LIC- AAO POWER CAPSULE
(Focus on Life Insurance Industry)

Dear Students,

First of all BankersChoice hopes that you all are geared up for upcoming LIC AAO Exam. After seeing your request we have compiled a small note on Life Insuran Industry and other facts which one should must know before appearing any AAO/ADO Paper. This document does not cover the Current Affairs and General Stud portion which might also form part of your paper, as it has been already covered in SBI PO Power Capsule. Thus I would request you to also go through other no available on BankersChoice related to Current Affairs/ Power Capsule for SBI and GS Quizes which we have posted in last few months. We wish all our readers Go Luck and God Speed.

1. Introduction

- Life insurance is a contract between an insured and an insurer, where the insurer promises to pay a designated beneficiary a sum money upon the death of the insured person. Depending on the contract, other events such as terminal illness or critical illness may also trigger payment.
- The policy holder typically pays a premium, either regularly or as a lump sum. Life policies are legal contracts and the terms of the contract describe the limitations of the insured events.
- Specific exclusions are often written into the contract to limit the liability of the insurer; common examples are claims relating to suicide, fraud, war, riot and civil commotion.

Fact from History

- Life Insurance in its modern form came to India from England in the year 1818.
- Oriental Life Insurance Company started by Europeans in Calcutta was the first life insurance company on Indian Soil but it failed in 1834.
- In 1829, the Madras Equitable had begun transacting life insurance business in the Madras Presidency.
- Bombay Mutual Life Assurance Society heralded the birth of first Indian life insurance company in the year 1870, and covered Indian lives at normal rates, also Oriental (1874) and Empire of India (1897) were started in the Bombay Residency.
- Some foreign companies offices which did good business in India, namely Albert Life Assurance, Royal Insurance, Liverpool and London Globe Insurance.
- Bharat Insurance Company (1896) was also one of such companies inspired by nationalism. The Swadeshi movement of 1905-1907 gave rise to more insurance companies.
- The United India in Madras, National Indian and National Insurance in Calcutta and the Co-operative Assurance at Lahore were established in 1906.
- In 1907, Hindustan Co-operative Insurance Company took its birth in one of the rooms of the Jorasanko, house of the great poet Rabindranath Tagore, in Calcutta.
- In the year 1912, the Life Insurance Companies Act, and the Provident Fund Act were passed.
- In 1914, the Government of India started publishing returns of Insurance Companies in India.
- In 1928, the Indian Insurance Companies Act was enacted to enable the Government to collect statistical information about both life and non-life business transacted in India by Indian and foreign insurers including provident insurance societies. The Insurance Act 1938 was the first legislation governing not only life insurance but also non-life insurance to provide strict state control over insurance business.
- 19th of January, 1956, that life insurance in India was nationalized.
- About 154 Indian insurance companies, 16 non-Indian companies

and 75 provident were operating in India at the time of nationalization.

- Nationalization was accomplished in two stages; initially the management of the companies was taken over by means of an Ordinance, and later, the ownership too by means of a comprehensive bill.
- The Parliament of India passed the Life Insurance Corporation Act on the 19th of June 1956, and the Life Insurance Corporation of India was created on 1st September, 1956, with the objective of spreading life insurance much more widely and in particular to the rural areas with a view to reach all insurable persons in the country, providing them adequate financial cover at a reasonable cost.
- LIC had 5 zonal offices, 33 divisional offices and 212 branch offices, apart from its corporate office in the year 1956.
- Since life insurance contracts are long term contracts and during the currency of the policy it requires a variety of services need was felt in the later years to expand the operations and place a branch office at each district headquarter.
- Re-organization of LIC took place and large numbers of new branch offices were opened. As a result of re-organisation servicing functions were transferred to the branches, and branches were made accounting units. It worked wonders with the performance of the corporation.
- Today LIC functions with 2048 fully computerized branch offices, 109 divisional offices, 8 zonal offices, 992 satallite offices and the corporate office.
- LIC's Wide Area Network covers 109 divisional offices and connects all the branches through a Metro Area Network.
- LIC has tied up with some Banks and Service providers to offer on-line premium collection facility in selected cities.
- LIC's ECS and ATM premium payment facility is an addition to customer convenience. Apart from on-line Kiosks and IVRS, Info Centres have been commissioned at Mumbai, Ahmadabad, Bangalore, Chennai, Hyderabad, Kolkata, New Delhi, Pune and many other cities.
- With a vision of providing easy access to its policyholders, LIC has launched its SATELLITE SAMPARK offices. The satellite offices are smaller, leaner and closer to the customer. The digitalized records of the satellite offices will facilitate anywhere
servicing and many other conveniences in the future.

Some of the important milestones in the life insurance business in India are:

- 1818: Oriental Life Insurance Company, the first life insurance company on Indian soil started functioning.
- 1870: Bombay Mutual Life Assurance Society, the first Indian life insurance company started its business.
- 1912: The Indian Life Assurance Companies Act enacted as the first statute to regulate the life insurance business.
- 1928: The Indian Insurance Companies Act enacted to enable the

government to collect statistical information about both life and non-life insurance businesses.

- 1938: Earlier legislation consolidated and amended to by the Insurance Act with the objective of protecting the interests of the insuring public.
- 1956: 245 Indian and foreign insurers and provident societies are taken over by the central government and nationalized. LIC formed by an Act of Parliament, viz. LIC Act, 1956, with a capital contribution of Rs. 5 crore from the Government of India.
- The General insurance business in India, on the other hand, can trace its roots to the Triton Insurance Company Ltd., the first general insurance company established in the year 1850 in Calcutta by the British.

Some of the important milestones in the general insurance business in India are:

- 1907: The Indian Mercantile Insurance Ltd. set up, the first company to transact all classes of general insurance business.
- 1957: General Insurance Council, a wing of the Insurance Association of India, frames a code of conduct for ensuring fair conduct and sound business practices.
- 1968: The Insurance Act amended to regulate investments and set minimum solvency margins and the Tariff Advisory Committee set up.
- 1972: The General Insurance Business (Nationalization) Act, 1972 nationalized the general insurance business in India with effect from 1st January 1973.
- 107 insurers amalgamated and grouped into four companies viz. the National Insurance Company Ltd., the New India Assurance Company Ltd., the Oriental Insurance Company Ltd. and the United India Insurance Company Ltd. GIC incorporated as a company.

