

Chapter 35: Life and Health Insurance

I-Summary: This chapter defines and discusses kinds of life and health insurance. Life insurance is insurance that is paid to a person or people designated to receive the funds when the insured person dies. The purpose of life insurance is to protect the standard of living of the survivors. Both cash-value and whole life insurance provide savings and a death benefit. A whole life policy's premium stays the same throughout the policyholder's life. Term insurance provides a death benefit, but does not have a cash value. The cost, or premium for life insurance varies depending on the amount and type of policy as well the policyholder's age, health, and occupation. People purchase health insurance to protect against financial loss in the event of illness or accident. Major medical insurance is the most important coverage for a serious illness or accident. Hospital expense insurance pays for hospital care such as room and board, tests, x-rays, and fees for medicine and treatment. Surgical expense insurance pays for part of a surgeon's fee for an operation. Medical expense insurance covers the cost of a doctor's care not involving surgery.

I-Quiz

Quiz yourself to check your understanding. For each question, you will hear four answer choices. After you hear all four answer choices, choose your answer during the pause. Then you will hear the correct answer. Let's begin.

Question 1

Which type of insurance pays a person or people designated to receive funds when an insured person dies?

- a. health insurance.
- b. disability insurance.
- c. liability insurance.
- d. life insurance.

Question 2

Which term refers to the payment an insurance company makes to survivors upon the death of a policyholder?

- a. beneficiary
- b. proceeds
- c. coinsurance
- d. copayment

Question 3

Which type of life insurance provides the most flexibility in premium payments and death benefits as the policyholder's financial situation changes?

- a. variable life insurance
- b. cash-value life insurance
- c. universal life insurance
- d. whole life insurance

Question 4

Which is NOT a factor in determining the amount of premium a person pays for life insurance?

- a. the amount of coverage
- b. the person's age
- c. the person's health
- d. the person's health insurance

Question 5

What is another name for catastrophic insurance?

- a. major medical insurance
- b. hospital expense insurance
- c. surgical expense insurance
- d. medical expense insurance

Answer Key

- 1.** The correct answer is D, life insurance. Life insurance pays funds to designated people when the insured person dies.
- 2.** The correct answer is B, proceeds. Upon the policyholder's death, the insurance company pays the survivors the face value, or the proceeds, of the policy.
- 3.** The correct answer is C, universal life insurance. With universal life insurance, a policyholder has more flexibility in premium payments and benefits once the policy has built cash value.
- 4.** The correct answer is D, the person's health insurance. The amount of the premium on a life insurance policy depends on the type and amount of the policy as well as the person's age, health, and occupation, not the type of health coverage the person has.
- 5.** The correct answer is A, major medical insurance. Major medical insurance, also called catastrophic insurance, is the most important coverage for a serious illness or accident.