

Insurance Speak Explained

ACT OF GOD

An event occurring without human involvement and which could not reasonably have been foreseen or avoided, defined in *Nugent v Smith* in 1876 as “Natural causes directly and exclusively without human intervention and that could not have been prevented by any amount of foresight and pains and care reasonably to have been expected.”

“ALL RISKS”

Wider cover than provided by a “defined perils” based policy. Includes any loss or damage apart from exclusions stated in the policy.

AVERAGE

A policy condition that requires the amount of a claim payment to be reduced proportionately if the Policyholder has not insured his property for the full value or replacement cost.

CONTRACT WORKS

A form of insurance providing “all risks” cover, subject to certain exceptions, in respect of building works while in the course of construction and cover for materials, equipment, plant and temporary buildings. Also known as Contractors All Risks.

CONTRIBUTION

The principle of Contribution applies where property or liability is insured under more than one insurance policy and the Insurers concerned share the cost of any claim.

“DAY 1 UPLIFT

An insurance policy feature which protects against a possible shortfall in claim payment due to inflation increasing the Reinstatement Value between inception (or renewal) and incident date. A percentage limit of between 10 and 50% normally applies. (.eg. If the building Declared Value at inception or renewal is £1,000,00 and the relevant rate of inflation to a claim 9 months later is 5%, then the Declared Value at the time of loss is £1,050,000.)

DECLARED VALUE

The Insured’s assessment of the cost of rebuilding the property insured at the time of inception of a policy or its renewal. This value, otherwise known as Reinstatement Costs, should also include costs of professional fees, debris removal and compliance with European and Public Authority regulations.

DELEGATED AUTHORITY

The giving of consent by an Insurer to act on its behalf. This may be in respect of Underwriting and document issue and/or claims settlement.

EXCESS

The first part of a claim which is paid by the Policyholder. The Insurer pays amounts in “excess” of this first amount. An excess may be compulsory (i.e. imposed by the Insurer) or voluntary (i.e. accepted by the Policyholder in return for a premium reduction).

EXCLUSION

A clause in an insurance policy which limits the scope of cover.

INDEMNITY

The placing of the Insured in as near the same position after an insured loss as applied immediately prior to the event.

INDEX LINKING

Where the Sum Insured is automatically adjusted in line with general rises in costs.

INSURABLE INTEREST

For an insurance contract to be valid the Policyholder must have an interest in the insured item to the extent that its death, damage or destruction would cause him loss, both at the time the policy is effected and also at the time of the loss.

IPT (INSURANCE PREMIUM TAX)

A tax payable on general insurance premiums.

LOSS ADJUSTER

An independent claims expert, who acts as a consultant to Insurers in assessing the extent and value of a claim. Although paid by the Insurer, a member of the Chartered Institute of Loss Adjusters is required to act with the claimant’s legitimate interests in mind.

LOSS ASSESSOR

A person who acts for the claimant in negotiating settlement of a claim in return for a fee paid by the claimant.

PROXIMATE CAUSE

The immediate or effective cause of an event, not necessarily the one closest in time to the loss, having been defined in the court case of *Pawsey v Scottish Union and National* in 1907 as “the active, efficient cause that sets in motion a train of events which brings about a result, without the intervention of any force started and working actively from a new and independent source.”

REINSTATEMENT

a) making good. Where insured property is damaged it is usual for settlement to be effected through payment of a sum of money, but a policy will often give either the Insured or the Insurer the option to restore or reinstate the property.

b) restoration of the original Sum Insured if the policy reduces the principal amount by the amount of claims or if the policy has lapsed.

SUBROGATION

In Contracts of Indemnity, the right of an Insurer to stand in the place of the Insured and exercise all rights and remedies available to the Insured, whether already enforced or not.

SUM INSURED

The maximum amount payable in the event of a claim under an insurance policy.

Exclusively flats, it’s our policy.