

Glossary

Most of the definitions below are provided courtesy of the Insurance Institute of Canada. Definitions provided by Insurance Bureau of Canada are indicated with an asterisk ("*").

The language of insurance can be quite complex and confusing. Below are some commonly used insurance terms and their meanings. Insurance professionals with whom you may come into contact should be prepared to explain these terms. If you don't understand, ask!

This information is for educational purposes only and should not be relied upon to form professional opinions on coverage issues.



A

Absolute liability*

The liability of a wrongdoer's automobile insurance company to pay someone harmed by the wrongdoer, even if the wrongdoer has violated the terms of the insurance policy, for example, by driving with an expired license. This is subject to a limit, usually \$200,000, and the requirement that the wrongdoer in violation of the contract must reimburse the insurer.

Accident*

An event that happens by chance and is not expected in the normal course of events, which results in harm to people, damage to property or equipment, or a loss of process or productivity.

Accident Benefits (AB)*

The part of auto insurance that provides medical care and income replacement benefits to insured persons injured in a car collision, regardless of who caused the accident. In some parts of the country, this is referred to as "Section B."

Accident Benefits (AB) - CLEAR*

The relative index based on the frequency of Accident Benefits (personal injury) claims.

Accounts Receivable Coverage*

This coverage can protect a business owner if he or she is unable to collect outstanding balances as a result of lost or damaged account records.

Actual Cash Value

The fair market value of property taking into account factors that might augment or reduce the value of the property in question.

Actuary*

A certified professional who specializes in mathematics of insurance and evaluates statistical information to determine rates and risks.

Additional Insured

A person other than the named insured who is protected by the terms of the policy. Most automobile policies, for example, insure a specific individual as an insured, but also insure anyone driving with that insured's consent. The additional insured may be "named" or "unnamed."

Additional Living Expense Insurance

Coverage applicable when an insured's dwelling is damaged by an insured peril to such an extent that one cannot live in it until repaired. This insurance pays the extra amount it costs to live elsewhere until repairs are made, such as the cost of living in a hotel.

**Additional Premium***

An extra charge for an alteration, during the policy period, which increases the hazard or the insurance company's liability. For example, if you installed a wood stove in your home, you would be charged an additional premium

Adjuster*

An adjuster reviews and settles claims on behalf of the insurance company. The adjuster could be an employee of the insurance company or an independent contractor hired by the company.

Adjusting*

The process of reviewing and settling losses with or by an insurance company.

Agent*

An individual authorized by an insurance company to create, modify, and terminate contracts of insurance or to arrange to do so or to advise on contracts of insurance.

All-risk (All-perils) Policy*

See *Comprehensive Auto Insurance*

Applicant

The person or firm requesting insurance.

Application

A request for insurance. This may be done verbally, in writing or by using a printed form.

Appraisal*

A valuation or an estimation of the value of property usually done by an expert in that field who has no personal interest in the property.

Appraisal Clause

A clause in an insurance policy that gives the insurer the right to demand an appraisal on the damaged property. It gives both the insurer and insured a means of settling disputes over the value of lost or damaged property.

Appraise

To set and state in writing the true value of property.

Appraiser

Person who because of special knowledge is vested with authority in determining the real value of property or damage.



Arbitration*

An alternative to litigation for resolving a dispute between an insurer and its customer or between insurers. An unbiased person or panel is appointed to review the case and determine responsibility for paying for the loss or the amount to be paid.

Arbitration Clause

A clause in an insurance policy, reinsurance contract, or other contract that provides arbitration in the event of a disagreement.

Arbitrator

A person or persons (usually three) chosen by the parties to a dispute to hear their matter of contention and to then render judgment. The parties submit themselves in advance either voluntarily or compulsorily to the arbitrator's decision.

Arrears

The status of a policy on which the premiums are overdue and unpaid but are still considered collectible.

Arson*

The willful and malicious burning of property.

As Their Interest May Appear

Phrase commonly used in the loss payable section of an insurance policy where the insurable interest in a property is either unknown or presently unascertainable, e.g., "Loss payable to A and B as their interest may appear." This leaves the whole question of title to the insurance monies to be settled between the insured and the person whose name appears in the loss payable portion of the policy.

Assigner or Assignor

One who transfers, designates or assigns property to another.

Assignment

Legal transference; the transfer of an entire interest from one party to another. Insurance policies are personal contracts and are not transferable except to spouse unless special consent of the insurance company is granted.

Assume

- 1) To undertake or promise. In insurance, a company or an underwriter "assumes" a risk when he agrees to insure it. That is when insurance attaches.
- 2) Common usage pertains to acceptance of a risk by a reinsurer from an insurer.

Assumed Liability (Contractual Liability)*

Liability for which a person has accepted responsibility by entering into an expressed or implied contract.



Assumption of Risk

- 1) The legal doctrine of assumption of risk, also known as "volenti non fit injuria," where a person knows of the facts and existence of a dangerous condition and voluntarily exposes himself to it.
- 2) The accepting of a risk by an insurance company.

Assurance*

Same as Insurance

Assured*

Same as Insured

Assurer*

Same as Insurer

Authorization*

The power or right to act on behalf of another.

Automatic Reinstatement

After a claim has been paid or the property restored, most policies automatically return the stated limit of insurance to its original amount.

Automobile Insurance

Insurance coverage that provides indemnity and/or compensation for injury or physical damage which ensues from the ownership, use or operation of an automobile.

Avoidance of risk*

Taking steps to remove a hazard, engage in an alternative activity, or otherwise end a specific exposure.



B

Bad Faith

- 1) Design to deceive or mislead another.
- 2) Conscious wrongdoing.
- 3) Constructive fraud.

Bailee

In contract and property law one to whom goods or property are entrusted for a stated purpose. Can be either gratuitous (for no consideration) or for hire (for consideration).

Bailor

A person entrusting goods to another.

Basic insurance policy*

See *Named Perils*

Betterments

Physical improvements beyond mere maintenance or repairs that augment the value of a property.

Binder*

A temporary or preliminary agreement that provides coverage until a policy can be written or delivered.

Blanket Crime Policy

An individual policy covering several crime perils on a single amount rather than on individual limits.

Blue Book Value

The Blue Book lists the values of automobiles. Insurers typically use this book to establish the amount of loss in automobile physical damage claims. These values are synonymous with market value. See also *Red Book*.

Bodily Injury*

A term, mostly used in automobile insurance, meaning physical injury as a result of a car collision.

Boiler and Machinery Insurance*

This coverage protects an organization against any losses that result from a breakdown of heating, refrigeration, air conditioning equipment, pressure vessels, boilers, production machinery, electrical apparatus and/or electronic equipment



Branding*

A car is branded after an accident to indicate its state of disrepair as one of the following:

Salvage - A vehicle that has sustained damage to the point where the cost of fixing it exceeds its cash value prior to the damage.

Irreparable - A vehicle that is incapable of safe highway operation, has sustained damage beyond repair and is only used for parts.

Rebuilt - A vehicle that was severely damaged but has been repaired and inspected and met rigorous determined standards.

Stolen - A vehicle that has been stolen from its owner. Only the police can apply or remove this brand.

Broad coverage*

This provides comprehensive insurance coverage for buildings and named perils coverage for contents.

Breach

Failure to live up to the conditions or warranties contained in a policy.

Broker*

An insurance broker sells insurance for more than one company.

Builders Risk Insurance*

Insurance coverage on property under construction, including loss to temporary buildings, materials and supplies necessary to complete the construction project.

Burglar Alarms

Devices of various types which give warning of entry into premises by unauthorized persons.

Burglary

Unlawful removal of property from premises involving visible forcible entry.

Burglary Insurance

Insurance against loss of property caused by burglars.

"Buy back" Deductible

A deductible which may be removed by payment of additional premium when full coverage is required.

Business Insurance*

Insurance purchased by businesses, also called "commercial insurance". Includes several types: property, boiler and machinery, liability (professional liability, product liability, directors and officers liability), commercial auto, business interruption, etc.

**Business Interruption Insurance***

Various types of insurance against business expenses and loss of income resulting from a fire or other insured peril.

By-law Endorsement

An endorsement explaining how a particular insurance company deals with a claim which is affected by a local by law.



C

Canadian Loss Experience Automobile Rating*

See *CLEAR*

Canadian Standard for Automobile Theft Deterrent Systems (ULC S338)*

This is the benchmark for all immobilizer theft deterrent systems. In after-market systems, the Canadian Standard demands that the immobilizer cut three vital circuits in the vehicle - the starter, the ignition and the fuel supply - to disable the vehicle. In Original Equipment Manufacturers (OEM) systems, the immobilizer disables the fuel injection system to render the vehicle inoperable. The Canadian Standard also requires that each theft deterrent system undergo extensive laboratory testing. Immobilizers meeting ULC S338 offer a proactive means of preventing vehicle theft.

