

Glossary of Insurance Terms

Actuary	A professional trained in the mathematics of insurance and risk management, including the calculations of premiums, policy reserves and other values.
Agent	The insurance company representative who sells policies on behalf of the insurer. An independent agent represents more than one company; a captive agent represents only one company.
Applicant	Prospective policyholder; completes and signs the insurance application.
Assets	The items on a balance sheet showing the value of property owned.
Assuming Company	An insurance company that accepts the risk transferred from another insurance company in a reinsurance transaction.
Billing Clerk	Person responsible for revenue billing.
Broker	Represents the interests of the insured in searching for insurance coverage at the lowest cost and highest benefit to the insured. The broker may also be an agent of the insurer for purposes of policy collection and delivery of the policy.
Catastrophic Event	An event that causes loss to many people at once. Also called catastrophe, several examples are tornados, hurricanes and plane crashes.
Cede	To transfer to a reinsurer all or part of the insurance or reinsurance written by a ceding company.
Ceding Company	The company that transfers its risk to a reinsurer. Also called the Cedant.
Claim Adjuster	The person who investigates insurance claims for losses and recommends an effective settlement.
Claim Service Representative	Also called CSR; they are responsible for clerical completion of all claim files.
Clause	A section of an insurance policy dealing with various coverages, exclusions, duties of the insured, locations covered and conditions that terminate coverage.
Combined Ratio	The sum of the loss ratio and the expense ratio.
Commercial Lines	Insurance for businesses, professionals and commercial establishments.
Compulsory	Mandatory or enforced.
Contract	Legally binding agreement between two parties who wish to exchange some sort of consideration (anything of value, e.g. money or goods).
Coverage	The insurance afforded under a contract of insurance.
Declaration	Part of the insurance policy that identifies the named insured, policy period and limit of insurance.
Deductible	The amount of money the policyholder must pay on a loss.
Direct Loss	A loss which is a direct consequence of a peril.
Disability Insurance	Covers wage loss for the disabled person.
Earned Premiums	The portion of the premium for which protection has been provided. If an insured has an annual premium and makes monthly payments, each month the insurer earns 1/12 th of the premium.
Endorsement	A written agreement attached to the insurance policy which alters the provisions of the contract.
Exclusion	A provision in the insurance policy that indicates what is denied coverage.
Expense Ratio	The ratio of all operating expenses divided by the premiums written.
Exposure to Loss	The policyholder's possibility of loss.

Fire Insurance	The foundation of today's property insurance. Covers loss to property caused by a fire or lightning.
Flood Insurance	Insurance to reimburse property owners from loss due to the peril of flood.
Fortuitous Losses	Unintentional loss occurring by accident or chance.
Frequency of Loss	Refers to the actual numbers or times the same or similar loss occurs.
Frequency-Severity Matrix	Matrix used to determine which type of risk treatment is appropriate for a risk.
General Liability	Insurance to protect an owner or operator of a business from a wide range of liability exposures.
Hazard	A condition that creates or increases the chance or severity of a loss due to a peril.
Homeowners Policy	Insurance against property and liability perils to which a homeowner or renter is exposed.
IBNR	Incurred but not reported losses. This is for losses which have occurred during a stated period, usually a calendar year, but have not yet been reported to the insurer.
Indemnification	Insurance principle which states that the insured, after a loss, should be restored in whole or in part by payment, repair or replacement by the insurer.
Independent Adjuster	An adjuster hired by the insurer to investigate and settle claims on behalf of the insurance company.
Indirect Loss	A loss resulting from a peril but not caused directly by that peril.
Insurance	Economic device whereby the individual or business pays a cost (premium) in exchange for protection against financial loss. The agreement is a contract also known as an insurance policy.
Insured	The policyholder protected in case of a loss or claim.
Insurer	The party who pays for losses in an insurance arrangement.
Law of Large Numbers	States that the larger the number of risks or exposures, the more closely the actual loss experience will approach the expected loss experience.
Legal Hazard	Characteristics of the legal system that increase the frequency or severity of losses.
Legislated	Determined by law.
Liability	The obligation of financial responsibility that may arise by negligence, contract or tort committed.
Liability Insurance	Protects the policyholder against a suit or claim for another's bodily injury and property damage.
Loss	An undesired and unplanned reduction of financial value.
Loss Control	The process of identifying and acting upon situations which may lead to losses.
Loss Ratio	A formula used by insurers to relate loss expenses to earned premiums.
Loss Reserve	Money set aside to pay losses.
Marine Insurance	Covers loss or damage to ships, cargo or injuries to ship crew members.
Moral Hazard	Dishonesty or character defects that increase the chance of loss.
Morale Hazard	Carelessness or indifference to a loss because of the existence of insurance.
Negligence	Failure to use that degree of care which an ordinary person of reasonable prudence would use to protect others from harm.
P&C	Property and Casualty Insurance.
Peril	A cause of loss.
Physical Hazard	A physical condition that increases the chance of loss.
Policy	The written insurance contract that may include all clauses, riders and endorsements.
Policy Service Representative	Also called PSR; they are responsible for premium rating and issuing policy files.

Policyholder	The insured protected in case of a loss or claim.
Pooling	The method by which each member of an insurance pool shares in every risk written by other pool members.
Premium	The price of insurance protection, paid by the policyholder to the insurer.
Premium Auditor	Person that reviews charges to ensure that the premium paid is fair for the coverage furnished.
Private Insurance	Voluntary programs that are available from the government or private firms.
Proximate Cause	The immediate or actual cause of loss or damage.
Public Adjuster	Hired by the insured, an adjuster who operates independently from insurance companies to investigate and settle claims.
Re-Inspector	Person who double-checks the work of the original adjuster.
Reserves	The funds an insurance company sets aside to pay for reported but outstanding claims.
Rider	An endorsement to an insurance policy that modifies its clauses and provisions, including or excluding certain conditions from coverage.
Risk	The uncertainty concerning the occurrence of a financial loss.
Risk Avoidance	Avoiding the risk altogether.
Risk Control	Techniques used to control the frequency and magnitude of losses.
Risk Control Consultant	A person with expertise in risk management techniques that reduce the frequency and severity of losses.
Risk Management	The identification of loss exposures and treatments for those exposures.
Risk Retention	Retaining or bearing the risk.
Risk Transfer	Transferring the financial consequences of a loss to another party, such as an insurance company.
Severity of Loss	Refers to the size or cost of the loss to the organization.
Tort	An injury or wrong committed against an individual.
Umbrella Policy	Insurance policy over and above a basic liability policy.
Underwriter	The professional responsible to assess the merits of each risk and decide a suitable premium for accepting all or part of the risk.
Underwriting	The process of scrutinizing a risk to determine whether or not to insure that risk.
Underwriting Assistant	Assists the underwriter. Also called underwriting technician or underwriting associate.
Waiver	Relinquishment of a legal right to act.
Workers' Compensation	Benefits paid to an employee as a result of occupational injury.
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.

Sources:

BISYS Education Services. (2000), *Glossary of Insurance Terms, Sixth Edition*, Atlanta, GA. Rubin, Harvey W. (2000), *Dictionary of Insurance Terms, Fourth Edition*, Barron's Education Series, Inc., Hauppauge, NY.

