

PROPERTY LIST

A

Absorption Rate: A rate once used by factory mutual for their property insurance policies; after January 1, 1986, its use was abandoned. An initial premium deposit was charged, equal to three to five times the net annual premium. On an annual basis, an "absorption"--which equaled the annual premium--took place, which resulted in the premium deposit being reinstated for the following period.

Account Premium Modification Plan: An insurance rating plan for large commercial property accounts that considers such factors as prior losses, maintenance, housekeeping and quality of management. Under this rating plan, credits or debits of up to 25% can be applied to the standard (manual) rates.

Acid and Chemical Damage Policy: Coverage of property losses caused by acids and chemicals.

Actual Cash Value (ACV): Valuation of property based on the cost of repairing or replacing it with property of like kind and quality. Usually, actual cash value equals the current replacement cost minus depreciation (based on age, condition, time in use, and obsolescence). Other factors, such as the nature and market value of the property, may be considered.

Actual Total Loss: See: [total loss](#).

Additional Coverage: See: [coverage extension](#).

Additional Expense Insurance: See: [additional living expense insurance](#), [extra expense insurance](#).

Additional Extended Coverage: Coverage for property damage caused by such perils as vandalism and malicious mischief; water from ruptured plumbing and heating systems; glass breakage; ice, snow, and freezing; falling trees and collapse. These coverage's are in addition to extended coverage and are often provided in conjunction with a fire insurance or package policy.

Additional Interest: The interest of another party or entity in an insurance policy, usually because that party has provided financing for an insured property or automobile. The additional interest is usually stated in an endorsement attached to, or a certificate issued under, the policy.

Additional Living Expense Insurance: Coverage included in residential property insurance policies (for homeowners, condominium owners, renters) that provide payments when a property loss results in extraordinary living expenses for the insured. It covers expenses such as hotel rooms, restaurant meals, and laundry costs to permit the insured household to maintain its normal standard of living.

Adjacent Building: A building situated very close to, but not in contact with, another building.

Adjoining Building: A building that touches another building.

Adjustable Policy: A policy that covers property with changing values, such as the inventory of retail stores. The insured reports the value of all items to be covered by the policy to the insurance company at stated periods. The premium is adjusted to reflect the increased or decreased value of the property.

Adjusted Base Cost: The cost (per square foot of building space) that is subject to adjustment if alternative components are used.

Aftercharge: A premium charge added to a commercial fire insurance policy that can be deleted if the insured complies with certain fire prevention recommendations (e.g., providing fire extinguishers or smoke alarms).

Aggregate Excess Insurance: Coverage for large insured's that is effective only when losses exceed a predetermined amount (in the form of self-insurance or a deductible) during an annual period. After this aggregate amount is reached, the insurer is liable for any further claims. Example: An insured with a \$500,000 aggregate excess policy suffers three \$200,000 losses. The insurer is responsible for \$100,000 of the third loss and for any more losses that occur during the annual period up to the policy limit.

Agreed Amount: See: [agreed value](#).

Agreed Amount Clause: A provision in a property policy under which the insurer agrees with the insured that the amount of insurance purchased will automatically satisfy the coinsurance, average, or contribution clause of the policy.

Agreed Amount Endorsement: An endorsement to a property insurance policy containing an agreed amount clause.

Agreed Value: An agreement between the insurer and the insured that the limit of insurance on a scheduled item of property equals the property's value. For some items, such as jewelry and fine arts, the insurer may require an appraisal.

Agreed Value Clause: A method of avoiding a coinsurance penalty in business interruption coverage, entailing a two-step procedure: 1. The insured completes a business income report showing financial data for the previous twelve months and an estimate of financial results for the next twelve months; 2. The agreed value is entered in the declarations and becomes part of the policy. The agreed value must at least equal the coinsurance percentage multiplied by the estimated net profit and operating expenses shown for the next twelve months in the report.

Agreed Value Provision: See: [agreed amount endorsement](#).

Alienation Clause: A provision in a fire insurance policy that voids coverage in the event the property is transferred to another owner.

Allied Lines: Coverage's that are frequently written with property insurance. Allied lines include insurance for data processing, demolition, earthquake, increased cost of construction, radioactive contamination, sprinkler leakage, standing timber, vandalism and malicious mischief, and water damage.

“All-risks” Insurance: A property or inland marine insurance form that covers all risks of loss except risks that are specifically excluded. All-risk policies always have some exclusions or limitations regarding the insured property, persons or protected interests, and some policies may exclude certain causes of loss.

Amount at Risk: The policy limit or the probable maximum loss, whichever is less.

Amount Subject: The maximum amount expected to be lost in any one fire or other casualty. Its determination depends on the protection and construction of the risk and the distribution of values within the risk. Determining the amount subject is a major responsibility of loss prevention specialists and property underwriters.

Analytic Schedule: See: [analytic system](#).

Analytic System: A system for measuring the probability of fire loss to property and of determining fire insurance rates. The analytic system was used for many years but has been replaced, for the most part, by other rating methods used by the Insurance Services Office.

Anti-arson Application Forms: A fire insurance application that includes additional questions not on most applications concerning the applicant's past losses, legal convictions for arson or other fraud, the property's safety or construction code compliance, unpaid or overdue taxes, mortgage payments or other liens on the property, etc. Use of such a form is sometimes mandatory in areas identified by the state insurance commissioner or other authority as having a high incidence of arson.

Apportionment: A property insurance provision that divides a loss proportionally among all policies in force relative to the total amount of coverage. Differences in coverage among the policies may reduce an insured's recovery to less than 100% of the loss. Example: Two \$10,000 property insurance policies apply to a building, but only one covers the peril of windstorm. Because each policy's share of total coverage limit is 50%, on a \$5,000 windstorm loss, the insured recovers \$2,500--50% of the loss.

Appraisal: An expert's judgment or estimate of the value or quality of property as of a given date; a report, prepared and signed by a specialist, on the value of property or of an ongoing business. An insurance appraisal is specifically designed to determine the appropriate amount of insurance to be purchased or the amount of a loss to be paid.

Appraisal Clause: A property insurance policy provision that allows an insured and insurer who cannot reach an agreement on the amount of a loss settlement to each select their own appraiser. The appraisers then select a neutral umpire. Disagreements between the appraisers are settled by the umpire, whose decisions are usually binding on both parties.

Appraisal Inventory: A detailed record of individual items that constitute a property. An appraisal inventory is included in an appraisal report, and lists the values set by the appraiser.

Appraisal Value: A value assigned to a property after an appraisal of it is completed. The appraised value is used to ascertain the appropriate amount of insurance to be purchased or the amount of loss to be paid.

Approved Roof: A roof constructed of fire-resistive materials, rather than more flammable wood shingles. Tile, metal and asphalt shingles are approved roofing materials.

Approved Sprinkler System: An automatic sprinkler system installed in accordance with fire or building codes that uses the proper automatic sprinkler heads for the structure's occupancy and construction, that has an adequate and reliable supply of water, that has been tested and shown to be in working order, and has been found acceptable to the appropriate governmental authority. Buildings protected by such systems usually qualify for discounts on their fire insurance premiums.

Appurtenant Structures: An auxiliary structure of lesser value on the same premises as the main insured structure, such as a garage or shed. Some property insurance policies provide additional coverage for appurtenant structures up to a percentage of the main building's coverage.

Arbitration Clause: A clause in property insurance policies providing that if the insured and the insurer cannot agree on an appropriate claims settlement, each will appoint an arbitrator, who in turn will then select an independent umpire. A decision by any two of the three prescribes a settlement. The arbitration clause binds both parties to this procedure, as well as to the final decision.

Area: The measure of a planar region or zone. Area is used as a rating basis for several types of liability insurance coverage (e.g., premises liability), and is also useful in verifying insurance-to-value calculations in property insurance. In rating formulas using square feet, the number of square feet is expressed in thousands of square feet of floor space (excluding open spaces such as mezzanines, courtyards, parking areas, and the non-public parts of buildings used for maintenance or for heating, or air conditioning equipment).

Arson: An act of actual or attempted malicious and deliberate destruction of property by fire. If the person committing this crime (the arsonist) is not the insured, property insurance policies cover the damage that results. If it is proved that the arsonist is either the insured or someone acting at the insured's direction, most property insurance policies are voided.

Arson Fraud: Arson committed by or at the behest of the insured is usually considered fraud. Property insurance policies do not exclude loss by arson, but public policy does not allow profit by wrongdoing or provide coverage for intentional acts. Homeowners' policy forms developed by the Insurance Services Office have specific exclusions dealing with intentional loss.

As Interest May Appear: A phrase used in a policy to describe the insurable interest in a property when it is unknown. It is avoided by most underwriters, because disputes can arise as to whom a loss should be paid.

Assignment: Most property and casualty policies require prior written consent of the insurer for an assignment.

Assignment Quota: The sharing by insurers in losses by percentage (or quota) with other insurance policies covering the same risk.

Automatic Cover: A policy provision permitting increases in coverage, changes in interest, and coverage of newly-acquired property. The amount and duration of automatic coverage are usually limited. For continued and full protection, the insured must report changes to the insurer and obtain an amendment to the policy.

Automatic Increase in Insurance Endorsements: See: [inflation guard endorsement](#).

Automatic Reinstatement Clause: A provision in an insurance policy that reinstates the original limits of the policy after a covered loss has been paid. Not all coverage's may be subject to automatic reinstatement of limits (for example, coverage subject to aggregate limits).

Automatic Sprinkler Clause: A provision in a property insurance policy (written on a building equipped with an automatic sprinkler system) that requires the insured to maintain the system in working order and to notify the insurer whenever the system is not operational, even when only briefly inoperative during maintenance. Coverage may be suspended if the insured fails to comply.

Automatic Sprinkler System: Under a property insurance policy, an automatic sprinkler system includes sprinkler heads, piping, tanks, pumps, standpipes and associated valves.

Average Blanket Rate: When property insurance is blanketed, this is the rate applied against all the property insured by the policy, and is the rate used to determine premiums on mid-term endorsements (e.g., increases in insured values). The rate is developed by determining premiums in the usual manner (i.e., multiplying each location's specific rate by the value at that location), totaling these premiums, and dividing this sum by the total of all values insured.

Average Clause: When multiple properties are covered by a single policy, an average clause provides that each property is insured in the same proportion that its value bears to the total of all values insured. The clause is used to prevent an insured from underinsuring one of the properties.

Average Rate: See: [average blanket rate](#).

B

Basic Form: See: [causes of loss](#).

Basic Homeowner's Policy: See: [Homeowners' policy form 1](#).

