



世界工商管理名典系列 (影印版)

Introduction to Risk Management and Insurance

Sixth Edition

风险管理和保险导论

(第六版)

Mark S. Dorfman



清华大学出版社

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出版说明

为了适应我国社会主义市场经济的建设和发展,满足国内广大读者了解、学习和借鉴国外先进的管理经验和掌握经济理论的前沿动态,清华大学出版社与 Prentice Hall 国际出版公司合作影印出版一系列英文版经济管理方面的图书。我们所选择的图书,基本上是已再版多次、在国外深受欢迎、并被广泛采用的优秀教材,绝大部分是该领域中较具权威性的经典之作。在选书的过程中,我们得到了很多专家、学者的支持、帮助与鼓励,在此深表谢意! 本书由对外经济贸易大学国际经济贸易学院刘园女士审阅,在此一并致谢!

由于原作者所处国家的政治、经济和文化背景等与我国不同,对书中所持观点,敬请广大读者在阅读过程中注意加以分析和鉴别。

我们期望这套影印书的出版对我国经济科学的发展能有所帮助,对我国经济管理专业的教学能有所促进。

欢迎广大读者给我们提出宝贵的意见和建议;同时也欢迎有关的专业人士向我们推荐您所接触到的国外优秀图书。

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III Preface III

▼ PURPOSE

The sixth edition of this book is written for students who want to learn about insurance, one of the most interesting and important economic transactions people make. Our goal is to focus readers' attention on how insurance solves problems for business firms, individual consumers, and society. This text was also written for instructors who, like the author, enjoy the challenge and rewards of classroom interaction with students. The manuscript has benefited from years of exchanging ideas with students. The best of these exchanges ended with "Now I understand."

To further our goal, the sixth edition includes updated references to recent articles, books, and court cases. We have added or expanded discussions of current issues such as the following:

- ▶ The potential for catastrophic losses to undermine the solvency of the property insurance industry.
- ▶ The legal problems presented to employers by their hiring, terminating, and supervising practices.
- ▶ The moral and ethical problems faced by insurance agents and brokers.
- ▶ International risk management problems.
- ▶ The potential for private insurance in Eastern Europe.

Perhaps the change that will be most noticed by instructors will be a reordering of the chapters. First, the chapters describing the homeowners and the automobile contracts have been moved forward, while the material covering commercial insurance transactions have been moved to later chapters. This change allows instructors wanting the first risk management and insurance course emphasizing consumer and personal insurance to cover the contract chapters earlier in the course while covering the chapters in sequence. Second, the regulation chapter has been moved forward to follow the material on the economics of the insurance transaction because the two are closely related.

The American Assembly of Collegiate Schools of Business has identified international business, business ethics, and computer literacy as special areas of interest in its recent accreditation reviews. This book addresses each of these topics because each is directly related to the risk management process.

▼ SPECIAL FEATURES

This book contains several features to help readers focus on main ideas. Chapters begin with learning objectives. Each chapter ends with a *Review* providing the reader with a self-test of the material covered in the chapter. Each chapter also has *Discussion Questions*, *Research Assignments*, and *Suggestions for Further Study*. The discussion questions often have no single answer, but allow critical thinking and the examination of values. The research assignments are a response to some users, espe-

cially in MBA programs, who requested “report writing” activities. The *Suggestions for Further Study* include books and articles the author referred to in preparing the chapter. The *Suggestions for Further Study* section has been shortened in this edition because most students now can conduct on-line computer literature searches. This modern research tool produces more extensive and timely output than any textbook could provide. Many students also report working with the glossary, which provides brief definitions of words appearing in boldface throughout the text, and the index, both of which appear at the end of the text.

Shaded boxes have been used throughout the text to alert the reader to important material such as direct quotation of insurance policy language, judgments in court cases, and quotations from other authors.

▼ WHY STUDY RISK MANAGEMENT AND INSURANCE?

THE CONSUMERS' VIEWPOINT

On occasion I have asked my students why they elected to study risk management and insurance. Typical answers have been: “I know I’m going to buy insurance someday, so I thought I’d learn about it.” “My friend told me to take the course because she liked it.” “I’m planning on going into the insurance business, so I thought I’d learn about it in school.” “I’m a business major, and I think all businesspeople should know about risk management.” These are all good reasons for studying this book. After taking an introductory risk management course, a student should have an understanding of how insurance helps to solve some personal financial problems. One purpose of this book is to introduce some basic insurance concepts from the consumer’s viewpoint, both individual and corporate consumers, and to advocate intelligent, informed purchases of insurance.

