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**Addendum: for use with Washington Personal Lines online ExamFX courses and study guide versions 23920en, per exam content outline updates effective 3/1/2022.**

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

*New Exam Breakdown:*

**Washington Personal Lines Insurance**  
**100 Questions**  
**Time Limit: 2 hours, 15 minutes**  
**Pass Score: 70%**

Chapter	Percent of Exam
General Insurance Concepts	5%
Property and Casualty Insurance Basics	26%
Dwelling Policy	3%
Homeowners Policy	14%
Personal Auto Policy	9%
Other Types of Insurance	5%
Insurance Regulations	33%

### **Dwelling Policy Concepts**

#### **Conditions – addition to content**

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.

## Watercraft

### General Policy Structure

Like many other policy forms, the Watercraft policy form starts with agreement and definitions, and is further divided into the following sections:

- Part A – Liability Coverage;
- Part B – Medical Payments Coverage;
- Part C (not currently used);
- Part D – Coverage for Damage to Your Watercraft;
- Part E – Your Duties after Accident or Loss; and
- Part F – General Provisions.

### Definitions

Some of the terms and definitions unique to the watercraft policy are as follows:

**Personal watercraft** — a recreational watercraft powered by an inboard motor, capable of carrying one or more persons in a sitting, standing, or kneeling position.

**Nonowned watercraft** — any watercraft, including its motor and watercraft trailer, which is not owned or available for regular use by the insured.

**Outboard motor** means any motor designed to be attached to a watercraft, including fuel tanks and electric starting equipment or controls necessary for the operation of the motor.

**Watercraft trailer** means a vehicle that is designed to be pulled by a private passenger auto, pickup or van, and transport a watercraft on land.

**Boating equipment** means accessories and other equipment (other than outboard motors) that are owned by the insurer, integral to the operation and maintenance of the watercraft, and are in or upon the covered watercraft.

**Covered watercraft** — any watercraft, outboard motor, and watercraft trailer shown in the Declarations, and newly acquired property.

A watercraft, outboard motor, or watercraft trailer will be deemed to be owned by a person if leased under a written agreement to that person, and for a continuous period of at least 6 months.

## Part A - Liability Coverage

Part A – Liability Coverage will pay for damages for bodily injury or property damage for which any insured becomes legally liable because of a watercraft accident. As deemed appropriate, the insurer will settle or defend any claim or suit asking for these damages. In addition to the limit of liability shown in the Declarations, the insurer will pay all defense costs they incur.

Liability coverage supplementary payments are as follows, and will not reduce the limit of liability:

- Up to 10% of the limit of liability for Part A;
- Up to \$250 for the cost of bail bonds required because of an accident;
- Premiums on appeal bonds;
- Interest accruing after a judgment is entered in the suit;
- Up to \$200 a day for loss of earnings (but not other income) because of attendance at hearings or trials at the insurer's request; and
- Other reasonable expenses.

## Exclusions

Some of the main exclusions to liability coverage are listed below:

- Intentional bodily injury or property damage;
- Property damage to property rented to, used by, or in the care of the insured;
- Bodily injury to a person who is entitled to benefits under the Jones Act, workers compensation benefits, or Federal Longshore and Harbor Workers Compensation benefits;
- Insured's liability for a watercraft while it is being rented to others, used as a public or livery conveyance, or hired for charter;
- Losses incurred while the insured is employed or engaged in the business of selling, repairing, servicing, storing, or docking watercraft;
- Using a watercraft without a reasonable belief that the insured is entitled to do so;
- Bodily injury or property damage for an insured under a nuclear energy liability policy; and
- Watercraft that is being operated in any prearranged or organized race, stunt activity, or other speed competition.

## Part B - Medical Payments Coverage

Part B – Medical Payments Coverage covers expenses incurred for necessary medical and funeral services sustained by an insured. The policy will only pay for services rendered within 3 years from the date of the accident.

Part B exclusions are similar to those listed in Part A. The main distinction is that bodily injuries sustained while occupying a personal watercraft will not be covered.

## Part D - Coverage for Damage to Your Watercraft

Part D – Coverage for Damage to Your Watercraft pays for direct and accidental loss of the covered watercraft and boating equipment minus any applicable deductible shown in the Declarations. If loss to more than one item of covered property results from the same loss, only one deductible will apply.

The limit of liability for Part D will be the lesser of

- Amount shown in the Declarations;
- Actual cash value of the stolen or damaged property; or
- Amount necessary to repair or replace the property.

The insurer will make an adjustment for depreciation and physical condition in determining actual cash value in the event of a total loss.

## Additional Coverages

This policy section also provides the following additional coverages:

- Salvage expense coverage — up to 25% of the Part D limit of liability. This coverage is additional insurance without a deductible.
- Towing and assistance expense coverage — if the watercraft becomes disabled, the insurer will pay reasonable expenses for
  - Towing it to the nearest repair place;
  - Delivery of gas, oil, or repair parts at the site of disablement;
  - Watercraft trailer roadside repair; and
  - The limit of coverage is \$500 for any one disablement, subject to a maximum of \$1,000 for any one policy period.
- Personal effects coverage — the insurer pays for direct and accidental loss to personal effects owned by the insured or the insured's guests (at insured's request). Personal effects include cameras, cell phones, clothing, fishing equipment, water skiing and other sporting equipment. It does not include, however, animals, jewelry, money, watches, or permanently attached equipment. This coverage is limited to \$500. It is additional insurance with no deductible.

## Part E - Duties after an Accident or Loss

Duties of the insured after accident or loss under the watercraft policy form are similar to any other policy form, and can be summarized as follows:

- Promptly notify the insurer of how, when, and where the accident or loss occurred;
- Cooperate with the insurer and provide any documentation as requested;
- Take reasonable steps after loss to protect the damaged property from further loss;
- Promptly notify the police, Coast Guard, or other authorities if covered property is stolen; and
- Permit the insurer to inspect and appraise the damaged property before its repair or disposal.

## Part F - General Provisions

The following general provisions apply to watercraft policies. Most of these provisions have already been discussed in other types of property and liability coverages:

- Abandonment;
- Bankruptcy;
- Changes;
- Financial responsibility — when the policy is certified as future proof of financial responsibility, it must comply with the law to the extent required;
- Fraud;
- Lay-up period — insurer will not provide coverage while a watercraft is operated during the lay-up period, or not stored in the lay-up location;
- Legal action against insurer;
- Loss payable clause;
- Insurer's right to recover payment;
- Out of state coverage;
- Policy period;
- Policy territory — coverage only applies to accidents and losses that occur within the Custom Policy Territory shown in the Declarations, or if not specified, coverage applies on land, in inland waters, in coastal waters within 12 miles of the shoreline, or in the Great Lakes within U.S., its territories or possessions, Puerto Rico, or Canada;
- Termination (including cancellation, nonrenewal, automatic termination, and other termination provisions);
- Transfer of insured's interest in this policy; and
- Two or more watercraft policies.