Prelicensing Education
Educational Objectives

California Limited Lines Automobile Agent Examination

Overview

Section 1677 of the California Insurance Code (CIC) requires that the limited lines automobile agent examination be of sufficient scope to satisfy the Insurance Commissioner that an applicant has sufficient knowledge of insurance and insurance laws.

~~Effective January 1, 2008, the CIC Sections regarding an insurance agent license were amended to include provisions for a "Limited Lines Automobile" agent license. Specifically, 1625.55 (a) states that a "Limited Lines Automobile Insurance Agent" is a person authorized to transact automobile insurance, as defined in Section 660 of the CIC.~~

The new limited lines automobile insurance agent will be trained to sell/service the lines more commonly available, less complex lines first, the other lines later. Sufficient knowledge is what this typical new limited lines automobile agent needs to know at the start of one's career.

The most specific knowledge is required in the following areas:

* General insurance concepts and principles
* Insurance code and ethics
* Responsibilities and authority of a Limited Lines Automobile Insurance Agent insurance agent
* Personal automobile liability, physical damage, and collision coverage
* Motorcycle coverage
* Property and liability basics
* Low-cost automobile insurance
* Umbrella and excess liability insurance
* A general understanding of all other of insurance and of how and where they apply.

In addition, this license authorizes the transaction of automobile insurance for the private, non-commercial use of the insured motor vehicle with a load capacity of 1,500 pounds or less. The insurance products that this license can transact are as follows:

- **Automobile Liability Coverage** which is limited to coverage of bodily injury and property damage liability, medical payments, and uninsured motorists' coverage.

- **Automobile Physical Damage/Other than Collision or Comprehensive** Coverage includes all coverage of loss or damage to an automobile insured under the policy except loss or damage resulting from collision or upset.

- **Automobile Collision Coverage** includes all coverage of loss or damage to an automobile insured under the policy resulting from collision or upset.

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As stated in Sections 1625.55 through 1625.57 of the CIC, a Limited Lines Automobile Insurance Agent license is an "agent" license. In addition, Section 1625.55 (c) further defines that the Limited Lines Automobile Insurance Agent must be endorsed or appointed in order to act as an agent of a business entity or an insurer. As a result, the language in the California Insurance Code precludes the Limited Lines Automobile Insurance Agent from being authorized to "broker" limited lines automobile insurance business.

Education Objectives
The educational objectives are derived from the curriculum outline contained in Title 10, Chapter 5, Subchapter 1, Article 6.5, Section 2187.6 of the California Code of Regulations.

Ethics and California Insurance Code
The educational objectives for Ethics and California Insurance Code are incorporated in the following pages. The individual objectives may be identified by "(CIC XXXX)" or "(Ethics)" or "(Code)". References to "Code" or "CIC" in the educational objective mean the California Insurance Code.

~~The "General" Ethics and California Insurance Code educational objectives that apply to all lines of authority appear in Appendix A at the end of this document. The 12 hours of required Ethics and California Insurance Code education must at a minimum include the material in Appendix A.~~

The Examination
The California Department of Insurance's Limited Lines Automobile Insurance Agent license examination contains 60 multiple-choice questions. The examinees, without any aids (e.g. reference materials, electronic aids) are allowed one and one half (1 ½) hours to answer the 60 question multiple-choice examination.

The California Department of Insurance's examinations are administered at the following locations beginning at 8:30 a.m. and 1:00 p.m., Monday through Friday except on state holidays:

Sacramento:

California Department of Insurance
Examination Site
320 Capitol Mall,
1st Floor
Sacramento, California 95814

Los Angeles:

California Department of Insurance
Examination Site
300 South Spring Street, North Tower,
Suite 1000
Los Angeles, California 90013

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San Francisco:

California Department of Insurance
Examination Site
45 Fremont Street
22nd Floor
San Francisco, California 94105

~~Please c~~Check-in at 8:10 a.m. for the 8:30 a.m. examination and check-in at 12:40 p.m. for the 1:00 p.m. examination.

PSI's test centers are located at the following locations**:**

Anaheim	El Monte	Redding	Santa Clara
Atascadero	Fresno	Riverside	Santa Rosa
Bakersfield	Hayward	Sacramento	Ventura
Burbank	Laguna Hills	San Diego	Visalia
Carson	Lawndale	San Francisco	Walnut Creek
Diamond Bar			

The check-in times and driving directions to PSI's test centers are listed on pages 3, 4, and 5 in the Candidate Information Bulletin.

For additional information on license examinations (i.e. online examination scheduling, fingerprint requirements, examination admittance, forms of identification, check your scheduled examination date, check your examination results), please review the following link:

http://www.insurance.ca.gov/0200-industry/0010-producer-online-services/0200-exam-info/index.cfm

Candidate Information Bulletin

The Candidate Information Bulletin (CIB) provides detailed information on how to prepare for your license examination, prelicensing education requirements, examination site procedures, sample examination questions, test taking strategies, and driving directions to the California Department of Insurance's examination sites and PSI's test centers that are located throughout California. Please review the following link:

http://www.insurance.ca.gov/0200-industry/0020-apply-license/0100-indiv-resident/CandidateInformation.cfm

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California Limited Lines Automobile Agent Examination

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II. PROPERTY INSURANCE (5 percent of exam questions)
- A. Basic Legal Concepts – Tort Law
- B. Property
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III. PERSONAL AUTO INSURANCE (80 percent of exam questions)
- A. Personal Auto
  - ~~1. General Concepts~~
  - ~~2. Liability / Medical/ Uninsured Motorists~~
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- B. Umbrellas and Excess Liability Insurance

~~**APPENDIX A – ETHICS AND CALIFORNIA INSURANCE CODE** (12 hour- educational objectives)~~

Prelicensing Education
Educational Objectives

California Limited Lines Automobile Agent Examination

I. GENERAL INSURANCE (15 percent of exam questions)

A. Basic Insurance Concepts and Principles. Be able to

1. ~~Be able to~~ identify examples of insurance (as defined in section 22 of the CIC).
2. ~~Be able to~~ recognize the definition of risk.
3. ~~Be able to~~ differentiate between a pure risk and a speculative risk.
4. ~~Be able to~~ identify a definition of peril.
5 ~~Be able to~~ identify a definition of hazard.
6. ~~Be able to~~ differentiate between moral, morale, physical and legal hazards.
7. ~~Be able to~~ identify the definition of the law of large numbers.
8. ~~Be able to~~ identify a definition or the correct usage of the terms loss and loss exposure, e.g. property loss exposure, liability loss exposure~~, human personnel loss exposure~~.
9. ~~Be able to recognize the requisites of an ideally insurable risk~~identify risk management techniques.
10. recognize the requisites of an ideally insurable risk.

~~10~~11. ~~Be able to~~ identify the definition of insurable events, section 250 of the CIC.

~~11~~12. ~~Be able to~~ identify and apply the definition of insurable interest, and indemnity, and be able to recognize the applicability of these terms to a given situation.

~~12~~13. ~~Be able to~~ identify why private insurers underwrite the insurance applications they receive.

~~13~~14. ~~Be able to~~ identify the meaning of adverse selection and spread of risk.

~~14~~15. ~~Be able to~~ identify the benefits and the costs of insurance to society (e.g. loss control, loss payments, securing credit, etc.).

~~15~~16. ~~Be able to identify that the alternative funding method known as self-funding has benefits tailored to the group.~~

~~16~~17. ~~Be able to~~ identify a correct explanation of the role of deductibles in insurance.

~~17~~18. ~~Be able to~~ identify the major medical deductibles:

a. multiple expenses for one individual apply to the stated deductible;
b. expenses of several family members apply to the stated deductible; and,
c. only sick care expenses apply to the stated deductible.

