Glossary of Insurance Terms

A

A&S – Accounting & Settlement	An overall term for how transactions are assigned and how money associated with those transactions are settled.
Absolute Owner	This is the only owner of an item such as a building, vehicle or a piece of equipment.
Accident	An unexpected or unplanned event or incident often causing damage or injury such as a road traffic accident.
Accrue	To build up or accumulate.
Actuary	A professional person who is qualified to calculate risks and probabilities relating to insurance and pensions.
Addendum	An additional piece of information added on to a policy.
Additional Premium	An additional amount on top of agreed premium payments as a result of a change to the existing policy.
Affidavit	A written statement sworn to be true in front of a third party, such as a solicitor.
Agent	Someone who acts as a third party to help customers buy insurance or providers sell insurance.
Aggregate limit of Indemnity	The maximum amount an insurer will pay for all claims over a set time frame.
Annuity	An annuity (also called lifetime annuity or pension annuity) converts money from your pension fund into a regular taxable income in your retirement. There are different types to suit your circumstances, but most annuities guarantee to provide you with an income until you die. Generally, you cannot change or cash in your annuity.
Appointed Representative	A third party who is appointed to sell insurance and investment products.
Assets	Things that you own such as buildings, vehicles, stocks, shares and money in the bank.
Assurance	This is cover for an event that is certain to happen, such as death. This is different from insurance which protects from an event that might happen.

B

BAA – Binding Authority Agreement	This is a specific template wording between a coverholder and Lloyd's or company markets that sets out the terms and conditions for the coverholder to bind insurance on behalf of the underwriter.
Beneficiary	A person nominated to receive benefits under a pension scheme, or a person who will benefit in certain events such as the death of the pension scheme member or annuitant.
Bind	A verb used to describe the act of an underwriter committing to cover a risk under an agreement. It is the moment when the coverage goes into force; it's date and time specific – like the time and date your mobile phone contract starts.
Bond	A written promise to repay a debt at an agreed time, which often includes an agreement to pay an agreed rate of interest on that debt.
Broker	A person or firm that places its customers' insurance with an insurer. They can advise customers on the best insurance product to take out depending on their needs. Brokers can also provide other services such as risk management, designing or negotiating contracts, and handling claims. (Also known as an intermediary, agent or adviser).

C

Cargo	Stock or property that is transported. Cargo insurance is the method used in protecting shipments from physical damage or theft. It's an example of a class of business under Marine.
Carrier	Another term for an insurer or insurance company. These companies (or 'carriers') "carry" the risk for the client.
Cash in Value	The amount of money you get if you cash in an investment.
Caveat	A warning or an exception.
CEO – Chief Executive Officer	A CEO is someone who manages and directs a company towards achieving their goals. A CEO will sit on a company board. They are considered the most senior person in terms of day-to-day management responsibilities.

Certificate of Insurance	Certificate of Insurance means a document showing that an insurance policy has been written and includes a statement of the coverage of the policy.
CFO – Chief Financial Officer	A CFO is someone who is responsible for the financial aspects of a company. A CFO will sit on a company board and is considered the most senior person in terms of day-to-day financial responsibilities for the company.
Claim	What the customer asks the insurance company to pay to sort out problems caused by an event, such as a flood or a car accident.
Claims and underwriting exchange	A computerised register of information from insurance proposal, claims and renewal forms, shared by insurers as part of their efforts to combat fraud.
Class	Classes of insurance business is a way of splitting up the types of insurance available. A class is a subgroup within a branch of insurance consisting of services covering the same or similar risk. Examples include Construction or Cargo.
Co-insurance	An arrangement where an insurance policy is shared by more than one insurer.
Commercial business	Any insurance policy taken out by an organisation to cover their trade, business or profession.
Commission	Money paid to a third party for matching customers with insurance providers.
Composite Insurer	A company that provides both life insurance (such as term insurance or group life cover) and non-life insurance (such as property, motor or travel insurance).
Compulsory excess	Part of any claim that a customer has to pay.
Consumer	A consumer is an individual who buys insurance, normally for themselves. There are specific regulations in the UK that provide consumers with specific rights and additional protections that may not be available to (for example) a large company purchasing insurance.
Contents policy	A policy that covers the contents of your home or other building against a number of risks.
Contestable period	A period of time the policy may be challenged by the insurance company if they think that the customer has not followed the policy.

