Addendum: for use with Arkansas Property and Casualty online courses and study guide, version number 27275en, per exam content outline updates effective 3/1/2023.

*Effective March 1, 2023, Arkansas is adopting PSI's national outline for the General Knowledge portion of the exam. The course layout, chapter titles, and the Exam Breakdown will be updated to match the new outline. The following are **content additions** to supplement your existing text unless otherwise indicated. The additions below are referenced under new content domains.*

Introduction

F. Exam Breakdown – *revised exam breakdown*

Arkansas Property and Casualty Insurance
160 Total Questions (150 scored, 10 pretest)

CHAPTERS	PERCENTAGE OF EXAM
General Knowledge:	
General Insurance Concepts	15%
Property and Casualty Insurance Basics	17%
Dwelling Policy	2%
Homeowners Policy	11%
Automobile Policy - Personal and Commercial	14%
Commercial Property Policies	8%
Commercial General Liability	8%
Businessowners Policy	4%
Other Types of Property and Casualty Insurance	3%
Workers Compensation	2%
State Law:	
Arkansas Statutes, Rules, and Regulations Common to All Lines	10%
Arkansas Statutes, Rules, and Regulations Common to Multi-Line (P&C) Insurance	6%

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<u>General Insurance Concepts</u>

Risk

1. Elements of Insurable Risks

Not all risks are insurable. As noted earlier, insurers will insure only **pure risks,** or those that involve only the chance of loss with no chance of gain. Furthermore, even pure risks must have certain characteristics in order to be insurable. Insurable risks involve the following characteristics:

- **Due to chance —** A loss that is outside the insured's control.
- **Definite and measurable —** A loss that is specific as to the cause, time, place and amount. An insurer must be able to determine how much the benefit will be and when it becomes payable.
- **Statistically predictable —** Insurers must be able to estimate the average frequency and severity of future losses and set appropriate premium rates. (In life and health insurance, the use of mortality tables and morbidity tables allows the insurer to project losses based on statistics.)
- **Not catastrophic —** Insurers need to be reasonably certain their losses will not exceed specific limits. That is why insurance policies usually exclude coverage for loss caused by war or nuclear events: There is no statistical data that allows for the development of rates that would be necessary to cover losses from events of this nature.
- **Randomly selected and large loss exposure —** There must be a sufficiently large pool of the insured that represents a random selection of risks in terms of age, gender, occupation, health and economic status, and geographic location.

2. Methods of Handling Risk

Avoidance

One of the methods of dealing with risk is **avoidance**, which means eliminating exposure to a loss. *For example,* if a person wanted to avoid the risk of being killed in an airplane crash, he/she might choose never to fly in an airplane. Risk avoidance is effective, but seldom practical.

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Retention

Risk **retention** is the planned assumption of risk by an insured through the use of deductibles, co-payments, or self-insurance. It is also known as self-insurance when the insured accepts the responsibility for the loss before the insurance company pays. The purpose of retention is

- To reduce expenses and improve cash flow;
- To increase control of claim reserving and claims settlements; and
- To fund for losses that cannot be insured.

Sharing

Sharing is a method of dealing with risk for a group of individual persons or businesses with the same or similar exposure to loss to share the losses that occur within that group. A reciprocal insurance exchange is a formal risk-sharing arrangement.

Reduction

Since we usually cannot avoid risk entirely, we often attempt to lessen the possibility or severity of a loss. **Reduction** would include actions such as installing smoke detectors in our homes, having an annual physical to detect health problems early, or perhaps making a change in our lifestyles.

Transfer

The most effective way to handle risk is to **transfer** it so that the loss is borne by another party. Insurance is the most common method of transferring risk from an individual or group to an insurance company. Though the purchasing of insurance will not eliminate the risk of death or illness, it relieves the insured of the financial losses these risks bring.

Authority and Powers of Producers

An agent/producer is an individual licensed to sell, solicit or negotiate insurance contracts on behalf of the **principal (insurer).** The **law of agency** defines the relationship between the principal and the agent/producer: the acts of the agent/producer within the scope of authority are deemed to be the acts of the insurer.

