# Definition of Renewal Factors

Pooled Rating: Generally used where there is low incidence of a claim occurring; but when it does, creates a high loss. Ratings for these types of coverage are based on a larger number of employers/employees and not just the experience of one single group.

Experience Rating: Basing future insurance premiums on amount and/or number of claims made in the previous year(s).

Credibility: The probability that something which occurred last year will reoccur in the upcoming year.

Inflation: With respect to claim activity it is the rate at which the general level of prices for goods and services is rising.

Trend/Utilization: the general movement over time of a statistically detectable change

Incurred But Not Reported Reserve (IBNR): A portion of the group benefit plan premium that is set aside for claims that are incurred in one contract year but are not reported until the next contract year.

Incurred Claims: Paid claims plus the change in the Incurred but not Reported Reserve (IBNR).

Pooled Claims: Claims which are removed from the groups claims experience, and do not directly impact their renewal pricing in the upcoming year. These generally consist of Out of Country claims, non-recurring claims and claims in excess of Stop-Loss limits.

Stop- Loss Limits: The limits which all paid Health claims are pooled by the insurance company and do not directly impact the incurred claims, or pricing, of your plan.

Target (Break-Even) Loss Ratio: The percentage of your group’s premiums that is deemed sufficient to cover your claims. Rate increases or decreases are based, in part, on the degree to which your claims exceed or fall below the target loss ratio.

Waiver of Premium Reserve: The percentage of your group’s premiums that is set aside to pay the future premiums for individuals who are considered totally disabled. Generally, this applies to the Life, AD&D, Dependent Life and Critical Illness benefits.

Disabled Life Reserve: The percentage of your group’s LTD premiums that is set aside to pay the future benefits for individuals who are collecting Long Term Disability benefits.

Claims Fluctuation Reserve (CFR): Can also be known as the premium stabilization fund, a surplus held by an insurer of a group benefit plan when the premium paid exceeds the claims incurred. This money is used to offset deficits the group plan experiences in the future and generally appears on refund accounting contracts.