Regulatory body & authorities of Insurance:

- Insurance regulatory and development authority (IRDA) is the regulatory body of Insurance sector In India.
- 1993: the Government set up a committee under the chairmanship of RN Malhotra, former Governor of RBI, to propose recommendations for reforms in the insurance sector. The committee submitted its report in 1994, it recommended that the private sector be permitted to enter the insurance industry &The foreign companies be allowed to enter
  by floating Indian companies, preferably a joint venture with Indian partners
- Following the recommendations of the Malhotra Committee report, in 1999, the Insurance Regulatory and Development Authority (IRDA) was constituted as an autonomous body to regulate and develop the insurance industry.
- The IRDA was incorporated as a statutory body in April, 2000.
- The IRDA opened up the market in August 2000 with the invitation for application for registrations.
- Foreign companies were allowed ownership of up to 26%.

- The Authority has the power to frame regulations under Section 114A of the Insurance Act, 1938 and has from 2000 onwards framed various regulations ranging from registration of companies for carrying on insurance business to protection of policyholders' interests.
- In December, 2000, the subsidiaries of the General Insurance Corporation of India were restructured as independent companies and at the same time GIC was converted into a national re-insurer. Parliament passed a bill de-linking the four subsidiaries from GIC in July, 2002.
- At present there are 24 general insurance companies including the ECGC and Agriculture Insurance Corporation of India and 23 life insurance companies operating in the country.
- The insurance sector is a colossal one and is growing at a speedy rate of 15-20%. Together with banking services, insurance services add about 7% to the country's GDP.

Principal of Life Insurance Contract:

➢ **Insurable Interest:-**

- True, valid, determinable, and direct economic stake of an insurance policy holder
- A person has an insurable interest in his/her own life.
- A person has an insurable interest in the life of his/her spouse.
- Parents has an insurable interest in the life of his childrens.
- Children may have insurable interest in life of his parents.
- A creditor has an insurable interest in the life if the debtor, to the extent of the debt.
- A servant employed for a specified period has insurable interest in the life of his employer.

➢ **Insurer's Utmost good faith:-**

- In the absence of utmost good faith the insurance contract becomes Null and Void.
- The contract of life insurance is a contract of faith. The insured should be open and truthful and should not conceal any material fact in giving information to the insurance company, while entering into a contract with insurance company.
- Misrepresentation or concealment of any face will entitle the insurer to repudiate the contract if he wishes to do so.
- A Contract of life insurance is not a contract of indemnity. The loss of life cannot be compensated and only a fixed sum of money is paid in the event of death of the insured. So, the life insurance contract is not a contract of indemnity. The loss resulting from the death of life assured cannot be calculated in terms of money.

2. Types of Life Insurance Policies:

➢ **Life-based contracts tend to fall into two major categories:**

(a) Protection policies:– Designed to provide a benefit in the event of specified event, typically a lump sum payment. A common form of this design is term insurance.

(b) Investment policies:–where the main objective is to facilitate the growth of capital by regular or single premiums. Common forms are whole life, universal life and variable life policies.

➢ **Life insurance may be divided into two basic classes:**

Temporary and Permanent;

(a) Term Policy (Temporary):

- Term life insurance plans provide insurance to an individual for a fixed tenure. It is the pure and cheapest form of life insurance for an individual. This type of policy is suitable for people who are unable to pay high insurance in order to buy endowment policies.
- Once the term of insurance has passed, the agreed upon rate of payment and coverage expires and the former holder of the insurance must either go without coverage or renegotiate a new policy covering a different term.
- Term is generally considered "pure" insurance, where the premium buys protection in the event of death and nothing else.
- **Term Insurance are of the following types in India:**

1. **Straight Term Insurance:-** The corporation issues term insurance for 2 years .The sum assured will be payable only in the event of the life assureds death occurring within 2 years from the commencement of the policy.
2. **Renewable Term Policies:-** Annual renewable term is a 1 year policy, but the insurance company guarantees it will issue a policy of an equal or lesser amount regardless of the insurability of the applicant, and with a premium set for the applicant's age at that time. The policy holder can renew it many times. Provided the attained age has not crossed 55 years.
3. **Convertible Term Policy:-** Under this policy, option to convert it into whole life or endowment policy is available. The premium rates will be increased according to the age attained.

(b) Permanent life insurance: -

- Life insurance that remains active until the policy matures, unless the owner fails to pay the premium when due.
- The policy cannot be cancelled by the insurer for any reason except fraudulent application, and any such cancellation must occur within a period of time (usually 2 years) defined by law.
- A permanent insurance policy accumulates a cash value, reducing the risk to which the insurance company is exposed, and thus the insurance expense over time.

➢ **Basic types of permanent insurance:**

1. Whole life coverage:-

- It provides lifetime death benefit coverage for a level premium in most cases.
- Premiums are much higher than term insurance at younger ages, but as term insurance premiums rise with age at each renewal, the cumulative value of all premiums paid across a lifetime are roughly equal if policies are maintained until average life expectancy.
- The cash value can be accessed at any time through policy loans and are received income tax free.

- Policy loans are available until the insured's death. If there are any unpaid loans upon death, the insurer subtracts the loan amount from the death benefit and pays the remainder to the beneficiary named in the policy.

2. Universal life coverage:-

- UL is a relatively new insurance product, intended to combine permanent insurance coverage with greater flexibility in premium payment, along with the potential for greater growth of cash values.
- There are several types of universal life insurance policies which include interest sensitive ("traditional fixed universal life insurance"), variable universal life (VUL), guaranteed death benefit, and equity indexed universal life insurance.
- This policy includes a cash value. Premiums increase the cash values, but the cost of insurance reduces cash values.
- This addresses the perceived disadvantages of whole life – namely that premiums and death benefit are fixed. With universal life, both the premiums and death benefit are flexible. Except with regards to guaranteed death benefit universal life, this flexibility comes with the disadvantage of reduced guarantees.

3. Limited-pay:-

- In this all the premiums are paid over a specified period after which no additional premiums are due to the policy in force. Common limited pay periods include 10-year, 20-year, and are paid out at the age of 65.

4. Endowments:-

- Endowments are policies in which the cumulative cash value of the policy equals the death benefit at a certain age. The age at which this condition is reached is known as the endowment age.
- Endowments are considerably more expensive (in terms of annual premiums) than either whole life or universal life because the premium paying period is shortened and the endowment date is earlier.
- Endowment insurance is paid out whether the insured lives or dies, after a specific period (e.g. 15 years) or a specific age (e.g. 65).

