

## LESSON 7. TEXTS FOR READING

### 1. Read the text

Insurance or assurance, device for indemnifying or guaranteeing an individual against loss. Reimbursement is made from a fund to which many individuals exposed to the same risk have contributed certain specified amounts, called premiums. Payment for an individual loss, divided among many, does not fall heavily upon the actual loser. The essence of the contract of insurance, called a policy, is mutuality. The major operations of an insurance company are underwriting, the determination of which risks the insurer can take on; and rate making, the decisions regarding necessary prices for such risks. The underwriter is responsible for guarding against adverse selection, wherein there is excessive coverage of high risk candidates in proportion to the coverage of low risk candidates. In preventing adverse selection, the underwriter must consider physical, psychological, and moral hazards in relation to applicants. Physical hazards include those dangers which surround the individual or property, jeopardizing the well-being of the insured. The amount of the premium is determined by the operation of the law of averages as calculated by actuaries. By investing premium payments in a wide range of revenue-producing projects, insurance companies have become major suppliers of capital, and they rank among the nation's largest institutional investors.

### 2. Common Types of Insurance

Life insurance, originally conceived to protect a man's family when his death left them without income, has developed into a

variety of policy plans. In a «whole life» policy, fixed premiums are paid throughout the insured's lifetime; this accumulated amount, augmented by compound interest, is paid to a beneficiary in a lump sum upon the insured's death; the benefit is paid even if the insured had terminated the policy. Under «universal life,» the insured can vary the amount and timing of the premiums; the funds compound to create the death benefit. With «variable life,» the fixed premiums are invested in a portfolio (with earning reinvested), and the death benefit is based on the performance of the investment. In «term life,» coverage is for a specified time period (e.g., 5-10 years); such plans do not build up value during the term. Annuity policies, which pay the insured a yearly income after a certain age, have also been developed. In the 1990s, life insurance companies began to allow early payouts to terminally ill patients.

Fire insurance usually includes damage from lightning; other insurance against the elements includes hail, tornado, flood, and drought. Complete automobile insurance includes not only insurance against fire and theft but also compensation for damage to the car and for personal injury to the victim of an accident (liability insurance); many car owners, however, carry only partial insurance. In many states liability insurance is compulsory, and a number of states have instituted so-called no-fault insurance plans, whereby automobile accident victims receive compensation without having to initiate a liability lawsuit, except in special cases. Bonding, or fidelity insurance, is designed to protect an employer against dishonesty or default on the part of an employee. Title insurance is aimed at protecting purchasers of real estate from loss by reason of defective title. Credit insurance safeguards businesses against loss from the failure of customers to meet their obligations. Marine insurance protects shipping companies against the loss

of a ship or its cargo, as well as many other items, and so-called inland marine insurance covers a vast miscellany of items, including tourist baggage, express and parcel-post packages, truck cargoes, goods in transit, and even bridges and tunnels. In recent years, the insurance industry has broadened to guard against almost any conceivable risk; companies like Lloyd's will insure a dancer's legs, a pianist's fingers, or an outdoor event against loss from rain on a specified day.

### **3. Read the text**

## **The History of Insurance Part 1**

The roots of insurance might be traced to Babylonia, where traders were encouraged to assume the risks of the caravan trade through loans that were repaid (with interest) only after the goods had arrived safely—a practice resembling bottomry and given legal force in the Code of Hammurabi (c.2100 BC). The Phoenicians and the Greeks applied a similar system to their seaborne commerce. The Romans used burial clubs as a form of life insurance, providing funeral expenses for members and later payments to the survivors.

With the growth of towns and trade in Europe, the medieval guilds undertook to protect their members from loss by fire and shipwreck, to ransom them from captivity by pirates, and to provide decent burial and support in sickness and poverty. By the middle of the 14th cent., as evidenced by the earliest known insurance contract (Genoa, 1347), marine insurance was practically universal among the maritime nations of Europe. In London, Lloyd's Coffee House (1688) was a place where merchants, shipowners, and underwriters met to transact



business. By the end of the 18th cent. Lloyd's had progressed into one of the first modern insurance companies. In 1693 the astronomer Edmond Halley constructed the first mortality table, based on the statistical laws of mortality and compound interest. The table, corrected (1756) by Joseph Dodson, made it possible to scale the premium rate to age; previously the rate had been the same for all ages.

