These definitions do not express the views of the RAA or its member affiliates. This publication is intended only as a reference tool for the insurance and reinsurance industry. While the publication is designed to provide general information with regard to the subject matter covered, it does not address all of the technical aspects of a defined term or topic and does not constitute a legal consultation or legal opinion. No decision should be made on the basis of the definitions or the overview provided herein. Instead, readers should consult with legal counsel. The definitions or the overview contained herein are intended to apply only to property and casualty reinsurance.
Each year, the Reinsurance Association of America (RAA) receives countless inquiries regarding the mechanisms and technicalities of the reinsurance business. This publication should answer many of those questions.

First published in 1972, this booklet reflects the efforts and input of several of the most experienced reinsurance terminology experts in the industry. It is only through their efforts that we are able to produce such a complete and accurate publication, and we thank them for their time, patience and willingness to contribute.

As in the case of previous editions, the RAA is publishing this booklet in the belief that it will be both an informative educational tool and a convenient reference for practitioners. While we have attempted to ensure that definitions reflect current industry practices, we do not suggest that it be considered authoritative for the resolution of legal disputes.

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Reinsurance is a transaction in which one insurance company indemnifies, for a premium, another insurance company against all or part of the loss that it may sustain under its policy or policies of insurance. The insurance company purchasing reinsurance is known as the ceding insurer; the company selling reinsurance is known as the assuming insurer, or, more simply, the reinsurer. Described as the “insurance of insurance companies,” reinsurance provides reimbursement to the ceding insurer for losses covered by the reinsurance agreement. The fundamental objective of insurance, to spread the risk so that no single entity finds itself saddled with a financial burden beyond its ability to pay, is enhanced by reinsurance.

Although to many reinsurance is an unknown aspect of the insurance industry, its roots can be traced as far back as the late 14th century. Since that time, reinsurance has evolved into the business it is today. While the early focus of reinsurance was in the lines of marine and fire insurance, it has expanded during the last century to encompass virtually every aspect of the modern insurance market.

Reinsurance can be purchased from three distinct sources: reinsurance companies located in the United States, reinsurance departments of U.S. primary insurance companies, and alien reinsurers that are located outside the U.S. and not licensed here. The ceding insurer may purchase reinsurance directly from a reinsurer or through a broker or reinsurance intermediary.

Reinsurance may be written on either a proportional basis or excess of loss basis. A reinsurance contract written on a proportional basis simply prorates all premiums, losses and expenses between the insurer and the reinsurer on a pre-arranged basis. The proportional
approach is used extensively in property reinsurance. Excess of loss contracts, on the other hand, require the primary insurer to keep all losses up to a predetermined level of retention, and the reinsurer to reimburse the company for any losses above that level of retention, up to the limits of the reinsurance contract. In simplest terms, a retention is analogous to the deductible a policyholder may have on a personal insurance policy, such as an automobile or homeowner’s policy.
Insurers purchase reinsurance for essentially four reasons: (1) to limit liability on specific risks; (2) to stabilize loss experience; (3) to protect against catastrophes; and (4) to increase capacity. Depending on the ceding company’s goals, different types of reinsurance contracts are available to bring about the desired result.

1. Limiting Liability: By providing a mechanism through which insurers limit their loss exposure to levels commensurate with their net assets, reinsurance enables insurance companies to offer coverage limits considerably higher than they could otherwise provide. This function of reinsurance is crucial because it allows all companies, large and small, to offer coverage limits to meet their policyholders’ needs. In this manner, reinsurance provides an avenue for small-to-medium size companies to compete with industry giants.

In calculating an appropriate level of reinsurance, a company takes into account the amount of its own available surplus, and determines its level of retention based on the amount of loss it can absorb financially. Surplus, sometimes referred to as policyholders’ surplus, is the amount by which the assets of an insurer exceed its liabilities.

A company’s retention may range anywhere from a few thousand dollars to one million dollars or more. The loss exposure above the retention, up to the policy limits of the reinsurance contract, is indemnified by the reinsurer. In this manner, reinsurance helps to stabilize loss experience on individual risks, as well as on accumulated losses under many policies occurring during a specified period.
2. **Stabilization:** Insurers often seek to reduce the wide swings in profit and loss margins inherent to the insurance business. These fluctuations result, in part, from the unique nature of insurance, which involves pricing a product whose actual cost will not be known until sometime in the future. Through reinsurance, insurers can reduce these fluctuations in loss experience, and stabilize the company’s overall operating results.

3. **Catastrophe Protection:** Reinsurance provides protection against catastrophic loss in much the same way it helps stabilize an insurer’s loss experience. Insurers use reinsurance to protect against catastrophes in two ways. First, reinsurance protects against catastrophic financial loss resulting from a single event, such as the total fire loss of a large manufacturing plant. Second, reinsurance also protects against the aggregation of many smaller claims resulting from a single event, such as an earthquake or major hurricane, that affects many policyholders simultaneously. While the insurer is able to cover losses individually, the aggregate may be more than the insurer wishes to retain.

Through the careful use of reinsurance, the disruptive effects that catastrophes have on an insurer’s loss experience can be reduced dramatically. The decisions a company makes when purchasing catastrophe coverage (e.g., size of retention and coverage limits) are unique to each individual company and vary widely, depending on the insured risk.

4. **Increased Capacity:** Capacity measures the dollar amount of risk an insurer can prudently assume based on its surplus and the nature of the business written.

When an insurance company issues a policy, the expenses associated with issuing that policy, such as taxes, agent commissions, and administrative expenses, are charged immediately against the
company’s income, resulting in a decrease in surplus. Meanwhile, the premium collected must be set aside in an unearned premium reserve to be recognized as income over a period of time. This accounting procedure allows for strong solvency regulation; however, it ultimately leads to decreased capacity. As an insurance company sells more policies, it must pay more expenses from its surplus. Therefore, the company’s ability to write additional business is reduced.

Rapidly expanding companies are particularly susceptible to the timing problem between expenses that must be debited immediately, and income that must be credited over time. By reinsuring a portion of its insurance policies, an insurance company reduces the problem of decreased surplus. Through reinsurance, the company shares a portion of its underwriting expenses with its reinsurer and reduces the drain on surplus.

If the reinsurer has satisfied certain regulatory requirements intended to assure the security of the reinsurance arrangement, a ceding insurer can expand its own capacity by supplementing it with reinsurance payments it is owed on its paid claims. This is known as credit for reinsurance, and allows the ceding insurer to expand its capacity. The ceding company can also reduce liabilities and loss reserves attributable by ceding that business to a reinsurer.

A reinsurer will often give the ceding company a ceding commission as reimbursement for expenses, such as agent commissions, taxes and overhead, associated with acquiring the business being reinsured. When added directly to the ceding company’s surplus, the ceding commission further increases its capacity.

In addition, reinsurers often provide insurers with a variety of other services. Some reinsurers provide guidance to insurers in underwriting, claims reserving and handling, investments and even
general management. These services are particularly important to smaller companies or companies interested in entering new lines of insurance.

In any discussion of reinsurance, its limitations must be considered along with its advantages. Reinsurance does not change the inherent nature of a risk being insured. It cannot make a bad risk insurable or an exposure more predictable or desirable. And while reinsurance may limit an insurance company’s exposure to a risk, the total risk exposure is not altered through the use of reinsurance.
Based on its business needs, an insurer negotiates with a reinsurer to determine the terms, conditions and costs of a reinsurance contract. Under a reinsurance contract, an insurer is indemnified for losses occurring on its insurance policies and covered by the reinsurance contract. While there are no standard reinsurance contracts, treaty and facultative contracts are the two basic types used and adapted to meet individual insurers’ requirements. Both facultative and treaty contracts may be written on a proportional or an excess of loss basis, or a combination of both.

A reinsurance treaty is a broad agreement covering some portion of a particular class or classes of business (e.g., an insurer’s entire workers’ compensation or property book of business). Historically, treaties remain in force for long periods of time and are renewed on a fairly automatic basis unless a change in terms is desired. Reinsurance treaties automatically cover all risks written by the insured that fall within their terms unless they specifically exclude exposures. While treaty reinsurance does not require review of individual risks by the reinsurer, it demands a careful review of the underwriting philosophy, practice and historical experience of the ceding insurer, including a thoughtful evaluation of the company’s attitude toward claims management, engineering control, as well as the management’s general background, expertise and planned objectives.

In contrast, facultative reinsurance contracts cover individual underlying policies and are written on a policy-specific basis. A facultative agreement covers a specific risk of the ceding insurer. A reinsurer and ceding insurer agree on terms and conditions in each individual contract. Facultative reinsurance agreements often cover catastrophic or unusual risk exposures.
Because it is so specific, facultative reinsurance requires the use of substantial personnel and technical resources for underwriting individual risks. Furthermore, facultative business often presents significant potential for loss. Therefore, a reinsurer must have the necessary staff knowledge to underwrite each exposure accurately.

Facultative reinsurance contracts may also supplement treaty arrangements when the treaties contain specific exclusions, such as exposures involving long haul trucking or munitions manufacturing. Insurers may fill voids in coverage created by reinsurance treaty exclusions by negotiating a separate facultative reinsurance contract for a particular policy or group of policies.

In addition, certain classes of risks that may develop significant losses could adversely affect an insurer’s treaty experience. Although not excluded from a treaty, these risks may be placed facultatively. For example, to accommodate a policyholder, an insurance company that would not ordinarily provide commercial automobile coverage might agree to provide the coverage. The insurer may then seek facultative reinsurance to protect its losses under applicable treaty agreements. The reinsurer providing an insurer’s treaty coverage may not necessarily provide its facultative reinsurance.

