

高等学校经济类双语教学推荐教材

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ECONOMICS
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经济学经典教材·金融系列

Classics

风险管理 与 保险原理

(第十一版)

(Eleventh Edition)

Principles of Risk Management and Insurance

乔治·E·瑞达 (George E. Rejda) 著

中国人民大学出版社

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009041708

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· 北京 ·

图书在版编目 (CIP) 数据

风险管理与保险原理: 第 11 版: 英文/瑞达著. —北京: 中国人民大学出版社, 2012. 4
高等学校经济类双语教学推荐教材
经济学经典教材·金融系列
ISBN 978-7-300-15521-0

I. ①风… II. ①瑞… III. ①保险-风险管理-双语教学-高等学校-教材-英文 IV. ①F840.32

中国版本图书馆 CIP 数据核字 (2012) 第 056458 号

高等学校经济类双语教学推荐教材

经济学经典教材·金融系列

风险管理与保险原理 (第十一版)

乔治·E·瑞达 著

Fengxian Guanli yu Baoxian Yuanli

出版发行 中国人民大学出版社

社 址 北京中关村大街 31 号

邮政编码 100080

电 话 010-62511242 (总编室)

010-62511398 (质管部)

010-82501766 (邮购部)

010-62514148 (门市部)

010-62515195 (发行公司)

010-62515275 (盗版举报)

网 址 <http://www.crup.com.cn>

<http://www.ttrnet.com> (人大教研网)

经 销 新华书店

印 刷 涿州市星河印刷有限公司

规 格 215 mm×275 mm 16 开本

版 次 2012 年 4 月第 1 版

印 张 37 插页 1

印 次 2012 年 4 月第 1 次印刷

字 数 980 000

定 价 69.00 元

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出 版 说 明

入世十年，我国已完全融入到经济全球化的浪潮中。党的十六大确立了“引进来，走出去”的发展战略，使得“国际化”复合型人才的需求不断增加。这就对我国一般本科院校多年来所采取的单一语言（母语）教学提出严峻挑战，经济类专业双语教学改革迫在眉睫。

为配合高校经济类专业双语教学改革，中国人民大学出版社携手培生、麦格劳-希尔、圣智等众多国际知名出版公司，倾情打造了该套“经济类双语系列教材”，本套教材包括：经济管理类专业开设的核心课程、经济学专业开设的主干课程以及财政金融专业和国际贸易专业的主要课程。所选教材均为国外最优秀的本科层次经济类教材。

我们在组织、引进和出版该系列教材的过程中，严把质量关。聘请国内著名经济学家、学者以及一线授课教师审核国外原版教材，广泛听取意见，努力做到把国外真正高水平的适合国内实际教学需求的优秀教材引进来，供国内广大师生参考、研究和学习。

本系列教材主要有以下特点：

第一，教材体系设计完整。本系列教材全部为国外知名出版公司的优秀教材，涵盖了经济类专业的所有主要课程。

第二，英文原版教材特色。本系列教材依据国内实际教学需要以及广泛适应性，部分对原版教材进行了全文影印，部分在保持原版教材体系结构和内容特色的基础上进行了适当删减。

第三，内容紧扣学科前沿。本系列教材在原著选择上紧扣国外教学前沿，基本上都是国外最流行教材的最新版本。

第四，篇幅合理、价格适中。本系列教材一方面在内容和篇幅上很好地适应了国内双语教学的实际需要，另一方面，低定价策略又避免了国外原版图书高额的购买费用。

第五，提供强大的教学支持。依托国外知名出版公司的资源，本系列教材为教师提供丰富的配套教辅资源，如教师手册、PPT课堂演示文稿、试题库等，并配有内容丰富的网络资源，使教学更为便利。

本系列教材既适合高等院校经济类专业的本科教学使用，也适合从事经济类工作和研究的广大从业者的阅读和学习。我们在选书、改编过程中虽然全面听取了专家、学者和教师的意见，努力做到满足广大读者的需求，但由于各教材的作者所处的政治、经济和文化背景不同，书中内容仍可能有不妥之处，我们真诚希望广大读者提出宝贵意见和建议，以便我们在以后的版本中不断改进和完善。

PREFACE

This text deals with risk and its treatment. Since the last edition of *Principles of Risk Management and Insurance* appeared, several unprecedented events have occurred that clearly show the destructive presence of risk in the economy. In 2008 and 2009, the economy experienced a massive financial meltdown and a brutal stock market crash that wiped out or substantially reduced the life savings of most workers; the economy and monetary system came terrifyingly close to a catastrophic collapse; the housing market collapsed, and foreclosures increased; dozens of commercial banks and financial institutions failed, producing a credit crunch and a freezing of credit markets; and state and federal regulation of the financial services industry, including the regulation of insurance companies, proved inadequate and broken. The Federal Reserve intervened and implemented several unusual policies to rescue the nation from the second worst economic downswing in its history, next only to the Great Depression of the 1930s. During this same period, there was unprecedented intervention by the federal government into the economy; billions of taxpayer dollars were paid to auto manufacturers, commercial banks, insurers, and other financial institutions to rescue the economy; and Congress enacted a controversial and costly federal stimulus program to stimulate the economy.