Cancellation*

During the policy period, either the insurer or the customer may terminate coverage according to provisions in the contract.

Capacity*

The amount of capital available to an insurance company, or to the industry as a whole, for underwriting insurance coverage or coverage for specific perils.

Captive Insurance Company*

A company that is owned solely or in large part by one or more non-insurance entities (e.g., a municipality) for the primary purpose of providing insurance coverage to the owner or owners.

Certificate of Insurance

Written document stating that insurance is in effect. Includes general statement of policy's coverage.

Certified Copy

Reproduction of a document, that authority having custody of original signs and attests as a true, genuine and authentic copy.

CGL*

See *Commercial General Liability Policy*

Chartered Insurance Broker (C.I.B.)

A professional designation earned by examination following study courses.



Civil Commotion

Disturbance involving a large number of individuals. An uprising of people creating a prolonged disturbance.

Civil Liability*

An individual's liability to others for harm caused to them by his or her actions.

Claim*

The exercising of a policyholder's right under a policy to be paid by his or her insurance company for certain financial losses suffered. A claim can be any notification of a possible loss under an insurance policy, whether or not any payment follows. For every claim that is reported, the insurance company must set aside money ("reserves") sufficient to cover its anticipated cost.

Claimant

One who makes a claim.

Claims Examiner

An employee of an insurer who handles and is responsible for incoming claims.

Clause

Words in a policy which describe certain specifications, limitations or modifications.

CLEAR*

CLEAR is the Canadian Loss Experience Automobile Rating. This is a method for classifying different models of cars for insurance purposes by using historical claims data, including Collision, Comprehensive, Direct Compensation - Property Damage, and Accident Benefits coverages. CLEAR is used by many insurance companies across the country.

Co-insurance Clause

A clause in an insurance policy requiring an insured to carry a certain percentage, usually 80, 90 or 100 per cent of insurance in relation to the value of the property insured. If the insured fails to do this, then he agrees to be a self insurer of all losses large or small in the same ratio as his failure to comply with the percentage required, is related to the insurance required. For example, a building valued at \$100,000 with an 80 per cent co insurance clause would require insurance coverage of \$80,000. If coverage is carried for only \$40,000 then the insured is a self insurer or co insurer for \$40,000 of the \$80,000, and the insurance company would be responsible for the same amount. This ratio would apply even if a loss were only \$5,000. Then the insurance company would pay \$2,500 and the balance or co insurance penalty of \$2,500 would be borne by the insured.

Co-insurer

Two or more persons or companies who may be sharing a loss. A company whose policy covers the same risk as that of one or more other companies, is a co insurer whether the policies are written separately or together.

**Collapse**

Falling in of a building.

Collision

A vehicle or a ship collides when it strikes another object or another vehicle or ship. Collision insurance insures against loss so caused.

Collision Coverage*

An optional type of automobile insurance coverage that pays for the cost of repairing the insured vehicle if it is damaged in a collision or upset. In some parts of the country, this is referred to as "Section C."

Collusion

A secret agreement between persons to defraud another, e.g., an insured driver of an automobile and his passenger may misrepresent the facts of an accident in order to have monies paid to the passenger under the insured's automobile insurance policy

Commercial Auto Insurance*

This policy is designed to protect a business in the event of accident, theft, injury and/or other damages involving business vehicles and business staff while driving those insured company vehicles, or their own vehicles or rented vehicles for business purposes. There are a variety of coverages for commercial autos, depending on the business being operated and who owns the vehicles being used.

Commercial General Liability policy (CGL)*

A standard form of liability insurance developed for use in the business sector. It is usually contained in a broader mercantile policy also covering property loss and business interruption.

Commercial Host Liability (Liquor Liability)*

Coverage for the liability incurred by owners of establishments selling alcoholic beverages, for damage caused by intoxicated patrons and for injury to themselves or third parties.

Commercial lines*

Refers to insurance for businesses, organizations, institutions, volunteer groups, governmental agencies, and other commercial establishments.

Commercial Property Floater

Property used in a business which requires it to be moved from place to place, may be insured on one of the forms of commercial property floaters. A television studio, for example, may require insurance on their equipment even though it may be out of the regular studio much of the time. In most instances, these are written on special forms suited to the particular need such as contractor's equipment floater, inland marine block policy, jeweller's block policy, salesman's floater policy, etc.



Commercial Property Policy

An all risk and all inclusive policy applicable to stocks of wholesalers, distributors and retailers. Coverage is basically fire, extended coverage, theft and "all other perils." Sometimes called Commercial Block or Mercantile Block.

Commission

Compensation based upon amount of production, e.g., independent insurance agents are compensated on the basis of a percentage of the premium. The percentage varies with different lines of insurance.

Comprehensive Automobile Coverage

An item of coverage in an Automobile Physical Damage policy insuring against loss or damage resulting from numerous miscellaneous causes such as fire, theft, windstorm, flood, vandalism, etc., but normally not including loss by collision or upset.

Comprehensive General Liability Policy

A policy particularly suited to a manufacturer, contractor or large wholesaler or retailer providing broad coverage for claims made against him for bodily injury or damage to property of others for which he may become liable and which arise out of his entire business operation.

Comprehensive Personal Liability

A form of liability insurance for individuals which insures the policyholder in the event he has become liable to pay money for damage or injury he has caused to others. This form does not include automobile liability, but does cover almost every activity of the policyholder except those which arise from the operations of a business. Hence "Personal" Liability.

Compulsory Insurance*

Any form of insurance (usually auto insurance) that is required by law.

Concealment

As applied to insurance, the withholding from an insurance company of information pertinent to a risk.

Conditions*

Conditions are terms of insurance contracts that impose obligations an insured person must satisfy in order to preserve coverage.

Condominium

Is the individual ownership of a single unit in a multiple unit building or group of buildings, together with a percentage interest in that part of the total property owned jointly by all unit owners. In an apartment building, each apartment would be a unit and the stairways, pathways and parking areas would be in common ownership. Condominium property requires special insurance treatment.



Consequential Loss

The word "consequential" means something following as an effect or result. It is an indirect result of the occurrence that causes the loss.

The difference between a direct loss and a consequential loss can be seen in the destruction of a power station by wind. The damage to the power station is a direct loss by wind. There is actual physical damage directly resulting. The destruction of the power station also interrupts the generation of power by the station. For example, a cold storage plant is without electrical power. Foodstuffs spoil as a result or as a consequence. This is a consequential loss, not a direct loss.

Contingent Liability

A liability which may be incurred by an insured as a result of negligence on the part of independent persons engaged by him to perform work. The most common example is the contingent liability of a principal contractor, which may result from construction operations undertaken by his subcontractors.

Continuation Certificate

A renewal or premium payment notice of a bond or policy.

Contract*

A way to make a promise legally enforceable.

Contractor's Liability Insurance

Insurance protecting contractor from defined liability claims arising from contractor's operations.

Contractual Liability*

Liability assumed within contract either written or implied. This coverage is generally purchased as an endorsement to CGL coverage.

Conversion

A form of theft. The taking over of property which belongs to another and using it as if it were property owned by the person doing the converting. For example, a car bought on a time payment plan may be taken by the purchaser to some far away place with the intent of trying to escape any further payments on the car; or the car may be sold or traded for another under the pretense that the car actually belongs to the purchaser. This is the conversion of the vehicle to the purchaser's own use. It applies to all property belonging to one person but which is in the hands of another, as for example, the bailee of goods, an employer who advances certain monies to an employee for specific purposes, etc.

Cover

To protect with insurance, or the insurance protection provided.

Coverage*

What the insurance contract covers.



Crime Stoppers*

An international, non-profit civilian program that assists police in solving crimes through tips reported by citizens who have knowledge or a suspicion of a crime that has taken place. Since its establishment, Crime Stoppers has contributed to solving more than half a million criminal cases internationally, with a value of more than \$3 billion.



D

Death Benefit

An amount set out in the policy representing the amount that will be paid in the event of death. Also referred to as "principal sum."

Debris Removal

A provision in an insurance policy most commonly found in fire insurance providing indemnification for the cost of removal of the debris after a fire.

Declaration

Statement, signed by the insured, warranting that information given by him is true.

Declarations ("Dec" Sheet) *

The portion of the insurance contract that contains information such as the name and address of the insured, the property insured and its location and description, the policy period, the amount of insurance coverage, applicable premiums, and any other information provided by the insured.

