



## GLOSSARY OF REINSURANCE TERMINOLOGY

<b>Term</b>	<b>Definition</b>
Accident Year Experience	Reinsurance experience calculated by matching the total value of all losses <u>occurring</u> during a 12-month period with premiums earned for the same period.
Acquisition Costs	All expenses directly related to acquiring insurance or reinsurance accounts; normally the commission paid to the reinsurance company as an offset against its agent's commission, premium taxes and other costs of doing business; includes reinsurance brokers commission where applicable.
Admitted Reinsurance (Authorized Reinsurance)	Reinsurance for which credit is given for the unearned premiums and unpaid claims in a ceding company's Annual Statement because the reinsurance is placed in an admitted reinsurance company and is licensed to transact business in the jurisdiction in question.
Admitted Assets	Assets recognized and accepted by state departments of insurance when determining the solvency of insurers or reinsurers.
Adverse Selection (Anti-Selection, Selection of Risk)	The conscious and deliberate cession of those risks, segments of risk, or coverages that appear less attractive for retention by the ceding company; the practice of ceding poorer business to the reinsurer while retaining the better business.
Aggregate	The dollar amount of reinsurance coverage during one specified period, usually 12 months, for all reinsurance losses sustained under a treaty during such period.
Aggregate Excess Reinsurance Treaty (Stop Loss Treaty, Aggregate Excess of Loss Reinsurance or Excess of Loss Ratio Reinsurance)	A form of reinsurance where the reinsurer indemnifies the ceding company for the amount by which the ceding company's aggregate losses of a specified class of business exceed a specified loss ratio or a specified dollar amount; used primarily in classes of insurance with wide fluctuation in losses from year to year, such as hail insurance.
Aggregate Extension Clause	Stipulates that all aggregate original policies will attach on a "risk incepting during the period" basis, and describes a manner in which attachment date of a policy or policies is determined; determines how the aggregate is calculated in the event that one loss affects more than one policy or more than one insured; applies to casualty excess of loss business only.
Aggregate Working Excess (Aggregate Annual Deductible)	A form of per risk excess reinsurance under which the primary company retains its normal retention on each risk and additionally retains an aggregate amount of the losses which exceeds normal retention.
Alien Company	An insurer or reinsurer domiciled outside the U.S. but who is conducting insurance or reinsurance business in the U.S.
Alternative Risk Mechanism	A method of financing primary property and/or casualty losses without using traditional insurers to assume risk in the primary layer; two principal types of alternative risk mechanisms are self-insurance and captive insurance companies.
Annual Aggregate Deductible	A provision in excess of loss reinsurance contracts stipulating that the ceding company will retain, in addition to its retention per risk or per occurrence, an annual aggregate amount of loss that would otherwise be recoverable from the reinsurer; expressed as a dollar amount or a percentage of the ceding company's subject premium for the annual period; caps the amount of loss the insured may be required to pay before the insurance responds.
Annual Statement (Statutory Annual Statement, Convention Blank)	The annual report format prescribed by the NAIC and the state departments of insurance; provides a summary of the company's financial operations for a calendar year, including a balance sheet supported by detailed exhibits and schedules; is filed with the state insurance department of each jurisdiction in which the company is licensed to conduct business.

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Arbitration Clause	Language providing an alternative dispute resolution forum to resolve differences between the reinsurer and the ceding company without litigation.
As If	A term used to describe the recalculation of prior years of loss experience to demonstrate what the underwriting results of a particular program would have been as if the proposed program had been in force during that period.
Assumed Portfolio (Return Portfolio)	The transfer of in-force insurance liability by an insurer to a reinsurer by the payment of the unearned premiums reserve on those policies alone, or by the concurrent transfer of liability for outstanding losses under those policies by the payment of the outstanding loss reserve by the insurer to the reinsurer; the former is a premium portfolio, the latter a loss portfolio.
Assumption Certification (Cut Through Clause, Strike-Through Clause)	Type of insolvency clause providing that in the event of insolvency of a ceding company, reinsurer will be liable for his share of the loss, but loss will be payable to the direct insured rather than liquidator.
Attachment Point	The loss level specified in the terms of the reinsurance contract between the primary insurer and reinsurer; the amount at which excess reinsurance protection comes into effect; the retention under an excess reinsurance contract.
Authorization	A quotation made by a reinsurer that is valid for a specified period of time; the insurer may bind coverage to be effective at any date within that period, provided the reinsurer is notified during that period.
Automatic Reinsurance	Reinsurance of individual risks where the reinsurer assumes liability based entirely on the acceptance of the ceding company; a reinsurance contract that is a combination of treaty and individual facultative reinsurance; reinsures a group of policies and often applies per policy, rather than per occurrence.
Backup Security (Collateral)	Makes acceptable a reinsurer that would otherwise not meet the security criteria of the primary insurer.
Balance	The relationship of the written premium of the treaty to the maximum limit of liability to which the reinsurer is exposed; when the ratio desired is achieved, the treaty is considered "balanced."
Banking Plan (Advance Deposit Premium Plan)	An agreement in which the ceding company pays the reinsurer a premium over a specified number of years which is intended to fully fund a specific limit of liability; if the premium is not fully expended by payment of losses within the contract period, the unused portion is returnable, less a reinsurance expense.
Base Premium (Subject Premium, Premium Base, Underlying Premium)	The ceding company's premium (written or earned) to which the reinsurance premium rate is applied to produce the reinsurance premium.
Basic Limits	The minimum amounts of insurance for which it is the practice to quote premiums in liability insurance; additional amounts are charged for by the addition of certain percentages of the premium for the minimum (basic) limits.
Best's Capital Adequacy Relativity (BCAR)	Measures a company's relative capital strength compared to its industry peer composite.
Best's Rating	A quantitative and qualitative evaluation of a company's financial condition and operating performance performed by the rating agency of A.M. Best's Company.
Binding Agreement	A reinsurance contract under which the reinsurer allows itself to be bound, within a specified grace period, on any risk that meets the criteria outlined in the contract.
Blended Covers	Prospective reinsurance that combines elements of both traditional and financial reinsurance to limit risk transfer, while allowing reinsurance accounting treatment under both GAAP and Statutory bases.
Bordereau	A report or list, furnished to the reinsurer by the ceding company, detailing

