

Insurance Terminology

- **Actuary:** An insurance professional who designs and prices insurance policies using statistics. For example, for life insurance, an actuary calculates life expectancy based on health and other factors.
- **Adjudication:** The process by which an insurance company decides on the course of action to settle a claim.
- **Agent:** An insurance professional who represents one or more specific insurers under a contract.
- **Agent of record (AOR):** The agent who oversees the sale of a specific policy or the management of a specific claim.
- **Binding:** The process of converting an insurance quote into an insurance policy.
- **Book of business:** A database or “book” that lists all policies an insurance company has issued. A broker also keeps a book of business with client details.
- **Broker:** An insurance professional and intermediary who sells, solicits, or negotiates with multiple insurance companies on behalf of a client for compensation. Also called an independent agent.
- **Broker of record (BOR):** The broker who oversees the sale of a specific policy or the management of a specific claim.
- **Captive agent:** An agent who works for one insurance company.
- **Carrier:** A company that sells insurance. Also called a provider or payer.
- **Channel manager:** An insurance professional who drives business in the field with internal producers such as captive agents.
- **Claim:** A request for compensation for a covered event.
- **Claims adjudicator:** An insurance professional who investigates claims, manages the reserves to pay claims, and negotiates claim settlements. Also called an adjuster or investigator.
- **Claims ratio:** The total cost of claims relative to the net earned premium.
- **Community rating:** The calculation of a price for group insurance based on characteristics of the group. For example, health insurance is less expensive for a younger group.
- **Consumer:** A person or group who acquires goods or services for direct use or ownership, as opposed to for resale or reuse.
- **Contract:** The legal document that defines the coverages and beneficiaries of an insurance policy.
- **Coverage:** The scope of protection provided under an insurance policy, including the risk insured against and the properties, locations, and individuals insured.
- **Coverage limit:** A limit on how much compensation a coverage provides.

- **Covered event:** An adverse event for which a client is entitled to compensation.
- **Deductible:** An amount that a policyholder must spend out-of-pocket before they are entitled to compensation.
- **Discount:** A decrease in the price of an insurance policy, often due to something that decreases risk.
- **Endorsement:** An addition to an insurance policy that provides more coverage.
- **Exclusion:** An explicit denial of coverage for a specific peril, person, property, or location.
- **Expense ratio:** The total operating and underwriting expenses of an insurance company relative to the revenue.
- **Exposure:** A measure of total vulnerability to loss for an insurance policy.
- **First notice of loss (FNOL):** The initial communication from a client regarding a specific covered event. This may be an intent to file a claim or the claim itself.
- **Gross written premiums:** The total amount of premiums an insurance company has underwritten in a given period.
- **Hazard:** A condition that makes a loss more likely.
- **Independent agent:** An insurance professional and intermediary who sells, solicits, or negotiates with multiple insurance companies on behalf of a client for compensation. Also called a broker.
- **Managing general agent (MGA):** An insurance professional who is like a broker but has underwriting and binding authority from the insurance companies they represent.
- **Net earned premium:** The total amount of premiums earned for a particular financial statement.
- **Net written premiums:** The total amount of premiums an insurance company has underwritten in a given period, minus the cost of reinsurance.
- **Peril:** A cause of loss insured against in an insurance policy.
- **Policy:** An agreement between an insurance company and a client that defines coverages and beneficiaries.
- **Premium:** The payment from the policyholder to the insurance company for insurance coverage. Payment can be monthly, quarterly, or annually.
- **Producer:** An insurance professional who has the proper licensing to sell insurance within a particular state, province, or region and is responsible for selling insurance products on behalf of insurance companies. Sometimes, producers are referred to as brokers, but they're different.
- **Producer split:** An agreement to split a commission with support agents, account executives who generated the lead, and anyone else who helped out with the sale.
- **Provider:** A company that sells insurance. Also called a carrier.
- **Quote:** A proposal from an insurance company to a client for a policy at a price.

- **Quote to bind:** The process of quoting, underwriting, and sale of insurance to an individual policyholder.
- **Quote to card:** For group insurance, the process of quoting, contract agreement, member enrollment, and the provision of member ID cards.
- **Rating:** The process of determining the price of an insurance policy based on relevant factors. For example, the price of auto insurance might depend on the car model, postal code, miles driven for commuting, and driving record.
- **Reinsurance:** Contracts that grant an insurance company compensation against loss and liability due to covering policies. This is essentially insurance for insurance companies.
- **Reserves:** The estimated future payments needed to settle claims.
- **Rider:** An amendment to an insurance policy specifying that less coverage is provided.
- **Risk:** The probability that a covered event will occur.
- **Straight-through processing:** The ability for insurer systems to automatically process transactions without manual intervention or input. The system ingests data digitally and completes the transaction based on decisions governed by algorithms, including predictive models and simple business rules.
- **Surcharge:** An addition to the premium due to a specific condition.
- **Underwriter:** An insurance professional who reviews and evaluates a submitted insurance application to determine the coverage and premium to offer a customer.
- **Wholesaler:** An insurance professional who drives business in the field with third-party distribution channels such as brokers and managing general agents.