Beachfront Plans: An assigned risk property insurance program established in response to heavy windstorm losses caused by hurricanes. Beachfront plans provide coverage for fire and windstorm but generally exclude losses from high waves.

Beach Plans: A FAIR plan formed in the states of Alabama, Florida, Louisiana, Mississippi, North Carolina, South Carolina and Texas that requires insurers to write

homeowners coverage on homes located close to the coast, where they are subject to high winds, flooding and wave wash.

Betterments: See: [improvements and betterments](#).

Blanket Basis: See: [blanket insurance](#).

Blanket Coverage: See: [blanket insurance](#).

Blanket Group: Boiler and machinery insurance that covers objects by grouping them together according to a broad class, rather than specifying each object.

Blanket Insurance: A single property insurance policy that provides coverage for multiple classes of property at one location or one or more classes of property at multiple locations. Coverage under this form is written for one total amount of insurance. No single item (e.g., a building or machine) is assigned a specific amount of insurance, although different amounts may be shown for buildings in general, equipment in general, and other items.

Block:

Block Limits: A maximum amount of insurance that an insurer will write within a specific city block, which limits the company's risk of a large loss should a fire destroy the entire block.

Blowout and Cratering: An accident resulting from a penetration of a gas or oil reservoir during drilling operations under higher-than-calculated pressure. Blowouts are dangerous because of the risk they pose to workers and firefighters; blowouts can also be expensive, due to the cost of fighting the fire and the value of the oil or gas consumed. Cratering occurs when the circulation system, dug around the drilling rig to prevent blowouts, collapses. Often, the drilling rig itself is lost during a cratering incident.

Blowout prevention Policy: Coverage for drilling operations against losses associated with penetration of reservoirs containing high-pressure gas or oil.

Boiler and Machinery: Any refrigeration or air conditioning system; any piping and its accessory equipment; any compressor, pump, engine, turbine, motor, generator, gear set, fan or blower, including any shaft forming a part of the object, together with any coupling, clutch, wheel or bearing on that shaft; any transformer or electrical distribution equipment; and any other mechanical or electrical equipment used for maintenance or service of premises.

Boiler & Machinery Insurance (B&M): Coverage for the failure of a boiler, machinery and electrical equipment (ISO form BM 0025). Such coverage can be extended to include consequential and business interruption losses. Insurance benefits are provided up to the limit per accident in the following order: 1. all property of the insured that is directly damaged by the accident; 2. reasonable costs of temporary repairs and expediting expenses; 3. liability for damage to property of others.

Boston Plan: A plan first implemented by the city of Boston by which insurers agreed not to reject property coverage in lower socioeconomic residential areas if property owners agreed to correct faults.

Bottleneck:

Brick Building: A building of brick construction with a roof structure of combustible sheathing or combustible roof supports is a brick building for underwriting purposes.

Brick Construction: A building or structure with 75% or more of the exterior walls made of some type of masonry material--such as brick, stone, poured concrete, hollow masonry block, etc.--is considered to be of brick construction for underwriting purposes. Walls usually must be of a minimum thickness, depending on the material used.

Broad Form: See: [causes of loss--broad form](#).

Broad Form Property Insurance Endorsement: An endorsement to a property insurance policy covering perils such as breakage of glass, falling objects, weight of snow, ice, sleet, or water damage, in addition to the basic perils.

Builders Risk Insurance: A property insurance policy (ISO form CP 00 20) that provides direct damage coverage on buildings or structures while they are under construction. It also covers foundations, fixtures, machinery and equipment used to service the building, and materials and supplies used in the course of construction. Coverage may be written on a completed value (100% coinsurance) or reporting form (values reported as completed) basis, using either a property form or a broader inland marine form.

Building Ordinance or Law Coverage: See: [ordinance or law coverage endorsement](#).

Building Rate: Fire insurance rates are usually developed by considering the building or structure separately from the contents. The building rate is used for premiums on real property, tenants' improvements, and business income coverage's. Whether for buildings or contents, rates usually apply per \$100 of property value. Separate rates apply to fire, extended coverage's, vandalism and malicious mischief, sprinkler leakage, earthquake and all-risk coverage's.

Buildings: In commercial property insurance, those structures that are principally used for business or institutional purposes, including additions and extensions. The policy definition of "buildings" often includes fixtures, machinery, and equipment used in servicing a building.

Bullion: Refers to precious metals, such as gold, in the form of ingots or bars

Business Continuation Insurance: See: [business income coverage form](#).

Business Income Coverage Form: Commercial property coverage (ISO forms CP 00 30 and CP 00 32, which excludes extra expenses) that reimburses lost earnings when normal business operations are temporarily suspended because of property loss caused by insured perils. Coverage usually includes salaries, taxes, rents, net profits, and

necessary operating expenses during the period required to restore operations with due diligence. This policy replaced previous business interruption forms.

Business Income Insurance: See: [business income coverage form](#).

Business Interruption Insurance: An insurance coverage form that was replaced in 1988 by the Insurance Services Office business income coverage form.

Business Interruption Value: The amount of business income insurance needed to cover estimated business interruption losses. This amount is developed by completing a business income worksheet. The term also refers to the dollar amount of gross earnings to which the policy's contribution clause applies.

Business Owners Policy (BOP): A commercial insurance program that has been replaced by the business owners' policy program. In a package policy, it provided broad property, liability, and business interruption coverage.

Business Owners Policy Program: A package of property and liability coverage's for small and medium-size businesses, such as retail stores, offices, apartments, and residential and office condominium associations.

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.

C

Cash Value: See: [actual cash value](#).

Casual Sequence:

Catastrophe: An event causing severe loss, injury or damage. Most often associated with natural disasters, the term usually is used when there is concentrated or widespread damage.

Catastrophe Number: A number assigned by the National Board of Fire Underwriters to severe losses (i.e., those exceeding \$5 million) for insurance statistical purposes.

Catastrophic Peril: The cause of a catastrophe loss; a peril that has the potential to result in a major disaster (such as earthquakes, floods and nuclear accidents).

Cause of Loss: A named perils policy (ISO form CP 10 10) in the Insurance Services Office commercial property program that covers the perils of fire, explosion, lightning, windstorm or hail, smoke, riot or civil commotion, vandalism, sprinkler leakage, sinkhole collapse, and volcanic action. Coverage's are subject to certain exclusions and restrictions.

Certificate of Insurance: Written evidence that an insurance policy has been issued, indicating both the amounts and the types of insurance. It is used when general contractors or property owners require subcontractors to provide evidence of insurance. It is sometimes requested by mortgage companies or other lenders, although such

parties usually require loss payable clauses, because a certificate of insurance does not obligate the insurance company to the individual or organization to which the certificate is issued.

Chainstores Multiple Location Property:

Change in Conditions Insurance: See: [difference in conditions insurance](#).

Change in Occupancy or Use: A provision in many property and casualty policies that a change of occupancy, purpose or use of a premises can void the policy if the changes increase the hazards. The insurer may cancel the policy outright or charge additional premium to cover the additional hazards.

Chomage: An early form of business interruption insurance that based the insured's business interruption recovery on a percentage of the fire loss to a building or its contents. Example: If the fire loss was \$50,000, the chomage amount might be 2%, or an additional \$1,000.

Civil Authority Clause: Coverage included in most business income forms. If access to an insured's premises is denied by order of a civil authority as the result of damage or destruction of neighboring or adjacent property belonging to others, and the damage or destruction is due to an insured peril, then the insured's loss of income is covered for up to two weeks.

Civil Commotion Exclusion: A property insurance exclusion for losses caused by uprisings, riots and civil commotion.

Civil Commotion Policy:

Class: See: [protection class](#).

Coinsurance: See: [agreed amount clause](#).

Coinsurance Deficiency Coverage: Insurance coverage that indemnifies the insured against financial loss sustained through the unintentional failure of the insured to purchase adequate insurance to comply with the provisions of a coinsurance clause in a property insurance policy.

Coinsurance Penalty: A provision in property insurance policies that if an insured did not have adequate insurance relative to the property value at the time of a partial loss, the loss payment is determined by the following formula: loss payment = (amount of insurance carried ÷ amount of insurance required) × (loss - the deductible amount, if any).

Collapse: To fall down or inward; the abrupt failure or imminent fundamental weakening of a wall or foundation of a structure. Collapse is covered in most property policies when it is due to an insured peril. Collapse does not include settling, cracking, shrinkage, bulging or expansion.

Collateral Assignment: The transfer of benefits or payments under a life or property insurance policy to a creditor as part of the security for a loan. The creditor has a right

only to the portion of the policy's proceeds equal to the creditor's remaining interest or value in the loan.

Collateral Protection Insurance: Insurance coverage for financial institutions, providing physical damage coverage on collateral held by the lender in support of a loan. (This may include automobiles, trucks, vans, motorcycles, campers, motor homes, boats, etc.) Coverage includes reimbursement for mechanics' liens and repossession expense.

Common Area: Areas under the control of a landlord or condominium association, which serve the community or the public (such as shopping center parking areas, greenbelts, walkways, etc.).

Communicable Disease Exclusion: An endorsement added to some older homeowners' policies providing that the coverage's for personal liability and medical payments to others do not apply to the transmission of a communicable disease by an insured.

Comprehensive Glass Insurance: A policy that covers breakage of windows and plate glass from any cause except war and fire. Coverage can be extended to include the value of special lettering, etching and frames.

Concurrent Causation: The action of more than one cause to produce a particular harm or loss. The predominant legal rule is that if a loss is caused by both an insured peril and an uninsured peril, coverage is deemed to apply.

Condominium Association Coverage: An insurance policy designed to protect condominium association property held in common (such as the buildings) or personal property used to maintain or furnish common areas. It excludes coverage for personal property or improvements owned or used by, or in the care, custody or control of an individual unit owner.

Condominium Commercial Unit Owner's Coverage: An insurance form (ISO form CP 00 18) designed to protect the owner of a business or commercial condominium unit against loss or damage to furniture, fixtures, stock, improvements and alterations owned by the insured.

Condominium Forms: Special coverage forms, differing from forms used for buildings and personal property that contain specialized language to account for the unique legal characteristics of condominiums.

