

The following terms are commonly used in the insurance market and may well appear in your insurance policy arranged by us. All are extremely important but on this first page, we have tried to explain in "plain English" what the most important and common terms mean. These are our words and interpretation of what they actually mean. Words or phrases in bold type are defined elsewhere within this Glossary

<u>Warranty</u>	<p>A very strict condition in a policy imposed by an insurer. A breach entitles the insurer to deny liability.</p> <p>See also Condition Precedent.</p>
<u>Condition Precedent</u>	<p>A very strict condition in a policy imposed by an insurer. A breach entitles the insurer to deny liability.</p> <p>See also Warranty.</p>
<u>Average</u>	<p>A clause in insurance policies whereby, in the event of Underinsurance, the claim paid out by the insurer is restricted to the same proportion of the loss as the sum insured under the policy bears to the total value of the insured item. For example, if the rebuilding cost of your house is £100,000 but you choose to insure it for £50,000, you are 50% underinsured and will receive 50% of the claim up to a maximum of £50,000.</p>
<u>Material Fact</u>	<p>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 at inception of the policy, at renewal and during the period of the cover. Examples of a material fact could be previous claims, convictions, financial difficulties, i.e. CCJ's, bankruptcies, liquidations, non-standard construction of premises, previous declinations of cover or terms imposed. These are some examples, there are many more, so if in doubt, please tell us.</p>
<u>Sum Insured</u>	<p>The maximum amount payable in the event of a claim under contract of insurance. It is your responsibility to ensure the sum insured is adequate whether your policy is written on an Indemnity basis or Reinstatement basis (see definitions in glossary). There are professional valuers available if in any doubt.</p>
<u>Indemnity</u>	<p>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 practicable). Where an item is insured on an "Indemnity" basis, a deduction for wear and tear will be made when settling any claim for damage or loss. Wear and Tear is the amount deducted from claims payments to allow for any depreciation in the property insured which is caused by its age or usage.</p>
<u>Reinstatement Basis (New for Old)</u>	<p>A term where insurers agree to pay the cost of property lost or destroyed based on the current replacement cost, without deduction for wear, tear or other depreciation, but subject to its Sum Insured being reflective of its new replacement value, so as to avoid the possible application of Average. See also Day One.</p>
<u>Business Interruption</u>	<p>Also known as Loss of Profits, Loss of Revenue, Consequential Loss or Increased Cost of Working, this will provide cover for the effect on your business as a result of an insured peril (loss or damage) at your premises or other designated locations. For covers other than Increased Cost of Working, cover is triggered by a demonstrable loss of turnover in the period following the loss, which is subject to a Maximum Indemnity Period.</p>
<u>Maximum Indemnity Period</u>	<p>Under a Business Interruption insurance the period during which cover is provided for the disruption to the business following the occurrence of an insured peril.</p> <p>This period must be calculated carefully to ensure that it is long enough to enable your business to fully recover from the effects of serious insured damage.</p>
<u>Estimated Gross Profit or Revenue</u>	<p>See also Declaration Linked, Gross Profit and Gross Revenue</p> <p>This is the Gross Profit or Gross Revenue estimated by you for the coming period of insurance.</p> <p>This may need to be projected beyond the next twelve months if you have a long Maximum Indemnity Period</p>
<u>Excess</u>	<p>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. Also known as a Deductible.</p>
<u>Claims Notification</u>	<p>Different Insurers will have different conditions on claims reporting, failure to adhere to these could seriously affect your ability to claim. It is therefore essential that you comply with the notification conditions and, our advice is to notify us or your Insurers at the earliest possible opportunity.</p>

As mentioned, the first page identifies, what are, in our opinion, the most important terms and those that can have a serious effect on a Policyholders ability to claim. The following are general terms that may apply to this insurance and we hope will be of use to you:-

