SALVAGE
Damaged property an insurer takes over to reduce its loss after paying a claim. Insurers receive salvage rights over property on which they have paid claims, such as badly-damaged cars. Insurers that paid claims on cargoes lost at sea now have the right to recover sunken treasures. Salvage charges are the costs associated with recovering that property.

SCHEDULE
A list of individual items or groups of items that are covered under one policy or a listing of specific benefits, charges, credits, assets or other defined items.

SECONDARY MARKET
Market for previously issued and outstanding securities.

SECURITIES AND EXCHANGE COMMISSION / SEC
The organization that oversees publicly-held insurance companies. Those companies make periodic financial disclosures to the SEC, including an annual financial statement (or 10K), and a quarterly financial statement (or 10-Q). Companies must also disclose any material events and other information about their stock.

SECURITIES OUTSTANDING
Stock held by shareholders.

SECURITIZATION OF INSURANCE RISK
Using the capital markets to expand and diversify the assumption of insurance risk. The issuance of bonds or notes to third-party investors directly or indirectly by an insurance or reinsurance company or a pooling entity as a means of raising money to cover risks.

SELF-INSURANCE
The concept of assuming a financial risk oneself, instead of paying an insurance company to take it on. Every policyholder is a self-insurer in terms of paying a deductible and co-payments. Large firms often self-insure frequent, small losses such as damage to their fleet of vehicles or minor workplace injuries. However, to protect injured employees state laws set out requirements for the assumption of workers compensation programs. Self-insurance also refers to employers who assume all or part of the responsibility for paying the health insurance claims of their employees. Firms that self insure for health claims are exempt from state insurance laws mandating the illnesses that group health insurers must cover.

SEVERITY
Size of a loss. One of the criteria used in calculating premiums rates.

SEWER BACK-UP COVERAGE
An optional part of homeowners insurance that covers sewers.

SINGLE PREMIUM ANNUITY
An annuity that is paid in full upon purchase.

SOFT MARKET
An environment where insurance is plentiful and sold at a lower cost, also known as a buyers' market.

SOLVENCY
Insurance companies' ability to pay the claims of policyholders. Regulations to promote solvency include minimum capital and surplus requirements, statutory accounting conventions, limits to insurance company investment and corporate activities, financial ratio tests, and financial data disclosure.

SPREAD OF RISK
The selling of insurance in multiple areas to multiple policyholders to minimize the danger that all policyholders will have losses at the same time. Companies are more likely to insure perils that offer a good spread of risk. Flood insurance is an example of a poor spread of risk because the people most likely to buy it are the people close to rivers and other bodies of water that flood.

STACKING
Practice that increases the money available to pay auto liability claims. In states where this practice is permitted by law, courts may allow policyholders who have several cars insured under a single policy, or

multiple vehicles insured under different policies, to add up the limit of liability available for each vehicle.

STATUTORY ACCOUNTING PRINCIPLES / SAP
More conservative standards than under GAAP accounting rules, they are imposed by state laws that emphasize the present solvency of insurance companies. SAP helps ensure that the company will have sufficient funds readily available to meet all anticipated insurance obligations by recognizing liabilities earlier or at a higher value than GAAP and assets later or at a lower value. For example, SAP requires that selling expenses be recorded immediately rather than amortized over the life of the policy.

STOCK INSURANCE COMPANY
An insurance company owned by its stockholders who share in profits through earnings distributions and increases in stock value.

STRUCTURED SETTLEMENT
Legal agreement to pay a designated person, usually someone who has been injured, a specified sum of money in periodic payments, usually for his or her lifetime, instead of in a single lump sum payment

SUBROGATION
The legal process by which an insurance company, after paying a loss, seeks to recover the amount of the loss from another party who is legally liable for it.

SUPERFUND
A federal law enacted in 1980 to initiate cleanup of the nation’s abandoned hazardous waste dump sites and to respond to accidents that release hazardous substances into the environment. The law is officially called the Comprehensive Environmental Response, Compensation, and Liability Act.

SURETY BOND
A contract guaranteeing the performance of a specific obligation. Simply put, it is a three-party agreement under which one party, the surety company, answers to a second party, the owner, creditor or “obligee,” for a third party’s debts, default or nonperformance. Contractors are often required to purchase surety bonds if they are working on public projects. The surety company becomes responsible for carrying out the work or paying for the loss up to the bond “penalty” if the contractor fails to perform.

SURPLUS
The remainder after an insurer’s liabilities are subtracted from its assets. The financial cushion that protects policyholders in case of unexpectedly high claims

SURPLUS LINES
Property/casualty insurance coverage that isn’t available from insurers licensed in the state, called admitted companies, and must be purchased from a non-admitted carrier. Examples include risks of an unusual nature that require greater flexibility in policy terms and conditions than exist in standard forms or where the highest rates allowed by state regulators are considered inadequate by admitted companies. Laws governing surplus lines vary by state.

SURRENDER CHARGE
A charge for withdrawals from an insurance based contract before a designated surrender charge period.

SWAPS
The simultaneous buying, selling or exchange of one security for another among investors to change maturities in a bond portfolio, for example, or because investment goals have changed.