Condominium Unit Owner's Form: A homeowners policy (ISO form HO 00 06) designed for residential condominium unit owners and cooperative apartment tenants. It is identical to the basic form except that the following additional named perils are covered: falling objects; weight of ice, snow, or sleet; accidental discharge from a plumbing, heating, air conditioning or sprinkler system or household appliance; sudden and accidental tearing, cracking, burning, or bulging of a steam or hot water heating system; freezing of a plumbing, heating, air conditioning or sprinkler system or a household appliance; sudden and accidental damage from artificially generated electricity; and volcanic eruption. Also, a number of the perils in the basic form (vehicles, smoke, and glass breakage) are broadened. By endorsements, the personal property

and the structures can be covered on an open perils basis. Section II liability coverage is identical to the other homeowners forms.

Conflagration:

Consequential Damage: Property loss from a peril that is not the immediate cause of loss; an indirect loss (e.g., a business interruption loss, extra expense, lost rent, etc.) arising out of an insured's inability to use property damaged by another peril. Example: A burglar destroys records of accounts receivable during the burglary, causing further loss because the accounts cannot be collected.

Cosignment:

Consolidation Condition: In a unification or merger of properties, this provision in a property insurance policy extends coverage automatically to the new premises provided the insured notifies the insurer of the acquisition within a specified time (e.g., 30 days) and pays the additional premium.

Construction: In fire underwriting, the types of materials used in the building and roof of the insured structure. Construction types include fire resistive, semi-fire resistive, and combustible, depending on the materials used. Other construction factors that an underwriter considers include the number of fire divisions in the building, the adequacy of electrical circuits for the occupancy, the number of stories, the building's age, and the type of heating system. Most underwriters recognize seven classes of construction: 1. frame; 2. joisted masonry (which includes ordinary construction and mill construction); 3. incombustible; 4. masonry incombustible; 5. modified fire resistive; 6. fire resistive; 7. mixed.

Contents Rate: Fire insurance rates are usually developed separately for contents of buildings and the buildings themselves. The contents rate is for stock, furniture and fixtures, equipment, electronic data processing equipment, and accounts receivable. Rates are usually applied per \$1000 of insurance value. Separate rates apply to fire, extended coverage's, vandalism and malicious mischief, sprinkler leakage, earthquake, earthquake sprinkler leakage, and all-risk coverage.

Contingent Business Income Coverage: Insurance for lost business income caused by a loss at a specific location not owned by the insured but on which the insured depends for business operations. The loss must be caused by an insured peril. Example: A supplier suffers a major fire, making it impossible for the insured to continue to manufacture its product. There are two forms for this coverage: business income from dependent properties--broad form (ISO form CP 15 08), which extends the insured business income limit to include the dependent property, and business income from dependent properties--limited form (ISO form CP 15 09), which specifies the limit of coverage that is to apply to the dependent property.

Contingent Liability from Operation of Building Laws Endorsement: An optional endorsement (ISO form CP 04 05) to a property policy on a building to insure against loss caused by the enforcement of building laws. When rebuilding a damaged structure, laws may require the demolition of all or part of the undamaged portions of an insured building; repairing, remodeling or rebuilding to conform to codes that have changed since the building was first constructed which now require more expensive materials or

installation. The insurable value of the undamaged portions of the property is covered by this endorsement. Under the Insurance Services Office's Commercial Property Program, this coverage has been incorporated into the ordinance or law coverage endorsement.

Contingent Expenses:

Contributing Location: A business that furnishes materials or services that are key to the insured's business. Contingent business income insurance covers losses resulting from an interruption of supplies due to insured perils.

Contributing Property: See: [contributing location](#).

Contribution Clause: A policy provision that when more than one policy covers a loss, insurers will share the loss proportionally. The clause is most often associated with business income forms.

Cooperative Insurance: Insurance issued by a mutual association such as a fraternal society, an employee association, an industrial association, or a trade union.

Course of Construction Insurance (COC): See: [builders' risk insurance](#).

Coverage A:

Coverage B:

Coverage C:

Coverage D:

Coverage Extension: An extension of the coverage provided by a policy that may be applied to a specific type of loss, which is in addition to the amount, indicated in the policy declarations. Some extensions--such as providing limited extra expense coverage in addition to a fire loss--increase the total amount of insurance. Example: Many commercial property forms add an off-premises extension of up to 2% of the amount of insurance applicable to each item of insurance--but not exceeding \$5,000--to be applied to each item. Other additional coverage provisions extend a percentage of the main structure limit to appurtenant structures and fences. Such additional coverage usually does not increase the total amount of insurance provided by the policy.

Coverage Part: Those portions of an insurance policy that make up a specific line of insurance, including conditions, declarations, coverage forms, causes of loss forms, endorsements, and any other mandatory parts.

Covered Boiler & Machinery Property: Any property owned by the named insured or in the named insured's care, custody or control and for which the named insured is legally liable. Boiler and machinery insurance is intended to cover damage to any property of the named insured as long as a "covered cause of loss" is responsible.

Cratering: See: [blowout and cratering](#).

Crop-hail Insurance: Specialized property insurance underwritten by National Crop Insurance Services for farmers. While hail damage to crops is the basic coverage, the coverage may be written for perils ranging from basic named perils to open perils, depending on the crop and the state in which it is grown.

Curtain Wall: An exterior non-bearing wall more than one story in height usually supported by the structural frame, which protects from weather, sound or fire.

Cyclone: See: [tornado](#).

D

Damage from Strikers Insurance: A form of commercial insurance coverage that indemnifies employers for property losses due to sabotage by strikers.

Data Processing Coverage: A type of property insurance (usually an all-risk form) covering data processing equipment, magnetic tapes and disks, and extra expenses incurred to restore the system to its prior working condition.

Dean Analytic Schedule: An obsolete commercial fire insurance rating method that was developed by A. F. Dean in 1902. It was the first comprehensive rating method to consider the numerous physical factors that can affect a fire exposure.

Debris Removal Clause: Insurance coverage for the expense of removing debris that results from a loss covered by the policy if the limit of insurance is insufficient to cover both the amount of direct loss and the added cleanup. Many property policies provide an additional \$5,000 for each insured location. Higher limits must be purchased separately.

Demolition Clause: A provision in property insurance policies that excludes coverage for any costs involved in demolishing undamaged property as the result of a covered loss. This clause is necessary because some building codes require a structure to be demolished if it sustains more than a specified percentage of damage.

Demolition Cost Endorsement: An endorsement once used in conjunction with the "contingent liability from operation of building laws" endorsement to provide coverage and a separate amount of insurance for costs associated with demolishing undamaged portions of a building. Now, under the Insurance Service Office's commercial property program, the coverage is incorporated into the "ordinance or law coverage" endorsement.

Dependent Property: A facility, location or premises of a critical supplier or customer of an insured which if damaged or destroyed would cause a major business interruption to the insured. Such a loss can be insured by contingent business income coverage.

Depreciated Value: The original cost (or other accounting or tax basis) of property minus physical depreciation.

Depreciation Insurance: Coverage in case of a loss for the difference between the actual cash value of the property insured and the cost of replacement for comparable size and construction.

Detached Structures: A structure not sharing a wall with another building on the same property. Most commercial property policies cover detached structures on the same premises.

Deterioration: The natural and expected decline in the usefulness and value of property from wear and tear and normal environmental forces. Physical deterioration results in value depreciation.

Die:

Dies Insurance: Insurance that specifically covers a manufacturer's dies (metal or plastic forms for molding materials), which may have very high replacement value. Usually, coverage is endorsed to a property policy, but it can be provided by a separate inland marine policy.

Difference in Conditions Insurance (DIC): A property insurance policy, usually written on a large risk, to supplement a named-perils policy. It provides all-risk coverage (often including flood and earthquake) but excludes the named perils provided by a standard fire policy. The policy is written for a specific limit (e.g., \$5 million or \$10 million) without a coinsurance provision.

Direct Damage: Property loss or destruction caused directly by an insured peril, as opposed to indirect or consequential damage.

Direct Loss: See: [direct damage](#).

Distribution Clause: See: [pro rata distribution clause](#).

Divisible Contract Clause: A policy provision that a violation of policy conditions at one insured location does not void coverage at other locations.

Dry Season Charge: Coverage on living trees that are of a commercially harvestable quality (having a minimum diameter, not diseased, etc.) or on all living trees in an area of reforestation. The insured value is determined by the current price for standing timber. Coverage is limited to the perils of fire and lightning. Since most fires occur in spring and summer months, the policy premium is considered fully earned if coverage is provided at any time during those seasons. It is used by investors and timber owners seeking financing to secure their interests and the interests of lenders.

Duplex:

Dwelling:

Dwelling, Buildings and Contents Form (DB&C): A property insurance form designed for use with a standard fire policy or a commercial property policy to cover private residences and other types of dwelling. It provides, on a limited basis, some of the property coverage's included in the homeowners or dwelling policy forms.

Dynamo Clause: See: [electrical apparatus exclusion](#).

E

Earnings Insurance Form: A business interruption form designed for small businesses. It is similar to a gross earnings form, except there is no coinsurance clause, and there is a maximum limit on the amount of loss payment during any 30-day period.

Earthquake: A trembling or shaking of the earth that is volcanic or tectonic (seismic) in origin, often resulting in severe damage.

Earthquake Insurance: Coverage for property damage caused by the perils of earthquake or volcanic eruption. The coverage is limited to direct damage caused by an earthquake and excludes a loss resulting from another peril even if it is triggered by the earthquake, such as a fire, explosion, flood or tidal wave. Any earth tremors or aftershocks following an initial occurrence within a 168-hour period are considered the same event for claims purposes. Most forms provide earthquake coverage as earth movement coverage.

Economic Perils: One of three broad categories of perils (with human and natural perils), concerning the production, distribution, and consumption of goods and services that can cause a loss, such as currency fluctuations, recession or depression, expropriation, inflation, obsolescence, financial market decline, strike, technological advances or war.

Economic Value: Valuation of income-producing property based on its potential earnings over a specified time instead of replacement or depreciated value. Occasionally, a risk is underwritten on the basis of economic value.

Electrical Apparatus Exclusion: A property policy provision that excludes coverage for loss or damage caused by artificially generated electric current, including electric arcing that disturbs electrical devices, appliances or wires. However, if fire results, coverage is provided for the resulting fire damage.

Electrical Disturbance Coverage: Coverage designed to delete the apparatus exclusion in fire insurance policies.

Elevator Collision Insurance: 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.

Equipment: For insurance purposes, a broad term applying to mobile property, including anything used to equip a person, organization or thing that is not a building or machinery.

Estimated Constant Dollar Earnings per Share: An estimate of the impact of changes in the consumer price index on the cost of replacing, at current prices, previously purchased property that was depreciated at rates sufficient only to recover the original costs. This estimate also adjusts earnings per share for the impact on cost of sales and inventories.

