Glossary of International Insurance Terms

1/24 method	A method of calculating earned premium on the basis of a two-year (24-month) policy term.
Accidental death and disablement	Death and/or disablement caused by accidental means (rather than by natural causes).
Accidental loss or damage	***See all risks***
Accommodation basis	A basis on which an insurer may grant particular (usually undesirable) cover or certain terms and conditions of cover in order to 'accommodate' an existing relationship with a broker and/or insured.
Accumulation	The aggregate of individual risks that could be affected by a single loss occurrence, where a single loss event may affect many individual insured risks.
Acquisition costs	This term covers any and all costs incurred by an insurer or reinsurer in acquiring business. Such costs may include commissions, brokerage and taxes paid, with commission paid to intermediaries making up the largest proportion. ***See also: deferred acquisition costs***
Additional voluntary contribution	Pension contributions paid by the employer or the employee that are over and above those required by the plan rules.
Admissible assets	A UK term that refers to those assets deemed acceptable for consideration in determining an insurance company's 'net assets', for example for the purposes of determining the company's solvency margin. Such assets might include bonds, shares and loans.
Admitted	Typically used to refer to an insurance company or insurance intermediary that is authorised by the relevant local supervisory authority. The term may also be used to refer to the business written by an 'admitted' insurance company or placed by an 'admitted' intermediary. ***Antonym: non-admitted***
Admitted assets	A US term used to denote those assets that may be taken into account under statutory US accounting principles for the purpose of calculating an insurer's surplus to policyholders.

Advance loss of profits (ALOP)	A form of business interruption cover that relates to the expected profits of a new business or an extension to an existing business. The cover insures against loss of profit resulting from delay in the completion of contract works when said delay is due to a loss insured under a CAR or EAR policy.
Advance profits insurance	***See advance loss of profits***
Affinity groups	Subgroups of personal lines consumers defined by a common factor such as age, occupation or shared interest. Affinity groups are used primarily for marketing purposes.
Agency agreement	A written contract between an agent and a principal that declares the terms under which the agent operates on behalf of that principal. Agency agreements typically contain information relating to the responsibilities of each party, the extent of the agent's authority, commission levels and details on the handling of monies, for example premium and claims money.
Agent	An insurance agent is an individual or an organisation that solicits, negotiates or effects contracts on behalf of a principal (an insurer or reinsurer). An agent typically holds the right to carry out certain tasks and functions on behalf of its principal and acts within the bounds of authority designated in an agency agreement. Typically, agents that represent only one principal are known as tied agents whilst those that work for several are called independent agent; however, precise definitions of terms such as 'captive', 'exclusive', 'independent', 'multi-tied' and 'tied' agents often vary between markets. ***Antonym: broker*** ***See Also: agent, independent*** ***See Also: agent, tied***
Agent, captive	***See agent, tied***
Agent, exclusive	***See agent, tied***
Agent, independent	An insurance agent that works on behalf of several insurers and is permitted to sell any of those insurers' products. ***Antonym: agent, tied***
Agent, shipping and forwarding	A freight forwarder. The term 'shipping and forwarding agent' has now been replaced largely by freight forwarder.

Agent, tied	An insurance agent that works exclusively for one insurance company and has in-depth knowledge of that company's products. Tied agents may also be referred to as captive agents or exclusive agents. ***Antonym: agent, independent***
Aggregate excess insurance	A type of cover that becomes effective when losses exceed a certain amount during the period of insurance. The 'amount' is predefined.
Aggregate limit of liability	***See limit of liability, aggregate***
Aggregator	An online company or website that gathers and analyses information from different sources on the products and services offered by different companies and filters it through one website. In insurance markets, aggregators tend to manifest themselves as price comparison websites.
All risks	A form of property insurance that covers any loss or damage arising from any cause or peril that is not specifically excluded under the terms of the insurance policy. All risks policies contain exclusions, which typically relate to inevitable causes of loss such as depreciation and wear and tear but may also be used to exclude any uninsurable or complex aspect of a risk. Increasingly, the term 'all risks' is being replaced by terms such as "special perils", "open perils" or "accidental loss or damage". ***Antonym: named perils***
Alternative dispute resolution (ADR)	A term encompassing various methods of resolving legal disputes other than through litigation. Such methods include arbitration, conciliation, mediation and adjudication, with arbitration most commonly adopted.
Alternative risk transfer (ART)	Term used to group and describe alternative risk transfer techniques such as the use of captives, pools and finite risk insurance.
Annuity	A periodic payment (often under a pension scheme) for the lifetime of the annuitant (or any agreed shorter period) in return for cash provided as a lump sum premium or a series of periodic premiums.
Arbitration	A form of alternative dispute resolution in which both parties agree an independent and impartial arbitrator. The arbitrator decides the outcome of the dispute; this decision is called an award. Should the parties involved dispute this award, they may seek the advice of an umpire. Arbitration can be binding or non-binding. ***See Also: alternative dispute resolution***

Asbestosis	A potentially fatal lung condition caused by the inhalation of asbestos dust or fibres.
Assumed reinsurance	Reinsurance business or premium written by an insurer/reinsurer accepted from another insurer. ***See Also: inward reinsurance***
Assurance	The term insurance relates to an event that may or may not happen e.g. death within a fixed period (term insurance). The term assurance relates to an event that is certain, e.g. death (whole of life assurance) or death or survival over a given term of years (endowment assurance). The terms are used interchangeably. In a Lloyd's policy, both words occur and have the same meaning.
Auto casco	***See motor casco***
Automatic reinstatement	A policy provision through which the sum insured or indemnity limit is automatically reinstated following a loss. May apply to both insurance and reinsurance cover.
Average (marine)	In marine insurance, the term 'average' signifies one of two types of partial loss: general average or particular average. ***See Also: average, general*** ***See Also: average, particular***
Average (non-marine)	In non-marine insurance, average is used in property business to protect insurers against the possibility that the insured has under-declared the value of the insured property. Average allows an insurer to reduce its claims payment in proportion to the amount for which the property was underinsured when cover was taken out.
Average, condition of	A policy condition in property insurance that requires that the amount of a claims payment be reduced proportionately in the event of underinsurance. This means that the payment will be in proportion to the sum insured rather than the actual value of the property at risk at the time of the loss. Any sum insured that is stated as "subject to average" in the policy wording is liable to be reduced through average. ***See Also: underinsurance***

Average, general	A partial loss in marine insurance that is due to actions taken and/or expenses incurred in protecting a ship, its crew and its cargo. Such actions can include the voluntary and deliberate sacrifice of cargo and expenses can be the towing of the ship to a port. General average is a mechanism for recovering the costs of these types of losses and expenses from those who benefit ultimately from their having taken place (where the losses and expenses have been incurred for the 'greater good'). In practice, most general average losses are shared proportionately between cargo owners and shipowners.
Average, particular	A partial loss in marine insurance that is caused by an insured peril. In practice, the term 'particular average' is applied to any claim for damage to a ship or to cargo that is not due to general average sacrifice.
Award	A form of monetary payment that may be compensatory in nature and may be mandated by a court ruling.
Award, arbitration	The decision reached by the arbitrator in a process of arbitration. An arbitration award is akin to a court ruling and does not necessarily or exclusively signify monetary payment.
Bad debts insurance	***See credit insurance***
Bancassurance	The distribution of insurance products and provision of insurance services by banking institutions or by insurance companies wholly or partly owned by banks.
Bancatakaful	A term thought to have derived from the more commonly used 'bancassurance', bancatakful pertains more specifically to the selling of takaful products by banking institutions or by insurance companies wholly or partly owned by banks. Distribution of takaful products through bancatakaful may be facilitated through use of bank customer databases and existing marketing and sales channels. ***See also bancassurance*** ***See also takaful***
Bankers' Blanket Bond (BBB)	A product for financial institutions that provides protection against direct financial loss resulting from fraud or other criminal activities on the part of either the institution's employees or third parties.
Basis point (BPS)	One hundredth of one percentage point (0.01 per cent). Used to express quantifiable data in insurance dealings, as well as movements in interest rates and yields on securities.

Benefit in kind	An employee benefit that is not in the form of cash, such as a company car, private fuel, free or subsidised accommodation and holidays.
Benefit policy	A benefit policy is an insurance policy that pays out fixed benefits in the event of a claim. The amount of the fixed benefits is agreed between the insurer and policyholder before policy inception and is not based on the principle of indemnity, which is intended to restore the insured to the financial position that he or she enjoyed immediately before the loss. Because benefit policies are taken out for personal accident cover and health cover (as well as life insurance and annuities) - and pay out when the policyholder suffers an injury, illness or death - the principle of indemnity can not apply, as no price can be put on the value of the loss of a limb or loss of sight or death. As such, insureds are allowed to choose the amount of the fixed benefits that suits them. ***Antonym: indemnity policy***
Bill of lading (B/L, BL, BoL)	A shipping document issued by a carrier to a cargo exporter. It describes the goods being shipped and also serves as a receipt and a definition of the contract between the parties involved, outlining the shipowner's duties and responsibilities for the goods from the port of shipment to the port of destination. The bill may be signed with qualification if the goods are in any way unsound; qualified bills are referred to as 'dirty' or 'unclean'.
Binding authority	A legally binding, written temporary agreement through which an insurer or reinsurer grants underwriting authority to an agent or broker to allow that agent or broker to accept business on the (re)insurer's behalf.
Blue card	The blue card system is an international motor insurance scheme in operation in Association of Southeast Asian Nations (ASEAN) member states. The blue card is an identification card which provides evidence that the driver holds a compulsory motor vehicle insurance policy issued by the appropriate bureau in his or her home country. A blue card is valid for one 12-month period at a time and for one vehicle only. ***See also brown card*** ***See also green card***
Blue collar employee	Typically describes an employee who performs manual labour.
Blue water hull	Term used to refer specifically to ocean-going hull. ***Antonym: brown water hull***

Boiler and machinery breakdown insurance	A type of cover to protect the insured against loss incurred as a result of boiler breakdown. The insurance often covers repair or replacement costs for the boiler, resultant property damage and third party liability, and the business interruption risk. Boiler insurance is often coupled with machinery breakdown insurance. In recent years, boiler and machinery breakdown insurance has become replaced by equipment breakdown insurance, which covers a broader range of equipment and perils. ***See also: equipment breakdown insurance***
Bonds, Single Premium	A bond is an arrangement whereby in return for a lump sum (the minimum investment is usually £1,000 or more) the insurer provides either an income (guaranteed or otherwise) payable monthly or annually (income bond) or accumulates the interest in order to make a cash payment at the end of the term (growth bond). In both cases terms of one to five years are common. The return on growth bonds may be linked to some form of equity, property or cash fund operated by the insurer.
Bonus malus	A motor insurance claims system in which discounts are given for claims-free driving (bonus) and surcharges are imposed when claims are made (malus).
Book of business	The aggregate of policies that an insurer has in force at a given point in time.
Book Reserve Scheme	A pension scheme under which the employer is responsible for the payment of benefits which are financed by a provision in the employer's accounts.
Bordereau (Bord)	A report containing details of premium and claims. Bordereaux are prepared periodically by cedants for reinsurers to notify them of risks accepted and claims paid.
Bouquet treaty	A reinsurance treaty that combines contracts from different classes of business and usually contains both attractive and unattractive contracts.
Broker	An independent insurance intermediary responsible for placing insurance or reinsurance business. Brokers are independent but work in the interests of their clients rather than the insurance companies with whom they arrange for business to be placed. The term 'broker' may denote the broking company or an individual. ***See also: broker, retail*** ***See also: broker, wholesale***

Broker, producing	***See broker, retail***
Broker, retail	Insurance brokers that deal directly with the insureds. They find insurance cover for their clients (the insureds) and, where necessary, provide access to wholesale brokers.
Broker, sub	The term sub-broker is commonly understood to refer to a retail broker. It may sometimes be used to refer to a wholesale broker but this usage is relatively rare.
Broker, wholesale	Wholesale brokers are used by retail brokers and are usually called upon to place larger, more complex or more niche risks and/or provide access to insurance markets to which the retail broker may not have access. Wholesale brokers' clients are the retail brokers rather than insureds; in fact, wholesale brokers seldom have any contact with the insured.
Brokerage	May refer to the work carried out by an insurance broker but more commonly refers to remuneration made to/received by a broker for broking services provided. Brokerage may be in the form of commission from the insurer and/or a fee charged to the broker's client but typical practice is for one or the other.
Brown card	International motor insurance scheme established by the Economic Community Of West African States (ECOWAS) to provide evidence of cover for drivers' motor third party liability when driving through states that are signatories to the Brown Card (Carte Brune) system. ***See also blue card*** ***See also green card***
Brown water hull	Term used to refer specifically to vessels on lakes and rivers. ***Antonym: blue water hull***
Builders' risks insurance (marine)	Insurance to cover vessels during construction. ***See also: builders' risks insurance (non-marine)***
Builders' risks insurance (non-marine)	US term for insurance cover purchased by contractors to cover damage to property under construction. The cover is normally written on an all risks basis, with the estimated completed value of the construction project as the sum insured. The cover is commonly referred to as contractors all risks or construction all risks insurance outside the US. ***See also: builders' risks insurance (marine)***

