



Brecknock

INSURANCE TERMS - EXPLANATIONS

Your insurance policies include many terms which are peculiar to insurance and whilst your Account Manager is always available to explain the meanings, those in common use are briefly explained below, including some specialised classes of insurance:

ADJUSTMENT PREMIUM:

The premium determined after expiration of the policy on the declaration of details such as wages, stock values etc, or the loss experience under the policy. The original premium charged on such policies may be referred to as the deposit premium, the base premium or the initial premium.

AGGREGATE LIMIT:

Usually the total amount of money an insurance company will pay under a Liability policy for all claims which arise during the period of insurance.

ANNUAL PREMIUM:

The amount of premium which must be paid annually to meet the contractual requirements of the policy and keep it fully in force.

ASSURANCE:

A term commonly used to distinguish life "assurance" from general (ie, non-life) insurance.

AVERAGE OR CO-INSURANCE CLAUSE:

A clause in a policy requiring that, where property is insured for less than its full insurable value, the Insured is required to bear a proportion of any loss. The proportion is the amount by which the property is underinsured expressed as a percentage of its full insurable value at the time of the loss.

It is common practice for insurance contracts to be subject to Average or Co-Insurance which means that if the value of the property insured exceeds the sum insured, then you would be required to contribute proportionally to each and every loss.

CAPACITY:

The amount of insurance or reinsurance available from one insurer or from the entire insurance market in a particular locality or country.

CLAIMANT:

The party making a claim under an insurance policy. The claimant may be the Insured. Under Liability policies, the

	claimant is a third party.
CLAIMS INCURRED BUT NOT REPORTED (“IBNR”):	Claims resulting from accidents or occurrences which have taken place but of which the Insurer has not received notice or report of loss.
COMPLETED OPERATIONS:	This exposure follows the construction of a project and protects various responsibilities of the Contractor after leaving the site.
COMPULSORY THIRD PARTY (“CTP”):	Insurance covering accidental bodily injury to or death of third parties as a result of road traffic accidents. All owners of motor vehicles using public roads in Australia are required to have CTP cover taken out in the State in which their vehicles are registered. The parties involved in a road traffic accident are: <ul style="list-style-type: none"> • First Party – the Insured or policy holder. • Second Party – the Insurer • Third Party – other persons involved, except the driver of the vehicle at fault.
CONTRACT PENALTIES / LIQUIDATED DAMAGES:	Covers penalties under contract for delay in completion of a contract on schedule.
CONTRIBUTORY NEGLIGENCE:	Lack of care on the part of the individual injured or suffering loss which helped to cause the accident or aggravated the injury or damage.
COST, INSURANCE & FREIGHT (C.I.F.):	The F.O.B. cost plus freight, insurance and all other charges for delivery to the declared port or final destination.
COVER:	The scope of protection provided by an insurance contract.
COVER NOTE:	Temporary contracts to protect the Insured while the procedures for the preparation and issuing of the insurance policy are progressing.
DEPOSIT PREMIUM:	Certain policies are written under conditions which provide that the final premium is not determined until the policy has expired. The premium charged at the inception of cover is the “advance”, “provisional” or “deposit” premium. The term is also sometimes used to refer to the initial premium paid by an applicant for life insurance which is held in suspense by the life company pending its acceptance or rejection of the proposal.
ECONOMIC LOSS:	Covers liability to third parties for their purely financial loss NOT arising from injury to their persons or damage to their property. Limited cover can be purchased in various forms including Product Guarantee and Professional Indemnity insurance, but in general cover is difficult to obtain because the exposure is so pervasive.
ELECTRONIC COMPUTER	Covers loss sustained by the Insured as the result of fraud