Excess Property Insurance: A property insurance program for large commercial insured's that is layered, with a primary policy that has a stop-loss limit designed to

cover most losses, after which an excess property policy covers catastrophic losses. Example: A primary property policy written on an all-risk basis for \$5 million and an excess policy written on a "named perils" basis for \$20 million excess of the primary policy's \$5 million.

Expediting Expenses: Coverage included in business income and boiler and machinery a policy that indemnifies the insured for extra expenses required to speed the restoration of damaged property and thus resume operations more quickly.

Exposure: In fire underwriting, the chance of a fire spreading to an insured risk from adjacent structures.

Extended Coverage's (EC): Coverage for property damage caused by windstorm, hail, smoke, explosion, riot, and riot attending a strike, civil commotion, and vehicle and aircraft collision. This coverage is usually provided by endorsement to a basic policy (e.g., in conjunction with the standard fire insurance policy and various "package" policies).

Extended Period of Indemnity: An endorsement (ISO form CP 00 30) for loss of business income that reimburses the insured for reduced earnings after the premises have been restored and business has been resumed. The coverage provides protection against a delay in a business's return to full activity.

Extra Expense Insurance: Property insurance coverage for necessary additional expenses of continuing business operations after damage to insured premises from a covered cause of loss.

E

Factory Insurance Association (FIA): See: [Industrial Risk Insurers](#).

Factory Mutual System (FM): The Factory Mutual System--once comprised of as many as 40 individual mutual companies--has experienced consolidations and mergers over the years, resulting in just three member organizations today: Allendale Mutual Insurance Company, Arkwright Mutual Insurance Company, and Protection Mutual Insurance Company. They specialize in property coverage's and loss prevention services for large industrial and institutional properties worldwide. Jointly, they own the Factory Mutual Engineering Corporation, Factory Mutual Engineering Association, Factory Mutual Research Corporation, and Factory Mutual Service Bureau.

Fair Access to Insurance Requirements (FAIR Plans): A state-established program that requires insurers who write property insurance to accept risks in economically depressed areas in the same proportion as their other business bears to the total property insurance market. In most states, the laws also provide for a facility that distributes risks among the participating insurers.

Fair Market Value (FMV): See: [market value](#).

Fallen Building Clause: A provision contained in some fire insurance policies that voids coverage in the event that the building collapses from a cause other than a fire or explosion.

Farm owners and Ranch owners Policy: A package policy designed for family-owned ranches and farms patterned after a homeowners policy. Coverage's include farm dwellings (and their contents), barns, stables and other farm structures.

Fault of Management: As used in the schedule rating of commercial property risks, hazards that exist due to the negligence or wrongdoing of corporate officers or key personnel and to which rating penalties are applied. These additional charges can be removed when the condition is eliminated. Such hazards include poor housekeeping, general disrepair, and improper or unsafe storage--all conditions attributable to management's indifference or neglect.

Federal Crop Insurance Corporation (FCIC): A federal agency that is part of the U.S. Department of Agriculture. It provides crop coverage for farmers.

Fire: A rapid, persistent chemical reaction that releases heat. For coverage purposes, a fire must be "hostile," not "friendly."

Firebox Explosion: The extended coverage provisions of a property insurance policy include coverage for explosion of accumulated gases or unconsumed fuel within the firebox, flues, or passages of any fired vessel. This provision can duplicate coverage provided by a boiler and machinery policy.

Fire Brigade: See: [underwriters' fire patrol](#).

Fire Department Service Clause: A provision in most fire insurance policies that indemnifies the insured for fees charged by a fire department for responding to a fire alarm at the insured location. The provision applies to insured property located outside a fire district where an alarm will be answered only for a fee.

Fire Division: A section of a structure formed by fire walls and fire doors designed to stop a fire from spreading beyond or into its confines.

Fire Door: A door constructed of noncombustible materials that has been tested and rated for its resistance to fire. Fire doors may be used in horizontal openings (ceilings and floors) or vertical openings (walls), and usually must remain closed under normal circumstances. They must be equipped to shut automatically in the presence of fire.

Fired Pressure Value:

Fire Insurance: Coverage for losses to real or personal property (usually excluding currency, securities, accounts and deeds) directly caused by fire or lightning.

Fire Map: A diagram that represents an individual property, industrial complex or properties within a specific area. Fire maps usually distinguish different types of construction (e.g., frame, reinforced concrete, etc.) and indicate the proximity of fire hydrants and stations. Fire maps are principally used to present large accounts to underwriters and for loss control purposes. Historically, they were used by fire insurers to plot insured properties for the purpose of avoiding catastrophic losses.

Fire Mark: A metal plaque or medallion that in times past was attached to the front of buildings to indicate which fire brigade was to extinguish a fire in that building. Each insurer had its own fire brigade and would compete for business on the brigade's ability to extinguish a fire. The original fire marks are valuable collector's items today.

Fire Wall: A wall separating a building into parts in order to prevent fire from spreading; a wall from floor to roof made of incombustible materials and having no open doors, windows or other spaces through which fire can pass. Fire walls and fire doors create fire divisions.

First Loss Earthquake Insurance: An earthquake insurance policy that has a limit significantly less than the insured property's value and no coinsurance. It is designed to insure a portion of the 5% to 15% deductibles in standard earthquake insurance policies. First loss policies usually have a flat dollar deductible.

First Loss Insurance: A policy that covers only a single loss during the policy period or that provides coverage of multiple locations for only the first loss at each location during the policy period. Also, a policy whose limits are reduced (and not reinstated) by loss payments.

First Loss Scale: See: [Lloyd's property first loss scale](#).

First-party Insurance: Coverage of the insured's own property (e.g., fire insurance, collision and comprehensive coverage's of auto insurance) or person (life and health), as opposed to coverage for liability to others.

Five-percent Insurance:

Fixed Machinery: Machinery that is permanently affixed to real property, including its hangings.

Fixture: An object attached to a building or structure as a permanent appendage, apparatus or appliance. At one time, fixtures were considered personal property, but now they are generally considered part of real property. An insurable interest can exist on the part of both the building owner and a tenant who has installed the fixtures.

Flat Deductible: A specific sum that is deducted from each loss or claim, regardless of the size of the loss or claim.

Flat Rate: A property insurance rate used when no coinsurance clause appears in the policy. Usually higher than the coinsurance rate, the actual cost of a flat rated policy may be less because the insured values do not have to meet a coinsurance requirement and losses cannot be reduced by a coinsurance clause.

Flood: An overflowing of a body of water onto normally dry land or an unusual rise in the level of inland or tidal waters.

Flood Disaster Protection Act of 1973: Federal legislation of 1973 that amended the National Flood Insurance Act of 1968. Major changes included making the new program mandatory for flood-prone communities and increasing the amount of coverage available.

Flood Insurance: Insurance that reimburses the policyholder for damage to property caused by the peril of flood.

Flood Insurance Manual: A manual published by the National Flood Insurance Program that includes the program's eligibility and policy writing rules, as well as rating information.

Flood Insurance Rate Map (FIRM): A flood map published by the Federal Insurance Administration developed from a community flood study and used to produce actuarial rates. Once this map is complete, a community is eligible for the National Flood Insurance Program. Rates developed from this map are termed pre-FIRM or post-FIRM, depending on when a building is constructed.

Floodplain: A relatively level area alongside a river that is periodically subject to flooding.

Following Form Excess Property Insurance: An excess fire insurance policy that follows the terms and provisions of a specified primary policy. Example: A fire policy or other form written under exactly the same terms as a property insurance policy, providing the same coverage as other insurance on the same property.

Foundation Exclusion Clause: A provision in a fire insurance policy that excludes the value of a building's foundation when determining the proper amount of insurance under a coinsurance clause.

Friendly Fire: A fire or combustion intentionally started for beneficial purposes and remaining within its intended confines. Insurance does not cover a friendly fire unless it accidentally spreads to unintended materials.

Full Reporting Clause: A provision in commercial property policies written with a reporting form which requires the insured to report the full value of insured property even if this value exceeds the policy limit. While this endorsement can provide a premium savings, if at the time of a loss it is determined that the full value had not been reported, a severe penalty is applied in the loss adjustment.

Functional Obsolescence: A plant, building or facility that has outlived its useful value because of antiquated equipment or impractical or outmoded design.

Functional Replacement Cost: Property insurance policies sometimes provide for loss adjustment on the basis of functional replacement cost, which is the minimum cost to replace the damaged property with property that performs the same functions, though it may be less expensive than the original. Example: A brick warehouse may be replaced with a concrete tilt-up building that functions the same and is less expensive.

Furnace Explosion: An explosion resulting from the accumulation of gases or unconsumed fuel within the combustion chamber of a fired vessel. Such an explosion is covered under a fire insurance policy rather than a boiler and machinery policy.

G

General Cover Form: An obsolete term used to identify a reporting form policy.

Glass Coverage Form: A commercial property form (ISO form CP 00 15) that covers the costs of replacement and incidental costs of building glass due to breakage or the accidental or malicious application of chemicals to the glass. The glass must be specifically listed in the declarations and includes its lettering, frame and ornamentation. Excluded from coverage by this form are stained glass, memorial windows, art glass, mosaic art, lenses, halftone screens and rotogravure screens.

Glass Insurance: Protection for loss of or damage to glass and its accessories.

Glass Insurance 50/50 Basis: An endorsement to a comprehensive glass policy that provides a 50% reduction in premium for what is in effect a deductible equal to the premium. The insured must bear a loss in an amount up to the premium paid before coverage is activated.

Governmental Action Exclusion: An exclusion in most property insurance policies, denying coverage for losses occasioned by governmental seizure or destruction of property, except for destruction done to prevent the spread of fire.

Grading Schedule: A schedule used by the Insurance Services Office for grading the fire protection provided by cities, towns and other fire districts. The schedule has ten grades or "protection classes," with "1" meaning the highest degree of protection and "10" unprotected. Factors are considered such as location of fire stations, firefighter training, water supplies, and building codes.

Gross Earnings: A coverage amount developed for business interruption insurance that essentially is calculated by subtracting the cost of goods sold from total sales. With the development of the business income coverage program, this concept was abandoned.

Gross Earnings Form: A property insurance lost earnings form that was widely used before the business income coverage form. The amount of insurance was based on the coinsurance percentage selected, which in turn reflected the expected length of time a business might be out of operation after a loss. The loss payment was based on expected normal earnings during the period needed for repairs, with no maximum time.

Group I Rate: A classification for property insurance rates under the 1986 ISO Commercial Lines Program, for the perils of fire, lightning, explosion, sprinkler coverage and vandalism.