Burning ratio	A ratio established by comparing actual losses with the amount of earned premiums. Usually found in treaty reinsurance.
Bushfire	***See wildfire***
Business interruption (BI)	Insurance covering loss of gross profits and other costs resulting from insured property damage. Also known as consequential loss.
Cabotage	The transport of cargo or passengers between two locations in one jurisdiction by a vessel registered in another jurisdiction. This term applied originally to ships and the shipping industry but is now also used in reference to aircraft, trains and road vehicles. Most countries do not permit cabotage.
Capacity	The measure of an insurer's ability to write new business or the monetary amount an insurer can accept on a particular risk.
Captive	An insurance company established and owned by a parent company for the purpose of insuring the parent company's risks. It may also write unrelated third party risks.
Captive agent	***See agent, tied***
Captive domicile	A country or state that encourages the formation of captive insurance companies.
Career average earnings	Used by plans that are provided on a defined benefit basis whereby the benefits are based on the employee's pensionable salary over the entire period of qualifying service with the employer.
Cargo	Goods or property transported commercially by air, rail, road or water. Goods considered cargo are those that are not for use by those on board the transportation vessel for the period of transportation (i.e. anything that is not provisions, equipment or fuel).
Cargo clauses	Refers to clauses used in policies that insure goods or property in transit. Institute Cargo Clauses (ICC) are the most commonly used set of such clauses. ***See also: institute cargo clauses***
Cargo insurance	Insurance to cover goods or property in transit, i.e. while said goods or property are aboard a vessel transporting them by air, rail, road or water. The cover is typically given under 'standard' cargo clauses. ***See also: cargo clauses***
Carte brune	***See brown card***

Casco	***See motor casco***
Cash Fund	Unit-linked life offices may launch a cash (or money) fund. The managers invest only in short term deposits with banks and local authorities. The interest rate they obtain is usually better than that which could be achieved by the investors acting as individuals.
Casualty (marine)	In marine insurance, casualty refers to a loss, most commonly in marine hull business.
Casualty (non-marine)	An accident that causes loss.
Casualty insurance	US term for insurances that are primarily concerned with the liability classes, such as employers' liability environmental liability and product liability. The term is used to distinguish these classes from property insurance.
Catastrophe	An event causing severe loss or damage often associated with natural disasters such as hurricanes and earthquakes.
Catastrophe Risk Evaluating and Standardising Target Accumulations (Cresta)	The Catastrophe Risk Evaluating and Standardising Target Accumulations (Cresta) organisation is an independent body established in 1977. It is responsible for the technical management of natural hazard coverage and sets out a uniform global system for transferring aggregated exposure data among insurers, brokers and reinsurers to facilitate accumulation control and risk modelling. Cresta fixes country-specific zones for reporting exposure data, promotes a standard template for exchanging that data and offers a mapping service. Its standards are used throughout the insurance industry. Information reproduced here appears courtesy of Cresta.
CatNet (R)	An "online natural hazard information and mapping system", developed and maintained by Swiss reinsurer Swiss Re, which facilitates "a professional overview and assessment of natural hazard exposure for any location worldwide" and assists in "preparing local, regional and cross-regional risk profiles." Information reproduced here appears courtesy of Swiss Re.
Cedant	An insurer that cedes business to one or multiple reinsurers.
Cede	(Of an insurer) to transfer insurance business to one or multiple reinsurers. ***Antonym: retrocede***

Cession	Insurance business that insurers have transferred (ceded) to reinsurers.
Child's Deferred Assurance	A life assurance policy under which, until the child reaches the so-called "vesting age" (18 or 21), the policy is owned and the premium paid by the parent. At vesting age the child has the right to take out a policy in his or her own name up to a fixed sum assured at the insurer's normal rate of premium without evidence of health.
Churning	The practice (by brokers or agents) of encouraging clients to surrender or cancel an existing policy in favour of setting up a new policy, through which the broker/agent will earn sizeable commission. Churning is illegal in many jurisdictions.
Claim	A demand by the insured that the insurer pay the indemnity or benefit to which the insured is entitled under the terms of the policy. Claims are met, subject to limits, if the loss event is caused by an insured peril and is not excluded.
Claims-made	A form of liability policy that covers all claims first notified during the year that the policy is in force or during any applicable extended reporting period, irrespective of when the injury or loss occurred. ***Antonym: losses-occurring***
Class action	Also known as group litigation, a class action is the aggregation of a number of lawsuits, each based on the same legal grounds and seeking indemnity for the same loss or type of loss, which are handled by a single legal representative or select group of representatives. In order to qualify as a class action, the action must be certified by a court.
Class of business	In insurance terms, a class of business (or sometimes simply "class") denotes a category of insurance, such as motor. A class of business is also known as a line of business and the term "sub-class" refers to more refined categories of major classes, such as motor third party liability or commercial motor.
Closed plan	A plan that does not accept new members.
Cluster Policies	Cluster policies have their origin in the introduction of unit-linked life assurance. When an assured pays a given premium he or she receives not only one policy but a number of policies of equal value which offer advantages for tax planning. Each policy is issued in return for an equal fraction of the total premium payable.

Coinsurance (non-US)	1. The method of sharing a risk between two or more insurers, each of which bears a proportion of the claims that may be incurred. Whilst in practice, the insurer with the smaller proportion of the business normally follows the decision of the insurer with the larger proportion, coinsurers are not obliged to follow one another's decisions. Exceptions to this may be found if an insurer has consented to another insurer acting on its behalf. Each insurer involved in coinsurance is in direct contractual relationship with the insured and not with the other coinsurers. 2. A term used to describe situations in which the insured shares part of the risk and in so doing becomes a coinsurer. Insurers sometimes require that the insured takes on some of the risk. Coinsurance differs from more commonplace excess or deductible arrangements in that, under coinsurance, the insured is responsible for a larger proportion of each loss incurred, such as 10% of every claim made under its policy.
Coinsurance (US)	In the US, coinsurance refers to the condition of average. This is a policy condition that allows for partial loss claim payments to be reduced in the event of underinsurance. ***See also: average, condition of***
Collective agreement	An agreement between the employer and employee representatives (such as a trade union) in respect of the terms and conditions of employment.
Combined single limits	A single limit applied to all bodily injury or property damage claims under a liability policy. ***Antonym: split limits***
Commercial lines	Refers to those classes, or "lines", of insurance business that encompass insurances purchased by commercial entities for their business needs. Typical commercial lines include property, business interruption, construction, commercial motor, employers' liability, and directors' and officers' liability. ***Antonym: personal lines***

Commission	Remuneration paid by an insurer or reinsurer to an intermediary for selling and handling its policies and bringing it business. The amount of the intermediary's commission is usually factored into the premium charged by the insurer or reinsurer for the cover and that amount is then rebated to the intermediary once the insurer or reinsurer has received its premium payment. If the intermediary is responsible for handling premium money, it may be the case that the intermediary only passes on to the insurer or reinsurer the balance of the premium less the amount of its own commission, i.e. the intermediary would keep back its commission rather than paying the full premium to the insurer or reinsurer and waiting for commission rebate. Commission levels often vary between lines of business and may be negotiable; the amount of commission may be fixed or a percentage of premium. ***See also: acquisition costs*** ***Antonym: fee***
Commutation	The act of giving up part or all of a pension in exchange for an immediate lump sum.
Comparative negligence	***See contributory negligence***
Composite insurer	An insurance company that transacts both life and non-life (property and casualty) business.
Compound Reversionary Bonus	A bonus added to with-profit (participating) life assurance policies such as whole life or endowment, which is expressed as a percentage of the sum assured and any previous bonus that has been declared on the policy. Bonuses once declared are guaranteed and are paid with the sum assured when a claim is made at death or maturity.
Comprehensive	Signifies a policy that includes several different types of cover. Normally relates to comprehensive car insurance, which may cover personal accident, fire, theft and accidental damage, as well as third party liability.
Compulsory insurance	Any insurance that must be purchased in order to comply with the law. The term may also apply to insurances set by a professional or regulatory body. Compulsory insurances may relate to personal lines for local people, for example compulsory third party motor liability for drivers, or to insurance requirements set by a given jurisdiction on those businesses seeking to do business within that jurisdiction, e.g. contractors' liability for construction projects. It is often a requirement that such insurances be purchased from a local admitted insurer.

Condition	A stipulation imposed by the insurer as part of the insurance contract. Contract conditions may require the insured to do or refrain from doing one or several things and insureds are required to abide by any such conditions unless the insurer chooses to waive the requirement. Should an insured break a contract condition, the insurer (i.e. the other party to the contract) is permitted to avoid the policy from inception.
Conditional fee system	A system whereby a claimant's solicitors and counsel are remunerated only (and at a higher rate) if the legal case is settled or adjudicated in the claimant's favour. The conditional fee system is used most often in personal injury cases and is more commonly known as 'no win, no fee' in the UK. ***see also: contingent fee system***
Consequential loss	Insurance covering loss of money, loss of profits and other costs resulting indirectly, often unforeseeably, from an insured loss event or breach of contract. The insurer(s) liable for the insured loss event are not liable for any consequential losses, which is why insurance against losses resulting indirectly from the losses or actions of others must be insured against. The term 'consequential loss' has been for the most part replaced by business interruption. ***See also: business interruption***
Construction all risks (CAR)	***See contractors all risks***
Continental scale	A means of calculating the level of benefit payable under a personal accident policy. The level of benefit payable is adjusted on a percentage basis in direct relation to the level of injury sustained.
Contingent fee system	A system whereby a lawyer for a claimant is remunerated only if the legal case is settled or adjudicated in the claimant's favour. The basis of remuneration is a percentage of the settlement or award, usually about one third. Most personal injury cases in the US are handled in this way. ***See also: conditional fee system***
Continuous service	A period of unbroken service rendered by an employee (may include periods of absence for which salary is paid or service with a different employer following the transfer of a business).

Contract out	Commonly used to refer to the option to join an employer sponsored plan in lieu of a state plan. This would typically involve forfeiting the state benefit for an employer sponsored plan benefit at least equivalent to the state benefit and a reduction in the contributions paid to the state plan.
Contractors all risks	Insurance provided in respect of contract works - covering damage to property on site and third party liabilities. The cover is also known as builders' risks in the US. ***See also: builders' risks insurance (non-marine)***
Contribution	A contribution in Islamic insurance is the equivalent of a premium in conventional insurance. The term is used because takaful or Islamic insurance is fundamentally based upon mutual help and assistance and not upon the desire of any party to profit from the arrangement.
Contribution, principle of	A principle related to the principle of indemnity that provides for the possibility of dual insurance (i.e. an insured having one or more insurance policies in force for the same risk). The principle of contribution provides that when two or more policies of indemnity are in place covering the same risk against the same peril, each policy must indemnify the insured for its proportion of the loss, known as the "rateable proportion". In this way, the insured is prevented from claiming for the full indemnity amount from multiple insurers (and thereby breaching the principle of indemnity).
Contributory negligence	Doctrine whereby a plaintiff is found by a court to have contributed to some degree to the loss for which he or she is seeking compensation. Damages recoverable can be reduced according to the claimant's share of the blame. In some US states this is known as comparative negligence.
Contributory plan	A plan that requires an employee contribution.
Convertible Term Life Insurance	A term insurance policy (i.e. the sum insured is payable on death within the policy term with no survival benefits) giving the option to convert within the policy term to a permanent policy (i.e. a whole of life or endowment assurance) without further evidence of health.
Cost and freight (CFR)	A standard term of sale for goods in transit. This term denotes that the cost of freight is included in the price of the goods but that it is the buyer's responsibility to purchase transit insurance. ***See also: cost, insurance and freight***

Cost, insurance and freight (CIF)	A standard term of sale for goods in transit. This term denotes that the cost of freight and insurance are included in the price of the goods, i.e. that it is the seller's responsibility to purchase transit insurance. ***See also: cost and freight***
Credit insurance	Insurance against financial loss caused by the insolvency or payment default of customers to whom credit has been granted. The cover is also known as 'bad debts' insurance.
Credit Life Insurance	A form of decreasing term insurance to cover the outstanding debt under hire purchase and credit sale agreements. Cover is provided under a collective policy to the creditor e.g. finance company, to facilitate repayment on the death of any hirer or debtor. Arrears are not covered.
Creditor insurance	A policy covering the inability to repay a loan, a credit card balance or a mortgage.
Cresta	***See Catastrophe Risk Evaluating and Standardising Target Accumulations***
Critical Illness (or Dread Disease)	If the insured is struck by one of a number of specified diseases or illnesses (e.g. heart disease, stroke, cancer, multiple sclerosis) the insurer will pay a lump sum. This has some advantages over a regular income (which can be secured under permanent health insurance) and would enable a disabled person to retire early, take long convalescent periods or adapt their home to help them cope with their disability.
Cross-border business	Refers to business that is transacted across national borders and involves organisations in two or more countries. In insurance terms, cross-border business may be insurance or reinsurance business from one country that is transacted or underwritten in another. Cross-border business may also be referred to as cross-frontier, frontier, or services business. An insurer that accepts overseas business in this way is often termed a non-admitted insurer. ***See also freedom to provide services***
Cross-frontier business	***See cross-border business***
Cyclone	A tropical storm made up of a system of winds rotating inwards to a low-pressure area.
Deadweight tonnage (DWT)	Also known as deadweight carrying capacity, deadweight tonnage refers to the weight that a vessel can transport, calculated using the weight of cargo, stores and fuel.