Insurance developed rapidly with the growth of British commerce in the 17th and 18th cent. Prior to the formation of corporations devoted solely to the business of writing insurance, policies were signed by a number of individuals, each of whom wrote his name and the amount of risk he was assuming underneath the insurance proposal, hence the term underwriter. The first stock companies to engage in insurance were chartered in England in 1720, and in 1735, the first insurance company in the American colonies was founded at Charleston, S.C. Fire insurance corporations were formed in New York City (1787) and in Philadelphia (1794). The Presbyterian Synod of Philadelphia sponsored (1759) the first life insurance corporation in America, for the benefit of Presbyterian ministers and their dependents. After 1840, with the decline of religious prejudice against the practice, life insurance entered a boom period. In the 1830s the practice of classifying risks was begun.

## **The History of Insurance Part 2**

The New York fire of 1835 called attention to the need for adequate reserves to meet unexpectedly large losses; Massachusetts was the first state to require companies by law (1837) to maintain such reserves. The great Chicago fire (1871)

emphasized the costly nature of fires in structurally dense modern cities. Reinsurance, whereby losses are distributed among many companies, was devised to meet such situations and is now common in other lines of insurance. The Workmen's Compensation Act of 1897 in Britain required employers to insure their employees against industrial accidents. Public liability insurance, fostered by legislation, made its appearance in the 1880s; it attained major importance with the advent of the automobile.

In the 19th cent. many friendly or benefit societies were founded to insure the life and health of their members, and many fraternal orders were created to provide low-cost, members-only insurance. Fraternal orders continue to provide insurance coverage, as do most labor organizations. Many employers sponsor group insurance policies for their employees; such policies generally include not only life insurance, but sickness and accident benefits and old-age pensions, and the employees usually contribute a certain percentage of the premium.

Since the late 19th cent. there has been a growing tendency for the state to enter the field of insurance, especially with respect to safeguarding workers against sickness and disability, either temporary or permanent, destitute old age, and unemployment. The U.S. government has also experimented with various types of crop insurance, a landmark in this field being the Federal Crop Insurance Act of 1938. In World War II the government provided life insurance for members of the armed forces; since then it has provided other forms of insurance such as pensions for veterans and for government employees.

## **The History of Insurance**

### **Part 3**

After 1944 the supervision and regulation of insurance companies, previously an exclusive responsibility of the states, became subject to regulation by Congress under the interstate commerce clause of the U.S. Constitution. Until the 1950s, most insurance companies in the United States were restricted to providing only one type of insurance, but then legislation was passed to permit fire and casualty companies to underwrite several classes of insurance. Many firms have since expanded, many mergers have occurred, and multiple-line companies now dominate the field. In 1999, Congress repealed banking laws that had prohibited commercial banks from being in the insurance business; this measure was expected to result in expansion by major banks into the insurance arena.

#### **4. What Is Social Insurance?**

**insurance** – гарантия, защита, страхование

**compulsory insurance** – обязательное страхование

**group insurance** – групповое (коллективное) страхование

**health insurance** – страхование на случай болезни

**hospital insurance** – основное страхование на случай госпитализации

**life insurance** – страхование жизни

**major medical expenses insurance** – страхование  
чрезвычайных медицинских расходов

**national insurance** – государственное страхование

**private insurance** – личное (индивидуальное) страхование

**retirement insurance** – страхование пенсии по старости

**social insurance** – социальное страхование

**voluntary insurance** – добровольное страхование

**voluntary medical insurance** – дополнительное страхование

(считается добровольным, включает компенсацию

за лабораторное лечение и визиты к врачу

**unemployment insurance** – страхование по безработице

**insurance company** – страховая компания

**insure** – страховать(ся), застраховать(ся), гарантировать

**Two Points of View.** We know that poverty is found in every country in the world. Each year millions of people starve to death. Many millions more die at an early age because they do not have proper food, shelter or medical care. One-third, and perhaps more, of the world's people go to bed hungry each night. In country after country the same question is raised: Shouldn't a nation try to help all of its people living better and longer lives?

