
Addendum: for use with North Dakota Property and Casualty online ExamFX courses and study guides version #24871en / 24872en, per exam content outline updates effective 3/1/2022.

The following are **content additions** to supplement your existing text unless otherwise indicated:

New Exam Breakdowns for Property and Casualty:

North Dakota Property Insurance
110 Questions; Time Limit: 2 hours, 30 minutes

Chapter	Percent of Exam
General Knowledge:	
General Insurance	13%
Property Insurance Basics	20%
Dwelling Policy	3%
Homeowners Policy	10%
Commercial Package Policy	8%
Businessowners Policy	4%
Other Coverages and Options	3%
State Law:	
Insurance Regulation	15%
North Dakota Laws and Regulations Pertaining to Property Insurance	24%

North Dakota Casualty Insurance
110 Questions; Time Limit: 2 hours, 30 minutes

Chapter	Percent of Exam
General Knowledge:	
General Insurance	13%
Casualty Insurance Basics	20%
Auto Insurance	15%
Commercial Package Policy (CPP)	7%
Other Coverages and Options	7%
State Law:	
Insurance Regulation	11%
North Dakota Laws and Regulations Pertaining to Casualty Insurance	27%

PROPERTY

Property and Casualty Insurance Basics

C. Common Policy Provisions

12. Other Insurance

Contribution by Equal Shares

A loss is paid under **contribution by equal shares** when 2 or more insurers issue policies on the same loss at the same level. Each insurer (primary or excess) contributes an equal amount to the loss settlement until the loss is paid, or until each insurer has exhausted its limits of insurance, whichever comes first.

14. Insurer Provisions

Duty to Defend

In addition to the promise to pay all sums that the insurer becomes legally obligated to pay, liability coverage includes a promise to defend the insured in any lawsuit involving the type of liability insured under the coverage. Once the limit of the liability has been paid, the insurer has no further obligation to defend an insured.

Dwelling Policy Concepts

Personal Liability Supplement

Unlike the homeowners policy, the dwelling policy does not include any coverage for personal liability. The personal liability supplement can be added to the dwelling policy or written as a separate policy. Endorsements can be added for comprehensive personal liability (on- or off-premises liability), or premises-only liability if the dwelling is rented to others. The coverage form includes 3 coverages:

1. Coverage L - Personal Liability;
2. Coverage M - Medical Payments to Others; and
3. Additional Coverages.

The additional coverages include

- Claims expenses;
- First aid to others; and
- Damage to property of others.

Liability insurance does not include a list of perils for Coverage L or Coverage M. Instead, coverage is subject to the definitions, exclusions and conditions present in the policy.

A basic limit of \$100,000 per occurrence is applicable to the personal liability coverage, and \$1,000 per person limit for medical payments to others. These limits may be increased for an additional premium.

Personal liability provides coverage for bodily injury or property damage to third parties that is caused by the insured's negligence or a condition of the insured's premises.

Medical payments coverage pays for necessary medical expenses incurred by persons other than an insured, who are injured on the insured's premises or due to an insured's activities off premises.

Homeowners Policy

Section II – Liability

Please note that previously this section appeared in the Homeowners chapter of the Casualty course. It has been moved to the Property course on the new outline. The content has not been changed.

Selected Endorsements – additions to the existing text

Earthquake

Earth movement (earthquake) is excluded in all property policies, but usually can be purchased separately for an additional premium. The coverage can be purchased to cover the dwelling, other structures, and/or personal property. Rates generally are determined by the type of construction that determines the dwelling's vulnerability to earthquake losses. Frame buildings are less susceptible to severe damage than masonry veneer buildings. Therefore, they have lower rates for this coverage.

Earthquake coverage provided by endorsement in a homeowners form considers one or more earthquake shocks occurring within a **72-hour period** as a single earthquake.

The **deductible** under earthquake coverage is stated as a percentage of loss; however, it cannot be less than a specified minimum dollar amount (*for example*, \$500 in HO '11 ISO form). The deductible applies separately to buildings, other structures, personal property, and loss of use.

Masonry veneer structures are not covered by an endorsement issued for a frame dwelling. A separate endorsement is available for this type of construction.

Business Pursuits

Business pursuits is an endorsement that allows an insured to extend the Section II liability coverage to certain business pursuits that occur away from the premises. It covers the activities of the insured, but will not cover the liability of a business owned by an insured.

