

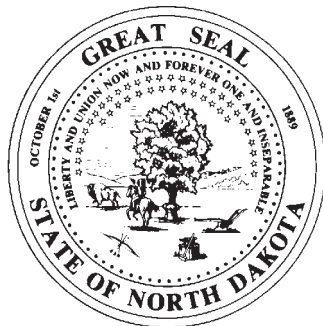
A Consumer's Guide To Homeowners Insurance

**North Dakota
Insurance Department**

*Serving the People of
North Dakota since 1889*

Commissioner
Jim Poolman

2002





INSURANCE DEPARTMENT STATE OF NORTH DAKOTA

Dear Fellow North Dakotan:



I am pleased to provide you with the 2002 Consumer's Guide to Homeowners Insurance.

North Dakotans enjoy some of the lowest house insurance rates in the country, but shopping for the right policy and understanding how it works can still be confusing. We have created this consumer guide using the most frequently asked questions to our consumer hotline, and we hope it will help you gain a better understanding of Homeowners insurance.

As your state Insurance Department, we are here to help. We hope this guide will be a valuable resource to you; whether you are shopping for a new policy, reviewing your current policy, or just have a homeowners insurance related question.

If you have additional questions, please feel free to contact us on our toll-free consumer hotline, 1.800.247.0560 or visit us on the internet at "www.state.nd.us/ndins."

Sincerely,

A handwritten signature in black ink that reads "Jim Poolman".

Jim Poolman

*Commissioner of Insurance
North Dakota Insurance Department*

If you need to contact the North Dakota Insurance Department you may call, e-mail or write, at:

Direct Number: 701-328-2440

Hotline: 1-800-247-0560

E-mail: insurance@state.nd.us

Address: 600 East Boulevard - Dept. 401
Bismarck, ND 58505

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Mission

It is the mission of the North Dakota Insurance Department to protect the public good by fairly and effectively administering the laws of North Dakota. We are committed to vigorous consumer protection efforts while fostering a strong, competitive marketplace that provides consumers with choices and access to high-quality insurance products and services at competitive prices. In pursuit of our mission, we will treat all of our constituencies with the highest ethical standards and respect they deserve.

THE INSURANCE CONTRACT

What is Homeowner's Insurance?

Insurance is a contractual agreement between an insurance company and an insured. In exchange for premium, the insurance company promises to provide financial protection for certain things.

What is the "Policy"?

The insurance contract is called a "policy" and includes three distinct parts. First, the "Declaration Page" lists what coverages are in effect, the limit of coverage and the dollar amount of coverage. Second, the "Text" of the contract tells you who and what is covered and not covered. Third, the "Endorsements" section of the contract changes, limits or modifies the text.

Who does the contract cover?

The homeowners policy provides coverage to the named insured, spouse and other family members residing at home for liability to third parties and for their real and personal property.

Can a company cancel my contract?

Once a homeowner policy has been in force for sixty days, the insurance company may only cancel the policy for the following reasons:

- Nonpayment of premium
- Fraud or material misrepresentation by the insured in applying for the policy, or in presenting a claim under the policy.
- Willful or reckless acts or omissions on the part of the named insured which increase the hazard insured against.
- Violation of any local fire, health, safety, building or construction ordinance which substantially increases the hazard insured against.
- A determination by the commissioner that the continuation of the policy would place the insurer in violation of the insurance laws of the state.

- Conviction of a crime having as one of its elements an act increasing any hazard insured against.

The notice of cancellation must be given at least 30 days prior to the effective date of the cancellation with the exception of the nonpayment of premium which requires a 10 day notice. Notice must be sent to the insureds last known address. The notice of cancellation is not required to be sent by certified mail.

In addition to the reasons above there are some special circumstances which if met permit the cancellation of policy with only 5 days notice. These are in law and range from a situation where damages have occurred and the insured does not intend to repair the property, to failing to pay property taxes for more than one year.

