



new zealand's natural cover

Presbyterian Church Aotearoa New Zealand
Insurance Manual

1 August 2017

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Introduction

This manual is to provide a summary of insurance for the period 1st August 2017 to 1st August 2018. The policy wordings set out the full terms, conditions and exclusions, please refer to these for complete detail.

If you have any queries regarding your insurance programme or this manual, please contact the following Presbyterian Insurance Contacts:

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Important Notices

Duty of Disclosure

You have a common law duty to disclose all material facts before entering into or renewing or altering a contract of insurance. If any material facts are not disclosed, or if the facts are misrepresented, the insurance could be rendered void.

A material fact is defined in the Insurance Law Reform Act as one that would influence a prudent insurer in deciding whether to accept the risks for insurance and, if so, on what terms.

Whilst your common law of duty of disclosure applies only before each contract is entered into, renewed or changed, some policies contain a condition that continues the duty throughout the period of insurance.

Your duty of disclosure does not include facts which are common knowledge. Nor does it include the facts of which your insurer is already aware or, in the ordinary course of business, ought to be aware. If in doubt, it is safer to disclose information than to conceal it. Because of its importance, we recommend that the duty of disclosure be impressed upon all management and senior staff.

In order to remain fully protected it is essential that any changes in risk or business developments are notified to us promptly. If any doubt exists as to the scope of cover or what your obligations or responsibilities may be you should first email PresbyterianInsurance@crombielockwood.co.nz

From time to time, changes will occur in your church activities that may, if not acted upon promptly, prejudice your rights in the event of a claim being made against any of your policies.

In order to maintain protection, it is essential that any changes in risk or Church developments be notified promptly to Crombie Lockwood. Examples of such changes or developments include:

- Acquisition of new properties.
- Alterations or additions to existing buildings or plant (in excess of capital additions limit).
- Changes in occupancy, or process of manufacture.
- Alterations in type, quantity, or storage method of dangerous goods.
- Installation, alteration or disconnection of fire or burglary protection system.
- Removal of assets to new locations.
- Arrangement of any new mortgage, debenture, or other lien on property.
- Acquisition of controlling interests, or joint undertaking in another company/Church.
- Hire, lease or borrowing of equipment (inward or outside).
- Contractual liability, granting of indemnity, or "hold harmless" agreements.
- Changes in basis of shipping, or air freightment.
- Installation of pressure plant, or key machines.
- Use of private aircraft, or watercraft.

Claims Procedures

Your Responsibilities and Obligations

Policies of insurance are legally binding contracts and they impose certain commitments and obligations on each party. The main obligation of insurers is to pay claims. Your obligations and responsibilities are to notify Crombie Lockwood of any instances such as those specified here. If ever in doubt, don't hesitate to contact the Presbyterian Contact Team.

All Claims

1. As soon as you become aware of a claim or potential claim inform Crombie Lockwood
 - o Phone Crombie Lockwood dedicated Presbyterian Claims Consultant Brendan Main on (06) 350 3802 or use our Toll Free number 0800 252 461 (0800 CLAIM1)
 - o Email: PresbyterianClaims@crombielockwood.co.nz;
 - o Email: Brendan.Main@crombielockwood.co.nz;
2. Complete a claim form (<http://crombielockwood.co.nz/presbyterian/making-a-claim>)
3. Do not admit or deny liability either verbally or in writing.
4. Please retain all receipts etc. as the Insurers will require these.
5. Obtain the names, addresses and telephone numbers of any witnesses.
6. Burglary claims, or loss of valuable items of stock, plant or money, must be notified to the Police immediately.
7. Should a break-in occur, please secure the premises immediately.
8. No admission, offer or promise of payment can be made without the written consent of Insurers.
9. All claim forms, letters, claims, writs etc. must be passed immediately to Crombie Lockwood : PresbyterianClaims@crombielockwood.co.nz