Ordinance or Law

The ordinance or law endorsement of a homeowners policy provides for losses for damage to covered property or the building containing covered property to be settled on the basis of any ordinance or law that regulates construction, repair, or demolition of this property. An additional premium will be charged for this endorsement.

Commercial Package Policy

B. Commercial Property

4. Selected Endorsements

Earthquake

The Earthquake and Volcanic Eruption endorsement modifies commercial property policies and adds coverage for the perils of earthquake and volcanic eruption (eruption, explosion, or pouring forth of a volcano). The volcanic eruption coverage provided by the other cause of loss forms is limited to above ground type volcanic action, clearly excluding ground shock waves. All earthquake shocks or volcanic eruptions occurring within any 168-hour period are considered one earthquake or explosion.

The limit of insurance for earthquake/volcanic eruption is an annual aggregate limit, and is the most the insurer will pay for the total of all loss or damage in a 12-month period. Coinsurance condition within the policy cannot apply to the earthquake coverage.

E. Farm Coverage

Farm Liability Coverage Form

Please note that previously this section appeared in the Commercial Package Policy chapter of the Casualty course. It has been moved to the Property course on the new outline. The content has not been changed.

Businessowners Policy

Businessowners Section II - Liability

Please note that previously this section appeared in the Casualty course. It has been moved to the Property course on the new outline. The content has not been changed.

Other Coverages and Options

Earthquake

An **earthquake** is defined as a trembling or shaking of the earth that is volcanic or seismic in origin, often resulting in severe damage. It is a peril excluded by most standard property forms. Coverage for the peril of earthquake may be **added by endorsement** to most property policies, or coverage may be written in a Difference in Conditions Policy.

Mobile Home

The coverage structure of the **Mobile Homeowners Policy** follows the structure of the Homeowners policy:

- Coverage A — States the limit of liability for damage to the mobile home;
- Coverage B — Other covered structures;
- Coverage C — Personal property of the insured*
- Coverage D — Loss of use coverage;

- Coverage E — Personal Liability;
- Coverage F — Medical Payments to Others.

* *Note:* Unlike the HO forms, the Mobile Homeowners Policy provides 40% of Coverage A. Items included in the unit (at the time of sale) are classified as Coverage A property.

The mobile homeowners policy changes the language for the **Additional Coverage Property Removed**. The policy will pay up to \$500 if the insured moves the mobile home to a safer area to protect it from loss by a covered peril. If the insured wishes to move the mobile home in a situation in which it is not threatened by an insured peril, they must contact the insurer and obtain, for additional premium, a **Transportation/Permission to Move Endorsement**. This endorsement adds the perils of collision, upset, and stranding and sinking to the perils insured against in the policy. Coverage under this endorsement applies for a period of 30 days anywhere in continental United States or Canada. The mobile homeowners policy endorsement deletes the additional coverage for Ordinance or Law.

North Dakota Laws and Regulations Pertaining to Property Insurance

C. Property Insurance Provisions

Statute of Limitations – *addition to content*

If basic no-fault or optional no-fault benefits **have not been paid** after an accident, any action seeking benefits must begin within **2 years after the injured person suffers the loss** and knows or should know that the loss was caused by the accident, or **within 4 years after the accident**, whichever is earlier. If benefits have been paid for a loss, any attempts seek more benefits for the loss must start within 4 years after the last payment of benefits. This limit is in force whether it is the same claimant or a new claimant.

If no benefits have been paid to a deceased or dependent survivors, an action for benefits for survivors' income loss, replacement services loss and funeral and burial expenses must start within **2 years after the death or 6 years after the accident from which death results**, whichever is earlier. If survivors' income loss and replacement services loss benefits have been paid to any dependent survivor, attempts to seek further survivors' income loss or replacement services loss benefits must start within 6 years after the last payment of benefits.

CASUALTY

Casualty Insurance Basics

A. Principles and Concepts

3. Negligence

Torts

A **tort** is a wrongful act or the violation of someone's rights that leads to legal liability. **Tortfeasor** is a person who commits a tort. Torts are classified as intentional or unintentional (referred to as negligence).

An intentional tort is any deliberate act that causes harm to another person regardless of whether the offending party intended to injure the aggrieved party. For purpose of this definition, breach of contract is not considered an intentional tort.