Reinsurers also purchase their own reinsurance protection, called retrocessions, in the same forms and for the same reasons as ceding insurers. By protecting reinsurers from catastrophic losses, as well as an accumulation of smaller losses, retrocessions stabilize reinsurer results, thereby spreading the risk.

Reinsurance relationships range from simple to complex. An insurer may enter into a single reinsurance treaty to cover certain loss exposures or may purchase numerous treaties until the desired level of reinsurance protection is achieved. This process, known as layering, uses two or more reinsurance agreements to obtain
a desired level of coverage. At the time a claim comes due, the reinsurers respond in a predetermined sequence, as necessary, to cover the loss. Layering of reinsurance coverage is similar in principle to the purchase of specific risk coverage through a rider on an insurance policy. Layering allows an insurer to secure the type and amount of insurance or reinsurance protection desired.

There are certain fundamental principles underlying all reinsurance contracts regardless of how simple or complex the transaction. First, the only parties to a reinsurance contract are a reinsured company and its reinsurer. All contractual rights and obligations run only between these two companies. Second, the payments that may be collected under the reinsurance contract are an asset of the ceding company. Finally, as a contract of indemnification, the reinsurance is payable only after the ceding insurer has paid losses due under its own insurance or reinsurance agreements. The exception to this final principle falls under an insolvency clause, which allows the receiver of an insolvent insurer to collect on reinsurance contracts.
CHARACTERISTICS OF REINSURANCE RISK

As stated previously, the two major types of reinsurance are proportional and excess of loss. Under proportional reinsurance, the ceding insurer and the reinsurer automatically share all premiums and losses covered by the contract on a pre-agreed prorated basis, thus there are no characteristics uniquely attributable to the risk associated with proportional reinsurance.

On the other hand, a great deal of uncertainty characterizes the risk associated with excess of loss reinsurance. This uncertainty stems from the fact that the level of risk is dependent on the nature of the reinsurance undertaking. In addition to the actual risk being underwritten, reinsurers must take into account the overall stability of the ceding insurer and the layer of coverage on which the reinsurer is being asked to participate.

Reinsurance, particularly excess of loss reinsurance, is characterized by low claims frequency and high loss severity, and neither is predictable. Therefore, reinsurers may absorb a disproportionate share of total losses. The lines of insurance in which liability is slowest to manifest itself or develop -- the "long tail" lines -- create the worst problems for reinsurers. Paradoxically, reinsurers must collect premiums now for future losses, which will be adjudicated in the social, legal and economic environments prevailing in the future.

Insurance loss costs are determined by a combination of frequency (how many claims per unit), severity (average cost of each claim) and the total number of units insured. Generally, the higher the number of similar units insured, the more reliable the data. This is particularly true in automobile property damage liability insurance. There are many automobiles insured and the frequency of claims is relatively stable year to year.
This method of evaluating insurance risk, however, is often not applicable to reinsurance. Relevant and credible loss data are often unavailable. In contrast to an insurance underwriter, a reinsurance underwriter depends much more on professional judgment and experience to evaluate the nature of an exposure.

General liability insurance contracts traditionally provide coverage for losses occurring during the policy term, regardless of when the loss is reported. This type of contract, called an occurrence policy, leaves the insurer exposed to claims which may be filed many years after the policy expires. Certain exposures, such as environmental liability, are particularly susceptible to this latency factor commonly referred to as the long tail.

Reporting delays create serious problems for all insurers, but marked differences exist in reinsurer loss development patterns, due primarily to the retention feature of excess of loss reinsurance. Many claims are not initially valued at ultimate cost. Because the ceding insurer’s reserve is within the retention established in the reinsurance contract, the ceding insurer may not report such claims to its reinsurer.

However, when the claim is ultimately paid, it may exceed the retention. It is only at this point, usually after considerable time has passed, that the reinsurer is notified. Reinsurers are trying to mitigate this problem by requiring all serious injuries to be reported, regardless of the insurer’s reserve, and by conducting on-site visits to examine ceding insurers’ claims files to better determine the likelihood of losses under the reinsurance contract.

Over the past several years, commercial lines of insurance that often have long tails have demonstrated considerable instability regarding frequency and severity of losses. As a result, commercial insurers rely heavily on reinsurance.
All insurers and reinsurers set aside loss reserves for claims that have been incurred but not reported (IBNR). As claims are reported to the company, these reserves, which represent future loss payments, are reduced.

Because IBNR is such a major component of reinsurers’ reserves, much effort is taken to determine and make these calculations. Despite the use of sophisticated professional techniques, however, these reserves are extremely sensitive to changes in social, legal and economic environments. Therefore, they represent a “best guess estimate” of future loss payments.

If IBNR reserves represent only a small portion of a company’s total loss reserves, the impact of these unknown claims on total losses reported on past policies is likely to be small. In contrast, if IBNR reserves represent a large portion of a company’s reserves, the impact on total losses reported on past policies may be significant. Reinsurers, particularly those participating in casualty and workers’ compensation lines, fit into this latter category.

The impact of inflation on insurers’ claims liability typically results from increases in the cost of living, increases in the number of claims paid, and increases in large jury verdicts which raise settlement costs. The impact has been most pronounced on reinsurers because their losses develop more slowly and may not be capped to a retention limit.

If losses are paid within a relatively short period following the issuance of an insurance policy, inflation has little effect on claims payments. In many instances, the reinsurer may not become aware for years of a loss it will pay. As a result, the impact of inflation on reinsurers may be dramatic. In fact, over the last decade, retention levels were reached and exceeded with unexpected frequency in nearly all lines of insurance.
REINSURANCE REGULATION

Since reinsurance regulation focuses on solvency, it safeguards the validity of reinsurance policies and, at the same time, maintains flexibility in the business of reinsurance. By focusing on the reinsurer, rather than on the reinsurance contract, primary insurance companies are allowed to purchase reinsurance to suit their particular business needs. Of course, reinsurance contracts are entered into by two or more insurance companies -- the reinsurer(s) and the insurer(s). Recognizing that there are always some exceptions to the rule, the two companies are generally expected to be knowledgeable about the insurance business. Therefore, the oversight necessary in primary insurance to protect consumer interests is not essential in the reinsurance business.

In addition, reinsurance contracts must be shaped to the ceding insurer’s unique requirements. No two contracts are alike -- all have marked variations in retention levels, coverages and exclusions. An insurance company’s needs for reinsurance depend on its book of business and financial and underwriting strategies. The reinsurance contract, and hence reinsurance premiums, must be individually tailored and determined by the parties.

When overriding public policy concerns require regulatory involvement, however, nearly all states have adopted regulations affecting reinsurance contracts. An example of this type of regulatory involvement is the requirement of a standard insolvency clause, which allows the receiver of an insolvent insurer to collect on reinsurance contracts. While few states require the filing or approval of reinsurance contracts, indirect regulation of reinsurance contracts and rates does exist. For example, restrictions on insurance rates affect reinsurance rates. Generally, if the amount paid in premium
to the insurer is limited, the amount of premium paid under a quota share reinsurance contract may also be limited.

Reinsurance laws do not require insurers to purchase reinsurance from a U.S. company. With few exceptions, an insurer can purchase reinsurance from a reinsurer located anywhere in the world. The U.S. insurance and reinsurance marketplace needs the additional capacity provided by reinsurers worldwide. State insurance departments, however, are unable to assess the strength of companies located in other countries and cannot measure the extent of regulation under which these alien reinsurers operate. Therefore, to ensure that reinsurance purchased overseas can be collected, state insurance departments impose regulatory restrictions on U.S. insurers, frequently requiring security arrangements between the ceding insurer and reinsurer.

Since recoverable reinsurance is usually a substantial asset, insurers attempt to satisfy the state credit for reinsurance laws. In order to balance insurer capacity and security, virtually every state enforces some type of credit for reinsurance law, regulation or internal departmental standard. Although there is no uniform standard in existence, credit for reinsurance requirements can be met through a variety of alternatives.

First, credit is allowed if the reinsurer is licensed or accredited in the same state where the primary insurer does business. A license is the best means for an insurance department to ensure the solvency of a reinsurer. Some companies, however, have chosen to become accredited rather than licensed. The process of accreditation usually requires a company to submit data to the state insurance department comparable to that of a company seeking licensure.

Second, credit is usually allowed if the reinsurer is domiciled and licensed in a state that employs substantially similar credit for
reinsurance standards to those imposed by the primary insurer’s state of domicile.

Most U.S. reinsurers satisfy one of these tests, and primary insurers doing business with these companies will usually receive favorable treatment of assets and liabilities on their annual statement. However, the primary insurer is not required to purchase reinsurance from a reinsurer licensed in the U.S.

If a company chooses to buy from an alien reinsurer, the reinsurer must usually satisfy one of two requirements for the ceding company to receive credit for reinsurance. First, credit is allowed if the alien reinsurer establishes a substantial U.S. trust fund which satisfies various state requirements on reporting, solvency and collectibility. Second, credit is typically allowed if the alien reinsurer establishes security in the U.S., such as a clean, irrevocable and unconditional letter of credit issued by an acceptable bank.

These alternatives provide state insurance departments with a means to assess the ability of a reinsurer, domestic or alien, to meet its obligations. They also allow U.S. reinsurers access to the international reinsurance marketplace needed for greater capacity and stability.

It is important to note that nearly all primary insurers may sell reinsurance. State insurance laws usually allow an insurer to offer reinsurance in the same lines it writes on a direct basis. In most states, an insurer who wishes to get into the reinsurance market need not satisfy any additional financial requirements.