Deductible

An agreed specified sum to be deducted from the amount of loss and assumed by the insured.

Deductible Clause

A clause defining the amount of loss for which insured is liable; defines insurer's and insured's contributions to cover losses.

Deferred Premium Payment Plan

Plan providing for the payment of the premium over time.

Defendant *

The person allegedly responsible for a property loss or personal injury in a lawsuit.

Demolition Insurance

Insurance against the cost of removing the ruins of a building partially destroyed by an insured peril.

Depreciation

Reduction in value of property through use, ageing, deterioration and obsolescence.



Difference in Conditions Insurance

A policy insuring against losses not usually covered by Fire and Business Interruption policies such as those caused by flood, earthquake, landslide and other unusual accidental occurrence. Applicable mostly to large commercial and industrial organizations, and performs much the same functions in property insurance that the Umbrella Liability does for liability coverage.

Direct Billing

A system for the collection of premiums whereby the insurance company "directly bills" the insured for the premium in lieu of the conventional collection of premiums by the agent or broker. The insurer sends a statement to the agent, usually monthly, recording the premiums collected directly, and credits the agent with the commission on those items.

Direct Compensation - Property Damage (Ontario, Quebec, New Brunswick)*

Covers damage to - or loss of use of - an automobile or its contents, to the extent that the driver of another vehicle was at fault for the accident. It is called "direct compensation" because, even though someone else caused the damage, the insured person collects directly from his or her insurer instead of from the person who caused the accident.

Direct Loss*

Damage to or loss of the insured property itself. It does not include consequential loss or expenses incurred as an indirect result of the damage, such as the cost of renting replacement items while the originals are being repaired.

Direct Writer

Insurance company selling direct to the public and not through independent agents or brokers.

Directors' and Officers Liability' Insurance (D&O)*

Insurance that provides coverage for members of boards of directors against "wrongful acts," which might include actual or alleged errors, omissions, misleading statements, and neglect or breach of duty on the part of the board of directors.

Disappearing Deductible

A disappearing deductible is a dollar amount deducted from the amount of loss which is reduced as the loss increases and disappears entirely to provide full coverage when the loss reaches a certain specified figure. Deductible amounts vary from \$500.00 to \$5,000.00, and the limit at which the deductible disappears is usually between \$5,000.00 and \$25,000.00. Disappearing Deductible plans are principally associated with fire policies which thus qualify for reduced rates.

Disclaimer

A denial of liability for cause, e.g., to deny coverage under a policy on grounds that a statutory condition has been breached.

Disclosure

Act of making known something known.

**Dismemberment**

Loss of a limb, e.g., leg, arm, finger or eye.

Drive Other Cars Clause

A provision in an automobile policy to protect the policyholder when he is driving cars other than the one described in the policy.

Driver Training Credit

To encourage driver education courses at schools and colleges, many insurers grant premium rebates to applicants for private passenger automobile insurance who have successfully completed an approved training program.

Drive-in Claims Service

A system employed by certain Automobile insurers whereby vehicles with damage, can be driven to the local company "Drive in" Claims Office for inspection and immediate settlement of the damage claim.

Duty of Care*

The obligation that a person has to exercise reasonable care with respect to the interests of others, including protecting them from harm.

Dwelling

The living quarters occupied, or intended for occupancy, by a household.

Dwelling Coverage*

This applies to your home and "attached structures" such as a garage or carport. Permanently installed outdoor equipment on the premises, such as a swimming pool and the equipment attached to it, is usually included. Building materials for use in construction, alteration or repair of the insured dwelling or related structures on the premises are usually covered, too, if they are on the site or adjacent to it. Theft and vandalism losses during construction are usually not covered.



E

Earned Premium

- 1) That portion of premium earned or charged for the period of time a policy remained effective. For example, an annual policy paid for in advance would be one twelfth "earned" at the end of the first full month of its term.
- 2) An amount calculated by taking earned premium reserve at beginning of period plus premium written during period, less unearned premium reserve at end of period.
- 3) Premium actually exposed to loss.

Earthquake Insurance*

Coverage for damage caused by an earthquake as defined in the contract.

Easement

Right of way, or similar right, over another's land, e.g., the owner of land may grant passage over a certain portion of that land to another who may want to access another property or lake.

Effective Date*

The date on which an insurance policy or bond goes into effect, and from which protection is furnished.

Embezzlement*

The fraudulent use of money or property that has been entrusted to one's care.

Employer's Liability Insurance

Protects an employer against injuries sustained by employees that fall under common-law liability. This should not be confused with workers' compensation liability, which is liability as defined by workers' compensation law.

Endorsement

An amendment added to a written document, particularly an agreement between parties, altering its provisions.

Equipment

Material for use on one machine, one vehicle, one unit. For example, a car comes "equipped" with five tires. Tires other than those on the car are not "equipment" of the car. They are instead the dealer's "stock of tires." Equipment also includes contractor's equipment, e.g., backhoe, bulldozer.

Equipment Floater Insurance

A form of inland marine insurance, often on a broad form basis, covering various kinds of equipment. The most common class is contractor's equipment.



Equivalent Materials

Materials or equipment that a contractor substitutes for those defined in contract documents, claiming that materials are equal to or better than those defined. A contractor must provide sufficient proof to engineer, who decides if materials are equal or better.

Errors and Omissions Insurance

- 1) Insurance covering the legal liability of professionals not usually involved with the care of the human body such as architects, engineers, accountants.
- 2) A type of insurance which will step in to take the place of insurance that has not been effected due to a mistake or forgetfulness on the part of the policyholder. Issued to risks such as mortgage concerns, professionals, semi professionals or others engaged in the routine insurance of many properties.
- 3) A clause in certain policies whereby the insurer agrees to waive its defences when an honest error has been committed, provided it is corrected when discovered.

See also Malpractice Insurance and Professional Liability Insurance.

Estate

- 1) In law, one of the various interests in land.
- 2) The net worth of an individual's worldly goods.

Estimated Premium

A tentative premium set in the anticipation of being approximately correct but which may be increased or decreased when the final premium calculation is made.

Estimator

A person who appraises value, worth or cost of items, especially construction costs.

Examiner

- 1) One who administers an examination.
- 2) Insurance company underwriter who studies individual risks for acceptability.
- 3) Insurance company person who receives reports of the various claims for approval of payment.
- 4) Government official who attends to check the records of an insurance company.

Exceptions

Differences listed in a policy which amend the standard declarations so as to provide the required coverage.



Excess Insurance

Insurance which does not participate until all other similar insurance on the same subject is exhausted, or until the loss exceeds a previously agreed upon amount. Where there are two policies on a risk and both contain a provision that they are "excess to all other insurance," the problem is resolved by the general "guiding principles." This is usually interpreted so that each insurer contributes pro rata to the loss.

Exclusion

Risks, perils or properties defined in the policy as not covered.

Exculpatory Clause

An article in a contract, relieving one party of blame or negligence for his acts.

Exhibitions Insurance

Insurance against risks particularly pertinent to exhibitions.

Expiration*

The date upon which a policy will end.

Expiration Notice

Notice sent by the company to the broker/agent or one sent by the broker/agent to the client that a policy is due to expire.

Expiry

End of the policy period.

Explosion

A rupture of a pressure vessel of some kind due to excessive internal pressure (usually accompanied by a loud noise).

Explosion Insurance

Protection for both the article which explodes and the property of the insured damaged by the explosion. Also covered is personal injury suffered by others for which the insured may be legally liable, arising out of the explosion.

Exposure

The hazard threatening a risk because of external or internal physical conditions.

Extended Coverage Insurance*

Protection for the insured against loss or damage of his property caused by windstorm, hail, smoke, explosion, riot, riot attending a strike, civil commotion, vehicle and aircraft. This is provided in conjunction with the fire insurance policy.



F

Facility

A pooling agreement between all automobile insurers (now replaced in most provinces by the Facility Association) in which a market is guaranteed for all licensed drivers and registered owners. The results of the total industry pool are shared by all members of the agreement.

Facility Association*

The organization that ensures that anyone who is required to have car insurance has access to it. For more information about the important role of Facility Association in the insurance market, please visit its website at www.facilityassociation.com

Facility of Payment Clause

A provision in a policy authorizing the insurance company in certain circumstances to pay certain designated persons other than the insured.

Factory Mutuals

Insurance companies of the mutual type (as distinct from stock companies) who specialize in industrial risks and in loss prevention.

Fair Market Value

Price at which a buyer and seller, under no compulsion to buy or sell, will trade.

