Addendum: for use with Maryland Property and Casualty online ExamFX courses and study guide version 24730en/24732en, per exam content outline updates effective 10/1/2020.

Please note that Maryland is changing testing providers. Effective 10/1/2020, state insurance exams will be administered by Prometric*.* *For additional information about exam requirements and complete exam content outlines, please review the Licensing Information Bulletin at https://www.prometric.com*

The following are ***additions*** *to supplement your existing text:*

PROPERTY

General Insurance

B. Insurers

1. Types of Insurers

Fraternal Benefit Societies

A **fraternal benefit society** is an incorporated society formed solely for the benefit of its members and their beneficiaries. It is not for profit, and operates on a lodge system, having a representative form of government. Since fraternals sell only to their members and are considered charitable institutions, they are not subject to all of the regulations that apply to insurers that offer coverage to the public at large.

Property Insurance Basics

A. Principles and Concepts

2. Underwriting

Expense Ratio, Combined Ratio

An **expense ratio** is the percentage of the premium dollar that is devoted to paying the insurer's expenses (other than losses).

A **combined ratio** is the sum of an expense ratio and a loss ratio. If the combined ratio is under 100%, an underwriting profit occurs. An underwriting loss occurs if the combined ratio is over 100%.

12. Loss Valuation

Stated Amount

A **stated amount** is an amount of insurance scheduled in a property policy that is not subject to any coinsurance requirements in the event of a covered loss. This scheduled amount is the maximum amount the insurer will pay in the event of a loss.

Valued Policy

Valued policies are used when it is difficult to establish the value of insured property after a loss occurs, or when it is desirable to agree on a specific value in advance. A valued policy provides for payment of the full policy amount in the event of a total loss *without* regard to actual value or depreciation.

Valued policies often are used in marine coverages because it is very difficult to establish value of the cargo loss after a ship sinks.

C. Policy Provisions

Vacancy or Unoccupancy

Vacancy refers to an insured structure in which no people have been living or working, and no property has been stored for the period of time required as stated in the policy (usually 60 days).

Unoccupancy (nonoccupancy) refers to an insured structure in which no people have been living or working within the required period of time, but some property is stored.

Duties After Loss

In the event of a loss covered by the policy, the named insured is required to

- Protect the damaged property from further damage;
- Prepare an inventory of damaged property;
- Cooperate with the insurer in settling the loss;
- Notify the police in the case of a theft loss; and
- Submit to the insurer a signed sworn proof of loss within an allotted amount of time after being requested to do so.

Assignment

Assignment is the transfer of a legal right or interest in an insurance policy. In property and casualty insurance, assignments of policies are valid only with the prior written consent of the insurer.

Abandonment

Abandonment is the relinquishing of insured property into the hands of another, or into the possession of no one in particular. Most property insurance policies prohibit an insured from abandoning insured property following a loss, and require that the insured protect the property from further loss.

Liberalization

Liberalization is a property insurance clause that extends broader legislated or regulated coverage to current policies, as long as it does not result in a higher premium. *For example*, if the insurer introduces a new coverage that is free and improves coverage, the insured gets the benefit of the new coverage immediately (liberalization clause), and won't have to wait for their policy renewal.

Salvage

Salvage is the amount of money realized from the sale of damaged merchandise. An insurer may have a right to salvage the damaged property in an insured loss to recover part of the paid loss.

Claim Settlement Options

At the time of loss, the insurer's loss payment options, or claim settlement options, include paying the least of the following:

- The value of the lost or damaged property;
- The cost of repairing or replacing the lost or damaged property;
- The cost of taking all or part of the property at an agreed or appraised value; or
- The cost of repairing, rebuilding or replacing the property with other property of like kind and quality.

Third-Party Provisions

Third-party provisions address the rights of a third party that may have a secured financial interest in the insured property.

Standard Mortgage Clause

The **standard mortgage clause**, also known as loss payable clause, is a basis provision of all property policies for *real* property. Nonmovable property such as houses and other structures is classified as real property, while movable property such as autos, mobile homes, furniture, and equipment is classified as *personal* property for insurance purposes. In the event of a loss to real property, payment will be made to the insured and the mortgagee as their insurable interest appears. In other words, the mortgagee's right to recover is limited to the amount of the remaining debt, and at no time will the mortgagee receive more than the insurable interest in the property. If an insurance policy is to be cancelled, a mortgagee must receive prior written notice of such cancellation.

When a mortgagee is named in a mortgagee clause attached to a fire or other direct damage policy, the loss reimbursement will be paid to the mortgagee as their interest may appear. The mortgagee's rights of recovery will not be defeated by any act or neglect of the insured. The mortgagee is also given other rights, such as bringing a suit in their own name to recover damages, paying policy premiums, and submitting a proof of loss. There is nothing that **either the insurer or the insured** can do to defeat the position of the mortgagee.

Loss Payable Clause

The **loss payable clause** is the clause used to cover the interest of a secured lender in personal property. If the insurer decides to cancel or not renew a policy, the loss payee must be notified in writing.

No Benefit to the Bailee

The **no benefit to the bailee** provision excludes any assignment or granting of any policy provision to any person or organization holding, storing, repairing, or moving insured property for a fee. A business that has temporary possession of property of another and will do something with that property for the mutual benefit of both parties is a bailee.

Dwelling Policy

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: personal liability (Coverage L), medical payments to others (Coverage M), 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.

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 premise or due to an insured's activities off premise.

Homeowners Policy

I. Selected Endorsements

Limited Fungi, Wet or Dry Rot, or Bacteria Coverage

Limited fungi, wet or dry rot, or bacteria coverage is an endorsement that may be used to add special limits for losses caused by fungi, dry and wet rot, and bacteria. This endorsement applies to both property and liability losses.

Identity Fraud Expense

The **identity theft/fraud expense coverage endorsement** provides up to $15,000 in coverage for expenses incurred by an insured as a direct result of identity fraud, if first discovered during the policy period. Any series of acts committed by one or more persons against an insured is considered **one identity fraud occurrence**. This coverage excludes loss arising out of or in connection with a business, expenses due to a fraudulent, dishonest, or criminal act by an insured, or loss that does not meet the endorsement's definition of expenses. The insured will be responsible for a $500 deductible.

