BROSNAN BOYLAN GOLDEN
INSURANCE BROKERS

Key Insurance terms

Act of God (Force Majeure)
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". Suggesting that an event was an "act of God" may be a defence in English law against a claim for liability since it may be held that it could not have been foreseen or safeguarded against.

Additional Perils
Perils added to fire insurance policy, such as damage by storm, tempest or flood.

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

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.

Advance Profits Insurance
Business Interruption insurance of the expected profits of a new enterprise or an extension to an existing business.

Agent
Someone who acts for another person (the principal) usually for reward. There are four main classes of agent that may be involved in the underwriting of insurance and reinsurance risks by Lloyd's underwriters: members' agents, managing agents, brokers and coverholders. In addition, there are Lloyd's agents which are independent businesses that provide surveys and loss adjusting services to managing agents, insurance companies and others on a worldwide basis. Further in some situations one underwriter may act as the agent of other underwriters.

Agreed Value Policy
An insurance contract under which the insurer agrees to pay the insured a stated amount in the event of the total loss of the property insured without adjustment to depreciation or appreciation.

All Risks
A property insurance which covers any accidental loss or damage that is not specifically excluded under the policy.

Assurance
A term interchangeable with insurance but generally used in connection with life cover as assurance implies the certainty of an event and insurance is the probability.

Assured
Another name for an insured.

Average
A condition in a non-marine property insurance that if the property value has been understated the insured's claim is reduced proportionately to the understatement.

Business Interruption Insurance
This form of insurance provides loss of income coverage for your business by replacing your operating income during the period when damage to the premises or other property prevents income from being earned.

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.

Cancellation Clause
A clause in an insurance contract which permits an insurer and/or an insured to cancel the contract before it is due to expire. The clause may provide for a return of premium in respect of the unused portion of the policy.

Carrier (of risk)
An insurer or reinsurer

Claim
Depending on the context this term may refer to:

(A) a demand made by a policyholder on his insurer (s) for payment or some other contractual benefit under an insurance policy
(B) a demand made by an insurer on its reinsurer(s) to be paid under a reinsurance contract
(C) a demand made by a third party on a policyholder to be compensated for some injury, damge or loss for which the third party blames the policyholder.
A claim is payable under an insurance or reinsurance contract if it is caused by an insured peril and it is not excluded under the terms of that contract.

Claimant
The person making a claim

Commission
Monies paid to an insurance intermediary in recognition of the business written by the insurer through the agency of the intermediary.

Common Law
The common law consists of the ancient customs and usages of the land, which have been recognised by the courts and given the force of law. It is in itself a complex system of law, both civil and criminal, although it is greatly modified and extended by statute law and equity. It is unwritten, and has come down in the recorded judgements of judges who for hundreds of years have interpreted it.

Concealment
Deliberate suppression by a proposer for insurance of a material fact relating to the risk.

Consequential Loss
Consequential loss or damage -- as opposed to direct loss or damage -- is indirect loss or damage resulting from loss or damage caused by a covered peril, such as fire or storm. In the case of loss caused where storm is a covered peril, if a tree is blown down and cuts electricity used to power a freezer and the food in the freezer spoils, if the insurance policy extends coverage for consequential loss or damage then the food spoilage would be a covered loss. Business Interruption insurance, extends consequential loss or damage coverage for such items as extra expenses, rental value, profits and commissions, etc.

Contingency Insurance
Insurance against relatively remote possibilities, eg loss arising through the reappearance of a missing beneficiary under a will.

Contract Guarantee
A bond whereby A, a guarantor, promises to pay B a sum of money if C does not perform a contract entered into between B and C

Cover note
A document issued by a broker pending the issue of a policy which confirms the arrangement of cover for the named insured/reassured.
Motor insurance cover notes that are issued in the United Kingdom (which incorporate a certificate of insurance) are usually of short duration.

Days of Grace
A period after the renewal date of a policy during which cover continues provided that the premium is paid before the end of the period and the insured has not indicated an intention not to renew.

Deductible
The amount that is deducted from some or all claims arising under an insurance or reinsurance contract. The practical effect is the same as an excess: the insured or reassured must bear a proportion of the relevant loss. If that loss is less than the amount of deductible/excess then the insured or reassured must bear all of the loss (unless there is other insurance in place to cover the deductible).
An increase in deductible should result in a reduction in premium.

