

CHAPTER 18. GLOSSARY OF COMMON INSURANCE TERMS AND PHRASES

- ACCIDENT - a sudden, unexpected event which causes injury or death to a person or damage to property and which is specific in time.
- ACTUAL CASH VALUE - the cost to replace damaged property less the physical depreciation value of the property.
- ADVANCE AMORTIZATION FUND - proceeds from claim payments that are not used for repair of damage are deposited in this fund.
- AGENT - one who is licensed by a state to act on behalf of an insurance company in connection with the sale and servicing of insurance contracts. An agent is a representative of the insurance company.
- AGGREGATE COVERAGE - a method of providing a limit of liability for a certain term. Each loss occurring during the term lessens the amount of coverage available for subsequent losses.
- AGREED AMOUNT CLAUSE - a policy provision whereby the insured and the insurance company agree at the time the policy is issued what the limit of liability shall be. This clause is used in lieu of a coinsurance clause.
- ALL RISK POLICY - an insurance contract covering losses resulting from any cause except those which are specifically excluded. The term All Risk Policy is generally used in reference to property insurance.
- ANNUAL CONTRIBUTIONS CONTRACT (ACC) - a document which establishes the contractual relationship between HAs and HUD. Section 13 of the ACC states the insurance requirements for PHAs.
- APPORTIONMENT - where more than one insurance contract covers a loss, the determination of the extent to which each contract covers the loss. The division of a loss for which insurers may be liable under two or more contracts to determine the liability under each contract.
- APPRAISAL - a survey of property made for determining its insurable value. Also, the fire insurance policy provides for an appraisal process after a loss, on demand of either the insured or the company, to determine the amount of loss settlement in the event of a dispute regarding the actual cash value or the amount of loss.

ARBITRATION - a proceeding used instead of litigation to attempt settlement

of disputes between the parties to a contract. An arbitrator, or board of arbitrators selected because of their knowledge of the matter under arbitration hear evidence and render a decision.

ARSON - the willful and malicious burning of property.

ASSIGNED RISK POOLS - a pool of insurers each of whom is assigned a proportionate share of what would otherwise be an uninsurable risk.

ASSIGNMENT - the transfer of a contract of insurance from one party to another in conformity with the insurance contract.

ATTORNEY-IN-FACT - a person who is empowered to act for another person.

AUTOMATIC COVER - a clause in a property insurance contract providing that a certain amount of insurance will be provided for a limited time on newly acquired property without reporting the acquisition to the insurance company.

AUTOMATIC REINSTATEMENT - an insurance contract provision which reinstates the limit of liability after a loss to the amount in force before the loss. If the contract does not contain this provision, the policy amount will be reduced by the amount of each loss. This provision applies to property insurance coverages.

AUTOMOBILE LIABILITY - bodily injury and property damage liability coverage for vehicles used by a PHA/IHA.

BEST'S INSURANCE REPORTS - a book published by the A.M. Best Company containing financial and performance ratings of various insurance companies doing business in the United States.

BID BOND - a guarantee that the contractor will enter into a contract if it is awarded to him. The contractor must also furnish the contract bond (sometimes called a "performance bond") that is required by the terms of the bid bond. (See Contract Bond)

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BINDER - a temporary contract of insurance used to show evidence of coverage in force until the formal contract of insurance can be issued. It contains the effective date of coverage, a definite time limit, the name of the insurance company, the amount and type of insurance and the name of the insured. Binders should be written and signed by an

agent of the insurance company.

BLANKET CRIME POLICY - a form of package policy insuring against employee dishonesty, loss of money and securities both from inside and outside the insured premises; receipt of counterfeit currency and depositor's forgery. This policy may not be used in lieu of the required fidelity bond.

BLANKET POLICY - a policy covering all property under one limit of liability.

BODILY INJURY LIABILITY INSURANCE - Protection against claims arising from injury or death to members of the public for which the insured is legally liable.

BOND - a contract in which one party, the surety or bonding company agrees to pay another party, the obligee (PHA/IHA), in the event of a failure to perform or a dishonest act on the part of a third party, the principal (employee). (See fidelity bond, labor and material bond and performance bond in this section.)

BROKER - one who is licensed by a State to represent insureds in connection with the procurement of insurance. A Broker does not have binding authority.