Auto Insurance

Please note that this is a new chapter on the Property outline. Please refer to the online course to study the information you'll need for your exam. All of the same information is also available in the Auto Insurance chapter of the Casualty course. You may review this information in the Auto Insurance chapter of your Casualty Study Guide.

Commercial Policies

A. Commercial Package Policy (CPP)

2. Commercial Property

Selected Endorsements

Value Reporting Form

The **value reporting form** is the usual method of determining premiums and amount of coverage on those properties insured for fluctuating values. At the reporting period (either daily, weekly, monthly, quarterly, or policy period, whichever is specified in the contract), the insured reports the values at risk and pays premiums for that period based upon the report.

The value reporting form allows the amount of coverage to float with the changing values. Premiums are adjusted at the end of the policy period based on the average values reported.

The policy limit must be the maximum value expected during the policy period. In the beginning of the policy period, a provisional (or advance premium) is paid, typically based on **75% of the policy limit**. During the policy period, the insured is required to file reports as to actual values for specified periods of time. At the end of the policy period, the premium is adjusted as if the average value was held every day of the policy period.

It is important the reports be kept current as required. Should a loss occur on a day when the reports are not current as required, the maximum payable will be whatever the last report said. If the reports are current, the policy will pay what the insured can prove was lost, up to the policy limit. Should a loss occur before the first report is due, up to the full amount of insurance applies. If the first report has not been submitted as required when a loss occurs, the insurer will pay no more than **75% of the amount** it would otherwise pay.

If values have been underreported, the insurer will not pay a greater portion of a loss than the amount reported divided by the actual value on the report due date. *For example*, if the insured reports $50,000 and the actual value is $75,000, only about 67% of the loss value has been reported, so only two-thirds (approximately 67%) of the loss will be covered.

3. Commercial Inland Marine

Inland Marine Coverage Forms

Jewelers Block

The **jewelers block** coverage form is another filed dealer's form that covers the insured's merchandise held for sale, and similar property of others in the insured's care, custody, or control.

Typically, once the property leaves the premises, there is no further coverage. Specific types of property **not covered** include the following:

- Property sold under a deferred sales arrangement after it leaves the insured's premises;
- Property while it is at public or trade exhibitions;
- Property exhibited in showcases away from the insured's premises;
- Property while being worn by any insured, employee, representative, or member of their family, relatives, or friends (an exception is made for watches being worn for the sole purpose of adjustments);
- Property in transit by:
- Mail (except registered mail);
- Express carriers;
- Railroad, waterborne or air carriers; or
- Motor carrier;
- Contraband, or other property in illegal trade or transportation.

This coverage form offers several optional types of transit coverage, which will cover property in transit if one of the following is shown on the declarations page:

- Carriers operating exclusively as a merchant's parcel delivery;
- Armored car services;

- The passenger parcel or baggage service of railroads, passenger bus lines, waterborne or airborne carriers; or
- Registered mail.

One other condition not found in the other coverage forms is titled changes in premises. It states that the policy does not cover property if the risk has been materially increased by changes in the premises unless agreed to in writing by the insurer.

5. Farm Coverage

Mobile Agricultural Machinery and Equipment Coverage Form

Mobile Agriculture Machinery and Equipment Coverage form insures eligible equipment for open perils subject to policy limitations and exclusions. This coverage may also be written on a separate stand-alone policy.

Causes of Loss (Basic, Broad, and Special)

Conditions

The conditions under the farm coverage part are the standard commercial conditions, with the following exception: if a building or structure is vacant or unoccupied for more than 120 consecutive days, the limits of insurance applicable to the building and its contents are reduced by 50%.

Exclusions

Regarding *property coverage* the following exclusions apply in farm insurance:

- Ordinance or law;
- Earth movement;
- Governmental action;
- Intentional loss;
- Nuclear hazard;
- Utility services
- Neglect;
- War and military action; and
- Water (meaning flood and surface water).

These exclusions have already been discussed under previous forms.

Limits

In the event of a loss, the most the insurer will pay is the amount of the loss or the limits as stated in the policy, whichever is less.

Additional Coverages

The farm coverage policy provides the following as additional coverages:

- Debris removal;
- Reasonable repairs;
- Grave markers;
- Water damage;
- Fire department service charges;
- Removal of trees;
- Credit card and transfer funds coverage up to $500;
- Cost of restoring farm records up to $2,000; and
- Extra expense and collapse.

6. Commercial Crime

Funds Transfer Fraud

The **funds transfer fraud** insuring agreement provides coverage for loss of funds resulting from fraudulent instructions received by a financial institution to pay money from an insured's transfer account to someone else. Computer fraud is excluded from this coverage.

C. Other Coverages and Options

Aviation Insurance

Aircraft Hull

In aviation, *hull* refers to the fuselage, wings, tail, rudders, and other major structural features of an aircraft. The insurance policy that indemnifies the insured for damage to or loss of the hull is called **aviation hull insurance.**

An aviation hull insurance policy provides physical damage coverage on the aircraft itself, and is the equivalent of the comprehensive and collision coverage of an automobile insurance policy.

There are 2 basic forms of hull coverage:

1. **All-risk on ground and in flight** — This is the broadest form of hull coverage and provides all-risk coverage on the aircraft both while it is on the ground and while it is in flight. Deductibles may be purchased applying either the same or different amounts while on the ground or while in flight or taxiing.
2. **All-risk on the ground and limited in flight** — This form provides all-risk coverage on the aircraft while on the ground, but coverage while the aircraft is in flight is limited to the perils of fire, lightning, and explosion, but not fire or explosion following a crash or collision.

The major perils not covered in flight are crash or collision. The coverage is usually written with a deductible that applies to all losses except fire, lightning, explosion, vandalism and malicious mischief, transportation, or theft. The deductible applies while the aircraft is not in motion, or when the aircraft is taxiing.

