Addendum: for use with the Oregon Property and Casualty online ExamFX courses and study guide version 28164en 28165en, per exam content outline updates effective 05/01/2023.

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

Introduction

Exam Breakdowns – *revised exam breakdowns*

Oregon Property Insurance Examination
100 Questions

CHAPTERS	PERCENTAGE OF EXAM
General Insurance	20%
Property Insurance Basics	17%
Dwelling Policy	4%
Homeowners Policy	16%
Commercial Property Policies	15%
Businessowners Policy	5%
Other Types of Property Insurance	6%
Insurance Regulation	13%
Federal Laws and Regulations	4%

Oregon Casualty Insurance Examination
100 Questions

CHAPTERS	PERCENTAGE OF EXAM
General Insurance	20%
Property and Casualty Insurance Basics	17%
Auto Insurance	22%
Commercial General Liability	12%
Workers Compensation	5%
Other Types of Casualty Insurance	7%
Insurance Regulation	13%
Federal Laws and Regulations	4%

Oregon Property and Casualty Insurance Examination
150 Questions

CHAPTERS	PERCENTAGE OF EXAM
General Insurance	11%
Property and Casualty Insurance Basics	14%
Dwelling Policy	6%
Homeowners Policy	9%
Auto Insurance	12%
Commercial Property Policies	7%
Commercial General Liability	13%
Businessowners Policy	5%
Workers Compensation Insurance	5%
Other Types of Property and Casualty Insurance	5%
Insurance Regulation	11%
Federal Laws and Regulations	2%

Note that in your online course, Federal Laws and Regulations are part of the Insurance Regulation chapter.

<u>**Property and Casualty Insurance Basics**</u>

A. Principals and Concepts

5. Negligence

Torts

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

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

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

C. Common Policy Provisions

6. Other Insurance

Noncurrency

Nonconcurrency refers to other insurance written on the same risk, but not on the same coverage basis.

Pro Rata

Pro rata is a provision found in some property insurance policies that provides for the sharing of loss with other insurance that may be written on the same risk in the same proportion as their limits of insurance bear to the total of coverage of all policies covering the risk, whether collectible or not.

Contribution by Equal Shares

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

12. Insurer Provisions

Arbitration

Arbitration is a method of *casualty* claim settlement used when the insured and insurer cannot agree on how to settle a claim. The settlement is submitted to an arbitrator, or multiple arbitrators, whose decision may or may not be binding on both parties dependent on state law.

Homeowners Policy

H. Selected Endorsements

Ordinance or Law

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

Commercial Package Policy (CPP)

B. Commercial Property

4. Selected Endorsements

Earthquake

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

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

C. Commercial Inland Marine

Ocean Marine vs. Inland Marine Coverage

Marine policies provide property-type coverage and are usually used for imports, exports, and instruments of transportation and communication, such as bridges, tunnels, or pipelines. There are two main branches of marine insurance: ocean marine and inland marine.

Ocean marine insurance is one of the oldest types of insurance in the world. Most insurers still use archaic terms, wording, and language a couple centuries old in their policy forms, so to have a valid ocean marine contract, the courts have required "utmost good faith." Ocean marine insurance provides coverage for property while in transit over water ("wet marine" coverage). There is no standard policy in Ocean Marine insurance.

The 4 major types of Ocean Marine policies are

1. **Hull** — for physical damage or loss of the ship itself;
2. **Cargo** — for what the ship is hauling;
3. **Freight** — for loss of revenue if the ship owner cannot deliver the cargo;
4. **Protection and indemnity (P&I)** — for liability.

As ocean marine insurance developed to cover property shipped over the ocean or internationally, inland marine insurance was developed to cover property shipped over land or inland waterways. Inland marine is considered more domestic in nature.

Inland marine (dry marine) coverage can be written on almost any type of property that is portable, and in transit over land or in the air ("dry marine" coverage).

While inland marine is part of Commercial Package Policy, ocean marine is not.