Motor Vehicle Claims

1. Immediately notify Crombie Lockwood (PresbyterianClaims@crombielockwood.co.nz) with a filled out claim form.
2. Do not admit or deny liability verbally or in writing. Obtain names of witnesses and, if possible, photograph areas of damage. When in doubt, discuss such actions with Crombie Lockwood.
3. Await confirmation from Vero claims, you will most likely be asked to select a repairer, a list of Approved Collision Repairers can be found at the following link:
<https://www.vero.co.nz/broker-and-repairer-locator.html>
4. When a repairer has been chosen and Vero Claims have issued an acceptance you can email myclaim@vero.co.nz with the claim number as appoint an assessor. If in doubt contact the Vero Claims Team on 0800 800 134.

Travel Claims

1. Loss or damage whilst in the custody or carriers (such as airlines etc.) must be notified to such carriers, and a report obtained.
2. Loss of baggage or money must be reported to the police promptly, and a report obtained.

3. If you require hospitalisation, have lost your luggage, money, passports etc., or if you think you may need to curtail your trip, 24 hour Emergency Assistance is available by phoning one of the telephone numbers listed on your travel insurance policy.

Public Liability Claims

1. Immediately notify Crombie Lockwood (PresbyterianClaims@crombielockwood.co.nz) giving details of the accident and any claim, impending prosecution or legal proceedings that may give rise to any action against you.
2. Do not admit or deny liability verbally or in writing. Obtain names of witnesses and, if possible, photograph areas of damage. When in doubt, discuss such actions with Crombie Lockwood or the Assessor appointed.

Professional Indemnity, Statutory Liability, Directors & Officers Claims

1. The insurance is arranged on a "claims made" basis. This means that the policy responds to claims first made against you during the policy period and notified to the Insurer during the policy period.
2. It is important, therefore, that any claim or circumstances that you become aware of that may give rise to a claim (regardless of when the original cause or event giving rise to the claim occurred) is notified to the Underwriter prior to the expiry of the policy period. Failure to notify will prejudice your rights to indemnity under the policy.
3. Please note that it is a condition of the policy that "the Insured shall not admit liability for or settle any claim or incur any costs or expenses in connection therewith without the written consent of the Insurer".
4. It is prudent that you do not reveal the existence of this insurance to any other party.
5. At first instance email PresbyterianClaims@crombielockwood.co.nz; or Gareth Knight.

- DO NOT do anything that may prejudice your position or the insurers.
- DO NOT comment on the incident that could in anyway frustrate the claimant.
- DO NOT offer any compensation or explanation for the incident.
If pressured, you should say that the matter has been referred for advice and you will be in touch.
- DO NOT mention that the situation may be insured – such comments may serve to increase the quantum of a potential claim.

DO NOT IN ANY WAY ADMIT LIABILITY – EVEN IF PRESSED

Material Damage and Business Interruption

Insured:	<p>Presbyterian Church of Aotearoa New Zealand, including the General Assembly, Otago Foundation Trust Board, Presbyterian Church Property Trustees and all Presbyteries, Parishes, Congregations and other associated Presbyterian entities. including but not limited to:</p> <ul style="list-style-type: none">○ Any member trust of the named Insured○ Any entity in which the named Insured has a controlling interest, whether direct or indirect○ Any entity over which the named Insured exercises management control○ Any entity operating under the auspices of the named Insured○ Any entity for which the board of the named Insured has been appointed to act as their insurance agent <p>and any subsidiary company, more than half the nominal value of whose equity share capital is owned by the named Insured either directly or through other subsidiaries; and any entity over which an Insured exercises management control.</p>
Period of Insurance:	1 st August 2017 to 1 st August 2018 at 4pm Local Standard Time
Insured Property	Tangible property as notified to the insurers, owned by or entrusted to the Insured and for which the Insured is responsible at the specified Location. Sums insured as declared.
Aggregate Property limit	Limit during the Period of Insurance following loss or damage to Insured Property directly or indirectly caused by or resulting from fire including but not limited to Natural Disaster Fire and Fire following Natural Disaster is \$80,000,000
Business Interruption	<p>Unless specific cover is requested by the congregation, cover is provided for up to \$100,000 for any one Loss resulting from Non Natural Disaster perils subject to an aggregate of \$1,000,000 for all losses in the Period of Insurance.</p> <p>Business Interruption Loss means any consequential financial loss in respect of Gross Profit, Gross Revenue, Gross Rentals and Management Fees, Severance and Redundancy Payments, Payroll/Wages - Dual Basis, Payroll / Wages in Lieu of Notice, Additional Costs of Working Redeployment Expenses, Debtors Balances, and Preparation of Claim Costs.</p>
The Indemnity Period:	Unless specified otherwise, the period, during which the results of the Business is affected as a result of the Damage, beginning with the occurrence of the Damage and ending as specified in the schedule but not more than 24 months later.