Contract of Insurance	An agreement between two parties whereby one party is called an insurer and the other is called insured. The insurer (insurance company or carrier) undertakes, in exchange for the premium, to pay the insured a fixed amount of money on the happening of a certain event. More commonly known as an insurance policy.
Cooling off period	A certain amount of time a customer has to cancel a policy without penalty.
Cover	A term to describe what a contract of insurance is providing i.e., what it is that is being covered.
Coverholder	A coverholder is someone (usually a firm) who has been given authority to underwrite business on behalf of an underwriter under the terms of a set agreement.
Credit	Money received from selling goods or services.
Creditor	Someone who is owed money.
CSR – Corporate Social Responsibility	CSR is a management concept where companies integrate social and environmental concerns in their business operations and interactions with their stakeholders.
Current Assets	A balance sheet account that represents the value of all assets that are reasonably expected to be converted into cash within one year in the normal course of business. Current assets include cash, accounts receivable, inventory, marketable securities such as stocks and bonds, prepaid expenses and other liquid assets that can be readily converted to cash.
Current Liabilities	Short-term liabilities that are due to be paid in less than a year such as bank overdrafts, money owed to suppliers and employees' PAYE (pay as you earn).

D

Declined risk	An insurer may refuse to provide insurance as the customer / event may not meet certain criteria.
Decreasing term	A term insurance policy where the amount of money you have insured your life for reduces steadily every year to the end of the term – in line with a repayment mortgage – but the premium stays the same.

Deductible	This is a specified amount that has to be paid before an insurance company will pay a claim.
Dependent	Someone who is reliant on you, such as a family member, child, wife or husband.
Depreciation	A fall in the value of assets / belongings over time.
Direct Sales	Insurance sold directly by an insurer without the involvement of intermediaries such as comparison websites, brokers, advisers, retailers and banks. Direct sales include those carried out online, through newspaper advertisements, telephone sales, and may also include business through a branch office.
Distributor	This is another name for an intermediary or a broker. It means a third party that sells insurance products to customers.

E

ESG – Environmental, Social & Governance	A term used to describe an organisation's position on ethics, including sustainability and social responsibilities.
Escalation benefit	Where premiums and benefits rise every year by an agreed amount.
Excess	This is the first amount of any insurance claim that the customer agrees to pay as part of the policy conditions – the insurer pays the rest.
Exclusion	A risk or item specifically not covered by a policy.
Ex-gratia payment	Any payment made by an insurance company that is outside the terms of the policy.
Exposure	The potential costs of an insured event, such as a flood, to an insurer.
Extended warranty	A policy that allows the manufacturer's warranty on a product to be extended for a further period of time.
Evidence of Insurability	This is evidence to show if you are an acceptable candidate for insurance. It can involve looking at your health, age, job and other factors.

F

FCA – Financial Conduct Authority	The conduct (behaviour) regulator for the financial services industry, which includes insurance. The FCA regulates conduct for all regulated and authorised firms.
Fixed Asset	This is usually an asset owned by a business such as a building, machinery or a vehicle, that is intended to be used for several years.
Fixed Interest Rate	This is the rate of interest to be paid which does not change during a set time period.

G

GDPR – General Data Protection Regulation	Term used to describe the legislation in place within the EU / UK around how data is gathered and used.
General Insurance	General insurance is non-life insurance cover for damage or loss. It includes products such as motor, travel, pet, health and home insurance.
General Liability	A high-level class of business describing intangible (non-property) risks i.e. an action that may result in injury or harm to a person or company.
Gross	The amount before costs are deducted.