An unintentional tort is the result of acting without proper care. This is generally referred to as negligence.

Homeowners Policy

Please note that the content of this chapter has moved to the Homeowners chapter of the Property course per the new outline. The content has not been changed.

Businessowners Policy

Please note that the content of this chapter has moved to the Businessowners chapter of the Property course per the new outline. The content has not been changed.

Other Coverages and Options

Workers Compensation – new section

An **employee** is defined as a person hired to perform a service or task in exchange for a wage or salary that is under the control of the employer. The person hired performs a job that is usual and customary to the business operation. Independent contractors do not fall within the definition of an employee unless the classification is only for tax purposes.

For the purposes of Workers Compensation and Employers Liability insurance, an employee includes full-time, part-time seasonal and temporary workers. The definition may also extend to include leased employees, borrowed employees and unpaid volunteers. To determine if a worker meets the definition, the following factors are considered:

- If the employer exercises control over the person performing the task;
- If the character of the work being performed is consistent with the nature of the business;
- If the person is paid a wage or some method of compensation by the employer;
- If the business has the right to hire or fire the person; or
- If the business furnishes the materials necessary for the person to perform their task.

An **employer** is the business that controls or directs (either express or implied) a worker and in exchange, compensates that person for work performed. Employers are bound by state laws to carry Workers Compensation and Employers Liability insurance.

In most states, the occupations of farm workers and domestic servants are exempt from Workers Compensation insurance.

1. General Section

All Workers Compensation and Employers Liability policies are based on the National Council on Compensation Insurance's (NCCI) standard policy although they may contain slight variations by different insurers.

The general section is split into 5 different subsections as follows.

1. The Policy: This section summarizes all the components of the policy. The information page, which is a substitute for the Declarations page in other types of liability insurance, all endorsements, and any schedules constitute the policy. Terms may not be changed unless amended by endorsement. The contract is between the employer stated in the information page and the insurer.

2. Who is Insured: The employer named on the information page is the insured, and in case of a partnership, a partner is insured but only in the capacity as an employer of the partnership's employees.

3. Workers Compensation Law: This is an important section because the policy language refers back to the workers compensation laws in effect for states listed on the information page (3A). "3A states" are states in which the employer has employees.

The workers compensation policy is very different from other policies discussed in this course because there are no coverage amounts listed in the policy or on the information page for statutory benefits. The policy will pay whatever is in place in the applicable state where a covered injury occurs. It is important that employers have each state in which they have employees listed in 3A.

4. State: This section defines a state, which is any state in the United States of America, and the District of Columbia.

5. Locations: Coverage applies to all locations listed in the information page and in 3A unless states listed in 3A have other insurance or self-insurance in place.

In all states, **medical payments** are unlimited. There are no dollar limits or time limits set out to pay for necessary medical and surgical expenses, except possibly for certain types of care.

Benefits provide **disability income** payments for an injured employee's **loss of wages**. Benefits begin after an initial waiting period, but benefits will be paid retroactive to the beginning of the disability if the disability lasts for more than the period of time defined in the policy. Benefits are usually expressed as a certain percentage of the injured worker's wages, subject to certain weekly maximums and minimums for temporary total disability and permanent total disability. Total disability refers to an individual's total inability to work.

For temporary partial disabilities, which refers to a person's ability to do some work or the need to do alternative work, benefits are expressed as a percentage of lost wages equal to the difference between the wages earned before and after the injury. Some

states also provide a schedule of benefits for specific permanent partial disabilities, such as the loss of a limb, hearing, or eyesight. These benefits are usually in addition to any other benefits paid.

Death benefits usually pay a small amount for funeral and burial expenses, and weekly income benefits to the surviving spouse and/or children. The weekly benefit usually equals a certain percentage of the deceased worker's income. Benefits may continue for the remaining life of the surviving spouse or until remarriage.

Rehabilitation expenses include vocational training and necessary medical expenses for physical and mental therapy. Benefits also include board, lodging, and travel expenses. States may impose weekly or maximum benefits, or limit benefits for certain types of rehabilitation.

All states have enacted what is called a **second (or subsequent) injury fund**. These funds are designed to pay for any additional benefits that may be required when an employee with a previous injury or disability (whether work-related or not) suffers a second injury that causes the disability to be more serious than if there had been no prior disability.

