

A BRIEF LOOK AT SURPLUS LINES PROPERTY

Know your basic Property Terms. Some of these definitions will be on the test.

What qualifies a risk for Surplus Lines Property?

- Risk not desired by the admitted market.
- Coverage terms not available in the admitted market.
- Admitted market company reinsurance treaty exclusions.
- Larger deductibles and retentions.
- Need for limits capacity (capacity fill).

Earthquake, Flood and Difference in Conditions

- A traditional line for the non-admitted market.
- There is a difference between earthquake and earth movement.

Layering Property Limits

Special Client Needs

- Manuscript Forms (such as Boiler and Machinery, Contamination Perils, Broad definition of Perils).
- Specialized Rating formulas
- Enterprise Risk (broader than traditional property wordings).

Insurance Terms which are common in the Surplus Lines Property Marketplace.

Brush up quickly on Builders Risk, Employee Dishonesty, Farm owners, Homeowners, and Fair Plan.

Abandonment Clause.

A clause in fire insurance policies and other property forms that prohibits the insured from abandoning partially damaged property to the insurer in order to claim a total loss. (PR)

Account Premium Modification Plan.

A rating plan for Fire, Property Damage and Time Element coverages. The maximum credit or surcharge is 25%, and it is available to risks which develop a three-year premium of at least \$5,000. (PR)

Accounts Receivable Insurance.

Insurance against the loss that occurs when an insured is unable to collect outstanding accounts because of damage to or destruction of the accounts receivable records by a peril covered in the policy. (PR)

Additional Living Expense Insurance.

A contract to reimburse the insured for increased living costs when loss of his property forces him to maintain temporary residence elsewhere. Examples of these types of expenses are the cost for a hotel or motel, the extra cost for restaurant meals, and the cost of using a laundromat. The term Extra Expense Insurance is defined with regard to additional expenses incurred by businesses. See also Loss of Use. (PR)

After Charge.

A charge sometimes included in fire rates for commercial buildings. It is usually added for conditions which can be corrected by the insured, such as failure to have the proper types of fire extinguishers. (PR)

Agent, Recording.

See Recording Agent. (PR)

Agreed Amount Clause.

Under this clause, the insured and the insurer agree that the amount of insurance carried will automatically satisfy the coinsurance clause. The effect is to eliminate the necessity of determining whether or not the amount carried is equal to the stated percentage of the actual cash value indicated in the coinsurance clause. (PR)

Allied Lines.

Various insurance coverages for additional types of losses, and against loss by additional perils, which are closely associated with and usually sold with fire insurance. Examples include coverage against loss by perils other than fire, coverage for sprinkler leakage damage, and business interruption coverage. The fire insurance field consists of coverages for "fire and allied lines." (PR)

Amount Subject.

The maximum amount which underwriters estimate can possibly be lost under the most unfavorable circumstances in any given loss, such as a fire or tornado. Contrast with Probable Maximum Loss. (PR)

Analytic System.

See Dean Schedule. (PR)

Appurtenant Structures.

Buildings on the same premises as the main building insured under a Property Insurance policy. Most Dwelling Property Insurance policies cover appurtenant structures under most circumstances. (PR)

Arbitration Clause.

The provision in a Property Insurance contract which states that if the insurer and insured cannot agree on an appropriate claim settlement, each will appoint an appraiser, and these will select a neutral umpire. A decision by any two of the three prescribes a settlement and binds both parties to it. (PR)

Automatic Increase In Insurance Endorsement.

See Inflation Guard Endorsement. (PR)

Automatic Reinstatement Clause.

A stipulation in a Property Insurance policy which states that after a partial loss covered by the policy has been paid, the original limit of the policy will be automatically reinstated. Same as Loss Clause. (PR)

Average Clause.

A clause providing that similar items in one location or several locations which are insured by a policy shall be covered in the proportion that the value of each bears to the value of all. Previously known as the "Pro Rata Distribution Clause" and the "Average Distribution Clause." See also Pro Rata Distribution Clause. (PR)

Average Rate.

A rate for a policy established by multiplying the rate for each location by the value at that location and dividing the sum of the results by the total value. (PR)

BI.

See Business Interruption Insurance and Business Income Coverage Form. This is what these letters most often refer to in the property field. (PR)

Basic Coverage Form.

Any of the commercial or personal lines property forms which provide basic coverages. These forms generally provide the most limited coverage, which is surpassed by broad forms and special forms. (PR)

Basic Form Rates.

Under the latest commercial lines program, Basic Form Rates are arrived at by adding Group I and Group II rates together. Refer to Group I Rates and Group II Rates. (PR)

Betterment.

See Improvements and Betterments Insurance. (PR)

Blanket Insurance.

A form of Property Insurance that covers, in a single contract, either multiple types of property at a single location or one or more types of property at multiple locations. (PR)

Block Policy.

An All-Risk policy which derives its name from the French term en bloc meaning "all together." It provides coverage on stock, property being transported, property in bailment, and the property of the insured on the premises of others. (PR)

Boiler and Machinery Insurance.

Insurance against the sudden and accidental breakdown of boilers, machinery, and electrical equipment. Coverage is provided on (1) damage to the equipment, (2) expediting expenses, (3) property damage to the property of others, and (4) supplementary payments; and (5) automatic coverage is provided on additional objects. Coverage can be extended to cover consequential losses and loss from interruption of business. (PR)

Boston Plan.

This is a plan under which insurers agree that they will not reject property coverage on residential buildings in a slum area. Instead, they will accept the coverage until there has been an inspection and the owner has had an opportunity to correct any faults. Boston was the first city to originate such a plan, and many other cities have followed, including New York, Oakland, Cleveland, and Buffalo. (PR)

Broad Form.

A term generally used to designate policies that provide insurance for multiple types of perils over and above the usual basic perils, or additional coverages beyond standard coverages. (PR,LA)

Broad Theft Coverage Endorsement.

This form may be attached to a dwelling policy to provide theft coverage for a named insured who is an owner occupant. (PR)

Builder's Risk Coverage Form.

A commercial property coverage form specifically designed for buildings in the course of construction. (PR)

Building and Personal Property Coverage Form.

A commercial property coverage form designed to insure most types of commercial property (buildings, or contents, or both). It is the most frequently used commercial property form, and has replaced the General Property Form, Special Building Form, Special Personal Property Form, and others. (PR)

Business Income Coverage Form.

A commercial property form providing coverage for "indirect losses" resulting from property damage, such as loss of business income and extra expenses incurred. It has replaced earlier Business Interruption and Extra Expense forms. (PR)

Business Interruption Insurance.

A time element coverage that pays for loss of earnings when operations are curtailed or suspended because of property loss due to an insured peril. Now referred to as business income insurance. See Business Income Coverage Form. (PR)

Business Interruption Insurance, Contingent.

Now referred to as coverage for business income from dependent properties. See Business Income Coverage Form and Dependent Properties. (PR)

Business Personal Property.