Farm Mutual

A mutual insurance company whose owning policyholders are predominately farmers. See *Mutual Insurance Company*.

Fault Determination Rules*

In Quebec, New Brunswick and Ontario, charts or rules are used to determine fault or responsibility for Direct Compensation - Property Damage claims, but not for injury claims in cases of car collisions. In some other jurisdictions, insurers use inter-company "settlement" charts for handling claims against each other; these are not legally binding on the policyholder, however.

The circumstances of a collision may show that more than one driver was negligent. Each driver's insurance company may then become involved in the settlement based on the degree of responsibility attributed to each person. If there is a dispute about responsibility, court action may be required to resolve it.

Finding fault*

See *Fault determination rules*



Fire Damage

Damage caused by fire.

Fire Insurance

Coverage for losses from fire and lightning and also the resultant damage caused by smoke and water. Usually supplemented by Extended Coverage Insurance.

Fire-Resistive Construction*

A building that has its exterior walls, floors and roof constructed of masonry or other fire-resistive materials.

First Party*

The person who is insured on the insurance policy. He or she is also the "policyholder" or "insured." There may be other people, named or unnamed, who are covered as well.

Fixtures

Anything that is attached to real property is known as a "fixture." Fixtures when permanently attached to real property become part of the real property. Tenant's fixtures are fixtures of a removable nature and are the responsibility of the tenant for insurance purposes. Whether a fixture is a tenant's fixture and movable or a landlord's fixture and immovable is frequently determined by the purpose of the fixture. A more accurate guide is generally found, however, in the lease itself or in an agreement between the landlord and tenant at the time of installation of the fixture. The tenant may have an insurable interest in permanent fixtures particularly where the lease has some time to run during which the tenant would have the use of these fixtures.

Fixtures & Fittings

Parts or furnishings of a building, considered as permanent attachments as opposed to movable items such as stock, office furniture, etc.

Flat Cancellation

The cancellation of a policy as of the effective date with all paid premium refunded.

Fleet Policy*

In automobile insurance, this is a policy insuring a number of cars for one owner.

Floater*

Additional coverage for movable items, like jewellery or antiques, beyond what's included in the basic homeowner policy. Also called a "rider" or "endorsement".

Forgery*

In general, any false writing with intent to defraud.

**Form***

An insurance policy itself or riders and endorsements attached to it.

Fortuitous Cause

An accidental cause. A happening by chance.

Fortuitous event*

An unforeseen accident - i.e., an event neither deliberately caused by the insured nor bound to happen in the ordinary course of events.

Fraud

- 1) Methods used to deceive to cause unwarranted favourable decision for one's own benefit.
- 2) Deliberate misrepresentation or misstatement.
- 3) Concealment of facts which should at the time be made known.

Fraudulent

Dishonest; based on or obtained by fraud.

Fraudulent Misrepresentation

A false statement made knowing it to be false and intending another to act on it to his detriment, or made carelessly or recklessly without regard to whether it is true or false.

In insurance it is most frequently found in the intentional misrepresentation of a risk to obtain insurance or in proof of loss after the loss occurs.

Friendly Fire

A fire confined to the place it is supposed to be, e.g., in the fireplace; in the incinerator. See *Hostile Fire*.



G

Garage Liability Insurance

Protection for an automobile dealer, repairer, service station etc. The coverage is for their legal liability for claims for bodily injury and property damage due to business operation.

Garaging location*

The postal code where your vehicle is parked or garaged when not in use. This is usually your primary residence.

GDL*

See *Graduated driver's licensing*

General Cover

A policy which covers property at several locations.

General Damages

It is applied in a third party injury claim. Damages awarded by a Court of law for pain and suffering of an individual.

General insurance*

See *Property & Casualty Insurance*

General Insurance Ombudservice (GIO)*

Assists in the resolution of conflicts between insurance companies and their customers. When disputes arise, GIO's mediators and experienced customer service officers help insurance companies and customers work toward a solution that is in the best interest of both parties in a fair, independent and impartial environment. For more information about GIO and its services, please visit their website at www.giocanada.org

GIO*

See *General Insurance Ombudservice*

Good Faith

Most ordinary contracts are good faith contracts. Insurance contracts are agreements made in the utmost good faith. This implies a standard of honesty greater than that usually required in most ordinary commercial contracts.



Government-Run Auto Insurance*

In Manitoba, Saskatchewan and BC, consumers have no choice but to buy their insurance from the provincial government. (Some optional coverages can be purchased from private insurance companies). In Quebec, insurance for injuries as a result of a car collision must be purchased from the government.

Grace period*

A period after the premium due date during which an overdue premium may be paid without penalty. The policy remains in force throughout this period.

Graduated Driver's Licensing*

A staged introduction of new drivers into the driving environment. Under graduated driver's licensing systems, new drivers earn more driving privileges as they gain more experience and demonstrate that they are able to handle increased risk.

Gross Negligence

The degree of negligence somewhat greater than ordinary negligence. It may be a reckless wanton and wilful misconduct causing bodily injury and/or property damage.

Guaranteed replacement cost endorsement (building)*

Coverage that pays for replacement without reduction for depreciation (*see also Actual cash value and Depreciation*). A guaranteed replacement cost endorsement covers any shortfall in the event that the replacement cost of a building has been underestimated.

Guarantor

One who promises to answer for another. For example, an insurance company may guarantee a contractor in the performance of his contract. The insurance company is the guarantor or surety.



H

Habitation

Dwelling place; residence.

Habitational Fire

Fire occurring in a dwelling.

Hail Insurance

Insurance of property against damage which occurs by hailstorm. Usually refers to growing crops but coverage is also provided under other policies such as for automobiles, buildings and their contents.

Hard market*

The part of the insurance cycle in which premiums rise significantly. It is usually associated with a sharp decline in capacity. (*See also Soft market*).

Hazard

- 1) A risk or probability that the event insured against might occur.
- 2) Condition which engenders or increases the chances of a loss.

Hazard, Moral

Hazard arising from character, interest, habits and lack of integrity of the insured or person concerned.

Hazard, Physical

Hazard arising from physical condition or characteristics of the object that is insured, e.g., using and storing volatile materials and substances on the premises.

HCMU – AB (Accident Benefits)*

A relative index based on the loss costs of Accident Benefit (personal injury) claims

HCMU – Collision*

A relative index based on the cost per vehicle for Collision insurance claims.

HCMU – Comprehensive*

A relative index based on the cost per vehicle for Comprehensive insurance claims (including theft).

HCMU – Relative claim index*

A relative index based on the cost per vehicle for a specified coverage's insurance claims.

**HCMU – Theft claim cost***

A relative index based on the cost per vehicle for theft claims.

HCMU – Theft claim frequency*

A relative index based on the frequency of theft claims (that is, the number of claims reported as a percentage of the number of vehicles with Comprehensive coverage).

High-Risk Automobile Insurance Market*

Consumers with a poor driving record (e.g., multiple driving infractions, demerit points or criminal convictions involving driving), or no driving record at all (i.e., new drivers), may, in many cases, be insured by insurance companies that specialize in drivers who are high risk.

Highway Traffic Act

The body or system of laws which govern the obligations of the provincial governments and users of roads. A breach or conviction of any of these laws may be an offence but does not of itself impose legal liability, but it may be relied upon in any proceeding to establish or negate any liability.

Hit and Run Accident

Collision between motor vehicle and/or a motor vehicle and another object and/or a motor vehicle and a pedestrian where a driver leaves the scene of the accident without identifying him/herself. This is an offence under the Highway Traffic Act.

Hold Harmless Agreement

A contract or agreement in which one party assumes legal responsibility for the acts of another.

Homeowners insurance*

An elective combination of coverages for the risks of owning a home. It may include coverage for fire, burglary, vandalism, earthquake and other perils.

Hostile Fire

A fire which occurs in or escapes to a place not anticipated, e.g., a fire in a fireplace becomes uncontrollable and ignites something externally. See *Friendly Fire*.



I

IBAC*

See *Insurance Brokers Association of Canada*

IBC*

See *Insurance Bureau of Canada*

ICBC*

See *Insurance Corporation of British Columbia*

ICLR*

See *Institute for Catastrophic Loss Reduction*

Immobilizer*

An electronic anti-theft device that arms a vehicle automatically when it is switched off, and prevents unauthorized starting of the vehicle. (See also *Canadian Standard for Automobile Theft Deterrent Systems*)

Improvements and Betterments

Additions or changes to a rented premises by a tenant at his own expense. Also called Tenant's Improvements.

Incendiary

Malicious setting on fire or preparing, providing and setting the means for fire to start.