Deductible Amount:

In respect of Property Damage by Natural Disaster:

- Insured Property situated in the region of Wellington Cresta Zone 10
Subject to the following Deductible:
5% of Site Value, Maximum NZ\$5,000,000 any one Event and NZD\$150,000 any one Site
- Insured Property situated in Cresta Zones 1 & 2: (regions of Auckland & Northland) and the District of Dunedin City Post 1934 buildings and the District of Christchurch City Post 2004 buildings.
Subject to the following Deductible:
1% of Site Value, Maximum NZ\$5,000,000 any one Event and NZD\$150,000 any one Site
- Insured Property situated in all other regions not otherwise specified.
Subject to the following Deductible:
2.5% of Site Value, Maximum NZ\$5,000,000 any one Event & NZD\$150,000 any one Site

Natural Disaster deductibles do not apply to property defined as a residential property under the Earthquake Commission Act 1983.

In respect of Property Damage for which no other deductible is specified:	\$1,000
Contract Works Losses:	\$5,000
Landslip or Subsidence:	\$25,000
Annual Aggregate Excess:	
\$150,000 any one loss excess of \$1,000 and \$350,000 in the annual aggregate. Thereafter \$1,000 each and every loss.	

Unspecified and Specified Business Interruption: Excluding the first 72 hours of interruption

Natural Disaster

- Dependency Waiting period 14 days
- Public Authorities Waiting period 14 days
- Prevention of Access Waiting period 14 days

In respect of loss for which no other deductible is specified:

- Dependency Waiting period 72 hours
- Public Authorities Waiting period 72 hours
- Prevention of Access Waiting period 72 hours

Material Damage Insurance – Basis of Cover

There are various basis of valuation available when insuring property, principally for buildings. By opting for reduced cover you will be able to reduce the level insurance spend, however this matter requires careful consideration as this can leave a shortfall in the event of a loss.

Reinstatement basis:

This is traditionally the default basis of cover. The sum insured needs to be sufficient to demolish the existing building, clear the site and reinstate the building on a like for like basis, including allowance for professional fees and inflation in building costs.

Where Natural Disaster is insured, consideration should also be made of post-loss inflation: where multiple properties in an area are damaged, the demands for tradesmen and materials inflate the rebuild costs above normal levels. The Canterbury earthquakes resulted in significant post-loss inflation leaving many properties with inadequate levels of sum insured to reinstate.

To ensure that the sum insured remains adequate, we would recommend a professional valuation of the property at least every 3 years. The Modal Valuation tool can be used as an alternative for sum insured guidelines, but a bespoke professional valuation is the most ideal situation.

Indemnity basis:

Indemnity is designed to put the policyholder in the same financial position they enjoyed immediately prior to a loss, taking into account wear, tear and depreciation of a property.

An Indemnity sum insured is therefore often considerably less than the Reinstatement value. It may be an option where the congregation may choose not to reinstate a building following significant damage, for example where there is another congregation nearby which the members could join.