<b>Term</b>	<b>Definition</b>
(Bordereaux)	the reinsurance premiums and/or reinsurance losses with respect to specific risks ceded in agreement.
Buffer Layer	Used primarily in facultative reinsurance to describe a reinsured layer of coverage between the maximum retention within the primary policy limit that the ceding company issues and the minimum limit(s) or deductible over which the excess or umbrella insurer will provided coverage.
Burning Cost	A term most frequently used in spread loss property reinsurance to express pure loss cost or 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.
Calendar Year Experience	Reinsurance experience calculated by matching total value of all losses <u>incurred</u> during a given 12 month period with the premiums earned for same period.
Cancellation	Run-off Cancellation means that the liability of the reinsurer under policies, which became effective under the treaty prior to the cancellation date of such treaty, shall continue until the expiration date of each policy; Cut-off Cancellation means that the liability of the reinsurer under policies, which became effective under the treaty prior to the cancellation date of such treaty, shall cease with respect to losses resulting from accidents taking place on and after said cancellation date.
Capacity (Underwriting Capacity)	The largest amount of insurance or reinsurance available from a company on a given risk; the maximum volume of business a company is prepared to accept; a measure of an insurer's or reinsurer's financial strength to issue contracts of insurance or reinsurance; may be imposed by law or regulatory authority.
Captive Insurance Company	A reinsurance company, often located offshore, which is owned by a corporation or association and provides reinsurance of direct insurance written to insure the corporation or the association's members; a stock insurance company that insures the risk of its owners; often involves the use of a domestic Fronting Company.
Carveout	A type of reinsurance that reinsures a cedent's exposure for a discrete exposure that is normally part of a broader coverage or line of business reinsurance contract; normally written facultatively; may be related to a line of business, e.g. cancer or transplants with respect to medical benefits.
Catastrophe Accumulation	The amount of potential loss an insurance or reinsurance company may be exposed to in a single catastrophic loss event, such as an earthquake or a hurricane.
Catastrophe Number	Whenever a catastrophe occurs which produces losses within a prescribed period of time in excess of a certain amount, the amount of such losses is recorded separately from non-catastrophe losses, is numbered, and may be treated differently in the statistical experience records of the state used in setting rate levels.
Catastrophe Reinsurance	A form of excess of loss reinsurance, subject to a specific limit, which indemnifies the ceding company in excess of a specified retention for accumulation of losses from catastrophic occurrence.
Cede	To transfer to a reinsurer all or part of the insurance risk written by a ceding company; the laying off of all or part of the risk relating to a policy, or group of policies to a reinsurer.
Ceding Commission	An amount allowed by reinsurer for part or all of ceding company's acquisition costs, overhead costs and taxes; usually a percentage of the reinsurance premium; ceding commission may also include a profit factor for the reinsured.
Ceding Company (Cedent, Reinsured, Reassured)	The insurer which cedes all or part of insurance risk written to another.
Certificate	A short form documentation of a reinsurance transaction usually incorporating complete terms and conditions by reference.

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Cession	The amount of insurance risk transferred to a reinsurer by a ceding company; may be the whole or a portion of a single risk, defined policy or defined division of a policy as agreed.
Cessions Limit	The capped amount of catastrophe-exposed business ceded to the reinsurance contract.
Claims Cooperation Clause	A clause found in many reinsurance contracts that stipulates that the ceding company agrees to consult and cooperate with the reinsurer on claims handling and settlement.
Claims-Made Basis	The provision in a contract of insurance or reinsurance that coverage applies only to losses which occur and claims that are made during the term of the contract; once the policy period is over, the approximate extent of the underwriter's liability is known; with claims-made covers which are renewed, losses which occurred during any period when the policy was in force are covered if reported during the renewal term.
Claims-Made Reinsurance (Loss Sustained Cover)	A type of reinsurance contract covering claims that are first made to the reinsurer during the term of contract, regardless of when they were sustained; a blend of retroactive and prospective reinsurance.
Clash Cover (Casualty Catastrophe Cover, Contingency Cover, Conflagration Cover, Excess Cover)	A form of per-occurrence casualty excess of loss reinsurance in which the ceding company's retention is higher than the limits on any one reinsured policy; the agreement is only exposed to loss when two or more casualty policies are involved in a common occurrence in an amount greater than the clash cover retention.
Coinsurance	A form of life reinsurance where the amount in excess of the ceding company's retention is reinsured on the same plan as that of the original policy the reinsurer receives the gross premium charged the policyholder on the reinsured part of the policy less expense allowances granted the ceding company by the reinsurer; the reinsurer must maintain regular policy reserves and is liable not only for its share of death claims, but also for cash surrender values and other nonforfeiture benefits and loan privileges.
Combination Plan Reinsurance	A form of combined reinsurance which provides that in consideration of a premium at a fixed percent of the ceding company's subject premium on the business covered, the reinsurer will indemnify the ceding company against the amount of loss on each risk in excess of a specified retention subject to a specified limit; after deducting the excess recoveries on each risk, the reinsurer will indemnify the ceding company against a fixed quota share percent of all remaining losses.
Combined Ratio (Operating Ratio, Trade Ratio)	The total of the Incurred Loss Ratio and the Expense Ratio.
Commutation Agreement (Commutation Clause)	An agreement between the ceding company and the reinsurer providing for the valuation, payment and complete discharge of all future obligation between parties under reinsurance contract regardless of the continuing nature of certain losses; the process of settling current outstanding and expected future obligations under a reinsurance contract.
Concurrent Policies	Where a ceding company buys more than one policy covering the same interest and the total amount insured is not in excess of the insurance value of the risk; the policies may be placed with the same or different companies; losses are pro-rated among the policies.
Conflagration	A massive fire which destroys many contiguous properties.
Conflagration Area	A geographic territory in which many properties are subject to damage by a sweeping fire.
Contingent Commission (Profit Commission)	A commission payable to the ceding company in addition to the normal ceding commission allowance; predetermined percentage of the reinsurer's net profits, less overhead.
Continuous Contract	A reinsurance contract that remains in effect until both parties mutually agree to terminate it or one of the parties sends the other a notice of

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	cancellation.
Contributing Excess	Where there is more than one reinsurer sharing a line of insurance on a risk in excess of a specified retention, each such reinsurer shall contribute towards any excess loss in proportion to his original participation in such risk.
Co-Reinsurance	Where the ceding company has a participation in the reinsurance cover or where there are several reinsurers on the same reinsurance program.
Corridor Deductible	An arrangement where the reinsurer pays a portion of the loss, up to a certain amount, then the ceding company pays the losses in excess thereof, up to a certain amount, and the reinsurer pays in excess of that.
Cover Note (Binder)	A document issued by an intermediary, temporarily recording the provisions of a reinsurance agreement pending execution of the formal reinsurance contract; outlines terms and conditions and indicates that coverage has been effected.
Credit Carry-Forward	The transfer of credit or profit from one accounting period under a spread loss or other form of long-term reinsurance treaty to the succeeding accounting period.
Credit For Reinsurance	A statutory accounting procedure permitting ceding company to treat amounts due from reinsurers as assets or reductions from liability based on status of reinsurer.
Cumulative Collusive Excess Cover	A form of reinsurance contract by the terms of which a ceding company may further reduce its net exposure on multiple recovery bonds which have been share reinsured.
Cumulative Exposure (Multi-Year Stacking of Coverage)	The liability potential for multiple policies issued over multiple years by a single insurance company to a single insured being held to apply to continuing injury or damage.
Cumulative Liability	The risk of a reinsurer accumulating liability when many reinsurance policies issued to different reinsureds covering different lines of insurance are involved in a common event or disaster.
Cut-Off	The termination provision of a reinsurance contract that stipulates that the reinsurer shall not be liable of losses resulting from occurrences that take place after the date of termination or after an agreed-upon date following termination; normally involves the return of unearned premium for policies inforce at the cut-off date.
Cut-Through Endorsement (Assumption Endorsement, Assumption Certificate, Strike-Through Clause)	A statement of coverage by the reinsurer (typically attached to the insurance policy) under which a direct payment obligation is created to a party not in privity with the reinsurer; the coverage is triggered by a specific event, such as the insurer's insolvency; the claim payment "cuts through" the usual route of payment to the ceding company; effect is to revise the route of the claim payment with no intent to increase the risk to the reinsurer.
Declaratory Judgment Expense	Expenses incurred by an insurer in a declaratory judgment action brought to determine whether there is coverage under a policy.
Deductible Buyback (Difference In Deductible Cover, DID)	Reinsurance purchased by a ceding company within the deductible it requires the insured to hold.
Deficit	Amounts by which losses, expenses and profit margin exceed premiums at the end of any accounting period which become a charge in the computation for the succeeding accounting period; a term used in formulas for calculating adjustable features, such as retrospective rating plans and contingent commission.
Deficit Carry-Forward or Carry Back	The transfer of deficit or loss from one accounting period to the subsequent period.
Deposit Premium (Provisional Premium, Advance Premium, Premium Advance)	A tentative premium payable either at the beginning of an annual term of a reinsurance contract or in quarterly or semi-annual payments during the annual term; actual premium is balanced against the deposit premium, and the difference due either the ceding company or the reinsurer is remitted

