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GLOBAL CREDIT RATING CO.

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DICTIONARY OF TERMS, ACRONYMS AND RATIOS USED IN THE INSURANCE SECTOR

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Introduction

This list of terms, acronyms and ratios are compiled from those that are commonly used in Global Credit Ratings' published reports and occasional research papers. The content of this dictionary is not intended to be comprehensive and/or complete, remains a work in progress and will be updated periodically as needed.

Global Credit Rating Co. (Pty) Limited

107 Johan Avenue
Sandton, 2146

Tel: +27 11 784-1771

Fax: +27 11 784-1770

Website: www.globalratings.net

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Terms, Acronyms and Formulas (A-Z Selector)

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A

Absolute Assignment	Assignment by a policy owner of all control of and rights in the policy to a third party.
Absolute Liability	Liability for damages even though fault or negligence cannot be proven.
Accident	An unplanned event, unexpected and undesigned, which occurs suddenly and at a definite place.
Accident & Health Insurance	A type of coverage that pays benefits, sometimes including reimbursement for loss of income, in case of sickness, accidental injury, or accidental death.
Accident Frequency	The rate of the occurrence of accidents, often expressed in terms of the number of accidents over a period of time. It is one method used for measuring the effectiveness of loss prevention services. Contrast with Accident Severity.
Accident Insurance	A form of health insurance against loss by accidental bodily injury.
Accident Severity	A measure of the severity or seriousness of losses, rather than the number of losses. It is measured in terms of time lost from work rather than the number of individual accidents. It is another way of measuring the effectiveness of loss prevention services. Contrast with Accident Frequency.
Accident Year Experience	Measures premiums and losses relating to accidents which occurred during a 12-month period.
Accidental Bodily Injury	Injury to the body as a result of an accident.
Accidental Death Benefit	A benefit in addition to the face amount of a life insurance policy, payable if the insured dies as a result of an accident. Sometimes referred to as "double indemnity".
Accidental Means	Unexpected or undesigned cause of an accidental bodily injury. Under a definition of accidental means, the mishap itself must be accidental, not just the resulting injury. An example would be an individual chopping wood: If the axe slipped out of his hand and cut his foot, it would have been accidental means. However, if his finger got in the way of the axe, it would not have been.
Accommodation Line	Business accepted from an agent or broker, which would normally be rejected according to strict underwriting standards but which is accepted because of the overall profitability of the agent's or customer's other business. As an example, an insurer might accept coverage on property that would not normally meet its underwriting

standards, if the other lines of insurance which it carries for the customer were profitable.

Account Current	A monthly financial statement provided to an agent by an insurer showing premiums written, cancellations, endorsements, and commissions.
Accounting	A process of recording, summarising, and allocating all items of income and expense of the company and analysing, verifying and reporting the results.
Accumulated Earnings Tax	A tax penalty which is imposed on corporate earnings which are retained by the corporation for non-business related needs.
Accumulation Period	(1) The time between the first premium payment and the first benefit payment under a deferred annuity. (2) A specified period of time, such as 90 days, during which the insured person must incur eligible medical expenses at least equal to the deductible amount in order to establish a benefit period under a major medical expense or comprehensive medical expense policy.
Accumulation Units	The mechanism used to account for the insured's deposit in a variable annuity contract during the premium paying period. The number of units purchased depends on the current value of a unit in the relevant currency.
Acquisition Cost	The expenses incurred by an insurance or reinsurance company that are directly related to putting the business on the books of the company. The largest portion of this cost is usually the agent's or sales representative's commission or bonus.
Act of God	An event arising out of natural causes with no human intervention which could not have been prevented by reasonable care or foresight. Examples are floods, lightning, and earthquakes.
Activities of Daily Living	A list of activities, normally including mobility, dressing, bathing, toileting, transferring, and eating which are used to assess degree of impairment and determine eligibility for some types of insurance benefits.
Actual Cash Value	The cost of replacing or restoring property at prices prevailing at the time and place of the loss, less depreciation, however caused.
Actuarial	Having to do with insurance mathematics.
Actuarial Cost Method	One of several systems to determine either the contributions to be made under a retirement plan, or level of benefits when the contributions are fixed. In addition to forecasts of mortality, interest and expenses, some methods involve estimates of future labour turnover, salary scales and retirement rates.

Actuarial Equivalent	If the present values of two series of payments are equal, taking into account a given interest rate and mortality according to a given table, the two series of payments are said to be actuarially equivalent.
Actuarially Fair	The price for insurance, which exactly represents the expected losses.
Actuary	A person proficient in the study of mathematics, statistics and finance who applies this knowledge to problems in the corporate arena to solve problems involving variable circumstances and outcomes with related probability distributions, whilst taking practical financial considerations such as interest into account.
Additional Insured	A person other than the named insured who is protected under the terms of the contract. Usually, additional insured are added by endorsement or referred to in the wording of the definition of "insured" in the policy itself.
Adhesion	This is a characteristic of a unilateral contract which is offered on a "take it or leave it" basis. Most insurance policies are contracts of "adhesion," because the terms are drawn up by the insurer and the insured simply "adheres."
Adjustable Life Insurance	A type of insurance that allows the policyholder to change the plan of insurance, raise or lower the face value of the policy, increase or decrease the premium and lengthen or shorten the protection period.
Adjusted Gross Estate	Approximately the net worth of the deceased – the beginning point for the computation of estate taxes.
Adjuster	A representative of the insurer who seeks to determine the extent of the firm's liability for loss when a claim is submitted. Same as Claim Representative.
Adjusting	The process of investigating and settling losses with or by an insurer.
Adjustment Bureau	Organisation for adjusting insurance claims that is supported by insurers using their services.
Administrative Services	An arrangement under which an insurer or independent organisation will, for a fee, handle the administration of claims, benefits and other administrative duties for a group.
Admissible tier II debt	Admissible supplementary capital.
Admitted (or Allowed) Assets	Assets whose values are permitted by law to be included in the annual statement of the insurer.
Admitted Reinsurance	A company is "admitted" when it has been licensed and accepted by appropriate insurance regulatory authorities of a country. In determining its financial condition a ceding insurer is allowed to take credit for the unearned premiums and unpaid claims on the risks

reinsured if the reinsurance is placed in an admitted reinsurance company.

Advance Funding

Pension-funding method in which the employer systematically and periodically sets aside funds prior to the employee's retirement.

Advance Payment

Premiums paid in advance of the current policy period, including the amount tendered with an application by an applicant for Life Insurance.

Advance Premium Mutual

Mutual insurance company owned by the policyholders that does not issue assessable policies but charges premiums expected to be sufficient to pay all claims and expenses.

Adverse Selection

The tendency of poorer than average risks to buy and maintain insurance. Adverse selection occurs when the insured's select only those coverage's that are most likely to have losses.

Adverse Underwriting Decision

Any decision involving individually underwriting insurance coverages resulting in termination of existing insurance, declination of an application, or writing the coverage only at higher rates. For property and casualty insurance, it also includes placing the coverage with a residual market mechanism or an unauthorized insurer.

AFS

Annual Financial Statements.

Age Limits

The ages below which or above which an insurer will not write certain forms of insurance or above which it will not continue a policy presently in force.

Agency

An insurance sales office which is directed by an agent, manager, independent agent, or company manager.

Agency Company

An insurance company that produces business through an agency network.

Agency Contract (or Agreement)

The document which establishes the legal relationship between an agent and an insurer.

Agency Plant

The total force of agents representing an insurer.

Agent

One who solicits negotiates or effects contracts of insurance on behalf of an insurer. His right to exercise various functions, his authority, and his obligations and the obligations of the insurer to the agent are subject to the terms of the agency contract with the insurer, to statutory law, and to common law.

Agent's Authority

The authority and power granted to an agent by the agency contract. The agent is also clothed with additional power under the legal concept of apparent agency.

Agent's Balance	A periodic statement of the sums due and owed to an agent under the agent's contract with an insurer.
Agent's Commission	The method by which an agent is compensated for placing insurance with a company that he represents. The commission is usually a percentage of the premium for the policy.
Aggregate Deductible	Deductible in some property and health insurance contracts in which all covered losses during a year are added together and the insurer pays only when the aggregate deductible is exceeded.
Aggregate Indemnity	The maximum amount that may be collected for any disability for a period of disability under the policy.
Aggregate Limit	Usually refers to Liability Insurance and indicates the amount of coverage that the insured has under the contract for a specific period of time, usually the contract period, no matter how many separate accidents may occur.
Aleatory Contract	A contract in which the number of dollars to be given up by each party is not equal. Insurance contracts are of this type, as the policyholder pays a premium and may collect nothing from the insurer or may collect substantially more than the amount of the premium if a loss occurs.
Alien Insurance Company	An insurance company domiciled in another country.
Alienated	In insurance, this term describes property that an insured no longer owns or holds title to. Generally a Public Liability policy will cover the insured's liability for premises alienated by him.
Allied Lines	A term for forms of property insurance allied with fire insurance, covering such perils as windstorms, hail, explosion and riot.
Allocated Benefits	Benefits for which a maximum amount payable for specific services is itemised in the contract.
All-Risks Insurance	The term "All-Risks Insurance" is used to mean insurance against loss of or damage to property arising from any fortuitous cause except those that are specifically excluded. An insurance contract which provides All-Risks Insurance is an All-Risks policy. Contrast with Named Perils.
Alternate Delivery Systems	Health services provided in other than an in-patient, acute-care hospital (e.g. Skilled and intermediary nursing care, hospice programmes, home nursing care etc.). These systems are designed to minimise the costs of the care provided.

Ambiguity	Terms or words in an insurance policy which make the meaning unclear or which can be interpreted in more than one way. The rule of law is that any ambiguity in the policy is construed against the insurer and in favour of the insured. This is because the contract is one of adhesion; that is, the insured must adhere to what the insurer has written. If the insurer does not make its contract clear, it is responsible.
Ambulatory Care	Medical services that are provided on an outpatient basis. Services may include diagnosis, treatment and rehabilitation.
Amendment	A formal document which corrects or revises an insurance master policy. See also Endorsement and Rider.
Amortisation	Paying an interest-bearing liability by gradual reduction through a series of instalments, as opposed to single lump-sum redemption.
Amortised Value	The value of bonds purchased by an insurance company which are eligible for amortisation. For example, if a 10-year bond were purchased at R50 more than its face value, that R50 would be "amortised" or spread over the 10-year period. Each year the bonds would be valued at R5 less than the year before.
Annual Return (or Statement)	A report to the regulatory insurance department of the year's financial results. The insurer's income and expenses are stated in detail as well as its assets and liabilities.
Annuitant	The person during whose life an annuity is payable, usually the person to receive the annuity.
Annuity	A contract that provides a series of payments for a specified period of time which may or may not be contingent on the survival of the annuitant.
Annuity Certain	An annuity contract that is not dependent on the survival of the annuitant. Therefore the annuity will be paid for the period specified in the contract, irrespective of whether the annuitant survives or not.
Annuity Consideration	The payment, or one of the regular payments, an annuitant makes for an annuity.
Antiselection	See Adverse Selection.
Apparent Authority	Authority of an agent that is created when the agent oversteps actual authority, and when inaction by the insurer does nothing to counter the public impression that such authority exists.
Application	A form on which the prospective insured states facts requested by the insurer on the basis of which, together with information from other sources, the insurer decides whether to accept the risk, modify the coverage offered, or decline the risk.

Apportionment	The method of dividing a loss among insurers in the same proportions as their participation when two or more companies cover the same loss.
Appraisal	An evaluation of property made to ascertain either the appropriate amount of insurance to be written or the amount of loss to be paid.
Approved	The condition which exists when the person or object to be insured meets the underwriting standards of the insurer.
Arbitration	A form of alternative dispute resolution where an unbiased person or panel renders an opinion as to responsibility for or extent of a loss.
Arbitration Clause	Language providing a means of resolving differences between the reinsurer and the reinsured without litigation. Usually, each party appoints an arbiter. The two thus appointed select a third arbiter, or umpire, and a majority decision of the three becomes binding on the parties to the arbitration proceedings.
Assessed Value	The value of real estate or personal property as determined by a governmental unit, such as a city, for the purpose of determining taxes.
Assessment Association	An insurer that does not charge a fixed premium for insurance, but rather assesses its members periodically to pay its losses. Assessment insurers usually collect an advance premium which is estimated to cover losses and expenses, but reserve the right to make additional assessments whenever the premium collected is insufficient.
Assessment Company, Society or Insurer	An insurer retaining the right to assess additional charges above initial premium when those premiums are shown to be inadequate to cover the costs of operation. This is usually a mutual or reciprocal type of insurer.
Assessment Mutual	A mutual insurer that has the right to assess policyholders for losses and expenses.
Assets	The items on the balance sheet of the insurer which show the book value of property owned. Under regulations, not all property or other resources may be admitted in the statement of the insurer. This gives rise to the term "non-admitted assets."
Assigned Risk	A risk which is not ordinarily acceptable to insurers and which is, therefore, assigned to insurers participating in an assigned risk pool or plan. Each participating company agrees to accept its share of these risks.
Assignment	The legal transfer of one person's interest in an insurance policy to another person.
Association Captive	Type of captive insurer owned by members of a sponsoring organisation.

Association Group	A group formed from members of a trade or a professional association for group insurance under one master insurance contract.
Assumption of Risk Doctrine	Defence against a negligence claim that bars recovery for damages if a person understands and recognises the danger inherent in a particular activity or occupation.
Assumptions	Estimates concerning unknown values used in financial projections and other actuarial calculations. These values include mortality rates, interest rates, loss ratios, and recovery rates inter-alia. These values are assumed to have a specific value or stochastic distribution, based on statistical techniques applied to historic data along with interpretations. Certain regulatory bodies require the assumptions used in the calculation of certain liabilities of companies to be “best estimates”.
Assurance	Terminology used to describe life insurance. This is common practice in Great Britain, Canada and South Africa. Insurance is usually used for the description of short-term insurance. However, the term insurance is used indiscriminately to describe both life and short-term insurance in practice.
Attorney-In-Fact	The individual who manages a reciprocal insurance exchange and to whom each subscriber gives authority to exchange insurance for him with other subscribers.
Authorisation	The amount of insurance an underwriter says he will accept on a risk of a given class on specific property. It is given for the guidance and information of agents.
Authorised Insurer	An insurer authorised by the country to transact business in that country for specific types of insurance.
Automatic Cover	Coverage given automatically by a policy, usually for a specified period and limited amount, to cover increasing values and newly acquired and changing interests.
Automatic Premium Load	Cash borrowed from a life insurance policy’s cash value to pay an overdue premium after the grace period for paying the premium has expired.
Automatic Reinsurance	An agreement that the insurer must cede and the reinsurer must accept all risks within clearly defined parameters. The reinsurer undertakes in advance to grant reinsurance to the extent specified in the agreement in every case where the ceding company accepts the application and retains its own limit.
Automobile Insurance Plan	One of the several types of “shared market” mechanisms where persons who are unable to obtain such insurance in the voluntary market are assigned to a particular company, usually at a higher rate than the voluntary market. Formerly called Assigned Risk.

Automobile Liability Insurance	Protection for the insured against financial loss because of legal liability for car-related injuries to others or damage to their property.
Automobile Physical Damage Insurance	Coverage to pay for damage to or loss of an insured automobile resulting from collision, fire, theft and other perils.
Average premium debtors	See Ratio's glossary.
Avg.	Average.
Aviation Insurance	Aircraft insurance including coverage of aircraft or their contents, the owner's liability and accident insurance on the passengers.
Avoidance of Risk	Taking steps to remove a hazard, engage in an alternative activity, or otherwise end a specific exposure. One of the four major risk management techniques.

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Balance Sheet	An accounting term which refers to a listing of the assets, liabilities, and surplus of a company or individual as of a specific date.
Basic Limit	Usually refers to Liability policies and indicates the lowest amount for which a policy can be written. This amount is either prescribed by law or company policy.
Basic Premium	A fixed cost charged in a retrospective rating plan. It is a percentage of the standard premium and is designed to give the insurer the money needed for administrative expenses and the agent's commission plus an insurance charge. See also Retrospective Rating.
Beneficiary	Nominated person or institution in the policy document that is entitled to receive the proceeds stated in the policy. Does not necessarily have to be the insured or his/her estate.
Benefit Period	A period of time typically one to three years during which major medical benefits are paid after the deductible is satisfied. When the benefit period ends, the insured must then satisfy a new deductible in order to establish a new benefit period.
Benefits	Financial reimbursement and other services provided insured's by insurers under the terms of an insurance contract. An example would be the benefits listed under a Life or Health Insurance policy or benefits as prescribed by a Workers Compensation law.
Binder	An agreement executed by an agent or insurer (usually the latter) putting insurance into force before the contract has been written or

the premium paid. This term is not usually used in Life Insurance. See also Cover note.

Binding Receipt	A receipt given for a premium payment accompanying the application for insurance. If the policy is approved, this binds the company to make the policy effective from the date of the receipt.
Blanket Medical Expense	A provision which entitles the insured person to collect up to a maximum value established in the policy for all hospital and medical expenses incurred, without any limitations on individual types of medical expenses.
Boat Owners Package Policy	A special package policy for boat owners that combines physical damage insurance, medical expense insurance, liability insurance, and other coverages in one contract.
Boiler and Machinery Insurance	Coverage for loss arising out of the operation of pressure, mechanical, and electrical equipment. It covers loss of the boiler and machinery itself, damage to other property, and business interruption losses.
Bond	A certificate issued by a government or corporation as evidence of a debt. The issuer of the bond promises to pay the bondholder a specified amount of interest for a specified period and to repay the loan on the expiration (maturity) date.
Book of Business	A total of all insurance accounts written by a company or agent. It may be treated in different ways. For example: an insurer's book of automobile business, or an agent's overall book of business, or an agent's book of business with each insurer.
Book Value	Refers to the value of assets as shown in the official accounting records of the company.
Bordereau	A report providing premium or loss data with respect to identified specific risks. This report is periodically furnished to a reinsurer by the ceding insurers or reinsurers.
Borderline Risk	An insurance prospect of doubtful quality from an underwriting point of view.
Boycott	An unfair trade practice which occurs whereby refuses to have business dealings with another until he or she complies with certain conditions or concessions.
Branch Office System	Type of life insurance marketing system under which branch offices are established in various areas. Salaried branch managers, who are employees of the company, are responsible for hiring and training new agents.

Broker	One who represents an insured in the solicitation, negotiation or procurement of contracts of insurance, and who may render services incidental to those functions. By law the broker may also be an agent of the insurer for certain purposes such as delivery of the policy or collection of the premium.
Broker of Record	A broker who has been designated to handle certain insurance contracts for the policyholder.
Brokerage	(1) The fee or commission received by a broker. (2) Insurance placed by brokers contrasted with that placed by agents.
Brokerage Business	Business offered to an insurer by a broker. This is sometimes called excess or surplus business.
Brokerage Department	A department of an insurer whose purpose is to deal with brokers in the placing of insurance.
Broker-Agent	One acting as an agent of one or more insurers and as a broker in dealing with one or more other insurers.
BSCR.	Basic Solvency Capital Requirement.
Building Code	This refers to municipal or other governmental ordinances regulating the type of construction of buildings within its jurisdiction.
Burglary and Theft Insurance	Coverage against property losses due to burglary, robbery, or larceny.
Burning Cost	A term most frequently used in spread loss property reinsurance to express pure loss cost or more specifically the ratio of incurred losses within a specified amount in excess of the ceding company's retention to its gross premiums over a stipulated number of years.
Burning Ratio	The ratio of losses suffered to the amount of insurance in effect.
Business	In Property, Liability, and Health lines, it usually refers to the volume of premiums.
Business Insurance	A policy, which primarily provides coverage of benefits to a business as contrasted to an individual. It is issued to indemnify a business for the loss of services of a key employee or a partner who becomes disabled.
Business Interruption Insurance	Protection for a business owner against losses resulting from a temporary shutdown because of fire or other insured peril. The insurance provides reimbursement for lost net profits and necessary continuing expenses.
Business Life Insurance	Life insurance purchased by a business enterprise on the life of a member of the firm. It is often bought by partnerships to protect the surviving partners against loss caused by the death of a partner, or by a corporation to reimburse it for loss caused by the death of a key employee.

