



Chapter 19 Accidental Death & Dismemberment

Vocabulary

Principal Sum

- The amount paid for accidental death
- Accident must be external, violent
- Pays to beneficiary: revocable, (can change) or irrevocable (cannot change w/o beneficiary's consent)
- Only policy owner signs on application; not the beneficiary

Capital Sum

- The amount paid for loss of
 - Hands (above the wrist)
 - Feet
 - Arms
 - Legs
 - Eyes
 - NOT toes or fingers
- Paid as a per centage of the principal sum

Accidental "Results"

- The accident must be accidental; jumping or falling off a ladder would pay

Accidental "Means"

- Both the accident & and the cause (the event that caused the accident) must be accidental; Jumping off the ladder would not pay;

Limited Risk Policies

- Aviation
- Travel Accident policies (need a beneficiary named)
- Cancer policy, (no beneficiary named)
- Automobile

Special Risk Policies

- Test pilots; Actress's Legs; Singer's voice/throat; Race Horse

Beneficiary –

1. **Primary Beneficiary**, if living; otherwise
2. **Secondary** –
3. **Tertiary** – Third in line; the other two had to die before the insured
 - When paid to any of the above, benefits are tax free, and free from insured's creditors

Estates as beneficiary

- Automatically goes to estate if no beneficiary is named or has died before insured
- Bad idea! Estate goes thru probate, insured's creditors can go after proceeds

Minors

Is allowed, but:

- Might make limited payments to a guardian for the benefit of the minor
- Retain the proceeds with interest and pay when minor becomes of legal age
- Put proceeds in a trust for the benefit of the minor
- Ck your law chapter for state specific details

Beneficiary

- **Revocable** – policy owner can change it at any time
- **Irrevocable** – policyowner can not change, borrow money w/o beneficiary's permission; Policyowner CAN change premium mode w/o permission