

The Consumer's Guide to Life and Health Insurance offers crucial insights for individuals contemplating life and health insurance policies. Life insurance is designed to address financial obligations that may arise upon the insured's death, such as funeral expenses, outstanding debts, and family living costs. It is advisable for individuals to consider life insurance coverage of approximately five times their annual income, although personal needs may differ. Beneficiaries, which can include individuals, organizations, or estates, receive the policy's benefits upon the insured's death, with the payout amount and distribution method—either as a lump sum or over time—determined by the policyholder. The guide notes that the cause of death may influence the payout during the first two years of the policy, but after this period, the full benefit is payable regardless of the circumstances.

There are two primary types of life insurance: term and permanent. Term insurance offers coverage for a specified duration and is typically more affordable, while permanent insurance provides lifelong coverage and accumulates cash value. Permanent insurance is advantageous for long-term needs due to its guaranteed coverage and fixed premiums, whereas term insurance is more suitable for temporary requirements. It is important to note that term insurance does not build cash value, while permanent insurance allows for cash withdrawals or loans against its cash value.

Health insurance primarily covers medical expenses and lost income resulting from illness or injury, with major medical policies being the most prevalent. These policies cover a broad range of health issues and include an annual deductible and a lifetime maximum benefit. The deductible is the amount the insured must pay before the insurance coverage begins, and coinsurance refers to the percentage of medical bills the insured is responsible for after meeting the deductible. The guide stresses the importance of consulting a Trusted Choice® insurance professional to evaluate individual needs and ensure sufficient coverage, particularly when considering whether to supplement employer-provided group insurance with an individual policy.

The insurance policy details key provisions related to coinsurance, stop-loss, and disability income coverage. Coinsurance specifies the percentage of covered medical expenses that the insurance company will pay after the deductible is met; for example, "80% coinsurance" indicates that the insurer covers 80% of the costs while the insured pays 20%. A stop-loss provision establishes a maximum out-of-pocket expense for the insured, ensuring that their total payment will not exceed a specified amount, such as \$1,000, regardless of the total medical bills incurred. This provision becomes increasingly beneficial as claims increase. Some policies may refer to stop-loss as "maximum out-of-pocket" and may include the deductible in calculating this maximum.

Disability income policies provide financial support during periods when the insured is unable to work due to illness or injury. The definition of "disability" varies by policy; broader definitions typically lead to higher premiums. For instance, a policy that defines disability as the inability to perform any occupation may be less costly than one that covers the inability to perform a specific occupation. The duration for which benefits can be collected also varies, with common terms being two years, five years, or until age 65. Policies may include a waiting period before benefits commence, similar to a deductible, which can influence premium costs.

The document also clarifies the differences between Preferred Provider Organizations (PPOs) and Health Maintenance Organizations (HMOs). PPOs consist of a network of providers offering services at agreed-upon costs, allowing for flexibility in provider choice, although out-of-network services may incur higher costs or be denied. Conversely, HMOs typically require services to be obtained from specific facilities and personnel, emphasizing preventative care. Both models aim to provide cost-effective healthcare but impose certain limitations on healthcare options.

Finally, the document distinguishes between captive agents, who represent a single insurance company, and independent agents, who can offer policies from multiple insurers. Independent agents, referred to as Trusted Choice® insurance professionals, can provide a variety of coverage

options tailored to individual needs, working on behalf of the customer rather than a specific insurer.