Death in retirement benefits	Benefits paid where death occurs after the employee has retired.
Death in service benefits	Benefits paid where death occurs whilst the employee is in the service of an employer. There is no requirement that death should arise from the work.
Decennial insurance	Cover for property owners to insure against the costs of remedial work on a property where that property has been physically damaged or has partially or totally collapsed as a result of faulty design, construction or materials. Contracts cover a period of ten years or more following the completion of construction work and can be transferred to new owners. Decennial insurance is sometimes referred to as inherent defects insurance.
Decreasing Term Insurance	A term insurance policy under which the sum payable on death decreases each year in accordance with a fixed scale. If the insured survives the whole of the policy term nothing is payable by the insurers, who retain all premiums.
Deductible	The portion of an insured loss borne by the insured (rather than the insurer). A deductible may be arranged as an agreed amount or an agreed percentage of the policy limit and only once this amount or percentage level is exceeded does the insurer become liable to pay the (remainder of) the claim; in this way, application of a deductible reduces the insurer's limit of indemnity. The deductible is, in effect, the amount that is 'deducted' from the amount of a claim. Any claim that falls below the level of the deductible does not affect the insurer and is not treated as a claim. The term tends to be used in reference to a large excess, i.e. one borne by a commercial entity rather than one that would apply to an individual with personal insurance, and is often used synonymously with 'excess'. ***See also: excess***
Deductible, disappearing	***See franchise***

Deductible, time	A deductible that operates on the basis of time rather than a monetary amount or percentage of a policy limit. Time deductibles are most commonly seen in business interruption, workers' compensation and medical insurance policies, where the policy terms and conditions may state that, for example, all costs incurred and losses resulting following a loss event are borne by the insured (rather than the insurer) for the 72 hours immediately following the loss event. Only once this agreed time period is exceeded does the insurer become liable to pay the (remainder of) the claim; in this way, application of a time deductible reduces the insurer's limit of indemnity. ***See also: deductible***
Deferred acquisition costs (DACs)	Acquisition costs (i.e. any and all costs incurred by an insurer or reinsurer in acquiring business) that are carried over to a subsequent accounting period so that the acquisition costs are shown within the same period as any corresponding income generated. ***qv acquisition costs***
Deferred annuity	An annuity providing for the commencement of regular payments at an agreed future date or age.
Deferred benefits	A deferred benefit relates to a vested benefit that has been accrued by the employee before leaving the service of an employer (may be a portable benefit transferrable to another employer), such as a paid up pension; the deferred benefit is typically paid at retirement.
Deferred compensation	A benefit earned by an employee at one time for which the employee becomes eligible at another time (typically after fulfilling vesting requirements), such as a pension plan, savings plan or stock options.
Defined benefit	Benefits are determined by the benefit calculation formula. Formulas vary from plan to plan and might include a percentage of career average earnings, a percentage of average earnings during a prescribed period (such as the last five years of service or the best three years), or a flat rate amount or a flat rate per year of service.

Defined contribution	Benefits are determined by the value of the total accumulated fund. Contributions are usually defined as a flat rate or percentage of pensionable salary (minimum and/or maximum contribution levels may be prescribed); ad hoc contributions and additional voluntary contributions may also be permissible. The value of the total accumulated fund is contingent upon the accumulation of contributions and investment returns within the plan.
Dependant	A person, normally a family member, who is reliant on the employee for financial support.
Dependants' Income Benefit	A form of group life insurance that is an alternative for, or in addition to, a lump-sum payment. It provides a benefit to a widow or widower or dependant children of the deceased in the form of an annuity ceasing at a fixed date, the fixed date coinciding with the date on which the member of the scheme would have been expected to retire or typically until age 18 or 21 of dependant children.
Difference in conditions (DIC)	1. A commercial insurance policy that is designed to 'fill the gaps' in coverage left when many different policies have, necessarily, been purchased in various insurance markets around the world to cover risks in different territories. Difference in conditions policies are regarded as 'master' policies and cover only those risks not covered under the local policies already purchased. 2. A commercial property insurance policy that is purchased by a company in addition to a standard commercial property policy in order to 'fill the gaps' in coverage left by the standard policy. Such 'gaps' are usually those perils that are not covered by the standard policy, such as earthquake. ***Antonym: difference in limits***
Difference in limits (DIL)	A commercial insurance policy that is designed to 'fill the gaps' in coverage left when many different policies have, necessarily, been purchased in various insurance markets around the world to cover risks in different territories. Difference in limits policies are regarded as 'master' policies and provide excess limits over the limits of the local policies already purchased. ***Antonym: difference in conditions***

Direct insurance company	Denotes an insurer, as opposed to a reinsurer. The term 'direct writer' is often used in place of 'direct insurance company', or 'direct insurer'. In the United States the term is sometimes used more specifically to refer to an insurer that deals 'directly' with the policyholder and not through an intermediary.
Direct insurance premiums	Gross written premium including commissions and charges and before reinsurance cessions.
Direct marketing	Direct marketing encompasses all those marketing methods that insurers use to sell business without the use of an intermediary. Such methods may include targeted mailings and telesales and are carried out by insurance company employees. Although these methods allow insurers to save on the costs of paying sales staff, direct marketing entails great expense in advertising and promotion, often on the radio or television or in the paper press. ***Antonym: indirect marketing***
Direct response advertising	Refers to a form of marketing that is designed to encourage prospective customers to respond directly to the advert that they have seen. This 'response' can be in the form of calling an advertised telephone number, responding to an address provided or clicking a link online.
Direct writer	***See direct insurance company***
Directors' and officers' liability (D&O)	A type of cover that insures directors and officers of companies for claims brought against them on the grounds of negligence, breach of duty or a wrongful act. Such claims are brought most commonly by employees and stockholders that have incurred financial loss as a result of the actions of a director or officer.
Double Endowment	An endowment assurance under which the amount payable on maturity is twice the amount payable on death within the policy term.
Double indemnity	An insurance plan provision whereby benefits are doubled in case of a particular contingency, such as in the event of death caused by accident.
Dual insurance	Used to describe situations in which there are two or more policies in force covering the same risk.
Duty of care	A level of care that people owe to one another in common law. The duty of care is intended to ensure that peoples' actions do not injure others or cause damage to their property. If a person breaches the duty, they may be liable to pay compensation to those who suffer injury or property damage as a result of their action or inaction.

Duty of disclosure	This term relates primarily to the duty on any party seeking insurance cover to disclose to the underwriter all those facts that may affect the granting or rating of insurance cover, i.e. material facts. The term may also be used in reference to underwriters, as it is also incumbent upon the underwriter to disclose to the party seeking insurance any entitlement to a premium discount that this party may have earnt, together with clear and comprehensive explanation of the scope of the cover and highlighting of any policy conditions and exclusions.
Early retirement age	An age at which the employee is permitted to retire (normally earlier than the normal retirement age although may be with reduced qualification criteria); benefits would typically be reduced.
Earthquake	A sudden violent shaking of the ground that results from the seismic waves created when the earth's crust convulses.
E-banking	***See internet banking***
Educational Endowment Assurance	An endowment assurance on the life of the parent with the benefits payable in instalments over the schooling period of the child.
EF scale	***See Enhanced Fujita scale***
Electronic data processing insurance (EDP)	Cover against damage to or loss of electronic processing equipment, software and data. The scope of cover usually includes damage or loss resulting from perils such as mechanical and electrical breakdown.
Embedded Value	The sum of a life assurance operation's adjusted net asset value, plus the value of policies in force, less the cost of maintaining its solvency margin.
Employee benefit plan	The umbrella under which a range of employee benefits (such as retirement pensions, personal insurances and savings and investment programmes) are grouped together and provided to all employees that are a member of the plan.
Employee contributions	Contributions made by the employee (may or may not be required as a prerequisite for participation).
Employee dishonesty insurance	***See fidelity insurance***
Employers' liability (EL)	A form of insurance designed to protect employers against claims that may be brought against them by their employees for liability in tort. The insurance covers compensation payments to employees who are able to prove the employer's liability for bodily injury or occupational disease that they sustain during or which arises out of the course of their employment, as well as legal fees incurred by the insured in defending a case.

Employment practices indemnity (EPI)	***See employment practices liability***
Employment practices liability (EPL)	Cover to protect an employer (the insured) against claims from its employees or prospective employees in relation to violations in the employment process and employment practices. Such violations might include harassment or discrimination of any kind, wrongful dismissal, wrongful failure to employ, and wrongful failure to promote. Employment practices liability may be added to a directors' and officers' liability policy or combined with professional liability or fidelity insurance. Cover can be extended to include claims from contractors and consultants.
Endowment Assurance	A policy for a fixed period under which the sum assured is payable at the end of the period (the maturity date) or upon the earlier death of the life assured. May participate in bonuses (participating or with-profits policies).
Enhanced Fujita scale	The Enhanced Fujita scale, implemented in 2007, extends the Fujita scale that was introduced in 1971. The enhanced scale still uses the original Fujita scale values, although these are titled EF0 to EF5 rather than F0 to F5. In addition to this, the Enhanced Fujita scale uses extra calculations for wind and damage and attempts to standardise allocations of the scale values by taking account of differences in buildings structures and standards, and different types of vegetation. ***See also: Fujita scale***
Environmental impairment liability (EIL)	A form of cover that protects the insured against legal liability to third parties for personal injury or property damage due to pollution. Environment impairment liability policies often cover clean-up costs associated with pollution, both sudden and gradual, for both the insured and third parties' property.

Equipment breakdown insurance	A more up-to-date form of cover and terminology for boiler and machinery breakdown insurance. Equipment breakdown insurance covers damage to most forms of equipment, such as computers, telephones, air-conditioning and security systems, resulting from such causes as mechanical or electrical breakdown, power surges, or moisture in the atmosphere. The cover often extends to the costs incurred in repairing or replacing both the insured equipment and any other property that may have been damaged by the loss event. An element of business interruption cover is also usually included in equipment breakdown insurance, protecting the insured against any losses in profit and/or on-going expenses that result from the equipment breakdown. Policy conditions that require regular inspections of the insured equipment are a feature of most equipment breakdown policies; these inspections are intended to minimise the possibility of loss events occurring. ***See also: boiler and machinery breakdown insurance***
Equity Indexed Life Assurance	A policy that guarantees a small annual return on the cash value through investments in fixed-income instruments and, potentially, an additional annual return through equity index derivatives. Unlike variable universal life, the product guarantees that market fluctuations will not cause the cash balance to decline.
Errors and omissions insurance (E&O)	A type of cover that insures professionals against liability incurred as a result of mistakes or negligence in their professional conduct. Errors and omissions is essentially professional indemnity insurance.
Establishment business	Denotes business that companies acquire in other territories as a result of having established local agency, branch or subsidiary operations or associated companies in those territories. ***See also: freedom of establishment***

Euro area	Denotes those European Union (EU) member states that have replaced their national currency with the euro (EUR) since its introduction in 1999. At present, the euro area comprises Austria, Belgium, Cyprus, Estonia, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Malta, Netherlands, Portugal, Slovakia, Slovenia and Spain, all of which have currency issuing rights. The euro is also used in Monaco, San Marino and Vatican City, which have negotiated formal agreements with the EU to use the euro and mint their own coins. Andorra, Kosovo and Montenegro have formally adopted the euro as their sole currency but have no issuing rights. The euro area integrates the economies of its members but is governed independently by the Eurosystem, comprising the European Central Bank (ECB) and the national banks of all euro area states. The Eurosystem defines the euro area's monetary policy, whilst economic policy remains largely in the hands of the independent members (with euro area-wide co-ordination).
Euroland	***See euro area***
European Economic Area (EEA)	The European Economic Area (EEA) comprises all 27 EU member states as well as Iceland, Liechtenstein and Norway. The EEA Agreement, which has been in effect since 1994, allows the EEA-EFTA states to participate in the EU's Internal (Single) Market and in any programmes and agencies relevant to the internal market but withholds their right to vote in these fora. The EEA Agreement is concerned principally with the four basic pillars of the internal market: the freedom of movement of goods, services, persons and capital, and the EEA adopts EU legislation in these areas. EEA states are consulted by the European Commission prior to the drafting of legislation and all new EU legislation which concerns an area covered by the EEA Agreement is integrated into these states' national legislation.
European Free Trade Association (EFTA)	Founded in 1960 by the Stockholm Convention, the European Free Trade Association (EFTA) is an intergovernmental economic organisation which was established for the promotion of free trade and economic co-operation and integration between member states. The association was founded by several states which later joined the European Community (now European Union) and today comprises Iceland, Liechtenstein, Norway and Switzerland. EFTA works in close cooperation with both the European Union and beyond Europe's borders, with free trade agreements now extending as far as Asia and the Americas.
Eurozone	***See euro area***

Evidence of Health	The medical evidence, such as a proposal form from the assured, a private medical attendant's report (PMAR) from the GP in the UK or an attending physician's statement (APS) in North America, a medical examiner's report (MER) from an independent examiner and any other health documents/examinations that the life insurer requires to assess the risk.
Ex gratia	With regard to payment, ex gratia signifies that payment has been made out of goodwill or moral obligation rather than any technical contractual or legal requirement. In insurance terms, ex gratia payments are usually claims payments paid by insurers.
Excepted perils	***See excluded perils***
Exception	In insurance, 'exception' is normally used interchangeably with the term 'exclusion'. It is sometimes used in its more general sense, however; for example, as an exception to a policy condition or provision. It may even be used to indicate an exception to an exclusion in an insurance policy. ***See exclusion***
Excess	Often used synonymously with 'deductible', 'excess' is used most commonly in the UK and refers to the portion of an insured loss borne by the insured (rather than the insurer). The term tends to be used in reference to the amount borne by an individual with personal insurance, whereas a deductible refers to a large excess, i.e. one borne by a commercial entity. An excess may be arranged as an agreed amount or an agreed percentage of the policy limit and only once this amount or percentage level is exceeded does the insurer become liable to pay the (remainder of) the claim; in this way, application of an excess reduces the insurer's limit of indemnity. Excesses may be compulsory or voluntary, and a voluntary excess can often be added onto a compulsory excess in order to further reduce the insurer's limit of indemnity and provide the insured with a premium reduction for his or her part in taking on a greater proportion of the risk. ***See also: deductible***
Excluded losses	***See excluded perils***

Excluded perils	Those perils that are declared in an insurance policy as specifically not covered by that policy. Insurers are not liable for losses caused by perils that have been excluded under the terms of an insurance policy. ***Antonym: named perils, unnamed perils***
Exclusion	A provision of an insurance contract that states that cover is not provided in respect of explicitly specified hazards, property or persons, or in particular situations through which a loss may be incurred. Exclusions may be general or may apply only to specific sections of the contract, and the precise wording of the policy is very important in determining whether an exclusion applies in the event of a given loss. Exclusions are used where certain risks or aspects of a risk are considered uninsurable or entail special treatment. They are commonly used in property 'all risks' policies, where the scope of cover is defined by the exclusions to 'all' the risks covered.
Exclusive agent	***See agent, tied***
Exemplary damages	***See punitive damages***
Expense ratio	Ratio of acquisition and administration expenses incurred to premium earned in respect of a particular class of business.
Exposure	The state of being exposed to risk or hazard (and therefore loss).
Extended discovery period	***See extended reporting period***
Extended reporting period (ERP)	A provision under a claims-made policy for a set period of time following the expiration of the policy during which the insured can still make claims pertaining to losses that occurred during the policy period. The extended reporting period extends the length of time that the policy covers rather than providing any additional or different conditions of cover.
F scale	***See Fujita scale***
Family allowance	Benefits provided under social security systems that provide financial support for families with one or more children.
Family Income Benefits	A decreasing term insurance under which an annual sum is payable on the death of the life insured within the policy term for the remaining part of that term. For example, the benefit may be £1,000 per year for 21 years giving an initial cover of £21,000, reducing to £1,000 in the final policy year. The amount of cover decreases by £1,000 per year and if the life insured survives the term, the policy runs out and no benefit is payable.

