



A

Abandonment

For a damaged property it may not be worthwhile to go in for repairs because the cost of repairers may exceed the value of the property when repaired. The insurer is entitled to take over the interest of the assured in whatever may remain of the subject matter insured and all proprietary rights incidental thereto. In ocean marine insurance, the transfer by the insured to an insurer of all rights, title, and interest in and to the insured property, in return for the sum insured. In property insurance, abandonment is relinquishing ownership of damaged property to an insurer to permit a total loss claim to be made.

Absolute Liability

Liability for damages even though fault or negligence cannot be proven.

Absolute Ownership

Absolute ownership exists where the interest or explicit right of possession of the insured is so free from limitations, qualifications or restrictions that it cannot be taken from him without his consent.

Accident

Any Unforeseen and unexpected event is considered an accident. For insurance purposes it has to be due to external, physical and violent means.

Accidental Bodily Injury

Injury to the body as the result of an accident

Accident, Hit and Run

Accidental Death or injury arising out of the use of a motor vehicle(s) the identity whereof cannot be ascertained inspite of reasonable efforts for the purpose.

Accidental Death Benefit

A monetary compensation in addition to the face amount of a life insurance policy, payable if the insured dies as the result of an accident. Sometimes referred to as "double indemnity."

Accompanied baggage

Baggage being taken by someone with his own person whilst travelling.

Accumulation

Percentage addition to policy benefits as a reward to the insured for continuous renewal.

Acquisition Costs

The insurer's cost of putting new business in force, including the agent's commission, the cost of clerical work, fees for medical examinations and inspection reports, sales promotion expense, etc.

Act of god

Any accidental act which could not have been prevented by any amount of human care and fore thought.

Actual Total Loss

It is a loss where the goods are completely lost and become irrecoverable.

Ad valorem duty

Duty evaluated on percentage of cargo value.

Additional cover

An insurance policy extended to cover additional risk perils such as strikes. Riots and Civil commotion etc. on payment of extra premium.

Adjuster

A person who investigates and settles losses for an insurance buyer.

Adjusting

The process of settling losses with or by an insurance buyer.

Administrator

An individual or professional organization, such as a bank's trust department, appointed by the court to administer an estate when the owner dies without having made a will or without nominating an executor. An executor may also be appointed if the named executor declines to serve.

Agent

An insurance company representative licensed by the state who solicits, negotiates or effects contracts of insurance, and provides service to the policyholder for the insurer.

Aggravation of risk

To make the existing risk worse, more troublesome, etc.

Aggregate Indemnity

The maximum amount that may be collected for any disability or period of disability under the policy.

Agreed value policy

Policy which undertakes to pay a specified amount in case of total loss. Under this case the policy does not take into account the current market value.

All-risks Policy

Coverage by an insurance contract that promises to cover all losses except those losses specifically excluded in the policy. Also known as open peril coverage.

Arbitration

A form of quasi-judicial dispute resolution where an unbiased person or panel gives an opinion about quantum of loss.

Arson

The willful and malicious burning of property, often with criminal intent.

Assessor

Person who estimates the value of goods for the purpose of apportioning the sum payable by the underwriters to settle the claims. Also called as Surveyor.

Assignment

The legal transfer of one person's interest in an insurance policy to another person.

Assured

Party indemnified or promised to be indemnified against loss by means of insurance.

Average adjuster

Independent expert who assesses the liabilities of the various parties to a common maritime adventure and to classify the various items of expenditure between general and particular average, viz, ship, Freight and cargo.

Avoidance

A right which can be exercised by and underwriter to relieve him of liability under the policy because the assured has been guilty of a breach of good faith or where the risk in voyage policy has failed to attach within a reasonable time after the underwriter wrote the risk.

Award

The decision in arbitration.

B

Bailee

One who has custody of the property of another. Bailees "for hire" have certain responsibilities to care for the property of others that is in their custody.

Basic Limit

Usually refers to Liability of insurer indicating the lowest amount for which a policy can be written. This amount is either prescribed by law or company policy.

Basic Rate

The standard charge for a given type of risk for basic limit.

Beneficiary

An individual designated in a will to receive an inheritance, or the individual designated to receive the proceeds of an insurance policy, retirement account, trust, or other asset.

Bill of Exchange

It is the bill drawn by exporter against the importer.

Bill of Lading

Receipt for goods shipped on board a ship signed by the person who contracts to carry them, and stating the terms on which the goods are carried.

Blanket Contract

A contract of health insurance affording benefits, such as accidental death and dismemberment, for all of a class of persons not individually identified. It is used for such groups as athletic teams, campers, and travel policy for employees, etc.

Bodily Injury

Physical injury, including sickness, disease, mental injury, shock or death.

Bonus

The Bonus system awards discounts for claim-free driving for a certain continuous period. This goes on increasing upto a certain limit for continuous claim free years.

Borderline Risk

An insurance prospect of doubtful quality from an underwriting point of view to put it in one among two group of risks.

Breach of condition

When a condition of the insurance contract is broken by the assured, the insurer may avoid the contract from the inception.