BUILDERS RISK INSURANCE - a form of direct F&EC loss insurance used to cover a construction project. The policy insures the interest of the owner of the project, the contractor and all subcontractors in the building and material at the construction site.

BURGLARY - the act of illegally breaking and entering the premises of another with felonious intent. There must be visible evidence of the breaking and entry.

BURGLARY AND ROBBERY INSURANCE - insurance covering the loss of property by force or forcible entry of the insured's premises.

CASUALTY INSURANCE - insurance covering claims made by third parties against the insured as the result of injury to persons or damages to property for which the insured is legally liable.

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CERTIFICATE OF INSURANCE - A form issued by an insurance agent or company reciting the types, amounts and effective dates of insurance in force for a designated insured. Generally this form provides no rights upon the holder other than to be given prior notice of cancellation of the policy.

CIVIL AUTHORITY CLAUSE - a clause in a fire insurance contract extending coverage to losses intentionally caused at the

direction of civil authorities in an effort to prevent the spread of a fire.

CIVIL COMMOTION - an uprising of a large number of people resulting in property damage.

CLAIM - in direct property insurance contracts (Property and Boiler) it is a demand by the insured for recovery of damages caused by an insured peril or cause. In liability insurance contracts it is a demand by a third party against an insured for recovery of damages caused by an act or omission for which the insured is legally liable.

CLAUSE - a part of an insurance contract.

COINSURANCE - a clause in a property insurance contract requiring the insured to carry an amount of insurance equal to a set percentage of the insurable value of the property. Failure to carry an adequate limit would result in the insured becoming a co-insurer to the extent the limit carried was less than the required limit.

COLLISION INSURANCE - a direct damage insurance contract covering loss or damage to insured motor vehicles caused by collision with an object or upset of the vehicle.

COMMON LAW - non-statutory legal principles which have evolved from judicial precedents and customs originally based on the English legal system. Liability under common law is generally insured by a Commercial General Liability insurance contract.

COMPLETED OPERATIONS INSURANCE - A form of liability insurance which covers accidents arising out of operations which have been completed or abandoned, provided the accident occurs away from premises owned, rented or controlled by the insured.

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COMPLETED VALUE BUILDERS RISK INSURANCE - a direct damage property insurance contract covering the interest of the owner, the contractor and the subcontractor in property during the course of construction. The limit of liability under the contract is the value of the property at the completion of the construction period.

COMPREHENSIVE DISHONESTY, DISAPPEARANCE AND DESTRUCTION POLICY - policy providing, on an optional basis, coverage against employee dishonesty, loss of money and securities inside and outside the premises, money orders and counterfeit paper currency, forgery, burglary of merchandise and

theft of merchandise and equipment.

COMPREHENSIVE/COMMERCIAL GENERAL LIABILITY INSURANCE (CGL) - a broad form of liability insurance for bodily injury and property damage claims which combines, under one policy, coverage of all liability exposures (except those specifically excluded) on a blanket basis and automatically covers new and unknown hazards that may develop during the policy term. Under this form of policy, contractual liability coverage applies automatically to certain types of contracts. This policy may also be written to include Non-owned Automobile Liability.

CONCEALMENT - When applying for insurance, the failure to disclose known material facts with intent to defraud an insurance company.

CONDITIONS - policy provisions setting forth the obligations of both insured and insurer in dealing with each other, breach of which may suspend or void the policy coverage, e.g., the requirement for prompt notice by the insured of an accident or loss or prior cancellation by an insurer.

CONFLICT OF INTEREST - insurance agents or brokers who serve as insurance consultants to HUD or a PHA/IHA cannot submit bids for insurance procurement themselves. Refer to 24 CFR 85.36 for additional conditions that may be deemed a "conflict of interest".

CONSEQUENTIAL LOSS - loss not directly caused by damage to property, but which may arise as a result of such damage, e.g., spoilage of refrigerated food due to fire damage to refrigeration equipment.

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CONSTRUCTIVE TOTAL LOSS - term that describes a situation where the cost of repair of damaged property exceeds its actual cash value. Thus, it is considered a total loss, even though it may be repairable.

CONTINGENT LIABILITY - liability imposed upon an individual, corporation, or partnership because of accidents caused by those other than employees for whose acts or omissions the first party may be legally responsible.