Family takaful	***See takaful, family***
Fee	Fees are fixed charges made by a professional individual, company or organisation in return for the provision of professional advice or services. In the insurance industry, fees usually relate to the remuneration paid by either an insurer or an insured to an intermediary for placing and handling insurance business. Unlike commission payments, fees are paid independently of premium. ***Antonym: commission***
Fidelity insurance	A form of insurance purchased by employers to protect them against the results of dishonest and disloyal acts committed by their employees. Such acts tend to be theft, fraud, embezzlement and breach of contract, leading to financial loss for the employer. The cover is known as employee dishonesty insurance in the US.
File and use	A system in which insurers file new policy wordings and/or key amendments to existing policy wordings with the appropriate regulator for approval and may then begin to use these new or amended wordings provided that the regulator has raised no questions or concerns within a set time period following the time that the wordings were filed, for example 30 days.
Final pensionable salary	An employee's salary upon which benefits are determined. Final pensionable salary is usually based on the historical pensionable salary(ies) of the employee and a range of definitions prevail, such as the best three career pensionable salaries, career average salary, or average salary over the three, five or ten years immediately preceding retirement.
Final Salary Scheme	Also known as a defined benefit pension scheme. This is a pension scheme under which the pension payable is based on the final pensionable salary of each member (this may be defined as the average of a number of years immediately before retirement).
First party	In insurance terms, the first party typically refers to the insurer. In certain circumstances, however, such as a 'first party insurance'; the term first party denotes the insured. ***Antonym: second party; third party***

Flag of convenience (FOC)	A ship's flag indicates the country or territory in which that ship is registered and consequently the territory or country that is responsible for the ship's safety standards and any applicable taxes and wage levels. Some shipowners register their ships in territories or countries other than those of which they are a citizen and thereby receive the flag of their chosen territory or country as a 'flag of convenience'. They can only do this if the territory or country in which they wish to register their ship allows them to do so and if their own territory or country allows them to register elsewhere. The reasons for registering elsewhere usually concern paying lower taxes and wages to workers. Underwriters insuring ships and cargo carried on ships tend to consider the risk to be higher on ships carrying a flag of convenience.
Flag of vessel	***See flag of convenience***
Flexa	Flexa refers to the following perils: fire; lightning; explosion; and aircraft.
Flexa insurance	A property insurance covering Flexa perils.
Flexible employee benefit arrangement	An arrangement that provides the employee with a choice of benefits from a predetermined list. A core selection of benefits may be compulsory (for example, the employer pension plan), and, in addition, each employee may select benefits from the predetermined list up to the individual benefit value ceiling. The predetermined list may include cash, discount vouchers, vacation trading, and savings and investment programmes, as well as health and welfare benefits such as personal insurances and wellness programmes. May also be known as a cafeteria plan.
Flexible Endowment	An endowment policy which provides guaranteed surrender values after a defined number of years e.g. ten, to allow the whole or part of the policy to be encashed. This is for tax planning in the UK and conditions will vary in other countries.
Flood	The natural phenomenon of a large volume of water overflowing onto dry land. Flooding may be caused by a river, reservoir or lake overflowing and the breaking of flood defences such as levees, or from a sea storm or excess rainfall, which can lead to a large volume of water falling directly onto saturated land.
Flood insurance	Covers property damage caused by flooding. The cover is often purchased as an additional peril and added to an all risks property policy or a difference in conditions policy by way of endorsement.
Forest fire	***See wildfire***

Franchise	Similar to a deductible or excess in that it refers to the portion of an insured loss borne by the insured (rather than the insurer) and may be arranged as an agreed amount or an agreed percentage of the policy limit. A franchise differs from a deductible or excess, however, in that once the amount or percentage level is exceeded, the insurer becomes liable to pay the entirety of the claim (rather than just that part that exceeds this level, as with a deductible or excess arrangement). ***Antonym: deductible***
Free Cover	The maximum amount of death or disability cover which an insurer covering a group is prepared to insure for each individual without production of any evidence of health (except perhaps an "actively at work" certificate). Otherwise known as non-evidence limit.
Freedom of establishment	The principle of freedom of establishment is part of the EU's creation of a single market in insurance services. Under freedom of establishment, any insurance operator (such as an insurer or broker) established in the territory of an EEA state is automatically entitled to establish a presence in other EEA states in order to provide services in those states on an on-going basis. Such operators may establish themselves through local agency, branch or subsidiary operations or associated companies but must receive authorisation in order to set up a company or establish operations. Freedom of establishment provisions effectively extend to Switzerland through special bilateral agreements between Switzerland and the EU. ***See also: establishment business*** ***Opposite of: freedom to provide services***
Freedom of services (FOS)	***See freedom to provide services***

Freedom to provide services (FOS)	Within the European Economic Area, insurance may be placed under freedom to provide services, which is part of the EU's creation of a single market in insurance services. The principle extends the idea of cross-border business to remove national borders between EEA states for the purposes of providing services and thereby extend the licensed or 'admitted' market to the whole of the EEA. Under freedom to provide services, any insurance operator (such as an insurer or broker) whose head office is in an EEA state is automatically entitled to provide insurance services (on a temporary basis) in another EEA state without being required to be established there. Details of any such operator's intended operations must be provided to the authorities of the home state. ***see also: cross-border business*** ***Opposite of: freedom of establishment***
Freight	May refer to goods transported in bulk by air, rail, road or water (and in this sense is synonymous with 'cargo'), or to the transportation of such goods. In insurance circles, the term 'freight' is more likely to be used in reference to the cost of the transportation of goods or to the remuneration paid to the carrier (e.g. shipowner) for the transportation of goods, including the profit that the carrier derives from carrying his own goods but not any payment received for transporting other people's goods or payment from passengers.
Freight forwarder	A person or party that arranges overseas shipments of goods. Freight forwarders are responsible for goods from the point of origin to the final destination but they do not usually take possession of those goods at any point.
Freight forwarders' liability	A form of liability cover that is designed to protect freight forwarders against the loss of or damage to goods for which they are responsible during the period for which they are responsible for them. Freight forwarders' liability can also cover loss of or damage to any third party property, such as containers and transport vessels, as well as any errors and omissions claims brought against the freight forwarder. ***See also: freight forwarder***

Freight insurance	A form of cover designed to cover the insurable interest of a cargo owner in the goods that the cargo owner owns, or to cover the insurable interest of a shipowner in the goods that the shipowner is transporting. Either way it is a contract to cover either party's interest in the goods arriving at their destination at the right time and in the right condition; it is not a contract to cover the goods themselves (or rather, loss of or damage to them). Freight insurance relates to the insurance of 'freight' in its original sense, i.e. the cost of the transportation of goods or to the remuneration paid to the carrier (e.g. shipowner) for the transportation of goods, including the profit that the carrier derives from carrying his own goods but not any payment received for transporting other people's goods or payment from passengers. ***cf cargo insurance***
Frontier business	***See cross-border business***
Fronting	A means through which, for a fee, an admitted insurer accepts a risk that it does not intend to bear. This insurer will then cede said risk 100% to an insurer or reinsurer that is not authorised to transact business by the usual means in the country or state in question (i.e. is a non-authorised or 'non-admitted' company).
Fujita scale	The Fujita scale is named after meteorologist and researcher Tetsuya Fujita. The scale was introduced in 1971 and became used as an official classification system for assessing the damage caused by tornados as of the mid-1970s. It measures the intensity of a given tornado not by wind speed but by assessing the damage that the tornado causes to man-made structures. Damage is assessed after the tornado event, whereupon a Fujita scale 'value' is assigned to the event and wind speed estimated accordingly. Fujita scale values range from F0 (gale) to F5 (incredible), and F6 (inconceivable) is also sometimes included in the scale. ***See Also: Fujita scale values; Enhanced Fujita scale***

Fujita scale values	Fujita scale values are the values assigned to tornado events under the Fujita scale, which measures the intensity of a given tornado by assessing the damage that the tornado causes to man-made structures. Fujita scale values are as follows: - F0 (gale) - would typically result in damage to chimneys and sign boards. - F1 (moderate) - could overturn mobile homes and caravans and lift up roof tiles and surfaces. - F2 (strong) - would cause significant damage, such as tearing off the roofs and walls of frame houses, lifting cars into the air and uprooting large trees. - F3 (severe) - can cause similar damage to an F2 tornado but would uproot most trees, including forest trees, and tear off the roofs and walls of well constructed houses as well as overturning trains and cars. - F5 (incredible) - can cause damage to steel-reinforced concrete structures and lift and throw strong frame houses. Very rare. - F6 (inconceivable) - has never been recorded and would be all but impossible to distinguish from the destruction caused by F4 or F5 tornados. The F6 value has been called a hypothetical modification of the Fujita scale.
Full orphan	The term for a child (or adult) where both parents are deceased.
Fully Insured Scheme	A pension scheme where the trustees have effected an insurance policy in respect of each member which guarantees benefits corresponding at all times to those promised under the rules of the pension scheme.
General average	***See average, general***
Gentlemen's agreement	An arrangement that is based on trust rather than binding under law.
Geological hazards	A term used to group together natural hazards that occur due to geological causes, such as tectonic plate shifts. Geological hazards include earthquakes, volcanic eruptions, landslides, avalanches and rock falls.

Green card	A document that provides evidence of motor insurance cover for drivers driving outside their country of domicile within and around Europe. Green cards are not a form of insurance cover but provide proof that the driver has sufficient insurance cover. Green cards form part of the Green Card system, which is intended to facilitate border-crossing. A Green Card is not necessary for border-crossing within the European Union and certain other European countries. ***See also blue card*** ***See also brown card***
Group Insurance	The insurance of a number of persons under a single contract or by a group agreement covering individual contracts. Usually the persons are all employed by a single employer or are members of a particular association. Group cover can be applied to various kinds of insurance, e.g. group life, group disability, group health, group accident, and group legal expenses. When various benefits are provided by an employer for its employees this is known as an employee benefits scheme.
Group Life Assurance	A life insurance policy covering a group of people as distinct from individual lives. The group must exist for some purpose other than the effecting of the insurance e.g. employees in a company or a particular part of the company or members of an association. The cover is most often provided as an ancillary benefit to a pension scheme but can be provided without any accompanying pension benefits. Most policies are written on the basis of one-year term assurance with the automatic right of renewal each year subject to the terms of the contract.
Group litigation	***See class action***
Group Premium Rating (or Manual Group Premium Rating)	Similar units of exposure are grouped together in order that the risk premium to be applied to the group, whose constituent units have similar underwriting factors, can be calculated with an acceptable degree of accuracy.
Group private medical insurance	A private medical insurance plan that is offered on a group basis to all or a selection of employees, and is arranged by the employer. A group plan may include the employee's dependants and may be provided on a contributory or non-contributory basis (for personal and/or dependant cover). Group plans are commonly more flexible in the treatment of waiting periods and pre-existing conditions.