2. Part One – Workers Compensation Insurance

Workers compensation coverage, which applies to accidental bodily injury, death, or occupational disease, provides coverage for the statutory benefits required under the state's workers compensation laws. The actual benefits provided are not included, only a reference to the individual state's law. The policy also states that the insured is responsible for any benefits over those required by law that may be required due to the insured's willful misconduct or violation of safety or employment laws.

Supplemental payments also are included and are similar to those found in other types of insurance policies. They include the following:

- Defense costs;
- Expenses incurred at the insurer's request;
- Premiums for certain bonds;
- Litigation costs;
- Interest on judgments required by law until the insurer offers a settlement; and
- All expenses the insurer incurs.

The workers compensation section also contains the other insurance clause. It states that the insurer will pay equal shares in the event there is other insurance, including self-insurance, that can also respond to the loss.

3. Part Two – Employers Liability Insurance

Employers liability insurance coverage protects the insured from situations not covered under a state's workers compensation law. Unlike the workers compensation coverage part, which does not specifically show the statutory limits provided, employers liability limits are shown on the information page.

The basic limits provided are

- \$100,000 for bodily injury per accident;
- \$100,000 per employee for disease; and
- \$500,000 policy limit for disease (for all disease claims within the policy term).

Most insurers allow the insured to purchase higher employers liability limits for an additional premium. In some states, these limits do not apply. Besides the basic coverage, this section also provides supplemental coverage, which is similar to that found in other policies.

Coverage is provided for the employer's liability associated with bodily injury by accident or occupational disease and includes resulting death, and is triggered if:

- Injury arises from employment by the insured;
- Occurs in a state or territory listed in 3.A. of the information page;
- Occurs during the policy period; and
- If suit is brought in the USA or its territories, possessions, or Canada.

There are several **exclusions** that apply to employers liability coverage:

- Liability assumed under a contract;
- Punitive or exemplary damages;
- Employees knowingly employed in violation of law;
- Injury intentionally caused by the insured;
- Injuries that occur outside the United States, its possessions, or Canada (injuries to a resident temporarily outside these areas are covered);
- Damages caused by the employment practices or policies of the insured, including defamation, harassment, humiliation, discrimination, or termination of any employee;
- Employees who are subject to federal workers compensation or employers liability laws (although coverage is usually available by endorsement);
- Fines or penalties imposed because of a violation of state or federal laws; and
- Damages payable under the Migrant and Seasonal Agricultural Worker Protection Act or similar laws.

The **other insurance** clause states that losses will be paid on a contribution by equal shares basis. The limit of liability provision explains that the limits on the information page for bodily injury by accident apply per accident, and bodily injury by disease applies per person subject to the bodily injury by disease policy limit for all losses during the policy term. The final 2 provisions refer to the insurer's subrogation rights and actions against the insurer.

4. Part Three – Other States Insurance

Other states insurance coverage extends an insured's coverage for new or incidental operations in other states (excluding the monopolistic states) on an automatic and temporary basis, subject to certain conditions and time limits.

The state in which a temporary or new operation exists must be listed in the 3C part of the information page. It is common for this section to list or describe all states other than monopolistic states. This offers the insured the greatest protection for incidental or new exposures. If the state is not listed, no coverage applies.

A critical component to this coverage is when the work began. If it is **after** the effective date of the policy and the insured has made no other arrangements for coverage (self-insurance), then coverage applies as if the state were listed in 3A – mandatory coverage. However, if work is underway **on** the effective date, coverage will only apply if the insurer is notified within 30 days.

Injuries that occur in states in which the employer and employee do not reside can get complicated. It is easier to think of work performed when completed by employees who live and work in a particular state, even if the employer's headquarters is not in that state.

5. Part Four – Your Duties if Injury Occurs

Part Four - Your Duties if Injury Occurs explains the insured's duties in case of an employee injury. These duties are the following:

- Notify the insurer at once;
- Provide immediate medical care required by the law;
- Provide the names and addresses of the injured worker and any witnesses;
- Promptly send any notices or other legal papers;
- Cooperate with the insurer; and
- Do not make any voluntary payments or assume any obligations.

6. Part Five – Premium

The premium section explains how premiums are determined, what the requirements are for insured record retention, and what rights the insurer has in auditing the insured's books and records.