CONTRACT - a binding agreement between two or more parties. The chief requirements for the formation of a valid contract are (1) parties having legal capacity to contract, (2) mutual assent of the parties to a promise, or set of promises, (3) a valuable consideration, (4) the absence of any statute or other rule making the contract void, and (5)

the absence of fraud or misrepresentation by either party.

CONTRACT BOND - guarantee of the faithful performance of a contract. The bond provides indemnity against failure of a contractor to comply with the terms of his contract.

CONTRACTOR'S EQUIPMENT FLOATER - an insurance policy to insure against loss or damage to the equipment and tools of a contractor which are usually used away from the contractor's premises.

CONTRACTOR'S LIABILITY INSURANCE - insurance purchased by the contractor for protection from specified claims which may arise out of or result from the contracting operations, whether such operations be by the contractor or by anyone directly employed by the contractor.

CONTRACTOR'S PROTECTIVE LIABILITY INSURANCE - See INDEPENDENT CONTRACTOR'S INSURANCE.

CONTRACTUAL LIABILITY - liability of another assumed by a party under a contract or agreement; e.g., indemnification or hold-harmless clauses.

CONTRIBUTION - insurance company's payment of, or obligation to pay, all or part of a loss.

COVERAGE - the word "coverage" is synonymous with "insurance" or "protection."

CURRENT INSURABLE VALUE - is the amount of property insurance coverage required by the ACC. It must equal at least 80 percent of the current replacement value of the PHA/IHA properties.

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DATA PROCESSING INSURANCE - coverage for physical damage to computers, loss of computer records or programs, or misuse of computer operations.

DECLARATION - statement made by a policyholder to an insurer or its agent upon which the insurer may rely in undertaking the insurance.

DEDUCTIBLE CLAUSE - specifies an amount or percentage to be deducted from any loss and makes the insurer liable only for the excess over a stated amount.

DIVIDENDS - the return of a percentage of an insurance premium to the policy holder by the insurance company.

EARTHQUAKE INSURANCE - protection for property located in earthquake-prone areas.

EMPLOYEES AS INSURED - liability coverage applying to both the PHA/IHA and its employees.

EMPLOYERS' LIABILITY INSURANCE - insurance protection for the employer against claims by employees or employees' dependents for damages which arise out of injuries or disease sustained in the course of their work, and which are based on common law negligence rather than on liability imposed by a Workmens' Compensation Act.

ENDORSEMENT - an amendment added to an made part of the insurance contract.

ERRORS AND OMISSIONS INSURANCE - this term is generally used to refer to coverage for liability arising out of errors or omissions in the performance of professional services other than in the medical profession. It would apply to services such as engineering, banking, accounting insurance or real estate.

ESTOPPEL - a bar raised by law which precludes a party from using a defense he/she may have had in consequence of his previous denial, conduct, or admission.

EXCESS INSURANCE - a policy or bond covering the insured against certain hazards, and applying only to loss or damage in excess of a stated amount. The risk of initial loss or damage (excluded from the Excess Policy or bond) may be carried by the insured or may be insured by another policy or bond providing what is known as "primary insurance."

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EXCLUSION - a provision of an insurance policy or bond referring to hazards, circumstances or property not covered by the policy.

EXPERIENCE MODIFIER - the percentage used in determining the rate for Workers' Compensation insurance to reflect the insured's claim experience.

EXPERIENCE RATING - a rating for Property/Casualty insurance determined by previous loss experience of the insured.

EXPIRATION - the date upon which a policy ceases coverage.

EXPOSURE - estimate of the probability of loss from some hazard, contingency, or circumstance, such as proximity of insured property to adjoining property or lack of proximity to fire hydrants. Also used to signify the estimate of an insurer's liability under a policy

from any one loss or accident.

EXTRA EXPENSE INSURANCE - reimburses the policyholder for the additional money the policyholder may be forced to spend to continue normal operations because of a fire or other insured loss.

FAIR PLANS - (Fair Access to Insurance Requirements) -established by many state insurance departments to provide fire insurance for properties located in areas that do not meet the ordinary underwriting standards of insurance companies.

FIDELITY BOND - protection against financial loss caused by employee dishonesty.