Guaranteed annuity	An annuity that prescribes certain guarantees, such as a guaranteed level of income (for example, a flat rate or an inflation adjusted benefit), a guaranteed payment period (for example, lifetime or a minimum term) or a combination of guarantees.
Guaranteed Bonds	Life policies, normally paid by a single premium and for a fixed term, which guarantee certain benefits.
Home Income Plans	Schemes to assist elderly homeowners to raise loans on their property for the purpose of purchasing immediate annuities in order to increase their income. The loan (usually for up to 80% of the house value) is provided by an insurance company or building society on the security of the property. For a couple, the money would be invested in a joint life and survivor annuity.
Hospitalization Insurance	A health policy that pays a fixed (usually daily) sum whilst the insured is admitted to hospital. Admittance may be for any reason but the policy can be restricted to accident only.
House Purchase Scheme	Life assurance may be used in a variety of ways in connection with house purchase, for example as an endowment mortgage, a low cost endowment mortgage (also known as a bonus reinforcement policy) or a decreasing term assurance.
Hybrid	Benefits are determined using a combination of a defined benefit basis and defined contribution basis.
Immediate Annuity	An annuity that usually commences payments to the annuitant at the end of the first interval. If the annuity is payable quarterly this means that the first payment will be three months after payment of the purchase price. Immediate annuities are always bought by a single premium (known as the purchase price).
Income Benefit	An amount paid annually (or more frequently) under a family income benefit policy from the time of death to the end of the agreed term or an amount paid monthly (or weekly) under a policy covering disablement from working, due to accidental injury or sickness.
Income drawdown	One method by which income is payable from a pension plan. Income is drawn directly from the accumulated fund, typically on a prescribed basis.
Income protection insurance	An insurance plan that provides a prescribed level of salary replacement (typically inclusive of state and compulsory benefits) on the occurrence of an insured event, such as disablement and sickness (previously known as permanent health insurance). Benefits may be paid to the employer or direct to the employee.

Income test	The test applied to the employee's prescribed income in order to determine whether the employee qualifies for benefits (may reduce the amount of benefits payable).
Increases to pensions in payment	An increase in the amount of a pension payment that occurs after the pension payments have commenced.
Increasing Term (or Temporary) Insurance	A term (temporary) insurance particularly suitable for individuals uncertain as to their future life insurance requirements. In one policy the life insured gains maximum cover, maximum flexibility, and protection against inflation at modest cost. It is written as a fixed term (usually five years) policy with the following options, which are available to the policyholder without further evidence of health or sum assured justification: Renewal Option – to extend the policy beyond the original term at the rates applicable for new business at that time Increase Option – when the option is effected the sum insured can be increased by up to 50% Conversion Option – conversion in whole or part to whole life or endowment assurance at any time during the original term but usually not later than age 60.
Indemnity policy	An indemnity policy is an insurance policy that pays out in the event of a claim in accordance with the principle of indemnity. An insured may have one or more indemnity policies in force for the same risk but the principle of indemnity (and related principle of contribution) precludes the possibility that the insured can gain financially from a loss by claiming for the same loss under one or more insurance policies. ***See also: principle of indemnity*** ***Antonym: benefit policy; valued policy***

Indemnity, principle of	The principle by which the insured is restored to the financial position that he or she enjoyed immediately before an insured loss. Most non-life insurance contracts operate on this principle. Insurers may indemnify the insured through financial compensation or through the repair, replacement or reinstatement of the damaged property for which the insured seeks indemnity under his or her insurance policy. ***See also: contribution, principle of; subrogation, principle of***
Independent agent	***See agent, independent***
Indirect marketing	Indirect marketing is a method of marketing that involves insurance intermediaries. These intermediaries may be tied, i.e. work for only one insurance company and therefore sell only that company's products, or may be independent, and therefore able to offer a wide variety of products from a number of different insurers. The responsibilities of the insurer and the intermediary towards consumers in indirect marketing arrangements can vary significantly depending on the arrangement in place. ***Antonym: direct marketing***
Industrial Life Assurance	The business of effecting life assurance, the premiums in respect of which are received by means of collectors, at intervals usually of less than two months. The most distinctive feature is the employment of agents (home service representatives) to collect premiums from the homes of the policyholders.
Insurable Interest	Insurable interest is an essential requirement for the validity of an insurance contract. In life assurance the interest must exist at policy inception but does not have to exist at the time of loss (Dolby v The India & London Life Assurance Co1845).
Insurance rider	Additional cover for a specified risk provided under a stand-alone insurance plan.
Insured pension plan	A plan that is funded through contracts with a life insurance company.
Insured perils	***See named perils***
Internet banking	A banking service that allows customers to conduct banking transactions through the internet, or 'online', through their bank's website. Such transactions can include opening a bank account, moving money, paying bills and setting up payments.
Investment Bond	A unit-linked single premium bond.

Islamic insurance	*See takaful*
Joint Life Insurance	Life insurance policies dependant on two or more lives that become payable on the first or second death (joint life first death or joint life last survivor).Policies may be whole life, endowment or term.
Kasko	*See motor casco*
Keyman Insurance	A life or accident or health insurance effected by a business on a person whose death or disablement would adversely affect the profitability of the business. In theory an employer's interest in the life of an employee is limited to the employee's salary for the period of notice, but in practice insurers are prepared to issue policies on key employees for far greater sums. The policy sum then compensates for such items as: loss of custom, abandoned projects, restarted projects, cost of recruitment and training and diminution in profits following the interruption caused by death or disablement.
La Conference Interafricaine des Marches d'Assurances (CIMA)	The Conference Interafricaine des Marches d'Assurances (CIMA) is an organisation of 14 francophone west African states that have agreed to an integrated organisation of the insurance industry through common regional insurance legislation known as the CIMA Code and a common regulatory authority, the Regional Commission of Insurance Control (Commission Regionale de Controle des Assurances - CRCA). The CIMA Treaty was signed in 1992 and the code came into effect in 1996. The current CIMA member states are: Benin, Burkina Faso, Cameroon, Central African Republic, Chad, Equatorial Guinea, Gabon, Guinea-Bissau, Ivory Coast, Mali, Niger, Republic of the Congo, Senegal and Togo. Comoros signed but has yet to ratify the CIMA Treaty.
Last Survivor Assurance	A life assurance on two or more lives under which the sum assured is payable on the last death.
Late retirement age	An age at which the employee is permitted to retire, up to which benefits are increased due to retirement after the normal retirement age.
Liability insurance	Liability insurance, referred to as casualty insurance in the US, offers protection against the legal obligation to pay compensation and costs for causing bodily injury or property loss or damage to third parties. Liability may arise through negligence, breach of statutory duty or breach of contract. Liability insurance sub-classes include directors' and officers', employers', environmental, hunting, product, professional and public liability and are often compulsory by law.

Life annuity	An annuity that is payable for life.
Life Assurance/Insurance	A policy under which an insurer agrees to pay a claim contingent upon the death or survival of human life, in consideration of payment of a single or regular premiums. The words assurance and insurance are interchangeable.
Life of Another Policy	A life policy taken out by one person on the life of another in whom he or she has an insurable interest.
Limit of indemnity	***See limit of liability***
Limit of liability	In a liability insurance policy, the limit of liability (also known as the limit of indemnity) is the maximum sum for which the insured is covered, i.e. the maximum sum that the insured can claim from the insurer. In property insurance, the equivalent limit is called the 'sum insured'. A limit of liability may be determined as one of several types of limit, such as per event, per year or per cause. Many liability insurances can be compulsory, for example employers' liability or professional liability, and in such cases there may be a prescribed minimum limit of liability that businesses or professionals are required to purchase (and insurers obliged to offer).
Limit of liability, aggregate	The aggregate limit of liability, also known as the aggregate limit of indemnity or aggregate limit, outlines the maximum amount that the insurer will pay for multiple losses under a given policy during a set time period, for example the currency of the policy or one year. It seeks to limit the liability of the insurer and may apply to a specific type of coverage or to all losses under the policy.
Line of business	***See class of business***
Linked-Life Assurance (or Life-Linked)	Investment schemes offered by life insurers in which premiums paid by the policyholders as investors are used partly to purchase life insurance and partly to purchase units in a unit trust, or unitised fund. The proceeds, or benefits payable, will be the greater of the guaranteed sum insured or the value of the units accrued.

Long-Term Care Insurance	An insurance that, in return for a regular premium or a single premium, will meet all or part of the cost of personal and nursing care consequent upon the insured event. A policy dedicated to funding long-term care has proved popular with elderly people in the USA and is now available elsewhere. Alternatively, cover can sometimes be added to an existing life policy. Policies can cover care provided by institutions or in the insured home. The insured event is a disability that may be defined as "professional opinion is that the insured is in need of care". Alternatively the benefit may become payable at a specified level of disability with claims being based on the care needed in connection with the activities of daily living (ADLs), e.g. bathing, dressing, using the toilet, continence, getting into or out of bed and eating and drinking. If the assured needs assistance with, for example, any three of these ADLs, the benefit becomes payable.
Long-term disability	An assessed disability, disease or illness that usually lasts for at least two years.
Long-term disability insurance	An insurance plan that provides a prescribed level of salary replacement on the occurrence of an insured event, such as disablement and sickness. Benefits may be payable as a lump sum. A long-term disability insurance plan would typically have stricter qualification criteria in comparison to an income protection insurance plan or salary continuance insurance plan.
Long-Term Disability Insurance (LTD)	Long-term business usually written in the life department. Known as PHI in the UK, it is called long term disability (LTD) in North America and other US influenced markets. The principle benefit is an income for the insured during periods of disablement from working. The insured effects the policy for a given period (e.g. to age 60 or 65) and provided always that the premium is paid the insurer remains on risk for the entire period regardless of any changes in the state of health of the insured. Once the benefit commences it continues to be payable for so long as the incapacitating illness or accident continues, up to the fixed age. Health, gender, smoking habits and age at entry are key underwriting factors. The level premium system operates and, in order to minimise costs, many insureds opt for deferred periods ranging from four weeks to 52 weeks or even longer. With long deferred periods the insurance becomes cover against the catastrophic disablement risk. Policies are issued both to individuals and to employers who wish to effect group cover for their employees.

Loss adjuster	A claims expert who investigates and processes claims and assesses the nature and value of losses. Loss adjusters are appointed and paid by insurers but they are independent and professionally qualified. Insurers will appoint a loss adjuster to investigate large, complex and unusual claims; loss adjusters are employed to: establish the cause and value of any losses; recommend the basis (and, often, size) of settlement; negotiate the settlement between insurer and insured.
Loss assessor	A claims expert who is appointed to assess, prepare and negotiate a claim and settlement with an insurer on the insured's behalf. Loss assessors are appointed and paid by insureds to act in their interests (i.e. unlike loss adjusters, they are not independent). The fees paid to a loss assessor may not form part of the insured's claim. Loss assessors are sometimes referred to as public loss assessors.
Losses-occurring	A basis on which liability insurance may be written, although it is usually only public liability policies that are written on this basis. Under a policy written on a losses-occurring basis, claims are handled by the insurer that was on cover at the time when the event causing the insured loss occurred (rather than when the claim was actually made). ***Antonym: claims-made***
Low Cost Endowment	An endowment assurance, usually established to repay a house purchase loan, under which the initial sum assured is less than the loan to be repaid. The insurance company will assume that bonuses will be paid in the future to make up the difference at maturity and will guarantee the full repayment of the loan on early death by the attachment of a decreasing term insurance designed to reduce as bonuses build up. Problems will arise if future bonuses are paid at a level less than assumed, as the endowment assurance maturity value will not repay the loan in full.
Low Start Endowment Assurance	Endowment policy under which the premiums in the early years are set at a low level on the understanding that later premiums will increase to compensate the insurer for the loss of premium in those early years.
Managed Fund	A unit-linked fund in which transactions in the underlying assets are made upon the decision of the fund manager. Normally the fund managers invest in a spread of all types of assets (e.g. equities, bonds, property and cash) as opposed to a specified type of asset, though the geographical area is normally limited (e.g. a UK managed fund).

Manual or Group Premium Rating	Similar units of exposure are grouped together in order that the risk premium to be applied to the group, whose constituent units have similar underwriting factors, can be calculated with an acceptable degree of accuracy.
Margin of Solvency (long-term business)	The margin of solvency for long-term business varies according to the class of business. Where more than one class is involved, the solvency margin for each class is aggregated to find the required margin of solvency.
Matching contribution	An employer contribution and/or government contribution, which is required due to an employee contribution; the matching contribution may equal the employee contribution, may be a percentage of pensionable salary or may be prescribed on a matching ratio basis.
Material circumstance	***See material fact***
Material fact	A material fact is generally taken to mean any fact that would influence the judgement of a prudent insurer in determining whether to underwrite a risk and/or in establishing the terms and premium rate on which to underwrite it. Material facts must be disclosed as part of the principle of utmost good faith and the duty to disclose all known material facts applies prior to the conclusion of a contract but also upon renewal and in respect of mid-term changes affecting the risk. Non-disclosure of a material fact entitles the insurer to void a contract ab initio.
Maternity leave	The period of leave provided to a pregnant employee and/or new mother covering the time of confinement and a certain period of time after the birth. In many countries this also applies to the period following the completion of an adoption.
Mathematical Reserves	Provision made by an insurer to cover liabilities (excluding liabilities which have already fallen due) arising under, or in connection with, contracts for long-term business.
Maturity	The end of the term of an endowment assurance.
M-banking	***See mobile banking***
Means test	The test applied to the employee's prescribed income and assets in order to determine whether the employee qualifies for benefits (may reduce the amount of benefits payable).
Medical Aid Insurance	Also known as private medical insurance. The various insurances aimed at providing cover in respect of the cost of private medical and related treatment.