Traditionally known as "contents," this term actually refers to furniture, fixtures, equipment, machinery, merchandise, materials, and all other personal property owned by the insured and used in the insured's business. (PR)

Casualty Actuarial Society (CAS).

A professional society for actuaries in areas of insurance work other than Life Insurance. This society grants the designation of Associate and Fellow of the Casualty Actuarial Society (ACAS and FCAS). (PR,LA)

Causes of Loss.

Under the latest commercial property forms, this term replaces the earlier term "perils" insured against. (PR)

Causes of Loss Forms.

Commercial property forms stating the perils insured against, additional coverages provided, and exclusions that apply. There are four Causes of Loss Forms - Basic, Broad, Special and Earthquake. (PR)

Chartered Property and Casualty Underwriter (CPCU).

A designation granted by the American Institute of Property and Liability Underwriters upon successful completion of a series of examinations. (PR,LA)

Civil Commotion.

An uprising of a large number of people, usually resulting in damage to property. This term is generally used to describe one of the extended coverage perils in the Extended Coverage Endorsement. (PR)

Class Rate.

A rate for risks of similar hazard. Class rates, for example, apply to dwellings. (PR)

Clear Space Clause.

A clause requiring that insured property, such as stacks of lumber, be stored at some particular distance from each other or from other property. (PR)

Coinsurance Clause.

A clause under which the insured shares in losses to the extent that he is underinsured at the time of loss. The insurer grants a reduced rate to the insured providing he carries insurance 80, 90, or 100% to value. If, at the time of loss, he carries less than required, he must share in his loss. For example, if an insured has a building worth \$100,000 and carries an 80% coinsurance clause, it means that he agrees to carry at least \$80,000 of insurance. If the insurance carried equaled \$60,000, then any loss under the policy would be paid for on the basis of the comparison of \$60,000 (amount carried) divided by \$80,000 (amount agreed upon in advance) times the amount of the loss. Thus, the insured above would only receive 75% of a loss or \$7,500 for a \$10,000 loss. (PR)

Combination Business Interruption Extra Expense Insurance.

A policy which provides both Business Interruption and Extra Expense coverages in a single contract. This has been replaced by the latest business income forms. See Business Income Coverage Form. (PR)

Comprehensive Glass Insurance Policy.

A policy which covers the insured against loss by breakage of glass from almost any peril. Fire is usually excluded because it is covered under any basic property policy, and war is excluded. This policy has largely been replaced by a new commercial form. See Glass Coverage Form. (PR)

Concurrent Causation.

A term referring to two or more perils acting concurrently (at the same time or in sequence) to cause a loss. This created problems for property insurers when one of the perils was covered and one was not, and it led to recent revisions in policy language. (PR)

Concurrent Insurance.

Two or more policies with the same conditions and coverages that cover the same interest in the same property. If an insured has two or more Property Insurance policies, he will usually not be insured properly if the policies are not concurrent (similar). (PR)

Condominium Association Coverage Form.

A commercial property form designed to cover the joint insurance needs of members of a condominium association who collectively own commercial property. (PR)

Condominium Unit Owners Coverage Form.

A commercial property form designed to cover the individual needs of commercial (not residential) condominium unit-owners. (PR)

Consequential Loss (or Damage).

(1) An indirect loss arising out of the policyholder's inability to use the property over a period of time, as opposed to a direct loss that happens almost instantaneously. Business Interruption, Extra Expense, Rents Insurance, and Leasehold Interest are the most common coverages included under the category of Consequential Loss coverages.
(2) A loss not directly caused by a peril insured against, such as spoilage of frozen foods caused by fire damage to the refrigeration equipment. See also Indirect Loss, and contrast with Direct Loss. (PR)

Contents Rate.

The Fire Insurance rate on the contents of a building rather than on the building itself. (PR)

Contingent Business Interruption Insurance.

Coverage for the loss of earnings of an insured because of a loss to another business which is one of the insured's major suppliers or customers. This insurance is now known as business income from dependent properties. See Business Income Coverage Form and Dependent Properties. (PR)

Contributing Location.

A location upon which the insured depends as a source of materials or services. One of the four types of dependent properties for which Business Income coverage may be written. (PR)

Cromie Rule.

A method or guide used to apportion losses under policies which are nonconcurrent, that is, not identical as to coverage provided. (PR)

Crop Insurance.

Provides protection against damage to growing crops by such perils as hail, windstorm, and fire. Traditionally, crop-hail coverage was the most common coverage sold. In recent years premiums for broad multi-peril crop Insurance (MPCI) have exceeded those for the crop-hail business. (PR)

DIC.

See Difference in Conditions. (PR)

Data Processing Coverage.

A special form providing protection for loss due to the breakdown of data processing systems. It also includes coverage for the additional expense of putting the system back into operation. (PR)

Dean Schedule.

A schedule rating system for Property Insurance on commercial buildings. It is named for its author, Alfred F. Dean. This system is currently being replaced by a rating plan developed by the Insurance Services Office. Same as Analytic System. (PR)

Debris Removal Clause.

A provision that may be included in a Property policy contract to provide the insured with indemnification for expenditures incurred in the removal of debris produced by the occurrence of an insured peril. Ordinarily a Property policy covers only the direct damage caused by an insured peril. (PR)

Declaration.

A term used in insurance other than Life or Health to denote that portion of the contract in which is stated such information as the name and address of the insured, the property insured, its location and description, the policy period, the amount of insurance coverage, applicable premiums, and supplemental representations by the insured. (PR,LA)

Demolition Clause.

A provision that excludes liability for costs incurred in demolishing undamaged property, often necessitated by building ordinances requiring that structures must be demolished after a certain degree of damage has been sustained. (PR)

Demolition Insurance.

Insurance written to cover the cost of demolition excluded by a demolition clause. It may be endorsed to Property Insurance for an additional premium. See also Demolition Clause. (PR)

Dependent Properties.

Properties which an insured business does not own, operate or control, but upon which the insured's income depends. Examples include major suppliers or customers. Previously known as "contingent" properties. (PR)

Depreciation Insurance.

See Replacement Cost Insurance. (PR)

Difference in Conditions (DIC).

A separate contract that expands or supplements insurance on property written on a named perils basis so as to cover on an all-risk basis, subject to certain exclusions. (PR)

Direct Loss (or Damage).

A loss which is a direct consequence of a particular peril. Fire damage to a refrigerator would be a direct loss. Spoiling of food in the refrigerator as a result of the fire damage would be an indirect loss. Contrast with Indirect Loss and Consequential Loss. (PR)

Direct Writer.

An insurer whose distribution mechanism is either the direct selling system or the exclusive agency system. (PR,LA)

Direct Written Premium.

The premiums collected, without any allowance for premiums ceded to reinsurers. (PR,LA)

Disappearing Deductible.

A type of deductible that gradually disappears as the loss gets larger. If the deductible is \$50, the insurer will pay 111% of that part of the loss which is in excess of \$50. The deductible on losses between \$50 and \$500 is gradually reduced by this system, and if the loss reaches \$500, the full amount is covered. (PR)

Distribution Clause.