Broker

Middleman who represents an insured in the solicitation, negotiation or procurement of contracts of insurance, and who may render services incidental to those functions. He also represents insurer for certain purposes such as delivery of the policy or collection of the premium.

Burglary

It is a theft committed by breaking into or out of the premises. Evidence of breaking in, is necessary.

Burning Ratio

The ratio of losses suffered to the amount of insurance in effect.

Business Interruption Insurance

Insurance for a business owner against losses resulting from stoppage of business because of fire or other insured peril. The insurance provides reimbursement for lost net profits and necessary standing expenses.

C

Cancellation

The discontinuance of an insurance policy before its normal expiration date, either by the insured or the Insurance Company.

Capacity

The amount of capital with an insurance company as a whole for underwriting general insurance coverage.

Capital sum insured

It is the sum insured of a Person for which cover is sought under a Personal Accident Policy.

Captive Agent

An agent who, by contract, represents only one company and its affiliates.

Cargo Insurance

Type of insurance that protects the shipper/owner of the goods against financial loss if the goods are damaged or lost while in transit in between place of commencement and destination.

Catastrophe

Event which causes loss of extraordinary magnitude, such as a hurricane or tornado.

Cede

To transfer to a reinsurer all or part of the insurance or reinsurance risk written by a ceding company.

Ceding Commission

In calculating a reinsurance premium, an amount allowed by the reinsurer for part or all of a ceding company's acquisition and other overhead costs, including premium taxes. It may also include a profit factor. See Overriding Commission.

Certificate of Insurance

A document issued to a member of a group insurance plan, describing the insurance benefits and principal provisions of the policy in brief.

Cession

The amount of a risk which the insurance company reinsures: the amount passed on to the reinsurer.

Chartered Property Casualty Underwriter (CCU)

Professional designation granted to persons in the property and liability insurance field who pass a series of rigorous examinations and meet specified eligibility requirements.

Claim

It is a notification to an insurance company that payment of an amount is due under the terms of a policy by the insured.

Claim Amount

It is the amount payable by the insurer under a policy on a claim arising.

Claim Settling agents

They are appointed by insurer in a foreign country abroad for survey/settlement of claims arising out of policy issued in the home country for Overseas mediclaim and marine insurance policies.

Claims Cohort

A group of claims with a common period of origin. The period is usually a calendar year, but may be shorter. The origin may be defined by the date of the occurrence of claim or alternatively by the date of reporting.

Claims reserve

Claims provision, provision for outstanding claims/claims outstanding, claims reserve, total claim liability.

Clause

Sentences and paragraphs describing coverage's, exclusions, duties of an insured, and termination of coverage, and other such parts of the insurance policy.



Claused Bill of Lading

Bill of Lading, which has been endorsed by the ship owner, as the goods described thereon do not conform to what is offered for shipment e.g., package missing, inadequately packed.

Clean Bill of Lading

A bill of Lading is said to be clean if it has no superimposed clause expressing of any defective condition of the packaging or of goods.

Co-insurance

A means of spreading the risk on larger insurances between two or more direct insurers.

Co-Insurers

Two or more insurers jointly covering the same risk.

Collusion

A deal between persons usually to the detriment of other persons or for some improper purpose.

Combined ratio

A rough indication of the profitability of a property and liability insurer's underwriting operations, generally computed by adding the ratio of losses incurred to premiums earned and expenses incurred to premiums written.

Commercial Lines

Insurance for businesses, professionals, and commercial establishments.

Commission

The fee paid by the insurance companies to agents and brokers for the sale of policies.

Common carrier

A firm that offers to transport merchandise for hire and must accept shipments from anyone who wishes to use its services.

Different laws and rules govern common carriers than do. Private or contract carriers that only transport the goods of those with whom they have made agreements.

Common law

Common law comprises the body of principles and rules of action, relating to the government and security of persons and property, which derive their authority solely from usages and customs of immemorial antiquity, or from the judgments and decrees of the courts. It is outside the laws created by enactment of statutes.

Comprehensive

A loosely used term signifying broad or extensive coverage of insurance.

Compulsory Insurance

Any form of insurance which is required by law. e.g. Motor third party insurance, Public Liability Act Insurance.

Concealment

Deliberate suppression of material facts that would affect the validity of a policy of insurance.

Conditions

Those provisions in insurance contracts that qualify the insurer's promise of indemnity or impose obligations on the insured.

Consequential Loss

A loss which is an indirect result of an accident or fire, e.g. food spoiled through breakdown of a refrigerator.

Consideration

Price, token, or other matter used as an inducement for the completion of a contract, as an insurance premium.



Constructive Total Loss

A loss of sufficient amount to make the cost of salvaging or repairing the property equal to or greater than the value of the property when repaired.

Contract of Insurance

An agreement between the insurer and one or more parties, called the insured, whereby the insurer undertakes in return for the payment of a certain consideration, called the premium, to pay to the insured a certain sum of money or to grant certain compensation on the happening of a specified event.