5. Accidental death:-

- Accidental death is a limited life insurance designed to cover the insured should they die due to an accident. Accidents include anything from an injury and upwards, but do not typically cover deaths resulting from health problems or suicide. Because they only cover accidents, these policies are much less expensive than other life insurance policies.
- It is also very commonly offered as accidental death and dismemberment insurance (AD&D) policy. In an AD&D policy, benefits are available not only for accidental death, but also for the loss of limbs or bodily functions, such as sight and hearing.
- Accidental death and AD&D policies very rarely pay a benefit, either because the cause of death is not covered by the policy, or the coverage is not maintained after the accident until death

occurs. To be aware of what coverage they have, an insured should always review their policy for what it covers and what it excludes. Often, it does not cover an insured who puts themselves at risk in activities such as parachuting, flying, professional sports or involvement in a war (military or not).

- Accidental death benefits can also be added to a standard life insurance policy as a rider. If this rider is purchased, the policy will generally pay double the face amount if the insured dies due to an accident. This used to be commonly referred to as a double indemnity policy. In some cases, insurers may even offer triple indemnity cover.

3. <u>The Benefits & Importance of Life Insurance</u>:

- **Financial security:** The family member of dependents ensures financial security in case of death of assured.
- **Saving for old age:** life Insurance provide financial support in old age after retirement.
- **Life insurance pays for immediate expenses: s**uch as funeral services, unsettled hospital and medical bills, mortgage payments, business commitments and meeting college expenses for children.
- **Initiates Investments:** It encourages people to invest money in different development schemes.
- **It's a cash resource:** Life insurance gives access to cash to pay for grocery bills and other daily expenses. It also helps secure your estate by providing tax-free cash to pay estate and other obligations.
- Can be used as security for loans.
- Social security.
- Tax rebate.

4. <u>Information about Policies</u>:

i. **Single Premium Policy:** The premium is paid only once.

ii. Limited Payment Policy: The minimum amount for which a policy will be issued under this policy is Rs.1000.

iii. **Convertible whole life Policy:** It provides maximum insurance protection at minimum cost and offers a flexible contract which can be allowed to an endowment policy. The minimum assured for which a policy will be issued under this plan is Rs.5000 and the maximum age at entry shall be 45 years.

iv. **Health Insurance Scheme:** This provides financial support during health problems.

v. Joint Life Policy: This is taken on the lives of 2 or more persons simultaneously. Under this policy the sum assured becomes payable on the death of anyone of those who have taken the joint life policy.

vi. **With Profit (Participating) and Without Profit Policy (Non-Participating):** Under with profit policy the assured is paid, in addition to the sum assured, a share in the profits of the insurer in the form of bonus.

Without profit policy is a policy under which the assured does not get any share in the profits earned by the insurer and gets only the sum assured on the maturity of the policy.

vii. **Double Accident Benefit Policy:** This policy provides that if the insured person dies of any accident. His beneficiaries will get double the amount of the sum assured.

viii. **Annuity Policy**: Under this policy, the sum assured is payable not in one lump sum payment but in monthly, quarterly and half-yearly or yearly installments after the assured attains a certain age.

ix. **Policies for women**: Women, now a days are free to take life assurance policies. However, some specially designed policies suit their needs in a unique manner.

x. **Group Insurance**: G**roup Insurance Scheme is life insurance protection to groups of people. This scheme is ideal for employers, associations, societies etc. and allows you to enjoy group benefits at low costs.**

xi. **Insurance Policies for children:** Child insurance plans are one of the tools that help parents secure the financial future of their child for eg education, marriage, security etc.

xii. **Money Back Policy:**

- Money back policy provides good returns on the investment & Insurance protection to you and your family member.
- This policy also offers bonus on regular intervals to meet your specific expenses such as children education, limited medical insurance or other things.
- If the insured person dies during the policy period then total sum insured is paid to the nominee, irrespective of previous survival benefits.
- You can take this plan for at least 20 years or more depending on your age.

POINTS TO REMEMBER

1. IRDA:

- Insurance regulatory and development authority (IRDA) is the regulatory body of Insurance sector In India.
- Mr. T.S. Vijayan is the chairman of IRDA (Earlier J HarniNarayan).
- The Authority is a ten member team consisting of
  (a) a Chairman
  (b) five whole-time members
  (c) four part-time members.
- At present there are 24 general insurance companies including the ECGC and Agriculture Insurance Corporation of India and 23 life insurance companies operating in the country.
- FDI allowed in Insurance sector is 49%.
- The insurance sector is a colossal one and is growing at a speedy rate of 15-20%. Together with banking services, insurance services add about 7% to the country's GDP.

Life Insurer Companies In India:

S.No	NAME OF THE COMPANY	NAME OF THE HEADS
1.	Life Insurance Corporation of India, (Yogakshema)	D.K.Mehrotra
2.	Bajaj Allianz Life Insurance Company Ltd .	Varghese Philip
3.	Birla Sun Life Insurance Co. Ltd.	Jayant Dua
4.	HDFC Standard Life Insurance Co. Ltd	Amitabh Chaudhry
5.	ICICI Prudential Life Insurance Co. Ltd	Sandeep Bakhshi
6.	ING Vysya Life Insurance Company Ltd.	Kshitij Jain
7.	Max Life Insurance Co. Ltd	Rajesh Sud
8.	PNB Metlife India Insurance Co. Ltd.	Rajesh Relan
9.	Kotak Mahindra Old Mutual Life Insurance Limited	G. Murlidhar
10.	SBI Life Insurance Co. Ltd	Atanu Sen
11.	Tata AIA Life Insurance Company Limited	M. Suresh
12.	Reliance Life Insurance Company Limited.	Anup Rau Velamuri
13.	Aviva Life Insurance Company India Limited	T. R. Ramachandran
14.	Sahara India Life Insurance Co, Ltd.	Sanjay Agarwal,CEO (Officiating)
15.	Shriram Life Insurance Co, Ltd.	Manoj Kumar Jain
16.	Bharti AXA Life Insurance Company Ltd.	Sandeep Ghosh
17.	Future Generali India Life Insurance Company Limited	Gorakhnath Agarwal
18.	IDBI Federal Life Insurance Company Ltd.,	G.V. Nageswara Rao
19.	Canara HSBC Oriental Bank of Commerce Life Insurance Company Ltd.	John David Holden,CEO & WTD
20.	AEGON Religare Life Insurance Company Limited.	Rajiv Jamkhedkar
21.	DLF Pramerica Life Insurance Co. Ltd.	Pavan Dhamija(MD & CEO)
22.	Star Union Dai-ichi Life Insurance Co. Ltd.	Girish Pandurang Kulkarni(MD & CEO)
23.	India First Life Insurance Company Limited	P. Nandagopal
24.	Edelweiss Tokio Life Insurance Co. Ltd.	Deepak Mittal

Office of Insurance Ombudsman & its Functions:

(a) Introduction:

- The institution of Insurance Ombudsman was created by a Government of India Notification dated 11th November, 1998 with the purpose of quick disposal of the grievances of the insured customers and to mitigate their problems involved in redressal of those grievances.
- This institution is of great importance and relevance for the protection of interests of policy holders and also in building their confidence in the system. The institution has helped to generate and sustain the faith and confidence amongst the consumers and insurers.