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	on those types of insurance or reinsurance subject to periodic premium adjustment.
Direct Writing Reinsurance (Direct Reinsurer, Direct Writer)	A reinsurance company which develops its business, and deals with ceding companies directly, by using own personnel, without the use of a reinsurance intermediary.
Direct Written Premium	The gross premium income (written instead of earned) of a ceding company, adjusted for additional or return premiums but before deducting any premiums for reinsurance ceded and not including any premiums for reinsurance assumed.
Discounted Stop Loss Cover	Prospective financial reinsurance where the premium is based upon discounted anticipated reinsurer's outflow from the liabilities assumed under the contract.
Discovery Cover	A type of reinsurance treaty covering losses which are discovered during the term of the treaty regardless of when they were sustained.
Domestic Insurer	An insurance company formed under the laws of a given state; an insurance company conducting business in its domiciliary state from which it received its charter to write insurance.
Drop Down Clause	A provision that specifies that the excess layer will "drop down" and attach if the limits of the primary layer or the retention are exhausted.
Early Warning Tests	Financial ratio and performance criteria designed by the NAIC to identify insurance companies which may need close surveillance by state insurance departments.
Earned Premium	Part of premium applicable to expired portion of policies reinsured, or that part earned under reinsurance contract; includes 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; that portion of the reinsurance premium calculated on a monthly, quarterly or annual basis which is to be retained by the reinsurer should the cession be canceled; 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.
Equivalent Flat Rate	In treaty reinsurance pricing, reinsurance charges are calculated for each level of exposure above the selected retention; the sum of all excess reinsurance charges, divided by the base premium, is the equivalent flat rate.
Errors and Omissions Clause	A clause usually included in an obligatory reinsurance contract to ensure that an error or omission in reporting a risk, which would otherwise fall within the automatic reinsurance coverage under such a contract, shall not relieve the reinsurer of liability on such omitted risk.
Evergreen Clause	A term in a Letter of Credit providing for automatic renewal of the credit.
Ex Gratia Payment	A payment made by the ceding company, despite the fact that it may not be liable under the terms of the policy; such payment may or may not be covered under a reinsurance contract and is usually made in lieu of insuring greater legal expenses in defending a claim; rarely encountered in reinsurance as the reinsurer follows the fortunes of the ceding company.
Excess Judgment Loss	The amount paid by a liability insurer in excess of applicable policy limits occasioned by the failure, on account of negligence or bad faith, to settle a claim for an amount within such policy limits.
Excess Limits Premium	In casualty insurance, premiums for limits of liability added to basic limits, calculated as multiples of basic limits premium; the original and most popular basis of premium paid for casualty excess of loss insurance.
Excess of Line Reinsurance	A form of per risk excess agreement under which the indemnity is not a fixed dollar limit but a multiple of the primary company's net retention.
Excess of Loss Reinsurance	Reinsurance which indemnifies the ceding company against loss in excess of specific retention including catastrophe reinsurance, risk reinsurance, per

<b>Term</b>	<b>Definition</b>
(Non-Proportional Reinsurance)	occurrence and aggregate excess of loss reinsurance.
Excess Per Risk Reinsurance	A form of excess of loss reinsurance which, subject to a specified limit, indemnifies the ceding company against the amount of loss in excess of a specified retention with respect to each risk involved in each occurrence.
Exclusions	Those risks, perils, classes of insurance or other insurance company liabilities on which the reinsurer will not pay losses or provide reinsurance, notwithstanding the other terms and condition of reinsurance.
Expense Ratio (Operating Ratio)	The ratio of expenses incurred expressed as a percentage of written premium; the portion of premium used to pay all the cost of acquiring, writing and servicing insurance and reinsurance.
Experience	The loss record of an insured or of a class of coverage; classified statistics of events connected with insurance; the out-go or income, actual or estimated of what happened in the past; figures may be compiled on accident year basis, calendar year basis or policy year basis; for underwriting purposes, the comparison of earned premium to incurred losses.
Experience Balance	A feature of a reinsurance contract that keeps track of the revenues and costs between the parties.
Experience Rating (Loss Rating)	A rating method in which the prospective premium is based on the past losses on the account.
Experience Refund	In life reinsurance, a predetermined percentage of the net reinsurance profit which the reinsurer returns to the ceding company as a form of profit sharing at year end.
Exposure Rating (Manual Rating, Tariff Rating)	A system for premium development and risk classification where filed rates, rules and classifications are applied against premium exposures, as determined by the manuals of insurance developed independently by insurance companies or by independent rating organizations, such as the Insurance Services Office, Inc. (ISO).
Extra-Contractual Obligations Clause (ECO, Extra-Contractual Damages, Loss In Excess of Policy Limits)	Monetary damages awarded to the insured by a court of law for negligence on the part of the ceding company; such payments are beyond the scope of insurance provided by the ceding company to its insureds; a reinsurance contract may cover these damages and protect the ceding company against all or part of its liability arising from claim settlement activities and falling outside policy provisions.
Extraction Factor	A fraction or percentage of a reinsured company's subject premium deducted from the reinsurance premium to recognize and measure that portion of any policies not covered by reinsurance when the policies are written by the reinsured on an indivisible premium basis.
Facultative Certificate of Reinsurance	A contract formalizing a reinsurance cession on a specific risk; contains a declarations page, reinsurance terms and conditions and, except to the extent to which it is non-concurrent, incorporates by reference the terms and conditions of the ceding company's policy form.
Facultative Obligatory Contract	A reinsurance contract with characteristics of both facultative and treaty reinsurance; a treaty under which the ceding company may cede risks of a defined class that the reinsurer must accept.
Facultative Reinsurance	Reinsurance of individual risks by offer and acceptance for each cession; both ceding company and reinsurer have the faculty, or option, to engage in negotiations over individual submissions.
Facultative Treaty (Facultative Binding Authority)	A reinsurance contract under which the ceding company must cede and the reinsurer must accept exposure or risks of a defined class.
Financial Quota Share	A quota share reinsurance transaction that elicits significant financial benefits over risk transfer benefits through the use of ceding commissions, potential investment income sharing and liability limits.
Financial Reinsurance (Finite-Risk)	A specialized form of limited liability reinsurance whereby the financial and strategic motivations of the ceding company to affect the transaction take

