

Insurance: the cost of claims

Claims following the recent fires in California highlight the difficulties being experienced by insurance companies worldwide.

1 Make collocations containing the word 'insurance' by writing the following words before or after it. Which two words do not collocate with 'insurance'?

fire	theft	life	household	market	company	damages	industry
contents	policy	cover	car	health	claim	travel	hurricane

2 Read the article. Which types of insurance claim are discussed? Which collocations from exercise 1 are used?

California fires add to insurance industry woes

The economic impact of the recent fires in California has been estimated at \$2 billion. This figure is likely to increase once rebuilding costs are added. Current insurance claims are estimated to exceed \$100 billion. At least two of the fires are believed to be the result of arson. Tens of thousands of residents fled their homes and many businesses closed in the south of the state, perhaps permanently. 'We've lost our home, our business, our valuables and our retirement,' one distressed resident told journalists. One lady promised to rebuild her house as soon she could – 'as long as the insurance company pays up'.

Munich Re, the world's biggest reinsurance company, recently stated that after the bad time the insurance market has been through over the past two years – partly due to the after-effects of September 11 – business was improving. Reinsurers underwrite the

risks assumed by insurance companies on behalf of their clients, and need a healthy capital to survive the bad times. Lloyds of London, which the majority of UK blue-chip companies use, has suffered six years of losses. Its insurers have recently paid out for the September 11 attacks, as well as for disasters such as Hurricane Isabel. The hurricane is likely to cost the insurance industry \$3 billion in claims.

Meanwhile, a survey in the UK has just revealed that the contents of homes are now worth an average of £42,000. Most of this value is made up of high technology gadgets. Many householders are actually underinsured by as much as £27,000. In the US, there are more than 43 million Americans without health insurance. The uninsured rely on luck and good health, but if either runs out, they can face financial ruin. One estimate suggests that fraudulent insurance claims cost the UK insurance industry £20 million a week. Insurance companies must be hoping for better times ahead.

3 Find words or expressions in the article meaning:

- a the illegal use of fire to destroy a house, building or property (paragraph 1)
- b pays money that is owed (paragraph 1)
- c the insurer of an insurance company (paragraph 2)
- d protect from loss with an insurance policy (paragraph 2)
- e people (or person) without insurance cover (paragraph 3)
- f made with the intention of tricking someone, especially illegally (paragraph 3)

Definitions based on *Macmillan English Dictionary*. Text © Bloomsbury Publishing Plc 2002.

4 Discuss the following questions in small groups and report your ideas to the class.

- a Have you ever had an insurance claim refused? What was the outcome?
- b Has your company ever made an insurance claim? What was the outcome?
- c Which three types of insurance do you think are the most important for the individual?
- d Do you think you are underinsured?