RATE
The cost of a unit of insurance, usually per $1,000. Rates are based on historical loss experience for similar risks and may be regulated by state insurance offices.

RATE REGULATION
The process by which states monitor insurance companies' rate changes, done either through prior approval or open competition models.

RATING AGENCIES
Six major credit agencies determine insurers' financial strength and viability to meet claims obligations. They are A.M. Best Co.; Duff & Phelps Inc.; Fitch, Inc.; Moody's Investors Services; Standard & Poor's Corp.; and Weiss Ratings, Inc. Factors considered include company earnings, capital adequacy, operating leverage, liquidity, investment performance, reinsurance programs, and management ability, integrity and experience. A high financial rating is not the same as a high consumer satisfaction rating

RATING BUREAU
The insurance business is based on the spread of risk. The more widely risk is spread, the more accurately loss can be estimated. An insurance company can more accurately estimate the probability of loss on 100,000 homes than on ten. Years ago, insurers were required to use standardized forms and rates developed by rating agencies. Today, large insurers use their own statistical loss data to develop rates. But small insurers, or insurers focusing on special lines of business, with insufficiently broad loss data to make them actuarially reliable depend on pooled industry data collected by such organizations as the Insurance Services Office (ISO) which provides information to help develop rates such as estimates of future losses and loss adjustment expenses like legal defense costs.

REAL ESTATE INVESTMENTS
Investments generally owned by life insurers that include commercial mortgage loans and real property

RECEIVABLES
Amounts owed to a business for goods or services provided.

REDLINING
Literally means to draw a red line on a map around areas to receive special treatment. Refusal to issue insurance based solely on where applicants live is illegal in all states. Denial of insurance must be risk-based.

REINSURANCE
Insurance bought by insurers. A reinsurer assumes part of the risk and part of the premium originally taken by the insurer, known as the primary company. Reinsurance effectively increases an insurer's capital and therefore its capacity to sell more coverage. The business is global and some of the largest reinsurers are based abroad. Reinsurers have their own reinsurers, called retrocessionaires. Reinsurers don't pay policyholder claims. Instead, they reimburse insurers for claims paid.

RENTERS INSURANCE
A form of insurance that covers a policyholder's belongings against perils such as fire, theft, windstorm, hail, explosion, vandalism, riots, and others. It also provides personal liability coverage for damage the policyholder or dependents cause to third parties. It also provides additional living expenses, known as loss-of-use coverage, if a policyholder must move while his or her dwelling is repaired. It also can include coverage for property improvements. Possessions can be covered for their replacement cost or the actual cash value that includes depreciation.

REPLACEMENT COST
Insurance that pays the dollar amount needed to replace damaged personal property or dwelling property without deducting for depreciation but limited by the maximum dollar amount shown on the declarations page of the policy.

REPURCHASE AGREEMENT /'REPO'
Agreement between a buyer and seller where the seller agrees to repurchase the securities at an agreed upon time and price. Repurchase agreements involving U.S. government securities are utilized by the Federal Reserve to control the money supply.

RESERVES

A company’s best estimate of what it will pay for claims.

RESIDUAL MARKET
Facilities, such as assigned risk plans and FAIR Plans, that exist to provide coverage for those who cannot get it in the regular market. Insurers doing business in a given state generally must participate in these pools. For this reason the residual market is also known as the shared market.

RETENTION
The amount of risk retained by an insurance company that is not reinsured.

RETROCESSION
The reinsurance bought by reinsurers to protect their financial stability.

RETROSPECTIVE RATING
A method of permitting the final premium for a risk to be adjusted, subject to an agreed-upon maximum and minimum limit based on actual loss experience. It is available to large commercial insurance buyers.

RETURN ON EQUITY
Net income divided by total equity. Measures profitability by showing how efficiently invested capital is being used.

RIDER
An attachment to an insurance policy that alters the policy’s coverage or terms.

RISK
The chance of loss or the person or entity that is insured.

RISK MANAGEMENT
Management of the varied risks to which a business firm or association might be subject. It includes analyzing all exposures to gauge the likelihood of loss and choosing options to better manage or minimize loss. These options typically include reducing and eliminating the risk with safety measures, buying insurance, and self-insurance.

RISK RETENTION GROUPS
Insurance companies that band together as self-insurers and form an organization that is chartered and licensed as an insurer in at least one state to handle liability insurance.

RISK-BASED CAPITAL
The need for insurance companies to be capitalized according to the inherent riskiness of the type of insurance they sell. Higher-risk types of insurance, liability as opposed to property business, generally necessitate higher levels of capital.