Buy-Back Deductible	A deductible which may be eliminated for an additional premium in order to provide "first-dollar" coverage.
Buy-Sell Agreement	An agreement made by the owners of a business to purchase the share of a disabled or deceased owner. The value of each owner's share of the business and the exact terms of the buying-and-selling process are established before death or the beginning of disability.

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C

Cafeteria Plan	Generic term for an employee benefit plan that allows employees to select among the various group life, medical expense, disability, dental, and other plans that best meet their specific needs. Also called flexible benefit plans.
CAGR.	Compound annual growth rate.
Calendar Year Experience	This measures the premiums and losses entered on accounting records during the 12-month calendar.
Calendar-year Deductible	Amount payable by an insured during a calendar year before a group or individual health insurance policy begins to pay for medical expenses.
Cancellable	A contract of insurance that may be terminated by the insurer or insured at any time. Practically every form of insurance is cancellable, except Life Insurance and those Health Insurance policies designated as "guaranteed renewable" or "non-cancellable and guaranteed renewable."
Cancellation	Termination of a contract of insurance in force by voluntary act of the insurer or insured in accordance with the provisions in the contract or by mutual agreement.
CAP.	Capitalisation.
Capacity	The largest amount of insurance or reinsurance available from a company. In a broader sense, it can refer to the largest amount of insurance or reinsurance available in the marketplace.
Capital Gain	Profit realised on the sale of securities. An unrealised capital gain is an increase in the value of securities that have not been sold.
Capital Retention Approach	A method used to estimate the amount of life insurance to own. Under this method, the insurance proceeds are retained and are not liquidated.

Capital Stock	The shares of ownership in a corporation.
Capital Sum	The maximum lump sum payable in the event of accidental death or dismemberment.
Capital Transaction	The sale of a capital asset, such as stock, which results in the transaction being taxed as ordinary income and not as a dividend.
Capitation	A method of payment for health services in which a physician or hospital is paid a fixed, per capita amount for each person served regardless of the actual number of services provided to each person.
Captive Agent	One who sells insurance for only one company as opposed to an agent who represents several companies.
Captive Insurance Company	A company owned solely or in large part by one or more non-insurance entities for the primary purpose of providing insurance coverage to the owner or owners.
Captive Insurer	A legally recognized insurance company organized and owned by a corporation or firm whose purpose is to use the captive to write its own insurance at rates lower than those of other insurers. Usually it is a nonadmitted insurer that has the right, under special circumstances, to reinsure with an admitted insurer.
CAR.	Capital Adequacy Ratio.
Career Average Formula	A pension plan formula that bases retirement benefits on earnings during all years of service to the employer.
Cargo Insurance	Type of ocean marine insurance that protects the shipper of the goods against financial loss if the goods are damaged or lost.
Carrier	Sometimes used to designate the insurer. The term "insurer" is preferred because of the possible confusion of "carrier" with transportation. See also Insurer.
Cash / Technical liabilities	See Ratios glossary.
Cash Flow Plans	Premium payment schemes which allow the insured to retain a large part of the premium and pay it out over a time period such as a year.
Cash Flow Underwriting	The use of rating and premium collection techniques by insurance companies to maximize interest earnings on premiums.
Cash Surrender Value	The amount available in cash upon voluntary termination of a policy by its owner before it becomes payable by death or maturity.
Casualty Insurance	Insurance concerned with the insured's legal liability for injuries to others or damage to other persons' property. It also encompasses such forms of insurance as plate glass, burglary, robbery and worker's compensation.

CAT.	Catastrophic.
Catastrophe	Event, which causes a loss of extraordinary magnitude, such as a hurricane or tornado.
Catastrophe Hazard	The hazard of large loss by reason of occurrence of a peril to which a very large number of insured's are subject. An example would be widespread loss due to a hurricane or tornado.
Catastrophe Reinsurance	A form of reinsurance that indemnifies the ceding company for the accumulation of losses in excess of a stipulated sum arising from a catastrophic event such as conflagration, earthquake or windstorm. Catastrophe loss generally refers to the total loss of an insurance company arising out of a single catastrophic event.
Causes-of-loss Form	Form added to commercial property insurance policy that indicates the causes of loss that are covered. There are four causes-of-loss forms basic, broad, special, and earthquake.
Caveat Emptor	Let the buyer beware.
Cede	To transfer all or part of a risk written by an insurer (the ceding or primary company) to a reinsurer.
Ceding Commission	The cedant's acquisition costs and overhead expenses, taxes, licenses and fees, plus a fee representing a share of expected profits - sometimes expressed as a percentage of the gross reinsurance premium.
Ceding Company	The original or primary insurer; the insurance company, which purchases reinsurance.
Certificate of Authority	(1) A certificate showing the powers that an insurer grants to its agents. (2) A certificate issued by a regulator of insurance showing the power of an insurer to write contracts of insurance in that country.
Certificate of Insurance	A statement of coverage issued to an individual insured under a group insurance contract, outlining the insurance benefits and principal provisions applicable to the member.
Cession	Amount of the insurance ceded to a reinsurer by the original insuring company in a reinsurance transaction.
Change of Occupation Clause	Provision in a health insurance policy stipulating that if the insured changes to a more hazardous occupation, the benefits are reduced based on the amount of benefits the premium would have purchased for the more hazardous occupation.
Chattel Mortgage	A type of mortgage where the collateral is personal property, rather than land or buildings.

Choice No-Fault	Allows auto insured's the choice of remaining under the tort system or choosing no-fault at a reduced premium.
Claim	A request for payment of a loss, which may come under the terms of an insurance contract.
Claim Expense	The expense of adjusting a claim, such as investigation and attorneys' fees. It does not include the cost of the claim itself.
Claim Report	A report filed by an agent setting forth the facts of a claim. Same as Loss Report.
Claimant	The person making a demand for payment of benefits.
Claim-made Policy	A liability insurance policy under which coverage applies to claims filed during the policy period.
Claims Adjuster	A person who settles claims; an agent, company adjuster, independent adjuster, adjustment bureau, or public adjuster.
Claims cash coverage	See Ratios glossary.
Claims incurred	Claims that have occurred, irrespective of whether or not they have been reported to the insurer.
Claims Reserve	Amounts set aside to meet costs of claims incurred but not yet finally settled. An example might be a Workers Compensation case where benefits are payable for several years. At any given point in time, the reserve would be the funds kept based on the estimate of what the claim will cost when finally settled.
Claims-Made Basis	A form of reinsurance under which the date of the claim report is deemed to be the date of the loss event. Claims reported during the term of the reinsurance agreement are therefore covered, regardless of when they occurred. A claims made agreement is said to "cut off the tail" on liability business by not covering claims reported after the term of the reinsurance agreement - unless extended by special agreement.
Class (or Classification)	A group of insureds having the same characteristics and who are, therefore, grouped together for rating purposes. Class rates apply to dwellings and apartments, since they usually have the same characteristics and are exposed to the same perils.
Class Rating	Ratemaking method in which similar insured's are placed in the same underwriting class and each is charged the same rate. Also called manual rating.
Clause	A section of a policy contract or endorsement dealing with a particular subject. For instance, a Subrogation Clause deals with the rights of the insurer in the event of payment of a loss under the contract.

Close Corporation	A corporate form of business controlled and operated by a small, close group of persons such as family members. The corporation's stock is not sold to outsiders.
Coding	A method of putting information into a numerical form for statistical use. Most information on policies is coded and then put into reports.
Coercion	An unfair trade practice which occurs when someone in the insurance business applies a physical or mental force to persuade another to transact insurance.
Coinsurance	(1) A provision under which an insured who carries less than the stipulated percentage of insurance to value, will receive a loss payment that is limited to the same ratio which the amount of insurance bears to the amount required (2) a policy provision frequently found in medical insurance, by which the insured person and the insurer share the covered losses under a policy in a specified ratio, e.g. 80 percent by the insurer and 20 percent by the insured.
Collateral Source Rule	Under this rule, the defendant cannot introduce any evidence that shows the injured party has received compensation from other collateral sources.
Collision Insurance	Protection against loss resulting from any damage to the policyholder's car caused by collision with another vehicle or object, or by upset of the insured car, whether it was the insured's fault or not.
Collusion	An agreement, usually secret, between two or more persons to defraud or deprive another or others of their property or rights.
Combined Ratio	The sum of an expense ratio and a loss ratio. An underwriting profit occurs when the combined ratio is under 100% and an underwriting loss occurs when the combined ratio is over 100%.
COMM.	Commission.
Commercial Lines	This term is used to refer to insurance for businesses, professionals, and commercial establishments.
Commercial Multiple Peril Policy	A package of insurance that includes a wide range of essential coverages for the commercial establishment.
Commercial Package Policy (CPP)	A commercial policy that can be designed to meet the specific insurance needs of business firms. Property and liability coverage forms are combined to form a single policy.
Commercial Package Policy (CPP)	A commercial lines policy that contains more than one of the following coverage parts: Commercial Property, Commercial Liability, Commercial Inland Marine, Commercial Crime, Boiler and Machinery Insurance, Commercial Automobile Insurance, and Farm Coverage.

Commingling	An illegal practice which occurs when an agent mixes personal funds with the insured's or insurer's funds.
Commission	A certain percentage of premiums produced that is received or paid out as compensation by an insurer to agents and brokers.
Commission of Authority	A document outlining the powers delegated to an agent by an insurer.
Commissions / Earned premiums	See Ratios glossary.
Common Law Liability	Responsibility based on common law for injury or damage to another's person or property which rests on an individual because of his actions or negligence. This is opposed to liability based on statutory law.
Community Property	A special ownership form requiring that one-half of all property earned by a husband or wife during marriage belongs to each. Community property laws do not generally apply to property acquired by gift, by will, or by descent.
Commutation Clause	A clause in a reinsurance agreement, which provides for estimation, payment and complete discharge of all future obligations for reinsurance losses incurred regardless of the continuing nature of certain losses such as unlimited medical and lifetime benefits for Workers' Compensation.
Company Adjuster	Claims adjuster who is a salaried employee representing only one company.
Comparative Negligence	Under this concept a plaintiff (the person bringing suit) may recover damages even though guilty of some negligence. His or her recovery, however, is reduced by the amount or percent of that negligence.
Completed Operations	Liability arising out of faulty work performed away from the premises after the work or operations are completed. Applicable to contractors, plumbers, electricians, repair shops, and similar firms.
Comprehensive Automobile Insurance	Protection against loss resulting from damage to the insured auto, other than loss by collision or upset.
Comprehensive Major Medical Insurance	A policy designed to give the protection offered by both a basic and a major medical health insurance policy. It is characterised by a low deductible amount, a coinsurance feature, and high maximum benefits.
Comprehensive Medical Expense Insurance	A form of health insurance which provides, in one policy, protection for both basic hospital expense and major medical expense coverage's. The major medical part of a comprehensive policy is characterised by a deductible amount, coinsurance, and high maximum benefits.

Comprehensive Personal Liability Insurance	Protection against loss arising out of legal liability to pay money for damage or injury to others for which the insured is responsible. It does not include automobile or business operation liabilities.
Compulsory Auto Liability Insurance	Insurance laws in some jurisdictions require motorists to carry at least certain minimum auto coverages. This is called “compulsory” insurance.
Compulsory Insurance	Any form of insurance, which is required by law.
Concealment	Deliberate failure of an applicant for insurance to reveal a material fact to the insurer.
Concomitant	Occurring or existing concurrently
Concurrent Causation	Legal doctrine that states when a property loss is due to two causes, one that is excluded and one that is covered, the policy provides coverage.
Conditional Receipt	A receipt given for premium payments accompanying an application for insurance. If the application is approved as applied for, the coverage is effective as of the date of the prepayment or the date on which the last of the underwriting requirements, such as a medical examination, has been fulfilled.
Conditionally Renewable	Continuance provision of a health insurance policy under which the company cannot cancel the policy during its term but can refuse to renew under certain conditions stated in the contract.
Conditions	Provisions inserted in an insurance contract that qualify or place limitations on the insurer’s promise to perform.
Confirming Sickness	An illness that confines an insured person to his home or to a hospital.
Consequential Loss	Financial loss occurring as the consequence of some other loss. Often called an indirect loss.
Conservation	The attempt by the insurer to prevent the lapse of a policy.
Consideration	One of the elements for a binding contract. Consideration is acceptance by the insurance company of the payment of the premium and the statement made by the prospective policyholder in the application.
Consideration Clause	The clause that stipulates the basis on which the company issues the insurance contract. In health policies, the consideration is usually the statements in the application and the payment of premium.
Contingent Annuity Option	An option under which an employee may elect to receive, under certain conditions, a reduced amount of annuity with the same income, or a specified fraction, to be paid after his death to another person designated as his contingent annuitant, for that person’s

lifetime. The contingent annuitant is usually the husband or the wife. (See Joint and Survivor Annuity)

Contingent Beneficiary

The person or persons designated to receive the benefits of a policy or plan if the primary beneficiary dies while the insured is living.

Contingent Commissions (or Profit Commission)

An allowance payable to the ceding company in addition to the normal ceding commission allowance, It is a pre-determined percentage of the reinsurer's net profits after a charge for the reinsurer's overhead, derived from the subject treaty.

Contingent Fund

A reserve to cover possible liabilities resulting from an unusual happening.

Contingent Liability

Liability arising out of work done by independent contractors for a firm. A firm may be liable for the work done by an independent contractor if the activity is illegal, the situation does not permit delegation of authority, or the work is inherently dangerous.

Contingent Owner

The person to succeed as owner of a life insurance policy if the original owner dies.

Contract

(1) An agreement entered into by two or more persons under whom one or more of them agree, for a consideration, to do or refrain from doing acts in accordance with the wishes of the other party(s). (2) In insurance, the agreement, by which an insurer agrees, for a consideration, to provide benefits, reimburse losses or provide services for an insured. A "policy" is the written statement of the terms of the contract. (3) An agreement under which an agency or agent does business with an insurer.

Contract Holder

The group, entity or person to whom a group annuity contract is issued.

Contractual Liability

Legal liability of another party that the business firm agrees to assume by a

Contribution by Equal Shares

Type of other-insurance provision often found in liability insurance contracts that requires each company to share equally in the loss until the share of each insurer equals the lowest limit of liability under any policy or until the full amount of loss is paid.

Contribution Clause

See Coinsurance Clause. Both are similar in effect, but the term Contribution Clause is identified mostly with Business Interruption forms.

Convention

A gathering of persons, such as personnel of an insurer or members of a trade association, for the purpose of conducting business and/or receiving instruction and sales ideas.

Conversion	(1) Wrongful use of property by one in lawful possession of it. (2) Change of one policy form to another, usually without evidence of insurability. This usually refers to Life or Health Insurance contracts.
Conversion Privilege	A privilege granted in an insurance policy to convert to a different plan of insurance without providing evidence of insurability. The privilege granted by a group policy is to convert to an individual policy upon termination of group coverage.
Convertible Bond	A bond that offers the holder the privilege of converting the bond into a specified number of shares of stock.
Convertible Term Insurance	Term insurance, which can be exchanged, at the option of the policyholder and without evidence of insurability, for another plan of insurance.
Cooperative Insurance	Insurance issued by a mutual association such as a fraternal society, an employee association, an industrial association, or a trade union.
Co-ordination of Benefits (COB)	The mechanism used in group health insurance to designate the order in which the multiple carriers are to pay benefits and to prevent duplicate payments.
Corridor Deductible	Major medical plan deductible that excludes benefits provided by a basic plan if both basic and supplementary group major medical expense policies are in force.
Cost Basis	An amount attributed to an asset for income tax purposes used to determine gain or loss on sale or transfer used to determine the value of a gift.
Cost Containment	The controller reduction of inefficiencies in the consumption, allocation, or production of health care services that contribute to higher than necessary costs.
Cost-of-Living Rider	Benefit that can be added to a life insurance policy under which the policy owner can purchase one-year term insurance equal to the percentage change in the consumer price index with no evidence of insurability.
Countersignature	The signature of a licensed agent or representative on a policy.
Cover	(1) A contract of insurance. (2) To effect insurance, that is, to "cover" an insured, for instance, for Automobile Insurance effective as of a given time. (3) To include within the coverage of a contract of insurance. For example, one could "cover" additional buildings under a Property Insurance contract.
Cover Note	Similar to a binder, but binders are usually issued by companies and delivered to agents. A Cover Note is usually written by an agent, and it informs the insured that coverage is in effect.

Coverage	The scope of the protection provided under a contract of insurance.
Coverage for Damage to Your Auto	That part of the personal auto policy insuring payment for damage or theft of the insured automobile. This optional coverage can be used to insure both collision and other-than-collision losses.
Coverage Part	Any one of the individual commercial coverage parts that may be attached to a commercial policy. Under the latest commercial lines programme, a coverage part may be issued as a monoline policy or may be combined with others as part of a package policy.
Covered	A person covered by a pension plan is one who has fulfilled the eligibility requirements in the plan, for whom benefits have accrued, or are accruing, or who is receiving benefits under the plan.
Covered Expenses	Hospital, medical, and miscellaneous health care expenses incurred by the insured that entitle him/her to a payment of benefits under a health insurance policy. Found most often in connection with major medical plans, the term defines, by description, reasonableness, or necessity to specify the type and amount of expense, which will be considered in the calculation of benefits.
Covered Loss	Illness, injury, death, property loss, legal liability, or any other situation or loss for which an insurance company will pay benefits under a policy when such event occurs.
CPA.	Claims Paying Ability.
Credibility	A statistical measure of the degree to which past results make good forecasts of future results.
Credibility Factor	The weight given to an individual insured's past experience in computing premiums for future coverage.
Credit Health Insurance	A form of health insurance on a borrower, usually under an instalment purchase agreement. The benefits cover the obligations of the borrower and are payable to the creditor.
Credit Insurance	A guarantee to manufacturers, wholesalers, and service organisations that they will be paid for goods shipped or services rendered. Applies to that part of working capital, which is represented by accounts receivable.
Credit Report	A confidential report made by an independent individual or organization that has investigated the reputation and record of an applicant for insurance.
Crop-hail Insurance	Protection against damage to growing crops as a result of hail or certain other named perils.
Cross-subsidy Liability	Refers to the shortfall between contributions and claims that are not compensated for by any previous excess in the two elements.

CSR.	Customer service representatives support the work of insurance agents with a variety of tasks that must be done within a company or agency to deliver services to and handle requests from clients.
Current Assumption Whole Life Insurance	Non-participating whole life policy in which the cash values are based on the insured's current mortality, investment, and expense experience. An accumulation account is credited with a current interest rate that changes over time. Also called interest-sensitive whole life insurance.
Cut Rate	This term generally applies to insurance companies who charge premiums below a normal or average rate.

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Daily Report	An abbreviated statement of pertinent policy information with copies for the insurer, the agent, and others. It is usually the top page of a policy.
Date of Issue	The date stated in a policy as the date on which the contract was issued by the insurer. This is not necessarily the effective date of the policy.
Death Benefit	A payment made to a designated beneficiary upon the death of the employee annuitant.
Debenture	A bond that is backed only by the general credit of the issuing corporation. No specific property is pledged as security behind the loan.
Decedent	Same as deceased.
Declarations	Statements in an insurance contract that provide information about the risk or life to be insured and used for underwriting and rating purposes and identification of the risk or life to be insured.
Declination	Rejection of an application for insurance by the insurer.
Deductible	The portion of an insured loss to be borne by the insured before he is entitled to recovery from the insurer.
Deferred Annuity	An annuity providing for the income payments to begin at some specified future date.
Deferred Compensation	Arrangements by which compensation to employees for past or current services is postponed until some future date.

