ECONOMICS REPORT

What is Insurance, Part 2

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

As we discussed last week, insurance provides financial protection. Property was the first thing that people insured. Insurance can limit the cost to replace property that is damaged or destroyed.

Now what if someone is injured on someone else's property, but the property is O.K.? The owner may have to pay the medical costs. In that case, there is liability insurance to help pay for such claims.

A person's life can be insured too. One traditional form of life insurance is term life. It pays only if the policyholder dies before a set age. A term life policy can be renewed, but at a higher price.

Whole life insurance costs more. It also pays if a person dies. But whole life policies gain value as savings over time. The policyholder can borrow against this value in the form of a loan.

When people buy life insurance, the insurer invests the payments in bonds, stocks and other financial products.

The Insurance Information Institute in New York says traditional life insurance is still an important part of the industry. But it says the main business now is in annuities.

Annuities are contract agreements that guarantee payments in the future, generally when a person retires. These payments may be fixed. Or the amount may change with the value of investments.

Besides life insurance, there is health insurance which pays for medical costs if a person is sick or injured. The Insurance Information Institute says private insurers pay for about forty percent of all health care costs in the United States.

Medicare is federal health insurance for people age sixty-five and older. Medicaid is federal and state health insurance for the poor.

Workers in the United States who are injured on the job can receive workers compensation. States require employers to pay into this form of insurance. And workers who lose their jobs may collect unemployment insurance, for up to twenty-six weeks.

Modern insurance started in England in the late sixteen hundreds. Businesses shared the risks of international shipping.

The insurance industry uses actuaries. These workers try to estimate the probability that some event will happen that will lead to a claim. Almost anything can be insured, so long as some insurer is willing to take the risk to insure it.

This VOA Special English Economics Report was written by Mario Ritter. This is Gwen Outen.