Prelicensing Education
Educational Objectives
California Casualty Broker-Agent Examination

Overview

Section 1677 of the California Insurance Code (CIC) requires that the Casualty Broker-Agent examination be of sufficient scope to satisfy the Insurance Commissioner that an applicant has **basic** knowledge of insurance and insurance laws.

Basic knowledge is what this typical new Casualty Broker-Agent needs to know at the start of one's career.

(1) The most specific knowledge is required in the following areas:
- General insurance concepts and principles
- Insurance Code and Ethics
- Responsibilities and authority of a Casualty Broker-Agent
- Commercial General Liability
- Commercial Automobile
- Miscellaneous Personal Casualty
- Miscellaneous Casualty
- Personal Automobile
- Professional Liability
- Umbrella and Excess Liability
- Workers' Compensation

(2) To a lesser degree knowledge is required of:
- A general understanding of all other lines of insurance

(3) In addition, as defined by the National Association of Insurance Commissioner's Producer Licensing Model Act, a Casualty Broker-Agent line of authority is defined as insurance coverage against legal liability, including that for death, injury or disability or damage to real or personal property. The list below contains a sample of some of the insurance products that can be transacted with this license.

Automobile Insurance covers the loss exposures presented from the ownership and operation of a personal automobile. Coverage is provided for bodily injury and property damage to others and optionally, coverage for losses to the consumers automobile and occupants of the automobile. Coverage may be available for motorcycles, recreational vehicles, and pick-up type trucks if used on public roads.

Commercial General Liability coverage insures against financial loss due to acts by the insured which cause financial or bodily harm to others. Five forms of liability are covered: premises, operations, products, completed operations and contractual liability.

Employment Practices Liability Insurance is insurance protection for employers to cover the cost of loss caused due to a liability claim from an employee for such offenses as discrimination, sexual harassment, wrongful termination or other employment related claims.

Personal Liability Coverage protects the insured against claims alleging that a property owner's negligence or inappropriate action resulted in property damage or bodily injury to another.

Professional Liability Insurance is liability insurance that covers liability as a result of performing a profession such as doctors, lawyers, insurance agents and accountants. It can also include coverage for “wrongful acts” for other types of business such as beauty and barber shops to hi-tech companies. It can include policies for Errors & Omissions Insurance or for the medical field Malpractice Insurance.

Umbrella or Excess Liability Policy is written to provide excess limits over existing liability provisions that a customer may have such as automobile, homeowners, liability, and watercraft policies. May provide additional coverages not provided by the underlying policies. This is available in both personal and commercial policies.

Watercraft insurance covers the loss exposures from the ownership of a watercraft including the vessel, its contents, and the liability of the owner. Can be modified to cover the use of the watercraft and where it travels.

Workers’ Compensation Insurance that covers medical and rehabilitation costs, lost wages, and death benefits for employees injured at work; required by law in all states

Section 1749.1 (b) of the California Insurance Code states, in part, that no prelicensing or continuing education course shall include sales training, motivational training, self-improvement training, or training offered by insurers or agents regarding new products or programs. The license examination shall also exclude those items.

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Educational Objectives

The educational objectives are derived from the curriculum outline contained in Section 2187.3 of Title 10, Chapter 5, Subchapter 1, Article 6.5, 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 Casualty Broker-Agent license examination contains 75 multiple-choice questions. The examinees, without any aids (e.g. reference materials, electronic aids), are allowed one hour and thirty minutes to answer the 75 question multiple-choice examination.

Passing the examination is the completion of an important first step in a career in insurance and a continuing program of insurance education and experience for this applicant.

All questions are based on "standard" policies; current editions of Insurance Services Office (ISO) policies will be used as the standard where available.

In addition, for examination purposes, the Comprehensive Personal Liability supplement to the Dwelling Program will be considered to be identical to the Homeowners Section II.

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

San Francisco:

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

~~Please~~ C~~c~~heck-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	
Atascadero	Fresno	Riverside	
Bakersfield	Hayward	Sacramento	Ventura
Burbank	Laguna Hills	San Diego	Visalia
Carson	Lawndale	San Francisco	Walnut Creek
Diamond Bar	~~Redding~~	Santa Clara	
	~~Riverside~~	Santa Rosa	

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:

Prelicensing Education
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California Casualty Broker-Agent Examination

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

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~~Appendix A Ethics and California Insurance Code (12 hour educational objectives)~~