Deferred Group Annuity	A type of group annuity providing for the purchase each year of a paid-up deferred annuity for each member of the group, the total amount received by the member at retirement being the sum of these deferred annuities.
Deficit	Any excess of debits over credits at the end of a given accounting period.
Deficit Carried Forward	The transfer of a debit balance from one accounting period to another.
Defined Benefit Plan	A pension plan stating either (1) the benefits to be received by employees after retirement or (2) the method of determining such benefits. The employer's contributions under such a plan are actuarially determined.
Defined Contribution Plan	A plan under which the contribution rate is fixed and benefits to be received by employees after retirement depend to some extent upon the contributions and their earnings.
Deflation	An economic period characterized by falling prices, high unemployment and a generally sluggish or slow economy.
Degree of Risk	The amount of uncertainty that exists in a given situation. For instance, if you've chosen heads in the flip of a coin, the degree of risk present is 50%, since there is a 50% chance any flip of the coin will come up tails.
Delivery cost ratio	See Ratio's glossary.
Delivery costs	The sum of management expenses and net commission expenses.
Demutualisation	The process of changing the legal structure of an insurance company from a mutual form of ownership to a stock form of ownership.
Dental Insurance	Individual or group plan that helps pay costs of normal dental care as well as damage to teeth from an accident.
Dependency Period	Period of time following the readjustment period during which the surviving spouse's children are under eighteen and therefore dependent of the parent.
Dependant	An individual who depends on another for support and maintenance.
Dependant Benefits	Social Security benefits available to the spouse or children of a Social Security beneficiary.
Deposit (or Provisional) Premium	The premium paid at the inception of a contract which provides for future premium adjustments. It is based on an estimate of what the final premium will be. See also Basic Premium.

Deposit Administration Group Annuity	A type of group annuity providing for the accumulation of contributions in an undivided fund out of which annuities are purchased as the individual members of the group retire.
Deposit Premium	The premium deposit paid by a prospective policyholder when an application is made for an insurance policy. It is usually equal, at least, to the first month's estimate premium and is applied toward the actual premium when billed.
Deposit Term Insurance	A form of term insurance, not really involving a "deposit," in which the first-year premium is larger than subsequent premiums. Typically, a partial endowment is paid at the end of the term period. In many cases the partial endowment can be applied toward the purchase of a new term policy, or, perhaps, a whole life policy.
Depreciation	A decrease in the value of tangible assets over a period of time due to wear and tear or obsolescence. Depreciation is used to determine the actual cash value of property at time of loss.
Difference in Conditions Insurance (DIC)	"All-risks" policy that covers other perils not insured by basic property insurance contracts, supplementary to and excluding the coverage provided by underlying contracts.
Direct Loss	Financial loss that results directly from an insured peril.
Direct Placement	Sale of an entire issue of bonds or stock by the issuer to one or a few large institution customers such as an insurance company without trying to market the issue publicly.
Direct Premiums Written	The total amount of an insurer's written premiums without any allowance for premiums ceded to reinsurers.
Direct Response System	A marketing method where insurance is sold without the services of an agent. Potential customers are solicited by advertising in the mail, newspapers, magazines, television, radio, and other media.
Direct Selling System	A distribution system within the insurance industry through which insurance policies and coverages are marketed by employees of the insurer rather than independent agents.
Direct Writer	The industry term for a company, which uses its own sales employees to write its policies. Sometimes refers to companies, which contract with exclusive agents.
Disability	A condition that curtails to some degree a person's ability to carry on his normal pursuits. A disability may be partial or total, and temporary or permanent.
Disability Benefit	Periodic payments, usually monthly, payable to participants under some retirement plans, if such participants are eligible for the benefits and become totally and permanently disabled prior to the normal retirement date. +

Disability Benefit	A feature added to some life insurance policies providing for waiver of premium, and sometimes payment of monthly income, if the policy holder becomes totally and permanently disabled.
Disability Income Insurance	A form of health insurance that provides periodic payments to replace income when an insured person is unable to work as a result of illness, injury, or disease.
Disappearing Deductible	Deductible in an insurance contract that provides for a decreasing deductible amount as the size of the loss increases, so that small claims are not paid but large losses are paid in full.
Disclosure Authorization Form	A form authorizing the disclosure of personal information obtained in connection with an insurance transaction. Insurers are required to give applicants advance notice of their information practices. Among other things, the form must state the kind of information collected and to whom information may be disclosed.
Discrimination	Refusal of an insurer to provide comparable insurance or use comparable rates for certain individuals or groups with basic characteristics the same as those to whom the coverage or rates are offered. Unfair discrimination is prohibited by law.
Dismemberment	Loss of body members (limbs), or use thereof, or loss of sight due to injury.
Dismemberment Insurance	A form of health insurance that provides payment in case of loss by bodily injury of one or more body members (such as hands or feet) or the sight of one or both eyes.
Disposable Personal Income	The personal income less personal tax and non-tax payments. It is the income available to people for spending and saving.
Divided Cover	The placing of insurance on a given subject or object with more than one insurer.
Dividend Addition	An amount of paid-up insurance purchased with a policy dividend and added to the face amount of the policy.
Dividends in respect of financial year	A distribution of a portion of a company's earnings, decided by the board of directors, to a class of its shareholders.
Domestic Insurer	An insurance company is a domestic company in the state in which it is incorporated.
Domestic Insurer (or Company)	An insurer formed under the laws of the state in which the insurance is written.
Donor	The person making a gift.

Double Indemnity

A policy provision usually associated with death, which doubles payment of a designated benefit when certain kinds of accidents occur.

Dread Disease Insurance

Insurance providing an unallocated benefit, subject to a maximum amount, for expenses incurred in connection with the treatment of specified diseases, such as cancer, poliomyelitis, encephalitis and spinal meningitis.

Drive-In Claim Service

A facility maintained by an Automobile insurer in which the extent of damage to a claimant's automobile can be determined and, in many cases, a settlement made.

Dual Life Stock Company

A stock life insurer issuing both participating and nonparticipating policy contracts.

Duplication of Benefits

Overlapping or identical coverage of the same insured under two or more health plans, usually the result of contracts of different insurance companies, service organisations, or pre-payment plans also known as multiple coverage.

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Early Retirement

Retirement of a participant prior to the normal retirement date, usually with a reduced amount of annuity. Early retirement is generally allowed at any time during a period of 5 to 10 years preceding the normal retirement date.

Earned Income

Employment income derived from salary, wages, commissions, or fees.

Earned Income

The money individuals earn as a result of working at some job or occupation for which they are paid a salary.

Earned loss ratio

See Ratio's glossary.

Earned Premium

(1) That part of the premium applicable to the expired part of the policy period, including the short-rate premium on cancellation, the entire premium on the amount of loss paid under some contracts, and the entire premium on the contract on the expiration of the policy. (2) That portion of the reinsurance premium calculated on a monthly, quarterly or annual basis, which is to be retained by the reinsurer should their cession be cancelled. (3) When a premium is paid in advance for a certain time, the company is said to "earn" the premium as the time advances. For example, a policy written for three years and paid for in advance would be one-third "earned" at the end of the first year.

EBIT.	Earnings Before Interest and Tax.
Economic Loss	The estimated total cost, both insured and uninsured, of mishaps (such as motor vehicle accidents, work accidents, and fires) includes such factors as property damage, funeral expenses, wage loss, insurance administration costs, and medical, hospital and legal costs.
Economic Policy	Special type of participating whole life insurance in which the dividends are used to buy term insurance or paid-up additions equal to the difference between the face amount of the policy and some guaranteed amount.
Effective Date	The date on which the protection of an insurance policy or bond goes into effect.
Effective tax rate	See Ratio's glossary.
Elements of a Negligent Act	Four elements an injured person must show to prove negligence. Existence of a legal duty to use reasonable care, failure to perform that duty, damages or injury to the claimant, and proximate cause relationship between the negligent act and the infliction of damages.
Eligibility Date	The date on which an individual member of a specified group becomes eligible to apply for insurance under the (group life or health) insurance plan.
Eligibility Period	A specified length of time, frequently 31 days, following the eligibility date during which an individual member of a particular group will remain eligible to apply for insurance under a group life or health insurance policy without evidence of insurability.
Eligible Employees	Those members of a group who have met the eligibility requirements under a group life or health insurance plan.
Elimination Period	A period of time between the period of disability and the start of disability income insurance benefits, during which no benefits are payable. (See Waiting Period.)
Endorsement	An amendment of the policy usually by means of a rubber stamp or rider.
Endowment	Life insurance payable to the policyholder if living, on the maturity date stated in the policy or to a beneficiary if the insured dies prior to that date.
Eng.	Engineering.
Enrolled Actuary	A person who performs actuarial service for a plan and who is enrolled with the
Enrolment Card	A document signed by an employee as notice of his/her desire to participate in the benefits of a group insurance plan.

Entire Contract Clause	Provision in life insurance policies stating that the life insurance policy and attached application constitute the entire contract between the parties.
Environmental Impairment Liability Insurance	A form of insurance designed to cover losses and liabilities arising from damage to property by pollution.
Equities	Investments in the form of ownership of property, usually common stocks, as distinguished from fixed income bearing securities, such as bonds or mortgages.
Equity	The money value of an insurance company that is over and above its liabilities. Liabilities include almost all of its reserves.
Equity in the Unearned Premium Reserve	Amount by which an unearned premium reserve is overstated because it is established on the basis of gross premium rather than net premium.
ERM.	Enterprise Risk Management.
Errors and Omissions Clause	A provision in reinsurance agreements which is intended to neutralise any change in liability or benefits as a result of an inadvertent error by either party.
Errors and Omissions Insurance	A form of insurance that indemnifies the insured for any loss sustained because of an error or oversight on his or her part.
Estimated Premium	A provisional premium which is adjusted at the end of the year. For example, in Workers Compensation Insurance an estimated premium is based on estimated payrolls for the coming year. At the end of the year, final payrolls are determined and the final premium is computed.
Estoppel	Legal doctrine that prevents a person from denying the truth of a previous representation of fact, especially when such representation has been relied on by the one to whom the statement was made.
Evidence Clause	A clause in a policy which requires the insured to cooperate in the investigation of a claim by producing records and submitting to examinations. This is required to help an adjuster establish the validity of a claim. An Evidence Clause in a Health policy requires the insured to submit to physical examinations.
Evidence of Insurability	Any statement of proof of a person's physical condition and/or other factual information affecting his/her acceptance for insurance.
EWRM.	Enterprise Wide Risk Management.
Ex Gratia Payment	Latin for "from favour." A payment by an insurer to an insured for which there is no liability under the contract. In some cases an insurer may feel there has been a mistake or a misunderstanding, and he may pay a claim even though he does not appear to be liable.

Excess and Surplus Insurance	(1) Insurance to cover losses above a certain amount, with losses below that amount usually covered by a regular policy. (2) Insurance to cover an unusual or one-time risk, e.g. damage to a musician's hands or the multiple perils of a convention, for which coverage is unavailable in the normal market.
Excess Insurance	Coverage designed to be in excess over one or more primary coverages, and which does not pay a loss until the loss amount exceeds a certain sum.
Exclusion or Exception	Specified conditions or circumstances, listed in the policy, for which the policy will not provide benefits.
Exclusion ratio	The portion of an annuity payment, considered by the tax law to be a return of your initial investment, that is not subject to income tax when received.
Exclusions	Specific situations, conditions, or circumstances that are listed in the contract as being not covered.
Exclusive Agency System	An insurance distribution system within which agents sell and service insurance contracts that limit representation to one insurer and which reserve to the insurer the ownership, use, and control of policy records and expiration date. See also Captive Agent and Direct Writer, and contrast with Independent Agency System.
Exclusive Agent	An agent who is employed by one and only one insurance company and who solicits business exclusively for that company.
Exclusive Remedy	A component of workers compensation statutes that bars employees injured on the job from making a tort liability claim against their employers. The benefits provided under workers compensation are the sole remedy available to injured employees. There are exceptions to this rule varying from state to state that do provide the employee with a legal venue. The failure to obtain and maintain insurance as well as wilful negligence on the part of the employer are two types of such deviations.
EXCO.	Executive Management Committee.
Executor, Executrix	A fiduciary named in a will to settle an estate. An executrix is a female executor.
EXP.	Expense.
Expense Allowance	Compensation paid to an insurance agent in excess of prescribed commissions.
Expense Ratio	The ratio of a company's operating expenses to premiums.

Experience	A term used to describe the relationship, usually expressed as a percent or ratio, of premium to claims for a plan, coverage, or benefits for a stated time period.
Experience Modification Factor	Used in workers compensation rating to reflect the degree to which a particular employer has experience that is better or worse than expected for that industry. Weighted by employer's credibility factor.
Experience Rating	The process of determining the premium rate for a group risk, wholly or partially on the basis of that group's experience.
Experience Refund	A provision in most group policies for the return of premium to the policyholder because of lower than anticipated claims.
Exposure Unit	Unit of measurement used in insurance pricing.
Extended Coverage Insurance	Protection for the insured against property damage caused by windstorm, hail, smoke, explosion, riot, riot attending a strike, civil commotion, vehicle and aircraft. This is provided in conjunction with the fire insurance policy and the various "package" policies.
Extended Nonowned Coverage	Endorsement that can be added to an automobile liability insurance policy that covers the insured while driving any nonowned automobile on a regular basis.
Extended Reporting Period	An additional period of time after policy expiration during which valid claims will be paid under a claims-made policy of liability insurance.
Extended Reporting Period Endorsement	Added to a claims-made policy of liability insurance to provide additional period of time during which valid claims will be paid.
Extended Term Insurance	A form of insurance available as a no forfeiture option. It provides the original amount of insurance for a limited period of time.
Extra Contractual Obligations (ECO)	A generic term that, when used in reinsurance agreements, refers to damages awarded by a court against an insurer which are outside the provisions of the insurance policy, due to the insurer's bad faith, fraud, or gross negligence in the handling of a claim. Examples are punitive damages and losses in excess of policy limits.
Extra Expense Insurance	Type of business income insurance that covers the extra expenses incurred to continue operations after a loss has occurred.

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Face Amount	The amount of insurance provided by the terms of an insurance contract, usually found on the face of the policy. In a Life Insurance policy, the death benefit.
Facility	A pooling mechanism for insured's not able to obtain insurance in the voluntary market. Insurers write and issue policies but cede premium and losses on those policies to a central pool in which all insurers share.
Factory Mutual	Mutual insurance company insuring only properties that meet high underwriting standards. Emphasises loss prevention.
Facultative	Facultative reinsurance means reinsurance of individual risks by offer and acceptance wherein the reinsurer retains the "faculty" to accept or reject each risk offered.
Fair Rental Value	Amount payable to an insured homeowner for loss of rental income due to damage that makes the premises uninhabitable.
Family Expense Policy	A policy which insures both the policyholder and his/her immediate dependants (usually spouse and children).
Farm Mutual	Local mutual insurance company that insures farm property in a limited geographical area primarily through assessable policies.
Farm owners Policy	A package policy for a farm, providing property and liability coverages against personal and business losses.
Fidelity Bond	A form of protection, which reimburses an employer for losses caused by dishonest or fraudulent acts of employees.
Fiduciary	A person holding the funds or property of another in a position of trust. An example would be the executor of an estate.
Field	A type or line of insurance as "in the Life Insurance field."
Field Force	The agents and supervisory personnel of insurers who operate away from the home office in the branch offices and agencies of the company.
Final average formula	A pension plan formula that bases retirement benefits on earnings during recent years of employment.
Financial base / NWP	See Ratios glossary.
Financial Reinsurance	A form of reinsurance, which considers the time value of money and has loss containment provisions. One of its objectives is the enhancement of the cedant's financial statements or operating ratios, e.g., the combined ratio, loss portfolio transfers and financial quota shares are examples.

Financial Statement	The disclosure of the financial results of a firm's operations. It involves the balance sheet, profit and loss statement, and associated information.
Fire Insurance	Coverage for losses caused by fire and lightning, plus resultant damage caused by smoke and water.
Fire Legal Liability	Liability of a firm or person for fire damage caused by negligence of and damage to property of others.
First party claim	A demand made by a policyholder reporting an insured event directly to his company.
First Loss Insurance	(1) Popularly used, an insurance policy which is called upon to pay a loss before others covering the same risk. (2) A contract written in such an amount as to cover only an insured's expected loss during the policy period with no other insurance in existence.
First Named Insured	The first named insured appearing on a commercial policy. The latest forms permit the insurer to satisfy contractual duties by giving notice to the "first" named insured rather than requiring notice to all named insureds.
First Party Coverage	An insurance coverage under which the policyholder collects compensation for losses from the insured's own insurer rather than from the insurer of the person who caused the accident.
First Party Insurance	Insurance which applies to coverage for the insured's own property or person.
First Year	The term used to refer to various matters during the first year a policy is in force, such as first year premiums and first year claims.
First Year Commission	The commission paid on the first year's premium.
Fixed Amount Option	Life insurance settlement option in which the policy proceeds are paid out in fixed amounts.
Fixed Annuity	Annuity whose periodic payment is a guaranteed fixed amount.
Fixed Period Option	Life insurance settlement option in which the policy proceeds are paid out in fixed amounts.
Flat	Without interest or service charges. See also Flat Cancellation.
Flat Cancellation	A policy which is cancelled upon its effective date. Usually under a flat cancellation no premium charge is made.
Flat Commission	A standard scale commission paid to an agent regardless of the type of exposure or the type of policy. Contrast with Graded Commission.

Flat Rate	In reinsurance, a percentage rate applied to a ceding company's premium writings for the classes of business reinsured to determine the reinsurance premiums to be paid the reinsurer.
Flat Schedule	A type of schedule in group insurance under which everyone is insured for the same benefits regardless of salary, position, or other circumstances.
Flexible Premium Policy or Annuity	A life accident policy or annuity under which the policyholder or contract holder may vary the amounts or timing of premium payments.
Flexible Premium Variable Life Insurance	A life insurance policy that combines the premium flexibility feature of universal life insurance with the equity-based benefit feature of variable life insurance.
Flex-rating Law	Type of rating law in which prior approval of the rates is required only if the rates exceed a certain percentage above and below the rates previously filed.
Floater	Insurance policies that cover property that can be moved from one location to another for both transportation perils and perils affecting property at a fixed location.
Flood Insurance	Coverage against loss resulting from the flood peril, widely available at low cost under a program developed by the private industry and the federal government.
Forfeitures	Amounts contributed on behalf of terminated, non-vested participants. In a pension plan, such amounts must be applied to reducing future employer contributions. In a profit-sharing plan, such amounts may be allocated to the accounts of remaining participants.
Form	(1) An insurance document which, when attached to a policy, makes it complete. For example, a Standard Fire policy would have to have a Business Interruption form attached to it to make up a Business Interruption policy. (2) Any rider or endorsement, such as a Deductible Endorsement "form."
Fortuitous Loss	Unforeseen and unexpected loss that occurs as a result of chance.
Franchise Deductible	Deductible commonly found in marine insurance contracts in which the insurer has no liability if the loss is under a certain amount, but once this amount is exceeded, the entire loss is paid in full.
Franchise Insurance	Insurance under individual contracts issued to the employees of a common employer or the members of an association under an arrangement by which the employer or association agrees to collect the premiums and remit them to the insurer. The insurer usually agrees to waive its right to discontinue or modify any individual policy, unless it's simultaneously discontinues or modifies all other policies in the same group.

