


Chemtura Is Hiring Right Now.
Grow your technology career in the specialty chemicals industry today!

Featured Employer



[VIEW JOBS](#)

Losses Incurred

You May Also Like: [Learn how to retire in style...](#)

DEFINITION of 'Losses Incurred'

Benefits paid to policyholders during the current year, plus changes to loss reserves from the previous year. Losses incurred represents profit that an insurance company will not make from its underwriting activities, since funds are being paid to policyholders based on the coverage outlined in their insurance contracts. This statistics is typically viewed by calendar year.

BREAKING DOWN 'Losses Incurred'


For insurers, an ideal world would have them underwrite new insurance policies, collect premiums, and never have to pay out benefits. But this is not how insurance works in the real world. Policyholders make claims when accidents happen, and insurers must investigate and pay for those claims if they are found to be accurate.

The amount of losses incurred may vary from year to year. For example, a flood last year may have resulted in an increased number of homeowner policy claims, but no flood this year means that incurred losses are lower. Insurance companies set aside a reserve to cover liabilities from claims made on policies that they underwrite. The reserves are based on a forecast of the losses an insurer may face over a period of time, meaning that the reserves could be adequate or may fall short of covering its liabilities. Estimating the amount of reserves requires actuarial projections based upon the types of policies underwritten.

Insurers have several goals when processing a claim: ensure that they comply with the contract benefits outlined in the policies that they underwrite, limit the prevalence and impact of fraudulent claims, and make a profit from the premiums they receive. Insurers must maintain a high enough reserve in order to meet projected liabilities, but if the loss reserves are not high enough the surplus will have to be dipped into. If the insurer goes through its loss reserves and policyholders' surplus it will be close to insolvency.

Test Your Skills With Trading Challenges

Put your trading skills to the test with our free [Stock Simulator](#). The ideal platform to get your financial feet wet! Submit trades in a virtual environment before you start risking your own capital. [Click here](#) to sign up today and start interacting with other traders from diverse backgrounds and experiences, and learn the methods behind their trades to become a better investor.



Best Israel Holidays

Discover all Israel has to offer, in a once in a lifetime journey!

Trading Center

 FREE NEWSLETTERS	 SUBSCRIBE NOW
 TERM OF THE DAY	 FREE NEWSLETTERS

Loss And Loss-Adjustment Reserves To Policyholders' Surplus Ratio

You May Also Like: [Learn how to retire in style using 401k tips, IRA tricks, tax savings and more...](#)



The ratio of an insurer's reserves set aside for unpaid losses and the cost of investigation and adjusting for losses to its assets after accounting for liabilities. The loss and loss-adjustment reserves to policyholders' surplus ratio, also called the reserves to policyholders' surplus, indicates how much risk each dollar of surplus supports. The ratio is usually expressed as a percentage.

BREAKING DOWN 'Loss And Loss-Adjustment Reserves To Policyholders' Surplus Ratio'

Insurance companies set aside a reserve to cover potential liabilities from claims made on policies that they underwrite. The reserves are based on an estimate of the losses an insurer may face over a period of time, meaning that the reserves could be adequate or may fall short of covering its liabilities. Estimating the amount of reserves requires actuarial projections based upon the types of policies underwritten.

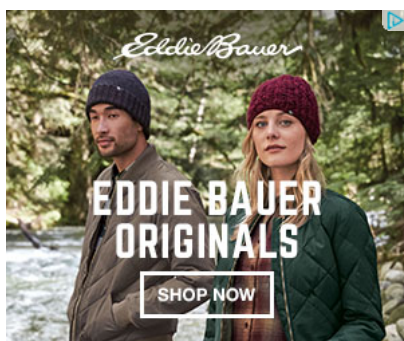
[Read More +](#)

[Learn to trade stocks by investing \\$100,000 virtual dollars...](#)

[Learn to trade stocks by investing \\$100,000 virtual dollars...](#)

Net Liabilities To Policyholders' Surplus

You May Also Like: [Learn how to retire in style using 401k tips, IRA tricks, tax savings and more...](#)



The ratio of an insurer's liabilities, including unpaid claims, reserve estimation errors, and unearned premiums, to its policyholders' surplus. Net liabilities to policyholders' surplus, also called the net liability leverage ratio, represents the risk that an insurer's loss reserves won't cover its claims, requiring it to dip into policyholders' surplus. The ratio is usually expressed as a percentage.

BREAKING DOWN 'Net Liabilities To Policyholders' Surplus'

Insurance companies set aside a reserve to cover liabilities that arise from claims made on policies that they underwrite. The reserves are based on an estimate of the losses an insurer may face over a period of time, meaning that the reserves could be adequate or may fall short of covering its liabilities. Estimating the amount of reserves requires actuarial projections based upon the types of policies underwritten.

[Read More +](#)



LEARN TO TRADE

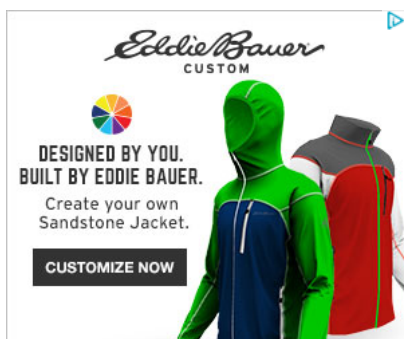


TERM OF THE DAY



Loss Reserve

You May Also Like: [Learn how to retire in style using 401k tips, IRA tricks, tax savings and more...](#)



An estimate of an insurer's liability from future claims. Loss reserves allow the insurer to cover claims made against policies that it underwrites, and are typically comprised of [liquid assets](#). Estimating [liabilities](#) can be a complex undertaking. Insurers must take into account the duration of the insurance contract, the type of insurance offered, and the odds that a claim will be resolved quickly. Insurers have to adjust their loss reserve calculations as circumstances change.