There are however a number of important considerations:

- Most claims do not result in a total loss. Your insurers would make deductions for betterment if replacing materials with brand new ones which may extend the lifespan of the property. Therefore in event of damage that is repaired, there is likely to be a shortfall in the pay-out. This is likely to be calculated in the same proportion as the Indemnity value relates to full Reinstatement.
- The Indemnity sum insured is the maximum amount payable for a partial or total loss. Significant damage could leave a property repairable, but with insufficient sum insured to do so.
- Consideration should also be given to the costs of Demolition & Site Clearance, which can be substantial. We would recommend that these are accounted for when assessing an Indemnity value.

Functional Replacement/Agreed Value basis:

Functional Replacement Value (FRV) is an alternative to the usual full Reinstatement basis. It is intended to allow a policyholder to select a lower sum insured than full Reinstatement to reflect their option to build a smaller or more basic building than the one that currently exists. This is often selected where the building was constructed many years ago to support a much larger congregation than now exists.

However there are potential pitfalls in the event of partial damage where the sum insured is significantly less than the Reinstatement value. As with the Indemnity basis the cost of repair could exceed the sum insured and you may be forced to demolish a perfectly repairable building because of insufficient funds and insurers would calculate any loss in the same proportion as the FRV relates to the full reinstatement. This could cause potential issues with the congregation, wider community and even the local authorities. Furthermore you need to consider the cost of demolition of the existing building, the costs of which could be very significant.

The sum insured would need to reflect the demolition of the existing building, clearance of site and reinstatement of the functional replacement (including professional fees & inflation).

For this reason, Concordia usually stipulate that the minimum FRV they will accept is no less than 75% of the Reinstatement sum insured, which does restrict the potential savings available. Nevertheless this is an available option, which could be worth consideration when trying to reduce costs.

Demolition and Site Clearance only

This is the most basic level of cover available and is intended to simply cover the cost of clearing the site following a significant loss.

It should be noted however that in order for the cover to operate, the damage would need to be significant. Minor repairable damage would not be sufficient to trigger the complete demolition of the property. Therefore the cover is really one of last resort following a fairly catastrophic loss to the insured property.

It should also be noted that your current insurer applies the same level of rating for this cover (and in fact any of the above covers) as for full Reinstatement, so savings will be proportional to sum insured. The previous insurers applied a higher loaded rate to Demolition/Site Clearance cover.

Please note that it is a requirement of the Church Property Trustees that Insuring for less than replacement value requires special permission

A decision by a Church Council to insure a building for less than replacement value requires the approval of the Trustees. As with any property-related matter, the decision must be supported and approved by the congregation and Presbytery before being submitted to the Trustees for approval.

The Trustees will consider specific variations to the requirement to insure at full replacement on a case by case basis. Applications for the Trustees' approval must be received well in advance of the commencement date for the proposed insurance arrangements.

For further information, refer to Section 13 of the Property Handbook

<https://www.presbyterian.org.nz/for-parishes/church-property-trustees/property#handbook>

Commercial Motor Fleet

Policy Number	HO CMF 4529217
Period of Insurance	1 August 2017 to 1 August 2018 at 4.00pm
Interests Insured	Motor Vehicles and Items of Mobile Plant as notified to insurers and described in the schedule
Situation	Anywhere in New Zealand including interisland transit
Business	Religious Services and any other activity connected therewith or any other activity of the insured with which they may become involved, including but not limited to educational publications, education, pre-school services, healthcare, welfare, counselling, child care, care for the elderly (including residential care), budgeting advice, farmers, landlord services, property ownership and management, beneficiary fund management, investment fund management, procurement of insurance proposals for Church insurance collective.
Insurer	Vero Insurance NZ Ltd

Section 1 : Sum Insured

Sum Insured – As disclosed to insurers

Section 2 : Legal Liability

Limit of Liability	\$10,000,000
The maximum amount payable under Section 2 arising out of the ownership, operation or maintenance of any insured vehicles within the restricted area of any airport used for scheduled commercial flights	\$2,000,000

