

Reinsurance Glossary¹

A

Accident Year Experience

The matching of all losses occurring (regardless of when the losses are reported) during a given 12-month period of time with all premium earned (regardless of when the premium was written) during the same period of time. More specifically, the total value (losses paid plus loss reserves) of all losses occurring during the defined 12-month time period (i.e., the date of loss falls within the time period) is divided by the EARNED PREMIUM (see its definition) for this same exposure period. As the experience is developing, loss reserves are used in the calculation, but the ultimate result cannot be finalized until all losses are settled. While any 12-month period can be used to define the exposure period, the year beginning January 1 is normally

¹ By Robert W. Strain, CLU, CPCU. StainPublishing.com Permission is given to quote from this glossary or to reproduce it in whole or in part if the source of the quotation or reproduction is cited in the use thereof.

	<p>used. The most accurate method uses EXPOSURE EARNED premium (see its definition under EARNED PREMIUM) as the denominator, whereas in practice ACCOUNTING EARNED premium (see its definition under EARNED PREMIUM) is frequently used as a matter of convenience. (See also CALENDAR YEAR EXPERIENCE and POLICY YEAR EXPERIENCE.)</p>
Account Executive	<p>The individual, either as employee of a reinsurer or a reinsurance intermediary, who is responsible for all matters pertaining to the reinsurance account of a particular insurer.</p>
Acquisition Costs	<p>All expenses incurred by an insurance or reinsurance company that are directly related to acquiring insurance accounts (insured, or reinsured) for the company.</p>
Administration Expenses	<p>Costs incurred in conducting an insurance operation other than loss adjustment expenses, acquisition costs, and investment expenses.</p>

Admitted Assets	Assets recognized and accepted by state insurance laws in determining the solvency of insurers or reinsurers.
Admitted Company	<ol style="list-style-type: none"> 1. An insurer licensed to conduct business in a given state. 2. A reinsurer licensed or approved to conduct business in a given state.
Advance Deposit Premium	An amount paid by a reinsured to a reinsurer that is held for the payment of the reinsured's losses. At some time in the future, any balance in the fund remaining after paying losses and any agreed upon reinsurance expenses will be returned to the reinsured . Also known as BANKING PLAN.
Adverse Selection	The conscious and deliberate cession of those risks, segments of risks, or coverages that appear less attractive for retention by the ceding company.
Agent Commission	In insurance, an amount paid an agent for insurance placement services.
Aggregate Excess of Loss	A form of excess of loss reinsurance that indemnifies the reinsured against the

Reinsurance	amount by which the reinsured's losses incurred (net after specific reinsurance recoveries) during a specific period (usually 12 months) exceed either an agreed upon amount or an agreed upon percentage of some other business measure, such as aggregate net premiums over the same period or average insurance in force for the same period. This form of reinsurance also is known as STOP LOSS REINSURANCE, STOP LOSS RATIO REINSURANCE, or EXCESS OF LOSS RATIO REINSURANCE.
Aggregate Working Excess (Annual Aggregate Deductible)	A form of per-risk excess reinsurance under which the primary company retains its normal retention on each loss and additionally retains an aggregate amount of the losses that exceed such normal retention.
Alien Company	An insurer or reinsurer domiciled outside the U.S. but conducting an insurance or reinsurance business within the U.S.
Amortization Period	Synonymous with payback period, this term is used in the rating of per-occurrence

	<p>excess covers and represents the number of years at a given premium level necessary to accumulate total premiums equal to the limit of liability of the reinsurance cover. See PAYBACK PERIOD .</p>
Annual Statement	<p>A summary of an insurance company's (or reinsurer's) financial operations for a particular year, including a balance sheet supported by detailed exhibits and schedules, filed with the state insurance department of each jurisdiction in which the company is licensed to conduct business. Also known as CONVENTION BLANK.</p>
Arbitration Clause	<p>A provision sometimes appearing in reinsurance treaties whereby the parties agree to submit any dispute or controversy to an unofficial tribunal of their own choosing in lieu of the tribunals provided by the ordinary processes of law. Although the wording of the clause may vary, it normally provides for the appointment of two arbitrators, one selected by each party, who in turn appoint an umpire, and the decision of a majority of the arbitrators is binding on the parties to the reinsurance treaty.</p>

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.
Assume	To accept all or part of a ceding company's insurance or reinsurance on a risk or exposure.
Assumed Portfolio	The transfer of in-force insurance liability by an insurer to a reinsurer (or vice versa) by the payment of the unearned premium 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 (or vice versa). The former is a premium portfolio, the latter a loss portfolio.
Attachment Point	The amount at which excess reinsurance protection becomes operative; the retention under an excess reinsurance contract.

Authorized Reinsurance	Reinsurance placed with a reinsurer that is licensed or otherwise recognized by a particular state insurance department.
B	
Balance	A concept in surplus share reinsurance dealing with the relationship between written premium under the treaty and the maximum limit of liability to which the reinsurer is exposed. The precise relationship will vary from treaty to treaty, but if the ratio desired for a specific treaty is achieved, the treaty is referred to as "balanced."
Binder (Reinsurance)	A record of reinsurance arrangements pending the issuance of a formal reinsurance contract (which then replaces the binder). See COVER NOTE.
Bordereau	Furnished periodically by the reinsured, a detailed report of reinsurance premiums or reinsurance losses. A premium bordereau contains a detailed list of policies (bonds)

	<p>reinsured under a reinsurance treaty during the reporting period, reflecting such information as the name and address of the primary insured, the amount and location of the risk, the effective and termination dates of the primary insurance, the amount reinsured and the reinsurance premium applicable thereto. A loss bordereau contains a detailed list of claims and claims expenses outstanding and paid by the reinsured during the reporting period, reflecting the amount of reinsurance indemnity applicable thereto. Bordereau reporting is primarily applicable to pro rata reinsurance arrangements and to a large extent has been supplanted by summary reporting.</p>
Broker	<p>A reinsurance intermediary who negotiates contracts of reinsurance between a reinsured and reinsurer on behalf of the reinsured, receiving a commission for placement and other services rendered. Under the terms of one widely used intermediary clause, premiums paid a broker by a reinsured are considered paid to the reinsurer, but loss payments and other funds (such as premium adjustments)</p>

	paid a broker by a reinsurer are not considered paid to the reinsured until actually received by the reinsured.
Brokerage Commission	An amount paid a broker for insurance or reinsurance placement and other services.
Brokerage Market	A collective reference to those reinsurers that accept business mainly through reinsurance intermediaries.
Buffer Layer	Used in casualty insurance to describe a stratum of coverage between the maximum policy limit that the primary underwriter will write and the minimum deductible over which the excess or umbrella insurer will cover.
Burning Cost	The ratio of actual past reinsured losses to the ceding company's subject matter premium (written or earned) for the same period; used to analyze past reinsurance experience or to project future reinsurance experience. Also known as PURE LOSS COST.