(b) Appointment of Insurance Ombudsman:

- The governing body of insurance council issues orders of appointment of the insurance Ombudsman on the recommendations of the committee comprising of Chairman, IRDA, Chairman, LIC, Chairman, GIC and a representative of the Central Government. Insurance council comprises of members of the Life Insurance council and general insurance council formed under Section 40 C of the Insurance Act, 1938.
- The governing body of insurance council consists of representatives of insurance companies.

(c) Eligibility for Ombudsman:

- Ombudsman is drawn from Insurance Industry, Civil Services and Judicial Services.

(c) Terms of office:

- An insurance Ombudsman is appointed for a term of 3 years or till the incumbent attains the age of sixty five years, whichever is earlier.
- Re-appointment is not permitted.

(d) Territorial jurisdiction of Ombudsman:

- The governing body has appointed 12 Ombudsman across the country allotting them different geographical areas as their areas of jurisdiction.
- The Ombudsman may hold sitting at various places within their area of jurisdiction in order to expedite disposal of complaints.
- The offices of the 12 insurance Ombudsmans are located at

(1) Bhopal	(2) Bhubaneswar	(3) Cochin	(4) Guwahati
(5) Chandigarh	(6) New Delhi	(7) Chennai	(8) Kolkata
(9) Ahmedabad	(10) Lucknow	(11) Mumbai	(12) Hyderabad.

(e) Removal from office:

- An Ombudsman may be removed from service for gross misconduct committed by him during his term of office.
- The governing body may appoint such person as it thinks fit to conduct enquiry in relation to misconduct of the Ombudsman.
- All enquiries on misconduct will be sent to Insurance Regulatory and Development Authority (IRDA) which may take a decision as to the proposed action to be taken against the Ombudsman.
- On recommendations of the IRDA, the Governing Body may terminate his services, in case he is found guilty.

(f) Power of Ombudsman:

- Insurance Ombudsman has two types of functions to perform
  (1) conciliation, (2) Award making.
- The insurance Ombudsman is empowered to receive and consider complaints in respect of personal lines of insurance from any person who has any grievance against an insurer.
- The complaint may relate to any grievance against the insurer
  i.e. (a) any partial or total repudiation of claims by the insurance companies,
  (b) dispute with regard to premium paid or payable in terms of the policy,
  (c) dispute on the legal construction of the policy wordings in case such dispute relates to claims;
  (d) delay in settlement of claims.
  (e) non-issuance of any insurance document to customers after receipt of premium.
- Ombudsman's powers are restricted to insurance contracts of value not exceeding Rs. 20 lakhs.
- The insurance companies are required to honour the awards passed by an Insurance Ombudsman within 3 months.

(g) Recommendations of the Ombudsman:

- When a complaint is settled through the mediation of the Ombudsman, he shall make the recommendations which he thinks fair in the circumstances of the case. Such a recommendation shall be made not later than 1 month and copies of the same sent to complainant and the insurance company concerned. If the complainant accepts recommendations, he will send a communication in writing within 15 days of the date of receipt accepting the settlement.

(h) Award

- The ombudsman shall pass an award within a period of 3 months from the receipt of the complaint.
- The awards are binding upon the insurance companies.
- If the policy holder is not satisfied with the award of the Ombudsman he can approach other venues like Consumer Forums and Courts of law for redressal of his grievances.
- As per the policy-holder's protection regulations, every insurer shall inform the policy holder along with the policy document in respect of the insurance Ombudsman in whose jurisdiction his office falls for the purpose of grievances redressal arising if any subsequently.

Terms Commonly Used In Insurance Sector:

- **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.
- **AD (Accidental Death)** : The policy pays you additional sum assured in case the death happens due to an accident, even if you don’t take this rider, the sum assured is always paid on death, whether accidental or not.
- **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.
- **Agent:** An insurance agent is one who contracts with one or more insurance companies to sell their insurance policies to the public and is paid a commission on or receives compensation for such business.
- **All Risk Policy:** A name given to an insurance policy which covers against the loss caused by all perils except those which are specifically excluded by the terms of the policy. Frequently, a policy of insurance is written to insure damage to property caused by specific "named perils," which are listed on the policy. However, policies may be issued in certain cases to insure against "all risks of loss or damage" and are then called "all risks" policies. The term excludes insurance against certain hazards.