Some insurers contributed to the financial meltdown. In particular, the American International Group (AIG), through a subsidiary company, sold large amounts of complex and risky derivatives known as credit default swaps, which produced a liquidity crisis and enormous losses for the company. The federal government bailed out AIG by taxpayer loans and an equity stake in the company. As a result, the federal government initially owned about 80 percent of AIG.

Flash forward to the present. The economy and housing markets are slowly recovering; the stock market has recovered part of its massive bear market

losses; the unemployment rate remains stubbornly high; the media continues its heated discussion over the success of the federal stimulus package; and at the time of this writing, Congress is engaged in a bitter and divisive debate over health care reform. To say we live in a risky and dangerous world is an enormous understatement.

The eleventh edition of *Principles of Risk Management and Insurance* discusses the above issues and other insurance issues as well. As in earlier editions, the text is designed for a beginning undergraduate course in risk management and insurance with no prerequisites. The eleventh edition provides complete and current treatment of major risk management and insurance topics. Coverage includes a discussion of basic concepts of risk and insurance, introductory and advanced topics in risk management, functional and financial operations of insurers, legal principles, life and health insurance, property and liability insurance, employee benefits, and social insurance. Once again, the eleventh edition places primary emphasis on insurance consumers and blends basic risk management and insurance principles with consumer considerations. As a user-friendly text, students can apply basic concepts immediately to their own personal risk management and insurance programs.

KEY CONTENT CHANGES IN THE ELEVENTH EDITION

Thoroughly revised and updated, the eleventh edition provides an in-depth analysis of current insurance industry issues and practices, which readers have come to expect from *Principles of Risk Management and Insurance*. Key content changes in the eleventh edition include the following:

- *Failure of enterprise risk management programs.* Chapter 4 discusses the failure of enterprise risk management programs for financial services

firms and other business firms in dealing with the recent financial meltdown in the American economy.

- *Impact of the financial meltdown on the insurance industry.* Chapters 6 through 8 discuss the impact of the recent financial meltdown on life insurers and property and casualty insurers.
- *Breakdown of federal and state regulation and the need for widespread regulatory reform.* Chapter 8 discusses the crisis in insurance regulation and regulatory breakdown in the financial services industry, which includes the insurance industry. The chapter also discusses several new proposals to modernize and regulate the insurance industry.
- *Health care reform.* Chapter 15 expands the discussion of health care problems in the United States and health care reform proposals.
- *Revision of major medical insurance.* Chapter 15 provides a new and updated discussion of individual major medical insurance policies currently sold by health insurers.
- *New developments in employer-sponsored health insurance plans.* Employers are dealing with the problem of rapid increase in premiums for employer-sponsored health insurance plans in a number of ways. Chapter 16 discusses the new developments in group medical expense insurance plans.
- *Restructuring of material on qualified retirement plans.* In Chapter 17, the material on defined benefit pension plans and defined contribution plans has been restructured to make this section easier for students to understand and master.
- *New Insight boxes.* Insights are valuable learning tools that provide real-world applications of the concepts discussed in the chapter. New and interesting Insights include these attention grabbers in the eleventh edition:
 - Have health insurance? Think you're well protected? Think again!
 - Problems and obstacles in obtaining health insurance in the individual markets
 - Outrageous charges by out-of-network health care providers
 - New report finds 86.7 million Americans were uninsured at some point in 2007–2008
 - How to get health insurance if you lose your job: consider these sources

- Be a savvy consumer: four life insurance policies to avoid
- Cash-value life insurance as an investment: two important considerations
- Bells and whistles of variable annuities
- Six common 401(k) mistakes
- The impact of the recent financial crisis on 401(k) account balances
- Increasing the collision deductible to save money: some important considerations
- What consumers should know about title insurance
- *Technical accuracy.* As in previous editions, numerous experts have reviewed the text for technical accuracy, especially in areas where changes occur rapidly. The eleventh edition presents technically accurate and up-to-date material.

SUPPLEMENTS

The eleventh edition contains a number of supplementary materials to help busy instructors save time and teach more effectively. The following supplements are available to qualified adopters, through the Instructor's Resource Center, at www.pearsonhighered.com/irc.

Companion Website. The eleventh edition is accompanied by an Internet site at www.pearsonhighered.com/rejda that allows students to work through a variety of exercises and to take a self-assessment quiz after studying the chapter material. Students can use the Internet Resources to view real world examples of the Finance concepts they read about in the text. The site also includes access to Appendix D, an example of a Flexible Premium (Universal) Life Insurance Policy.