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In this relationship, it is a given that

- An agent represents the insurer, not the insured;
- Any knowledge of the agent is presumed to be knowledge of the insurer;
- If the agent is working within the conditions of his/her contract, the insurer is fully responsible; and
- When the insured submits payment to the agent, it is the same as submitting a payment to the insurer.

The agent is responsible for accurately completing applications for insurance, submitting the application to the insurer for underwriting, and delivering the policy to the policyowner.

The agency contract details the authority an agent has within his/her company. Contractually, only those actions that the agent is authorized to perform can bind the principal (insurer). In reality, an agent's authority is much broader. There are 3 types of agent authority: express, implied, and apparent.

Express authority is the authority a principal intends to grant to an agent by means of the agent's contract. It is the authority that is written in the contract.

Implied authority is authority that is **not expressed or written into the contract, but which the agent is assumed to have in order to transact the business** of insurance for the principal. Implied authority is incidental to and derives from express authority since not every single detail of an agent's authority can be spelled out in the written contract.

Apparent authority (also known as *perceived* authority) is the appearance or the assumption of authority based on the actions, words, or deeds of the principal or because of circumstances the principal created. *For example,* if an agent uses insurer's stationery when soliciting coverage, an applicant may believe that the agent is authorized to transact insurance on behalf of the insurer.

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Legal Interpretations Affecting Contracts

1. Reasonable Expectations

It is not always practical or necessary to state every direct and indirect provision or coverage offered by an insurance policy. If an agent implies through advertising, sales literature or statements that these provisions exist, an insured could **reasonably expect coverage**.

2. Indemnity

Indemnity (sometimes referred to as **reimbursement**) is a provision in an insurance policy that states that in the event of loss, an insured or a beneficiary is permitted to collect only to the extent of the financial loss, and is not allowed to gain financially because of the existence of an insurance contract. The purpose of insurance is to restore, but not let an insured or a beneficiary profit from the loss.

3. Utmost Good Faith

The principle of **utmost good faith** implies that there will be no fraud, misrepresentation or concealment between the parties. As it pertains to insurance policies, both the insurer and insured must be able to rely on the other for relevant information. The insured is expected to provide accurate information on the application for insurance, and the insurer must clearly and truthfully describe policy features and benefits, and must not conceal or mislead the insured.

4. Fraud

Fraud is the intentional misrepresentation or intentional concealment of a material fact used to induce another party to make or refrain from making a contract, or to deceive or cheat a party. Fraud is grounds for voiding an insurance contract.

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Federal Laws and Regulations

Prohibited Persons in Insurance Waiver (18 USC Sections 1033 and 1034)

It is considered **unlawful insurance fraud** for any person engaged in the business of insurance to willfully, and with the intent to deceive, make any oral or written statement that are either false or omit material facts. This includes information and statements made on an application for insurance, renewal of a policy, claims for payment or benefits, premiums paid, and financial condition of an insurer.

Anyone engaged in the business of insurance whose activities affect interstate commerce, and who knowingly makes false material statements may be fined, imprisoned for up to **10 years** or both. If the activity jeopardized the security of the accompanied insurer, the punishment can be up to **15 years**.

Anyone acting as an officer, director, agent or other insurance employee who is convicted of embezzling funds faces the aforementioned fines and imprisonment. However, if the embezzlement was in an amount less than **$5,000**, prison time may be reduced to 1 year.

Federal law makes it illegal for any individual convicted of a crime involving dishonesty, breach of trust or a violation of the **Violent Crime Control and Law Enforcement Act of 1994** to work in the business of insurance affecting interstate commerce without receiving a **letter of written consent** from an insurance regulatory official — a **1033 waiver**. The consent of the official must specify that it is granted for the purpose of 18 U.S.C. 1033. Anyone convicted of a felony involving dishonesty or breach of trust, who also engages in the business of insurance, will be fined, imprisoned for up to 5 years or both.

