

Definitions of commonly used insurance terms

Term	Definition
Additional reporting period	Please see the definition of “Run-off cover” below. An additional reporting period under your policy, extends the period of time that you are able to report a claim or potential claim under your policy and still enjoy cover, even though you are no longer paying for cover. Run-off cover does not cover you for continuing activities, it only covers you for claims or complaints arising out of services rendered prior to the end of the last policy period that you paid for cover. Run-off cover is not automatic and will often have special terms and conditions attached to it, so please be sure that you refer to your policy documents and contact us if you have any questions, PRIOR to allowing your policy to lapse or not renewing your cover. In some instances, an additional reporting period will be offered free of charge but under most policies you will be required to pay for the additional cover. Some policies also require you to notify your insurer in writing that you will be taking up the option of the additional reporting period, PRIOR to the lapsing of that policy.
Aggregate limit of indemnity	<p>One “bucket” or exhaustible limit of cover for the period of insurance, which needs to be shared by all claims arising during that period of insurance. All legal costs and expenses, damages, settlement awards, VAT and interest payments for all claims arising during the policy period will reduce the limit that you are covered for, for the balance of the insurance period.</p> <p>Although you can generally increase your limit at any time during the policy period, if you notify insurers of potential claims or if you have any claims during the period, it is unlikely that insurers will be willing to offer you terms to increase your limit of cover.</p> <p>Even if they do agree to allow you to increase your limit of cover, the limit of cover that you had in place prior to requesting the increase will apply to all claims arising out of incidents which you are aware of at the time that you request the increased limit.</p>
Any one claim	See the definition for “each and every claim”.
Claims-made policy	<p>The policy that you have in place on the day a claim is made against you or when you become aware of an incident or circumstance which could give rise to a claim or complaint against you (whichever occurs first) is the policy that will apply to cover the claim, regardless of when the services were rendered which have given rise to the claim or potential claim.</p> <p>If you do not renew a claims’-made policy and a claim arises after the expiry date you will have no entitlement to cover under the policy, unless you notified your insurers in writing of the potential claim prior to your policy lapsing and they accepted that notification and registered it against your policy. This applies even where you had cover at the time the work was undertaken.</p>

	<p>If you reduce your indemnity limit at renewal and a claim arises from prior work your reduced limit will apply. If you increase your limit and a claim arises then you will benefit from the increased limit (subject to your not having been aware of the potential claim prior to increasing your limit and subject to any retroactive limits which may be applicable under your policy).</p>
<p>Commercial crime cover</p>	<p>This policy typically covers you for your own losses arising out of:</p> <ul style="list-style-type: none"> • <u>Employee Dishonesty</u> Covers loss of money and/or Property as a result of employee theft and/or fraud, whether committed alone or in collusion with others, irrespective of whether the crime was committed physically or electronically. • <u>Computer Fraud</u> Third-party computer crime such as theft due to the hacking of an insured's computer system, the planting of a virus designed to illegally transfer funds out of an account as well as the loss of electronic data and information. This cover is extended to include money and/or Property for which the Insured is responsible. • <u>Extortion</u> Covers loss where employees are coerced into committing acts of theft or fraud by a perpetrator who threatens to cause harm to themselves or their relatives, or to cause damage to Property. • <u>Contractual Penalties</u> Covers any penalty legally imposed on the policyholder resulting from an Insured Event, such as the failure to meet deadlines following an act of theft or fraud. • <u>Fraudulent Transfer Instructions</u> Covers loss as a result of written or electronic instructions to a financial institution requesting that they fraudulently transfer funds out of the Insured's account, whereby the instructions purport to have been issued by the Insured but performed by another. • <u>Computer virus</u> Covers loss sustained directly as the result of a computer virus
<p>Cross-Liabilities</p>	<p>Cross-liabilities refers to the liability between parties who are insured under the same policy, so in other words if one person wants to sue another person when both are covered by the same policy. Examples, a healthcare practitioner wishes to sue his colleague for medical malpractice and both are covered under the same policy, or you want to sue your professional association for negligence in rendering services to you as their member and both you and your professional</p>