Contractual liability

Legal liability assumed under contract.

Contribution

A participation, as two insurance policies in the same loss.

Contributory negligence

The lack of ordinary care on the part of an insured person, which combined with the defendant's negligence and contributed the injury as a proximate cause. In some jurisdictions, contributory negligence on the part of an injured party will defeat his or her claim.

Cover Note

A cover note is a document issued in advance pending the issue of the policy, and is normally required if the policy cannot for some reason or other be issued straight away. Cover notes can also be issued during the course of negotiations to provide cover on a provisional basis. A cover note is not a stamped document but is honored, all the same, by all parties concerned.

Coverage

The scope of protection provided under a contract of insurance; any of several risks covered by a policy.

Credit insurance

A form of guarantee to manufacturers and wholesalers against loss resulting from default on the part of debtors.

Crop-Hail insurance

Protection against damage to growing crops as a result of named perils.

Cumulative Bonus

The percentage at which the sum insured gets increased annually, without additional premium, e.g. Personal Accident Insurance, Medclaim Insurance.

D

Days of Grace or Grace Period

Period of time after the due date of a premium during which the policy remains in force (when both coverage of risk is available and also the premium can be paid without any late fees).

Debris Removal Clause

An extension to the standard policy to cover the cost of making a seriously fire-damaged building safe and removing debris.

Declaration Basis

An arrangement whereby a provisional premium is paid and subsequently adjusted by an additional or return premium on receipt of a declaration from the insured giving details of values at risk.

Declination

The insurer's refusal to insure an individual after careful evaluation of the application for insurance and any other pertinent factors.



Deductible

A provision whereby an insured may be required to pay part of a loss, the insurance being excess over the amount of the deductible.

Dental insurance

A type of health insurance that covers dental care expenses.

Depreciation

A decrease in the value of property over a period of time due to wear and tear or obsolescence. Depreciation is used to determine the actual cash value of property at time of loss.

Disability

Inability to perform all or part of one's occupational duties because of an accident or illness: see Total Disability and Partial Disability.

Double Insurance

If the insurance policy is taken from more than one underwriter where period of insurance, subject matter of insurance and sum insured are same, then this is called double insurance.

E

Earned Premium

Premium for which protection has been provided. When a premium is paid in advance for a policy period, the company 'earns' a portion of that premium only as time elapses during that period.

Effective date

The date upon which the policy is put in force, the inception date

Employer's liability

Legal liability imposed on an employer making him or her responsible to pay damages to an

employee injured by the employer's negligence. Generally, replaced by 'workers compensation', which pays the employee whether the employer has been negligent or not.

Endorsement

A written amendment affecting the declarations, insuring agreements, exclusions, or conditions of an insurance policy: a rider.

Escalation

Provision for automatic increases on some defined basis in premiums and sums insured.

Estimated Maximum Loss (EML)

An expression used in fire, explosion and material damage policies only. An estimate of the monetary loss which could be sustained by insurers on a single risk as a result of a single fire or explosion considered by the underwriter to be within the realms of possibility.

Ex Gratia

A payment made where there is no legal liability

Excess (also refer Deductibles)

Agreed amount up to which no claim is paid under a policy.

Excess of loss reinsurance

A form of reinsurance whereby the reinsuring company reimburses the ceding company for the amount and only the amount of loss the ceding company suffers over and above an agreed aggregate sum in any one loss or in a number of losses arising out of any one event.

Exclusion

That which is expressly eliminated from the coverage of an insurance policy

Expense ratio

The proportionate relationship of an insurer's expenses to premium expressed as a percentage.

Extended coverage insurance

Protection for the insured against loss or damage of his property caused by windstorm, hail, smoke, explosion, riot, riot attending a strike, civil commotion, vehicle and aircraft: this is provided in conjunction with the fire insurance policy.

F

Facultative Obligatory Treaty (Also Semi-obligatory Treaty)

A reinsurance contract under which the ceding company may cede exposures or risks of a defined class that the reinsurer must accept if ceded.

Facultative Treaty

A reinsurance contract under which the ceding company has the option to cede and the reinsurer has the option to accept or decline classified risks of a specific business line. The contract merely reflects how individual facultative reinsurance shall be handled.

Fidelity Bond

A form of protection which reimburses an employer for losses caused by dishonest or fraudulent, acts of employees.

Financial Loss Insurance

Insurance of legal liability for financial loss not involving bodily injury or loss of or damage to property

Fire

A combustion accompanied by a flame or glow, which escapes its normal limits to cause damage.

Fire insurance

Coverage for losses caused by fire and lightning, as well as the resultant damage caused by smoke and water

Floater Policy

A policy under the terms of which protection follows moveable property, covering it wherever it may be

Flood

Overflow of water from its natural boundaries. More specifically defined by the National Flood Act of 1968 as 'a general and temporary condition of partial or complete inundation of normally dry land areas from (1) the overflow of inland or tidal waters or (2) the unusual and rapid accumulation or runoff of surface waters from any source'.

FOB (f.o.b.)

