

Chapter 5

Checkpoint 5.1

1. How does disability insurance protect you financially?

Answer: It provides a percentage of the worker's income if the worker cannot work due to illness or injury.

2. What percentage of people in the US will become seriously disabled before they retire?

Answer: 25% of women and 30% of men

3. Why is it important to carry disability insurance?

Answer: About 90% of disability cases are not work related, so not covered by workers' compensation insurance.

4. What is renewability in terms of disability insurance?

Answer: It describes the requirements to renew the policy.

5. What is the SSDI program?

Answer: A social insurance program that pays benefits to disabled workers who cannot work for a year or more.

Checkpoint 5.2

1. What is long-term care?

Answer: Intensive and on-going care needed because of health challenges.

2. How does long-term care insurance benefit the policyholder?

Answer: It protects both the policyholder and her immediate family from the financial impact of needing care, so the policyholder does not have to spend down assets on the cost of needed care; the care can be at home, in an assisted-living facility, or a nursing home.

3. Who is eligible for long-term care services through Medicaid?

Answer: Only those with low income or assets.

4. What is the difference between an indemnity policy and an expense-incurred policy?

Answer: An indemnity policy sets a fixed amount for services, while an expense-incurred policy sets a maximum benefit amount.

5. How does a partnership long-term care policy work?

Answer: For every dollar in benefit, it protects a dollar of assets.

Checkpoint 5.3

1. What is the purpose of life insurance?

Answer: To provide financial stability to the policyholder's beneficiaries when the policyholder dies.

2. What is an insurable interest?

Answer: Receiving a benefit, such as financial support, from a person.

3. What is the primary difference between term and permanent life insurance?

Answer: Term-life insurance covers you over a set period of years, while permanent life insurance pays a death benefit and has a savings component.

4. What should be considered when deciding how much life insurance to purchase?

Answer: Immediate costs of the funeral and related expenses; amount of debt the policyholder may leave behind; what is required by the beneficiaries to maintain their standard of living; and college costs, if the policyholder has children.

5. How can permanent life insurance serve as an investment?

Answer: Part of the premium for a whole life policy goes into a savings account.