<b>Term</b>	<b>Definition</b>
Reinsurance, Limited-Risk Reinsurance, Non-Traditional Reinsurance)	precedence over the risk transfer motivation.
Financing Function	One purpose of reinsurance; whenever the reinsurer relieves the ceding company of all or part of the company's responsibility for carrying an unearned premium reserve and the reinsurer allows a ceding commission to the ceding company; because the cash or other statutorily recognized assets being transferred are less than the unearned premium reserve change, the ceding company's policyholder surplus is increased by the amount of the reinsurance commission allowance.
Finite Reinsurance (Nontraditional Reinsurance, Limited Risk Reinsurance, Financial Reinsurance)	Used to describe a broad spectrum of treaty reinsurance arrangements providing coverage at lower margins; often multi-year and financially oriented.
Finite Risk Reinsurance	Agreements which transfer a limited amount of risk to the reinsurer, with the objective of improving the primary insurer's financial results; loss portfolio reinsurance is a common kind of finite risk reinsurance.
First Surplus Treaty	A contract where the reinsurer shares the risk with the ceding company on a pro-rata basis, and where the proportion is sometimes fixed and sometimes varied according to different classes of risks, as are the net retentions the ceding company keeps for its own accounts.
Following the Fortunes (Follow the Settlements, Pay As May Be Paid)	A concept in reinsurance indicating that once a risk has been ceded by the reinsured, the reinsurer is bound by the same fate thereon as experienced by the ceding company; clauses to ensure that the reinsurer will follow, abide by or be subject to the fortunes, settlement, liabilities, decisions or adjustments of the reinsured.
Foreign Reinsurer	A U.S. reinsurer conducting business in a state other than its domiciliary state; formed under the laws of state other than the state in which the risk is located.
Franchise Covers	A deductible that does not apply if the loss exceeds the deductible amount; when that amount is exceeded, then the whole loss is paid.
Fronting Arrangement (Fronting Company, Issuing Carrier Arrangement)	An arrangement whereby one insurer issues a policy on a risk for and at the request of one or more other insurers with the intent of passing the entire risk by way of reinsurance to the other insurer(s); the issuance of a policy by one insurer on behalf of a second insurer because the second insurer is not licensed or admitted in the state of jurisdiction for the line of business being written; the first insurer issues the policy to the insured, and is reinsured for its liability by the second insurer; such arrangements may be illegal if the purpose is to frustrate regulatory requirements.
Funding Cover	A multi-year reinsurance contract that allows the cedent to bank a relatively stable premium over time and access the bank when unanticipated insurance liabilities arise.
Funding of Reserve (Outstanding Claims Account)	An arrangement sometimes used in the case of non-admitted reinsurers whereby the ceding company retains funds of the reinsurer equivalent to outstanding loss reserves.
Funds Withheld (Funds Held Account)	Provision in a treaty under which premium due the reinsurer, usually unauthorized, is withheld to enable ceding company to reduce the provision for unauthorized reinsurance in its Annual Statement.
Generally Accepted Accounting Principles (GAAP)	A method of reporting the financial results of an insurer more in accordance with the going-concern basis used by other businesses; assigns income and disbursements to their proper period, as distinguished from the more conservative requirements of statutory accounting affecting insurers.
GNEPI	Gross Net Earned Premium Income.
GNWPI	Gross Net Written Premium Income.
Gross Line	The total limit of liability accepted by insurer on an individual risk, including the amount it has reinsured; net line plus reinsurance ceded.

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Gross Net Premium	A ceding company's total gross premium before the deduction of any commissions or costs, but after the deduction of reinsurance costs.
Ground-Up Loss	The total amount of loss sustained before deductions are applied for reinsurance covers which inure to the benefit of the cover being considered and before the application of a deductible.
Guaranteed Cost	Premium charged on a prospective basis which may be fixed or adjustable on a specified rating basis but never on a basis of loss experience.
Hazard	Refers to the possible causes of loss in casualty insurance.
Honorable Undertaking	This self-explanatory clause is in most reinsurance treaties, and reads as follows: "This agreement is considered by the parties hereto as an honorable undertaking, the purpose of which is not to be defeated by a strict or narrow interpretation of the language thereof."
Hourly Clauses	Clauses used to set time parameters for losses to be included within the single event; catastrophe reinsurance treaties respond to losses incurred by an insurance company in a single event and it is often difficult to defined precisely which losses were caused by a certain event.
Incurred But Not Reported (IBNR)	The loss reserve value established in recognition of liability for future payments on losses which have occurred but have not yet been reported either to the ceding company or to the reinsurer; expected future development on claims already reported.
Incurred Loss Ratio	The ratio of losses incurred to premiums earned.
Incurred Losses	An amount representing the losses paid plus the change in outstanding loss reserves within a given period of time; losses which have happened and which will result in a claim under the terms of an insurance policy or a reinsurance agreement.
Indexing	A procedure which adjusts retention and limit provisions of excess of loss reinsurance agreements in accordance with the fluctuations of a published economic index such as wage, price, cost-of-living, etc.
Industry Loss Warranty	A clause requiring that the industry loss must be of a certain size for the catastrophe reinsurance cover to respond.
Inflation Factor	A loading to provide for increased expense costs and loss payments in the future due to inflation.
Insolvency Clause	The clause (often required by state law) which may hold the reinsurer liable for its share of loss assumed under the treaty even though the ceding company has become insolvent; specifies to whom payment shall be made; proceeds are usually paid to the liquidator of an insolvent insurer on valid claims and not reduced.
Insurance Regulatory Information System (IRIS)	A series of tests developed by the NAIC to assist states in overseeing the financial condition of insurance companies.
Insurance Risk	The concept of uncertainty about the ultimate amount of net cash flow from premiums, commissions, claims and claims-settlement expenses emanating from a cession of contractually-defined liabilities and the timing of the receipt and payment of those cash flows.
Interests and Liabilities Agreement	A reinsurance contract between multiple reinsurers and a single ceding company that establishes the responsibilities of each reinsurer.
Interlocking Clause	Used only in conjunction with Aggregate Extension Clause; describes the manner or calculation of attachment point and amount of liability in the event that one aggregate loss affects more than one treaty year.
Intermediary Clause	A contractual provision, required by statute as a prerequisite to receiving credit for reinsurance, in which parties agree to effect all transactions through an intermediary and the credit risk of the intermediary is imposed on the reinsurer.
Investment Income	Money earned from invested assets; may include realized capital gains, or be reduced by capital losses, over the same period.
Investment Income Sharing	A contractual reinsurance feature (usually of financial reinsurance) whereby interest on the float generated by the contract is shared.