	<p>association are covered under the same policy. Some policies will extend cover to cover cross-liabilities between the insureds covered under that policy and some policies will specifically exclude it. If there is any potential that you may at any time need to sue someone else covered under the same policy as you, then you need to ensure that your policy includes cover for “cross-liabilities”.</p>																				
<p>Cyber liability insurance</p>	<p>Your medical malpractice or professional indemnity insurance will not cover you for claims or complaints arising out of cyber-liability.</p> <p>You can obtain separate insurance (contact CFP Brokers or your own insurance broker for assistance), called cyber-liability insurance which will generally (depending on the Insurer whose quote you accept) provide you with all or some of the following cover:</p> <table border="1" data-bbox="496 786 1426 1872"> <tr> <td data-bbox="496 786 716 936">1. Multimedia Liability</td> <td data-bbox="716 786 852 936">Liability</td> <td data-bbox="852 786 1426 936">Covers your liability arising out of any physical or electronic publication (for example on your company or practice’s Facebook page).</td> </tr> <tr> <td data-bbox="496 936 716 1086">2. Security & Privacy Liability</td> <td data-bbox="716 936 852 1086">Liability</td> <td data-bbox="852 936 1426 1086">Covers your liability arising out of your negligence in preventing a computer security breach.</td> </tr> <tr> <td data-bbox="496 1086 716 1236">3. Data Recovery & Loss of Income</td> <td data-bbox="716 1086 852 1236">Own Loss</td> <td data-bbox="852 1086 1426 1236">Provides a form of business interruption cover and also covers other own damage in the form of the cost of restoring lost data.</td> </tr> <tr> <td data-bbox="496 1236 716 1431">4. Privacy Regulatory Defence & Penalties</td> <td data-bbox="716 1236 852 1431">Liability</td> <td data-bbox="852 1236 1426 1431">Liability as a result of not complying with laws relating to privacy.</td> </tr> <tr> <td data-bbox="496 1431 716 1709">5. Crisis Management Costs</td> <td data-bbox="716 1431 852 1709">Covers Both your liability to others and your own loss</td> <td data-bbox="852 1431 1426 1709">It mitigates the potential damage to your brand (own damage) and it also covers your liability arising out of compliance with privacy legislation following an incident or breach.</td> </tr> <tr> <td data-bbox="496 1709 716 1872">6. Data Extortion</td> <td data-bbox="716 1709 852 1872">Own Loss</td> <td data-bbox="852 1709 1426 1872">Covers costs which would otherwise be incurred by you in preventing a loss and liability. Some insurers will even pay ransoms demanded in Bitcoin for the return of your</td> </tr> </table>			1. Multimedia Liability	Liability	Covers your liability arising out of any physical or electronic publication (for example on your company or practice’s Facebook page).	2. Security & Privacy Liability	Liability	Covers your liability arising out of your negligence in preventing a computer security breach.	3. Data Recovery & Loss of Income	Own Loss	Provides a form of business interruption cover and also covers other own damage in the form of the cost of restoring lost data.	4. Privacy Regulatory Defence & Penalties	Liability	Liability as a result of not complying with laws relating to privacy.	5. Crisis Management Costs	Covers Both your liability to others and your own loss	It mitigates the potential damage to your brand (own damage) and it also covers your liability arising out of compliance with privacy legislation following an incident or breach.	6. Data Extortion	Own Loss	Covers costs which would otherwise be incurred by you in preventing a loss and liability. Some insurers will even pay ransoms demanded in Bitcoin for the return of your
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				data if their experts are unable to restore it for you.
Deductible	See the definition for “excess”.			
Defective workmanship liability	<p>This cover is usually obtained as an extension under a products’ liability insurance policy and would cover you if there was nothing inherently wrong with a product- but rather the way in which you have used it which results in injury to a person or damage to their property.</p> <p>EXAMPLE: If e.g. a prosthetist were to combine pieces when preparing a prosthetic limb and he combines parts that do not work together properly or should not be used for the weight specification of the patient and as a result the limb breaks and the patient falls and injures themselves- this would be a claim for defective workmanship because there is nothing inherently wrong with any of the products that were used- but rather that the professional used them incorrectly.</p>			
Directors’ and officers’ liability insurance	<p>Your medical malpractice/professional indemnity insurance policy will in most instances specifically EXCLUDE cover for claims arising out of the management of your practice, business, association or society.</p> <p>Directors’ and officers’ liability insurance provides financial protection for the directors and officers of a company in the event they are sued, in their personal capacities, as a result of the performance of their duties as they relate to the company.</p> <p>Section 218(2) of the Companies Act states that, “<i>any person who contravenes any provision of this Act is liable to any other person for any loss or damage suffered by that person as a result of that contravention.</i>”</p> <p>Since a director can be held personally responsible for acts of the company, most directors and officers will demand to be protected rather than put their personal assets at stake. Directors’ and officers’ liability insurance is effectively a management liability policy. Depending on the insurer, most directors’ and officers’ liability insurance policies will offer you all or some of the following covers:</p> <p>Cover for:</p> <ul style="list-style-type: none"> • Past, present and future directors, officers, prescribed officers, and employees acting in a managerial or supervisory capacity covering: <ul style="list-style-type: none"> ✓ Awards ✓ Legal defence costs ✓ Investigation costs • Following an allegation of a wrongful act, including (but not limited to): 			