~~18~~19. ~~Be able to~~ identify:

a. a definition of reinsurance, Section 620 of the CIC, and,
b. the purposes of insurers obtaining reinsurance.

~~19~~20. ~~Be able to~~ identify that for regulatory purposes:

a. the Insurance Code divides lines of insurance into classes, Section 100 of the CIC; and,
a. defines these classes, Sections 101 through 120 of the CIC.

I. GENERAL INSURANCE

B. Contract Law. Be able to

1. ~~Be able to~~ identify and compare contract law and tort law.
2. ~~Be able to~~ identify the four major elements of a contract (agreement, competent parties, legal purpose, and consideration).
3. ~~Be able to~~ identify the meaning and effect of the following special characteristics of an insurance contract:
   a) contract of adhesion;
   b) conditional contract;
   c) aleatory;
   d) unilateral;
   e) personal;
   f) utmost good faith; and,
   g) indemnity.
4. ~~Be able to~~ identify the term insurance policy, section 380 of the CIC.
5. ~~Be able to~~ identify the meaning and effect of each of the following on a contract:
   a) fraud, section 338 and 1871.2 of the CIC;
   b) concealment, section 330 through 339 of the CIC;
   c) warranty (expressed/implied), section 440 through 445, and 447of the CIC;
   d) ~~an implied warranty qualifies as a representation in an insurance contract, section 354 of the CIC;~~know that a representation cannot qualify an express provision in a contract of insurance, but it may qualify an implied warranty (Section 354 of the CIC);
   e) materiality, section 334 of the CIC;
   f) representations, sections 350 through 361 of the CIC;
   g) misrepresentation, sections 780 through 784 of the CIC; and,
   h) waiver and estoppel.
6. ~~Be able to~~ identify six required specifications for all insurance policies, section 381 of the CIC.
7. ~~Be able to~~ identify:
   a) the meaning of the term rescission; and,
   b) when an insurer has the right of rescission, section 331, 338, 359, and 447 of the CIC.
8. identify the following terms correctly:
   a. application, policy, endorsement;
   b. cancellation, lapse; and,
   c. rate, premium, earned and unearned premium.

I. GENERAL INSURANCE

C. The Insurance Marketplace

1. Distribution Systems
   a. ~~Be able to differentiate between the four principal marketing distribution systems (Independent/Exclusive Agencies and Direct Writing/Direct Mail or Internet System) in terms of:~~

~~i. contractual and ownership relationships between the producer and the insurer;~~

~~ii. marketing methods.~~Be able to identify different distribution systems that include, but are not limited to, the following:

a. agency; and,

~~a.~~b. direct response.

I. GENERAL INSURANCE

C. The Insurance Marketplace

2. Producers

a. ~~Given a situation involving the legal relationship of an insurance agent and either a principal (insurer or agency principal) or an insured/applicant, be able to assess:~~

~~i. the legal relationships;~~

~~ii. the responsibilities and duties of each;~~

~~iii. the effect of the types of authority an *agent* may have (express / implied / apparent).~~

~~b. With regard to the underwriting of applicants and /or insureds, be able to:~~

~~i. identify a producer's responsibilities;~~

~~ii. differentiate between the limitations placed on insurer pre-selection and post-selection activities.~~

~~c. Be able to identify and compare the following:~~

~~i. insurance agent, section 1621 of the CIC, e.g. a person authorized by and on behalf of an insurer to transact insurance;~~

~~ii. insurance broker, section 1623 of the CIC, e.g. someone paid for transacting insurance on behalf of another person;~~

~~iii. insurance solicitor, section 1624 in the CIC; must be appointed by an agent or broker who holds a permanent fire and casualty license;~~

~~iv. managing general agent, sections 769.81(c) and 1735 of the CIC.~~

~~1) Know that an MGA can be any person, firm, association, partnership, or corporation that manages all or part of an insurer's business (including a separate division, department or underwriting office);~~

~~2) Know that an MGA acts as an agent and produces and underwrites gross direct written premium equal to or more than 5% of the policyholder surplus as reported in the insurer's last annual statement and either:~~

~~a. adjusts or pays claims in excess of an amount determined by the Commissioner, or;~~

~~b. negotiates and binds ceding reinsurance on behalf of the insurer, section 769.81(c) of the CIC.~~

~~v. property and casualty licensee, Section 1625 of the CIC;~~

~~vi. personal lines licensee, Section 1625.5 of the CIC;~~

~~vii. be able to identify the coverages a personal lines licensee may and may not~~

~~transact, Section 1625.5 through Section 1630 of the CIC.~~

~~viii. insurance adjuster, Section 14021 of the CIC;~~

~~ix. public insurance adjuster, Section 15007 of the CIC; and,~~

~~x. surplus line and special surplus line broker, Section 1761 and 1760(4)(b) of the CIC.~~

~~d. Be able to identify the Code definition of transact and why the definition is important, section 35, 1621 through 1624, 1631, and 1633 of the CIC.~~

~~e. Be able to identify what constitutes transaction of insurance, section 35 of the CIC:~~

~~i. Solicitation, section 35(a) of the CIC.~~

~~ii. Negotiation, section 35(b) of the CIC.~~

~~iii. Execution of a contract of insurance, section 35(c) of the CIC.~~

~~iv. Transaction of matters subsequent to and arising out of a contract of insurance, section 35(d) of the CIC.~~

~~f. Be able to identify:~~

~~i. that the Code prohibits certain actions by unlicensed persons (Section 1631 of the CIC);~~

~~ii. the penalty for such ("a." above) prohibited actions (Section 1633 of the CIC).~~

~~g. Be able to identify the Code statements regarding a broker-agent's status when appointed as an agent, Section 1731 of the CIC.~~

~~h. Be able to differentiate between an insurance agent, an insurance broker and an insurance solicitor, Sections 31, 1621, 33, 1623, 34, 1624, and 1625 of the CIC.~~

~~i Know that Sections 1625.55 through 1625.57 of the CIC states that the Limited Lines Automobile Insurance Agent license is an "agent" license;~~

~~ii. Know that Section 1625.55 (c) of the CIC further defines that the Limited Lines Automobile Insurance Agent must be endorsed or appointed in order to act as an agent of a business entity or an insurer; and,~~

~~iii. Know that the language in the California Insurance Code precludes the Limited Lines Automobile Insurance Agent from being authorized to "broker" limited lines automobile insurance business and that broker fees are precluded from being charged under this license.~~

~~i. For Insurance Agent's Errors & Omissions insurance be able to identify:~~

~~i. the types of coverages available;~~

~~ii. the types of losses commonly covered / not covered; and,~~

~~iii. the need for the coverage.~~

~~j. Be able to identify acts prohibited (unless licensed as a surplus line broker) with regard to nonadmitted insurers, section 703 of the CIC. The following link will provide the notice for the new Surplus lines rules:~~

