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Chapter 23: Health, Disability, and Life Insurance

Check Your Answers: Section Assessment

Section 4

Review Key Concepts

1. Renewable term means you have the option to continue your term life insurance after the initial term ends. Multiyear level term guarantees that your premium will not increase for the term of your policy. A conversion term policy allows you to change from term to permanent coverage. Decreasing term policies pay less as time passes.

2. Other life insurance policies include group life, credit life, and endowment life.

3. Four riders include the waiver of premium disability benefit, accidental death benefit, guaranteed insurability option, and cost of living protection.

Higher Order Thinking

4. Sample answer: I do not agree with this statement because there are many adults who support their parents or other family members. If that adult were to pass away, the money from a life insurance policy would be necessary to pay for the necessities of those family members. Also, if a single adult is living with his parents and has a lot of debt, the life insurance could pay off that debt.

21st Century Skills

5. Analyze Media Sample response might evaluate the Gerber Life ad that promotes the Grow-Up Plan. This plan has minimal premiums due to the age of the child, and guarantees that premium will never increase. Because it is a whole life policy, it builds a cash value. Also, the child will have opportunities to increase coverage as an adult. I do not feel that this is worth purchasing. When additional coverage is added, the premiums would increase. The parents would be better to place their money in a high-return savings account or portfolio.

Mathematics

6. Universal Life Annual premium = $\$55 \times 12$ months = \$660; Total premiums over term = $\$660 \times 15$ years = \$9,900; Annual investment = $\$660 \times 25\%$ = \$165; Total investment over term = $\$165 \times 15$ years = \$2,475; Balance after 15 years = $\$165 \times [((1 + 0.07)(15 + 1) – 1)/0.07\ ] – \$165$; Balance after 15 years = \$4,436.53.