What if I don't pay my premium by its due date?

Property and casualty policies, including homeowners policies, do not have a required "grace period" that would allow for late payment of premium." The premium must be in the hands of the company on the date identified on the billing. If the premium is not received by that date the policy automatically terminates. Some companies voluntarily allow grace periods without a lapse in coverage. There are some companies, however, that do not permit a grace period, in which case they might not reinstate the policy even if you later pay your premium.

What is the difference between a cancellation and a non-renewal?

A cancellation happens in the middle of the policy period. A nonrenewal takes place at the anniversary or renewal date of the contract. Unlike cancellation, a company may nonrenew a contract based upon underwriting criteria. Underwriting criteria are those specific requirements written into the company's program: Claims frequency is an example of underwriting criterion used by companies when deciding whether to renew or nonrenew a policy. Both cancellation or nonrenewal result in termination of a contract.

Standard Coverages

Do I have to buy homeowners insurance?

North Dakota state law does not require you to carry homeowners insurance. However, the financial institution that holds the mortgage on your home will require you to cover the property (collateral) in the event of loss.

What does the homeowners policy cover?

The homeowners policy is a package policy designed for a single family home. Most packages include liability, dwelling property, personal property, medical payments and additional living expense coverage.

Policies do vary, however, in what events (perils) you are protected against. There are two approaches: a named peril basis, which insures against a list of perils, and an open peril basis, which insures against all perils except those specifically excluded.

What are the named perils?

Basic coverage perils: Fire; Lightning; Windstorm; Hail; Explosion; Riot or Civil Commotion; Aircraft; Vehicles; Smoke; Vandalism and Malicious Mischief; Theft; Breakage of Glass.

Broad Coverage Perils: All of the above basic coverage perils and Volcanic Eruption; Falling Objects; Weight of Ice, Snow or Sleet; Collapse of Building; Accidental Discharge of Water or Steam; Sudden or Accidental Tearing Apart; Cracking; Burning; or Bulging; Freezing; or Sudden or Accidental Damage from Artificially Generated Electrical Current.

What are the types of homeowners policies?

The most commonly sold types of policies are listed below. Not all insurers use the same terms to describe their policies but the coverage will be similar.

- *A basic policy (HO-1)* insures your dwelling, detached structures, and personal property against loss or damage by basic coverage perils.

- *A broad policy (HO-2)* insures your dwelling, detached structures, and personal property against loss or damage caused by the broad coverage perils.
- *A special policy (HO-3)* insures your dwelling and detached structures against loss or damage from any peril except for the ones specifically excluded. The policy insures your personal property against loss or damage caused by the broad coverage perils listed. HO-3 policies are the most commonly sold type of homeowners policy in North Dakota.
- *A comprehensive policy (HO-3/HO-15 or HO-5)* insures your dwelling, detached structures, and personal property against loss or damage from any peril except for the ones specifically excluded. This policy provides the broadest coverage available, but is not offered by all companies and is usually more expensive.
- *A modified coverage policy (HO-8)* provides insurance for dwellings that are older or do not meet all the underwriting standards applicable to other forms of homeowners policies. It insures your dwelling, detached structures, and personal property against only the basic perils listed. The coverage provided by an HO-8 policy is intended to restore a dwelling to a livable condition, not necessarily the same condition that it was prior to damage. An HO-8 policy may be suitable for homes that have suffered significant depreciation or have a replacement cost that is significantly higher than their market value.
- *A tenants/renters (HO-4)* policy insures your personal property on a broad coverage peril basis. Like all homeowners policies, tenants' policies also provide for medical expense, additional living expense and liability coverage.
- *A condominium owners policy (HO-6)* insures your personal property; walls, floor, and ceiling coverings; and any accessories not originally in the unit when it was purchased. The HO-6 policy will also provide coverage for medical expense, additional living expense, and liability.

What does liability cover?