~~http://www.insurance.ca.gov/0200-industry/0050-renew-license/0200-requirements/upload/Revised_Notice_Surplus_Lines_License.pdf~~

k. Be able to identify what conduct is prohibited by Title 18 United States Code Section 1033.
l. Be able to identify what civil and criminal penalties apply, Title 18 United States Code Sections 1033 and 1034.
m. Be able to identify the requirements and penalties in the Code with regard to insurance in connection with sales or loans, sections 770 through 770.1, 771, 773 through 774 of the CIC and section 2114 of the CCR.
n. Be able to identify the rules regarding insurance in connection with sales and loans, section 776 of the CIC.
o. Be able to identify the prohibitions of free insurance, section 777.1 of the CIC.
p. Be able to identify the Code requirements for Fire & Casualty agents regarding the following:
i. agency name, use of name, sections 1724.5 and 1729.5 of the CIC;
ii. display of license, section 1725 of the CIC;
1) Be able to identify the rules regarding displaying the license, section 1725 of the CIC.
iii. records, sections 1727 through 1727.5 and 1730.5 of the CIC;
iv. Be able to identify what records must be maintained, where, in what form, for how long, and what penalties may be imposed for noncompliance, Title 10 CCR § 2190 through 2190.8, section 1747 of the CIC.
v. office location, section 1728 through 1729 of the CIC;
vi. change of address, section 1729 of the CIC;
vii. premium finance disclosures, section 778.02 and 1730.6 of the CIC;
viii. filing license renewal application, section 1720 of the CIC;
ix. printing license number on documents, section 1725.5 of the CIC;
x. Be able to identify the rules regarding fictitious names, section 1724.5 of the CIC;
xi. Be able to identify the rules regarding Internet advertisements, section 1726 (a) of the CIC; and,
xii. Be able to identify the licensee's duty for disclosure of the effective date of coverage, section 1730.5 of the CIC.
q. Be able to identify regulation regarding charges for extra services, e.g. mandated procedures to follow when a broker fee is charged.
r. Be able to identify the Code specifications regarding producer application investigation, denial of applications, and suspension or revocation of license, sections 1666, 1668 through 1669, and 1738 of the CIC.
s. Be able to identify the importance and the scope of the Code regarding:
i. the filing of a notice of appointment, section 1673 and 1704 through 1705 of the CIC;
ii. an inactive license, section 1704 (a) of the CIC.
iii. cancellation (surrender) of a license by the licensee in the licensee's

~~possession or in the employer's possession, section 1708 of the CIC.~~

~~t. Be able to identify the scope and effect of the Code regarding termination of a (producer) license including when producers dissolve a partnership, sections 1708 through 1712.5 of the CIC.~~

~~u. Be able to identify:~~

~~i. the definition of the term "fiduciary";~~

~~ii. producer fiduciary duties described in the Code, section 1733 through 1735.5 of the CIC.~~

~~v. Be able to identify what kind of return premium offsets are and are not permissible, section 1735.5 of the CIC.~~

~~w. Be able to identify the continuing education requirements for Limited Lines Automobile Agents, section 1749.32 of the CIC.~~

~~The following Educational Objective is derived from the codes of ethics of major industry organizations and is the basis for test questions.~~

~~x. Be able to identify and apply the meaning of the following:~~

~~i. place the customer's interest first;~~

~~ii. know your job - and continue to increase your level of competence;~~

~~iii. identify the customer's needs and recommend products and services that meet those needs;~~

~~iv. accurately and truthfully represent products and services;~~

~~v. use simple language; talk the layman's language when possible;~~

~~vi. stay in touch with customers and conduct periodic coverage reviews;~~

~~vii. protect your confidential relationship with your client;~~

~~viii. keep informed of and obey all insurance laws and regulations;~~

~~ix. provide exemplary service to your clients; and,~~

~~x. avoid unfair or inaccurate remarks about the competition.~~

~~y. Be able to identify that the California Insurance Code and the California Code of Regulations identify many unethical and/or illegal practices but they are NOT a complete guide to ethical behavior.~~

~~z. Be able to identify special ethical concerns that may occur when dealing with Senior Citizens regarding pretext interviews, section of the CIC.~~

~~aa. Be able to identify the personal lines requirement for providing the effective date of coverage to insureds /applicants, section 1730.5 of the CIC.~~

~~bb. Know what a licensee must do to surrender their license. Know what an employer must do to terminate a licensee's license, section 1708 of the CIC.~~

~~cc. Be able to identify special ethical concerns that may occur when dealing with Senior Citizens regarding pretext interviews, section 791.03 of the CIC.~~

Be able to understand the general rules of agency as they apply to an agent, broker, and insurance company

i. the responsibilities and duties of each; and,
ii. the effect of the types of authority an agent may exercise (express, implied, or apparent).

b. With regard to the underwriting of applicants and/or insureds, be able to:
   i. identify a producer's responsibilities; and,
   ii. understand the insurers' requirements.

c. Be able to define the following:
   I. insurance agent (Section 1621 of the CIC);
   ii. personal lines agent (Section 1625.5 of the CIC);
   iii. limited lines automobile agent (Section 1625.55 of the CIC);
   iv. life-only agent (Section 1626(a)(1) of the CIC);
   v. accident and health agent (Section 1626(a)(2) of the CIC); and,
   vi. life and disability insurance analyst (Sections 32.5, 1831-1849 of the CIC).

d. Be able to identify the CIC definition of transact and why the definition is important (Sections 35, 1631, 1633 of the CIC)
   i. have knowledge of the penalties for transacting without a license (Section 1633 of the CIC).

e. Be able to identify:
   i. that the CIC prohibits certain actions by unlicensed persons (Section 1631 of the CIC); and,
   ii. the penalty for such prohibited actions (Section 1633 of the CIC).

f. Written Consent in Regards to Interstate Commerce (Prohibited Persons in Insurance):
   i. be able to identify what conduct is prohibited by Title 18 United States Code Section 1033; and,
   ii. be able to identify what civil and criminal penalties apply, Title 18 United States Code Sections 1033 and 1034.

g. Be able to identify the differences between the terms "agent" and "broker" with respect to their relationship with insurers and with their insureds
   i. insurance agent means a person authorized, by and on behalf of an insurer, to transact all classes of insurance other than life, disability, or health insurance (Sections 31 and 1621 of the CIC);
   ii. insurance broker means a person who, for compensation and on behalf of another person, transacts insurance other than life, disability, or health with, but not on behalf of, an insurer (Sections 33 and 1623 of the CIC); and,
   iii. life settlement broker means a person who, on behalf of an owner, and for a fee, commission, or other valuable consideration, offers or attempts to negotiate life settlement contracts between an owner and providers. A life settlement broker represents only the owner and owes a fiduciary duty to the owner to act according to the owner's

instructions, and in the best interest of the owner, notwithstanding the manner in which the broker is compensated. (Sections 10113.1(b), 10113.2(b)(1) (A) to (D) of the CIC).

h. Be able to recognize:
   i. the differences between the authority of an agent and a solicitor; and,
   ii. that an insurance solicitor is a natural person employed to aid an insurance agent or insurance broker in transacting insurance other than life, disability, or health (Section 1624 of the CIC).

i. For Insurance Agent's Errors & Omissions insurance, be able to identify:
   i. the types of coverages available;
   ii. the types of losses commonly covered and not covered; and,
   iii. the need for the coverage.

j. Be able to identify acts prohibited (unless a surplus line broker) with regard to nonadmitted insurers (Section 703 of the CIC).

k. Be able to identify the prohibitions of free insurance (Section 777.1 of the CIC).

l. Be able to identify the Code requirements for the following:
   i. an agency name, use of name (Sections 1724.5,1729.5 of the CIC);
   ii. change of address (Section 1729 of the CIC);
   iii. filing license renewal application (Section 1720 of the CIC); and,
   iv. printing license number on documents (Section 1725.5 of the CIC).

m. Be able to identify the records an insurer and agents must maintain (Sections 10508 through 10508.5 of the CIC).

n. Be able to identify the Code specifications regarding producer application investigation, denial of applications, and suspension or revocation of license (Sections 1666, 1668 through1669, 1738 of the CIC).

o. Be able to identify the importance and the scope of the Code regarding:
   i. the filing of a notice of appointment to transact insurance (Sections 1704,1705 of the CIC);
   ii. an inactive license (Section 1704(b) of the CIC); and,
   iii. cancellation of a license by the licensee in the licensee's possession or in the employer's possession (Section 1708 of the CIC).

p. Be able to identify the scope and effect of the Code regarding termination of a (producer's) license, including when producers dissolve a partnership (Sections 1708-1712.5 of the CIC).

q. Be able to identify and apply:
   i. the definition of the term "fiduciary"; and,
   ii. producer fiduciary duties described in the Code (Sections 1733 -1735 of the CIC).

r. Be able to identify the continuing education (CE) requirements for:
   i. an individual licensed as a Limited Lines Automobile Agent; and,
   ii. an individual licensed as both a life licensee and as a Limited Lines

Automobile Agent (Section 1749.32 of the CIC).

iii. Know that all licensees must complete a 3-hour course in ethics as part of the required 24 hour of CE prior to each license renewal.