<u>Act of God</u>	"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". Nugent v Smith (1876)
<u>Aggregate Limit of Indemnity</u>	The maximum amount an insurer will pay under a policy in respect of all accumulated claims arising within a specified period of insurance.
<u>All Other Contents</u>	Broadens the definition of Machinery & Plant in a Material Damage policy to include typically: Documents, Manuscripts, Business Books Computer Systems Records Patterns, Models, Moulds, Plans, Designs Pedal Cycles and Personal Effects For which you are responsible. This list is not exhaustive – please see your policy for a full definition and note of the limitations that might apply.
<u>C&F</u>	See also CIF . A Marine Cargo Insurance term meaning "Cost & Freight". Seller does not arrange the insurance, this is the responsibility of the buyer.
<u>CIF</u>	A Marine Cargo Insurance term meaning "Cost, Insurance and Freight". The seller is obligated to get the subject matter insured delivered to the carrier at the named port of departure. The seller must also arrange the insurance to final destination, any export permits, licenses and the contract of carriage. However once the goods are loaded onto the vessel the risk of loss passes to the buyer.
<u>Capital Additions</u>	An automatic provision arranged to cover newly acquired Buildings, Machinery, Plant or similar items. Normally limited to a maximum figure or percentage of your sums insured, subject to declaration of their acquisition within a specified period of time.
<u>"Claims Made" Policies</u>	Directors & Officers Liability and Professional Indemnity policies are often written on a "Claims Made" basis. This means they will respond to claims made during the term of the policy cover irrespective of the date of the incident which brings about the claim, subject to any limitations regarding Retroactive Dates .
<u>"Claims Occurring" Policies</u>	Employers, Public and Products Liability policies react to claims made at any time, as long as the incident causing the claim occurred during the term of the policy.
<u>Coinsurance</u>	Where cover is subject to a coinsurance you will bear the first, stated percentage of any loss. This will usually be subject to a minimum sum. e.g. Cover is subject to a 10% coinsurance with a minimum deduction of £2,500.
<u>Common Law</u>	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 have interpreted it for hundreds of years.
<u>Consequential Loss</u>	See Business Interruption .
<u>Continental Scale</u>	A term used in a Personal Accident policy. It is an extension of the "Loss of Limbs or Eyes" benefit and adds cover for the loss of, for example, a hand, an ear or a toe with a reduced sum payable. Policies differ in the interpretation of the phrase and the benefits paid – so refer to the wording for full details.
<u>Cyber Liability Insurance</u>	This type of insurance provides cover in relation to the use or misuse of your computer systems or website. Examples of the covers offered are: <u>Third Party Claims..</u> <ul style="list-style-type: none">• Libel & Slander due to e-mail or web site content.• Breaches of intellectual property rights or confidentiality.• Misleading advertising, pricing or jurisdictional issues.• Their losses as a result of their system being inaccessible due to you losing data or other mishap, including viruses and the like.• As a result of dishonesty involving employees. <u>Claims made by your Employees..</u> <ul style="list-style-type: none">• An inappropriate workplace (e.g. sexual harassment due to email content) or breaches of confidentiality. <u>Claims for your own losses in respect of..</u> <ul style="list-style-type: none">• Losses incurred as a result of a hacking attack or virus.• Ransom or extortion.

- Legal expenses in relation to the enforcement of your intellectual property rights.
- The cost of a public relations consultant to mitigate any damage caused to reputation as a result of the above.
- Payments of bank Credit card charge-backs.

[Date Recognition & Electronic Risks Exclusion Clauses](#)

Insurers generally are not prepared to cover losses attributable to Year 2000 or other date recognition problems, or the Millennium Bug as it has become known. Further, most policies will now exclude all forms of Electronic Risks. If you are in any doubt over your particular insurer's position and the effect on your policy, please contact us.

[Day One](#)

Where a Material Damage cover is insured under "Day One" you decide on the "Declared Value" which, to avoid **underinsurance** should be adequate at the beginning (Day One) of each period of insurance. The policy then provides cover up to a specific sum insured, typically 115% or 130% of the "Declared Value", to make allowance for changes in value during the period of insurance. Such changes might be brought about by inflation, changes in rates of currency or other factors out of your control.

You still need to notify us of the acquisition of extra Stock or other insured assets.

[Declaration Linked](#)

A **Business Interruption** insurance term. Where a **Gross Profit** or **Gross Revenue** sum insured is shown as "Estimated" or subject to Declaration Linking the **underinsurance** clause **Average** (see above) does not apply.

Your policy will provide cover up to, typically, 133% of the value selected and you will be asked to declare the actual **Gross Profit** or **Gross Revenue** earned in the insurance period at the end of that period at which point the premium will be retrospectively adjusted.

This adjustment may be limited to a maximum refund of say 25%, but not always a maximum additional charge.

[Deductible](#)

See **Excess**.

[Directors & Officers Liability](#)

Cover is on a **claims made** basis and insures the personal liabilities of directors, officers and senior employees in respect of alleged wrongful acts arising whilst running the company.