Printed Instructor's Manual and Test Item File. Designed to reduce start-up costs and class preparation time. The comprehensive instructor's manual contains teaching notes; outlines; and answers to all end-of-chapter review, application, and case questions. The test item file, prepared by Professor Michael J. McNamara of Washington State University, enables instructors to construct objective exams quickly and easily.

Computerized Test Bank. In addition to the printed test bank, these same questions are also available in Word,

PDF, and TestGen formats. The easy-to-use TestGen software is a valuable test preparation tool that allows busy professors to view, edit, and add questions.

PowerPoint Presentation. Prepared by Professor Patricia Born of Florida State University, this tool contains lecture notes from the transparency masters of the previous edition. It also features the complete set of figures from the textbook. There are over 500 slides to aid in classroom presentation.

Study Guide. Also prepared by Michael J. McNamara, this study tool helps students analyze and internalize the topics learned in class. Every chapter includes an overview, learning objectives, outline, and extensive self-test with answers. The self-test section contains short answer, multiple choice, true/false, and case application questions that challenge students to apply the lessons covered in the eleventh edition.

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PART ONE

BASIC CONCEPTS IN RISK MANAGEMENT AND INSURANCE

Chapter 1
Risk in Our Society

Chapter 2
Insurance and Risk

Chapter 3
Introduction to Risk Management

Chapter 4
Advanced Topics in Risk Management



CHAPTER 1

RISK IN OUR SOCIETY

"When we take a risk, we are betting on an outcome that will result from a decision we have made, though we do not know for certain what the outcome will be."

Peter L. Bernstein
Against the Gods: The Remarkable Story of Risk

LEARNING OBJECTIVES

After studying this chapter, you should be able to

- ◆ Define risk.
- ◆ Explain the meaning of loss exposure.
- ◆ Understand the following types of risk:
 - Pure risk
 - Speculative risk
 - Diversifiable risk
 - Enterprise risk
- ◆ Identify the major pure risks that are associated with financial insecurity.
- ◆ Show how risk is a burden to society.
- ◆ Explain the major techniques for managing risk.

Brandon, age 37, worked as a construction worker in Lincoln, Nebraska. He was married and had two preschool children. While working on the roof of a new house under construction, a heavy gust of wind blew Brandon off the roof into a hole adjacent to the house. He was seriously injured and died shortly after being admitted into a local hospital.

Brandon's tragic and untimely death shows that we live in a risky and dangerous world. The news media report daily on similar tragic events that illustrate clearly the widespread presence of risk in our society. Examples abound—a deranged gunman kills 10 customers in a local department store; a small town is wiped out by a tornado; a drunk driver kills 5 people in a van on a crowded expressway; brush fires destroy hundreds of expensive homes. In addition, many people experience financial tragedies because of catastrophic medical expenses, the unexpected death of a family head, or the loss of a good-paying job. Still others experience financial setbacks because they negligently injure someone and cannot pay a liability judgment and other legal costs.

In this chapter, we discuss the nature and treatment of risk in our society. Topics discussed include the meaning of risk, the major types of risk that threaten our financial security, the burden of risk on the economy, and the basic methods for managing risk.

DIFFERENT DEFINITIONS

There is no single definition of risk. Economists, behavioral scientists, risk theorists, statisticians, and actuaries each have their own concept of risk. However, risk historically has been defined in terms of uncertainty. Based on this concept, *risk is defined as uncertainty concerning the occurrence of a loss.*¹ For example, the risk of being killed in an auto accident is present because uncertainty is present. The risk of lung cancer for smokers is present because uncertainty is present. The risk of flunking a college course is present because uncertainty is present.

Although risk can be defined as uncertainty of loss, employees in the insurance industry often use the term *risk* in a different manner to identify the property or life that is being considered for insurance. For example, in the insurance industry, it is common to hear statements such as “that driver is a poor risk,” or “that building is an unacceptable risk.”

Because the term *risk* is ambiguous and has different meanings, many authors and corporate risk managers use the term “loss exposure” to identify potential losses. A **loss exposure** is any situation or

circumstance in which a loss is possible, regardless of whether a loss occurs. Examples of loss exposures include manufacturing plants that may be damaged by an earthquake or flood, defective products that may result in lawsuits against the manufacturer, possible theft of company property because of inadequate security, and potential injury to employees because of unsafe working conditions.

Finally, when risk is defined as uncertainty, some authors make a careful distinction between objective risk and subjective risk.

Objective Risk

Objective risk (also called degree of risk) is defined as the relative variation of actual loss from expected loss. For example, assume that a property insurer has 10,000 houses insured over a long period and, on average, 1 percent, or 100 houses, burn each year. However, it would be rare for exactly 100 houses to burn each year. In some years, as few as 90 houses may burn; in other years, as many as 110 houses may burn. Thus, there is a variation of 10 houses from the expected number of 100, or a variation of 10 percent.