I. GENERAL INSURANCE

C. The Insurance Marketplace

3. Insurers

a. Be able to differentiate between:

i. admitted and non-admitted insurers, sections 24 through 25 of the CIC;

ii. domestic, foreign or alien insurers, sections 26 through 27, and 1580 of the CIC:

1) an excess and surplus lines insurer writes standard coverages in a state where the insurer is unlicensed; and

2) standard market insurer is an insurer who offers rates for insurance coverage to insureds who have an average or better than average loss exposure.

iii. Be able to differentiate between regulation of an admitted insurer and non-admitted insurer, and the potential consequences for consumers, sections 24, 25, 1760 through 1780 of the CIC.

iv. Be able to identify the penalty for unlawfully acting as an insurer without a certificate of authority, section 700 (b) of the CIC.

b. Be able to identify the functions of the following major operating divisions of insurers: Marketing /Sales, Underwriting, Claims, Actuarial.

c. Be able to identify market conduct regulations as the state laws that regulate insurer practices regarding underwriting, sales, ratemaking, and claims handling.

d. Be able to identify who may be an insurer, Section 150 of the CIC.

i. person, association, organization, partnership, business trust, limited liability company or corporation (Section 19 of the CIC).

e. Be able to differentiate between Mutual, and Stock and Fraternal insurers. (Section 11535.1 of the CIC)

i. know that de-mutualization is a process whereby a mutual insurer becomes a stock company, Section 11535 of the CIC.

ii. identify the major types of private insurers:

1) Stock insurance companies;

2) Mutual insurance companies;

3) Reciprocal insurance exchanges; and,

4) Fraternal organizations.

f. Be able to identify Reciprocals and Risk Retention groups, and the limitations on state regulation of risk retention groups under the federal Liability Risk Retention Act, and the possible impact on consumers, Section

125 through Section 140 of the CIC and Section 3901of Title 15 United States Code.

I. GENERAL INSURANCE

C. The Insurance Marketplace

4. Market Regulation - General

a. Be able to identify the purpose of insurance regulation and the significance of the McCarran–Ferguson Act, ~~70 Federal Register, 52,117 (September 1, 2005)~~ (~~42~~15 U.S.C. ~~4011~~1011-1015).

b. Be able to identify:

i. the California Insurance Code (CIC) and how it may be changed (Code);

ii. the California Code of Regulations (CCR Title 10, Chapter 5) and how it may be changed (Code); and,

iii. how the insurance commissioner is selected and the responsibilities of the position, sections 12900 and 12921 of the CIC.

c. Be able to identify the correct application of the Unfair Practices article, including its prohibitions and penalties, sections 790 through 790.10 of the CIC.

d. Be able to identify the privacy protection provisions of:

i. ~~The Gramm Leach Bliley Act~~

~~1) Be able to explain the rules regarding the collection and disclosure of customers' personal financial information by financial institutions;~~

~~2) Be able to identify the requirements for all financial institutions to design, implement and maintain safeguards to protect customer information;~~

~~ii. The California Financial Information Privacy Act (Senate Bill 1, Chapter 241, Statutes of 2004);~~

ii~~i~~. Insurance Information and Privacy Protection Act regarding practices, prohibitions and penalties, sections 791 through 791.26 of the CIC;

i~~v~~ii. Cal-GLBA/ “California Financial Information Privacy Act,” Section 4050 CA Financial Code; and,

iv. Health Insurance Portability and Accountability Act (HIPAA).

e. Be able to identify the scope and correct application of the conservation proceedings described in the Code, Sections 1011, 1013, and 1016 of the CIC.

f. Be able to define an insolvent insurer, Section 985 of the CIC.

i. The definition of an insolvent insurer includes either:

1) Any impairment of minimum "paid-in capital" or "capital paid in," as defined in Section 36, required in the aggregate of an insurer by the provisions of this code for the class, or classes, of insurance that it transacts anywhere; and,

2) An inability of the insurer to meet its financial obligations when they are due;

ii. Know that an insurer cannot escape the condition of insolvency by being able to provide for all its liabilities and for reinsurance of all outstanding risks. An insurer must also be possessed of additional assets equivalent to such aggregate "paid-in capital" or "capital paid in" required by this code after making provision for all such liabilities and for such reinsurance, Section 985 (a) (1) and (2) of the CIC;

~~iii. Know the definition of Paid-in Capital, Sections 36 and 985 of the CIC; and,~~

iv. Know that it is a misdemeanor to refuse to deliver any books, records, or assets to the Commissioner once a seizure order has been executed in an insolvency proceeding, Section 1013 of the CIC.

g. Be able to identify the purpose and scope of the Code with regard to:
   i. the California Insurance Guarantee Association, Sections 1063 (a through c) and, 1063.1 (a), (b), (c)~~-~~(1)~~-~~(2) of the CIC;

h. Be able to identify:
   i. common circumstances that suggest the possibility of fraud; e.g. that if an insured signs a claim form for a claim which is fraudulent, the insured may be found guilty of perjury; and,
   ii. efforts to combat fraud, Sections 1872, 1874.6, 1875.8, 1875.14, 1875.20, and 1877.3 (b)~~-~~(1) of the CIC.

i. Be able to identify the scope and correct application of the False and Fraudulent Claims article of the California Insurance Code, Sections 1871.1 through 1871.4 (c), and 1872.5.

j. Be able to identify discriminatory ~~Casualty~~ practices prohibited by the California Insurance code, Sections 679.70 through 679.73~~, and 10140 through 10145.4~~.

k. Be able to identify the requirements for rates to be approved or remain in effect, Section 1861.05 (a) of the CIC.

l. Be able to identify:
   i. the types of rating laws (prior approval, file & use, use & file, open competition); and,
   ii. the system used by the state of California to regulate rates for most property and casualty insurance written in California (prior approval), Section 1861.05 (c) of the CIC.

m. As used by the Code, be able to identify the meaning of:
   i. “shall” and “may,” Section 16 of the CIC; and,
   ii. “person,” Section 19 of the CIC.

n. Be able to identify the requirements for notice by mail, Section 38 of the CIC.

o. Fair Claims Settlement Practices Regulations

i. Be able to identify a definition of the following:
   1) Claimant, ~~Title 10, California Code of Regulations~~Section 2695.2~~-~~(c) of the CCR;
   2) Notice of Legal Action, ~~Title 10, California Code of Regulations~~Section 2695.2(o) of the CCR.
   3) Proof of Claims, ~~Title 10, California Code of Regulations~~Section 2695.~~-~~2(s) of the CCR.

ii. Be able to identify File and Record Documentation, ~~Title 10, California Code of Regulations~~Section ~~-~~2695.3 of the CCR.

iii. Be able to identify Duties Upon Receipt of Communications, ~~Title 10, California Code of Regulations~~Section 2695.5 of the CCR.

iv. Be able to identify Standards for Prompt, Fair and Equitable Settlements, ~~Title 10, California Code of Regulations~~Section 2695.7, (a), (b), (c), (g), and (h) of the CCR.