I. General Insurance (31 percent of questions - includes "II. Casualty Insurance")
A. Basic Insurance Concepts and Principles. Be able to identify or differentiate:
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~~ the definition of peril.
5. ~~Be able to identify a~~ the 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.~~9. Identify risk management techniques
10. ~~Be able to recognize~~ the requisites of an ideally insurable risk.
11~~0~~. ~~Be able to identify~~ the definition of insurable events, Section 250 of the CIC.
12~~1~~. ~~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.
13~~2~~. ~~Be able to identify~~ why private insurers underwrite the insurance applications they receive.
14~~3~~. ~~Be able to identify~~ the meaning of adverse selection and spread of risk.
15~~4~~. ~~Be able to identify~~ the benefits and the costs of insurance to society (e.g. loss control, loss payments, securing credit, etc.).
16~~5~~. ~~Be able to identify that the alternative funding risk management method known as self-funding allowshas benefits to be tailored to the the needs of a certain group.~~
17~~6~~. ~~Be able to identify~~ a correct explanation of the role of deductibles in insurance.
18~~7~~. ~~Be able to identify:~~
~~a.~~ a definition of reinsurance, Section 620 of the CIC, and,
~~b.~~ the purposes of insurers obtaining reinsurance.

198. Be able to identify that for regulatory purposes:
   a. the Insurance Code divides lines of insurance into classes, Section 100 of the CIC; and,
   b. defines these classes, Sections 101 through 120 of the CIC.

I. General Insurance
   B. Contract Law. Be able to identify:
      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 22 and 380 of the CIC.
      5. Be able to identify the meaning and effect of each of the following on an insurance contract:
         a. fraud, Sections 338 and 1871.2 of the CIC;
         b. concealment, Sections 330 through 339 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)
            ii. materiality, Section 334 of the CIC;
         c. misrepresentation, Sections 780 through 784 of the CIC
         dc. warranty (expressed/implied), Sections 440 through 445 and 447 of the CIC;
         d. 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)an implied warranty qualifies as a representation in an insurance contract, Section 354 of the CIC;
         e. materiality, Section 334 of the CIC;
         ef. representations, Sections 350 through 361 of the CIC;
         i. 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)
         g. misrepresentation, Sections 780 through 784 of the CIC; and;
         fh. waiver and estoppel; and;.
         i. Know that either intentional or unintentional concealment entitles an injured

party to rescission of a contract (Section 331 of the CIC)

6. Be able to identify the six elements which must be specified in all insurance policies, 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, Sections 331, 338, 359, and 447 of the CIC.
8. Given an insurance situation, be able to identify the following terms in the context of insurance correctly:
   a. application, policy, endorsement
   b. cancellation, lapse, grace period
   c. rate, premium, earned and unearned premium

I. General Insurance
   C. The Insurance Marketplace
      1. Be able to identify different distribution systems that include, but are not limited to the following:Distribution Systems
         a. agency
         b. direct response
         a. Be able to differentiate between the four principal marketing distribution systems (Independent/Exclusive Agencies and Direct Writing/Direct Mail System) or internet in terms of:
            i. contractual and ownership relationships between the producer and the insurer; and,
            ii. marketing methods.

I. General Insurance
   C. The Insurance Marketplace
      2. Producers. Be able to:
         1. Be able to understand the general rules of agency as they apply to an agent, broker, and insurance company
            a. the responsibilities and duties of each
            b. the effect of the types of authority an agent may exercise (express, implied, or apparent)
         2. With regard to the underwriting of applicants and/or insureds, be able to:
            a. identify a producer's responsibilities
            b. understand the insurers' requirements
         3. Be able to define the following:
            a. life-only agent (Section 1626.(a)(1) of the CIC)
            b. accident and health agent (Section 1626(a)(2) of the CIC)
            c. life and disability insurance analyst (Sections 32.5, 1831-1849 of the CIC)
         4. Be able to identify the CIC definition of transact and why the definition is

important (Sections 35, 1631, 1633 of the CIC)
a. have knowledge of the penalties for transacting without a license (Section 1633 of the CIC)

5. ~~Be able to~~ identify:
a. that the CIC prohibits certain actions by unlicensed persons (Section 1631 of the CIC)
b. the penalty for such prohibited actions (Section 1633 of the CIC)

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

7. ~~Be able to identify~~ Regarding the differences between the terms “agent” and “broker” with respect to their relationship with insurers and with their insureds, be able to identify that:
a. 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 (Section 31 of the CIC)
b. 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 (Section 33 of the CIC)
c. 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)

8. Be able to recognize:
a. the differences between the authority of an agent and a solicitor
b. 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)

9. For Insurance Agent’s Errors & Omissions insurance, be able to identify:
a. the types of coverages available
b. the types of losses commonly covered and not covered
c. the need for the coverage

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

11. ~~Be able to~~ identify the prohibitions of free insurance (Section 777.1 of the

CIC)