C

Calendar Year Experience

The matching of all losses incurred (not necessarily occurring) within a given 12-month period, usually beginning on January 1, with all premium earned within the same period of time. Incurred losses will include the change in IBNR(Incurred but not reported). More specifically, the total value of losses incurred (not necessarily occurring) during the calendar year is divided by the ACCOUNTING EARNED premium for this same exposure period. Losses incurred are equal to the sum of losses paid, plus the outstanding loss reserves at the end of the year, less the outstanding loss reserves at the beginning of the year. Once calculated for a given period, calendar year experience never changes. (Also see ACCIDENT YEAR EXPERIENCE and POLICY YEAR EXPERIENCE.)

Captive Insurance Company

A company that is wholly owned by another organization (generally non-insurance),

	the main purpose is to insure the risks of the parent organization.
Casualty Catastrophe Cover	Reinsurance that is not exposed on a policy limit basis, i.e., the deductible on the treaty is equal to or exceeds the reinsured's maximum net exposure on any one policy. Therefore, such treaties protect against the infrequent loss involving two or more insureds in the same loss occurrence. Another name for CLASH COVER.
Catastrophe Number	Whenever a catastrophe occurs that produces losses within a prescribed period of time in excess of a certain amount (now \$1 million), the amount of such losses is recorded separately from non-catastrophe losses, is numbered by the American Insurance Association, 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 which, subject to a specified limit, indemnifies the ceding company for the amount of loss in excess of a specified retention with respect to an accumulation of losses resulting from a catastrophic event or series of

	events. The actual reinsurance document is referred to as a catastrophe cover.
Cede	To pass on to another insurer (the reinsurer) all or part of the insurance written by an insurer (the ceding insurer) with the objective of reducing the possible liability of the latter.
Ceding Commission	In reinsurance, an allowance (usually a percentage of the reinsurance premium) made by the reinsurer for part or all of a ceding company's acquisition and other costs. The ceding commission also may include a profit factor for the reinsured.
Ceding Company	A reinsured.
Certificate of Reinsurance	A short-form documentation of a reinsurance transaction.
Cession	1. The unit of insurance passed to a reinsurer by a primary company, which issued a policy to the original insured. A cession may accordingly be the whole or a portion of single risks, defined policies, or defined divisions of business, all as agreed upon in the reinsurance

	<p>contract.</p> <p>2. The act of ceding where such act is necessary to invoke the reinsurance protection.</p>
Claim Expenses	<p>The costs incurred in processing claims: court costs, interest upon awards and judgments, the company's allocated expense for investigation and adjustments and legal expenses (excluding, however, ordinary overhead expenses of the company such as salaries, monthly or annual retainers, and other fixed expenses that are defined as unallocated loss adjustment expenses). Also known as LOSS EXPENSES or LOSS ADJUSTMENT EXPENSES.</p>
Claims-Made Basis	<p>The provision in a contract of insurance or reinsurance that coverage applies only to losses that occur and claims that are made during the term of the contract. (Losses occurring before the contract term are sometimes covered by the addition of "prior acts" coverage to the contract. Losses reported after the contract term are sometimes covered by the addition of "tail" coverage.) Once the policy period is over in claims-made covers, the approximate extent of the underwriter's liability is known.</p>

	<p>On the other hand, the traditional "occurrence" liability insurance method provides coverage for losses from claims that occurred during the policy period, regardless of when the claims are asserted. With the traditional "occurrence" liability coverage method, the underwriter may not discover the extent of liability for years to come from losses asserted to have occurred within the policy period. With claims-made covers that are renewed, however, losses that occurred during any period when the policy was in force are again covered if reported during the renewal term. In summary, the traditional method is similar to claims-made if the latter has added to it both "prior acts" and "tail" coverage.</p>
<p>Clash Cover</p>	<p>A casualty excess of loss agreement with a retention higher than the limits on any one reinsured policy. The agreement is thus only exposed to loss when two or more casualty policies (perhaps from different lines of business) are involved in a common occurrence in an amount greater than the clash cover retention. Also known as</p>

	CONTINGENCY COVER.
Combination Plan Reinsurance	A form of quota share and excess of loss reinsurance combined that provides that, in consideration of a premium at a fixed percent of the ceding company's subject premium on the business covered, a) the reinsurer will indemnify the ceding company for the amount of loss on each risk in excess of a specified retention, subject to a specified limit, and b) after deducting the excess recoveries on each risk, the reinsurer will indemnify the ceding company for a fixed quota share percent of all remaining losses.
Combined Ratio	The combination of an insurer's (or reinsurer's) Loss Ratio and Expense Ratio. Another name for OPERATING RATIO or TRADE RATIO.
Commission	<ol style="list-style-type: none"> 1. AGENT COMMISSION - In insurance, an amount paid an agent for insurance placement services. 2. BROKERAGE COMMISSION - An amount paid a broker for insurance or reinsurance

