C1 Business English – Insurance Vocabulary

Student Worksheet

Vocabulary

Word / Phrase	Type	Definition
facultative reinsurance	noun	Reinsurance arranged for a single specific risk rather than a whole portfolio
treaty reinsurance	noun	A standing agreement where the reinsurer automatically covers all risks of a certain
ex gratia payment	noun	A payment made as goodwill without admitting legal liability
claims reserving	noun	The process of estimating and setting aside funds to pay future claims
fronting	noun	When a licensed insurer issues a policy on behalf of another insurer who takes on th
retrocession	noun	When a reinsurer passes some of its own risk on to another reinsurer
knock for knock	noun	An agreement where each insurer pays for its own policyholder's damage regardless
burning cost	noun	The ratio of actual claims paid to total premium income over a given period
longevity risk	noun	The risk that people live longer than predicted, increasing costs for life or pension ins
cedant	noun	The insurance company that passes risk to a reinsurer

Exercise 1: True or False

Read each sentence. Write True or False on the line.

1. Facultative reinsurance covers an entire portfolio of risks automatically.
   Answer: ________________

2. Treaty reinsurance is a standing agreement that applies to all risks of a defined type.
   Answer: ________________

3. An ex gratia payment means the insurer is accepting full legal liability for a claim.
   Answer: ________________

4. Claims reserving involves setting aside funds to cover anticipated future claims.
   Answer: ________________

5. In a knock for knock agreement, fault must be established before any payment is made.
   Answer: ________________

6. A cedant is the company that transfers risk to a reinsurer.
   Answer: ________________

Exercise 2: Multiple Choice

Circle the correct answer.

1. The insurer arranged _______ for the offshore oil platform due to its unusual risk profile.
a) treaty reinsurance b) facultative reinsurance c) retrocession d) knock for knock

2. The reinsurer was so exposed to catastrophe risk that it arranged _______ with a specialist firm.
a) burning cost b) fronting c) retrocession d) longevity risk

3. The two motor insurers had a _______ agreement to simplify the claims process.
a) knock for knock b) ex gratia payment c) claims reserving d) cedant

4. The company made an _______ to the claimant as a gesture of goodwill, without admitting fault.
a) fronting b) ex gratia payment c) burning cost d) retrocession

5. Pension funds are particularly exposed to _______ as life expectancy continues to rise.
a) claims reserving b) burning cost c) longevity risk d) facultative reinsurance

6. The _______ showed that claims were consuming 94% of premium income, which was unsustainable.
a) cedant b) fronting c) burning cost d) treaty reinsurance

Exercise 3: Matching

Match each term (1-6) with its definition (a-f). Write the letter on the line.

1. retrocession ___	a. the ratio of claims paid to premium income over a period
2. cedant ___	b. the risk that people live longer than expected, raising pension and life insurance costs
3. fronting ___	c. when a licensed insurer issues a policy while another takes on the actual risk
4. treaty reinsurance ___	d. the insurance company that passes risk to a reinsurer
5. burning cost ___	e. a standing agreement to cover all risks of a defined type automatically
6. longevity risk ___	f. when a reinsurer passes some of its own risk on to another reinsurer

Exercise 4: Gap Fill

Choose a term from the box to complete each sentence.

facultative reinsurance	claims reserving	ex gratia payment	knock for knock	cedant	burning cost

1. The insurer made an _______________ of 5,000 euros to the customer, without accepting responsibility.

2. Accurate _______________ is critical to ensuring the insurer holds sufficient funds to meet future liabilities.

3. The _______________ for the product liability portfolio was 87%, indicating a profitable book of business.

4. Because the risk was unusual, the underwriter arranged _______________ rather than relying on the existing treaty.

5. Under the _______________ arrangement, each insurer settled its own policyholder's claim without investigating fault.

6. As the _______________, the company ceded 40% of its catastrophe exposure to three reinsurers.

Exercise 5: Word Order

Put the words in the correct order to make a sentence.

1. reinsurance / The / arranged / facultative / insurer / the / for / platform

-> ____

2. ex / payment / gratia / made / The / insurer / an / goodwill / as

-> ____

3. risk / reinsurer / retrocession / The / arranged / its / reduce / to

-> ____

4. reserving / Accurate / is / claims / essential / solvency / for

-> ____

5. knock / agreement / simplified / The / for / knock / process / the / claims

-> ____

Exercise 6: Word Sort

Write each term in the correct column.

facultative reinsurance   treaty reinsurance   retrocession   fronting   ex gratia payment   knock for knock   burning co

Reinsurance / Risk Transfer	Claims / Financial Concepts

Exercise 7: Complete the Conversation

Choose a term from the box to fill each gap.

facultative reinsurance   treaty reinsurance   cedant   retrocession   ex gratia payment   burning cost

Underwriter: As the ________________, you will cede 30% of all commercial property risks to us under the agreement.

Broker: Yes, and we would like that to be structured as ________________ so it applies automatically across the whole class.

Underwriter: Agreed. For any unusual or high-value individual risks, we can arrange ________________ on a case-by-case basis.

Broker: Our client is also asking about the ________________ figure for last year. They want to understand profitability.

Underwriter: It came in at 91%, which is above our target. We will need to discuss terms for renewal.

Broker: One more thing – there is a disputed claim where our client wants to make an ________________ without admitting liability.

Underwriter: We can consider that. If our own exposure becomes too large, we may look at ________________ to pass some risk on.

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Exercise 1: True or False

1. False
2. True
3. False
4. True
5. False
6. True

Exercise 2: Multiple Choice

1. b) facultative reinsurance
2. c) retrocession
3. a) knock for knock
4. b) ex gratia payment
5. c) longevity risk
6. c) burning cost

Exercise 3: Matching

1. f
2. d
3. c
4. e
5. a
6. b

Exercise 4: Gap Fill

1. ex gratia payment
2. claims reserving
3. burning cost
4. facultative reinsurance
5. knock for knock
6. cedant

Exercise 5: Word Order

1. The insurer arranged facultative reinsurance for the platform.
2. The insurer made an ex gratia payment as goodwill.
3. The reinsurer arranged retrocession to reduce its risk.
4. Accurate claims reserving is essential for solvency.
5. The knock for knock agreement simplified the claims process.

Exercise 6: Word Sort

Reinsurance / Risk Transfer: facultative reinsurance, treaty reinsurance, retrocession, fronting, cedant
Claims / Financial Concepts: ex gratia payment, knock for knock, burning cost, longevity risk, claims reserving

Exercise 7: Conversation

1. cedant
2. treaty reinsurance
3. facultative reinsurance

4. burning cost
5. ex gratia payment
6. retrocession