Abbreviation for free-on-board, used in commerce to describe the value of goods at point of embarkation, excluding transport and insurance costs. Export values are usually expressed f.o.b. for customs and excise purposes, while imports are usually valued cost insurance and freight or charged in full.

Franchise

Deductible in which the insurer has no liability if the loss is under a certain amount, but once this amount is exceeded; the entire loss is paid in full.

G

General average (in marine insurance)

A loss that must be borne partly by someone other than the owner of the goods that were lost or destroyed: for example, if it is necessary to jettison cargo to save a ship, the owners of the ship and the rest of the cargo that is saved will share in the loss of the goods that were intentionally sacrificed.



General damages

Damages awarded to an injured persons for intangible loss which cannot be measured directly by rupees. Popularly known as "pain and suffering." General damages are distinguished from special damages which are awarded from actual economic loss, such as medical costs, loss of income, etc.

Grace period

The period of time following the due date of a policy premium during which the payment of the premium will continue the policy and during which the policy is in full force and effect

Graded commission

A reduced commission justified by the size of the premium

Gross Negligence

Intentional failure to perform a duty, reckless disregard of the consequences as affecting the life or property of another

Gross Premium

The premium paid by the policyholder.

Gross Profit

The figure calculated by adding turnover to closing stock and work in progress and subtracting from this amount the sum of the opening stock and work in progress and the variables selected by the insured (usually defined as specified working expenses).

Group insurance

Any insurance plan under which a number of employees and their dependants are insured under a single policy, issued to their employer, with individual certificates given to each insured employee; the most commonly written lines are life and accident and health

H

Hail Insurance

Form of insurance that protects against loss of crops from hail

Hazard

A condition that creates or increases the probability of a loss

Health insurance

A generic term applying to all types of insurance indemnifying or reimbursing for losses caused by bodily accident or sickness or for expenses of medical treatment necessitated by sickness or accidental bodily injury.

House Breaking

When the theft is committed entering into or out of the premises stealthily

Housekeeping

The general care, cleanliness and maintenance of an insured property

Householders Policy

A package of insurance providing homeowners with a broad range of property and liability coverages

Hull insurance (in ocean marine and aviation insurance)

Coverage for physical damage to a vessel or aircraft

Hurricane

A tropical storm marked by extremely low barometric pressure and circular winds with a velocity of 120 miles an hour or more.



I

IBNR (Incurred but not Reported) provision

Provision for claims incurred but not reported by the balance-sheet date. That is, it is anticipated that there would be a number of policies that have, but for the advice of the claim to the insurer, occurred and therefore are likely to result in a liability on the insurer.

The magnitude of this provision can be expected to reduce as the time since the insurance risk on the contract expired extends. The magnitude is also likely to vary depending on the type of insurance risk covered by any particular class of insurance contract.

Illegal Contract

It is a contract, which is contrary to law and against the interests of public. It can not be sustained and does not have legal effect.

Imputed Negligence

Case in which responsibility for damage can be transferred from the negligent party to another person, such as an employer

Incurred Claims

Incurred claims equal the claims paid during the policy year plus the claim reserves as of the end of the policy year, minus the corresponding reserves as of the beginning of the policy year. The difference between the year end and beginning of the year claim reserves is called the increase in reserves and may be added directly to the paid claims to produce the incurred claims.

Incurred Loss Ratio

The percentage of losses incurred to premiums earned.

Indemnification

Compensation to the victim of a loss, in whole or in part, by payment, repair, or replacement

Indemnify

Legal principle that specifies an insured should not collect more than the actual cash value of a loss but should be restored to approximately the same financial position as existed before the loss.

Indemnity Period

The period, beginning with the date of the damage, during which the turnover of the business is affected by the damage. It lasts until the turnover recovers and reaches the point at which it would have been had the loss not occurred, or the expiry of the maximum indemnity period -the number of months selected by the insured -whichever occurs first.

Indemnity principle

Of a general legal principle related to insurance which holds that the individual recovering under an insurance policy should be restored to the approximate financial position he or she was in prior to the loss.

Independent adjuster

One who adjusts losses on behalf of companies but is not employed by any one. He or she is paid by fee for each loss adjusted.

Indirect Loss (Or Damage)

Loss resulting from a peril, but not caused directly and immediately thereby. For example: Loss of property due to fire is a direct loss, while the loss of rental income as the result of the fire would be an indirect loss.

Inherent vice

A characteristic depreciation such as the fading of ink, a cracking of parchment, the graying of hair



Insurable interest

An interest which might be damaged if the peril insured against occurs: the possibility of a financial loss to an individual which can be protected against through insurance.

Insurance

An economic device whereby the individual substitutes a small certain cost (the premium) for a large uncertain financial loss (the contingency insured against) which would exist if it were not for the insurance contract: an economic device for reducing and eliminating risk through the process of combining a sufficient number of homogeneous exposures into a group in order to make the losses predictable for the group as a whole.

Insurance Company

An organization chartered to operate as an insurer.

