A Exercise 2 (Track 4)

The history of insurance

The roots of the insurance industry can be traced back to China in the third millennium BC. Back then, merchants transporting goods by river distributed their wares across the boats of fellow traders. They did this to reduce the losses of any single person, for example if a vessel capsized on dangerous stretches of the Yangtze River.

Life insurance was first introduced by the Greeks and Romans in AD 600. However, the first actuarial tables weren't published until 1683, by the famous astronomer Edmond Halley. These tables provided estimates of the life expectancy of persons of any age, thus allowing brokers to price life insurance and annuities with greater accuracy.

The catalyst for the creation of the British insurance industry was the Great Fire of London of 1666. It destroyed 13,200 houses, 87 churches, including St Paul's Cathedral, and many commercial premises. Understandably, fire insurance became an important issue after that. The first of many fire insurance companies, the Fire Office, was established in 1680 by an economist called Nicholas Barbon. At first, each company ran its own exclusive fire brigade, and these would only fight fires in those buildings which displayed their own "fire mark" – a plaque that showed which company the property was insured with. But the folly of this practice soon became clear and insurers began to co-operate with each other. Nevertheless it was another 200 years before the publicly-owned London Fire Brigade came into being.

By 1688, Lloyd's Coffee House in Tower Street had become the meeting place for shipowners and merchants wishing to insure their ships and cargoes, and insurers willing to underwrite these ventures. In 1771, a group of Lloyd's customers formed their own association of underwriters, called Lloyd's of London, and moved to premises at the Royal Exchange. 100 years later the company was incorporated by Parliament to promote marine insurance. Today it is Britain's largest insurance market.

With the arrival of the age of steam and the rapid expansion of the railway network, there was also an increased awareness of the risks of mechanised travel. The Railway Passengers Assurance Company, formed in 1849, offered the first travel insurance. It sold single-journey insurance for a few pennies added to the cost of tickets.

The first person to buy air-travel insurance was H. C. Clanahan of Cornwall. He boarded a flight from Manchester to London on October 23, 1922, without insurance, but at 1,500ft he had second thoughts and purchased £ 500 of life cover for 15 shillings from A. L. Linott, an insurance broker who also happened to be on the plane.

Klett