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AMFI Registered Mutual Fund Distributor

Insurance Glossary

A

Accident: An event or occurrence which is unforeseen and unintended.

Accident And Health Insurance: Coverage for accidental injury, accidental death, and related health expenses. Benefits will pay for preventative services, medical expenses, and catastrophic care, with limits.

Accident Insurance: Insurance cover of the loss of any limbs or eyes, etc. in the event of an accident. It is also generally covers compensation to the policyholder's dependents in the event of death.

Accident year: An accident year grouping of claims means that all the claims relating to events that occurred in a 12 month period are grouped together, irrespective of when they are actually reported or paid and irrespective of the year in which the period of cover commenced.

Accidental Bodily Injury: Injury to the body as the result of an accident.

Accidental Death Benefit: An endorsement that pays the beneficiary an additional benefit if the insured dies from an accident.

Accord and Satisfaction: When one party has discharged its obligation under a contract, it may elect to release the other party from its obligations. When this is done in return for a new consideration, the release is known as accord and satisfaction.

Accounts Receivable (Debtors) Insurance: Indemnifies for losses that are due to an inability to collect from open commercial account debtors because records have been destroyed by an insured peril.

Act of God: Event caused by nature that is so unpredictable as to be unavoidable, for example, the timing and location of earthquakes or floods. Acts of God are normally insured against as a matter of course.

Actual Cash Value: A form of insurance that pays damages equal to the replacement value of damaged property minus depreciation.

Actual Total Loss: Insured item that has been lost or completely destroyed. The full insured value is payable by the insurer.

Actuary: A person professionally trained in the technical aspects of pensions, insurance and related fields. The actuary estimates how much money must be contributed to an insurance or pension fund in order to provide future funds.

Additional insured: An assured party specifically named under an insurance policy that is not automatically included as an insured under the policy of another, but whom the named insured's policy provides a certain degree of protection. (e.g. bankers or financial institutions)

Additional Insureds: Persons who have an insurable interest in the property/person covered in a policy and who are covered against the losses outlined in the policy. They usually receive less coverage than the primary named insured.

Adverse selection: The tendency of those exposed to a higher risk to seek more insurance coverage than those at a lower risk. Insurers react either by charging higher premiums or not insuring at all. In the case of natural disasters, such as earthquakes, adverse selection concentrates risk instead of spreading it. Insurance. works best when risk is shared among large numbers of policyholders.

Affreightment: Carriage of goods by sea.

Agent: An insurance company representative licensed by the IRDA negotiates or effects contracts of insurance, and provides service to the policyholder for the insurer.

Aggregate Deductible: A type of deductible that applies for an entire year in which the insured absorbs all losses until the deductible level is reached, at which point the insurer pays for all loses over the specified amount.

Aggregate Limits: A yearly limit, rather than a per occurrence limit. Once an insurance company has paid up to the limit, it will pay no more during that year.

Aleatory Contract: A legal contract in which the outcome depends on an uncertain event. Insurance contracts are aleatory in nature.

All-risks Policy: Insurance policy that covers personal possessions against loss or damage, usually anywhere in the country. All- risks policies are frequently extended to cover possessions in other parts of the world, and are therefore often used to insure small moveable items. Despite the term ''all-risks'' there is usually some important exclusion.

Arbitration: A form of alternative dispute resolution where an unbiased person or panel renders an opinion as to responsibility for or extent of a loss.

Arson: The willful and malicious burning of, or attempt to burn, any structure or other property, often with criminal or fraudulent intent.

Assignment: Legal transfer of a property, right or obligation from one party to another.

Assurance: Insurance that provides for an event that will certainly happen (such as death), as opposed to an event that may happen. There are many types of assurance policies such as endowment assurance, life assurance, and so on.

Assured: Person who received the proceeds of an assurance policy when the policy matures or the person assured dies.

Average Clause (Condition of average): In marine and commercial insurance and some fire insurance and some fire insurance policies, a clause in the policy that stipulates certain items shall be subject to average if there is underinsurance.