I. GENERAL INSURANCE

I. C. The Insurance Marketplace

~~6~~5. Excess and Surplus (E&S) Lines

a. With regard to surplus lines, be able to identify:
   i. what the term "surplus lines" means;
   ii. the marketplace needs met by surplus lines;
   iii. the requirements to be met before a risk may be placed with a surplus lines insurer;
   iv. how surplus lines and special lines surplus lines brokers interact with agents;
   v. the absence of binding authority when placing business through ~~excess and surplus lines brokers~~nonadmitted insurers, ~~s~~Section 1764.2 of the CIC;
   vi. the non-standard nature of the coverages provided;
   vii. conditions that must be met before business may be obtained from these carriers, ~~s~~Section 1761 of the CIC; and,
   viii. what the List of Approved~~Eligible~~ Surplus Lines Insurers (L~~E~~ASLI) is. The following link will provide access to this list:

   ~~http://www.insurance.ca.gov/0250-insurers/0300-insurers/0200-bulletins/eligible-surplus-line/index.cfm~~http://www.insurance.ca.gov/01-consumers/120-company/07-lasli/lasli.cfm

II. PROPERTY INSURANCE (5 percent of exam questions)

A. Basic Legal Concepts - Tort Law. Be able to

1. ~~Be able to~~ identify the types of wrongs that are dealt with by tort law including:

a. intentional torts;
b. negligence; and,
c. ~~absolute~~/strict liability~~; and,~~.
~~d. strict liability.~~

2. ~~Be able to~~ recognize and identify:
   a. the four essential elements of negligence (duty-/-breach-/-injury-/-unbroken chain)~~ and~~;
   ~~b. whether all four elements are present in a described situation;~~
   ~~c~~b. the principle of "proximate cause"; and,
   ~~d~~c. ~~legal~~common law defenses against "negligence."
3. ~~Be able to~~ identify:
   a. the reasons for the ~~absolute and~~ strict liability doctrines and recognize situations in which they would apply; and,
   b. examples of intentional torts (e.g. libel, slander, false arrest).
4. ~~Be able to~~ identify definitions of gross negligence and vicarious liability.
5. ~~Be able to~~ identify types of damages: ~~punitive and~~ compensatory, which includes special and general damages and punitive.
6. ~~Be able to~~ recognize the difference between comparative and contributory negligence doctrines.
7. ~~Be able to~~ compute a loss payment applying the doctrines of:
   a. comparative negligence; and,
   b. contributory negligence.
8. ~~Be able to~~ apply the assumption of the risk doctrine.
9. ~~Be able to identify:~~
   ~~a. the ways a pure no-fault law would modify a tort liability system; and,~~
   ~~b. the major differences between "pure no-fault" and "modified no-fault" laws.~~

II. PROPERTY INSURANCE

B. Property

1. Basics
   a. Be able to identify the major services provided by ~~the Insurance Services Office, Inc. (ISO):~~independent rating organizations (e.g. AM Best and Moodys).
   b~~i~~. Insurance Services Office (ISO) is the advisory organization that also develops standard forms for the ~~standard~~ market~~;~~.
   ~~b~~c. Be able to recognize the principle risk management methods used to identify loss exposures, and the advantages and disadvantages of each method.
   ~~c~~d. Be able to identify the difference between direct and indirect (consequential) property losses.
   ~~d~~e Be able to recognize common indirect loss exposures.
   ~~e. Be able to identify the methods commonly used by risk managers to deal~~

~~with risk.~~

f. Be able to identify the terms of expense, loss, and combined ratios.

g. Be able to identify the following terms:
   i. ”all-risk” (an old term still commonly used and understood within the insurance industry, but a term often misunderstood by the general public);
   ii. “open peril”~~-/-~~“special form” (terms commonly used in place of “all-risk” in today’s policies); and,
   iii. “named peril”~~; and,~~ (e.g. basic, broad, and special).
   ~~iv. “concurrent causation.”~~

h. Be able to identify the terms and differentiate between:
   i. short rate / flat rate / pro-rata cancellation;
   ii. cancellation / non-renewal / lapse; and,
   iii. unearned / earned premium and be able to identify their correct computation.

i. Be able to differentiate between the terms “judgment rating,” “merit rating,” and “manual rating.”

j. Be able to identify and apply the meaning of claims terms (e.g. first party, third party, subrogation, arbitration, etc.).

k. Be able to define the term “loss reserve,” e.g. estimate of the amount that an insurer will pay for a claim.

l. Be able to identify the requirements to be met to assign a policy from one insured to another.

m. Be able to differentiate between property and liability insurance coverages.

n. Be able to identify a definition of “loss cost rating” and the reason for its use.

o. Be able to identify:
   i. the requirement for an insurable interest to exist, section 280 of the CIC; and,
   ~~ii. when insurable interest is required to exist under property insurance polices, section 286 of the CIC; and,~~
   iii. that contingent or expectant interests are not insurable, section 283 of the CIC.

p. Be able to apply the term "concurrent cause" to a loss where two perils are involved the same time and one peril is covered and the other is excluded.

Prelicensing Education
Educational Objectives

California Limited Lines Automobile Agent Examination

II. PROPERTY INSURANCE

B. B. Property

23. Policies. Be able to

a. Be able to identify a description of:

i. the major components of insurance policies (e.g. declarations, insuring agreements, definitions, conditions, exclusions, and endorsements, etc.); and,

ii. common policy provisions (e.g. insured's right to cancel, assignment of policy, supplementary payments, severability, liberalization, etc.) and coverages (removal and debris removal).

b. Recognize that property insurance policies contain many items except the insured's address, section 2071 of the CIC.

cb. Be able to identify and compute loss payments for:

i. the different types of valuation commonly used in insurance policies. (actual cash value, replacement cost, market value, agreed value, and stated value); and,

ii. a valued policy, sections 2053 and 2054 of the CIC.

dc. Be able to identify the protection of a mortgagee's interest contained in most mortgage clauses.

ed. Be able to identify the definition and effect of a concurrent vs. non-concurrent policy.

fe. Be able to identify the Code requirements pertaining to policy cancellation-/ failure to renew, sections 481.5, 660 through 669.5, 670, 673, and 675 through 679.6 of the CIC.

g. Be able to identify restrictions regarding referral of auto insureds to repair facilities, section 753 of the CIC.

h. Be able to identify the following unlawful practices:

i. Additional Standards Applicable to Automobile Insurance, California Code of Regulations 2695.8-(e); and,

ii. Requirements, suggestions, or recommendations by insurer regarding repair of automobiles at specific automobile repair dealers; conditions; disclosure; powers of commissioner, section 758.5 of the CIC.

III. PERSONAL AUTO INSURANCE (80 percent of exam questions)

A. Personal Auto

1. General Concepts. Be able to identify:

a. Be able to differentiate between a private passenger vehicle and a commercial vehicle.

i. know that RV's are generally both designed as and used as private passenger vehicles, not commercial vehicles;

ii. once a Recreational Vehicle is added to the PAP, the existing coverage of the PAP is extended to this added vehicle; and,

~~iii. know that unde section 660(a)(1)of the CIC, a 6-wheel RV would be considered a private passenger vehicle.~~

~~b~~a. ~~Be able to identify~~ the ~~f~~Financial ~~r~~Responsibility ~~l~~Law and individual or insurance policy requirements, sections 16020, 16021, 16025, and 16451 of the CA Vehicle Code (CVC) and notice requirements pursuant to Section 11580.1(b)(1) of the CIC and Section 16054 of the CVC.

i. Know that uninsured motorists involved in a collision cannot sue an at-fault party for "general" (non-economic) damages.

