C2 Business English – Insurance Vocabulary

Student Worksheet

Vocabulary

Word / Phrase	Type	Definition
loss ratio	noun	The percentage of premiums paid out as claims, used to assess profitability
catastrophe bond	noun	A financial instrument transferring extreme risk from insurers to capital market invest
adverse development cover	noun	Reinsurance protecting against claims that develop worse than originally estimated
finite risk insurance	noun	Insurance where the policyholder shares in the financial outcome, limiting true insure
parametric insurance	noun	Insurance paying out based on a measurable trigger event rather than actual loss as
solvency margin	noun	Capital an insurer must hold above liabilities to remain financially sound
IBNR	noun	Incurred but not reported – claims that occurred but have not yet been submitted
bordereau	noun	A detailed report listing risks or claims under a reinsurance agreement
compulsory excess	noun	An excess set by the insurer that the policyholder cannot negotiate or remove
reinstatement premium	noun	An additional premium paid to restore full coverage after a claim has reduced it

Exercise 1: True or False

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

1. A loss ratio above 100% means an insurer is paying out more in claims than it receives in premiums.
   Answer: ________________

2. A catastrophe bond pays investors a higher return when a catastrophe event occurs.
   Answer: ________________

3. Parametric insurance requires a detailed loss assessment before any payment is triggered.
   Answer: ________________

4. IBNR refers to claims that have been submitted but not yet paid by the insurer.
   Answer: ________________

5. A compulsory excess can be removed or reduced if the policyholder requests it.
   Answer: ________________

6. A reinstatement premium is paid to restore the full policy limit after it has been reduced by a claim.
   Answer: ________________

Exercise 2: Multiple Choice

Circle the correct answer.

1. The insurer's _______ for the year was 108%, signalling underwriting losses.
a) solvency margin b) loss ratio c) IBNR d) bordereau

2. The agricultural scheme used _______ that paid out automatically when rainfall fell below a set threshold.

a) finite risk insurance b) adverse development cover c) parametric insurance d) catastrophe bond

3. The regulator required the insurer to increase its _______ following a period of heavy losses.
a) reinstatement premium b) solvency margin c) compulsory excess d) bordereau

4. The broker submitted a _______ listing all 47 risks ceded under the treaty during the quarter.
a) loss ratio b) catastrophe bond c) IBNR d) bordereau

5. The actuaries identified a significant _______ reserve relating to latent disease claims not yet reported.
a) IBNR b) compulsory excess c) reinstatement premium d) finite risk insurance

6. After the major hurricane claim, the policyholder paid a _______ to restore their full coverage limit.
a) loss ratio b) solvency margin c) reinstatement premium d) adverse development cover

Exercise 3: Matching

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

1. loss ratio ___	a. reinsurance protecting against claims developing worse than estimated
2. IBNR ___	b. capital held above liabilities to keep an insurer financially sound
3. finite risk insurance ___	c. a financial instrument that transfers extreme risk to capital markets
4. solvency margin ___	d. claims that occurred but have not yet been formally submitted
5. catastrophe bond ___	e. insurance where the policyholder shares in the financial outcome
6. adverse development cover ___	f. the percentage of premiums paid out as claims

Exercise 4: Gap Fill

Choose a term from the box to complete each sentence.

parametric insurance   adverse development cover   bordereau   compulsory excess   reinstatement premium   loss r

1. The airline's _______ of 74% was well within the target range and reflected strong underwriting discipline.

2. The crop insurer offered _______ that triggered automatically if temperatures exceeded 42 degrees Celsius.

3. The cedant purchased _______ after concerns emerged that asbestos liabilities had been underestimated.

4. The broker submitted the monthly _______ detailing all risks accepted under the facultative agreement.

5. The policy carried a _______ of 1,000 euros that could not be waived under any circumstances.

6. Following the earthquake claim, the company paid a _______ to restore its full catastrophe limit.

Exercise 5: Word Order

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

1. ratio / insurer / loss / The / reported / 112% / a

-> ____

2. investors / bond / catastrophe / attracted / The / international

-> ____

3. cover / cedant / adverse / The / development / purchased

-> ____

4. margin / regulator / solvency / the / increased / The / required

-> ____

5. premium / claim / reinstatement / paid / After / the / a / they

-> ____

Exercise 6: Word Sort

Write each term in the correct column.

loss ratio   catastrophe bond   adverse development cover   finite risk insurance   parametric insurance   solvency ma

Financial / Market Instruments	Technical / Regulatory Terms

Exercise 7: Complete the Conversation

Choose a term from the box to fill each gap.

loss ratio   IBNR   solvency margin   adverse development cover   parametric insurance   reinstatement premium

Actuary:	Our ________________ for the year came in at 103%, which puts pressure on our capital position.
CFO:	I was afraid of that. What is the outlook for our ________________ reserve? Are there claims we haven't seen yet?
Actuary:	Yes, we are carrying a significant ________________ provision, particularly in the liability book.
CFO:	We should consider purchasing ________________ to protect against those reserves developing further.
Actuary:	Agreed. We also need to review our ________________. The regulator has signalled it expects a higher buffer.
CFO:	On the product side, have you looked at ________________ for the agricultural clients? It would remove the need for loss adjustment entirely.
Actuary:	We have. One concern is that after a major event, clients would need to pay a ________________ to reinstate their cover, which could be a burden.

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Exercise 1: True or False

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

Exercise 2: Multiple Choice

1. b) loss ratio
2. c) parametric insurance
3. b) solvency margin
4. d) bordereau
5. a) IBNR
6. c) reinstatement premium

Exercise 3: Matching

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

Exercise 4: Gap Fill

1. loss ratio
2. parametric insurance
3. adverse development cover
4. bordereau
5. compulsory excess
6. reinstatement premium

Exercise 5: Word Order

1. The insurer reported a loss ratio of 112%.
2. The catastrophe bond attracted international investors.
3. The cedant purchased adverse development cover.
4. The regulator required the insurer to increase the solvency margin.
5. After the claim they paid a reinstatement premium.

Exercise 6: Word Sort

Financial / Market Instruments: catastrophe bond, finite risk insurance, parametric insurance, adverse development cover, loss ratio
Technical / Regulatory Terms: solvency margin, IBNR, bordereau, compulsory excess, reinstatement premium

Exercise 7: Conversation

1. loss ratio
2. IBNR
3. IBNR (provision)

4. adverse development cover
5. solvency margin
6. parametric insurance
7. reinstatement premium