Premiums are determined **by classification**. Classifications are not industry specific in most cases, but instead are for job types, such as inside sales, outside sales, clerical, executive, and many others. Each classification will have a corresponding rate associated with it. The higher the hazard, the higher the rate. These rates are determined by the insurer and often require approval by state insurance departments.

Remuneration, often just referred to as payroll, is another component in determining premiums. Remuneration includes payroll and other methods of compensation. The insured is required to keep records on all remuneration to employees so the final premium can be determined. The rate per job classification is charged per **each \$100 of the annual payroll** of each occupational classification.

Because the insured cannot know the final payroll until the end of the policy period, the initial premium is considered a deposit and is subject to adjustment at the end of the term.

This takes place during the premium **audit**, which can be conducted during regular business hours during the policy period and up to 3 years after the policy expires.

7. Part Six – Conditions

The conditions found in the workers compensation and employers liability policy include the following:

- **Inspection** — The insurer has the right to inspect the workplace at any time.
- **Long-term policy** — If the policy period is longer than 1 year and 16 days, all policy provisions will apply as though a new policy was issued on each annual anniversary date.
- **Transfer of your rights and duties (assignment)** — The insured's rights and duties may not be transferred to anyone else without the insurer's written consent.
- **Cancellation** — The insurer must provide the insured with at least 10 days advanced written notice for any type of cancellation. The insured may cancel the policy with written notice to the insured.
- **Sole representative** — The first named insured will act on behalf of all insureds under the policy.

8. Part Six – Voluntary Compensation Endorsement

The **voluntary compensation** endorsement added to a workers compensation policy provides statutory coverage for employees who do not fall under a state's workers compensation act, such as some types of farmworkers and domestic employees working fewer than 40 hours a week for one employer. This endorsement provides that the insurer will pay statutory benefits to the insured person in exchange for the injured worker releasing the employer and the insurer from further liability. If the employee does not sign the release, any further compensation under the endorsement ceases.

9. Rating and Job Classification

Workers compensation rating is developed by applying a rating bureau job classification rate to each \$100 of payroll. Estimated payroll figures are used when a policy is issued, and the final premium is determined by an audit. *Payroll* means remuneration. It includes salaries, wages, commissions, bonuses, noncash compensation, vacation pay, and sick leave pay.

10. Federal Laws

Federal Employers Liability Act (FELA)

The Federal Employer's Liability Act (FELA) is an employer's liability law rather than a workers compensation law. It predated workers compensation and makes an interstate railroad liable for bodily injury sustained by employees. Coverage for liability under FELA is covered under Section II of the workers compensation and employer's liability policy unless specifically excluded.

Although most state workers compensation laws restrict recovery to economic losses only, the **FELA** typically allows railroad employees to recover the following types of damages:

- Lost earnings, past and future;
- Medical expenses if paid out of pocket by the injured employee;
- Payment for the employee's reduced ability to earn a wage because of the injuries suffered; and
- Compensation for pain and suffering.

All actions regarding FELA must commence within **3 years** from the day the cause of action began.

U.S. Longshore and Harbor Workers Compensation Act

Persons (other than seamen) who are engaged in maritime employment are covered under a federal workers compensation statute, the U.S. Longshore and Harbor Workers Compensation Act (LHWCA). A worker is covered under the LHWCA only if he or she meets a situs and a status test. The injury must occur on the navigable waters or on an adjoining wharf, pier, dock, or similar facility used in the loading, unloading, building, or repairing vessels. In addition, the individual must have been engaged in maritime employment when injured. When coverage is required for LHWCA, it may be added to a workers compensation policy by endorsement.

The Longshore and Harbor Workers Compensation Act, and its extensions, provide medical benefits, compensation for lost wages, and rehabilitation services to employees who are injured during the course of employment, or contract an occupational disease related to employment. Survivor benefits also are provided if the work-related injury causes the employee's death.

The Jones Act

The Jones Act is a federal act that covers ships' crews with the same remedy available to railroad workers. Generally, anyone who spends more than 30% of his or her time on a vessel that is in navigation will qualify as a Jones Act seaman. Seamen may sue an employer for injuries sustained through the employer's fault or negligence. The act applies to navigable waters used for international or interstate commerce.

An employee that does not qualify as a Jones Act seaman (i.e. one who works as a contract employee who moves back and forth between multiple vessels not under common ownership) will generally be covered under longshore or maritime law, and not under the Jones Act.