



INSURANCE

INSURANCE TERMS GLOSSARY

A

Actuary

Actuaries use mathematics and statistics to evaluate the risk of something happening, how much it costs to finance that risk, and how much your premium should cost. They help insurance companies design insurance cover, and advise them on the level of financial reserves needed to meet claims.

Assessor

Also known as a loss adjuster. When you lodge your claim, the assessor who is acting for the insurer, helps approve the claim by checking the details to see if it's valid and meets the terms and conditions of your policy. Sometimes the assessor will need to ask more questions, inspect the property, or talk to whoever else is involved in the claim, such as another driver, a neighbour, or police. To learn more visit www.insuranceassessor.com.au.

APRA

The Australian Prudential Regulatory Authority is the prudential regulator of Australia's financial services industry. It oversees insurers and other financial services businesses such as banks, life insurers and superannuation funds. It regulates these companies to make sure they manage their risks in a way that ensures they can pay policyholder claims and minimise the likelihood of financial losses. To learn more visit www.apra.gov.au.

ASIC

The Australian Securities and Investments Commission is the corporate, markets and financial services regulator. It ensures financial markets are fair and transparent, supported by confident and informed investors and consumers. It also enforces the law, including the Insurance Contracts Act 1984. ASIC's consumer website is: www.moneysmart.gov.au.

Accidental damage

This form of insurance cover is for an unintentional one-off incident that causes damage to your property or its contents. For example, accidentally spilling red wine over your new white carpet. It doesn't cover general wear and tear, or damage that occurs over a long time.

Agreed value

The amount for which you and your insurer agree to insure your motor vehicle. You might choose this if your vehicle is fairly new, has modifications, is in better-than-normal condition or has extras not factored into its normal market value. Agreed value policies are usually more expensive than market value policies. Deciding between them depends on your financial circumstances, the value you place on your car, the level of risk you're willing to accept and the certainty you need, and other factors such as whether your vehicle is under finance.

Asset

An asset in insurance terms is something with monetary value that is covered by an insurance policy, such as a car or a property. Under that policy, the insurer must compensate the policyholder (in accordance with the policy's terms and conditions) if the asset is damaged or destroyed and the policyholder makes a claim.

B

Benefit

This is what you receive from your insurer when your claim is agreed and processed. You may have the damage to your property repaired, or the insurer may give you the money. It's often called a settlement or payout.

Broker

An insurance broker is a specialist who works for you to find the most appropriate insurance products to suit your needs. Brokers know the market well, so on your behalf they get the quotes, read the fine print, negotiate deals and explain what it means for you. They're especially useful if you are in the market for a few insurance products or have more complex requirements. You can find a broker near you at www.needabroker.com.au. For more information on brokers click here.

Building Code of Australia (building standards)

A nationally accepted and uniform set of technical requirements for all areas of building, which allows for variations of climate, geography and geology. For more information visit: <http://www.abcb.gov.au>.

Business days

The official working days of a week, excluding public holidays.

C

Claim

A claim is the request you make for compensation from your insurer if you suffer a loss that is covered by your insurance policy.

Compensation

Compensation is what you receive for a loss or as a result of a loss. It could be in the form of money, services, a replacement item or repairs. To receive compensation from your insurer for your loss, the assessor must decide it is a valid claim that falls under your policy.

Coverage

Coverage is what's included in your insurance policy. In property insurance, coverage includes the risks that you are insured against, the properties covered, the locations covered, the people insured, and the limits of compensation.

Capital

Insurance companies have to set aside sufficient amounts of money so they can pay all of their liabilities including claims. APRA requires insurance companies to meet prudential capital requirements. Capital is usually comprised of insurance premiums and shares, and the company's investments and other assets.

Cooling-off period

Allows you to cancel your policy if you change your mind about your purchase and have any money you have paid refunded. You have a minimum 14-day cooling-off period for most general insurance products.

Certificate of Insurance

A formal document providing evidence that an insurance policy has been issued by an insurer containing the details of the type of insurance cover, its value, any exclusion or excess limits, the premium and the period of the insurance cover (how long it is in force).

Cash settlement

The amount an insurer may offer you to settle and close your claim instead of repairing or rebuilding your insured asset.

D

Duty of disclosure

When you apply for an insurance policy, or renew or extend your existing policy, you have to tell the insurer everything about you and your situation that is relevant or could reasonably be expected to be relevant to the insurer's decision to insure you. You don't need to disclose something you don't know, that reduces the insurer's risk, that is common knowledge, that the insurer knows or ought to know, or something that's not relevant or the insurer has told you that you don't need to disclose. With insurance, honesty is the best policy.

Discount

A reduction in your premium that an insurer may offer in certain circumstances, such as having linked policies, more than one policy with the same company, customer loyalty or a history of not making claims. Any discount will be shown on your current Certificate of Insurance.

