

# insurance talk: let's decipher the jargon

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## **Insurance terms can be confusing to many people, even to those who work within the industry!**

From words like “deductible” to “portability” to “coinsurance,” the insurance industry is filled with a dizzying array of head-scratching terms that can leave you with more questions than answers. Many people even avoid signing up for valuable insurance protection altogether because of the esoteric language.

Let’s make sense of some common insurance jargon with this helpful glossary of terms. We hope you find this document to be a helpful resource for filling in the gaps of your insurance knowledge.

To learn more about how you can help your employees and their families navigate workplace benefits, visit our News & Insights blog post, [\*\*4 Ways to Break Down Barriers to Benefits Enrollment\*\*](#).

### Insurance Speak – Deciphered

While many insurance companies use terminology that is specific to that organization, we're going to stick to general terms. You'll encounter many of these terms when selecting protection plans for your employees or when selecting coverage for yourself.

Let's dive into the world of insurance speak and **decipher** the jargon!

[General Insurance Terms](#)

[Rates and Premiums \(Underwriting\)](#)

[Life Insurance Lingo](#)

[Voluntary/Supplemental Insurance Terms](#)

### General Insurance Terms

**Annual Enrollment** – The time of year that a business has chosen to hold enrollment for medical coverage and other employee benefits. This period is also called open enrollment.



#### **Annual/Open Enrollment**

For many businesses in the U.S., annual enrollment for health insurance and other employee benefits, including voluntary coverage, happens in the fall. Benefits elected during fall enrollments typically take effect on January 1 of the following year. However, companies and organizations may choose enrollment periods at any time throughout the year.

**Annuity** – A contract sold by an insurance company that allows you to plan for the future on a tax-deferred basis. Annuities also allow you to take periodic distributions as outlined in the contract.

**Attending Physician's Statement** – A written description of medical treatment or services that you've received and/or a description of your medical condition.

**Benefit Period** – The timeframe during which payments are made to you under certain plans, such as disability. Benefit periods can range from a few months to several years.

**Cafeteria Plan** – A benefit plan that offers a variety of options to choose from, allowing you to pick the option that best suits your coverage needs and budget. This is also known as a [flexible benefits plan](#).

### General Insurance Terms, continued

**COBRA (Consolidated Omnibus Budget Reconciliation Act)** – This law enables you to avoid a lapse in medical coverage by continuing your employer's health plan when you leave your job. COBRA benefits are usually limited to 18 months. When protected under COBRA, you pay the full premium amount and possibly an administration fee.

**Coinsurance** – Your share of the cost of medical/health services received. This amount is determined after you've paid/met your deductible.

**Copayment** – A fixed amount for services received, such as a doctor's visit or a prescription being filled. You are expected to pay this cost at the time you receive the service.

**Coverage Effective Date (Effective Date)** – The date when insurance coverage goes into effect. This can be the date that the application was signed or a predetermined date following enrollment (typically January 1 of the following year).

**Deductible** – The amount you're responsible for paying before payments from your insurance provider kick in.

**Elimination Period** – This is the period of time that must pass before benefits are payable. For disability coverages, the elimination period is the amount of time you must be disabled before benefits are payable. For some chronic or critical illness riders in life insurance policies, the elimination period is the amount of time you must be chronically ill before the rider benefits are payable.

**Endorsement** – An addendum to insurance coverage that alters its original provisions or language used in the policy definitions.

**EOB (Explanation of Benefits)** – A policy document that defines the coverage issued and lists the benefit amounts for certain diagnoses, medical conditions, or treatment and services received.

**Evidence of Insurability (EOI)** – Proof that you are able to be insured based on the carrier's assessment of risk. Depending on the coverage, you may be required to answer medical questions.

**Exclusions** – Services that an insurance company will not pay for.

**Flexible Benefits Plan** – see [Cafeteria Plan](#).

### General Insurance Terms, continued

**HIPAA (Health Insurance Portability and Accountability Act of 1996)** – A law that established national standards to maintain the security and confidentiality of your [Protected Health Information \(PHI\)](#). Entities that hold this information are bound to the security and confidentiality guidelines of HIPAA and can be fined for violating non-disclosure requirements. Entities that must comply with HIPAA rules include hospitals, doctors' offices, insurance companies and billing service companies.

#### HIPAA violation scenario:

John, a nurse at a hospital, is overwhelmed with excitement when a pop star is rushed into the emergency room. Her examination reveals exhaustion and dehydration from performing in front of thousands of fans every night. A huge fan, John snaps a quick selfie with her visible in the background.