Group II Rates: A classification for property insurance rates under the 1986 ISO Commercial Lines Program, for the perils of windstorm, hail, smoke, riot or civil commotion, aircraft, vehicles, sinkhole collapse, and volcanic action.

Group Property and Liability Insurance: An employee or association group insurance program that provides each qualifying participant with homeowners or automobile insurance. It is most often an elective employee benefit, fully paid for by the employee. The cost is usually lower than an individual policy, since the insurer can save on administrative expenses.

H

Hail Insurance: Insurance against loss of crops caused by hail. **See:** [crop hail insurance](#).

Hazard: A condition or situation that creates or increases the probability or extent of a loss from a peril, such as unsafe or unclean conditions, cheap or flammable building materials, etc.

Highly Protected Risk (HPR): Property insurance coverage for large commercial properties that are protected with automatic sprinkler systems and superior construction. Qualified insured's pay significantly lower premiums.

Homeowner's Policy: An insurance policy designed to protect the owner or renter of a dwelling which combines property coverage for the dwelling structure, personal property coverage for the contents, and personal liability coverage. Numerous versions of homeowners' policies exist, but most insurers use one of the six forms published by the Insurance Services Office or their own forms comparable to the ISO's. The ISO forms provide broad personal liability coverage for the owner or renter, including the spouse, children and relatives residing in the home. Numerous endorsements can be added, such as a personal articles floater for highly valued jewelry or furs, and an inflation guard endorsement to maintain adequate levels of insurance. All six forms use the following format (except the form for renters--homeowners contents broad form--which does not provide coverage for dwellings or other structures): Section I coverage's: A--Dwelling B--Other structures C--Personal Property D--Loss of Use Additional Coverage's Section II liability coverage's: E--Personal Liability F--Medical Payments to Others Additional Coverage's The ISO forms differ in regard to property coverage only; all of the forms provide identical liability coverage.

Homeowner's Policy Form 1:

Homeowner's Policy Form 2:

Homeowner's Policy Form 3:

Homeowner's Policy Form 4:

Homeowner's Policy Form 5:

Homeowner's Policy Form 6:

Homeowner's Policy Form 7:

Homeowner's Policy Form B:

Homeowner's Policy-personal Coverage:

Homestead: The right to land created by the construction of a home on a plot of land and the filing of a homestead with the appropriate local jurisdiction. An insurable interest is created by a homestead.

Honesty Clause: **See:** [full reporting clause](#).

Hostile Fire: An unintended fire, or a fire set intentionally that escapes an intended container or, though remaining in its container, becomes unusually or excessively hot. Fire insurance covers loss caused by hostile, not friendly, fire because insurance concerns the risk of fortuitous losses.

Household and 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.

See: [condominium unit owners' form](#), [homeowners' policy](#), [renters' insurance](#).

Housekeeping: A category of hazards that create or increase the probability of a loss. It is the general care, cleanliness and maintenance of a property.

Human Perils: One of three broad categories of perils (with natural and economic), meaning human acts and omissions, whether intentional or unintentional, that can cause a loss.

Hurricane: A severe tropical storm originating over ocean waters with winds exceeding about 73 miles (119 kilometers) per hour, accompanied by rain, thunder, lightning and tidal surges. Hurricanes principally affect the islands and coastlines of the Caribbean Sea, the Gulf of Mexico, and the southern and mid-Atlantic United States. They also occur in the Pacific, where they are called typhoons.

Hurricane Insurance: Coverage of physical damage caused by the high wind, waves and flooding produced by a hurricane. In hurricane-prone areas, some insurers exclude wind and require insured's to buy "wind only" from a pool (or cede wind losses to the pool) and also require flood insurance.

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Improvements and Betterments: Additions made to premises by a tenant that enhance the property value and that become part of the realty and therefore revert to the building owner upon termination of the lease. Both the property owner and the tenant may purchase insurance to cover loss or damage to improvements and betterments.

Improvements and Betterments Insurance: Property insurance purchased by a building tenant to protect its interest in improvements and betterments it has made to the building. Many commercial property and renter policies automatically provide some limited coverage (10% of the policy limit) for improvements and betterments.

Incendiarism: **See:** [arson](#).

Incorporeal Interest: A right to intangible property. An incorporeal interest provides the basis for an insurable interest.

Increased Cost of Construction Endorsement: An endorsement that can be added to a property policy to cover any increased cost of repairs or construction resulting from the enforcement of any building, zoning or land use laws following damage by an insured

peril. Under the ISO Commercial Property Program, this coverage has been incorporated into the ordinance or law coverage endorsement.

Increased Hazard: A provision in a property insurance policy that releases an insurer from its obligations under its policy if a loss is caused by a hazard increased by any means within the insured's control or knowledge. Increased hazards must be materially greater than those contemplated when the policy was issued. Example: A moving and storage company begins using its warehouse to store explosives and combustible chemicals.

Indirect Damage: See: [consequential damage](#).

Indirect Loss: See: [consequential damage](#).

Individual Risk Premium Modification Rating Plan (IRPM): A large account rating plan where factors such as size of premium, spread of risk, superior construction, and quality of management are considered in determining the premium.

Industrial Property Policy Program: A property insurance program that preceded the special multi-peril policy program. It was designed to insure manufacturers with two or more locations and could include coverage for buildings, stock, machinery and equipment. As an option, an insured could also cover improvements and betterments at leased locations.

Industrial Risk Insurers (IRI): A pool originally formed in 1890 by the major stock insurance companies, to compete with the Factory Mutual System on large industrial accounts that are protected by automatic sprinklers and meet certain other minimum protection requirements. The operation's name was changed to Industrial Risk Insurers in 1975 by the merger of the Factory Insurance Association and Oil Insurance Association.

Inflation Guard Endorsement: An endorsement to a property policy that automatically increases the amount of insurance on buildings by a specific percentage (usually 1% or 2% per quarter). It is designed to offset the increased costs of replacing a building due to inflation.

Ingress/Egress Clause: See: [civil authority clause](#).

Inherent Explosion: An explosion arising out of characteristics inherent in or natural to an insured risk. Example: A dust explosion in a flour mill. Inherent explosion risks may be covered or not, depending on the coverage forms.

Inherent Vice: A quality within an object, material or property that results in its tending to deteriorate or destroy itself. Inherent vice is excluded by most property insurance policies. Example: The spoilage of fruit during storage or shipping would be excluded from a property policy. The destruction of unspoiled fruit by a fire, on the other hand, would be covered.

In Kind: A term used in many property insurance policies giving an insurer the option to replace damaged or stolen articles with new or equivalent ("in kind") replacements, instead of paying cash to the insured.

Insects, Bird, Rodents, or Other Animals Exclusion: A special exclusion in all-risk or special form property policies for damage or destruction of property caused by insects, birds, rodents or other animals.

Inspection: In property and casualty insurance, the insurer retains the right to make inspections and surveys relating to the insurability of the risk and the premiums charged. For example, the insurer may look for inherent structural defects and other hidden hazards. Inspections provide the opportunity to develop a loss prevention program for the insured.

Institutional Property: See: [public and institutional property](#).

Insurance Appraisal: See: [appraisal](#).

Insurance to Value: Insurance coverage written at or near the value of the insured property; or the ratio that the amount of the insurance purchased bears to the value of the insured property.

Insured Peril: The danger to a property against which it is insured; a cause of loss that invokes coverage under a policy. For example, fire, explosion, wind and vandalism are insured perils under a typical property insurance policy.

J

Joint Loss Agreement: An endorsement to a boiler and machinery policy that prorates the policy limits with another property policy when both policies provide coverage on a similar basis. It is generally mirrored by an endorsement on the property policy. When a loss is payable, the insurer determines whether and to what extent it is a boiler and machinery or a property loss.

L

Layering: A method of structuring policies covering a risk, so that each policy provides a layer of coverage. This technique is used in both liability and property coverage's. Example: Policy A, a primary policy, provides \$100,000 in coverage limits. Policy B provides \$200,000 of coverage in excess of the Policy A limit. Policy C provides an additional \$300,000, in excess of Policy B, for a total of \$600,000. The advantage of layering is the additional spread of risk among insurers and the premium savings each company grants the insured.

Leasehold Interest: The right of a person (lessee) to occupy or use real property of the owner (lessor) for a specified time in return for the payment of rent or subject to other conditions. The lessee has an insurable interest in the property during the period of the lease.

Leasehold Interest Insurance: A lessee's coverage for the loss that would result from the premature cancellation of a lease that requires less rent than would a new lease for similar property. Coverage is for the difference between the two rental amounts during the remaining lease term.

Leasehold Profit Interest: Coverage for a lessee on leased space that is sublet to another for a higher rent than the lessee pays. The lessee recovers lost rental profit in the event of premature termination of the lease. Termination must be caused by an insured property loss.

Lightning: A natural electrical discharge in the atmosphere from one cloud to another or from a cloud to the earth. It is an insurable peril, normally covered by a standard fire policy. It can ignite a fire, making it impossible to distinguish between lightning and fire as the cause of a loss.

Limit of Liability Rule: A rule that allocates property insurance losses among insurers providing coverage on the same property.

Line Card: A property underwriter's record of the limits of liability written on a specific policy.

Lloyd's Property First Loss Scale: A scale frequently used by property underwriters in determining the allocation of premium between a primary and excess layer.

Loss: A decrease or disappearance of value, especially if caused by an insured peril; the basis of a claim for indemnity from an insurer or for damages from another person.

Loss Assessment Coverage: Property insurance (ISO form CP 04 19) for a condominium unit owner, covering assessments charged by a condominium association for a loss to the property. The policy pays the amount of the assessment, if the loss is caused by an insured peril.

Loss Clause: See: [automatic reinstatement clause](#).

Loss of Income Insurance: See: [business income coverage form](#).

Loss of Time Insurance: See: [business income coverage form](#).

Loss of Use Insurance: Coverage for the loss of use of an insured's property, when it cannot be used for its intended purpose because of damage caused by an insured peril.

Loss of Use-value in Improvements and Betterments: Coverage for the loss of use of improvements made by a tenant in rented or leased property, which are destroyed and not replaced by the building owner.

Loss Payable Clause: A property insurance policy provision that authorizes the insurer to make a loss payment to a person (loss payee) other than the insured to the extent that the loss payee has an insurable interest in the property.

Loss Payee: The person named in a loss payable clause to which insurance proceeds are to be paid in the event of damage to property. The loss payee must have an insurable interest. Loss payees include automobile lien holders and property mortgagees.