Inception

The date and time on which coverage under an insurance policy takes effect.

Incident*

An event which, under different circumstances, could have resulted in harm to people, damage to property or equipment, or loss of process or productivity – for example, almost hitting a pedestrian with a car, or a slip and fall that does not result in an injury. Sometimes an incident is referred to as a “near miss.”

Indemnify*

To compensate the insured person for a loss, in whole or in part, by payment, repair, or replacement.

Indemnitor

Party entering into indemnity agreement with a second party, securing second party against loss.



Indemnity

A contract, express or implied, to repay in the event of a loss. Insured neither gains nor loses.

Indirect or Consequential Loss (or Damage)*

Loss resulting from a peril, but not caused directly or immediately by the peril. For example, loss of property due to fire is a direct loss, while the loss of rental income as the result of the fire would be an indirect loss.

In Force

Insurance policy which is in effect, and has not expired or been cancelled.

Informed consent*

An agreement intended to ensure that both parties understand the activities being undertaken and the risks associated with them. Often used in conjunction with a waiver or hold-harmless and indemnifying agreement.

Inherent Explosion

An explosion caused by the normal processes of a risk as opposed to one caused by external causes, e.g., a dust explosion in a grain elevator.

Inherent Vice

The quality that something has to deteriorate or damage itself without outside help, e.g., milk sours; coal combusts spontaneously.

Inland Marine Insurance

Coverage for movable property in transit, excluding ocean crossing; includes bridges and tunnels, because they are implements of transportation.

Inspection*

Independent checking of facts about an applicant or claimant, usually by a commercial inspection agency.

Inspector

An insurance company employee who examines physical risks and reports on them for underwriting purposes. In some companies this is done by the Special Agent or Field Representative.

Institute for Catastrophic Loss Reduction (ICLR)*

The insurance industry established the Institute for Catastrophic Loss Reduction (ICLR) in 1998. It is a coordinated effort of the Canadian home, car and business insurance community, the University of Western Ontario and other partners to reduce – through research and education – the loss of life and property caused by severe weather and earthquakes. ICLR is working to improve Canadians' capacity to adapt to, anticipate, withstand and recover from natural disasters.



Insurable Interest

An interest which the insured must have in the subject matter of the insurance he buys so that if the event insured against occurs, the insured will suffer a pecuniary loss.

Insurance*

A contract between an insurance company and its customer for a specific period of time. It protects the customer financially against a loss. Insurance is also a mechanism for dispersing risk, because it shares the losses of the few among the many.

Insurance Brokers Association of Canada (IBAC)*

As the national voice of 25,000 home, car and business insurance brokers in Canada, IBAC represents their interests to the government of Canada. IBAC develops national licensing courses and professional development programs for brokers, for delivery through its 11 provincial/regional associations.

Insurance Bureau of Canada (IBC)*

The national trade association for the companies that insure the homes, cars and businesses of Canadians. IBC's membership includes the companies that provide nearly 95% of the home, car and business insurance sold in Canada. IBC works on behalf of member companies to advocate for public policies that create and maintain a healthy insurance marketplace that serves insurers and consumers. IBC facilitates communications and seeks consensus among its members and, when possible, seeks out and implements solutions to common insurance concerns.

Insurance Corporation of British Columbia (ICBC)*

The government-run insurance company from whom all drivers in British Columbia must purchase mandatory or compulsory car insurance.

Insurance Institute of Canada (I.I.C.)*

The professional education arm of the general insurance industry in Canada.

Insurance Policy

A written contract of insurance.

Insured

The entity (individual or otherwise) whose risk of financial loss from an insured peril is protected by the insurance policy.

Insurer

The company providing the insurance coverage.

Insuring Clause

Describes the intent of the policy, just what insurance coverage is provided by the policy and in what limits.



J

Joint and Several Liability Clause

This exists when the situation is such that a creditor in the case can sue any one of the debtors individually, or any, several or all of them, at the creditor's option. This situation applies to tort feasons as well as to commercial debtors. Persons who together commit a tort and injure another person generally would be jointly and severally liable for the damage. An injured person has the option of suing the entire group or of suing the one having the greatest financial strength.

Judgment

- 1) An order given by a Court.
- 2) A debt resulting from a Court Order.

Jurisprudence

Common law, being based partly on decisions made in previous cases and quotations from these earlier cases, supports the decision that should be reached in any particular case presently before the Court. These previously decided cases are known as jurisprudence.



L

Lapse

An insurance policy which, having reached its expiry date, is not renewed or extended is said to have lapsed.

Lawyer's Professional Liability

Liability incurred by reason of an error or omission committed by a lawyer, or by some person for whose acts he or she is responsible, in the practice of the profession.

Lease

A contract by which one party, called the lessor, conveys to another, called the lessee, real estate, equipment or facilities for a specified term and for a specified rent.

Legal Expense Insurance

A form of insurance to cover types of legal expenses incurred by individuals; often written on a group basis.

Legal Liability

Liability imposed by law on individuals or corporations to pay for harm done to others. Such law may be the common law, statute law or customs which over a period of time have taken on the same status as law. Legal liability may also be assumed under the terms of a contract.

Lessee*

The person to whom a lease is granted. A lessee of real property is commonly called the "tenant."

Lessor*

The person granting a lease.

Liability*

This is a legally enforceable obligation. Liability insurance pays for the damages or losses suffered by others for which the insured person is legally responsible.

Liability Insurance

Insurance which agrees to indemnify the insured for sums he may be required by law to pay to third parties as damages for bodily injury or damage to property.

Liability Limits*

The amount or amounts beyond which an insurance company does not protect a person insured for liability coverage. For example, a common liability limit for an auto insurance policy is \$1 million. If a policyholder is successfully sued for more than \$1 million, the balance of the judgment would be paid out of the policyholder's pocket.



Liability Loss Exposures

The features of an individual risk to be taken into consideration by an insurer when underwriting a liability cover. These would include location and condition of premises, products made or distributed, work done away from the premises and so on.

Libel*

A written statement about someone that is personally injurious to that individual.

Lien

A charge upon real or personal property as security for some debt or duty. Also, the security interest created by a mortgage. The conditions of an insurance policy require the disclosure to the insurer of any existing lien on the insured property.

Like Kind and Quality (LKO)

Refers to replacement of damaged, destroyed or lost property with used property of similar type and condition.

Limit of Liability

The maximum amount, as stated in the policy, which an insurer is bound to pay in case of a loss. See also *Liability Limits*.

Limitation Period*

The period of time in which a claim may be brought by the policyholder.

Line

- 1) The type of policy issued by a company, e.g., fire line, automobile line, casualty line.
- 2) A given set of exposures making up an account. An underwriter may agree to accept, for example, fifty per cent of the line.
- 3) The classes of business written by an insurer, e.g., Personal Lines, or Commercial Lines.

Loss

A word often used in place of the word "claim." It refers to the amount an insurer must pay because one of the possibilities of loss insured against under a policy, has happened.

Loss of Use Insurance

Optional coverage purchased to compensate for the loss of use of property, if it cannot be used because of a loss covered by the policy. This is most common in auto insurance. For example, loss of use insurance will have the insurance company pay for the use of a rental car while the insured car is being repaired.



M

Malfeasance

The doing of an unlawful act, e.g., trespass.

Malicious Mischief

Injury to the rights or property of another with a wicked or perverse intent.

Malpractice

A performance by a professional which is deficient in skill from what might ordinarily be expected of a professional person. The standard of performance to which a professional person will be held is necessarily higher than the standard which an unskilled person would be expected to display.

Manitoba Public Insurance (MPI) *

The government-run insurance company from whom all drivers in Manitoba must purchase mandatory or compulsory car insurance.

Manufacturer's and Contractor's Liability Policy

A policy which provides coverage against the liability arising from the ownership of property or the carrying out of operations. This type of policy does not provide any coverage with respect to the hazards of products or completed operations.

Material Fact *

Information about the subject of insurance, insured risk, that, if known, would change the underwriting basis of the insurance, and which could cause the insurer to refuse the application or charge a higher rate.

Material Misrepresentation *

When a policyholder or applicant makes a false statement of material (important) fact on the application, he or she has committed a material misrepresentation, which may result in loss of coverage.

Merit Rating

A system of rating in which the loss experience of a particular risk is a factor in determining the rate for that risk.

Moral Hazard *

A position taken by an insured that increases the chance of a loss or the seriousness of a loss.