John posts the photo to his social media account and the image goes viral. The pop star's hospital admission and condition have not been officially revealed. John has violated HIPAA regulations by publicly identifying her as a patient at the hospital without her permission. As a result, John may lose his job and the hospital could face penalties.



**Out-of-Pocket Maximum** – The most you're responsible for paying from your personal funds for medical/health services during the insurance plan period (usually one year).

**Protected Health Information (PHI)** – Your medical records and personal information, which are protected under [HIPAA](#). PHI includes any information that can personally identify you. Businesses that hold this information are bound by HIPAA regulations.

**Pre-Existing Condition** – An injury or sickness that occurred before coverage was issued. Depending on the coverage guidelines, a pre-existing condition may limit the benefits you're able to claim.

### General Insurance Terms, continued

**QLE (Qualifying Life Event)** – A personal event, such as marriage or childbirth, that may make you eligible to elect coverage outside of [annual enrollment](#). With a QLE, you may enroll with the same issuance and coverage guarantees that were offered during open enrollment. QLEs also allow you to make changes to your coverage outside of open enrollment without additional approval.

**Section 125** – An IRS code that allows employers to offer non-taxable benefits to employees. These benefits include major health care, vision and dental care, group term life insurance, disability coverage and more. Such benefit offerings are often called a “Cafeteria Plan” or “Flexible Benefit Plan.”

**Situs State** – This is usually the U.S. state in which a company is headquartered. This determines the state-specific guidelines for coverage.

**Underwriter** – An insurance professional who assesses and classifies the degree of risk that an applicant or group represents.

**Unit** – A basic amount of insurance coverage used to calculate premiums. The value of a unit is specific to the coverage type; for example, one unit of life insurance is generally \$1,000.

**Waiting Period** – The length of time after your hire date before you can enroll in benefits.

### Rates and Premiums (Underwriting)

Before we dive into how premiums are determined, we have to understand the basics of insurance underwriting.

**Underwriting** – The assessment of risk that an insurance company may incur by issuing coverage to an individual or group. A group can be a business of any size, a union, or a member organization.

There are four basic types of insurance underwriting that are used to determine an individual's or group's rates:

- Guaranteed Issue**
- Contingent Guaranteed Issue**
- Simplified Issue**
- Fully Underwritten**

**Guaranteed Issue** – The amount of coverage that is available without having to answer medical questions.

**Contingent Guaranteed Issue** – You must be actively at work as defined by either the employer's guidelines or in the coverage issue requirements. There are usually three questions to answer: a question about your working status, a question about any hospitalizations in the previous six months, and an HIV-related question.

**Simplified Issue** – This requires all applicants to answer a full health questionnaire.

**Fully Underwritten** – All medical and personal information is reviewed to determine if coverage may be issued. A medical examination may be required as well.

#### Rates and Premiums

**Age-Banded** – Rates are determined by the age group (18-25, 26-30, 31-35, etc.) that you fall into at the time your coverage is issued. Generally, as you age into a higher age band, your premiums will increase.

**Issue Age** – Finally, we have what is called Issue Age rates.

**Issue Age** – Coverage is provided based on your age and generally will not change. If you make changes to your coverage, such as increasing your benefit amount or adding dependents, then you may be subject to a rate increase.

**Issue Age-Banded** – Rates are determined by the age band (18-25, 26-30, 31-35, etc.) that you fall into at the time your coverage is issued. Rates remain level throughout the life of your coverage unless you make changes.

# Life Insurance Lingo

## Types of Life Insurance

Life insurance policies pay a benefit if a covered person passes away, assuming all provisions of the policy have been satisfied. Certain types of coverage are more suitable for the different stages of life and the coverage needed to protect a family's finances.

### **Term Life Insurance –**

The coverage lasts for a defined period of time. Optional benefits may be available to add.

### **Universal Life Insurance –**

This type of permanent life coverage is characterized by flexible premiums and death benefits along with unbundled pricing factors. Pricing factors may change over time, but the minimum interest rate and maximum charges are guaranteed. Other coverage options may be added.

### **Whole Life Insurance –**

Whole life insurance can build cash value over time that can be borrowed against. Other coverage options may be available to add.

**Accidental Death Benefit** – Often provided as an extra life insurance benefit, an Accidental Death Benefit pays a specified amount if you or a covered family member dies as the result of an accident. This benefit is payable in addition to the **Basic Death Benefit**.

**Basic Death Benefit (Death Benefit)** – The benefit amount as determined by a life insurance policy. This is generally paid to a designated beneficiary upon your passing. This benefit is also known as the face value of the policy.