FIRE - combustion sufficient to produce a spark, flame, or glow, but not an explosion. The result must be "hostile" as opposed to "friendly," i.e., it must not occur in a place where it is intended, such as a furnace, stove or fireplace, and must be the proximate cause of damage.

FLOOD INSURANCE - first party coverage for properties located in flood plains.

FOLLOWING-FORM EXCESS LIABILITY INSURANCE - excess insurance which provides coverage subject to the same terms and conditions as the underlying primary policy.

FRIENDLY FIRE - fire confined to an intended place, e.g., in a furnace or fireplace.

GLASS INSURANCE - see PLATE GLASS INSURANCE.

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GOVERNMENTAL IMMUNITY - governments and instrumentalities of government, both state federal, and tribal, in the past have been held immune to suits alleging liability for damages on the grounds of sovereign immunity (the King can do no wrong), but through development of common law and by statutory enactment, such immunity has been to a considerable extent broken down. However, a number of states still recognize some limited governmental immunity and it may be raised as a defense with regards to tort claims against a PHA/IHA. Insurance companies should take these statutes into consideration when quoting rates for a PHA/IHA.

GUARANTEE BOND - see LABOR AND MATERIAL PAYMENT BOND AND PERFORMANCE BOND.

HAZARD - the conditions which may create or increase the probability of a loss from a given peril.

HIRED CAR - an automobile whose exclusive use and control has been temporarily given to the insured for a consideration.

HOLD HARMLESS AGREEMENT - see CONTRACTUAL LIABILITY.

HOSTILE FIRE - fire which occurs where it is not intended.

INDEMNIFICATION - a contractual obligation by which one person or organization agrees to guarantee another against loss or damage from specified liabilities. (See contractual liability and hold harmless agreement in this section.)

INHERENT EXPLOSION - explosion resulting from the normal processes of a hazard on the premises in which the explosion occurred and is caused by external causes; e.g., a dust explosion in a grain mill.

INLAND MARINE INSURANCE - includes first party insurance on domestic shipments, instrumentalities of transportation and communications, and movable property.

INSTALLATION FLOATER - coverage for machinery and other prefabricated or preassembled equipment while it is being transported to the job site; this coverage continues until the items covered have been installed, tested, and accepted.

INSURABLE INTEREST - any interest in property or relation thereto of such a nature that damage to the property will cause monetary loss to the insured.

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INSURANCE - contractual relationship which exists when one party (the insurer), for a consideration (the premium), agrees to reimburse another (the insured) or pay on his/her behalf for loss on a specified subject caused by designated contingencies which are hazards or perils.

INSURANCE POLICY - entire written contract of an agreement to ensure.

INSURING AGREEMENT - that portion of the insurance contract which states that coverage is provided.

LABOR AND MATERIAL PAYMENT BOND - a bond of a contractor in which a surety guarantees to specified parties with insurable interests in the contract that the contractor or the surety in the contractor's stead will pay for labor and materials used in the performance of the contract.

LARCENY - theft of business or personal property. This offense is defined by statute in most states.

LIABILITY - in general terms, any obligation which may be legally enforceable.

LIMIT OF LIABILITY - the maximum sum an insurance company is required to pay in the event of a loss.

LITIGATION - the act or process of carrying on a lawsuit.

LOSS- property damage, bodily injury, personal injury, or financial loss for which a claim can be filed.

LOSS OF USE INSURANCE - insurance protecting against financial loss during the time required to repair or replace property damaged or destroyed by an insured peril.

LOSS PROCEDURES - procedures to follow when a PHA/IHA experiences a loss.

MALICIOUS MISCHIEF - See VANDALISM AND MALICIOUS MISCHIEF.

MODERNIZATION - the upgrading, improvement, or repair of existing PHA/IHA property.

MORTGAGE CLAUSE - a provision in a fire or other direct-damage policy covering mortgaged property which states, that in the event of loss, the mortgagee shall be paid to the extent of his/her interest in the property. No violation of the policy conditions by the insured voids the policy as to the mortgagee. The clause also gives the mortgagee other rights and privileges.

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MULTI-PERIL POLICY - a single policy providing Property, Casualty, and Inland Marine Coverages. Other types of coverages are provided on an optional basis according to the rules of the manuals of the various states.