M

Machinery: Machines in general, or as a functional unit. For insurance purposes, there are three property definitions: boiler and machinery, fixed machinery, and mobile machinery.

Machinery and Equipment: Coverage that can be included under either a building or personal property policy, for items or equipment that are permanently installed at an insured premises (e.g., heating and air conditioning equipment, engines or shafting).

Machinery Breakdown Insurance: See: [boiler and machinery insurance](#).

Malicious Mischief: The willful damage or destruction of another's property; a coverage included with vandalism.

Manufacturers Output Policy (MOP): A single commercial property or inland marine policy that covers on an all risks basis damage to a manufacturer's, assembler's or processor's personal property during the manufacturing process, while it is temporarily off premises with a subcontractor, and loss to goods being transported.

Manufacturer's Selling Price: A method of valuing unsold finished goods: The actual cash value of finished stock manufactured by the insured equals that price (less all discounts and unincurred expenses) for which the stock would have been sold had not loss occurred.

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.

Market Value: The price that a willing buyer would pay and a willing seller would accept in an arm's length transaction in a competitive (i.e., not monopolistic) market.

Market Value Clause: Occasionally, property insurance policies are endorsed to allow a loss to be adjusted based on the price a willing buyer would have paid for the damaged or destroyed property, prior to the loss.

Master Insurance Policy: An original, complete insurance policy contract that is issued by an insurer with the understanding that certificates of insurance or underlying policies will be issued to others; for example, a master group health policy is issued to an employer while certificates are given to the employees. A master policy and underlying policies may be issued to a property owner to comply with requirements of a mortgage holder.

Maximum Foreseeable Loss: See: [maximum possible loss](#).

Maximum Period of Indemnity: An endorsement to the business income coverage form that deletes the required coinsurance. The coinsurance requirement is replaced with coverage for the actual loss sustained during the initial 120 days after a loss up to the policy limit.

Maximum Possible Loss: The worst possible loss that could occur under a policy. Example: Under a fire policy, the maximum possible loss would result from a fire in

which the fire department does not respond, automatic sprinklers do not operate, and fire divisions fail.

Maximum Probable Loss: See: [probable maximum loss](#).

Mechanic's Lien: A legal term for a documented claim against property, such as a mortgage.

Mill Construction: A type of joisted masonry construction, which is used in older factories and warehouses. A mill building is constructed of heavy timbers and masonry walls with no concealed wall spaces. It is considered a superior class of construction for fire insurance purposes.

Mobile Home Policy: A package policy, similar to a homeowners' policy, written on a permanently located mobile home.

Mobile Machinery: Machinery that is readily movable and often covered by inland marine insurance.

Modification Rating: A property insurance rating method by which published manual rates are modified or adjusted by a classification factor or experience factor to determine a final policy rate.

Monthly Limit of Indemnity: An endorsement to the business income coverage form that deletes the coinsurance requirement and replaces it with a provision that recovery is limited during each 30-day period to a preselected percentage of the business income limits. This form is designed for insured's having significant monthly income fluctuations.

Moral Hazard: Circumstances of morals or habits that increase the probability of a loss from an insured peril. Example: An insured previously convicted of arson.

Morale Hazard: An increase in the hazards presented by a risk arising from the insured's indifference to loss because of the existence of insurance. Example: An insured fails to repair faulty wiring, believing it is less expensive to pay insurance premiums than to pay an electrician.

Mortgagee Clause: An endorsement attached to a fire or other direct damage policy that covers mortgaged property, specifying that the loss reimbursement will be paid to the mortgagee as the mortgagee's interest may appear; that the mortgagee's rights of recovery will not be defeated by any act or neglect of the insured; and giving the mortgagee other rights, privileges, and duties.

Multi-peril Crop Insurance (MPCI): An archaic term for what is now open perils crop insurance.

Multiple Location Policy: A policy that provides coverage on more than one location of the insured.

Multiple Location Rating Plan: A method to set premium rates on property insurance policies that cover five or more dispersed locations. It allows a credit for the reduced

hazard because of the dispersed locations, and lower insurer expenses in writing a large amount of premium under a single policy.

N

Named Insured: Commercial property insurance policies have two classes of insured's: those who may file claims on their own initiative and in their own names, and those whose interests are protected only if the named insured chooses to apply the protection. The first class includes the named insured, the insured's legal representative, and named mortgage holders (for real property). The second class includes owners of property not owned by the insured that the insured wants covered.

Named Perils: Specified causes of loss covered under a property insurance policy. No coverage is provided for perils not listed.

National Fire Code: Members: Business, industry, fire service, health care, educational groups and other institutions and people in the fields of insurance, government, architecture and engineering. Objectives: Sets fire safety standards, and serves as a clearing house of information concerning fire loss control. Publishes a national fire code. Founded: 1896. Headquarters: Quincy, MA.

National Flood Insurance Program (NFIP): A program administered by the Federal Insurance Administration that provides flood insurance under the National Flood Insurance Act of 1968. A number of private insurers are under contract to the NFIP to administer the program. These insurers issue the program's Standard Flood Insurance Policy, they are reinsured for 100% of any flood losses by the federal government, they collect the premium, and they adjust the losses. They receive a percentage of the premium for commissions, taxes, and allocated loss adjustment expenses.

Natural Perils: One of three broad categories of perils (with human and economic), meaning forces or events of nature that can cause a loss, such as severe weather, earthquake, rot and rust, etc. These perils can also be called acts of God.

Neglect: To disregard, leave undone, or fail to give proper attention; habitual carelessness. Most property insurance policies contain exclusions for losses caused by the insured's neglect.

New York Standard Fire Policy: A fire insurance form initially drafted in 1918 and amended in 1943. Most states adopted it and required an insurer offering fire coverage to conform to the standard form until it was generally replaced by simplified language policies in the 1980s. It is still used in some areas but must be accompanied by other forms to constitute a complete modern policy. The policy covers fire, lightning, and the removal of property after a fire to protect it from further damage. It has 165 numbered lines describing the coverage.

Non-concurrency: A lack of coordination between two or more policies that were intended to cover the same risk in different layers, creating coverage gaps. For example, policies in a layered program (umbrella or excess policies) may not agree with respect to policy effective dates or other provisions, triggering limits not expected by the insured or leaving an exposure uncovered.

Non-contribution Mortgage Clause: An endorsement that can be added to a commercial property policy if more than one policy is in force on a mortgaged property. The endorsement allows a mortgagee to require that in the event of a loss involving the property, the mortgagee's claim will not be apportioned with other policies and the lender's interest will be paid up to the limit of the policy to which this endorsement has been attached.

Non-valued Policy: A policy that is not valued; that is, when the policy is written, the amount to be paid in the event of a loss is not stated. Most property policies are non-valued.

Noon Clause: An insurance policy provision starting coverage at noon, standard time. However, most property policies specify 12:01 a.m. as the effective time.

Nuclear Hazard Exclusion: A property policy exclusion that eliminates coverage for a loss caused by any weapon using atomic fission or fusion, or by any nuclear reaction, radiation or radioactive contamination, regardless of cause. However, a fire loss occurring after a nuclear incident is covered.

Nuclear Reaction Exclusion: See: [nuclear hazard exclusion](#).

O

Object: The term used in a boiler and machinery policy for the specific types or items of machinery or equipment that are covered by the policy. Usually, objects are grouped in classes; sometimes, specific objects are listed.

Occupancy: In fire insurance underwriting, the type or character of the property and its intended use. Occupancy is an important consideration in determining both the appropriate amount of insurance and the premium rate.

Occupancy Permit: An endorsement to a property policy allowing an occupancy that might otherwise suspend the policy or invalidate it.

Occurrence Limit: The maximum limit of insurance coverage for the payment of all claims arising from any one incident.

Off-premises Coverage: A provision in some property insurance policies that (subject to limitations) extends coverage to personal property located away from the described premises for an amount less than the policy limit. Usually, coverage is for a specified amount (\$10,000 to \$50,000) or a percentage of the policy limit, subject to a maximum limitation.

Open Perils: A property insurance form that insures against any risks of loss that are not specifically excluded. This term is frequently used instead of "all risks."

Open Perils Crop Insurance: Crop insurance coverage written under the jurisdiction of the National Crop Insurance Services. Under a crop insurance policy, the perils insured can include fire, hail, wind, flood, insects, and plant disease.

Open Reporting Form: A broad term for several forms of commercial property insurance that cover all types and locations of an insured's property in a single policy.

Ordinance or Law Coverage Endorsement: An endorsement (ISO form CP 04 05) that can be added to a property policy written on a replacement cost basis. It covers a building in the event that the enforcement of any building, zoning, or land use law results in loss or damage, any increased cost of repairs or reconstruction, or demolition and removal costs. This endorsement incorporates the coverage's that were provided by the contingent liability from operation of building laws endorsement, the demolition cost endorsement, and the increased cost of construction endorsement.

Ordinance or Law Exclusion: An exclusion in most property insurance policies for a loss or part of a loss caused by enforcing an ordinance or law regulating the construction, use or repair of any property or requiring the demolition of property, including the cost of removing debris.

Ordinary Payroll: The payroll of an insured's employees (excluding officers, department managers, executives, contract employees and others). Ordinary payroll is a coverage provided by business interruption policies, depending on whether the ordinary payroll coverage endorsement or the ordinary payroll exclusion endorsement has been attached.

Ordinary Payroll Exclusion Endorsement: An endorsement that must be added to some older business interruption policies to exclude coverage for the payroll of all employees except officers, executives, department managers, employees under contract and other important employees. Ordinary workers would not be paid.

Original Cost:

Outage Insurance: Coverage for lost earnings caused by an insured peril that damages property and prevents machinery from operating.

P

Pair and Set Clause: A provision in many property and inland marine policies that the insurer is not liable for the total value of a set of items if only one item has been lost damaged or destroyed. The loss settlement is based on the proportion that the lost or damaged part bears to the total value of the set.

Panel Wall: An exterior non-bearing wall in multiple-story buildings. The panel is one story in height and is supported at each floor level.

Parasol Policy: A British term for a policy similar to a difference in conditions policy.

Partial Loss: A loss to an insured property that does not completely destroy the property and is not extensive enough to be deemed a total loss.

Peak Season Endorsement:

Percentage of Value Deductible: A deductible based on a percentage of the value of the property insured at the time of loss. Most earthquake and some flood insurance

policies are written with this type of deductible. Example: A building valued at \$120,000 with a 5% deductible at the time of loss would result in the insured being responsible for the first \$6,000 of loss.

