

Insurance Operations © 2013

Chapter 12: State Regulation of Insurance—Glossary

McCarran-Ferguson Act. The law that gives states, rather than the federal government, the authority to regulate insurance.

solvency. The ability of a company to pay claims and other debts.

insolvent. The financial state of a company that occurs when it does not have enough cash and assets to pay its claims and debts.

liquidation. The process of dividing the company's assets among parties with a financial interest in the company.

National Association of Insurance Commissioners (NAIC). Organization that assists state governments with the regulation of the insurance industry.

guaranty funds. Money that is provided by the state to cover a policyholder's losses if an insurance company cannot.

capital. Cash and assets that are easily sold to produce cash.

surplus. Excess capital beyond what a company needs to meet its liabilities.

risk-based capital requirements. The minimum amount of capital an insurer should hold rather than just what it needs to pay all of its obligations.

Insurance Regulatory Information System. A government system that runs financial tests on data to identify potential problems.

Financial Analysis and Solvency Tracking System (FAST). A government system that helps detect financial distress.

financial statement. An annual report of a company's financial condition.

audit. An examination of the company's bookkeeping, financial assets, and other aspects of the operation.

reserves. The money in an insurance company set aside for future claims.

state risk pool. State run program for providing access to health insurance for those who would otherwise be denied coverage.

Preexisting Condition Insurance Plan (PCIP). A health insurance risk pool for people who have been denied coverage because of preexisting medical conditions.

preexisting condition. A disease or health condition that exists at the time a person applies for health coverage.

health insurance exchanges. As called for in the Patient Protection and Affordable Care Act, a private insurance market from which uninsured individuals can purchase affordable health insurance coverage.