

CHAPTER 15 ACCIDENTAL DEATH AND DISMEMBERMENT INSURANCE

Accidental death and dismemberment insurance (AD&D) is a limited policy as it only pays for death due to an accident and not from natural causes. An accident is an unexpected and unforeseen event that generally results in an injury. AD&D also pays a benefit to the insured for a dismemberment. Dismemberment has to do with loss of sight or limb. Loss of limb means the severance of a limb at or above a major joint by which the limb is attached to the body. Loss of an arm would be severance at or above the elbow or shoulder. Loss of sight means the complete and permanent loss of sight. The eye does not have to be removed. Typically any medical expenses are not included in AD&D policies although some may pay a medical reimbursement benefit up to a stated amount.

Capital Sum/Principal sum

The benefit amount paid to the insured for dismemberment is called the **capital sum**. Policies will state the benefit amount to be paid for different types of dismemberment. Generally, the full capital sum will be paid if the insured suffers a double loss such as both arms or an arm and sight in one eye. Lesser benefit amounts may be paid for a single loss such as one arm. Some AD&D policies will pay the full capital sum for complete and permanent loss of hearing.

The amount paid for accidental death is referred to as the **principal sum**. The policyowner should name a beneficiary to receive the death benefit. As in life insurance policies, the policyowner may name one or more primary beneficiaries, contingent beneficiaries, and tertiary beneficiaries.

Some accidental death and dismemberment policies pay double, triple, or quadruple the principal sum if the insured dies due to specific circumstances. If a policy pays double the face amount, it is called double indemnity. If the policy pays three times the face amount, it is referred to as triple indemnity.

Time Limits

An insured might not die immediately as the result of an accident. Most policies state that the death must occur within 90 days of the accident for the benefits to be paid. Some companies pay benefits after the 90-day period has ended if the insured suffers a total and continuous disability from the date of the accident. An insured might fall off a ladder, strike his head, and end up in the hospital in a coma. He might not regain consciousness and subsequently die. If the policy contained the total and continuous wording, the death benefit would be paid.

Accidental Means vs. Accidental Results

An accidental death and dismemberment policy makes a distinction between injuries caused by accidental means and those due to accidental results. If a policy uses accidental means, both the cause and the result must be unintentional. Most policies use the accidental results definition that states only the resulting injury must be unintentional. If a roofer jumps off a ladder and is injured, it would not meet the definition of accidental means as the roofer deliberately jumped off the ladder. However, the roofer would be covered under a policy using the accidental results definition—the resulting injury was unintentional.

Other Types of AD&D

AD&D can be purchased by an individual as a single policy or as part of a disability income policy. It is frequently utilized in group life and health insurance and pays whether the injury is occupational or non-occupational.

A *limited risk* policy states a specific risk that will be covered by the policy for death or dismemberment. Travel accident insurance is a limited risk policy as it only covers travel accidents that occur within a specified period of time.

A *special risk* policy covers unusual risks. A ballet dancer might wish to insure her legs. This would not be a covered risk under accident and health policies, but it could be covered under a special risk policy.

REVIEW QUESTIONS

1. Which of the following policies has benefits referred to as principal and capital sums?
 - A. Universal life policies
 - B. Major medical policies
 - C. Accidental injury policies
 - D. Accidental death and dismemberment policies
2. Accidental death and dismemberment insurance can cover all of the following **except**:
 - A. Death that occurs within 90 days of the insured suffering an injury.
 - B. Loss of two limbs.
 - C. Death due to an accident or illness.
 - D. Loss of sight in both eyes.

3. The amount paid under an AD&D policy to the insured after suffering a dismemberment is called:
 - A. The principal sum
 - B. The capital sum
 - C. The extended benefit sum
 - D. A limited risk sum

4. An accidental death and dismemberment rider may be added to a life insurance policy.
 - A. True
 - B. False

5. Typically an insured must die within a stated amount of time after suffering an accident for benefits to be paid under an accidental death policy. This time limit is:
 - A. 10 days
 - B. 30 days
 - C. 60 days
 - D. 90 days