ExamFX Success Starts Here

Addendum: for use with Wisconsin Property & Casualty online ExamFX courses and study guide version 25041en/25042en, per exam content outline updates effective 07/1/2020.

Please note that Wisconsin is changing testing providers. Effective 7/1/2020, state insurance exams will be administered by PSI*. For additional information about exam requirements and complete exam content outlines, please review the Licensing Information Bulletin* at https://candidate.psiexams.com/.

The course content and the Exam Breakdown will mostly remain the same. The following are ***content additions*** *to supplement your existing text:*

PROPERTY

Property Insurance Basics

C. Common Policy Provisions

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.

Duty to Defend

In addition to the promise to pay all sums that the insurer becomes legally obligated to pay, liability coverage includes a promise to defend the insured in any lawsuit involving the type of liability insured under the coverage. Once the limit of the liability has been paid, the insurer has no further obligation to defend an insured.

Commercial Package Policy

B. Commercial Property

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.

CASUALTY

Property and Casualty Insurance Basics

A. Principles and Concepts

Credit Information (Insurance Score)

An **insurance risk score**, or **insurance credit score**, is a point system used by insurance underwriters to predict risk and possibility of claims, and determine charges for premiums. Insurance credit scoring is primarily used in homeowners and personal auto insurance.

C. Common Policy Provisions

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.

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.

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.

Auto Insurance

A. Personal Auto Policy

Selected Endorsements

Rental Coverage

The **Rental Reimbursement** endorsement is only available if the policy includes Other Than Collision coverage. This endorsement will reimburse the insured for rental charges incurred because the covered auto is out of use due to a covered loss.

B. Commercial Auto

Selected Endorsements

Broad Form Products

The **Broad Form Products Coverage** endorsement changes the liability coverage on a form. The defective products exclusion is made 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.

<u>Other Coverages and Options</u>

B. Specialty Liability Insurance

Employee Benefits

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.

Internet Liability and Network Protection

The ISO has recently introduced a new line of insurance that covers cyber risks, called the Internet Liability and Network Protection Policy. The policy includes 5 separate agreements listed below:

1. **Website publishing liability** — provides coverage against Internet-related publishing perils, including libel, and copyright, trademark, or service mark infringement;
2. **Network security liability** — protects the policyowner against claims for failing to maintain the security of `a computer system;
3. **Replacement or restoration of electronic data** — covers the cost of replacing or restoring data lost due to a virus, malicious instruction, or denial-of-service attack;
4. **Cyber extortion** — covers expenses, including ransom payments, incurred from extortion threats; and
5. **Business income and extra expense** — provides coverage for expenses incurred as a result of an extortion threat or e-commerce incident.

Each agreement offers its own aggregate limit of coverage, subject to an overall policy limit. Defense expenses are included within the policy limits. All coverage is written on a claims-made basis, and allows the additional of endorsements for worldwide protection.

C. Fidelity and Surety Bonds

Suretyship

A **personal surety bond** is one in which an individual needs to make a financial guarantee to a third party, and needs a friend or family member to post the money for them. This is done for a fee or interest. Personal sureties are not regulated by the government.

A **corporate surety bond** is a surety bond issued by corporation licensed under state insurance laws.

Public Official Bond

A public official bond may be required by law, or it may be voluntary. A bond required by law may be statutory and due to a written law passed by the legislature. It may also be required by a common law based on previous court rulings. A public official bond may also be voluntarily obtained by the public official. A statutory bond is obtained from the government entity. A non-statutory bond uses a generic public official form.

A public official **individual bond** is written in the name of a single public official. The guarantee is limited to the actions of the named individual.

A **named schedule bond** is issued to an employer, and attached to the bond is a list, or schedule, of names of employees or public officials to be covered by the bond. A specific amount of dollar coverage is assigned to each employee. The named schedule bond is used for a group of public officials, such as a school board or city council.

A **position schedule bond** is also issued to an employer, but rather than insuring individuals by name, attached to this bond is a schedule of positions. A specific amount of dollar coverage is assigned to each position. Turnover is often the reason a position schedule bond is chosen over the individual or named schedule bonds.

Fiduciary Bond

A fiduciary is a court-appointed individual who handles the business of a ward, another individual who is not able to personally handle his or her business. If there is a minor or incapacitated person involved, the fiduciary is called a guardian or conservator. If there is a death involved, the executor, who is specifically named in the will of the deceased, handles the deceased's business affairs.

The statute, court, or will may require that the fiduciary be bonded. The fiduciary bond guarantees that the fiduciary will handle all business affairs in the best interest of the ward or estate, or as prescribed by the statute, court, or will.

Probate

Probate bonds are filed in probate court that has the jurisdiction over those requiring a fiduciary. The probate bond requires the fiduciary to discharge all the duties as required according to law. The court oversees the fiduciary's actions on behalf of the ward or estate.

Equity

The difference between a court of law and a court of equity is the remedy. A court of law can used a jury to award monetary damages in the event of a judgment. A court of equity will judge on fiduciary decisions involving wills, divorces, probate, guardianships, adoptions, and class-action suits. In equity, the remedy is an injunction or decree by the judge that will direct someone to do something or stop doing something. An injunction or restraining order limiting how close a defendant can be to a plaintiff is an example of an equity remedy.

A judgment of a monetary sum to a defendant that the plaintiff is found to owe is decreed by a court of law. Most states have merged the courts of law and equity. A few states still maintain separate courts, and the remedy will determine which court will rule.

Federal Bankruptcy Court

Federal courts have sole jurisdiction over bankruptcy cases. Individuals and businesses that can no longer pay their creditors can find help in the federal bankruptcy court. Bankruptcy laws will help them liquidate, redistribute, or restructure. A court-appointed fiduciary can be assigned for the benefit of the creditors in a bankruptcy case.

Wisconsin Casualty Insurance Law

F. Surplus Lines

Responsibilities of Agents and Brokers

A person may not solicit, negotiate, or obtain liability insurance for a risk purchasing group from an unauthorized insurer unless that person is licensed as a surplus lines agent.

A broker may not place insurance, and a person who offers liability insurance coverage under a group policy may not solicit the purchase of coverage under a group policy issued by, an unauthorized insurer if

- The insurer is financially unsound, engaging in unfair practices or otherwise substandard;
- The agent, broker or other person fails to give the applicant written notice of the insurer's deficiencies; and
- The agent, broker or other person either knows of, or fails to adequately investigate, the insurer's financial condition and general reputation.

A person may not take an application for liability insurance coverage under a group liability insurance policy issued by an unauthorized insurer unless the person gives the applicant clear and prominent written notice

- Of the insurer's deficiencies, if any;
- That the insurer has not obtained a certificate of authority in the state and is not regulated in Wisconsin;
- That the risk is not protected by the Wisconsin insurance security fund; and
- Any other information required by the commissioner by rule.