THE ACADEMIC VIEWPOINT

The study of insurance can play a significant role in achieving the general goals of a broad-based undergraduate education. The author believes the study of insurance is a way to accomplish the following goals:

- ▶ To encourage critical thinking, including moral and ethical reasoning.
- ▶ To facilitate the ability to use language effectively.
- ▶ To aid understanding human behavior.
- ▶ To provide understanding of the causes and effects of important societal problems.
- ▶ To integrate knowledge across broad areas including mathematics, social science, philosophy, law, natural science, and economics.
- ▶ To integrate knowledge across the business curriculum including marketing, finance, accounting, management, and management information systems.

CRITICAL THINKING AND MORAL REASONING

It would be difficult (and extremely unfortunate) to teach insurance courses without discussing logical alternative choices with students. The text provides discussion of the following questions: What distinguishes socially acceptable from

unacceptable characteristics in setting insurance rates? Could a capitalistic society operate without a private insurance system? Should health insurance be provided on a public or private basis? Should the insurance transaction be regulated at the federal level or by the various state governments? These questions require critical thinking, logical analysis, and continuing research.

How could insurance courses possibly be taught without discussing ethical and moral issues? We have added a new appendix to this edition describing some typical ethical dilemmas frequently faced by insurance agents and brokers. Other examples of ethical issues covered in this text include a discussion of how the cost of the acquired immunodeficiency syndrome (AIDS) should be borne by society. We also consider how a person's right to privacy conflicts with the insurance underwriter's need for information.

EFFECTIVE USE OF LANGUAGE

Other than a "business English" course, perhaps no course offered in U.S. business schools allows more attention to the English language than the introductory risk management and insurance course. The study of insurance policies is a study of English in action. Much of the education that occurs involves learning that words may mean different things to different people; that courts are often needed to interpret language when it is not used precisely; and that using ambiguous language can be very expensive. Compensation for damage often centers on definitions of perils such as *explosion*, *collapse*, and *earth movement*. Discussion of legal cases throughout this book should leave the clear impression on students that language must be used precisely to avoid unintended results. According to many curricular experts, learning the lesson of the importance of communicating effectively and precisely is one of the greatest of all lessons learned at the undergraduate level.

UNDERSTANDING HUMAN BEHAVIOR

Human behavior is a relevant topic in every insurance course because the insurance transaction at the individual and the business level is the result of human interaction. How could risk management or personal financial planning be taught without reference to human behavior?

Many risk management questions have psychological explanations including the following: Why are some risks transferred while others are avoided? What role does human behavior play in causing or preventing losses? Why do some people purchase insurance in situations where others retain the chance of loss? How can society encourage people to save and insure their lives adequately?

SOCIETAL PROBLEMS

Congress and state legislatures discuss insurance questions regularly, and several insurance issues have already appeared on ballots. Among the many important societal questions raised in this text are the following: How should health care costs be distributed? What vaccines, medicines, or medical treatments can be produced economically considering potential tort claims? How should we prepare for an aging society, including the financing of long-term care and providing adequate retirement income? How should the cost of repairing our damaged environment be borne? None of these problems can be understood thoroughly without discussing insurance.

Insurance is, and historically has been, one of society's most effective tools for handling some of its most difficult problems. Thus, the study of insurance should remain important as long as the problems it solves remain important.

INTEGRATION ACROSS THE CURRICULUM

Insurance simply cannot be taught without reference to economics, mathematics, and law. Concern with potential losses, the focal point of the undergraduate risk management curriculum, is shared to some extent by all major divisions of business studies. Instruction in risk management and insurance is also likely to include references to history, politics, architecture, engineering, medicine, psychology, and gerontology.

CONCLUSION

It is not the purpose of this book to provide answers to the important and complex societal, ethical, and moral issues raised. Instead, its purpose is to provide students with information so they can understand the questions and form their own conclusions. Many speeches have been given and many articles have been written about insurance topics. Proponents and opponents of various positions have made charges and countercharges. Perhaps if speakers and writers knew that their audiences understood the questions clearly, self-serving arguments camouflaged by strained logic and sophistry would give way to more direct and honest discussion. Because insurance questions tend to be complex, speakers in some instances have purposely kept their listeners in the dark. It is the author's hope that studying this text will let in some light.