See Pro Rata Distribution Clause. (PR)

Divisible Contract Clause.

A clause providing that a violation of the conditions of the policy at one insured location will not void the coverage at other locations. (PR)

Dwelling Forms.

A policy form designed specifically to cover a dwelling building and the personal property in it plus other additional coverages. There are several forms available, depending on what coverage is to be provided. (PR)

Dynamo Clause.

See Electrical Exemption Clause. (PR)

EC.

See Extended Coverage. (PR)

Earnings Insurance.

A form of Gross Earnings Business Interruption Insurance, whose principal feature is the lack of a coinsurance clause. It is designed for small risks, and the maximum amount of loss the insured can collect in any 30-day period is established when the policy is written. (PR)

Earth Movement.

A peril including landslide, mud flow, earth sinking, rising or shifting, and earthquake. Usually excluded on homeowners' and commercial property policies. (PR)

Earthquake Insurance.

Insurance covering damage caused by an earthquake as defined in the contract. (PR)

Easement.

An interest in land owned by another that entitles its holder to specific uses. (PR)

Electrical (or Electrical Apparatus) Exemption Clause.

A clause providing that damage to electrical appliances caused by artificially generated electrical currents is recoverable only if fire ensues and then only for the damage caused by the fire. (PR)

Electronic Data Processing (EDP) Coverage.

Specialized type of insurance designed to cover computer equipment, data systems, information storage media and expenses or income loss related to EDP losses. (PR)

Elevator Collision Coverage.

Coverage for damage caused by collision of an elevator without regard to fault. This includes damage to personal property, the building, and the elevator itself. Liability coverage is usually provided automatically by Business Liability policies. (PR,LA)

Endorsement Extending Period of Indemnity.

An endorsement attached to Business Interruption policies which extends coverage to the period during which a business has reopened for business but have not reached the level of business activity which existed prior to the Business Interruption loss. (PR)

Engineer (Loss Prevention Engineer or Safety Consultant).

An insurer's staff member who is charged with the responsibility of loss prevention and who assists in the securing of underwriting and rating information. (PR,LA)

Expediting Expenses.

Expenses incurred in order to speed up repair or replacement so as to reduce the amount of loss by a peril covered in a policy. Most commonly used in connection with Business Interruption and Boiler and Machinery insurance. Expediting expenses are generally covered if they do reduce the amount of the loss that the insurer would otherwise have to pay. (PR)

Explosion Insurance.

Insurance against loss of property due to explosion but not including explosion of steam boilers, pipes, and certain pressure instruments. Most commonly written as part of the Extended Coverage Endorsement. (PR)

Extended Coverage (EC).

A common extension of property insurance beyond coverage for fire and lightning. Extended coverage adds insurance against loss by the perils of windstorm, hail, explosion, riot and riot attending a strike, aircraft damage, vehicle damage, and smoke damage. At one time EC was added by endorsement. In recent years it has been included on many forms as either an optional coverage or as part of the minimum coverages provided. (PR)

Extended Period of Indemnity.

A Business Income coverage that continues coverage for income losses for a period of time after operations have resumed. (PR)

Extra Expense Coverage Form.

A commercial property form designed to cover extra expenses incurred by a business so it can remain in operation following a property loss. See Extra Expense Insurance. (PR)

Extra Expense Insurance.

A form that provides reimbursement to the insured for the extra expenses reasonably incurred to continue the operation of a business when the described property has been damaged by a peril covered by the contract. This insurance is normally used by businesses where continuity of operation, regardless of cost, is a necessity as, for example, any business that would permanently lose customers if there were any suspension of operations. The term Additional Living Expense Insurance is defined with regard to extra expenses incurred by individuals, and such coverage is a common feature of homeowner policies. (PR)

FAIR Plan.

Fair Access to Insurance Requirements. A pooling plan reinsured by the United States government that makes insurance available to those in inner-city or other high risk areas who cannot obtain insurance through normal channels. Coverages for fire and allied perils is available, with considerably high limits, after inspection of the premises. (PR)

FIA.

See Factory Insurance Association. (PR)

Factory Insurance Association (FIA).

An association of stock Property insurers established to provide insurance and engineering services for insurer writing highly protected exposures. (PR)

Factory Mutuals.

Member insurers of the Factory Mutual System, which is a group of mutual coinsurers formed to provide member insurers with insurance and engineering services. (PR)

Fair Rental Value Coverage.

Insurance that pays the loss of rental value, minus expenses which do not continue, when property rented to others or held for rental is damaged by a peril insured against. (PR)

Fallen Building Clause.

A provision in certain Property Insurance contracts which specifies that if a material part of an insured building collapses from causes other than fire or explosion, the fire coverage becomes void. (PR)

Farm Coverage Part.

One of the coverage parts available under the Commercial Package Policy program. Coverages may be included for farm property, agricultural equipment, livestock, and farm liability. (PR,LA)

Farm Personal Property.

Scheduled or unscheduled classes of farm property which may be covered by the Farm Property Coverage Form. It may include grain, feed, supplies, livestock, farm machines and farm vehicles. Contrast with Household Personal Property. (PR)

Farm Property Coverage Form.

A farm coverage form which may be used to cover residential dwellings, other private structures, household personal property, farm personal property, and other farm structures. (PR)

Farmowners-Ranchowners Policy.

A package policy providing Property coverage on farm dwelling buildings and contents, as well as barns, stables, and other farm outbuildings. Liability coverage is also included. It is similar to a Homeowners policy adapted to cover farm properties. (PR)

Federal Crop Insurance Corporation.

A federal government agency which provides insurance on growing crops. (PR)

Fellow of the Society of Actuaries (FSA).

A designation which is gained by the completion of a series of examinations, as well as other experience requirements. (PR,LA)

Fire.

Combustion which is rapid enough to produce a flame or glow. A fire, for purposes of Property Insurance, must be "hostile," which means it is not in a place in which it is intended to be. Fires in their proper contained area are called "friendly fires" and are not covered under most basic Property Insurance policies. (PR)

Fire Department Service Clause.

A provision in a Fire Insurance policy that provides the insured with indemnification for charges he incurs due to action by a fire department to save his property. It is useful for property located outside the jurisdiction of the nearest fire department and where the call will be answered only for a fee. (PR)

Fire Legal Liability.

An insurance policy which protects the insured against liability incurred when his negligent actions result in the destruction of property which is in his care, custody or control. (PR)

Fire Maps.

A visual record of the distribution of Fire Insurance written by all reporting insurers placed on sectional maps. The maps show graphically the distribution of the insureds' covered properties in a given area and make it possible to avoid catastrophic losses. (PR)

Fire Marshal.

A public official responsible for the prevention and investigation of fires. The marshal and his office are usually financed by a tax on the premiums of Property insurers. (PR)

Fire Resistive Construction.

A building which has exterior walls, floors, and roof constructed of masonry or other fire-resistive materials. (PR)

Fire Wall.

A structure (wall) which is designed to seal off fires within a building. (PR)

Fireproof.

