

Chapter 21 – Insurance and Estate Planning

Section 21.1 Insurance

What You'll Learn

- Explain the meaning and purpose of insurance.
- Describe the different types of property
- Distinguish between types of life insurance.
- Identify the different types of health insurance.

Knowing the different types of insurance that are available will help you protect your property and your health.

Key Terms

- Insurance
- Premium
- Beneficiary
- Insurable interest
- Straight life insurance

- Term life insurance

Academic Vocabulary

- Comprehensive
- Endowment
- routine

Insurance is a type of contract in which one party (the insurer) _____ another party (the insured) for any losses.

- The written insurance contract is called the _____.
- The person who _____ an insurance policy is called the policyholder.
- The amount of money a policyholder _____ for insurance is called the **premium**.
- The amount paid by the insurance company for losses is called the _____.
- The person who receives the proceeds from a _____ insurance policy is called the **beneficiary**.

To obtain insurance, a _____ must have an **insurable interest** in the insured.

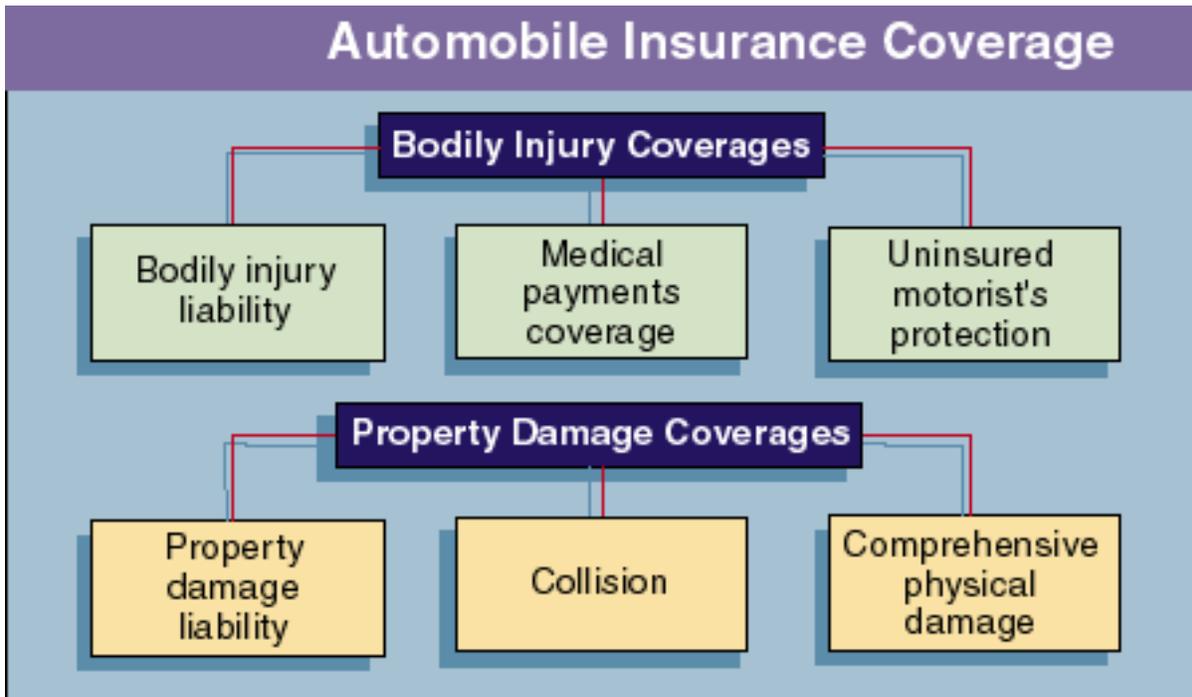
This means the person would _____ from the loss of the person or property insured.

Property insurance covers _____ or destruction to property such as cars, homes, boats, and personal items.

Liability insurance covers _____ against the policyholder for injuries suffered by others.

Other types

- Automobile insurance
- Homeowner's and Renter's Insurance
- Flood Insurance
- Fire Insurance
- Marine Insurance



Homeowner's insurance covers _____ real and personal property, and liability for injuries suffered by others on the property.

Renter's insurance covers personal property and liability for injuries suffered by _____

There are _____ major types of life insurance:

- _____ life insurance
- _____ life insurance

Straight life insurance requires paying premiums _____ the face value, or amount of coverage in the policy, is reached or the insured dies.

Term life insurance is issued for a particular _____ of time, usually five or ten years.

There are two main types of _____ insurance:

- _____ medical insurance
 - Covers only _____-term hospitalization and catastrophic illness

- _____ health insurance
 - Covers _____ medical care, surgery, and prescription drugs

Most health insurance is obtained in _____ ways:

- _____ insurance plans, obtained through and subsidized by employers
- _____ insurance, paid entirely by the person insured
- Government health care plans

The two major government health care plans are:

- _____, which covers people on Social Security
- _____, which covers low-income people and is administered by each state

21.1 Wrap Up:

1. The amount of money a policyholder pays for insurance is called:

- the policy
- the premium
- the proceeds
- the beneficiary

2. Liability insurance covers damage or destruction of property.

True or False

3. What is the purpose of insurance?

4. What is the difference between a policy holder and a beneficiary?

5. What is the difference between straight life insurance and term life insurance?

Section 21.2 Estate Planning

What You'll Learn

- Identify the main types of retirement plans
- Name the formal requirements of a will.
- Describe how to revoke or change a will.
- identify the different types of trust.

Knowing about retirement plan, wills, and trusts will help you plan for the future.

Key Terms

- Will
- Testator/testatrix
- Testamentary intent

- Testamentary capacity
- Intestate
- Probate
- Executor/executrix
- Trust
- trustee

Academic Vocabulary

- Supplement
- Elective
- directive

Estate planning consists of safeguarding assets to _____ a person's family before and after death.

The main _____ instruments for estate planning are:

1. Wills
2. Trust

A **will** is a document that provides for _____ of a person's assets upon death.

The person who _____ property by will is the beneficiary.

To make a will a person must:

- Be at least _____ years of age
- Have testamentary intent, or the _____ to make a last will and testament
- Have testamentary capacity, or the _____ ability (be of sound min) to make a will

To be _____, a will must be

- Published, or written and declared a _____ expression of the testator or testatrix
- Attest, or witnessed by the _____ of people required by the state - 2 in VA (2016)
- signed

The process of _____ and executing a will is called **probate**.

This process is carried out by a _____.

Testate is to die _____ a will. To die without a will is to be **intestate**.

When a person dies intestate, the person's assets are distributed by the state to _____ members according to state law.

To provide for their children, some people set up a _____.

A **trust** is a legal device in which property is held by _____ person for the benefit of another person.

- The person who _____ up the trust, or entrusts another person, is the settler.
- The person who _____ the property, or is entrusted with it, is the trustee.
- The person who the property is _____ for is the beneficiary.

Many people set up a trust rather than write a will to avoid the _____ and _____ of probate, and to save on taxes.

21.2 Wrap Up:

1. The process of validating and executing a will is called:

- a) estate planning
- b) testamentary intent
- c) testamentary capacity
- d) probate

2. To be testate is to die without a will.

True or False

3. In a trust, the person who holds property, or is entrusted with it, is the:

- a) settler
- b) trustee
- c) trustor
- d) beneficiary

4. Who may make a will?

5. How may a will be revoked?

6. Define the role of a trustee

7. Why do you think a holographic will is valid without witnesses in many states?
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