	<ul style="list-style-type: none"> ✓ Error ✓ Misstatement ✓ Act/omission ✓ Negligence ✓ Breach of duty • Brought about by: <ul style="list-style-type: none"> ✓ Shareholders ✓ Stakeholders such as (but not limited to) employees, trade unions, government, creditors, competitors, and suppliers, clients ✓ Any other affected party • The Policy also covers the company: <ul style="list-style-type: none"> ✓ When it indemnifies a Director or Officer ✓ For securities litigation
<p>Each and every claim</p>	<p>You have your chosen limit available to you to cover each and every claim which arises during the policy period- i.e. each claim which arises during the policy period will be covered up to the chosen limit. If there are multiple claims during the insurance period, they will each be covered separately up to your chosen limit of indemnity and will not have to share the limit of indemnity. Be aware that the excess will likewise apply to each and every claim.</p> <p>However, be aware that even if you have cover on an each and every basis, this limit will be converted to an aggregate limit basis, where multiple claims arise out of the same cause of action, i.e. out of the same negligent act, error or omission.</p> <p>So, for example, if there is a design error in architectural plans which are used to build multiple houses and this design error results in losses to multiple claimants- because the cause of the loss is the same- i.e. the design error, you will only have one aggregate limit to cover the multiple claims and you will not enjoy cover on an each and every claim basis (but only a single excess will be payable).</p>
<p>Employer's Liability</p>	<p>This should not be confused with cover for vicarious liability or fidelity guarantee cover (which provides cover for losses caused to an employer through employee theft and/or fraud). Some insurers will include an extension for employer's liability. This extension covers you for liability for claims arising out of injury to one of your employees where such injury occurs on duty. Please note that cover is excluded under the policy where any workmen's compensation enactment applies.</p>

	<p>This extension does not provide fidelity guarantee cover. If you require quotes for fidelity guarantee cover, please will you contact your own brokers or CFP Brokers for assistance in obtaining quotes for this cover.</p>
Employment Practices' Liability	<p>INSURANCE PROTECTION FOR EMPLOYERS COVERING:</p> <ul style="list-style-type: none"> - Legal fees - Damages - Awards - Settlements <p>FOLLOWING AN ALLEGATION OF:</p> <ul style="list-style-type: none"> - Unfair dismissal - Sexual harassment - Discrimination - Failure to employ <p>BROUGHT ABOUT AT:</p> <ul style="list-style-type: none"> - The CCMA - Bargaining Council - Labour Court - Arbitration Proceeding <p>Employment Practices Liability (EPL) Insurance provides protection for an employer against allegations made by current employees, former employees, or job applicants. It covers an employer for discrimination (age, sex, race, disability, etc.), wrongful termination of employment, sexual harassment, and other employment-related allegations. It also provides cover for the company, including its directors and officers.</p>
Excess	<p>This is the amount you would be required to contribute toward any claim made under the policy. In some cases, an excess payment is only required by insurers if they actually pay damages or a settlement amount to a third party. In other cases, you will need to pay an excess if Insurers have had to incur legal costs and expenses in the investigation and defence of a claim against you, regardless of whether you successfully defend the claim/complaint, or not.</p> <p>Insurers are often willing to offer you reduced premiums if you are prepared to accept a higher excess payment.</p>
Franchise	<p>Where a franchise is applied by Insurers, this means that when a loss exceeds the franchise amount specified, Insurers pay the entire loss, subject to the limit of indemnity stated in your policy schedule, and you, the insured under the policy, pay nothing. Therefore, losses that are smaller than the franchise amount are not claimable by you under the policy.</p> <p>For example:</p>