B

Bancassurance: Involvement of banks in the traditional insurance market.

Bill of lading: Document detailing the transfer of goods from a (foreign) supplier to a buyer. It may be used as a document of title.

Bind: In property and liability insurance, the agent customarily is given the authority to accept offers from prospective insured's without consulting the insurer; in such cases, the agent is said to bind the insurer.

Blanket insurance: A policy designed to provide coverage under a single limit for two or more items (e.g. building and/or contents), two or more locations, or a combination of items and/or locations.

Bonus-malus: A bonus-malus system is a No-claim Bonus (or No-claim Discount) system in which the premium level reached after a policyholder has made claims may be higher than that corresponding to the point of entry. The term is used throughout Continental Europe and elsewhere.

Break Bulk: Carriage of goods other than by container.

Broker: A marketing specialist who represents buyers of insurance and who deals with companies in arranging for the coverage required by the customer.

Burglary: Breaking and entering into another person's property with felonious intent.

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

Business Income Insurance: Coverage for the reduction in revenue in the event of an insured peril.

Business Interruption Insurance: Protection for a business owner against losses resulting from a temporary shutdown because of fire or other insured peril. The insurance provides reimbursement for lost net profits and necessary continuing expenses.

C

Cancellation: The discontinuance of an insurance policy before its normal expiration date, either by the insured or the company.

Captive Insurance Company: A company owned solely or in large part by one or more non- insurance entities for the primary purpose of providing insurance coverage to the owner or owners.

Cargo Insurance: Type of Transit insurance that protects the shipper of the goods against financial loss if the goods are damaged or lost.

Case Management: A system of coordinating medical services to treat a patient, improves care, and reduce cost. A case manager coordinates health care delivery for patients.

Cash against Document (CAD): Method of payment for goods for export, whereby the documentation for a shipment is sent to an agent or bank at the destination. These are passed to the consignee, who makes the payment. The consignee is free to take delivery of the shipment when it arrives.

Catastrophe Cover: Type of re-insurance on an excess of loss basis to protect against an accumulation of losses arising from one event.

Catastrophe reinsurance: This is a form of aggregate excess of loss reinsurance providing coverage for very high aggregate losses arising from a single event, which may be spread over a number of hours; 24 or 72 hours is common.

Catastrophe Risk: In insurance, an exceptional loss for example, resulting from a flood or earthquake.

Catastrophe: In the context of general insurance a catastrophe is a single event which gives rise to exceptionally large losses. The exact definition often varies and is often dependent on excess of loss wordings e.g. it might mean all losses, in a 72 hour period, arising from a wind storm.

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

Central fund (Lloyd's): A contingency reserve built up from contributions by Lloyd's Names and held by Lloyd's as a layer of protection for policyholders.

Certificate of Insurance: A statement of coverage issued to an individual. it is a proof of insurance. Generally, it is issued for Motor and Marine insurances.

Certificate of Motor Insurance: Document that confirms the existence of a valid motor insurance policy. It must state the name of the policyholder, the registration no. of the vehicle, dates of commencement and expiry of the insurance, the person or persons insured to drive the vehicle, and any limitations on use. The form should be as per Motor Vehicles Act, 1988.

Cession: Amount of the insurance ceded to a reinsurer by the original insuring company in a reinsurance operation.

Claim amount distribution: A statistical frequency distribution for the amounts of claims.

Claim frequency: The number of claims in a period per unit of exposure, such as, the number of claims per vehicle year for a calendar year or per policy over a period.

Claim: A request by a policyholder for payment following the occurrence of an insured event. A claim does not necessarily lead to a payment.

Claim-made policy: Insurance Policy in which the insurer must meet only claims made during the time cover is provided (irrespective of when the loss occurred).

Claims incurred: Claims that have occurred, irrespective of whether or not they have been reported to the insurer.

