

Definitions of Insurance Terms

The following are general definitions of some common insurance terms related to insurance companies and medical insurance policies.

Claim:

A claim is a request for payment from your insurance company for medical expenses incurred due to an illness or injury covered under the terms of the policy. Each company has requirements for how a claim is to be made; what forms must be completed by you and your doctor(s); and what additional information, forms, or reports are required before payment can be made. This means the insurance companies (or claim administrators) cannot pay the claim. Some insurance companies require you provide the original bill(s) along with the claim form. You should keep photocopies of all the documents you submit for a claim.

Copay: A fixed dollar amount you pay at the time services are rendered. Typical copays are for office visits, prescriptions, or hospitalizations

Coinsurance: A specified percentage of the cost of treatment the insured is required to pay for all covered medical expenses remaining after the deductible has been met.

Deductible:

This is the amount you pay before the insurance company pays anything. There are two types of deductibles: an annual deductible and a per occurrence deductible.

Under an annual deductible, you will pay all expenses up to the amount of the deductible. Once you have paid the deductible during the policy year, the insurance company will pay for covered medical expenses for the rest of the policy year in accordance with the terms of the policy.

Under a per occurrence deductible, you must pay the deductible amount for each separate sickness or injury. If you have five claims in one year, you would have to pay the deductible five times.

Co-Insurance/Deductible Example:

Your total medical expense is \$12,000. Your policy has a deductible of \$100. The co-insurance clause is 80/20 up to \$5000. You must pay the \$100 deductible. Then, you will pay 20% of the \$5000, or \$1000. Your insurance company will pay 80% of the \$5,000, or \$4,000. The insurance company will pay for 100% of the remaining \$6900 in costs.

Exclusions:

These state the types of injuries or illnesses that are not covered. All policies have exclusions. The most common types of exclusions are [pre-existing conditions](#), self-inflicted injuries, and injuries incurred while committing a criminal act. Injuries resulting from some specific activities may also be excluded. For example, if you plan to drive a car or snow ski, these activities may be excluded. Never assume you will always be covered. Check the exclusions before you purchase insurance.

Inpatient:

If you receive medical care at a hospital or clinic for at least one full day and are charged room and board, you are an inpatient.

Necessary Treatment:

This is medical or dental treatment that is (a) consistent with generally accepted medical practice for the covered injury or covered sickness; (b) in accordance with "approved" and generally accepted medical, surgical or dental practice as determined by the insurance company; (c) accepted as safe, effective and reliable by a medical specialty or board recognized by the American Board of Medical Specialties; and (d) not "experimental or investigational" treatment as determined by the insurance company.

Outpatient:

If you receive medical treatment from a physician or in a hospital or clinic, but are not confined or charged room or board, you are an outpatient.

Pre-existing condition: An illness, disease or condition an individual has at the time of enrollment in a health care plan. Pregnancy is not a pre-existing condition.

Premiums: The monthly or quarterly payments paid for health insurance.

Long-term care policies: These cover medical care, nursing care and certain in-home care if you ever become unable to care for yourself due to an extended illness or disability.

Disability income insurance: This plan will provide you with an income if you become unable to work due to an injury or illness. Benefits are usually 60% of your income at the time of disability.