Defined events

Also known as insured events and refers to a policy that specifically lists the events that you are covered for. These sorts of events could include fire, storm and damage by burglars among other events. Anything not listed as a defined event will not be covered under this type of policy.

Duty of Utmost Good Faith

Each party to the insurance contract - the policyholder, the insurer and a third party beneficiary (a person who is entitled to the benefits of the insurance policy) - must act with fairness and honesty in their dealings with one another. An example of this would be insured policyholder's obligation to make full disclosure of all relevant facts when taking out the insurance in line with their duty of disclosure. An example for an insurer would be to respond to a claim made under a policy in a timely fashion.

E

Excess

Excess (also called deductible) is the amount of any loss or damage that you must pay before your insurance policy starts to kick in. In effect, you are accepting a small part of the financial risk yourself. Your excess is stated on your certificate of insurance. You can often negotiate a cheaper premium if you accept a higher excess.

Exposure

Exposure is the amount of loss you might experience. For example, if your car was in an accident, in the worst case your exposure might include the cost of your car, the cost of several other cars and the cost of any injury to yourself or other people. An actuary will work out the risk of these things happening and put a financial estimate on the cost of these. A policy will usually put limits on different types of exposure.

Embargo

A restriction applied by an insurer on accepting new policies in certain areas or under some circumstances. An embargo prevents insurance being purchased when an event is known to be extremely likely or is already having an impact.

F

Financial hardship

Financial hardship means a reasonable inability to meet debts, contracted payments, bills or daily living expenses due to life circumstances, such as losing your job or suffering from an illness. In relation to insurance it means you are unable to meet your obligations to pay your premium to an insurer. If you're experiencing hardship, talk to your insurer. You can also contact a financial counsellor. For more on financial hardship click here.

Financial loss

Financial loss is;

- a) the damage or destruction of an asset that has a financial value.
- b) a type of insurance that covers liability claims from a loss that is solely financial - that is, it does not cause injury or property damage. For example, professional liability insurance.

Fraud

Fraud is when someone deliberately lies or exaggerates details in a claim to get money or compensation dishonestly. It costs insurance companies an estimated \$2 billion a year and adds about \$75 to every insurance policy. You can find more information about how insurers are detecting insurance fraud here.

Financial Ombudsman Service (FOS)

This is an external dispute resolution service that is not for profit and provides free, fair and impartial services to consumers and financial service providers such as insurers where they are unable to resolve their disputes. Click here for more information on resolving disputes.

G

General insurance

General insurance includes insurance policies that protect your property and your financial risk, including motor vehicle, home building and contents and travel insurance. It excludes life insurance and health insurance products.

Grace period

If you haven't paid your premium on time, your insurance company will usually allow a period of up to 28 days during which it will continue the policy. If you pay the premium during the grace period, your insurance company treats it as though it was paid on time. If you do not pay your premium in this period, the policy may lapse soon after and leave you without any cover.

General Insurance Code of Practice

The General Insurance Code of Practice is a voluntary code that sets minimum standards for the way in which consumers can expect their insurer to behave from the start of a policy to claim time. All members of the Insurance Council of Australia must adhere to the Code. Visit: www.codeofpractice.com.au.

H

Hazard

A hazard is something that makes your situation more risky. For example, if you store explosives in your house, that's a hazard that increases the risk of an explosion.

I

Indemnity

Indemnity under an insurance policy is the security or coverage that is provided to you to protect against loss, damage or injury. Legal indemnity means someone promises they won't sue you if a certain event happens, or they promise to protect you by paying your damages if an event occurs.

Insurance

Insurance helps you to manage a risk if something happens to you or your property and helps you recover from the difficulties and financial hardship caused by unexpected events that cause injury and/or a financial loss. The person who buys the policy is known as the policyholder or the insured. In return, the insurance company who issues the policy to you promises it will compensate you under certain loss or damage circumstances as set out in the policy.

Insurer

This is the insurance company that issues a policy to you to help protect against certain risks. See also what is underwriting?

Insurance Council of Australia

The representative body of the general insurance industry in Australia. Visit: www.insurancecouncil.com.au

L

Liability

When a person or organisation is responsible for something, especially in law, that's liability. Liability insurance can cover you for legal costs and compensation costs that you might have to pay if you are proved to be the cause of harm to another person or business. Does not mean your ability to lie about, though that could lead to liability.

Loss

You can make a claim only if you have incurred a loss that meets the terms and conditions of your policy. This means looking at the impact on your assets, for example when your property is lost or damaged. It's much more serious than your footy team losing a game.

