

# The philosophy behind insurance



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**I**nurance is a way of guarding against the risks that are always present in life. If something insured is lost, the insurance company pays the owner/beneficiary an amount of money to compensate for the loss. Insurance can't replace every part of a loss. For example, insurance can't replace a loved one who has died. It can't replace a family photo album burned in a fire. When an insurance company pays a claim, it does not end the emotional suffering. However, the money it pays can help alleviate the economic hardship of the loss.

Insurers are in business to sell protection against economic loss. This protection is defined in insurance policies, which are the written agreements that explain what the insurer will pay if a loss occurs. Life insur-

ers sell policies to protect policyholders against economic losses that result from personal risks.

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## The risk of premature death

**Every human life is special. Every human life has a personal and emotional value that can never be replaced. But every human also has an economic value. And that economic value is replaceable, at least in part. Life insurance is designed to help provide immediate financial support to replace lost economic value.**

Even if more than one family member earns an income, a family might be in a difficult financial situation if one breadwinner dies. The family may need additional money for food, housing, and perhaps for the education of children. They may need money to pay funeral expenses. They also may need money to pay for the doctor's bills and the hospital bills associated with the deceased's illness. Life insurance is designed to help ease a family's financial burden by providing money after a death.

Life insurance also can help a family if someone other

than the breadwinner dies. If a young child dies, insurance benefits can be used to pay for funeral expenses. Or, suppose a couple is married and one person stays home to raise the children and manage the household. If the spouse at home dies, life insurance benefits can be used to hire someone to take over some of the at-home functions.

Life insurance also can protect the financial security of businesses. The death of a business owner or the death of a valuable employee can create financial hardships for a company. Life insurance is designed to help protect against these hardships.

## The risk of poor health

**Accidents and sickness also can affect the finances of individuals and families. An accident or sickness can require expensive medical treatment and keep a person out of work for long periods.**

To cover such financial risks, insurance companies sell health insurance policies. Health insurance policies can help pay for medical expenses or expenses specifically associated with hospital stays.

## The risk of old age

**Life insurance companies also sell annuities. Annuities help people protect themselves against the risk of losing earnings power as they grow old. Under an annuity contract, an insurance company may pay a person a specified amount of money at regular intervals starting on a certain date. Many pension plans are based on some kind of annuity.**

**MBA is the letter carriers' life insurance company. Life, health and annuity products are offered to our members for the protection of their family's needs in the event of a death, hospitalization or retirement. Information about MBA products can be found on the NALC website at [nalc.org](http://nalc.org) by clicking on "Mutual Benefit Association" under "Departments."**

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