

Chapter 21 – Insurance and Estate Planning

I-Study

In this chapter you learned about insurance and estate planning. Insurance is an agreement in which one party (the insurer) compensates another party (the insured) for any losses. Property insurance is a contract that covers damage or destruction of property. Liability insurance covers claims for damages or injuries made against a policyholder. Types of property insurance include homeowner's, renter's, fire, flood, and marine insurance, as well as vehicle and business insurance. Principal types of life insurance are straight life insurance, term life insurance, limited-payment life insurance, and endowment insurance. Types of health insurance include individual health insurance, group health insurance, government health plans, and disability insurance.

Estate planning is the process of assuring that a person's assets remain intact to protect the family before and after death. Main types of retirement income are Social Security, pension plans, Individual Retirement Accounts, or IRAs, and Keogh plans. A will is a document that provides for the distribution of a person's property upon death. Probate is the process of validating and executing a will. To be intestate means to be without a will. A trust is a legal device by which property is held by one person for the benefit of another. Types of trusts include testamentary trusts, living trusts, spendthrift trusts, and charitable trusts. Beneficiaries have a right to periodic accountings from a trustee, and the right to be notified when a will is probated.

I-Quiz

1. The type of insurance that covers claims against a policyholder for injuries is
 - A. property insurance.
 - B. liability insurance.
 - C. straight life insurance.
2. The government health care plan for low-income people is
 - A. Social Security.
 - B. Medicare.
 - C. Medicaid.
3. The process of validating and executing a will is called
 - A. testamentary intent.
 - B. probate.
 - C. intestate.
4. The person who receives the proceeds from a life insurance policy is
 - A. the insurer.
 - B. the policyholder.
 - C. the beneficiary.

Answer Key

1. B
2. C
3. B
4. C