

Kentucky Department of Insurance

Facts about Life and Health Insurance

Life Insurance

Life insurance is designed to provide a benefit upon your death to whomever you appoint as the beneficiary. There are several types of life insurance being sold in today's market. Each is a variation of two basic types of life insurance: term insurance and permanent insurance. A term policy protects the insured for a specified period of time and usually does not build cash value. A permanent policy protects the insured for the lifetime and normally gains cash value. There are several variations of permanent insurance such as whole life, universal life and variable life. Each of these types of insurance policies has its own specific language and performs differently. Please be sure to read your policy very carefully.

When purchasing life insurance, it is important to keep the following questions in mind:

- What will my final (funeral) expense cost?
- How much debt will I leave behind for my family to repay?
- Is there enough money set aside for my children's education?
- Who depends on me financially and for how much?

All these questions should be asked prior to selecting a life insurance policy. Once you have determined the future financial needs of your family if you were to die, you will then have a general idea of the coverage that is needed to offset those costs.

It's important to seek advice from an experienced agent about what type of life insurance is best suited for your needs. Your age and health play the largest role in factoring the cost of life insurance. Also, remember that some policies, in the beginning, may not pay benefits for some causes of death. Always read your policy thoroughly. Under Kentucky law, you have a minimum of 10 days to review the policy once it has been delivered. If you are not satisfied, return the policy to the agent or company within the time period stated for a full refund of premiums paid. If you have any questions or concerns, feel free to contact the Kentucky Department of Insurance for assistance.

Health Insurance

There are several types of health insurance policies in Kentucky, which are listed below. Each plan provides services differently. You need to understand your plan and know how it works.

- **Traditional Fee-for-Service (FFS)** plans allow an individual to go to the doctor of his or her choice and then submit the claim.
- **Health Maintenance Organization (HMO)** plans provide services through a network of doctors, hospitals, laboratories and other providers. When you enroll in an HMO, you may be required to select one doctor as your primary care physician (PCP) to manage all your health care needs. You must contact that doctor first regardless of the type of care you need. Your physician will then refer you to an HMO-approved specialist for additional care, if necessary.
- **Preferred Provider Organization (PPO)** is a group of doctors, hospitals and other providers who have agreed to provide services to members of a health plan. However, benefits also are available when you use providers who are not on the PPO list. To encourage use of the preferred providers, they charge lower out-of-pocket expenses than if you use a provider not on the list.
- **Point of Service (POS)** is similar to an HMO in that you select a primary care physician (PCP) to manage care and give referrals to network providers. A POS also gives the option to see a provider outside the network. However, if you leave the network, the plan pays at a reduced rate and you will have more out-of-pocket expenses.

Questions to consider when buying an individual health policy:

- Does the company have a toll-free customer service number?
- Has the company had an unusually high number of consumer complaints?
- Is this company licensed to do business in Kentucky?
- How does the premium compare to other insurer's cost for the same coverage?

Be aware that Kentucky is not a guaranteed issue state with regard to health insurance. If you submit an application to a health insurer, that insurer can decline to write you health coverage if you do not fall within its underwriting criteria.

Kentucky Access

Kentucky Access is a statewide health plan that offers medical coverage to Kentuckians who find it difficult to obtain health insurance in the individual insurance market. You may be eligible to enroll in an individual medical plan through Kentucky Access if you qualify under any one of the following eligibility categories: HIPAA eligible; GAP eligible; high cost condition; rejection by one insurer; higher premium quote from another insurance company; or a spouse or child who are eligible dependents of a Kentucky Access enrollee. For complete details on eligibility, rates and benefits, visit www.kentuckyaccess.com or call toll free 866-405-6145 or TTY 1-800-313-4750.

Group Health Plans

Some employers or employee groups purchase health insurance from an insurance company. Others may purchase health coverage from a health maintenance organization (HMO). Both are called fully-insured health benefit plans and are regulated by state insurance departments. However, some employers or employee groups provide what are called self-funded health benefit plans. This means the employer or group sets aside funds and employee premiums each month to pay health claims submitted to the plan.

Self-funded plans are under the authority of the U.S. Department of Labor's Pension and Welfare Benefits Administration. Some state laws do not apply to these plans and the Kentucky Department of Insurance does not have authority to investigate complaints regarding these plans. To contact the U.S. Department of Labor's Pension and Welfare Benefits Administration, call toll free 866-444-3272 or visit <http://www.dol.gov>.

Questions or Complaints Regarding Your Insurance Policy

If you've tried unsuccessfully to resolve a claim problem or been unable to get questions answered by your insurance company or agent, you can contact the Consumer Protection and Education Division of the Kentucky Department of Insurance. You may be asked to file a written complaint. If you do so, please include the following information: your name, address and daytime telephone number; a description of the problem from your point of view; the name of any insurance companies involved, policy numbers, what type of insurance, etc.; any documentation you have to support your case; and if the complaint involves health insurance, please include a copy of both sides of your insurance card.



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