Fraternal Life Insurance	Life insurance provided by fraternal orders or societies to their members.
Fraternal Insurance	A co-operative type of insurance provided by social organisations for their members.
Fraternal Society	A social organisation that provides insurance for its members.
Fronting Company	A domestic insurance company that provides claims or administrative services to a captive.
FSA.	See Fellow of the Society of Actuaries.
FSB.	Financial Services Board.
Funded Retirement Plan	A plan under which funds are set aside in advance to provide for expected benefits.
Funding Agency	A financial institution or individual that provides for the accumulation or administration of the pension contributions that will be used to pay pension benefits.
Funding Instrument	An insurance contract or trust agreement that states the terms under which the funding agency will accumulate, administer, and disburse the pension funds.
Future Increase Option	A provision found in some policies that allows the insured to purchase additional disability income insurance at specified future dates regardless of the insured's physical condition.
Future Service Benefits	Benefits accruing for service after the effective date of coverage under the plan.
FYE.	Financial Year End.

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G

GAAP.	See Generally Accepted Accounting Principles.
Gain and Loss Exhibit	The portion of the convention blank which represents an analysis of gains, losses, and surplus during an accounting period.
GDP.	Gross Domestic Product.
General Average	In ocean marine insurance, a loss incurred for the common good that is shared by all parties to the venture.

General Damages	Damages awarded to an injured person for an intangible loss, which cannot be measured directly by monetary values. Popularly known as “pain and suffering.” General damages are distinguished from special damages, which are awarded for actual economic loss, such as medical costs, loss of income, etc.
General Liability Insurance	Coverage that pertains, for the most part, to claims arising out of the insured’s liability for injuries or damage caused by ownership of property, manufacturing operations, contracting operations, sale or distribution of products, and the operation of machinery, as well as professional services.
Generally Accepted Accounting Principles	These principles have substantial authoritative support for use in the insurance business. They are intended to produce financial results consistent with those of other industries and to assure consistency in financial reporting.
Glass Insurance	Protection for loss of or damage to glass and its appurtenances.
Goodwill	An intangible business asset. It refers to the value of a business which has been built up through the reputation of the business concern and its owners.
Grace Period	A specified period after a premium payment is due, in which the policyholder may make such payment, and during which the protection of the policy continues.
Graded Commission	A compensation scale for agents which provides for varying commission rates depending upon the class, type, or volume of insurance written. Contrast to Flat Commission.
Graded Commission Scale	A commission scale providing for payment of a high first-year commission and lower renewal commissions.
Grantee	The buyer of property.
Grantor	The seller of property.
Gross incurred loss	The total Gross amount of paid claims and loss reserves associated with a particular time period, usually a policy year
Gross incurred loss ratio	See Ratios glossary.
Gross Line	The total limit accepted by an insurer on an individual risk, including the amount to be reinsured.
Gross Premium	Pure premium adjusted upward to include insurer expenses.
Gross Rate	The sum of the pure premium and a loading element.
Gross written premium (GWP)	The total premium written and assumed by an insurer before deductions for reinsurance and ceding commissions.

Group Annuity	A pension plan providing annuities at retirement to a group of people under a master contract. It is usually issued to an employer for the benefit of employees. The individual members of the group hold certificates as evidence of their annuities.
Group Annuity Contract	A contract issued by a life insurance company that may be used as the funding instrument for benefits to be made in accordance with a pension plan. A single master contract provides that the group of persons participating in the plan will receive annuities during retirement. Individual certificates stating coverage may be issued to members of the group.
Group Contract	A contract of insurance made with an employer or other entity that covers a group of persons identified as individuals by reference to their relationship to the entity.
Group Creditor Life Insurance	Life insurance provided to debtors by a lending institution to provide for the cancellation of any outstanding debt should the borrower die. Normally term insurance is limited to the amount of the loan.
Group Insurance	Insurance written on a number of people under a single master policy, issued to their employer or to an association with which they are affiliated.
Group Life Insurance	Life insurance usually without medical examination, on a group of people under a master policy. It is typically issued to an employer for the benefit of employees or to members of an association, for example a professional membership group. The individual members of the group hold certificates as evidence of their insurance.
Group Ordinary Life Insurance	Group insurance plan providing life insurance for employees. Traditional whole life policy is split into decreasing insurance protection and increasing cash values.
Group Paid-up Life Insurance	Accumulating units of single premium whole life insurance and decreasing term insurance, which together equal the face amount of the policy. Provided through a group life insurance plan.
Group Permanent Plan	Type of pension plan in which cash value life insurance is issued on a group basis and cash values in each policy are used to pay retirement benefits when a worker retires.
Group Term Life Insurance	Most common form of group life insurance. Yearly renewable term insurance on employees during their working careers. Also known as Group Life Assurance (GLA).
Group Universal Life Products (GULP)	Universal life insurance plans sold to members of a group, such as individual employees of an employer. There are some differences between GULP plans and individual universal life plans for instance, GULP expense charges generally are lower than those assessed against individual policies.

Guaranteed Investment Contract	An investment contract with an insurer in which the insurer guarantees both principal and interest on a pension contribution.
Guaranteed Purchase Option	Benefit that can be added to a life insurance policy permitting the insured to purchase additional amounts of life insurance at specified times in the future without requiring evidence of insurability.
Guaranty Fund	A fund, derived from assessments against solvent insurance companies, to absorb losses of claimants against insolvent insurance companies.
GWP.	Gross Written Premium.
GWP growth	See Ratios glossary.

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H

Hard Market	That part of the insurance sales cycle in which competitive pricing is at a minimum as companies charge the premiums necessary to meet their underwriting losses in order to avoid insolvency and boost capacity usually associated with a sharp decline in capacity.
Hazard	A specific situation that increases the probability of the occurrence of loss arising from a peril, or that may influence the extent of the loss. For example, accident, sickness, fire, flood, liability, burglary, and explosion are perils. Slippery floors, unsanitary conditions, shingled roofs, congested traffic, unguarded premises, and uninspected boilers are also hazards.
Health Insurance	Protection, which provides payment of benefits for covered sickness or injury. Included under this heading are various types of insurance such as accident insurance, disability income insurance, medical expense insurance, and accidental death and dismemberment insurance.
Hedging	Technique for transferring the risk of unfavourable price fluctuations to a speculator by purchasing and selling options and futures contracts on an organised exchange.
Hold-Harmless Clause	Clause written into a contract by which one party agrees to release another party from all legal liability, such as a retailer who agrees to release the manufacturer from legal liability if the product injures someone.
Homeowner's Policy	A package of insurance providing homeowners with a broad range of property and liability coverages.

Hospice	Health care facility providing medical care and support services such as counselling to terminally ill persons.
Hospital Admissions Programme	An arrangement to facilitate admission of persons covered by health insurance to hospitals and to assure the prompt payment of applicable insurance benefits to hospitals.
Hospital Expense Insurance	A form of health insurance that provides specific benefits for daily hospital room and board and hospital services during hospital confinement. Generally the policy also provides benefits for surgical operations and for in- hospital doctor's visits, in which case the policy is referred to as a hospital and Surgical Expense Policy.
Hospital Indemnity	A form of health insurance, which provides a stipulated daily, weekly, or monthly indemnity during hospital confinement. The indemnity is payable on an unallocated basis without regard to the actual expense of hospital confinement.
Hospital Medical Insurance	A term used to indicate protection which provides benefits for the cost of any or all of the numerous health care services normally covered under various health care plans.
Hospital Miscellaneous Services	Services other than room and board and general nursing services provided by a hospital during hospital confinement. Included are such items as x- ray examinations, laboratory tests, medicines, surgical dressings, anaesthetics (including the administration thereof, and use of operating room.
Hull Insurance	(1) Class of ocean marine insurance that covers physical damage to the ship or vessel insured. Typically written on an "all-risks" basis. (2) Physical damage insurance on aircraft- similar to collision insurance in an automobile policy.
Human Life Value	For purposes of life insurance, the present value of the family's share of the deceased breadwinner's future earnings.

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IBNR.	Incurred But Not Reported Losses.
ICA.	International Claims Association.
Immediate Participation Guarantee Plan	Type of pension plan in which all pension contributions are deposited in an unallocated fund and used directly to pay benefits to retirees.
Immediate Annuity	An annuity providing for payment to begin immediately.

Impaired Insurer	An insurer which is in financial difficulty to the point where its ability to meet financial obligations or regulatory requirements is in question.
Impairment of Capital	A condition in which the surplus account of a stock insurer has been exhausted so that it must invade the capital account (amounts contributed by stockholders) to meet liabilities.
Implied Authority	Authority of an agent that the public may reasonably believe the agent to have. If the authority to collect and remit premiums is not expressly granted in the agency contract, but the agent does so on a regular basis and the insurer accepts, the agent has implied authority to do so.
Import	Goods or services purchased from another country and brought into one's own country.
Imputed Negligence	Case in which responsibility for damage can be transferred from the negligent party to another person, such as an employer.
Incontestability	Life policies provide that, except for non-payment of premiums and certain other circumstances, the policy shall be incontestable after the policy has been in force for two years during the lifetime of the insured.
Incontestable Clause	An optional clause which may be used in non-cancellable or guaranteed renewable health insurance contracts provided that the insurer may not contest the validity of the contract after it has been in force for two (sometimes three) years.
Increase / Decrease in insurance funds	Change in unearned premium reserve.
Incurred But Not Reported	This refers to losses which have occurred during a stated period, usually a calendar year, but have not yet been reported to the insurer as of the date under consideration. For instance, insurance company statements prepared after the end of the calendar year would have to include an estimate of losses that occurred during that year but have not yet been reported.
Incurred Claims	Incurred claims equal the claims paid during the policy year plus the claim reserves as of the end of the policy year, minus the corresponding reserves as of the beginning of the policy year. The difference between the year end and beginning of the year claim reserves is called the increase in reserves and may be added directly to the paid claims to produce the incurred claims.
Incurred Expense	Expenses not yet paid. Can also include paid expenses in some accounting systems.
Incurred loss	The total amount of paid claims and loss reserves associated with a particular time period, usually a policy year

Incurred Loss Ratio	The percentage of losses incurred to premiums earned.
Incurred Losses	The losses occurring within a fixed period, whether or not adjusted or paid during the same period. As an example, in Workers Compensation claims losses occur during a given policy period, but benefits may continue to be paid for many years. The estimated value of the total claim would be an "incurred loss" for the policy period during which the loss occurred.
Incurred-but-not-reported (IBNR) Reserves	Liability account on an insurer's balance sheet reflecting claims that are expected based upon statistical projections but which have not yet been reported to the insurer.
Incurred-but-not-reported (IBNR) Claims	A term used for claims that are assumed to have occurred but of which the insurer has not been made aware of. These usually refer to claims that occur at the end of the financial year of the insurer and which will only be made known to the insurer in the following financial year. However, the insurer will need to account and reserve for these claims in the current financial year.
Indemnify	To restore the victim of a loss to the same position as before the loss occurred.
Indemnity	Restoration to the victim of a loss by payment, repair, or replacement.
Independent Adjuster	An adjuster who works as an independent contractor, hiring himself out to insurance companies or other organizations for the investigation and settlement of claims. Independent adjusters represent the interests of insurance companies. Contrast Public Adjuster.
Independent Agency System	An insurance distribution system within which independent contractors, known as agents, sell and service Property-Liability Insurance solely on a commission or fee basis under contract with one or more insurers that recognize the agent's ownership, use, and control of policy records and expiration data.
Independent Agent	An agent operating as an independent contractor under the independent agency system.
Independent Contractor	One who agrees to perform according to a contract and who is not an employee.
Indeterminate Premium Whole Life Insurance	Nonparticipating whole life policy that permits the insurer to adjust premiums based on anticipated future experience. Initial premiums are guaranteed for a certain period. After the initial guaranteed period expires, the insurer can increase premiums up to some maximum limit.
Indexing	Adjusting of values over time to reflect the impact of inflation.

Individual Contract	A contract of health insurance made with an individual called the policy holder or the insured, which normally covers such individual and, in certain instances, members of his family.
Individual Deductible	Amount that an insured and each person of his or her family covered by the policy must pay before the group or individual medical insurance policy begins to pay for medical expenses.
Individual Insurance	Policies, which provide protection to the policyholder and/or his/her family. Sometimes called Personal Insurance as distinct from group and blanket insurance.
Individual Policy Pension Trust	A type of pension plan, frequently used for small groups, administered by trustees who are authorised to purchase individual level premium policies or annuity contracts for each member of the plan. The policies' usually provide both life insurance and retirement benefits.
Individual Risk Premium Modification Rating Plan	A plan which modifies the premium on large package policies by considering such factors as reduced expenses for handling costs (Expense Modification) and special characteristics of the risk not contemplated by the basic rate (Risk Modification).
Industrial Risk Insurers	A consortium of major stock property and casualty insurers formed to write large, highly protected risks. The organization was formed in 1975 by the merger of the Factory Insurance Association and the Oil Insurance Association.
Inflation Factor	A loading to provide for increased medical costs and loss payments in the future due to inflation.
Inflation-Guard Endorsement	Endorsement added at the insured's request to a homeowner's policy to increase periodically the face amount of insurance of the dwelling and other policy coverage's by a specified percentage.
Initial Premium	An amount paid at the inception of an insurance contract, usually subject to adjustment at the end of the policy period.
Initial Reserve	In life insurance, the reserve at the beginning of any policy year.
Injury Independent of All Other Means	An injury resulting from an accident provided that the accident was not caused by an illness.
Inland Marine Insurance	A broad form of insurance, generally covering articles in transit as well as bridges, tunnels and other means of transportation and communication. Besides goods in transit (generally excepting trans-ocean), it includes numerous "floater" policies, such as those covering personal effects, personal property, jewellery, furs, fine arts, and other items.
In-Patient	A patient admitted to a hospital or other similar medical facility as a resident patient.

Insolvent Insurer	An insurer which is unable to meet its financial obligations.
Inspection	Independent checking on facts about an applicant, policyholder, or claimant, usually by a commercial inspection agency.
Inspection Report	A summary statement of the physical, financial, and moral attributes of an insured or an applicant for insurance on his property. Such reports are prepared by inspection bureaus, specialized organizations, and insurers.
Insurability	Acceptability to the insurer of an applicant for insurance.
Insurable Interest	Any interest a person has in a possible subject of insurance, such as a car or home, of such a nature that a certain happening might cause him financial loss.
Insurable Risk	A risk which meets most of the following requisites: (1) The loss insured against must be capable of being defined. (2) It must be accidental. (3) It must be large enough to cause a hardship to the insured. (4) It must belong to a homogeneous group of risks large enough to make losses predictable. (5) It must not be subject to the same loss at the same time as a large number of other risks. (6) The insurance company must be able to determine a reasonable cost for the insurance. (7) The insurance company must be able to calculate the chance of loss.
Insurance	A formal social device for reducing risk by transferring the risks of several individual entities to an insurer. The insurer agrees, for a consideration, to assume, to a specified extent, the losses suffered by the insured.
Insurance Company	Any corporation primarily engaged in the business of furnishing insurance protection to the public.
Insurance to Value	Insurance written in an amount approximating the value of the property insured.
Insured	A person or organisation covered by an insurance policy, including the "named insured" and any other parties for whom protection is provided under the policy terms.
Insurer	The party to the insurance contract whom promises to pay losses or benefits. Also, any corporation engaged primarily in the business of furnishing insurance to the public.
Insuring Agreement	That part of an insurance contract that states the promises of the insurer.
Insuring Agreement (or Clause)	That portion of an insurance contract which states the perils insured against, the persons and/or property covered their locations, and the period of the contract.

Insuring Clause	The clause, which sets forth the type of loss, being covered by the policy and the parties to the insurance contract.
Int.	International.
Integration	A co-ordination of pension, disability or other benefit with the other sources of income, such as Social Security benefit, through a specific formula designed to ensure reasonable income replacement. Qualified plans must integrate so that total benefits are non-discriminatory between rank and file employees and owners, officers or highly compensated employees.
Inter vivo Trust	A trust created while the creator of the trust is living. Also known as a living trust.
Interest	Money paid for the use of money.
Interest Option	Life insurance settlement option in which the principal is retained by the insurer and interest is paid periodically.
Interest Rate Risk	A risk faced by investors who invest in bonds characterized by an individual being locked into a lower interest rate when interest rates are generally increasing in the economy.
Interest-Adjusted Method	Method of determining cost to an insured of a life insurance policy that considers the time cost of money by applying an interest factor to each element of cost. See Also Net payment cost index surrender cost index.
Interline Endorsement	Commercial endorsements that apply, or could apply, to more than one coverage part of a package policy.
Intermediary	A third party in the design, negotiation, and administration of a reinsurance agreement. Intermediaries recommend to cedant's the type and amount of reinsurance to be purchased and negotiate the placement of coverage with reinsurers.
Intermediary Clause	A provision in reinsurance agreements, which identifies the intermediary, negotiating the agreement. Most intermediary clauses shift all credit risk to reinsures by providing that the cedant's payments to the intermediary are deemed payments to the reinsurer and the reinsurer's payments to the intermediary are not payments to the cedant's until actually received by the cedant's.
International solvency margin	See Ratio's glossary.
Investment Income	The income generated by a company's portfolio of investments (such as in bonds, stocks, or other financial ventures).
Investment Income	The return received by insurers from their investment portfolios, including interest, dividends, and realized capital gains on stocks.

Realized capital gains means the profit realized on stocks that have actually been sold for more than their purchase price.

Investment income (incl. realised gains)

The income of a company derived from its investments as opposed to its operations.

Investment Only Contract

Type of funding instrument that uses only the investment services of an insurer.

Investment Reserve

An item in the balance sheet of an insurance company which represents a setting aside of assets to compensate for a possible reduction in the market value of securities owned by the company.

Investment yield (excluding unrealised gains / losses)

See Ratios glossary.

Investment yield (including unrealised gains / losses)

See Ratios glossary.

IRA.

Individual Retirement Accounts.

IRIS

Insurance Regulatory Information System.

Irrevocable Beneficiary

Beneficiary designation allowing no change to be made in the beneficiary.

Irrevocable Trust

A trust in which the creator does not reserve the right to reacquire the trust property.

IS.

International Scale or Income Statement depending on the context.

ISO.

International Organization for Standardization.

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J

Joint Tenants

A form of joint property ownership with right of survivorship, i.e., in which the survivors automatically own the share of a deceased co-owner.

Joint Venture

This expression is applied most often to construction ventures where several contractors agree to combine together on a construction project rather than to act as separate contractors. Under the joint venture agreement, they share profits and losses in some agreed-upon proportion.

Joint-and-Several Liability

A legal principle that permits the injured party in a tort action to recover the entire amount of compensation due for injuries from any

tortfeasor who is able to pay, regardless of the degree of that party's negligence.

Joint-and-Survivor Annuity

A contract that provides income periodically, payable during the longer lifetime of two persons. The amount payable may decrease at the death of one or the other.

Judgment Rates

Rates that are not backed up by loss experience statistics, but rather based on the judgment of the underwriter on an individual risk basis.

Judicial Bond

Type of surety bond used for court proceedings and guaranteeing that the party bonded will fulfil certain obligations specified by law, for example, fiduciary responsibilities.

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K

Key-Person Insurance

Insurance designed to protect a business firm against the loss of income resulting from the death or disability of a key employee.

Kidnap-Ransom Insurance

This insurance is written primarily for financial institutions and covers named employees for individual or aggregate amounts paid as ransom, with deductible requiring the insured to participate in about 10% of any loss. There are few markets for this coverage and no standardization of rates.

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L

Land Contract

A type of instrument used in connection with the sale of real estate. It differs from a mortgage in that title to the land remains with the seller until the buyer has completed the payments, though possession rests with the buyer. Specifically, a land contract is the instrument that conveys the deed of land from one person to another upon full payment of the stated purchase price.