I

IPID – Insurance Product Information Document	A standard document required under insurance regulations that explains to a customer what they are purchasing in a standard format.
IPT – Insurance Premium Tax	A tax that the Government sets and applies to all insurance premiums in the UK. The tax is collected by the brokers, who pays this to the insurer. The insurer is responsible for paying HMRC.
Income Tax	This is tax you pay on money you earn, such as your salary or interest on savings or rent paid to you.
Increasing term	A term insurance policy in which the cover goes up every year by a fixed amount. This policy is designed to increase the policyholder's life cover as their earnings or debt increase. (Also known as increasing cover).

Indemnity	This is when someone promises to pay for loss or damage they cause someone else.
Inflation	This is the percentage change in the cost of living over time, measured through the Consumer Prices Index (CPI) or Retail Prices Index (RPI). As prices rise, the value of money falls.
Irrecoverable loss	A loss or damage that cannot be recovered, repaired or retrieved.
Insolvency	A lack of financial resources to pay back debts.
Insured	An individual or company that purchases insurance cover – you would be the insured when buying your car insurance.
Insurer	A company who provides insurance cover. Also described as carriers, markets, securities etc.
Insurable Interest	The interest that a person has in something such as a particular property or another individual, which means that the person would suffer a loss should that property or individual be harmed. In insurance law, you can only buy insurance for something or someone in which you have an insurable interest.
Intangible assets	Assets that have no physical form, such as patent rights.
Intermediary	An intermediary is a "go between" that arranges insurance between the buyer of insurance and provider of insurance. They may perform different tasks to that of a broker, meaning some may only provide services and not advice.

J

JV – Joint Venture	More widely, this a joint venture between any two parties. In insurance you might hear about the Joint Venture between Lloyd's and the International Underwriting Association (IUA), and the tech firm, DXC for the provision of central services and systems from 2022 through to delivery (est. 2023 and beyond).
Joint life annuity	This pays you a regular retirement income for the rest of your life. When you die, it provides a regular retirement income (at the same or a reduced amount) to your surviving husband, wife, civil partner or dependants.

K

Key facts document	A document that insurance and investment firms are required by the regulator to produce. It sets out the main features of a plan or product. (Also known as a key features document).

L

LS - Lineslip	A contract that is put together by an insurance broker, on behalf of the client. The broker will approach a variety of insurers, who are writing the same type of business and ask them to partake in the lineslip. Within a lineslip there will be a slip leader who has been delegated authority from the other partaking insurers commonly known as followers.
Liability	Liability insurance covers business owners, independent professionals and self-employed people against the cost of compensation claims following fault of negligence brought against them by employees, clients, customers, shareholders, investors, or members of the public. Liability insurance usually covers the cost of compensation to a third party for personal injury and loss of or damage to property.
Lloyds of London	Known as “Lloyd’s”. It is not an insurance company, instead it is a marketplace where insurance buyers and sellers come together. It essentially acts as a market regulator that sets rules under which its members operate.
London Market	This term describes the insurance ecosystem where global insurance business is traded using subscription markets.
Loss adjustor	Professional appointed by your insurer to confirm the circumstances of your claim and the extent of any damage caused, and to make sure the claim is covered by your policy. The loss adjuster will tell your insurer the amount that should be paid out for your claim.
Loss assessor	An independent person who evaluates and negotiates claims on behalf of the policyholder.
Liquidation	The process of closing down a company by paying its debts and distributing any money left over.

M

Markets	A term used to describe the underwriting companies taking on a risk. See also carriers, securities, underwriters.
Market value	The price you could expect to get if you sold your property or goods.
Material damage	A term used to describe physical loss or destruction to property or contents.
Mutual	An insurance company that is owned by its customers.

N

National Insurance contribution	Most employees, employers and the self-employed pay National Insurance. The government uses workers' National Insurance contributions to fund many social benefits.
Negligence	A failure to take proper (or reasonable) care in doing something, resulting in damage or injury to you or someone else.
Net	Net is the value of something minus any costs related to it.
No claims discount	A reduction in the cost of a person's premium at renewal to reflect a claim-free period of driving. No claims discounts are common, but insurers are not obliged to offer them. (Also know as no claims bonus).
Non-disclosure	This is when a customer does not tell their insurer something that might affect the insurer's decision to provide cover or how much the cover costs.