Any corporation primarily engaged in the business of furnishing insurance protection to the public

Insurance Entities

Any corporate body or individual which is operating as an insurer, reinsurer or insurance intermediary and which is subject to insurance regulation

Insurance Product

An insurance product is defined as a product that is provided by an insurance company.

Insurance Policy

Legal document issued to the insured setting out the terms of the contract of insurance.

Insured

The person to whom or on whose behalf benefits are payable under the policy

Insurer

A licensed legal entity, which underwrites insurance, including a mutual insurance company (but note the exemption of pure reinsurers)

Intermediary

Any person who, or organisation which, gives advice by way of directly offering, advertising or on a person-to-person basis in respect of an insurance product and includes the promotion of such a product or the facilitation of an agreement or contract between an insurer and a customer. Intermediaries are generally divided into separate classes. The most common types are 'independent intermediaries' who represent the buyer in dealings with the insurer (also known as independent brokers) and 'agents' (which generally include multiple agents and sub-agents) who represent the insurer.

Irrevocable beneficiary

Beneficiary designation allowing no change to be made in the beneficiary of an insurance policy without the consent of the named beneficiary

J

Jettison

Act of throwing overboard part of a vessel's cargo or hull in hopes of saving a ship from sinking.

Jewelers Block Insurance

An all risk insurance contract that provides jewelers with coverage to losses, which they would be exposed.

Joint-and-Several Liability

A legal principle that permits the injured party in a tort action to recover the entire amount of compensation due for injuries from any tortfeasor who is able to pay, regardless of the degree of that party's negligence

K

Key-Person Insurance

Insurance designed to protect a business firm against the loss of income resulting from the death or disability of a key employee.

L

Lapse

Termination of a policy due to failure by the insured to pay the premium as required

Larceny

The unlawful taking, carrying, leading or riding away of another person's property

Law of large numbers

While it is impossible to predict either the time or the loss amount of adverse events in relation to individuals, the averages for a sufficiently large set (of insureds) exhibit certain patterns of loss frequency and loss extent

Legal Costs

The costs of defending a claim from a third party and claimant's costs for which an insured is liable, are usually covered by a liability policy.

Legal liability

Any liability imposed on a person by a court of law

Lessee

The person to whom a lease is granted, commonly called the tenant.

Lessor

The person granting a lease, also known as the landlord

Letter of Credit (LOC)

Within the context of reinsurance, a banking instrument established on a 'standby' basis to secure recoverables from non-admitted reinsurers to enable the ceding company to reduce the provision for unauthorized reinsurance in its statutory statement

Liability

Any legally enforceable obligation

Liability Insurance

Insurance covering the policyholder's legal liability resulting from injuries to other persons or damage to their property. Liability Insurance. Provides protection for the insured against loss arising out of legal liability to third parties

Licensing

The incorporation of a company in the jurisdiction or the approval given to a company to underwrite insurance in the jurisdiction. These are recognized to be separate approvals and may be made in separate jurisdictions

Line

One line is equal to the ceding company's retention. A proportional treaty may have a total capacity expressed as x lines and a reinsurer's share may be y lines

Line of Business

The general classification of business as utilized in the insurance industry, i.e., fire, allied lines, homeowners, etc.

Lloyds

A voluntary unincorporated association of individuals organized for the purpose of writing insurance; normally refers to Lloyd's of London, a group of individual underwriters and syndicates that underwrite insurance risks severally, using facilities maintained by the Lloyd's of London Corporation

Load

To add charges to an insurance premium

Loss Adjuster

An independent professional appointed by the insurers to settle claims

Loss of Profits

A synonym for business interruption insurance

Loss Ratio

The proportionate relationship of incurred losses to earned premiums expressed as a percentage.

M

Manual

A book of rates, rules, and coverages usually available for each kind of insurance

Margin of Solvency

The total assets of an insurance company must exceed its liabilities (other than share capital) by a relevant amount, known as the margin of solvency

Marine

Pertaining to the sea or to transportation: usually divided as to 'ocean marine' and 'inland marine'; the insurance covering transportation risks

Marine Insurance

A form of insurance primarily concerned with means of transportation and communication, and with goods in transit

Market Value

The price for which something would sell, especially the value of certain types of assets, such as stocks and bonds. It is based on what they would sell for under current market conditions. For example, common stock

market value would be the price of the stock as of a specified date

Material Damage Policy

The policy covering damage to property (usually a commercial fire policy) as the result of which damage a business interruption claim may result. It is a condition of business interruption insurance that a material damage policy must be and remain in force

Material Fact

Information about the subject of insurance that if known would change the underwriting basis of the insurance, and which would cause the insurer to refuse the application or charge a higher rate

Misrepresentation

Act of making, issuing, circulating or causing to be issued or circulated an estimate, an illustration, a circular or a statement of any kind that does not represent the correct policy terms, dividends or share of surplus or the name or title for any policy or class of policies that does not in fact reflect its true nature.