Taken together, the direct and indirect regulation of reinsurance contracts is significant, if not the same as required of the primary insurance industry. This does not place the policyholder at risk if all other solvency and contract oversight is in place. The goal of
reinsurance regulation, beginning with credit for reinsurance laws, is
to assure that reinsurance will be paid. This is accomplished in two
ways: by direct solvency regulation of the reinsurer or by providing
sufficient collateral to meet the reinsurer’s obligations. This goal
encourages ceding insurers to do business with reinsurers, domestic
or alien, that are well-funded, solvent, responsible and will be there
to pay when insurance claims come due.
RAA GLOSSARY
OF
REINSURANCE TERMS
Acknowledgements

The Reinsurance Association of America has been the voice of the reinsurance industry since 1968. Headquartered in Washington, DC, the RAA is a non-profit trade association committed to an activist agenda that represents the interests of reinsurance professionals across the United States. The mission of the RAA is to advance the issues of the U.S. property and casualty reinsurance industry by influencing the legal, regulatory and economic environment. In addition to its core mission, the RAA produces a variety of legal, statistical and educational products for the benefit of its affiliates and members.

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The Working Group consulted a number of references during this process a list of which follows:


*Glossary of Reinsurance Terms* - General Reinsurance Corporation


*Reinsurance Glossary* - Findalink.net (2005)
Access to Records Clause
A provision in a reinsurance agreement that allows the Reinsurer access to the Company’s books, records and other documents and information pertaining to the reinsurance agreement. This includes related underwriting and claims information, for purposes of the Reinsurer obtaining information concerning the reinsurance agreement or its subject matter.

Accident Year Experience
Underwriting experience calculated by matching the total value of all losses occurring during a given 12 month period (i.e., the dates of loss fall within the period) with the premiums earned for the same period. See also Calendar Year Experience and Policy Year Experience.

Acquisition Costs
All expenses directly related to acquiring insurance or reinsurance accounts, i.e., commissions paid to agents, brokerage fees paid to brokers, and expenses associated with marketing, underwriting, contract issuance and premium collection.

Admitted Reinsurance (also known as Authorized Reinsurance)
Reinsurance for which credit is given in the ceding company’s Annual Statement because the reinsurer is licensed or otherwise authorized to transact business in the jurisdiction in question.

Unauthorized Reinsurance
Reinsurance placed with a reinsurer that does not have authorized or equivalent status in the jurisdiction in question.

Aggregate Excess of Loss Reinsurance (also known as Excess of Loss Ratio Reinsurance, Stop Loss Reinsurance)
A form of excess of loss reinsurance which, subject to a specified limit, indemnifies the ceding company for the amount by which all of the ceding company’s losses (either incurred or paid) during a specific period
(usually 12 months) exceed either 1) a predetermined dollar amount or
2) a percentage of the company’s subject premiums (loss ratio) for the
specific period.

**Alien (Insurer)**
An insurer domiciled outside the United States.

**Annual Statement** (also known as Convention Blank, Statutory Annual Statement)
The annual report format prescribed by the National Association of Insurance Commissioners and the states.

**Arbitration Clause**
A provision found in reinsurance contracts whereby the parties agree to submit their disputes to a non-judicial adjudicator(s) tribunal rather than a court of law, generally subject to selection criteria and procedures set out in the clause. The arbitration tribunal produces an award ultimately enforceable by a court of law.

**Association** (also known as Pool, Syndicate)
An organization of insurers or reinsurers through which pool members underwrite particular types of risks with premiums, losses, and expenses shared in agreed amounts.

**Assume**
To accept an obligation to indemnify all or part of a ceding company’s insurance or reinsurance on a risk or exposure subject to the contract terms and conditions.

**Assumption**
A procedure under which one insurance (or reinsurance) company takes over or assumes contractual obligations of another insurer or reinsurer.

**Assumption of Liability Endorsement**
An endorsement to an insurance policy or reinsurance contract wherein a reinsurer assumes insurance obligations or risks, or both, of existing or in-force policies of insurance. The term is distinguished from a cut-through. See Cut-Through Endorsement.
Authorized Reinsurance
See Admitted Reinsurance.

Base Premium (also known as Premium Base, Subject Premium, Underlying Premium)
The ceding company’s premiums (written or earned) to which the reinsurance premium rate is applied to produce the reinsurance premium. This term is usually defined in the reinsurance contract.

Gross Net Earned Premium Income (GNEPI)
Generally, 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 cancellation, refunds and premiums paid for any reinsurance protecting the cover being rated, but gross, meaning before deducting the premium for the cover being rated.

Gross Net Written Premium Income (GNWPI)
Generally, gross written premium less only returned premiums and less premiums paid for reinsurance that inure to the benefit of the cover in question. Its purpose is to create a base to which the reinsurance rate is applied.

Basis of Attachment
A methodology that determines which original policy losses will be covered under a given reinsurance agreement. There are two types of methodologies: policies attaching and losses occurring. The determination may be based on 1) the effective or renewal date of the original policy; or 2) on the date of the loss; or 3) on the date when the reinsured company recorded the premium or loss transaction.

Underwriting Year
The effective date of the original policy, rather than the date of loss, determines the basis of attachment. Any losses occurring on policies written or renewed with inception or renewal dates during the term of the given reinsurance agreement will be covered by that reinsurance agreement irrespective of when the loss actually occurred. This mechanism is often used with “the policies attaching” methodology.
**Accident Year**
The date of the loss under the original policy rather than the effective date of the original policy that determines the basis of attachment. Any losses occurring during the reinsurance agreement period on policies in force (if any), written or renewed will be covered by that reinsurance agreement irrespective of the inception or the renewal date of the original policy. This mechanism is often used with “the losses occurring during” the contract period methodology.

**Binder**
An interim short form contract evidencing coverage, pending replacement by a formal reinsurance contract. See Placement Slip and Cover Note.

**Bordereau**
A report periodically provided by the reinsured detailing the reinsurance premiums and/or reinsurance losses and other pertinent information with respect to specific risks ceded under the reinsurance agreement.

**Broker**
An intermediary who negotiates reinsurance contracts between the ceding company and the reinsurer(s). The broker generally represents the ceding company and receives compensation in the form of commission, and/or other fees, for placing the business and performing other necessary services.

**Broker Market**
The collective reference to those reinsurance companies that accept business mainly from reinsurance brokers. See Direct Writing Reinsurer.

**Bulk Reinsurance**
A transaction sometimes defined by statute through which, of itself or in combination with other similar agreements, an insurer assumes all or a substantial portion of the liability of the reinsured company.

**Burning Cost** (also known as Pure Loss Cost)
The ratio of the reinsurance losses incurred to the ceding company’s subject premium.
Calendar Year Experience
The evaluation of underwriting experience whereby the total value of all losses incurred during a given twelve-month period (regardless of the dates of loss or the inception date of the policy) is matched with the premiums earned for the same period. As the name implies, Calendar Year Experience is usually calculated for a twelve-month period beginning January 1st. See also Accident Year Experience and Policy Year Experience.

Capacity
The largest amount of insurance or reinsurance available from a company or the market in general. Also refers to the maximum amount of business (premium volume) that a company or the total market could write based on financial strength.

Catastrophe Reinsurance
A form of excess of loss reinsurance which, subject to a specific limit, indemnifies the ceding company in excess of a specified retention with respect to an accumulation of losses resulting from an occurrence or series of occurrences arising from one or more disasters. Catastrophe contracts can also be written on an annual aggregate deductible basis under which protection is afforded for losses over a certain amount for each loss (the attachment point) in excess of a second amount in the aggregate for all losses (otherwise recoverable but for the aggregate deductible) in all catastrophes occurring during a period of time (usually one year).

Cede
The action of an insurer of reinsuring with another insurer or reinsurer the liability assumed through the issuance of one or more insurance policies by purchasing a contract that indemnifies the insurer within certain parameters for certain described losses under that policy or policies. This action is described as transferring the risk or a part of the risk from the insurer to the reinsurer. The insurer (the buyer) is called the cedent and the assuming company (the seller) is called the reinsurer.

Cedent (also known as Ceding Company, Reassured, Reinsured)
The issuer of an insurance contract that contractually obtains an indemnification for all or a designated portion of the risk from one or more reinsurers.
Ceding Commission
An amount deducted from the reinsurance premium to compensate a ceding company for its acquisition and other overhead costs, including premium taxes. It may also include a profit factor. See Overriding Commission and Sliding Scale Commission.

Ceding Company
See Cedent, Reassured, Reinsured.

Cession
The portion of insurance ceded by the ceding company to the reinsurer.

Claims Made Basis Insurance Agreements
The provision in a policy of insurance that affords coverage only for claims that are made during the term of the policy for losses that occur on or after the retroactive date specified in the policy. A claims made policy is said to "cut-off the tail" on liability business by not covering claims reported after the term of the insurance policy unless extended by special agreement.

Claims Made Basis Reinsurance Agreements
The provision in a reinsurance contract that affords coverage for claims that occur and are made during the contract term, for losses that occur on or after the retroactive date specified in the contract. Claims reported during the term of the reinsurance agreement are therefore covered regardless of when they occurred. A claims made agreement does not cover claims reported after the term of the reinsurance contract unless extended by special agreement.

Clash Cover
A casualty excess of loss reinsurance agreement with a retention level equal to or higher than the maximum limits written under any one reinsured policy or contract reinsured under the reinsurance agreement. Usually applicable to casualty lines of business, the clash cover is intended to protect the ceding company against accumulations of loss arising from multiple insureds and/or multiple lines of business for one insured involved in one loss occurrence.
Combination Plan Reinsurance
Elements of two types of reinsurance, Pro-Rata (Quota Share) and Excess of Loss, are combined in one reinsurance agreement usually in order to assist the ceding company in a transition from pure Pro-Rata reinsurance coverage to Excess of Loss. The excess of loss part of the plan protects the company up to a specified limit on each risk, each occurrence excess of a fixed net retained line. The pro-rata part of the plan protects the company’s net retained lines under the excess part (i.e. after deducting the excess of loss recoveries), on a fixed percentage quota share basis.