Loan

A loan is an amount of money that is given to a person up front and paid back in instalments. Most loans attract a fee that is a percentage of the amount owed, called interest. Many banks require a home owner with a home loan, or mortgage, to have home insurance.

Levy

An additional impost added to an insurance premium for the purposes of raising funds for a specific government objective. For example, in NSW, insurers apply to each household policy an Emergency Service Levy for the purposes of fire and emergency services funding. The NSW

levy is applied before any other taxes and typically adds 20 per cent to the base premium, though it can vary according to the insurer. Tasmania applies a statutory fire levy to some forms of commercial insurance policies.

Linked policy discount

See discount.

Liability

When a person or organisation is responsible for something, especially in law, that's liability. Liability insurance can cover you for legal costs and compensation costs that you might have to pay if you are proved to be the cause of harm to another person or business.

M

Mitigation

This is what you might be able to do to lessen the impact of something happening to you or your property. On a larger scale, governments can help protect entire communities from events such as floods through large-scale mitigation projects. It means taking action before the next natural disaster to reduce the consequences later.

Market value

Market value means the amount of money that your property is worth, or would be worth if you sold it in its current state. For motor insurance, it's the amount the insurer will pay out if your car is written off, based on the state of the car immediately before the collision or accident. This will be different to the agreed value.

Multi-policy discount

If you have more than one policy with the same insurer, you may receive a discount. But you should still make sure the policies meet your needs. It's not just about the price. See also discount.

Monetary terms

No, this doesn't include the words that you find in an economist's dictionary; in insurance, this means that something is measured or valued by the amount of cash it is thought to represent.

N

No claim bonus

If you don't make any claims on your insurance for a few years, your insurer may decide you are a lower risk and may decrease your premium by giving you a no-claim bonus. See also discount.

Non-insurance

Non-insurance is not having insurance to cover your exposure to a risk. You can find more information about non-insurance [here](#).

Negligent

Negligent or negligence is when you don't use reasonable care in a situation where you have an obligation to another person. It is usually referred to when something goes wrong, such as an injury to another person, and this may lead to a liability claim. For example, if driving a car, you have a duty to take reasonable care of your passengers and other road users and to avoid causing accidents and acting carelessly.

If you do not act with such care, you may well be found to be negligent and therefore responsible for the damages you have caused.

Non-disclosure

Non-disclosure means that a person has not told their insurer all of the information that should have been given, if the person had complied with their duty of disclosure when they applied for an insurance policy. This may result in your insurer not being obliged to pay all or a portion of a claim being entitled to avoid your policy so that it was never effective in the first place. With insurance, honesty is the best policy.

New for old

New for old is a term used in an insurance policy that allows older items to be replaced with new items, without any discount for the depreciation in value of the old items.

O

Occurrence

An occurrence is something that happens that results in a loss. It might be an accident, a burglary, a natural disaster or a recurring event that results in liability.

Over insurance

Over insurance is when you insure something for an amount of money that is more than its fair or reasonable value.

Online purchase savings

You may pay less for a policy if you buy it online.

P

Peril

Peril is something or a situation that might cause harm or loss, for example a cyclone. Also see risk.

Payout

Sometimes the insurance company will give you money as part or full settlement for your insurance claim. Also see benefit and settlement.

Policy

This is the binding legal contract that documents your insurance cover. You should read the details of your policy that is outlined in your Product Disclosure Statement and the policy schedule, and make sure it covers the risks you want to cover. For more on understand your insurance policy [click here](#).

Pooling of premiums

Is when a group of people with similar risks share resources by combining their premiums so that everyone benefits. This is one way to think about how insurance operates - a lot of people pay premiums to insurance companies over a long time so that people are protected when something goes wrong.

Premium

A premium is the amount of money you pay to your insurance company for your insurance policy, in return for the insurance company's promise to cover you if something that is covered by your policy, goes wrong.

Product Disclosure Statement (PDS)

A Product Disclosure Statement is a document that insurance companies must give you by law, which describes in clear terms the terms and conditions of your policy. It's important to take the time to read and understand it.

Proposal

A proposal is the application form that you complete when you want to take out an insurance policy. A completed proposal form is an offer by you to enter into an insurance contract, and it might be accepted, varied or declined by the insurance company.

Public liability

Public liability is insurance that covers a person or organisation's liability to another person or organisation for causing injury or property damage. You can find more information about public liability insurance [here](#).

Policyholder

A policyholder, also known as the insured, is a person or entity who has entered into a contract with an insurer and holds an insurance policy.

Promotional offers

See [discount](#).

Q

Qualifying event

A qualifying event is something that happens which is covered by your insurance policy.

R

Reinsurance

Reinsurance is insurance for insurance companies. It can be used to cover different risks for insurers. For example, to make sure they can pay a large number of claims in a natural disaster or to cover situations where they experience claims from policyholders that are higher than a certain value.

