Addendum: for use with Nebraska Property and Casualty online courses and study guide, version numbers 26143en and 26144en, per exam content outline update effective 2/1/2024.

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

ALL LINES

Insurance Regulation

A. Licensing

Exemptions

An insurance agent license is not required of any officer, director or employee of an insurer or organizations employed by insurers, provided they are not directly or indirectly involved with the actual sale of an insurance contract and **do not receive any commission**. Furthermore, the following individuals are NOT required to hold an insurance producer license:

- A director or employee of an insurer whose activities are limited to executive, administrative, managerial, or clerical;
- A director or employee of a special agent assisting insurance producers by providing technical advice and assistance to licensed insurance producers;
- A person who secures and furnishes information for group insurance as long as no commission is paid;
- An employer or association engaged in the administration or operation of a program of employee benefits for the employer's or association's own employees;
- Employees of insurers or organizations engaging in the inspection, rating or classification of risks, or in the supervision of the training of insurance producers and who are not individually engaged in the sale of insurance;
- A person whose activities are limited to advertising without the intent to solicit insurance;

- A nonresident who sells, solicits or negotiates a contract of insurance for commercial property and casualty risks to an insured with risks located in more than one state insured under that contract; or
- A salaried full-time employee who counsels or advises their employer relative to the insurance interests of the employer or subsidiaries.

B. State Regulation

Solicitation and Sales

Testimonials

Testimonials used in advertisements must be genuine, represent the current opinion of the author, be applicable to the policy advertised, and be accurately reproduced. If a person providing a testimonial has a financial interest in the insurer or a related entity as a stockholder, director, officer, employee, or otherwise, or receives any benefit directly or indirectly, that information must be disclosed in the advertisement.

C. Federal Regulation

3. Other Federal Regulations

Privacy Protection (Gramm-Leach-Bliley)

The Gramm-Leach-Bliley Act stipulates that in general, an insurance company may not disclose nonpublic personal information to a nonaffiliated third party except for the following reasons:

- The insurance company clearly and conspicuously discloses to the consumer in writing that information may be disclosed to a third party;
- The consumer is given the opportunity, before the time that information is initially disclosed, to direct that information not be disclosed to the third party; or
- The consumer is given an explanation of how the consumer can exercise a nondisclosure option.

The Gramm-Leach-Bliley Act requires 2 disclosures to a customer (a consumer who has an ongoing financial relationship with a financial institution):

- When the customer relationship is established (i.e., a policy is purchased); and
- Before disclosing protected information.
- The customer must also receive an annual privacy disclosure, and have the right to opt out, or choose not to have their private information shared with other parties.

General Insurance

B. Insurers

2. Marketing (Distribution) Systems

Wholesale Insurance Brokers

Wholesale brokers serve as intermediaries between retail brokers and insurers for specific, hard-to-place risks. They work primarily in the excess and surplus market. Unlike retails brokers, wholesale brokers do not have contact with the insured; the coverage they write is on business retail agents bring them.

Aggregators

An insurance aggregator is just what it sounds like: It groups, or aggregates, independent agencies. They combine premiums to give members benefits that they would not be able to offer as individual entities. In the aggregate model, consumers have the opportunity to compare the offerings from several agencies at once.

Managing General Agent (MGA)

A **managing general agent (MGA)** is an agency that is contracted to perform various business functions, such as underwriting, binding, policy administration, claims, and distribution, on behalf of insurance companies. MGAs are different from insurance brokers in that they are given the authority to underwrite and perform various other tasks that would normally be performed by the insurers themselves. MGA's fiduciary duty is to the insurance company.

PROPERTY

Commercial Package Policy (CPP)

B. Commercial Property

3. Causes of Loss Forms

Earthquake

The Earthquake and Volcanic Eruption Endorsement must be used with one of the Cause of Loss forms (Basic, Broad, or Special). It adds two perils for coverage:

- 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 (7 days) are considered one earthquake or explosion. The deductible is a percentage of the loss as shown on the property Declarations page.

The Exclusions and Limitations sections of the Causes of Loss Form apply to coverage provided under this endorsement.

C. Commercial General Liability

1. CGL Coverage Forms

Endorsements

There are many endorsements available to modify the coverage provided under the General Liability Coverage Part. Some of these endorsements are used to remove some of the standard coverages included in the policy. Coverages that can be deleted include personal and advertising injury; medical payments, products/completed operations and fire legal liability. Other endorsements are used to exclude specific exposures, such as designated products, work or premises, explosion collapse and underground property damage (referred to as X,C,U), or bodily injury coverage for participants in a sponsored athletic sport.

Other endorsements are used to add coverage or to amend the policy limits. Endorsements which are used to amend policy limits include endorsements that modify the aggregate limit to apply on a per location or per project basis. Another endorsement, called the deductible liability endorsement, establishes deductibles that apply to bodily injury and property damage either separately or combined. These deductibles can be written either on a per claim (per person or organization) or per occurrence (regardless of the number of persons or organizations) basis.

There are also several endorsements available which will provide coverage for other persons or organizations who may be held liable because of their business relationship with the insured. These additional insureds include club members, concessionaires, managers or lessors of premises, condominium unit owners, controlling interests, volunteer workers, lessors of leased equipment, and other designated individuals.

CASUALTY

Casualty Insurance Basics

A. Principles and Concepts

7. Loss Valuation

Actual Loss Sustained

The phrase actual loss sustained refers to the full cost of a loss, no matter what the insurance company ultimately pays out. Considerations factored into this calculation can range from repairs and replacements to additional living expenses or loss of income.