<b>Term</b>	<b>Definition</b>
Kenney Rule	The ratio of an insurer's net premium writings to its policyholder surplus which is considered safe; for multiple line companies, the ratio is 3:1.
Large-Line Capacity	Refers to an insurer's ability to provide a high limit of insurance for a single risk.
Law of Large Numbers	A mathematical concept which postulates that the more times an event is repeated the more predictable the outcome becomes.
Layer Rating	The prediction of loss frequency and severity within a given layer.
Lead (Following) Reinsurer	The Lead Reinsurer sets the terms and conditions of an insurance contract when two or more reinsurers participate; often also has the largest share, but not always; Following Reinsurers generally agree to be bound by the terms set by the Lead.
Letter of Credit (LOC)	A banking instrument used to secure recoverables from non-admitted reinsurers to reduce the provision for unauthorized reinsurance in the Statutory Statement; stand-by credits in the event of non-performance by the obligor.
Leverage Ratio (Ceded Reinsurance Leverage)	The ratio of the reinsurance premiums ceded, plus net ceded reinsurance balances from non-affiliates and foreign affiliates, for paid losses, unpaid losses, incurred but not reported losses, unearned premiums and commissions, less funds held from reinsurers, plus ceded reinsurance balances payable, to policyholder' surplus; measures a company's potential exposure to adjustments on such reinsurance and its dependence upon the security provided by its reinsurers; a ratio higher than 1.3 is considered above the accepted norm for this test.
Leveraged Effect	The disproportionate result produced by inflation on a reinsurer's liability in excess of loss reinsurance compared with the ceding company's liability.
Licensed Primary Insurer (Admitted Primary Insurer)	Insurer who has been granted a license to operate in a particular state.
Line	An amount of risk or liability equal to that which the ceding company retains for its own account; the limit of insurance fixed by the ceding company on a class of risk (line limit) or the actual amount that it has accepted on a single risk or other unit; a class or type of insurance or reinsurance; line of business; a category of reinsurance; pertains to the surplus reinsurance; the amount of the reinsurer's retention per each risk.
Line Sheet (Line Guide)	A schedule showing the limits of liability to be written by a ceding company for different classes of risk.
Lloyd's of London	An insurance marketplace headquartered in London, England where risks are shared among individuals and corporations (Names) that are members of underwriting syndicates, and who provide the financial backing to the business; Lloyd's can act as either a primary insurer or reinsurer; Syndicate Underwriting Managers conduct the actual risk underwriting; Lloyd's Corporation provides service facilities for the underwriters.
Long-Tail Liability	A term used to describe certain types of third-party liability exposures where the incidence of loss and the determination of damages are frequently subject to delays which extend beyond the term the insurance or reinsurance was in force; malpractice, products liability, errors and omissions.
Loss Adjustment Expense (LAE, Allocated Loss Adjustment Expense, ALAE, Unallocated Loss Adjustment Expense, ULAE)	Allocated - expenses incurred by the ceding company to investigate, defend and settle claims under its policies and which it specifically allocates to claim; directly identifiable expenses distinct to a particular claim; Unallocated - includes the insurer's overhead expenses and other costs of doing business such as payments to salaried employees ; cannot be specifically designated to a particular claim.
Loss Carry-Forward	In life reinsurance, if in any calendar year, the claims and expenses exceed the premiums, the resulting net reinsurance loss is carried forward to the

Term	Definition
	next year's experience refund calculation.
Loss Cost	The portion of the premium rate that is applicable solely to loss, without provision for company expenses or profits.
Loss Development (Loss Lag)	The difference between the estimated amount of loss initially reported and the amount of an evaluation of the same loss at a later date or the amount paid in final settlement.
Loss Development Factor (LDF)	Derived by mathematical analysis of the development of losses from initial reporting and reserving to final closure or settlement; used to project losses to their ultimate value; derived from line of business loss triangles; tool used by underwriters to set risk premium requirements.
Loss Distribution Scale	Scales that suggest distribution of ground-up premium throughout the layers in a risk.
Loss Event (Occurrence)	The total losses to the ceding company or the reinsurer, resulting from a single cause.
Loss In Excess of Policy Limits	A loss sustained by a primary carrier that is greater than the policy limits issued by it, due to negligence or bad faith failure to settle the claim within the policy limits when it had the opportunity to do so; reinsurance treaties usually provide for partial payment of such losses.
Loss Multiplier	Used in retrospective reinsurance rating plans to convert losses to premium and provide for reinsurer's loss adjustment expense, overhead and profit margin, subject to established maximums and minimums.
Loss Portfolio Transfer	Cession of a contractually-defined set of outstanding liabilities assumed by the reinsurer for a consideration; liabilities are retroactive.
Loss Ratio	Proportionate relationship of incurred losses to earned premiums expressed as a percentage.
Loss Reserve	An estimate of the amount of outstanding loss remaining to be paid for the reported claim; estimated expected payments for reported and unreported claims.
Loss Sustained Cover	A type of reinsurance treaty covering only those losses which are sustained during the term of the treaty.
Loss Trend Factor	Project known or developed ultimate losses to future cost levels for a future coverage period; primarily applied in lines of business that are adversely affected by inflation, e.g. Automobile and General Liability.
Manual Excess	The premium for excess amounts of insurance, as determined by tables of factors for increased limits of liability, set forth in the manuals used by casualty insurance companies; a logical basis for rating excess of loss casualty reinsurance.
Master Certificate	Provides coverage for risks that fall into certain specified parameters and are added by periodic endorsements.
Maximum Foreseeable Loss (MFL)	The anticipated maximum property fire loss that could result given unusual or the worst circumstances with respect to the non-functioning of protective features.
Minimum Premium	The least premium charge applicable, frequently used in excess of loss reinsurance contracts or catastrophe covers which contain a provision that the final adjusted premium may not be less than a stated amount.
Modified Coinsurance	In life insurance, coinsurance under which the ceding company retains and maintains the total reserve; the annual reserve increase, adjusted for interest on the previous year's reserves, is transferred from the reinsurer to the ceding company at year end.
Multi-Year Reinsurance	Prospective reinsurance contracts covering occurrences in a period exceeding one year and containing cancellation restrictions for the ceding company and/or the reinsurer.
National Assoc. of Insurance Commissioners (NAIC)	The chief insurance regulatory officials of the 50 states
Net Line	The amount of insurance a ceding company (or reinsurer) has at risk after