**Cash Surrender Value** – This is the amount of money that you will receive if you cancel your life insurance coverage and surrender the policy to the insurance company.

**Face Value** – see **Basic Death Benefit**.



### Life Insurance Lingo, continued

**LTC (Long-Term Care)** – LTC benefits allow you to collect payments while you are receiving long-term care services and are certified as being chronically ill, depending on the coverage. Receiving payments for LTC services may reduce your policy's [Death Benefit](#).

#### **Stand-Alone Long-Term Care Insurance versus Long-Term Care rider benefits**

Stand-Alone Long-Term Care Insurance is a type of coverage that covers some of the costs of long-term care due to a chronic condition or disability. Coverage can include nursing home care, home health care, and personal or adult day care.

Long-Term Care benefits may be included in an insurance plan via a [Long-Term Care rider](#). There may be restrictions on monthly benefit amounts and benefit period distributions. For example, someone who has Group Whole Life Insurance with a Long-Term Care Accelerated Death Benefit rider may take a percentage of the policy's face value.

**Surrender Charge** – An expense charge that is sometimes imposed when a policy owner cancels their life insurance. This can lower the [cash surrender value](#) as well as the loanable cash value.

### Voluntary/Supplemental Insurance Terms

**Group Insurance** – Insurance coverage that is offered to a group of employees, members of a union, or a membership organization. Premiums for group insurance are based on the dynamics of the group being insured.

**Group Voluntary** – Insurance products offered to a group of employees, members of a union, or a membership organization. The coverage is optional and is not considered comprehensive health insurance (major medical).

Also called **Supplemental Insurance**, group voluntary products pay in addition to major medical insurance. Group voluntary payments are usually made directly to you or a covered family member without any restrictions on how the money is spent.

# Voluntary/Supplemental Insurance Terms, continued

## Group Voluntary Insurance Products



Accident



Cancer



Critical Illness



Disability



Hospital



Life

**Accident Insurance** – Coverage that pays you or a family member for treatment and services incurred due to an accidental injury. This coverage can pay fixed amounts for broken bones, cuts, certain surgeries, dislocations, hospital stays, medical equipment, medical transportation and more.

**Cancer Insurance** – This coverage pays you or a family member for certain cancer diagnoses, and can include coverage for a range of related conditions and diseases.

**Critical Illness Insurance** – This coverage pays benefits to you or a family member if you are diagnosed with certain critical illnesses such as a heart attack, stroke, certain cancers and more.

**Disability Insurance** – Sometimes called **Disability Income Insurance**, this coverage pays you a pre-determined (by you) percentage of your monthly income if you are unable to work due to sickness or injury.

The timeframe (**benefit period**) during which you can collect disability payments varies with the coverage. Benefit periods range from a few months to several years.

## Short-Term versus Long-Term Disability Insurance

**Short-Term Disability coverage** typically pays a benefit for a limited period and can last for up to one year. **Long-Term Disability protection** provides coverage that can last up to your lifetime.

**Short-Term coverage** usually pays a higher percentage of your monthly income. **Long-Term protection** typically pays a lower percentage of your monthly income.

**Short-Term Disability Insurance** is suitable for temporary or minor disabilities that prevent you from working for a limited period of time and can cover maternal leaves of absence. **Long-Term Disability Insurance** is best for conditions that prevent you from earning an income for a longer period of time.

### Voluntary/Supplemental Insurance Terms, continued

**Hospital Indemnity Insurance** – As the name suggests, this coverage pays benefits for hospital stays. Coverage may define a hospital stay as an admission into a medical facility that lasts at least 24 hours.

**Portability** – This means you can take your coverage with you if you leave your employer or group under which the coverage was issued.

**Rider** – Additional coverage that can be added to a base insurance policy to expand the selection of payable benefits. Riders can include coverage for family members or additional benefits payable for certain medical conditions or treatments.

### Make the Most of Employee Benefits

A 2023 study from LIMRA (Life Insurance Marketing and Research Association) found that “employees with a good understanding of their benefits are much more likely to be satisfied with their options and also more prepared to make the best enrollment decisions.”<sup>1</sup>

We hope you find this glossary to be informative when making important benefit elections for your employees or for yourself and your family. Employers may find it helpful to post this resource to the company’s benefits website or pair it with benefits flyers or brochures. For tips on improving your benefits enrollment process, take a look at our News & Insights blog, [3 Ways to Improve Enrollment with a Year-Round Approach](#).

### Allstate Benefits Can Help

Allstate Benefits offers a variety of workplace benefits to help both employers and employees live their lives well-protected.

<sup>1</sup>2023 LIMRA BEAT Report

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