Moral Hazard

Moral Hazard refers to increase in probability of loss that results from dishonesty in the character of the insured person. Thus it is the dishonest tendencies on the part of the insured person that may induce that person to attempt to defraud the insurance company

Morale Hazard

An attitude that increases the probability of loss from a peril. The attitude of, "It's insured; so why worry?" is an example of a morale hazard

Mortgage

A deposit or conditional transfer to secure the performance of some act: the person who makes the transfer is called the 'mortgagor',

the other party, the 'mortgagee'; sometimes an intermediary called a 'trustee' is appointed

Mortgagor

A borrower who takes out a mortgage

MPL (Maximum Probable Loss)

The largest loss thought probable under a given insurance policy. Normally applied to material damage risks where the total sum insured is not considered to be at risk from one loss event

Multi-Peril Policy

A package policy which provides protection against a number of separate perils. Multi-peril policies are not necessarily multiple line policies, since the combined perils may be all within one insurance line

N

Named Perils Policy

Coverage in a property policy that provides protection against loss from only the perils specifically listed in the policy rather than protection from physical loss. Examples of named perils are fire, windstorm, theft, smoke, etc.

Negligence

Failure to use that care which a reasonable and prudent person would have used under the same or similar circumstance. Negligence may be constituted by acts of either omission or commission or both.

Net Premium

A portion of the premium rate designed to cover benefits of the policy, but not expenses, contingencies, or profit

Net Premiums Earned

Net premiums written adjusted for the increase or decrease during the year of the liability for unearned premiums

Net Premiums Written

This item represents gross premiums written (direct and reinsurance assumed) less reinsurance ceded

Net Retention

The final amount of insurance retained by the company after reinsuring such amounts as it did not wish to retain

No Claims Bonus

A reduction in the price of an insurance policy because no claims have been made on it

No-Fault

A type of insurance mechanism whereby the right to sue another party for damages caused by negligence is limited and, in exchange, expanded first party benefits are offered. Mainly used in Vehicles insurance Policy.

Nominee

Nominee is the person who is nominated to receive the amount under a policy and to give a valid discharge to the insurer on settlement of claim under a life insurance policy

O

Obligatory Treaty

A reinsurance contract under which business must be ceded in accordance with contract terms and must be accepted by the reinsurer

Occupational Hazards

Occupations which expose the insured to greater than normal physical danger by the very nature of the work in which the insured is engaged, and the varying periods of absence from the occupation, due to the disability, that can be expected

Ombudsman

An authority established either by the company or the Government for the quick redressal of grievances

Open cover

Gives to insured automatic insurance protection so that there is no risk of any shipments remaining uninsured through oversight

Open Form

A continuous policy written on a reporting basis

Operative Clause

Defines the class and nature of business covered by a specific reinsurance treaty

P

Package Policy

A combination of two or more individual policies into a single policy. A householders policy, for example, is a package policy.

Partial Disability

The result of an illness or injury which prevents an insured from performing on or more of the functions of his/her regular job

Particular Average

A term meaning an accidental and usually a partial loss suffered by one interest and not chargeable against others

Peril

The event insured against; the cause of possible loss

Personal Injury

In law, a term used to embrace a broad range of torts that includes bodily injury, libel, slander, discrimination and similar offences. Also a standard insurance coverage that protects against a more limited group of torts (false arrest, detention or imprisonment, malicious prosecution, wrongful entry or eviction, and libel, slander, or defamation)

Physical Damage

Damage to or loss of an automobile resulting from a named peril

Physical Hazard

A condition of the subject of insurance which creates or increases the chance of loss, such as structural defects, occupancy, or similar conditions

Pilferage

Petty theft, especially theft of articles in less than package lots.

Policy

The legal document issued by the company to the policyholder, which outlines the conditions and terms of the insurance; also called the policy contract for the contract

Policyholder's funds

Monies set aside by insurers to cover outstanding liabilities to Policyholders. Also known as technical reserves

Policy Period

The term for which insurance remains in force, sometimes definite, sometimes not

Policyholder's surplus

Amount over and above liabilities available for an insurer to meet future obligations to its policyholders

Policy Term

The period for which an insurance policy provides coverage

Policyholder

A person who pays a premium to an insurance company in exchange for the insurance protection provided by a policy of insurance



Pool

A risk sharing mechanism in which the members of a group agree to be collectively responsible for losses

Premium

The sum paid by a policyholder to keep an insurance policy in force. It is the amount paid to secure an insurance policy

Premium Notice

Notice of a premium due, sent out by the company or one of its agencies to an insured. Synonym for "Renewal Notice".