MUTUAL INSURANCE COMPANY - an insurance company which is owned by its policyholders.

NAMED INSURED - a person, firm, or corporation designated in the policy by name as the insured(s), contrasted to one who may have an interest as an insured in a policy, but is not designated as a "named insured," i.e., a mortgagee.

NAMED PERILS - a method of writing a contract of insurance which specifies those perils which are covered as opposed to "All Risk" coverage which covers all perils, except

those specifically excluded.

NEGLIGENCE - failure to exercise that degree of care which a reasonable and prudent person would exercise under the same circumstances.

NON-CONCURRENCY - a situation where two or more policies insure the same property under different descriptions, terms, or conditions; e.g., one policy may be written with a coinsurance requirement and another policy without it.

NON-OWNERSHIP AUTOMOBILE LIABILITY - insurance against legal liability arising out of the use of an automobile on behalf of the insured which is neither owned nor hired by an insured. The owner of the automobile is not covered.

NON-WAIVER - See RESERVATIONS OR RIGHTS.

NOTICE OF CANCELLATION CLAUSE - a provision stating that the insurance company will provide prior written notice to the insured before canceling a policy.

NO TORT IMMUNITY - see GOVERNMENTAL IMMUNITY.

OBJECT - any boiler, fired or unfired pressured vessel, machinery, or other apparatus covered under a Boiler and Machinery policy. It must be described in the insuring schedule and defined by endorsement.

OBLIGEE - a term used in surety bonds to refer to the person, firm, or corporation protected by the bond. The obligee under a bond is similar to the insured under an insurance policy.

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OBLIGOR - one bound by an obligation, commonly called "principal." Under a bond, both the principal and surety are obligors.

OCCUPANCY - refers to the type and character of the use of an insured property.

OCCUPATIONAL ACCIDENT - accident occurring in the course of one's employment and caused by inherent or related hazards.

OCCUPATIONAL DISEASE - impairment of health caused by continued exposure to conditions inherent in a person's occupation.

OCCURRENCE - accident or continuous exposure to conditions which result in injury or damage, provided the injury or damage is neither expected nor intended.

OCCURRENCE FORM - an insuring agreement which covers claims arising from both accidents and occurrences, as opposed to the more

limited accident only form.

OCCURRENCE POLICY - designates a policy which covers acts, omissions or claims occurring during the policy term, regardless of when the insured or insurance company is notified even if the policy is no longer in force, usually relates to general liability insurance.

OPEN AND COMPETITIVE BIDDING - the process required by Part 24 CFR 85.36 for the procurement of insurance contracts. It gives all interested bidders an equal opportunity to bid on PHA/IHA insurance.

OTHER INSURANCE CLAUSE - a clause in an insurance policy stating the course of action to be followed in case any other insurance is in effect on the same property or hazard.

OWNERS' AND CONTRACTORS' PROTECTIVE LIABILITY - third party legal liability insurance coverage protecting a contractor or owner from claims arising due to the activities of subcontractors.

PACKAGE POLICY - a single policy that includes several different forms of insurance coverages.

PAYMENT BOND - See LABOR AND MATERIAL PAYMENT BOND.

PENALTY - limit of an insurer's liability under a surety bond.

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PERFORMANCE BOND - bond of the contractor in which a surety guarantees to the owner that work will be performed by the contractor in accordance with the contract terms. Except where prohibited by statute, the Performance Bond is usually combined with the Labor and Material Payment Bond.

PERIL - cause of loss insured against by a policy such as fire, windstorm, explosion, burglary, etc.

PERMISSION TO ALTER CLAUSE - a clause in the F&EC policy that gives permission to alter or repair insured property as needed.

PERSONAL INJURY LIABILITY INSURANCE - protection against loss arising out of liability imposed upon the insured by law for injury or damage to the character or reputation of a person; i.e., false arrest, malicious prosecution, willful detention or imprisonment, libel, slander, defamation of character, wrongful eviction, invasion of privacy, or wrongful entry.

PLATE GLASS INSURANCE - insurance coverage against loss caused by

breakage of glass or by chemicals accidentally or maliciously applied, excluding only loss caused by fire, war, and nuclear hazards.

POLICY - See INSURANCE POLICY.

