

保险系列教材


保险英语

**A BRIEF INTRODUCTION
TO INSURANCE**

编著 袁建华
主审 刘连生

西南财经大学出版社





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前 言

自党的十一届三中全会以来,中国经济的快速发展令世人惊叹。良好的市场经济环境给中国经济的腾飞带来了前所未有的机遇。我国的金融业与保险业在市场经济条件下得到了良好的发展。中国已经加入世界贸易组织(WTO),成为世贸组织的一员。随着世界经济一体化的到来,中国的经济已逐步融入世界经济的潮流,因此,国外许多知名企业纷纷来到中国,投资办厂,开办公司,设立办事处,其中不少是金融机构与保险公司,这给中国的金融业与保险业带来了机遇,同时也带来了严峻的挑战。因此,培养一批有竞争力的知晓涉外金融与保险的人才便显得尤为重要。

本教材在编写过程中,参考了1996年气象出版社出版的《保险英语教程》,在它的基础上进行了补充、修改,并增加了大量篇幅,书中许多内容皆来源于本人在英国学习期间收集的资料。

本教材共分为10章,内容包括风险与保险、保险与保险的职能、保险的基本原理、国外保险市场、保险公司的组织形式、再保险、保险监管等。为了便于学生学习,特意在每章编排了英语词汇,同时也编排了课文注解、练习等。学生通过对本教材的学习,能提高阅读金融与保险英文原著的能力,获得有关金融与保险的理论并熟悉相关实务,从而为未来的学习和工作打下坚实的基础。

本教材是金融保险专业学生的必读教材,亦可作为涉外保险工作者的培训教材、各保险公司高层次专业人员出国培训教材以及专业英语选拔考试专用参考教材,同时也适用于高等院校英语专业的学生以及热爱保险的学生。

本书在编写过程中得到了广东金融学院及其保险系、教务处领导和老师的关心和支持，在此表示感谢。本书的出版还得到了西南财经大学出版社的大力支持，在此也一并表示感谢。

由于编著者水平有限，书中难免有不妥之处，希望使用本书的师生以及广大读者提出宝贵意见，以便以后修订。

编著者

2005年5月于广州

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Chapter 1 Risk and Insurance

The word “risk” is certainly used frequently in everyday life and seems to be understood by people who use it. As a matter of fact, it is not so easy to understand it in terms of insurance. First of all, we’ll talk about risk, for where there is risk, there is insurance. In other words, there is no insurance without risk. Only when we know what risk really is can we know what insurance is. When we are aware of the existence of risk, we want to know what insurance can do to help us in preventing, controlling and reducing the risk.

Section 1 The Concept of Risk

1.1 The Definition of Risk

We use the word “risk” to refer to the cause of an outcome. In this way, we speak about fire as a risk, theft as a risk, personal injury as a risk and so on. Some American writers have made a number of definitions about risk:

Risk is the possibility of an unfortunate occurrence; Risk is a combination of hazards; Risk is unpredictability – the tendency that the actual results may differ from predicted results; Risk is uncertainty of loss; Risk is the possibility of loss.

After studying the definitions, we know that there does seem to emerge some kind of common thread running through each of them.

1.2 The Uncertainty of Risk

If a child is playing in the middle of a busy road, if a workman is using a machine while he is unaware that it is faulty and dangerous, and if a pedestrian is unaware that a wall running alongside a pavement is in a dangerous condition and about to collapse, what will happen to them? There is an element of risk and uncertainty in each of these situations. The child may escape free of injury, the machine may hold out until the workman has finished using it and the wall may not collapse and injure the passerby. Otherwise, there would be serious injury in each case.

Uncertainty can exist in the abstract. It exists not depending on whether you recognize it or not. It always exists around us. Uncertainty is linked more to the event itself. It does not link to any personal perception of the existence.

1.3 Peril and Hazard

We have looked at the concept of uncertainty, the fact that there are different levels of risk, and the final component of risk is the cause of the eventual loss.