Section 1034, Civil Penalties and Injunctions for Violations of Section 1033, states that the Attorney General may bring a **civil action** in the appropriate U.S. district court against any person who engages in conduct that is in violation of Section 1033 of not more than **$50,000** for each violation, or the amount of compensation the person received as a result of the prohibited conduct, whichever is greater.

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Property and Casualty Insurance Basics

Principles and Concepts

1. 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.

Dwelling Policy

1. 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:

- Coverage L - Personal Liability;
- Coverage M - Medical Payments to Others; and
- 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.

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Homeowners Policy

Selected Endorsements

There are numerous endorsements available under the homeowners policy program that broaden the coverage provided under the basic policy forms. The following are optional endorsements available on the homeowners policy. (Some also are available for the dwelling program.)

1. 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.

2. 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.

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3. Home Day Care

If the insured operates a home day care business out of the insured residence, the **home day care coverage endorsement** may be attached to the policy to cover the liability exposure associated with the business. Coverage excludes loss or damage that results from sexual molestation, corporal punishment, physical or mental abuse, or draft and saddle animals – including vehicles used with such animals, motor vehicles, aircraft, or watercraft. The premium is based on the number of children kept in the home.

3. Personal Injury

Personal injury coverage, including injuries that result from false arrest, libel, slander, defamation of character, and invasion of privacy, may be added by endorsement.

4. Personal Property Replacement Cost

Personal property replacement cost endorsement changes the actual cash value settlement on personal property, household appliances, carpeting, awnings and outdoor equipment to a replacement cost basis. Certain types of property will not benefit from this coverage, such as fine arts, antiques, memorabilia, articles that are not in good working order, and items that are stored and have become outdated or obsolete.

There is no requirement that the personal property be insured to 80% of replacement cost at the time of loss. However, some insurers require that the amount of Coverage C be increased to 70% of Coverage A amount when this endorsement is purchased.

5. Watercraft

Watercraft endorsement provides liability protection for bodily injury or property damage caused by the ownership or use of watercraft (excluding when used to carry persons for a fee or when rented to others).

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6. 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.

7. Scheduled Personal Property

If the insured requires higher limits for certain types of property, the **scheduled personal property endorsement** may be used to schedule individually described items or classes of items on a blanket basis. This endorsement typically provides open peril or special form coverage on listed items. The endorsement provides for the scheduling of 9 different classes of property:

- Jewelry;
- Furs;
- Cameras;
- Musical instruments;
- Silverware;
- Golfer's equipment;
- Fine arts (including porcelains and glassware);
- Postage stamps; and
- Rare and current coins.

Newly acquired jewelry, furs, cameras, and musical instruments are covered up to the lesser of the following limits:

- 25% of the amount of insurance for that class of property; or
- $10,000.

The new property must be **reported within 30 days of acquisition**, and the insured may be required to pay the additional premium from that date. For coverage to apply to fine arts, the report of acquisition must be provided **within 90 days**.

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Insured perils: this endorsement insures against direct physical loss to property caused by any of the following perils:

- Wear and tear;
- Insects or vermin;
- War;
- Nuclear hazard;
- *If fine arts are covered* – breakage caused by fire or lightning, windstorm, earthquake or flood, explosions, and malicious damage or theft; or
- *If postage stamps are covered* – fading, creasing, denting or scratching, transfer of colors, and disappearance.

The following are additional benefits and features of the scheduled personal property endorsement:

- The Coverage C limits no longer apply for the property scheduled on this endorsement;
- Insured locations: eligible property is covered worldwide;
- Fine arts and antiques can be covered on other than ACV basis;
- The special limits of liability no longer apply to items or classes of property scheduled; and
- No deductible will apply to a covered property loss.

Automobile Policy - Personal and Commercial

Personal Auto Policy

1. Definitions

Personal injury protection (PIP), also called "**no-fault insurance**", covers medical expenses and related costs resulting from an accident, regardless of who caused it. PIP covers both insured policyholders and passengers.

2. Selected Endorsements

Optional endorsements can be used to modify the personal auto policy to fit the needs of individual insureds. Some of the more commonly used endorsements are discussed next.