Common Account Reinsurance
Reinsurance that is purchased by the ceding insurer to protect both itself and its reinsurer (usually quota share reinsurer) and that applies to net and treaty losses combined. This may also be referred to as Joint Account Excess of Loss Reinsurance.

Commutation Agreement
An agreement between the ceding insurer and the reinsurer that provides for the valuation, payment and complete discharge of some or all current and future obligations between the parties under particular reinsurance contract(s).

Commutation Clause
A clause in a reinsurance agreement that provides for the valuation, payment, and complete discharge of some or all obligations between the ceding company and the reinsurer, including current and future obligations for reinsurance losses incurred.

Contingency Cover
Reinsurance providing protection for an unusual combination of losses. See Clash Cover.

Continuous Contract
A reinsurance contract that does not terminate automatically but continues indefinitely unless one of the parties delivers notice of intent to terminate.
Contributing Excess
A form of excess of loss reinsurance where, in addition to its retention, the ceding company has a share of losses in excess of the retention. This form of reinsurance may also apply to subject polices written in excess of underlying insurance or self insured retentions where the reinsurance applies to a share of losses within the policies, with the ceding company or other reinsurers contributing the remaining share. When more than one reinsurer shares a line of insurance on a risk in excess of a specified retention, each reinsurer contributes towards any excess loss in proportion to its original participation in such risk.

Convention Blank
See Annual Statement, Statutory Annual Statement.

Cover Note
A written statement issued by an intermediary, broker or direct writer indicating that the coverage has been effected and summarizing the terms. See also Binder and Placement Slip.

Credit for Reinsurance
The right of a ceding company under statutory accounting and regulatory provisions permitting a ceding company to treat amounts due from reinsurers as assets or reductions from liability based on the status of the reinsurer.

Credit Carry Forward (CCF)
The transfer of credit or profit from one accounting period, as defined within the reinsurance agreement, to the succeeding accounting period under the existing contract or the replacing contract.

Cut-Off Clause
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.
**Cut-Through Endorsement**
An endorsement to an insurance policy or reinsurance contract which provides that, in the event of the insolvency of the insurance company, the amount of any loss that would have been recovered from the reinsurer by the insurance company (or its statutory receiver) will be paid instead directly to the policyholder, claimant, or other payee, as specified by the endorsement, by the reinsurer. The term is distinguished from an assumption. See Assumption of Liability Endorsement.

**Deficit Carry Forward (DCF)**
The transfer of deficit or loss from one accounting period, as defined within the reinsurance agreement, to the succeeding accounting period under the existing contract or the replacing contract.

**Deficit and Credit Carry Forward (DCCF)**
See Deficit Carry Forward and Credit Carry Forward.

**Deposit Premium**
The amount of premium (usually for an excess of loss reinsurance contract), which the ceding company pays to the reinsurer on a periodic basis during the term of the contract. This amount is generally determined as a percentage of the estimated amount of premium that the contract will produce based on the rate and estimated subject premium. It is often the same as the minimum premium but may be higher or lower. The deposit premium will be adjusted to the higher of the actual developed premium or the minimum premium after the actual subject premium has been determined.

**Direct Writing Reinsurer**
A reinsurance company that develops its business by using its own personnel and does not (ordinarily) accept business from a broker or intermediary.

**Drop-Down (also known as Second Event Retention)**
An approach to establishing the retention level in excess of loss reinsurance (usually catastrophe) under which the amount of the retention is reduced for the second (or subsequent) loss occurrence. The theory is that the ceding company can afford to retain a given retention level on one loss, but for additional loss(es) needs protection over the lower retention.
Earned Reinsurance Premium
A reinsurance term that refers to either 1) that part of the reinsurance premium applicable to the expired portion of the policies reinsured, or 2) that portion of the reinsurance premium which is deemed earned under the reinsurance contract.

Entire Agreement Clause
A clause in some reinsurance agreements providing that the reinsurance agreement constitutes the entire agreement between the parties with respect to its subject matter, superseding all previous contracts, written or oral; and that any prior statements, negotiations or representations between the parties are merged into the final, written agreement. The clause may also provide that any modifications or changes in the agreement must be in writing and executed by both parties.

Estoppel (also known as Non-Waiver Clause)
A provision in a reinsurance agreement which reserves to the reinsurer every right under the reinsurance agreement not previously waived, and to the ceding company every right which had not been forfeited.

Evergreen Clause
A term in a Letter of Credit providing for automatic renewal of the credit.

Excess of Loss Ratio Reinsurance
See Aggregate Excess of Loss Reinsurance, Stop Loss Reinsurance.

Excess of Loss Reinsurance (also known as Non-Proportional Reinsurance) A form of reinsurance, which, subject to a specified limit, indemnifies the ceding company for the amount of loss in excess of a specified retention. It includes various types of reinsurance, such as catastrophe reinsurance, per risk reinsurance, per occurrence reinsurance 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 for each risk involved in each occurrence.
Experience Rating
See Rating.

Exposure Rating
See Rating.

Extended Reporting Period
An additional period of time affording coverage after termination of a claims-made policy during which a claim first made after such termination for injury or damage that occurs on or after the retroactive date, if any, but before the policy termination date is covered. Also see Retroactive Date.

Extra-Contractual Obligations (ECO)
In reinsurance, monetary awards or settlements against an insurer for its alleged wrongful conduct to its insured. Such payments required of an insurer to its insured are extra-contractual in that they are not covered in the underlying contract.

Ex Gratia Payment
Latin: "by favor." A voluntary payment made by the reinsurer in response to a loss for which it is not technically liable under the terms of its contract.

Facultative Certificate of Reinsurance
A contract formalizing a reinsurance cession on a specific risk.

Facultative Reinsurance
Reinsurance of individual risks by offer and acceptance wherein the reinsurer retains the ability to accept or reject each risk offered by the ceding company.

Facultative Treaty
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 merely reflects how individual facultative reinsurances shall be handled.
Facultative Obligatory Treaty (also known as Facultative Semi-Automatic Treaty, Facultative Semi-Obligatory Treaty)
1) A reinsurance contract under which the ceding company can select and the reinsurer is obligated to accept cessions of risks of a defined class, provided the risks fall within the contract guidelines. 2) A reinsurance contract under which the ceding company must cede exposures of risks of a defined class that the reinsurer may accept, if ceded.

Facultative Semi-Automatic Treaty
Facultative Semi-Obligatory Treaty
See Facultative Obligatory Treaty.

Financial Reinsurance
A form of reinsurance which considers the time value of money and has loss containment provisions. Also see Finite Reinsurance.

Finite Reinsurance (also known as Financial Reinsurance, Limited Risk Reinsurance, Nontraditional Reinsurance, Structured Reinsurance)
A broad spectrum of treaty reinsurance arrangements which provide reinsurance coverage at lower margins than traditional reinsurance, in return for a lower probability of loss to the reinsurer. This reinsurance is often multi-year and often provides a means of sharing positive or negative claims experience with the cedent beyond that usually provided by traditional reinsurance.

Flat Rate
1) A fixed insurance premium 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.

Follow the Fortunes
Follow the fortunes generally provides that a reinsurer must follow the underwriting fortunes of its reinsured and, therefore, is bound by the decisions of its reinsured in the absence of fraud, collusion or bad faith. It requires a reinsurer to accept a reinsured’s good faith, business-like reasonable decision that a particular risk is covered by the terms of the
underlying policy. The term is often used interchangeably with follow the settlements, and there may be overlap between the affect of follow the fortunes and follow the settlements when the “risk” is what generated the loss. Follow the fortunes is focused on “risk” determination, not necessarily tied to a loss settlement.

**Follow the Settlements**

Follow the settlements generally provides that a reinsurer must cover settlements made by the reinsured in a business-like manner, provided the settlement is arguably within the terms of the reinsured’s policy and the reinsurance agreement and the settlement is not affected by fraud, collusion or bad faith. It is an expectation that the reinsurer will abide by the reinsured’s good faith determination to settle, rather than litigate, claims under a reinsured policy and not relitigate a reinsured’s settlements ceded to the reinsurance agreement. The term is often used interchangeably with follow the fortunes, and there may be overlap between the affect of follow the settlements and follow the fortunes when the “risk” is what generated the loss. Follow the settlements is focused on “loss settlement,” not necessarily tied to a “risk determination” arising out of follow the fortunes.

**Foreign Insurance Company**

A U.S. domiciled insurer that is domiciled in a state other than the jurisdiction in question.

**Fronting**

Arrangements by which an insurer, for a specified fee or premium, issues its policies to cover certain risks underwritten or otherwise managed by another insurer or reinsurer. The insurer then transfers all, or substantially all, of the liabilities thereunder to such insurers by means of reinsurance.

**Funded Cover**

A type of excess of loss reinsurance agreement under which the reinsured company pays an agreed upon premium to build a fund (which is held by the insurer or reinsurer pursuant to the terms of the agreement) from which to pay covered losses. Since that fund reduces the reinsurer’s risk that losses will exceed the fund, the reinsurer agrees to accept a reduced
reinsurance margin. Any excess monies in the fund will be returned to the appropriate party pursuant to the terms of the contract.

**Funds Withheld**
A provision with respect to credit for reinsurance in a reinsurance treaty under which the premium due the reinsurer is withheld and not paid by the ceding company to enable the ceding company to reduce its liability for unauthorized reinsurance in its statutory statement. The reinsurer’s asset, in lieu of cash, is “funds held by or deposited with reinsured companies.”