Per Diem Business Interruption Coverage: A business interruption coverage where the insured receives a specified amount of money for each day that the business is interrupted as the result of an insured peril. If the interruption is partial (i.e., some business can be transacted), the percentage of interruption is calculated and this percentage of the per diem amount is paid.

Period of Restoration: The period of time under business income coverage that is normally required for damaged property to be restored and during which, therefore, lost income is compensated. It is not the actual period of restoration, but rather the time typically required to restore the damaged property with property of similar quality. Time required for the insured to replenish supplies and restock merchandise is also considered.

Perpetual Insurance: A unique form of insurance on buildings. For a flat initial premium of sufficient amount, the insurer agrees to cover the building named in the policy without an expiration date. A few of these policies are still in force from the 1700s. Perpetual policies are generally assignable to subsequent owners of the covered property, and they often require endorsements for additional perils and to increase policy limits to the current value of the property.

Personal Property: Property other than real estate or property that is movable or separable from real estate; for property insurance purposes, tangible property, which is often called "contents." Personal property may be used for business purposes and therefore may be covered by a commercial policy, while personal property not used for business purposes is generally covered only by personal lines policies (such as homeowners or renters' insurance).

Personal Property of Others: Personal property (i.e., property other than real estate) that is damaged or lost while in the care, custody or control of a person other than the owner. Liability policies generally exclude coverage for such property, but coverage can be purchased for an additional premium. Many property forms provide limited coverage for personal property of others and allow additional coverage to be purchased.

Pito – Property in the open

Plate Glass Insurance: See: [glass coverage form](#).

Pluvius Insurance: See: [rain insurance](#).

Post-FIRM Rates: A category of rates published in the National Flood Insurance Program Manual, applying to buildings located in a community qualifying for the regular flood program. Post-FIRM rates are used on building construction that started after December 31, 1974, or after the community's initial Flood Insurance Rate Map was published, whichever is later. These rates are lower than pre-FIRM rates.

Power Interruption Insurance: Coverage that indemnifies the insured for lost earnings if power supplied by a public utility is interrupted by an insured peril.

Power Plant Insurance: A form of boiler and machinery insurance that insures electrical generating stations against loss.

Pre-FIRM Rates: A category of rates published in the National Flood Insurance Program Manual applying to buildings located in a community that has qualified for the regular flood program. Pre-FIRM rates are used on building constructions that started on or before December 31, 1974, or before the community's initial Flood Insurance Rate Map was published, whichever is later. These rates are higher than post-FIRM rates.

Premium and Dispersion Credit Plan: See: [multiple location rating plan](#).

Pressure Vessel: A container made to hold materials under pressure. Boiler and machinery policies divide such vessels into two categories: fired pressure vessels (such as boilers or gas water heaters) and unfired pressure vessels (such as air tanks, electric water heaters, steam cookers, and hydropneumatic tanks).

Probable Maximum Loss (PML): A maximum loss estimate developed for property insurance underwriters, which assumes an impairment to one sprinkler system exists at the time of loss. A PML estimate may include other adverse conditions, such as a delayed fire alarm, insufficient water supply or delayed firefighting response if such conditions seem reasonable.

Profits and Commission Insurance: Coverage that protects an individual or firm from lost profit or commissions on a sold product due to damage to the product before its delivery to the buyer.

Property First Loss Scale: See: [Lloyd's property first loss scale](#).

Property Insurance: Coverage for real or personal property lost or damaged by a covered peril and, sometimes, consequential financial losses result from property damage. It is first-party coverage.

Property Insurance Loss Register (PILR): A list maintained by the American Insurance Association of all fire losses over \$500,000. It is kept on a database that insurance companies may access to check for duplicate coverage.

Pro Rata Distribution Clause: A penalty clause found in older property insurance policies which, if the insured is carrying inadequate coverage at the time of a loss, automatically distributes coverage on insured properties at various locations in the proportion that their values bear to the total of values on all properties insured.

Protected Risk: A property risk located within a fire protection district or area served by a recognized fire department.

Protection: The existence and nearness to an insured risk of firefighting facilities. Protection includes fire hydrants, adequacy and reliability of water supply, the number and quality of available firefighters, adequacy of equipment, etc.

Protection Class: A grade assigned to a fire protection district, usually expressed in a number between 1 (best) and 10 (worst).

Protective Safeguards Clause: A policy provision that voids coverage if the insured fails to exercise due diligence in maintaining protective safeguards such as automatic sprinklers or burglar alarms.

Proximate Clause: Most property insurance policies require an insured peril to be the immediate or proximate cause of a loss for coverage to apply. The loss must be a direct result of an insured peril.

Public and Institutional Property: An obsolete property insurance rating program for government and nonprofit organizations. It provided reduced rates for these properties and very broad coverage.

Q

Quota Share: A property insurance program where several policies share the exposure of a risk on a percentage, or quota, basis. Example: \$1 million in fire insurance is split on a quota share basis, with Company A assuming 50% (\$500,000), Company B assuming 30% (\$300,000), and Company C assuming 20% (\$200,000). The companies usually share the premium in the same proportion as the risk.

R

Radioactive Contamination Insurance: Property insurance coverage for contamination of property from radioactive materials stored or used on the premises. Coverage is specifically excluded for radiation from nuclear reactors and nuclear fuel.

Rain Insurance: Insurance that indemnifies an insured for financial loss caused by rain. Coverage is written for a specific period of time to cover a particular outdoor event, where financial success depends on the weather. The covered perils also include snow, sleet and hail.

Rate of Loss:

Real Property: Land and immovable structures attached to the land.

Recipient Property: Concerning contingent business income coverage, a location to which most of the insured's product is sold or shipped; a principal customer.

Recording Agent: A policy writing agent for property insurance coverage.

Reinstatement: Restoration of a reinsurance contract's limit to its full amount by a reinsurer after the payment of a large loss. Often, this requires the payment of additional premium.

Removal: A term that has been replaced in most modern property policies by preservation of property. The cost of removing insured property for purposes of protecting it from further loss is generally covered by property insurance.

Rental Income Insurance: A form of property insurance that pays the owner of a building for the amount of lost rent due to damage from an insured peril. The form also

covers the tenant of a building for rent that must be paid even if the premises cannot be occupied.

Rental Value Insurance: A form of property insurance that covers the use interest of owners occupying their own building or tenants in a building. For a building owner, it pays to secure other facilities similar to the damaged building or pays the amount the owner would have received if the building were leased to others. For a tenant, it covers any excess rent required to secure comparable facilities.

Renter's Insurance: A personal property and liability package designed to protect a renter. It combines broad coverage on personal property with broad personal liability coverage. It is similar to a homeowners' policy, except there is no property coverage for the structure itself.

Rent Insurance: See: [rental value insurance](#).

Replacement Cost: Valuation of property according to the cost of replacing it with property of a like kind and quality; the cost to replace property at its current price with no deduction for depreciation.

Replacement Cost Insurance: Insurance that compensates property owners for losses on a replacement cost basis.

Reporting Policy: See: [adjustable policy](#).

Reproduction Cost: Valuation of property according to the cost of replacing it with identical property at the same location. Loss adjustment is only occasionally provided on this basis. The insurer then must replace a damaged or destroyed building, for example, using existing blueprints and specifications.

Riot: A general disturbance or a public assembly of a group of people who commit acts of violence or threaten violence. Riot is an insurable peril under most basic property insurance policies and is substantially the same as civil commotion.

S

Salvage Charges: Payment by the property owner to a salvor following the salvage or recovery of property. Frequently, the amount is determined by a court based on the value of the salvaged material and the salvor's expenses.

Sanborn Map Company, Inc.: The Sanborn Map Company was formed in 1866 to provide fire maps for the insurance industry. The maps were used for basic underwriting of property insurance and to monitor accumulations of insurer liability in specific geographic areas. By the mid-1950s, Sanborn maps covered most U.S. cities and towns with a population over 2,500. Most insurers have stopped using the maps because of the high cost of maintaining them and the use of computers; however they are sometimes used to identify potential pollution exposures because they show the historical occupancies of particular locations (e.g., types of factories prone to pollution).

Schedule: A list of buildings, structures and contents covered by a property policy covering multiple locations.

Scheduled Coverage: Coverage that insures items of property that are specifically listed. The schedule indicates amount of insurance applicable to each item.

Scheduled Item: An insured item specifically listed in the policy for which an amount of insurance is indicated.

Schedule Rating: A method of developing property and liability insurance premiums by applying debits or credits within established ranges for various characteristics of the risk, which are either above or below a schedule of standards.

Selling Price Clause: A property policy provision that pays at selling price (realized market value) losses to finished stock that is sold but not delivered. This includes the insured's profit. Normally, such stock would be valued at its production or replacement cost, whichever is lower.

Simplified Earnings Form: An older, rarely used form for loss of earnings coverage for small businesses that provides reimbursement when a property is destroyed and a business is unable to continue. The inability of the business to continue must be as a result of a direct loss. Coverage under such a policy protects income and is subject to a monthly limitation.

Single Interest Policy: An insurance policy that protects only the interests of one party, usually the named insured. Example: Physical damage coverage on a car bought with a loan that covers the insurable interest of the lending institution, and not that of the driver.

Sinkhole Coverage: A coverage included in property insurance policies issued in areas subject to this exposure, such as Florida. It covers loss or damage caused by the sudden sinking or collapse of land, which is due to the action of subsurface water on soft rock formations. Coverage does not include the cost of filling sinkholes and the collapse of the land into man-made underground cavities.

Smoke Damage: Coverage under basic property insurance policies for damage caused by smoke from an unfriendly fire (as opposed to damage caused by fire or combustion itself). Damage from agricultural smudge pots or industrial operations, for example, would not be covered because the smoke source is friendly fire or combustion.

Snowmobile Coverage: An endorsement (ISO form HO 24 64) to the homeowners policy that extends coverage under Section II (personal liability and medical payments) to snowmobiles scheduled on the endorsement. Coverage does not apply to snowmobiles that are subject to motor vehicle registration, used to carry paying passengers, used for a business purpose, rented to others, or operated in any organized competition.

Sonic Boom: The shock wave and noise resulting from an aircraft or missile exceeding the speed of sound. Most property policies cover damage from this peril.

Special Damage: See: [consequential damage](#).

Special Form: A property form that insures against all risks of direct physical loss that are not specified as exclusions or limitations. Any accidental loss is presumed covered unless the insurer shows that it was caused by an excluded peril.

Special Homeowner's Policy: This homeowners form (ISO form HO 00 03) is used primarily for owner-occupied dwelling units. Under Section I, it covers the dwelling and other structures on an open perils basis and covers personal property on the broad named perils basis similar to the homeowners' broad form. By endorsement, the personal property may be covered on an open perils basis. Section II liability coverage is identical to the other homeowners forms.