Liability covers you for your legal obligations in the event an accident by you, your family or on your property injures another person or causes damage to another person's property. Most insurance policies provide at least \$100,000 in liability coverage with many of the special and comprehensive policies providing \$300,000.

Why do I need medical payments coverage if I have liability coverage?

Medical payments coverage is a no-fault coverage. If someone injures themselves while on your property you may have the medical payment coverage respond, regardless of whether you are at fault or not. This coverage does not extend to you or your family members or any employees. Medical payment coverage limits vary from company to company, ranging from \$1,000 to \$5,000.

When would I use additional living expense coverage?

If your home was damaged and during repairs was not livable, or the government evacuated your home following a covered loss, you can get reimbursed the living expenses you incur that exceed your normal living expenses. This would be for lodging, meals and laundry facilities for a reasonable amount of time.

What is not covered by a homeowner policy?

The basic and broad coverage peril-based policies cover only the items listed. Therefore, if it is not listed it is not covered. The special and comprehensive policies are based on all perils being covered unless specifically excluded. The kinds of exclusions are: water damage from flood, sewer backup, or seepage, earthquake, war, nuclear accident, neglect, intentional loss, mold, wear and tear, pollution, settling, and more. Always read your policy to see what is excluded.

What types of property are covered by a homeowner policy?

On your residence premises, the real property will be covered. This includes the dwelling and any unattached structures including fences. Personal property is also covered. This includes the contents of your dwelling, clothing, furniture, appliances and all other normal personal belongings. Note: some items of personal property like jewelry, guns, furs, golf equipment, etc., may have a limit on the amount of coverage. It may be necessary to put additional coverage on these items by scheduling them to the policy. Automobiles are not covered.

How much coverage should I carry on my home?

The amount of coverage you should carry can vary depending upon the type of policy you take, whether the coverage is provided on a replacement cost basis or an actual cash value basis, and what your bank may require. It is important to know that under the homeowners policy (HO-3 or HO-5), in order to receive full payment for a partial loss or damage, you must insure your dwelling for at least 80 percent of its replacement value.

Insuring your property to value (replacement cost value) might cost more, but could help you avoid being underinsured should you experience a serious loss. Most insurance companies have estimating programs available to help you in calculating the replacement cost of your home in your area.

Is a mobile home owner policy the same as a homeowners policy?

A mobile home owners policy is generally a package policy with limited broad peril coverage, and generally is not as comprehensive as a homeowners policy. Coverage is most often based upon an Actual Cash Value basis, not on Replacement Cost basis.

Can I buy a homeowners policy for my mobile home?

Generally no. Unless a mobile home is permanently mounted on a foundation, it is not considered to be real property. However, if it is permanently mounted on a foundation, some companies will write a homeowner policy on the property.

Why is a condominium policy different than a homeowners policy?

In most instances the condominium association owns the actual building. Generally your property begins with the interior walls within your unit. Therefore the condominium contract reflects this difference. In addition it will include coverage for condominium association special assessments in the event of a covered loss or damage, in amounts of \$1,000 or \$2,000.

OPTIONAL COVERAGES

What optional coverages are available for the homeowners policy?

Some of the more common optional additional coverages you can purchase are:

- *Higher Liability Limits:* Limits of \$100,000, \$300,000, \$500,000 and \$1,000,000 are available with most companies
- *Higher Medical Payments Limits:* Limits of \$1,000, \$2,000, \$5,000 are available with most companies with some offering \$10,000.
- *Higher Deductibles:* Deductibles of \$250, \$500, and \$1,000 are the most common basic deductibles.
- *Guaranteed Replacement Cost Coverage:* Covers the cost to replace your home, up to 125% of current value, in the event of total loss.
- *Personal Property Replacement Cost Coverage:* Covers loss or damage to personal property on replacement cost basis rather than the policy actual cash value basis.
- *Scheduled Property Coverage:* A personal property floater which will provide broader coverage and higher limits of coverage for such items as jewelry, guns, golf equipment, music equipment, cameras, fine arts and collections.
- *Home Inflation Guard Coverage:* Automatically increases the limit of coverage on the dwelling to adjust for inflation.
- *Business Use Coverage:* Extends liability coverage to home business activities.
- *Sewer Back-up Coverage:* Covers damage resulting from the back-up of the sewer system.