- **Annuity :** Annuities refer to the regular payments the insurance company will guarantee at some future date i.e. After you cross 55, the insurance company will start giving you a monthly or quarterly return. This is often done to supplement income after retirement.
- **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.
- **Appraiser:** Person who because of special knowledge is vested with authority in determining the real value of property or damage.
- **Appurtenances:** That which belongs to something else, e.g., appurtenances of automobile. The term "appurtenances" means that one thing belongs to another thing, that the two will remain in relationship, and will pass with the ownership.
- **Arbitration:** Reference of a dispute to one or more impartial persons chosen by the parties to the dispute to determine their rights and/or obligations. The parties agree in advance to abide by the arbitrament. Each party has a chance to be heard.
- **Audit:** An examination of evidential matters to determine the reliability of a record or assertion.In connection with financial statements a review of the accounting records and other supporting evidence of an individual or an organization to assess the reasonableness of the statements as presented (not a guarantee of accuracy).
- **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.
- **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).
- **Bailment:** The act of placing goods in the possession of a bailee.
- **Bailor:** A person entrusting goods to another.
- **Balance Sheet:** Financial statement showing assets, liabilities and equity of a company.
- **Basic Premium:** A starting charge made to which is added the premium developed by the application of rates as directed.
- **Betterment:** Physical improvements beyond mere maintenance or repairs that augment the value of a property.
- **Bid Bonds:** A bid bond is a bond where the contractor i.e. the principal guarantees the oblige i.e. the owner, that the principal will honor the bid and the sign the contract, if bid is awarded.
- **Binder:** A written or oral agreement given by an insurer to insure a risk, pending the issue of a policy. A binder is deemed to be the policy and must be cancelled in the same manner.
- **Blanket Crime Policy:** An individual policy covering several crime perils on a single amount rather than on individual limits.
- **Blanket Policy (Insurance) :** Insurance on two or more items, or locations, in one aggregate sum insured without separate amounts for each item.
- **Boiler and Machinery Insurance:** Coverage that indemnifies in the event of loss with respect to and arising from the ownership, use and operation of boilers, pressure vessels and machinery.
- **Bonus:** This is the amount given in addition to the sum assured.
- **Broker:** An independent person or firm who acts on behalf of the insured in placing business with insurance companies.
- **Builders Risk Insurance:** Insurance coverage on property under construction including loss to buildings or ships, including machinery and equipment, under course of construction, and materials incidental to construction.
- **Building Codes:** Rules and regulations of governmental bodies defining standards that construction in that jurisdiction must meet.
- **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.
- **Business Insurance :** A form of insurance to protect a business against the loss of services of a key employee or employees. Usually accident and sickness, however, life insurance may also form part of the package. Also called Partnership Insurance or Corporation Insurance.
- **Business Interruption Insurance :** Various types of insurance against business expenses and loss of income resulting from a fire or other insured peril.
- **By-law :** A law or ordinance dealing with matters of local or internal regulation made by a local authority or by a corporation or association.
- **By-law Endorsement :** An endorsement explaining how a particular insurance company deals with a claim which is affected by a local by-law.
- **Care, Custody and Control :** A term used primarily in liability coverages which refers to property belonging to another but which is legally in the insured's possession or under his control.
- **Cash Surrender Value :** When an insured wishes to cancel a life insurance policy before the full term, the policy may have a cash value which is stipulated in the policy. The longer the policy is in

force, the higher the cash value is likely to be. It is a sum paid back by the life insurance company to the insured when an insured requests the termination of the policy.

- **Certified Copy :** Reproduction of a document, that authority having custody of original signs and attests as a true, genuine and authentic copy.
- **CI (Critical Illness) :** This rider gives you a lump sum amount if you are diagnosed with an illness which is mentioned in the policy. Generally all the major illness are covered in Critical Illness cover.
- **Claim settlement Ratio of Life Insurance Companies :** Claim Settlement ratio of a company tells you that how many policies were settled by paying back the claims in case of death
- **Claim:** Strictly speaking, a claim is the exercising of the right of an insured to be indemnified by his insurance company for damage suffered. It is frequently used, however, to indicate the amount of the claim.
- **Claimant:** One who makes a claim.
- **Claims Examiner:** An employee of an insurer who handles and is responsible for incoming claims.
- **Claims Made Basis:** Provision in some insurance and reinsurance contracts covering only claims made during term of the contract.
- **Clause:** Words in a policy which describe certain specifications, limitations or modifications.
- **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.
- **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.
- **Collusion:** A secret agreement between persons to defraud another.
- **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.
- **Consent of Surety:** Consent of Surety is issued at the time of tender and state that if the contractor enters into a contract, the surety company will provide the final bonds.
- **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.
- **Consideration:** The money, or whatever is being used in substitution of money, paid for the article or contract is "the consideration."
- **Construction Insurance:** Insurance coverage specifically tailored to meet the needs of General Contractors and Sub Trades. Wordings usually include coverage for General Liability, physical loss damage to owned property and business interruption (loss of income).
- **Constructive Total Loss:** A partial loss but where the damage is so extensive that repairs would cost as much or more than the repaired property would be worth, or the limit of insurance.
- **Contract:** An agreement made between two or more persons, which is intended to be enforceable at law, and is constituted by the acceptance by one party of an offer made to him by the other party, to do or to abstain from doing some act. The offer and acceptance may either be expressed or inferred by indication in the conduct of the parties.
- **Commercial bonds :** Commercial bonds fulfill public, legal and government security requirements against financial risk and to guarantee that a business, organization, or individual complies with specified legal obligations.
- **Contract Documents :** Agreement, addenda, supporting documents, general conditions, supplementary conditions, specifications and drawings and modifications to an agreement.
- **Contract Surety Bonds :** Contract Surety Bonds, through the Surety company's financial strength and rigorous prequalification procedures, provide security to Owners, Sub-contractors, and others that the Contractor will transform plans and specifications into a timely and successfully completed project.
- **Contractor's Liability Insurance:** Insurance protecting contractor from defined liability claims arising from contractor's operations.
- **Contractual Liability :** Liability assumed by a contract either written or implied. Legal liability policies are based upon liability in tort or negligence and have very little coverage normally for contractual liability (with a possible exception of such matters as sidetrack agreements, etc.) However, contractual liability may be covered in many instances as an additional risk with an additional premium.
- **Contributory Negligence :** Many accidents are the fault of both parties who are involved in the occurrence. The plaintiff who sues another party for damages also may be guilty of some negligence, which is a concurrent cause of the damage. Such a party is guilty of contributory negligence.
- **Cover :** To protect with insurance, or the insurance protection provided.
- **Coverage :** The nature of protection afforded by a particular policy. Can be used at times interchangeably with "insurance" or

"protection" as "fire coverage" or "fire protection" or "fire insurance."