	<p>placement services.</p> <p>3. CEDING COMMISSION - In reinsurance, an allowance (usually a percentage of the reinsurance premium) made by the reinsurer for part or all of a ceding company's acquisition and other costs. The ceding commission may also include a profit factor for the reinsured.</p> <p>4. OVERRIDING COMMISSION - A fee or percentage of money that is paid to a party responsible for placing a retrocession of reinsurance. In insurance, a fee or percentage of money that is paid by the insurer to an agent or general agent for premium volume produced by the other agents in a given territory.</p> <p>5. OVERWRITING COMMISSION - Another name for OVERRIDING COMMISSION.</p> <p>6. PRODUCER COMMISSION - Another name for BROKERAGE COMMISSION.</p> <p>7. REINSURANCE COMMISSION - Another name for CEDING COMMISSION.</p>
Commutation Clause	<p>A clause in a reinsurance agreement that provides for estimation, payment, and complete discharge of all obligations including future obligations between the parties for reinsurance losses incurred. This clause is sometimes found in contracts</p>

	reinsuring workers' compensation and may be optional (which is usual) or mandatory.
Contingency Cover	Reinsurance protection against the unusual combination of losses. See CLASH COVER.
Contingent Commission	An allowance by the reinsurer to the reinsured based on a predetermined percentage of the profit realized by the reinsurer on the business ceded by the reinsured. Also known as PROFIT COMMISSION.
Convention Blank	Another name for the ANNUAL STATEMENT form of the National Association of Insurance Commissioners.
Cover Note	A written statement issued by an intermediary, broker, or direct writer, indicating that coverage has been effected. See BINDER.
Credibility	The measure of credence or belief that is attached to a particular body of statistical experience for rate-making purposes. Generally, as the body of experience increases

	<p>in volume, the corresponding credibility also increases. This term would frequently be defined in terms of specific mathematical formulas.</p>
Cumulative Liability	<p>The accumulation of liability of a reinsurer under several policies from several ceding companies covering similar or different lines of insurance , all of which are involved in a common event or disaster.</p>
Cutoff	<p>The termination provision of a reinsurance contract stipulating that the reinsurer shall not be liable for loss as a result of occurrences taking place after the date of termination or after an agreed-upon date following termination. A cutoff normally involves return of unearned premium in force at the cut-off date.</p>
Cut-Through Endorsement	<p>An addition to an insurance policy between an insurance company and a policyholder which requires that, in the event of the company's insolvency, any part of a loss covered by reinsurance be paid directly to the policyholder by the reinsurer. The cut-through endorsement is so named because it provides that the reinsurance</p>

	<p>claim payment "cuts through" the usual route of payment from reinsured company-to-policyholder and then reinsurer-to-reinsured company, substituting instead the payment route of reinsurer-to-policyholder. The effect is to revise the route of payment only, and there is no intended increased risk to the reinsurer. Similar to the guarantee endorsement, the cut-through endorsement is also known as an ASSUMPTION ENDORSEMENT.</p>
<h2>D</h2>	
<p>Deficit</p>	<p>As used in reinsurance, any excess of charges over credits at the end of any accounting period (which excess shall be a charge in the computation of the contingent commission for the succeeding period, or in computing various experience rated reinsurance arrangements).</p>
<p>Deposit Premium</p>	<p>When the terms of a treaty provide that the ultimate premium is to be determined at</p>

	<p>some time after the treaty itself has been written, the reinsurer may require a tentative or a deposit premium at the beginning. The tentative premium is readjusted when the actual earned charge has been later determined. See ADVANCE DEPOSIT PREMIUM</p>
Direct Writer	<ol style="list-style-type: none"> 1. In reinsurance, a reinsurer that negotiates with a ceding company without benefit of an intermediary or broker. 2. In insurance, a primary insurer that sells insurance through licensed agents who produce business essentially for no one else.
Direct Written Premium	<p>The gross premium income (written instead of earned) of a primary company, adjusted for additional or return premiums but before deducting any premiums for reinsurance ceded and not including any premiums for reinsurance assumed.</p>
Domestic Company	<p>An insurer conducting business in its domiciliary state from which it received its charter to write insurance. (As opposed to a foreign company, an insurer conducting</p>

	business in a state other than its domiciliary state; or an alien company, one domiciled outside the U.S. but conducting business within the U.S.).
E	
Early Warning Test	Financial ratio and performance criteria designed by the National Association of Insurance Commissioners (NAIC) to identify insurance companies that may need close surveillance by state insurance departments.
Earned Premium	That portion of written premium equal to the expired portion of the time for which the insurance or reinsurance was in effect. Technically, the following definitions are appropriate: Accounting Earned - This is the most common and widely understood method. The unearned premium reserve at the beginning of the period is added to the premium written (booked) during the period, and the unearned premium reserve at the end of

	<p>the period is subtracted. Accounting earned is the figure used in the Annual Statement.</p> <p>Exposure Earned - This method calculates the premiums that were actually exposed to loss (earned) for the period. The date on which premiums were booked is disregarded. What are significant are the effective date and term to which the premium applies. The portion of the premium written which was exposed to loss (earned) is allocated to the exposure period whether the premiums were booked prior to the period, during the period, or after the period. The exposure earned premium eliminates the deficiency contained in accounting earned premium that results from timing problems in the recording of premium records.</p>
<p>Errors and Omissions Clause</p>	<p>A clause in a reinsurance treaty (requiring some affirmative act by the ceding insurer to activate the reinsurance protection) stipulating that, in the event of inadvertent error or omission, the reinsured shall not be prejudiced in the fulfillment of the</p>

	agreement, provided that such error or omission shall be corrected as soon as it is discovered.
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 Premiums	In casualty insurance, premiums for limits of liability added to basic limits, calculated as multiples of basic limits premium. Excess limits premiums were the original (and remain a popular) basis of premium paid for casualty excess of loss reinsurance.
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	A generic term describing reinsurance which, subject to a specified limit, indemnifies the ceding company against all or a portion of the amount in excess of a specified

	<p>retention. The term includes various types of reinsurance, such as catastrophe reinsurance, per-risk reinsurance, per-occurrence reinsurance, and aggregate excess of loss reinsurance. It should never be confused with "surplus share," which always refers to a pro rata form of reinsurance. Also known as NON-PROPORTIONAL REINSURANCE.</p>
Excess Per-Risk Reinsurance	<p>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 loss.</p>
Exclusions	<p>Those risks, perils or classes of insurance with respect to which the reinsurer will not pay loss or provide reinsurance notwithstanding the other terms and conditions of reinsurance.</p>
Expense Ratio	<p>Expenses (other than loss adjustment expenses) incurred during a specific period of</p>

	time divided by premiums written during the same period.
Experience Rating	Another name for PROSPECTIVE RATING and RETROSPECTIVE RATING.
Extra Contractual Damages (Extra Contractual Obligations, E.C.O.)	In reinsurance, monetary awards required by a court of Extra Contractual law against an insurer for its negligence to its insured. Such payments required of an insurer to its insured are extracontractual in that they are beyond the insurance contract between insurer and insured. A reinsurance treaty may cover these damages and, if so, will specify covered situations, percentages applicable, and required premium charges.
F	
Facultative Certificate	A document formalizing a facultative reinsurance cession.
Facultative Reinsurance	The reinsurance of part or all of (the insurance provided by) a single policy, with

