ECONOMICS REPORT

What Is Insurance, Part 1

March 11, 2005

I'm Gwen Outen with the VOA Special English Economics Report.

Insurance is a guarantee against financial loss. Insurance policies can be bought for all sorts of things. The most common kinds of insurance include life, health and property.

For example, an insurance company will pay to repair or replace the property if it is damaged or stolen. How much a company will pay in the event of a claim depends on how much insurance the policyholder has bought. The amount may also depend on the conditions that led to the damage.

The Insurance Information Institute says Americans paid forty-nine thousand million dollars for homeowners insurance in two thousand three. The payments that policyholders make to an insurance company are called premiums. Premiums for car insurance totaled sixty-five thousand million.

Insurance is an ancient idea. Early forms of insurance were used over three thousand years ago in Babylonia, the country that is now Iraq. Also, the Phoenician, Greek and Roman cultures had forms of insurance in case of loss or death. By the fourteen hundreds, the European shipping trade had developed its own system of insurance.

There are two main kinds of insurance companies. Insurance carriers provide insurance to individuals, groups and businesses. Re-insurance companies help reduce the financial risk to carriers. These are insurance companies for insurance companies.

Carriers usually sell their policies through insurance agencies or brokers. Brokers bring together buyers and sellers. Large businesses often use brokers when choosing products to insure their workers, property and interests against risk.

Independent sales agents sell insurance from many companies. Others sales agents sell insurance from only one company.

Over two million Americans work in the insurance industry. A government report shows that more than ninety percent of insurance-related businesses employ fewer than twenty workers. Yet, as of three years ago, just a few large companies employed almost forty percent of all the workers in the industry.

Employment experts say job growth in the insurance industry is slower than in other industries. They say technology has increased productivity, which means fewer workers are needed to do the work.

Listen next week for part two of our look at insurance.

This VOA Special English Economics Report was written by Mario Ritter. I'm Gwen Outen.