	<p>Your sum insured sum under your policy is R1 000 000 Your deductible/franchise is R100 000 You incur a loss of R250 000 Where a deductible applies: Your insurer pays R150 000 (R250 000 loss less the R100 000 deductible which you would be liable to pay) Where a franchise applies: Your insurer would pay the full R250 000 and you, the insured would pay nothing because the amount of the claim exceeds the franchise amount of R100,000.</p>
<p>Kidnap and ransom insurance</p>	<p>This cover should be considered especially where you or your employees are travelling to high risk environments. However, everyone is potentially at risk. Despite media attention given to political kidnappings, most kidnappings are carried out by criminal gangs motivated purely by financial gain. Victims are selected based on the profile and perceived wealth of their family or the organisation for which they work.</p> <p>A kidnap and ransom policy typically covers:</p> <ul style="list-style-type: none"> • Kidnap • Extortion • Product extortion • Detention • Hijack • Disappearance • Hostage Crisis <p>Insured losses:</p> <ul style="list-style-type: none"> • Ransom • Loss of ransom monies in transit • Unlimited fees of response consultants (Control Risks) • Additional expenses (including but not limited to the cost of PR consultants, psychiatric and medical care, personal financial loss, temporary security measures, salaries of victims and occupational retraining) • Legal liability • Disappearance investigation fees • Hostage crisis costs and expenses • Personal Accident <p>Policy extensions:</p> <ul style="list-style-type: none"> • Threat expense • Emergency political evacuation and repatriation • Loss of earnings

	<ul style="list-style-type: none"> • Product loss/recall • Computer virus business interruption • Child Abduction • Express kidnapping • Assault expense
Medical malpractice indemnity insurance	<p>This is a specialised form of professional indemnity and covers you for death or injury suffered by one of your patients as a result of your alleged negligence in the rendering of healthcare related services.</p> <p>The trigger for the policy is an allegation that your negligent action or omission has resulted in a patient suffering loss, harm, death or injury.</p>
Pension fund trustees' liability insurance	<p>This is a specialised form of insurance which covers trustees' personal liability as well as the fund's liability for negligence and fraud. These policies are generally structured under 3 different sections of cover, as follows:</p> <ol style="list-style-type: none"> 1. Legal Liability: Covers: claims against the fund or the trustees/officers of the fund, arising out of allegations of negligence or wrongful acts (breach of duty). 2. Theft, fraud or dishonesty: Covers: <ol style="list-style-type: none"> a. any loss of money and/or other tangible property belonging to the fund, or for which it is legally responsible, which is stolen, or removed without the fund's authority, by a trustee or an officer of the fund; and also covers b. Any direct financial loss, sustained by the fund, as a result of the fraud, or dishonesty, of a trustee or officer of the fund. 3. Third party computer crime: Covers: direct financial loss, caused by the fraud or dishonesty of someone other than a trustee or an officer of the fund, which involves the computer system used by the fund and which causes: <ol style="list-style-type: none"> a. Money belonging the fund/member(s), to be transferred, delivered or paid; or b. an account of the fund, or its member(s), to be added, deleted, altered, debited or credited; or c. an unauthorized account or fictitious account to be debited or credited.
Prescription	<p>Generally, a person has a period of 3 years from the date that they become aware:</p> <ol style="list-style-type: none"> 1. That they have suffered a loss; and

	<p>2. of the identity of the person who has caused them to suffer the loss;</p> <p>within which to bring a claim against the person who they allege has caused them to suffer a loss. If they fail to bring their claim within the 3-year prescription period, their claim is said to have prescribed and can be met with the defence of legal prescription, which if successful would extinguish that person's right to legally enforce their claim.</p> <p>There are exceptions to the 3-year period. Please refer to CFP Broker's separate notes on Legal Prescription for more details about prescription and the various exceptions to the 3-year time period.</p>
<p>Professional indemnity insurance</p>	<p>This is cover for all claims arising out of your negligence or alleged negligence in the rendering of professional services.</p> <p>Some insurers will in addition include cover for all complaints that may be lodged against you with your Council or other regulatory body- but cover will be limited to legal defence costs only and no cover is provided for fines imposed on you.</p>
<p>Products' liability insurance</p>	<p>Cover for claims which are alleged to have been caused by a product, defective defective packaging and/or labelling.</p> <p>Claims for inadequate or incorrect instructions with regard to the use of the product would generally be covered under a professional indemnity or medical malpractice policy.</p> <p>EXAMPLE: If you sell a product or supply a product to a client and they allege that the product was defective and has injured them or damaged their property, this would constitute a products' liability type claim.</p>
<p>Public liability insurance</p>	<p>Provides cover for your liability to members of the public arising out of the conduct of your business/profession. Please note that in order for the policy to respond there needs to be some kind of allegation of negligence against you which has resulted in harm to a member of the public or their property and you need to be legally liable to that person.</p> <p>It does not cover any claim that would properly be covered under any other kind of insurance- e.g. professional indemnity, medical malpractice, motor vehicle insurance, Road Accident Fund Statutes, labour-related issues, or anything covered under workmen's compensation enactments. Some examples of where you would be covered under the public liability sections of your policy:</p>