12. Be able to identify the Code requirements for the following:
    a. an agency name, use of name (Sections 1724.5,1729.5 of the CIC)
    b. change of address (Section 1729 of the CIC)
    c. filing license renewal application (Section 1720 of the CIC)
    d. printing license number on documents (Section 1725.5 of the CIC)
13. Be able to identify the records an insurer and agents must maintain (Sections 10508 through 10508.5 of the CIC)
14. 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)
15. Be able to identify the importance and the scope of the Code regarding:
    a. the filing of a notice of appointment to transact insurance (Sections 1704,1705 of the CIC)
    b. an inactive license (Section 1704(b) of the CIC)
    c. cancellation of a license by the licensee in the licensee's possession or in the employer's possession (Section 1708 of the CIC)
16. 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)
17. Be able to identify and apply:
    a. the definition of the term "fiduciary"
    b. producer fiduciary duties described in the Code (Sections 1733 -1735 of the CIC)
18. Be able to identify the continuing education (CE) requirements for:
    a. an individual licensed as a Property Broker-Agent and/or Casualty Broker-Agent
    b. an individual licensed as both a life licensee and as a Property and/or Casualty Broker-Agent
    c. 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

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; and,
    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; and,
    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, by written agreement, for transacting insurance on behalf of the insured);
   iii. insurance solicitor, Section 1624 of the CIC; must be appointed by an agent or broker who holds a permanent property broker-agent and/or casualty broker-agent license;
   iv. managing general agent (MGA), Section 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 percent 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 broker-agent and/or casualty broker-agent 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, Sections 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; and,
   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. Be able to identify the purpose, duties and authority of an agency for the following:~~

~~i. applications;~~

~~ii. binders, Section 382.5 of the CIC and Section 2274 of the CCR;~~

~~iii. certificates of liability insurance and evidence of property insurance;~~

~~iv. renewal responsibilities;~~

~~v. suspense/diary system; and,~~

~~vi. lost policy release.~~

~~j. 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.~~

~~k. 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~~

~~l. Be able to identify the basic prohibitions contained in Section 703.5 of the CIC.~~

~~m. Be able to identify what conduct is prohibited by Title 18 United States Code Section 1033.~~

n. Be able to identify what civil and criminal penalties apply, Title 18 United States Code, Sections 1033 and 1034.
o. 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, and 773 through 774 of the CIC, and Section 2114 of the California Code of Regulations (CCR).
p. Be able to identify the rules regarding insurance in connection with sales and loans, Section 776 of the CIC.
q. Be able to identify the prohibitions of free insurance, Section 777.1 of the CIC.
r. Be able to identify the Code requirements for property broker-agents casualty broker-agents and property/casualty broker-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 1727.2 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, Sections 2190 through 2190.8 of the CCR and 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 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.
s. Be able to identify regulation regarding charges for extra services e.g. mandated procedures to follow when a broker fee is charged.
t. 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.
u. Be able to identify the importance and the scope of the Code regarding:
    i the filing of a notice of appointment, Sections 1704 through 1705 of the CIC;
    ii. an inactive license, Section 1704 (a) of the CIC; and,

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.

v. 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.

w. Be able to identify:

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

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

x. Be able to identify what kind of return premium offsets are and are not permissible, Section 1735.5 of the CIC.

y. Be able to identify the continuing education requirements for:

i. Property broker-agent, casualty broker-agent, and property/casualty broker-agents, Sections 1749.3 of the CIC;

z. 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.

aa. 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.

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

cc. 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.

dd. 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. Be able to identify or differentiate

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) A 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; and,
iv. Be able to identify the penalty for unlawfully acting as an insurer without a certificate of authority, Section 703 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~~ Reciprocal insurers and Risk Retention groups, and know 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. Be able to identify:
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 U.S.C. 4011).

b. Be able to identify:

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

ii. market conduct regulations as the state laws that regulate insurer practices regarding underwriting, sales, ratemaking, and claims handling.

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

iii.

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

ec. 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.

fd. 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 ("Cal-GLBA") Section 4050 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;

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

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

ge. 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).

hf. Be able to define the definition of 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;~~

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

i~~v~~. 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.

i~~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;

j~~h~~. ~~Be able to identify:~~

~~i.~~ common circumstances Know that ~~that suggest the possibility of fraud; e.g. that if~~ a ~~an~~ person who ~~insured~~ signs a false or fraudulent 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.~~

k~~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.

l~~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~~.

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

n~~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.~~

o. that the "prior approval" method is used by the state of California to regulate rates for most property and casualty insurance written in California, Section 1861.05(c) of the CIC.

p~~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.