If I have my home mortgaged, do I need to list the bank on the policy?

Generally, a borrower is required by the bank to provide adequate security in the form of insurance coverage on the property used as collateral for the loan. Your agreement with the bank determines whether or not it is necessary to list the bank on the policy. If you do not insure the home, the bank may buy special insurance and add the cost to your loan. This is called forced placed insurance. The cost of this insurance is typically higher than you would pay if you bought your own policy through a standard carrier. Also forced placed insurance does not provide coverage for you, but only for the bank's interest in the property and does not provide any liability protection for you.

What are deductibles?

A deductible is the amount of the claim for property loss or damage that you agree to pay, or the part that is deducted from your claim check. The basic policy deductible varies from company to company but the most common is \$250 per loss. If you chose a higher deductible (your share), for example, \$500, or \$1,000, you would pay a lower premium for your policy.

What is a wind/hail deductible?

In addition to a basic policy deductible of \$250 or \$500, some companies have begun to require a separate and different deductibles for wind/hail claims. The wind/hail deductible is generally \$500 or \$1,000. Some companies may be offering policies with a percentage deductible for wind/hail in the amount of 1% or 2% of the dwelling coverage amount. For example; if the house is covered for \$150,000 with a 1% deductible, the amount you would have deducted from your claim check would be \$1,500.

We have a large amount of jewelry. How should I cover it?

The homeowners policy provides a set theft sub-limit for jewelry and covers it only on a named peril basis. To get the broadest coverage possible for the jewelry, including mysterious loss and flood, on a replacement cost basis it is best to have the jewelry listed on a schedule and added to the policy. The Scheduled Property Endorsement is used to provide coverage wherever you go.

You will need to provide the company with appraisals of the jewelry and pay an additional premium based upon the value of the jewelry being insured.

My eleven year old daughter mows lawns for money. Does she have coverage for this activity?

You need to discuss this with your agent. Some policies include liability coverage for a child's incidental work activities like a paper route or lawn mowing. Some policies exclude this coverage, in which case you may wish to add coverage.

My wife works from home and has an office in the house. Does she have coverage for these activities?

The special homeowners policy excludes coverage for business activity and business property. You would need to add a Business Use Endorsement to get liability and property coverage. Some companies may have limitations on what kinds of businesses they will cover, so check with your agent.

How does the homeowners policy pay for loss or damage to covered personal property?

The special homeowners policy pays for loss or damage to personal property on an actual cash value basis. This is determined by taking the replacement cost value and subtracting depreciation based on age and obsolescence. If you want coverage for personal property on a replacement cost basis you can purchase a HO-5 type policy or add a Personal Property Replacement Cost endorsement.

Does the homeowners policy cover flood damage?

No, the homeowners policy specifically excludes water damage. This exclusion includes flood, surface water, waves, tidal water, overflow of a body of water, water that backs up from sewers, drains or sump pumps, water that seeps through the basement walls and floors. Note: water damage caused by a broken pipe in the house would be covered.

The National Flood Insurance Plan is the only source to get

flood insurance for residential property. Your agent should be able to assist you if you need to carry flood coverage.

Will sewer backup coverage apply if there is a flood?

The sewer backup coverage endorsement varies from company to company. Some companies will cover the damage caused by a sewer backup even if it floods. Some companies exclude coverage for sewer backup if it happens at the same time as a flood. Check with your agent to see how your policy will respond.

I have a child at college living in a dorm, is the child's personal property including TV and stereo covered?

