

## INSURANCE TERMS

These definitions are general definitions and may vary from policy to policy. We recommend you read your policy document to obtain your insurers exact definition.

<b>A</b>	<b>ACCC</b>	The Australian Competition Consumer Commission promotes competition and fair trade in the market place to benefit consumers, business and the community. It also regulates national infrastructure services. Its primary responsibility is to ensure that individuals and businesses comply with the Commonwealth competition, fair trading and consumer protection laws. <a href="http://www.accc.gov.au">www.accc.gov.au</a>
	<b>APRA</b>	Australian Prudential Regulation Authority is the prudential regulator of banks, insurance companies and superannuation funds, credit unions, building societies and friendly societies. <a href="http://www.apra.gov.au">www.apra.gov.au</a>
	<b>ASIC</b>	The Australian Securities and Investments Commission enforces and regulates company and financial services laws to protect consumers, investors and creditors. <a href="http://www.asic.gov.au">www.asic.gov.au</a>
	<b>Accident</b>	An unplanned and unexpected event which occurs suddenly and at a particular place.
	<b>Act of God</b>	An event or occurrence due to natural causes which occurs independently of human intervention and either could not be foreseen, or if foreseen, could not be reasonably guarded against. (e.g. storm, flood, earthquake, cyclone)
	<b>Actuary</b>	Actuaries analyse and manage the risks of financial contracts. The actuary's work is based on the application of mathematical, statistical, economic and financial analysis to a wide range of practical problems in long-term financial planning and management. Actuaries act as financial advisers to a variety of commercial organisations such as life, general (non-life) and health insurance companies, superannuation funds, banks and stockbrokers as well as governments.
	<b>Adjuster (Assessor)</b>	Also known as an assessor. An Adjuster is a representative of the insurer who seeks to determine the extent of the company's liability for loss when a claim is submitted.
	<b>Agreed Value</b>	A car's agreed value is set at the beginning of each period of cover. It is based on the fair value given then for the cars make and model in the motor trade's most commonly accepted price handbook. The value doesn't change for the period of cover.
	<b>Amount covered</b>	The current amount covered is shown on the most recent of insurance schedules and the renewal notice. It is the you're your insurer will pay, less any excess, for a claim that is covered by the policy. The amount covered includes GST.
	<b>Arson</b>	Any unlawful setting of fire to property.

<b>B</b>	<b>Binding Authority</b>	When a Broker has authority to arrange the insurance on behalf of the Insurer. In arranging this insurance the Broker will be acting as agents of the Insurer, not as your agent.
	<b>Body Corporate</b>	A group consisting of the owners of each strata property, established to maintain the common areas of flats or units and to take out insurance for the common areas.
	<b>Broker</b>	An intermediary, who acts on behalf of a person who is applying for insurance. They earn a commission from the insurer, however, they have a responsibility to obtain the best cover for the best price possible. In certain circumstances a broker can also act as an agent for the insurer in terms of issuing a policy or collecting a premium.
	<b>Business Use(motor)</b>	Refer Policy Wording for Insurers definition.
<b>C</b>	<b>CLERP</b>	Corporate Law Economic Reform Program
	<b>CTP Insurance</b>	Compulsory Third Party insurance (CTP Green slip in NSW) is the insurance that is needed when registering a vehicle. CTP insurance is intended for the situation where another person is injured or killed in an accident, which is caused by the driver of the insured vehicle.
	<b>Cancellation</b>	The termination of a policy before the expiry date.
	<b>Carrier</b>	Sometimes used to describe the insurer. Not generally used because of confusion with carriers of freight.
	<b>Certificate of Insurance</b>	A certificate that acts as proof that a policy has been issued. Usually requested by a financial institution.
	<b>Certificate of Rating or No Claim Bonus</b>	A certificate that acts as proof that a person has earned an insurance rating or no claim bonus entitlement.
	<b>Claims Ratio</b>	The ratio of the cost of claims to earned premiums.
	<b>Collection or Set</b>	A group of items of sufficiently common type, appearance or nature that they reasonably belong together and that is devalued if one or more of the group is lost or damaged.
	<b>Combined Ratio</b>	A combination of the claims ratio and the expense ratio.
	<b>Common Law</b>	The principles of law arising from court decisions.
	<b>Comprehensive Insurance</b>	Provides specified cover for damage to the insured car as well as damage the insured car may cause to the property of others.
	<b>Commission</b>	A fee charged by a broker or agent for services in the sale of an insurance contract.

