Frequently Used Terms

The language of insurance can be confusing. Refer to this sheet to find definitions for often-used insurance terms in clear, concise language. You can use this information to help prepare to ask questions to determine your specific coverage option, or keep it with your policy after issue to use as a reference.

Activities of Daily Living (ADLs): routine activities that people do every day without requiring assistance, including bathing, continence, dressing, eating, toileting and transferring (from bed to chair, chair to bed, etc.)

Adult day care: a local center that provides care and social services which can allow caregivers to go to work or have a break from caregiving

Annuity: an insurance contract in which one pays premium(s) and after a period of time money is paid to payee(s) each year for a set period of time or for the rest of their lives

Assisted living facility: a housing facility for people who don't require more in-depth care provided in a nursing home

Bed reservation: a benefit that reserves the insured's accommodations in a long-term care facility if they require hospitalization while confined

Beneficiary: a person eligible to receive proceeds from a life insurance policy

Benefit period: the length of time during which a benefit is paid (months, years, or lifetime)

Care coordination services: the organization of care activities for an individual to facilitate the appropriate delivery of long-term care services

Caregiver: someone who helps another person accomplish Activities of Daily Living due to an illness, injury or severe cognitive impairment

Caregiver training: training for an unpaid, informal caregiver to care for an insured at home

Cash surrender value: the amount offered to the policy owner upon cancellation of a life insurance or annuity contract, which is the cash value minus any fees or costs

Chronically ill: someone unable to perform two of six Activities of Daily Living for a period of at least 90 days, or who requires substantial supervision due to severe cognitive impairment

Daily benefit: the maximum amount a long-term care insurance policy will pay in a single day

Death benefit: the amount paid to a beneficiary upon the death of an insured person

Elimination period (also known as waiting period): a set number of days an insured is required to pay his or her long-term care costs before benefits are paid

Guaranteed interest rate: the rate at which the cash value is increased annually, guaranteed for the life of the contract at the time of purchase

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Guaranteed single premium: the option to fund a policy or annuity with a single lump sum amount

Home health aide: a trained, certified professional who can be hired to visit individuals in their own home to provide help with activities of daily living

Home health care: a wide range of care services like assistance with activities of daily living, respite care, maintenance and personal care services received at home

Home modification: Updating a house to make it more suitable to the resident, which may include installing a wheelchair ramp, walk-in tub or grab bars

Homemaker services: nonmedical, nominal support services provided by a professional or volunteer that can help a person to remain at home, including meal preparation, laundry, cleaning and supervising self-administration of medicine

Hospice: specially designed to provide care and support, with a focus on comfort and not treatment, toward the end of life

Issue age: the age of an insured as of the date a policy is issued

Joint issue age: in insurance and annuity contracts with two insureds, a calculated age based on the age of both insureds as a means to rate the lives as one

Licensed healthcare practitioner: any physician, any registered professional nurse or licensed social worker, or other individual who meets such requirements as may be prescribed by the U.S. Secretary of the Treasury, excluding any member of the immediate family

Long-term care: a myriad of medical and social services designed to support the needs of chronically ill individuals

Modified Endowment Contract (MEC): a tax qualification of a life insurance policy with cash value where the policy has been funded with more money than allowed under federal law

Monthly benefit: the maximum amount a long-term care insurance policy will pay in a single month

Nursing home: a residential facility that offers accommodations and is equipped and staffed to provide personal or nursing care for persons unable to care for themselves

Plan of care: a formal plan prescribed by a licensed health care practitioner tailored to meet an individual's needs regarding qualified long-term care services

Policy: a legal contract written by an insurance company and issued to a policy owner or group sponsor to define the benefits the company is required to pay

Policy loan: a loan issued by an insurance company that utilizes the cash value in a life policy as collateral

Policy owner: the individual who has a legal, signed contract with the insurance provider

Power of Attorney (POA): a legal document that grants authority for another person to make decisions on another's behalf, most often related to medical treatment and living arrangements

Return of premium: a benefit that allows a policyholder to surrender the contract and receive the premium paid less any withdrawals or prior distributions

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Severe cognitive impairment: when a person has trouble remembering, learning new things, concentrating or making decisions that affect their everyday life or loss of safety awareness

Single Premium Deferred Annuity (SPDA): an annuity contract purchased with a single lump-sum of money that pays only after a specified amount of time has elapsed

Single Premium Immediate Annuity (SPIA): an annuity contract purchased with a single lump-sum of money and in exchange begins paying almost immediately

Supportive equipment: includes installation fees, labor and related costs an insured might incur for the purchase or rental of supportive equipment

Surrender charges: a charge for early withdrawal of funds from an insurance or annuity contract, or cancellation of the contract

Underwriting: the process of using non-medical, medical or health information in the evaluation of an applicant for insurance coverage

Underwriting classes: a group of individuals with similar characteristics used to determine the premium that should be charged for coverage

Note: These concepts were derived under current tax laws. Changes in the tax law may affect the information provided. Provided content is for overview and informational purposes only and is not intended as tax, legal, fiduciary, or investment advice.

Definitions may vary based on the laws of the state where the insurance policy is delivered.

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