Special Multi-peril Program (SMP): A combination or package policy for commercial risks that, since 1986, has been replaced by the commercial package policy. The program included at least property and liability coverage's, with optional coverage's for crime and boiler and machinery.

Special Personal Property Coverage Endorsement: An endorsement (ISO form HO 00 15) that, when attached to the homeowners special form, provides all-risk coverage on personal property.

Special Personal Property Form: A form used in the special multi-peril program that provided all-risk coverage on business-use personal property. It has largely been replaced by the building and personal property coverage form. It was once the broadest coverage available for the personal property of a business.

Specific Insurance: A policy that covers a specific kind or unit of property, in contrast to a policy that covers all property at one or more locations on a blanket basis. Generally, a specific policy is considered primary coverage in the event of overlapping policies.

Specific Rate: A published rate (as opposed to a tariff rate) that applies to an individual location or building.

Sprinkler Leakage Coverage: Coverage of damage to a building or contents caused by leakage or discharge from an automatic sprinkler system, or caused by the fall or collapse of tanks that are part of the system. Coverage is included under the Insurance Services Office commercial property basic, broad and special coverage forms. Many property forms exclude coverage if sprinkler leakage is caused by an earthquake or volcanic action.

Standard Fire Policy: See: [New York standard fire policy](#).

Standard Homeowner's Policy:

Standard Timber Insurance: Coverage on living trees that is of a commercially harvestable quality (having a minimum diameter, not diseased, etc.) or on all living trees in an area of reforestation. The insured value is determined by the current price for standing timber. Coverage is limited to the perils of fire and lightning. Since most fires occur in spring and summer months, the policy premium is considered fully earned if coverage is provided at any time during those seasons. It is used by investors and timber owners seeking financing to secure their interests and the interests of lenders.

Stated Amount: An amount of insurance scheduled in a property policy that is not subject to any coinsurance requirement in the event of a loss. The amount scheduled is the maximum amount of insurance available in the event of loss.

Statement of Values: A property insurance form used when coverage is written on a blanket basis or when the insured has selected the agreed value optional coverage. It lists all insured locations and the buildings, personal property, and business income values for each covered item at a location. The form is used to develop a blanket rate and must be signed by the insured if coverage is on an agreed value basis.

Stock: Merchandise held in storage or for sale, including supplies used in packing or shipping and raw materials used in making finished goods; goods on hand in inventory.

Subrogation Waiver: The named insured's intentional relinquishing of any right to recover damages from another party who may be responsible. Commercial insurance policies recognize a written subrogation waiver issued prior to a loss.

Subsidence: Sinking or settling of land caused by heavy rains or man-made caverns. Subsidence does not include earth movement caused by an earthquake.

I

Taxation of Property Insurance Claims Payments: Property insurance proceeds are generally taxed as ordinary income to the extent that they exceed the book value of the damaged property. It is sometimes possible to defer taxation if the property is replaced with similar property.

Taxation of Uninsured Business Interruption Insurance Losses:

Taxation of Uninsured Property Losses: Uninsured business property losses are generally considered casualty losses and are therefore tax deductible, but only up to the amount of book value at the time of loss. When the book value is zero, no deduction is allowed.

Tax Interruption Policy: A form of contingent business income coverage for a public entity that insures against a large fire, windstorm, or other disaster that destroys a leading industry, convention or entertainment center that contributed a sizable portion of the community's tax income.

Television Closed Circuit Breakdown Insurance: Coverage that indemnifies a sponsor of a closed circuit telecast (a seminar, sporting event, etc.) for loss of revenues because of interruption of service for technical reasons that necessitates the refund of admissions.

Temperature Extremes Exclusion: A provision in all-risk property and inland marine policies, excluding coverage for loss from extremes of temperature to such things as fruits, vegetables, and living plants.

Terrorist Insurance: Coverage that can be added to a worldwide property insurance program to provide insurance against destruction of property by terrorists.

Testing Exclusion: A boiler and machinery policy exclusion that suspends coverage while a covered object is undergoing testing. Coverage remains in force before and after testing.

Three-fourths Loss Clause: An obsolete clause once contained in property and marine policies, providing that an insurer's maximum loss would be three-fourths of the actual cash value of the property. In effect, this clause imposed a 25% deductible.

Time Element Insurance: Insurance that provides coverage when a direct property loss results in an indirect or consequential loss, such as loss of earnings or increased expenses. Coverage is usually tied to the loss of earnings or increased expenses over a specific period of time.

Time-loss Unit: The amount of economic loss for each unit of time that the insured's business production is interrupted or curtailed. This is a consideration in adjusting a business income loss.

Tornado: A rotating column of wind, accompanied by a funnel-shaped cloud. It produces very violent and destructive winds (up to 300 mph) that travel in a narrow path. It is a natural peril that occurs principally in the Midwest and Southwestern United States.

Total Loss: The complete destruction of insured property; property that has disappeared or has been damaged irreparably or so there is no salvageable or reparable value. A total loss usually signifies the maximum settlement under the terms of a policy.

Trust and Commission Clause: A provision in many property insurance policies extending coverage to property of others held by the insured in trust, on commission, for storage, for repairs, or for other reasons.

Tuition and Fees Insurance: A commercial property business income endorsement (ISO form CP 15 25) that indemnifies a school, college or university for lost tuition and fees caused by a direct loss from an insured peril.

Typhoon: See: [hurricane](#).

U

Underlying Insurance Policy: A policy required by mortgage holders that duplicates portions of the coverage provided by a master policy.

Underwriters fire Patrol: In the past, insurers had their own fire brigades or patrols that fought fires on their insured's properties. Insurers often competed for business on the basis of their fire patrols. A policyholder's property had a fire mark to identify which patrol protected it. In some communities the insurers joined together to maintain a single patrol to protect the entire community.

Unfired Pressure Vessel: See: [pressure vessel](#).

Universal Mercantile System: A rating system for property insurance risks that is no longer in wide use. It has been replaced by a new system developed by the Insurance Services Office.

Unoccupied: A building that is furnished but in which nobody resides. Some property insurance policies suspend coverage if a building is unoccupied for more than a specified time, usually 60 or 90 days.

Uprising: An insurrection, revolt or rebellion. Losses resulting from such an event are often excluded from property insurance policies.

Use and Occupancy Insurance (U&O): Coverage for lost income under a boiler and machinery policy; also, an obsolete term for business income insurance. Use and occupancy insurance covers an insured business for loss of use of equipment caused by an insured peril.

V

Vacancy or Un-occupancy Permit:

Vacant: A building devoid of any personal property used in the operations or activities usually conducted within it.

Valuation: The determination of insurance company claims reserves needed to pay future claims.

Valued Business Interruption Insurance: Coverage for a stated amount of lost earnings for each day due to an insured peril.

Valued Clause: A provision in some automobile and property insurance policies stating the value of each insured item.

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.

Value Reporting Form: A form that must be completed by a policyholder on a periodic basis (monthly, quarterly) to report that period's exposure basis (receipts, payroll, units produced), which is used to determine the premium to be charged. A reporting form property policy requires the insured to report property values that frequently vary during the policy period. This arrangement usually results in lower premiums, since coverage does not have to be purchased for the maximum exposure during the year; instead the premium is based on the actual or average exposure. Often policies written on this basis have a penalty provision for late reporting.

Vandalism: Willful or malicious destruction or defacement of another's property; a coverage included with malicious mischief insurance.

Vandalism and Malicious Mischief Coverage (V&MM): Insurance of losses due to vandalism and malicious mischief, which is usually provided by an endorsement to a fire insurance policy. Basic homeowners and commercial property insurance forms include this coverage with no special endorsement.

W

Waiting Period: Under a boiler and machinery policy's loss of use coverage, the waiting period is a form of deductible and is usually specified in time (hours or days) before which the policy will not respond to a loss.

Waiver of Inventory Clause: A provision in many property insurance policies that waives the requirement to provide an inventory of undamaged property. The waiver applies if a loss is under a specified amount (usually \$10,000) or less than 5% of the amount insured.

Waiver of Subrogation Rights Clause: An endorsement issued by an insurer that waives its right of subrogation against a third party. It is usually requested by an insured in conjunction with a lease.

Warranty Company: See: [warranty fire](#).

Warranty Fire: A type of insurance used for substandard and accommodation fire risks, where there is a capacity problem. Coverage is divided on a pro rata basis with a licensed domestic insurer and the London Market. The domestic company issues an insurance policy that contains all the terms and conditions of coverage and is known as a "warranty company." The London Market insurers agree to follow the terms and conditions of the warranty company.

Watchman Warranty Clause: See: [watchperson warranty clause](#).

Watchperson Warranty Clause: A warranty clause that provides a rate credit on burglary and fire policies when the insured agrees to maintain a watchperson on duty at the insured premises.

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.

Water Damage Legal Liability:

Water Exclusion Clause: A provision in most property insurance policies that excludes loss resulting from flood, backup of sewers or drains, and underground water.

Water Resource Insurance: Coverage of lost earnings for small hydroelectric power plants in the event that daily water flows at the site is reduced by drought or other natural disturbances.

Wave Damage Insurance: Insurance for property loss due to the perils of high waves or overflow from tides. Coverage for the accidental discharge or overflow of water or steam from a plumbing, heating or air-conditioning system or domestic appliance, but only

when it is the direct result of broken or cracked pipes, fittings, parts, or fixtures in the system or appliance. The cost of tearing out and replacing any part of the covered building to make repairs is also covered. It is included in property policies covering broad causes of loss.

Wave Wash: Property damage caused by the action of large waves.

Wear and Tear Exclusion: An exclusion in most property insurance policies for a reduction in the value of property due to normal use.

Weather Insurance: Insurance for the sponsor of an outside event, a resort operator, or a manufacturer of a product that depends on specific weather conditions (rain, snow, freeze, sun) for sales. Coverage includes losses from the cancellation of outdoor events or from reduced sales of specified products or services.

Weight of Ice, Snow or Sleet Insurance:

“While” Clauses: Coverage suspension provisions found in older property insurance policies, such as "while" the property is vacant.

Windstorm: A wind of velocity sufficient to damage buildings and structures. Areas subject to hurricanes and tornadoes present the greatest windstorm loss potential.

Windstorm Insurance:

Work and Materials Clause: A provision in many property insurance policies that allows an insured to maintain on the premises the work and materials required in the operation of the insured's business. This clause prevents the policy from being voided under an increased hazard provision.