A term used in describing building construction. It refers to buildings which are of such construction as to be practically undamageable by fire. However, the term is a misnomer, since no building is completely undamageable by fire, and it is gradually being replaced by the words "fire resistive." (PR)

Flat Deductible.

A deductible which is not one of the disappearing or franchise type. A specific amount deducted from each loss or claim. (PR)

Flood.

A general and temporary condition of partial or complete inundation of normally dry land areas from (1) overflow of inland or tidal waters, (2) the unusual accumulation and runoff of surface waters from any source, or (3) abnormal, flood-related erosion and undermining of shorelines. Flood also means inundation from mud flows caused by accumulations of water on or under the ground, as long as the mud flow and not a landslide is the proximate cause of loss. (PR)

Flood Insurance.

A form of insurance designed to reimburse property owners from loss due to the defined peril of flood. Usually sold in connection with a government Flood Insurance plan. (PR)

Floor Plan Insurance.

A form of insurance covering merchandise held for sale by a retailer which has been used as collateral for a loan. The lending institution, in effect, is insuring its collateral the merchandise "on the floor" of the retailer. (PR)

Following Form.

A term for a Fire or other form written exactly under the same terms and coverages as other insurance on the same property. (PR)

Foundation Exclusion Clause.

A provision in a Fire Insurance contract which provides that the value of the foundation is not to be included when determining the value of property at the time of a loss. (PR)

Frame.

A type of construction. A frame building is primarily made with wood frames and joists. (PR)

Friendly Fire.

See Fire. (PR)

Full Reporting Clause.

Under this clause, an insured is required to report values periodically. The clause provides for a penalty to the insured if true values are not reported. (PR)

General Cover Form.

An old term for Reporting Form policy. See Reporting Form. (PR)

General Property Form.

This form commonly in use for coverage on the property of commercial risks from whatever perils are specified in the contract. (PR)

Glass Coverage Form.

A commercial property form used to insure plate glass, lettering, frames and ornamentation. It has replaced earlier commercial glass insurance forms. (PR)

Grading Schedule for Cities and Towns.

A schedule prepared by the National Board of Fire Underwriters for the purpose of determining which of ten grades to assign to a city for fire rating purposes, based on such factors of fire protection as water supply. (PR)

Gross Earnings.

An accounting term which is arrived at by subtracting the cost of goods sold from the total sales. Traditionally, the term was used primarily in Business Interruption Insurance as the basis for determining how much insurance a policyholder should carry. The latest Business Income insurance forms have dropped this term. (PR)

Gross Earnings Form.

A form once used widely in the writing of Business Interruption Insurance. Coverage was written on either the Gross Earnings Form or the Earnings Form. The latest Business Income coverage forms no longer refer to gross earnings. (PR)

Group I Rates.

Under the latest commercial lines program, this term replaces the term "Fire Rates" for property coverages. Rates are included in Group I for fire, lightning, explosion, sprinkler leakage and vandalism. (PR)

Group II Rates.

Under the latest commercial lines program, this term replaces the term "Extended Coverage Rates" for property coverages. Rates are included in Group II for windstorm, hail, smoke, riot or civil commotion, aircraft, vehicles, sinkhole collapse and volcanic action. (PR)

Group Property and Liability Insurance.

The same definition as Group Life Insurance but applied to Property and Liability coverages. See Group Life Insurance. (PR,LA)

HPR.

See Highly Protected Risk. (PR)

Hail Insurance.

Insurance against loss of crops caused by hail. (PR)

Highly Protected Risk (HPR).

Refers to Property risks which meet the standards required for lower rates. Risks of this type are usually protected by sprinklers and have better-than-average construction and occupancy. The term is most often used in connection with the factory mutuals, Factory Insurance Association, and the improved risk mutuals. (PR)

Homeowners Policy.

A Property and Liability Insurance contract that provides insurance against any of the Property and Liability perils to which a homeowner or renter is exposed. (PR,LA)

Honesty Clause.

See Full Reporting Clause. (PR)

Hostile Fire.

See Fire. (PR)

Household Personal Property.

The term given to household goods, furniture and personal belongings of residents of a farm dwelling. The Farm Property Coverage Form uses the term "household" to distinguish it from the separate coverage for "farm" property. Contrast with Farm Personal Property. (PR)

"If" Clauses.

Clauses which terminate coverage "if" certain conditions are created or discovered. An example is the concealment or misrepresentation provision which states that if this is discovered, the coverage is void. Contrast with "While" Clauses. (PR)

In Kind.

An expression relating to the insurer's right in many Property contracts to replace damaged objects with new or equivalent (in kind) material, rather than to pay a cash benefit. (PR)

Increased Cost of Construction Insurance.

Insurance that covers the additional cost of reconstructing a damaged or destroyed building where ordinances require rebuilding with more expensive materials, services, or techniques. (PR)

Increased Hazard.

Property Insurance policies provide that coverage shall be suspended when the hazard in a risk is increased beyond that contemplated when the insurance was written. If a dwelling owner commences manufacturing dynamite in his home, the hazard is extremely increased, and coverage could be denied by the insurer if there were a loss. (PR)

Indirect Loss (or Damage).

Loss resulting from a peril but not caused directly and immediately by that peril. For example: Loss of property due to fire is a direct loss, while the loss of rental income as the result of the fire would be an indirect loss. See also Consequential Loss. (PR)

Inflation Guard Coverage.

Coverage which provides for automatic periodic increases in the amount of insurance on buildings to keep an appropriate "limit to value" considering the effect of inflation on building replacement costs. An endorsement is usually used to add this coverage to a Homeowners Policy. On the latest commercial property forms, inflation guard coverage is an option that may be activated by an entry in the declarations. (PR)

Inherent Explosion.

An explosion caused by some condition existing in and natural to an insured's premises. An example would be a dust explosion in a grain elevator. (PR)

Inherent Vice.

A fault in property that leads to its self-destruction. Insurance contracts usually exclude such damage. (PR,IM)

Inspection Bureau.

An organization created by Property and Liability insurers to investigate exposures and to establish rates. Many bureaus which establish fire and related perils rates for Property contracts are called "inspection bureaus." (PR,LA)

Institutional Property.

Property eligible for special treatment under package policies. Essentially these are properties occupied by sanitariums and educational, religious, charitable, government, and non-profit organizations. (PR)

Insurance Information Institute (III).

The agency of the Property and Liability business designed to deal with the public relations programs of various segments of the business. (PR,LA)

Insurance Services Office (ISO).

An organization of the Property and Liability Insurance business designed to gather statistics, promulgate rates, and develop policy forms. (PR,LA)

Iron Safe Clause.

A provision in a Property Insurance policy which requires the insured to keep his records in a safe when they are not used. (PR)

Joisted Masonry Construction.

A building which has exterior walls constructed of masonry materials, such as adobe, brick, concrete, gypsum block, hollow concrete block, stone, tile, or other similar materials, and a roof and floor constructed of combustible materials. A floor which rests directly on the ground is an exception and may be disregarded. (PR)

Lag Coverage.