Ocean Marine Insurance

Major Coverages

Ocean marine is the oldest type of insurance in the world. Edward Lloyd opened a coffeehouse in London in 1689, and it became a meeting place for people buying and selling insurance. Today's Lloyd's of London grew from these beginnings. Lloyd's list provides the name, position, destination, and other important data of every merchant ship in the free world.

Most ocean marine policy forms were adopted by Lloyd's around 1780 with little change since. The forms are full of archaic terms but have proved reliable in courts, and Lloyd's is reluctant to make changes. The forms are brought up to date by adding printed institute clauses to it.

OCEAN MARINE TERMS:

- *Adventure* means a trip or voyage.
- *Assured* is the insured.
- *Average* means loss.
- *Constructive total loss* means expense to repair or recover exceeding the value or policy limit.
- *Demurrage* is delay of vessel beyond the normal time to on-load or off-load or a charge for the delay.
- *Laid up* means in port or at anchor.
- *Loss of specie* means the subject matter ceases to be a thing of the kind insured.
- *Misfortune* is an accident or occurrence.
- *Particular* means partial.
- *Touching* means applying to.

Hull Insurance

A hull policy is type of ocean marine insurance that provides physical damage **coverage for the ship while it is in transit.**

If the **ownership** of an insured vessel **changes**, the hull policy terminates

- At the time of ownership change;
- If at sea, upon arrival at the final port; or
- If the termination is involuntary, 15 days after the ownership transfer.

General average is defined as an ocean marine loss that occurs through the voluntary sacrifice of any part of the vessel or cargo to safeguard the vessel or cargo from a common peril, and all interests at risk contributing to it based on their respective saved values. Simply put, general average is a clause found in ocean marine policies requiring that when there is a sacrifice of property to save the ship, crew, and other cargo, everyone who benefited from this sacrifice must share in the payment for the sacrificed property.

According to the conditions of a hull policy after a loss, wages and maintenance will be paid for the master, officers, and crew when removing the vessel from one port to another for repairs, or on a trial trip to test repairs.

The insurer will not pay maintenance and wages for the master and crew while the ship is laid up for repairs. The insurer can pick the port of repair and can veto any proposed repair facility.

The hull policy pays for sighting the bottom after stranding whether or not damage is found. The hull policy never pays for scraping and painting the bottom of the ship.

Cargo Insurance

Cargo policies are written to cover loss or damage to the cargo. The owner of the cargo certifies that the cargo is suitable for shipment. The amount of premium will be partly determined by the packing method used and partly by the type of ship providing the transportation.

Methods of Packing Cargo

Bulk Commodities

Bulk carriers are used to carry coal, grain, phosphates, and other loose cargo. The ship itself is the container for the cargo. Tankers are used to carry liquid cargo such as oil.

Break-Bulk Cargo

General cargo ships carry break-bulk cargo. Things such as steel, rolls of wire, and boxed goods are hauled in general cargo ships. Loading and offloading is slow because each piece of cargo must be individually handled. The cargo is not as well protected using this method, resulting in higher premiums.

Containerization

Container ships carry cargo packed in 20- and 40-foot containers that also can be moved by trucks or railcars. This method is the more efficient in cargo handling than break-bulk, resulting in shorter port times. Containers provide better protection for the cargo, resulting in lower premiums than break-bulk.

Roll on and Roll off

Roll on/roll off ships (ro/ro ships) are used to carry motor vehicles, which roll on and roll off the ship via a stern ramp.

Types of Cargo Losses

Total Loss - Actual Total Loss versus Constructive Total Loss

An ocean marine total loss may occur by actual total **loss** or **constructive total loss**. Actual total loss is damage to the entire property. Constructive total loss is when the cost to repair or recover exceeds the policy limit and the insurer pays the policy's agreed value. An actual loss may occur when all property has been destroyed, when there is a loss of specie, or if an insured is irretrievably deprived of all property, even if it is not totally destroyed. A loss of specie is when all property is damaged as to cease to be a thing of the kind insured. A loss of specie is payable as a total loss.

Sue and Labor Expenses

In the event of a loss, the master and crew are required to sue and labor to protect the insured property from further loss. The policy will pay the cost of doing so. If the crew does not sue and labor to keep losses as small as possible, the insurer could refuse to pay for the loss.

Partial Loss - Particular versus General Average

Partial loss could be either a particular average, in which only those involved in the loss are affected, or general average, in which all those involved in the voyage share in the loss.

Salvage Charges and Awards

If the cargo is damaged short of the destination port, an agent of the insurer at an intermediate port may agree to sell it at the best price. Settlement will be based on the difference between insured value and the net proceeds of the sale. This is called a salvage loss.

Open Cargo Policy

Designed for Frequent Shipper

Cargo policies may be written on a trip or voyage basis, or for a frequent shipper, such as an importer or exporter, on an open cargo basis. The open cargo policy would cover all the insured cargo for a specified amount of time or for a specified number of shipments.

Cargo Clauses of American Institute of Marine Underwriters

There is no standardized open cargo policy form. The cargo clauses of the American Institute of Marine Insurers attach to cargo policies for cargo moved on U.S. ships.

Cargo policies are usually written on a warehouse-to-warehouse basis, covering the cargo from origin to destination even though parts of the trip may be over land. The coverage is in effect until the cargo reaches its destination, or 60 days after discharge at the destination port. The American Institute warehouse-to-warehouse clause states the coverage expires 15 days after discharge at the destination port (30 days if the cargo's destination is outside the limits of the port).

Freight Insurance

Freight and cargo, although seemingly synonymous, are 2 separate things. The term **cargo** is used to describe the physical goods that are being shipped from one place to another. The term **freight** is used to describe the charges made to ship cargo from place to place.

The term **freight insurance** is used to describe the indirect loss that an insured would suffer if insured cargo is lost or damaged. Such losses include the income that would be generated, or the charges paid to transport such cargo. Freight charges can be prepaid, in which case coverage would be attached to the cargo policy purchased by the cargo owner. Freight charges also can be paid on delivery, in which case the ship owner could purchase coverage to be attached to the hull policy.