	<p>separate negotiation for each cession. The word "facultative" connotes that both the primary insurer and the reinsurer have the faculty or option of accepting or rejecting the individual submission (as distinguished from the obligation to cede and accept, to which the parties agree in treaty reinsurance).</p>
<p>Facultative Semi-obligatory Treaty</p>	<p>A reinsurance contract under which the ceding company may or may not cede exposures or risks of a defined class to the reinsurer, which is obligated to accept if ceded.</p>
<p>Facultative Treaty</p>	<p>A reinsurance contract under which the ceding company has the option to cede and the reinsurer has the option to accept or decline individual risks. The contract describes how individual facultative reinsurances shall be handled.</p>
<p>Financing Function</p>	<p>A purpose of reinsurance in some cases, i.e., whenever the reinsurer relieves the primary 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</p>

	<p>primary company. Because the cash or other statutorially recognized assets being transferred (causing a change in assets) are less than the unearned premium reserve change (causing a change in liabilities), the primary company's policyholder surplus is increased by the amount of the reinsurance commission allowance.</p>
<p>First Loss Retention</p>	<p>The amount of loss sustained by the reinsured before the liability of the excess of loss reinsurer attaches, often referred to as NET RETENTION. See ATTACHMENT POINT.</p>
<p>First Surplus Treaty</p>	<p>A term exclusive to pro rata reinsurance treaties that defines the amount of each cession as the amount of gross (policy) liability which exceeds, or is "surplus" to, an agreed upon net retention up to the limit of (reinsurance) liability. Often a maximum net retention is specified in the treaty, with the primary company having the option to choose a lesser retention on individual risks. The amount of first surplus reinsurance provided will be limited to a fixed multiple of the selected retention in each case.</p>

	Larger policy surpluses are termed "second," "third," and so on, each being the amount of reinsurance afforded once the prior surplus reinsurance capacity plus the true net retention have been exceeded. See SURPLUS REINSURANCE.
Flat Commission	A stated commission percentage, payable by the reinsurer to the reinsured, which is not subject to further adjustment under a profit-sharing provision. Common in pro rata facultative reinsurance.
Flat Rate	<ol style="list-style-type: none"> 1. A fixed rate not subject to any subsequent adjustment. 2. A reinsurance premium rate applicable to the entire premium income derived by the ceding company from the business ceded to the reinsurer (as distinguished from a rate applicable to excess limits).
Following Reinsurer	A reinsurer that follows the lead reinsurer on a cover being placed, accepting or rejecting the terms as presented.
Foreign Reinsurer	A U.S. reinsurer conducting business in a state other than its domiciliary state, where

	<p>it is known as a domestic company (as opposed to an alien reinsurer: one domiciled outside the U.S. but conducting business within the U.S.).</p>
<p>Franchise Covers</p>	<p>A contractual provision, common in hail insurance but also used elsewhere, stating that no loss is payable until the loss exceeds a certain amount, but when that amount is exceeded, the whole loss is paid.</p>
<p>Fronting</p>	<p>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). Such an arrangement may be illegal if the purpose is to frustrate regulatory requirements.</p>
<p>Funds Held Account (or Funds Withheld)</p>	<p>The holding by a ceding company of funds representing the unearned premium reserve or the outstanding loss reserve applied to the business it cedes to a reinsurer.</p>

G

GAAP (Generally Accepted Accounting Principles)	A method of reporting the financial results of an insurer more in accordance with the going concern basis used by other businesses. GAAP assigns income and disbursements to their proper period, as distinguished from the more conservative requirements of statutory accounting affecting insurers.
G.N.E.P.I. (Gross Net Earned Premium Income)	See SUBJECT PREMIUM.
G.N.W.P.I. (Gross Net Written Premium Income)	See SUBJECT PREMIUM .
Gross Line	The amount of liability an insurer has written on a risk including the amount it has reinsured. Net line plus reinsurance equals gross line.
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

	<p>application of a deductible, if any, because that base theoretically reflects changes in exposure.</p>
<p>Guarantee Endorsement</p>	<p>An addition to an insurance policy (between an insurance company and a policyholder covering the policyholder's mortgaged property) which requires that, in the event of the company's insolvency, the mortgagee and/or the policyholder be paid directly by the reinsurer either for any loss covered by reinsurance or (as is often provided) for the full insurance protection afforded by the insurance company. Since the full insurance protection afforded by the insurance company may be above the reinsurance that would be payable to a reinsured company, the reinsurer may be assuming an additional risk in such an endorsement. Similar to the cut-through endorsement, the guarantee endorsement is also known as a MORTGAGEE ENDORSEMENT.</p>

I

Incurred But Not Reported (IBNR)	The liability for future payments on losses that have already occurred but have not yet been reported in the reinsurer's records. This definition may be extended to include expected future development on claims already reported. See LOSS DEVELOPMENT.
Incurred Losses	<ol style="list-style-type: none">1. In insurance accounting, an amount representing the losses paid plus the change (positive or negative) in outstanding loss reserves within a given period of time.2. Losses that have happened and which will result in a claim under the terms of an insurance policy or a reinsurance agreement.
Incurred Loss Ratio	The relationship between incurred losses and earned premium, usually expressed as a percentage.

Indexing	A procedure that 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.
Insolvency Clause	A provision now appearing in most reinsurance contracts (because many states require it) stating that the reinsurance is payable, in the event the reinsured is insolvent, directly to the company or its liquidator without reduction because of its insolvency or because the company or its liquidator has failed to pay all or a portion of any claim.
Intermediary	A reinsurance broker who negotiates contracts of reinsurance on behalf of the reinsured, receiving a commission for placement and other services rendered. Under the terms of one widely used intermediary clause, premiums paid a broker by a reinsured are considered paid to the reinsurer, but loss payments and other funds (such as premium adjustments) paid a broker by a reinsurer are not considered paid

	to the reinsured until actually received by the reinsured.
Intermediary Clause	A provision in a reinsurance contract that identifies the specific intermediary or broker involved in negotiating the contract, communicating information and transmitting funds. The clause should state clearly whether payment to the broker does or does not constitute payment to the other party of the reinsurance contract. Currently a widely used clause provides that payments by the ceding company to the intermediary shall be deemed to constitute payment to the reinsurer(s) and that payments by the reinsurer(s) to the intermediary shall be deemed to constitute payment to the ceding company only to the extent that such payments are actually received by the ceding company.
Intermediate Excess	Used in property reinsurance to describe a cover exposed to both catastrophe (occurrence) losses and to policy limit exposures, excess the probable maximum loss.