~~c~~b. ~~An agent must be aware of~~ how the particular personal auto policy being sold to the consumer may differ from the ISO PAP

~~d~~c. ~~Be able to identify~~Under an ISO PAP, be able to identify:

i. the ~~(ISO)~~ eligibility requirements for ~~a Personal Auto Policy (PAP)~~coverage;

ii. who is an insured including the provisions regarding how the policy responds when an insured is no longer a spouse living in the same household~~, e.g. any person qualifies as an insured while using a covered auto~~;

(a) know that any person qualifies as an insured while using a covered auto;

iii. the policy territorial limits;

iv. the difference between "share-the-expense car pools" and "for-hire" situations;

v. the coverage that applies to newly acquired auto and "your covered auto"; and,

vi the coverage that applies to a non-owned private passenger auto rented by an insured while on a short vacation.

~~e~~d. ~~Be able to identify~~ situations in which the policy provides:

i. primary coverage;

ii. excess coverage; and,

iii. special physical damage

~~f~~e. ~~Be able to identify~~Regarding Good Driver Discounts:

i. the eligibility requirements to receive a Good Driver Discount, section 1861.025 of the CIC;

ii. the discount percentage of the Good Driver Discount, section 1861.02 of the CIC; and,

iii. the three principal rating factors for personal auto policies, section 1861.02(a) of the CIC.

~~g~~f. ~~Be able to~~ understand the provisions of the California Amendatory Endorsement and be able to identify:

i. the permitted reasons for an insurer to cancel or non-renew an automobile policy, sections 1861.03(c) (1) and 661 of the CIC; and,

ii. the number of days of notice required, sections 662 and 663 of the

CIC.

~~h~~g. For newly acquired autos, know that:

i. A newly acquired auto will have the broadest coverage provided for any vehicle shown in the Declarations, except for collision coverage for damage to your auto;

ii. If the insured has collision coverage on at least one auto listed on the Declarations page, ~~collision~~all coverage on a newly acquired auto begins on the date the insured becomes the owner. The insured must notify the insurer within 14 days;

iii. If the insured does not have collision coverage on at least one auto listed on the Declarations page, collision coverage on a newly acquired auto begins on the date the insured becomes the owner, but the insured must request collision coverage within 4 days and a $500 deductible applies; and,

iv. If a newly acquired auto is in addition to any vehicle shown in the Declarations, the insured must notify the insurer within 14 days.

III. PERSONAL AUTO INSURANCE

A. Personal Auto

2. Liability~~-~~/~~-~~Medical Payments~~-~~/~~-~~Uninsured Motorists

a. Be able to identify how the policy limits are applied Liability, Medical, Uninsured Motorist in a given loss situation.

b. For a described loss applying to Part A - Liability, be able to determine the effect of:

i. supplementary payments;

ii. "out of state coverage" (including "financial responsibility" and “no-fault” compliance);

iii. split limits vs. single limits coverage;

(a) ~~e.g.~~ know the difference between the application of~~per~~ the per-accident limit in a split limit policy and a single limit policy~~ is that in a split limit policy the per accident limit applies only to bodily injury and the single limit applies to all claims~~;

iv. “other insurance”; and,

v. ~~the principle - coverage /~~ limitations and~~/~~ exclusions ~~-~~ applicable ~~ying~~ to bodily injury and/or property damage ~~liability~~claims.

c. Be able to identify a described loss ~~applying to~~ under Part B - Medical Payments, be able to determine the amount of coverage for each insured.

i. ~~the principle –~~ coverage/limitations/exclusions/applying to Part B-Medical Payments

d. For a described loss ~~applying to~~ under Part C – Uninsured Motorist Coverage, be able to determine the amount of coverage for each insured:

i. who is defined as an uninsured or under insured motorist;

ii. the Underinsured Motorists coverage part of the Uninsured Motorist coverage;
iii. Uninsured Motorist Property Damage~~s~~ limit of liability; and,
iv. the effect of a collision deductible waiver~~s.~~; and,
v. Uninsured Motorist Bodily Injury coverage and limit of liability.

e. Under California law be able to identify:
~~i. the policy limits required to comply with the Financial Responsibility Law, section 11850.1(b)(1) of the CIC and section 16056 of the CVC;~~
~~i~~i. the requirement for offering Uninsured Motorists Coverage in policies providing bodily injury liability - and how an insured may reject the coverage, section 11580.2(a)(1) of the CIC; and,
iii. Driving History Report (MVR) Issues – Fair Credit Reporting Act.
(a) Know that a consumer credit report cannot be used as the basis of a decline to insure or as a premium factor in California.

III. PERSONAL AUTO INSURANCE

A. Personal Auto

3. Physical Damage~~-~~/~~-~~Miscellaneous

a. In a described loss, be able to identify:
i. what constitutes physical damage;
ii. if the loss is covered and for how much after applying any deductibles;
iii. the standard basis of valuation for the automobile;
~~ii~~iv. an insurer's options in making a loss settlement with the insured;
~~i~~v. under what circumstances transportation expenses are reimbursed;
vi. the coverage for personal effects (none);
vii. the relationship between Other Than Collision coverage (OTC) and comprehensive coverage (ISO uses newer "OTC"; many insurers still use "comprehensive");
~~a~~1) Know that Other Than Collision coverage is a property insurance coverage.
~~vii. under what conditions waiver of collision deductible and uninsured motorist property damage must be offered and the coverage provided by each; and,~~
~~viii. insured's duties after a loss.~~

b. Be able to identify ~~the purpose of the following~~Common Auto Endorsements:
i. Miscellaneous Type Vehicle Endorsement;
~~1)~~ii. Limited Mexico Coverage Endorsement;
~~2)~~iii. Towing and Labor Coverage;
~~3)~~iv. Trust Endorsement;
~~4)~~v. Joint Ownership;~~;~~
~~5)~~vi Auto Loan/Lease Endorsement (GAP Coverage);~~ and,~~

~~6) Limited Lines Auto.~~
vii. Impact of shared rides on personal auto insurance;
viii. Named Non-owner Coverage;
~~iii~~ix. Extended Non-owned Liability Coverage ~~(e.g.~~ Vehicle Furnished or Available for Regular Use~~)~~;
~~iv~~x. Optional Limits ~~(e.g.~~- Transportation Expenses Coverage~~)~~; and,
v. Customizing Equipment Coverage (~~e.g. sound receiving and transmitting equipment, audio, visual and data electronic equipment and tapes, records, discs, etc.~~PP 08 18).
~~c. Be able to identify physical damage.~~

III. PERSONAL AUTO INSURANCE

A. Personal Auto

4. California Automobile Assigned Risk Plan (CAARP)
   a. Be able to identify the purpose of CAARP.
   b. Be able to identify:
      i. who is eligible to place business with CAARP;
      ii. the eligibility requirements for applicants;
      iii. how business is placed through CAARP;
      iv. the coverages and limits available and/or required;
      v. when coverage may be bound; and,
      vi. when commercial risks are also eligible for "assigned risk" coverage.
   c. California's Low-Cost Automobile Insurance (CLCA). Be able to identify:
      ~~i. Be able to identify:~~
      ~~1)~~i. what is "low-cost automobile insurance";
      ~~2)~~ii. the coverages and limits available~~ the costs for this insurance~~;
      ~~3)~~iii. eligibility to purchase low-cost automobile insurance;
      ~~4)~~iv. the cancellation and renewal procedures for low-cost automobile insurance; and,
      (a) the costs for this insurance.
      ~~5) the coverages and limits available.~~

III. PERSONAL AUTO INSURANCE

A. Personal Auto

~~5. Motorcycles~~
~~a. Be able to explain how to insure motorcycles.~~
~~b. Know that motorcycles generally are not covered by a Personal Auto Policy and generally cannot be added as an endorsement.~~
~~c. Be knowledgeable of specialty motorcycle coverage and be particularily aware of common limitations in the area of medical payments and uninsured motorist.~~

~~6~~5. Recreational Vehicles

a. Know that for Recreational Vehicles~~,~~
~~i.~~ endorsements can be added to a Personal Auto Policy (PAP) to provide coverage
~~1) Understand the different types of Recreational Vehicles; and,~~
~~2) Be able to explain the difference between coverage available for recreational vehicles (e.g. motorhomes)~~
b. Be able to differentiate between a private passenger vehicle and a commercial vehicle:
i. know that RV's are generally both designed as and used as private passenger vehicles, not commercial vehicles;
ii. once a Recreational Vehicle is added to the Personal Auto Policy (PAP), the existing coverage of the PAP is extended to this added vehicle; and,
iii. know that under Section 660 (a)(1) of the CIC, a six-wheel RV would be considered a private passenger vehicle.