Until about one hundred years ago, the answer was the same in every part of the world. Nobody should have to depend upon others for help! Each person should be strong enough and ambitious enough to provide for his own needs! True, a government might do something to help its poorest and least able citizens stay alive. It might set up a few poorhouses. It might give away some food from time to time. Private persons might form charities to add to the little help a government offered. But little or nothing was done to give all people the medical care they needed.

**Social Insurance.** People often need help in facing an emergency. This help can come from their own savings, if these are very large. It can also come from an insurance plan. This plan can be private (paid for through membership in some large insurance plan to which many people contribute), or government (provided by the government as one of its services to its people, and paid for by tax moneys.) The word *social* describes activities affecting people and the way



they live within society. Social insurance includes those plans that help people meet four kinds of problems:

**1) *Medical Insurance.*** This kind of insurance pays the costs of medical and dental care. Such costs rise and rise. Few families can afford the costs of serious illness. Medical insurance plans pay all or a large part of the expense of helping people recover from illness. Some plans may pay for all or part of your regular medical care as well.

**2) *Life insurance.*** All life insurance plans pay money to some person or persons (*The beneficiary or beneficiaries*) when the insured person dies. The chief reason for life insurance is to provide money for the remaining members of a family when its chief wage-earner dies. However, the person who pays for the policy can decide who is to receive the payment. It can be a husband or wife, children, creditors or any

**3) *Income insurance.*** Some insurance plans give (he insured person some income during an emergency. The insured person may lose his job and then need money. He may become ill and be unable to work. An injury may make it impossible for him to continue his usual work. He may grow too old to work, or may decide to retire when he grows older. Finally, he may still be working, but be unable to earn enough.

**4) *Services insurance.*** Some insurance plans provide help, guidance, equipment or other services a person may need to solve a problem. A blind man may need a Seeing Eye dog or training in a new kind of work. A man or woman who has lost a job because of changes in industry may need training for a different kind of job. The parents of a child with a handicap may need help to pay for a special school for that child. A crippled person may need braces or a wheelchair to permit better movement.



## 5. Translate the text, using your dictionary.

A great variety of risks can nowadays be covered by **insurance**. Some of the commoner risks which are usual for businesses and private individuals are as follows:

- the destruction of property by fire
- losses arising from burglary or other causes
- goods in transit
- motor vehicles
- third party claims arising out of accidents.

From past experience the probability of many risks can be calculated with great accuracy.

In Great Britain insurance business is conducted by **insurance companies**. The client or the prospective insured first approaches the **insurance broker** who then puts the client in touch with the insurer.

The insurer issues an **insurance policy** for the insured. It is a document setting out the exact terms and conditions of the insurance transaction. It states the precise risk covered, the period of cover and any exception there may be. The insured is to pay a premium the size of which is stated in the policy.

In many countries insurance against sickness, unemployment and old age is undertaken by the state. In Great Britain this insurance is undertaken by the state through the National Health Service. The employees' contributions are deducted from their wages and salaries.

The main benefits of this insurance include:

- retirement pensions
- unemployment benefits, or relief's
- sickness benefits

- maternity grants
- funeral grants
- industrial injuries
- family allowances

### Words

1. insurance	страхование
2. variety	разновидность
3. to cover	покрывать
4. commoner	общий, простой
5. business	торговое предприятие, фирма
6. individual	частное лицо
7. destruction	разрушение, уничтожение
8. property	имущество
9. loss	убыток, ущерб, урон
10. burglary	кража
11. cause	случай
12. in transit	В пути
13. motorvehicle	автомобиль
14. claim	требование, претензия
15. accident	несчастный случай
16. thirdparty	третья сторона, свидетель
17. probability	вероятность
18. to calculate	вычислять, подсчитывать
19. accuracy	точность, правильность
20. to conduct	вести, руководить, проводить
21. client	клиент
22. prospective	предполагаемый, ожидаемый