Investment Income	Money earned from invested assets. May also include realized capital gains, or be reduced by capital losses, over the same period.
L	
Law of Large Numbers	A mathematical concept which postulates that the more times an event is repeated (in insurance, the larger the number of homogeneous exposure units), the more predictable the outcome becomes. In a classic example, the more times one flips a coin, the more likely that the results will be 50% heads, 50% tails.
Lead Reinsurer	The reinsurer recognized as the one of several reinsurers on a contract responsible for negotiating the initial terms of the contract. There may be joint leaders on a contract, and the contract may specifically provide to the lead reinsurer the power to bind others to limited changes in or enhancements of the contract during its term.

<p>Leveraged Effect</p>	<p>The disproportionate result produced by inflation on a reinsurer's liability in excess of loss reinsurance compared with the ceding company's liability. In other words, inflationary increases in average claim costs of a reinsured usually produce even greater increases for its excess of loss reinsurer, since an increase affecting all losses (those within the retention limit and those above it) multiplies itself when affecting the excess of loss portion above that retention limit. For example, if the reinsured's retention limit average claim cost increases 8%, the reinsurer's increase can be as much as twice or three times that amount, or more. The increase on the reinsurer over the ceding company's increase is referred to as the leveraged effect. The effect is leveraged in that such increases fall more on the reinsurer, proportionately at least, than on the reinsured.</p>
<p>Line</p>	<p>1. Either the limit of insurance to be written that a company has fixed for itself on a class of risk (line limit), or the actual amount which it has accepted on a single risk</p>

	<p>or other unit.</p> <p>2. A class or type of insurance (fire, marine or casualty, among others), also known as LINE OF BUSINESS.</p> <p>3. The word "line" in reference usually pertains to surplus reinsurance and means the amount of the reinsured's retention with respect to each risk. Thus, reference to a "two-line reinsurance treaty" pertains to a treaty that affords reinsurance for 200% of the reinsured's retention.</p>
Line of Business	The general classification of reinsurance written by insurers, i.e., fire, allied lines and homeowners, among others.
Line Guide	A list of the maximum amounts of insurance that a company is prepared to write on various classes of risks. Within the primary company, a line guide will usually include a suggested net retention for each class of risk and is used to instruct its agents and underwriters. Also known as LINE SHEET.

Line Sheet	Another name for LINE GUIDE.
Lloyd's (or Lloyds)	A kind of organization for underwriting insurance or reinsurance in which a collection of individuals assume policy liabilities as the individual obligations of each. When spelled with an apostrophe, the term refers to Lloyd's of London, the formal name of which is "Underwriters at Lloyd's, London."
Long-Tail Liability	A term used to describe certain types of third-party liability exposures (e.g., malpractice, products, errors and omissions) where the incidence of loss and the determination of damages are frequently subject to delays that extend beyond the term the insurance or reinsurance was in force. An example would be contamination of a food product that occurs when the material is packed but which is not discovered until the product is consumed months or years later.
Loss Development	The process of change in amount of losses as a policy or accident year matures, as measured by the difference between paid losses and estimated outstanding losses at

	<p>one point in time, and paid losses and estimated outstanding losses at some previous point in time. In common usage it might refer to development on reported cases only, whereas a broader definition also would take into account the IBNR claims.</p>
Losses Outstanding	Losses (reported or not reported) that have occurred but have not been paid.
Losses Paid	The amounts paid to claimants as insurance claim settlements.
Loss Incurred	See INCURRED LOSSES.
Loss Ratio	Losses incurred expressed as a percentage of earned premiums.
Loss Reserve	For an individual loss, an estimate of the amount the insurer expects to pay for the reported claim. For total losses, estimates of expected payments for reported and unreported claims. May include amounts for loss adjustment expenses. See

	INCURRED BUT NOT REPORTED (IBNR) and INCURRED LOSSES.
M	
MFL (Maximum Foreseeable Loss)	The anticipated maximum property fire loss that could result given unusual or the worst circumstances with respect to the non-functioning of protective features (firewalls, sprinklers, a responsive fire department, etc.), as opposed to PML (Probable Maximum Loss), which would be a similar valuation, but under the assumption that such protective features function normally.
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.

N

Net Line

The amount of insurance the primary company carries on a risk after deducting reinsurance from its "gross" line. See NET RETENTION.

Net Loss

The amount of loss sustained by an insurer after making deductions for all recoveries, salvage, and all claims upon reinsurers - with specifics of the definition derived from the reinsurance agreement. Such net loss may or may not include claim expenses. As provided in the reinsurance agreement, net loss can be confined to the amount paid by the reinsured within applicable policy limits, or it also can include amounts paid by the reinsured for compensatory damages in excess of applicable policy limits because of failure of the reinsured to settle within applicable policy limits.

Net Retention

The amount of insurance that an insurer keeps for its own account and does not pass on to another insurer. In excess of loss reinsurance, the term "first loss

	retention" may be preferred. See NET LINE.
Non-admitted Assets	Assets owned by an insurance company that are not recognized for solvency purposes by state insurance laws or insurance department regulations, e.g., premiums due and uncollected past 90 days, and furniture and fixtures among others.
Non-admitted Company	<ol style="list-style-type: none"> 1. An insurer not licensed in a given state. 2. A reinsurer not licensed or approved in a given state.
Non-admitted Insurance	Insurance protection placed with a non-admitted insurer.
Non-admitted Reinsurance	Reinsurance protection bought by a ceding company from a reinsurer not licensed or authorized to transact the particular line of business in the jurisdiction in question. No credit is given the ceding company for such non-admitted reinsurance in its Annual Statement unless it withholds funds or holds a letter of credit on behalf of such

	unauthorized reinsurer, as shown in Part 2 of Schedule F of the Statement.
Non-proportional Reinsurance	Reinsurance under which the reinsurer's participation in a loss depends on the size of the loss. Also known as EXCESS OF LOSS REINSURANCE.
O	
Occurrence	<p>1. In a non-insurance sense, an incident, event or happening. In insurance, the 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 which is a sudden happening. In reinsurance, per occurrence coverage permits all losses arising out of one event to be aggregated instead of being handled on a risk-by-risk basis.</p> <p>2. One basis or determinant for calculating the amount of loss or liability in insurance or reinsurance when an aggregation of related losses is to constitute a</p>