Deductible/Excess

Standard Excess (Section 1)	1% of the Market Value, Minimum \$500
Plus additional underage excesses:	
Drivers aged 21 up to 25 years	\$500
Drivers aged under 21 years	\$1000

Liability

Insured Persons:	<p>The Presbyterian Church of Aotearoa New Zealand (and other associated entities, principally consisting of but not limited to) General Assembly, Presbyteries, Union District Councils, Synods, Sessions, Deacons Courts, Parish Councils and any delegated bodies thereof as declared.</p> <ul style="list-style-type: none">○ The Council of Assembly○ Synod of Otago & Southland○ Te Aka Puaho Synod○ Presbyterian Church Property Trustees○ Presbyterian Women of Aotearoa NZ Inc.○ Presbyterian Bureau Services Trust Board○ St Andrew Chilton Kindergarten Trust○ Cannons Creek Opportunity Centre Inc.○ Khandallah Villas Charitable Co. Ltd○ Pacific Island Synods
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Business	<p>Religious organisation, charitable provider of community support services, property owners, farmers and all other activities lawfully undertaken.</p> <p>It is noted and agreed that the insurance provided by this Policy is extended to include volunteers at Church sanctioned events as Insureds but only to the extent granted by the first named Insured and only in respect of claims made against volunteers arising from their bone fide undertaking of activities for and on behalf of the first named Insured.</p>
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General Liability:

Cover	Legal liability to pay damages to third parties who have suffered property damage or personal injury as a result of your business activities. This includes damage or injury caused by the use of your products.
Limit of Indemnity	\$20,000,000 any one occurrence but in the aggregate in any one year for Products Liability (Defence costs in addition)
Deductible	\$2,000
Territorial Limits	Worldwide
Jurisdiction Limits	New Zealand (unless otherwise stated)
Period of Insurance	1 August 2017 to 1 August 2018 at 4.00pm

Statutory Liability

Cover	Legal defence if you are prosecuted for an unintentional breach of almost any New Zealand Act of Parliament. If convicted, it will also pay your fines (the main exception being Health and Safety at Work fines where indemnification is prohibited by law).
Limit of Indemnity	\$ 5,000,000 any one claim / in the aggregate during the Period of Insurance. \$ 500,000 Defence costs in addition
Excess	\$ 1,000 each and every claim including costs and expenses
Territorial Limits	New Zealand (unless otherwise stated)
Jurisdiction Limits	New Zealand (unless otherwise stated)
Retroactive Date	1 October 1997

Employers Liability

Cover	Employers Liability defends you against civil actions brought by employees who have sustained an injury in the course of their employment with you. Whilst ACC picks up many workplace injuries, employees retain their right to sue for any injury outside the scope of ACC. For the purpose of this policy, Ministers are deemed to be employees of the insured.
Limit of Indemnity	\$ 2,000,000 any one claim / in the aggregate during the Period of Insurance. \$ 500,000 Defence costs in addition
Excess	\$ 500 each and every claim including costs and expenses
Territorial Limits	New Zealand (unless otherwise stated)
Jurisdiction Limits	New Zealand (unless otherwise stated)
Retroactive Date	1 October 1997

Professional Indemnity

Interests Insured	The legal liability of the Insured arising by reason of any Negligent Breach of Professional Duty.
Limit of Indemnity	\$ 2,500,000 any one Valid Claim and in all during the Period of Insurance \$ 500,000 Defence costs in addition
Excess	\$ 5,000 each and every Valid Claim including Costs & Expenses
Retroactive Date	Unlimited
Territory and Jurisdiction	New Zealand and extended to include Pacific Island (excluding USA protectorates) but only in respect of volunteers providing humanitarian aid (see Glossary for definition).