Most homeowner policies will extend some coverage to property children have in their possession while away at school. Some policies, however, exclude or limit coverage on certain expensive items such as a computer or stereo. If your policy does not provide adequate coverage you may need to consider a separate tenants/renters policy for that location.

RATING

What factors go into determining my homeowners insurance premium?

Homeowner insurance premiums can vary from company to company depending upon a variety of reasons but predominantly the company's loss experience. Other factors affecting the premium are:

- The amount of coverage you buy
- The type of coverage selected. Named peril versus all peril. Replacement cost versus actual cash value.
- The size of your deductible.
- Your claims history.
- The location of your residence. How close it is to a responding fire department.
- The condition of your residence. Premises are kept up and repairs are current.
- The type of dwelling. Frame construction, masonry or brick construction.
- Your credit history. Consumers with a poor credit history (financial stability score) might be charged a higher premium than a consumer with a good credit history.

How do companies determine what rates to charge the consumer?

When you buy insurance, you receive financial protection in case of loss, damage, or injury. The insurance company must charge rates that will allow them to pay losses, their operating expenses and leave a reasonable amount for profit. In order to do this, the company uses statistical loss information to calculate the future expected loss cost per risk. The company then adds to this its operating expenses and expected profit to arrive at a final rate.

Do companies give any discounts?

Yes, Company discounts may include: new home discount, multi-policy discount, claim free discount, safety device discount, and senior citizen discount.

If I have a claim will my rates go up?

Some companies have begun to introduce a claims surcharge program into their rating programs.

Can a company require me to pay a fee in addition to the rate?

If you obtain your insurance by virtue of being a member of a certain organization or association, the dues or fees to that organization may be a prerequisite to obtaining the homeowners insurance. Some companies may charge a policy fee in addition to the rate.

How can a company charge more premium than the agent quoted me?

There are many different factors involved in rating a policy. As described earlier, the agent's quote is an estimate based on information you provide. The actual premium is determined by the company after reviewing all the information. When applying for a policy it is important that all questions are answered truthfully and completely. The wrong information may result in an incorrect price quotation and/or rejection of your coverage. Remember, the actual premium may be more or less than the quoted estimate. The company has 60 days to underwrite your application and is entitled to collect the correct premium for the risk.

What is credit scoring?

Credit scoring refers to a system by which some companies use an individual's credit experiences — such as bill paying history, the number and types of accounts they have, late payments, collection actions, outstanding debts and the age of their accounts — in determining whether to sell insurance to the individual or what rate to charge the individual.

Why is a “credit score” used in rating homeowners insurance?

Statistical and insurance companies have done analysis comparing individuals' credit scores with insurance loss history, and claim to have found a significant correlation between the two. This information is claimed to be predictive of future loss experience, thus making it a useful tool for companies to use in matching homeowners to a proper premium level.

Do all companies have the same standards for writing a homeowners policy?

Most companies have similar but not identical underwriting rules. There are a few companies that will accept risks with a claims history or poor credit score. If an insurance company declines your application do not give up. Keep shopping!

Does the North Dakota Insurance Department set homeowners rates?

The North Dakota Insurance Department regulates, but does not set, homeowners insurance rates. If a company wants to change its rates, it must file supporting data with the Department. The Department's rate analysts review that data to ensure that the rates are justified. State law says that insurance rates must be adequate, not unfairly discriminatory, and not excessive.

Claims

Can the agent settle the claim?

A few insurance companies give the agent the authority to settle small claims. However, most companies limit the agent's involvement in the claims process to that of helping the insured complete the loss report and forwarding it to the company Claims Department for processing. In most cases, the agent does not have the authority to make claims settlement offers on behalf of the insurance company.

How can I help my claim get processed as quickly as possible?

