

**Vermont Department of Banking, Insurance, Securities & Health Care  
Administration  
DIVISION OF HEALTH CARE ADMINISTRATION**

**BULLETIN HCA – 101**

**October 1998**

**Elimination Periods in Disability Policies**

This bulletin sets out the Department's policy on length of elimination periods in individual and group disability policies under Regulation 80-1, when disability policies are offered in combination.

**Current Vermont law:** Requires a maximum elimination period of 90 days in policies with a benefit period less than or equal to one year; a maximum elimination period of 180 days in policies with a benefit period of greater than one year but less than or equal to two years; and a maximum elimination period of 365 days in policies with a benefit period greater than two years.

**New Policy:** Because the Commissioner finds that the requirements of Regulation 80-1(7)(F)(2)(a)-(c) can create situations where gaps or overlaps in coverage exist in two disability policies, the Commissioner may allow flexibility in elimination periods in the second policy when disability policies are offered in combination (e.g., a short term disability policy followed by a long-term disability policy). In no event will gaps or overlaps in coverage between the two policies be allowed when elimination periods are adjusted based on this policy.

**Examples:**

1. When the first policy (e.g., short-term disability) has an elimination period of 14 days and a benefit period of 26 weeks, and the second policy (e.g., long-term disability) has a benefit period of 2 years, a carrier would be allowed to require an elimination period of greater than 180 days, but no longer than necessary to avoid a gap or overlap in coverage. In this example the elimination period for the second policy would be 196 days.
2. When the first policy has an elimination period of 180 days and a benefit period of 2 years, and the second policy has a benefit period of 5 years, a carrier would be allowed to require an elimination period of greater than 365 days, but no longer than necessary in order to avoid a gap or overlap in coverage. In this example the elimination period for the second policy would be 445 days.

Please note that in calculating the elimination period, a carrier may not count days that an employee returns to work. For example, in a policy with a 90 day elimination period, if

an employee is disabled for 30 days, then returns to work for 10 days, the employee must subsequently be disabled for an additional 60 days to meet the elimination period requirement.

**Filing Requirements:**

1. Where an elimination period varies 10% or less from existing Vermont requirements, a carrier must file a letter with the Department prior to marketing such policies providing the following information:
  - a. Policy number, original approval date, variations requested;
  - b. Policy forms to be used with the variable policy; and
  - c. Certification that the carrier will not sell the policy as a stand-alone policy (only sell the policy in combination with a short-term disability policy).
  
1. Where an elimination period varies greater than 10% from existing Vermont requirements, a carrier must submit a filing prior to marketing such policies which will be evaluated by the Department on a case by case basis.

This policy is effective immediately.

Elizabeth R. Costle, Commissioner