POLICYHOLDER - usually synonymous with "insured"; one who holds or owns an insurance contract.

POSITION SCHEDULE BOND - a bond that lists by job title the positions covered.

POWER OF ATTORNEY - an instrument authorizing another to act as one's agent. (See also ATTORNEY-IN-FACT.)

PROCUREMENT SCHEDULES - the timetable for PHA/IHA insurance bidding and procurement of insurance.

PRIMARY INSURANCE - provides coverage up to a specified amount or against specific perils. (See EXCESS INSURANCE)

PRINCIPAL - parties named in a surety bond for whose obligations the surety agrees to be equally liable; in the Performance Bond and Labor and Material Payment Bond, the contractor is the principal. In a Fidelity Bond, the employee is the principal.

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PRODUCTS LIABILITY INSURANCE - provides insurance for liability imposed for damages caused by an occurrence arising out of goods or products manufactured, sold, handled, or distributed by the insured or others trading under his name. The occurrence must happen after the product has been relinquished to others and is away from the premises of the insured. (See also COMPLETED OPERATIONS INSURANCE.)

PROOF OF LOSS - a written report detailing all relevant data regarding a loss which is sent to the insurance company by a PHA/IHA.

PRO RATA CANCELLATION CLAUSE - provides that no penalty is to be assessed if an insurance contract is canceled before approval by HUD.

PRO RATA DISTRIBUTION CLAUSE - used in a policy for the distribution of the insurance amount over the several locations or objects covered in proportion to their value. If several policies are involved, it is the proportionate distribution of the liability among them.

PROTECTED - a fire insurance term meaning a risk located in an area

protected by a fire department. In burglary insurance it is a risk equipped with a burglar alarm.

PROXIMATE CAUSE - a cause which directly produces the effect, dominating cause of loss or damage, an unbroken chain of cause and effect, i.e., fire is the proximate cause of damage done by water used in extinguishing a fire.

PUBLIC LIABILITY INSURANCE - insurance covering liability of the insured for negligent acts resulting in bodily injury, disease or death of others, other than employees of the insured; and/or damage to the property of others other than property, in the care, custody, or control of the insured.

PUBLIC OFFICIALS LIABILITY INSURANCE - insurance for a wrongful act committed by Commissioners or Executive Directors of a PHA/IHA. "Wrongful Act" shall mean any actual or alleged error or misstatement or act or omission or neglect or breach of duty including misfeasance, malfeasance, and nonfeasance by the insureds in the discharge of their duties with the PHA/IHA.

REINSURANCE- a method of spreading a risk of loss when one insurance company transfers part of the risk to another insurance company.

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RELEASE - relinquishment of a right or claim for a stated consideration.

REMOVAL OF VACANCY CLAUSE - removes that portion of a F&EC insurance contract which could void coverage for a building that is vacant past a stated period of time.

RENEWAL - a policy issued to renew a policy that is expiring.

RENEWAL CERTIFICATE - a policy is sometimes renewed by issuing a certificate rather than writing a new policy. The certificate refers to the policy, but does not enumerate all of its terms.

RENTS INSURANCE - time element coverage in a F&EC policy providing for payment to an owner of a building for loss of rents due to damage to property by an insured peril. (See TIME ELEMENT.)

REPLACEMENT COST INSURANCE - Insurance which pays the replacement value of the damaged property without deduction for depreciation. It may be required that the property actually be replaced before the insured can collect the replacement cost of the damaged property.

RESERVATION OF RIGHTS - a procedure whereby an insurance company

continues to investigate a claim while indicating that the claim may not be covered by the policy.

RIDERS - synonymous with ENDORSEMENTS.

RIOT- violent and tumultuous actions by a number of people (in most jurisdictions, such action must involve three or more people to be a riot).

RISK- possibility of loss or injury to the insured or the property to which the insurance policy relates.

ROBBERY - felonious taking, either by force or threat of force, of another's personal property. Robbery is commonly known as "hold-up."

SAFE BURGLARY INSURANCE - insures against loss of property caused by forcible entry into a locked safe or vault. Damage to safes, vaults, and other property on the premises resulting from burglary is also covered unless the damage is caused by fire.

SHORT RATE CANCELLATION - cancellation of an insurance policy after approval by HUD. The unearned portion of the premium is subject to a 10% to 15% penalty.

