

**INSURANCE TERMS –
EXPLANATIONS**

INSURANCE TERMS - EXPLANATIONS

Your insurance policies and this Manual 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:

ACCOUNTS RECEIVABLE / BOOK DEBTS Uncollected debts as a result of physical loss or damage to accounting and similar records.

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.

ADVANCE BUSINESS INTERRUPTION: Consequential loss resulting from loss or damage to property whilst undergoing construction, installation etc. Includes loss from deferral of planned trading revenue, continuance of overheads, extended interest charges etc.

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.

AIRPORT OPERATOR'S LIABILITY: Covers third party liability which arises out of the ownership, maintenance or operation of registered aircraft landing areas.

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.

AVIATION HULL AND LIABILITY: Covers loss of or damage to the insured aircraft and liability to third parties, including passenger liability, arising from the operation of the aircraft.

BANKERS' BLANKET BOND: This is a package product incorporating various insurances relevant to the banking and finance industries.

BLOODSTOCK OR LIVESTOCK: The insurance of animals for risks of death by accident, sickness or disease.

BOILER AND PRESSURE VESSEL EXPLOSION: Covers loss or damage due to explosion or collapse of boilers and other pressure vessels that normally require a certificate of compliance before being used. The policy also covers liability for resultant third party property damage or bodily injury.

BONDS: A surety bond is a contract of guarantee which has three parties:

1. The surety or guarantee, ie the Insurance Company.
2. The person who is to perform the subject matter of the bond, ie the Contractor.
3. The person in whose favour the bond is issued, ie the Owner or Obligee.

Under a bond, the surety undertakes to hold itself responsible up to the specified amount for the non performance or malperformance of an expressed obligation, ie the obligation of the Contractor.

BURGLARY AND/OR THEFT: Burglary coverage is restricted to theft following break-in or committed by persons concealed on the premises. Theft cover is not dependent on either of those characteristics (and as a result, if available, is normally more expensive).

**BUSINESS INTERRUPTION
(Loss of Profits, Consequential
Loss):**

Covers loss of gross profit or revenue, to maintain the continuing or fixed costs of a business and increased working costs incurred to avoid or diminish a reduction in the business results and profitability following loss of or damage to property.

**CANCELLATION AND
ABANDONMENT:**

Cover can be arranged to protect Promoters and Investors against losses that arise through the cancellation or abandonment of a nominated event caused by a prescribed peril or circumstance.

CAPACITY:

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

**CHARTERER'S LEGAL
LIABILITY:**

Covers the Insured's legal liability to the owner of a chartered vessel and/or to third parties arising out of the signing of a charter party agreement.

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.

COMMERCIAL PACKAGE

This insurance package is typically designed for small business enterprises and provides coverage for both Assets and Liabilities within the framework of one policy.

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:

- First Party – the Insured or policy holder.
- Second Party – the Insurer
- Third Party – other persons involved, except the driver of the vehicle at fault.

CONSTRUCTION RISKS / LIABILITY:

Covers loss, destruction of or damage to contract works and all materials ascribed to the contract whilst in transit or on or adjacent to "the insured site".
(Cover applies both during the construction and maintenance periods and is tailored to reflect the particular risks specified that relate to construction contracts).

Can also cover legal liabilities for injury to any person(s) and/or damage to any property of third parties arising out of the construction/maintenance operations.

CONTAINER LIABILITY:

Covers contractual liability for loss of and/or damage to hired or leased containers and additional costs incurred.

CONTRACT BONDING / CONTRACT GUARANTEE:

Covers financial loss arising from the failure of parties to a contract to fulfil their contractual obligations.

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.

CONTROL OF WELL (OPERATOR'S EXTRA EXPENSE):

Covers expenses incurred in bringing under control an oil/gas well. Can include expenses such as seepage and pollution cleanup costs, re-drilling expenses etc.

CORPORATE TRAVEL:

Covers baggage, overseas medical expenses, money, personal accident benefits, loss of deposits and other contingencies appropriate for insured persons whilst travelling on the business of the Insured. This policy is often purchased on an annual basis.

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.

CREDIT:	Designed to protect the Insured against commercial losses brought about by the insolvency of trade debtors. A policy will usually cover 90% of insured debt and is recognised by financial institutions as an asset when considering granting loans or other facilities.
CROPS (GROWING):	Covers loss destruction or damage to crops from an insured peril.
CUSTOMS AND PAYMENTS BONDS:	Covers liability under the Customs and/or Excise Act.
DEDUCTIBLE:	A policy condition whereby the Insured is required to pay a portion of the loss, as stipulated in the policy (eg, the first \$400 of a motor vehicle damage claim); the Insurer paying the balance over that amount.
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.
DIRECTORS’ AND OFFICERS’ LIABILITY / COMPANY REIMBURSEMENT:	<p><i>Directors’ and Officers’</i> Covers Directors or Officers for their legal liability for wrongful acts committed whilst acting in their capacity as a Director or Officer.</p> <p><i>Company Reimbursement</i> To reimburse the company for payments it is legally entitled or obliged to make in indemnifying Directors or Officers for claims made against them whilst acting in their capacity as Directors or Officers. It will not reimburse the company for claims made against the company.</p>
DISABILITY:	Covers insured persons for permanent or temporary disablement as a result of accident or sickness, where such persons are unable to perform the major portion of their normal occupation – various covers such as Key Person, Salary Continuance etc are available.