	<b>Common property</b>	Normally applies to strata buildings and can relate to common walls, common driveways or gardens. An area which is common to two or more parties.
	<b>Consequential Loss</b>	A subsequent loss that results from the direct damage e.g. public transport costs incurred when a car is off the road due to an accident.
	<b>Contents Insurance</b>	See Policy Disclosure Statement for full description of the meaning of Contents.
	<b>Cooling off period</b>	Federal law provides that you can cancel your policy within 14 days of its purchase date.
	<b>Cover(s)</b>	Means the protection provided by the policy.
	<b>Cover note</b>	A Cover Note informs the insured that coverage is active - often interim cover.
	<b>Coverage</b>	The scope of the protection provided under a contract of insurance.
<b>D</b>	<b>Depreciation</b>	A decrease in the value of any type of property over a period of time resulting from use, wear and tear, or obsolescence.
	<b>Defamation</b>	<p>The act of publishing an utterance to a third party, including verbally, which causes injury to the honour or reputation of another.</p> <p>A defamatory statement can take two basic forms, Libel, which is a defamatory statement in permanent form such as in writing or by other media, Slander, defamation in transient form such as an oral communication.</p>
	<b>Direct insurer</b>	Is an insurer which deals direct with the consumer rather than through an intermediary or agent
	<b>Director's &amp; Officers Liability including Company Reimbursement</b>	Covers Directors or Officer from their legal liability for wrongful acts committed whilst acting in their capacity as a Director or Officer. Company reimbursement is to reimburse the company for payments it is legally entitled or obliged to make in indemnifying Directors or Officers for claims made against them whilst acting in their capacity as Directors or Officers. This policy will not reimburse the company for claims made against the company.
	<b>Disaster</b>	A disaster is said to have occurred when the normal community and organisational arrangements cannot cope with a hazard impact.
	<b>Disclosure</b>	<p>When answering questions in relation to the risk, you must be honest. You have a duty under law to tell us anything known to you and which a reasonable person in the circumstances would include in answer to the question. The insurer will use the answers in deciding whether to insure you and on what terms.</p> <p>It is important that you understand you are answering your questions not only for yourself but for anyone else listed as an insured under the Policy.</p>
	<b>Due date</b>	The date a policy is in force to and by when a renewal premium must be paid.

<b>E</b>	<b>Earned Premium</b>	The amount of the premium that has been "used" during the term of a policy. For example, if a twelve month policy has been active for six months, half of the total premium has been earned.
	<b>Effective date</b>	The date on which the cover of an insurance policy commences
	<b>Employment Practices Liability</b>	Covers a range of liabilities that can face an employer, following wrongful termination, refusal to employ, failure to promote, demotion, disciplinary, action, sexual harassment, discrimination or defamation of an employee.
	<b>Endorsement</b>	Means a special condition that applies to a policy. For example, an endorsement may state that drivers under a nominated age are not covered under the policy.
	<b>Excess</b>	An excess on a policy is the first amount that must be contributed by the insured towards each claim. When one or more excesses apply to an AAMI policy, they will be shown on the insurance schedule and updated on the renewal notice.
	<b>Excess, Standard</b>	This is the basic excess you must contribute towards each claim.
	<b>Excess, Age</b>	This excess is in addition to the standard excess if your car was being driven by a person in the age ranges specified on the most recent of your insurance schedule and renewal notice.
	<b>Excess, Additional</b>	This excess may be imposed in special circumstances, for example on high performance cars. It is payable in addition to any other excesses.
	<b>Excess, Inexperienced Driver</b>	This excess is additional to the standard excess if your car was being driven by a person to whom an age excess does not apply, but who has held a driving licence for less than two years.
	<b>Expense ratio</b>	A measure of an insurers expenses in operating its business.
	<b>Expired policy</b>	See lapsed policy.
	<b>Expiry date</b>	The date coverage ceases.
	<b>Extra Cost of Reinstatement</b>	Provides protection for additional cost to comply with Government Regulations following a loss such as; current regulations may require you to include a wheelchair access ramp, these types of costs need to be included in your sum insured.
<b>F</b>	<b>FSRA</b>	Financial Services Reform Act
	<b>Fidelity</b>	Losses sustained through fraudulent or dishonest acts committed by employees.