Coinsurance: A method of sharing a risk among a number of direct insurers, each of which has a separate direct contractual relationship with the insured and is, therefore, liable only for its own contractual share of the total risk. The term is also used in certain excess of loss contracts to refer to the proportion of claims retained by the cedant.

Co-insurance: Method of sharing insurance risk between several insurers. The policyholder will deal as a lead insurer who issues documents and collects premiums. The policy will detail the shares held by each company.

Commercial Lines: Insurance of businesses, organizations, institutions, governmental agencies, and other commercial establishments.

Commercial Umbrella: A liability policy designed to cover catastrophic losses.

Commission: The part of an insurance premium paid by the insurer to an agent or broker for his services in procuring and servicing the insurance.

Composite insurer: A single insurance company writing both life and non-life business.

Comprehensive Coverage: Portion of an auto insurance policy that covers damage to the policyholder's car not involving a collision with another car (including damage from fire, explosions, earthquakes, floods, and riots), and theft.

Concealment: Deliberate failure of an applicant for insurance to reveal a material fact to the insurer.

Concurrent Causation: A legal doctrine that says if two perils (one excluded and one not excluded) occur and cause a loss, coverage applies.

Conditions: Provisions inserted in an insurance contract that qualify or place limitations on the insurer's promise to perform.

Consequential loss: Insurance cover for financial losses arising following damage (e.g. a fire) to business premises.

Consequential Losses: Losses other than property damage that occur as a result of physical loss to a business for example, the cost of maintaining key employees to help reorganize after a fire.

Consideration: In some forms of contract, the agreement is made binding by the payment of a sum of money from one party to the other. Such a payment is known as a consideration. The term is also used informally to mean any form of payment.

Consignment: Shipment of goods sent to someone for example, an agent, usually so that he or she may sell them for the consignor.

Contract: A binding agreement between two or more parties for the doing or not doing of certain things. A contract of insurance is embodied in a written document called the policy.

Contractor's All Risks: Type of insurance that provides compensation to contractor in the event of damage to construction works from a wide range of perils.

Contractual Liability: Legal liability of another party that the business firm agrees to assume by a written or oral contract.

Contribution: It is a team insurance in which a risk has been insured twice over, and each insurance company shares the costs of a claim payment.

Contributory Negligence: Lack of care in looking after something that reduces the value of damages or an insurance payment in the event of a claim being made.

Cover note: A note issued by an insurance company to confirm the existence of insurance cover pending the issue of formal policy documentation. An cover note is particularly useful where the policyholder is under a statutory obligation to be covered by insurance and may be required to show evidence of cover, for example third party motor insurance.

Crop-Hail Insurance: Protection against damage to growing crops because of named perils.

Cross Liability Endorsement: In the event of claim by one insured for which another insured covere by the same policy may be held liable, this endorsement covers the insured against whom the claim is made in the same manner as if separate policies had been issued.

D

Damaged Arrived Value: It refers to the market value of the goods in damaged condition.

Debris Removal Clause: The clause extends insurance coverage to include the cost of debris removal resulting from damage caused by covered loss up to a specified limit of loss.

Deductible: The portion of an insured loss borne by the policyholder. The amount or percentage is specified in the policy.

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

Direct Premiums: Property/casualty premiums collected by the insurer from policyholders, before reinsurance premiums are deducted. Insurers share some direct premiums and the risk involved with their re-insurers.

Directors' and Officers' (D & O) Liability insurance: Type of insurance that provides a company's directors and officers with cover against losses incurred through misleading statements or negligence.

Disability Income Insurance: Health insurance that provides periodic payments if the insured becomes disabled as a result of illness or accident.

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.

Duty of Disclosure: Positive duty to disclose material facts in an insurance proposal.

Dynamic Risk : Any insurance risk resulting from a human decision.

E

Earned Premium: For an insurance policy, the part of the premium that relates to an expired period of cover.

Economic Loss: Total financial loss resulting from the death or disability of a wage earner, or from the destruction of property. Includes the loss of earnings, medical expenses, funeral expenses, the cost of restoring or replacing property, and legal expenses. It does not include non economic losses, such as pain caused by an injury.