Deposit Premium
A premium that is payable at the inception (start) of an insurance or reinsurance contract and in respect of which an adjustment premium (usually an additional premium) is due depending on the performance of the contract including, possibly, the amount of the business that is ceded thereunder.

Duty of disclosure
The duty of every person seeking insurance or reinsurance to inform the insurer/reinsurer from whom a quotation for insurance/reinsurance is sought of every material fact. The duty arises when seeking new insurance/reinsurance, when seeking a variation of cover (but only as regards a change in risk where the carrier is the same as before) and at renewal (but only as regards a change in risk where the carrier is the same as before). The scope of the duty may be modified by the terms of a proposal form.
Should a person seeking insurance/reinsurance fail to disclose a material fact then this may lead to the avoidance of the relevant insurance or reinsurance by the underwriter. The consequences of non¬disclosure may be modified by the terms of the relevant insurance/reinsurance.

Endorsement
Documentary evidence of a change in the wording of or cover offered by an existing policy or qualification or wording if the policy is written on restricted terms.

Ex Gratia payment
A payment made by underwriters “as a favour” or “out of kindness” without an admission of liability so as to maintain goodwill.

Excess
The amount or proportion of some or all losses arising under an insurance or reinsurance contract that is the insured or reassured must bear. If the loss is less than the amount of the excess then the insured/reassured must meet the cost of it (unless there is other insurance in place to cover the excess).
Excesses may either be compulsory or voluntary. An insured which accepts an increased excess in the form of a voluntary excess will receive a reduction in premium.

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

Experience
The comparison of claims, or claims and premiums, over a period, in respect of a particular insurance or group of insurances

Fidelity Insurance
A type of insurance which is designed to protect a firm from losses caused by the dishonest act of its employees.

First loss insurance
Insurance where the sum insured is accepted to be less than the value of the property but the insurer undertakes to pay claims up to the sum insured, without application of average.

Gross Premium
Original and additional inward premiums, plus any amount in respect of administration fees or policy expenses remitted with a premium but before the deduction of outward reinsurance premiums.

Hazard
Something that causes an exposure to injury, loss or damage. A physical or moral feature that introduces or increases risk

Inception date
The date on which an insurance or reinsurance contract comes into force.

Increased costs of working
Under a business interruption policy some cover is provided for additional expenditure incurred by the insured solely for the purpose of reducing the shortage in production following an insured event.

Indemnity
The principle according to which a person who has suffered a loss is restored (so far as possible) to the same financial position that he was in immediately prior to the loss, subject in the case of insurance to any contractual limitation as to the amount payable (the loss may be greater than the policy limit). The Application of this principle is called indemnification.
Most contracts of insurance are contracts of indemnity. Life insurances and personal accident insurances are not contracts of indemnity as the payments due under those contracts for loss of life or bodily injury are not based on the principle of indemnity.

Insurable Interest
If an insured wishes to enforce a contract of insurance before the Courts he must have an insurable interest in the subject matter of the insurance, which is to say that he stands to benefit from its preservation and will suffer from its loss.
In non-marine insurances, the insured must have insurable interest when the policy is taken out and also

at the date of loss giving rise to a claim under the policy.

Insurance
A contract whereby an insurer promises to pay the insured a sum of money or some benefit upon the happening of one or more uncertain events in exchange for the payment of a premium. There must be certainty as to whether the relevant event (s) may happen at all or if they will occur (e.g. Death) as to their timing.

Insurance Ombudsman Bureau
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.

Insured
A person who is insured under a contract of insurance. Where there is one insured this person may also be referred to as the policyholder.

Insurer
A provider of insurance. 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.

Key person Insurance
A policy that protects a firm from loss caused by the death or disability of a ‘key person’ within the company.

Lapse
The non renewal of a policy for any reason.

Latent
An defect which lies dormant for some years before manifesting itself

Limit of Indemnity
Another term for policy limit. It refers to the maximum amount payable under a policy of insurance or reinsurance, either overall or with reference to a particular section of a policy.

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 firm that is listed in the register of Lloyd’s brokers maintained under the Intermediaries Byelaw which is permitted to broke insurance business at Lloyd's. A syndicate can generally only accept insurance business that has been broked or placed from or through a Lloyd’s broker.

Loss
This term generally refers to some injury, harm, damage or financial detriment that a person sustains. Losses may be insured or uninsured. Whether a loss is covered by a policy or certificate of insurance depends on the terms of that document and local law.

