Overview

Section 1677 of the California Insurance Code (CIC) requires that the Property 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 Property 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 Property Broker-Agent
   - Business Owner’s Policy
   - Commercial Property
   - Earthquake Coverage
   - Flood Insurance
   - Homeowner’s Insurance
   - Personal Property

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

As defined by the National Association of Insurance Commissioner’s Producer Licensing Model Act, a Property Broker-Agent’s lines of authority are defined as insurance coverage for the direct or consequential loss or damage to property of any kind. The list below contains a sample of some of the insurance products that can be transacted with this license.

Businessowners Policy (BOP) covers small and medium sized businesses. Business owner’s policies basically consist of integrated property coverage, general liability coverage and some additional types of coverage that most businesses require. Optional coverages can also be added to meet specific needs of the business. Auto and worker’s compensation are generally excluded.

Commercial Multiple Peril is a package insurance policy that provides both liability and property coverage for businesses and other organizations.

Commercial Property Coverage applies to real property (such as buildings, factories and warehouses) and business personal property (furniture, fixtures and inventory). It commonly provides time element coverages such as loss of income.
Crop Insurance is coverage for crops in the event of loss or damage by insured perils including hail, fire, and lightning. Prior to the passage of the Federal Crop Insurance Act in 1938 it was virtually impossible to obtain insurance protection against crop damage. Today coverage is available from the Federal Crop Insurance Corporation as well as from private sources. Exclusions from coverage include the perils of war and nuclear disaster.

Dwelling Property is coverage for property damage to a personal dwelling. This will include at least coverage for fire and lightning but can be enhanced to include additional property coverages such as water damage, smoke, and theft. It differs from a homeowner's policy in that liability must be added by endorsement.

Earthquake Insurance is a form of property insurance that pays the policyholder in the event of an earthquake that causes damage to the property. Most homeowners' and dwelling fire insurance policies do not include earthquake damage.

Equipment Breakdown Insurance is insurance commonly referred to as boiler and machinery insurance, covers the costly physical and financial damage that can result from an equipment breakdown. Equipment Breakdown insurance can pay for: direct property loss (the cost to repair or replace damaged equipment); lost business income and costs for temporary replacement equipment; other expenses incurred to limit the loss or speed restoration of operations; loss value of spoiled products or materials; and business recovery expense.

Flood Insurance is insurance that compensates for property damage arising flooding. The federal government is primary writer of the coverage which offers the coverage in federally designated flood areas. Flood coverage is excluded on most homeowners and dwelling fire policies.

Homeowners insurance is a combination of both property and casualty coverages arising out of the ownership of a home. Coverage includes damage to the home, its contents, additional living expenses, and for the insureds personal liability. The homeowners' coverage can be used in different formats to insure mobilehomes and farms if owned by an individual.

Inland Marine insurance is a broad category of property insurance generally covering loss to movable property or unusual risks. In personal lines, inland marine includes coverage for personal effects like jewelry, fine art, sports or musical equipment. Inland Marine coverage in commercial lines can include but is not limited to Equipment Floaters, Builders Risk, Jewelers Block and Difference in Condition policies.
Livestock coverage is designated for horses and other farm animals if they are damaged or destroyed. The insurance includes registered cattle and herds, other farm livestock, and zoo animals. This type of insurance protects the farmer or rancher against the premature death of animals resulting from natural causes, fire, lightning, accidents, and acts of God, acts of individuals other than the owner or employees, and destruction for humane purposes.

Personal Lines are property/casualty insurance products that are designed for and bought by individuals, including homeowners and automobile policies. Personal Lines is also offered as a limited line license through the California Department of Insurance.

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.

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 Property 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 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.