Lapse

Termination of a policy because of failure to pay the premium. In Life Insurance, the term refers to non-payment before the policy has developed any nonforfeiture values. If it has, and the premium is not paid, it is said to have lapsed "except as to any nonforfeiture benefits that may apply."

Lapsed Policy

One which has been allowed to expire because of nonpayment of premiums.

Last Clear Chance Rule	Statutory modification of the contributory negligence law allowing the claimant endangered by his or her own negligence to recover damages from a defendant if the defendant has a last clear chance to avoid the accident but fails to do so.
Latent Defect	A defect which is not immediately apparent.
Law of Large Numbers	Concept that the greater the number of exposures, the more closely will actual results approach the probable results expected from an infinite number of exposures.
Layer	A horizontal segment of the liability insured, e.g., the second R100,000 of a R500,000 liability is the first layer if the cedant's retains R100,000 but a higher layer if it retains a lesser amount.
Lead Reinsurer	The reinsurer who negotiates the terms, conditions, and premium rates and first signs on to the slip. Reinsurers who subsequently sign on to the slip under those terms and conditions are considered following reinsurers.
Leasehold	An agreement which gives a person the right to use and occupy property.
Legislative Risk	A risk faced by investors whereby changes in tax laws can result in adverse effects on the individual's investment results.
Letter of Credit	A financial guaranty issued by a bank that permits the party to which it is issued to draw funds from the bank in the event of a valid unpaid claim against the other party in reinsurance, typically used to permit reserve credit to be taken with respect to non- admitted reinsurance, and alternative to funds withheld and modified coinsurance.
Level Commission System	A system of commissions in which the first year and all renewal commissions are the same percentage of the premium.
Level Premium	A premium, which remains unchanged throughout the life of a policy.
Level Premium Life Insurance	Life insurance for which the premium remains the same from year to year. The premium is more than the actual cost of protection during the earlier years of the policy and less than the actual cost in the later years. The building of a reserve is a natural result of level premiums. The overpayments in the early years, together with the interest that is earned, serve to balance out the underpayments of the later years.
Liabilities	Money owed or expected to be owed. Insurance company financial statements, for instance, show assets and liabilities.
Liability Insurance	Insurance covering the policyholder's legal liability resulting from injuries to other persons or damage to their property.
Liability Limits	The stipulated sum or sums beyond which an insurance company is not liable to protect the insured.

Liability Without Fault	Principle on which workers compensation is based, holding the employer absolutely liable for occupational injuries or disease suffered by workers, regardless of who is at fault.
License	A certification of authority for an agent or insurer to operate, given by the appropriate jurisdiction.
License and Permit Bond	Type of surety bond guaranteeing that the person bonded will comply with all laws and regulations that govern his or her activities.
Life Annuity	A series of payments under which payments, once begun, continue throughout the remaining lifetime of the annuitant but not beyond.
Life Annuity With 10 Years Certain	An annuity which pays an income to the annuitant for as long as he or she lives, but if death occurs within 10 years after the annuity payments begin, payments are continued to a named beneficiary for the remainder of the 10 years.
Life Expectancy	The average number of years of life remaining for a group of persons of a given age according to a particular mortality table.
Life Income Option	Life insurance settlement option in which the policy proceeds are paid during the lifetime of the beneficiary. A certain number of guaranteed payments may also be payable.
Life Insurance (or Assurance)	Insurance providing for payment of a specified amount on the insured's death, either to his or her estate or to a designated beneficiary or in the case of an endowment policy, to the policy holder at a specified date.
Life Insurance in Force	The sum of the face amounts, plus dividend additions, of life insurance policies outstanding at a given time. Additional amounts payable under accidental death or other special provisions are not included.
Life Insurance Programming	Systematic method of determining the insured's financial goals, which are translated into specific amounts of life insurance, then periodically reviewed for possible changes.
Lifetime Disability Benefit	A benefit to help replace income lost by an insured person as long as he/she is totally disabled, even for a lifetime.
LIFO	Last in, first out. Refers to a method of keeping inventory records for accounting purposes where the last item purchased for inventory is the first item used.
Limitations	Exceptions to coverage and limitations of coverage as contained in an insurance contract. For instance, a limit of liability would be one limitation on an Automobile policy. Another example would be policies written to cover only certain described automobiles, or, in the case of Liability Insurance, certain described premises.

Limited Partnership	An association of two or more persons who operate and manage a business for profit; at least one the partners does not work in the business but does have some management voice and financial investment. The limited partner has limited liability.
Limited Payment Life Insurance	Whole life insurance on which premiums are payable for a specified number of years or until death if death occurs before the end of the specified period.
Limited Policy	A contract, which covers only certain specified diseases or accidents.
Limits	(1) Ages below or above which the insurer will not issue a policy or above which it will not continue a policy presently in force. (2) The maximum amount of benefits payable for a given situation or occurrence, e.g. a limit of R50,000 on the contents of a home, or a R40,000 per accident limit for Property Damage
Line	A colloquial term with several meanings. It may be used to mean a particular type of insurance, such as the Liability "line." It may be used to describe all the various types of insurance written for a property owner, e.g., carrying all "lines" of the XYZ Company. It is also used to describe the amount of insurance on a given property, e.g. a R250,000 "line" on buildings of the XYZ Company.
Line of Business	The classification of business as utilized in the insurance industry, e.g., Fire, Allied Lines and Homeowners.
Line Sheet	A schedule showing the limits of liability to be written by an insurer for different classes of risks. This kind of guide is also used by a ceding company to define the limits of liability it will assume on various types of exposures.
Liquidation of Insurer	Action undertaken by a regulator to dissolve an impaired or insolvent insurer which cannot be restored to sound financial standing. Contrast with Rehabilitation of Insurer.
Liquidity	The ability of an insurer to convert its assets into cash to pay claims if necessary.
Lloyd's	Generally refers to Lloyd's of London, England, an institution within which individual underwriters accept or reject the risks offered to them. The Lloyd's Corporation provides the support facility for their activities.
Lloyd's Association	A group of individuals who band together to assume risks are sometimes called a Lloyd's association. They are organized along the same lines as, though not connected with, Lloyd's of London. Each person is responsible only for the share of the risk that he assumes.
Lloyd's Broker	A person who has the authority to negotiate insurance contracts with the underwriters on the floor at Lloyd's.

Lloyd's Syndicate	A consortium of individual Lloyd's of London underwriters. Usually one person acts for the syndicate in accepting risks or rejecting them.
Lloyd's Underwriter	An individual who underwrites risks through the facility of Lloyd's. These individuals are liable only for their own assumptions of risk and not those assumed by others in the same syndicate or in the overall Lloyd's organization.
Loading	The amount that must be added to the pure premium for expenses, profit, and a margin for contingencies.
Loading	The amount added to the pure insurance cost to cover the cost of the operations of an insurer, the possibility that losses will be greater than statistically expected, and fluctuating interest rates on the insurer's investments. The "pure" insurance cost is that portion of the premium estimated to be necessary for losses.
Local Agent	An agent representing companies in a sales and service capacity as an independent contractor on a commission basis. A local agent usually has a small territory, and his powers are limited by contract.
Long-Term Care	The continuum of broad-ranged maintenance and health services to the chronically ill, disabled, or retarded. Services may be provided on an inpatient (rehabilitation facility, nursing home, and mental hospital), outpatient, or at-home basis.
Long-Term Disability Income Insurance	Insurance issued to an employer (group) or individual to provide a reasonable replacement of a portion of an employee's earned income lost through serious and prolonged illness or injury during the normal work career.
Loss	The happening of the event for which insurance pays.
Loss Expense (Unallocated)	Salaries and other expenses incurred in connection with the operation of a claim department of an insurance carrier, which cannot be charged to individual claims.
Loss Adjustment Expense	All expenditures of an insurer associated with its adjustment, recording, and settlement of claims, other than the claim payment itself. The term encompasses both allocated loss adjustment expenses (ALAE) which are loss adjustment expenses identified by a claim file in the insurer's records, such as attorney's fees and unallocated loss adjustment expenses (ULAE), which are operating expenses not identified by claim file, but functionally associated with settling losses, such as salaries of claims department.
Loss Avoidance	A risk management technique whereby a situation or activity that may result in a loss for a firm is avoided or abandoned.

Loss Constant	A flat amount included in the premium for small Workers Compensation policies, for dwellings in some jurisdictions, and for some prescribed Inland Marine Insurance lines. The purpose of the Loss Constant is to offset the greater-than-average loss experience which most small risks have when compared to all other risks in a given classification.
Loss Control	Any combination of actions taken to reduce the frequency or severity of losses. Installing locks, burglar or fire alarms and sprinkler systems are loss control techniques.
Loss Development	The difference between the amount of losses initially estimated by the insurer and the amount reported in an evaluation on a later date.
Loss Event	The total losses to the ceding company or to the reinsurer resulting from a single cause such as a windstorm.
Loss Expectancy	An underwriter's estimate of the probable maximum loss to be suffered on an exposure being considered, with attention given to the expected level of loss prevention activities on the part of the insured.
Loss Frequency	The number of times a loss occurs over a specific period of time.
Loss Payable Clause	Means of protecting a mortgagee's interest in property by directing the insurer to make a loss payment to the mortgagee in the event of a loss.
Loss Payee	The party to whom money or insurance proceeds is to be paid in the event of loss, such as the lienholder on an automobile or the mortgagee on real property.
Loss Prevention	Any measure which reduces the probability or frequency of a particular loss but does not eliminate completely all possibility of that loss.
Loss Prevention Service	Engineering and inspection work done by an insurance company or independent organization with the aim of removing or reducing dangerous conditions in order to prevent losses.
Loss Ratio	The ratio of claims to premiums. It may be calculated in several different ways, using paid premiums or earned premiums, and using paid claims with or without changes in claim reserves and with or without changes in active life reserves.
Loss Reserve	The estimated liability for unpaid insurance claims or losses that have occurred as of a given evaluation date. Usually includes losses incurred but not reported (IBNR), losses due but not yet paid, and amount not yet due. The above describes a loss reserve as it would appear in an insurer's financial statement. As to individual claims, the loss reserve is the estimate of what will ultimately be paid out on that case.

Loss Severity	The amount of a loss expressed in financial terms.
Losses Incurred	The total losses, whether paid or not, sustained by an insurer during a given period, e.g., 12 months.
Losses Outstanding	A summary statement prepared by Property, Life, and Liability insurers showing claims not yet settled.
Losses Paid	A summary of claims paid.
Lost Policy Release	A statement signed by an insured releasing the insurer from all liability for a lost or mislaid contract of insurance. It is usually signed after the company has issued a replacement policy.
Lump-Sum Distribution	Payment within one taxable year of the entire balance payable to an employee from a trust which forms part of a qualified pension or employee annuity plan on account of that person's death, separation from service or attainment of age retirement age.

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M

Malicious Mischief	Similar to vandalism. Purposely damaging the rights or property of another.
Malingering	To feign a disability for the purpose of continuing to collect benefits longer than actually necessary.
Malingering	The practice of feigning illness or inability to work in order to collect insurance benefits.
Malpractice	Improper care or treatment by a physician, hospital, or other provider of health care.
Malpractice Insurance	Coverage for a professional practitioner, such as a doctor or a lawyer, against liability claims resulting from alleged malpractice in the performance of professional services.
Managed Care	Healthcare systems that integrate the financing and delivery of appropriate health care services to covered individuals by arrangements with selected providers to furnish a comprehensive set of health care services, explicit standards for selection of health care providers, formal programs for ongoing quality assurance and utilisation review, and significant financial incentives for members to use providers and procedures associated with the plan.

Management expenses	Expenses linked to managements efforts to run the day to day business. This includes amongst other things marketing & administrative expenses
Management expenses / Earned premiums	See Ratios glossary.
Mandatory Valuation Reserve	A reserve required by a state law to offset any declines in the valuation of securities listed as admitted assets.
Manual	A book giving rates, classifications, and underwriting rules for some line of insurance. An example would be the Automobile Manual which gives such information for Automobile Insurance.
Manual Rate	The premium rate developed for group insurance coverage from the company's standard rate tables normally referred to as its rate manual or underwriting manual.
Marine Insurance	A form of insurance primarily concerned with means of transportation and communication, and with goods in transit.
Marital deduction	A reduction of an estate for estate tax purposes, which is available if the decedent is survived by his or her spouse, can be as large as the administrator or executor elects so long as it does not exceed the value of qualifying property passing to the surviving spouse.
Market Price (or Market Value)	The price at which a security can be bought or sold at any particular time.
Market Risk	A risk experienced by those who invest in securities which is the risk of possible loss of investment since there are no guarantees associated with such investments.
Market Value	The price for which something would sell, especially the value of certain types of assets, such as stocks and bonds. It is based on what they would sell for under current market conditions. For example, common stock market value would be the price of the stock as of a specified date. See also Actual Cash Value.
Mass Merchandising	Plan for insuring individual members of a group, such as employees of firms or members of labour unions, under a single program of insurance at reduced premiums. Property and liability insurance is sold to individual members using group insurance marketing methods.
Mass Merchandising	A technique whereby a group of people, usually employees or members of a union or trade association, insure with one company. Premiums are collected and remitted to the insurer in a lump sum.
Master Policy	The policy issued to a group policyholder setting forth the provisions of the group insurance plan. The individuals insure under the policy are then issued certificates of insurance.

Material Damage	Insurance against damages to a vehicle itself. It includes automobile comprehensive, collision, fire and theft. Material damage and physical damage are terms that often are used interchangeably.
MCR.	Minimum Capital Requirement – Solvency.
Medical Examination	The examination given by a qualified physician to determine the insurability of an applicant. A medical examination may also be used to determine whether an insured claiming disability is actually disabled.
Medical Expense Insurance	A form of health insurance that provides benefits for expenses incurred for medical care. This form of health insurance provides benefits for expenses of physicians, hospital, nursing, and related health services, and supplies. These benefits may be related to actual expense, specified sums, or services rendered. Such insurance sometimes includes benefits for prevention and diagnosis as well as treatment.
Medical Malpractice	Improper care or treatment by a physician, hospital, or other provider of health care.
Medical Payments Insurance	A coverage, available in various liability insurance policies, in which their insurer agrees to reimburse the insured and others, without regard for the insured's liability, for medical or funeral expenses incurred as the result of bodily injury or death by accident under specified conditions.
Merit Rating	A type of rating plan used in several forms of insurance but most commonly in Personal Auto. It is a method whereby the insured's premium will vary up or down depending on his own past loss record.
Mgmt.	Management.
Minimum Benefits	A provision that a minimum amount of annuity will be paid if the regular benefit formula produces less. This minimum is usually payable only if certain service requirements are met at retirement.
Minimum Group	The least number of employees permitted under a state law to effect a group for insurance purposes. The purpose is to maintain some sort of proper division between individual policy insurance and the group forms.
Minimum Premium	The smallest amount of premium for which an insurer will issue coverage under a given policy.
Misc.	Miscellaneous.
Miscellaneous Expenses	Expenses in connection with hospital insurance, hospital charges other than room and board, such as X-rays, drugs, laboratory fees,

	and other ancillary charges. (Sometimes referred to as ancillary charges)
Miscellaneous Hospital Expense Benefit	A provision in a hospital expense policy providing for the payment of a benefit for expenses for necessary hospital services and supplies during a period of hospital confinement. Expenses commonly covered under this benefit include those for x-ray examinations, laboratory tests, medicines, surgical dressings, anaesthetics (including administration thereof), and use of operating room.
Misrepresentation	A false, incorrect, improper, or incomplete statement of a material fact, made in the application for a policy.
Mixed Insurer (or Company)	An insurance company in which the ownership is split among stockholders and policy owners. The term can also be used to indicate an insurer issuing both Life and Health Insurance policies. It is often erroneously used to describe an insurer offering both participating (dividend paying) and nonparticipating plans.
Mode of Premium Payment	The frequency with which premiums are paid monthly, quarterly, semi-annually, or annually.
Monoline Policy	Any insurance coverage written as a single line policy. Contrast with Multiple Line or Package policy.
Moral Hazard	A condition of morals or habits that increases the probability of loss from a peril. An extreme example would be an individual who previously burned his own property to collect the insurance.
Morale Hazard	Hazard arising out of an insured's indifference to loss because of the existence of insurance. The attitude, "It's insured, so why worry," is an example of a morale hazard.
Morbidity	The incidence and severity of sicknesses and accidents in a well-defined class or classes or persons.
Morbidity Tables	Actuarial statistics showing the frequency and duration of disability.
Mortality Table	A table showing how many members of a group, starting at a certain age, will be alive at each succeeding age. It is used to calculate the probability of dying in, or surviving through, any period, and for the valuation of an annuity. To be appropriate for a specific group, it should be based on the experience of individuals having common characteristics, such as sex or occupation.
Multi-Peril Policies	Policies which cover a number of perils, such as fire, burglary, and liability, in a single contract.
Multi-Peril Policy	A package policy, which provides protection against a number of separate perils. Multi-peril policies are not necessarily multiple line policies, since the combined perils may be all within one insurance line.

Multiple Line Policy

A policy that includes several different coverages such as Property, Liability, and Crime. Any personal or commercial package policy.

Mutual Benefit Association

An organization offering benefits to members on a plan under which no fixed premiums are paid in advance but assessments are levied on members to meet specific losses as they occur.

Mutual Fund

An investment company that raises money by selling its own stock to the public. It then invests the proceeds in other securities and the value of its own stock fluctuates with its experience with the securities in its portfolio. Mutual funds are of two types: (1) Open-end, in which capitalization is not fixed and more shares may be sold at any time. (2) Closed-end, in which capitalization is fixed and only the number of shares originally authorized may be sold.

Mutual Insurer

An incorporated insurer without incorporated capital owned by its policyholders. Although mutual insurers do distribute their earnings to their policyholders in the form of dividends, the term should not be used in a sense that makes it synonymous with participating. In most jurisdictions, a mutual insurer is free to issue nonparticipating insurance if it chooses and a stock insurer is free to issue participating insurance.

Mutual Insurer Policy

Insurance issued by a mutual insurer.

Mutualisation

The process of converting a stock insurer to a mutual insurer accomplished by having the insurer buy stock and retires it.

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N**Named Insured**

Any person, firm, or corporation, or any member thereof, specifically designated by name as the insured(s) in a policy. Others may be protected as insureds even though their names do not appear on the policy. A common application of this latter principle is in Automobile policies where, under the definition of insured, protection is extended to cover other drivers using the car with the permission of the named insured.

Named Perils

Coverage in a property policy that provides protection against loss from only the perils specifically listed in the policy rather than protection from physical loss. Examples of named perils are fire, windstorm, theft, smoke, etc.

Natural Death

Death by means other than accident or homicide.

NAV.

Net Asset Value.

Negligence	Failure to use that degree of care which an ordinary person of reasonable prudence would use under the given or similar circumstances. A person may be negligent by acts of omission or commission or both.
Net income after tax	The insurer's total earnings (or profit).
Net incurred loss	The total amount of paid claims and loss reserves associated with a particular time period, less the reinsurance portion.
Net incurred loss ratio	See Ratios glossary.
Net Interest Earned	The average interest earned by an insurer on its investments after investment expense but before federal income taxes.
Net Loss	The amount of loss sustained by an insurer after giving effect to all applicable reinsurance, salvage, and subrogation recoveries.
Net OCR & IBNR	See claims reserve.
Net OCR & IBNR / NWP	See Ratios glossary.
Net Premium	(1) The amount of premium minus the agent's commission. (2) The premium necessary to cover only anticipated losses, before loading to cover other expenses. (3) The original premium minus dividends paid or anticipated in participating Life Insurance when the insured elects to use his dividends toward payment of the premiums. Contrast with Gross Premium.
Net premiums earned	That portion of a policy's premium that applies to the expired portion of the policy, net of reinsurance premiums.
Net Retention	The amount of insurance that a ceding company keeps for its own account and does not reinsure.
Net technical margin	See Ratio's glossary.
Net UPR	See unearned premium.
Net UPR / NWP	See Ratio's glossary.
Net written premium (NWP)	Written premium less deductions for commissions and ceded reinsurance.
New For Old	Replacing old damaged parts or equipment with new ones rather than repairing them.
No-Fault	A type of auto insurance mechanism whereby the right to sue another party for damages caused by negligence is limited and, in exchange, expanded first party benefits are offered.

