
Prelicensing Education Educational Objectives

California Commercial Insurance Examination

Overview

Section 1676 of the California Insurance Code (CIC) and Section 2187.4 (a) and (b) of the California Code of Regulations requires that the Personal Lines Broker-Agent licensee, who would like to apply to become a Property Broker-Agent and Casualty Broker-Agent licensee, is required to complete a minimum of 20-hours prelicensing classroom study on commercial insurance. The licensee will not be required to repeat the 12 hours of ethics and code prelicensing classroom study.

In addition, Section 1677 of the California Insurance Code requires the Commercial Insurance Examination is of sufficient scope to satisfy the Insurance Commissioner that an applicant has sufficient knowledge of insurance and insurance laws.

Basic commercial insurance knowledge is required for Personal Lines Broker-Agents to know to increase their authority to act in the capacity of a Property Broker-Agent and Casualty Broker-Agent.

- (1) The most specific knowledge is required in the following areas:
 - * Commercial Property;
 - * Commercial Automobile
 - * Casualty Insurance;
 - * Businessowners Policy (BOP)
 - * Commercial Package Policies;
 - * Inland and Ocean Marine Coverages;
 - * Crime Coverages;
 - * Surety Bonds and General Bond Concepts; and,
 - * Umbrella and Excess Liability Policies.

- (2) To a lesser degree, knowledge is required of:
 - * Workers' Compensation; and,
 - * A general understanding of all other lines of insurance.

As 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.

Prelicensing Education Educational Objectives

California Commercial Insurance Examination

Educational Objectives

The educational objectives are derived from the curriculum outline contained in Title 10, Chapter 5, Subchapter 1, Article 6.5, Section 2187.5 of the California Code of Regulations.

The Examination

The Personal Lines Broker-Agent licensee who would like to apply to become a Property Broker-Agent and Casualty Broker-Agent licensee is required to take the California Department of Insurance's Commercial Insurance examination. The Commercial Insurance examination contains 60 multiple-choice questions. The examinees, without any aids (e.g. reference materials, electronic aids), are allowed one and one-half (1½ hours) to answer the 60 question multiple-choice examination.

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

The objectives for Section I.B4 – Property Indirect Damage Insurance are based on the Business Income Coverage form.

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

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

Prelicensing Education Educational Objectives

California Commercial Insurance 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>

Prelicensing Education Educational Objectives

California Commercial Insurance Examination

Table of Contents

- I. Commercial Insurance Coverages (100 percent of exam questions)
 - A. Insurance Services Office (ISO) Commercial Lines Insurance Programs
 - B. Property Insurance
 - C. Casualty Insurance
 - D. Businessowners Policy (BOP)

Prelicensing Education Educational Objectives

California Commercial Insurance Examination

- I. Commercial Insurance Coverages (100 percent of exam questions)
 - A. Commercial Package Policy (CPP) program introduced by the Insurance Services Office, Inc. (ISO)
 - 1. Be able to identify:
 - a. a description of the modular concept as used in the Commercial Package Program;
 - b. the major common modules used in all policies;
 - c. the minimum requirements for a package policy (modules & coverages);
 - d. the advantages to insureds; and,
 - e. that the same coverages may be written on a monoline basis.
 - 2. Explain the following elements of a Commercial Package:
 - a. Declarations – First Named Insured.
 - b. Common Policy Conditions: Cancellation, Changes / Examination of Your Books and Records / Inspections and Surveys / Premiums / Transfer of Rights and Duties.
 - i. Be able to identify and know the importance of understanding the California Amendatory Endorsements.
 - 3. “you,” “your,” and “we,”
 - a. Know that in a commercial policy form “you” and “your” means named insured; and,
 - b. know that “we,” “us” and “our” refer to the insurer providing insurance.
 - B. Property Insurance
 - 1. Commercial Property
 - a. General Concepts
 - b. Building and Personal Property Coverage Form (BPP)
 - i. Be able to recognize the principal types of Covered Property and the valuation basis for:
 - 1) Building (dwellings not eligible);
 - 2) Insured’s Business Personal Property including improvements and betterments;
 - 3) Tenants improvements and betterments; and,
 - 4) Personal Property of Others; in the insured’s care, custody and control but not while in transit in the continental United States.
 - ii. Be able to identify the purpose of a Value Reporting Form.
 - 1) know that the Value Reporting Form may be used to modify the insurance provided by the Building and Personal Property Coverage Form; and,
 - 2) know that 75 percent is the most that will be paid in the event of a loss if the insured has made no reports of value as required.
 - iii. Additional Coverages and Coverage Extensions:

Prelicensing Education Educational Objectives

California Commercial Insurance Examination

- 1) Vacancy Permit Endorsement
 - i) A building is considered vacant when there is insufficient business personal property present to conduct customary operations and/or 70 percent of the total square footage is not rented or used to conduct customary operations.
 - ii) the effects of attaching a vacancy permit endorsement to a BPP are:
 - a) The perils in the vacancy permit endorsement include vandalism and attempted theft, sprinkler leakage and building glass breakage. Losses from these perils are not covered if the insured building has been vacant for more than 60 consecutive days.
 - b) If a vacancy permit endorsement is added to a Building and Personal Property Coverage form, the vacancy condition under the basic policy is waived during the period.
- c. Coinsurance
 - i. Be able to:
 - 1) identify reasons for coinsurance (advantages / disadvantages to the insured); and,
 - 2) apply coinsurance to a described loss.
 - ii. Be able to recognize for coinsurance purposes, the fair market value may be used to determine the actual cash value of a commercial building.
- d. Mortgage Holder
 - i. Be able to recognize situations in which the rights of a mortgage holder are protected, even if an insured's claim is denied.
- e. Causes of Loss Form(s)
 - i. Be able to identify the purpose of the (Basic, Broad, and Special) Causes of Loss Forms and the major differences between the perils insured.
 - ii. Know that most of the exclusions are contained in the Causes of Loss Form(s) of the Commercial Property policy.
 - iii. In the Causes of Loss coverage part(s), Section B - Exclusions, be able to identify the following excluded loss causes:
 - 1) ordinance or law;
 - 2) earth movement (e.g. know that the earth movement exclusion applies to landslides, mine subsidence and earth tremors caused by a volcanic eruption); and,
 - 3) water (e.g. know the water damage exclusion in the Causes of Loss Special Form applies to sewer backup, tidal waves, and flood).

Prelicensing Education Educational Objectives

California Commercial Insurance Examination

- f. Property Indirect Damage Insurance
 - i. Be able to recognize definitions of Business Income and Extra Expense and that both are covered by the Business Income (and Extra Expense) coverage form.
 - ii. Be able to identify that coverage is only activated if there is direct physical loss to property at the described premises by a covered peril.
 - 1) There needs to be a complete suspension of operation for the Business income to be triggered.
 - iii. Be able to recognize situations in which a business would need Business Income and/or Extra Expense coverage.
 - iv. The Business Income declaration shows which causes of loss are covered.
 - v. Be able to identify situations in which a business would need coverage for Business Income from Dependent Properties.
 - vi. Understand the differences between extra expense needs and expediting (business interruption) coverage.
 - g. Other Endorsements and Coverages
 - i. Be able to identify why the following forms or coverage options might be used:
 - 1) Leasehold Interest;
 - 2) Blanket, Specific, Schedule Insurance; agreed value;
 - 3) Ordinance or Law Coverage;
 - 4) Glass Coverage;
 - 5) Extended Period of Indemnity; and,
 - 6) Terrorism Exclusions
 - ii. Be able to identify the purpose of a "Builder's Risk" form. Know that the coinsurance requirement on a Builder's Risk form is 100 percent of the completed value.
- I. Commercial Insurance Coverages
- B. Property Insurance
 - 2. Inland Marine
 - a. Be able to identify:
 - i. why an insured might need Inland Marine (IM) coverage;
 - ii. common types of property insured using the Inland Marine Commercial Package Policy coverage part (e.g., transit, cargo, or equipment); and,
 - iii. know what a bill of lading is and its purpose.
 - b. For filed forms used with the Commercial Lines Program, be able to identify:
 - i. the perils commonly insured "open perils"; and,
 - ii. the most common exclusions.

Prelicensing Education Educational Objectives

California Commercial Insurance Examination

- c. Be able to understand the major reasons for considering an Electronic Data Processing policy.

- I. Commercial Insurance Coverages

- B. Property Insurance

- 3. Equipment Breakdown Protection Coverage (aka – Boiler and Machinery)

- a. Be able to identify why an insured might need coverage even if they have commercial property insurance with Causes of Loss - Special Form.

- I. Commercial Insurance Coverages

- B. Property Insurance

- 4. Commercial Crime

- a. Be able to differentiate between "theft," "burglary" and "robbery" as defined in crime insurance contracts.
 - b. Be able to identify the following crime coverages and recognize why a business would need to purchase them:
 - i. employee theft;
 - ii. theft of money and securities:
 - 1) inside premises; and,
 - 2) outside premises.
 - c. Be able to differentiate between the discovery and loss sustained forms.
 - i. Know that the loss sustained type of crime coverage would pay for losses which occur during the policy period and are found for up to one year after the policy is terminated; and,
 - ii. Know that the discovery type of crime policy would pay for a loss which is found during the policy period even if the loss occurs prior to the effective date of the policy.
 - d. Know that certain people may not be covered under the policy including officers, employees, and independent contractors.