23. to approach	обращаться
24. insurance broker	Страховой агент
25. to put... in touch with	связывать кого-либо с кем-либо
26. to issue	выдавать, издавать
27. to set out	Устанавливать
28. transaction	дело, сделка
29. to state	определять, формулировать
30. precise	четкий, ясный, точный
31. exception	возражение, отвод
32. premium	страховая премия
33. sickness	болезнь
34. to undertake	брать на себя
35. contribution	налог, взнос
36. to deduct	вычитать, удерживать
37. wage	заработная плата
38. salary	жалованье, оклад
39. benefit	выгода, польза, пособие
40. retirement	отставка, уход на пенсию
41. maternity	материнство
42. grant	дотация, субсидия
43. funeral	похороны
44. injury	травма
45. family allowance	пособие на семью

## 6. Match the equivalents

1. to cover the risk	a) страховой бизнес
2. insurance business	b) страховой полис
3. insurance company	c) страховой риск
4. insurance broker	d) страховая компания



5. insurance policy	e) страховой брокер
6. insurance transaction	f) страхование
7. insurer	g) сделка по страхованию
8. the insured	h) страхователь
9. insurance cover	i) покрывать риск

## 7. Match the terms and their interpretations

1. it is a document setting out the exact terms and conditions of the insurance transaction	a) an insurer
2. the company issuing insurance policies	b) an insurance policy
3. the person putting the client in touch with the insurer	c) an insurance broker
4. the person or some business	d) the insured

## Life and industrial assurance

### Lexicalwork

## 8. a) Translate the text, using your dictionary

One of the main branches of insurance is **life assurance**. It is a comparatively recent type of insurance.

Life assurance is different from all other branches of insurance. In case of insurance there is no certainty that the insured may face the risk against which he has been insured. The risk may never occur. But in case of life assurance the risk



is certain to occur sooner or later. The only uncertainty is the time of occurrence.

There are two types of life assurance:

- endowment
- whole life assurance

**Endowment assurance** is provided for a specified number of years or until the attainment of a certain age. The sum assured is paid either at the agreed time or on the death of the assured.

**Whole life assurance** is less popular. The premiums must be paid to the assured until the death of the insured.

Premiums for endowment and whole life assurance are paid quarterly or annually.

**Industrial assurance** is a branch of life assurance. Industrial assurance policies are usually for small amounts. The premiums are collected weekly by the companies' agents. The largest life assurance company in Great Britain is Prudential Assurance Co., established in 1845. Besides all kinds of life assurance Prudential Assurance Company undertakes many types of insurance.

### Words

1. comparatively

сравнительно

2. resent

новый,  
современный,  
недавний

3. certainty

уверенность,  
определенность

4. insured

застрахованный

5. to face

сталкиваться

<b>6. to occur</b>	случаться, происходить
<b>7. certain</b>	уверенный, несомненный
<b>8. uncertainty</b>	неуверенность, неопределенность
<b>9. occurrence</b>	случай, происшествие
<b>10. endowment</b>	вклад, дар
<b>11. endowment assurance</b>	страхование на срок
<b>12. to provide</b>	обеспечивать, предоставлять, предусматривать
<b>13. specified</b>	точно определенное, установленное
<b>14. attainment</b>	достижение
<b>15. agreed time</b>	установленное, согласованное время
<b>16. prudential</b>	благоразумный

### **6) Write the Russian equivalents**

- life assurance
- industrial assurance
- endowment assurance
- whole life assurance
- the risk may occur
- to attain a central age
- attainment
- the assured

- the sum assured

**в) Write the English equivalents**

1. Главные ветви страхования
2. В случае страхования жизни
3. Время происшествия
4. Определенное количество лет
5. Менее популярно
6. Должны быть выплачены
7. Полисы промышленного страхования
8. На маленькие суммы

**Principles of insurance**  
**Lexicalwork**

- 9. a) Translate the text, using your dictionary**