- **Credit Report :** A report provided by a commercial credit reporting company which provides details on the reputation and financial strength of an individual or corporation.
- **Daily Report :** Copy of the policy or bond for company or agency records. This term may also include all correspondence, notes, inspection reports, credit reports, etc. pertaining to the policy.
- **Data Processing Or Equipment Insurance:** A special insurance usually on an all risks basis. Covers physical loss and loss from business interruption if the damage necessitates shutdown of operations.
- **Declaration:** Statement, signed by the insured, warranting that information given by him is true.
- **Decline:** To refuse acceptance of an insurance application.
- **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.
- **Depreciation:** Reduction in value of property through use, aging, deterioration and obsolescence.
- **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.
- **DR (Accidental Disability Rider) :** This rider covers you for disability and pays you Sum assured in 10 installments per year in case yoy becomes temporary or permanent disabled person.
- **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.
- **Estate :** In law, one of the various interests in land. 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.
- **Exclusion :** Risks, perils or properties defined in the policy as not covered.
- **Experience :** Comparison of premiums earned with claims incurred for: a) an individual insured b) group of insureds c) class of coverage.
- **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).
- **Exposure :** The hazard threatening a risk because of external or internal physical conditions.
- **Extended Coverage Insurance :** An endorsement that enlarges the coverage afforded by the primary policy. Coverages such as windstorm, hail, smoke, riot are extended coverages on a fire policy.
- **Extra Expense Insurance :** A form of insurance policy covering the extra expense of an insured in carrying on a business following a loss by an insured peril.
- **Face of Policy :** The front of the policy on which normally the name of the insurance company, the name of the insured, the amount of insurance and the type of insurance appear among many other items.
- **Fair Market Value :** Price at which a buyer and seller, under no compulsion to buy or sell, will trade.
- **Fire Marshall :**A public official involved in fire prevention and in investigation of fires particularly where arson is suspected.
- **Fixed Assets :** Tangible long-term assets such as land, building, furniture, fixtures, machinery, equipment etc. held for use rather than for sale.
- **Fixtures:** Anything that is attached to real property is known as a "fixture."
- **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. In marine insurance, a policy insuring a number of ships for one owner.
- **Floater Policy :** A policy covering the same risk at a number of perhaps unspecified locations possibly over a wide area (even world-wide); usually includes goods being frequently moved from one location to another, e.g., Fur Floater, Jewelry Floater, Contractors' Equipment Floater, etc.
- **Forgery :** The illegal signing of another's name to a document, such as, a cheque. Falsely making or altering a written instrument.
- **Frame :** Refers to the construction of a building built of lumber.
- **Fraud :** Methods used to deceive to cause unwarranted favourable decision for one's own benefit.
- **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.
- **Free look period:** Once you get an insurance policy, the rules offer you 15 days within which you can revisit your purchase decision. This gives you the time to go through the policy's fine print, understand how the policy is going to work and be convinced that you need such a policy before deciding to commit funds every year over the insurance plan's tenure.
- **Free on Board (F.O.B.) :** When goods are shipped F.O.B., the shipper is responsible only until the goods have been placed on board the vessel or freight car or truck or other means of transport. After that the risk belongs to the consignee.
- **General Liability:** The legal exposure under common law, Statute or Civil law, to act as a reasonably prudent person would, or would not, under the circumstances. Liability may be for bodily injury, property damage, or monetary loss. The standard of care is lower than that of a professional.
- **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.
- **Gross Negligence :** The degree of negligence somewhat greater than ordinary negligence. It may be a reckless wanton and willful misconduct causing bodily injury and/or property damage.
- **Hazard :** A risk or probability that the event insured against

might occur or Condition which engenders or increases the chances of a loss.

- **Moral Hazard :** Hazard arising from character, interest, habits and lack of integrity of the insured or person concerned.
- **Physical Hazard:** 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.
- **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.
- **Holdup :** The taking of money or property by threat or the use of force or violence.
- **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.
- **Improvements and Betterments :** Additions or changes to a rented premises by a tenant at his own expense. Also called Tenant's Improvements.
- **Inception :** The date and time on which coverage under an insurance policy takes effect.
- **Indemnify :** To provide compensation for loss or expenses incurred.
- **Indemnity :** A contract, expressed or implied, to repay in the event of a loss. Insured neither gains nor loses.
- **Indemnity Period :** The policy period.
- **Independent Adjuster :** One who adjusts losses on behalf of insurance companies, but is not employed by any one insurance company.
- **In Force :** Insurance policy which is in effect, and has not expired or been cancelled.
- **Inherent Vice :** The quality that something has to deteriorate or damage itself without outside help, e.g., milk sours; coal combusts spontaneously.
- **Insurer :** The insurer is the insurance company that offers the policy.
- **Insured :** The person in whose name the insurance policy is made is referred to as the policy holder or the insured.
- **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 in which one party, the insurer, for monetary consideration agrees to reimburse another, the insured, for loss or liability for a loss on a defined subject caused by specified hazards or perils.
- **Insurance Policy :** A written contract of insurance.
- **Insuring Clause :** Describes the intent of the policy, just what insurance coverage is provided by the policy and in what limits.
- **Intermediary :** The agent/broker negotiating insurance or reinsurance contracts for another. Any party representing another party, in negotiation with a third party.
- **Inventory :** Itemized list of goods and property on hand.
- **Judgment :** An order given by a Court.
- **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.
- **Jury :** A body of persons selected from the general populace sworn to hear evidence in a law case and to make a decision according to their findings.
- **Lapse :** An insurance policy which, having reached its expiry date, is not renewed or extended is said to have lapsed, Or When the policy holder is unable to or does not pay the premium any more, within the specified grace period, the policy is said to have lapsed.
- **Latent Defect :** A defect which is not apparent, it is A hidden defect.
- **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 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 :** One that holds real or personal property under a lease, e.g., a tenant of rented premises.
- **Lessor :** One that conveys property by lease, e.g., a landlord of rented premises.
- **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 maximum amount of insurance provided under a policy of liability insurance.
- **Libel Insurance :** Insurance against claims arising from alleged libel, slander, defamation of character, etc.
- **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 (LKQ):** 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.
- **Livestock Insurance :** Insurance against loss (death) of horses, cattle, hogs, sheep, dogs, etc. owned by the insured. The cover can be on an all risk or a specified perils basis and includes loss by theft. The insurance is usually written by specialist livestock insurers.
- **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.
- **Malicious Mischief :** Injury to the rights or property of another

with a wicked or perverse intent.