Association Liability

Cover	Provides protection to those engaged in community or industry associations who might be held personally liable for mistakes, errors or omissions whilst undertaking their duties for the association. The cover is specifically applicable to non-profit organisations and charitable trusts.
Insured Persons	Committees appointed by the Presbyterian Church of Aotearoa New Zealand excluding the Council of Assembly and its officers
Limit of Indemnity	\$ 1,000,000 any one claim / in the aggregate during the Period of Insurance \$ 500,000 Defence costs in addition
Officers Excess	\$ Nil each and every claim including costs and expenses
Assoc. Excess	\$ 5,000 each and every claim including costs and expenses
Reimbursement	

Trustees Liability

Cover	The legal liability of the Insured arising by reason of any Wrongful Act committed attempted or allegedly committed or attempted in New Zealand.
Insured Trust	All Trusts formed under the control & governance of Parish Councils of the Presbyterian Church of Aotearoa New Zealand but restricted to such Trusts which either have net assets of less the \$750,000 OR annual income of less then \$500,000 per annum. Including any past, present or future Insured Person as defined in the Policy
Limit of Indemnity	\$ 900,000 any one Loss / in the aggregate during the Period of Insurance \$ 100,000 Defence costs in addition
Trustees Excess	\$ Nil each and every Loss including costs and expenses
Trust Excess	\$ 1,000 each and every Loss including costs and expenses
Reimbursement	
Retroactive Date	21 November 2008

Glossary of Terms

Definitions:

Ab initio —

Latin for "from the beginning".

Accident —

A sudden unforeseen and unintended event.

Act of god —

An unpreventable event caused by the forces of nature.

Aggregate limit —

The total amount of money an Insurer will pay under a policy for claims arising within a specific period of time, despite the number of claims. Usually relates to liability insurance.

Average —

A clause in an insurance contract which restricts the amount of a claim paid out by an insurer where the sum insured at the time of a loss is less than the insurable value of the insured item (i.e. is underinsured). The value of the claim will be reduced in proportion to the amount the item is underinsured, in order to reflect the underinsurance.

Broker —

An intermediary appointed by a person seeking insurance to advise them on insurance matters and to arrange insurance cover for them.

Business interruption insurance —

Commercial insurance that protects the owner of a business from revenue losses suffered during the period a business must stay closed while the premises are being restored because of physical damage from a covered peril.

Claim notification clause —

A clause in an insurance contract setting out the procedure an Insured must follow in order to make a claim, often requiring the Insured to give the Insurer early notification.

Claims Made basis of cover —

If an insurance policy is so designated as a "claims made " contract of insurance, then the policy only responds to claims first made against the Insured and which are notified to the Insurers during the period of the insurance.

Comprehensive policy —

A policy which covers most risks relating to an insured item, with certain named exclusions. Often used in motor vehicle and liability insurance.

Deductible —

See definition of Excess.

Dispute resolution scheme —

A scheme providing a free, independent service for Insured's with complaints about services provided by participating Insurers'.

Duty of disclosure —

Duty on an Insured to disclose material facts to an Insurer (see definition of Non-disclosure).

EQC premium —

A compulsory government tax charged against all residential fire policyholders in return for limited natural disaster cover from the EQC.

Ex gratia —

A goodwill payment made by an Insurer where it has no liability to make such payment under the contract.

Excess —

The portion of an insurance claim which the Insured is responsible for paying. It is usually the first part of the loss claimed, up to a value determined by the insurance policy.

Fair Insurance Code —

A code of practice that all Insurance Council members must comply with. The code sets service standards for insurance companies, describes the responsibilities Insureds and Insurers have to each other and encourages professionalism in the insurance industry.

Hold Harmless Agreements —

If you should waive a right of recovery by signing a contract containing a "hold harmless" clause or other form of waiver, your insurers will be unable to exercise subrogation. Consequently, the waiver might be regarded as a material fact which, if not disclosed to your insurers, could result in your insurance being rendered void.