Term	Definition
	deducting reinsurance (or retrocessional recoveries) from its gross line; the maximum amount of loss on a particular risk to which an insurer or reinsurer exposes itself without reinsurance.
Net Loss	The amount of loss sustained by a ceding company after deducting all recoveries, salvage, and reinsurance; may not include allocated loss adjustment expenses.
Net Retention (Net Retained Liability, First Loss Retention, Attachment Point)	The amount of insurance which a ceding company keeps for its own account and does not reinsure in any way; the amount of loss sustained by the ceding company before the liability of the excess of loss reinsurer attaches.
Ninety Day Rule	The Annual Statement requirement that insurer must establish liability provision for balances when recoverables over ninety days past due.
Non-Admitted Reinsurance	Reinsurance provided by a non-admitted reinsurance company, one which is not licensed in the state, and thereby not recognized by the insurance regulatory authority; such reinsurance may not be treated as an asset on the financial statements of the ceding company unless it is properly secured by a funds-withheld arrangement, letter of credit or trust agreement.
Non-Concurrent Reinsurance	Applies to those hazard or risks of loss or damage that are specifically described in the reinsurance contract.
Non-Proportional Reinsurance	Reinsurance under which the reinsurer's participation in a loss depends on the size of the loss; claim payments are made to the ceding company when the ceding company's claims exceed a predetermined loss limit.
Obligatory Treaty (Automatic Treaty, Obligatory Contract, Binding Agreement, Facultative Automatic)	A reinsurance contract under which the subject business must be ceded by the ceding company in accordance with contract terms and must be accepted by the reinsurer.
Occurrence	An incident, event or happening; in reinsurance, per-occurrence coverage permits all losses arising out of one event to be aggregated, rather than handled on a policy-by-policy or risk-by-risk basis; in casualty insurance and reinsurance, this term may be defined as continual, gradual or repeated exposure to an adverse condition that is neither intended nor expected to result in injury or damage, as contrasted with an accident or sudden happening; in property catastrophe reinsurance contracts, occurrence is usually defined as all losses within a specified period of time involving a particular peril.
Occurrence Basis	Traditional method of coverage whereby coverage is provided for losses from claims which occurred during the policy period, regardless of when the claims are reported.
Occurrence Limit	A provision in most per risk reinsurance contracts that limits the reinsurer's liability for all first involved in one occurrence.
Offset Clause (Setoff )	Reduction of the amount owed by one party to a second party by crediting first party with amounts owed by second party; another way to reduce credit risk; the deduction of loss payments from the premium owed a reinsurer.
Off-Shore Reinsurer	A non-admitted reinsurer; ceding companies will not normally receive credit for reinsurance recoverable due from such reinsurers in their statutory statement unless they are properly secured.
Open Cover	A facility under which risks of a specified category may be declared and insured; infrequently used in reinsurance.
Operating Income (Operating Profit)	The sum of the net investment income and net underwriting income in any reporting period.
Overhead	Fixed charges which do not vary with the amount of business done.
Over-Line	The amount of insurance or reinsurance exceeding the insurer's or reinsurer's normal capacity inclusive of automatic reinsurance facilities; above and beyond normal capacity

<b>Term</b>	<b>Definition</b>
Override (Overriding Commission, Overwriting Commission)	The portion of the commission that the general agent or supervision agent keeps; in reinsurance, the broker who receives a commission for placing a retrocession through another broker receives an overriding commission.
Over-Subscribed	Term used in the broker reinsurance market to indicate when more than a100% has been authorized collectively by reinsurers on a risk.
Pari-Passu	Means the equal treatment of reinsurer with regards to pertinent treaty conditions, usually used in the signing down of a share on an overplaced treaty.
Participate	To share in the writing of a risk.
Payback Period (Payback, Amortization Period)	The period of time required for the premium to equal a single total loss, for the underwriter to be made whole; a term used in the rating of per-occurrence excess covers and represents the number of years at a given premium level necessary to accumulate total premiums equal to the indemnity; a measure of how frequently a loss might occur under the contract.
Peril	Refers to the possible causes of loss in property insurance.
Per Occurrence Excess of Loss Clause	A reinsurance contract provision that aggregates all losses arising out of a single occurrence, subject to the ceding company's retention prior to reinsurance recovery.
Per Occurrence Limit	A limit on the amount the reinsurer will pay as the result of a single event or occurrence
Per Risk Excess Reinsurance	A form of property excess of loss reinsurance were the ceding company's retention and amount of reinsurance apply per risk rather than on a per accident, event or aggregate basis.
Policy Acquisition Costs	State premium taxes and agents' commissions which must be charged as expenses on a statutory financial statement.
Policy Profile	A study which segregates an insurer's policies into various groupings, e.g., by policy limit or policy premium.
Policy Year	Refers to all claims and premiums that stem from a set of insurance policies issued over a 12 month period.
Policy Year Experience	Experience on business commencing with its effective date irrespective of when the transactions (payment of premium or loss payment) may actually have taken place; defines coverage or determines which losses will be included in calculation of an adjustable feature.
Portfolio	Liability of insurer for unexported portion of inforce policies, outstanding losses, or both for described segment of insurer's business.
Portfolio Entry	The mechanics of attachment of a reinsurance treaty at inception may be arranged on varying bases to new and renewal business or business inforce.
Portfolio Reinsurance	A 100% by transfer assumption of portfolio of a defined block of business by acceptance of a block of policies inforce, a block of outstanding losses or a combination of both; may refer to treaty or automatic reinsurance programs, as distinguished from facultative reinsurance.
Portfolio Return	The return of unearned reinsurance premium and loss reserves on inforce business to the ceding company upon termination of a reinsurance contract.
Portfolio Run-Off	A method of canceling reinsurance that continues the reinsurance of a portfolio until the ceded premium is earned and/or all losses are settled.
Premium Capacity	Refers to the aggregate premium volume an insurer or reinsurer insurer can write.
Premium Trend Factor	The adjustment to reflect historical rate increases needed to project loss ratios in a prospective period.
Primary	Term applied to Insurer (insurance company originating the business), Insured (policyholder insured by primary insurer), Policy (initial policy issued by primary insurer to primary insured), Insurance (the insurance