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

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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
I. General Insurance (31 percent of exam questions - includes “II. Property Insurance”)
   A. Basic Insurance Concepts and Principles
   B. Contract Law
   C. The Insurance Marketplace
      1. Distribution Systems
      2. Producers
      3. Insurers
      4. Market Regulation - General
      5. Excess and Surplus (E&S) Lines

II. Property Insurance
   A. Legal Concept - Tort Law
   B. Property
      1. Basics
      2. Policies

III. Personal Lines Insurance (40 percent of exam questions of which 2 percent of exam questions are specific to Homeowners’ Insurance Valuation)
   A. Insurance on a Residence
      1. General Concepts
      2. Property Coverage
         a. Homeowners Policy
         b. Dwelling Policy
      3. Liability Coverage - Comprehensive Personal Liability/Dwelling Liability
      4. Endorsements
   B. Homeowners’ Insurance Valuation
      1. General Concepts and California Insurance Code Section 1749.85
      2. Insurance on a Residence
      3. Earthquake Coverage
      4. California Fair Access to Insurance Requirements (FAIR) Plan
      5. Fire Mitigation and How It Affects Insurance Costs
   C. Inland Marine
      1. General Concepts
      2. Personal Insurance
   D. Government / Pools / Catastrophe - Property Insurance
      1. Earthquake coverage
      2. National Flood Insurance

IV. Commercial Insurance Coverages (29 percent of exam questions)
   A. Insurance Services Office, Inc. (ISO) Commercial Lines Insurance Programs
B. Property Insurance
   1. Commercial Property
      a. General Concepts
      b. Building and Personal Property Coverage Form
      c. Causes of Loss Form(s)
      d. Property Indirect Damage Insurance
      e. Other endorsements and Coverages
   2. Inland Marine
   3. Equipment Breakdown Protection Coverage (AKA-Boiler and Machinery)
   4. Commercial Crime
   5. Farm
   6. National Flood
   7. Ocean Marine
C. Businessowners Policy (BOP)
   1. General Concepts
   2. Businessowner Policy (BOP) Property Coverages
   3. BOP Liability Coverages

Appendix A – Ethics and California Insurance Code (12 hour-educational objectives)
I. General Insurance (31 percent of questions - includes “II. P&L Insurance”)
   A. Basic Insurance Concepts and Principles
      1. Be able to identify examples of insurance (as defined in Section 22 of the CIC).
      2. Be able to recognize the definition of risk.
      3. Be able to differentiate between a pure risk and a speculative risk.
      4. Be able to identify a definition of peril.
      5. Be able to identify a definition of hazard.
      6. Be able to differentiate between moral, morale, physical and legal hazards.
      7. Be able to identify the definition of the law of large numbers.
      8. Be able to identify a definition or the correct usage of the terms loss and loss exposure, e.g. property loss exposure, liability loss exposure, human personnel loss exposure.
      9. Be able to recognize the requisites of an ideally insurable risk.
     10. Be able to identify the definition of insurable events, Section 250 of the CIC.
     11. Be able to identify and apply the definition of insurable interest, and indemnity, and be able to recognize the applicability of these terms to a given situation.
     12. Be able to identify why private insurers underwrite the insurance applications they receive.
     13. Be able to identify the meaning of adverse selection and spread of risk.
     14. Be able to identify the benefits and the costs of insurance to society (e.g. loss control, loss payments, securing credit, etc.).
     15. Be able to identify that the alternative funding method known as self-funding has benefits tailored to the group.
     16. Be able to identify a correct explanation of the role of deductibles in insurance.
     17. Be able to identify:
         a. a definition of reinsurance, Section 620 of the CIC, and,
         b. the purposes of insurers obtaining reinsurance.
     18. 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.

B. Contract Law
   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;
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d. unilateral;
e. personal;
f. utmost good faith; and,
g. indemnity.

4. Be able to identify the term insurance policy, Section 380 of the CIC.

5. Be able to identify the meaning and effect of each of the following on a contract:
   a. fraud, Sections 338 and 1871.2 of the CIC;
   b. concealment, Sections 330 through 339 of the CIC;
   c. warranty (expressed/implied), Sections 440 through 445 and 447 of the CIC;
   d. an implied warranty qualifies as a representation in an insurance contract, Section 354 of the CIC;
   e. materiality, Section 334 of the CIC;
   f. representations, Sections 350 through 361 of the CIC;
   g. misrepresentation, Sections 780 through 784 of the CIC; and;
   h. waiver and estoppel.

