

## Reinsurance and its Functions

### Activity 1—Describing Reinsurance

Questions	Answers
1. The consideration paid by the primary insurer to the reinsurer for assuming some or all of the primary insurer's insurance risk.	
2. This is one of the functions of reinsurance.	
3. In reinsurance, the insurer that transfers or cedes all or part of the insurance risk it has assumed to another insurer in a contractual arrangement.	
4. The reinsurer that assumes all or part of the reinsurance risk accepted by another reinsurer.	
5. This is one of the functions of reinsurance.	
6. An amount paid by the reinsurer to the primary insurer to cover part or all of the primary insurer's policy acquisition expenses.	
7. Uncertainty about the adequacy of insurance premiums to pay losses.	
8. This is one of the functions of reinsurance.	
9. Contract between the primary insurer and reinsurer that stipulates the form of reinsurance and the type of accounts to be reinsured.	
10. A reinsurance agreement whereby one reinsurer (the retrocedent) transfers all or part of the reinsurance risk it has assumed or will assume to another reinsurer (the retrocessionaire).	

<p>11. The reinsurer that transfers or cedes all or part of the insurance risk it has assumed to another reinsurer.</p>	
<p>12. This is one of the functions of reinsurance.</p>	
<p>13. The insurer that assumes some or all of the potential costs of insured loss exposures of the primary insurer in a reinsurance contractual agreement.</p>	
<p>14. A risk financing technique by which losses are retained by generating funds within the organization to pay for the losses.</p>	
<p>15. This is one of the functions of reinsurance.</p>	
<p>16. This is one of the functions of reinsurance.</p>	
<p>17. The transfer of insurance risk from one insurer to another through a contractual agreement under which one insurer (the reinsurer) agrees, in return for a reinsurance premium, to indemnify another insurer (the primary insurer) for some or all of the financial consequences of certain loss exposures covered by the primary's insurance policies.</p>	

## Answers for Activity 1—Describing Reinsurance

Questions	Answers
1. The consideration paid by the primary insurer to the reinsurer for assuming some or all of the primary insurer's insurance risk.	What is the reinsurance premium?
2. This is one of the functions of reinsurance.	What is: <ul style="list-style-type: none"> <li>• Increase large-line capacity?</li> <li>• Provide catastrophe protection?</li> <li>• Stabilize loss experience?</li> <li>• Provide surplus relief?</li> <li>• Facilitate withdrawal from a market segment?</li> <li>• Provide underwriting guidance?</li> </ul> (Any one of the six answers is correct.)
3. In reinsurance, the insurer that transfers or cedes all or part of the insurance risk it has assumed to another insurer in a contractual arrangement.	What is the primary insurer?
4. The reinsurer that assumes all or part of the reinsurance risk accepted by another reinsurer.	What is the retrocessionaire?
5. This is one of the functions of reinsurance.	What is: <ul style="list-style-type: none"> <li>• Increase large-line capacity?</li> <li>• Provide catastrophe protection?</li> <li>• Stabilize loss experience?</li> <li>• Provide surplus relief?</li> <li>• Facilitate withdrawal from a market segment?</li> <li>• Provide underwriting guidance?</li> </ul> (Any one of the six answers is correct.)
6. An amount paid by the reinsurer to the primary insurer to cover part or all of the primary insurer's policy acquisition expenses.	What is the ceding commission?
7. Uncertainty about the adequacy of insurance premiums to pay losses.	What is insurance risk?
8. This is one of the functions of reinsurance.	What is: <ul style="list-style-type: none"> <li>• Increase large-line capacity?</li> <li>• Provide catastrophe protection?</li> </ul>

	<ul style="list-style-type: none"> <li>• Stabilize loss experience?</li> <li>• Provide surplus relief?</li> <li>• Facilitate withdrawal from a market segment?</li> <li>• Provide underwriting guidance?</li> </ul> <p>(Any one of the six answers is correct.)</p>
9. Contract between the primary insurer and reinsurer that stipulates the form of reinsurance and the type of accounts to be reinsured.	What is the reinsurance agreement?
10. A reinsurance agreement whereby one reinsurer (the retrocedent) transfers all or part of the reinsurance risk it has assumed or will assume to another reinsurer (the retrocessionaire).	What is a retrocession?
11. The reinsurer that transfers or cedes all or part of the insurance risk it has assumed to another reinsurer.	What is the retrocedent?
12. This is one of the functions of reinsurance.	<p>What is:</p> <ul style="list-style-type: none"> <li>• Increase large-line capacity?</li> <li>• Provide catastrophe protection?</li> <li>• Stabilize loss experience?</li> <li>• Provide surplus relief?</li> <li>• Facilitate withdrawal from a market segment?</li> <li>• Provide underwriting guidance?</li> </ul> <p>(Any one of the six answers is correct.)</p>
13. The insurer that assumes some or all of the potential costs of insured loss exposures of the primary insurer in a reinsurance contractual agreement.	What is the reinsurer?
14. A risk financing technique by which losses are retained by generating funds within the organization to pay for the losses.	What is retention?
15. This is one of the functions of reinsurance.	<p>What is:</p> <ul style="list-style-type: none"> <li>• Increase large-line capacity?</li> <li>• Provide catastrophe protection?</li> <li>• Stabilize loss experience?</li> <li>• Provide surplus relief?</li> <li>• Facilitate withdrawal from a market segment?</li> <li>• Provide underwriting</li> </ul>

	<p>guidance? (Any one of the six answers is correct.)</p>
<p>16. This is one of the functions of reinsurance.</p>	<p>What is:</p> <ul style="list-style-type: none"> <li>• Increase large-line capacity?</li> <li>• Provide catastrophe protection?</li> <li>• Stabilize loss experience?</li> <li>• Provide surplus relief?</li> <li>• Facilitate withdrawal from a market segment?</li> <li>• Provide underwriting guidance?</li> </ul> <p>(Any one of the six answers is correct.)</p>
<p>17. The transfer of insurance risk from one insurer to another through a contractual agreement under which one insurer (the reinsurer) agrees, in return for a reinsurance premium, to indemnify another insurer (the primary insurer) for some or all of the financial consequences of certain loss exposures covered by the primary's insurance policies.</p>	<p>What is reinsurance?</p>