**Gross Line**
The total limit of liability accepted by an insurer on an individual risk (net line plus all reinsurance ceded).

**Ground Up Loss**
The total amount of loss sustained by the ceding company before taking into account the credit(s) due from reinsurance recoverable(s).

**Incurred But Not Reported (IBNR)**
Refers to losses that have occurred but have not yet been reported to the insurer or reinsurer. IBNR has two components: (1) a provision for loss and loss adjustment expense (“LAE”) reserves in excess of the reserves on claims reported during the accounting period (IBNER); (2) a provision for loss and LAE reserves on claims that have occurred but not yet been reported during the accounting period (IBNYR).

**Incurred But Not Enough Reported (IBNER)** is a provision in claims and losses already reported for claims reserve increases; decreases can occur although infrequently. It is created because reported claims reserves tend to increase from the time a claims occurs until the claim is settled. Changes in insurance company case reserves, during the accounting period and established by judgment and/or formula, often result from a lag in information on liability and damages.

**Incurred But Not Yet Reported (IBNYR)** is a provision for loss
reserves and LAE on losses and claims that have occurred but have not been made known to the insurer.

**Incurred Loss** (also known as Loss Incurred)
Incurred loss is calculated as outstanding loss at the beginning of a reinsurance period plus paid and/or outstanding loss reported during that period minus the outstanding loss at the end of the period irrespective of when the loss actually occurred or the original policy attached.

**Indexing**
A procedure sometimes incorporated into an excess of loss reinsurance treaty to adjust the retention and limit according to the value of a specified public economic index (for example: wage, price, or cost-of-living).

**Insolvency Clause**
A provision now appearing in most reinsurance contracts (because many states require it) stating that in the event the reinsured is insolvent the reinsurance is payable 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.

**Interest and Liabilities Agreement**
A reinsurance contract between the ceding insurer and one or multiple reinsurers in which the percentage of participation of each reinsurer is specified.

**Interlocking Clause**
A provision in a reinsurance agreement designed to allocate loss from a single occurrence between two or more reinsurance agreements. The provision is intended to be used when the company purchases its excess of loss reinsurance on an “underwriting year” or “risks attaching” basis. The provision allows the reinsured to prorate its retention between two or more reinsurance agreement periods, i.e., when one loss affects policies assigned to different reinsurance periods, so that the company will have one retention and one recovery for the loss involving the two reinsurance periods.

**Intermediary Clause**
A contractual provision in which the parties agree to effect all transactions through an intermediary and the credit risk of the intermediary, as distinct from other risks, is imposed on the reinsurer.

**IRIS (Insurance Regulatory Information System) Tests**
A series of financial tests developed by the National Association of Insurance Commissioners (NAIC) under its Insurance Regulatory Information System (IRIS) to assist states in overseeing the financial soundness of insurance companies.

**Inuring Reinsurance**
A designation of other reinsurances which are first applied pursuant to the terms of the reinsurance agreement to reduce the loss subject to a particular reinsurance agreement. If the other reinsurances are to be disregarded as respects loss to that particular agreement, they are said to inure only to the benefit of the reinsured. Example: A ceding insurer has a 50% quota share agreement and a per occurrence excess of loss contract (i.e., catastrophe reinsurance) for $80 million excess of $20 million. A catastrophe loss of $100 million occurs. If the quota share contract inures to the benefit of the catastrophe reinsurer, of the gross loss of $100 million, the quota share reinsurer pays $50 million, the ceding insurer bears the $20 million catastrophe retention, and the catastrophe reinsurer indemnifies the ceding insurer to the extent of $30 million.

**Joint Account Reinsurance**
See Common Account Reinsurance.

**Letter of Credit (LoC)**
A financial instrument obtained from a bank that guarantees the availability of funds to be collected in the future under a reinsurance contract. In the noncommercial setting, these are known as standby credits in the event of non-performance by the obligor. Uniform Custom and Practices for Document Bearing Credits (1993 rev.) ICC, Pub. No. 500. See also Evergreen Clause.

**Limited Risk Reinsurance**

**Line of Business**
The general classification of business as utilized in the insurance industry, i.e., fire, allied lines, homeowners, etc.

**Line Guide**
See Line Sheet.

**Line Sheet** (also known as Line Guide)
A schedule showing the limits of liability to be written by a ceding company for different classes of risk and (usually) also showing the lines which can be ceded to proportional reinsurance treaties.

**Loss Adjustment Expense (LAE)**
The expense incurred by the ceding insurer in the defense, cost containment and settlement of claims under its policies. They are normally broken down into two categories: Allocated (ALAE) and Unallocated (ULAE). ALAE are often considered part of the loss to the ceding insurer and may be recovered as part of the reinsurance payments from the reinsurer. By contrast, ULAE are considered part of the ceding insurer’s overhead and cost of doing business, and should not be subject to reinsurance recovery. The elements of loss adjustment expenses that are covered by reinsurance are specified in the terms of the reinsurance agreement.

**Loss Conversion Factor** (also known as Loss Loading or Multiplier)
A factor applied to the anticipated losses (or loss cost) for an excess of loss reinsurance agreement in order to develop the reinsurance premium (or rate). This factor provides for the reinsurer’s loss adjustment expense, overhead expense, and profit margin. See also Rating.

**Loss Corridor**
A mechanism contained in a proportional or an excess of loss agreement that requires the ceding insurer to be responsible for a certain amount of the ultimate net loss that is above the company’s designated retention and below the designated limit, and which would otherwise be reimbursed under the reinsurance agreement. A loss corridor is usually expressed as
a loss ratio percentage of the reinsurer’s earned premium, or a combined ratio if the reinsurance agreement provides for a ceding commission to the company. Loss corridors are employed to mitigate the volatility of reinsurance agreements.

**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 some subsequent point in time (usually 12 month periods), 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.

**Loss Excess of Policy Limits**
An amount of loss which exceeds the policy limits, but is otherwise under the coverage terms of the policy, for which the insurer is potentially responsible by reason of its action or omissions in defending the insured under the policy.

**Loss Incurred**
See Incurred Loss.

**Loss Loading or Multiplier**
See Loss Conversion Factor.

**Loss Portfolio**
See Loss Portfolio Transfer.

**Loss Portfolio Transfer**
A financial reinsurance transaction in which loss obligations that are already incurred and which are expected to ultimately be paid are ceded to a reinsurer. In determining the premium paid to the reinsurer, the time value of money is considered, and the premium is therefore less than the ultimate amount expected to be paid. The difference between the premium paid for the transaction and the amount reserved by the cedent is the amount by which the cedent’s statutory surplus increases. Other
terms used in context with Lloyd’s contracts are loss portfolio-rollover and reinsurance to close.

**Losses Occurring**
A specific time delineated in a reinsurance agreement when a loss is deemed to have occurred for purposes of determining whether the loss is within the period that reinsurance coverage applies, usually based on the definition of loss occurrence provided for in the agreement.

**Loss Rating**
See Rating.

**Management Fee Expense** (also known as Reinsurance Home Office Expense [RHOE], Reinsurer’s Expense)
A deduction usually expressed as a percentage of ceded premium, in a calculation of profit or contingent commission. The amount is intended to account for the reinsurer’s internal expenses.

**Maximum Foreseeable Loss / Probable Maximum Loss (PML)**
The worst loss that is foreseeable or probable to occur because of a single event.

**Maximum Possible Loss**
The worst loss that could possibly occur because of a single event.

**Mediation**
A form of alternative dispute resolution in which the parties agree to submit any dispute to a neutral mediator, whose purpose and goal is to achieve a mutually acceptable settlement and compromise of the dispute, rather than issue a formal ruling and decision on the merits as occurs in arbitration. Depending upon the parties’ agreement, the results of mediation can be binding or non-binding.

**Minimum Premium**
An amount of premium which will be charged (usually for an excess of loss reinsurance contract), notwithstanding that the actual premium developed by applying the rate to the subject premium could produce a lower figure. See Deposit Premium.
**Mortgagee Endorsement**
An endorsement to an insurance policy covering the policyholder’s mortgaged property to provide that in the event of the insolvency of the insurance company, the reinsurer shall pay directly to the mortgagee and/or the policyholder the amount of loss that would have been recovered from the reinsurer by the insurance company. The endorsement may provide that the reinsurer will pay the full loss amount in accordance with the insurance protection afforded by the insurance company. Similar in concept to the Cut-Through Endorsement.

**National Association of Insurance Commissioners (NAIC)**
An association of the chief insurance regulatory officials of the 50 states, the District of Columbia, American Samoa, Guam, Puerto Rico and the Virgin Islands.

**NBCR**
An acronym referring to nuclear, biological, chemical and radiological exposures, which may be defined in the reinsurance agreement, for purposes of excluding, limiting or providing reinsurance coverage.

**Net Retained Liability**
The amount of insurance that a ceding company keeps for its own account and does not reinsure in any way (except in some instances for catastrophe reinsurance).

**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.

**Nine-Months Rule**
A contract signature rule adopted by the National Association of Insurance Commissioners generally imposing a nine-month time limit from the effective date of the treaty reinsurance agreement to the time when the treaty reinsurance agreement must be actually executed by the ceding company and the reinsurer or, in the case of multiple reinsurers, the lead designated reinsurer. The rule enables the ceding company to comply with
statutory and/or regulatory requirements and receive accounting treatment as prospective, as opposed to retroactive, reinsurance.

**Ninety-Day Rule**
The National Association of Insurance Commissioners annual statement requirement which provides that an insurer or reinsurer must account for certain balances on Schedule F of the annual statement when it has reinsurance recoverables over ninety days past due for which the company may incur penalties.