Electronic Data Interchange (EDI): Method by which companies or people communicate with their banks, clients and suppliers using computers.

Embezzlement: Fraudulent use or taking of another's property or money which has been entrusted to one's care.

Employment Practices liability Coverage: Liability insurance for employers that covers wrongful termination discrimination, or sexual harassment toward the insureds employees or former employees.

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

Environmental Impairment Liability Coverage: A form of insurance designed to cover losses and liabilities arising from damage to property caused by pollution.

Errors and Omissions Insurance (E & O Insurance): Insurance that covers liability for errors and omissions, such as incorrect records or accounting.

Estimated Maximum Loss (EML): Used in fire, explosion and material damage insurance policies, it is an estimate of the monetary loss that could be sustained on a single risk as a result of a single perils, which is considered by the underwriters to be possible.

Excess of loss: In reinsurance, an agreement that requires the reinsurer to bear any loss over a certain stated amount.

Excess: Amount of any loss that is not included in the cover provided (e.g. a loss falling below the excess is not a claim). A deductible on the other hand eats into the cover. This difference only really matters where there is an upper limit on the amount of cover such as reinstatements or an annual aggregate.

Exchange Gain: Profit made by an importer if there is an favorable change in the exchange rate.

Exchange Loss: Loss made by an importer if there is an unfavorable changes in the exchange rate.

Exgratia Payment: In insurance, a payment made to settle an issue(such as an insurance claim) but without admitting liability.

Expense Ratio: The ratio of a company's operating expenses including acquision costs to premiums written or earned.

Extended Reporting Period Endorsement: Added to a claims-made policy of liability insurance to provide the original amount of insurance for a limited period of time.

F

Facultative reinsurance: A reinsurance arrangement covering a single risk as opposed to a treaty arrangement; commonly used for very large risks or portions of risk written by a single insurer, that are shared among several reinsurers.

Facultative: Type of reinsurance in which risks is coded on an individual basis. The coding company can choose whether or not to reinsurer can decide to accept or reject the business.

Facultative-obligatory reinsurance: A facultative reinsurance facility with an obligation placed on the reinsurer to accept.

FIA: Abbreviation of Fellow of the Institute of Actuaries.

Fidelity Guarantee insurance: Commercial insurance that covers misappropriation of funds or other wrongdoing by an employee. It is also called fidelity insurance.

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

Fiduciary: A person who holds something in trust for another.

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

First Loss Insurance: Type of fire insurance or theft insurance in which the full value of the insured item is declared, but a lower sum insured (at a consequently lower premium).

Fleet Insurance : Motor insurance policy that covers a group of vehicles from one organization.

Fortuitous Loss: Unforeseen and unexpected loss that occurs as a result of chance.

Franchise: In insurance, a franchise is an agreed figure below which an insurance company does not have to meet a claim. A loss above the franchise figure is paid in full.

Fronting: In insurance, selling certain products with the intension of passing them on to another company.

G

General Average: In insurance, a situation in which a loss, resulting from a deliberate act of sacrifice to save other goods, is shared by the insurers concerned (such as the insurer of a vessel and the insurer of its cargo where part of the cargo has been jettisoned-and lost – to save the ship).

Glass Insurance: Protection for loss of or damage to glass and its appurtenances.

Gross Negligence: The intentional failure to perform a manifest duty in reckless disregard of the consequences as affecting the file or property of another.

Group Insurance: Insurance written on a number of people under a single master policy, issued to their employer or to an association with which they are affiliated.

H

Hazard: Condition that creates or increases the chance of loss.

Health Insurance: A policy that will pay specifies sums for medical expenses or treatments. Health policies can offer many options and vary in their approaches to coverage.

Hospice: A health care organization that provides humane, dignified care for dying patients.

Hull Insurance: Insurance of a vessel and its machinery. A policy is generally taken out during construction which covers the ship for the whole of its useful life.

