

7.3: Personal Insurance

Learn about different types of personal insurance.

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Disability Insurance

Disability insurance protects individuals and their families from financial hardship when illness or injury prevents them from earning a living. Many employers offer some form of disability coverage to employees, or you can buy an individual disability insurance policy.

Types of Disability Policies

There are two types of disability policies:

- **Short-term** disability policies have a maximum benefit of two years.
- **Long-term** disability policies have benefits that can last the rest of your life.

Employers may offer short-term disability coverage, long-term disability coverage, or integrate both of these as part of a competitive employee benefits package. When purchasing individual disability insurance coverage, you should ask:

- How is [disability](#) defined?
- When do benefits begin?
- How long do benefits last?
- What dollar amount is promised?

Social Security Disability and Supplemental Security Income Programs

Both programs are administered by the Social Security Administration (SSA), and they serve as the largest of several federal programs that offer assistance to people with disabilities.

- The [Social Security disability insurance](#) program pays benefits to you and certain members of your family if you are “insured,” meaning that you have worked long enough and paid Social Security taxes.
- The [Supplemental Security Income \(SSI\)](#) program pays benefits based on financial need.

Health Insurance Plans

Learn About Health Coverage

Health insurance helps you pay for medical services and sometimes prescription drugs. Once you purchase insurance coverage, you and your health insurer each agree to pay a part of your medical expenses—usually a certain dollar amount or percentage of the expenses.

How to get Health Coverage

You can get health care coverage through:

- A group coverage plan at your job or your spouse or partner’s job
- Your parents’ insurance plan, if you are [under 26 years old](#)
- A plan you purchase on your own directly from a health insurance company or through the [Health Insurance Marketplace](#)
- Government programs such as [Medicare](#), [Medicaid](#), or [Children’s Health Insurance Program \(CHIP\)](#)
- The [Veterans Administration](#) or TRICARE for military personnel
- Your [state](#), if it provides a health insurance plan
- Continuing employer coverage from your former employer, on a temporary basis under the [Consolidated Omnibus Budget Reconciliation Act \(COBRA\)](#)

Types of Health Insurance Plans

When purchasing health insurance, your choices typically fall into one of three categories:

- Traditional fee-for-service health insurance plans are usually the most expensive choice, but they offer you the most flexibility in choosing health care providers.
- [Health maintenance organizations \(HMOs\)](#) offer lower co-payments and cover the costs of more preventive care, but your choice of health care providers is limited to those who are part of the plan.
- [Preferred provider organizations \(PPOs\)](#) offer lower co-payments like HMOs but give you more flexibility in selecting a provider.

Choosing a Health Insurance Plan

Read the fine print when choosing among different health care plans. Also ask a lot of questions, such as:

- Do I have the right to go to any doctor, hospital, clinic, or pharmacy I choose?
- Are specialists, such as eye doctors and dentists, covered?
- Does the plan cover special conditions or treatments such as pregnancy, psychiatric care, and physical therapy?
- Does the plan cover home care or nursing home care?
- Will the plan cover all medications my physician may prescribe?
- What are the deductibles? Are there any co-payments? Deductibles are the amount you must pay before your insurance company will pay a claim. These differ from co-payments, which are the amount of money you pay when you receive medical services or a prescription.
- What is the most I will have to pay out of my own pocket to cover expenses?
- If there is a dispute about a bill or service, how is it handled?

Life Insurance

A life insurance policy states that you will pay premiums to an insurance company over time, and, in exchange, the company will pay a lump sum amount to a designated beneficiary upon your death. The money from your life insurance policy can help pay bills and help support your surviving family members' living expenses. You may need to adjust the amount of your life insurance policy related to major life events, like buying a home, getting married, or having a child.

There is no set amount of life insurance you need. If you have dependents you want to provide for, or leave an inheritance to charities, you may need more life insurance than someone without dependents or charitable causes to support. Consider potential future expenses that your loved ones may need. The life insurance payout could be used to replace the money you would have earned to pay for their college education, moving expenses, or retirement. You can buy an individual life insurance policy from an insurance agent. You may also be part of a group life insurance policy through your employer or civic organization. If you are a veteran, you may be eligible for the VA's life insurance benefits.

Use these tips when you are shopping for insurance.

There are two main types of life insurance policies:

- **Whole (or universal) life insurance policies** are considered permanent. As long as you pay the premium, the policy is in effect. In addition to paying a benefit upon your death, whole life insurance policies also have an investment or savings component. This means that you accumulate cash value over the life of the policy, so you can borrow money from these types of policies if you need to.
- **Term life insurance policies** are in effect for a certain period of time, or term. If you have this type of policy and pass away during the term that the policy is in effect, the insurance company will pay a benefit. If you live past the time that the policy is in effect, the insurance company won't pay a benefit or give you a refund.

Term life insurance policies are usually less expensive than whole life insurance policies. This is because term life insurance policies only cover a set amount of time, while whole life insurance policies are intended to be permanent and because part of the money you pay is put away for savings.

Lost Life Insurance Policies

If you have misplaced a life insurance policy, your [state's insurance commission](#) may be able to help you locate a copy of it. A policy locator service can search for it for a fee. If the insurance company knows that an insured person has died but can't locate the beneficiary, the company must turn the benefits over to the [state's unclaimed property office](#).

Life Insurance for Military Personnel and Veterans

The [Department of Veterans Affairs \(VA\)](#) offers life insurance programs for veterans, servicemembers and their families.

There are also voluntary programs that ensure the survivors of retirees (and, in some situations, active duty members) continue to receive income throughout their lives. View more information about [military/veteran survivor benefits](#).

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