	<b>Financial Services Guide</b>	Introduces the service provider and sets out to provide: <ul style="list-style-type: none"> <li>- who we are;</li> <li>- how we can be contacted;</li> <li>- what financial services we provided and how we provide them;</li> <li>- who we are representing if we are acting under a binding authority;</li> <li>- what the remuneration (commission) arrangements are;</li> <li>- what our relationship is to any product issuers; and</li> <li>- what our dispute resolutions scheme is and how to access it.</li> </ul>
	<b>Fire</b>	Means burning with flames.
	<b>Flood</b>	Means the inundation or covering of normally dry land by water which: escapes or overflows from, or cannot enter, because it is full or has overflowed, or is prevented from entering, because other water has already escaped or been released from it, the normal confines of any watercourse or lake, including any that may have been modified by human intervention, or reservoir, canal, dam or storm water channel. Flood does not mean storm water run off from areas surrounding the site or water escaping from any water main, pipe, street gutter, guttering or surface.
	<b>Fraud</b>	The term "fraud or dishonesty" encompasses all those risks of loss that might arise through dishonest acts or omissions.
<b>G</b>	<b>GST</b>	Goods and Services Tax.
	<b>General Advice</b>	If your financial service provider gives you general advice only, they do not have to give you a Statement of Advice(SOA). However, they must warn you that the advice has been prepared without taking into account your objectives, financial situation or needs.
	<b>General Insurance Code of Practice</b>	The General Insurance Code of Practice is a commitment by the general insurance industry to aim for the best standards of service possible, and to promote better relations between customers and insurers. The Code describes standards in the areas of employee training, plain language policy documentation, claims handling and dispute resolution. It was introduced in 1995 with the backing of consumer groups, the federal government, insurers and the Insurance Council of Australia. More information on the Code can be obtained from AAMI or the Insurance Ombudsman Service. You can contact the Insurance Ombudsman Service on 1300 780 808.
	<b>General Property</b>	Covers loss or damage to specified property, of a portable/transit nature, which is not covered under the policy on property at the insured's premises.
	<b>GST</b>	Goods and Services Tax a government tax.
	<b>Green Slip</b>	See CTP insurance.
	<b>Gross Premium</b>	The net premium plus operating expenses, commissions and other expenses.

<b>H</b>	<b>Hazard</b>	A situation that increases the probability of the happening of loss arising from a peril, or that may influence the extent of the loss. For example, accident, fire, flood, liability, burglary, and explosion are perils. Slippery floors, flammable liquids, unsanitary conditions, unlocked and unguarded premises and poor roads are hazards.
	<b>Home buildings insurance</b>	See Policy Disclosure Statement for full description of the meaning of Contents.
	<b>Home contents insurance</b>	See Policy Disclosure Statement for full description of the meaning of Contents.
<b>I</b>	<b>IBNR</b>	Incurred But Not Reported, is the liability that an insurer has for losses that have happened but not yet reported as claims.
	<b>IBDL</b>	The Insurance Brokers Disputes Ltd (IBD) is a free consumer service designed to handle complaints and help resolve problems between insurance brokers and other financial services providers (other than insurance companies) and their clients. <a href="http://www.ibdltd.com.au">www.ibdltd.com.au</a>
	<b>ICA</b>	The Insurance Council of Australia represents the interests of the Australian general insurance industry. <a href="http://www.ica.com.au">www.ica.com.au</a>
	<b>Incurred claims ratio</b>	The percentage of claims costs incurred to premiums earned (see earned premiums).
	<b>Indemnity insurance</b>	Type of insurance that restores the individual as close as possible to the financial position that they enjoyed before the loss. This is when the insured <b>does not</b> receive “new for old”.
	<b>Industrial Special Risks</b>	Normally only available to companies with large assets. Protects the Insured against losses involving assets and business interruption arising from physical loss or damage to the property used in the business,
	<b>Insurance</b>	A device for transferring specified risks of individual persons to an insurer. The insurer agrees, for consideration (usually payment of a premium), to assume, to a specified extent, certain losses that may be suffered by the insured.
	<b>Insurance Ombudsman Service -</b>	Any AAMI policyholder who is dissatisfied with the outcome of his or her dealings with AAMI can contact the Insurance Ombudsman Service on 1300 780 808. See General Insurance Code of Practice.
	<b>Insurance schedule</b>	Sets out the information given to an insurer upon which the decision to offer cover is made. It also displays the individual details of a policy.
	<b>Insured event</b>	Occurrences which cause loss and damage which are listed in the relevant policy.
	<b>Insured</b>	The party to an insurance arrangement to whom the insurer agrees to provide cover against specified losses, or to render services, subject to the terms of the insurance contract.
	<b>Insurer</b>	The party to an insurance arrangement who undertakes to provide cover or to render services, on the happening of specified events.

