

## Glossary Of Insurance Terms

### To be used as a General Guide Only

Always check with your insurance and financial adviser before acting any of these definitions

#### **Access To Medical Records Act 1988**

The terms of this Act require an insurance company to obtain prior written consent from an individual before approaching any medical practitioner for a medical report pertaining to them. The individual has certain other rights including the right (subject to some restrictions) to see any report before it is submitted by the doctor

#### **Act of God**

An accident or event which happens independently of human intervention and due to natural causes such as storm earthquake etc which no human foresight can provide against. Suggesting that an event was an "act of God" may be a defence in English law against a claim for liability since it may be held that it could not have been foreseen or safeguarded against.

#### **Additional Drivers**

The permitted drivers on your motor policy other than you, the Proposer. (e.g you may wish to add drivers to your policy or increase your contents sum insured).

#### **Additional Premium (AP)**

An additional premium is occasionally incurred for changes to an insurance policy. (e.g. increasing your contents sum insured).

#### **Age of Car Discount**

On some motor policies a discount on the premium is given for older cars.

#### **Age of Driver Loads and Discounts**

All motor policies are rated on the age of the youngest driver. With most Insurers the 'base rates' (i.e. the starting point for premiums) are set at 30 years of age. Drivers under 30 attract premium loadings and drivers over 30 attract generally premium discounts. Loadings may also apply if the driver has held a full UK licence for less than one year. This therefore includes provisional license holders.

#### **All Risks**

Cover normally associated with providing an extension for specific items of contents that need to be insured away from the premises. In addition to the standard insured perils cover usually includes accidental loss and damage.

#### **Association of British Insurers (ABI)**

The association of insurance companies, which operates in Great Britain. The ABI regulate most Insurers and Independent Intermediaries of which your insurance company may be one such independent intermediary.

#### **Average Clause**

(See Pro Rata Condition of Average below)

#### **Commercial Travelling**

For use in connection with any business or trade that involves buying or selling of any description. For example, a Company Representative, door-to-door salesperson or Insurance Agent. If in doubt always check with your broker or insurance company.

#### **Comprehensive Cover**

On a motor insurance policy comprehensive cover insures against accidental damage fire and theft losses whether your fault or not. Windscreen cover is usually included but check to see what the excess is and restrictions on the repairers you are required to use.

### **Convictions**

Convictions subject to the Rehabilitation of Offenders Act (ROOA) have to be declared to the Insurer otherwise your policy cover could be voided. Any criminal convictions, including motoring convictions [for motor policies only] , fixed penalties and pending convictions have to be declared. Be aware that some convictions have to be declared for up to 12 years. If in doubt declare the conviction/circumstances – your Insurer will ignore it if it does not apply. Insurers are not permitted to consider spent convictions in their calculation of a premium, under the terms of the Act.

### **Cover Notes**

A document which acts as a temporary certificate of insurance. This meets the requirements of the Road Traffic Act (RTA).

### **Disclosure of Information**

In respect of a personal lines products it is the proposers obligation to take reasonable care when answering all questions, honestly and to the best of their knowledge providing the insurer with sufficiently detailed, accurate and complete information to make full disclosure to the insurer of all circumstances which are material to the proposed insurance or re-insurance. A “Material Circumstance” in this context is the full detailed response to questions which might influence the insurers decision on whether to underwrite the risk at all, or the terms (including premium) upon which they are prepared to underwrite the risk and will be found in a proposal form, contained within a Statement of Fact or Demands and needs Statement. In respect of Commercial Clients please see **Material Facts**

### **Endorsements**

- (a) Any time you alter your policy after its inception , the document you receive from your insurer showing the mid-term alteration is referred to as an endorsement.
- (b) Also referred to as the penalty shown on your driving licence following a motoring conviction.

### **Excess**

The amount deducted from any claim settlement and represents your contribution to the claim cost. If you have an excess of £50 and your claim is for £300, then you will only receive £250 from your Insurer. If the accident (in the event of a motor claim) was not your fault then you may be able to recover this from the person to blame (third party) or their Insurers. See Uninsured losses. An excess may be voluntary or compulsory and may apply only for certain types of claims. Be aware different excesses apply to different parts of your policy. (e.g. a motor policy may have a basic £100 excess but the windscreen excess may only be £75. Also there are compulsory additional excesses for young drivers; therefore £100 excess for you may be increased to £250 for your son or daughter at college). If the claim is as a result of an accident which was not your fault then you may be able to recover this from the person to blame (third party) or their Insurers. Other terminology for excesses on certain policy types are Franchises, Deferred Periods, Deductibles, and Co-Insurance Clauses.

### **FCA – Financial Conduct Authority**

The Financial Conduct Authority [FCA]aim to make sure that financial markets work well so that consumers get a fair deal. This means ensuring that: the financial industry is run with integrity; firms provide consumers with appropriate products and services; consumers can trust that firms have their best interests at heart. To do this the FCA regulate the conduct of over 50,000 businesses – and for many of these they also consider whether they meet prudential standards that reduce the potential harm to the industry and consumers if they fail. Please see their website for further information [www.fca.org.uk](http://www.fca.org.uk)

### **Fees**

These are administration fees, which can be charged in addition to or in lieu of commission. These are kept as low as possible but are necessary to ensure that clients have the widest choice possible. If there are any fees due they will be disclosed prior to inception.

