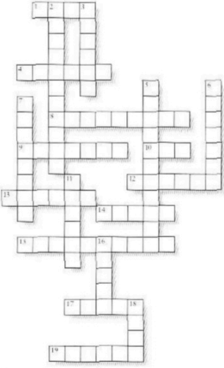
47.1 Complete the crossword. Look at A, B and C opposite to help you.



Across

1 and 10 across Some people buy life insurance that pays a _____ _____ on retirement. (4,3)
4 Many insurance companies now sell _____, over the phone or the internet. (6)
8 I have a theft policy, so the insurance company will _____ me if my mobile phone is stolen. (9)
9 If you make a big claim from your insurance company, the cost of your _____ will probably go up. (7)
10 See 1 across.
12 When I insured my house, I used a _____ to find me the best deal. (6)
13 Exporters have to insure goods in transit in case somebody _____ them. (6)
14 I lost my job as an _____ for an insurance company when people stopped buying over the counter. (5)
15 Lloyd's spreads the risks it insures among _____ made up of groups of underwriters. (10)
17 The individual underwriters at Lloyd's are commonly called _____. (5)
19 Natural disasters are expensive for insurance companies because they cause a lot of _____ to buildings and their contents. (6)

Down

2 Lloyd's _____ risks worth over £14 billion. (11)
3 You should always read the small print – all the details – before you accept an insurance _____. (6)
5 There are _____ companies that take on part of the risks underwritten by smaller companies. (11)
6 Life insurance can be a tax _____ – a way of putting off paying tax till later. (7)
7 Most people insure their personal _____ against loss, fire and theft. (8)
11 _____ of London is the world's largest insurance market. (6)
16 Fortunately, I've never had a car accident, so I've never had to _____ anything from the insurance company. (5)
18 Life insurance is also a way to _____ money and pay less tax. (4)

"Hello, I'd like to apply for some property insurance."

Over to you

How many different insurance policies do you or your family have? Are there any risks you cannot insure yourself against? What insurance does your company or employer have?

47 Insurance

A Insuring against risks

Insurance is protection against possible financial **losses**. Individuals, companies and organizations can make regular payments, called **premiums**, to an insurance company which accepts the **risk** (or possibility) of loss. When you buy insurance you make a contract, called a **policy**, with the insurance company – also known as the **insurer**. The contract promises that the company will pay you if you suffer **loss of** or **damage to** property, or **sickness** or **personal injury**.

There are various losses which people or businesses can **insure against**:

- **theft** – someone **stealing** their goods or possessions
- damage from fire or other **natural disasters** such as floods, earthquakes and hurricanes.

If property is stolen or damaged, the person or company who is insured **makes a claim** – requests compensation – from the insurer. The insurer will then **indemnify** or **compensate** them: that is, pay them an amount of money equivalent to the loss. As the number of natural disasters seems to be increasing, so are the claims for damage to property, and this will lead to higher insurance premiums.

In the past, many people buying insurance used independent **brokers** – people who searched for insurance at the lowest cost, or **agents** – people working for the insurance company. But like retail banking, the insurance industry has changed in recent years. A lot of insurance is now sold **direct**, by telephone or on the internet. This can be cheaper than insurance bought **over the counter** from a broker or an agent.

B Life insurance and saving

Life insurance (also called **assurance**) will pay an agreed sum to someone else, for example your husband or wife, if you die before a certain age. People also use life insurance policies as a way to save for the future: you can buy a policy that pays a certain sum on a specific date, such as when you retire from work. As with pension plans, life insurance policies are **tax shelters**, or a way of postponing payment of tax. You do not have to pay income tax on life insurance premiums. However a **lump sum** – a single, large amount of money paid out when an insurance policy matures – will be taxable.

C Insurance companies

Insurance companies have to invest the money they receive from premiums. Like pension funds, they are large institutional investors that invest huge sums in securities, especially low-risk ones like government bonds.

The largest insurance market in the world is **Lloyd's of London**. This is an association of people called **underwriters**, who guarantee to indemnify other people's possible losses. Lloyd's spreads risks among a number of **syndicates**: groups of wealthy individuals, commonly known as **'names'**. These people can earn a lot of money from insurance premiums if the clients never claim for compensation, but they also have unlimited **liability** or responsibility for losses.

If insurance companies consider that they have underwritten too many risks, they can sell some of that risk to a **reinsurance** company. This is a company that will receive some of the premium and also **bear**, or take, some of the risk.