Perils

Hull policies cover losses caused by the perils of fire, lighting, earthquake, assailing thieves, jettison, barratry of the master and mariners. They also cover all other like perils that may come to hurt, detriment, or damage the vessel.

Additional perils are also covered, provided such loss or damage has not resulted from want of due diligence by the assured, the owners, or managers of the vessel. This is commonly called the **Inchmaree Clause** and covers the following perils:

- Accidents in loading, discharging or handling cargo, or in bunkering;
- Accidents in going on or off, while on dry docks, graving docks, ways, gridirons or pontoons;
- Explosions on shipboard or elsewhere;
- Breakdown of motor generators or other electrical machinery, bursting of boilers, breaking of shafts, or any latent defect in the machinery or hull;
- Breakdown of or accidents to nuclear installations or reactors not on board the vessel insured;
- Contact with aircraft, rockets or similar missiles, or with any land conveyance;
- Negligence of charterers and/or repairers; or
- Negligence of masters, officers, crew, or pilots.

Covered under the hull policy is **deliberate damage** to property caused by government authorities who are acting on behalf of the public to mitigate or prevent a pollution hazard. The occurrence that created the situation causing the governmental interaction must have resulted in a recoverable claim if the deliberate damage had not occurred.

Residual Markets

Residual markets are insurance markets or facilities designed to assume risks that are generally unacceptable to the normal insurance market. Assigned risk plans would be considered a part of the residual market facilities.

Most states have residual markets and require all admitted insurers to participate in the state's assigned risk plan for auto liability policies, workers compensation, or FAIR plans.

Joint Underwriting and Reinsurers Association

All insurers writing basic property insurance or any component thereof in multi-peril policies on a direct basis, must cooperate in organizing a joint underwriting association (FAIR plan) to provide basic property insurance to eligible applicants who are otherwise unable to obtain such coverage in the voluntary market. Every such insurer must be a member of the association and remain a member as a condition of its certificate of authority.

The association is authorized to inspect properties, issue policies, collect premiums under plans approved by the Commissioner and take all other actions necessary to carry out its functions.

All members of the association must participate in the association's writing, expenses, profits and losses proportionally. Each member's portion is determined by the total premiums on policies written in the previous year for basic property insurance. This does not include premiums for insurance on automobile and manufacturing risks excluded from plans, as well as the premiums attributable to the operation of the association during the preceding calendar year.

Other Policies

Boatowners

Homeowners policies limit the amount of property and liability coverage available for watercraft. Only $1,500 of coverage is provided in the homeowners policy for damage to watercraft, accessories, equipment, and trailers. Liability coverage is afforded to the insured arising out of owning or using inboard powered boats up to 50 horsepower, outboard powered boats up to 25 horsepower, or sailing vessels up to 26 feet in length.

Additional protection is available either by endorsement or through the purchase of a boatowners policy. The coverage provides that the watercraft must be used solely for private, pleasure use and that coverage is excluded if the boat is hired out, chartered, used in an official speed or race contest, or used to transport people or property for a fee.

The policy consists of 2 sections:

- **Section I** contains the physical damage coverages, which includes the perils insured against, exclusions, and conditions applicable to Section I only; and
- **Section II** contains the insuring agreements for watercraft liability, medical payments, and uninsured boaters. Also included are Section II conditions, as well as general conditions applicable to both Section I and Section II.

Section I — Physical damage coverage on the boat is designated Coverage A in the boatowners policy. It includes coverage for the actual cash value (ACV) of

- The motor(s) described in the declarations, including remote controls and batteries;
- The boat described in the declarations, including its permanently attached equipment;
- The trailer described in the declarations if specifically designed for the transportation of the boat; and
- Equipment and accessories manufactured for marine use.

As indicated by the last item, the physical damage coverage usually extends to cover equipment pertaining to the use of the vessel, subject to a dollar limit.

Perils insured against — The boatowners policy insuring agreement is usually of the open peril type, providing that the insurer will pay for direct and accidental loss to the property insured.

In addition to the exclusion for loss by war and nuclear hazard, policies usually **exclude** coverage for the following types of damages:

- Due and confined to wear and tear, gradual deterioration, inherent vice, latent defect, mechanical breakdown, faulty manufacture, damage caused by any repairing or restoration process, and service or maintenance operation, unless fire results and then for loss caused by the resulting fire;
- While carrying persons or property for a fee, or while the covered property is rented to others; and
- While the covered property, except sailboats, is being operated in any official race or speed test.

Additional coverages for physical damage are the following:

- **Reasonable repairs** — Coverage applies for the expenses necessary to repair or to protect the covered property from further damage from an insured peril. Payment for loss under the reasonable repairs provision does not increase the policy limit.
- **Recovery** — Coverage applies for the reasonable cost incurred by the insured to recover the insured property in the event of stranding or sinking. This coverage is derived from an ocean marine provision entitled salvage. However, unlike the ocean marine salvage charges, which are payable in addition to the limits of coverage on the hull, the recovery coverage of the boatowners policy does not increase the limits of liability under the policy.
- **Automatic coverage** — Automatic coverage is provided on replacements for the boat, motor, or trailer listed in the declarations, provided the insured notifies the insurer within 45 days of acquisition and pays any additional premium required.

Section II — The liability coverages of the boatowners policy parallel the coverages of the personal auto policy. They include the following:

- Watercraft liability;
- Medical payments; and
- Uninsured boaters.

Watercraft liability coverage provides protection up to the specified limits for claims or suits against a covered person for damages because of bodily injury or property damage caused by a watercraft occurrence. In addition to the promise to pay judgments arising out of such suits, the insurer also agrees to defend the insured, but reserves to the insurer the right to make settlement if it deems it expedient. As in the case of other liability policies, coverage for the cost of defense is payable in addition to the policy's limits.

Exclusions under the boatowners policy include bodily injury or property damage that is expected or intended by the insured, and the liability of any person using a watercraft without permission. Other exclusions are bodily injury to persons eligible for workers compensation, damage to owned or rented property in the care, custody, or control of the insured, and liability of a person engaged in the business of selling, repairing, storing, or moving watercraft. The policy also excludes liability arising out of racing, speed tests, war and nuclear hazards.