When an insurer underwrites a new policy it records a premium receivable (which is an asset) and a claim obligation (which is a liability). The liability is considered part of the unpaid losses account, which represents the loss reserve.

BREAKING DOWN 'Loss Reserve'

Accounting for loss reserves can involve complex calculations. This is because losses can come in at any time, including years down the road. For example, an insurer may enter into litigation with a claimant, and the final settlement may occur after a lengthy court battle.

[Read More +](#)

[Learn to trade stocks by investing \\$100,000 virtual dollars...](#)[Learn to trade stocks by investing \\$100,000 virtual dollars...](#)[Learn to trade stocks by investing \\$100,000 virtual dollars...](#)

Net Premiums Written To Policyholder Surplus

[Topics ▼](#)[Reference ▼](#)[Simulator ▼](#)[Advisor Insights](#)[Search Investopedia](#)[Newsletters ▼](#)

A ratio of an insurance company's gross premiums written less reinsurance ceded to its policyholders' surplus. Net premiums written to policyholder surplus is a measurement of how many losses the insurer can absorb from claims.

BREAKING DOWN 'Net Premiums Written To Policyholder Surplus'

Insurers have several goals when processing a claim: ensure that they comply with the contract benefits outlined in the policies that they underwrite, limit the prevalence and impact of fraudulent claims, and make a profit from the premiums they receive. Insurers must maintain a high enough reserve in order to meet projected liabilities, but if the loss reserves are not high enough the insurer will have to dip into its surplus. If the insurer goes through its loss reserves and policyholders' surplus it will be close to insolvency.

[Read More +](#)



Insurance Premium

NEXT UP: ASSESSABLE POLICY

Topics ▼ Reference ▼ Simulator ▼ Advisor Insights Search Investopedia Newsletters ▼

Reserves To Policyholders' Surplus ...

Net Liabilities To Policyholders' ...

Loss Reserve

Net Premiums Written To Policyholder ...

Insurance Premium

Losses and Loss-Adjustment Expense

Experience Refund

Assessable Policy

Experience Rating Insurance



Sign up for our daily newsletters

Learn to trade stocks by investing \$100,000 virtual dollars...

Learn to trade stocks by investing \$100,000 virtual dollars...

Losses and Loss-Adjustment Expense

NEXT UP: ASSESSABLE POLICY

Topics ▼

Reference ▼

Simulator ▼

Advisor Insights

Search Investopedia

Newsletters ▼

Reserves To Policyholders' Surplus ...

Net Liabilities To Policyholders' ...

Loss Reserve

Net Premiums Written To Policyholder ...

Insurance Premium

Losses and Loss-Adjustment Expense

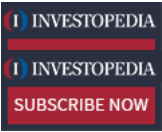
Experience Refund

Assessable Policy

Experience Rating Insurance

Read More +





Experience Refund

You May Also Like: [Learn how to retire in style using 401k tips, IRA tricks, tax savings and more...](#)

NEXT UP: ASSESSABLE POLICY

Topics ▼ Reference ▼ Simulator ▼ Advisor Insights Search Investopedia Newsletters ▼

Reserves To Policyholders' Surplus ...

Net Liabilities To Policyholders' ...

Loss Reserve

Net Premiums Written To Policyholder ...

Insurance Premium

Losses and Loss-Adjustment Expense

Experience Refund

Assessable Policy

Experience Rating Insurance

[Learn to trade stocks by investing \\$100,000 virtual dollars...](#)

Learn to trade stocks by investing \$100,000 virtual dollars...

Learn to trade stocks by investing \$100,000 virtual dollars...

Assessable Policy

You May Also Like: Learn how to retire in style using 401k tips, IRA tricks, tax savings and more

NEXT UP: ASSESSABLE POLICY

Topics ▼

Reference ▼

Simulator ▼

Advisor Insights

Search Investopedia

Newsletters ▼

Reserves To Policyholders' Surplus ...

Net Liabilities To Policyholders' ...

Loss Reserve

Net Premiums Written To Policyholder ...

Insurance Premium

Losses and Loss-Adjustment Expense

Experience Refund

Assessable Policy

Experience Rating Insurance



DataCamp

Learn Python for Data Science

Filip
Lead Instructor at DataCamp



Start Course for Free

 INVESTOPEDIA

TERM OF THE DAY

 INVESTOPEDIA

SUBSCRIBE NOW



Experience Rating Insurance

NEXT UP: ASSESSABLE POLICY

Topics ▼ Reference ▼ Simulator ▼ Advisor Insights Search Investopedia Newsletters ▼

Reserves To Policyholders' Surplus ...

Net Liabilities To Policyholders' ...

Loss Reserve

Net Premiums Written To Policyholder ...

Insurance Premium

Losses and Loss-Adjustment Expense

Experience Refund

Assessable Policy

Experience Rating Insurance

Learn to trade stocks by investing \$100,000 virtual dollars...

Learn to trade stocks by investing \$100,000 virtual dollars...

[Learn to trade stocks by investing \\$100,000 virtual dollars...](#)

Search Investopedia

Symbol

DICTIONARY: # A B C D E F G H I J K L M N O P Q R S T U V W X Y

NEXT UP: ASSESSABLE POLICY

Topics ▼ Reference ▼ Simulator ▼ Advisor Insights Search Investopedia Newsletters ▼

Reserves To Policyholders' Surplus ...

Net Liabilities To Policyholders' ...

Loss Reserve

Net Premiums Written To Policyholder ...

Insurance Premium

Losses and Loss-Adjustment Expense

Experience Refund

Assessable Policy

Experience Rating Insurance