▼ PLAN OF THE BOOK

This book is divided into six parts and twenty-five chapters.

- ▶ Part 1 (Chapters 1 to 4) covers basic principles and terminology.
- ▶ Part 2 (Chapters 5 to 8) presents organizational and regulatory views of the insurance industry.
- ▶ Part 3 (Chapters 9 to 12) explains the meaning of the personal insurance policies most likely to be purchased by readers, the homeowners and the personal automobile policy.
- ▶ Part 4 (Chapters 13 to 16) describes commercial property and liability insurance.
- ▶ Part 5 (Chapters 17 to 22) presents life and health insurance topics.
- ▶ Part 6 (Chapters 23 to 25) describes the government's role in providing insurance.

▼ ABOUT THE AUTHOR

I have taught an introductory risk management and insurance class for over 28 years at the University of Illinois, Miami University (Ohio) and at the University of Arkansas at Little Rock, where I hold the Whitbeck-Beyer Chair of Insurance and Financial Services. I still enjoy teaching; in fact, most days, I love it. I hope

readers that have come this far in the preface already realize that I believe teaching risk management and insurance to students is very important. I continue to find my students stimulating, challenging, and friendly people. I always keep students in mind when writing this book, and I hope they find the writing style “user friendly.”

I was born in Chicago and attended Chicago public schools. My undergraduate degree is from Northwestern University and my master of science and doctor of philosophy degrees were awarded by the University of Illinois.

I have held high offices, and served on boards of directors of several academic and nonacademic institutions. I have written articles for major academic journals and served on the editorial boards of some of these publications.

I look forward to spending part of every summer in Door County, Wisconsin, and have been told I have a sense of humor that makes my classroom bearable. Some readers might even find sufficient humor in this textbook to make it more bearable.

▼ ACKNOWLEDGMENTS

I treasure my friends as among my greatest joys. I have had the help of many friends as I revised this book. I am truly grateful for them, and want to acknowledge their help and support. Readers might expect that after six editions and all the assistance received, there would be no errors or omissions remaining. While I’d like this to be the case, when such problems are discovered I am either the originator or a willing accomplice.

My intellectual companion of the past 20 years, Saul Adelman, made many suggestions for improving the manuscript during the period when we jointly taught the introductory insurance course at Miami University. Dr. Adelman provided a comprehensive review of the manuscript for the past three editions, and for the third time, he has written the Instructor’s Manual. My years of collaboration with Saul have enriched my thinking about many risk management and insurance issues, and I gratefully acknowledge his help and friendship.

My wife, Marcia, provided consistent support, valuable proofreading skills, and professional librarian talents as this book progressed through six editions. Marcia’s computer skills have expanded with each succeeding edition of this text, and with each new computer and software package I have purchased. Her efforts appear throughout the book.

To keep this edition fresh, lively, and technically accurate, I called on a most capable new reviewer who is strongly committed to risk management education: Brenda Wells (University of North Texas). Brenda asked perceptive questions, provided specific suggestions for improvement, and shared constructive criticism. She also provided needed encouragement to leave many things unchanged. Brenda has also contributed to the computer test bank questions. This edition also benefited from a second strong critique by William Warfel and many helpful suggestions by an anonymous reviewer.

I would like to give special recognition to my mentor, benefactor, and sharp-eyed critic of my rambling prose, Frank L. Whitbeck. Anybody having the pleasure of meeting this fine gentleman will have met a great supporter of higher education.

The following people, many of whom are distinguished classroom instructors or successful business practitioners, have made contributions to this or previous

editions of the text. I have omitted their titles, affiliations, and degrees. To me they are friends, and their friendship and ideas have been essential to this 24-year-long writing project:

Fredrick E. Adkins III	Richard P. Herget, Jr.
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Mark Cross	Ralph Shull
Karl C. Ennsfellner	H. Andrew Terry
William Feldhaus	A. Frank Thompson
John Fitzgerald	Peter Townley
Cheri Hawkins	Peter Walters
George L. Head	William Warfel

A new Prentice-Hall team supported this revision. I would like to recognize my editor, Paul Donnelly, and his assistant, MaryBeth Sanok.

High on the list of contributors are many classes of former students. Many sharp-eyed students have found items to criticize, and many have made suggestions for improvements. Other students have asked challenging questions that have led to further improvements. I take great pleasure in recognizing the help these students provided and in acknowledging the successful business careers many of them are enjoying.

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