- **Market Value :** The value of an asset based on a current market valuation, e.g., the amount for which the item could be sold on the open market.
- **Maturity Value :** Maturity value is the amount the insurance company has to pay you when the policy matures. This would include the sum assured and the bonuses.
- **Mercantile Risk :** Hazard or peril of a merchant in selling his stock of goods.
- **Merchandise :** Those goods which a commercial enterprise ordinarily sells to its customers.
- **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.
- **Minor :** A person under the age of being legally capable of transacting business on his own behalf.
- **Misrepresentation :** An incorrect statement made about a material fact.
- **Money and Securities (Broad Form) Rider :** A broad form of policy protecting against loss of money or securities. There is no coverage for losses caused by, among other things, employee infidelity.
- **Named Insured :** The person or party designated in the policy as the insured, as opposed to someone who may be covered by the policy, but is not specifically named.
- **Named Peril Policy :**A policy in which the perils insured against are listed, as opposed to one which insures against "all risks."
- **Negligence :** Failure to use the degree of care expected from a reasonable and prudent person.
- **Nominee / Beneficiary:** This is the person who will receive the policy proceeds in case of death of the insured. The owner of the policy designates the nominee but the nominee is not a part of the insurance contract. The nominee is not required to pay any premium.
- **Non-disclosure :** 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-insurable Risk :** A risk for which no insurance can be written. The chance of loss is very high or cannot be accurately measured.
    - **Notice of Loss :** The conditions of the insurance policy require that any person sustaining a loss insured by the policy shall immediately give notice to the company of such loss. Failure to give notice as required has been held to be a bar against recovery. The notice is required to be in writing, and verbal notice to the agent or broker will not be sufficient to comply with the condition.
- **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.
- **Null and Void:** Of no legal or binding force or invalid.
- **Occurrence:** A happening or event. Liability policies are usually written on either an accident or occurrence basis.
- **Off Premises Clause:** A provision in residential policies affording coverage on some of the household goods when away from the premises. within certain limits.
- **Operations:** The business of an Insured or the type of business of an Insured.
- **Optional Settlement Clause:** A clause in an insurance policy permitting the insured under certain circumstances to have a choice of benefits. In accident and health policies the insured may have a choice of payment of various amounts as periodical indemnity for a certain period of time or a lump sum settlement of a pre-determined amount set out in the policy.
- **Overlapping Insurance :** When 2 different kinds of policies cover the same loss, the insurance is said to be "overlapping." For eg. if an inland marine policy and a fire policy covered the same loss, they would be overlapping.
- **Package Policy :** Any insurance policy which covers two or more lines or types of insurance in the same policy.
- **Paid-up value :** Paid-up value is different. If you stop paying the premiums, but do not withdraw the money from your policy, the policy is referred to as paid up. The sum assured is reduced proportionately, depending on when you stopped. You then get the amount at the end of the term.
- **Partial Loss :** A loss covered by an insurance policy where the property or the premises are not completely destroyed or rendered completely worthless.
- **Performance Bonds :** A bond issued by a surety company which guarantees the client that if the contractor fails to complete the project in accordance with the terms of the construction agreement, the surety company will either complete the contract itself, or arrange for a client-approved contractor to complete the contract.
- **Peril :** The event that caused a loss covered by the policy, e.g., fire windstorm.
- **Perjury :** Giving false evidence or information while under oath.
- **Personal Auto Policy :** Insurance policy issued to individuals covering risks arising out of the ownership or operation of a licensed automobile.
- **Personal Effects Floater :** A policy covering personal effects usually carried by tourists. Can be all risk or specified peril form. Covers worldwide but excludes coverage at the insured's residence.
- **Personal Lines :** Insurance for individuals and families, such as private passenger auto insurance and homeowners policies.
- **Personal Property Floater (P.P.F.) :** A Broad Form policy covering all personal property worldwide including at the insured's home, usually on an all risks basis.
- **Policy Limit :** The maximum that the insurance company is obligated to pay in actual claims under an insurance policy. Certain additional costs may also need to be paid.
- **Policy Provisions :** Statements contained in an insurance policy which explain the benefits, conditions and other features of the insurance contract.
- **Policy Year :** Period between anniversary dates.
- **Power of Attorney :** Authority given one person or organization to act for and obligate another to the extent of the instrument

creating the power.

- **Preferred Risk :** Any risk considered to be better than the average risk on which the premium rate was based.
- **Premises :** Building including the land immediately surrounding it and belonging to it.
- **Premium :** This is the amount you pay to the insurance company to buy a policy for a specified period of time.
- **Prescription :** In law, a limitation of time within which legal action can be taken by a claimant. In insurance, the period of time in which a claim may be brought by the policyholder.
- **Principle of Indemnity :** The concept that an insured will be reimbursed for his loss (subject only to the policy limit and terms). If there is no loss there can be no indemnity.
- **Private Passenger Car :** Four-wheeled motor vehicles of the private passenger, station wagon or van type, designed for use on public highways and subject to motor vehicle registration.
- **Product Liability :** Liability insurance, generally for contractors, for products liability and for claims arising out of completed work.
- **Professional Liability :** The legal exposure any Professional has acting in their capacity as an expert in their given field.
- **Proof of Loss :** A formal statement made by a policy owner to an insurer regarding a loss. It is intended to give information to the insurer to enable it to determine the extent of its liability.
- **Property Damage Liability Insurance :** Protection against liability for damage to the property of another including loss of the use of the property.
- **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.
- **Proscription :** Outside the time period in which a legal action can be commenced.
- **Protection :**Used interchangeably with "coverage" to denote insurance provided under the terms of a policy.
- **Proximate Cause :** Cause of loss or damage. Unbroken chain of cause and effect between the occurrence of an insured peril and damage to property.
- **Punitive Damages :** Damages in excess of those required to compensate the plaintiff for the wrong done, which are imposed in order to punish the defendant because of the particularly wanton or willful character of his wrongdoing.
- **Quantum :** Amount or quantity.
- **Quasi-Contract :** An undertaking that is not a written contract but is an implied contract. In insurance it is most frequently found in reference to preservation of salvage.
- **Quotation (Quote) :** The amount of premium that an insurer sets as the price to cover a particular risk.
- **Rate : T**he rate is the premium for a specified amount of insurance, for a specified time.
- **Receiver :** Person appointed to hold in trust and to administer property of insolvent companies.
- **Refund :** A return to the policyholder of part of the paid premium, because of cancellation, suspension, reduction in insurance coverage, or because of rate reduction.
- **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. Restoration of full amount of insurance or reinsurance after a claim has been paid, with or without the payment of additional premium.
- **Release :** A discharge from obligation or responsibility.
- **Removal :** means taking of 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 Premium :** The premium for the new term of the policy.
- **Repairs :** Generally an insurance policy will set out the conditions for an insured to effect repairs to insured property. Ordinary repairs are usually permitted without notice to the insurer.
- **Replacement :** Most policies of insurance of property give the company the right to substitute other property of like kind and quality for insured property which has been damaged or destroyed. This is making a replacement.
- **Replacement Cost Clause :** Applies generally to some fire insurance policies where a special cover may be purchased so that in the event of fire, repairs or replacement will be made with material of like kind without cost to the insured for depreciation or betterment.
- **Replacement Value :** The cash value representing what it would cost to replace the particular article which is the subject of the insurance.
- **Reversionary bonus** : It is a bonus that is added to policies throughout the term of the policy. It may or may not be declared every year.
- **Rider :** It is an optional feature that can be added to a policy. For instance, you may take a life insurance policy and an add on accident insurance as a rider. You will have to pay an additional premium to avail this benefit.
- **Risk :** The chance of loss. Specifically the possible loss or destruction of property or the possible incurring of a liability. Sometimes refers to the subject of an insurance contract.
- **Robbery :** The taking of another's property by force or threat of force.
- **Salvage :** The remaining value of property after severe damage by fire or other peril. The overall loss is reduced by the salvage value. Undamaged property may be quite saleable and some property may be partially damaged, thus repairable and then saleable.
- **Schedule :** A comprehensive list accompanying a policy to detail the property, locations and amounts insured, and the applicable conditions.
- **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 :** A risk occupied only part of the year, such as a summer dwelling.
- **Self-insurer :** A person, corporation or organization which assumes all or part of a risk itself rather than use an insurer,