We often use the word "risk" to mean both the event which will give rise to some loss and factors which may influence the outcome of a loss. When we think about cause, we must be clear that there are at least these two aspects to it. We can see this if we think back to the two houses on the riverbank and the risk of flood. The risk of flood does not really make sense. What we mean is the risk of flood damage. Flood is the cause of the loss and the fact that one of the houses was right on the bank of the river influences the outcome.

Flood is the peril and the proximity of the house to the river is the hazard. The peril is the prime cause. It is what will give rise to the loss. Often it is beyond the control of anyone who may be involved. In this way, we can say that the storm, fire, theft, motor accident and explosion are all perils.

Factors which may influence the outcome are referred to as hazards. These hazards themselves are not the cause of the loss, but they can increase or decrease the effect if a peril operates. The consideration of hazard is important

when an insurance company is deciding whether or not it should insure some risk and what premium to charge.

Hazard can be physical or moral. Physical hazard relates to the physical characteristics of the risk, such as the nature of construction of a building, security protection at a shop or factory, or the proximity of houses to a riverbank. Moral hazard concerns the human aspects which may influence the outcome. This usually refers to the attitude of the insured person.

Section 2 The Concept of Insurance

2.1 The Definition of Insurance

Insurance is defined in Insurance Law of the People's Republic of China (1995) as the "term used to refer to a commercial insurance transaction whereby an insurance applicant, as contracted, pays insurance premiums to the insurer, and the insurer bears an obligation to indemnify for property loss or damage caused by an occurrence of a possible event that is agreed upon in the contract, or to pay the insurance benefits when the insured person dies, is injured or disabled, suffers diseases or reaches the age or term agreed upon in the contract". In simple words, the insured pays the premiums, while the insurer bears the liability to pay the claims or give the benefit under the terms of the insurance policy in the event of loss or damages.

2.2 The Function of Insurance

People think that the main function of insurance is to meet the objectives laid down for it by its owner. In industry, the owners are normally a large number of shareholders, and objectives are usually measured in terms of monetary return on the investment. But we will focus on the function of insurance itself. What is the role of insurance? What function does it perform?

– Risk transfer. The primary function of insurance is to act as risk transfer mechanism. Think of a car owner. He has a car valued at \$200 000, which probably represents one of the largest investments he is ever likely to make. The car could be stolen, damaged in an accident or catch a fire. There could be an

accident, resulting in serious injury to passengers or other people. How will the owner of the car cope with all of these potential risks and their financial consequences? We know that the owner of the car can transfer the financial consequences to the insurer, in return for paying a premium.

– Creation of the common pool. In order to demonstrate the common pool, we will concentrate on the risk of the owner of a house being totally destroyed and say that there is a one-in-a-thousand chance that will happen during the year. We could have obtained this figure from past experience of similar houses. It has no great value if one house will be destroyed in every thousand houses. But if we consider a large number of houses, it does begin to mean something. For example, if there were one thousand similar houses, then we could say that one of them will probably be destroyed during a year. On average, therefore, the expected total loss would amount to \$60 000. Knowing this, the owners of one thousand houses could all contribute at least \$60 million into a common pool, and there would then be enough to pay the one loss.

An insurance company sets itself up to operate such a pool. It takes contributions, in the form of insurance premiums, from many people and pays the losses of the few. The contributions have to be enough to meet the total losses in any one-year and cover the other costs of operating the pool, including the profit of the insurer. Even after taking all these costs into account, insurance is still a very attractive business in many cases. For example, at the end of 2002, the premium income from property insurance in Guangdong province was 7 945 million Yuan, among which the premium income from motor vehicle insurance was 6 547 million Yuan. The payment of claims was 3 449 million Yuan. Therefore the profit of motor vehicle insurance in 2002 was 3 098 million Yuan.