See Endorsement Extending Period of Indemnity. (PR)

Leader Location.

A location which attracts customers to the insured's business. One of the four types of dependent properties for which Business Income coverage may be written. (PR)

Leasehold Interest Coverage Form.

Commercial property coverage form used to insure an insured tenant's interest in a favorable lease under which the rent paid is less than the rental value of alternative premises. Pays the difference between rent paid and the rental value for remainder of the lease if the lease is canceled because of property damage caused by a peril insured against. (PR)

Leasehold Interest Insurance.

A form of Property Insurance that provides protection against the loss of a favorable lease if it should be terminated as a result of damage to the property by a peril covered by the contract. A leasehold value is determined by finding the difference between the rental value of the property at current rates and the rent payable under the terms of the lease. This amount is multiplied times the remaining term of the lease. (PR)

Liberalization Clause.

A clause in Property Insurance contracts which provides that if policy or endorsement forms are broadened by legislation or ruling from rating authorities and no additional premium is required, then all existing similar policies will be construed to include the broadened coverage. (PR)

Limit of Liability Rule.

A prescribed procedure for allocating Property Insurance losses among insurers that provide protection on a given piece of property. It is called the "pro rata liability rule" In a Standard Fire policy. (PR)

Limited Theft Coverage Endorsement.

This form may be attached to a Dwelling Policy to provide theft coverage for a named insured who is not an owner occupant. (PR)

Line Card.

A record kept by a Property insurer of the insurance sold to any one particular insured. (PR)

Livestock Coverage Form.

A commercial property form which may be attached to a Farm Coverage Part to insure livestock. This form replaced various inland marine forms which were commonly used to insure farm property and livestock. (PR)

Livestock Insurance.

A named perils contract that provides a prescribed lump sum payment to an insured upon the death of any animal covered by the policy. (PR)

Livestock Mortality Insurance.

The equivalent of Life Insurance for livestock. (PR)

Livestock Transit Insurance.

Insurance against accidents causing death or crippling on shipments of livestock while in transit by rail, truck, or other similar means of transportation. (PR)

Loss Assessment Charge.

An insured's share of a loss assessment for property damage or liability which is charged by a corporation or association of property owners. Homeowners policies provide some coverage for loss assessments charged against the insured as owner or tenant of a residence premises. (PR,LA)

Loss Clause.

See Automatic Reinstatement Clause. (PR)

Loss of Use Insurance.

Coverage to compensate an insured for the loss of use of his property if it cannot be used because of a peril covered by the policy. See also Additional Living Expenses. (PR)

Loss Payable Clause.

A provision in Property Insurance contracts that authorizes payment to persons other than the insured to the extent that they have an insurable interest in the property. This clause may be used when there is a lien or loan on the property being insured, and it protects the lender. (PR)

Loss Prevention Engineer.

See Engineer. (PR,LA)

MPIC.

Multiple Peril Insurance Conference. (PR)

Machinery Breakdown Insurance.

See Boiler and Machinery Insurance. (PR)

Manufacturers Output Policy.

A policy covering the personal property of a manufacturer on an all-risk basis. Coverage is usually restricted to property away from the premises. Its original use was for manufacturers who send some of their products out to be processed by other companies. (PR)

Manufacturer's Selling Price Clause.

Values unsold finished goods at the price at which they could have been sold at the time of a loss. (PR)

Manufacturing Location.

A location which manufactures products for delivery to the insured's customers under a sales contract. One of the four types of dependent properties for which Business Income coverage may be written. (PR)

Map.

A geographical map is used by a Property Insurance underwriter to locate the area and character of a risk, especially in a large city. Maps may also be used to keep track of the number of insureds in a particular area so that an insurer does not subject itself to a possible catastrophic loss. (PR)

Map Clerk.

A junior underwriter who enters such essential data as policy numbers, amounts of coverage, and property covered on maps to enable an insurer to determine its liability or exposure in a given area. (PR)

Market Value Clause.

A provision that may be used in certain Property Insurance forms which obligates an insurer to pay the established market price of destroyed or damaged stock rather than its cost to the insured, as is usually provided in the Standard Fire policy. This coverage is only available to manufacturers with finished products, not to wholesalers or retailers. (PR)

Masonry Noncombustible Construction.

A building which has exterior walls constructed of masonry materials, such as adobe, brick, concrete, gypsum block, hollow concrete block, stone, tile, or other similar materials, with floors and roof constructed of metal or other noncombustible materials. (PR)

Maximum Foreseeable Loss.

See Amount Subject. (PR)

Maximum Possible Loss.

See Amount Subject. (PR)

Mercantile Risk.

A term most often used in Property Insurance meaning a retail or wholesale risk as contrasted with a service risk, a manufacturing risk, or a habitational risk. (PR)

Mill (or Slow-Burning) Construction.

Construction meeting certain high specifications and standards. Factories and warehouses, constructed to meet these specifications qualify for reduced Fire Insurance rates. (PR)

Minimum Rate.

A rate for low hazard risks. (PR)

Mobile Agricultural Machinery and Equipment Coverage Form.

A commercial property form specifically designed to insure farm machinery and equipment when it is the only exposure, or when the coverage must be written separately. Similar coverage may also be included in the Farm Property Coverage Form. (PR)

Mobile Home Policy.

A Homeowners policy written on a mobile home which is permanently situated. (PR)

Modified Fire-Resistive Construction.

A building which has exterior walls, floors and roof constructed of masonry or fire-resistive materials. (PR)

Mortgage (or Mortgagee) Clause.

A provision attached to a Fire or other direct damage policy that covers mortgaged property, specifying that the loss reimbursement shall be paid to the mortgagee as the mortgagee's interest may appear, that the mortgagee's rights of recovery shall not be defeated by any act or neglect of the insured, and giving the mortgagee other rights, privileges, and duties. For instance, one duty is that the mortgagee must report to the insurer any change in hazards that he becomes aware of. (PR)

Mortgage Holders Errors and Omissions Coverage Form.

A commercial Property form which protects the interests of mortgage holders from losses resulting from errors and omissions. (PR)

Mortgagee.

The creditor to whom a mortgage is given and who lends money on the security of the value of the property mortgaged. (PR)

Mortgagor.

The debtor who receives money and in turn grants a mortgage on his or her property as security for a loan. (PR)

Multi-Peril Crop Insurance (MPCI).

Crop insurance usually providing coverage against crop losses by adverse weather (hail, wind, etc.), fire, flood, insects, plant disease and other perils. (PR)

Multiple Location Policy.

Protection of property in more than one location that is owned or controlled by one person. (PR)

Multiple Location Rating Plan.

See Premium and Dispersion Credit Plan. (PR)

NEPIA.

Nuclear Energy Property Insurance Association. (PR)

Named Perils.

Perils specifically covered on property insured. Contrast Named Perils Insurance with All-risks Insurance, which covers all losses not specifically excluded. (PR)

National Crop Insurance Association.