government departments often self-insure.

- **Settlement :** An agreement between concerned parties. In insurance, the agreement is usually on the money changing hands to discharge an insurance claim.
- **Slander :** The oral utterance or spreading of falsehood harmful to another's reputation. Libel is written; slander is spoken.
- **Sprinklered Risk :** Property protected against fire by a system of overhead pipes with regularly spaced heads designed to melt at the heat of a fire, thus releasing water for extinguishment.
- **Solvency Ration of Life Insurance Company :** It indicates how solvent a company is, or how prepared it is to meet unforeseen exigencies. It is the extra capital that an insurance company is required to hold to meet all the claims which arise. In other words, Solvency margin refers to the excess amount of asset the insurance company has to maintain over its liabilities.
- **Sum assured:** This is the minimum amount of money that the policy will pay out to the nominee in case of the insured's death or the occurrence of the insured event.
- **Survival Benefit :** This is the amount payable at the end of specified durations. These amounts are fixed and predetermined.
- **Surrender Value :** Halfway through the policy, you might want to discontinue it and take whatever money is due to you. The amount the insurance company then pays is known as the surrender value. The policy ceases to exist after this payment has been made. Do remember, you will lose out on returns if you withdraw your policy before time.
- **Statement of Claim :** A written statement by a plaintiff detailing the facts which support the claim against the defendant and the relief sought.
- **Statement of Values :** The information required when a single rate is to cover more than one item or building. To determine a correct average, the rating bureau requires the policyholder to give the value of each separate risk and its contents.
- **Statute :** An act of the legislature. Common law is made up of the various court decisions over the years. Case law may be altered by statute.
- **Statute of Limitations :** Law determining the period within which a specific legal action must be taken.
- **Statutory Conditions :** Special prescribed and standardized conditions that the Provincial Insurance Acts require to be included in fire, automobile and accident and sickness policies.
- **Stock :** Merchandise for sale or manufacture, as distinguished from furnishings, fixtures or equipment.
- **Stock Company :**A company owned by a series of investors or stockholders (shareholders) who assume the risks of profit or loss.
- **Storage :** A term applied to articles or substances held for safekeeping. If storing of such articles is prohibited by a policy, the policy will be voided if loss consequently occurs, unless the company's permission and consent has been specially granted.
- **Structured Settlement :** A financial package permitting a settlement to be paid in regular installments either for a fixed period or for the lifetime of the claimant.
- **Subcontractor :** A trade contractor such as a roofer who usually subcontracts with a general contractor.
- **Subscription Policy :** A single policy covering a risk that is divided among a number of insurers; the policy is issued by the "lead" company (usually the one with the largest percentage) and signed by all participating companies.
- **Suit:** A legal proceeding brought by one person against another.
- **Superintendent Of Insurance:** The chief officer of the Government Department which regulates insurance.
- **Surety Bond :** Surety Bond is a three party contract between the Owner (Obligee), Contractor (Principal) and the Bonding Company (Surety). The Surety by lending its reputation and credit, guarantees, that the Contractor's obligation to the Owner will be fulfilled.
- **Surrender :** Cancellation of a policy before its normal expiry by mutual consent of insured and insurer.
- **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.
- **Term Insurance :** Term insurance is a type of insurance policy. It provides policyholder with protection only. If the policyholder dies within the specified number of years (the term), his nominee gets the sum insured. If he lives beyond the specified period, the policyholder gets nothing. This is the cheapest and most basic type of life insurance.
- **Theft :** The wrongful taking of the property of another. It is a broad term and includes larceny, pilfering, hold-up, robbery and pick-pocketing.
- **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 Insurance :** When a policy insures a person against the liability he may incur to another for damages, it is "Third Party Insurance." The insured is indemnified with respect to any loss which he might suffer as a result of his legal liability to others arising out of the peril against which insurance is written.
- **Title :** The right to ownership of property. The owner of real property having just possession of his property.
- **Total Loss :** Loss of all the insured property. Also a loss involving the maximum amount for which a policy is liable.
- **Umbrella Policy :** A special form of liability policy designed to protect the insured for certain unknown contingencies over and above coverages and to provide excess insurance.
- **Underwrite :** To insure. More commonly, to scrutinize a risk and decide on its eligibility for insurance.
- **Underwriter :** The insurance company or group that underwrites or insures a particular risk. OR The individual within an insurance company whose responsibility it is to accept or reject business in the particular line in which he/she specializes and in this way chooses risks his/her principals are prepared to underwrite.
- **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.
- **Valuation :** An estimate or the act of assessing of value. This will frequently be done through the process of an appraisal.
- **Valued Policy :** A policy which provides that a special amount shall paid in the event of a total loss of the property.

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.
- **Waiting Period :** The time which must elapse before an indemnity is paid.
- **Waiver :** The intentional relinquishment of a known right. A waiver under a policy is required to be clearly expressed and in writing.
- **Warranty :** Statement or stipulation in a contract, the breach of which nullifies the contract.
- **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.
- **With-profit bonus :** It is linked to the profit of the company. If the company makes a profit, it declares a bonus in accordance with the profits. The profits are added to your insurance policy and given to you either on maturity of the policy or to your nominee if death occurs before that.
- **WP (Waiver of Premium) :** This rider makes sure that in case you are not able to pay future premium due to disability or income loss, the future premiums are waived off, but your policy is still in force like always.