MPI *

See *Manitoba Public Insurance*



Multi-Peril Policy*

A package policy, such as a homeowners or business insurance policy, that provides coverage against several different perils. It also refers to the combination of property and liability coverage in one policy. In the early days of insurance, coverages for property damage and liability were purchased separately.

Mutual Insurance Company

Mutual insurance companies are home, car and business insurance companies without stockholders. The owners are the policyholders. It is the policyholders (the owners) who elect the directors of the company.

Mysterious Disappearance

The disappearance of insured property in an unexplained manner. For example, if a ring is left in a public place and the owner returns later to find the ring gone, it is reasonable to assume that the ring has been stolen. However, there is no direct evidence that this is in fact what happened. This would be an example of mysterious disappearance.



N

Named Insured*

The person in whose name the policy is issued (see Insured or Policyholder). Technically, he or she would be the first party to the contract, the second party being the insurance company that issues the policy.

Named Perils (or Basic) Insurance Policy*

Covers only those perils, such as fire and theft, that are specifically named in the insurance policy.

Natural Disaster

A disaster caused by the elements such as flood, earthquake, tornado, lightning, etc.

Negligence*

To fail to do what a reasonable and prudent person would do (or to do what such a person would not do); this can result in property damage, injury or death.

No-Fault*

This type of automobile insurance provides some compensation for personal injury and death arising out of a motor vehicle accident, with payments made regardless of who caused the loss. However, it does matter who caused the accident; if found to be at fault, a driver may experience an increase in future premiums.

Non-disclosure

A contract of insurance is based on utmost good faith. An applicant for insurance is required to disclose to the company all material facts which are necessary to underwrite a policy. If the applicant does not disclose all these facts, he/she is guilty of non disclosure and may risk having coverage voided from inception.

Non-feasance

The neglect or failure to do some act which ought to have been done.

Non-hazardous

A risk not involving the ordinary or average hazard of its class, or a risk free of the average hazards of all classes of risk.

Non-insurable Risk

A risk for which no insurance can be written. The chance of loss is very high or cannot be accurately measured.

Non owned Automobile Policy (Non-owner's Policy) *

A policy that gives you liability protection for when you are in at-fault accident and do not own a car.



Notice of Loss*

Notice detailing the losses and the circumstances surrounding how they occurred required by insurance companies immediately after an accident or other loss.

Notice of Termination

The conditions of insurance policies stipulate how a policy may be terminated during its term. For example, a policy may be terminated by the insured at any time or by the insurer who must give the insured a certain number of days' notice of termination by registered mail or a certain lesser number of days' written notice of termination personally delivered.

Nuisance

In law, this refers to a class of wrong that arises out of unreasonable, unwarranted or unlawful use by a person of his own property, whether that property be real or personal or from his own improper, indecent or unlawful personal conduct and producing an annoyance, inconvenience, discomfort or hurt to others or to their property that the law would presume a consequential damage. In insurance claims, it is most frequently met as a cause of action, arising from the escape of some obnoxious substance.



O

Occupancy

Occupancy is the act of holding possession of property or premises. The term implies the use of the building for the purposes described in the policy, and no other. An occupied building has furnishings and/or people in it.

Occupier*

A person, company or other group that owns, has possession of, or has responsibility and control over premises.

Occupiers' Liability*

An individual or organization in possession of property (i.e., the occupier) owes a duty of care to those who come onto the premises. The occupier must take reasonable care to protect others from harm that might result from programs on the premises or at the hands of a third party on the premises. For example, an occupier should ensure that the building is safe by shovelling sidewalks in the winter.

Occurrence

An event that results in an insured loss. In some lines of insurance, such as liability, an occurrence is not necessarily an accident (something sudden or unexpected); it can result from continuous or repeated exposure to a risk. Nonetheless, an occurrence results in bodily injury or property damage that was neither expected nor intended by the insured.

Off Premises Clause

A provision in residential policies affording coverage on some of the household goods when away from the premises, within certain limits.

Officers' and Directors' Liability Insurance

See [Directors' and Officers' Liability Insurance](#).

Open Stock Policy

A policy covering the insured's merchandise in the store, warehouse or factory insured, against the felonious entry of a burglar and the removal of part or all of the stock. It extends also to cover damage to the actual premises which has occurred as a result of the burglary.

Optional coverage*

In automobile insurance, optional coverage is a commonly used term for insurance that is not required by law, such as coverage for collision or comprehensive claims (e.g., theft).

For home insurance, optional coverage is that which is not normally included in standard home insurance policies, but which can be purchased separately, such as coverage for damage from earthquakes, furnace oil spills and sewer back-up.



Outboard Motor Boat and Outboard Motor Policy

A class of inland marine insurance covering boats, motors and equipment for named perils (fire, collision and theft) or, at a higher premium, for all risks. Some policies include liability cover for property damage to other vessels.

Overlapping Insurance

When two different kinds of policies cover the same loss, the insurance is said to be "overlapping." This does not mean, for example, when two fire insurance policies cover the same loss, which is called "contributing insurance." However, if an inland marine policy and a fire policy covered the same loss, they would be overlapping.

Owner's, Landlord's And Tenant's Liability

Liability insurance coverage which gives protection because of liability arising out of ownership, use or occupancy; operation or maintenance of buildings or premises.



P

PACICC*

See Property and Casualty Insurance Compensation Corporation

P&C insurance*

See Property and casualty insurance

Package Policy

Any insurance policy which covers two or more lines or types of insurance in the same policy.

Pain and Suffering*

A non-economic loss for which recovery may be available against the wrongdoer in a lawsuit.

Pair & Set Clause

Establishes that loss or damage to one of a pair or set of individual items does not represent the loss of the pair or set.

Partial Loss

A loss covered by an insurance policy where the property or the premises are not completely destroyed or rendered completely worthless.

Penalty

Liability limit on a fidelity or surety bond.

Per Annum

For each year.

Per Capita

Per head or per person.

Peril*

This is the cause of loss or damage. A homeowner's policy, for example, insures against perils like windstorms, fire and theft.

Period of Indemnity

Used in business interruption and disability insurance to define the length of time for which indemnity is payable.



Perjury

Giving false evidence or information while under oath.

Permission Granted Clause

Provision in most property insurance policies on real property that permits a policyholder to use insured premises for normal purposes related to occupancy.

Personal Articles Floater*

A personal articles floater provides all-risk coverage, subject to reasonable exclusions, for valuable items such as furs, jewellery, cameras, silverware, etc. The items are generally listed by description and value. This should not be confused with a personal effects/property floater.

Personal Auto Policy

Insurance policy issued to individuals covering risks arising out of the ownership or operation of a licensed automobile.

Personal Effects/Property Floater*

Coverage for personal property, anywhere it may be in the world. Typically, this type of floater is issued in one of two forms, all-risk (or broad) or specified perils.

Personal Injury*

An injury, other than physical, arising out of false arrest or detention, malicious prosecution, wrongful entry or eviction, libel or slander, or violation of a person's right to privacy.

Personal Injury Liability

Injury other than bodily injury arising out of defined causes which usually include false arrest or detention, malicious prosecution, wrongful entry or eviction, libel or slander or violation of a person's right to privacy other than in the course of advertising, broadcasting, television, publishing.

Personal Lines Insurance*

Home or auto insurance for individuals, as distinguished from commercial lines insurance for businesses.

Personal Property*

Possessions owned by an individual other than real estate or buildings (not attached to the land). Often used to refer to property in a Homeowner's policy.



Personal Property Insurance*

Home insurance covers the contents of a home and other personal property that the named insured and members of the household own, wear or use (including clothing, cameras, furniture, etc.) while on the premises. It may even cover personal property of others (excluding roomers or boarders who are not related to the insured) that is not otherwise insured. There will normally be coverage for personal property while it is temporarily away from the home anywhere in the world (*see also "Personal effects/property floater"*). Personal property not normally kept at home is not covered. Personal property in a warehouse is usually covered against theft without time limit, but other perils may not be covered, or may be covered only up to 30 days.

Personal Property Insurance Coverage Limitations*

The maximum amount a policy will pay, either overall or under a particular coverage.

Personal Property Floater*

See Floater

Personal Theft Insurance

Theft coverage on personal property. Most often part of a Homeowners contract.

Physical Damage Coverage (Automobile) *

The section of an automobile policy that provides cover for damage to the insured vehicle. It may cover all perils, collision or upset, all perils other than collision or upset (comprehensive) or specified perils.

Plaintiff*

The person who initiates a lawsuit. Also called a claimant.

Policy

Legally binding contract effecting insurance or certificates thereof, including all clauses, riders, endorsements and renewals.

Policy Conditions

Provisions which state the rights and duties of the insured or insurer.