No-fault Automobile Insurance	A form of insurance by which a person's financial losses resulting from an automobile accident are paid by his or her own insurer regardless of who was at fault.
Non-admitted Assets	Assets that do not qualify under law for insurance statement purposes. Examples would be furniture, fixtures, agents' debit balances, and accounts receivable which are over ninety days old.
Non-admitted Insurer	An insurer not licensed to do business in the jurisdiction in question. Same as Unauthorized Insurer and Unlicensed Insurer.
Non-Admitted Reinsurance	A Company is "non-admitted" when it has not been licensed and thereby recognised by appropriate insurance governmental authority of a country. Reinsurance is "non-admitted" when placed in a nonadmitted company and therefore may not be treated as an asset against reinsured losses or unearned premium reserves for insurance company accounting and statement purposes.
Non-assessable Policy	A policy for which the policy owner pays a set premium. No additional premiums or amounts can be assessed. These are issued primarily by stock insurers, but can also be issued by mutual insurers who qualify to do so by meeting certain standards under state laws.
Non-assignable	A policy that the owner cannot assign to a third party. Most policies are nonassignable unless approval is given by the insurer.
Non-cancellable Guaranteed Renewable Policy	An individual policy which the insured person has the right to continue to force until a specified age, such as to age 65, by the timely payment of premiums. During this period, the insurer has no right to unilaterally make any changes in any provision of the policy while it is in force.
Non-confining Sickness	A sickness that disables the insured person but does not confine him to his home or a hospital.
Non-contributory	A term applied to employee benefit plans under which the employer bears the full cost of the benefits for the employees. One hundred percent of the eligible employees must be insured.
Non-disabling Injury	An injury, which may require medical care, but does not result in loss of working time or income.
Non-forfeiture Option	One of the choices available if the policyholder discontinues premium payments on a policy with a cash value. This, if any, may be taken in cash, as extended term insurance or as reduced paid-up insurance.
Non-insurable Risk	A risk that cannot be measured actuarially or in which the chance of loss is so high that insurance cannot be written against it.
Non-medical Limit	The maximum face value of a policy that a given company will issue without the applicant taking a medical examination.

Non-occupational Policy	One that provides off-the-job coverage only it does not cover loss resulting from accidents or sickness arising out of or in the course of employment or covered under any workers? Compensation law.
Non-participating Insurance	Plan of insurance under which the policy-holder is not entitled to share in the dividend distribution of the company.
Non-participating Policy	A life insurance policy in which the company does not distribute to policyholders any part of its surplus. Note should be taken that premiums for nonparticipating policies are usually lower than for comparable participating policies. Note should also be taken that some nonparticipating policies have both a maximum premium and a current lower premium. The current premium reflects anticipated experience that is more favourable than the company is willing to guarantee, and it may be changed from time to time for the entire block of business to which the policy belongs. (See also Participating policy)
Non-profit Insurers	Persons organised under special laws to provide hospital, medical, or dental insurance on a non-profit basis. The laws exempt them from certain types of taxes.
Non-resident Agent	An agent licensed in a state in which he does not live.
Non-valued Policy	A policy that is not valued; that is, when the policy is written, the amount to be paid in the event of a loss is not stated. Most property policies are nonvalued.
Not Taken	Policies applied for and issued but rejected by the proposed owner and not paid for.
Notice of Cancellation	Written notice by an insurer of intent to cancel insurance, or written notice by an insured requesting cancellation.
Notice of Loss	Notice to an insurer that a loss has occurred. Notice of loss is a condition of most policies, and it is frequently required within a given time and in a particular manner.
Notice To Company	Written notice to an insurer of the occurrence of an event on which a claim is to be based.
NPAT.	Net profit after tax.
NPBT.	Net profit before tax.
NPE.	Net premiums earned.
NS.	National Scale.
Nuisance Value	An amount that an insurance company will pay to settle a claim not because it is a valid claim but because the company considers it worth that amount to dispose of it.

NWP.

Net Written Premium.

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O

Occupational Accident

An accident arising out of or occurring in the course of one's employment and caused by hazards inherent in or related to it.

Occupational Hazards

Occupations which expose the insured to greater than normal physical danger by the very nature of the work in which the insured is engaged, and the varying periods of absence from the occupation, due to the disability, that can be expected.

Occurrence

An event that results in an insured loss. In some lines of insurance, such as Liability, it is distinguished from accident in that the loss does not have to be sudden and fortuitous and can result from continuous or repeated exposure which results in bodily injury or property damage neither expected nor intended by the insured.

Occurrence Policy

A liability insurance policy that covers claims arising out of occurrences that take place during the policy period, regardless of when the claim is filed.

Ocean Marine Insurance

Insurance for sea-going vessels, including liabilities connected with them, and their cargoes.

OCR.

Outstanding Claims Reserve.

Odds

The probable frequency of incidence of a given occurrence in a statistical sample. It is expressed as a ratio to the probable number of nonoccurrences or as a decimal fraction of the total occurrences.

Offer

The terms of a contract proposed by one party to another. In Property and Casualty Insurance, submitting an application to the company is usually considered an offer. In Life Insurance, the application plus the initial premium constitutes an offer.

Offset Clause

A provision in reinsurance agreements that permits each party to net amounts due against those payable before making payment. This is especially important in the event of insolvency of one party that ceases to remit amounts due to the other.

Omnibus Clause

An agreement in most Automobile Liability policies and some others that, by its definition of insured, extends the protection of the policy to others within the definition without the necessity of specifically naming them in the policy. An example would be a policy which covers the named insured and "those residing with him."

Op cash flow.	Operating cash flow.
Open Rating	A system whereby a state allows an insurer to use rates without prior approval.
Operating margin	See Ratios glossary.
Operating margin	See Ratios glossary.
Operating Ratio	The sum of expenses and losses expressed as a percent of earned premium.
Operating result	The sum of underwriting result and investment income.
Optionally Renewable Contract	A contract of health insurance in which the insurer reserves the right to terminate the coverage at any anniversary or, in some cases, at any premium due date, but does not have the right to terminate coverage between such dates.
Ordinary Life	Synonymous With Whole Life and Straight Life. The three terms are applied to the type of policy which continues during the whole of the insured's life and provides for the payment of amount insured at his death.
Ordinary Life Insurance	Life insurance usually issued in amounts of \$1,000 or more with premiums payable on an annual, semi-annual, quarterly or monthly basis.
Other Insurance Clause	A provision found in almost every insurance policy except Life and sometimes Health stating what is to be done in case any other contract of insurance embraces the same property and/or hazards. See also Nonduplication of Benefits and Apportionment.
Outstanding Premiums	Premiums due but not yet collected.
Overhead Insurance	A type of short-term disability income contract that reimburses the insured person for specified, fixed monthly expenses, normal and customary in the operation and conduct of his/her business or office.
Overinsured	A term used to describe the condition that exists when an insured has purchased coverage for more than the actual cash value or replacement cost of a subject of insurance. It is also used to describe a situation where so much insurance is in force as to constitute a moral or morale hazard, such as having so much Disability Income Insurance in force that it becomes profitable to be disabled.
Overlapping Insurance	Coverage from two or more policies or insurers which duplicates coverage of certain risks. See also Concurrent Insurance.
Overline	(1) The amount of insurance or reinsurance exceeding an insurer's or reinsurer's normal capacity inclusive of automatic reinsurance

facilities. (2) A commitment by an insurer or reinsurer above and beyond normal facilities or capacities.

Overriding Commission

(1) A commission which an agent or broker may receive on any business sold in his exclusive territory by subagents. Also sometimes called "overwriting" or "overriding." (2) An allowance paid to a ceding company over and above the acquisition cost to allow for overhead expenses, often including a margin for profit.

Over-the Counter Market

A means of buying and selling securities that are not listed on a stock exchange. Negotiations are carried out by telephone or computer network.

Ownership of Expirations

An agreement by an insurer that certain information regarding the details of a policy, usually a Property or Liability form, will be revealed to no agent or broker other than the originating agent.

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P

Package Policy

Any insurance policy including two or more lines or types of coverages in the same contract. Personal and commercial package policies are very common today. In fact, most policies sold are package policies.

Paid Losses

The amount actually paid in losses during a specified period of time, not including estimates of amounts that will be paid in the future for losses that occurred then.

Paid-For

Insurance on which the premium has been paid.

Paid-In Capital

The amount paid for the stock sold by a corporation.

Paid-In Surplus

Surplus paid in by stockholders, as contrasted with surplus earned through the operations of a business.

Paid-up Insurance

Insurance on which all required premiums have been paid. The term is frequently used to mean the reduced paid-up insurance available as a nonforfeiture option.

Par.

Abbreviation for participating.

Paramedic

(1) A person having professional training in some area of medical care but who is not a doctor. (2) An adjective used to denote training or treatment by paramedical personnel.

Paramedical Examination

Physical examination of an applicant by a trained person other than a physician.

Parent Company	The senior company in a group or fleet of insurers.
Partial Disability	See Permanent Partial Disability and Temporary Partial Disability. (G,WC,H)
Partial Disability Benefit	A benefit sometimes found in disability income policies providing for the payment of reduced monthly income in the event the insured cannot work full time and/or is prevented from performing one or more important daily duties pertaining to his occupation.
Partial Loss	A loss covered by an insurance policy which does not completely destroy or render worthless the insured property.
Participating (Par)	(1) Insurance that pays policy dividends. In other words, it entitles a policy owner to participate in allocations of the insurer's surplus. In Life Insurance there are several options available for the use of such dividends. (2) Insurance that contributes proportionately with other insurance on the same risk.
Participating Insurance	Insurance issued by an insurance company providing participation in dividend distribution.
Participating or Pro Rata Reinsurance	Includes Quota Share, First Surplus, Second Surplus, and all other sharing forms of reinsurance whereunder the reinsurer participates pro rata in all losses and in all premiums.
Participating Policy	A life insurance policy under which the company agrees to distribute to policyholders the part of its surplus which its Board of Directors determines is not needed at the end of the business year. Such a distribution serves to reduce the premium the policyholder had paid. (See also Policy dividend Nonparticipating policy)
Partnership Entity	The partnership considered as an entity and not in terms of its individual part-owners.
Party Wall	A common wall between two buildings.
Payee	The person receiving money.
Pension Benefits	A series of payments to be provided in accordance with the plan of benefits.
Pension Plan	A plan established and maintained by an employer, group of employers, union or any combination, primarily to provide for the payment of definitely determinable benefits to participants after retirement.
Per Risk Excess Reinsurance	Retention and amount of reinsurance apply "per risk" rather than on a per accident or event or aggregate basis.
Percentage Participation	A provision in a health insurance contract that the insurer and insured will share covered losses in agreed proportions. Also see Coinsurance.

Peril	This term refers to the causes of possible loss in the property field - for instance Fire, Windstorm, Collision, Hail, etc. In the casualty field the term "Hazard" is more frequently used,
Permanent Life Insurance	A phrase used to cover any form of life insurance except term. Generally insurance that accrues cash value, such as whole life or endowment.
Persistency	The degree to which policies stay in force through the continued payment of renewal premiums.
Persistency	The tendency or likelihood of insurance business not lapsing or being replaced by another insurer's product; an important underwriting factor.
Personal Articles Floater	A form of coverage designed to meet the needs for insurance on property of a moveable nature. The coverage usually protects against all physical loss, subject to special exclusions and conditions. Examples of property covered include jewellery, furs, silverware, and fine arts.
Personal Assets	Wealth and things of value accumulated and owned by an individual. These would include real estate, cash, investments and other items of value.
Personal Injury Protection (PIP)	First-party no-fault coverage in which an insurer pays, within the specified limits, the wage loss, medical, hospital and funeral expenses of the insured.
Personal Lines	Types of insurance, such as auto or home insurance, for individuals or families rather than for businesses or organisations.
Personal Property of Others	Property, other than real property, which is not owned by an insured. Liability forms have traditionally excluded coverage for property of others in an insured's care, custody or control. Modern homeowner forms and commercial property forms provide some coverage for property of others.
Personal Representative	A person appointed through the will of a deceased or by a court to settle the estate of one who dies.
Physical Damage	Damage to or loss of the auto resulting from collision, fire, theft or other perils.
Physical Hazard	Any hazard arising from the material, structural, or operational features of the risk itself apart from the persons owning or managing it.
Physician's Expense Insurance	Coverage which provides benefits toward the cost of such services as doctor's fees for nonsurgical care in the hospital, at home or in a physician's office, and X-rays or laboratory tests performed outside the hospital. (Also called Regular Medical expense Insurance.)

Pilferage	Petty theft, particularly theft of articles in less than package lots. This term is associated with the insuring of cargo under an Inland Marine Insurance form.
Plan Administrator	The person or persons controlling the money or property contributed to the plan, usually designated in the plan agreement.
PML	Probable Maximum Loss.
Point-of-Service Plans	Often known as open-ended HMOs or PPOs, these plans permit insured's to choose providers outside the plan yet are designed to encourage the use of network providers.
Policy	The legal document issued by the company to the policyholder, which outlines the conditions and terms of the insurance also called the policy contract or the contract.
Policy Anniversary	The anniversary of the date of issue of a policy as shown in the policy declarations.
Policy Dividend	The return of a portion of the premium paid on a participating policy. It represents the difference between the gross premium charged and the actual cost assessed against the policy by actuarial formula.
Policy Loan	A loan made by a life insurance company from its general funds to a policyholder on the security of the cash value of a policy.
Policy Owner	(1) The person who has ownership rights in an insurance policy and who may or may not be either the policyholder or the insured. (2) Often used loosely to refer to the policyholder and/or the insured. See also Insured.
Policy Period (or Term)	The period during which the policy contract affords protection, e.g., six months or one or three years.
Policy Reserves	The measure of the funds that a life insurance company holds specifically for fulfillment of its policy obligations. Reserves are required by law to be so calculated that, together with future premium payments and anticipated interest earnings, they will enable the company to pay all future claims.
Policy Year	The period between policy anniversary dates.
Policy Year Experience	The measure of premiums and losses for each 12-month period a policy is in force. Losses occurring during this 12-month period are assigned to the period regardless of when they are actually paid.
Policyholder	(1) The person in actual possession of an insurance policy. (2) Often used loosely to refer to the policy owner and/or insured.

Policyholder's Surplus	The amount over and above liabilities available for an insurer to meet future obligations to its policyholders. In the case of a mutual insurer, it is the whole equity section of the balance sheet. In the case of a stock insurer, the equity section is divided into two parts, stockholder's surplus and policyholder's surplus.
Policywriting Agent	An agent who has the authority to prepare and effect an insurer's policy.
Pollution Liability	Exposure to lawsuits for injury or clean-up costs that result from pollution damage.
Pool	An organisation of insurers or reinsurers through which particular types of risk are underwritten and premiums, losses and expenses are shared in agreed-upon amounts.
Portability	The transfer of pension rights and credits when a worker changes jobs.
Portfolio	All of the insurer's in-force policies and outstanding losses, with respect to described segments of its business. Also, the total securities owned by an insurer.
Portfolio Reinsurance	In transactions of reinsurance, it refers to all the risks of the reinsurance transaction, For example, if one company reinsures all of another's outstanding Automobile business, the reinsuring company is said to assume the "portfolio" of Automobile business and it is paid the total of the premium on all the risks so reinsured (less some agreed commission).
Portfolio Run-off	The opposite of Return of Portfolio - permitting premiums and losses in respect of in-force business to run to their normal expiration upon termination of a reinsurance treaty.
Post-retirement	Relating to the period following retirement.
Post-retirement Healthcare Liability	Relates to the liability incurred by members of a medical scheme following retirement. Can be divided into two parts; Employer portion (Contractual Liability) – The portion of the post-retirement contributions for which the company foots the bill. Employee portion – The portion of the contributions for which the member bears responsibility.
Power of Attorney	(1) The authority given to one person or corporation to act for and obligate another to the extent set forth in the agreement creating the power. (2) The authority given to the chief administrator of a reciprocal insurance exchange, who is called an attorney in fact, by each subscriber.
Preadmission Certification	Process in which a health care professional evaluates an attending physician's request for a patient's admission to a hospital by using established medical criteria.
Precertification Authorization	A cost containment technique which requires physicians to submit a treatment plan and an estimated bill prior to providing treatment. This

allows the insurer to evaluate the appropriateness of the procedures, and lets the insured and physician know in advance which procedures are covered and at what rate benefits will be paid.

Pre-emptive Right	A current stockholder's right to maintain his or her proportionate ownership in a corporation through the exercising of this right to purchase new issues of stock before the public.
Pre-existing Condition	A physical and/or mental condition of an insured which first manifested itself prior to the issuance of his/her policy or which existed prior to issuance and for which treatment was received.
Preferred Provider Organisation (PPO)	An arrangement whereby a third-party payer contracts with a group of medical care providers who furnish services at lower than usual fees in return for prompt payment and a certain volume of patients.
Preferred Risk	Any risk considered to be better than the standard risk on which the premium rate was calculated.
Preferred Stock	Evidence of ownership which entitles the owners to receive dividends from the corporation before the common stockholders and which usually also provides a prior claim to corporate assets if the corporation is dissolved.
Preliminary Term	The period of a short-term insurance issued to cover a risk to a date which the policy owner wishes to establish as the anniversary date for future premiums.
Premises	The particular location of property or a portion thereof as designated in a policy.
Premium	The price of insurance protection for a specified risk for a specified period of time.
Premium Discount	(1) A discount allowed on premiums paid in advance of one year, which is based on projected interest to be earned. (2) A discount allowed on certain Workers Compensation and Comprehensive Liability policies to allow for the fact that larger premium policies do not require the same percentage of the premium for basic insurer expenses such as policywriting. The discount percentage increases with the size of the premium.
Premium Finance	Allows the insured to pay part of the premium when coverage takes effect and pay the rest during the policy period.
Premium Loan	A policy loan made for the purpose of paying premiums.
Premium Notice	A form notice from an insurer or agency to a policy owner that a premium will be due on a given date.

Premium Rate	The price per unit of insurance. An example would be a Property Insurance rate of 10 cents per \$100 of the value of the property to be insured.
Premium Receipt	The receipt given a policy owner for the payment of a premium.
Premium Return	See Return Premium.
Premium Tax	A tax, imposed by each jurisdiction, on the premium income of insurers doing business.
Prepaid Group Practice Plan	A plan under which specified health services are rendered by participating physicians to an enrolled group of persons, with a fixed periodic payment in advance made by or on behalf of each person or family. If a health insurance carrier is involved, a contract to pay in advance for the full range of health services to which the insured is entitled under the terms of the health insurance contracts. Such a plan is one form of Health Maintenance Organisation (HMO).
Prepayment of Premiums	Payment by an insured of future premiums through paying the present (discount) value of future premiums or having interest paid on his deposit by the insurer.
Present Value	The amount of money that future amounts receivable are currently worth. For example, a Life Insurance policy may provide for payments to be made monthly for 10 years. The present value of that money would be less than the total amount of the monthly payments for 10 years because of the amount of interest that a present lump sum could earn during the term that the payments otherwise would have been made.
Presumption of Agency	A legally binding agency relationship when, in fact, no formal agency agreement is in effect. If an insurer acts to give the appearance of agency, perhaps by furnishing letterhead and applications before a person has been licensed and appointed, an agency relationship exists under the law and the insurer may be legally bound by the acts of a person acting as agent.
Primary Coverage	Insurance coverage which covers from the first dollar, perhaps after a deductible, as distinguished from excess coverage which pays only after some primary coverage has been exhausted.
Principal Sum	The amount payable in one sum in the event of accidental death and in, some cases, accidental dismemberment. When a contract provides benefits for both accidental death and accidental dismemberment, each dismemberment benefit is an amount equal to the principal sum or some fraction thereof.
Pro Rata	(1) Distribution of the amount of insurance under one policy among several objects or places covered in proportion to their value or the amounts shown. (2) Distribution of liability among several insurers having policies on a risk, usually in the proportion that the amount of

coverage in each policy bears to the total amount of coverage in all policies.

