSURED:**

The insured is the person who is covered by the life or AD&D policy.

## **INSURER:**

The insurance company, also known as the provider.

## **LAPSE:**

Regular premium payments must be made to keep your life or AD&D policy in force. If premiums are not paid the policy can lapse, and claims are no longer payable. Sometimes you may miss premium payments for a valid reason, such as medical treatment, which insurance companies will consider when reviewing claims on these policies. Many states also require insurance companies send notices to the insured advising that a payment is due before a policy can lapse.

## **MISREPRESENTATION:**

One of the most common reasons insurance companies deny claims is a misrepresentation on the application for insurance.

Misrepresentations can be about your medical records, or even your lifestyle. Do you go scuba diving? Getting your pilot's license? Planning your dream trip to Egypt? These may not seem relevant, but insurance companies consider activities like this to put individuals at a higher risk, and so they can deny claims if activities like these are not disclosed on the application. Many questions on insurance applications are fuzzy and ambiguous however, making claims of misrepresentation a matter of interpretation that can often be challenged and overturned in court or in negotiation.

## **NEXT OF KIN:**

The next of kin is the insured person's closest living family member. This is often a spouse, but could be a child, parent, sibling, or other family member. Authorization from the next of kin may be required to obtain the death certificate, medical records, or other documentation needed to review and pay your claim.

## **PERSONAL REPRESENTATIVE:**

The personal representative (also called the Executor or Administrator) manages an individual's estate after they die. This person may be named in the individual's will, or may be a family member who is willing to take on this responsibility. The personal representative may need to provide authorization for the insurance company to obtain documents needed to review your claim.

## **POLICYHOLDER/OWNER:**

If you purchased your policy on your own, you are most likely the policyholder. If you acquired your policy through your job, your employer is the policyholder.