### **Foreign Use – Motor Insurance**

This refers to use of the vehicle overseas. Be aware that not all Insurers provide automatic cover whilst abroad. Even if your insurance certificate states that it covers you in Europe it may only be equivalent to the minimum legal requirements of the country you are visiting. You will still need to inform your Insurer to extend the comprehensive accidental damage cover on your car for the time you are abroad.

### **FOS – Financial Ombudsman Service**

The Financial Ombudsman Service was set up by parliament to sort out individual complaints that consumers and financial businesses are not able to resolve themselves, the service is free to consumers. Please see their website for further information [www.financial-ombudsman.org.uk](http://www.financial-ombudsman.org.uk)

### **GAP Insurance**

An optional insurance policy usually purchased alongside a motor policy to cover the shortfall in a motor claim total loss settlement between the amount received from the insurer and the cost of the vehicle as new or settlement required on the hire purchase or by a Lessor

### **Green Cards**

This is the document you may receive for the extension to your motor policy to provide cover when driving abroad. It contains information regarding your cover in several languages. See Foreign Use. Many insurers, however, cease to issue green cards and simply note their records.

### **High Vehicle Value Loading**

Most motor policies will have a maximum vehicle value (for example £30,000) above which an additional premium might apply. The sum insured should represent the current market value of your car and should be reviewed at each renewal date. See **Sum Insured**

### **Instalments**

This can take the form of direct debits or premium finance via a credit agreement in the form of a loan. Regular payments are automatically taken from your bank account over the agreed period at the agreed service charge.

### **Insurance Premium Tax (IPT)**

This is a tax which is payable on insurance policies taken out or renewed since 1st October 1994. The current rate of IPT is 6%. Most premiums include IPT within the quotes but some will state "plus IPT". Also note that travel policies are subject to a rate of IPT of 20% for individuals, group business travel policies pay the standard rate of 6%. Also, IPT cannot be reclaimed from the Inland Revenue in the same way as VAT.

### **Insured/Policyholder**

You become the Insured (the individual in whose name the policy is issued) after inception of the policy cover. Prior to inception of the cover you are the **Proposer**.

### **Insurers**

Insurers are the companies who you transfer the financial risk of a loss to when you purchase a policy. In exchange for the premium the insurer is then liable to pay any insured loss once they have received your premiums. They are regulated by the **Financial Conduct Authority, FCA** and the **Prudential Regulation Authority, PRA**.

### **Legal Expenses Insurance**

In respect of personal insurances Legal Expenses insurance is a policy to assist with the recovery of your “uninsured losses” resulting from an accident. For example, you may need to sue the Third Party for recovery of additional expenses such as hire a car charges or compensation for an injury arising from an accident. The policy is an optional extension usually purchased alongside a motor or household insurance policy

### **Material Facts**

**(Commercial Clients only)** A material fact is any information that might influence a reasonable **underwriter** in his or her assessment of the risk. Such facts may not always result in negative treatment of your policy but failure to disclose all information might **void** your policy. Material facts may include losses that you have had which you may not have been covered for in the past or perhaps a member of your household who has a criminal conviction for theft. If you are in any doubt, declare it to your Broker or the Insurer.

### **Minimum and Deposit Premium**

These are traditionally annual premiums based upon estimates supplied by the policyholder, which are adjusted at the end of the policy period by declarations. As they are minimum premiums there will not be a return premium if the estimates upon which the premium has been based are not reached.

### **Modified Vehicles**

All changes to the manufacturers specification of a vehicle are considered to be modifications. This can include replacement alloy wheels, bucket seats and steering wheels as well as the more obvious changes such as engine performance. Always declare the modifications in advance of purchasing your policy or declare to your Insurer before proceeding with the alterations. The modifications may not always attract a loading in premium but failure to declare them could result in the policy being **voided** and indemnity being affected in the event of a claim.

### **No Claims Discount (NCD)**

No claims discount (sometimes called 'no claims bonus') is calculated on a sliding scale, usually reaching a maximum of around 60% after 4/5 years. A typical scale for motor insurance is as follows:

- 1 year 30%
- 2 years 40%
- 3 years 50%
- 4 years 60%

Your bonus will usually step back two years discount if you have a claim. (e.g. If you had 3 years bonus at your last renewal resulting in 50% no claims discount and now you make a claim – then your next renewal will show that you only have 30% no-claims discount, having dropped two places in the above scale.

No claims discount is also available on some household policies.

### **Physical Disabilities**

You may be required to declare any disabilities or medical conditions. For example diabetes, epilepsy and heart disease.

### **Policy**

This is a legally binding contract which details the cover provided. You should check your policy carefully when you receive it and if any amendments are required you must notify your Broker or insurer immediately.