Policy Expiration Date *

The date when an insurance policy expires. This date can be found on the current Declaration (or "Dec") page, insurance identification card, or recent cancellation notice.

Policy Fee*

An additional charge placed on the initial premium to reflect the cost of issuing a policy, establishing records and other expenses.

Policy Limit*

The maximum amount an insurer will pay under a policy, either overall or under a particular coverage.

**Policy Period**

Duration of policy, most often one year in property/casualty insurance.

Policy Territory*

Geographic area in which the damage or injury must occur for coverage to apply.

Policy Year

Period between anniversary dates.

Policyholder*

Same as **Insured**.

Pollution Exclusion

Standard general liability policies include an exclusion for loss arising out of pollution. For certain exposures this exclusion may be modified. e.g., "sudden and accidental" pollution arising from a fire.

Pool*

A group of insurers or reinsurers who insure particular types of risks. Premiums, losses and expenses are shared in agreed-upon amounts.

Precedent (Legal)

A previous common law decision used in considering a subsequent legal case.

Preliminary Proofs of Loss

A preliminary statement of the particulars of a loss which the insured submits to the insurer.

Premises

Building including the land immediately surrounding it and belonging to it.

Premium*

An insurance premium is the money the policyholder pays to the insurer for financial protection against specific risks for a specific time-span. Unlike the premiums for many forms of life insurance, general insurance premiums are not intended to produce a reward other than financial peace of mind.

Prior Insurance

Insurance cover in force before the current insurance.



Private Passenger Vehicle*

A vehicle not used as a commercial vehicle. For example, if a small van is used as a family vehicle, it is considered a private passenger vehicle. However, if this same van is used as a full-time delivery vehicle, it is considered a commercial vehicle.

Producer

Broker or agent who sells insurance.

Product Liability Insurance*

Protects manufacturers' and distributors' exposure to liability for bodily injury or property damage caused by the negligent manufacturing of the product. Also referred to in relation to claims arising out of completed work.

Product Recall Insurance *

Designed for manufacturers, this coverage insures against the unexpected cost of recalling a product from the market due to faulty design, errors in manufacturing, or intentional tampering not caused or known by the insured and that may cause harm to customers.

Professional Liability Insurance

Protects professionals against liability for damages and cost of defense based upon his/her alleged or real professional errors and omissions or mistakes, e.g., architects, engineers, medical malpractice, attorneys.

Proof of Loss*

A formal statement made by a policyholder to the insurance company regarding a claim, specifying its circumstances and the amount of loss, especially in property insurance.

Property and Casualty (or General) Insurance*

This is the branch of the insurance industry that covers home, car and business insurance. (The other branch of the industry is life and health insurance.)

Property and Casualty Insurance Compensation Corporation (PACICC)*

In the unlikely event of the collapse of a home, car or business insurance company in Canada, the industry-funded, non-profit Property and Casualty Insurance Compensation Corporation (PACICC) will respond to claims of policyholders under most policies issued by home, car and business insurance companies. This protection is extended automatically to eligible policies.

Property Damage Liability Insurance

Protection against liability for damage to the property of another including loss of the use of the property.

Property Insurance

Covers an insured's property against damage, destruction or loss by a covered peril.

**Pro Rata Cancellation**

Cancellation of an insurance policy or bond with the return premium credit being the full proportion of premium for the unexpired term of the policy.

Prorating

The adjustment of policy benefits due to a change of exposure or existence of "other insurance."

Provisions

Statements contained in an insurance policy which explain the benefits, conditions and other features of the insurance contract.

Proximate Cause

Cause of loss or damage. Unbroken chain of cause and effect between the occurrence of an insured peril and damage to property.



Q

Quote

An estimate of the cost of insurance, based on information supplied to the insurance company.



R

Rate*

The amount, established or reviewed by government, used to calculate premiums to be paid on an auto insurance policy.

Red Book*

Canadian publication which lists the values of automobiles, including their wholesale and average retail price, used as a guide by automobile dealers, claims adjusters etc., to establish market value of used automobiles. American version of this publication is called a "Blue Book".

Registered Insurance Brokers of Ontario (RIBO)

Legislation in Ontario requires the licensing and self regulation of all brokers in the province selling insurance to the public. (Not to be confused with agents that represent a specific company.)

Regular Insurance Market*

When the insurance business environment is operating effectively, low-risk consumers find that auto insurance is available to them from any insurance company and at a reasonable price.

Regulator

The federal, provincial or territorial government agency responsible for the control and regulation of the insurance industry under its jurisdiction.

Reinstatement

The reactivation of suspended or cancelled insurance.

Reinsurance*

Insurance purchased by an insurance company from another insurance company (reinsurer) to provide it protection against large losses on cases it has already insured. Essentially, insurance for insurance companies.

Relative claim index – CLEAR*

The relative index based on the cost per vehicle for a specified coverage's insurance claims.

Removal*

The standard fire insurance policy clause which insures against reasonable costs incurred and damage done in removing the insured property from the path of the fire or other insured peril in order to mitigate the loss.

Removal may mean taking the property to some place other than that at which it was insured.



Renewal

A certificate which attests to the fact that an insurance policy has been extended for another term.

Renewal Certificate

It is the practice by many insurers to issue a short form certificate instead of writing a whole new policy to replace an expiring one. This form is the renewal certificate and contains references to the original policy rather than repeating its complete terms.

See also [Renewal](#).

Rent Insurance

A form of loss of use insurance protecting against loss of rental income. It is particularly valuable where a landlord may depend upon a rental income from his various premises to pay the mortgages. In event of fire, the rents may cease, but his obligation to pay the mortgage may continue.

Rental Value Insurance

Insurance which reimburses the owner/occupant of a building for the cost of renting other premises if his building is rendered unusable by some peril insured against.

Replacement Cost*

The cost of replacing property without deduction for depreciation. (*See also [Actual cash value](#) and [Depreciation](#)*)

Residual Market*

A system through which insurance is made available to customers that represent unusually high risks. This insurance is provided through [Facility Association](#).

Return Premium

A refund to the policyholder of part of the premium he has paid because of cancellation, rate reduction, reduction in amount of insurance, or some similar reason.

Rider (or Endorsement)

An amendment to an insurance policy. It is used to add or remove coverage.

Risk*

A chance of loss or injury for which an insurance claim may be submitted. For a risk to be insurable, related events that could result in a claim must be unexpected (*see [Accident and Occurrence](#)*). For example, the possibility that a visitor to a policyholder's home will injure himself or herself by falling on the steps is an insurable risk, because such a fall would be unexpected. Expected losses, such as the gradual wearing-out of clothes or the rotting of fruit, are not insurable risks.

Risk Manager (Risk Management)

Organizations, especially larger entities, have recognized the need to better understand their exposures and means of covering their exposures. A risk manager will determine all of a company's exposures, determine if insurance or self insurance is appropriate, and coordinate loss control.



Robbery

The taking of another's property by force or threat of force.



S

Salvage

On paying for a total loss of property, an insurance company takes title to what remains of or what is recovered of the property. This is a right of salvage.

Saskatchewan Government Insurance*

The government-run insurance company from whom all drivers in Saskatchewan must purchase mandatory or compulsory car insurance.

Schedule

- 1) A comprehensive list accompanying a policy to detail the property, locations and amounts insured, and the applicable conditions.
- 2) In rate making, the formula applied to determine a rate.

Schedule of Insurance

A list of items individually covered by a policy, e.g., a list of jewels under a jewellery floater, a list of cars insured under one automobile policy or a list of buildings insured against fire.

Schedule of Property

A statement accompanying a policy specifying the various items to be insured and the corresponding amounts applying to each item. The schedule date, when required, must be before or coincident with the issue of the policy, never afterwards.

Scheduled Property Floater

An inland marine form of policy specifically insuring various individual items. Articles of unusual value, provided they are movable, may normally be written this way and insured against many hazards, often against "all risks."

Seasonal Risk

- 1) A risk occupied only part of the year, such as a summer dwelling.
- 2) In manufacturing, it may be a plant operating seasonally, such as a cannery.

Second Party*

The insurance company that issues the policy is considered the second party of the two parties needed to form a legal contract. The first party is the policyholder.

Section A*

See *Third-party liability*



Section B*

See *Accident Benefits*

Section C*

See *Collision coverage*

Section D*

See *Uninsured motorist coverage*

Short Rate Cancellation

The cancellation by the insured of a policy before its natural expiration; the insurer pays a return premium which is less than the proportionate part that remains unearned.

Slander

The oral utterance or spreading of falsehood harmful to another's reputation. Libel is written; slander is spoken.