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Towing and Labor Costs

The **towing and labor costs** endorsement provides a basic **limit of $25** for towing and labor costs incurred at the place a vehicle is disabled. Higher limits are available for an additional premium. Coverage applies to a covered auto or a nonowned auto, but only applies to costs incurred at the place of disablement.

Extended Nonowned Coverage for Named Individual

The **extended nonowned coverage for named individual** endorsement can broaden the liability only, or liability and medical payments coverage provided in the policy for individuals specifically named on the endorsement. It provides coverage for nonowned autos that are available for the regular use of the insured, the use of covered vehicles to carry persons or property for a fee, or use of covered vehicles in other businesses (excluding the automobile business).

Joint Ownership Coverage

The **joint ownership coverage** endorsement is used when individuals own a vehicle together (insurable interest), but do not meet the traditional definition of an insured in the personal auto policy. Coverage applies to individuals, other than spouses, who reside in the same household and nonresident relatives. The vehicle owned must be listed in the endorsement, and coverage will not extend to any vehicle owned by any party that is not listed or included in the covered auto definition.

Commercial Auto

1. Motor Carrier

As defined by the ISO form, a **motor carrier** is a person or organization providing transportation by auto in the furtherance of a commercial enterprise. The motor carrier coverage form can cover *any carriers* that transport goods, including private carriers (those who transport their own goods). This policy is a fairly recent development and basically has the same coverage, provisions, conditions, and definitions as the Business Auto coverage form with minor differences.

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This form uses covered auto designation symbols 61 through 69 for various types of auto.

General Form Structure

Motor Carrier Coverage form consists of the following sections:

- Section I – Covered Autos;
- Section II – Liability Coverage;
- Section III – Trailer Interchange Coverage;
- Section IV – Physical Damage Coverage;
- Section V – Motor Carrier Conditions; and
- Section VI – Definitions.

Most of the sections in this form are very similar or identical to the Business Auto Coverage form. Only Trailer Interchange coverage will be discussed in this section.

Trailer Interchange Coverage

Trailer interchange coverage has no parallel in either the business auto coverage form or the garage coverage form. Because motor carriers frequently hire or borrow trailers from others with a written trailer interchange agreement, they need coverage for the trailer while in their possession to cover the liability imposed upon them because of the agreement. Coverage for loss or damage to property in the insured's care, custody or control is usually excluded under liability coverage forms, including the business auto form. The trailer interchange coverage will cover loss or damage to a nonowned trailer in the insured's care, custody, or control if the insured is legally liable for the damage. Coverage can be provided for collision, comprehensive, or specified causes of loss.

<u>Exclusions:</u>

The trailer interchange coverage will also provide the same supplemental payments as the business auto policy except the cost of bail bonds. In addition, there are 3 types of exclusions that apply to the trailer interchange coverage:

- Nuclear hazard;
- War or military action; and
- Wear and tear, freezing, mechanical breakdown, or road damage to tires.

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Limits of Insurance:

The most the insurer will pay for any one trailer is the least of the following, minus any deductible:

- The actual cash value;
- The cost to repair or replace with like kind and quality; or
- The limit of insurance shown in the Declarations.

2. Selected Endorsements

Several optional endorsements are available to further modify the coverage in the commercial auto coverage part.

Lessor - Additional Insured and Loss Payee

If an insured has leased autos, the **Lessor – Additional Insured and Loss Payee** endorsement (formerly called Additional Insured-Lessor) may be used to provide liability and physical damage coverage for the interests of the lessor as an additional insured.

Mobile Equipment

Under the business auto coverage form, mobile equipment is covered for liability insurance when being carried or towed by a covered auto. If a land vehicle that fits the definition of mobile equipment, but because of where or how it is being used becomes subject to compulsory insurance as if it were an auto, an insured could potentially have a coverage problem. *For example*, a bulldozer is required to have compulsory insurance because to get from one part of a job site to another, it must drive on a public road. If the insured has a Symbol 7 (Specified Auto) listed on the Declarations, that bulldozer would need to be included on the insured's vehicle schedule to be covered for liability. If it is not listed, a solution would be to use this endorsement. The bulldozer would be specifically described in the endorsement and granted coverage.