Claim-related expenses are paid as additional coverage, similar to the personal auto policy.

Medical payments coverage pays for accidents occurring while the injured party is in, upon, getting into or out of the insured boat. Some policies include medical payments coverage for persons who are injured while water-skiing.

Uninsured boaters coverage usually provides a stipulated amount of coverage (e.g. $10,000) that can apply for accidents with uninsured watercraft. Increased limits are available for additional premium.

Navigation and territorial definitions — This is an important part of the contract that an insured should be made aware of. The broadest policies cover the watercraft while being operated on any inland body of water within continental United States, Canada, and coastal waters in the same area up to a limit of 10 to 25 miles (depending on the insurer). The most restrictive policies provide coverage only on a specific body of water and within a narrow parameter around that particular area. Many policies provide no coverage for offshore waters, such as the Gulf of Mexico.

Recreational Vehicles

The definition of a personal **recreational vehicle** includes all-terrain vehicles (ATVs), mopeds, go-carts, motorized scooters, snowmobiles and golf carts.

While some people assume their Homeowners policy will cover a personal recreational vehicle, in most cases, it will not. The coverage is similar to an auto policy, and requires both on and off premises coverage. There is also coverage for damage or theft of the vehicle and coverage for liability for a lawsuit arising out of it use.

Difference in Condition

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.

CASUALTY

Casualty Insurance Basics

A. Principles and Concepts

Attractive Nuisance

Attractive nuisance is an exception to the rule that an individual owes no duty of care to someone trespassing on his/her property. Attractive nuisance states that a special duty of care is required with respect to an individual's property that may be a dangerous object, place, or condition and that is particularly attractive to young children (for example, a swimming pool without a fence around it).

Homeowners Policy

Please note that this is a new chapter on the Casualty outline. Please refer to the online course to study the information you'll need for your exam. All of the same information is also available in the Homeowners Policy chapter of the Property course. You may review this information in the Homeowners Policy chapter of your Property Study Guide.

Commercial Package Policy (CPP)

4. Commercial General Liability

Selected Endorsement

Limited Fungi or Bacteria Coverage

This endorsement excludes coverage for expenses from testing, abating, monitoring, removing, or in any way responding to fungi or bacteria. Any personal and advertising injury from a "fungi or bacteria incident" is also excluded. This endorsement does provide an aggregate limit for Bodily Injury and Property Damage and Medical Payments.

This endorsement also adds the following definitions to the policy:

- **Fungi** means any type or form of fungus, including mold or mildew, spores, mycotoxins, and any scents or byproducts of fungi.
- **Fungi or bacteria incident** means an incident which would not have occurred without the exposure to, existence of, or presence of any fungi or bacteria on or within a building, whether actual, alleged or threatened, regardless of any other cause that may have contributed to such injury or damage.

Commercial Crime – *this section is in addition to the Commercial Crime section in the Property online course and Study Guide (in the Commercial Policies chapter)*

Crime insurance can be added to a commercial package policy or written on a monoline basis. The crime program fills some of the deficiencies in the building and business personal property form as they pertain to crime losses. Crime insurance is usually written on an all risk, or open peril basis. The peril of theft is not included in the basic and broad cause of loss forms. The special cause of loss form has exclusions for dishonest acts of employees and sublimits for theft of jewelry, furs, patents, dies, molds and stamps.

The crime program offers policies in two major sections: **commercial entities** and **government entities**. For each section the insured can select a form that has different coverage triggers, **discovery form** or a **loss sustained form**. These trigger differences have some similarities to the general liability form – occurrence and claims-made.

Regardless of the form chosen, the crime policy consists of separate coverages that can be selected by the insured. Each of these coverages has its own insuring agreement, conditions and exclusions. The declarations page of a crime policy will activate the appropriate coverages within the policy.

Exclusions

Common policy provisions applicable to crime coverage forms (both discovery and loss sustained) specify the following **general exclusions**:

- **Acts committed by the insured, insured's partners or members** — Loss resulting from acts committed by the insured or the insured's partners or members, as well as acts of managers, directors, employees or representatives learned of by the insured before the policy period;
- **Acts of employees, managers, trustees or representatives**;
- **Acts of employees learned of by the insured prior to the policy period;**
- **Confidential information** — Loss resulting from unauthorized disclosure of the insured's or other person's confidential information (e.g. patents, trade secrets, or customer lists);
- **Government action** — Loss due to governmental authority's seizure or destruction of property;
- **Indirect losses** — e.g. expenses incurred while establishing the amount of loss;
- **Legal fees, costs and expenses** — Legal expenses related to legal action;
- **Nuclear hazards;**
- **Pollution** — Loss or damage caused by or resulting from pollution, including discharge, dispersal, seepage, release or escape of any solid, liquid, gaseous or thermal contaminant (such as smoke, vapor, fumes, acids, chemicals, or waste); and
- **War and military action** — Losses or damage resulting from war, warlike action by a military force, rebellion, revolution, and similar actions

Additional Crime Coverages

Kidnap and Ransom and Extortion

Kidnap/Ransom and Extortion insurance combines coverage for loss resulting from a kidnapping or extortion and crisis management. This insurance covers named employees for individual aggregate amounts, with deductibles.

The policy covers various perils through the following insuring agreements:

- **Kidnap/Ransom and Extortion** - Direct Loss provides coverage for losses resulting from payment of a ransom demand from a kidnapping or extortion threat;
- **Kidnap/Ransom and Extortion - Expenses Incurred** provides coverage for expenses incurred in obtaining the release of a kidnapped victim or resolution of an extortion threat;
- **Detention or Hijack** provides coverage for the various costs and fees from securing the release of a detained or hijacked person; and
- **In-Transit Delivery of Property** provides coverage for the loss of money while being delivered by a messenger for the purpose of ransom.

Extortion – Commercial Entities

Extortion - Commercial Entities provides payment, up to the limits of coverage, made in response to threats of bodily harm directed against the insured, its employees, directors or those persons' relatives who are captured or allegedly captured.