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

r~~o~~. Regarding the Fair Claims Settlement Practices Regulations , be able to identify
   i. ~~Be able to identify a~~ the definition of the following:
      1) Claimant, Section 2695.2 (c) of the CCR;
      2) Notice of Legal Action, Section 2695.2 (o) of the CCR; and,
      3) Proof of Claim~~s~~, Section 2695.2 (s) of the CCR.
   ii. ~~Be able to identify~~ File and Record Documentation, Section 2695.3 of the CCR;
   iii. ~~Be able to identify~~ Duties Upon Receipt of Communications, Section 2695.5 of the CCR; and,
   iv. ~~Be able to identify~~ Standards for Prompt, Fair and Equitable Settlements, Section 2695.7 (a), (b), (c), (g), and (h) of the CCR.

I. General Insurance
   C The Insurance Marketplace
      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, 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, Section 1761 of the CIC; and,
            viii. what the List of ~~Eligible~~ Approved 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

II. Casualty Insurance
   A. Legal Concept: Tort Law. Be able to identify:
      1. ~~Be able to identify~~ the types of wrongs that are dealt with by tort law including:
         a. intentional torts;
         b. negligence;

c. strictabsolute liability; and,
d. vicariousstrict liability.

2. Be able to recognize and identify:
a. the four essential elements of negligence (duty / breach / injury / unbroken chain);
ab. whether all four elements are present in a described situation;
bc. the principle of "proximate cause"; and,
cd. legal defenses against "negligence."

3. Be able to identify:
a. the reasons for the doctrine of strict liabilityabsolute and strict liability doctrines and recognize situations in which itthey would apply; and,
ab. examples of intentional torts (e.g. libel, slander, false arrest).
b.4. Be able to identify definitions of gross negligence and vicarious liability.
c. types of damages: punitive and compensatory, which includes special and general damages.
d. the difference between comparative and contributory negligence doctrines.

5. Be able to identify types of damages: punitive and compensatory, which includes special and general damages.

6. Be able to recognize the difference between comparative and contributory negligence doctrines.

4.7. 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.

6.9. 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. Casualty Insurance
B. Casualty
1. Basics. Be able to identify
a. Be able to identify the major services provided by the following independent rating organizations:
i. Insurance Services Office (ISO) is the advisory organization that develops forms for the standard market;
ii. ACORD (Association for Cooperative Operations Research and Development)
iii. California Workers' Compensation Inspection Rating Bureau, Section 11750.3 of the CIC:
1) provides reliable statistics and rating information regarding workers' compensation and employer's liability insurance;
2) collect and tabulate information and statistics for the purpose of

developing pure premium rates to be submitted to the commissioner for issuance or approval; and,

3) inspect risks for classification or rate purposes and to furnish to the insurer and upon request of the employer.

iiv~~i~~. Understand that there are other rating organizations out of state (e.g. National Council on Compensation Insurance, Inc. (NCCI))

b. ~~Be able to recognize~~ the principal~~le~~ risk management methods used to identify loss exposures, and the advantages and disadvantages of each method.

~~c.~~ ~~Be able to identify the methods commonly used by risk managers to deal with risk.~~

c~~d~~. ~~Be able to identify~~ the terms of expense, loss, and combined ratios.

d~~e~~. ~~Be able to identify~~ the terms and differentiate between:

i. cancellation / non-renewal / lapse; and,~~short rate / flat rate / pro-rata cancellation~~;

ii. unearned / earned premium and be able to identify their correct computation; and,~~cancellation / non-renewal / lapse; and,~~

iii. short rate / flat rate / pro-rata cancellation ~~unearned / earned premium and be able to identify their correct computation.~~

e~~f~~. ~~Be able to differentiate~~ the differences between the terms “judgment rating,” “merit rating,” and “manual rating.”

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

g~~h~~. Be able to define the term “loss reserve. ~~(e.g. estimate of the amount that an insurer will pay for a claim).~~

h~~i~~. ~~Be able to identify the requirements to be met to assign a policy from one insured to another.~~ Know that ownership of most property and liability policies cannot be assigned without prior approval of the insuance company

i~~j~~. Be able to differentiate between property and casualty/liability insurance coverages.

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

~~l. Be able to identify:~~

~~i. the requirement for an insurable interest to exist, Section 280 of the CIC;~~

~~m. 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.~~

II. Casualty Insurance

B. Casualty

2. Policies. Be able to identify:

a. ~~Be able to identify~~ a description of:

i. the major components of insurance policies (e.g. declarations, insuring agreements, definitions, conditions, exclusions, endorsements, etc.)
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. Be able to identify the definition and effect of a concurrent vs. non-concurrent policy.

c. Be able to describe the provisions or exclusions as they related to microbial -matter exclusions

d. 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.