	<p>single subject of recovery. For example, in property catastrophe reinsurance treaties, occurrence is usually defined so that all losses within a specified period of time involving a particular peril are deemed an occurrence.</p>
Operating Income/Profit	<p>The sum of the net investment income and net underwriting income in any reporting period.</p>
Operating Ratio	<p>The arithmetic sum of two ratios: incurred loss to earned premium, and incurred expense to written premium. Considered the best simple index to current underwriting performance of an insurer.</p>
Overline	<p>The amount of insurance or reinsurance that exceeds the insurer's or reinsurer's normal capacity. This is inclusive of automatic reinsurance facilities.</p>
Overriding Commission	<p>1. A fee or percentage of money that is paid to a party responsible for placing a retrocession of reinsurance.</p>

	2. In insurance, a fee or percentage of money that is paid by the insurer to an agent or general agent for premium volume produced by other agents in a given geographic territory.
P	
Participate	To share in the writing of a risk.
Participating Reinsurance	The sharing of risks, as in quota share and surplus share reinsurance that participate pro rata in all losses from the first dollar up. See PRO RATA REINSURANCE.
Payback Period	A term used in the rating of per occurrence excess covers that represents the number of years at a given premium level that would be necessary to accumulate total premiums equal to the indemnity. Synonymous with AMORTIZATION PERIOD.
Per Risk Reinsurance	Reinsurance in which the reinsurance limit and the retention apply "per risk" rather

	than per accident, per event, or in the aggregate.
PML (Probable Maximum Loss)	The anticipated maximum property fire loss that could result given the normal functioning of protective features (firewalls, sprinklers, a responsive fire department, etc.), as opposed to MFL (Maximum Foreseeable Loss), which would be similar valuation, but on a worst-case basis with respect to the functioning of the protective features. Underwriting decisions typically would be influenced by PML evaluations, and the amount of reinsurance ceded on a risk would normally be predicated on the PML valuation.
Policyholder Surplus	<ol style="list-style-type: none"> 1. The net worth of an insurer as reported in its Annual Statement. For a stock insurer, the sum of its surplus and capital. For a mutual insurer, its surplus. 2. The amount by which the assets of an insurer exceed the organization's liabilities. Another name for SURPLUS TO POLICY HOLDERS.
Policy Profile	A study that segregates an insurer's policies into various groupings (for example, by

	policy limit or policy premium).
Policy Year Experience	<p>The segregation of all premiums and losses attributable to policies having an inception or renewal date within a given 12-month period. More specifically, the total value (losses paid plus loss reserves) of all losses arising from (regardless of when reported) policies incepting or renewing during the year is divided by the fully developed earned premium for those same policies. The finally developed earned premium will always equal the written premium for those policies. POLICY YEAR EXPERIENCE resembles ACCIDENT YEAR EXPERIENCE in that, while the experience is developing, loss reserves are used in the calculation, but the ultimate result cannot be finalized until all losses are settled. POLICY YEAR EXPERIENCE is different in that premiums earned from policies incepting during a one-year period of time will earn over the course of both the year of inception and a later year(s). Similarly, losses to be included will be occurring over this same extended time</p>

	period. See ACCIDENT YEAR EXPERIENCE.
Pool	Any joint underwriting operation of insurance or reinsurance in which the participants assume a predetermined and fixed interest in all business written. Pools are often independently managed by professionals with expertise in the classes of business undertaken, and the members share equally in the premiums, losses, expenses and profits. An "association" and a "syndicate" (excluding that of Lloyd's of London) are both synonymous with a pool, and the basic principles of operation are much the same.
Portfolio	<p>A defined body of:</p> <ol style="list-style-type: none"> 1. insurance (policies) in force (premium portfolio), 2. outstanding losses (loss portfolio), or 3. company investments (investment portfolio). <p>(The reinsurance of all existing insurance, as well as new and renewal business, is</p>

	therefore described as a running account reinsurance with portfolio transfer or assumption.)
Portfolio Reinsurance	The transfer of a portfolio via a cession of reinsurance; the reinsurance of a runoff. Only policies in force (or losses outstanding) are reinsured, and no new or renewal business is included. Premium or loss portfolios, or both, may be reinsured. The term is sometimes applied to the reinsurance by one insurer of all business in force of another insurer retiring from an agency, from a territory or from the insurance business entirely.
Portfolio Return	If the reinsurer is relieved of liability (under a pro rata reinsurance) for losses happening after termination of the treaty or at a later date, the total unearned premium reserve on business left unreinsured (less ceding commissions thereon) is normally returned to the cedent. Also known as a RETURN PORTFOLIO or RETURN OF UNEARNED PREMIUM.

Portfolio Runoff	Continuing the reinsurance of a portfolio until all ceded premium is earned, or all losses are settled, or both. While a loss runoff is usually unlimited as to time, a premium runoff can be for a specified duration.
Premium	The monetary consideration in contracts of insurance and reinsurance.
Premium Base	The ceding company's premiums (written or earned) to which the reinsurance premium rate is applied to produce the reinsurance premium. Also known as BASE PREMIUM, SUBJECT PREMIUM, and UNDERLYING PREMIUM.
Premiums Earned	When used as an accounting term, premiums earned describe the premiums written during a period plus the unearned premiums at the beginning of the period less the unearned premiums at the end of the period.
Primary	An adjective applied in reinsurance to these nouns: insurer, insured, policy, and insurance - meaning respectively:

	<ol style="list-style-type: none"> 1. the primary insurer is the insurance company that initially originates the business, i.e., the ceding company; 2. the primary insured is the policyholder insured by the primary insurer; 3. the primary policy is the initial policy issued by the primary insurer to the primary insured; 4. the primary insurance is the insurance covered under the primary policy issued by the primary insurer to the primary insured (sometimes called "underlying insurance").
Professional Reinsurer	<p>A term used to designate an organization whose business is mainly reinsurance and related services, as contrasted with other insurance organizations that may operate reinsurance — assuming departments in addition to their basic primary insurance business.</p>
Profit Commission	<p>See CONTINGENT COMMISSION.</p>

Proportional Reinsurance	Another name for PRO RATA REINSURANCE.
Pro Rata Reinsurance	A generic term describing all forms of reinsurance in which the reinsurer shares a proportional part of the original losses and premiums of the ceding company. Also known as PARTICIPATING REINSURANCE and PROPORTIONAL REINSURANCE.
Prospective Rating Plan	The formula in a reinsurance contract for determining the reinsurance premium for a specified period on the basis, in whole or in part, of the loss experience of a prior period (as opposed to retrospective rating, which is based on loss experience for the same period). Also known as EXPERIENCE RATING.
"Protecting the Treaty"	Used to describe any action taken by an insurer to prevent heavy losses to its treaty reinsurer, which can lead to increased reinsurance rates or decreased participation in any profit-sharing arrangements with the reinsurer.

Provisional Premium, Rate or Commission	The tentative amount that is subject to subsequent adjustment.
Punitive Damages	Damages awarded separately and in addition to compensatory damages, usually on account of malicious or wanton misconduct, to punish the wrong-doer and possibly others. Sometimes referred to as "exemplary damages" when intended to "make an example" of the wrongdoer.
Pure Loss Cost	The ratio of reinsured losses incurred under a reinsurance agreement to the ceding company's subject earned premium for that agreement, before loading. Also known as BURNING COST.
Pure Premium	<ol style="list-style-type: none"> 1. That part of the premium which is sufficient to pay losses and loss adjustment expenses but not including other expenses. 2. The premium developed by dividing losses by units of exposure, disregarding any loading for commission, taxes and expenses.

	<p>3. In crop-hail insurance, the ratio of incurred loss to liability, or the dollars of loss per \$100 of insurance in force.</p>
<p>Q</p>	
<p>Quota Share Reinsurance</p>	<p>A form of pro rata reinsurance (proportional) in which the reinsurer assumes an agreed upon percentage of each insurance being insured and shares all premiums and losses accordingly with the reinsured. Quota share reinsurance is usually arranged to apply to the insurer's net retained account (i.e., after deducting all other reinsurance except perhaps excess of loss catastrophe reinsurance), but practice varies. A quota share reinsurer may be asked to assume a quota share of a gross account, paying its share of premium for other reinsurance protecting that gross account.</p>

R

Rate	The percent or 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 payable to the primary company (or, if applicable, the reinsurance intermediary).
Rate on Line	Premium divided by indemnity. A British term for the rate which, when multiplied by the indemnity, would produce the premium. Related to the American terms, "amortization period" and "payback period." This term is used extensively in judging the adequacy of rates for per occurrence excess covers, and is the inverse of AMORTIZATION PERIOD and PAYBACK PERIOD.
Recapture	The action of a ceding company to take back reinsured risks previously ceded to the

	reinsurer.
Reciprocity	The mutual exchanging of reinsurance, often in equal amounts, from one party to another, the object of which is to stabilize overall results.
Recoveries	Amounts received from a reinsurer for a reinsured's losses.
Reinstatement	The restoration of the reinsurance limit of an excess property treaty to its full amount after payment by the reinsurer of loss as a result of an occurrence.
Reinsurance	<ol style="list-style-type: none"> 1. The transaction whereby the reinsurer, for a consideration, agrees to indemnify the ceding company against all or part of the loss that the latter may sustain under the policy or policies which it has issued. 2. When referred to as "a reinsurance," the term means the reinsurance relationship between reinsured(s) and reinsurer(s).

Reinsurance Assumed	That portion of risk the reinsurer accepts from the original insurer or ceding company.
Reinsurance Ceded	That portion of the risk which the ceding company transfers to the reinsurer.
Reinsurance Commission	Another name for CEDING COMMISSION.
Reinsurance Premium	An amount paid by the ceding company to the reinsurer in consideration for liability assumed by the reinsurer.
Reinsured	A company that has placed reinsurance risks with a reinsurer in the process of buying reinsurance. Also known as CEDING COMPANY.
Reinsurer	An organization that assumes the liability of another by way of reinsurance.
Retention	The amount that an insurer assumes for its own account. In pro rata contracts, the retention may be a percentage of the policy limit. In excess of loss contracts, the retention is a dollar amount of loss.

Retrocedent	The ceding reinsurer in a retrocession, where the assuming reinsurer is known as the retrocessionnaire.
Retrocession	The transaction whereby a reinsurer cedes to another reinsurer all or part of the reinsurance it has previously assumed.
Retrocessionnaire	The assuming reinsurer in a retrocession, where the ceding reinsurer is known as the retrocedent.
Retrospective Rating Plan	The formula in a reinsurance contract for determining the reinsurance premium for a specified period on the basis of the loss experience for the same period (as opposed to prospective rating, which is based on loss experience for the prior period). Also known as EXPERIENCE RATING.
Return Portfolio	The reassumption by a ceding company of a portfolio of risks previously assumed by the reinsurer. See ASSUMED PORTFOLIO and PORTFOLIO RETURN.

Risks	<p>1. In fire insurance, the physical units of property at risk instead of perils or hazards. In reinsurance, each insurance company makes its own rules for defining units of hazard or single risks.</p> <p>2. The different types of properties or insurable interest, e.g., non-hazardous risks and protected risks.</p>
Runoff	<p>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.</p>
<h1>S</h1>	
Second Surplus	<p>A supplementary treaty to a FIRST SURPLUS TREATY.</p>
Semi-automatic Treaty	<p>See FACULTATIVE SEMI-OBLIGATORY TREATY.</p>