In operating the common pool, the insurer benefits from the Law of Large Numbers. Sometimes it is called Law of Average. The result is that the insurer can fix premium and the insured person knows that he will not have to pay any more at the end of the year.

– Equitable premiums. It is clear that there can be several of these pools, one for each type of risk. The people who have a house to insure would not contribute to the same pool as those insuring a car. Operating in this way allows an insurer to identify which types of insurance are profitable and which are not

profitable.

Even when risks of a similar type are brought together in a common pool, they do not all represent the same degree of risk to the pool itself. So the insurer has to ensure that a fair premium is charged, which reflects the hazard and the value which the person or company brings to the pool. Besides, the premium must also be competitive. There is not just one insurer in the market place and hence competition enters into the calculation. If an insurer charges a premium that exceeds the one quoted by other insurers, then he may lose the business. If he charges too little, the contribution to the pool would be less than required and loss would be made.

The three functions are all interest-dependent: the creation of the common pool and the calculation of equitable premiums both assist in providing a sound risk transfer mechanism.

2.3 The Classification of Insurance

As insurance has developed, the various types of cover have been grouped into several classes which have come about by practice within the insurance company offices. Insurance offices are generally split up into departments or sections, each of which will deal with types of risk which have an affiliation with each other. There is a very wide variety in the way in which companies organize their business, but the following divisions are very common:

- Ordinary life insurance. In the United Kingdom, ordinary life insurance describes a particular style of insurance and is also called life insurance by many people. The other style is industrial life insurance, which relates to smaller values and normally involves collection of the premiums from the home of the assured person. In the UK, in the past twenty years, the number of industrial life policies in force has decreased gradually and at the end of 1993, there were more ordinary life policies in force than industrial life policies in force.

- Personal accident insurance. The intention of the basic policy is to provide compensation in the event of an accident causing death or injury. Capital sums are paid in the event of death or certain specified injuries, such as the loss of limbs or sight that may be defined in the policy. In addition to the purchase of personal accident insurance by individuals, it is also possible for

companies to arrange cover on behalf of their employees. These arrangements made by employers on behalf of employees are also called employer's liability and many organizations arrange "group schemes" for their employees.

- Motor vehicle insurance. Motor vehicle insurance is a kind of popular insurance, for there are so many motor vehicles in each city. And it is also the major source of premium income in the insurance market. The minimum requirement by law is to provide insurance in respect of legal liability to pay damages arising out of injury caused to any person. Motor vehicle insurance policies can cover the third party liability only, the third party liability, and fire risk as well as theft risk. The comprehensive policies provide cover as above and in addition include cover for accidental loss of, or damage to, the vehicle itself. This is the most common form of insurance policy in the European countries.

- Marine cargo transport insurance. Traditionally marine policies include three areas of risk: the hull, cargo and freight. While hull and cargo are self-explanatory to all of you, the word "freight" may not be quite clear to some of you. Well, freight is the sum paid for transporting goods, or the hire of a ship. When goods are lost by marine perils, then freight, or part of it, is also lost. Therefore the freight also needs insurance protection.

The risks against which these items are normally insured are collectively termed "perils of the sea". The perils of the sea can be classified into two kinds. One is the natural disasters or natural calamities; the other is the accident event. Natural calamities include atrocious weather, lightning, tsunami, earthquake or volcanic eruption, flood and disaster beyond manpower. Accident events include grounding, stranded, sunk, fire, violent pilferage, jettison, collision, missing, overturn and the careless, negligent and malicious act by the captain or crew. In China, marine cargo insurance can be divided into three kinds. They are basic risks, additional risks and special risks. The basic risks include Free from Particular Average, With Particular Average and All Risks. Additional risks include General Additional Risks, Special Additional Risks and Specific Additional Risks.

- Fire and other property damage insurance. There is a whole number of different ways in which property can be damaged. One need only think of a small factory unit to imagine all that can be damaged and all the ways in which