Loss Adjuster
A person who is appointed to investigate the circumstances of a claim under an insurance policy and to advise on the amount that is payable to the policyholder in order to settle that claim. Loss adjusters are generally appointed by underwriters but sometimes policyholders appoint their own loss adjusters to negotiate claims on their behalf.

Loss Assessor
1. in motor insurance, an engineer
2. in other classes a person who, in return for a fee (usually a percentage of the amount claimed), acts for the claimant in negotiating the claim.

Material Damage Warranty
A warranty in a business interruption insurance policy stipulating that for the interruption insurance to become effective there must be a policy in force in respect of the material damage and a claim paid or admitted thereunder for such damage caused by an insured peril.

Material fact
This refers to any fact which would influence the judgment of a prudent underwriter in deciding whether to accept an insurance/reinsurance risk and the terms on which he would be willing to grant cover. See duty of disclosure.

Name
Another term for an underwriting member or Lloyd’s

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 Premium
The amount of the premium that is left after the subtraction of some or all permitted deductions such as brokerage and (for certain types of business) profit commission.

New for Old
Where insurers agree to pay the cost of property lost or destroyed without deduction for depreciation.

No claims bonus (or discount)
A rebate of premium given to an insured person by an insurer where no claims have been made by that insured. Very common in motor insurance.

Passenger
The liability of a carrier to passengers

Peril
A harmful event which may be covered under a contract of insurance or reinsurance as an insured peril or excluded from it

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

Permanent Health Insurance
Term used to describe contracts of insurance providing continuing benefits in the event of prolonged illness or disability

Personal Accident & Sickness Insurance
Insurance for fixed benefits in the event of death or loss of limbs or sight by accident and/or disablement by accident or sickness. Accident or sickness may be incurred together or separately.

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 who is insured under a contract of insurance

Premium
The amount charged by an insurer or reinsurer as the price of granting insurance or reinsurance cover, as stated before or after the subtraction of brokerage and other deductions.

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 Cover
This policy protects a professional person 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. See duty of disclosure.

Quotation
A statement of the premium that an underwriter requires to underwrite an insurance/ reinsurance risk based on the information supplied by the person seeking cover, either directly or via their broker. A quotation may be conditional, eg it may be subject to the provision of further information, or not.
If a quotation is accepted before it is withdrawn, then subject to the satisfaction of any conditions that may attach to the quotation, an insurance/reinsurance contract will be made.

Reinstatement of cover
The restoration of cover following its exhaustion as a result of a loss by payment of an additional (reinstatement) premium. Making good. Where insured property is damaged, it is usual for settlement to be effected through the payment of a sum of money, but a policy may give either the insured or insurer the option to restore or rebuild instead.

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.

Salvage/Salvage Value
A recovery of all or part of the value of an insured item on which a claim has been paid. The insurer will normally dispose of the item and apply the proceeds to reduce the cost of the claim.

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.

Subject to survey
Phrase used by an insurer to signify provisional acceptance of an insurance pending inspection by a surveyor whose report is necessary to determine the rate and conditions applicable.

Sum insured
The maximum amount that an insurer will pay under a contract of insurance. The expression is usually used in the context of property and life insurance where (subject to the premium cost) the insured determines the amount of cover to be purchased.

Third Party
Someone other than the insured or his insurer who has suffered injury or loss. A person claiming against an insured. In insurance terminology the first party is the insurer and the second party is the insured.

Underlying Insurance
The primary insurance as distinct from excess insurance. Primary Layer.

Underwriter
A person who accepts business on behalf of an Insurer.

Utmost Good Faith
Contracts of insurance and reinsurance are contracts of utmost good faith. In the event that either party fails to observe utmost good faith towards the other in regard to the negotiation of cover then the other party may avoid the contract. The duty of utmost good faith requires each party to inform the other all material facts during the negotiation of the placement, renewal or alteration of cover. An insured has a separate duty of good faith when making a claim under an insurance policy.

Warranty
Where an insured or reassured promises that something will or will not be done during the period of cover or that a particular state of affairs exists or does not exist at the inception of cover. If the promise is untrue or is not kept then the insurer/reinsurer may disclaim all liability under the policy from the date of the breach, regardless as to whether the false declaration was material to the underwriting of the contract or causative of any loss.

Wear and tear
The amount deducted from a claims payment in recognition of the depreciation of the property insured through usage of it over time. Where cover is provided on a 'new for old basis' i.e. where the insurer agrees to replace an old item with a similar new one, no such deduction is made.

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.