Smoke Damage

Essentially, the devaluation by smoke, not fire, of merchandise and property. Such damage is covered by the fire policy.

Social Host Liability (Liquor Liability)*

Potential liability for bodily injury or property damage arising out of the negligent serving or distribution of alcohol by a non-business enterprise (i.e. homeowner).

Soft Market*

The part of the insurance cycle in which there is insurance capacity and policies are sold at lower prices (see also *Hard market*).

Special Damages

Actual loss from the natural, not the necessary, consequences of the subject of complaint; e.g., specific payments for medical bills or car repairs. In third party claims, it means the damages that may be proved with documents

Special Event*

Specific presentations, performances or celebrations that mark a special occasion or are used to achieve goals and objectives. Special events usually fall outside an organization's scope of normal operation.

Special Multi-Peril Policy

This basic policy contains declarations, general provisions and definitions applicable to the four principal sections of coverage; property, liability, comprehensive crime, boiler and machinery. The particular coverage requirements for each are handled by separate forms attached to the basic contract.



Spontaneous Combustion

Self ignition of combustible material through chemical action of its parts.

Standard Construction

A term applied to a building which conforms to certain agreed upon standards of construction, such as solid brick, stone or concrete.

Standard Forms

Any insurance form worded identically by all insurance companies, generally to meet the requirements of local legislation.

Standard Limits

The basic amounts of indemnity provided under a liability policy or the liability section of a policy. These limits can be increased by agreement, with an additional percentage charge.

Standard of Care*

The degree or level of service, attention, care and protection that a person owes another person according to the law (*see also Duty of care*).

Standard Provisions

- 1) The prescribed wording of certain parts of a policy.
- 2) The conditions and requirements which commonly form part of contract documents.

Standard Risk*

A person who, according to a company's underwriting standards, is entitled to purchase insurance protection without special restrictions.

Statement of Claim

A written statement by a plaintiff detailing the facts which support the claim against the defendant and the relief sought.

Statutory Conditions

Special prescribed and standardized conditions that the Provincial Insurance Acts require to be included in fire, automobile and accident and sickness policies.

Subrogation

Once a company has paid a loss for which someone other than the policyholder is responsible, it may have the right to recover this loss from the guilty party. This right is called subrogation.

Subrogee

The party which assumes the rights of another by subrogation.

**Subrogor**

The party whose rights are assigned to another by subrogation.

Substandard Insurance*

Insurance for those persons who do not qualify for insurance at standard rates or terms

Suit

A legal proceeding brought by one person against another.

Summons

The legal serving of notice of a lawsuit that has been filed.

Superintendent Of Insurance

The chief officer of the Government Department which regulates insurance.

Surrender

Cancellation of a policy before its normal expiry by mutual consent of insured and insurer.

Survey

An examination of a risk to be insured, following which the inspector completes a form giving all particulars.



T

Tenant's Policy

A package policy specially designed to meet the normal insurance requirements of a private tenant covering personal belongings and liabilities.

Term

The period of time from the inception to the termination of an insurance policy or bond.

Terrorism*

An ideologically motivated unlawful act or acts, including but not limited to the use of violence or force or threat of violence or force, committed by or on behalf of any group(s), organization(s) or government(s) for the purpose of influencing any government and/or instilling fear in the public or a section of the public.

Theft

The wrongful taking of the property of another. It is a broad term and includes larceny, pilfering, hold up, robbery and pick pocketing.

Theft at or after Fire

Generally considered as part of the fire risk. Sometimes, however, it is specifically excluded.

Theft Claim Cost – CLEAR*

The relative index based on the cost per vehicle for theft claims.

Theft Claim Frequency – CLEAR*

The relative index based on the frequency of theft claims (that is, the number of claims reported as a percentage of the number of vehicles with Comprehensive coverage).

Third Party

A claimant under a liability policy, so called because he is not one of the two parties (insured and insurer) who has entered into the insurance contract which pays his claim.

Third-Party Liability (Auto) Insurance*

Covers an insured if his or her car injures someone else or damages property and he or she is held legally responsible. In some parts of the country, this is referred to as "Section A."

Title

The right to ownership of property. The owner of real property having just possession of his property.

**Title Insurance**

Insurance affording protection from loss arising out of a defect in a real estate title.

Tort*

A tort is a wrongful and harmful action addressable by some appropriate legal remedy.

Tort-Feasor

A wrongdoer, a party guilty of a tort.

Total Loss

Loss of all the insured property. Also a loss involving the maximum amount for which a policy is liable.

Trespass

An illegal act against another person's rights or property.



U

Umbrella Policy

A special form of liability policy designed to protect the insured for certain unknown contingencies over and above the normal coverages and to provide excess insurance.

Underinsured Motorist Coverage*

A form of insurance that pays for the bodily injury or property damage caused by the owner or operator of an inadequately insured automobile.

Underwriter*

An underwriter is an employee of an insurance company who looks at an insurance application and decides whether or not the insurance company can or should provide the applicant with insurance, based on the risk that person presents.

Underwriting Profit or Loss*

The amount of money that an insurance company gains or loses as a result of its insurance operations. It excludes investment transactions and income taxes.

Underwriting Rules*

The rules used by insurance companies to assess the risk they are taking on by insuring a particular customer. These rules are set individually by insurance companies.

Uninsurable Perils*

These are events or situations for which insurance coverage cannot be purchased. The damage as a result of these incidents is usually predictable or preventable. For example, if you build your house on a flood plain, your house will, at some point, be flooded. Flooding, in this case, is an uninsurable peril.

Uninsured Motorist Coverage*

A form of insurance that pays for the bodily injury or property damage caused by the owner or operator of an uninsured automobile. In some parts of the country, this is referred to as "Section D."

Unnamed Insured

A party who is not named in an insurance policy but who nevertheless is covered by the policy.

Unoccupied

Where the premises contain contents but no human beings, such persons being temporarily away from the premises, on vacation for example, the premises are said to be unoccupied. This is distinguishable from Vacant in that in vacancy, the contents have been moved out leaving nothing but the building.

Unprotected

A property located in an area not regularly serviced by a fire department.



Utmost Good Faith

A phrase in a legal document calling for the highest standards of integrity on the part of the insured and the insurer.



V

Vacant Building

A building with no occupants or furnishings. *See also Unoccupied.*

Valuable Papers Insurance*

Insurance that protects a business's valuable documents, such as architectural drawings, law libraries, medical reference books, etc.

Valuation*

Appraisal estimation of the value of an item.

Valued Policy

A policy which provides that a special amount shall be paid in the event of a total loss of the property.

Vandalism and Malicious Mischief

The wilful injury or destruction of property. Insured against by the extended coverage endorsement of a property insurance policy.

Vehicle identification number (VIN)*

This is the number usually found on the dashboard of a vehicle on the driver's side, and is usually listed on the vehicle registration and title. The VIN is a combination of letters and numbers 17 characters in length that can be used to identify the make, model, and year of a car.

Vicarious Liability

Liability imposed upon a person even though not a party to a particular occurrence, e.g., the owner of a motor vehicle is vicariously responsible for injuries even though he is not driving the car at the time of the occurrence.

VIN*

See Vehicle identification number

VIN Switch*

VIN switching is a technique used by car thieves to disguise the identity of a stolen car. The VIN of a stolen vehicle is replaced with the VIN from a legitimate vehicle, one that is not registered as stolen. The criminal then tries to sell the stolen vehicle. Often, criminals will also develop false registration papers for the vehicle.

Void

- 1) Invalid, not legally binding.
- 2) An insurance contract that is prohibited by law and thus cannot be held to be a valid contract.



W

Waiver

The intentional relinquishment of a known right. A waiver under a policy is required to be clearly expressed and in writing.

Waiver of Co-insurance

A fire insurance contract clause that states that co-insurance does not apply unless the amount of loss exceeds a certain amount.

Waiver of Subrogation

A condition of an insurance policy which states that the coverage will not be prejudiced if the insured has waived any rights of recovery from a responsible party in writing prior to a loss.

Warranty*

A statement by the policyholder that certain conditions of the insured risk exist or will be met. If found to be false, it provides the basis for avoidance of the policy.

Water Damage Clause

A portion of the policy affording coverage for certain specific causes of water damage.

Windstorm Insurance

Protection against damage done to property by unusually high winds, cyclones, tornadoes or hurricanes. This coverage is available under the extended coverage endorsement of property policy.

Without Prejudice

An action taken during claims negotiations designated as "without prejudice" is intended to be without detriment to the existing rights of the parties.

Write

To insure, to underwrite or to accept an application for insurance.