DUAL BASIS PAYROLL:	This takes its name from the fact that indemnity is provided for payroll, ie wages and salaries, during two successive periods. The first is the initial selected period, eg 10 weeks beginning with the damage during which 100% of the rate of payroll is applied. After the initial period the cover continues throughout the remainder of the full selected indemnity period, but for a reduced proportion of the payroll. Cover is flexible as the initial period can be compressed or consolidated, depending upon the extent of a business interruption.
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 CRIME:	Covers loss sustained by the Insured as the result of fraud perpetrated by anyone other than the Insured's employees through the Insured's computer or electronic communications systems.
ELECTRONIC EQUIPMENT / BREAKDOWN / BUSINESS INTERRUPTION:	Covers physical loss or damage, including mechanical or electrical breakdown, to computing equipment and loss due to interruption to the business as a result of loss, destruction or damage by a insured peril.
EMPLOYEE BENEFITS:	Refers to arrangements for Superannuation, group or individual Life Assurance, Disability or Salary Continuance insurance etc.
EMPLOYERS LIABILITY:	A prescribed class of insurance business commonly referred to as Workers' Compensation insurance.
EMPLOYMENT PRACTICES LIABILITY:	Covers a range of liabilities that can face an employer following wrongful termination, refusal to employ, failure to promote, demotion, disciplinary action, sexual harassment, discrimination or defamation of an employee.
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.

ENVIRONMENTAL IMPAIRMENT LIABILITY:	Covers legal liability for personal injury or property damage caused by unintended gradual or long term pollution. This policy also covers the Insured for legal costs and the costs of removing, rendering harmless or cleaning up any substance which has caused or would cause environmental damage.
EXPORT CREDIT	Covers losses caused by contract repudiation, export licence cancellation or currency inconvertibility preventing the transfer of payments made under a contract.
EXTENDED WARRANTY:	Policies are available to provide protection for breakdowns and defects that arise after the expiry of a manufacturer's warranty period.
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.
FIDELITY GUARANTEE:	Covers loss sustained through fraudulent or dishonest acts committed by employees.
FILM / FILM PRODUCERS GUARANTEE	A range of policies are available to protect producers and investors against loss involving assets, liabilities, people, production costs and profit.
FINE ARTS:	Covers loss of or damage to fine art and curios whilst on display, exhibition or in transit.
FIRE AND EXTRANEOUS PERILS:	This composite policy can include a selection or all of the following perils: Fire, Lightning, Explosion, Aircraft, Earthquake, Storm & Tempest, Rainwater, Water Damage, Flood, Malicious Damage, Riots & Strikes, Impact by Vehicles or Animals.
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.
GENERAL PROPERTY:	Covers loss of or damage to specified property, normally of a portable nature, which is not covered under the policy on property at the insured's premises.
GLASS:	Can cover either specified items of glass or more typically all glass on the premises. Cover can be extended to include such items as signwriting and framework.
GROUP PERSONAL ACCIDENT:	Covers a nominated group of individuals for a specified benefits against a range of accidental disabilities. Benefits are payable to the organisation purchasing the cover rather than to the disabled person.
GST	Refer page Error! Bookmark not defined. ("Important Notices & Information") in Section 1 of this Manual.
HEALTH CARE PLANS:	Covers employees and their families for reimbursement of health and dental charges incurred in addition to those reimbursed by Medicare.

HOME AND CONTENTS:	Covers domestic dwellings and contents against fire and other perils including theft and personal liability.
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”.
INDUSTRIAL SPECIAL RISKS:	This embracive policy typically protects the Insured against losses involving assets and business interruption arising from physical loss or damage to the property used in the business.
INFRINGEMENT OF COPYRIGHT:	A specialist market exists to cover claims against authors for infringement of copyright in a variety of areas.
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.
KIDNAP, RANSOM AND/OR EXTORTION:	Covers ransom monies and negotiation expenses in the event of kidnap of an employee or members of their family or resulting from threats against property.