Medvedev-Sponheuer-Karnik scale (MSK)	A 12-step scale used to measure the intensity of earthquake events on the basis of three factors: effects perceived by people; damage caused to buildings; geological changes, underground and to water systems. These three factors are measured in the area surrounding an earthquake's occurrence and, if there is any discrepancy between the scale values assigned to two or more of the three factors of measure, the "damage caused to buildings" factor predominates, as the assessment of damage to buildings is the primary objective of the MSK scale. The "effects perceived by people" factor is the only one used for the first four values on the MSK scale (I to IV) because this is held to be the only way to measure seismic intensity at such a low level. The scale was developed in the 1960s and is still in use in many former Soviet Union countries and in India. ***qv Medvedev-Sponheuer-Karnik scale values***
Medvedev-Sponheuer-Karnik scale (MSK) values	Medvedev-Sponheuer-Karnik scale values are the values assigned to earthquake events under the Medvedev-Sponheuer-Karnik scale, which measures seismic intensity. The scale values are as follows: - I (not noticeable) - this level of seismic activity is detectable only by seismographs. - II (scarcely noticeable) - noticeable to only a few people who are at rest inside buildings at the time of the earthquake event. - III (weak, partially observed only) - only noticed by a few people who are inside buildings. - IV (largely observed) - felt by many people in buildings and by a few outside. Windows and free-standing objects would rattle and hanging objects sway. - V (awakening) - the first level of the scale that takes account of factors beyond human perception. Most people, both in buildings and outside, would feel an earthquake of this level. Buildings tremble and unstable objects may overturn or move. Slight damage to some buildings of rural, clay or adobe structure. - VI (frightening) - many people would run outside. Slight damage to many rural, clay or adobe constructions and to a few brick, stone and

	prefabricated buildings. Some rural structures may also sustain more moderate damage, such as cracks in chimneys. Gaps of up to one cm may be detectable in wet ground. - VII (damage to buildings) - people experience difficulty standing. Many reinforced and well constructed wooden buildings sustain minor damage, brick structures are moderately damaged, and rural structures start to collapse. Waves form on water. -VIII (destruction of buildings) - fright and panic. Rural buildings collapse partly or entirely and some reinforced buildings sustain heavy damage. Branches break off from trees and stone walls collapse. Gaps of several centimetres appear in the ground and water levels and flows change. -IX (general damage of buildings) - considerable panic. Damage to roadways and underground pipes, destruction of brick buildings, and heavy damage to reinforced structures. Landslides, large waves on water, cracks in the ground exceeding 10cm on river banks. -X (general destruction of buildings) - partial collapse, and in some cases total destruction, of reinforced structures. Severe damage to dams and bridges. Cracks of up to one metre in the ground, landslides, and creation of new lakes. -XI (catastrophe) - extreme damage to all types of structure, including reinforced and well constructed buildings, bridges and railway lines. Major changes to the ground surface, including land slips and rock falls. The intensity of the event requires investigation. -XII (landscape changes) - almost all buildings heavily damaged or destroyed entirely. Considerable changes to the surface of the ground, with sizeable cracks in the ground, new waterfalls created and rivers redirected. Event requires special investigation.

Microcredit	A form of microfinance banking in which lending institutions, including financial institutions and non-governmental organisations, lend small amounts of money at low rates of interest to low-income individuals and groups to facilitate the starting-up of small businesses. The purpose of microcredit is to provide access to basic financial services for those who would otherwise be denied credit due to a lack of credit history or banking experience or lack of collateral.
Microfinance	Microfinance is finance on a small scale. The term encompasses several forms of 'micro' services, including microcredit, microsavings and microinsurance but is often used to refer to microcredit activities only.
Microinsurance	A form of microfinance that is designed to provide low-income individuals with the opportunity to purchase insurance to protect themselves or their businesses against loss. In both personal and commercial lines, microinsurance involves lower sums insured and lower premium than most normal insurance business. Microinsurance business is designed for low-income individuals, and scope of cover, methods of distribution, premium payment and claims-processing vary accordingly. Microinsurance is carried out worldwide and regulation and supervision of this area of business is usually identical to that for normal insurance business.
Microsavings	A form of microfinance banking that allows low-income individuals who would otherwise be denied access to basic financial services the opportunity to open savings accounts for the purpose of setting money aside for future needs. Microsavings accounts often entail lower minimum deposit requirements than normal savings accounts in order to make them more accessible to low-income individuals.
Microtakaful	Microtakaful is takaful on a small scale, as microinsurance is insurance on a small scale. It involves small premiums and small amounts of cover and is offered to those on very low incomes as a form of protection against damage or loss that may befall them or their business. The target market for microtakaful is workers in the informal economy and those whose income is affected by seasonal variations in employment. Microtakaful differs from microinsurance in that, like takaful, it is carried out in a way that complies with Islamic principles and sharia law. ***See also: takaful; microinsurance***

Mobile banking	A banking service that allows customers to conduct banking transactions through the internet, or 'online', using a mobile device such as a mobile phone. Such transactions can include moving money, viewing statements and checking account balances. Mobile banking is normally conducted through a specialised mobile device application but may also be conducted through an optimised 'mobile-friendly' version of the bank's website. ***Antonym: internet banking***
Modified Mercalli scale (MM)	The Modified Mercalli (MM) scale, also called the Modified Mercalli Intensity (MMI) scale, measures seismic intensity (as opposed to magnitude). Like other seismic intensity scales, the MM scale categorises earthquake events on the basis of perceivable and observable effects on people and man-made structures, as well as geological changes. Different MM scale values may be assigned to different areas affected by a single seismic event, due to the fact that the effects of a such an event will vary according to, for example, distance from the epicentre or variations in ground surface. This scale is currently used in the United States. ***qv Modified Mercalli scale (MM) values***
Modified Mercalli scale (MM) values	Modified Mercalli scale values are the values assigned to earthquake events under the Modified Mercalli scale, which measures seismic intensity. The scale values are as follows: I - this level of seismic activity may be felt but only by very few people and under highly favourable conditions. II - felt by a few people who are at rest. III - noticed by people who are inside buildings but many people may not identify the event as being an earthquake. IV - felt by many people in buildings and by a few outside. Suspended objects swing and windows and dishes are disturbed. V - felt by almost everyone. Windows and dishes break and small objects move.VI - an event of this intensity would be felt by everyone. Furniture moves and buildings are likely to sustain slight damage, such as falling plaster and damage to chimneys. VII - most people would be frightened by the event. Slight damage to well constructed buildings but considerable damage to poorly built structures, including chimney collapse.

	VIII - collapse of walls, monuments and statues, and severe damage to buildings of poor construction. Heavy furniture moved and overturned. IX - landslides, buildings moved from their foundations, considerable damage to well constructed buildings. X - most building foundations destroyed. Rock falls, avalanches, landslides and large cracks in the ground. XI - almost total destruction, with few buildings left standing. Bridges destroyed. XII - total destruction. Objects thrown into the air.
Money Purchase (or Defined Contribution) Scheme	A pension scheme under which an individual member's benefits are determined by contributions paid into the scheme in respect of that member, usually increased by an amount based on the investment return on those contributions, with an allowance for expenses.
Morbidity Table	A table constructed from past knowledge of disabilities occurring at each age, to assist an actuary to construct premiums for permanent health insurance/long-term disability (PHI/LTD) or private medical insurance (PMI).
Mortality Table	An instrument by which the probabilities of life and probabilities of death can be measured. The basis is the ratio, for a particular age, of the number of persons dying at any age to the number of persons alive at the beginning of the year. Mortality and interest rate factors enable actuaries to produce life assurance basic risk premium calculations.
Mortgage Protection	The name often applied to a decreasing term assurance used to cover the amount outstanding at any time during the period of an ordinary repayment mortgage. In the event of death before repayment of the mortgage the sum payable should be sufficient to clear the loan. The reductions in the sum insured are designed to fall in line with the reductions in the amounts of outstanding debt as repayments of capital are made over the years. If the life insured survives the mortgage period the policy comes to an end and there is no return of premium. The reductions in the early years are for modest amounts as very little capital is repaid in those early stages.
Motor casco	Motor casco is a form of voluntary motor own damage insurance that covers damage to the vehicle itself resulting from such causes as traffic accidents, natural catastrophes, vandalism and glass breakage, as well as theft of the motor vehicle.

Muduraba	Mudaraba is a form of joint venture in takaful or Islamic insurance between the contribution-paying members (policyholders) and the takaful operator (operating on behalf of the founder members/ shareholders). The sharing arrangements between the members and the takaful operator are agreed in advance but may be varied annually or periodically subsequent to agreement as between the parties. The muduraba system is most commonly used to share investment income and implies the sharing of fortunes between the takaful operator and the members in pre-agreed proportions. ***Antonym: wakala; waqf***
Named perils	1. Those perils that are declared in an insurance policy as specifically covered by that policy. Insurers are liable for losses caused by perils that have been named as covered under the terms of the insurance policy. ***Antonym: excluded perils; unnamed perils*** 2. A form of property insurance that covers only loss or damage caused by a peril that is declared in an insurance policy as specifically covered by that policy. This form of cover contrasts with all risks insurance, which covers any loss or damage arising from any cause or peril that is not specifically excluded under the terms of the insurance policy. ***Antonym; all risks***
Natural Premium Method	An outmoded method of charging life assurance premiums in the UK, except under group life and group permanent health insurance schemes (where it is called single premium costing). Each premium is related to the current risk of death and therefore increases year by year. At older ages the premiums become almost prohibitive. No reserve is built up and therefore there is no surrender value.

New Business Strain	In a competitive business environment, long-term premium rates are based on up to date mortality tables and realistic interest rates. The reserving basis needs to be more conservative than the premium basis and the difference, aggregated over the remaining policy term, contributes to so-called "new business strain". In life business, new policies coming on to the books have heavy initial expenses (underwriting, policy issue costs and initial commission) which, under the net premium valuation basis, are assumed to be spread evenly over all future premiums. Consequently the calculated reserves will be higher than the available assets and new business strain results. Zillmerisation is one method of reducing this part of new business strain by allowing, within the reserving basis, for at least part of these initial costs to be re-spread throughout the policy term. Reassurance on a risk premium basis is one possible method of mitigating the strain. Alternatively, if part of the business is reassured on the original premium basis, certain expenses (stamp duty, commission) will be shared and the reassurer may pay an overriding commission, which will contribute to the administration expenses.
Non-Contributory Pension Scheme	A scheme to which only the employer makes any contributions.
Non-Evidence Limit	***See Free Cover.***
Non-Forfeiture Clause	A clause in a life policy under which the policy remains in force for a limited period after the expiry of the (usually 30) days of grace for premium payment, even though the premium remains unpaid. The surrender value of the policy, if any, is used to keep the policy in force for a stated period (e.g. one year) or until the surrender value is exhausted, depending upon the practice of the insurer.
Non-Medical Assurance	The same as ordinary life assurance except that, normally, no medical examination is required. The proposer must give the name of his or her ordinary medical attendant to whom the insurer may, with the proposer's permission, refer if the insurer is not satisfied with the particulars supplied on the proposal form. Life assurers have their own non-medical limits expressed in terms of age and sum assured depending upon the type of policy.
Non-Profit Policy	Also known as a without profits or non-participating policy. A life assurance policy which does not participate in the distributable surplus, so that the amount payable on claim is the sum assured only. No bonuses are added.

Normal retirement age	An age at which the employee is permitted to retire without a reduction in benefits due to early retirement.
Notional defined contribution	Benefits are determined on a defined contribution basis but are financed on a pay as you go basis.
Occupational pension plan	Any pension plan that an employer establishes and/or contributes to on behalf of the employee. Occupational pension plans are also known as company pension plans or employer sponsored pension plans.
Occurrence	Occurrence is a term used to describe an event that gives rise to an insured loss. An 'occurrence' may denote a single event, such as an accident, or repeated or prolonged exposure to the same (harmful) conditions, or a series of (harmful) events occurring within a set time period. Occurrences are events that trigger liability policies written on a losses-occurring basis (as opposed to a claims-made basis).
Online banking	***See internet banking***
Open Ended Endowment Policies	Also known as flexible endowments. These policies are written as endowments maturing at age 65, but give early maturity options and incorporate guaranteed cash values at specific dates. The guaranteed cash value is a basic sum to which bonuses are added. Policyholders buy units paying £10 per month or multiples thereof and may also buy more units of cover without evidence of health within certain periods and limits (e.g. one additional unit for every two if effected within the first five or 10 years). Also a policyholder who has cashed in a unit at any time can effect a new replacement unit as long as he or she is under a stated age, e.g. 55. This is called the "cash and carry option". The unit principle enables the policyholder to acquire cash without having to surrender the whole of the contract. In effect, each unit is a separate policy and can be treated separately. The main disadvantage is that the extra life cover given through the guarantees results in a reduction in the amount of premium available for investment.
Open Market Option	The option to use the proceeds of a pension scheme to buy an annuity at the current market rate from the insurer concerned, or from any other insurer.
Open perils	***See all risks***
Paid sickness leave	A benefit that is paid by the employer to the employee when the employee is absent due to sickness or disability.

Paid-up Policy	A policy, sometimes called a "free policy", granted by a life insurer for a reduced amount based on premiums already paid with no further premiums payable. The reduced sum is payable in the same event (e.g. death or survival of a given term) as the original sum. Only an endowment or whole life type of policy can be made paid-up.
Paid-up Value	The value of a paid up policy is determined by actuarial calculation. Under endowment or whole life policies, the reduced sum payable is sometimes that proportion of the original sum assured that the premiums paid bear to those originally payable, provided that no loan has been granted and that the policy is made paid-up within the days of grace allowed for the payment of the first unpaid premium.
Parental leave	The period of leave provided to the parents of a child following birth or adoption.
Participating Policy	An alternative term for a with profits policy.
Particular average	***See average, particular***
Partners and Insurable Interest	A business partner has insurable interest in the life of a co-partner to the extent of the capital invested by the co-partner in the business.
Partnerships Insurance	The use of life insurance to protect business partners, upon the death of one of them, against the withdrawal of capital and/or the cost of meeting their financial obligations to the dependants of the deceased partner.
Paternity leave	The period of leave provided to a father following the birth of a child. In many countries this also applies to the period following the completion of an adoption.
Pay-as-you-go (PAYG)	A method whereby pension scheme payments are financed as they fall due rather than by previous financial provision to build up a fund. The state pension scheme in many countries operates in this way
Payment period	The period of time over which a benefit is paid.
Pension	A series of periodic payments that form an income stream and are payable monthly or at other specified intervals.
Pension Fund	The assets of a pension scheme from which the pensions will be paid. The term is often used to denote the pension scheme itself.