Pro Rata Cancellation	The termination of an insurance contract or bond with the premium charge being adjusted in proportion to the exact time the protection has been in force. Contrast with Short Rate Cancellation.
Pro Rata Rate	A rate charged for a period of coverage shorter than the normal period. An example, if an insured had coverage for only one quarter of a year, his premium would be only one quarter of the annual premium.
Probability	The likelihood or relative frequency of an event expressed in a number between zero and one. The throw of a die is an example. The probability of throwing five is found by dividing the number of faces that have a five (1) by the total number of faces (6). That is a probability of one-sixth or one divided by six, which is .17. See also Degree of Risk, Law of Large Numbers, and Odds.
Probate	The court-supervised process of validating or establishing a distribution for assets of a deceased including the payment of outstanding obligations.
Probate Estate	That portion of the assets and liabilities whose distribution is supervised by the courts in the probate process.
Probationary Period	A period from the policy date to a specified time, during which no sickness coverage is effective. It is designed to eliminate a sickness actually contracted before the policy went into effect.
Product Liability	Legal liability incurred by a manufacturer, merchant, or distributor because of injury or damage resulting from the use of its product.
Product Liability Insurance	Protection against financial loss arising out of the legal liability incurred by a manufacturer, merchant, or distributor because of injury or damage resulting from the use of a covered product.
Professional Corporation	An artificial person or entity, governed by charter, engaged in a business which provides a professional service to the public such as medicine or law.
Professional Insurance Agents Association	A trade association of mutual insurance agents.
Professional Partnership	An association of two or more individuals who operate and manage a business which provides a professional service to the public such as medicine or law.
Professional Reinsurer	A term used to designate a company whose business is confined solely to reinsurance and the peripheral services offered by a reinsurer to its customers as opposed to primary insurers who exchange reinsurance or operate reinsurance departments as adjuncts to their basic business of primary insurance. The majority of professional reinsurers provide

	complete reinsurance and service at one source directly to the ceding company.
Profit Commission	A provision found in some reinsurance agreements, which provides for profit sharing. Parties agree to a formula for calculating profit, an allowance for the reinsurer
Prohibited List	A list of types of business or types of risks that an insurance company will not insure. Also called the "undesirable list," the "do not solicit list," and other designations.
Promulgate	(1) To develop, publish and put into effect insurance rates or forms. (2) To make public, by publishing or announcing, the fact that a statute or rule of court is a legal order or direction enforceable by law, and violation of such is punishable as provided by law. (G,LE)
Proof of Loss	A formal statement made by a policy owner to an insurer regarding a loss. It is intended to give information to the insurer to enable it to determine the extent of its liability.
Property Damage Coverage	An agreement by an insurance carrier to protect an insured against legal liability for damage by an insured automobile to the property of another.
Property Insurance	Insurance providing financial protection against the loss of, or damage to, real and personal property caused by such perils as fire, theft, windstorm, hail, explosion, riot, aircraft, motor vehicles, vandalism, malicious mischief, riot and civil commotion, and smoke.
Prorating	The adjustment of benefits paid because of a mistake in the amount of the premiums paid or the existence of other insurance covering the same accident or disability.
Prospect	The term commonly used to refer to a potential buyer of insurance.
Prospecting	The act of looking for prospects, i.e., potential insurance buyers.
Prospective Payment	An advancement of payment for health care charges that are likely to occur.
Prospective Rating	A method used in arriving at the rate and premium for a specified future period, based in whole or in part on the loss experience of a prior specified period.
Prospective Rating Plan	A plan which uses a formula for determining premiums for a specified period on the basis, in whole or in part, of the loss experience of the previous period.
Protection	(1) A term used interchangeably with "coverage" to denote insurance provided under the terms of a policy. (2) The fire-fighting facilities in the area in which a risk is located.

Prototype Plan	A standardised plan approved and qualified as to its concept by the Internal Revenue Service, which is made available by life insurance companies, banks and mutual funds for employers? Use.
Provision	A part (clause, sentence, paragraph, etc.) of an insurance contract that describes or explains a feature, benefit, condition, requirement, etc. of the insurance protection afforded by the contract.
Provisional Rate	Tentative rates, premiums or commissions that are subject to subsequent adjustment. See Commission and Premium.
Provisions	Statements contained in an insurance policy which explain the benefits, conditions and other features of the insurance contract.
Proximate Cause	The dominating cause of loss or damage.
Public Adjuster	An insurance adjuster who represents an insured on a fee basis in claims settlement. Contrast with Independent Adjuster.
Pure Premium	A term used in insurance rate making. It refers to that portion of the total premium which is needed to pay expected losses. It does not take into account money needed for other company expenses.
Pure Risk	Uncertainty as to whether a loss will occur. Under a pure risk situation, there is no possibility for gain.
Pyramiding	(1) A term sometimes applied to an alleged practice of some consumer credit organization under which lenders add new credit insurance coverage for consolidation loans without cancelling the old, thus producing a situation of overinsurance for the amount of the loan outstanding. (2) The term also applies to Liability Insurance where the limits of liability in several policies may apply, and, in effect, "pyramid" into higher amounts of insurance being available than was originally intended.

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Qualification Period	The period during which the insured must be totally disabled before becoming eligible for residual disability benefits.
Qualified Impairment Insurance	A form of substandard or special class insurance, which restricts benefits for the insured person's particular condition.
Quick Assets	Assets that are quickly convertible into cash.
Quid Pro Quo	Latin for "this for that," or "one thing for another." In insurance it could refer to the consideration in an insurance contract which calls for the

exchange of values by both parties to the contract in order for it to be a valid contract. See also Consideration.

Quota Share

The basic form of participating treaty whereby the reinsurer accepts a stated percentage of each and every risk within a defined category of business on a pro rata basis. Participation in each risk is fixed and certain.

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Rate

The pricing factor upon which the insurance buyer's premium is based.

Rate of Natural Increase (Or Decrease)

The birth rate minus the death rate. If there were no migration, this would equal the rate of population increase (or decrease).

Rated Policy

Sometimes called an "extra-risk" policy, an insurance policy issued at a higher- than-standard premium rate to cover the extra risk where, for example, an insured has impaired health or a hazardous occupation.

Rating

The statistical process by which insurers determine risks and pricing for the basic classes of insurance.

Rating Bureau

A private organization that classifies and promulgates manual rates and in some cases compiles data and measures the hazards of individual risks in terms of rates in geographic areas, the latter being true especially in connection with Property Insurance.

Rating Class

The rate class into which a risk has been placed.

Rating Territory

A geographical grouping in which like hazards tend to equalise and permit the establishment of an equitable rate for the territory.

Reasonable and Customary Charge

A charge for health care, which is consistent with the going rate or charge in a certain geographical area for identical or similar services.

Rebate

A portion of the agent's commission returned to an insured or anything else of value given an insured as an inducement to buy. The payment of policy dividends, retroactive rate adjustments, and reduced premiums that reflect the savings of direct payment to an agent or home office are not usually considered to be rebates. In most cases rebates are illegal, both for the agent or insurer to give a rebate and for an insured to receive one.

Reciprocal Insurance Exchange

An unincorporated group of individuals, called subscribers, who mutually insure one another, each separately assuming his share of each risk. Its chief administrator is an attorney in fact.

Recurring Claim Provision	A provision in some health insurance policies which specifies a length of time during which the recurrence of a condition is considered to be a continuation of a previous period of disability or hospital confinement.
Reduced Paid-up Insurance	A form of insurance available as a nonforfeiture option. It provides for continuation of the original insurance plan, but for a reduced amount.
Rehabilitation	(1) Restoration of a totally disabled person to a meaningful occupation, (2) a provision in some long- term disability policies that provides for continuation of benefits or other financial assistance while a totally disabled insured is retraining or attempting to resume productive employment.
Reimbursement	The payment of the expenses actually incurred as a result of an accident or sickness, but not to exceed any amount specified in the policy.
Reinstatement	The resumption of coverage under a policy, which has lapsed.
Reinstatement Clause	When the amount of reinsurance coverage provided under a treaty is reduced by the payment of a reinsurance loss as a result of one catastrophe, the reinsurance cover is automatically reinstated usually by the payment of a reinstatement premium.
Reinstatement Premium	A pro rata reinsurance premium is charged for the reinstatement of the amount of reinsurance coverage that was reduced as a result of a reinsurance loss payment under a catastrophe cover.
Reinsurance	The practice whereby one party, called the Reinsurer, in consideration of a premium paid to him agrees to indemnify another party, called the Reinsured, for part or all of the liability assumed by the latter party under a policy or policies of insurance, which it has issued. The reinsured may be referred to as the Original or Primary Insurer, or Direct Writing Company, or the Ceding Company.
Reinsurance Facility	An alternative mechanism to service those insured's that cannot obtain insurance in the voluntary market. Premiums and losses for the business that is ceded to the facility are pooled and all insurers share according to their proportion of the voluntary market.
Renewable Term Insurance	Term insurance, which can be renewed at the end of the term, at the option of the policyholder and without evidence of insurability, for a limited number of successive terms. The rates increase at each renewal as the age of the insured increases.
Renewal	The reestablishment of the in-force status of a policy, the term of which has expired or will expire unless it is renewed.
Renewal Certificate	A short form certificate which is used to renew a policy. It refers to the original policy, keeping all of its provisions, but does not restate all of its insuring agreements, exclusions, and conditions.

Renewal Commission	A commission paid on premiums subsequent to the first-year commission.
Renewals	(1) The premiums paid for renewed policies. (2) The commissions paid on renewal premiums.
Renter's Policy	A package type of insurance that includes coverage similar to a homeowner's policy to cover the personal property of a renter or tenant in a building.
Replacement	The substitution of health insurance coverage from one policy contract to another.
Replacement	A new policy written to take the place of one currently in force.
Replacement Cost	The cost to repair or replace property at construction costs prevailing at time of loss
Replacement ratio	The percentage of income before retirement that is required to be replaced to maintain the same standard of living after retirement.
Representation	Statements made by an applicant in the application, which he represents as being substantially true to the best of his knowledge and belief, but which are not warranted as exact in every detail.
Representative	An agent or sales representative.
Rescission	Termination of an insurance contract by the insurer on the grounds of material misstatement on the application for insurance. The action of rescission must take place within the contestable period or Time Limit on Certain Defences but takes effect as of the date of issue of the policy, thus voiding the contract from its inception.
Rescission	(1) Repudiation of a contract. A party whose consent to a contract was induced by fraud, misrepresentation or duress may repudiate it. A contract may also be repudiated for failure to perform a duty. (2) The termination of an insurance contract by the insurer when material misrepresentation has occurred.
Reservation of Rights	An arrangement whereby an insurer defends a case without commitment to provide coverage in the event that the facts disclosed during the trial reveal that the occurrence is not covered.
Reserve	(1) An amount representing actual or potential liabilities kept by an insurer to cover debts to policyholders. (2) An amount allocated for a special purpose. Note that a reserve is usually a liability and not an extra fund. On occasion a reserve may be an asset, such as a reserve for taxes not yet due.
Residual Disability	A period of partial disability that immediately follows a period of total disability. Benefits for residual disability are paid on a pro-rata basis, depending on the percentage of earnings loss.

Residual Disability Benefits	A provision in an insurance policy that provides benefits in proportion to a reduction of earnings as a result of disability, as opposed to the inability to work full-time.
Residual Markets	Various insurance markets outside of the normal agency-company marketing system. Residual markets include government insurance programs, specialty pools (aviation risks and nuclear risks), and shared market mechanisms (assigned risk plans).
Retained surplus / (deficit)	The percentage of net earnings not paid out as dividends, but retained by the company to be reinvested in its core business or to pay debt.
Retention	The net amount of risk the ceding company keeps for its own account
Retention of Risk	Assuming all or part of a risk instead of purchasing insurance or otherwise transferring the risk. One of the four major risk management techniques. See Risk Management.
Retention rate	See ratio glossary.
Retrocession	The transaction whereby a reinsurer cedes to another reinsurer all or part of the reinsurance it has previously assumed.
Retrospective Date	The first date for which claims will be paid under a claims-made policy of liability insurance.
Retrospective Premium	The final premium in a retrospective rating plan. See Retrospective Rating.
Retrospective Rating	A plan for which the final premium is not determined until the end of the coverage period and is based on the insured's own loss experience for that same period. It is subject to a maximum and minimum. A plan of this type can be used in various types of insurance, especially Workers Compensation and Liability, and is usually elected by only very large insured's.
Return Commission	A commission which is paid back by the agent if a policy is cancelled before its normal expiration date. This situation arises because the commission was based on the full annual premium, and if the policy is cancelled before it is earned, a pro rata portion of the commission must be returned.
Return Premium	A portion of the premium returned to a policy owner as a result of cancellation, rate adjustment, or a calculation that an advance premium was in excess of the actual premium.
Revocable Trust	A trust that can be terminated or revoked by its creator.
Rider	An attachment to a policy that modifies its conditions by expanding or restricting benefits or excluding certain conditions from coverage.

Right of Survivorship	At the death of one co-owner of property, that person's interest in the property automatically passes to the surviving joint tenant or tenants.
Risk	(1) Uncertainty as to the outcome of an event when two or more possibilities exist. See also Pure Risk and Speculative Risk. (2) A person or thing insured. Contrast with Hazard and Peril.
Risk Classification	The process by which a company decides how its premium rates for life insurance should differ according to the risk characteristics of individuals insured (e.g., age, occupation, sex, state of health) and then applies the resulting rules to individual applications.
Risk Control	Any conscious action (or decision not to act) intended to reduce the frequency, severity, or unpredictability of accidental losses.
Risk Management	An effort by a company or individuals employed or contracted by the company to minimise expenditure and maximise profitability. Can be divided into financial and physical risk management. Physical risk management encompasses all efforts to minimise losses or expenditure due to physical hazards and financial risk management is encumbered with minimising losses through financial instruments. Classic examples Physical Risk Management – Installation of a sprinkler system. Financial Risk Management – Hedging of an investment portfolio with the use of derivatives.
Risk Retention Group	An alternative form of insurance in which members of a similar profession or business band together to self-insure their risks.
ROaE.	Return on Average Equity.
ROaE (excluding unrealised gains / losses)	See Ratios glossary.
ROaE (including unrealised gains / losses)	See Ratios glossary.
Robbery	The taking of property from a person by force or threat of violence.
Rollover	Transfer of IRA or other qualified pension funds from one financial institution (trustee) to another.
Roth IRA	A special type of individual retirement account to which an individual can make contributions with after-tax dollars. Funds can be withdrawn tax-free at retirement.

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Salvage	Property taken over by an insurer to reduce its loss.
Salvage and Subrogation	Those rights of the insured which, under the terms of the policy, automatically transfer to the insurer upon settlement of a loss. Salvage applies to any proceeds from the repaired, recovered, or scrapped property. Subrogation refers to the proceeds of negotiations or legal actions against negligent third parties and may apply to either property or casualty coverages.
SCR.	Solvency capital requirement.
Seasonal Risk	A risk which is present only during certain parts of the year. Examples might be manufacturing concerns such as canners who have operations only during the summer and seasonal dwellings such as cottages used for vacations.
Securities	Evidences of a debt or of ownership, as stocks, bonds, and checks.
Selection	The choosing by an underwriter of risks acceptable to an insurer.
Self- Administered (Trusteed or Directly Invested) Plan	A plan funded through a fiduciary, generally a bank, but sometimes a group of individuals, which directly invests the accumulated funds. Retirement payments are made from the fund as they fall due.
Self-Administration	The procedure where an employer maintains all records regarding the employees covered under a group insurance plan.
Self-Insurance	Setting aside of funds by an individual or organisation to meet his or its losses, and to absorb fluctuations in the amount of loss, the losses being charged against the funds so set aside or accumulated.
Self-Insured Retention (SIR)	That portion of a risk or potential loss assumed by an insured. It may be in the form of a deductible, self-insurance, or no insurance.
Separate Account	An asset account established by a life insurance company separate from other funds, used primarily for pension plans and variable life products. This arrangement permits wider latitude in the choice of investments, particularly in equities.
Service-Type Plans	Plans that provide their benefits in the form of services rendered rather than cash.
Settlement	Usually, a policy benefit or claims payment. It connotes an agreement between both parties to the policy contract as to the amount and method of payment.

Settlement Options	The several ways, other than immediate payment in cash, which a policyholder or beneficiary may choose to have policy benefits paid.
Shareholders funds / NWP	See Ratios glossary.
Shareholders interest	Owner's equity.
Shock Loss	A catastrophic loss so large that it has a material effect on the underwriting results of a company.
Short Rate Cancellation	A cancellation procedure in which the premium returned to the insured is not in direct proportion to the number of days remaining in the policy period. In effect, the insured has paid more for each day of coverage than if the policy had remained in force for the full term. Contrast with Pro Rata Cancellation.
Short Rate Premium	The premium required for issuing a policy for a period less than its normal term.
Short-Term Disability Income Insurance	The provision to pay benefits to a covered disabled person as long as he/she remains disabled up to a specified period.
Short-Term Policy	A policy written for a period of less time than is normal for that type of policy.
Sickness Insurance	A form of health insurance providing benefits for loss resulting from illness or disease.
Simple Probability	See Probability.
Single Limit	Any insurance coverage which is expressed as a single amount of insurance, or a single limit of liability. Contrast with Split Limit.
Sliding Scale Commission	A ceding commission, which varies inversely with the loss ratio under the reinsurance agreement. The scales are not always one to one.
Slip	A binder often including more than one reinsurer. At Lloyd's of London, the slip is carried from underwriter to underwriter for initialising and subscribing to a specific share of the risk.
SME	Small and medium sized enterprises.
Social Insurance	Compulsory insurance legislated to provide minimum economic security for large groups of people, particularly those with low incomes. It is primarily concerned with the costs and loss of income resulting from sickness, accidental injury, old age, unemployment, and the premature death of the head of a family.
Soft Market	That part of the insurance sales cycle in which competition is at a maximum as insurance companies use their excess capacity to sell more policies at lower prices.

