

## GLOSSARY OF INSURANCE TERMS ~ Q ~ R

### Q

**Qualified Retirement Plan:** A retirement plan that has been formed to comply with the IRS federal tax regulations, whether the plan is a pension plan, a profit-sharing plan or a savings plan. Funds to the plans will accumulate but taxes are deferred until actual retirement and the distribution of benefits. Employee contributions may be made to qualified plans on pre-tax earnings

**Quota Share:** When more than one policy, insurer, or reinsurer is obligated to respond to a property loss for a risk according to a percentage or its proportionate share of the total limits applicable. Premiums are usually shared in the same proportion as the limits.

**Quota Share Reinsurance:** A form of pro rata reinsurance (proportional) in which the reinsurer assumes an agreed percentage of each insurance policy being insured and shares all premiums and losses accordingly with the reinsured.

### R

**Railroad Protective Liability:** The standard commercial general liability policy excludes liability for construction or demolition operations on or near railroad property, such as tracks, trestles, sidetracks, etc. In order to provide coverage for this exposure, the railroad protective liability policy is available to provide protective liability coverage for railroad owners, property owners, or contracts from the vicarious acts of contractors or subcontractors who are working on their behalf. The subcontractor or contractor in the name of the party needing protection purchases the policy. For example, a contractor demolishing a building near a railroad track may need to purchase a railroad protective liability policy for the property owner, the railroad, or both.

**Ransom Insurance:** Originated as a policy for financial institutions, primarily banks, and tailored to meet the standard kidnap procedure: forcing the bank to withdraw the ransom money from its vaults and deliver it to a designated place before release of the banker or family. The recent rash of kidnappings on an international scale involving a variety of corporations has created a heavy demand for a broadened coverage. At this time there is a limited market, a disinclination to write in certain countries, and no standardization in rates. The insurance covers named employees for individual or aggregate amounts, with deductibles requiring the insured to participate in about 10% of any loss.

**Rate:** The price for a unit of insurance; all units in a given policy, multiplied by the rate per unit, produce the premium. In fire insurance, the price per \$100 of insurance for one year. The basis for pricing other types of insurance varies greatly; for example, payroll is used in workers compensation insurance, area of retail floor space or sales volume is used in certain types of general liability insurance, and so forth.

**Rate Regulation:** In the insurance industry, each state has its own state insurance department that determines the type and degree of control or regulation that state will have in the rate making process of the insurers licensed for business in that state. Some states require prior approval, while others

**Readjustment Income:** The calculation on the change in the amount of income a family unit would need to have following the death or disability of the primary income producer.

**Real Property:** The earth and all attached to it; land and buildings. Also known as real estate.

**Redlining:** The designation by an insurer of a certain geographical area considered unacceptable for the writing of insurance, usually illegal because it is considered to be unfair discrimination. Redlining is refusing to insure, refusing to renew, canceling, charging a higher rate, or limiting the amount or type of property insurance solely because of the geographic location of a risk. Further, redlining involves risk selection criteria that are not based on sound underwriting and actuarial principles, reasonably related to actual or anticipated loss experience of risk(s) having similar characteristics.

**Rehabilitation:** 1) When used in workers compensation insurance, it includes the various types of medical treatment, mental and physical therapy, education, vocational training, and retraining necessary to return an injured employee to work. 2) When used in reference to an insurer with solvency concerns, it is the action mandated by the applicable state insurance department

## R Continued

**Reinstatement:** 1) Restoration of the amount of insurance depleted from a policy by payment of loss. Most fire policies contain an automatic reinstatement clause. 2) Reinstating or putting coverage back into effect under a policy in which coverage has been suspended or canceled for a part of the policy term.

**Reinsurance:** 1) The transaction whereby an insurance company (the reinsurer), for a consideration, agrees to indemnify another insurance company known as the ceding company (the reinsured) against all or part of a loss which the latter may sustain under a policy or policies it has issued. 2) When referred to as "a reinsurance," the term means the relationship between reinsured(s) and reinsurer(s).

**Reinsurance Treaty:** A reinsurance agreement between an insurance company and a reinsurer, usually for one year or longer, which may be divided into two broad classifications: 1) the participating type which provides for sharing of risks between the ceding company and the reinsurer; and 2) the excess type which provides for indemnity by the reinsurer only for loss which exceeds some specified predetermined amount.

**Removal:** The taking of property to some place other than where it was insured. The standard fire insurance policy used in most states insures against damage done in removing the insured property from the path of the fire.

**Renewable Term Life Insurance:** A term life insurance coverage that offers the renewal of the coverage without making the insured take physical exams or otherwise prove insurability.

