GLOSSARY OF INSURANCE TERMS ~ S

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Safe Driver Rating Plan: A merit rating program for private passenger cars where insureds with clean driving records qualify for lower automobile insurance premiums, and insureds who have an accident or moving traffic violation history pay higher premiums. The amount of premium is regulated by a point system, which assigns a certain number of points for accidents and traffic violations in which the insured is involved during a stated period, usually three years.

Salary Continuation Plan: A disability or life insurance program designed to provide comparable income to an employee and/or family should that employee die or become disabled. Most often this is an employee benefit provided by the employer through a group insurance program.

Schedule Rating: A system of making fire insurance rates for commercial properties, determined by a physical inspection of each risk. Such rates are made by modifying the class rates applying to a given classification, to the extent of the good or bad features of the individual risk, according to the schedule. For example, a certain commercial building may receive a credit because it is sprinklered, a debit because it is protected only by a volunteer fire department.

Scheduled Personal Property Endorsement: An endorsement to a homeowners policy allowing the insured to schedule both the coverage and the value on specific items.

Self Insurance: The retention of sufficient exposure units by an entity to permit the operation of the Law of Large Numbers. Self-insurance is a term often mistakenly used to describe the situation when an entity decides to retain its own risks. The mistake arises when the exposure units are too few in number to permit the application of the Law of Large Numbers. When the exposure units are too few, a better and less misleading term of such a practice is "self-assumption of risk."

Self-insured Retention: The portion of each loss that an insured retains by setting aside funds or by possibly using alternative type of financing to meet losses. It acts very similar to a deductible although normally, on a much larger scale. It is also considered to be a form of self-insurance.

Selling Price Clause: An endorsement which can be added to a fire policy covering a stock of merchandise, which extends the policy to cover beyond the actual value of the stock. One form, covering only stock already sold, is available to both mercantile and manufacturing risks and pays the price for which the stock had been sold. The other form, covering unsold stock, is available for manufacturers only and pays the price for which the owner expected to sell the stock.

Settlement Option: The choice of payment method and frequency available to the beneficiary of a matured life insurance policy.

Sexual Harassment Defense Coverage: An insurance coverage providing claims-made coverage for the legal defense and costs for alleged charges of sexual harassment. Sexual harassment is when one employee is subjected to unsolicited, unwarranted, and unwanted physical or verbal advances, innuendoes, comments, or conditions from either the employer or another employee.

Short Rate Cancellation: Termination of a policy by the policyholder before its stated expiration, with the insurer refunding to the policyholder a return premium an amount less than the pro rata part that is still unearned to compensate the insurer for expenses incurred to that point, since the termination is at the request of the policyholder.

Short Term: A policy period of less than one year.

Sidetrack Agreement: An agreement between the owners of a premises and a railroad with respect to a railroad sidetrack (transfer or access track) on the premises of the insured. The railroad will allow use of the sidetrack as long as the property owner guarantees access by the railroad to the sidetrack and agrees to certain conditions of property maintenance. It may also contain specified conditions of hold-harmless between the railroad and property owner.

Single Interest Cover (or Insurance): Used in connection with property sold on the installment plan, it protects the lender of money advanced to purchase a property, but does not protect the borrower or purchaser directly.

Single Premium Life Insurance: A type of life insurance coverage in which the entire premium is paid at one time at policy inception.

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Solvency: As it applies to the insurance industry, solvency is whether or not an insurer has the funds to pay insured claims. State insurance departments are directly responsible for assuring the solvency of the insurers licensed to write business in their state and are charged with periodic review and evaluation of those insurers. The minimum reserve, surplus and capital requirements mandated in each jurisdiction for insurers will vary by state.

Special Form: A property coverage form protecting insureds from all causes of physical damage loss unless otherwise limited or excluded.

Specified Disease Insurance: A health insurance policy designed to provide benefits for the services, expenses and fees for treatment if the covered person(s) contract the disease or diseases specifically addressed by the policy. Common examples are cancer or AIDS.

Specified Perils: An insurance contract that covers only those causes of loss (otherwise known as perils) that are specifically indicated as being covered.

Split Limits: A limits concept used in general liability and automobile liability policies whereby separate limits are set for each coverage. The most common example is one limit for bodily injury and another for physical damage, with still another for medical payments.

Sprinkler Leakage Insurance: Insurance against the damage done by the accidental discharge of water from automatic sprinklers and similar fire prevention devices.

Standard Form: A form, a policy or other document used to write insurance, which has been adopted and is used by a large number of companies or has been promulgated by a rating bureau or legislature. The use of standard forms does away with much of the need to scrutinize every word of a policy form for meaning, since the standard has been examined and adjudicated by courts.