A sister organization to the Crop Hail Insurance Actuarial Association (CHIAA). In 1989 these two organizations were consolidated to become National Crop Insurance Services (NCIS). (PR)

National Crop Insurance Services (NCIS).

A voluntary, nonprofit organization made up of more than 140 member companies that compiles research and statistics in order to develop crop insurance rates and forms. (PR)

National Flood Insurance Program (NFIP).

Federal program providing flood insurance for fixed property. Under a "dual" program coverage may be written directly by the NFIP or by private carriers whose losses may be reimbursed by the NFIP. (PR)

New York Standard Fire Policy.

The basic Fire Insurance contract which was used in nearly every state with only a handful of exceptions. It provided coverage against loss by fire, lightning, and removal, and established policy provisions that became the foundation for property insurance contracts. EC and VMM coverage could be added by endorsement. With the introduction of modern policy forms, the standard fire policy has become obsolete, except in a few states where its use continues to be required by law. (PR)

Nonconcurrency.

The situation that exists when a number of insurance policies intended to cover the same property against the same hazards are not identical as to the extent of coverage.

Nonconcurrency usually results in an insured not being fully covered for a loss. Modern forms have minimized the problem of nonconcurrency. (PR)

Noon Clause.

A provision in an insurance contract stating that the insurance coverage starts at noon, standard time, at the location of the insured's property. Most property policies have now been changed so that the effective time is 12:01 a.m., thus the noon clause is not often encountered. (PR)

Object.

In Boiler and Machinery Insurance, the name of the vessel insured; the object of insurance. (PR)

Occupancy.

This refers to the type or character of use of the property in question. The type of occupancy has a bearing on its desirability and also effects the rate for the policy. (PR)

Off Premises.

A clause in a Property Insurance contract extending coverage away from the premises described in the policy. The amount of coverage away from the premises is usually restricted to a percentage of the total coverage on the premises, e.g., 10%. (PR)

Omnibus Risk.

A structure housing a number of tenants engaged in a variety of businesses. (PR)

Open Policy.

An insurance contract in which the terms of the policy are not fixed at the inception nor is an expiration date specified, but limits of liability are set forth for the protection it offers. No deposit premium is required, but monthly reports are made and sent with premiums due at that time, and certificates of insurance are issued to indicate the property covered. An open policy is commonly used to cover goods in transit. (PR,IM)

Ordinary Construction.

A building in which floors are on wood joists, in which the interior finish usually conceals space where fire can spread, and which has little protection of stair shafts. (PR)

Ordinary Payroll.

A Business Interruption term meaning the entire payroll expense for all the employees of an insured except officers, executives, department managers, employees under contract, and other important employees. This payroll can be excluded or limited from Business Interruption forms, reducing the amount of insurance and insured is required to carry. (PR)

Other Structures.

Structures, such as a garage or storage shed, which are separated from an insured dwelling by a clear space, or are connected only by a fence or utility line. Dwelling and Homeowner policies provide coverage for other structures. (PR)

Outage Insurance.

A type of insurance which covers against loss of earnings due to the failure of machinery to operate because of an insured peril causing damage to the premises. Similar to Extra Expense Insurance. (PR)

PILR.

See Property Insurance Loss Register. (PR)

PML.

See Probable Maximum Loss. (PR)

Peak Season Endorsement.

An endorsement which provides increased amounts of coverage on inventories during peak seasons, beginning and ending on dates specified in the endorsement. (PR)

Per Diem Business Interruption.

A type of Business Interruption policy which provides a stated amount to be paid for each day that the business is interrupted due to an insured peril. (PR)

Percent Subject.

See Amount Subject. (PR)

Period of Restoration.

The period during which Business Income coverage applies. It begins on the date direct physical loss occurs and interrupts business operations, and ends on the date that the damaged property should be repaired, rebuilt or replaced with reasonable speed. (PR)

Personal Property.

Any property of an insured other than real property. Homeowner policies protect the personal property of family members, and commercial forms are used to protect many types of business personal property of an insured. (PR)

Personal Property Floater.

A Broad Form policy covering all personal property worldwide, including at the insured's home. Similar coverage is available by endorsement as part of the "Special" Homeowners policy form. (PR)

Physical Damage.

A generic term indicating actual damage to property. (PR)

Plate Glass Insurance Policy.

See Comprehensive Glass Insurance Policy and Glass Coverage Form. (PR)

Pluvius Insurance.

Another name for Rain Insurance. (PR)

Power Interruption Insurance.

This coverage indemnifies the insured in the event of loss due to the interruption of power supplied by a public utility and caused by any of the perils insured against. (PR)

Power Plant Insurance.

This policy insures electricity generating plants against loss caused by certain specified perils. (PR)

Premium Adjustment Form.

A form wherein a deposit premium is charged at the beginning of the policy period, periodic reports of exposures are made by the insured during the policy term or at the end of it, and premiums are adjusted as reports are received or at the end of the policy period. (PR)

Premium and Dispersion Credit Plan.

A method of allowing certain credits to large commercial property risks with two or more locations. These credits are based on the fact that there are several locations which are dispersed and, therefore, represent a reduced hazard. Efficiency of management in loss prevention, plus expense savings in handling large amounts of insurance under one policy are also considered. (PR)

Pressure Vessel.

Any type of vessel or container which is designed to hold liquids or gases under pressure. (PR)

Pro Rata Distribution Clause.

A provision used in writing of blanket form policies under certain circumstances to divide the amount of insurance carried in the policy among several subjects of insurance, in the proportion that the value of each subject of insurance bears to the total of all items covered under the policy. Withdrawn from use in most states in 1978. (PR)

Pro Rata Liability Rule.

See Limit of Liability Rule. (PR)

Probable Maximum Loss (PML).

The maximum amount of loss that one would expect under ordinary circumstances, such as fire departments responding, sprinklers working, etc. Contrast with Amount Subject. (PR)

Profits and Commissions Insurance.

A kind of insurance with which a salesman or a sales agent whose income is tied to profits or commissions on certain property can insure against loss of income due to the destruction of the property. (PR)

Property Insurance.

Insurance that indemnifies a person with an interest in physical property for its loss or the loss of its income producing abilities. This definition encompasses all lines of insurance written by Property and Inland Marine insurers and can also include certain kinds of insurance written by Casualty insurers, e.g., Burglary and Plate Glass coverages. (PR)

Property Insurance Loss Register (PILR).

A computerized record of all fire losses over \$500 established by the American Insurance Association (AIA). The PILR enables companies to determine undisclosed duplicate insurance coverage and patterns of losses on submitted risks. (PR)

Protected Risk.

A property risk which is within the geographical area protected by a fire department. (PR)

Protection Class.

The grading of fire protection, determined by the Grading Schedule of Cities and Towns, for a given area. This designation is used for all fire rating except for dwellings, in which case the Dwelling Class is used. (PR)

Quota Share Insurance.

Property Insurance which shares according to some percentage, or quota, with other policies covering the same risk. (PR)

Radioactive Contamination Insurance.