<u>Other Coverages and Options</u>

Mobile Home

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

- Coverage A — States the limit of liability for damage to the mobile home;
- Coverage B — Other covered structures;

- Coverage C — Personal property of the insured*
- Coverage D — Loss of use coverage;
- Coverage E — Personal Liability;
- Coverage F — Medical Payments to Others.

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

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

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.

<u>Auto Insurance</u>

B. Commercial Auto

3. Selected Endorsements

Broad Form Products

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.

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.

C. Laws

5. Credit History — *addition to the existing text*

An insurer is prohibited from cancelling or nonrenewing a personal auto policy that has been in effect for more than **60 days** solely based on an insured's credit history or insurance score.

An insurer may decline coverage during the **initial underwriting process**, as long as the applicant's credit history is in combination with other underwriting factors and the insurer does not use the following when considering declination of coverage, insurance score calculation, or premium rates:

- The absence of credit history or inability to determine an applicant's credit history, unless it relates to risk for the insurer and the insurer treats the applicant as if they have a neutral credit score;
- Credit inquiries not initiated by the applicant, initiated by the applicant for personal purposes, or inquiries identified on an applicant's credit report relating to insurance coverage;
- Multiple inquiries from home mortgage companies that are made within 30 days one another;
- Multiple inquiries from auto lending companies that are made within 30 days one another;
- The applicant's total available line of credit; or
- Existing policies or marital status changes in relation to credit history.

If an insurer uses an insured's credit history score at any time, the insured may request the insurer to rerate the auto policy in accordance with the initial underwriting factors, no more than once per year. The insurer must rerate the policy within **30 days** of the request. If the request is received within 60 days of the renewal date and the improved rate is less than $10, the insurer may provide the insured with the difference.

If an insurer uses disputed credit history, the insurer must rerate the policy retroactively from the effective date of the current policy term.

6. Total Loss — *addition to the existing text*

When adjusting or settling vehicle total losses, an insurer must provide the insured with one of the following options:

- **Replacement Vehicle** — The insurer may elect to offer a replacement vehicle that is comparable to the original vehicle. A comparable automobile includes those of the same or similar make, milage, and condition. The replacement vehicle must be made available for the purpose of the claimant's inspection at a licensed dealer within a reasonable distance of the claimant's residence. The insurer's offer and insured's acceptance or rejection must be documented in the claim file; or

- **Cash Settlement** — The insurer may elect to pay a cash settlement equal to the ACV of the motor vehicle, less any deductible provided in the policy. For the purposes of a cash settlement, the value of an automobile may be based on one of the following:
  - A computerized database that produces valid and fair market values for automobiles;
  - The actual cost to purchase a comparable vehicle; or
  - An alternative determination method, as long as the method is allowable under the policy and the claims file provides the particulars of the pre-loss condition of the automobile.

In the event an insurer and insured or third-party claimant are unable to agree on the value of an insured auto, the insurer must pay the undisputed amount until the insured or third-party claimant:

- Agrees to transfer ownership of the automobile to the insurer; or
- Authorizes the insurer to move the automobile to a disclosed location for a salvage sale, after making it available for inspection for at least **14 calendar days**.

Workers Compensation

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

The Federal Employer's 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.

<u>**Other Coverages and Options**</u>

B. Specialty Liability Insurance

Employee Benefits Liability

Employee Benefits Liability Coverage is a Commercial Liability Umbrella policy which pays for the liability expenses caused by the mistakes or errors of an insured under the policy. The policy applies to damages only if there is an act, error or omission and it was negligently committed in the administration of the employee benefits program. Therefore, negligence must be proven for the policy to pay. The act must have occurred during the policy period, after the retroactive date or during the Extended Reported Period.

The coverage does not apply to the following:

- Dishonest, fraudulent, criminal or malicious acts by the insured;
- Bodily injury, property damage, or personal and advertising injury;
- Failure to perform a contract by an insurer;
- Insufficiency of funds;
- Inadequacy of performance of investment;
- Workers compensation, unemployment compensation, social security and similar laws;
- Damages covered by the Employee Retirement Income Security Act of 1974 (ERISA);
- Claims for available benefits;
- Taxes, fines or penalties; and
- Employment-related practices.