Principal

The applicant for, or subject of, insurance; the one from whom an agent derives his or her authority

Pro Rata Cancellation

Cancellation with a return of premium charged for the period of time the policy was in force equal to the ratio of the total premium to the total policy period

Product Liability Insurance

Protection against financial loss arising out of the legal liability incurred by a manufacturer, merchant, or distributor because of injury or damage resulting from the use of a covered product

Professional Indemnity

It is a cover granted to professionals like Doctors covering their legal liability for any claims arising out of professional misconduct

Property Insurance

Insurance providing financial protection against the loss of, or damage to, real and personal property caused by such perils as fire, theft, windstorm, hail, explosion, riot, aircraft, motor vehicles, vandalism, malicious mischief, riot and civil commotion, and smoke

Proposal

A person interested in taking out insurance has to make an offer by means of a proposal. This is an application for the cover required, or for obtaining quotations of the premium chargeable

Proposal Form

It is a form which is to be completed for securing an insurance policy

Proposer

Proposer is a person who proposes the insurance policy

Prospectus

A form, which is often part of the proposal form, giving details of the cover available with particulars of extra benefits and rebates

Protection and Indemnity (P & I) Insurance

Liability insurance coverage in an ocean marine policy

Provision for unexpired risks

Amount set aside on the balance sheet in addition to unearned premiums with respect to risks to be borne by the insurance undertaking after the end of the financial year, in order to provide for all claims and expenses in connection with insurance contracts in force in excess of the related unearned premiums and any premiums receivable on those contracts

Provisions

The terms or conditions of an insurance policy

Proximate Cause

The dominating cause of loss or damage; an unbroken chain of events between the occurrence and damage



Public Liability/Third Party Liability

The insured's liability at law (excluding liability to an employee arising out of employer/employee relationship) to pay compensation for death, injury or illness sustained by any person or damage to property caused by explosion or collapse of boiler and pressure plant or use of lifting and handling plant

Punitive Damages

Damages awarded separately and in addition to the compensatory damages, usually on account of malicious or wanton misconduct, to serve as a punishment for the wrongdoer and possibly as a deterrent to others

Pure Risk

A condition in which there is the possibility of loss or no loss only

Q

Quota Share Reinsurance

It is an automatic reinsurance, whereby the ceding company is bound to cede a fixed percentage of every risk written by it irrespective of the size or quality of the risk.

Quote

An estimate of the cost of insurance, based on information supplied to the insurance company by the applicant.

R

Rate

The pricing factor upon which the insurance buyer's premium is based

Recurring Clause

A provision in some health insurance policies, which specifies an period of time during which the recurrence of a condition is considered a continuation of a prior period of disability or hospital confinement

Reimbursement

The payment of the expenses actually incurred as a result of a accident or sickness, but not to exceed any amount specified in the policy

Reinstatement

The restoration of a lapsed policy

Reinsurance

Insurance placed by an underwriter in another company to cut down the amount of the risk assumed under the original insurance

Renewal

Continuance of coverage under a policy beyond its original term by the insurer's acceptance of the premium for a new policy term

Renewal Notice

The notice sent to the policyholder to remind him that an insurance is due for renewal by insurers

Renewal Receipt

The written evidence that a renewal premium has been paid

Repatriation Expenses

(Under Overseas Medclaim Policy) Expenses incurred to travel back to home country following sickness abroad

Replacement Cost

The cost to repair or replace property at construction costs prevailing at time of loss; the cost to repair or rebuild property without any depreciation

Representation

Statements made by an applicant in the application that he represents as being substantially true to the best of his or her knowledge and belief, but which are not warranted as exact in every detail



Rescission

Termination of an insurance contract by the insurer on the grounds of material misstatement on the application for insurance

Reserve

Liability set up for particular purposes

Respondentia

An early form of marine insurance on cargo; similar to bottomry, the equivalent on hulls

Restoration

Reinstatement, as the amount of coverage after a loss

Retention

The act of retaining an exposure to loss: also that part of the exposure that is retained

Retrocession

The amount of risk that a reinsurance company reinsures; the amount of a cession which the reinsurer passes on

Retrospective Date

The first date for which claims will be paid under a claims-made policy of liability insurance

Return Premium

An amount due the insured upon cancellation of a policy

Revocable Beneficiary

A beneficiary designation that may be changed by the policyowner without the consent of the existing beneficiary

Rider

Usually known as an endorsement, a rider is an amendment to the policy used to add or delete coverage

Risk

It can be a potential source of loss or the subject matter of insurance itself

Risk Management

A scientific approach to the problem of dealing with the pure risks facing an individual or an organization in which insurance is viewed as simply one of several approaches for dealing with such risks

Robbery

The unlawful taking of property by violence or threat of violence

Running Down Clause

Additional coverage, which can be added to, an Ocean Marine Hull policy to provide protection for damage to another ship caused by collision

S

Salvage

Recovery made by an insurance company by the sale of property which has been taken over from that insured as a part of loss settlement. The remains of damaged vehicle or any other property

Schedule

A list of coverages or amounts concerning things or persons insured

Self-Insurance

A form of risk financing through which a firm assumes all or a part of its own losses

Settlement

A policy benefit of claim payment

Short period rates

Percentage of annual premiums charged for short period policies



Short Rate Cancellation

Cancellation with a less than proportionate return of premium: also known as Pro Rata Cancellation.