Pension Mortgage	A pension arrangement under which a proportion of the benefits can be used to repay the mortgage debt. The remaining benefits must be in the form of a pension. In the UK tax relief will be allowable on the premiums payable to the pension arrangement, which can make the pension mortgage an attractive tax-efficient alternative to endowment or repayment mortgages.
Pension plan	A vehicle through which benefits accrue in order to provide a pension or lump sum to employees at a future date.
Pensionable salary	The part of an employee's salary on which pension contributions (and some other employee benefits) are based.
Pensioner	A person in receipt of a pension.
Permanent Health Insurance (PHI)	Long-term business written in the life department. Known as PHI in the UK, it is called long term disability (LTD) in North America and other US influenced markets. The principle benefit is an income for the insured during periods of disablement from working. The insured effects the policy for a given period (e.g. to age 60 or 65) and provided always that the premium is paid (usually annually) the insurer remains permanently on risk for the entire period regardless of any changes in the state of health of the insured. Once the benefit commences it continues to be payable for so long as the incapacitating illness or accident continues, up to the fixed age. Health, gender, smoking habits and age at entry are key underwriting factors. The level premium system operates and, in order to minimise costs, many insureds opt for deferred periods ranging from four to 52 weeks or even longer. With long deferred periods the insurance becomes insurance against the catastrophic disablement risk. Policies are issued both to individuals and to employers who wish to effect group cover for their employees.
Personal lines	Refers to those classes, or "lines", of insurance business that encompass insurance products bought by individual members of the general public for their personal needs. Personal insurances include householder/homeowner, private motor, private medical, personal accident and sickness covers. ***Antonym: commercial lines***

Policy Fee	When fixing the premium under life assurance policies, most companies incorporate a fixed annual charge on each policy known as the policy fee. It is intended to cover the offices' administration costs, regardless of the amount of the insurance. It varies from one insurer to another and sometimes with the type of policy. It is normally incorporated within the premium quoted rather than being shown separately.
Premium rate	A rate that an insurer uses to calculate the actual premium amount payable by the insured for cover. It is usually established by the insurer and may be determined by class or, for large, complex and unique risks, by individual risk factors. Rates vary according to the sum insured or limit of liability, as well as the degree of risk and extent of the cover, and include provision for the insurer's own expenses and profits. Rates are not necessarily determined by individual insurers; certain classes of business in different markets may be subject to tariff rating, whereby the rate is pre-set, for example through regulation or market agreement.
Principal	The party in an agency agreement that authorises the agent to act on its behalf in entering into and concluding a contract with a third party. In insurance, the principal is typically an insurer or reinsurer and the third party the insured; the agent may be a broker or another type of insurance intermediary.
Private Medical Insurance (PMI)	Provides benefits for most types of medical expenses usually up to a high maximum benefit. Such contracts often contain internal limits and may be subject to deductibles and co-insurance. A policy that provides a daily benefit (hospitalization insurance) when the insured is admitted to hospital is often included in medical insurance statistics but it is not "true" PMI.
Product liability insurance (PL)	Cover for legal liability arising from bodily injury or property damage sustained by third parties caused by products produced, repaired, supplied or sold by the insured. Cover includes costs and damages payments and is often subject to a specified annual aggregate limit of liability. The business is written on a losses-occurring basis (often in conjunction with public liability) and therefore the insurer is liable only for injury or property damage sustained during the period of insurance for which it is on cover.
Product recall insurance	Cover for the costs of recalling faulty (or suspected faulty) products so as to prevent any bodily injury or property damage to consumers (and therefore any potential product liability claims). Product recall insurance covers the costs of publicity, transport and storage, among other things.

Professional indemnity insurance (PI)	*See professional liability insurance*
Professional liability insurance (PL)	Insurance cover purchased by professionals to protect themselves against legal liability to pay damages and costs to third parties who have suffered economic loss as a result of the insured's error, omission, or breach of professional duty. Professional liability is usually written on a claims-made basis and claims may be subject to an annual aggregate limit of liability. In many markets the cover may be compulsory for specified categories of professional, either in law or as a prerequisite to membership of a professional body; likewise, there may be minimum specified amounts of cover that professionals are required to purchase. Those categories of professional usually required to buy professional liability insurance include accountants, architects, auditors, doctors, engineers, insurance brokers and solicitors.
Profit sharing	Where a company shares a part of the profits (on a prescribed basis) with some or all employees.
Programmed withdrawal	Withdrawals made on a regular basis from a pension plan.
Provident fund	A savings vehicle from which the value of the total accumulated fund is paid as a lump sum at maturity.
Public loss assessor	*See loss assessor*
Punitive damages	Damages awarded by a court in a liability case that are intended to punish the defendant rather than compensate the other party to the case. For this reason, punitive damages, or "exemplary damages" as they are sometimes known, exceed the amount needed to make good the loss suffered by the party who has suffered injury, loss or damage. Some policies, particularly marine liability covers, contain exclusions in respect of this type of damages.
Purchased Life Annuity	An annuity purchased from an authorised insurer by an individual out of his or her own capital. In the UK, unlike other annuities, these purchased life annuities are taxed as investments. As a result each instalment is in two parts, the capital content which is tax-free and the interest content which is treated as unearned income and taxed at source at the standard rate. The annuitant is responsible directly for any higher rate tax which may be payable.
Pure Endowment	A life assurance policy which pays the sum assured if the life assured survives the policy term. Premiums may or may not be returnable in the event of earlier death.

Qard hassan	Qard hassan is the provision of an interest-free loan from the takaful entity founders/shareholders to the members (policyholders) of a takaful or Islamic insurance fund. A qard hassan arrangement would be put in place where a takaful account produces deficits that may imperil the solvency and security of the takaful company. It is designed to redress deficits and reinstate the company's viability. In some countries there are no specific limits to the amount of the qard hassan, but in others there are legislative limits, such as replenishment of funds (if required) up to the amount of the initial paid-up capital of the company. Although the qard hassan is interest-free, its capital sum is subject to ultimate repayment by the collective contributing members to the takaful founders/shareholders. In the absence of specific legislative regulations, the terms of this repayment are open to agreement between the founders/shareholders and the contributing members. ***See also: takaful***
Qualifying contribution	A contribution that accrues rights to a benefit (usually a social security benefit); contributions may include actual paid contributions and credited contributions (such as for periods of study).
Qualifying insurance	The period in which the employee accrues rights to a benefit (usually a social security benefit); the period may include periods of service with an employer and periods of no actual service with an employer (such as whilst totally disabled).
Quantum	The monetary amount payable by way of indemnity.
Rate	***See premium rate***
Resident expatriate	An employee that has been temporarily relocated to work in another country (a host country).
Retail broker	***See broker, retail***
Retakaful	Retakaful refers to the 'reinsurance' of a takaful operation and denotes reinsurance that, like takaful or Islamic insurance, is carried out in a way that complies with Islamic principles and sharia law. ***See also: reinsurance; takaful***

Reversionary Bonus	A bonus added to with-profit (participating) life assurance policies such as whole life or endowment, which is expressed as a percentage of the sum assured and previously declared reversionary bonuses. Bonuses once declared are guaranteed and are paid with the sum assured when a claim is made at death or maturity.
Saffir-Simpson scale (SSHWS)	Also referred to as the Saffir-Simpson Hurricane Wind Scale, this scale was developed in the late 1960s for the purposes of rating hurricane intensity and forecasting resultant property damage. The scale uses ratings from 1 to 5 based on hurricane wind speed, with 1 denoting the lowest wind speed on the scale and 5 the highest and most damaging (to human life and to property). The scale excludes other factors such as the size of the hurricane and precipitation types and levels. ***See also: Saffir-Simpson scale values***
Saffir-Simpson scale (SSHWS) values	Saffir-Simpson scale values are the values assigned to hurricane events under the Saffir-Simpson scale, which forecasts the likely property damage resulting from a hurricane. Saffir-Simpson scale values are as follows: 1. (74 to 95 mph) - some damage to buildings but minimal and not affecting building structures. Most damage at this level is to trees, foliage and power lines. 2. (96 to 110 mph) - described as causing moderate damage, winds at this speed can cause damage to roofs, windows and doors, piers, coastal roads, small water craft and mobile homes, and can uproot small trees. 3. (111 to 129 mph) - extensive damage; framed buildings may sustain considerable damage and constructions close to the coast will most likely incur serious flooding if not outright destruction. Evacuation of coastal areas likely. 4. (130 to 155 mph) - devastating damage, with well constructed buildings damaged severely through loss of exterior walls and roof structure failure, signs, trees and foliage all blown down. Large-scale evacuation likely and of homes further inland than would be evacuated under value 3 winds. Affected area left uninhabitable for weeks. 5. (156 mph and higher) - catastrophic damage, including some total building structure failures, complete destruction of mobile homes, small buildings overturned and evacuation of all properties within five to 10 miles of the coastline. Affected area left uninhabitable for months.

Salary	Remuneration received by an employee that is paid weekly, monthly or annually, as opposed to hourly pay.
Salary continuance insurance	An insurance plan that provides a prescribed level of salary replacement on the occurrence of an insured event, such as disablement and sickness. Benefits are typically paid to the employer.
Salary sacrifice	An arrangement between the employer and the employee whereby a part of the employee's salary is forfeited in return for an equivalent benefit; for example, an employer pension plan contribution.
Schengen area	The Schengen area is a defined territory within which the free movement of persons is guaranteed. Those EU member states that have signed the Schengen Agreement of 1985 (which is not all EU member states) have abolished all internal borders in favour of a single, external, border. Within the Schengen area there are common rules and procedures with regard to visas for short stays, asylum requests and border controls, and there is also heightened co-operation and co-ordination between police services and judicial authorities across the signatory member states. Schengen co-operation was incorporated into the European Union (EU) legal framework by the Treaty of Amsterdam of 1997. ***See Also: European Union***
School Fees Insurance	Life assurance effected for the purpose of providing cash at relevant times to assist the assured with the payment of school fees. A with-profits endowment policy can be used with the sum assured payable in stages, or against which loans can be taken out under the policy periodically, after the policy has run for a planned number of years. The loans are then repaid out of policy proceeds when they become available on death or maturity.
Second party	In insurance terms, the second party refers to the insured. ***Opposite of: first party; third party***
Select Mortality Table	A mortality table based on selected lives only and not the general population e.g. lives accepted for insurance. The table will reflect the improved mortality of such lives in the early years after acceptance for life assurance, which results from the temporary results of the underwriting selection process. The "select" period will usually range from two to 10 years.

Selection of Lives	The practice in life assurance of underwriting lives mainly from a health perspective and segregating them into categories of standard, sub-standard (known as "impaired lives") and declined. The object is to guard against anti-selection, as less healthy lives are those with the greatest incentive to insure. Premium rates are geared to standard lives and an excess of sub-standard risks would disturb the mortality balance and result in the premiums charged being inadequate.
Self-Investment	Investment of part or all of the resources of a self-administered pension scheme in the business of the employer or in that of an associated company. This might be in any of a range of investments involving the employer, such as in its shares and securities, mortgages on real property occupied by the company or freeholds and leaseholds owned by the scheme's trustees.
Services business	***See cross-border business***
Severance pay	A lump sum benefit payable on termination of employment, as a type of termination indemnity.
Shipping and forwarding agent	***See agent, shipping and forwarding***
Short-term sickness	A disability, disease or illness that is usually expected to last for less than two years.
Simple Reversionary Bonus	A bonus added to with-profit (participating) life assurance policies such as whole life or endowment, which is expressed as a percentage of the sum assured only, irrespective of any previous bonus declarations. Bonuses once declared are guaranteed and are paid with the sum assured when a claim is made at death or maturity.
Single Premium Bonds	A policy issued by a life insurer in return for a single premium as opposed to regular premium payments. The term of the policy is usually limited to five or 10 years and, after deductions for expenses and some limited life cover in respect of premature death, the rest of the lump sum premium is invested, usually in unitised funds.
Single Premium Costing Method	A method used in pension schemes to determine the premiums payable under an insurance contract with the object of meeting, within each year, the cost of benefits relating to that year.
Social security	A state programme covering employees and dependents that usually includes retirement, death, disability and related benefits.

Social security agreement	An agreement between countries that prescribes the social security system obligations and entitlements of employees who work in other agreement countries. A social security agreement aims to secure the continuation of social security cover and prevent simultaneous coverage and/or dual obligations.
Social welfare	A government programme that provides benefits to those in need of financial assistance. Social welfare benefits are typically means tested and do not require direct employer or employee contributions.
Special perils	***See all risks***
Specified perils	***See named perils***
Stock option	A stock option is a contractual arrangement between the employee and the employer that allows the employee to purchase the right to buy a parcel of shares (of the employing company) at a predetermined price from the employer at any time preceding a predetermined date. If the right to buy the parcel of shares is not exercised then the option to buy will expire.
Subrogation, principle of	This is related to the principle of indemnity and it allows an insurer to recover from a third party (responsible for a loss) the costs that it has incurred in indemnifying its insured for that loss.
Sum insured	The specified maximum sum for which the insured is covered under a property insurance policy, i.e. the maximum amount that the insured can claim from the insurer. The sum insured is usually the same amount as the value at risk and typically forms the basis for calculating the premium.
Sums Assured (Insured) in Force	The total face value of policies insured by a life insurer that are currently in force.
Surrender	The act of terminating an existing life assurance (whole life or endowment) and receiving the current surrender value in cash. In the context of pensions, the term can also mean allocation i.e. the giving up of part of a pension in return for a pension payable to the member's spouse or dependants, or commutation of a pension for a cash sum at maturity.