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

f. Be able to identify the following unlawful practices:
i. Additional Standards Applicable to Automobile Insurance, 2695.8 (e) of the CCR; 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 Lines Insurance (31 percent of exam questions)
A. Insurance on a Residence
1. Liability Coverage - Comprehensive Personal Liability/ Residence Liability. Be able to identify:
a. Be able to identify the two major coverages provided in insurance on residence residential insurance policies.
b. Be able to identify common liability loss exposures covered or excluded.
c. For a described loss, be able to identify who would be covered under Medical Payments to Others.
d. Be able to identify the vehicles commonly insured/ not insured by the basic policy.
e. Be able to identify properties included in:
i. Insured Locations; and,
ii. Residence Premises.
f. Be able to identify losses covered under the homeowners' watercraft endorsement.

III. Personal Lines Insurance
A. Insurance on Residence
2. Liability Endorsements. Be able to identify:
a. Be able to identify the effect of attaching the Mobilehome Endorsement to a

Homeowners Policy.

b. ~~Be able to identify~~ the major effects of the following:
   i. Workers' Compensation - Residence Employees (CA) endorsement - ~~(not optional statutory benefits provided under CA law)~~;
   ii. Additional Residence Rented to Others; and,
   iii. Home business coverage endorsements as compared to commercial policies.

III. Personal Lines Insurance
B. Inland Marine
1. Personal Watercraft - Personal Insurance. Be able to identify:
a. ~~Be able to identify~~ why a boat owner, insured under a Homeowners Policy, might still need Boatowners type coverages.
b. ~~Be able to identify~~ the typical coverages provided
   i. liability operations liability, passenger liability and flotilla liability;
   ii. medical payments; and,
   iii. physical damage coverage
c. ~~Be able to identify~~ the coverage normally afforded by the yacht policy (Hull, boat trailers, Protection and Indemnity (P&I))
~~d. Be able to identify the coverage provided by P&I that is not provided by other boat liability coverages.~~

III. Personal Lines Insurance
C. 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 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~~
a~~b~~. ~~Be able to identify the~~ F~~f~~inancial R~~r~~esponsibility L~~l~~aw and individual or insurance policy requirements, Section~~s~~ 16020, 16021, 16025, and 16451 of the California 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~~.~~
b~~c~~. ~~An agent must be aware of~~ how the particular personal auto policy being sold to the consumer may differ from the ISO PAP

cd. Be able to identify: Under an ISO PAP, be able to identify:
   i. the ISO eligibility requirements for coverage a PAP;
   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.
      ( )(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.

de. Be able to identify situations in which the policy provides:
   i. primary coverage;
   ii. excess coverage; and,
   iii. special physical damage.

ef. 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.

fg. Be able to understand the provisions of the California Amendatory Endorsement and be able identify:
   i. the permitted reasons for an insurer to cancel or non-renew an automobile policy, Section 1861.03(c)(1) and Section 661 of the CIC; and,
   ii. the number of days of notice required, Sections 662 and 663 of the CIC.

gh. 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, allcollision 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 Lines Insurance

C. Personal Auto

2. Liability / Medical Payments / Uninsured Motorist

a. Be able to identify how the policy limits are applied to 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) Know ~~e.g.~~ the difference between theapplication 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 property damage and the single limit applies to all claims~~

iv. “other insurance”; and,

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

c. Be able to identify a described loss under~~applying to~~ 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 Motorists, be able to determine the amount of coverage for each insured:

i. who is defined as an uninsured or underinsured motorist;

ii. the Underinsured Motorists coverage part of the Uninsured Motorist coverage;

iii. Uninsured Motorist Property Damage limit of liability~~s~~; and,

iv. the effect of a collision deductible waiver and,

v. Uninsured Motorist Bodily Injury coverage and limit of liability~~s~~.

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,

ii. 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 Lines Insurance

C. 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;

iv. an insurer's options in making a loss settlement with the insured;

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");

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 Common Auto Endorsements~~the purpose of the following~~:

~~i.~~ Miscellaneous Type Vehicle Endorsement:

ii. ~~1)~~ Limited Mexico Coverage Endorsement;

iii. ~~2)~~ Towing and Labor Coverage.

iv. ~~3)~~ Trust Endorsement

v. ~~4)~~ Joint Ownership; and,

~~5)~~ vi. Auto Loan/Lease Endorsement (GAP Coverage)

vii. Impact of shared rides on personal auto insurance

Named Non-owner Coverage;

viii. Extended Non-owned Liability Coverage – Vehicle Furnished or Available for Regular Use;

ix. Optional Limits - Transportation Expenses Coverage; and,

x. Customizing Equipment Coverage (PP 08 18);