6. Be able to identify six required specifications for all insurance policies, Section 381 of the CIC.

7. Be able to identify:
   a. the meaning of the term rescission; and,
   b. when an insurer has the right of rescission, Sections 331, 338, 359, and 447 of the CIC.

I. General Insurance
C. The Insurance Marketplace
   1. Distribution Systems
      a. Be able to differentiate between the four principal marketing distribution systems (Independent/Exclusive Agencies and Direct Writing/Direct Mail 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
         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 for transacting insurance on behalf of another person;
            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 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 need for the coverage.
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ii. the types of coverages available;
iii. the types of losses commonly covered/not covered; and,
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 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 778.2 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.
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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.

c. 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
         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, 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.
            ii. identify the major types of private insurers:
               1) Stock insurance companies;
               2) Mutual insurance companies;
3) Reciprocal insurance exchanges; and,
4) Fraternal organizations.

f. Be able to identify Reciprocals and Risk Retention groups, and the limitations on state regulation of risk retention groups under the federal Liability Risk Retention Act, and the possible impact on consumers, Section 125 through Section 140 of the CIC and Section 3901 of Title 15 United States Code.
I. General Insurance
   C. The Insurance Marketplace
      4. Market Regulation – General
         a. Be able to identify the purpose of insurance regulation and the significance of the McCarran–Ferguson Act, 70 Federal Register, 52,117 (September 1, 2005) (42 U.S.C. 4011).
         b. Be able to identify:
            i. the California Insurance Code (CIC) and how it may be changed;
            ii. the California Code of Regulations (CCR, Title 10, Chapter 5) and how it may be changed; and,
            iii. how the insurance commissioner is selected and the responsibilities of the position, Sections 12900 and 12921 of the CIC.
         c. Be able to identify the correct application of the Unfair Practices article, including its prohibitions and penalties, Sections 790 through 790.10 of the CIC.
         d. Be able to identify the privacy protection provisions of:
            i. The Gramm-Leach-Bliley Act
               1) Be able to explain the rules regarding the collection and disclosure of customers’ personal financial information by financial institutions
               2) Be able to identify the requirements for all financial institutions to design, implement and maintain safeguards to protect customer information;
            ii. The California Financial Information Privacy Act (Senate Bill 1, Chapter 241, Statutes of 2004);
            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).
         e. Be able to identify the scope and correct application of the conservation proceedings described in the Code (Sections 1011, 1013, and 1016 of the CIC).
         f. Be able to define an insolvent insurer, Section 985 of the CIC.
            i. The definition of an insolvent insurer includes either:
               1) Any impairment of minimum "paid-in capital" or "capital paid in," as defined in Section 36, required in the aggregate of an insurer by the provisions of this code for the class, or classes, of insurance that it transacts anywhere; and,
               2) An inability of the insurer to meet its financial obligations when they are due;
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Educational Objectives
California Property Broker-Agent Examination

ii. Know that an insurer cannot escape the condition of insolvency by being able to provide for all its liabilities and for reinsurance of all outstanding risks. An insurer must also be possessed of additional assets equivalent to such aggregate "paid-in capital" or "capital paid in" required by this code after making provision for all such liabilities and for such reinsurance, Section 985 (a) (1) and (2) of the CIC; iii. Know the definition of Paid-in Capital, Sections 36 and 985 of the CIC; and, iv. Know that it is a misdemeanor to refuse to deliver any books, records, or assets to the Commissioner once a seizure order has been executed in an insolvency proceeding, Section 1013 of the CIC.

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

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

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

j. Be able to identify discriminatory fire and casualty practices prohibited by the California Insurance code, Sections 679.71 through 679.73, and 10140 through 10145.4.

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

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

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

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

o. Fair Claims Settlement Practices Regulations
   i. Be able to identify a definition of the following:
      1) Claimant, Section 2695.2 (c) of the CCR;
2) Notice of Legal Action, Section 2695.2 (o) of the CCR; and,
3) Proof of Claims, 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 Approved Surplus Lines Insurers (LASLI) 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. Property Insurance

A. Legal Concept: Tort Law

1. Be able to identify the types of wrongs that are dealt with by tort law including:
   a. intentional torts;
   b. negligence;
   c. absolute liability; and,
   d. strict liability.