Covered autos liability coverage does not apply to bodily injury, property damage, or covered pollution cost or expense resulting from the operation of any machinery or equipment that is on, attached to, or part of any of the covered autos.

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Individual Named Insured

The **Broad Form Products Coverage** endorsement changes the liability coverage on a form. It removes the defective products exclusion (makes it ineffective). Other than auto coverage in garage operations, coverage applies a $250 deductible to the per accident limit.

Broad Form Products Coverage

This endorsement is used with the Business Auto and Motor Carrier coverage forms to insure a sole proprietor. Any owned private passenger vehicle (auto, pickup or van not used in business) that is covered by the policy will also include family members as insureds by adding this endorsement. Coverage is also granted to the insured and family members for use of a nonowned auto subject to the similar exclusions found in the personal auto policy.

Physical damage coverage is also extended to the insured's family members for owned private passenger vehicles and nonowned autos. However, physical damage coverage for nonowned trailers is limited to $500. The endorsement also removes the fellow employee exclusion from the liability section of the Commercial Auto Coverage Form.

Employees as Insureds

The **employees as insureds** endorsement will provide the insured's employees additional protection while using a vehicle not owned, hired, or borrowed for the insured business, if, for example, an employee uses a personal vehicle to run an errand for the insured business owner. Employees are not covered under the commercial auto coverage part while using their own vehicles in the course of business due to one of the exceptions listed in the permission clause in the Who is an Insured section of the policy.

Commercial Property Policies

Farm Coverage

1. Farm Property Coverage Form

Farm property coverage forms are subject to the causes of loss selected in the Declarations page. Like the CPP, the cause of loss form will dictate coverage and exclusions for each property form. Farm property can be covered on basic, broad or special form.

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Coverage A - Dwellings

Coverage A – Dwellings is similar to Coverage A of the Homeowners program. Antennas, towers, and satellite dishes attached to the dwelling are covered under Coverage A, but have a special limit of insurance of $1,000 in any one occurrence. This limit is a part of the Coverage A limit of insurance.

The limits in Coverage A provide coverage for the dwelling, including structures attached to the dwelling at the described premises. Materials and supplies located on or next to the described location used to construct, alter, or repair the dwelling and its attached structures are covered, along with building and outdoor equipment – if not insured elsewhere – used to service the dwelling. The extension of building coverage to equipment eliminates the need for a landlord to schedule a small amount of contents coverage to protect such items as lawnmowers, ladders, and similar property used for the maintenance of the dwelling.

Coverage B - Other Private Structures

Coverage B – Other Private Structures is similar to the homeowners coverage. However, this Coverage B excludes coverage for any detached structure used principally for farming purposes. Coverage B provides a special limitation of $1,000 for loss to antennas or satellite dishes. The policy provides an automatic limit of 10% of Coverage A as an additional limit of insurance for other private structures.

Coverage C - Household Personal Property

Coverage C – Household Personal Property applies to personal property owned by an insured while the property is on the insured location. The following are the special limits of insurance for Coverage C:

- $200 for gold, money, platinum, and silver;
- $1,500 for letters of credit, manuscripts, passports, and securities;
- $1,500 for watercraft and their equipment, furnishings, outboard engines, and trailers;
- $1,500 for trailers not used for watercraft or farming operations;
- $2,500 for business property on the insured location;
- $500 for business property away from the insured location;

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- In the event of loss by theft:
    - $2,500 for furs, jewelry, precious and semiprecious stones, and watches
    - $2,500 for goldware, silverware, platinumware, and pewterware
    - $3,000 for firearms and related equipment;
- $1,500 for electronic apparatus and accessories in or on a motor vehicle only if equipped to be operated by power from the vehicle's electrical system and other power sources;
- $1,500 for electronic apparatus and accessories used primarily for farming or business operations while off of the insured location and not in or on a motor vehicle.

Coverage D - Loss of Use

Coverage D – Loss of Use provides coverage for additional living expenses if the insured's principal living quarters become uninhabitable. This coverage also includes the fair rental value in the event the dwelling at the described location that the owner rents to others becomes uninhabitable due to a loss from an insured peril.

