



Glossary of terms

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A

Accidental Damage

Unexpected or unplanned damage or harm caused to property or a person.

Act of God

An event that is not the fault of any individual, such as a natural disaster. Most insurance policies do not contain an exclusion for acts of God. The policy will set out what is insured and what the main exclusions are. If loss occurs from an event covered, then the insurer will pay out, in accordance with the policy terms and conditions.

Aggregate limit of indemnity

The maximum amount an insurer will pay for all claims over a set time frame.

Annual Payment

A sum of money paid out every year, such as an annuity.

Annual Percentage Rate

This tells you how much you will be charged as a percentage when you borrow money.

Annual Premium

This is the amount you pay an insurer each year for a policy you have taken out.

Assets

Things that you own such as buildings, vehicles, stocks, shares and money in the bank.

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B

Benefit

Money paid by an insurer when a claim is accepted.

Broker

A person or firm that places its customers' insurance with an insurer. They can advise customers on the best insurance product to take out depending on their needs. Brokers can also provide other services such as risk management, designing or negotiating contracts, and handling claims. (Also known as an intermediary, agent or adviser).

Business Interruption

When business productivity has to stop due to an unplanned event or disaster which affects its profits. Business interruption insurance will normally cover the loss of income specified for a period of time that a business suffers when it has to cease trading as a result of an unplanned event such as a fire.

C

Claim

What the customer asks the insurance company to pay to sort out problems caused by an event, such as a flood or a car accident.

Claim Frequency

The number of claims made on a policy.

Co-Insurance

An arrangement where an insurance policy is shared by more than one insurer.

Commercial Business

Any insurance policy taken out by an organisation to cover their trade, business or profession.

Commission

Money paid to a third party for matching customers with insurance providers.

Compulsory excess

Part of any claim that a customer has to pay.

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Contribution

If something is covered under more than one policy, the cost of any claim may be shared over all policies. For example, losing possessions on holiday may be covered by both home contents and travel insurance.

Cooling off period

A certain amount of time a customer has to cancel a policy without penalty.

D

Decreasing term insurance

A term insurance policy where the amount of money you have insured your life for reduces steadily every year to the end of the term – in line with a repayment mortgage – but the premium stays the same.

Deductible

This is a specified amount that has to be paid before an insurance company will pay a claim.

E

Excess

This is the first amount of any insurance claim that the customer agrees to pay as part of the policy conditions – the insurer pays the rest.

Exclusion

A risk or item specifically not covered by a policy.

Ex-gratia Payment

Any payment made by an insurance company that is outside the terms of the policy.

Exposure

The potential costs of an insured event, such as a flood, to an insurer.

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General Insurance

General insurance is non-life insurance cover for damage or loss. It includes products such as motor, travel, pet, health and home insurance.

Glass replacement

A clause in your home or motor insurance policy that allows you to claim for the replacement of glass in your windscreen, sunroof, windows, doors, skylights, etc.

H

I

Inception Date

This is the date your insurance cover starts.

Indemnity

This is when someone promises to pay for loss or damage they cause someone else.

Index-linked

If something (for example, government bonds or pension funds) is linked to an index, then it means changes are made in proportion to the changes in the relevant index, such the retail price index or other measures of living such as interest rates or wages.

Inflation

This is the percentage change in the cost of living over time, measured through the Consumer Prices Index (CPI) or Retail Prices Index (RPI). As prices rise, the value of money falls.

Insurable interest

The interest that a person has in something such as a particular property or another individual, which means that the person would suffer a loss should that property or individual be harmed.

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In insurance law, you can only buy insurance for something or someone in which you have an insurable interest.

Insurance

Insurance is a financial product sold by insurance companies to safeguard individuals, organisations and / or their property against the risk of loss, damage or theft (such as flooding, burglary or accidents). When you buy a policy you make regular payments, known as premiums, to the insurer. If you make a claim your insurer will pay out for the loss that is covered under the policy.

Insurance Company

A company that creates insurance products to take on risks in return for the payment of premiums. Companies may be mutual (owned by a group of policyholders) or proprietary (owned by shareholders). (Also known as insurer or provider).

Insured

The person who the insurance covers. (Also known as policyholder).

Intermediary

Any person or firm that sells insurance but is not an insurance company themselves. This can include brokers, independent financial advisers, banks, comparison websites and trade unions

J

Joint Life

A policy that covers two people and pays out when the first person dies.

K

Key Person Insurance (Key Individual)

In the event of the death of a key employee on whom the business depends for its continued profitability or even existence, this type of cover provides a sum of money which can be used to pay for the cost of finding and training a successor. It can also pay out for reduced profitability.