Coverage which may be added to a Property policy to cover certain risks where there is neither a nuclear reactor nor nuclear fuel on the premises but which might occasionally be exposed to contamination damage from other material on the insured's premises. Liability losses caused by nuclear reaction and radioactive contamination are excluded from most insurance contracts and are usually covered under policies issued by pools created for this purpose. See also Mutual Atomic Energy Pool. (PR)

Rain Insurance.

A type of coverage which protects an insured against losses caused by cancellation of an outdoor event due to rain. The policy usually covers loss of income. The rain, hail, snow or sleet usually must exceed a certain amount and must occur during a stated period of time, either before or during the event. (PR)

Rating, Schedule.

See Schedule Rating Plan. (PR,LA)

Recipient Location.

A location which accepts the insured's products or services. One of the four types of dependent properties for which Business Income coverage may be written. (PR)

Recording Agent.

The name by which a policy writing agent is known in the Property Insurance business. (PR)

Red-Lining.

Discriminating unfairly against a risk solely because of its location. An example would be refusing to insure a risk because the building is located in a depressed area or location. Sometimes these areas are referred to as blackout areas. (PR)

Removal.

Removing property to protect it from loss. Most personal and commercial property forms cover damage to property at another location when it has been removed from the premises to protect it from loss by a peril insured against. (PR)

Rent Insurance.

See Rental Value Insurance. (PR)

Rental Value Insurance.

A form of Property Insurance that provides indemnity (1) for the loss of the rental value of property when the owner or tenant is deprived of the use of the property because it has been damaged by an insured peril, or (2) for the loss by the owner-landlord of the rent that would have been payable by a tenant of the property, under the terms of the lease or by statute, when he is relieved of liability for the payment of rent during a period of untenability due to an insured peril. (PR)

Replacement Cost.

The cost of replacing property without a reduction for depreciation. By this method of determining value, damages for a claim would be the amount needed to replace the property using new materials. Contrast with Actual Cash Value. (PR)

Replacement Cost Insurance.

Insurance that provides that loss will be paid on a replacement cost basis. See also Replacement Cost. (PR)

Reporting Form.

The form for a periodic report to an insurer by an insured that covers the fluctuating values of stocks of merchandise, furniture and fixtures, and improvements and betterments. Premiums are adjusted annually, based on the average values insured during the policy period. An insured with fluctuating inventories might use this form. (PR)

Residence Premises.

In homeowners insurance, the dwelling, other structures and grounds, or that part of any other building where the named insured lives. (PR,LA)

Riot.

A peril covered by the extended coverage (EC) or direct reference in some policies. It is violent action by two or more people. State laws vary as to how many people it takes to constitute a riot. (PR)

Risk.

The physical units of property insured or the physical units of property at risk. Contrast with Peril and Hazard. (PR)

Safety Consultant.

See Engineer. (PR,LA)

Salvage Corps.

An organization whose duties are limited to preventing further damage to property during or after a fire. They are established by Property Insurance companies. (PR)

Schedule.

A list of individual items covered under one policy, such as various buildings and contents. (PR)

Schedule Policy.

An insurance contract that lists separate kinds of property, separate locations, or separate insurance coverages with the amount of insurance applying to each. (PR)

Schedule Rating Plan.

(1) Applying debits or credits within established ranges for various characteristics of a risk which are either below or above average according to an established schedule of items.

(2) Under Liability and Automobile Insurance, the schedule rating plan has been designed to allow credits and debits for various good or bad features of a particular commercial risk. An example in automobile schedule rating would be allowing credits for driver training classes or fleet maintenance programs. (PR,LA,AU)

Selling Price Clause.

See Market Value Clause. (PR)

Single Interest Policy.

Insurance protecting the interest of only one of the parties having an insurable interest in property, such as insurance protecting a mortgagee but not a mortgagor or protecting a seller but not a buyer. (PR)

Sinkhole Collapse.

The peril of a sudden sinking or collapse of land into underground empty spaces created by the action of water on limestone or similar rock formations. This peril is now covered by the latest commercial property forms. Other forms of earth movement continue to be excluded in most cases. (PR)

Slow-Burning Construction.

See Mill Construction. (PR)

Smoke Damage.

Damage caused by the smoke from a fire in contrast to damage caused by the actual combustion. (PR)

Sonic Boom.

Noise, pressure, and shock waves resulting from an aircraft or missile exceeding the speed of sound. At one time property damage caused by sonic boom was excluded under most property forms. Modern commercial property forms and homeowner policies now cover losses by sonic boom. (PR)

Special Building Form.

A form which provides all-risk coverage on commercial buildings, subject to certain exclusions. It was once the broadest coverage available on buildings. Largely replaced by the Building and Personal Property Coverage Form. (PR)

Special Coverage Form.

Any of the commercial or personal lines property forms which provide coverage on an all-risk type basis. These forms provide the broadest coverage and do not list covered perils, but do include a lengthy list of exclusions. (PR)

Special Personal Property Form.

A form which provides all-risk coverage on the personal property (contents) of commercial risks with certain exclusions. It was once the broadest coverage available on commercial contents. Largely replaced by the Building and Personal Property Coverage Form. (PR)

Specific Insurance.

A policy which describes specifically the property to be covered. This is in contrast to a policy which covers on a blanket basis all property at one or more locations without specific definitions. In the case of overlapping coverages, specific insurance is considered the primary one. (PR)

Specific Rate.

A rate applying to an individual piece of property. (PR)

Specified Perils.

See Named Perils. (PR)

Sprinkler Leakage Insurance.

Insurance against damage done by the accidental discharge of water from an automatic sprinkler system, as contrasted with discharge because of heat from a fire. (PR)

Sprinkler Leakage Legal Liability Insurance.

Insurance which covers the legal liability of an insured who has a sprinkler leakage loss which damages the property of others, on a floor below or in adjoining premises, for instance. (PR,LA)

Standard Fire Policy.

See New York Standard Fire Policy. (PR)

Stated Amount.

An agreed amount of insurance which is shown on the policy, and which will be paid in the event of total loss regardless of the actual value of the property. (PR)

Statement of Values.

Sometimes property is written using a blanket rate and one single limit of liability applying to all locations. In order to determine the blanket or average rate, a rating bureau or company requires an insured to submit a declaration of the amounts of value at each separate location on a Statement of Values form. (PR)

Stock.

Merchandise for sale or materials in the process of manufacture, as distinguished from furniture, fixtures, or equipment. (PR)

Subsidence.

Movement of the land on which property is situated. A structure built on a hillside may slide down the hill due to earth movement caused by heavy rains. This is different from earthquake damage. (PR)

Tenants Policy.

A Homeowners form which is specifically designed for people who rent. (PR)

Testing Exclusion.

In boiler and machinery insurance, a provision that excludes coverage for any object while it is being tested. (PR)

Three-Fourths Value Clause.

A clause stating that the maximum loss the insurer will pay is three-fourths of the actual cash value of the property. It is rarely used today. (PR,OM,IM)

Time Element Insurance.