Coverage E - Scheduled Farm Personal Property

Coverage E – Scheduled Farm Personal Property pays for direct physical loss of or damage to covered property. Covered property includes farm personal property insured on a scheduled basis and may include property such as the following:

- Grain and grain in stacks;
- Hay, straw, and fodder;
- Farm products, materials, and supplies;
- Livestock (excluding livestock in transit or at a stockyard);
- Bees, worms, fish, or other animals (except for the Basic or Broad Covered Causes of Loss);
- Poultry while in the open or in any building designated for poultry under the Declarations (excluding turkeys, unless specified);
- Computers related to farm management;
- Miscellaneous equipment; and
- Portable buildings and structures.

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Coverage E does not provide coverage for growing crops, trees, or household personal property, and has **special limits of liability** that apply to the following:

- *Hay, straw, or fodder in the open* — $10,000 per stack;
- *Miscellaneous farm equipment* — not more than $3,000 per item;
- *Poultry* — market value; and
- *Livestock not specifically insured is limited to the least of ACV* — 120% of the amount obtained by dividing the limit of insurance on the class and type of animal by the number of head of that kind of animal owned at the time of loss, or $2,000 (each horse, mule, or head of cattle 1 year of age at the time of loss will be counted as 1/2 head).

Coverage F - Unscheduled Farm Personal Property

Under **Coverage F – Unscheduled Farm Personal Property**, a single limit of liability applies to all farm personal property located on the insured premises, unless specifically excluded. Off premises coverage is provided for grain, ground feed and other items while being stored, processed, or in the custody of a common carrier. Farm machinery, equipment, and livestock can also be covered off premises.

Some of the excluded properties from this broad definition include household property, racehorses, crops, and automobiles.

To discourage underinsurance, Coverage F is subject to an **80% coinsurance clause**. This clause has a provision to provide for an inadequate amount of insurance carried due to the purchase of additional or replacement equipment. In the event of loss or damage to additional or replacement equipment within 30 days of purchase, up to $100,000 of the new equipment value, and $75,000 of the replacement equipment value will not be used to determine the required limit of insurance.

Coverage G - Other Farm Structures

Coverage G – Barns, Outbuildings, and Other Farm Structures covers farming structures, such as the following:

- Farm buildings or structures;
- Silos;

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- Portable buildings and structures;
- Fences (other than field and pasture fences), corrals, pens, chutes, and feed racks;
- Outdoor radio and television equipment, antennas, masts, and towers;
- Improvements and betterments; and
- Building materials and supplies.

Coverage is subject to an 80% coinsurance clause.

2. Farm Liability Coverage Forms

The **farm liability** form is similar to the commercial general liability coverage form. It provides protection for bodily injury and property damage, personal and advertising injury, and medical payments in the form of coverages H, I and J.

Coverage H - Bodily Injury and Property Damage Liability

Coverage H – Bodily Injury and Property Damage Liability provides protection for bodily injury and property damage claims from liability arising out of the farming business and personal acts of the insured. Although it covers the business of farming, it specifically excludes coverage for businesses other than farming and contains the business pursuits and professional services exclusions similar to personal liability coverage.

Coverage I - Personal and Advertising Injury Liability

Coverage I – Personal and Advertising Injury Liability is similar to the coverage as provided in the general liability coverage form. However, advertising injury is covered only if the offense is committed in the course of advertising the insured's farm-related goods, products, or services.

Exclusions under this coverage include intentional acts, contractual liability, breach of contract, failure of goods to perform, and any offense committed by an insured who is in the broadcasting business.

The personal injury coverage follows the coverage provided in the General Liability coverage form.

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Coverage J - Medical Payments

Coverage J – Medical Payments agrees to pay reasonable medical expenses caused by an accident, regardless of fault, if the expenses are incurred and reported to the insurer within 3 years of the accident date. Coverage applies only to a person who is not an insured. This means that farm employees are excluded from this coverage. However, resident employees are included.