- I. Commercial Insurance Coverages

- C. Casualty Insurance

- 1. CGL Coverage Forms – Occurrence and Claims-Made. Be able to identify:

- a. the difference in the coverage triggers between an occurrence policy and a claims-made policy.
 - b. why certain policies are written on a claims made basis.
 - c. the definitions of the following terms:
 - i. Retroactive Date;
 - ii. Prior acts coverage (retro date not specified);
 - iii. Tail coverage (mini, midi, and maxi (SERP)); and,
 - iv. Know that the Basic Extended Reporting Period begins when the policy period ends and is activated when the policy is cancelled or

Prelicensing Education Educational Objectives

California Commercial Insurance Examination

- non-renewed.
2. Commercial General Liability (CGL)
 - a. General Concepts. Be able to identify:
 - i. the term General Liability;
 - ii. general types of loss exposures insured or left for other policies to insure; and,
 - iii. the kinds of limits that are listed in the Declarations and the Limits of Insurance section and how they apply.
 - b. CGL Coverage Form (Occurrence)
 - i. Based on the Commercial General Liability Coverage Form be able to identify and apply:
 - 1) the insuring agreement for coverage A, B, C; and;
 - i) the definitions of:
 - a) occurrence;
 - b) products-completed operations;
 - c) insured contract;
 - d) coverage territory;
 - e) personal and advertising injury;
 - f) bodily injury;
 - g. property damage;
 - h) automobile and mobile equipment;
 - i) employee;
 - j) leased employee; and,
 - k) temporary employee.
 - 2) Be able to identify the effect of the following exclusions:
 - i) Liquor Liability;
 - ii) Workers' Compensation;
 - iii) Pollution;
 - iv) Automobile, aircraft, watercraft;
 - v) Care, Custody and Control - Property Damage;
 - vi) Recall Exclusion;
 - vii) Expected and Intended;
 - viii) Employment Practices Liability;
 - ix) Terrorism Exclusions; and,
 - x) Microbial Matter Exclusions.
 - c. Professional Liability and Errors & Omissions. Be able to identify
 - i. that certain professional liability losses are not covered under CGL policies;
 - 1) because of applicable exclusions;
 - 2) because the loss does not involve:
 - i) a bodily injury;
 - ii) property damage;

Prelicensing Education Educational Objectives

California Commercial Insurance Examination

- iii) personal injury; and,
 - iv) advertising injury.
 - ii. occupations commonly insured under professional liability policies.
 - iii. what is covered by Professional Liability Policies that are not covered by a CGL policy.
 - iv. the triggers of coverage common to professional liability:
 - 1) Claims made;
 - 2) Claims made and reported; and,
 - 3) Occurrence (exceedingly rare)
 - v. the defense provision in a Professional Liability policy and how it differs from the defense provision in a CGL policy:
 - 1) Employers' exposure to loss;
 - 2) Common perils insured;
 - 3) Who is an insured;
 - 4) What losses are excluded;
 - 5) Employment practices liability; and,
 - 6) Fiduciary Liability.
- d. Management (Directors and Officers) Liability
 - i. Directors and Officers Liability. Be able to identify and understand:
 - 1) various loss exposures for profit and non-profit organizations;
 - 2) the three common insuring agreements;
 - 3) who is an insured; and,
 - 4) the exclusions within a policy.
 - ii. Employment practices Liability. Know:
 - 1) who is not covered;
 - 2) what losses are excluded; and,
 - 3) 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.
- e. Employment Practices. Be able to identify:
 - i. the definition of claims that include written demand for monetary or non-monetary relief.
 - ii. administrative or regulatory investigations (including Equal Employment Opportunity Commission charges).
 - iii. 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.
 - iv. 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.
 - v. that bodily injury exclusion includes carve-out for emotional distress

Prelicensing Education Educational Objectives

California Commercial Insurance Examination

- mental anguish, defamation, invasion of privacy or humiliation.
- vi. Be able to understand that there is no exclusion for fraudulent or intentional acts.