I

Identity Theft Insurance: Coverage for expenses incurred as the result of an identity theft. Can include costs for notarizing fraud affidavits and certified mail, lost income from time taken off from work to meet with law enforcement personnel or credit agencies, fees for reapplying for loans and attorney's fees to defend against lawsuits and remove criminal or civil judgments

Implied Warranty: In marine insurance, warranty that a vessel is seaworthy and its voyage lawful (not explicitly written into the contract).

Incurred Losses: Expenses account in an insurance company's income statement reflecting the claims paid during the policy year plus the loss reserves as of the policy year, minus the corresponding reserves as of the beginning of the policy year.

Incurred-But-Not Reported Reserves (IBNR): Liability account on an insurer's balance sheet reflecting claims that are expected based upon statistical projections but which have not yet been reported to the insurer.

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

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

Insurable Interest: Financial interest, recognized at law, which the insured has in the subject matter of insurance. In some cases, an unlimited insurable interest exist, for example, in one's own life and the life of a spouse. However, in most cases, insurable interest is limited to the value of the property or goods, or extent of liability.

Insurable Risk: Risk against which insurance cover can be obtained by somebody with an insurable interest in it.

Insurance: Contract under which the insurer agrees to provide compensation to the insured in the event of a specified occurrence, for example, loss or damage to property. In return, the insured pays the insurer a premium, usually at fixed intervals.

Insured Peril: Peril that is specifically stated in an insurance policy as being covered or included.

Insured: The policyholder - the person(s) protected in case of a loss or claim.

Insurer: Insurance company or other person or company that agrees to indemnify someone against particular risks. Usually as defined in an insurance policy and for an insurance premium.

Insuring agreement: That part of an insurance contract which sets forth the type of loss being covered by the policy and the parties of the insurance contract.

Insuring Clause: The clause in an insurance contract which sets forth the type of loss being the policy and the parties of the insurance contract.

Intangible Assets: They are abstract commodities, which cannot be seen or perceived through the senses, for e.g. goodwill, honesty, integrity, etc.

Investment Income: Income generated by the investment of assets. Insurers have two sources of income, underwriting (premiums less claims and expenses) and investment income. The latter can offset underwriting operations, which are frequently unprofitable.

J

Jettison: Hazard covered under a marine cargo policy which is defined as the throwing overboard of cargo to preserve property from loss.

Jeweler's Block Insurance: Coverage designed to protect the insured stock property left with insured for repair or other purposes, and the insured's interest in and legal liability for property on consignment from others in the jewelry trade.

Joint-and-Several Liability: A legal principle that permits the insured party in a tort action to recover the entire amount of compensation due for injuries from any defendant who is able to pay, regardless of the degree of that party's negligence, once any liability by that defendant has been established.

K

Key Person Insurance: Insurance to cover the health of an essential employee (a key person) in a company. This form of insurance covers the cost of replacing such personnel at short notice by equally qualified temporary staff and any loss of profits incurred in the meantime.

Knock-for-knock Agreement: In motor insurance, agreement between a groups of insurers that no question of responsibility will be discussed and that each company will pay for damage to its own policyholders' vehicles, so long as the policyholder is covered for such damage.

L

Lapsed Policy: A policy terminated for non-payment of premiums.

Larceny: The unlawful taking, carrying loading away of another person's property.

Law of Large Numbers: Concept that the greater the number of exposures, the more closely will actual results approach the probable results expected from an infinite number of exposures.

Liability: Any legally enforceable obligation.

Liability Insurance: Portion of an insurer's balance sheet which denotes legal obligations of the company, including anticipated future payments of losses covered under policies issued.

Liability: A duty or contract to fulfill an obligation to another person or organization.

Lien: The right to possession of property until such time that an outstanding liability has been repaid.

Lloyd's of London: Incorporated association of insurers that specializes in marine insurance. Formally, established by Act of Parliament in 1871, the Corporation developed from a group of 17th- century underwriters who met at Edward Lloyd's coffee house in London.