When there is a loss to property due to burglary, fire, or natural disaster, there are several steps you can take to ensure your claim is properly filed and processed as quickly as possible:

- Report the incident to proper authorities. In communicating with your insurance agent or company, note all details of the report including any case numbers. Keep copies of all correspondence you receive or send regarding the loss or claim.
- Protect yourself and your property. If checks or credit cards are stolen, notify the financial institution that issued them.
- After a fire, storm, tornado, or other natural disaster, immediately take reasonable steps to protect your property from further loss. For example, cover broken windows temporarily with plywood or plastic sheets. Keep a record of your expenses.
- Call your insurance agent for advice and instruction.
- Take an inventory of damaged, destroyed or stolen property.
- Review your policy for possible coverage you may have overlooked.
- If your home has been badly damaged, notify the bank or mortgage company that holds your mortgage. Insurance claim checks will be made payable to you and your mortgagee. You will need to work out the details for release of the funds with them.

- File any additional claims for ongoing expenses at the time they are incurred.

What can I do if my company is delaying my claim?

Insurance companies are required by law to have standards for prompt investigation of claims and to make prompt, fair, and equitable settlement of claims where liability has become reasonably clear. If, after contacting the company and providing all relevant information, you still feel the company is taking an unreasonable amount of time in investigating or paying a claim, contact the Insurance Department.

How does the insurance company handle prior damage when making a new claim?

The insurance company does not owe for damage that occurred prior to the effective date of your policy. Your insurance policy provides coverage based on an occurrence that takes place while the policy is in force. Therefore, each different occurrence is handled separately. For example, if you have hail damage, from a prior occurrence the company will deduct the cost of the prior damage from your current claim settlement.

The adjuster has been to the house and I have received his estimate but I don't feel it is accurate. What can I do?

Contact the adjuster and discuss your concerns. If that doesn't satisfy your concerns, you may ask a contractor of your choosing to provide an opinion/estimate which you can submit to your company for consideration, or you can call your agent and request that a second adjuster be sent to review the damage. If this second review doesn't resolve the matter you can contact the Insurance Department. We will try to determine if you are being treated in a fair equitable manner, according to your policy and whether there is some way we can help you.

Why does the company make the check for repairs out to me and my mortgage company?

The mortgage company you have listed on your policy has an insurable interest in the property. Because of this the company is bound by contract to include them on major repair payments. It is up to you and your mortgage company to work out how the settlement proceeds will be released to you for repairs.

What does holdback mean?

Most homeowner policies contain provisions stipulating that it will pay you for the repairs based upon the actual cash value of the damage until you show evidence that you done the repairs. Once the repairs are done they will release the balance of the claim payment to you. In the mean time they hold that portion back until you do the repairs. The company has an interest in seeing that repairs are completed as they continue to provide coverage on the property.

I have hail damage but the adjuster will only pay for two sides of my home to be resided. Can they do this?

Most insurance policies stipulate that your insurance company is only obligated to pay for the direct damage sustained in a loss. In determining direct damage, obsolescence of a product is not included. Payment for additional costs due to problems with matching colors and/or materials, whether it is roofing or siding, are not covered by most policies.

What should I do if I am having a disagreement with my company over a claim?

If you have made every attempt to work with the company claims department personnel or adjuster and continue to have a disagreement, you should then discuss the matter with your agent to determine if any further resolution can be made. If unsuccessful, call the North Dakota Insurance Department at *1-800-247-0560*. We will determine whether we can be of assistance to you and will advise you of the available alternatives.

What is insurance fraud?

Some examples of fraud are:

- Collecting or trying to collect from an insurance company for a loss that never occurred.
- Inflating a theft claim by exaggerating the value of the item stolen.
- Filing a claim for damages that you deliberately caused.
- Providing false information about your ownership, claims history, record, address or other details on an insurance application.

Committing insurance fraud is a class C felony and can be sufficient grounds for a company to deny and/or cancel coverage.

Insurance fraud hurts us all. Contact the Insurance Department if you know of or suspect insurance fraud is being or has been committed.

CONSUMER TIPS

What can I do to get the lowest possible rate?