Other Types of Property and Casualty Insurance

Workers Compensation

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.

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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.

Your Duties if Injury Occurs

Part Four - Your Duties if Injury Occurs explains the insured's (employer'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.

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Levels of Disability

A **permanent disability** is a mental or physical illness or a condition that affects a major life function long term. The phrase is used mainly regarding workers compensation and describes any impairment that remains after a worker has received medical treatment and has had time for optimum recovery (reached maximum medical improvement).

Permanent total disability refers to an individual's total inability to work ever again.

Temporary total disability refers to a person's total inability to work for a temporary amount of time.

Temporary partial disability refers to a person's ability to do some work or the need to do alternative work.

Permanent partial disability refers to such disabilities as the loss of a limb, hearing, or eyesight.

Federal Laws

1. 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.

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2. 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.

3. Migrant and Seasonal Agricultural Worker Protection Act (MSPA)

The Migrant and Seasonal Agricultural Worker Protection Act (MSPA) protects migrant and seasonal agricultural workers by establishing employment standards related to wages, housing, transportation, disclosures and recordkeeping. The MSPA also requires farm labor contractors to register with the U.S. Department of Labor.

Farm Labor Contractor

A Farm Labor Contractor (FLC) is someone who, for money or other valuable consideration, recruits, solicits, hires, employs, furnishes or transports migrant and/or seasonal agricultural workers, or provides housing to migrant agricultural workers. This does not include agricultural employers, agricultural associations and their employees.

Farm labor contractors must register with the U.S. Department of Labor and obtain a certificate of registration before contracting any farm labor. People hired to perform farm labor contracting activities also must register with DOL.

Farm labor contractors and farm labor contractor employees must carry proof of registration and show it to workers, agricultural employers, agricultural associations, and any other person with whom they deal as contractors.

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Wages, Housing and Transportation

Agricultural associations, agricultural employers, and farm labor contractors are required to do the following:

- Pay workers the wages owed when due. Workers must receive itemized, written statements of earnings each pay period.
- If they own property used to house migrant workers, ensure that worker housing complies with federal and state safety and health standards. A written statement of the terms and conditions of occupancy must be posted at the housing site where it can be seen or be given to the workers.
- Assure that vehicles used by a farm labor contractor, agricultural employer, or agricultural association to transport workers are properly insured, are operated by licensed drivers, and meet federal and state safety standards.

Penalties

The Wage and Hour Division of the U.S. Department of Labor investigates premises and payroll records and interviews workers to determine compliance with MSPA. Investigators may advise contractors to make changes necessary to achieve compliance.

Agricultural associations and employers face fines of up to $1,000 per violation and, in the case of farm labor contractors, revocation or suspension of existing certificates and denial of future certificates of registration. Failure to comply with MSPA may result in civil or criminal prosecution. To insure compliance with MSPA, the Secretary of Labor may seek court injunctions prohibiting further violations and may bring criminal charges. Courts may assess fines of up to $10,000 and prison terms of up to 3 years in criminal cases.

Individuals whose rights under MSPA have been violated may file suit directly in federal court for damages.

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4. Federal Miner Safety and Health Act

The Federal Miner Safety and Health Act of 1977 was enacted to address the following concerns:

- Protecting the health and safety of miners;
- Minimizing deaths and serious injuries from unsafe and unhealthful conditions and practices in the coal or other mines;
- Providing more effective means and measures for improving the working conditions and practices in the Nation's coal or other mines to prevent death and serious physical harm, and occupational diseases originating in mines;
- Minimizing the disruption of production and the loss of income to operators and miners as a result of mine accidents or occupationally caused diseases.

All coal and other mines the products or operations of which enter or affect commerce, their operators and miners are subject to the provisions of the Act. The Act set forth procedures to develop, promulgate, and revise (where appropriate) improved mandatory health or safety standards for the protection of life and prevention of injuries in coal or other mines.

The operator of a coal or other mine in which a violation occurs of a mandatory health or safety standard or who violates any other provision of this Act, will be assessed a civil penalty up to $10,000 for each such violation. Any operator who fails to correct a violation after a citation within the period permitted for its correction may be assessed a civil penalty of up to $1,000 for each day during which such failure or violation continues.