Loading: The amount that must be added to the pure premium for expenses, profit and a margin for contingencies.

Log Term Care Insurance: Coverage that, under specified conditions, provides skilled nursing, inter-mediate care, or custodial care for a patient in a nursing facility or his or her residence following an injury

Loss: The occurrence of an event for which insurance pays.

Loss avoidance: A risk management technique whereby a situation or activity may result in a loss for a firm is avoided or abandoned.

Loss control: Any conscious action intended to reduce the frequency, severity, or unpredictability of accident loss.

Loss Exposure: A potential loss that may be associated with a specific type of risk.
Loss Payable Clause: Means of protecting a mortgagee's interest in property by directing the insurer to make a loss payment to the mortgagee in the event of a loss.

Loss Prevention: Any measure which reduces the probability or frequency of a particular loss but does not eliminate completely all possibility of that loss.

Loss Ratio: In insurance, the value of all claims expressed as a percentage of total premium for a period. The figure is used as a guide to the profitability of the business when considering rates.

Loss Reserve: The amount set up as the estimated cost of a claim.

Loss-of- Profits Insurance: Type of insurance that provides cover against loss of trade and profits resulting from some disaster such as a fire. In the latter case the policy would typically pay a business the equivalent of the expected net profits lost while repair work and restocking were carried out, plus salaries, rates and rent due in that period.

M

Malpractice Insurance: Professional liability cover-age for physicians, lawyers, and other specialists against suits alleging negligence or errors and omissions that have harmed clients.

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 Insurance: Insurance of ships and their cargoes which provides indemnity for property loss, damage and injury to third parties. Marine losses arise in four areas- Hull, Cargo, Freight & Liability.

Minor: A person under the age of 18, who cannot legally conduct certain transactions purchase certain goods.

Misrepresentation: A false, incorrect, improper, or incomplete statement of a material fact, made in the application for an insurance policy.

Moral hazard: The risk that an insured may attempt to take an unfair advantage of the insurer, for example by suppressing information relevant to the assessment of risk or by submitting a false claim.

Mutual Insurance Company: An insurance company in which ownership and control is vested in the policyholders and a portion of surplus earnings may return to policyholders in the form of dividends.

N

Named Peril: Coverage in property policy that provides protection against loss from only perils specifically listed in the policy.

Negligence: Failure to use the care that a reasonable and prudent person would have used under the same or similar circumstances.
Net Present Value: The present value of the cash inflow minus the present value of the cash outflow.

O

Occupational Hazard: 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 occupation, due to the disability, that can be expected.

Occurrence: An accident, including continuous or repeated exposure to substantially the same general, harmful conditions, that results in bodily injury or property damage during the period of an insurance policy.

Operative Clause: Defines the class and nature of business covered by a specific reinsurance treaty.

Overriding: In reinsurance, commission paid to the ceding company which is more than the acquisition cost to allow for additional expenses.

P

P & I Clubs: Protection and Indemnity Associations. These are associations of ship-owners organized to provide mutual aid for members for liabilities not covered by marine hull policies.

Package Policy: A combination of two or more individual policies or coverage's in a single policy e.g. Householders Package Policy, Shopkeepers Policy, Office Package Policy etc.

Peril: In insurance, any event that causes a loss and which may be included or excluded on an insurance policy, for example, an insured peril in a fire policy is fire; an excluded peril is war.

Peril of Nature: In insurance, a class of peril that includes earthquake, flood, hailstones, storm, thunderbolt and subsidence; such perils are usually covered by property insurance.

Peril of the sea: All perils which are unique of transportation and which could not be prevented by reasonable efforts, including sinking of the vessel, standing, heavy weather, lightning, collision with other vessels or submerged objects and damage by sea water when caused by an insured peril.

Personal Lines: Those types of insurance such as auto or home insurance, for individuals or families rather than for business or organizations.

Physical Damage: Damage to or loss of the auto resulting from collision, fire, theft or other perils.