Term	Definition
	covered under the primary policy issued by the primary insurer to the primary insured; underlying insurance).
Priority	Retention.
Pro Rata Reinsurance (Quota Share, Proportional, Participating, First Surplus, Second Surplus, Surplus Share)	Generic term describing all forms of quota share and surplus reinsurance; reinsurer shares a pro rata portion of losses and premiums with ceding company; proportion may be either fixed or variable; one of the oldest forms of treaty reinsurance and the most common in property reinsurance.
Probable Maximum Loss	The anticipated maximum property fire loss that could result given unusual or the worst circumstances with respect to normal-functioning protective features.
Prospective Reinsurance (Spread Loss Reinsurance)	Reinsurance of contractually defined occurrences that have yet to happen.
Prospective Rating Plan	The formula in a reinsurance contract for determining reinsurance premium for a specified period on the basis, in whole or in part, of the loss experience of a prior period.
Provisional Rate	Tentative figure for subsequent adjustment under a reinsurance retrospective rating plan.
Provisional Notice of Cancellation	Unless both parties agree to continue to reinsurance beyond the anniversary date, the provisional notice of cancellation allows for the termination of the reinsurance contract.
Provisional Premium	In retrospective reinsurance rating plans, the ceding company pays the reinsurer a provisional premium, which is frequently a flat rate applied to the ceding company's premium base; provisional premium is usually paid on a monthly or quarterly schedule and later adjusted in accordance with the retrospectively rating plan formula.
Pure Loss Cost	The ratio of the reinsurance losses incurred to the ceding company's subject premium.
Pure Premium	The portion of the premium that is allocated to enable the ceding company to pay losses, but in which no loading has been added for commission, taxes or other expenses.
Quota Share Treaty	The basic form of pro rata reinsurance whereby the reinsurer accepts a stated percentage of each and every risk within a defined category of business; participation in each risk is fixed and certain; the primary insurer and the reinsurer agree in advance to a percentage for sharing policy limits, premiums and losses.
Rate	The percent factor applied to the ceding company's subject premium to produce the reinsurance premium or the percent applied to the reinsurer's premium to produce the commission.
Rate On Line	Premium divided by indemnity expressed as a percentage of the limit exposed; similar to the concept of payback or amortization.
Recapture	Term used in life reinsurance to define the action of a ceding company where it takes back from the reinsurer insurance previously ceded.
Reciprocal Exchanges	Inter-insurance exchange; formed to provide insurance at minimum cost to members and owned by members; a voluntary, unincorporated association conducting the business of reciprocal insurance, managed by an attorney-in-fact, in which every subscriber is both a policyholder and an insurer of all other subscribers.
Reciprocity	The practice of requiring incoming reinsurance in exchange for reinsurance ceded or vice versa.
Reinstatement Clause	When the amount of reinsurance coverage provided under a contract is reduced by the payment of loss as the result of one occurrence, the reinsurance cover is automatically reinstated, sometimes subject to the payment of a specified reinstatement premium; reinsurance contracts may provide for an unlimited number of reinstatement or for a specific number

Term	Definition
	or reinstatement.
Reinstatement Premium	A pro rata reinsurance premium that may be charged for reinstating the amount of reinsurance coverage reduced as the result of a reinsurance loss payment under a catastrophe cover; property catastrophe covers almost always call for reinstatement premium(s) when coverage is reinstated.
Reinsurance	A transaction whereby the one party, the reinsurer, in consideration of premium paid, agrees to indemnify another party, the ceding company, for part of all of the liability assumed by the ceding company under a policy (or policies) of insurance; reinsurer (assuming insurer) agrees to indemnify the ceding company against all or part of loss which latter may sustain under policies issued; one of the prime functions of reinsurance is to provide capacity.
Reinsurance Assumed	That portion of the risk the reinsurer accepts from the ceding company.
Reinsurance Ceded	That portion of the risk that the ceding company transfers to the reinsurer.
Reinsurance Assisted Placements (Reverse Flow Business)	The reinsurer serves as a facilitator for placement of a book of insurance business from a direct production source (insurance agent, broker or managing general agent) to a ceding company; the reinsurer may reinsure the book of business for the ceding company, though such reinsurance is not mandatory.
Reinsurance Credit	A ceding company can take credit for reinsurance premiums ceded and reinsurance losses recoverable in their Annual Statement if the reinsurance is placed with an admitted reinsurer.
Reinsurance Intermediary (Intermediary, Broker)	A solicitor of reinsurance companies who is engaged by the ceding company to place reinsurance on its behalf with markets of the broker's choice or as designated by the ceding company; negotiates contracts of reinsurance between a reinsured and reinsurer; provide services such as claims handling, accounting, and underwriting advice; premiums paid a broker by reinsured are considered paid to the reinsurer, but loss payments and other funds (premium adjustments) paid a broker by a reinsurer are not considered paid to the reinsured until actually received by the reinsured.
Reinsurance Pool (Pool, Association, Syndicate)	An organization of insurers or reinsurers through which members underwrite particular types of risks with premiums, losses and expenses shared in agreed amounts or ratios; may be formed to share in a specialty insurance line that require special expertise or to address market catastrophe exposure; formed to spread reinsurance risks rather than primary insurance risks.
Reinsurance Premium	Consideration paid by the ceding company to the reinsurer for the liability assumed by the reinsurer.
Reinsurance Program	Combination of reinsurance contracts entered into by a ceding company.
Reinsured (Reassured)	The ceding company.
Reinsurer	The insurer which assumes all or part of insurance or reinsurance risk written by another insurer.
Retention	The amount of risk the ceding company keeps for its own account or account of others.
Remainder	That amount of a risk which is to be reinsured, after determination of the reinsured's retention.
Retroactive Reinsurance	Reinsurance of contractually-defined occurrences that have already happened.
Retrocession	A reinsurance transaction whereby a reinsurer (the retrocedent) cedes all or part of reinsurance risk to another reinsurer (retrocessionaire).
Retrocessionaire	The reinsurer of reinsurance companies.
Retrospective Rating	A plan or method that provides for the adjustment of final reinsurance ceding commission or premium on the basis of the actual loss experience under the reinsurance contract, subject to minimum and maximum limits; the final adjusted reinsurance premium is usually equal to the reinsurance

Term	Definition
	losses multiplied by a loss conversion factor.
Retrospective Rating Plan	The formula in reinsurance contracts determining the reinsurance premium for a specified period on the basis of the loss experience for the same period.
Retrospectively Rated Reinsurance	Reinsurance in which the ultimate premium paid by the ceding company is based upon the ultimate liabilities assumed by the reinsurer under the contract.
Retrocedent	The reinsurer placing a retrocession.
Risk	The uncertainty of loss; the tangible or intangible things, persons, entities, items, subject to a potential loss.
Risk Retention Group	A group of two or more organizations authorized by the federal Risk Retention Act to pool and retain some or all of their exposures, thereby gaining favorable income tax treatment of their contributions to related loss reserves.
Risk Transfer	The extent to which insurance risk is shifted from the cedent to the reinsurer.
Risk-Based Capital	The theoretical amount of capital that is needed to absorb the risks of operating a business with financial obligations to customers; the amount necessary to ensure that the business has an acceptably low expectation of becoming financially insolvent.
Run-Off (Run-Off Cancellation, Cut-Off Cancellation)	A termination provision of a reinsurance contract stipulating that the reinsurer shall remain liable for loss under reinsured policies in force at the date of termination, as a result of occurrences taking place after the date of termination.
Schedule F	The schedule on a company's Annual Statement that summarizes reinsurance transactions.
Second Event Cover	A drop down clause used in property catastrophe reinsurance that stipulates that if the ceding company sustains a loss greater than its retention in one occurrence, it will have a lower retention in any subsequent occurrence that takes place during the same annual period.
Second Surplus	A form of reinsurance purchased by ceding companies that are writing coverage for insureds with large limit policies; provides reinsurance for lines too large to be reinsured in a First Surplus contract; follows on the plan of the First Surplus, but provides a much diminished spread of risk to reinsurers.
Second-Event Retention	A provision under which the ceding company's retention for excess of loss protection (especially under catastrophe covers) is reduced for subsequent catastrophes during the same reinsurance period.
Self-Insurance	The setting aside of funds by an individual or organization to pay losses and to absorb fluctuations in the amount of loss; losses are charged against the accumulated funds.
Self-Insurer	An individual, partnership or corporation who retains all or part of the risk for its own account.
Self-Reinsurance	Creation of a fund by an insurer to absorb losses beyond the insurer's normal retention.
Shortfall Cover	A facultative reinsurance cover, usually temporary, that is used to fill in gaps (shortfalls) in the ceding company's placement of its treaty reinsurance program.
Sliding Scale Commission	A predetermined commission adjustment on earned premiums whereby the actual commission varies inversely with the loss ratio, subject to a maximum and minimum.
Slip	The piece of paper submitted by the broker to the underwriters at the "boxes" in the "room" at Lloyds of London on which the Syndicates accepting the risk are identified and the extent of their participation is noted.
Special Acceptance	The facultative extension of a reinsurance treaty to cover a risk not automatically included within its terms.