CRIME:	perpetrated by anyone other than the Insured's employees through the Insured's computer or electronic communications systems.
EMPLOYEE BENEFITS:	Refers to arrangements for Superannuation, group or individual Life Assurance, Disability or Salary Continuance insurance etc.
ENDORSEMENT:	Documentary evidence of a change to an existing policy, for example, change of address, increase in sum insured etc. An endorsement may result in an additional premium, a return premium or no premium adjustment.
EXTRA COST OF REINSTATEMENT:	Provides protection for additional costs necessary to comply with government regulations following a loss, eg previous premises may have had a wooden staircase whereas current regulations require concrete, thus the sum insured should allow for reinstatement in concrete.
EXTRA TERRITORIAL WORKERS' COMPENSATION:	Legal liability to pay compensation (including common law damages) to an employee normally domiciled in Australia who sustains injury, disease or death somewhere outside the Australian State or Territory of domicile in circumstances where the local Workers' Compensation policy may not adequately respond.
FIRE SERVICES LEVIES	Amounts payable by insurance companies to meet the operating costs of Fire Brigade authorities as determined by the various State Governments are passed onto policyholders as premium loadings known as Fire Service Levies.
FORGED SHARE TRANSFER	This is a legal liability policy. If company shares or stocks are transferred from one name to another, due to the production of forged documents, both the registrar and the issuing company may be jointly/severally liable for losses incurred by the real owner.
FRANCHISE:	A policy condition whereby no claim is admissible unless the loss exceeds a specified amount, at which point the Insurer pays the full amount of the claim.
FREE ON BOARD (F.O.B.):	Relates to the cost and charges from the supplier's store, including the cost of the goods, cases, packing, rail, delivery charges, dock charges, land transit, insurance, customs and agents' charges at the port of shipment. In other words, the total cost of the goods to be delivered to the vessel, but not sea freight or marine insurance.
GENERAL AVERAGE:	A term used in Maritime Law to cover special claims. Briefly it means that if cargo of a vessel is sacrificed for the common good of all property at risk on that vessel, then all parties involved will contribute to the loss of those whose goods were sacrificed, ie if a ship carrying goods on your behalf is forced to jettison your goods for the safety of the ship as a whole, then the owners (or their insurers) of the

other cargo and the ship would contribute so as to reduce your loss. Similar principles would apply for other owners if their cargo was jettisoned to protect yours.

HEALTH CARE PLANS:

Covers employees and their families for reimbursement of health and dental charges incurred in addition to those reimbursed by Medicare.

INDEMNITY:

The principle of indemnity is to place the Insured in the same financial position after a loss as that which applied immediately before the loss. That is, the Insured does not receive "new for old".

INHERENT VICE:

This term refers to a quality inherent in goods or their packing which produces deterioration or loss or damage to the goods without the assistance of another party and by its own action, eg weevils in flour.

INSURABLE GROSS PROFIT:

This term is used in the Business Interruption policy and comprises Net Profit plus the total of all expenses which will not necessarily diminish proportionally with a reduction in turnover or production, eg rent and rates. This is calculated by adding Turnover and Closing Stock less the sum of Opening Stock and the uninsured Working Expenses (ie, the variable costs).

**INSURABLE INTEREST –
GENERAL INSURANCE:**

An interest in relation to, or liability with respect to the subject matter of insurance which is of such a nature that damage to the subject matter, or injury or damage caused by or liability arising from the subject matter would result in financial loss to the person concerned.

KEY PERSON:

Covers a specified amount following the death or disablement of selected key personnel. This cover should be purchased where the loss of key personnel may result in loss of market confidence, significant cost of employee replacement, short-term cash flow difficulties, debt foreclosure, etc.

**LIBEL AND SLANDER /
DEFAMATION:**

Legal liability for injury to the reputation, goodwill, profession, trade, business or credit of third parties in consequence of defamation, libel and slander.

LIFE ASSURANCE:

Covers an individual against death by any cause with the exception of suicide, subject to certain time constraints.

**LOSS OF HIRE / STANDBY
CHARGES:**

Covers loss of anticipated freight earnings/income as a result of vessel being out of service.