The limits of insurance may be written with a loss participation percentage. If a percentage is shown in the policy declarations, the insurer will pay the lesser of the limit of insurance or the percentage of loss specified.

The form also includes the following additional exclusions:

- Dishonest acts of employees and representatives; and
- Property surrendered before a reasonable attempt has been made to report the crime to an associate, the FBI and the police (referred to as non-notification of authorities).

Lessees of Safe Deposit Boxes

Property, excluding money and securities, is covered for loss resulting from actual or attempted burglary, robbery or vandalism under the **Lessees of Safe Deposit Boxes** form (Coverage I). The property must be in a vault or the loss must occur during the deposit or removal of property from a safe deposit box located in a bank or other depository. Securities are only covered for theft, disappearance or destruction, and money is not covered.

The following exclusions apply to this coverage form in addition to those in the general provisions:

- Dishonest acts of employees and representatives.
- Giving or surrendering property in an exchange or purchase.
- Loss of property, except securities, caused by fire.
- Loss of property owned by the depository or held by it as collateral or in trust for more than 30 days.
- Property transferred outside the premises because of unauthorized instructions or threat to do injury or damage.
- Voluntarily parting with property or title.

Securities Deposited with Others

The **Securities Deposited with Others** (Coverage J) form is used to cover securities held in trust by another party as collateral for some obligation. Coverage includes loss from theft, disappearance or destruction, including while in the possession of the other party outside the premises. The same exclusions found in the Lessees of Safe Deposit Boxes form also apply to this coverage, in addition to an exclusion for property at any location the insured occupies.

Guests' Property

Guests' Property covers the insured's legal liability for loss or damage to guest's property while on the insured's premises or in their control. Property not covered includes items held for sale and vehicles. The Crime General Provisions Form does not apply to this coverage.

The exclusions found in this coverage form are

- War;
- Governmental action;
- Nuclear hazard;
- Fire;
- Dishonest acts of the insured or the insured's partners. There is no exclusion for dishonest acts of employees;
- Liability assumed under a written agreement;
- Loss resulting from the insured's release of any other negligent party from their legal liability;
- Damage caused by inherent vice, insects, animals, wear and tear, and gradual deterioration; and
- Damage of property while in the insured's care for laundering or dry cleaning.

The following conditions are contained within the coverage form; many are the same as the ones found in the general provisions.

- Joint Insured;
- Legal Action Against the Insurer;
- Non-cumulation of Limits;
- Other Insurance;
- Policy Period;
- Territory;
- Transfer of Rights of Recovery;
- Bankruptcy;
- Defense, Investigation and Settlement - The insurer will not defend a suit after having paid a claim to the policy limit; and
- Duties in the Event of a Loss.

Safe Depository

The **Safe Depository Liability** (Coverage M) form provides protection for the insured's legal liability for damage to customer's property while in a safe deposit box, vault, or while being deposited or removed. This form is used for firms, other than a financial institution, who rent safe deposit boxes. When this coverage is written, the Safe Depository General Provisions must be attached to the policy instead of the general provisions.

The conditions include

- Joint Insureds;
- Other Insurance;
- Non-cumulation of Limits; and
- Customer's Property - Includes both owned and nonowned property which the customer has an interest in.

The exclusions found in the Safe Depository General Provisions are

- Acts committed by the insured or the insured's partners;
- Governmental actions;
- Nuclear hazards; and
- War.

The **Safe Depository Direct Loss** (Coverage N) form is similar to the Safe Depository Liability form, except that is applies to direct damage to customer's property without regard to legal liability. The safe depository general provision is used instead of the general provisions and contains the same conditions and exclusions already discussed.

Farm Coverage

Farm coverage is unique because it not only insures the property and liability exposures of the business of a farm operation, but also may include the personal residential exposures of property and liability of a family living on the farm premises. As in any commercial package policy, farm coverage may be written together in a single coverage (package), or separately as a single coverage (monoline).

In addition to the common policy declarations and common policy conditions, the farm coverage part must include a Farm Declarations and a Farm Conditions form and one or more farm coverage forms. There are 4 farm coverage forms:

1. Farm property;
2. Farm liability;
3. Mobile agricultural machinery and equipment; and
4. Livestock.

Farm Liability Coverage Form

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 business of farming and the personal acts of the insured. While it covers the business of farming, it specifically excludes coverage for businesses other than farming and also 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.

Coverage I – Personal and Advertising Injury Liability

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 (same as Homeowners). Coverage applies only to a person who is not an insured. This means that farm employees are excluded from this coverage. Resident employees, however, are included (same as Homeowners).

Definitions

The terms found in the Definitions section for Farm Liability Coverage are the same as those found in the Farm Property Coverage Form and Commercial General Liability Coverage Form.

Conditions

In addition to the Common Policy Conditions, the Farm Liability coverage form includes a number of conditions:

- Bankruptcy of the insured will not relieve the insurer of its obligations;
- Duties in the event of an occurrence, claim or suit;
- Insurance under 2 or more coverages;

- Legal action against the insurer;
- No admission of liability with medical payments (medical payments do not constitute an admission of liability);
- Other insurance;
- Transfer of rights of recovery (subrogation);
- Liberalization;
- Representations; and
- Separation of insureds.

These conditions have already been discussed under previous forms.

Exclusions

Exclusions for Farm Liability coverage forms are the same as the exclusions found in the General Liability coverage form and Homeowners form, with a few additions specific to the nature of farm operations. These additional exclusions include the following:

- Use of any animal, with or without accessory vehicle, to provide rides for a fee or in connection with a fair, charitable event or a similar function;
- Use of any animal in a racing, speed or strength contest or a prearranged stunting activity at the site designated for the contest or activity;
- Rental or holding for rental of an insured location;
- Losses out of any premises where a building or structure is being constructed, other than a dwelling to be occupied by the insured or a farm structure for the insured's use; and
- Bodily injury to any insured.

Limits

Liability limits state that the most the insurer will pay in the result of a judgment against an insured is the limit stated in the policy. Any cost incurred by the insurer for the investigation or defense of a claim or suit will be paid by the insurer, over and above the limits shown in the policy. The limits apply separately to each consecutive annual period and to any remaining period of less than 12 months (starting with the beginning of the policy period shown in the Declarations).

