

The insurance industry uses quite a number of technical terms, usually for reasons of precise meaning, which are not necessarily easily understood by the layman. This section clarifies what the key words and phrases that you'll find in insurance documents mean.

VIS MAJOR (ACT OF GOD)
Nugent v Smith (1876) "Natural causes directly and exclusively without human intervention and that could not have been prevented by any amount of foresight and pains and care reasonably to have been expected".

ADDENDUM

A document setting out agreed alterations to an insurance contract. (See also endorsement).

ADDITIONAL PREMIUM
A further premium payable by the insured as a result of policy amendment, that may have increased the risk or changed the policy conditions or sum insured.

ADJUSTER

One who investigates and assesses claims on behalf of insurers (claims adjuster or loss adjuster).

AGGREGATE LIMIT OF INDEMNITY
The maximum amount an insurer will pay under a policy in respect of all accumulated claims arising within a specified period of insurance.

CANCELLATION

Termination of a policy before it is due to expire. There may be a cancellation clause in a policy setting out the condition under which the policy may be cancelled by notice. The period of notice could be anything from 48 hours to 3 months. In most cases this will result in a return premium being paid by the insurer to the insured.

CLAIMS

Injury or loss to the insured arising so as to cause liability to the insurer under a policy it has issued.

CONCEALMENT

Deliberate suppression by a proposer for insurance of a material fact relating to the risk, usually making the contract null and void.

CONSEQUENTIAL LOSS
Insurance of loss following direct damage e.g. loss of profits; loss of use insurance.

DEDUCTIBLE

The specified amount a loss must exceed before a claim is payable. Only the amount which is in excess of the deductible is recoverable.

DEFERRED PREMIUM
The part of a premium which, following agreement with underwriters, is payable by instalments, usually quarterly or half yearly.

EMPLOYERS**LIABILITY****INSURANCE**

Insurance by employers in respect of their liability to employees for injury or disease arising out of and in the course of their employment. With some exemptions this insurance is compulsory in Great Britain, and can only be provided by an authorised insurer.

ENDORSEMENT

Documentary evidence of a change in the wording of or cover offered by an existing policy or qualification of wording if the policy is written research papers for sale on restricted terms. (See also Addendum).

EXCESS

The first portion of a loss or claim which is borne by the insured. An excess can be either voluntary to obtain premium benefit or imposed for underwriting reasons.

EXCLUSION

A provision in a policy that excludes the insurer's liability in certain circumstances or for specified types of loss.

EX-GRATIA

A payment made by an insurer to a policyholder where there is no legal liability so to pay.

PAYMENT**GROSS**

A term normally applied to gross written premiums before deduction of brokerage and discounts.

PREMIUM**HAZARD**

A physical or moral feature that introduces or increases the risk.

INCEPTION

The date from which, under the terms of a policy, an insurer is deemed to be at risk.

DATE**INDEMNITY**

A principle whereby the insurer seeks to place the insured in the same position after a loss as he occupied immediately before the loss (as far as possible).

INDEMNITY

Under a business interruption insurance the period during which cover is provided for disruption to the business following the occurrence of an insured peril.

PERIOD**INSURABLE**

For a contract of insurance to be valid the policyholder must have an interest in the insured item that is recognised at law whereby he benefits from its safety, well being or freedom from liability and would be prejudiced by its damage or the existence of liability. This is called the insurable interest and must exist at the time the policy is taken out and at the time of the loss.

INTEREST**INSURANCE**

An insurance intermediary who advises his clients and arranges their insurances. Although he acts as the agent of his client, he is normally remunerated by a commission (brokerage) from the insurer. An insurance broker is a full-time specialist with professional skills in handling

BROKER/INTERMEDIARY

insurance business. Since January 2005 intermediaries and brokers must be registered with, and regulated by the Financial Services Authority.

FINANCIAL OMBUDSMAN SERVICE

A bureau established by major insurance companies to oversee the interests of policyholders whose complaints remain unsolved through normal company channels of communication. The service is available to all those holding personal cover with the insurers who have joined the scheme. The decision of the Ombudsman is binding on the insurer, although the insured may appeal to the court if he so wishes.

INSURANCE PREMIUM TAX

The Finance Act 1994 introduced this new tax on most general insurance risks located in the UK.

INSURED

The person whose property is insured or in whose favour the policy is issued.

INSURER

An insurance company or Lloyd's underwriter who, in return for a consideration (a premium), agrees to make good in a manner laid down in the policy any loss or damage suffered by the person paying the premium as a result of some accident or occurrence.

LAPSE

The non-renewal of a policy for any reason.

LIMIT OR LIMIT OF INDEMNITY

The insurer's maximum liability under an insurance, which may be expressed as 'per claim', 'per accident', 'per event', 'per occurrence', 'per annum', etc

LLOYD'S (OF LONDON)

A Society, incorporated under Act of Parliament of 1871 and known as the Corporation of Lloyd's, which provides the premises a wide variety of services, administrative staff and other facilities to enable the Lloyds market to carry on insurance business efficiently.