I. Commercial Insurance Coverages

C. Casualty Insurance

2. Commercial Auto

- a. Business Auto Coverage - Business Auto Policy (BAP). Be able to identify:
 - i. why the following coverages might be needed by an insured:
 - 1) owned autos;
 - 2) hired autos; and,
 - 3) non-owned autos.
 - ii. 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. the "who is insured" provision of the policy.
 - iv. the effect of the following exclusions and alternative methods of providing insurance coverage:
 - 1) Workers' Compensation;
 - 2) "Products" and "Completed Operations";
 - 3) Pollution;
 - 4) Care, Custody and Control - Property Damage; and,
 - 5) Fellow employee.
 - v. the principal physical damage coverages.
 - vi. the effect of the following endorsements:
 - 1) Individual Named Insured endorsement; and,
 - 2) Drive Other Car Coverage-Broadened Coverage for Named Individuals.
- b. Garage Auto Coverage
 - i. Garage Liability covers Garage Operations; be able to identify:
 - 1) the definition of Garage Operations;
 - 2) the four major coverages provided by Garage Liability; and,
 - 3) reasons for insuring with Garage Liability rather than using General Liability plus Commercial Auto coverage.
 - ii. Be able to distinguish between losses covered by Garagekeepers Legal Liability and Garagekeepers Direct Coverage (primary or excess).
- c. Truckers Coverage
 - i. the definition of "trucker" and the general scope of the Motor Carrier Act of 1980; and,
 - ii. why a separate automobile program was developed for motor carriers; and,

Prelicensing Education Educational Objectives

California Commercial Insurance Examination

I. Commercial Insurance Coverages

C. Casualty Insurance

3. Farm

- a. Be able to identify that Farm Insurance can be written as a monoline or package policy providing:
 - i. both personal and commercial coverages; and,
 - ii. liability and property coverages.
- b. Regarding the Federal Crop Insurance Program (FCIP), be able to identify:
 - i. why the coverage may be needed;
 - ii. the major perils commonly insured; and,
 - iii. the role of the federal government.

I. Commercial Insurance Coverages

C. Casualty Insurance

4. Concerning the National Flood Insurance Program (NFIP), be able to identify:

- a. the definition of a flood.
- b. the principal commercial flood coverages.
- c. that Business Income and Extra Expense are not available.
- d. that producers have no binding authority.
- e. that in order to place flood insurance through the NFIP a producer must complete the required training course before submitting the first application.

I. Commercial Insurance Coverages

C. Casualty Insurance

5. Ocean Marine. Be able to

- a. differentiate between cargo, hull, freight, and Protection and Indemnity coverages.
- b. recognize the sources of claims for which Protection and Indemnity insurance provides coverage:
 - i. Jones Act
 - ii. Longshore and Harbor Workers' Compensation Act.

I. Commercial Insurance Coverages

C. Casualty Insurance

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

- a. the three parties involved in a surety bond.
- b. surety bonds and insurance policies with regard to loss payments.
- c. contract, financial guarantee and faithful performance bonds.

I. Commercial Insurance Coverages

C. Casualty Insurance

7. Umbrella and Excess Liability. Be able to identify:

Prelicensing Education Educational Objectives

California Commercial Insurance Examination

- a. the major functions and differences of these policies;
- b. most carriers have developed their own form with unique coverage;
- c. commonly required underlying policies; and,
- d. what a self-insured retention is and how it is applied to a loss.

I. Commercial Insurance Coverages

C. Casualty Insurance

- 8. Workers' Compensation. Be able to identify:
 - a. the effect on the legal relationship between employer, employee and independent contractor that was intended when workers' compensation laws were written.
 - b. situations where workers' compensation coverage is required by law and the methods used to provide the coverage.
 - c. Exclusive remedy.
 - d. the California State Compensation Insurance Fund (SCIF) and Section 11770 et. seq. of the CIC:
 - i. Know who may place business with it, Section 11784 of the CIC; and,
 - ii. Know why a producer would place business with SCIF.
 - e. 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. 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. what Employers Liability coverage is and why it is necessary in addition to workers' compensation, Section 11750.1(f) of the CIC.
 - h. the definition and application of the Other States Insurance section of the policy, Section 11780.5 of the CIC.
 - i. the voluntary contribution endorsement.
 - j. the California Workers' Compensation rating system and the purpose of the experience modification system.
 - k. that a Workers' Compensation policy does not cover any employees subject to federal workers' compensation or employer's liability laws.
 - l. Federal Workers' Compensation Programs
 - i. Defense Base Act;
 - ii. Longshore and Harbor Workers' Compensation Act; and,
 - iii. Jones Act.

I. Commercial Insurance Coverages

D. Businessowners Policy (BOP)

Prelicensing Education Educational Objectives

California Commercial Insurance Examination

1. General Concepts
 - a. Be able to identify the:
 - i. purpose of this coverage;
 - ii. categories of eligible businesses; and,
 - iii. coverages.
2. BOP Property and Liability Coverages
 - a. For BOP Property Coverage, be able to differentiate between the perils covered in the BOP policies and the commercial property policy.
 - b. For BOP Liability Coverage, be able to identify that the coverage and exclusions are similar to that provided by coverages A, B, C, of the CGL form.