	<ol style="list-style-type: none"> 1. you have a faulty hand-rail on stairs at your premises which you are aware of. A client falls down the stairs because the hand-rail comes loose and subsequently sues you for hospital expenses incurred and further damages; or 2. the gate to your business closes on a client's car causing damage. They allege that it was your fault because you did not ensure that you had sensors fitted to the gate and the gate closed before they had the opportunity to pass through it safely.
<p>Reinstatement of cover</p>	<p>Insurers will sometimes allow you the option of purchasing one reinstatement of your chosen limit of cover, at the inception or renewal of your policy. Therefore, if your original limit is reduced by a claim, then Insurers will “reinstate” the limit back to the original amount, during the same policy period.</p> <p>You will still be limited to your original limit per claim, i.e. you cannot add the reinstatement to the original limit to cover a claim which exceeds your original limit. Reinstatements are therefore only useful if you have multiple claims against you during the same period of insurance.</p> <p>The reinstatement cannot be purchased during the course of the policy period, you have to decide at the renewal or inception of your policy whether or not you want to purchase a reinstatement.</p>
<p>Retroactive cover date</p>	<p>The date that you first took up claims'-made cover, so long as you have maintained continuous cover and renewed your policy since that date.</p> <p>You will find this date reflected on the policy schedule which will be sent to you by your Insurers.</p> <p>You will not be covered for any claim which arises out of services which were rendered prior to the retroactive cover date which appears on your policy schedule.</p> <p>Where you are taking up a new policy, i.e. not renewing a previous policy, you will sometimes be offered the option of purchasing up to 3 years' retroactive cover. This cover would exclude claims arising out of any circumstances or incidents which you were aware of prior to purchasing the retroactive cover, i.e. cover would not be provided to pre-existing, known potential claims- because this would be like buying car insurance after the car crash and expecting insurers to cover the claim.</p> <p>It is vitally important that you keep records to prove your entitlement to retroactive cover as this may be required by Insurers. Such records would include:</p> <ol style="list-style-type: none"> 1. Policy schedule; 2. Proof of insurance letters;

	<p>3. Most importantly- proof of payment for the insurance/or membership option which includes insurance.</p> <p>You should keep all of these records in a safe and accessible place- preferably indefinitely.</p>
Run-off cover	<p>Please see definitions above “ Additional reporting period” and of “claims’-made cover”. When you stop paying for liability insurance cover and your policy lapses, then you will no longer be able to make any claims under the policy, regardless of whether you had the cover in place at the time that you rendered the service which has given rise to the claim or complaint.</p> <p>It is therefore really important, even though you may be permanently ceasing to practice or closing your business, that you arrange what is known as “run-off cover”. Run-off cover does not cover continuing business operations or services- it provides you with an extended reporting period. This means that you will still be able to report claims and/or circumstances which may give rise to claim against you, which you only become aware of after you have ceased practice or retired, etc.</p> <p>Please have a look at the definition of “Prescription” above which provides details of how long someone has to sue you. Please also be aware that run-off cover is vital to protect your personal estate and your family in the event of your death as we have seen claims made against a practitioner’s estate after their death.</p>
Statutory defence costs	<p>An extension which can be requested which covers legal costs, fees and expenses that you incur with the consent of the insurers in the defence of any criminal action brought against you as the result of an alleged contravention of any statute which governs the conduct of your profession arising in the course of rendering professional services covered by your policy.</p>
Vicarious liability	<p>Your liability as an employer for claims arising out of the negligent acts and omissions of your employees, regardless of any fault on your part for such claims. Please see CFP Broker’s specific notes on this topic, for more information.</p>

Please will you write to kristy@cfpbrokers.co.za if you would like us to include definitions of any other words in these notes or if you have any further questions or feedback that you would like to share with us.



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Specialist Liability Insurance Brokers | **Professional Indemnity** | **Medical Malpractice** | **Directors' and Officers' Liability** | **Products' and General Public Liability**
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