III. Personal Lines Insurance
A. Personal Auto
6. Motorcycles
a. Know that motorcycles generally are not covered by a Personal Auto Policy and generally cannot be added as an endorsement.
b. Be able to explain how to insure vehicles with less than four wheels.
c. Know that specialty motorcycle policies may have limitations in the areas of medical payments and uninsured motorist.

III. PERSONAL AUTO INSURANCE
B. Umbrellas and Excess Liability Insurance
1. Be able to identify:
~~a. the major function of these policies;~~
a~~b~~. the difference between umbrella and excess policies; ~~and,~~
b~~c~~. the benefits of umbrella and excess liability insurance~~.~~; and
c. How uninsured motorist and underinsured motorist coverage is extended under an Umbrella or Excess liability policy.
2. Be able to identify:
a. underlying polic~~ies~~y limits that are commonly required ~~(by the umbrella insurer)~~ to be maintained by the umbrella insurer;
b. what a self-insured retention is and how it is applied to a loss; and,
c. Standardized Personal Umbrella policies and their availability.

~~APPENDIX A~~

~~Ethics and California Insurance Code (12 hour)~~
~~Educational Objectives~~

~~The "General" Ethics and California Insurance Code educational objectives that apply to all lines of authority appear below. The 12 hours of required Ethics and California Insurance Code education must at a minimum include the material in Appendix A.~~

~~I. GENERAL INSURANCE~~
~~A. Basic Insurance Concepts and Principles~~

~~1. Be able to identify examples of insurance (as defined is Section 22 of the CIC.)~~
~~2. Be able to identify the definition of insurable events, Section 250 of the CIC.~~

~~I. GENERAL INSURANCE~~
~~B. Contract Law~~

~~1. Be able to identify the term "insurance policy," Section 380 of the CIC.~~
~~2. Be able to identify the meaning and effect of each of the following on a contract:~~
~~a. fraud, Sections 338 and 1871.1 through 1871.4 of the CIC;~~
~~b. concealment, Sections 330 through 339 of the CIC;~~
~~i. Be able to identify information that does not need to be communicated in a contract: Section 333 of the CIC;~~
~~1) known information~~
~~2) information that should be known~~
~~3) information which the other party waives~~
~~4) information that is not material to the risk~~
~~c. warranty, Section 440 through 445 and 447 of the CIC;~~
~~i. know that a representation in an insurance contract qualifies as an implied warranty;~~
~~d. materiality, Section 334 of the CIC;~~
~~i. know that the materiality of concealment is the rule used to determine the importance of a misrepresentation;~~
~~e. representations, Sections 350 through 361 of the CIC;~~
~~i. know when a representation can be altered or withdrawn, Section 355 of the CIC;~~
~~ii. know that a representation is false when the facts fail to correspond with its assertions or stipulations, Section 358 of the CIC; and,~~
~~f. misrepresentation, Sections 780 through 784 of the CIC.~~
~~3. Be able to identify six required specifications for all insurance policies, Section 381 of the CIC.~~
~~a. know that the financial rating of the insurer is not required to be specified in the insurance policy, Section 381 of the CIC.~~
~~4. Be able to identify:~~
~~a. the meaning of the term rescission; and,~~

~~b. when an insurer has the right of rescission, Sections 331, 338, 359, and 447 of the CIC.~~

~~i. know that either intentional or unintentional concealment entitles an injured party to rescission of a contract, Section 331 of the CIC.~~

~~I. GENERAL INSURANCE~~

~~C. The Insurance Marketplace~~

~~1. Distribution Systems~~

~~a. Be able to identify a definition of the following marketing systems:~~

~~i. agency;~~

~~ii. direct response;~~

~~iii. home service.~~

~~I. GENERAL INSURANCE~~

~~C The Insurance Marketplace~~

~~2. Producers~~

~~a. Be able to identify the Code definition of transact and why the definition is important, Sections 35, 1621 through 1624, 1631, and 1633 of the CIC.~~

~~b. Be able to identify what constitutes transaction of insurance, Section 35 of the CIC:~~

~~i. solicitation, Section 35(a) of the CIC;~~

~~ii. negotiation, Section 35(b) of the CIC;~~

~~iii. execution of a contract of insurance, Section 35(c) of the CIC; and,~~

~~iv. Transaction of matters subsequent to and arising out of a contract of insurance, Section 35(d) of the CIC.~~

~~c. Be able to identify:~~

~~i. that the Code prohibits certain actions by unlicensed persons, Section 1631 of the CIC; and,~~

~~ii. the penalty for such ("a." above) prohibited actions, Section 1633 of the CIC.~~

~~d. Written Consent in Regards to Interstate Commerce (Prohibited Persons in Insurance):~~

~~i. Be able to identify what conduct is prohibited by Title 18 United States Code Section 1033; and,~~

~~ii. Be able to identify what civil and criminal penalties apply, Title 18 United States Code Sections 1033 and 1034.~~

~~e. Be able to identify the differences between the terms agent and broker with respect to their relationship with insurers and with their insureds:~~

~~i. insurance agent means a person authorized, by and on behalf of an insurer, to transact all classes of insurance other that life insurance, Section 31 of the CIC;~~

~~ii. insurance broker means a person who, for compensation and on behalf of another person, transacts insurance other than life with, but not on behalf of, an insurer, Section 33 of the CIC,~~

~~iii. know that there is no life broker or health broker; and,~~

~~iv. know that there are life settlement brokers, Sections 10113.1 through 10113.3 of the CIC.~~

~~f. Be able to identify the Code provisions regarding an accident and health agent acting as an agent for an insurer for which the agent is not specifically appointed, Section 1704.5 of the~~

~~CIC.~~

~~g. Be able to differentiate between an insurance agent, an insurance broker and an insurance solicitor, Sections 31, 1621, 33, 1623, 34, and 1624 of the CIC.~~

~~h. For Insurance Agent's Errors & Omissions insurance, be able to identify:~~

~~i. the need for the coverage;~~

~~ii. the types of coverages available; and,~~

~~iii. the types of losses commonly covered/not covered.~~

~~i. Be able to identify acts prohibited (unless a surplus lines broker) with regard to nonadmitted insurers, Section 703 of the CIC.~~

~~j. Be able to identify the prohibitions of free insurance, Section 777.1 of the CIC.~~

~~k. Be able to identify the Code requirements for the following:~~

~~i. an agency name, use of name, Sections 1724.5 and 1729.5 of the CIC; and,~~

~~ii. change of address, Section 1729 of the CIC;~~

~~l. Be able to identify the rules regarding fictitious names, Section 1724.5 of the CIC.~~

~~m. Be able to identify the rules regarding Internet advertisements, Section 1726 (a) of the CIC.~~

~~n. Be able to identify the licensee's duty for disclosure of the effective date of coverage, Section 1730.5 of the CIC.~~

~~o. Be able to identify the Code specifications regarding producer application investigation, denial of applications, and suspension or revocation of license, Sections 1666, 1668-1669, and 1738 of the CIC.~~

~~p. Be able to identify the importance and the scope of the California Insurance Code regarding:~~