~~c. Be able to identify physical damage.~~

III. Personal Lines Insurance
C. 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:~~
i. What is "low-cost automobile insurance"
ii. the coverages and limits available
iii. eligibility to purchase low-cost automobile insurance
iv. the cancellation and renewal procedures for low-cost automobile insurance
~~1) low-cost automobile insurance;~~
(a)~~2)~~ the costs for this insurance~~;~~
~~3) eligibility to purchase low-cost automobile insurance;~~
~~4) the cancellation and renewal procedures for low-cost automobile insurance; and,~~
~~5) the coverages and limits available.~~

~~III. Personal Lines Insurance~~
~~C. 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 particularly aware of common limitations in the area of medical payments and uninsured motorist.~~

III. Personal Lines Insurance
C. Personal Auto
5~~6~~. Recreational Vehicles
a. Know that for Recreational Vehicles endorsements can be added to a Personal Auto Policy (PAP) to provide coverage:
~~i. understand the different types of Recreational Vehicles; and,~~
~~ii. be able to explain the difference between coverage available for~~

~~recreational vehicles (e.g. motorhomes vs. quad)~~

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
   D. 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 particularly aware of common limitations in the area of medical payments and uninsured motorist.

III. Personal Lines Insurance
   D. 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;
         c. How uninsured motorist and underinsured motorist coverage is extended under an Umbrella or Excess liability policy~~.~~
      2. Be able to identify:
         a. underlying policy limits~~ies~~ 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 Umbrella policies and their availability.

IV. Commercial Insurance Coverages (38 percent of exam questions)
   A. Insurance Services Office, Inc. (ISO) Commercial Lines Insurance Programs. Be able to identify:
      1. ~~Be able to identify:~~
      ~~a.~~ a description of the modular concept as used in the Commercial Package Program; and the common modules,
      ~~b. the major common modules used in all policies.~~

2. ~~Be able to identify and apply definitions~~ of the following Common Policy Conditions and their application: Cancellation, Changes / Examination of Your Books and Records / Inspections and Surveys / Premiums / Transfer of Rights and Duties / First Named Insured.
3. For package policies~~, be able to identify~~:
   a. the minimum requirements for a package policy (modules & coverages);
   b. the advantages to insureds; and,
   c. how~~that the same~~ coverages may be written on a monoline basis.
4. ~~Be able to identify and know~~ the importance of understanding the California Amendatory Endorsements.

~~5. "you," "your," and "we,"~~
   ~~a. Know that "you" in a commercial property policy means named insured;~~
   ~~b. Know that "your" refers to only the named; Insured(s) shown in the declaration; and,~~
   ~~c. Know that "we," "us" and "our" refer to the insurer providing insurance.~~

IV. Commercial Insurance Coverages
B. Casualty Insurance
1. CGL Coverage Forms - Occurrence and Claims-Made. Be able to identify:
   i. the difference in the coverage triggers between an occurrence policy and a claims-made policy.
   ii. why certain policies are written on a claims made basis.
   iii. the definitions of the following terms:
      1) Retroactive Date;
      2) Prior acts coverage (retro date not specified);
      3) Tail coverage (mini, midi, and maxi [SERP]); and,
      4) Know that the Basic Extended Reporting Period begins when the policy period ends and is activated when the policy is cancelled or non-renewed.

2~~1~~. Commercial General Liability (CGL)
   a. General Concepts. Be able to identify:
      i. ~~Be able to identify:~~
      ~~1)~~ the term "general liability"; and,
      ii.~~2)~~ general types of loss exposures insured or left for other policies~~contracts~~ to insure.
      iii.~~ii.~~ ~~Be able to identify~~ the kinds of limits that are listed in the Declarations and the Limits of Insurance Section and how they apply.
   ~~b. CGL Coverage Forms - Occurrence and Claims-Made~~
      ~~i. Be able to identify the difference in the coverage triggers between an occurrence policy and a claims-made policy.~~
      ~~ii. Be able to recognize why some policies are written on a claims made~~

basis.

iii. Be able to apply the definitions of the following terms:
1) Retroactive Date;
2) Prior acts coverage (retro date not specified);
3) Tail coverage (mini, midi, and maxi [SERP]); and,
4) Know that the Basic Extended Reporting Period begins when the policy period ends and is activated when the policy is cancelled or non-renewed.