	<b>ISR</b>	Industrial Special Risks is a type of insurance policy. This policy is general available to companies with Assets over \$5,000,000. The policy is general issued based on minimum premiums
	<b>Insurable Gross Profit</b>	This information is requested when taking out Business Interruption and comprises Net Profit plus the total of all expenses which will not diminish proportionately with a reduction in turnover, such as rent and rates.  Basic Calculation: turnover + closing stock - opening stock and uninsured working expenses.
<b>J</b>		
<b>K</b>		
<b>L</b>	<b>Lapsed Policy</b>	A policy which has been allowed to expire because of non payment of premiums.
	<b>Leasehold</b>	An agreement which gives a person the right to exclusive possession of a property.
	<b>Loss</b>	Generally refers to the amount of reduction in the value of an insured's property caused by an insured peril. In an insurance sense it usually does not mean "misplacing" an item.
<b>M</b>	<b>Market Value</b>	The fair price for which something can be sold in its current condition.
	<b>Moral Hazard</b>	A condition of morals or habits that increases the probability of loss from a peril. An example would be an individual who had previously arranged for the theft of his own car to collect the insurance.
	<b>Mortgagee</b>	The lender in a mortgage contract.
	<b>Mortgagor</b>	The borrower in a mortgage contract.
	<b>Motor Vehicle</b>	There are a number of levels of cover  Comprehensive - covering own damage and third party property damage. Third Party Property Damage, Fire and Theft Third Party Property Damage only Compulsory Third Party - this is compulsory in all states of Australia and applies to Third Party Injury or Death sustained in an accident involving a registered motor vehicle. The premium is often included with the registration of the vehicle.

<b>N</b>	<b>Negligence</b>	Failure to use a degree of care which an ordinary reasonable person would use under the given or similar circumstances. A person may be negligent by acts of omission or commission or both.
	<b>New for Old</b>	Replacing your existing old damaged items or equipment with new ones.
	<b>No Claim Bonuses</b>	A discount off your car insurance premium. The discount increases each year providing no claim that reduces your rating/discount is made on your policy. It keeps on increasing until it reaches the maximum discount level, called 'rating one' or 'maximum no claim bonus'.
	<b>Non-disclosure</b>	If you do not answer questions presented to you in a honest way, the insurer may reduce or refuse to pay a claim or cancel the Policy. If you answer questions fraudulently, the insurer may refuse to pay a claim and treat the Policy as never having worked.
<b>O</b>	<b>Overinsured</b>	A term used to describe the condition that exists when an insured has purchased coverage for more than the actual value or replacement cost of a subject of insurance. It is also used to describe a situation where so much insurance has been obtained it constitutes a moral hazard.
	<b>Peril</b>	The cause of a possible loss. Not to be confused with hazard.
<b>P</b>	<b>Personal lines</b>	This term is used to refer to insurance for individuals and families, such as private car insurance and home insurance. Contrast with Business Insurance and Commercial Lines. AAMI is a personal lines insurer.
	<b>Period of cover</b>	means the current period for which we have agreed to provide you with insurance cover. The current period is shown on the most recent of your insurance schedule and renewal notice and any receipt we may send to you. When we make a write-off payment, the period of cover comes to an end.
	<b>Personal Valuables</b>	For most people, their Home contents include personal valuables which they often wear or take with them when they are away from their home. Cover for these items is often limited. Extra cover is available by payment of an additional premium. Refer to the policy wording to confirm definition.
	<b>Policy</b>	means the Product Disclosure Statement and the policy schedule.
	<b>Policyholder</b>	Generally use to describe the policy owner and/or insured. See Insured.
	<b>Policy schedule</b>	A notice showing the particular details of a policy.
	<b>Premium</b>	The price of insurance cover for a specified risk for a specified period of time
	<b>Private use(motor)</b>	Refer Policy Wording for Insurers definition.