~~i. the filing of a notice of appointment, Section 1673 and 1704 through 705 of the CIC;~~

~~ii. an inactive license, Section 1704 (a) of the CIC; and,~~

~~iii. cancellation of a license by the licensee in the licensee's possession or in the employer's possession, Section 1708 of the CIC.~~

~~q. Be able to identify the scope and effect of the Code regarding termination of a (producer's) license, including when producers dissolve a partnership, Sections 1708 through 1712.5 of the CIC.~~

~~r. Be able to identify and apply:~~

~~i. the definition of the term "fiduciary;" and,~~

~~ii. producer fiduciary duties described in the Code, Sections 1733 through 1735 of the CIC.~~

~~s. Be able to identify the continuing education (CE) requirements for:~~

~~i. agents, Section 1749.3 of the CIC;~~

~~ii. an agent writing Long Term Care Insurance, Section 10234.93 of the CIC;~~

~~iii. agents writing California Partnership coverage must meet California long-term care requirements and training requirements on the California Partnership for Long-Term Care (the total hours of CE required are not increased by Sections 10234.93 (b) or (c); and,~~

~~iv. life-only agents or accident and health agents also licensed as a fire~~ **~~property broker-agent~~** ~~and casualty broker-agent~~ **~~shall satisfactorily complete 24 hours of instruction prior to renewal of their license.~~**

~~The following Educational Objective is derived from the codes of ethics of major industry organizations and is the basis for licensing examination questions.~~

~~t. Be able to identify and apply the meaning of the following:~~
~~i. place the customer's interest first;~~
~~ii. know your job - and continue to increase your level of competence;~~
~~iii. identify the customer's needs and recommend products and services that meet those needs;~~
~~iv. accurately and truthfully represent products and services;~~
~~v. use simple language; talk the layman's language when possible;~~
~~vi. stay in touch with customers and conduct periodic coverage reviews;~~
~~vii. protect your confidential relationship with your client;~~
~~viii. keep informed of and obey all insurance laws and regulations;~~
~~ix. provide exemplary service to your clients; and,~~
~~x. avoid unfair or inaccurate remarks about the competition.~~
~~u. Be able to identify that the California Insurance Code (CIC) and the California Code of Regulations (CCR) identify many unethical and/or illegal practices, but the CIC and CCR are NOT a complete guide to ethical behavior.~~
~~v. Be able to identify special ethical concerns that may occur when dealing with Senior Citizens regarding pretext interviews, Section 791.03 of the CIC.~~

~~I. GENERAL INSURANCE~~
~~C. The Insurance Marketplace~~
~~3. Insurers~~
~~a. Be able to differentiate between:~~
~~i. admitted and nonadmitted insurers, Sections 24 through 25 of the CIC; and,~~
~~ii. domestic, foreign, and alien insurers, Sections 26 through 27 of the CIC;~~
~~b. Be able to differentiate between regulation of an admitted insurer and non-admitted insurer, and the potential consequences for consumers, Sections 24, 25, and 1760 through 1780 of the CIC;~~
~~c. Be able to identify the penalty for unlawfully acting as an insurer without a certificate of authority, Section 703 of the CIC.~~
~~d. Be able to identify who may be an insurer, Section 150 of the CIC.~~
~~i. person, association, organization, partnership, business trust, limited liability company or corporation, Section 19 of the CIC.~~
~~e. Be able to differentiate between Mutual, Stock and Fraternal insurers.~~
~~i. know that de-mutualization is a process whereby a mutual insurer becomes a stock company, Section 11535 of the CIC.~~

~~I. GENERAL INSURANCE~~
~~C. The Insurance Marketplace~~

~~4. Market Regulation - General~~

~~Be able to identify:~~

~~i. the California Insurance Code and how it may be changed (Code);~~

~~ii. the California Code of Regulations (CCR Title 10, Chapter 5) and how it may be changed (Code); and,~~

~~iii. how the insurance commissioner is selected and the responsibilities of the position, Sections 12900 and 12921 of the CIC.~~

~~b. Be able to identify the correct application of the Unfair Practices article, including its prohibitions and penalties, Sections 790 through 790.15 of the CIC.~~

~~c. Be able to identify the privacy protection provisions of:~~

~~i. The Gramm-Leach-Bliley Act~~

~~1) Be able to explain the rules regarding the collection and disclosure of customers' personal financial information by financial institutions;~~

~~2) Be able to identify the requirements for all financial institutions to design, implement and maintain safeguards to protect customer information;~~

~~ii. The California Financial Information Privacy Act (Sections 4050 - 4060 of the California Financial Code (Senate Bill 1, Chapter 241, Statutes of 2004);~~

~~iii. Insurance Information and Privacy Protection Act regarding practices, prohibitions and penalties, Sections 791 through 791.26 of the CIC;~~

~~iv. Cal-GLBA/"California Financial Information Privacy Act," Section 4050 California Financial Code;~~

~~v. Health Insurance Portability and Accountability Act (HIPAA).~~

~~d. Be able to identify the scope and correct application of the conservation proceedings described in the Code, Sections 1011, 1013, and 1016 of the CIC.~~

~~e. Be able to define an insolvent insurer, Section 985 of the CIC:~~

~~i. the definition of an insolvent insurer includes either:~~

~~1) Any impairment of minimum "paid-in capital" or "capital paid in," as defined in Section 36, required in the aggregate of an insurer by the provisions of this code for the class, or classes, of insurance that it transacts anywhere; and,~~

~~2) An inability of the insurer to meet its financial obligations when they are due;~~

~~ii. know that an insurer cannot escape the condition of insolvency by being able to provide for all its liabilities and for reinsurance of all outstanding risks. An insurer must also be possessed of additional assets equivalent to such aggregate "paid-in capital" or "capital paid in" required by this code after making provision for all such liabilities and for such reinsurance, Sections 985 (a) (1 and 2) of the CIC;~~

~~iii. know the definition of Paid-in Capital, Sections 36 and 985 of the CIC; and,~~

~~iv. know that it is a misdemeanor to refuse to deliver any books, records, or assets to the Commissioner once a seizure order has been executed in an insolvency proceeding, Section 1013 of the CIC.~~

~~f. Be able to identify:~~

~~i. common circumstances that would suggest the possibility of fraud;~~

~~ii. efforts to combat fraud, Sections 1872, 1874.6, 1875.8, 1875.14, 1875.20, and~~

~~1877.3(b)(1) of the CIC; and,~~

~~iii. that if an insured signs a fraudulent claim form, the insured may be guilty of perjury.~~

~~g. Be able to identify the scope and correct application of the False and Fraudulent Claims article of the Code, Sections 1871, 1871.4 of the CIC.~~

~~h. Be able to identify the meaning of (as used in the CIC):~~

~~i. shall and may, Section 16 of the CIC; and,~~

~~ii. person, Section 19 of the CIC.~~

~~i. Be able to identify the requirements for notice by mail, Section 38 of the CIC.~~

~~I. GENERAL INSURANCE~~

~~C. The Insurance Marketplace~~

~~5. Fair Claims Settlement Practices Regulations~~

~~a. Be able to identify a definition of the following:~~

~~i. Claimant, Title 10, Section 2695.2(c) of the CCR;~~

~~ii. Notice of Legal Action, Title 10, Section 2695.2(c) of the CCR; and,~~

~~iii. Proof of Claims, Title 10, Section 2695 2(s) of the CCR;~~

~~b. Be able to identify File and Record Documentation, Section 2695.3 of the CCR.~~

~~c. Be able to identify Duties Upon Receipt of Communications, Section 2695.5 of the CCR.~~

~~d. Be able to identify Standards for Prompt, Fair and Equitable Settlements, Sections 2695.7(a), (b), (c), (g), and (h) of the CCR.~~