

Insurance Operations © 2013
Chapter 1: Basics of Insurance—Glossary

risk. The probability of an event occurring and the possible consequences of that event.

risk management. The process of evaluating risk and choosing how to minimize or manage the loss.

risk reduction. The taking of steps to minimize the amount of risk.

risk avoidance. The taking of steps to eliminate risk.

risk retention. Planning for losses rather than transferring risk.

risk transfer. Shifting risk of financial loss to an insurance company.

insurance. A financial product that offers protection against a specific type of loss.

claim. A request for payment to your insurer.

deductible. The expense for a claim paid by a policyholder.

premium. A fee charged by an insurance company in return for accepting an individual's risk.

policyholder. The person who buys the insurance policy.

life stage. A phase of a person's life.

peril. A potential cause of a loss.

hazard. A condition that increases the likelihood or extent of a loss.

independent ratings agencies. Agencies that offer expert opinions on the financial strength of the companies they rate. The rating is an indication of the insurance company's ability to pay claims now and in the future.

customer service. The manner in which a company engages with its customers.

complaint ratio. A number that represents the rate of complaints an insurance company receives.

National Association of Insurance Commissioners (NAIC). A national organization that collects insurance complaint information from the states.