Additional Coverages

The farm liability ('06) coverage form policy provides the following **additional coverages**:

- Supplementary payments for Coverages H and I, including up to $250 a day for loss of earnings; and
- Damage to property of others, which is the same as is found in Personal Liability, with an exception that it will not apply to borrowed farm equipment.

Workers Compensation Insurance

A. Workers Compensation Laws

Types of Laws

Compulsory vs. Elective

The workers compensation laws vary from state to state. Most states have **compulsory laws**, which require all employers, except those specifically excluded due to staff size or employment type, to provide workers compensation coverage for those meeting the definition of employee.

The remaining few states have **elective laws**, which means the employer does not have to be subject to the state's workers compensation laws, but if an employer chooses not to be subject to the state's laws, it loses its common law defenses against liability suits.

Monopolistic vs. Competitive

In some states, employers are required to purchase workers compensation insurance from a state-operated entity. These are called **monopolistic state funds**. Private insurance companies cannot write workers compensation insurance in competition with these state funds.

In other states, workers compensation is purchased by employers from those insurers authorized to write casualty insurance. The coverage and benefits are mandated by state regulations. This is known as a **competitive market**.

Exclusive Remedy

Under a compulsory Workers Compensation law, injured employees are barred from seeking damages outside the Workers Compensation law, called the **exclusive remedy** doctrine. However, there are situations in which employers need insurance for claims that are not covered under Workers Compensation laws. Employers Liability coverage is designed for these situations. The most common types of situations that would be covered under an Employers Liability policy include the following:

- Exempt or illegal employment;
- Third-party over claims in which an employee successfully sues a third party, and then the third party brings suit against the employer;
- Situations which involve another relationship between the employee and employer, referred to as dual capacity (*For example,* if an employee is instructed to make repairs using tools the employer manufactures, and the employee is subsequently injured because of the tools, the employee can collect both Workers Compensation benefits and additional compensation for being injured by a tool the employer manufactured);
- Family loss of consortium or the loss of companionship which results from the disability or death of an employee;
- Consequential bodily injury to family members of an employee which result from the employee's injury; and

- Employees who attempt to seek benefits from parent-subsidiary relationships of the employer (*for example,* if an employee is injured by a company (subsidiary) which is actually owned by another company (parent), the employee may be able to collect Workers Compensation from the subsidiary company and seek additional compensations from the parent company).

D. Other Sources of Coverage

Assigned Risk Plan

Compensation assigned risk plans have been established to make coverage available for difficult to place risks. Basically, the assigned risk plan is an insurance pool where the risks are shared by the insurers who are participating in the plan. The following are most common requirements for obtaining coverage through an assigned risk plan:

- Before becoming eligible for insurance through the risk plan, the applicant must provide evidence of rejection from other carriers;
- Risk submitted to the plan may be assigned to a single insurer or may be shared proportionally by all participating insurers;
- Other requirements may be imposed by the Department of Insurance

Other Coverages and Options

B. Specialty Liability Insurance

Directors and Officers Liability

Directors and officers liability coverage provides protection to directors and officers of an organization (past and present) for any claims for losses arising from a wrongful act made while acting in an official capacity.

Coverage is triggered by wrongful acts rather than on an accident or occurrence basis. (Wrongful acts include misstatements made by the directors and officers, as well as neglect and breach of duty.)

Directors and officers liability policies will pay only damages that the corporation would, under the law, be required to reimburse the individual director or officer. The policy generally will not pay for fines, penalties, or punitive damages.

Fiduciary Liability

Fiduciary liability covers individuals who administer pension or employee benefit plans and have a fiduciary responsibility to manage the funds in the best interests of the plan participants. Losses associated with errors or omissions, negligence, or poor management of these plans can be covered with professional liability coverage.

If the premiums for fiduciary liability insurance are paid by the fund, by law, the policy must allow for subrogation against the individual trustees involved in the loss.

Liquor Liability

Liquor liability (also known as **dram shop liability**) refers to the exposure that bars, restaurants and other similar establishments face due to the selling, distributing, manufacturing, or serving of alcoholic beverages. Liquor liability provides protection in the event of action brought against the insured for selling liquor to a customer who is later involved in an accident and suffers bodily injury or property damage.

Businesses of manufacturing, distributing, selling, serving, or furnishing alcoholic beverages all may have liability exposure to actions under state or local statutes that establish responsibilities for those injuries arising from the distribution or use of alcoholic beverages and causing injuries to the user or caused to others by the user

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.

The limit of insurance for the Commercial Liability Umbrella Policy is paid on an aggregate basis with a sublimit for each employee. *Each employee limit* is the most it will pay for any one employee, including damages sustained by the employee's dependents and beneficiaries.

The policy may also be written as an endorsement to a Businessowners Coverage Form and the limits and deductible will be stated differently in this policy.

PROPERTY AND CASUALTY

Insurance Regulation

A. State Regulation

3. Producer Regulation

Acting for an Unauthorized Insurer

A producer cannot transact insurance (except with regard to his own property or person) with or by any insurance company that does not hold a valid certificate of authority. If a producer makes any contract of insurance on behalf of an insurance company that is not licensed to do business in this state, the producer will be **personally liable** to the insured for the benefits and other aspects of the contract, including the payment of claims.

4. Unfair Trade Practices

Impersonation

Impersonation (also known as false pretense) refers to the act of assuming the name and/or identity of another person for the purpose of committing a fraud. In Life insurance, impersonation may occur when an uninsurable individual applying for coverage is asking another person to take the physical examination in his or her place.

In regards to agent/producer regulations, impersonation may refer to the act of impersonating a candidate during the prelicensing examination.

Any form or impersonation in insurance is illegal.

Larceny

An insurance producer or broker who receives any money or substitute for money as a premium for a policy or contract from the insured is deemed to hold those premiums in trust for the company. If the producer fails to pay the premiums collected to the company after written demand is made, the failure is evidence that the producer has used or applied the premium for a purpose other than paying the premiums to the company. The producer, upon conviction, would be guilty of **larceny**.