Renewal

Renewal is when you agree to continue your existing insurance policy for a further period. Usually you will do this each year when your insurance company sends you a renewal notice. You should review your renewal notice to check if anything has changed, and consider if you need to alter your coverage or list specific items.

Replacement cost

Replacement cost is the amount you need to replace damaged, stolen or lost property by buying new items.

Risk

Risk has a few meanings in insurance, such as:

The likelihood of something happening that might cause injury or financial loss. Insurance helps the policyholder manage the risks and recover from the hardship that an unexpected loss might cause:

- The exposure to a specific threat, hazard or peril
- The subject matter of an active insurance policy (risk in force)
- Uncertainty as to the outcome of an event

Risk management

Risk management is the way that you manage losses you might experience. Sometimes you might change something in your behaviour or environment to reduce risk, for example installing a burglar alarm. Other times you will transfer the risk by taking out an insurance policy.

Refunded

Refunded means that the money that you have paid for goods or services is paid back to you in part or in full.

Resilience

The ability or capacity of a person, an object (such as a building) or a community to withstand stress and catastrophe.

Risk pricing

Premiums that insurers calculate to reflect the relative risk of each policyholder. A policyholder that is considered higher risk than another policyholder may pay a proportionally higher premium. Risk pricing provides an incentive to the policyholder to manage risks and avoid losses where possible.

S

Settlement

See [benefit](#).

Sued

If you are sued, this means that a third party has commenced legal proceedings against you for redress. For example, a third party may commence legal proceedings against you because your actions or negligence caused injury or property damage or financial loss to them. If you are sued, you may need to respond to the complaint in court and depending on the judgement you may be required to pay an amount to that person (called damages) for redress. You would usually hire a lawyer to defend your case. Defending a lawsuit and paying damages can be very expensive. Liability insurance is taken to protect you against this type of claim.

Signatory

A signatory is someone who has the capacity or authority to sign and has signed a contract or document to indicate that they accept the terms of the contract. For example, the policyholder is usually the signatory to an insurance contract unless the policyholder has appointed another signatory under a power of attorney who has the capacity or authority to sign on behalf of the policyholder.

Sum insured

The sum insured is the maximum amount that your insurer will pay for a claim in a particular policy.

Self-insurance

Choosing not to insure an asset or risk through an insurer, and instead having money set aside or a strategy in place to cover unexpected losses.

Stamp Duty

State and territory governments impose a charge on certain documents and transactions. For example, an insurance policy may attract stamp duty. These taxes vary across states and territories, and can be called stamp duty, transfer duty or general duty.

Supplementary costs

These are additional costs that may be incurred during repairs or rebuilding to a damaged property. They could include demolition and site clearing costs, council and architects fees, and additional expenses caused by changes to building codes.

T

Total loss

Total loss occurs when an asset (such as your home) is so badly damaged that it is beyond economic repair. Depending on the terms of the insurance policy, a total loss will usually attract the maximum sum-insured as a settlement.

Third party

Third party is not the after-after party, but rather refers to a person apart from those that are parties to a contract. For example, third party motor insurance provides protection to an insured against the risks of causing damage to another person's (or third party) vehicle or property.

Total replacement

Total replacement cover pays out the full amount required to replace damaged property with new property, without taking into account the depreciated value of the property over time. This is opposed to sum insured policies that provide cover to an agreed sum or value, usually nominated by the policyholder.

U

Underwriting

Underwriting is the way that an insurance company works out how much risk exposure it has and then calculates the premiums it will need to charge to insure that risk.

Underinsurance

Underinsurance is when you don't have enough sum insured in your policy to cover the value of the items you are insuring. You can find more information about underinsurance [here](#).

Uncertain risk

Is a risk that is identifiable but not easily quantifiable, such as a storm (it's difficult to know where, when and how severe it will be).

W

Workers' compensation insurance

This type of insurance is mandatory for employers in each Australian state and territory. Workers compensation schemes vary from state and territory in Australia but all generally pay for medical treatment and provide compensation for loss of income for an employee who suffers an injury while working.

Withhold

To withhold something means that you keep something back – this may be money, which an insurer does not immediately pay on a claim, or it may be information, which the policyholder has not disclosed.

Y

Years of insurance discount

See discount.

Every business is different – which means you need a Business Insurance solution that is tailored for you. [For more information, contact us today.](#)



www.b2bi.com.au

+61 2 9979 3033

support@business2businessinsurance.com.au

Ground Floor, Suite 13
20 Bungan Street, Mona Vale NSW 2103
Level 11, 109 Pitt Street, Sydney NSW 2000

Business 2 Business Insurance CAR 000325541 | ABN 22 073 039 310