### **Policyholder/Insured**

(see Insured/Policyholder above)

**Premium**

This is the amount that you will pay to your insurer in exchange for the cover provided. There may be additional charges, all of which should be clearly highlighted.

**Premium Loading**

A premium load is an increase on the underlying base premium rate due to the disclosure of a **material fact** which increases the risk for the insured. An example of this would be if you incurred additional speeding convictions making you a higher risk and therefore a premium loading could be applied.

**Proposer**

The individual or company taking out the insurance and completing the proposal form. A policy is a legal contract between the Proposer and the **Insurer**. You are a Proposer before inception of the policy. After inception you become the Insured.

**Proposal Form and Statement of Facts**

The proposal form is the basis of the contract. It is probably the most important aspect of the cover process. The insurance policy is based on the information provided by the proposer, any errors or non-disclosure of **material facts** can result in the policy being **voided**. Check with your broker if you have any difficulties or need advice. If you are in any doubt about disclosing a fact not asked on the proposal form it should be disclosed. You have a legal duty to disclose all material facts.

**Protected No Claims Discount – Motor insurance only**

Once you have reached 4 years no claims discount, you may be entitled to a protected no-claims discount. The protection allows you to make a claim without it affecting your no-claims discount. See No-Claims Discount. Be aware that not all Insurers offer the same terms of protection. Some products allow two claims in a two year period whilst others may be in a three or five year period. Business car and commercial vehicle policies do not always allow you to protect your bonus.

**Pro rata condition of average**

The average clause is a device to deal with underinsurance. If, when a loss occurs, the total value at risk exceeds the sum insured, the insured is deemed to be his own insurer for the difference and has to bear a rateable proportion of each and every loss accordingly.

**Rebuilding Cost**

This is the basis upon which the sum insured on a property should be fixed. The rebuilding cost should include an allowance for permanent fittings, such as central heating, air conditioning etc. and additional charges such as demolition, debris removal, professional fees and the requirements of Local Authorities. Additions may also be made for out-buildings including garages, fences, gates and paths.

**Return Premium**

A refund of premium following cancellation of the policy or changes which reduce the risk, such as removing a young driver. Return premiums may not be available following a claim on the policy.

**Road Traffic Act (RTA)**

The Act of Parliament and any subsequent amendments form time to time which stipulates what is required by law. All motor insurance certificates and cover-notes are issued in accordance with the RTA. The RTA does not permit cover-notes or certificates of motor insurance to be backdated. You must therefore notify your insurer in advance of any changes.

**Sum Insured**

The limit of the insurer's liability under the policy. It should represent the maximum value at risk at any one time, otherwise penalties could apply for underinsurance. [See Pro rata condition of average]

**Third Party**

Any party with whom you have been involved in an accident is generally referred to as the Third Party.

**Third Party Fire and Theft Cover**

On a motor insurance policy this covers you for your legal liability to third parties (including damage to their property or compensation to them for injuries sustained if the accident was your fault). In addition the cover extends to include fire damage to your vehicle or any damage arising out of the theft or attempted theft of your vehicle. Please note that there could be restrictions in cover concerning the theft of the contents of your vehicle. We recommend you check with your Broker.

**Third Party Only Cover**

On a motor insurance policy this covers you for your legal liability to third parties (including damage to their property or compensation to them for injuries sustained if the accident was your fault). It also covers your legal liability to passengers, but there is no cover for damage to your car from any cause whatsoever. This complies with the minimum legal requirements of the Road Traffic Act.

**Time on Risk Charge**

This is a premium charged by the insurer for the time that your insurance policy has been in force. Some insurers may make additional administration charges in excess of a pro rata charge.

**Underwriter**

A synonym for insurer. More commonly used when referring to a Lloyd's syndicate.

**Uninsured Losses**

Losses which are not covered by a first party insurance Policy. For example a motorist who insured a car Comprehensively may need to pay the first part of any own damage claim under an Excess and have to hire a car while his vehicle is being repaired. Uninsured losses can be recovered via a legal cost insured under a **Legal Expenses** policy

**Vehicle Details**

The information describing exactly which vehicle you own (eg. the make, model and engine size, year of make, registration number etc)

**Void**

A Void Policy is one that has no legal effect. A policy is voidable if it is open to one of the parties [usually the Insurer] to treat it as void should he choose to do so. It is then void for both parties. Should the party choose to be bound by the policy then it is bound for both. Insurance policies arranged on the Insured's misrepresentation or non-disclosure of a Material Fact are voidable at the Insurers option. A policy may also become voidable as a result of a breach of warranty during the term of the Policy.

**Will**

A legal document specifying how an individual's property is to be dealt with on his or her death and appointing Executors to carry out these instructions.

**Windscreen Cover**

Windscreens are usually only covered under comprehensive policies and are often subject to different excesses than the main policy. Damaged windscreens (i.e. scratched) may not have any excess if repaired by the insurers approved repairer. Be aware that for Commercial vehicles policies, windscreens are not always covered, but when they are can be subject to the same excess as the main policy. Windscreen claims rarely affect the no claims bonus. Check with your insurer before making your claim, and ensure you use an approved repairer.