

## Chapter 14 – Health, Disability, and Life Insurance

### I-Summary

In this chapter, you learn about various types of health and disability insurance, what they cover, how to choose, and the differences between private and government health care services. You also learn about various types of life insurance policies and how to choose the policy best for you.

Health insurance is very important for financial planning because it can help protect against the financial burden of illness or injury.

Health insurance policies do have some similarities, but they can also differ in four ways:

1. Some policies are reimbursement policies, while others are indemnity.
2. Some policies have internal limits, while others have aggregate limits.
3. Policies may have different deductibles and coinsurance payments.
4. Some policies may have different out-of-pocket limits.

Private health care plans are offered by private insurance companies, hospital and medical service plans, health maintenance organizations, preferred provider organizations, home health care agencies, and employer self-funded health plans. Medicare and Medicaid are both government health care programs.

Disability insurance provides regular cash income for people who are unable to work due to pregnancy, a non-work-related accident, or illness.

Workers' Compensation, employers, Social Security, and private disability insurance are all sources of disability income.

Types of life insurance policies include term insurance, whole life insurance, group life insurance, credit life insurance, and endowment life insurance.

The key provisions in a life insurance policy are: naming a beneficiary, an incontestability clause, a suicide clause, and policy riders.

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### I-Quiz

1. What type of health insurance plan encourages using preventative services?
  - A. a PPO plan
  - B. an HMO plan
  - C. a POS plan
2. Who is the person named to receive benefits from an insurance policy?
  - A. a designated insured
  - B. a benefit holder
  - C. a beneficiary
3. What is the amount called that is a percentage of the medical expense paid by the insured person, besides the deductible?
  - A. coinsurance
  - B. co-payment
  - C. co-coverage
4. What type of life insurance pays out fewer benefits as time passes?
  - A. limited payment insurance
  - B. term insurance
  - C. variable insurance
5. If you are injured while on the job, what type of insurance might you use?
  - A. employee's benefit insurance
  - B. Worker's compensation
  - C. disability insurance

### Answer Key

1. B
2. C
3. A
4. B
5. B