**Non-Admitted Reinsurance**
Reinsurance placed with a reinsurer that does not have authorized or equivalent status in the jurisdiction in question.

  **Admitted (Authorized) Reinsurance**
  Reinsurance for which credit is given in the ceding company’s Annual Statement because the reinsurer is licensed or otherwise authorized to transact business in the jurisdiction in question.

**Non-Proportional Reinsurance**
See Excess of Loss Reinsurance.

**Nontraditional Reinsurance**

**Non-Waiver Clause**
See Estoppel.

**Novation**
The substitution of a new contract, debt or obligation for an existing one, between the same or different parties. A novation may substitute a new party and discharge one of the original parties to a contract by agreement of all parties. The requisites of a novation are 1) a previously valid obligation; 2) an agreement of all the parties to a new contract; 3) the extinguishment of the old obligation; and 4) the validity of the new obligation.
Obligatory Treaty
A reinsurance contract under which the subject business must be ceded by the insurer in accordance with contract terms and must be accepted by the reinsurer.

O.C.A. (Outstanding Cash Advance)
A method of funding by the reinsurer by cash advance in connection with a securitization provision contained in a reinsurance agreement requiring the reinsurer to secure its outstanding obligations under the agreement as of a particular point in time. The cash advance is held by the company in trust for the reinsurer in an interest bearing account or invested by the company in acceptable securities. The amount of the cash advance is subject to adjustment at given intervals as the reinsurer’s obligations change, as defined in the securitization provision. Generally, should the reinsurer fail to perform its payment obligations under the reinsurance agreement, the company may utilize the outstanding cash advance to meet such obligations. Also see Trust and Unauthorized Reinsurance.

Occurrence
A frequently used term in reinsurance referring to an incident, happening or event which triggers coverage under an occurrence-based agreement. The definition of an occurrence will vary, depending upon the intent and interests of the parties.

Occurrence Coverage
A policy covering claims that arise out of damage or injury that took place during the policy period regardless of when claims are made. Most commercial general liability insurance is written on an occurrence form. Contrast with claims-made coverage.

Occurrence Limit
A provision in most property per risk reinsurance contracts that limits the reinsurer’s liability for all risks involved in one occurrence. See Occurrence.

Offset (also known as Setoff)
The netting of amounts due between two parties as provided for by common law, contract law, statutory law, regulatory law and/or judicial law. Some
reinsurance contracts contain a mutual right of offset, while others may operate only for one party’s benefit. Offset may be allowed under all contracts between the parties or only under that specific contract.

**Original Conditions Clause**
A provision in a reinsurance agreement which incorporates by reference all of the terms (as well as amendments, modifications, alterations and waivers) of the original policy written by the ceding company that are not otherwise addressed in the reinsurance agreement. See also Follow the Fortunes.

**Outstanding Loss Reserve (OLR, O/S)**
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), Incurred Losses and Loss Development.

**Over-Line**
The amount of insurance or reinsurance that exceeds the insurer’s or reinsurer’s normal capacity. This is inclusive of automatic reinsurance facilities.

**Overriding Commission**
1) An allowance paid to the ceding company over and above the acquisition cost to allow for overhead expenses and often including a margin for profit.  
2) A fee or percentage of money that is paid to a party responsible for placing a retrocession of reinsurance.  
3) In insurance, a fee or a 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 area.

**Participating Reinsurance (also known as Proportional, Pro Rata Reinsurance, Quota Share)**
A generic term describing all forms of quota share and surplus reinsurance in which the reinsurer shares a pro rata portion of the losses and premiums of the ceding company.
Payback
A method of reinsurance rating under which the price is based on how frequently a limits loss might occur over a period of time based on historical or projection indications. Thus, if the indicated or projected loss would occur only once in five years, the price would be set (without regard to expenses and profit margins) to be equal to the limit divided by five and the contract would thus be said to have a “five year payback.” Inverse calculation with Rate on Line.

Placement Slip
A temporary agreement of reinsurance terms and conditions arrangements for which coverage has been effected, pending replacement by a formal reinsurance contract. Also known as a binder, confirmation, slip and in some circumstances, cover note.

Pool
See Association, Syndicate.

Portfolio
A reinsurance term that defines a body of: 1) insurance (policies) in force (premium portfolio), 2) outstanding losses (loss portfolio), or 3) company investments (investment portfolio). The reinsurance of all existing insurance, as well as new and renewal business, is therefore described as a running account reinsurance with portfolio transfer or assumption.

Portfolio Reinsurance
The transfer of 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 (less ceding commissions thereon) is normally
returned to the cedent. Also known as a return portfolio or return of unearned premium.

**Portfolio Run-Off**
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 run-off can be for a specified duration.

**Premium Base**
See Base Premium, Subject Premium, Underlying Premium.

**Primary**
In reinsurance this term is applied to the nouns: insurer, insured, policy and insurance and means respectively: 1) the insurance company which initially originates the business, i.e., the ceding company; 2) the policyholder insured by the primary insurer; 3) the initial policy issued by the primary insurer to the primary insured; 4) the insurance covered under the primary policy issued by the primary insurer to the primary insured (sometimes called "underlying insurance").

**Priority**
The term used in some reinsurance markets outside the U.S. to mean the retention of the primary company in a reinsurance agreement.

**Profit Commission**
A commission feature whereby the cedent is allowed a commission based on the reinsurer’s profitability under the reinsurance contract.

**Proportional Reinsurance**
See Quota Share, Participating Reinsurance, Pro Rata Reinsurance, Surplus Reinsurance.

**Pro Rata Reinsurance** (also known as Quota Share, Proportional, Participating or Surplus Reinsurance)
A generic term describing all forms of quota share and surplus reinsurance in which the reinsurer shares a pro rata portion of the losses and premiums of the ceding company.
Prospective Rating
See Rating.

Provisional Rate, Premium, or Commission
Tentative amounts applicable to either rate, premium or commission set at the start of the contract and subject to subsequent adjustment.

Pure Loss Cost
See Burning Cost.

Quota Share Reinsurance
A form of pro rata reinsurance indemnifying the ceding company for an established percent or percentage of loss on each risk covered in the contract in consideration of the same percentage of the premium paid to the ceding company.

Rate
The percent or factor applied to the ceding company’s subject premium to produce the reinsurance premium.

Rate On Line
A percentage derived by dividing reinsurance premium by reinsurance limit; the inverse is known as the payback or amortization period. For example, a $10 million catastrophe cover with a premium of $2 million would have a rate on line of 20 percent and a payback period of 5 years.

Rating
There are two basic approaches for pricing of reinsurance contracts usually applied to excess of loss reinsurance contracts: exposure rating and experience rating. Both methods can be used as separate rating approaches or may be weighted together to calculate the price for the contract.

Experience Rating (also known as Loss Rating)
An approach by which the rate is determined based on the ceding company’s historical loss experience, actual and reconstructed.
Prospective Rating (also known as Flat Rating)
A formula for calculation of reinsurance premium for a specified period where a fixed rate is promulgated using the ceding company’s historical loss experience, actual or constructed, and the premium for the current period is calculated by multiplying the fixed rate by the current period ceded earned (or occasionally written) premium.

Retrospective Rating (also known as Self Rating, Swing Rating, and Loss Rating)
A formula for calculation of reinsurance premium for a specified period where a provisional rate is promulgated using the ceding company’s historical loss experience, and is adjusted (subject to minimum and maximum) based on the current period actual loss experience. Premium for the current period is then calculated by multiplying the adjusted rate by the current period ceded earned premiums.

Loss Loaded Rating (also known as Expense Loaded)
A type of retrospective rate adjustment using the same period losses multiplied by a loss load and/or expense load

Margin Plus Rating
A type of retrospective rate adjustment using the same period losses expressed as a ratio of earned premium for the same period plus a fixed margin.

Exposure Rating
An approach by which the rate is determined based on analysis of the exposure inherent in the business being covered by the contract based on industry experience for the same type of business (rather than on the actual historical loss experience of the company).

Cessions Basis (also known as Cessions Made, Cessions Schedule)
A reinsurance pricing mechanism used on casualty reinsurance contracts where a premium for each reinsured policy is ceded to the reinsurer individually based on the exposure of the policy limits to the reinsurance limits (usually based on Increased Limit Factors).

**Reassured**
See Cedent, Ceding Company, Reinsured.

**Reciprocity**
A mutual exchange of reinsurance between two or more companies.

**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 reinstatements or for a specific number of reinstatements. See Reinstatement Premium.

**Reinstatement Cover**
A type of reinsurance that provides a ceding company all or a portion of the ceding company’s contract or program limits that were eroded under a reinstatement clause in the original reinsurance agreement. The reinstatement cover is normally a separate agreement and the term usually incepts at the date of the last loss, running through the end of the original coverage period. Customarily, the reinstatement cover provides only a single limit and is not likely to include a reinstatement provision. For example, after the major windstorms of 2004 and 2005, ceding companies that sustained losses reinsured under their reinsurance contracts may have lacked sufficient reinsurance protection for the remainder of the year. In such an instance, those insurers might attempt to secure reinsurance to replace that no longer available under the original contracts.

**Reinstatement Premium**
An additional 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 reinsurance contract. See Reinstatement Clause.
Reinstatement Premium Cover
A contract that reimburses a ceding company for all or part of an additional premium that is or was required to be paid to the reinsurer to effect a reinstated limit on another contract or contracts, typically a “Cat cover/program.”

Reinsurance
The transaction whereby the assuming insurer in consideration of premium paid, agrees to indemnify the ceding company against all or part of the loss which the latter may sustain under the policy or policies which it has issued.