Social Insurance

Compulsory insurance, in which the benefits are prescribed by law and in which the primary emphasis is on social adequacy rather than equity

Solvency margin

Surplus of assets over liabilities

Special Damages

Amount awarded in litigation to compensate for specific identifiable economic loss

Speculative Risk

A condition in which there is a possibility of loss or gain

Sprinkler Leakage Insurance

Insurance against loss from accidental leakage or discharge from a sprinkler system due to some cause other than a hostile fire or certain other specified causes

Standing Charges

Expenses which still have to be met even if a business cannot earn its full income owing to fire or other damage. These expenses do not diminish proportionately as a result of the damage

Statutory Inspections

Plant inspections which are required by law to be carried out at stipulated intervals by a competent person who must also prepare a report in a prescribed form detailing the condition of the plant

Strict Liability

Liability for damages even though fault or negligence cannot be proven

Subrogation

It is defined as the transfer of rights and remedies of the insured to insurers who have indemnified the insured in respect of the loss

Subsidence

Occurs when the ground under a building moves downwards, often as a result of drying out too much

Sum Insured

The limit of liability of the insurers under a policy

Surety Bond

An agreement providing for monetary compensation should there be a failure to perform certain specified acts within a stated period: the surety company, for example, becomes responsible for fulfillment of a contract if the contractor defaults

Surplus

An amount by which the value of an insurer's assets exceeds their liabilities

Surrender Value

Surrender value is the amount payable to the policy holder on his surrendering his right under a policy and terminating the contract of insurance

Surrounding Property

Property belonging to the insured or in his custody or control except for the plant causing the damage or property being lifted

Surveyor

The company official who inspects property proposed and makes recommendations as to rating and loss reduction

T

Tail coverage

An extended reporting period extension under claims-made liability policies that provides coverage for losses that are reported after termination of the policy

Technical provision

Amount set aside on the balance sheet to meet liabilities arising out of insurance contracts, including claims provision (whether reported or not), provision for unearned premiums, provision for unexpired risks

Tenants Liability

Cover for damage to rented buildings

Theft

The unlawful taking of property of another: the term includes such crimes as burglary, larceny and robbery.

Third party

Someone other than the insured and insurance company

Third party claim

A demand made by a person against a policyholder and any payment that will be made by that company

Third Party Liability

Liability incurred by the insured to another party but excluding contractual liability

Tornado

A whirling wind over land, accompanied by a funnel-shaped cloud. It is usually very violent and destructive in a narrow path, often for many miles

Tort

A civil wrong, other than a breach of contract, for which a court of law will afford legal relief

Total Disability

An illness or injury which prevents an insured person from continuously performing every duty pertaining to his/her occupation or engaging in any other type of work

Total Loss

The complete loss or destruction of all the property insured under a particular policy

Treaty

A reinsurance contract under which the reinsured company agrees to cede and the reinsurer agrees to assume risks of a particular class or classes of business

Turnover

The money earned for goods supplied or services rendered in the course of the business at the premises specified in the policy

U

Uberrimae Fidei

Means "Utmost Good Faith". The basis of all insurance contracts - both parties to the contract are bound to exercise good faith and do so by a full disclosure of all information material to the proposed contract.

Umbrella Liability

Insures losses in excess of amounts covered by other liability insurance policies; also protects the insured in many situations not covered by the usual liability policies

Under-insurance

The situation where the Sum Insured is less than the total value of property at risk.

Underwriter

The company receiving premiums and accepting to cover the risk. Also, the person employed by the company who decides whether the company should accept a



particular proposal for insurance or application for revival

Underwriting

The process of selecting risks for insurance and determining in what amounts and on what terms the insurance company will accept the risk.

Underwriting Profit or Loss

The amount of money, which an insurance company gains or loses as a result of its insurance operations

Unearned premium

That portion of the original premium for which protection has not yet been provided because the policy still has some time to run before expiration.

Unenforceable Contract

This is one, which lacks some evidential features. The contract is a valid one otherwise, but could not be enforced in a court of law

Uninsurable Risk

Risks not acceptable for insurance due to excessive risk

Utmost Good Faith

A duty imposed on both parties to an insurance contract. The legal duty implies full disclosure of all facts material to the contract during negotiations of the contract

V

Valuation

Estimation of the value of an item, usually by appraisal

Valued Policy

An insurance contract in which the value of the thing insured and the amount to be paid

in case of total loss is settled at the time of making the policy

Vicarious Liability

In law, liability arising out of imputed negligence

Void

Of no force or effect: null

Void Contract

A contract obtained by fraud is a void contract

Voidable Contract

A contract, which is valid until it is treated as void by the aggrieved party, is a voidable contract

W

Warranty

A statement concerning the condition of the item to be insured which is made for the purpose of permitting the underwriter to evaluate the risk; if found to be false, it provides the basis for avoidance of the policy

Weekly benefits (for Personal Accident Insurance)

They are paid for the period of temporary total disablement following an injury which is admissible under the policy

Workers Compensation

A system of providing for the cost of medical care and weekly payments to injured employees or to dependants of those killed in the course of or arising out of their employment in industry in which Absolute Liability is imposed on the employer, requiring him or her to pay benefits prescribed by law

Written Premiums

The premiums on all policies which a company has issued in some period of time.