LOSS OF LICENCE:

Is available to a person who is dependant upon a form of licence in order to earn a livelihood, eg a pilot. The insurance covers specified benefits in the event of accident or disability which results in discontinuance of the licence.

MANUFACTURERS OUTPUT /

Covers loss of and/or damage to stock from purchase as

SELLERS CONTINGENCY:	raw materials through manufacture and transit / shipment to final destination. This cover is often termed as “Cradle to Grave”.
	Sellers Contingency protects exporters when goods are destroyed or damaged as a result of the buyer not paying for the goods.
MEDICAL CRISIS / TRAUMA:	Covers expenses associated with a variety of potentially serious, often life-threatening nominated sicknesses and diseases.
MORTGAGE AND LEASE GUARANTEE:	Covers financial loss as a result of default by the borrower.
MORTGAGE PROTECTION:	Utilised to provide for the repayment of an outstanding mortgage or other outstanding debt which is being paid off by instalments, in the event of death or disablement of the mortgagor.
NON-OWNED AVIATION LIABILITY:	Covers legal liability to third parties (including passengers) for accidental death, bodily injury or damage to third party property caused by an aircraft or by any person or object falling from an aircraft not owned by the Insured but which they charter, hire or use with the permission of the owner, only whilst such aircraft is in the care custody or control of the Insured.
POLITICAL RISK:	Covers loss by confiscation, expropriation, nationalisation, requisition, destruction or deprivation by actions of governments or local authorities of countries in which the Insured may trade.
PRODUCT PERFORMANCE GUARANTEE:	Covers legal liability either at law or under contract to repair or replace defective products made, sold or distributed by the Insured.
PRODUCT RECALL:	Covers legal liability for all costs, expenses and damages for withdrawal or recall of goods or products because of any known or suspected defect or deficiency therein.
RELEASE:	A signed document accepting settlement for a loss.
REINSTATEMENT AND/OR REPLACEMENT:	This is a method of insuring property on a “new for old” basis. In the event of a physical loss or destruction of property insured under these conditions, settlement would be based on the cost of replacing the property or restoring the damage in new materials without any deduction for depreciation.
SALARY CONTINUANCE:	Covers for a specified period of time, up to 100% of salary of an employee or self-employed individual who cannot work because of a prolonged disability arising from accident and/or sickness.
THIRD PARTY STRIKES:	Covers business interruption loss attributable to the strike

action of the employees of the Insured's customers or suppliers of goods or services.

SUBROGATION:

The common law right of an Insurer to recover from a third party who is wholly or partially responsible for a loss paid by the Insurer under the terms of a policy. For example, when an Insurer has paid the Insured for loss sustained to his car as the result of a collision, the Insurer may collect through the process of subrogation from the person whose car caused the damage. Subrogation recoveries are treated as reductions of losses paid when calculating claims experience.

TAKEOVER:

Covering expenses arising from a successful defence against an unwelcome bid to take over or acquire control of the insured company.

THIRD PARTY (UNDER A LIABILITY INSURANCE POLICY):

A person, not a party to the insurance contract, who has an alleged right of action for injury or damage, against the party insured under the policy.

TRUSTEE LIABILITY:

Covers trustees and trust managers of superannuation funds. Covers fiduciary legal liability to compensate third parties (including legal costs incurred) arising out of the negligent administration of the trust or fund.

In all contracts of insurance, it is a fundamental principle that the parties must exercise the utmost good faith towards each other. Any material fact which would influence the parties to the contract must be disclosed, otherwise there are grounds for avoiding the policy.

UNDERWRITER:

One who determines the degree of acceptability and the pricing of insurance business.

WORKERS' COMPENSATION:

All employees injured by accident or industrial disease arising out of, or in the course of their employment are legally entitled to compensation under the various Workers' Compensation statutes. The Acts in each State and Territory require employers in Australia to maintain compulsory "no fault" insurance to cover their legal liability.