<b>Term</b>	<b>Definition</b>
Spot Reinsurance	Facultative reinsurance, usually applied to one item, risk, peril or location for property, and to one vehicle, driver, premise, operation, job site activity or product for casualty.
Standard & Poors Claims Paying Ability Rating	The opinion of S&P regarding the financial capacity of an operating insurance company and its ability to meet the obligations of its insurance policies in accordance with their terms.
Statutory Accounting Principles (SAP)	Those principles required by state law which must be followed by insurance companies in submitting their financial statements to state insurance departments; expenses must be recorded immediately and cannot be deferred to track with premiums as they are earned and taken into revenue.
Subject Premium (Flat Rate, Premium Base, Underlying Premium)	That portion of the ceding company's premiums to which the reinsurance premium rate is applied in order to determine the reinsurance premium; the premium from the policies issued by the primary insurer that are subject to the agreement (written or earned); a percentage rate applied to a ceding company's subject premium writings for the classes of business reinsured to determine the reinsurance premiums.
Sunrise Clause	A clause that provides coverage for losses reported to the reinsurer during the term of the current reinsurance contract, but resulting from occurrences that took place during a prior period; typically no longer found in reinsurance contracts due to the genesis of the Sunset Clause.
Sunset Clause	A clause that stipulates that the reinsurer will not be liable for any loss that is not reported to the reinsurer within a specified period of time after the expiration of the reinsurance contract.
Surplus	The portion of the ceding company's gross amount of insurance on a risk remaining after deducting the retention established by the ceding company.
Surplus Line	Any risk or part thereof for which there was no available market to the original broker or agent; business, which would otherwise be subject to regulation as to rate or coverage, placed in non-admitted markets on an unregulated basis in accordance with the Surplus or Excess Line provisions of state insurance laws.
Surplus Lines Brokers	Brokers permitted to do business with non-admitted insurers, but only if admitted insurers have declined to write the risk.
Surplus Relief	The use of admitted reinsurance on a portfolio basis to offset unusual drains against policyholders' surplus; the ceding company recaptures equity in unearned premium reserves on the business ceded through the ceding commission allowed by the reinsurer against the gross premiums ceded.
Syndicate	A group of companies or other underwriters who join together to insure certain risks which may be of such value or hazard, or so expensive to underwriter that it can be done on a cooperative basis more efficiently.
Surplus Share Treaty	A form of pro rata reinsurance used primarily for property lines; reinsurer assumes a pro rata share of only that portion of any risk that exceeds the ceding company's established retentions.
Sub-Broke	The intermediary from whom another intermediary obtains business to place.
Ticket Reinsurance	A notation in the form of a separate piece of paper attached to the daily report setting forth the details of reinsurance that has been effected.
Time-and-Distance Policies	Largely used by reinsurance syndicates at Lloyd's of London to close the books on old underwriting years, based upon contractually specified cash flow payments between the ceding company and insured covering past losses.
Target Risk	A large risk that attracts unusually keen competition among insurers, agents and brokers; a large hazardous risk on which insurance is difficult to place.
Tariff Rate	The insurance rate established by the rating organization having jurisdiction over the class and territory.
Top and Drop Cover (Benefit Cover)	An excess of loss insurance contract designed by Lloyds to cover as the top layer on an excess program or to act as a reinstatement on the lower

Term	Definition
	layers.
Total Insurable Value	The total values for insured perils and coverage for a particular risk, whether or not insurance limits have been purchased to that amount.
Traditional Reinsurance	Reinsurance where the primary motivation is insurance risk transfer.
Treaty	A reinsurance contract under which the reinsured company agrees to cede and reinsurer agrees to assume risks of a particular class of business.
Treaty Reinsurance	A standing agreement, often obligatory and long-term in nature, between a reinsurer and a ceding company that provides for the automatic cession and assumption of the classes of risk specified in the treaty.
Trending	The necessary adjustment of historical premium and loss statistics, to present levels or expected future levels in order to reflect measurable changes in insurance experience over time which are caused by dynamic economic and demographic forces and to make the data useful for determining current and future expected cost levels.
Trust Agreement	A formal agreement whereby property is transferred with the intention that it will be administered by one party, the trustee, for the benefit of another, commonly known as the beneficiary.
Unauthorized Reinsurer	A reinsurer not licensed or approved in a designated jurisdiction.
Unauthorized Reinsurance	Reinsurance placed with a reinsurer which does not have authorized status in the jurisdiction in question.
Uberrimae Fidei	The Latin term describing the reinsurance contract as one of utmost good faith between the contracting parties.
Unearned Reinsurance Premium	That portion of reinsurance premium applicable to unexpired portion of policies reinsured.
Unlicensed (Non-Admitted) Primary Insurer	An insurer who has not been granted a license in that state.
Ultimate Net Loss	The total sum which the ceding company becomes obligated to pay either through adjudication or compromise, 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 ceding company's permanent employees.
Underlying	In respect to excess of loss coverages, that amount of risk which attaches before the next higher layer of insurance or reinsurance.
Underwriting Income	The excess of premiums earned by a reinsurer during any reporting period over the combined total of expenses and losses incurred by the reinsurer during the same period.
Underwriting Profit	The profit derived from reinsurance or insurance exclusive of that derived from investments.
Unearned Premium	That portion of the original premium that applies to the unexpired portion of risk; if the policy should be canceled, the company would have to pay back the unearned part of the original premium.
Variable Quota Share Treaty	The percentage of cession varies automatically by risk based on broad, objective criteria established in advance, such as size of risk or class.
Work Program	A contract bond reinsurance term providing that reinsurance attaches at a specified level of a principal's total volume of work rather than on the more conventional basis of individual contract or bond amount.
Working Cover	A contract covering an area of excess reinsurance in which loss frequency is anticipated.
Working Layer	An area of excess reinsurance in which loss frequency is anticipated; the rating approach to such a layer is usually on a retrospective basis or subject to a contingent commission or sliding scale commission.