



GLOSSARY OF INSURANCE TERMS

AGGREGATE LIMIT:

The maximum amount an insurer will pay under a policy in respect of all accumulated claims arising within a specified period of insurance.

AVERAGE CONDITION:

If you were to under-estimate the value of your insured property when arranging insurance this would result in under-insurance. The average condition clause could then be applied and would mean that the insurer would only be liable to pay the same proportion as the under-insurance represents. For example, if you valued your contents at £100,000 and during a claim the total value of contents was assessed as being worth £150,000 you would be underinsured by 33%. This means that if the average condition was applied the insurer would only be liable to pay up to 66% of any claim.

CERTIFICATE OF INSURANCE:

A document prepared by or signed by an insurer to provide evidence of insurance. The law requires insurers to provide Motor and Employers' Liability certificates.

CLAIMS MADE:

This may apply to Professional Indemnity and Directors' & Officers' Liability policies. If a claim is *made* against the policyholder during the policy period, the insurance company is responsible for its payment, up to the limits of the policy, regardless of when the act or event causing the claim happened, provided the event that causes the claim is after any Retroactive Date on the policy. Please note if you cancel a policy written on 'claims made', all cover ceases unless 'Run-Off' cover is arranged or you take out a new 'claims made' policy with a suitable retroactive date. (An explanation of what a Retroactive date is described below)

CLAIMS OCCURRING:

If a claim *arises* out of an occurrence during the period when a policy is in force, the insurance company is responsible for its payment, up to the limits of the policy, regardless of when a third party notifies the claim. There are time limits according to English law. For example, in English Law this usually allows claimants with personal injuries up to three years from the date of the incident to issue a claim in court. The time starts for the claimant from the date they are aware of the injury or damage. This leads to the problem of "long tail" claims such as Repetitive Strain Injury (RSI), when the time between RSI starting to affect the claimant and the prior period during which the RSI was developing, can take many years to appear.



CONDITIONS:

All insurance policies have conditions. It is important that you review these and check that you can comply with them. Failure to do so could result in the insurer denying the claim if you breach a condition. Please inform your broker if you are unable to comply with conditions.

CONDITION PRECEDENT TO LIABILITY: Failure to comply with these conditions, which are usually particular to a specific matter, may give the insurer more rights to avoid a claim, even if the claim does not directly relate to the condition that you have breached. Please advise your broker if you are unable to comply with conditions precedent to liability.

CYBER EXTORTION:

Cyber extortion is the act of cyber-criminals demanding payment by using or threatening some form of malicious activity against a victim, such as data compromise or denial of service attack.

DATA BREACH:

A data breach is a security incident in which sensitive, confidential or otherwise protected data is accessed and/or disclosed in an unauthorised fashion. Data breaches may involve personal health information (PHI), personally identifiable information (PII), trade secrets or intellectual property.

DUTY OF FAIR PRESENTATION:

When you answer questions or agree with assumptions during the quotation process (which are likely to be given in a Statement of Fact), you must disclose material facts (see below) or circumstances about the risk(s) you want to insure and check a Statement of Fact carefully correcting any mis-statements. This includes disclosing:

- Information that you, your organisation's senior management, or anyone responsible for arranging your insurance knows, or should know, in relation to your organisation and its activities
- Information that would be revealed by a reasonable search of information available to you or by making enquiries, and could include information held within your organisation or by someone else (such as your insurance broker).

Remember if you fail to meet this duty, it could mean that the policy is void, or that the insurer is not liable to pay all or part of your claim(s).

EXCESS:

An excess is the amount of money that you are responsible for paying towards an insured loss. An example of a common excess is the accidental damage excess applied to car insurance.



EXCESS OF LOSS:

A form of insurance where the insurer becomes involved where a claim exceeds the limit on an underlying policy. For example, a primary Public Liability insurance purchased for up to £1m on any one occurrence basis, is supplemented by an excess of loss/layer liability insurance through another insurer for say £4m in excess of £1m to result in two insurance policies providing a total insurance limit of £5m.

EXCLUSIONS:

A term in an insurance policy that removes cover for specified types of loss. An exclusion may apply throughout a policy (General Exclusion) or it may be limited to specific sections (e.g. Property Damage) or to specific individual exclusions.