O

Over insured	When someone buys cover for more than the value of the items insured.

P

PAYE (Pay As You Earn)	An employer automatically takes Income Tax and National Insurance contributions from your salary and pays it to HM Revenue and Customs (HMRC).
PI – Professional Indemnity	A liability class of business that covers claims made against a person or firm that has provided professional advice or services.
Pension	This is a tax-efficient way to save money for when you have retired, or for later life when you are no longer able to earn.
Personal accident	A policy that will cover you for accidental death or a specified injury.
Policy	The insurance contract between the buyer and the seller (or the insurer and the insured).
Premium	The amount of money an individual or business pays for an insurance policy.
Product liability	A type of insurance to cover manufactured items that require insurance in case a defect causes damage or injury.

R

Rate	The price (or premium) of insurance.
Reinsurance	Insurers can buy cover from other insurers to protect themselves against large (or unexpected) losses.
Reimbursement	Repayment of money to a consumer for a cost that is actually covered by the insurance policy.
Renewal notice	A notice sent to a customer inviting them to renew a policy.
Retail client	A description by the FCA to identify someone who is buying insurance for themselves and not for their business or trade.
Risk	An event or outcome that you can insure yourself against such as fire, theft, flooding.

S

SME – Small Medium Enterprise	A classification that refers to the size of a company.
Securities	Another description for organisations that provide insurance cover (see carriers, company markets, markets, securities, managing agents, syndicate, underwriter).
Statement of fact	A form outlining all the information given to an insurer that is signed by the customer.
Subrogation	Describes where an insurer can assume the role of an insured to pursue another party that may have a liability to contribute to a claim.
Subscription	Describes where one or more markets subscribe to underwrite a set proportion of cover under a contract of insurance.
Surety	This is someone who takes responsibility for another person's debts or promises, and guarantees that they will be paid or undertaken.
Syndicate	A Lloyd's syndicate is where one or more members of Lloyd's join together to provide security (see underwriter, securities and markets).

T

Tangible asset	This is a physical belonging or piece of property, for example including buildings, land or machinery.
Temporary claim	Your buildings insurance policy may cover the cost of alternative accommodation if your home is uninhabitable while repairs are being carried out.
Terminal bonus	A type of bonus paid out when a with-profits insurance policy (usually an endowment) comes to an end. The insurer can decide to pay either when the policy matures or when the policyholder dies, whichever comes first. It is paid out of the profits from the insurance company's investments.
Third party	Usually for a motor insurance claim, this is the person who is involved in a claim but is neither the insurer nor the policyholder.
Trading result	An insurer's overall profit and loss, calculated as the underwriting result plus investment income.

U

Underinsurance	Underinsurance is when your insurance cover, or sum insured, is less than the value at risk.
Underwriter	Refers to a specific insurer. So called as they "write under" a contract to confirm the proportion of the risk for which they are providing cover. (See carriers, company markets, markets, securities, managing general agents, syndicate).
Uninsurable risk	A risk that an insurer will not take on. For example, this may be where an event is inevitable (such as a terminally-ill person's death), gradual (such as rust or corrosion) or against the law.
Utmost good faith	A term where both the policyholder and the insurer agree not to withhold information or provide false information that could affect the policy.

V

Voluntary excess	By agreeing to pay an excess your insurer may offer you a reduced premium. You can decide how much voluntary excess you wish to pay when you are taking out your policy.

W

Wholesale client	A retail broker that places insurance business into the London Market on behalf of their clients. More generally brokers and clients can be split by wholesale and retail.
Write-off/written loss	A damaged vehicle which is either not repairable, or one which would cost more to repair than the vehicle was worth before the damage occurred. (Also known as total loss).