Policy: The legal document issued by an insurance company to a policyholder, which outlines the conditions and terms of the insurance, also called the policy contract or the contract.

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

Political Risk Insurance: Coverage for businesses operating abroad against loss due to political upheaval such as war, revolution, or confiscation of property.

Pollution Liability: Exposure to lawsuits for injury or cleanup costs that result from pollution damage.

Pool: An organization of insurers or reinsurers through which particular types of risk are underwritten and premiums. Losses and expenses are shared in agreed upon amounts.

Portability: The right to transfer pension right and credits when a worker changes jobs.

Premium: The amount of money an insurance company charges for insurance coverage.

Probate: The court supervised process of validating or establishing a distribution for assets of a deceased including the payment of outstanding obligations.

Product Liability: Legal liability incurred by a manufacturer, merchant or distribution because of injury or damage resulting from the use of its product.

Product Liability Insurance: Coverage designed to provide 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 covered product.

Proof of Loss > Documentary evidence required by an insurer to prove a valid claim exists. It usually consists of a claim for completed by the insured and for health insurance claims by the insured's attending physician. For medical expense insurance itemized bills must also be included.

Proposal > Form filled in by a person wanting to take out insurance. Inaccuracies or omissions (accidental or deliberate) in a proposal may invalidate any insurance policy issued.

Proposer > Individual or company offering or seeking insurance.

Proximate Cause > In insurance, the immediate effective cause of an insured loss.

Prudent Insurer > Hypothetical insurer who is in possession of all relevant information (material facts) before issuing an insurance policy.

Pure Risk > In insurance, a risk that can result in either a break-even situation, or a loss.

Q

Quota Share Treaties: Reinsurance arrangements in which each insurer accepts a certain percentage of premiums and losses in each line of insurance. 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.

R

Rate: The cost of a unit of insurance. Rates are based on historical loss experience for similar risks and may be regulated.

Reimbursement: The payment of the expenses actually incurred as result of an accident or sickness, but not to exceed any amounts specified in the policy.

Reinstatement: The resumption of coverage under a policy which has lapsed.

Reinsurance: Transfer of an insurance (or part of the risk covered) from one insurance company to another for a premium, not necessarily with the knowledge of the policyholder.

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

Replacement: The substitution of health insurance coverage from one policy contract to another.

Retention: The net amount of risk retained by an insurance company for its account or that of specified others, and not reinsured.

Retro-cession: The amount of risk that a reinsurance company reinsures; the amount of a cession which the reinsurer passes on. The reinsurance bought by re-insurers to protect their financial stability.

Risk: The chance of loss.

Risk Avoidance: Any action that removes the chance of an adverse outcomes happenings.

Risk Control: Any conscious action intended to reduce the frequency, severity, or predictability of accidental losses.

Risk Reduction: Measure that could reduce the chance of losses occurring of the size of such losses.

Risk retention insurance: Policy of bearing of risk because it would cost more to insure against it than the loss itself.

Robbery: The taking of property from a person by force or threat of violence.

S

Salvage: Rescuing people or property from a flood, fire, shipwreck or other disaster. A person who salvages goods may be paid compensation by their owners or insurers. The ownership of some salvaged goods can be contentious issue.

Sight Bill: Bill of exchange payable on presentation i.e. on sight.

Soft Market: An environment where insurance is plentiful and sold at a lower cost, also known as a buyer market.

Sound Arrived Value: It refers to the market value of the goods in sound condition.

Spread Of Risk: The selling of insurance in multiple areas to multiple policyholders to minimize the danger that all policyholders will have losses at the same time. Companies are more likely to insure perils that offer a good spread of risk. Flood insurance is an example of a poor spread of risk because the people most likely to buy it are the people close to rivers and other bodies of water that flood.

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.

Stop-Loss: Type of insurance or reinsurance that covers a whole account over a period of time. No payment is made until the accumulated losses in the year exceed the stop-loss level.