**Renewal:** A policy issued to replace one that has expired.

**Renewal Certificate:** A document issued by an insurance company to its policyholder indicating that the insurance policy to which the certificate refers is being renewed for another policy term.

**Rental Value Insurance:** Insurance which reimburses a building owner against loss of rental income if the building is not usable by a tenant because of some cause of loss insured against. No longer a separate coverage form by itself; now incorporated into the inclusive business income coverage form.

**Replacement Cost:** When used in property insurance contracts, this is the amount it would take to replace the property with like property of the same quality and construction. No deduction is made for depreciation or obsolescence.

**Replacement Cost Insurance:** Protection that pays the cost to restore or replace damaged or destroyed property without deduction for depreciation. Automatically included in homeowners forms.

**Replevin Bond:** A bond that guarantees that a plaintiff will pay damages or return property if the replevin action is defeated.

**Reporting Policy (or Form):** A policy in which the policyholder is required to report the values of a property insured to the company at certain intervals. A provisional premium is charged initially, and the final premium is determined by applying the rate to the average of the values reported.

**Reserve:** An amount representing a liability of an insurer

**Residual Disability Income Policy:** A health or disability policy providing income protection for insureds that experience reduced income when returning to work after an accident or illness, either because they are unable to return to work on a full-time basis or are unable to fulfill the duties of the previous occupation and must take a lesser paying position.

**Residual Market Mechanism:** An arrangement, either voluntary or required by law, among participating insurers in which applicants for a certain type of insurance who are unable to secure protection in the open market (hard-to-place risks) may be covered by such participating insurers.

**Retention:** 1) the amount which an insured or an insurer assumes as its own liability and which is not insured otherwise. 2) In reinsurance, the amount which a primary insurer assumes for its own account. In pro rata reinsurance contracts, the retention may be a percentage of the policy limit. In excess of loss contracts, the retention is a dollar amount of loss.

**Retention Group:** An insurance company organized by a group of businesses or institutions in the same line of business to provide liability insurance for the owners or organizers. As permitted by federal legislation passed in 1986, such a group is eligible to provide insurance for its members in any state after being licensed in any one state. Also known as insurance retention group or IRG.

## R Continued

**Retirement Annuity:** A specific type of annuity designed to provide benefits to the annuitant once a specific retirement age has been reached.

**Retroactive Date:** The earliest date for which coverage is afforded under a claims-made form. Usually the effective date of the first year of such policy form provided to the insured.

**Retroactive Insurance:** The promise of an insurer, made after the occurrence of bodily injury and/or property damage, to pay up to a specified maximum legal liability of the insured ensuing from such injury or damage.

**Retrocedent:** In reinsurance transactions, when a reinsurer cedes all or a portion of assumed insurance to another reinsurer, the ceding reinsurer is known as the retrocedent.

**Retrocession:** The transaction whereby a reinsurer cedes to another reinsurer all or part of the insurance it has assumed

**Retrospective Rating:** A plan under which the premium is determined after the policy has expired based on contractual factors, chiefly the loss experience of the insured during the policy term. Designed to encourage safety by the insured and to compensate the insurer if larger than expected losses are incurred.

**Return Premium:** That part of a premium returned to an insured upon cancellation or partial cancellation of a policy, when rate adjustments are necessary, or when an advance premium is in excess of the actual premium.

**Rider:** Usually applying to life, accident and health insurance policies, rider is a change or an endorsement to the basic contract that amends a term, clause, coverage, condition or provision. The term "endorsement" is normally associated with property and casualty insurance.

**Risk:** 1) Defined variously as uncertainty of loss, chance of loss, or the variance of actual from expected results. However defined, its existence is the reason people buy insurance. 2) The subject matter of an insurance contract, such as the building, cargo or liability exposure insured.

**Risk Management:** The active identification, evaluation, and management of all of the potential hazards and exposures to loss a risk may experience. The handling of those exposures is not limited to insurance options, but includes a variety of methods such as alternative financing, retention, reduction, elimination, transfer, and/or any combination of methods.

**Risk Retention Group:** An insurance company organized by a group of businesses or institutions in the same line of business to provide liability insurance for the owners or organizers. As permitted by federal legislation passed in 1986, such a group is eligible to provide insurance for its members in any state after being licensed in any one state.

**Road Hazard:** In reference to automobile insurance, it means losses that are typically caused by the routine operation of a covered motor vehicle. Such losses (i.e. potholes, washouts, rockslides, debris, narrow shoulders narrow lanes, natural or manmade objects close to the roadbed (fences, walls, guardrails, light poles, bridge abutments, overhanging branches) are generally excluded from coverage under the automobile policy.

**Running Down Clause:** The clause in an ocean marine hull policy which covers damage done to another ship by collision, and other property damage caused by collision.