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SPECIFIC PERIL - identifies the particular perils covered by a policy.

STATE REGULATIONS - each state has its own insurance regulations/statutes.

PHAs/IHAs must conform to the regulations/statutes of its respective state when procuring insurance.

STATUTORY LAW - established by legislative act. In connection with Workmens' Compensation Acts, the conditions of coverage and benefits are determined by the governing bodies of each state and, therefore, vary from state to state.

STEAM BOILER AND MACHINERY INSURANCE - insurance against loss arising from the operation of boilers, other pressure vessels, and machinery. Insurance covers losses to designated boilers, pressure vessels, and machinery and includes damage to other property. May be extended to cover bodily injury liability and business interruption losses.

STOP LOSS - any provision in a policy designed to cut off the company's or the insured's loss at a given point. A stop loss may be an aggregate amount payable under the policy or the maximum amount payable for any one loss or both.

SUBROGATION - the acquiring by the insurer of the insured's rights against third parties for indemnification of loss or other payment to the extent that the insurer is requested to pay the loss.

SURETY - a person or organization who for a consideration promises in writing to guarantee the debt or default of another.

SURETY BOND - a legal instrument under which one party agrees to answer to another party for the debt, default, or failure to perform of a third party.

THEFT - the illegal taking of property from the premises or person without use of a threat of force or evidence of forcible entry.

THIRD PARTY INSURANCE - insurance protecting the insured against liability arising out of bodily injury to others or damage to the property of others.

TIME ELEMENT - a phrase used to describe the kind of insurance which reimburses the policyholder for the loss of use of property. The amount of loss depends on the length of time it will require to rebuild or repair or recover.

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TORT IMMUNITY - see GOVERNMENTAL IMMUNITY.

UMBRELLA EXCESS LIABILITY COVERAGE - insurance providing excess liability coverage usually for considerable higher limits over existing liability policies such as Employers' Liability, Public Liability, Automobile Liability, etc., and providing direct coverage for those losses uninsured under existing liability policies after a self-retention limit (deductible) is exceeded. (See FOLLOWING-FORM EXCESS LIABILITY.)

UNOCCUPIED - a dwelling or building that is furnished, but not occupied. The standard Property Insurance Policy prohibits vacancy and unoccupancy of a building beyond a 60-day period. Permission for unlimited vacancy and unoccupancy is usually given in protected territory without charge. In a multi-dwelling unit building, all units must be unoccupied/vacant before coverage will cease. In unprotected territory, permission is given by the insurance company as necessary and a charge is made.

USE AND OCCUPANCY - see BUSINESS INTERRUPTION.

VACANT - a dwelling or business that is not occupied or regularly used and is unfurnished and does not contain property of

value. (See also UNOCCUPIED.)

VALUE - see INSURABLE VALUE.

VALUED POLICY - a policy contract in which the insurer and the insured agree at the time the policy is issued, on the value of the property insured, that value being payable in event of total loss. In some states there are "Valued Policy" laws which require that Property Insurance Policies on buildings be treated as "valued policies."

VANDALISM AND MALICIOUS MISCHIEF COVERAGE - insurance against loss or damage to the insured's property caused by willful and malicious damage or destruction.

WAIVER - the intentional relinquishment or abandonment of some known right, claim, or privilege.

WARRANTY - an absolute statement or stipulation in the policy as to the existence of a fact or condition of the subject of insurance, the truth of which may be necessary for the contractual validity of the policy and if untrue, would void the contract.

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WORKERS' COMPENSATION INSURANCE - insurance covering liability of an employer to his/her employees for compensation and other benefits required by Workers' Compensation laws with respect to injury, sickness, disease, or death arising from their employment.

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EXHIBIT I

EXHIBIT I CONTAINS FORM HUD-5460, INSURANCE INFORMATION.

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EXHIBIT II

EXHIBIT II CONTAINS FORM HUD-5463, INSURABLE VALUE WORKSHEET, FIRE AND EXTENDED COVERAGE.

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EXHIBIT III

EXHIBIT III CONTAINS FORM HUD-5245, INSURANCE RECORD.

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EXHIBIT IV

EXHIBIT IV CONTAINS FORM HUD-5974, INSURANCE APPROVAL FORM.

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