	<b>Product Disclosure Statement</b>	A Product Disclosure Statement is a document which describes a financial product or service and includes i) features of the product ii) fees that apply iii) the benefits and risks of the product iv) information about complaints handling and cooling off rights v) other information that is material to your decision in taking out a policy.
	<b>Product Recall</b>	Covers legal liability for costs, expenses and damages for withdrawal or recall of goods or products because of any known or suspected defect or deficiency.
	<b>Professional Indemnity Insurance</b>	Covers legal liability to compensate third parties for loss sustained by them arising out of negligent acts errors or omissions or civil liability on the part of the Insured in the conduct of their business.
	<b>Proximate cause</b>	The direct, real, or operative cause of loss or damage, as determined by applying common sense standards.
	<b>Public and Products Liability</b>	Legal liability to pay compensation to third parties in the event of the Insured causing through negligence, injury, death or loss of or damage to property arising out of business operations or products.
<b>Q</b>		
<b>R</b>	<b>Rate</b>	The cost of a given unit of insurance.
	<b>Reinsurance</b>	A position whereby one insurer transfers all or part of its risk of loss to another insurer. The other insurer is called the "re-insurer" or reinsurance company.
	<b>Renewal Certificate</b>	A certificate which is used to renew a policy. It refers to the original policy, keeping all of its provisions, without restraining all of the insuring agreements, exclusions, and conditions.
	<b>Renewal Premium</b>	The premium paid for a renewed policy.
	<b>Risk</b>	General meaning is a thing or person insured.
	<b>Risk management</b>	Management of the risks to which a company might be exposed. It involves analysing all exposures to the possibility of loss and determining how to handle these exposures through such practices as avoidance, reducing the risk, retaining the risk, or transferring the risk e.g. see reinsurance.
<b>S</b>	<b>SES</b>	The State Emergency Service is an emergency and rescue service dedicated to assisting the community.
	<b>Salvage</b>	Property taken over by an insurer to lower its loss.

	<b>Statement of Advice</b>	<p>If your financial services provider gives you personal advice, they must give you a written statement of advice (SOA). This sets out:</p> <ul style="list-style-type: none"> <li>• the advice they've given you</li> <li>• the information on which it's based</li> <li>• how they get paid (including any commissions), and</li> <li>• any interests, associations or relationships that could influence them.</li> </ul> <p>Personal advice is financial advice that takes into account your personal objectives, financial situation or needs. The information in an SOA should be presented clearly and concisely, with enough detail for you to make an informed decision about whether to act on the advice.</p>
	<b>Statute of Limitations</b>	A law that specifies a time limit for which a person can bring a legal action for a claim.
	<b>Strata Title</b>	A system of title that allows the owner of a unit, in a block of units, to have a separate title for that unit.
	<b>Subrogation</b>	When an Insurer recovers from a third party who is wholly or partially responsible for a loss paid by the Insurer under the terms of the policy.
<b>T</b>	<b>Tax Audit</b>	Covers professional fees charged by an accountant in connection with an audit request from the Taxation Office.
	<b>Term</b>	Under insurance law it means the period of time for which a policy is issued.
	<b>Third Party Property Damage Insurance</b>	Provides specified cover in respect of damage a vehicle causes to another person's property.
	<b>Total loss</b>	A loss of sufficient size so that the property cannot be economically repaired or it can be said there is nothing left of value. The complete destruction of the property. The term is also used to mean a loss requiring the maximum amount a policy will pay.
<b>U</b>	<b>Umbrella Liability</b>	A legal liability insurance which sits over top of other liability policies increasing the Limit of Indemnity. Can be applied to Public and Products Liability, Motor Vehicle Insurance, Workers Compensation, Advertising Liability, Professional Indemnity.
	<b>Underinsurance</b>	A condition in which not enough insurance is held to cover the value of the insured property. This is particularly common with home contents insurance.
	<b>Underwriter</b>	A technical person trained to evaluate risks and determine premium rates.
	<b>Unearned Premium</b>	General meaning is the premium that is owed to the insured if the policy is cancelled.
<b>V</b>	<b>Valuation</b>	Estimation of the value of an item, usually by appraisal eg. Jewellery appraisal.
	<b>Vicarious Liability</b>	Liability at law for the acts of another such as principal for agent, master for servant.

<b>W</b>	<b>Write-off</b>	Your car is declared a write-off when in your insurers opinion, it is so badly damaged that it would not be either safe or economical to repair or when it has not been found within the period stated within your policy wording upon you reporting its theft to your insurer.
	<b>Written premiums</b>	The total premiums on all policies written by an insurer during a specified period of time, regardless of what proportion has been earned. See earned premiums.
<b>X</b>		
<b>Y</b>	<b>You/your</b>	Generally refers to the named insured.
<b>Z</b>		