

premium. The fees a policyholder pays in return for insurance coverage.

underwriter. A professional working in an insurance company who deals with the selection of risk.

risk class. A category based on the risk an applicant represents to the company.

preferred risk class. A risk class that represents a low risk to an insurance company.

substandard risk class. A risk class that represents a high risk to the company.

underwriting policy. A document that establishes the kinds of insurance a company will offer and the maximum amount of coverage the insurer can offer.

group health plan. A health insurance plan that employers offer to employees.

demographics. Statistics, such as age and income, about a particular group of people.

individual market. The portion of the health insurance market in which a single person or family purchases health insurance.

ratemaking. The process by which actuaries determine a premium rate per unit of insurance.

pure premium. The amount of the premium that should cover expected losses.

load. The expenses the insurer has for creating, selling, and maintaining the policy.

gross premium. The amount of a policyholder's premium.

catastrophe. Any event that results in \$25 million or more in losses involving many policyholders and insurers.

catastrophe modeling. A process that seeks to identify the likelihood of a major disaster in a given region and estimate how much loss could occur.

mortality table. A statistical table that shows the rate of deaths by age group.

investing. The process of committing money to something with the expectation of earning money.

float. The amount of collected premiums that have not yet been paid out in claims.

tail. The length of time an insurance company has between receiving a premium payment and making a claims payment.

short-tail insurance. A situation in which there is little time between receiving the premium and paying a claim.

long-tail insurance. A situation in which there is a long time between receiving the premium and paying a claim.