LANDLORDS:	Protects residential property owners in the event of damage to their property by tenants.
LEGAL EXPENSES:	Covers expenses in either pursuing or defending an action arising from disputes with customers or suppliers for the sale, purchase, hire or supply of goods or services or in defending employment contract actions brought against a company by employees or in defending any criminal prosecution made against the company, its directors or employees.
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.
MACHINERY BREAKDOWN (MATERIAL DAMAGE / BUSINESS INTERRUPTION):	Covers sudden and unforeseen mechanical or electrical breakdown of plant and machinery. The policy can be extended to cover consequential loss from interruption to the business following such breakdown.
MANUFACTURERS OUTPUT / SELLERS CONTINGENCY:	<p>Covers loss of and/or damage to stock from purchase as raw materials through manufacture and transit / shipment to final destination. This cover is often termed as "Cradle to Grave".</p> <p>Sellers Contingency protects exporters when goods are destroyed or damaged as a result of the buyer not paying for the goods.</p>

MARINE:	Marine insurance covers the risk of loss to ships and vessels – Marine Hull, and the risk of loss to property and goods in transit – Marine Cargo. Marine Cargo insurance is sometimes divided into Inland Marine, which covers property and goods in transit between locations without requiring sea transport and Ocean Marine, which covers property and goods subject to a sea voyage. Marine Cargo policies are issued in various forms depending on the requirement of the shipper, the shipowner, the charterer, the consignee etc.
MEDICAL CRISIS / TRAUMA:	Covers expenses associated with a variety of potentially serious, often life-threatening nominated sicknesses and diseases.
MONEY:	This can cover money at designated premises, in safes and strongrooms and whilst in transit.
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.
MOTOR VEHICLE:	This can take several forms: <ul style="list-style-type: none"> 1 (a) Comprehensive, ie own damage and third party property damage. (b) Third Party Property Damage plus Fire and Theft. (c) Third Party Property Damage only. 2. Compulsory Third Party “Act” cover. This is a compulsory insurance in all States of Australia and applies to Third Party Injury or Death sustained in an accident involving a registered motor vehicle.
MULTI- RISKS:	A Multi-Risks policy covers the Insured against a wide range of unspecified, fortuitous risks of loss or damage (subject to policy exclusions etc) to the property insured but not loss or damage caused by its inherent nature.

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.

PERSONAL ACCIDENT / ILLNESS:

Can provide weekly and lump sum benefits for accidental death or injury to a specified person or persons. Protection is also available to cover sickness.

PLEASURECRAFT:

This policy can cover the craft itself, accessories and also Third Party Liability (including to and by water skiers).

PLUVIUS (WEATHER):

Insurance to provide an agreed sum in the event that a nominated quantity of rain should fall during a specified time period, on a specified date and location. Cover is often required by promoters of sporting and outdoor events who would expect to incur financial loss should rain affect attendance at an event.

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 TAMPER / CONTAMINATION:

Covers the costs and loss of net profit where products are withdrawn or destroyed due to actual or alleged contamination or malicious tamper so as to render the product unfit or dangerous for use.

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.

PROFESSIONAL INDEMNITY / ERRORS AND OMISSIONS:

Covers legal liability to compensate third parties for loss sustained by them arising out of negligent acts, errors or omissions or civil liability on the part of the Insured in the conduct of their business.

PROTECTION AND INDEMNITY:	Covers liability to third parties arising out of the ownership of watercraft/vessels.
PUBLIC AND PRODUCTS LIABILITY:	Legal liability to pay compensation (including legal expenses) to third parties in the event of the Insured causing injury, death or loss of or damage to property arising out of business operations or products.
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.
SEISMIC STREAMER:	Covers seismic survey equipment offshore against loss or damage by insured perils.
SEISMIC TAPE:	Covers loss or damage to seismic tapes during transit, processing or storage.
SPECIAL RISKS:	Covers loss or damage to specified personal jewellery or valuables. This cover is usually placed in conjunction with Home Contents insurance.
SPRINKLER LEAKAGE:	This is designed to cover damage caused to the premises and its contents (especially stock) through accidental leakage of the sprinkler system.
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.
SUPERANNUATION:	Provisions for retirement. A wide range of Superannuation and related Life Assurance products are available in the market.
TAKEOVER:	Covering expenses arising from a successful defence against an unwelcome bid to take over or acquire control of the insured company.
TAXATION AUDIT:	Covers professional fees charged by an accountant in connection with a Taxation Office audit, including costs in obtaining expert advice.
TECHNOLOGY NETWORK SECURITY PROTECTION	Covers computer systems fraud, telecommunications fraud, computer virus, loss of data due to hacking, business interruption and extra expense.
TECHNOLOGY LIABILITY	Covers technology errors or omissions, technology media liability and technology broadform public and products liability.
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.
TRAILERS:	Caravans and car or boat trailers can be covered by this type of 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.
UBERRIMAE FIDEI:	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.

UMBRELLA LIABILITY

A legal liability insurance which provides cover:

- in the same circumstances as other liability policies such as Public & Products Liability, Motor Vehicle etc but provides additional sums insured above those insurances (known as "Excess Liability").
- of a wider scope than the underlying liability policies, eg covers Advertising Liability.

UNDERWRITER:

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

VALUABLES:

Personal valuables can be either insured only whilst in the home or anywhere in Australia or whilst travelling abroad.

VOLUNTARY GROUP ACCIDENT SCHEMES:

Covers employees by way of a payroll deduction scheme, for death or disablement as a result of an accident. Cover also provided for an in-hospital cash benefit.

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.