The Addendum: for use with Washington Property and Casualty online ExamFX courses and study guide versions 23917en/23919en, 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, Casualty, and Property and Casualty:

Washington Property Insurance
100 Questions
Time Limit: 2 hours, 30 minutes
Pass Score: 70%

Chapter	Percent of Exam
General Insurance Concepts	14%
Property Insurance Basics	22%
Dwelling Policy Concepts	3%
Homeowners Policy Concepts and Other Types of Property Insurance	14%
Commercial Property Policies	9%
Businessowners Policy	5%
Insurance Regulation	33%

Washington Casualty Insurance
100 Questions
Time Limit: 2 hours, 30 minutes
Passing Score: 70%

Chapter	Percent of Exam
General Insurance Concepts	14%
Casualty Insurance Basics	22%
Automobile Policies: Personal and Commercial	16%
Commercial General Liability	8%
Other Types of Casualty Insurance	8%
Insurance Regulation	32%

Washington Property and Casualty Insurance
150 Questions
Time Limit: 3 hours, 15 minutes
Passing Score: 70%

Chapter	Percent of Exam
General Insurance Concepts	11%
Property and Casualty Insurance Basics	14%
Dwelling Policy Concepts	1%
Homeowners Policy Concepts	9%
Automobile Policies: Personal and Commercial	12%
Commercial Property Policies	7%
Commercial General Liability	7%
Businessowners Policy	3%
Other Types of Property and Casualty Insurance	4%
Insurance Regulation	32%

PROPERTY

Dwelling Policy Concepts

Conditions

All dwelling policy forms include the following conditions:

- Policy period;
- Insurable interest and limit of insurance;
- Concealment or fraud;
- Duties after a loss;
- Loss settlement;
- Pair or sets;
- Appraisal;
- Other insurance;
- Subrogation;
- Suit against the insurer;
- Insurer's option to repair or replace;
- Loss payment;
- Abandonment;
- Mortgage holders;
- No benefit to bailee;
- Cancellation and nonrenewal;
- Liberalization;
- Assignment;
- Death;
- Nuclear hazard;
- Recovered property;
- Volcanic eruption; and
- Loss payable clause.

Because some of these conditions are described elsewhere in the course, the following only details parts of any condition specific to the dwelling property forms.

Policy period — The policy only applies to losses that occur during the effective dates of the policy.

Insurable interest and limit of insurance — If more than one person has an insurable interest in the property, the insurer will not be liable for more than the insured's interest under the policy at the time of loss or for more than the applicable limit of liability.

The **loss settlement** condition will vary depending on which dwelling policy form is being used.

Under the *basic form*, property losses are settled on an actual cash value (ACV) basis, subject to the limit of insurance, and the cost to repair or replace the damaged property.

Under the *broad and special forms*, the following loss settlement conditions apply:

Personal property, structures that are not buildings, awnings, carpeting, household appliances and outdoor equipment are all covered on an ACV basis at the time of the loss.

Dwelling and other structures insured to at least 80% of the **replacement cost** at the time of the loss are covered on a replacement cost basis with the insured receiving no more than the limit of insurance, cost to repair or replace with like kind and quality, or the amount actually spent. If the structure is rebuilt at a new premises, the cost to rebuild will be no more than what it would have cost to rebuild at the location described in the policy. Note that claims covered under Coverage A (dwelling) or Coverage B (other structures) are settled at replacement cost without deduction for depreciation if, at the time of the loss, the amount of insurance in this policy on the damaged building is 80% or more of the full replacement cost of the building immediately before the loss, but not more than the limit of liability that applies to the building.

If the property is insured for less than 80% of replacement cost at the time of the loss, the policy will pay the greater of the ACV or the amount calculated according to the coinsurance formula.

Replacement cost losses are first paid on an actual cash value basis. When the insured demonstrates that repairs have been made, the insurer pays the balance to the insured. However, small claims (both less than 5% of the insurance and less than $2,500) will be settled whether or not actual repair or replacement is complete. The 80% coinsurance requirement still applies.

The policy does describe what items are not included in determining the 80% value noted above.

The insured may disregard the replacement cost provisions and make a claim for only the actual cash value of the buildings. This election needs to be made within 180 days of the loss.

The insurer may elect how to cover losses to property that was part of a pair or set. The insurer can elect to repair or replace the missing piece to restore the set to the value prior to the loss. The second option is to compare the actual cash value of the pair or set prior to the loss to the value after the loss, and pay the difference.

Other insurance and service agreement — If other fire insurance applies to the same loss, the insurer is liable only for the proportion of the loss that the limit of insurance bears to the total of all insurance.

Suit against the insurer — No suit may be brought against the insurer unless the insured has fully complied with all policy conditions and the action is started within 2 years (24 months) of the date of the loss.

Insurer's option to repair or replace — The insurer has the option to repair or replace any part of damaged property with like property by providing written notice to the insured within 30 days from receiving a signed, sworn proof of loss.

Loss payment — Losses will be paid within 60 days of receiving proof of loss and coming to an agreement with the insured as to the amount payable.

Cancellation and nonrenewal — 10 days' advance notice is required if the policy is canceled for nonpayment of premium or for any other reason if within the first 60 days of coverage. After 60 days, or if the insurer plans to nonrenew coverage, at least 30 days' notice of cancellation is required. The insurer can cancel the policy midterm only because of misrepresentation of a material fact or if the risk has changed substantially from when it was first insured.

Liberalization — If the insurer makes any change that broadens coverage in the policy edition during the policy period or within 60 days before the effective date, these changes will automatically apply, without needing to be endorsed to the policy. There are restrictions to this condition in the event of general program changes from a form change or amendatory endorsement.

Death — In the event of an insured's death, the legal representatives of the deceased insured will be considered an insured but only with respect to the property covered at the time of death.

Nuclear hazard — any nuclear reaction, radiation or radioactive contamination however caused. Losses caused by nuclear hazard will not be considered caused by fire, explosion, or smoke. This condition also states that direct or indirect losses are not covered if related to a nuclear hazard unless a fire ensues, in which case the fire damage will be covered.

Recovered property — If any property is recovered in which there has already been a loss payment made, the insured has the option of taking the property and returning the amount paid, or giving the property to the insurance company.

Volcanic eruptions — All volcanic eruptions occurring within 72 hours of the initial eruption will be considered one occurrence. This means there will only be one deductible.

Exclusions

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:

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 Concepts

Earthquake Insurance

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.

Difference in conditions (DIC) is a property insurance policy written to supplement a named perils property policy. There is no standard DIC policy, and the policies are usually manuscripted and tailored to the specific needs of the insured. Not only do DIC policies differ from company to company, but the policies offered by individual insurers often differ from one insured to another.

Some **common characteristics** of a DIC policy are the following:

- Provides all-risk coverage;
- Excludes the named perils provided by the policy it supplements;
- Contains no coinsurance clause or pro rata sharing provision; and
- Is written with a high deductible ($10,000 or more).
- These policies are often written to provide flood and earthquake coverage.

Commercial Property Policies

Commercial Crime

Note that this section previously appeared in the Casualty course, and has been moved to the Property course on the new outline. The content in this section has not changed.

CASUALTY

Other Types of Casualty Insurance

C. Workers Compensation – *content addition to the existing text*

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.