

Insurance terminology

This guide is designed to provide you with a jargon buster – plain English descriptions of terms used by insurers or recruitment business insurance.

Claims Made Basis

This decides the insurer who pays a claim; if an insurance is on a 'claims made' basis, the insurer that is on cover at the time of the claim being made will be liable for the claim.

Claims Occurring Basis

This decides the insurer who pays a claim; if an insurance is on a 'claims occurring' basis, the insurer that is on cover at the time of the claim occurring will be liable for the claim.

Contingent Liability

Contingent liability is a potential liability that may occur depending on the outcome of an uncertain future event. Even if you do not believe you are liable for a particular risk, contingent liability cover will step in if you are found to be liable.

Contractual Liability

If a contract exists between your agency and a third party, there will be clauses within that contract which make your business responsible for compensating parties in specified circumstances.

The undertakings that you have agreed to in the contract are your liabilities under contract.

The majority of insurance policies will not provide cover for any contractual liability you agree to unless the liability you have accepted under contract would normally be insured under the policy if that particular contract never existed.

Endorsements

Endorsements can change (add to or limit) the cover or terms of a policy.

Excess

This will be the amount that you must pay towards the settlement of a claim.

Exclusions

Exclusions detail specific activities or items that are not covered by the policy.

Fidelity

Cover for loss suffered by the hirer caused by dishonest acts of a temporary worker supplied by the agency.

Indemnity to Principals (Public Liability)

This extends the definition of who is insured under your policy so that it includes any business or individual that you are in contract with to carry out work.

The idea behind this is to allow claims to be quickly passed onto your insurance company by a business that you have contracted with so that they do not have to involve their insurers in a claim matter as your business is responsible for the claim occurring.

Inflation Protection

Insurers will accept the values of the sums insured you provide as being correct on the day you incept your insurance.

After which point they will provide you with a level of inflation protection for the values by way of either;

- **Index Linking**

The insurers will apply a small percentage increase each month / year to your sum insured to cover any changes in cost to replace the items because of inflation. *Or,*

- **Day One**

The insurers will set a percentage increase of 15% of the sum insured values you have declared to them at the outset of the policy. This should help cover any effect of inflation on the replacement cost of your property.

Limit of Indemnity (Any One Claim)

This is the maximum amount the insurer will pay out for any one incident / claim.

Limit of Indemnity (In the Aggregate)

This is the maximum amount the insurer will pay out during any one period of insurance.

Non Standard Terms of Business (Hirers Contract)

This is a hirers contractual agreement that your business signs instead of using your businesses own Standard Terms of Business.

Prior and Pending Date

This typically appears on Directors and Officers insurance policies and it represents the point in time (date) after

which your insurer will accept claims for actions taken by the directors and officers of the business.

If an action is brought against a director or officer of the business for an action prior to your Prior and Pending Date, your insurer will refuse to accept the claim.

The Prior and Pending Date is set as the first date that you take out and continually insure Directors and Officers cover.

Retroactive Date

This typically appears on professional indemnity policies and it reflects the point in time (date) after which your insurer will accept claims for any work your business has completed.

If the claim has arisen due to work your business has completed prior to your retroactive date, then your insurers will refuse to deal with the claim.

The date is set as the first date that you take out and continually insure Professional Indemnity insurance.

Standard Terms of Business

This is your businesses own contract terms that is used when placing a permanent or temporary member person.

Subrogation (Waiver of Subrogation)

Your insurance company has the legal right to assume your identity in order to pursue third parties to claim back costs that they have paid out if that third party is responsible for the loss occurring.

If you are asked to 'waive' your insurers rights of Subrogation under a Non Standard contract this will mean that you are signing away your insurers rights to reclaim costs back from the responsible party, leaving you to fund a claim when it is not your fault.

Territorial Limits

This will set the geographical area that you will insure for if a claim arises out of business activities in this area.

Typically, a territorial limit is set as the UK, so insurers will only pay for claims that arise from you conducting your business with the UK.

Vicarious Liability

As an employer, you can be held vicariously liable for the actions of your employees by a court of law. This means that your business will be held liable for the actions of your employees should they cause damage or injury to a third party.

On recruitment insurance policies, the term Vicarious Liability has been adopted to describe an extension to the Professional Indemnity insurance cover that allows claims

for a financial loss caused by the negligent acts, error and omissions of a temporary worker you have supply to a third-party business.

More information

- [British Insurance Brokers Association Jargon Buster](#)

Need help?

If you need help with insurance or risk management, speak to your insurance broker.