A wrongful act can be defined as "breach of duty, breach of trust, neglect, error, misstatement, misleading statement, omission, breach of warranty of authority or other act"

Policies also protect the company when its Memorandum and Articles of Association allows it to indemnify the director, officer or employee concerned. This is known as "Company Reimbursement". Normally this indemnification is only allowed when director, officer or employee is innocent of the allegation and legal defence costs have been incurred in defending them.

[Employers' Liability](#)

This cover is a legal requirement in most circumstances when you employ staff in your business. Policies provide cover for your liability at law for disease contracted by or injury to your employees while at work.

The policy definition of employee is often wide and will usually include persons under a contract of employment, labour only sub contractors, apprentices or persons engaged under any study or work experience programme.

See your policy wording for a full definition.

The Certificates issued by insurers must be displayed at places where you employ staff. Certificates may also be displayed on an employer's intranet, so long as all staff have reasonable access to it.

[Employers Liability Tracing Office \(ELTO\)](#)

A database set up by the Government to store Employers Liability insurance data for all employers in the UK.

[Exclusion](#)

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

[Financial Loss](#)

A financial loss, not caused by injury or damage, suffered by a third party arising out of a defect in a product supplied by you.

[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 desired.

[First Loss](#)

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**.

<u>FOB "Free on Board"</u>	The seller fulfils their obligation to deliver when the subject matter insured has been placed over the ship's rail at the named port of shipment and the buyer has to bear all costs, including freights costs, and risks of loss of or damage to the subject matter insured from that point.
<u>Franchise</u>	Similar to an Excess . However, a deduction is only made for claims where the sum claimed is less than the amount of the franchise.
<u>General Average</u>	General Average may be declared by a ship owner following serious damage to the vessel, or its stranding. Once declared any costs expended to save the ship and its cargo is shared between the owners of the cargo on a basis proportional to the value of their goods.
<u>Gross Profit</u>	As defined by your Business Interruption insurance, typically The amount by which the sum of turnover and the amount of closing stock exceeds the sum of purchases and the amount of opening stock less bad debts and carriage and packaging.
<u>Gross Revenue</u>	The corollary of Gross Profit for a business that does not rely on the purchase and processing or sale of stock and raw materials. This cover is typically used in reference to office-type risks.
<u>Increased Cost of Working</u>	A Business Interruption insurance term. A Business Interruption policy will cover not only the Gross Profit or Gross Revenue lost as a result of a fall in turnover following insured damage, but also pay for reasonable costs, on an economic basis, incurred to ensure that turnover is maintained. Some businesses will choose not insure for their full Gross Profit or Gross Revenue but for Increased Cost of Working only. If your business may be affected by costs that could exceed the economic limit then you may need to supplement your Gross Profit or Gross Revenue cover with Additional Increased Cost of Working cover.
<u>Insurable Interest</u>	<u>Non-Marine Insurance</u> 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. <u>Marine Insurance</u> Similar to the above, but the insurable interest may change during the term of the policy. e.g. from the seller to the buyer.
<u>Insurance Premium Tax (IPT)</u>	The Finance Act 1994 introduced this new tax on most general insurance risks located in the UK. It is currently 6% for most policies, but can be 17.5% for some types of insurance.
<u>Limit of Indemnity</u>	The maximum amount payable. For Employers' Liability and Public Liability policies, this is a limit for all claims arising out of a single cause, whereas this is normally stated as an aggregate amount payable in any one period of insurance in the case of Products Liability or Financial Loss insurances. In the case of Professional Indemnity insurances the Limit of Indemnity may be expressed as one or the other. Since January 1999, Employer's Liability policies must have a minimum indemnity limit of £5,000,000. Subsidiary companies can be included, however Associated companies must have their own separate policy. The standard limit of indemnity provided by most insurers is £10,000,000, which is inclusive of costs, but this limit may be increased, if required.
<u>Long Term Agreements or Undertakings</u>	Where a policy is subject to a Long Term Agreement (LTA) or Undertaking (LTU), for which a premium discount has been allowed as a specific amount or within the overall calculation of premium, you are bound to renew with the current insurer. If, however, the insurer seeks to amend the terms or conditions of the policy or the rates of premium charged (though this does not apply to changes in premium caused by amendments you request or changes in the rates of any applicable taxes) then you are no longer obliged to renew. However if you accept any amended terms then these will apply for the remainder of the LTA or LTU.
<u>Loss of Profits</u>	See Business Interruption .
<u>Material Damage Warranty</u>	Also referred to as "Material Damage Proviso" 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 .
<u>Minimum & Deposit Premium</u>	Where a premium is stated to be a "Minimum & Deposit" no refund will be allowed for cancellation. Nor will any refund be allowed when the annual declaration is submitted, though an additional premium may be charged.