Arkansas Statutes, Rules, and Regulations for Multi-Line (P&C) Insurance

A. Definitions

5. Surplus Lines — *section expanded as follows:*

Insurance may only be placed by a surplus lines broker if the nonadmitted insurer:

- Is authorized to write the type of insurance being sold;

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- Has a capital of at least $4,500,000 if located in this state or $15,000,000 if located out of state; and
- If the nonadmitted insurer is located out of the United States, that the insurer is listed on the NAIC's Quarterly Listing of Alien Insurers.

In addition to the above requirements, the Commissioner also determines eligibility to sell coverage by evaluating the nonadmitted insurer's

- Quality of management;
- Parent company's capital, if applicable;
- Underwriting profit and investment income trends;
- Market availability; and
- Record of reputation in the insurance industry.

To become a licensed surplus lines broker in this state, a resident or nonresident must

- Be licensed for at least **3 years** as a property, casualty, surety, or marine insurance producer;
- Be deemed competent and trustworthy by the Commissioner;
- Take and pass a written examination, unless the applicant is a nonresident licensed to sell insurance in their domicile;
- Submit an application; and
- Pay a licensing fee for each year the license is in force.

Resident applicants must maintain a security of at least **$50,000**. These securities must remain in force and unimpaired. Should the securities be terminated, the broker must provide written notice to the Commissioner at least **60 days** prior to termination.

E. Automobile Insurance — *topics below expanded as follows:*

3. Uninsured and Underinsured Motorist

An insured may reject uninsured motorist coverage in writing. If rejected, an insurer is not required to offer coverage again, unless a new application is submitted in connection with any renewal, reinstatement, or replacement transaction.

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An insurer issuing uninsured motorist coverage must provide an insured with the opportunity to include uninsured motorist property damage coverage to their policy. Property damage coverage is applicable to losses in excess of $200. An insured does not need to meet the $200 deductible if the vehicle is insured by the same insurer for both collision and uninsured motorist property damage coverage and the operator of the other vehicle is solely at fault.

4. Cancellation and Nonrenewal

An insurer may nonrenew an automobile policy by providing an insured with a **30-day** notice of nonrenewal. If an insurer does not provide grounds for nonrenewal in the notice, the insurer must provide it within **15 days** of a request by the insured.

When offering the renewal of an auto policy, an insurer must provide an insured with a notice, detailing any potential changes to the policy premium, deductible, or provisions.

G. Employers Liability and Workers Compensation

2. Coverage and Benefits — *section expanded as follows:*

The **Arkansas Workers Compensation Commission (AWCC)** was established to oversee and enforce workers compensation laws to ensure that all employers operating in Arkansas maintain necessary coverage for employees.

Duties of the Commission include, but are not limited to:

- Making rules and regulations as necessary;
- Appointing medical, legal, and technical advisers, administrative law judges, and rate experts; and
- Making expenditures for books, periodicals, office equipment, and other necessary services.

Prior to the adoption, modification, or repeal of any workers compensation regulation, the Commission must provide all interested parties a **45-day** notice of its intent. The notice must include the intended action, and a time, place, and manner in which parties may present their views, arguments, or testimonials regarding the rule change. Unless specified otherwise, rules and

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regulations adopted by the Commission are effective within **20 days** of the initial adoption.

Medical services required to be provided to employees include medical, surgical, hospital, chiropractic, optometric, podiatric, and nursing services. Additionally, employer must provide coverage for medicine, ambulatory devices, artificial limbs, eyeglasses, contact lenses, hearing aids, and other necessary medical devices.

If an employer fails to provide the allowed medical services, the Workers Compensation Commission may direct the injured worker to obtain the benefits at the employers expense.

An employer may choose to waive exclusions or exemptions by providing a notice of waiver at least **30 days** prior to any injury. However, injuries that occur less than 30 days after the notice are still covered. An employer must also post and keep posted the notice, as well as file the notice with the Commission.

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