Subrogation: Right of an insurer, having indemnified the insured, to avail himself or herself of any rights and remedies of the insured, for example, salvage.

Sum-Insured: Limit of an insurance company's liability under a particular insurance policy.

Surcharge: An extra charge applied by the insurer. For automobile insurance, a surcharge is usually for accidents or moving violations.

Surplus: In reinsurance, it is the amount by which the sum insured exceeds the ceding office's retention.

Surplus Treaty: Reinsurance agreement whereby all risks that exceed a pre-determined amount are reinsured.

Surveyor: Person whose job is to examine buildings, etc. And report on their condition, often employed by an insurance company (for buildings insurance) or a mortgage provider.

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.

Tariff: In insurance, it is a collective agreement by members to calculate and charge the same premium for a given risk or type of insurance.

Theory of Probability: This theory enables the insurance company to predict potential losses based on a study of the insured's previous loss experiences.

Third-Party: Person mentioned in a contract but not a party to the contract. Third-Party insurance, for example, gives the insured cover against claims made by a third party (who is not named in the policy and not a party to it).

Third-Party liability: Liability arising to a party, who is not party to the contract i.e. other than the insured or the insurer. This party/person is called the third party and the liability to him/her arising under law or contract is called third party liability.

Through Bill of Lading: A bill of lading providing for the carriage of goods by water, from their point of origin to their final destination, either by successive ocean carriers or by more than one mode of transportation.

Total-Loss: In marine insurance, the loss of ship at sea or the total destruction of ship and/ or its cargo.

U

Umbrella Policy: Coverage for losses above the limit of an underlying policy or policies such as homeowners and auto insurance. While it applies to losses over the amount stated in the underlying policies, terms of coverage are sometimes broader than those of under-lying policies.

Under Insurance: The result of the policyholder's failure to buy sufficient insurance. An underinsured policyholder may only receive part of the cost of replacing or repairing damaged items covered in the policy.

Underwriting: The process of selecting applicants for insurance and classifying them according to their degrees of insurability so that the appropriate premium rates may be charged. The process includes rejection of unacceptable risks.

Undischarged Insolvent : The person who has declared insolvency but not paid off his creditors not has entered into any scheme of settlement with them. He is incapable of entering into any contract.

Unexpired Risk Reserves: Fund that an insurance company sets up to cover a shortfall in an insurance company's unearned premium reserve.

Unvalued Policy: Insurance policy that has a sum insured against each item of property, but not acknowledge by the insurer as true values. In the event of a claim, the insured must prove the actual value of the item.

Utmost good Faith: Phrase referring to contracts of insurance in which both parties must disclose all the facts that may influence the other's decision to enter into the contract, whether they are asked to do so or not. If either party has not acted in the utmost good faith, then the contract may become void.

V

Valued Policy: Insurance policy that has values assigned to insured items, the values being agreed by the insurer. In the event of claim for total loss, that is the sum paid without the need for further negotiation.

Vicarious Liability: Legal responsibility for the wrong committed by another person.

Void Contract: Contract that was drawn up on the basis of what turns out to be misunderstandings on both sides. Such a contract is deemed in law never to have existed.

W

Waiting Period: A period of time set forth in a policy which must pass before some or all coverages begin.

War Hazard Exclusion: Eliminates insurance coverage for death that is a direct result of war or other hostile action.

Warranty: In insurance, it is an undertaking by an insured person that something will, or will not, be done, for example, that an alarm system will be maintained and switched on, Breach of warranty allows an insurer to repudiate claim.

Wear and Tear: Popular and legal term for depreciation, wear and tear is the decrease in value of an items due to deterioration through normal use rather than through accident or negligence.

Weather Insurance: A type of business interruption insurance that compensates for financial losses caused by adverse weather conditions, such as constant rain on the day scheduled for a major outdoor concert.

Work in progress: In accounting, the value of goods currently under manufacture or services being supplied, but not completed at the end of the accounting period.

X

X Information not available

Y

Y Information not available

Zs

Z Information not available