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Lapse

Where the customer stops paying premiums or a policy that is not renewed.

Legal Expenses Insurance

An insurance policy which covers the cost of legal advice or the legal costs involved in pursuing or defending a civil claim.

Liability

Liability insurance covers business owners, independent professionals and self-employed people against the cost of compensation claims following fault of negligence brought against them by employees, clients, customers, shareholders, investors, or members of the public. Liability insurance usually covers the cost of compensation to a third party for personal injury and loss of or damage to property.

Loss

Injury or damage to an insured property or person as a result of an accident or misfortune.

Loss Adjuster

Professional appointed by your insurer to confirm the circumstances of your claim and the extent of any damage caused, and to make sure the claim is covered by your policy. The loss adjuster will tell your insurer the amount that should be paid out for your claim.

Loss Assessor

An independent person who evaluates and negotiates claims on behalf of the policyholder.

M

Material Damage

A term used to describe physical loss or destruction to property or contents.

Material Fact

An important fact about you or your circumstances that would influence an insurer's decision on whether to issue a policy and on what terms. Non-disclosure or misrepresentation of such facts can result in your policy being cancelled or your claim being declined.

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N

Negligence

A failure to take proper (or reasonable) care in doing something, resulting in damage or injury to you or someone else.

New for Old

New for old policies replace damaged or stolen possessions at their original purchase price regardless of how old they are or what condition they're in at the time you make a claim. They differ from indemnity policies which take wear and tear into account, replacing items at their current value.

Non-Disclosure

This is when a customer does not tell their insurer something that might affect the insurer's decision to provide cover or how much the cover costs.

O

P

Peril

A peril is the cause of damage, such as earthquakes, flooding, storm or fire.

Personal Accident

A policy that will cover you for accidental death or a specified injury.

Personal Lines

This refers to any insurance policy taken out by an individual in a private capacity as opposed to for business or professional use.

Policy

The insurance cover as agreed between the insurance company and customer.

Policy Schedule

This is an outline of the cover provided under a policy. It will show details of the policyholder and the kind of cover given.

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Policy Holder

The person or organisation that is taking out an insurance policy (and paying the premiums).

Pre-existing medical condition

Any health condition you have now or had in the past; have been diagnosed with or are waiting for a diagnosis of; have been treated for or are having treatment for before the start date of any health insurance or income replacement insurance cover.

Premium

The amount to be paid by a customer for an agreed amount of insurance cover.

Proposal form

An application for insurance cover.

Proposer

The person who is applying for cover.

Public Liability

Public liability insurance covers the cost of claims made by members of the public for incidents that occur in connection with your business activities. Public liability insurance covers the cost of compensation for personal injuries, loss of or damage to property, and death.

Q

R

Rebuild Value

How much it would cost to rebuild your property if it was destroyed beyond repair. Most building insurance is based on this figure rather than a property's sale price or market value.

Reimbursement

Repayment of money to a consumer for a cost that is actually covered by the insurance policy.

Reinstatement

If an insured property is damaged, rather than paying the policyholder a sum of money the insurer arranges for the property to be restored to its previous condition.

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Reinsurance

Insurers can buy cover from other insurers to protect themselves against large (or unexpected) losses.

S

Statement of fact

A form outlining all the information given to an insurer that is signed by the customer.

Subject to survey

Insurers use this term to provisionally accept a policy but this may change on what survey results, such as a survey on a property, show.

Subrogation

This is where someone takes over the claim made by another person. For example, if an individual has a problem with broken drains that are the responsibility of the local authority, the insurance company may pay to fix the drains and will then look to recover the costs from the local authority.

Subsidence Claim

A claim for damage to a building caused by subsidence, that is when the ground beneath a building sinks, pulling the property's foundations down with it. The downward movement of the site on which the building stands is unconnected with the weight of the building. Subsidence usually occurs when the ground loses moisture and shrinks, for example following prolonged dry spells.

Sum insured

The value of an insured item (or event) which will form the basis of a claim.

I

Total permanent disability

Some life policies will pay out if the policyholder becomes permanently disabled – the policy then stops.

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U

Underinsurance

Underinsurance is when your insurance cover, or sum insured, is less than the value at risk.

Underpinning

When a building's foundations are strengthened or deepened to manage the risk of subsidence occurring.

Utmost good faith

A term where both the policyholder and the insurer agree not to withhold information or provide false information that could affect the policy.

V

Valuables

These are items that you own such as jewellery or paintings.

Void

Another term for cancelled.

W

Wear and tear

This is the fall in the value of the item or property due to damage that occurs over time.

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