iiiv. CGL Coverage Form (Occurrence)
1) Based on the Commercial General Liability Coverage Form, be able to identify and apply:
(a) be able to identify and apply the insuring agreement for coverage A, B,C.
(b) the definitions of:
(i) occurrence;
(ii) products-completed operations;
(iii) insured contract;
(iv) coverage territory;
(v) personal and advertising injury;
(vi) bodily injury;
(vii) property damage;
(viii) automobile and mobile equipment;
(ix) employee;
(x) leased employee; and,
(xi) temporary employee
2) Be able to identify both the effect of the following exclusions, and alternative forms of insurance coverage.
(a) Liquor Liability;
(b) Workers' Compensation;
(c) Pollution;
(d) Automobile, aircraft, watercraft;
(e) Care, Custody and Control - Property Damage;
(f) Recall Exclusion; and,
(g) Expected and Intended.
3) Be able to understand who is an insured under the common endorsements.
4) Common Endorsements:
(ha) Employment practices liability;
(ib) Terrorism Exclusions; and,
(jc) Microbial Matter Exclusions.

IV. Commercial Insurance Coverages
- B. Casualty Insurance
  - 2. Professional Liability and Errors & Omissions. Be able to identify
    - a. ~~Be able to recognize reasons why~~ that certain professional liability losses aren't covered under CGL policies:
      - i. because of applicable exclusions;
      - ii. because the loss does~~is~~ not involve:
        - 1) a bodily injury;
        - 2) property damage;
        - 3) personal injury; and,
        - 4) advertising injury.
    - b. ~~Be able to identify~~ the ~~professional~~ occupations commonly insured ~~by~~ under professional liability policies.
    - c. ~~Be able to identify~~ what is covered by Professional Liability Policies that are not covered by a CGL policy.
    - d. ~~Be able to identify~~ the triggers of coverage common to professional liability.
      - i. Claims made;
      - ii. Claims made and reported; and,
      - iii. Occurrence (exceedingly rare).
    - e. ~~Be able to understand~~ the defense provision in a Professional Liability policy and how it differs from the defense provision in a CGL policy:
      - i. Employers' exposure to loss;
      - ii. Common perils insured;
      - iii. Who is an insured;
      - iv. What losses are excluded;
      - v. Employment practices liability; and,
      - vi. Fiduciary Liability.

IV. Commercial Insurance Coverages
- B. Casualty Insurance
  - 3. Management (Directors and Officers) Liability
    - a. Directors and Officers Liability. Be able to identify and understand:
      - i. ~~Be able to understand~~ various loss exposures ~~to loss~~ for profit and non-profit organizations;
      - ii. ~~Be able to understand~~ the three common insuring agreements;
      - iii. ~~Be able to understand~~ who is an insured; and,
      - iv. ~~Be able to understand~~ the exclusions within a policy.
    - b. Employment Practices Liability. Know
      - i. ~~Be able to understand~~ who is~~are~~ not covered; and,
      - ii. ~~Be able to understand~~ what losses are excluded.
    - c. Management Liability is also available as a suite of coverage and designed for exposures not covered by CGL including D&O, EPLI, E&O, Fiduciary,

Kidnapping & Ransom, and Cyber Liability.

IV. Commercial Insurance Coverages
B. Casualty Insurance
4. Employment Practices, be able to identify:
a. Be able to identify the definition of claims that include written demand for monetary or non-monetary relief
b. or administrative or regulatory investigations (including Equal Employment Opportunity Commission charges).
cb. Be able to identify damages that include pre- and post-judgment interest, punitive, exemplary, liquidated and multiplied damages up to the limit of liability, where insurable; most favorable jurisdiction language applies.
dc. Be able to identify the broad definition of wrongful act(s) includes but is not limited to discrimination, harassment, wrongful demotion, failure to hire or promote, hostile or offensive work environment that interferes with work performance, termination and retaliation.
ed. Be able to identify that bodily injury exclusion includes carve-out for emotional distress mental anguish, defamation, invasion of privacy or humiliation.
fe. Be able to understand that there is no exclusion for fraudulent or intentional acts.

IV. Commercial Insurance Coverages
B. Casualty Insurance
5. Commercial Auto
a. Business Auto Coverage - Business Auto Policy (BAP). Be able to identify:
i. Be able to identify why the following coverages might be needed by an insured:
1) owned autos;
2) hired autos; and,
3) non-owned autos.
4) uninsured and under-insured motorists
ii. Be able to identify each of the following symbols used to specify covered autos on the BAP declaration page: 1, 2, 3, 4, 7, 8, 9 and, 19.
iii. Be able to understand the “who is insured” provision of the policy.
iv. Be able to identify the effect of the following exclusions and alternative methods of providing insurance coverage:
1) Workers' Compensation;
2) “ProductsOperations” and “Completed Operations”;
3) Pollution;
4) Care, Custody and Control - Property Damage; and,
5) Fellow employee.
v. Be able to identify the principal physical damage coverages.