Binders

A binder is a temporary agreement issued by an agent or insurer providing temporary coverage until a policy can be issued. A binder is usually in writing, but may be verbal. **Binders expire when the policy is issued**. However, the policy effective date would be the same as the date when the binder was issued. If the insurer declines to issue the policy, the binder expires on the date after receipt of the notice of cancellation.

State Plans and Regulations

Assigned Risk Plans

An assigned risk is one that is not ordinarily acceptable to insurers and assigned to members of an assigned risk plan.

An assigned risk plan (or automobile insurance plan) is a group of insurers who share the assigned risks, thereby providing the required auto insurance for those who cannot obtain it in the normal market.

Joint Underwriting Association (JUA)

A joint underwriting association is an unincorporated association of insurers formed to provide a particular form of insurance to the public. Insureds under an association pay assessments with their premiums to provide monies for the operation of the association.

C. Common Policy Provisions

5. Coinsurance

The **coinsurance** clause states that, in consideration of a reduced rate, the insured agrees to maintain a certain minimum amount of insurance on the insured property. This encourages the insured to insure the property closer to its full value. In case of a partial loss, the insurer will pay the partial loss in full if the insured has maintained the required percentage of insurance with relation to the value of the property. If the amount of insurance maintained is less than the coinsurance clause requirement, the insurer will only pay the percent of the loss that the insurance bears in relation to the amount of insurance that should have been carried. In the event of a total loss, the coinsurance clause does not operate, and the face amount of the policy is paid.

The formula for calculating **coinsurance penalties** is the amount of insurance carried over the amount of insurance the insured should have had, multiplied by the loss, which equals the reduced payment for loss.

(Insurance Carried ÷ Insurance Required) X Loss Amount = Loss Payment

For a $100,000 building insured with an 80% coinsurance percentage, the insured would have to carry at least $80,000 ($100,000 x .80) of insurance to meet the coinsurance requirement. If, instead, the insured only carried $40,000 of insurance and had a $10,000 loss, he would have to bear 50% of the loss due to the deficiency, or $5,000, and any deductible.

Commercial Package Policy (CPP)

D. Farm Coverage

Crop Insurance

Crop insurance is designed to meet the needs of farmers and other crop growers who desire protection against loss to their investment in planted crops resulting from damage by the elements and other perils. The original crop insurance policy provided coverage against loss by hail only, and although this is still the major peril, coverage is now written to cover loss against fire and lightning as well. Insurance on growing crops is sold by specialty crop-hail insurers. In addition, coverage against loss from most any peril (multi-peril) is available from the Federal Crop Insurance Corporation (FCIC) through a federally subsidized multi-peril crop insurance program. Private insurers which are reinsured by the Federal Crop Insurance Corporation also offer multi-peril crop insurance.

Covered Perils

The perils covered under the standard crop-hail policy are hail, fire and lightning. Coverage against fire and lightning applies before the crop is harvested and while it is still in the field or being transported to first storage. The policy does not cover losses or damage caused by wind, rain, flood or frost.

Limits of Coverage

Crop-hail insurance coverage can be purchased in any amount up to the full value of the expected crop. On early pre-season contracts, the coverage is usually for an average crop yield, but adjusted for the expectation of the individual insured. Some insured purchase coverage for potential value of the expected crop, while others may only insure for the cost of production.

Most crop-hail insurance is written on a "percentage plan". The insurer permits the insured to place a valuation on the crop, which is then the amount of insurance purchased. In the event of a loss, the indemnity is based on the percentage of the crop damaged by hail, fire, or lightning.

Federal Crop Insurance Program (FCIP)

The Federal Crop Insurance Program (FCIP) offers farmers the opportunity to purchase insurance against losses due to adverse growing or market conditions, including losses resulting from natural disasters. Coverage applies to most field crops, grazing lands, and a variety of specialty crops.

Crop insurance provided by the FCIP covers losses due to:

- Drought;
- Heat;
- Hail;
- Excess moisture;
- Precipitation or rain;
- Frost;
- Freeze;
- Cold;
- Wet weather;
- Wind;
- Tornados;
- Cyclones;
- Hurricane or tropical depression;
- Certain fires;
- Earthquake;
- Insect or wildlife damage;
- Plant disease;
- Volcanic eruption; and
- Other covered causes of loss.

Businessowners Policy

D. Selected Endorsements

Protective Safeguards

Protective safeguards endorsement adds a policy condition requiring the insured to maintain protective safeguards (e.g., automatic sprinkler system or fire alarm) as a condition for coverage. If the automatic sprinkler system is shut down due to breakage, leakage, freezing, or opening of the sprinkler heads, the insured has 48 hours to restore the system before the insured must notify the insurer.

Utility Services — Direct Damage and Time Element

Utility services — direct damage endorsement provides coverage for direct damage caused by utility service disruption stemming from a covered peril. The insured's location and utility service must be indicated in the endorsement. Utility services include water services, communication services, and power supply services.

The **utility services — time element** endorsement covers the insured's loss of business income or extra expense in the event of a direct physical loss to a utility service. The insured's location and utility service must be indicated in the endorsement.

<u>Other Coverages and Options</u>

B. Specialty Liability Insurance

Construction Wrap-Up

Wrap-up insurance policies provide coverage for any contractors or subcontractors working on a construction project. This ensures uniform liability coverage for all parties involved and that all risks are covered adequately.

Active Assailant

Active assailant coverage provides a combination of property and casualty coverage to help organizations respond to mass shootings. This can come in the forms of coverage for business interruption, loss of attraction, extra expenses, and 24/7 crisis consultancy.