INDEMNITY:

A principle whereby the insurer seeks to place you in the same position after a loss as you were immediately before the loss (as far as possible).

INDEMNITY PERIOD:

This is the length of time that benefits are payable under an under an insurance policy e.g. Business Interruption insurance

INSURED PERIL:

Insurance responds to a number of triggers or 'perils' that result in the need to make a claim. Examples of perils include flood, fire, storm, theft and accidental damage.

JURISDICTION CLAUSE:

A policy clause that specifies which country's courts I have jurisdiction in the event of a dispute under the policy. Most insurers operate from London and link their policy wordings to English Law. See also Territorial Limits.

LOSS ADJUSTER:

A Loss Adjuster is an independent qualified person appointed by insurers for their experience and expertise to support an insurer to investigate and assess larger or more complex claims.

MATERIAL DAMAGE WARRANTY:

A warranty in a business interruption policy stipulating that for the interruption insurance to be triggered there must be a policy in force in respect of the damaged property and a claim paid or admitted under that insurance for that damage..

MATERIAL FACT OR CIRCUMSTANCE:

This is something that would influence the judgement of an insurer in deciding whether to insure the risk and will include matters such as arrangements to satisfy creditors (IVA) County Court Judgments (CCJ's), criminal convictions, involvement as a director or partner of insolvent companies etc. You should check with your broker if you have any doubt about the relevance of a matter to be disclosed.



NEGLIGENCE:

Negligence is the breach of duty owed to other parties to exercise appropriate care that you expect to be exercised in particular circumstances, which results in harm or financial loss to that party.

OCCURRENCE WORDINGS:

An occurrence wording insures losses within the year that they occur, as opposed to when a third party notified the claim to insurers. This type of wording normally applies to Employers' Liability and Public Liability. This provides protection against long tail losses (e.g. disease claims following repetitive strain injuries developed over a number of years) without needing to be concerned with run-off cover as is the case under 'claims made' liability wordings.

PERSONAL DATA:

Personal data is information that relates to an identified or identifiable individual. For example this could be: full name, address and an email address such as name.surname@company.com.

PROXIMATE CAUSE:

Insurers use proximate cause to assess all claims. It is determined by the event that originally caused a loss.

REINSTATEMENT OF LIMIT:

This occurs where claims have eroded the Limit of cover provided. Some policies contain automatic reinstatement provisions whilst others require payment of additional premium.

REINSTATEMENT VALUE:

A basis of settlement on a property damage policy. It is important that you set the sum insured to reflect the cost of replacing the lost or destroyed item as new or you are at risk of under-insurance as described above.

RETROACTIVE DATE:

This is the date on a 'claims made' policy, which triggers the beginning period of coverage prior to the inception date of the policy. If a policy has such a date, any claim made during the policy period on a loss that occurred before the retroactive date is not covered.



RUN OFF COVER:

When a 'claims made' based policy is terminated due to a legal change in status (e.g. merger, acquisition or liquidation) it is possible to continue to protect past liabilities through a run-off policy. The cost of the run-off policy will gradually reduce as the years go by as the likelihood of claims for past activities diminishes.

SUBROGATION:

A legal right held by insurers to pursue a third party that caused an insurance loss to their policyholder.

SUM INSURED:

The values shown in the policy, which are your calculation of the total value at risk. The insurer calculates the premium based on these values.

TERRITORIAL LIMITS:

Some liability/casualty etc. policies will state that the policy cover is restricted to the insured's country of domicile; others extend to worldwide and others may give worldwide excluding USA/Canada. It is important to ensure that, if a third party claim can be brought against an insured in a foreign court, that the territorial limits expressed in the policy are wide enough to protect the insured. See also Jurisdiction.

THIRD PARTY:

A person or organisation that is not part of your organisation and claims against you.

THIRD PARTY LIABILITY:

Your legal liability to persons who are not parties to the contract of insurance and are not employees of the insured. The exception is where employees may be in a vehicle but are not the driver.

WARRANTY:

A very strict condition in a policy imposed by an insurer to say that something must or must not be done. A breach entitles the insurer to deny liability for all claims affected by the warranty.

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