Takaful	Takaful is a term used to refer to insurance conducted in accordance with Islamic principles. There is no common rule about the usage of the term 'takaful'. It is not used in all countries where Islamic insurance is practised and, where it is used, it may refer to sharia-compliant insurance or to life insurance specifically. It is usually taken to denote insurance that complies with Islamic sharia law, where members participating in a takaful arrangement make contributions in order to guarantee each other against loss. Through this system, any losses that occur are spread across all participants. Takaful is based on principles of mutual assistance, shared responsibility and co-operation. The two most commonly deployed models of takaful are the mudaraba and wakala systems. The muduraba system is usually preferred for the investment aspects of takaful activities while the wakala system is preferred for the risk sharing/underwriting aspects of the operation. Waqf is another, less commonly used, system. In some countries the conduct of takaful or Islamic insurance is regulated by separate compliance regulations or rules, which usually complement rather than replace conventional insurance legislation. In other countries where takaful is practised there may not be any specific regulations relating to takaful activities. As far as is known there is only one country (Republic of the Sudan) where all insurance legislation is intended to be based on sharia principles and where conventional insurance activity is not permitted at all. Takaful operations may only invest funds in sharia-compliant operations, that is, investments that do not offer fixed rates of interest. It is also common for investments by takaful or Islamic insurance entities in forbidden (haram) activities (such as the manufacture of alcoholic drinks and the production of pork for human consumption) to be prohibited. In many countries where takaful or Islamic insurance is practised it is usual, or may be legally compulsory, for each practising company to establish an Islamic committee to oversee and approve all operational aspects to ensure that they comply (in the committee's opinion) with sharia. In some countries regulations also allow for a central sharia committee which provides opinion and rulings on all takaful or Islamic insurance activities in the relevant market place.

Takaful, family	Family takaful refers to what is known in conventional insurance as 'life' business and includes long-term savings and protection plans, including provision for retirement, education costs and mortgages. Takaful operations may only invest funds in sharia-compliant operations. ***See also: takaful*** ***Antonym: takaful, general***
Takaful, general	General takaful refers to what is known in conventional insurance as 'non-life', or 'property and casualty' business. General takaful encompasses motor and personal accident business. ***See also: takaful*** ***Antonym: takaful, family***
Tax credit	A reduction in the amount of tax payable.
Tax deduction	A reduction in the amount of taxable income that is subject to income tax or corporate income tax.
Temporary Annuity	An annuity under which the payments to an annuitant will cease at the end of a given period or at death, whichever shall occur first.
Ten Plus Policy	A term used to describe a ten-year endowment or whole life policy under which premiums must be paid for a minimum of 10 years in order to rank as a qualifying policy for UK tax relief. This is of historic interest only, as no such tax relief has been given for new policies effected in the UK since 1984.
Term Assurance/ Insurance	A life policy that pays the sum insured only if death occurs within the term of the policy. If the life insured survives the term, cover ends and no survival benefit is paid. This type of policy is also called temporary assurance (or insurance).
Terminal Bonus	An additional bonus added to existing life assurance benefits when a with-profits policy becomes a claim by death or survival of the policy term. A terminal bonus may be a percentage of the sum assured, of reversionary bonuses or of the sum assured plus reversionary bonuses. A terminal bonus rate may be indicated before a claim arises but it is not guaranteed as it normally reflects equity gains on the insurer's investment portfolio, which are potentially volatile.
Terminal Funding	A pensions arrangement not common in the UK, except for discretionary pension increases, whereby a payment to meet the present value of a benefit is made only when the benefit is due to commence.

Termination indemnities	The legal obligation of the employer to make payment to an employee upon termination of the employment contract.
Third party	In insurance terms, the third party refers to one who is claiming against the insured or policyholder (who is referred to as the second party) for injury or damage. Third party may also refer to a person or organisation who is considered liable for injury or damage caused. ***Opposite of: first party; second party***
Tied agent	***See agent, tied***
Top hat scheme	A special scheme for selected employees (usually senior executives).
Transfer Value	T he value of a pension from a previous employment when transferred to a new employer's pension scheme or into a personal pension policy.
Two Tier Bonus System	A life assurance bonus system that awards with-profits policyholders one rate of bonus on the sum assured and a different rate of bonus on the previously declared reversionary bonuses.
Uberimma fides	***See utmost good faith***
Underinsurance	Term used to describe situations in which the amount of insurance cover purchased is less than the full value of the insured risk. This 'underinsurance' results in the insured paying a lower premium than ought to be paid, as premium rating is based on an understanding of the full value of the insured risk. Underinsurance is dealt with through the condition of average, which is a policy condition that allows for claims payments to be reduced proportionately to the extent of the underinsurance. ***See also: average, condition of***
Uninsured perils	***See unnamed perils***
Unit linked	A pooled investment plan in which individual units are purchased with a lump sum, by regular investment or both. The number of units purchased is dependent upon the (purchase) unit price at the time of purchase; the withdrawal value of the investment is equal to the number of units purchased multiplied by the (sell) unit price at the time of withdrawal.

Unit Trust	Called a mutual fund in the US. A form of investment trust where investors (unit holders) obtain a fractional interest in a fund by purchasing units from the managers of the trust on the understanding that they can resell their units to the managers at a price closely reflecting the stock market value of the trust's investments.
Unitised Funds	Investment funds akin to unit trusts which are managed internally by life insurers and which represent the investments in such funds effected under unit-linked life assurance policies.
Unit-Linked Life Assurance	Called variable life in the US. An open-ended life insurance policy under which some of the premium is used to purchase life cover, while the balance (the larger proportion) is invested in fund units. According to the options available from the insurer, the policyholder chooses which funds to invest in. The units may either be invested in one or more externally managed unit trusts, the stock market or elsewhere, or in an internally managed unitised fund or funds. This type of policy is a riskier alternative to a conventional with-profits policy because the value of the investments is mirrored in the price of the units so that the policy value moves up or down reflecting changes in the performance of the chosen fund. At maturity the policyholder receives the net value of all the units purchased by his or her premiums or the units themselves. In most schemes there is the facility to switch from one fund to another to take advantage of changes in investment conditions. The policyholder takes certain investment risks under a unit-linked policy, whereas under a conventional with-profits policy reversionary bonuses once declared are guaranteed, notwithstanding future investment performance. Minimum guaranteed life covers normally maintained throughout the policy's life.
Universal Life Assurance	A US concept which has become international, it is a policy which operates as a flexible whole life assurance and allows the policyholder to change both premiums and life cover, within constraints. It is even possible to take a premium holiday if the policy reserve is large enough. This flexibility is achieved by building a number of options into the plan at the outset. The premium is split between expenses (including commission) and death and other risk premiums, with the balance being used to build up a policy reserve. The fund in which such reserves are invested declares an annual rate of interest which is then credited to each underlying policy reserve. The eventual return from the contract equals the premiums paid with investment additions, less expenses for administration, death and other risk premium charges and commissions.

Unnamed perils	Those perils that are not declared at all in an insurance policy, as being either covered or not covered by that policy. Unnamed perils can cause some difficulties when determining whether a loss is covered: in such cases, insurers apply the principle of proximate cause. If a loss is caused by an unnamed peril but the proximate cause of that loss is found to be a named peril, then it is covered. ***Antonym: excluded perils; named perils***
Unspecified perils	***See unnamed perils***
Utmost good faith	The principle underpinning the underwriting of insurance business whereby all parties to a contract understand that the individual or company proposing the insurance has disclosed to the underwriter all facts material to the risk that are within that individual or company's knowledge. Utmost good faith also applies to insurers, the principal requirement on them being to disclose openly and in full all details of the cover being provided. The duty to disclose all known material facts applies prior to the conclusion of a contract but also upon renewal and in respect of mid-term changes affecting the risk.
Valuation	Annual assessment of the insurer's assets and liabilities in the manner required by law or by the supervisory authorities.
Valued policy	A valued policy is one under which the value at risk is agreed between the insurer and the insured. It is an indemnity policy in the sense that the insured is restored to the financial position that he or she enjoyed before the loss but the indemnity is based on a pre-agreed amount and does not take account of any variations in market price (positive or negative) or factors affecting value such as wear and tear or deterioration. ***Antonym: benefit policy; indemnity policy***
Variable Annuities	An annuity contract under which the payments to the annuitant will vary with the results of an investment portfolio or will be linked to a cost of living index. May contain a guarantee of the minimum annuity income payable regardless of investment performance, subject to higher charges.
Variable Life	The US version of unit-linked life assurance in the UK. The invested portion of premiums is allocated to specific investment funds at the choice of the policyholder.

Variable Universal Life Assurance	Combines the premium flexibility features of a universal life policy with the investment features of a variable life policy. It is a universal life policy under which, as under unit-linked or variable life assurance, the invested portion of premiums is allocated to specific investment funds (egg equities, property, cash etc) at the choice of the policyholder.
Vesting	A term used to indicate the period of time before which ownership of the rights under a retirement or other benefit plan will transfer to the employee.
Vesting Bonus	The (reversionary) bonus declared in respect of and allotted to with-profits life policies. Once declared it is said to "vest" and is added to the life assurance benefit and the existing bonuses. All vested bonuses become payable under the same conditions as the face sum assured and once added cannot be taken away.
Waiting period	A period during which benefits are not payable (for example, the first three days of illness) or do not accrue (for example, the first six months of employment).
Waiver of premium	Where an insurance company continues payments of contributions or premiums so as to provide for the continuous accrual of benefits and/or insured period (usually whilst disabled).
Wakala	The wakala system is a type of agency agreement whereby a takaful or Islamic insurance operator acts as a manager on behalf of members (policyholders) in return for a fee, usually a percentage of gross written premiums. The wakala system is most commonly deployed for underwriting. In the wakala system, unlike muduraba, there is no sharing of fortunes between the takaful operator and the members. Where an underwriting account is managed on a wakala basis, the members wholly own and may share, in proportion to the contributions paid by each member, any net underwriting surpluses (after the deduction, inter alia, of the wakala fee). The takaful operator's sole revenue from the part of the operation in which wakala is applied is the wakala fee itself. In the wakala system the takaful operator arranges retakaful and manages underwriting policy as it sees fit. Legal liability for errors, omissions or negligence by the takaful operator varies between countries and may not be specified in legislation, in which case it would be left to the judgment of the courts, usually according to the rules and principles of

Wakala	the relevant legal system and the facts of the case. ***Antonym: muduraba; waqf***
Waqf	The waqf takaful or Islamic insurance system is not for profit and relies on membership contributions which are a 100% donation, sometimes known as tabarru. Essentially, waqf operates as a public foundation. Whereas in the mudaraba and wakala models investment and underwriting funds are owned by the respective contributors, in the waqf system they are not owned by anyone in particular. Surplus from operations within the mudaraba and wakala models can be distributed between the contributors but such distribution is not possible in the waqf model, with the result that such surpluses remain unallocated. ***Antonym: muduraba; wakala***
White collar employee	Typically describes an employee who performs non-manual labour.
Whole Life Assurance	A policy which will remain in force (subject to continuing premium payment) until the life assured dies, when the sum assured becomes payable. The premium paying period may be limited to, for example, age 90, after which cover continues without further charge. May participate in bonuses (participating or with-profits policies).
Wholesale broker	***See broker, wholesale***
Wildfire	Catch-all term used to refer to the variety of fires that occur in the wild due to natural phenomena in climate or weather, such as spontaneous combustion or lightning storms. Such fires include bushfire, forest fire and grass fire. These different, more precise, names depend simply on what is on fire and where the fire occurs; wildfires can occur anywhere in the world.
Without (or Non-profit) Profits Policies	Life assurance policies that guarantee a fixed sum on death or survival (according to whether whole life or endowment) without any addition to represent a share in the profits of the insurer are known as without-profits policies (non-participating policies in US terminology). The real value of the sum assured is eroded by inflation, but at the same time the real cost reduces as the premium is fixed in money terms at the outset. At the outset each £ spent buys more cover than under an equivalent with-profits policy.

With-Profits Policies	Whole life policies and endowment policies which attract bonuses representing a share in the profits of the life insurer are known as with-profits policies (participating policies in US terminology). Bonuses are declared every year and, once declared, the bonus becomes a guaranteed addition to the sum assured with which it ultimately becomes payable. Unlike without-profits policies they provide some protection against inflation but each £ spent buys less initial cover by way of sum assured.
Workers' compensation	Provides benefits in the form of medical assistance, income replacement and compensation in respect of an occupational injury, illness or disease. In order to receive benefit payments under a workers' compensation scheme, an employee is usually only required to prove that an occupational accident or disease has occurred (unlike under employers' liability insurance, (unlike under employers' liability insurance, where the employee must prove fault on the part of the employer).
Zillmerisation	The process whereby an adjustment is made in the actuarial valuation of long-term business to take credit for the recovery from future premiums of the costs of acquiring new business.

About Axco

Axco provides consistent, reliable intelligence from the world's re/insurance and employee benefits markets. A combination of on-the-ground research and long-standing relationships with global regulatory bodies, industry networks and market professionals with market expertise and innovative technology;

Within our industry we are regarded as a trusted resource with over 50 years of experience of delivering industry intelligence and meaningful market insights. A business who knows how to research and structure insurance information and data for easy interpretation of complex subject matters , as well as the comparison of information and data across markets and regions.

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