Reinsurance Home Office Expense (RHOE)
See Management Fee Expense, Reinsurer’s Expense.

Reinsurance Premium
The consideration paid by a ceding company to a reinsurer for the coverage provided by the reinsurer.

Reinsured
See Cedent, Ceding Company, Reassured.

Reinsurer
The insurer which assumes all or a part of the insurance or reinsurance risk written by another insurer.

Reinsurer’s Expense
See Management Fee Expense, Reinsurance Home Office Expense [RHOE].

Reports and Remittances Clause
The contract clause that specifies the types, timing and frequency of reports that are due to the reinsurer and usually outlines the format and content of the reports. Stipulates when adjustments and balances (if any) are due to either party.
Reserve
An amount that is established to provide for payment of a future obligation.

Retention
The amount of risk the ceding company keeps for its own account or the account of others.

Retroactive Date
The date on a claims made policy or reinsurance contract which triggers the beginning period of coverage for occurrences commencing prior to the effective date of the policy. A retroactive date is not required. If one is shown on a claims made policy, any claim made during the policy period on a loss that occurred before the retroactive date will not be covered. In reinsurance, losses occurring before the contract term are sometimes covered by the addition of “retroactive” coverage to the contract.

Retrocede
The action of a reinsurer of reinsuring with another reinsurer its liability assumed through the issuance of one or more reinsurance contracts to primary insurance companies or to other reinsurers. The reinsurer seeking protection may purchase a reinsurance contract or contracts that will indemnify it within certain parameters for certain described losses under that reinsurance contract or contracts. This action is described as transferring the risk or a part of the risk. The reinsurer seeking protection (the buyer) is called the retrocedent and the reinsurer providing the protection (the seller) is called the retrocessionaire.

Retrocedent
A reinsurer who underwrites and issues a reinsurance contract to a reinsured (either a primary insurance carrier or another reinsurer) and contractually obtains an indemnification for all or a designated portion of the risk from one or more retrocessionaires. See Retrocede.

Retrocession
The reinsuring of reinsurance. A reinsurance transaction whereby a reinsurer, known as a retrocedent, cedes all or part of the reinsurance
risk it has assumed to another reinsurer, known as a retrocessionaire. See Reinsurance.

**Retrospective Rating** (also known as Self Rating, Swing Rating)
See Rating.

**Risk**
A term which defines uncertainty of loss, chance of loss, or the variance of actual from expected results as it relates to coverage provided under an insurance or reinsurance contract. Also, the term is used to identify the object of insurance protection, e.g., a building, an automobile, a human life, or exposure to liability. In reinsurance, each ceding company customarily makes its own rules for defining a risk.

**Risk Based Capital**
A method utilized by insurance regulatory authorities to determine the minimum amount of capital required of an insurer to support its operations and write coverage. The insurer’s risk profile (i.e., the amount and classes of business it writes) is used to determine its risk based capital requirement.

**Risk Transfer**
A key element of reinsurance, whereby insurance risk is shifted from the reinsured to the reinsurer under a reinsurance agreement. In order for a reinsured to receive statutory and GAAP credit for reinsurance, a threshold of both underwriting risk and timing risk transfer must be achieved. See Risk.

**Run-Off**
A termination provision of a reinsurance contract that stipulates the reinsurer remains liable for loss as a result of occurrences taking place after the date of termination for reinsured policies in force at the date of termination until their expiration or for a specified time period.

**Schedule F**
The schedule within the Annual Statement which provides information on a company’s reinsurance transactions.
Second Event Retention
See Drop-Down.

Self Rating
See Retrospective Rating, Swing Rating.

Service of Suit Clause
A clause in reinsurance contracts whereby the reinsurer agrees to submit to any court of competent jurisdiction in the United States, which provides a legal basis for the enforcement of arbitration awards. The clause names a U.S. agent to accept service of process on behalf of the reinsurer for purposes of the ceding company gaining U.S. jurisdiction against the reinsurer. It is not intended to supersede the contracting parties’ obligation to arbitrate disputes, but to provide a mechanism to enforce awards.

Setoff
See Offset.

Severability Clause
A clause in some reinsurance agreements, providing that should any part of the agreement be found illegal or otherwise unenforceable, the remainder of the agreement will continue in force while the illegal part will be severed from the agreement. Severability may apply to the entire agreement or be limited to a specific provision which may present enforceability issues. For example, in jurisdictions where punitive damages are uninsurable, a severability clause in an Extra Contractual Obligations provision (or as a separate clause) will preserve the overall enforceability of the provision, even though a portion of the ECO provision has been invalidated.

Sidecar
A special purpose vehicle designed to allow investors to assume the risk and earn the profit on a group of insurance policies (a “book of business”) written by a particular insurer or assumed by a particular reinsurer (collectively “re/insurer”). A re/insurer will usually only cede the premiums associated with a book of business to such an entity if the investors place sufficient funds in the vehicle to ensure that it can meet claims if they arise. Typically, the liability of investors is limited to these funds. The vehicle is often formed as an independent company and to
provide additional capacity to the re/insurer to write property catastrophe business or other short tail lines. The original capacity is usually provided through a quota share or similar type arrangement. The re/insurer normally charges a fee (ceding commission) for originating and managing the sidecar business and may sometimes also receive a profit commission if the book of business is profitable. Because the investors’ capital is usually intended to be invested in this vehicle for a short-term, the sidecar has a limited existence, often for only one year, after which investors may withdraw their investment. These structures have become quite prominent in the aftermath of Hurricane Katrina as a vehicle for re/insurers to add risk-bearing capacity, and for investors to participate in the potential profits resulting from sharp price increases in re/insurance.

**Sliding Scale Commission**
A commission adjustment on earned premiums whereby the actual commission varies inversely with the loss ratio, subject to a maximum and minimum.

**Special Acceptance**
The specific agreement by the reinsurer to include under a reinsurance contract a risk not included within the terms of the contract.

**Special Termination Clause**
A clause found in reinsurance contracts providing that, upon the happening of some specified condition or event, such as the insolvency, merger, loss in credit rating or decline in policyholder surplus of one party, the other party can fully terminate the contract earlier than would otherwise be required, had such condition or event not happened. The clause should state which party may initiate the termination, the notice requirements, the triggering conditions or events necessary, the effective date of termination, and the method of terminating existing business (i.e., whether on a cut-off or run-off basis).

**Standard Premium**
The insurance premium determined on the basis of the insurer’s authorized rates multiplied by the experience modification factor. The standard premium is usually not the final premium that the insured pays. It excludes the effects of some pricing programs, such as premium discounts, schedule
rating, deductible credits, retrospective rating, and expense constants that are reported in statistical classes.

Statutory Annual Statement
See Annual Statement, Convention Blank.

Stop Loss Reinsurance
See Aggregate Excess of Loss Reinsurance or Excess of Loss Ratio Reinsurance.

Structured Reinsurance

Structured Settlements
The settlement of a casualty or workers’ compensation claim involving periodic annuity payments over an extended period of time, rather than in one up-front, lump sum cash payment. There are certain advantages to a claimant under a structured settlement, including favorable tax treatment of interest under the Internal Revenue Code, that are not present under a lump sum cash settlement. Structured settlements are designed to guard against the early dissipation of settlement proceeds by recipients, who are often minors or those in need of life-time care as a result of their injuries.

Subject Premium
See Base Premium, Premium Base, Underlying Premium.

Subrogation
The assignment of a contractual right of an insured or reinsured by terms of the policy or by law, after payment of a loss, of the rights of the insured to recover the amount of the loss from one legally liable for it. The ceding insurer and reinsurer can agree how subrogation rights and recoveries will be addressed and handled under the reinsurance agreement.

Sunrise Clause
A clause in casualty reinsurance contracts 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. Sunrise clauses are used to reactivate coverage that no longer exists due to the existence of a sunset clause. See Sunset Clause.

**Sunset Clause**
A clause in casualty reinsurance contracts that provides 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. See Sunrise Clause.

**Surplus Reinsurance** (also known as Surplus Share Reinsurance or Variable Quota Share Reinsurance)
A form of pro rata reinsurance under which the ceding company cedes that portion of its liability on a given risk which is greater than the portion of risk the cedent retains (i.e., net line), and the premiums and losses are shared in the same proportion as the ceded amount bears to the total limit insured on each risk.

**Surplus Share Reinsurance**
See Surplus Reinsurance, Variable Quota Share Reinsurance.

**Swing Rating**
See Rating.

**Syndicate**
See Association, Pool.

**Target Risk**
In property reinsurance certain risks (for example, particular bridges, tunnels, fine arts collections, and property of similarly high value and exposure) that are excluded from coverage under reinsurance treaties. Such risks require individual acceptance under facultative contracts.

**Term Contract**
A form of reinsurance contract written for a stipulated term (usually one year). The contract automatically expires at the end of the term and renewal must be negotiated. See also Continuous Contract.
Total Insurable Value (TIV)
The total values for insured perils and coverages for a particular risk, whether or not insurance limits have been purchased to that amount.

Total Insured Value Clause
An exclusion that prevents a reinsurer’s over-lining on a single large risk (usually excess of $250 million) caused by a potential accumulation of property limits from two or more ceding companies. The customary exception to the exclusion applies to risks insured 100 percent by one insurer or specifically listed classes (such as apartments, offices, hotels, hospitals, etc.).

Treaty
A reinsurance contract under which the reinsured company agrees to cede and the reinsurer agrees to assume risks of a particular class or classes of business.