Insurance which covers expenses consequent to damage or destruction by an insured peril that continue over a period of time. The amount paid depends on the length of time during which the expenses accumulate. An example would be Business Interruption insurance, which pays for the loss of earnings during the time it takes to repair the property. (PR)

Tobacco Sales Warehouses Coverage Form.

A commercial Property coverage form used to insure tobacco warehouse operations. Tobacco is covered only while in the warehouse, and only for a limited period before, during, and after the regular auction season. (PR)

Trust and Commission Clause.

A provision found in some Property, Ocean Marine, and Inland Marine policies enabling a person to insure his interest in the property of another. (PR,OM,IM)

Tuition Fees Insurance.

An adaptation of Business Interruption coverage. It protects a school against the indirect loss of tuition fees that may result from a fire or other peril covered by the policy which closes the school. (PR)

U&O.

See Use and Occupancy. (PR)

Universal Mercantile System.

A process used in some areas to rate Property Insurance risks. It is being replaced rapidly by a new system developed by the Insurance Services Office. (PR)

Unoccupied.

Refers to property which may be furnished or have furnishings in it but is not occupied or being lived in. The Standard Fire policy prohibits unoccupancy beyond a specified period of time. This term is contrasted with vacant, which means that there is nothing within the building. (PR)

Use and Occupancy Insurance (U&O).

A term that was once used to refer to the coverages later known as Business Interruption Insurance, and now called Business Income Coverage. In this sense it is obsolete. It is, however, still used to refer to such loss of earnings in Boiler and Machinery Insurance. It is also used in some contracts which promise to pay on a valued basis, or fixed amount, for each day the insured is deprived of the use or occupancy of described property because of damage caused by a peril insured against. (PR)

V&MM, or VMM.

Vandalism and Malicious Mischief. Damage or destruction to property which is willful. Traditionally VM&M coverage was optional on many forms or added by endorsement, but today it is automatically covered by basic commercial and homeowner forms. (PR)

Vacant.

A term used in Property Insurance to describe a building that has nothing in it. This goes one step beyond the description of unoccupied. The Standard Fire policy prohibits vacancy beyond a specified period of time. Contrast with Unoccupied. (PR)

Valuable Papers and Records.

An all-risk coverage for physical loss or damage to valuable papers and records of the insured. It includes practically all types of printed documents or records except money. (PR)

Value Reporting Form.

Commercial form designed for businesses that have fluctuating merchandise values during the year. As values are reported (monthly, quarterly or annually) the amount of insurance is adjusted. Reporting forms help eliminate problems of over-insurance and under-insurance, as well as the need to continually endorse a policy. (PR)

Valued Policy.

A policy which states that in the event of a total loss, a specific amount will be paid, that being the amount stated in the policy. The effect is to eliminate the need for determining the actual cash value of an item of property in the event of a total loss. It is generally used with certain more valuable items, such as fine arts, antiques, and furs. See also Valued Policy Law. (PR)

Vandalism and Malicious Mischief.

See V&MM. (PR)

Waiver of Coinsurance.

A provision in a Property policy that the coinsurance clause will not apply if the total loss does not exceed a stated amount, such as 2% of the sum insured or the amount of \$2,500, whichever is greater. The reason for such a provision is to eliminate having to do a large inventory in order to determine whether or not the insured has complied with the coinsurance clause, especially where very small losses are involved. (PR)

Warranty Policy.

A policy written by a reputable company. The term is used in cases where additional coverage is needed: The additional policies all state that the reputable company's warranty policy will stay in force and that they provide coverage exactly like that of the warranty policy. (PR)

Watchman Warranty Clause.

A provision often found in a Burglary or Fire policy providing for a reduced premium if there is a watchman on duty. (PR)

Water Damage Clause.

A provision affording coverage for certain specified causes of water damage, e.g., damage caused by water leakage, overflow of heating or air-conditioning systems, or plumbing. (PR)

Wave Damage Insurance.

Coverage against damage to property resulting from high waves or tides. (PR)

"While" Clauses.

Clauses which suspend coverage "while" certain conditions exist, such as vacancy. (PR)

Windstorm.

Wind of sufficient violence to be capable of damaging insured property. Windstorm coverage has traditionally been part of extended coverage (EC), but today it is usually included automatically as part of basic coverages. (PR)

Work and Materials Clause.

This is a provision found in many Property Insurance policies which states that the insured is allowed to have the typical types of work and materials for his business. The clause makes this clear so that the policy cannot be voided later because of the "increased hazard" provision of the Standard Fire policy. (PR)

LAYERING PROPERTY LIMITS

BLANKET LIMIT:

Multiple coverages at single location

LOC #1
Building
Business Personal Property
Stock
Business Income
Extra Expense

One type of coverage at multiple locations

LOC #1	LOC #2	LOC #3
Bldg	Bldg	Bldg
BPP	BPP	BPP
Blanket Stock		
Blanket Business Income & Extra Expense		

Several coverages at multiple locations

LOC #1	LOC #2	LOC #3
Building		
Business Personal Property		
Stock		
Business Income & Extra Expense		

LOSS LIMIT:

An insurance limit that is less than the total property values at risk but high enough to cover the total property values actually exposed to damage in a single loss occurrence (review perils & definition of occurrence). This approach is usually used when the insurer is unable to provide a limit equal to the total property values at risk or when reinsurance costs for full blanket limit are prohibitive. No permission for excess.

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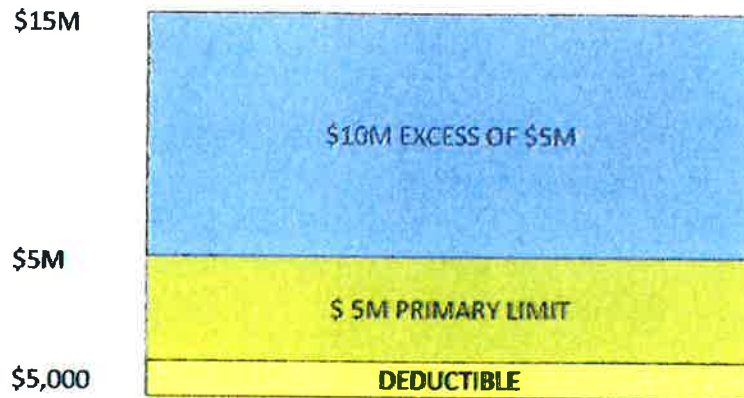
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PRIMARY:

Excess of deductible up to applicable limit of liability, regardless of the existence of other insurance.

EXCESS:

Provides only secondary coverage, while other policies would furnish primary or underlying coverage. A policy containing an excess other insurance clause would pay the difference between the coverage of the "primary" policies and the covered loss or excess layer limit.



QUOTA SHARE:

As its name indicates, a pro-rata other insurance clause attempts to limit an insurer's liability to its pro-rata share of a loss. The percentage paid may be based on the total coverage amount, the total premiums, or the total number of insurers affording coverage.