Sole Proprietorship	A business enterprise owned by one person who is its manager and employee.
Solicitor	An individual appointed and authorized by an agent to solicit and receive applications for insurance as his representative. Solicitors are not usually given the power to bind coverage but are required to be licensed.
Solvency	With regard to insurers, having sufficient assets (capital, surplus, reserves) and being able to satisfy financial requirements (investments, annual reports, examinations) to be eligible to transact insurance business and meet liabilities.
Solvency / Liquidity	See Ratios glossary.
solvency margin	See Ratios glossary.
Special Damages	Compensation awarded for actual economic losses, such as medical expenses and lost wages.
Special Acceptance	The facultative extension of a reinsurance treaty to embrace a risk not automatically included within its terms.
Special Risk Insurance	Coverage for risks or hazards of a special or unusual nature.
Speculative Risk	Uncertainty as to whether a gain or loss will occur. An example would be a business enterprise where there is a chance that the business will make money or lose it. Speculative risks are not normally insurable.
Split Funding	The use of two or more funding agencies for the same pension plan. An arrangement whereby a portion of the contributions to the pension plan are paid to a life insurance company and the remainder of the contributions invested through a corporate trustee, primarily in equities.
Spread Loss	A form of reinsurance under which premiums are paid during good years to build up a fund from which losses are recovered in bad years. This reinsurance has the effect of stabilising a cedant's loss ratio over an extended period of time.
Standard Insurance	Insurance written on the basis of regular morbidity underwriting assumption used by an insurance company and issued at normal rates.
Standard Policy	(1) Coverage which has identical provisions regardless of the issuing insurer. Many common policies are standardized. (2) Insurance issued to a standard risk.
Standard Risk	A person, who, according to a company's underwriting standards, is entitled to purchase insurance protection without extra rating or special restrictions.
Stat.	Statutory.

State Fund	A fund set up by a government to provide a specific line or lines of insurance. Some countries permit private insurers to compete with the state fund.
Statutory	Required by or having to do with law or statute.
Statutory Accounting	Special accounting practices for insurance companies required by law and designed to provide greater protection for the public against potential insolvency of these essential institutions.
Statutory CAR coverage	See Ratios glossary.
Statutory Reserve	A reserve, either specific or general, required by law.
Statutory solvency margin	See Ratios glossary.
Statutory Underwriting Profit or Loss	Premiums earned less losses and expenses.
Step-Rate Premium	A rating structure in which the premiums increase periodically at pre-determined times such as policy years or attained ages.
Step-up in Basis	An increase in the tax basis of property to the value claimed in the taxable estate of a decedent.
Stock Company	A company organised and owned by stockholders, as distinguished from the mutual form of company which is owned by its policyholders.
Stock Exchange	An organisation that provides a facility for buyers and sellers of listed securities to come together to make trades in those securities.
Stock Insurance Company	A company in which the legal ownership and control is vested in the stockholders.
Stock Life Insurance Company	A life insurance company owned by stockholders who elect a board to direct the company's management. Stock companies, in general, issue nonparticipating insurance, but may also issue participating insurance.
Stock Option Plan	Surviving stockholders have the option to purchase or not purchase the shares of a deceased stockholder.
Stock Purchase Agreement	A formal buy-sell agreement whereby each stockholder is bound by the agreement to purchase the shares of a deceased stockholder and the heirs are obligated to sell.
Stockholder (or shareholder)	A person who owns shares of stock in a corporation.
Stop Loss	Any provision in a policy designed to cut off an insurer's losses at a given point. In effect, a stop loss agreement guarantees the loss ratio of the insurer.

Straight Life Insurance	Whole life insurance on which premiums are payable for life.
Strict Liability	Liability for damages even though fault or negligence cannot be proven.
Subject Premium	<p>A cedant's premium (written or earned) to which the reinsurance premium rate is applied to calculate the reinsurance premium. Often subject premium is gross/net written premium income (GNWPI) or gross/net earned premium income (GNEPI), where the term "gross/net" means gross before deducting reinsurance premiums for the reinsurance agreement under consideration, but net after all other adjustments, e.g. cancellations, refunds, or other reinsurance. Normally, subject premium refers to premium on subject basis.</p> <p>Any limit of insurance which exists within another limit. For example, special classes of property may be subject to a specified limit per occurrence, even though the policy has a higher overall limit; a health insurance policy may limit certain benefits to fixed dollar amounts or maximum amounts per day, even though the overall coverage limit is higher.</p>
Sublimit	
Submitted Business	Applications for insurance submitted to an insurer but not yet acted upon by it.
Subrogation Clause	A clause giving an insurer the right to pursue any course of action, in its own name or the name of a policy owner, against a third party who is liable for a loss which has been paid by the insurer. One of its purposes is to make sure that an insured does not make any profit from his insurance. This clause prevents him from collecting from both his insurer and a third party. It is never part of a life insurance policy.
Subrogation Release	A release taken by an insurer upon indemnifying an insured.
Subscription Policy	A policy to which two or more insurers may subscribe, indicating in the policy the share of the risk to be
Substandard (Impaired Risk)	A risk that cannot meet the normal health requirements of a standard health insurance policy. Protection is provided in consideration of a waiver, a special policy form, or a higher premium charge. Substandard risks may include those persons who engage in certain sports and persons who are rated because of poor habits or morals.
Substandard Insurance	Insurance issued with an extra premium or special restriction to those persons who do not qualify for insurance at standard rates.
Substandard Risk	An individual, who, because of health history or physical limitations, does not measure up to the qualification of a standard risk.
Supplementary Contract	An agreement between a life insurance company and a policyholder or beneficiary by which the company retains the cash sum payable under an insurance policy and makes payments in accordance with the settlement option chosen.

Surety Bond	An agreement providing for monetary compensation in the event of a failure to perform specified acts within a stated period. The surety company, for example, becomes responsible for fulfillment of a contract if the contractor defaults.
Surplus	The excess of assets over liabilities. Statutory surplus is an insurer's or reinsurer's capital as determined under statutory accounting rules. Surplus determines an insurer's or reinsurer's capacity to write business responsibility for only that portion of any risk, which exceeds the company's established retentions.
Syndicate	A group of insurers or underwriters who join to insure property that may be of such total value or high hazard that it can be covered more safely or efficiently on a cooperative basis. See also Pool.

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Target Risk	(1) Certain high-value bridges, tunnels, and fine art collections that are excluded from an automatic reinsurance contract to permit specific handling of the capacity problem and to release the reinsurer from the potential heavy accumulation of liability on any one risk. (2) A large, hazardous risk on which insurance is difficult to place. (3) A large, attractive risk that is considered a target for competing insurance companies.
Tax Basis	The cost from which your profits or losses are calculated for income tax purposes.
Taxation	Taxation refers to the act of a taxing authority actually levying tax.
Technical liabilities/reserves	The sum of Net UPR and Net OCR & IBNR.
technical margin	See Ratios glossary.
Technical result	Net premiums earned less net claims incurred and net commission expenses.
Temporary Life Annuity	An annuity payable while the annuitant lives but not beyond a specified period, such as five years. No payments are to be made after the end of the stipulated temporary period or the death of the annuitant.
Term	The period of time for which a policy or bond is issued.
Term Insurance	Life or health insurance protection during a limited number of years but expiring without value if the insured survives the stated period.

Term Rule	The provision in a rating manual which states the periods for which coverages run, and discounts, if any, which apply to the rates or premiums of policies issued for more than one year.
Termination	The time the coverage under an insurance policy ends, either because its term has expired or because it has been cancelled by either party.
Territorial Limitation	See Geographical Limitation.
Theory of Probability	The mathematical principle upon which insurance is based. See also Degree of Risk, Law of Large Numbers, Odds, and Probability.
Third Party Beneficiary	A person who is not a party to a contract but who has legally enforceable rights under the contract. It might be a Life Insurance beneficiary, or a mortgagee.
Third-party over suit	A lawsuit where a third party tries to recover damages assessed against that party by bringing suit against the employer.
Threshold (No-Fault)	The point, measured in money, time or other ways, beyond which tort liability can be established. Until that point is reached, reparations must be paid within the provisions of the no-fault plan, with no recourse to the courts.
Tickler	A reminder system used to call an individual's attention to actions that must be taken at a future point in time.
Time Limits	The limits of time within which notice of a claim and proof of a loss must be submitted.
Tornado	A whirling wind over land, accompanied by a funnel-shaped cloud. It is usually very violent and destructive in a narrow path, often for many miles.
Tort	A civil wrong, other than a breach of contract, for which a court of law will afford legal relief, i.e. harming another by an act of negligence in driving an auto.
Total assets	The final amount of all gross investments, cash and equivalents, receivables, and other assets as they are presented on the balance sheet.
Total capital	The sum of Owner's equity and Admissible supplementary capital
Total Disability	An illness or injury which prevents an insured person from continuously performing every duties pertaining to his/her occupation or engaging in any other type of work.
Total Loss	A loss of sufficient size so that it can be said there is nothing left of value. The complete destruction of the property. The term is also used to mean a loss requiring the maximum amount a policy will pay.

Trade ratio	See Ratios glossary.
Transacting Insurance	The solicitation, inducement, and preliminary negotiations effecting a contract of insurance and the subsequent carrying on of business pertaining to it. The exact definition will vary somewhat according to the laws regulating insurance.
Transfer of Risk	Shifting all or part of a risk to another party. Insurance is the most common method of risk transfer, but other devices, such as hold harmless agreements, also transfer risk. One of the four major risk management techniques. See Risk Management.
Transferability	Any arrangement under which the accumulated benefit credits of a terminating participant, or their actuarial value, are transmitted from one plan to another, or to a central agency.
Traumatic Injury	An injury to a person's physical body caused by an outside source, as distinct from physical disability caused by sickness or disease.
Travel Accident Policy	A limited contract covering only accidents while an insured person is travelling, usually on a commercial carrier.
Treaty	A general reinsurance agreement which is obligatory between the ceding company and the reinsurer containing the contractual terms applying to the reinsurance of some class or classes of business, in contrast to a reinsurance agreement covering an individual risk.
Trustee	A person appointed to manage the property of another.
Turnover Rate	The rate at which employees terminate covered service other than by death or retirement. Expected future turnover can be taken into account in translating contributions into benefits.

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U

U/w	Underwriting.
Ultimate Net Loss	This term usually means the total sum which the assured, or any company as his insurer, or both, become obligated to pay either through adjudication or compromise, and usually includes hospital, medical and funeral charges and all sums paid as salaries, wages, compensation, fees, charges and law costs, premiums on attachment or appeal bonds, interest, expenses for doctors, lawyers, nurses, and investigators and other persons, and for litigation, settlement, adjustment and investigation of claims and suits which are paid as a consequence of the insured loss, excluding only the salaries of the assured's or of any underlying insurer's permanent employees.

UMA	Underwriting Management Agent.
Umbrella Liability	Insures losses in excess of amounts covered by other liability insurance policies and also protects the insured in many situations not covered by the usual liability policies.
Umpire	For Property coverage, if a company and a claimant fail to agree on the amount of loss, each may appoint an appraiser, and these in turn select an umpire. A decision by any two of the three is binding.
Unallocated Benefit	A policy provision providing reimbursement up to a maximum amount for the cost of all extra miscellaneous hospital services, but not specifying how much will be paid for each type of service.
Underinsurance	A condition in which not enough insurance is carried to cover the insurable value.
Underwriter	A technician trained in evaluating risks and determining rates and coverage's for them. The term derives from the practice at Lloyd's of each person willing to accept a portion of the risk writing his name under the description of the risk.
Underwriting	The process of selecting risks and classifying them according to their degrees of insurability so that the appropriate rates may be assigned. The process also includes rejection of those risks that do not qualify.
Underwriting profit / (loss)	The profit or loss that an insurer derives from providing insurance or reinsurance coverage, exclusive of investment income and other income.
Underwriting result / Earned premium	See Ratio's glossary.
Unearned Premium Reserve	The amount shown in the insurance company's balance sheet which represents the approximate total of the premiums which have not yet been earned as of a specific point in time.
Unemployment Insurance	Insurance against loss of income due to unemployment.
Unfunded Liability	Liability of an insurer or company that does not have a corresponding balance-sheet provision or asset.
Uniform Premium	A rating structure in which one premium applies to all insured's, regardless of age, sex, or occupation.
Unilateral Contract	A contract such as an insurance policy in which only one party to the contract, the insurer, makes any enforceable promise. The insured does not make a promise but pays a premium, which constitutes his part of the consideration.

Universal Life Insurance	A flexible premium life insurance policy under which the policyholder may change the death benefit from time to time (with satisfactory evidence of insurability for increases) and vary the amount or timing of premium payments. Premiums (less expense charges) are credited to a policy account from which mortality charges are deducted and to which interest is credited at a rate, which may change from time to time.
Unlevel Commission System	A system of commissions under which the first year commission is a higher percentage of the premium than are renewal commissions.
Unrealised gains / (losses)	A profit that exists on paper, resulting from any type of investment. An unrealized gain is a profitable position that has yet to be cashed in, such as a winning stock position that remains open.
Unreported Claims	A reserve, based on estimates, to set up claims that have occurred but have not yet been reported to the insurer as of the time when either the policy has expired or the insurer is preparing its annual statement.
UPR.	Unearned Premium Reserve.

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V

Valuation	Estimation of the value of an item, usually by appraisal.
Valuation Clause	A clause stating the value of items for insurance purposes, making it a valued policy.
Valuation Reserve	A reserve against the contingency that the valuation of assets, particularly investments, may be higher than what can be actually realized or that a liability may turn out to be greater than the valuation placed on it.
Valued	Relating to an agreement by an insurer to pay a specified amount of money to or on behalf of the insured
Variable Annuity	An annuity contract in which the amount of each periodic income payment may fluctuate. The fluctuation may be related to securities market values, a cost of living index, or some other variable factor.
Variable Life Insurance	Life insurance under which the benefits relate to the value of assets behind the contract at the time the benefit is paid. The amount of death benefit payable would, under variable life policies that have been proposed, never be less than the initial death benefit payable under the policy.
Vendee	A person who purchases property.

Vendor	A person who sells property.
Vested Commissions	Commissions on renewal business which are paid to the agent whether or not he or she still works for the insurance company with which the business is placed.
Vesting	A provision that a pension participant will, after meeting certain requirements, retain a right to all or part of the accrued benefits, even though the employee may leave the job before retirement.
Viatical Settlement	Payment of a portion of the proceeds from life insurance to an insured that is terminally ill.
Vis Major	An accident for which no one is responsible, an act of God.
Voidable	A policy contract that can be made void at the option of one or more of the parties to it. An example would be a Property Insurance policy which is voidable by the insurer if the insured commits certain acts.
Voluntary Market	A market where one seeking insurance obtains insurance in the open market with no help from the government, through an insurer of his or her own selection.
Voluntary Reserve	An allocation of surplus not required by law. Such reserves are often accumulated by insurers in order to strengthen their financial structure.

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W

Waiting Period	The length of time an employee must wait from his/her date of employment or application for coverage, to the date his/her insurance is effective.
Waiver	(1) A rider waiving (excluding liability) for a stated cause of injury or sickness. (2) A provision or rider agreeing to waive premium payments during a period of disability of the insured. (3) The act of giving up or surrendering a right or privilege that is known to exist. In Property and Liability fields, it may be effected by an agent, adjuster, company, employee, or company official, and it can be done either orally or in writing.
Waiver of Restoration Premium	(1) An agreement or decision to forego any premium for reinstatement of the face amount of coverage under an insurance policy after it has been reduced by the amount of a loss payment. (2) A provision,

especially in bonds, for automatic restoration of the full amount of protection without cost to the insured.

War Risk Insurance

Insurance covering damage caused by war. Most often written by Ocean Marine Insurance companies covering vessels.

Whole Life Insurance

Life insurance payable to a beneficiary at the death of the insured whenever that occurs. Premiums may be payable for a specified number of years (limited payment life) or for life (straight life).

Will Ride

Coverage that remains in effect regardless of the geographical location in which a loss occurs.

Workers Compensation

A system established under state law that provides payments, without regard to fault, to employees injured in the course and scope of their employment.

Workers? Compensation Insurance

Insurance against liability imposed on certain employers to pay benefits and furnish care to employees injured, and to pay benefits to dependants of employees killed in the course of or arising out of their employment.

Working Layer

The first layer above the cedant's retention wherein moderate to heavy loss activity is expected by the cedant and reinsurer. Working layer reinsurance agreements often include adjustable features to reflect actual underwriting results.

Written Premiums

The total premiums on all policies written by an insurer during a specified period of time, regardless of what portions have been earned. Contrast with Earned Premium.

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X

X Table

A designation sometimes used to refer to an experimental table or a draft of a table that has not developed to a point of satisfaction or for actual use in rating.

XoL.

Excess of Loss.

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Y

YTD.

Year to Date.

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Formulas

TERM	MEASURE	CALCULATION
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Solvency/Liquidity

International solvency margin	(%)	$\frac{\text{Shareholders Interest}}{\text{Net Written Premiums (NWP)}} \times 100$
Statutory solvency margin	(%)	$\frac{\text{Statutory Net Assets}}{\text{Statutory NWP}} \times 100$
Net UPR/NWP	(%)	$\frac{\text{Net Unearned Premium Reserves}}{\text{Net Written Premiums (NWP)}} \times 100$
Claims cash coverage	months	$\left(\frac{\text{Cash and cash equivalents}}{ \text{Claims Incurred} } \right) \times 12$
Technical reserve cash coverage	x	$\left(\frac{\text{Cash and cash equivalents}}{ \text{Net OCR} + \text{Net IBNR} + \text{Net UPR} } \right)$
Average premium debtors days	days	$\left[\frac{\left(\frac{\text{Premiums receivable}_t + \text{Premiums receivable}_{t-1}}{2} \right)}{\frac{\text{Gross Written Premiums}}{365}} \right]$

Efficiency/ Growth

Gross written premium growth	(%)	$\left(\frac{\text{Gross Written Premiums}_t}{\text{Gross Written Premiums}_{t-1}} - 1 \right) \times 100$
Retention rate	(%)	$\frac{\text{Net Written Premiums}}{\text{Gross Written Premiums}} \times 100$

Earned loss ratio	(%)	$\frac{ Claims\ Incurred }{Net\ Premiums\ Earned} \times 100$
Net commissions expense ratio	(%)	$\frac{ Commission\ expenses }{Net\ Premiums\ Earned} \times 100$
Management expenses ratio	(%)	$\frac{ Management\ expenses }{Net\ Premiums\ Earned} \times 100$
Delivery cost ratio	(%)	<i>Management expense ratio + Commission expense ratio</i>
Underwriting margin	(%)	$\frac{Underwriting\ result}{Net\ Premiums\ Earned} \times 100$
Combined ratio	(%)	<i>Earned loss ratio + Management expense ratio + Commissions expense ratio = 100 – Underwriting margin</i>
Operating margin	(%)	$100 - \left(\frac{Investment\ Income}{Net\ Premiums\ Earned} \times 100 + Trade\ ratio \right)$

Profitability

Investment yield (excluding unrealised gains/losses)	(%)	$\left[\frac{Investment\ Income}{\left(\frac{(Cash_t + Investments_t) + (Cash_{t-1} + Investments_{t-1})}{2} \right)} \right]$
Investment yield (including unrealised gains/losses)	(%)	$\left[\frac{Investment\ Income \pm Unrealised\ movements}{\left(\frac{(Cash_t + Investments_t) + (Cash_{t-1} + Investments_{t-1})}{2} \right)} \right]$
Technical expense ratio	(%)	$\frac{Net\ claims\ incurred + Net\ commission\ expense}{Net\ premiums\ earned} \times 100$
Technical margin	(%)	$100 - (Earned\ loss\ ratio + Net\ commission\ expense\ ratio)$

ROaE (excluding unrealised gains/losses)	(%)	$\left[\frac{\text{Net Profit After Tax}}{\frac{(\text{Shareholders Interests}_t) + (\text{Share holders Interests}_{t-1})}{2}} \right]$
ROaE (including unrealised gains/losses)	(%)	$\left[\frac{\text{Net Profit After Tax} \pm \text{Unrealised movements}}{\frac{(\text{Shareholders Interests}_t) + (\text{Share holders Interests}_{t-1})}{2}} \right]$

Operating

Effective tax rate	(%)	$\frac{\text{Taxation}}{\text{Underwriting result} + \text{Investment Income} + \text{Other Income}} \times 100$
Dividend cover	X	$\frac{\text{Net Profit After Tax}}{\text{Dividends for the year}}$

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