Sliding Scale Commission	A commission adjustment on earned premiums under a formula whereby the actual commission varies inversely with the loss ratio, subject to stated maximum and minimum percentages.
Social Inflation	The increasing of insurance losses caused by higher jury awards, more liberal treatment of claims by workers' compensation boards, legislated rises in benefit levels (in some cases retroactively), and new concepts of tort and negligence, among others.
Special Acceptance	The specific agreement by the reinsurer to include under a reinsurance contract a risk that is not automatically included within the terms thereof.
Statutory Accounting Principles (SAP)	Those principles required by state law that must be followed by insurance companies in submitting their financial statements to state insurance departments. Such principles differ from generally accepted accounting principles (GAAP) in some important respects, e.g., SAP requires that expenses must be recorded immediately

	and cannot be deferred to track with premiums as they are earned and taken into revenue. See GAAP.
Stop Loss Reinsurance	See AGGREGATE EXCESS OF LOSS REINSURANCE.
Subject Premium	<p>The ceding company's premiums (written or earned) to which the reinsurance premium rate is applied to produce the reinsurance premium. Also known as UNDERLYING PREMIUM.</p> <p>G.N.E.P.I. (Gross Net Earned Premium Income) The usual rating base for excess of loss reinsurance. It represents the earned premiums of the primary company for the lines of business covered net, meaning after cancellations, refunds and premiums paid for any reinsurance protecting the cover being rated, but gross, meaning before deducting the premium for the cover being rated.</p> <p>G.N.W.P.I. (Gross Net Written Premium Income) Gross written premium less only returned premiums and less premiums paid for reinsurance that inure to the benefit</p>

	<p>of the cover in question. Its purpose is to create a base to which the reinsurance rate is applied. Same as G.N.E.P.I., except premiums are written instead of earned.</p>
Surplus Liability	<p>That portion of a reinsured company's gross liability on any one risk which exceeds the amount the company is willing to retain net for its own account.</p>
Surplus Reinsurance	<p>A form of pro rata reinsurance indemnifying the ceding company against loss for the surplus liability ceded. Essentially, this can be viewed as a variable quota share contract wherein the reinsurer's pro rata share of insurance on individual risks will increase as the amount of insurance increases, in order that the primary company can limit its net exposure regardless of the amount of insurance written. First surplus is the amount of surplus on each risk that must apply first to the first surplus contract. Second surplus, third surplus, etc., reinsurances are the remaining portions of the surplus that must apply to each such respective contract after deducting the amount(s) ceded to the underlying surplus contract or contracts. See FIRST</p>

	SURPLUS TREATY.
Surplus Relief	<ol style="list-style-type: none"> 1. The result of reinsurance ceded on a portfolio basis to offset extraordinary drains on policyholder surplus. 2. A designation of a reinsurance the main purpose of which is to finance new or in-force business, or both. See FINANCING FUNCTION.
Surplus to Policyholders	<ol style="list-style-type: none"> 1. The net worth of an insurer as reported in its Annual Statement. For a stock insurer, the sum of its unassigned surplus and capital. 2. The amount by which the assets of an insurer exceed the organization's liabilities. Another name for POLICYHOLDER SURPLUS.
Syndicate	<p>An association of individuals or organizations to pursue certain insurance objectives.</p> <p>For example, individual underwriters in Lloyd's of London associate in separate syndicates to write marine insurance, reinsurance life insurance, etc., entrusting the administrative details of each syndicate to a syndicate manager. See POOL.</p>

T

Treaty

A reinsurance agreement between the ceding company and the reinsurer, usually for one year or longer, which stipulates the technical particulars applicable to the reinsurance of some class or classes of business. Reinsurance treaties may be divided into two broad classifications:

1. The participating type that provides for sharing of risks between the ceding company and the reinsurer; and
2. The excess type that provides for indemnity by the reinsurer only for loss which exceeds some specified predetermined amount. For different forms, see QUOTA SHARE, EXCESS OF LOSS, FIRST SURPLUS, SECOND SURPLUS, STOP LOSS, CATASTROPHE.

Treaty Reinsurance

A standing agreement between reinsured and reinsurer for the cession and

	<p>assumption of certain risks as defined in the treaty. While most treaty reinsurance provides for automatic cession and assumption, it may be optional or semi-obligatory and is not necessarily obligatory.</p>
Trending	<p>The necessary adjustment of historical statistics (both premium and losses) 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.</p>
<h1>U</h1>	
Uberrimae Fidei	<p>Literally, of the utmost good faith. A defining characterization or quality of some (contractual) relationships, of which reinsurance is universally recognized to be one. Among other differences from ordinary relationships, the nature of reinsurance</p>

	<p>transactions is dependent upon a mutual trust and a lively regard for the interests of the other party, even if inimical to one's own. A breach of utmost good faith, especially in regard to full and voluntary disclosure of the elements of risk of loss, is accepted as grounds for any necessary reformation or redress, including rescission.</p>
Ultimate Net Loss	<p>1. In reinsurance, the unit of loss to which the reinsurance applies, as determined by the reinsurance agreement. In other words, the gross loss less any recoveries from the reinsurance that reduce the loss to the treaty in question.</p> <p>2. In liability insurance, the amount actually paid or payable for the settlement of a claim for which the reinsured is liable (including or excluding defense costs) after deductions are made for recoveries, and certain specified reinsurance.</p>
Unauthorized Insurer, Reinsurer	<p>An insurer not licensed, or a reinsurer neither licensed nor approved, in a designated jurisdiction.</p>
Unauthorized Reinsurance	<p>Reinsurance placed with a reinsurer that does not have authorized status in the</p>

	jurisdiction in question.
Underlying	The amount of loss that attaches before the next higher excess layer of insurance or reinsurance attaches.
Underlying Premium	The ceding company's premiums (written or earned) to which the reinsurance premium rate is applied to produce the reinsurance premium. Also known as SUBJECT PREMIUM.
Underwriting Capacity	The maximum amount of money an insurer or reinsurer is willing to risk in a single loss event on a single risk or in a given period. The limit of capacity for an insurer or reinsurer that may also be imposed by law or regulatory authority.
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.

Unearned Premium Reserve	The sum of all the premiums representing the unexpired portions of the policies or contracts that the insurer or reinsurer has on its books as of a certain date. It is usually based on a formula of averages of issue dates and the length of term.
W	
Warranted No Known or Reported Losses (WKNORL)	A statement made on application for excess or catastrophe reinsurance, which is being back-dated, to protect the reinsurer from placement of reinsurance after a loss has occurred.
Working Excess	A contract covering an area of excess reinsurance in which loss frequency is anticipated, as opposed to loss severity. Thus, a working cover would usually have a low indemnity and would attach above a relatively low retention.