Motor Contingent Liability

Legal liability for third party claims made against you, arising out of employees using their own vehicles on Company business.

Following the implementation of an EC Directive it is essential that cover is arranged to protect your Company and any employees who use their own cars on your business.

Cover is usually included as a standard extension to **Public Liability** insurance policy. Employees will need to ensure that they have informed their own insurers that they use their vehicle for their employer's business for their own protection.

Motor Insurance Database

With effect from 20th January 2003, the fourth European Union Motor Directive came into force. As a result of this all insurance details on any vehicle (with very limited exceptions) have to be included on a central data base.

In the case of Motor Trader's Road Risks policies and some Motor Fleets, the onus of keeping the Database up to date will fall upon the customer. We will let you know when this is the case and agree a course of action with you.

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.

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.

Prior and Pending Litigation Date

A term used in **Directors' & Officers' Insurance**. Such policies usually exclude claims arising from matters prior to this date.

Products Liability

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.

Cover may be extended to include **Financial Loss** without injury or damage.

Professional Indemnity

Sometimes referred to as "Errors and Omissions" Insurance. This type of policy protects a professional person against their legal liability towards third parties for injury, loss, or damage, arising from their own professional negligence or that of their employees. These policies are available for a wide variety of business and not just the "Professions".

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 also **Statement of Fact**.

Public Liability

The legal liability of the insured to persons who are not parties to the contract of insurance and are not employees of the insured. Cover relates to injury or damage (including trespass) only. Also known as **Third Party Liability** insurance.

Reinstatement

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. See also **Day One**.

Retroactive Date

A term found commonly in **Directors & Officers**, where it is sometimes referred to as a **Prior and Pending Litigation Date** and **Professional Indemnity** policies whereby cover is limited to events taking place after such date.

Single Article Limit

The maximum amount payable by insurers in respect of any single article, which term may include a collection of articles.

Special Perils (or Peril)

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

The Special Perils often referred to relate to one or more of the following defined events:

Fire, Lightning, Subterranean Fire, Explosion, Aircraft or object falling therefrom
Earthquake, Riot & Civil Commotion, including Locked-out Workers, Malicious
Damage, Storm, Flood, Burst Pipes or Escape of Water or Oil, Impact from Road
Vehicles or Animals.

Optional additional perils: Accidental Damage, Subsidence, Heave and Landslip,
Terrorism, Theft.

Standard Construction

Often defined as: Brick stone or concrete built and roofed with slates tiles metal concrete asphalt or sheets or slabs composed entirely of non-combustible mineral ingredients and plastic roof lights. This may vary from policy to policy.

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.

Terrorism

In the Terrorism Act 2000, Terrorism is defined as:

- (i) actions involving serious violence against a person, serious damage to property, serious disruption of the electronic system,
- (ii) which is designed towards seriously influencing the government or intimidating the public and
- (iii) is made for the purpose of advancing a political, religious or ideological cause.

Policies providing cover for loss or damage and **Business Interruption** will usually exclude claims caused as a result of Terrorism, but this cover may usually be added back into your policy at extra cost.

In the case of Motor Insurance, some insurers provide full cover, while others either limit or exclude cover in some way. Please refer to your usual contact person if you require clarification.

Employers Liability policies usually reduce the **Limit of Indemnity** to the legal minimum of £5,000,000, while **Public Liability** and **Products Liability** covers are usually limited to £2,000,000. It is not generally possible to "buy back" full cover here, so please refer to your usual contact person if you have any queries.

Theft

Theft insurance, where arranged, is usually restricted to losses occurring as a direct result of entry to or exit from the premises by forcible or violent means. You should therefore keep your premises secure, even when occupied.

Third Party Liability

See **Public Liability** insurance.

Underinsurance

You might be considered to be underinsured if the level of cover you have selected falls short of the actual amount necessary to provide full insurance after taking into account the Basis of Claims Settlement provision contained in your policy.

We strongly recommend that you seek professional advice on a regular basis regarding the sums insured you choose.

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.

Wear and Tear

See **Indemnity**