Indemnity

The principle being to put the policyholder in the same financial position that they enjoyed immediately prior to the loss, taking into account wear, tear and depreciation, in so far as is possible.

Indemnity period —

A period under an insurance contract in which cover is provided for disruption to the business.

Knock-for-Knock agreement —

An arrangement between most motor vehicle Insurers whereby each Insurer pays its own repair costs for damage to the vehicle of its own customer, regardless of fault.

Liability insurance —

Insurance which provides protection for the Insured from damage arising out of the Insured's negligence to a third party's property.

Loss adjuster/assessor —

A person who acts on behalf of an Insurer, or Insured, to investigate the circumstances of a loss and determine the extent of an Insurer's liability.

Material fact —

A fact that would influence the judgement of a prudent underwriter in accepting or rejecting a proposal for insurance, and on what terms.

Misstatement —

A statement made by the Insured which is substantially incorrect and would have influenced the judgment of a prudent Insurer in assessing the risk or setting the premium.

Natural Disaster Damage —

Loss or damage that results directly from:

- (a) earthquake, volcanic eruption, tsunami, geothermal activity, hydrothermal activity, or
- (b) measures taken under proper authority, following an event listed in (a) to:
 - (i) avoid its spreading, or
 - (ii) reduce its consequences.

Negligence —

A failure to exercise reasonable and prudent care so as not to cause damage or loss to any other person's property.

Non-disclosure —

A failure by an Insured to disclose a fact which is material to the acceptance of a contract of insurance by an Insurer.

Peril —

A possible loss occurrence which may be covered or excluded under an insurance contract (i.e. fire, collision, bodily injury or loss of profits).

Reinsurance —

Insurance brought by Insurers in order to mitigate risk. A reinsurer agrees to pay specific losses incurred by an Insurer in return for a part of the premium paid to the Insurer.

Reinsurer —

An underwriter of reinsurance.

Retroactive Date —

If applied to a contract of liability insurance the policy will only respond to loss arising from acts, errors or omissions which have occurred after this date.

Salvage —

Damaged property that an Insurer takes over in order to recover all or part of its loss incurred after paying a claim in respect of that property.

Subrogation —

The right of an Insurer to take over the legal rights of the Insured person in order to recover payment from a third party that is partially or wholly responsible for a loss which an Insured has made a claim for.

Sub limit —

A specified limitation in an insurance contract for a particular loss to a specific insured item, despite the overall policy having a higher limit.

Sum insured —

The maximum amount covered under a contract of insurance.

Third party —

Any person other than the Insured who has suffered or caused an injury or loss (the Insured and the Insurer are the first and second parties to the insurance contract).

Third party liability cover —

Insurance which protects a Third Party against third party claims arising from their negligence.

Total loss —

A loss where the cost of repair exceeds the market value of the insured item or where it is uneconomical to repair the item. The Insurer will generally pay the Insured the replacement or indemnity value of the damaged item limited to the total sum insured under the contract.

Underinsurance —

A situation where the sum insured is less than the true market value of the item insured.

Underwrite —

The process an Insurer goes through in evaluating, accepting or rejecting insurance risk.

Underwriter —

A person responsible for underwriting an insurance contract. It is also a reference to the insurance company assuming the risk.

Utmost good faith —

A legal principle that requires both an Insurer and Insured to act in good faith towards each other (Latin – Uberrimae Fidei).

Warranty —

An undertaking from the Insured that certain statements are true or that certain conditions shall be fulfilled. A breach of warranty may invalidate the insurance contract.

Wear and tear —

An amount deducted from a claim for damage to an insured item because of depreciation in the items value due to usage.

General Disclaimer: This glossary does not purport to be a comprehensive guide or to provide specific advice. No person should act in reliance on this glossary without first obtaining appropriate professional advice. Reasonable efforts have been made to ensure that the information provided in this glossary is accurate. Nevertheless, the Insurance Council does not warrant the accuracy, adequacy or completeness of any information provided in this glossary.