B. Licensing

3. Types of Licensees

Portable Electronics Insurance Limited Lines

Maryland issues limited lines licenses to vendors to sell coverage under a policy of portable electronics insurance.

A vendor is any person engaged in the business of leasing, selling, or providing portable electronics, or selling or providing services related to the use of portable electronics.

4. Renewal and Maintenance

Requirement to Report Other States Actions

An insurance producer must report to the Commissioner any administrative action taken against him/her in another jurisdiction or by another governmental agency in Maryland within **30 days** of the final disposition of the matter.

5. Appointment Procedures

Producer's Contract with Insurer vs. Producer's Appointment with Insurer – *new section on the outline*

A producer's contract with the insurer is a signed agreement between the insurer and the producer that outlines what each party is expected to do. Producer's express authority will be spelled out in the contract. Contractually, only those actions that the agent is authorized to perform will be binding to the principal (insurer). The contract will usually also specify the percent of commission the insurer will pay and the amount of insurance the licensee is expected to sell.

As defined by the Insurance Code, a **producer appointment** means an agreement between an insurance producer and insurer under which the insurance producer, for compensation, may sell, solicit, or negotiate policies issued by the insurer.

Appointment and Notice of Appointment – *addition to the existing text*

An **appointment is not required** for an insurance producer to perform the following duties:

1. Submit to an insurer an informal inquiry for any kind of life insurance, health insurance, or annuity for which the insurance producer has a license if the insurer has a certificate of authority for that kind of insurance; and
2. Solicit an application for any kind of life insurance, health insurance, or annuity for which the insurance producer has a license if the insurer has a certificate of authority for that kind of insurance.

Termination of Appointment/Notice to Agent – *section has been modified as follows:*

Typically, an appointment is valid until terminated. There are several reasons an insurer's appointment of a producer may be terminated. If the agent's license is terminated, all appointments are terminated. When an appointment is terminated, a producer must cease all solicitations on behalf of the insurer.

The insurer is required to update its producer register within **30 days** of the termination of a producer appointment. If the insurer is terminating an appointment because of a belief that the producer has engaged in misconduct, the insurer must send written notification of the termination to the Commissioner and **notify the producer within 15 days** of the date that a notice of termination is sent to the Commissioner. The insurer must also update the insurer's producer register by entering the effective date of the termination.

The insurer must provide any additional documents or information concerning the termination when requested by the Commissioner of Insurance.

If the appointment of an insurance producer is terminated because the producer failed to renew his or her license, once the license is reinstated, the insurer may **reappoint the insurance producer retroactively**, with the appointment effective on the date that the license expired.

Within 15 days after providing the required notice of producer termination to the Commissioner, an insurer must mail a copy of the notice to the insurance producer at the last known address and by certified mail (return receipt requested, postage prepaid) or by overnight delivery using a nationally recognized carrier. Within **30 days** after an insurance producer receives original or additional notice, the insurance producer may file with the Commissioner written comments concerning the substance of the notice. The producer must also simultaneously send a copy of the comments to the insurer. Producer's comments will be made part of the Commissioner's file on the producer.

Terrorism Risk Insurance Program

The purpose of the **Terrorism Risk Insurance Act** (TRIA) was to create a temporary federal program that would share the risk of loss from future terrorist attacks with the insurance industry. The act requires that all commercial insurers offer insurance coverage for acts of terrorism. The federal government will then reimburse the insurers for a portion of paid losses for terrorism.

TRIA defines an **act of terrorism** as an act certified by the Secretary of the Treasury, in concurrence with the Secretary of State, and the Attorney General of the United States with the following characteristics:

- The act must be violent or dangerous to human life, property, or infrastructure;
- The act must have resulted in damage within the United States, to an air carrier as defined in the US Code, to a US flag vessel or other vessel based principally in the US and insured under US regulation, or on the premises of any US mission;
- The act must have been committed by someone as part of an effort to coerce the US civilian population, to influence US policy, or to affect the conduct of the US government by coercion; or
- The act must produce property and casualty insurance losses in excess of a specified amount.

Terrorism Risk Insurance Program Reauthorization Acts

The TRIA of 2002 has been amended several times, and the final amendment is the Terrorism Risk Insurance Program Reauthorization Act of 2015, which has further amended and extended the Terrorism Insurance Program through Dec. 31, 2020, and revised several provisions as follows:

- The insurer deductible was set at 20% of an insurer's direct earned premium of the preceding calendar year and the federal share of compensation was set at 85% of insured losses that exceed insurer deductibles until Jan. 1, 2016. After that, the **federal share will be decreased by 1 percentage point per calendar year until it reaches 80%**;
- The certification process was changed to requiring the Secretary of the Treasury to certify acts of terrorism in **consultation with the Secretary of Homeland Security instead of the Secretary of State**;
- The aggregate industry insured losses resulting from certified acts of terror which will trigger the federal share of compensation under the Program are now specified as $200 million for 2020 and thereafter;
- The mandatory recoupment of the federal share through policyholder surcharges increased to 140% (from 133%);
- Revised requirements for mandatory repayment form insurers of federal financial assistance provided in connection with all acts of terrorism.

National Association of Registered Agents and Brokers (NARAB) Reform — this title of the Program amends the Gramm-Leach-Bliley Act to repeal the contingent conditions under which the NARAB may not be established. NARAB is also prohibited from merging with or into any other private or public entity.

In addition, without affecting state regulatory authority, the NARAB is required to provide a mechanism for the adoption and multi-state application of requirements and conditions pertaining to

- Licensing, continuing education, and other qualifications of non-NARAB insurance producers;
- Resident or nonresident insurance producer appointments;
- Supervision and disciplining of such producers; and
- Setting of licensing fees for insurance producers.

In addition to that, the NAIC Property and Casualty Insurance Committee and its Terrorism Insurance Implementation Working Group (TIIWG) recently adopted a **Model Bulletin**, including an expedited filing form intended to help state insurance regulators advise insurers about regulatory requirements related to providing terrorism insurance under the revised program.