vi. ~~Be able to identify~~ the effect of the following endorsements:
1) Individual Named Insured endorsement; and,
2) Drive Other Car Coverage-Broadened Coverage for Named Individuals.
3) Garage Auto Coverage
(a) Garage Liability covers Garage Operations; be able to identify:
(i) the definition of Garage Operations;
(ii) the four major coverages provided by Garage Liability; and,
(iii) reasons for insuring with Garage Liability rather than using General Liability plus Commercial Auto coverage.
(b) Be able to distinguish between losses covered by Garagekeepers Legal Liability and Garagekeepers Direct Coverage (primary or excess).
4) Regarding Truckers Coverage
(a) ~~Be able to identify:~~
(b)~~(i)~~ ~~the definition of "trucker" and the general scope of the Motor Carrier Act of 1980;~~
~~(ii)~~ why a separate automobile program was developed for motor carriers~~; and,~~
~~(iii) that except for a few important specialized coverages, and a few other changes, this coverage corresponds to the BAP.~~

IV. Commercial Insurance Coverages
B. ~~Casualty Insurance~~
~~6. Surety Bonds and General Bond Concepts~~
~~a. Be able to differentiate between the three parties involved in a surety bond.~~
~~b. Be able to identify differences between surety bonds and insurance policies with regard to loss payments.~~
~~c. Be able to identify the differences between contracts, financial guarantee and faithful performance bonds.~~

~~IV. Commercial Insurance Coverages~~
~~B.~~ Casualty Insurance
7. Umbrella and Excess Liability. Be able to identify:
a. ~~Be able to identify:~~
~~i.~~ the major functions and differences of these policies;
b.
~~ii. the absence of standard policies; however, there is an ISO form but~~ most carriers have developed their own form with unique coverage~~;~~

c. ~~iii. the difference between umbrella and excess policies;~~ commonly required underlying policies

~~iv. underlying policies that are commonly required (by the umbrella insurer) to be maintained; and,~~

d~~v~~. what a self-insured retention is and how it is applied to a loss.

IV. Commercial Insurance Coverages

B. Casualty Insurance

8. Workers' Compensation. Be able to identify:

a. ~~Be able to identify~~ the effect on the legal relationship between employer, employee and independent contractor that was intended when worker's compensation laws were written.

b. ~~Be able to identify~~ situations where law requires worker's compensation coverage and the methods used to provide the coverage.

c. Exclusive remedy

d. ~~Be able to describe~~ the California State Compensation Insurance Fund. (SCIF) and Section 11770 et seq. of the California Insurance Code).

i. Know~~Who~~who may place business with it, Section 11784 of the CIC; and,

ii. Know w~~W~~hy would a producer would ~~you~~ place business with SCIF.

e~~d~~. ~~Be able to identify~~ the different types of benefits provided:

i. Medical~~;~~-replacement income-weekly benefit

ii. Disability;

iii. Death; including survivor benefits ~~and,~~

iv. Supplemental job benefits.

f~~e~~. ~~Be able to identify~~ that covered medical expenses do not have time or dollar limits:

i. identify the limits for physical therapy; and,

ii. identify the limits for chiropractic services.

g~~f~~. ~~Be able to identify~~ what Employers Liability coverage is and why it is necessary in addition to workers' compensation, Section 11750.1 (f) of the CIC.

h~~g~~. ~~Be able to identify and apply a~~ the definition and application of the Other States Insurance Section of the policy, Section11780.5 of the CIC.

i~~h~~. ~~Be able to identify~~ the voluntary compensation endorsement.

~~i. Be able to identify what is meant by the term "24 Hour coverage," Section 1749.02 of the CIC.~~

j. the term "Twenty-Four Hour coverage," Section 1749.02 of the CIC.

k. ~~Be able to identify the~~ California Workers' Compensation rating system and the purpose of the experience modification system.

k. ~~Be able to identify~~ that a~~the~~ Workers' Compensation policy does not cover any employees subject to federal workers' compensation or employer's

liability laws:

l. Federal Workers' Compensation Programs

a. Defense Base Act

b. Longshore and Harbor Workers' Compensation Act

c. Jones Act

~~i. Jones Act;~~

~~ii. USL & H; and,~~

~~iii. Defense Base Act.~~

IV. Commercial Insurance Coverages

C. Surety Bonds and General Bond Concepts. Be able to differentiate between:

1. the three parties involved in a surety bond.
2. surety bonds and insurance policies with regard to loss payments
3. contracts, financial guarantees and faithful performance bonds.

~~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; and,
            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; and,~~

~~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;~~

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

~~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 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 property broker-agent and/or casualty broker-agent must complete 24 hours of continuing education each two-year license renewal period.~~

~~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~~
~~a. 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.~~