**Section 205.30 Definitions**

a) Municipal Bond Insurance – insurance or reinsurance against financial loss by reason of nonpayment of principal, interest or other payment obligations pursuant to the terms of municipal bonds as defined in subsection (b) hereof.

b) Municipal Bond – any security (or other instrument under which a payment obligation is created) issued by or on behalf of, or payable or guaranteed by a state, territory or possession of the United States of America, a municipality, or a political subdivision of any of the foregoing, or by any public agency or instrumentality thereof.

c) Contingency Reserve – an additional premium reserve established for the protection of insureds covered by policies insuring municipal bonds against the effect of excessive losses occurring during adverse economic cycles.

d) Cumulative Net Liability – the insured unpaid principal and insured unpaid interest due or to become due covered by in-force policies of municipal bond insurance, reduced by the appropriate allowance for acceptable reinsurance.

e) Average Annual Debt Service – in respect to any issue or part thereof of municipal bonds covered by an in-force policy, the product of the total insured, unpaid principal and insured, unpaid interest thereon times the number of such bonds (assuming that each $1,000 of par value represents one bond), divided by an amount equal to the aggregate life (in years) of such bonds (assuming that each $1,000 of par value represents one bond); i.e.:

|  |
| --- |
| (Unpaid Principal + Unpaid Interest) x (Number of Bonds) |
| (Number of Bond Years) |

f) Industrial Revenue Bonds – municipal bonds issued primarily to finance property for use in a trade or business and without a substantial public purpose, and backed by a revenue source other than a governmental unit described in the definition of municipal bonds above.

g) Insurer – includes a company engaged in the reinsurance of municipal bonds unless the text provides otherwise.