- Shop around: Since insurance rates are based upon experience, it is beneficial to shop around to determine which company is offering the best rate. Start by finding an agent or company representative that you trust.
- Consider adjusting your coverages. For example, you might elect to use a higher deductible to bring your rates down.
- Check to see that you are getting all appropriate discounts.
- Read your policy and discuss any questions you may have with your agent so you can fully understand the coverages and obligations under the policy. A homeowners insurance policy is a legal contract.

What should I do if I have a complaint or question about my homeowners contract?

If you still have a question after discussing your concerns with your agent and/or company, you may contact the North Dakota Insurance Department for advice. The department's e-mail address is insurance@state.nd.us.

If you have a complaint against either the company or an agent you may e-mail a complaint to our department from our web-site at www.state.nd.us/ndins.

GLOSSARY OF INSURANCE TERMS

Actual Cash Value: An amount equivalent to the replacement cost of lost or damaged property at the time of the loss, less depreciation.

Adjuster: A person who investigates and settles losses for an insurance carrier.

Agency: A firm that solicits insurance for one or more insurance carriers. It also may issue policies and adjust losses.

Agent: An insurance salesperson. A) An independent agent usually represents two or more insurers in a sales and service capacity and is paid on a commission basis. B) An exclusive agent or captive agent represents only one company, usually on a commission basis. An agent represents the insurance company, not the consumer.

Application: The request for insurance, giving information about the prospective policyholder.

Arbitration: A determination made by impartial experts of the value of property or the extent of damage. Arbitration is an alternative to litigation of matters in dispute.

Binder: A temporary insurance contract that provides proof of coverage until you receive a permanent policy. A binder is subject to payment of a premium.

Broker: An insurance salesperson who deals with agents and companies to find insurance for consumers. A broker represents the consumer, not the insurance company.

Cancellation: A termination of a policy before its normal expiration date.

Claim: A request for reimbursement for damages on an insured loss. Your claims to your company are "first-party claims." Claims made by one person against another person's company are known as "third-party claims."

Conditions: Part of an insurance policy that states your obligations and those of your insurance company.

Declarations page: The “Dec page” is the page your company sends as part of the policy which shows the coverage and premiums.

Deductible: The amount you must pay from your own pocket for each claim.

Endorsement: A written or printed form attached to the policy that alters its provisions.

Exclusions: Specific situations or circumstances listed in your policy describing when coverage does not exist.

Insurer: A company which, in exchange for a fee, called a premium, agrees to pay all legitimate claims that may arise under your policy.

Lapsed policy: A policy that has terminated at renewal for non-payment of premium.

Liability: A legally enforceable financial obligation caused by negligence.

Liability Insurance: Insurance that pays when you are liable for injuries to other persons or damage to their property.

Negligence: Failure to exercise a generally acceptable level of care and caution resulting in injury or damage to a third party.

Non-renewal: When an insurer terminates the contract by electing not to renew the policy at the anniversary date.

North Dakota Insurance Guaranty Fund: A fund that pays an insurer's claims when the company is insolvent. All North Dakota licensed insurance companies belong to the North Dakota Guaranty Fund.

Occurrence: An event that results in an insured loss.

Policy Period: The amount of time an insurance contract or policy provides coverage.

Premium: The amount you pay for insurance.

Proof of Loss: Documents that you give the insurer to support your request for payment of losses. The company uses the documents to determine whether and how much it will pay. Examples include: Written repair estimates and police reports.

Pro Rata Cancellation: Revocation of a policy by an insurance company that returns to the policyholder the unearned premium. There is no reduction for expenses already paid by the insurer for that time period.

Short Rate Cancellation: Cancellation by the insured of an insurance policy for which the returned unearned premium is diminished by administration costs incurred when the insurance company places the policy on its books.

Unearned Premium: The portion of the premium for the remaining time period that the policy will not be in force.

Underwriter: An individual in an insurance company who determines what insurance risks will be accepted and on what terms.

Notes

Notes

Jim Poolman
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