Standard Provisions: Those provisions within an insurance contract that use similar wording and contain the same types of terms as do the provisions in contracts of most other insurers of the same type of business or that are mandated in that jurisdiction, for example, cancellation and nonrenewal conditions, other insurance conditions, duties in the event of loss, and so forth.

State Funds: An amount of money assessed certain insurers in a given state to reimburse policyholders and claimants of an insolvent insurer in that state. The fund may be created before an insolvency occurs (preassessment, as in New York) or afterward (postassessment), and virtually all states now have such protection. Also called insolvency funds and guaranty associations.

Stated Amount: When the value of property, either real or personal, is agreed upon at the issuance of the contract and, therefore, coinsurance and any other valuation clauses will not apply at the time of a loss.

Statement Of Values: When a risk is rated with a blanket rate which is when a single rate is to cover more than one item or building, the policyholder is asked to give the amount of value in each separate risk and usually in the contents of each, so that a correct average may be determined. The information required is a "statement of values."

Stock Insurance Company: Insurance business transacted by an insurer whose ownership element is divided into shares of stock represented by certificates, as opposed to a mutual insurer which does not have capital stock and whose ownership element is divided among its policyholders. While a stock insurer has both stockholders (its owners) and policyholders (its customers), a mutual insurer has only policyholders (its owners and customers).

Stop Loss Excess Aggregate: A company wishing to protect itself in the event aggregate losses exceed an agreed upon amount of self-retention in any one year may purchase this type of coverage or reinsurance for the excess. This type of approach is most often used in the liability lines.

Stop Loss Reinsurance: A company wishing to protect itself in the event its net loss ratio for a given year rises above a certain percentage may buy reinsurance which pays in excess of that figure up to a higher agreed percentage, beyond which the company is once more liable. In short, a plan which takes the sting out of an above-average net loss ratio.

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Strict Liability: Strict liability is a legal doctrine applying to tort law that basically holds the manufacturer, wholesaler and/or retailers (or in the case of property--the owner) liable for injuries that may be caused by defective or dangerous products or premises conditions. It does not require the injured party to prove negligence. Negligence can be assumed because of the inherent danger of the product, defect or premises condition. Strict liability, however, is not absolute liability.

Structured Claim Settlements: The practice of spreading payment of an obligation over an extended period, instead of paying the obligation in a lump sum.

Subrogation: In insurance, the substitution of one party (insurer) for another party (insured) to pursue any rights the insured may have against a third party liable for a loss paid by the insurer.

Subrogation Release: A release signed by the insured once the insurer has paid the insured for a claim submitted. The release allows the insurer to subrogate the rights of recovery of the insured against the party responsible for the loss.

Subsidence: Damage due to land movement, e.g., a house on a hill may slide down the hill due to heavy rains. Not earthquake damage.

Substandard Risks: Risks that do not meet minimum underwriting criteria.

Superseded Suretyship Rider: Fidelity losses often occur over a considerable period of time. Renewal or replacement of a fidelity bond includes this clause that states that the new bond pays all losses that would have been recoverable under the previous bond, except that the discovery period under that bond had expired. This provision would apply to any losses that occurred prior to the inception of the current bond.

Surety: 1) the guarantee given for the fulfillment of an obligation. 2) The person or organization guaranteeing the fulfillment of an obligation. 3) The underwriter who guarantees something under a bond.

Surety Bond: A written agreement wherein one party (the surety) obligates itself to a second party (the obligee or beneficiary) to answer for the default of a third party (the principal) in failing to perform specified acts within a stated time. Such obligations include payment of debts and responsibility for defaults.

Surface Water: Surface water is rain, rain run-off or melting snow that accumulates or pools on top of the ground--not below the surface of the ground--which is temporary in nature, following no definite course and having no substantial or permanent existence. Surface water is considered to be something that is naturally occurring, as in melting snow, versus something that artificially occurs such as when a water tank bursts. Surface water loses its characteristics when it flows into a natural channel, such as a defined river or stream or when it flows into an artificially created system such as a storm drain or sewer. Damage by surface water is usually excluded.

Surplus Lines Insurance: Insurance written by insurers not licensed in the states where the risks are located and placed with such insurers under the surplus line laws of the various states.

Surplus Lines Tax: The tax levied on a surplus lines placement, payable by the licensed surplus lines producer placing the risk under the law of a particular state, and charged to the insured. Not to be confused with the direct placement tax, which is applicable in approximately half the states in taxing the insured directly for placement of insurance with a nonadmitted insurer where no surplus lines tax is paid.

Survivorship Benefits: Life insurance benefits designated in a policy to be paid to survivors as scheduled in the policy

Syndicate Policy: A policy issued on behalf of a number of companies that share a risk or a class of risks. It lists the name of the participating companies and the liability assumed by each company, thus replacing a large number of policies, one from each company.