Treaty Experience
Accident Year (see Basis of Attachment)
Underwriting Year (see Basis of Attachment)
Calendar Year (see Calendar Year Experience)

TRIA/TRIEA
TRIA refers to the Terrorism Risk Insurance Act of 2002. TRIEA refers to the Terrorism Risk Insurance Extension Act of 2005, which extended the originally enacted TRIA, which was due to expire at the end of the 2005 year. Generally, the Act provides for a certain amount of federal reimbursement to insurance carriers for certified terrorism-related losses when a particular industry aggregate loss threshold is met, exclusive of an applicable insurer deductible and co-participation percentage, as defined under the Act.

TRIA/TRIEA Inurement Clause
A provision in a reinsurance agreement that requires a certain amount of the recoveries the ceding company may receive under TRIA/TRIEA for certified terrorism-related losses related to the subject business reinsured to inure to the benefit of that reinsurance agreement, thereby potentially
reducing the amount of loss to which the reinsurance agreement applies. There are various types of TRIA/TRIEA inuring provisions, including some of which recognize ground-up recoveries, in contrast to others that apply with respect to recoveries that are excess of the amount the ceding company is permitted to retain itself under the Act. For purposes of determining how recoveries are to inure to the benefit of a particular reinsurance agreement, the inuring provision usually also includes a method of allocation of such recoveries among the various companies within an insurance group and a method of allocating a portion of the recoveries to the subject business included in that particular reinsurance agreement. A method of allocation of such recoveries among various certified terrorism-related occurrences might also be addressed for this purpose.

**Trust Agreements**
An agreement establishing a trust arrangement, which may be utilized as a mechanism by the reinsurer for purposes of securing its obligations to the ceding company to satisfy securitization requirements that might apply to the reinsurer under the terms of a reinsurance agreement. Under the trust arrangement, a legal entity is created by a grantor (usually the reinsurer) for the benefit of a designated beneficiary (usually the ceding company). The trustee (generally a financial institution) holds a fiduciary responsibility to handle the trust’s corpus assets and income for the economic benefit of the beneficiary, in accordance with the terms of the trust. In the event that the reinsurer defaults in its payment obligations to the ceding company under the terms of the reinsurance agreement, the trustee may release funds from the corpus of the trust to satisfy such obligations to the ceding company, in accordance with the terms of the trust. In reinsurance, such an agreement is typically established to permit a licensed ceding company to take credit for non-admitted reinsurance up to the value of the assets in the trust.

**Ultimate Net Loss**
1) In reinsurance, the measure of loss to which the reinsurance applies, as determined by the reinsurance agreement. 2) In liability insurance, the amount actually paid or payable for the settlement of claims for which the reinsured is liable (including or excluding defense costs) after deductions are made for recoveries and certain specified reinsurance.
Unauthorized Reinsurance
Reinsurance placed with a reinsurer that does not have authorized or equivalent status in the jurisdiction in question.

Admitted (Authorized) Reinsurance
Reinsurance for which credit is given in the ceding company’s Annual Statement because the reinsurer is licensed or otherwise authorized to transact business in the jurisdiction in question.

Unearned Premium Portfolio
The sum of all unearned premium for in force policies of insurance under the reinsurance agreement, often with respect to a particular block, book or class of business during a particular period.

Unearned Premium Portfolio Rollover
A term describing an accounting transaction in which an unearned premium portfolio is carried forward from one accounting period to the following accounting period under an existing contract or a renewal.

Unearned Premium Reserve
The reserve amount included in the company’s financial statements for unearned premiums with respect to the insurance policies or reinsurance agreements as of a particular point in time. Unearned premiums are the sum of all the premiums representing the unexpired portions of the policies or reinsurance agreements which the insurer or reinsurer has on its books as of a certain date.

Underlying
The amount of insurance or reinsurance on a risk (or occurrence) which applies to a loss before the next higher excess layer of insurance or reinsurance attaches.

Underlying Premium
See Base Premium, Premium Base, 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 Year Experience
See Basis of Attachment

Unearned Reinsurance Premium
That part of the reinsurance premium applicable to the unexpired portion of the policies reinsured.

Variable Quota Share Reinsurance
See Surplus Reinsurance, Surplus Share Reinsurance.

Working Cover
A contract covering an amount of excess reinsurance in which loss frequency is anticipated.
RAA STATISTICAL PUBLICATIONS

Historical Loss Development Study

Produced biennially since 1969, the study seeks to reinforce awareness of historical loss development patterns in companies writing casualty excess reinsurance business and in primary companies writing high deductible or umbrella insurance. The historical loss development data – compiled from 20 companies – contains: casualty excess data for four lines of reinsurance (auto, general liability, workers compensation and medical malpractice); data provided by attachment point; ranges of variation and impact of asbestos and other environmental liability on loss development. Study also includes the chart and table data in Microsoft Excel format which may be downloaded from the RAA website after purchase. Publication Schedule: Biennial

Catastrophe Loss Development Study

2006 EDITION FEATURES THE LATEST DATA ON THE CATASTROPHIC HURRICANES OF 2004-2005

This is a valuable and unique study on aggregated reinsurer loss development from extreme events including the 2001 World Trade Center tragedy. Leading U.S. reinsurers contribute paid, reported, and incurred but not reported data to this study that analyzes losses by type of reinsurance including facultative, treaty pro rata, treaty risk excess, treaty catastrophe excess and finite/financial/aggregate stop loss. Reinsurance loss data for the World Trade Center event is also broken out by line of business, and data for Hurricanes Katrina/Rita is split between property and marine/energy. An electronic file containing the quarterly loss development factors for these events is provided to purchasers of the study.

Reinsurance Underwriting Report

This product is compiled quarterly and delivered to subscribers via e-mail. Comprised of a spreadsheet containing information from major U.S. companies, the reinsurance underwriting information includes: premiums written and earned; policyholder surplus; loss, expense and combined ratios; and several other categories of statistical information. The reports are the only domestic reinsurance underwriting statistics collected and made publicly available on a quarterly basis.

Reinsurance Underwriting Review

Published annually since 1980, the Reinsurance Underwriting Review (RUR) reports and summarizes the underwriting and operating results of the nation’s major property/casualty reinsurers providing timely and comprehensive information on the U.S. reinsurance market. The 2005 edition of the RUR contains additional tables and analytics on reinsurance recoverables, reserve and leverage ratios, and invested assets. The new tables go beyond the traditional income statement review and include data from the balance sheet and Schedule F.
This edition of the RUR reflects the experience of 40 organizations, including both individual companies and groups, whose data are reported in the appendices. The contents are based on data assembled by the National Association of Insurance Commissioners and on data received from the companies themselves, complementing the RAA's Quarterly Reinsurance Underwriting Report with additional information from a broader group of reinsurers. The booklet contains historical data on combined ratios, and net income and is a unique source of financial information for the U.S. reinsurance market. Publication Schedule: Annually

Reinsurance Underwriting Subscription

This yearly subscription combines receipt of the quarterly Reinsurance Underwriting Report with the comprehensive annual Reinsurance Underwriting Review for superior information and substantial savings.

Alien Reinsurance in the U.S. Market

This report is a comprehensive analysis of alien reinsurers' participation in the U.S. reinsurance market. Compiled from NAIC Schedule F data, the report presents U.S. premiums ceded to and recoverables from reinsurers domiciled in 105 foreign jurisdictions. The report ranks jurisdictions with the largest participation in the U.S. for both affiliated and unaffiliated reinsurance business. Publication Schedule: Annually

RAA LAW PUBLICATIONS

Compendium of Reinsurance Laws and Regulations

Written by reinsurance experts, this tabbed, indexed binder contains 23 charts summarizing the laws and regulations of 51 U.S. jurisdictions for key reinsurance topics, including: credit for reinsurance, setoff, insolvency clauses, fronting, bulk reinsurance, cut-throughs and arbitration – a full and comprehensive analysis of reinsurance statutory law.

Digest of Reinsurance Caselaw

A major reference work, the Digest of Reinsurance Case Law is a comprehensive collection of U.S. reinsurance case law indexed, cross-referenced and summarized for optimal ease-of-use. This three-volume set contains more than 1,100 cases from every state and federal jurisdiction keyed to more than 190 targeted issues.
Reinsurance Contract Clauses — Case Law Annotations

This exhaustive reference work is designed to give reinsurance executives, attorneys and contract writers easy access to court decisions by providing specific contract language extracted from the decision and the court's interpretation of that language.

Manual for the Resolution of Reinsurance Disputes

Your search for a reinsurance-focused arbitration or mediation guide is over. This easy-to-use, well-organized tool offers a “how to” approach, with sample forms, a directory of services and recommendations for improving the practice of arbitration. The Manual includes an expanded and revamped mediation section, the Reinsurance Dispute Resolution Task Force Procedures for the Resolution of U.S. Insurance and Reinsurance Disputes, a larger selection of sample forms and agreements, an expanded ADR service providers list, and the most up-to-date statutes and case law on the subject of ADR.

Arbitrators Directory

RAA's Arbitrators Directory is the most comprehensive listing of both U.S. and international reinsurance arbitrators and mediators available anywhere. The Directory provides background information on each arbitrator and mediator in a clear and concise manner. In addition to the bound copy of the Directory, all listings are part of the ReinsuranceArbitrators.com online service at no additional fee. The site is a completely interactive database, making it even easier for users to target arbitrators that best meet their needs. Users can perform searches for arbitrators with qualifications they specify; a list of perfect arbitrators is quickly generated.

U.S. Reinsurance Law and Regulation Reporter (Compliance Service)

This e-mail bulletin series provides the latest information on reinsurance laws enacted and regulations adopted in all U.S. jurisdictions - including a summary and the actual text. This automatic, electronic service sends you the text as soon as possible after the official enactment. Past history indicates that, on average, 35 bulletins are issued annually.

Numerous public policy issues papers on current topics of interest are available online at www.reinsurance.org.
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