LLOYD'S BROKER

A broker approved by the Council of Lloyd's and thereby entitled to enter the underwriting room at Lloyd's and place business direct with underwriters. Lloyd's brokers must meet the Council of Lloyd's stringent requirements as to integrity and financial stability. They have to file annually with the Council of Lloyd's a special accountant's report concerning their financial position.

LOSS

Another term for a claim.

MATERIAL FACT

Any fact which would influence the insurer in accepting or declining a risk or in fixing the premium or terms and conditions of the contract is material and must be disclosed by a proposer, or by the insurer to the insured.

NEGLIGENCE

Perhaps the most common form of tort. In *Blyth v Birmingham Waterworks Co.* (1856) it was defined as 'the omission to do something which a reasonable man guided by those considerations which ordinarily regulate the conduct of human affairs would do, or doing something which a prudent and reasonable man would not do'. Gives rise to civil liability.

NET**PREMIUMS**

Term variously used to mean gross premiums net of reinsurance premiums payable, or commission, brokerage, taxes, or any combination of these.

NON-DISCLOSURE

The failure by the insured or his broker to disclose a material fact or circumstance to the underwriter before acceptance of the risk.

PERIL

A contingency, of fortuitous happening, which may be covered or excluded by a policy of insurance.

PERIOD**OF****RISK**

The period during which the insurer can incur liability under the terms of the policy.

POLICY

A document detailing the terms and conditions applicable to an insurance contract and constituting legal evidence of the agreement to insure. It is issued by an insurer or his representative for the first period of risk. On renewal a new policy may well not be issued although the same conditions would apply, and the current wording would be evidence by the renewal receipt.

POLICY**HOLDER**

The person in whose name the policy is issued. (See also insured and assured).

PREMIUM

The consideration paid for a contract of insurance.

PRODUCTS**LIABILITY****INSURANCE**

These policies cover the insured's legal liability for bodily injury to persons, or loss of or damage to property caused by defects in goods (including containers) sold, supplied, erected, installed, repaired, treated, manufactured, and/or tested by the insured.

PROFESSIONAL**INDEMNITY****INSURANCE**

This policy protects a professional man against his legal liability towards third parties for injury, loss, or damage, arising from his own professional negligence or that of his employees.

PROPOSAL**FORM**

A form sent by an insurer to a person requiring insurance so as to obtain sufficient information to allow the insurer to decide whether or not to accept a risk and what conditions to apply if it is accepted.

QUOTE

A statement by an insurer of the premium they will require for a particular insurance.

RENEWAL

The process of continuing an insurance from one period of risk to a succeeding one.

RISK

The peril insured against or an individual exposure.

RISK**MANAGEMENT**

The identification, measurement and economic control of risks that threaten the assets and earnings of a business or other enterprise.

SCHEDULE

The part of a policy containing information peculiar to that particular risk. The greater part of a policy is likely to be identical for all risks within a class of business covered by the same insurer.

STATEMENT**OF****FACT**

An alternative to a completed proposal form. A statement provided by the insurer clarifying the basis on which insurance is accepted and what conditions apply.

STATUTE**LAW**

Presently the most important source of law is statute law, otherwise known as Acts of Parliament; which may create entirely new law, over-rule, modify, or extend existing principles of common law and equity, and repeal or modify existing Statute law.

SUM**INSURED**

The maximum amount payable in the event of a claim under contract of insurance.

THIRD**PARTY**

A person claiming against an insured. In insurance terminology the first party is the insurer and the second party is the insured.

THIRD**PARTY****LIABILITY**

Liability of the insured to persons who are not parties to the contract of insurance and are not employees of the insured.

UNDERLYING**INSURANCE**

The primary insurance as distinct from excess insurance.

UNDERWRITER

A person who accepts business on behalf of an insurer. (See also Lloyd's underwriter).

UTMOST**GOOD****FAITH**

Insurance contracts are contracts of utmost good faith (uberrima fides), which means that both parties to the contract have a duty to disclose, clearly and accurately, all material facts relating to the proposed insurance. Any breach of this duty by the proposer may entitle the insurer to repudiate liability.

WARRANTY

A very strict condition in a policy imposed by an insurer. A breach entitles the insurer to deny liability.

WITHOUT PREJUDICE

1. Term used in discussion and correspondence. Where there is a dispute or negotiations for a settlement and terms are offered 'without prejudice' an offer so made or a letter so marked and subsequent correspondence cannot be admitted in evidence without the consent of both parties concerned.
2. Term also used by an underwriter when paying a claim which he feels may not attach to the policy.
This payment must not be treated as a precedent for future similar claims.