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

3. Be able to identify:
   a. the reasons for the absolute and strict liability doctrines and recognize situations in which they would apply; and,
   b. examples of intentional torts (e.g. libel, slander, false arrest).

4. Be able to identify definitions of gross negligence and vicarious liability.

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

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

7. Be able to compute a loss payment applying the doctrines of:
   a. comparative negligence; and,
   b. contributory negligence.

8. Be able to apply the assumption of the risk doctrine.

9. Be able to identify:
   a. the ways a pure no-fault law would modify a tort liability system; and,
   b. the major differences between "pure no-fault" and "modified no-fault" laws.

II. Property Insurance

B. Property

1. Basics
   a. Be able to identify the major services provided by the following independent rating organizations:
      i. Insurance Services Office (ISO) is the advisory organization that develops forms for the standard market;
   b. Be able to recognize the principal risk management methods used to identify loss exposures, and the advantages and disadvantages of each method.
   c. Be able to identify the difference between direct and indirect (consequential) property losses.
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d. Be able to recognize common indirect loss exposures.
e. Be able to identify the methods commonly used by risk managers to deal with risk.
f. Be able to identify the terms of expense, loss, and combined ratios.
g. Be able to identify the following terms:
   i. "all-risk" (an old term still commonly used and understood within the insurance industry, but a term often misunderstood by the general public);
   ii. "open peril" / "special form" (terms commonly used in place of “all-risk” in today’s policies);
   iii. “named peril”; and,
   iv. “concurrent causation”.
h. Be able to identify the terms and differentiate between:
   i. short rate / flat rate / pro-rata cancellation;
   ii. cancellation / non-renewal / lapse; and,
   iii. unearned / earned premium and be able to identify their correct computation.
i. Be able to differentiate between the terms “judgment rating,” “merit rating,” and “manual rating.”
j. Be able to identify and apply the meaning of claims terms (e.g. first party, third party, subrogation, arbitration, etc.).
k. Be able to define the term “loss reserve, e.g. estimate of the amount that an insurer will pay for a claim.
l. Be able to identify the requirements to be met to assign a policy from one insured to another.
m. Be able to differentiate between property and liability insurance coverages.
n. Be able to identify a definition of “loss cost rating” and the reason for its use.
o. Be able to identify:
   i. the requirement for an insurable interest to exist, Section 280 of the CIC;
   ii. when insurable interest is required to exist under property insurance policies, Section 286 of the CIC; and,
   iii. that contingent or expectant interests are not insurable, Section 283 of the CIC.
p. Be able to apply the term "concurrent cause" to a loss where two perils are involved the same time and one peril is covered and the other is excluded.

II. Property Insurance
   B. Property
      2. Policies
         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. Recognize that property insurance policies contain many items except the insured's address, Section 2071 of the CIC.

c. Be able to identify and compute loss payments for:
   i. the different types of valuation commonly used in insurance policies (actual cash value, replacement cost, market value, agreed value, and stated value); and,
   ii. a valued policy, Sections 2053 and 2054 of the CIC.

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

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

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

g. Be able to differentiate the California Standard Form Fire Insurance Policy from the Standard Fire Policy (158 vs. 165 lines).

h. Be able to describe the provisions as they relate to microbial -matter exclusions.

III. Personal Lines Insurance (40 percent of exam questions of which 2 percent of exam questions are specific to Homeowners’ Insurance Valuation)

A. Insurance on a Residence
   1. General Concepts
      a. Be able to identify which applicants are eligible for each of the Homeowners products (HO-3, 4, 5, and 6).
      b. Be able to match the Homeowners products (HO-3, 4, 5, and 6) with consumers needs.
      c. Be able to differentiate the California Standard Form Fire Insurance Policy from the Standard Fire Policy (158 vs. 165 lines).
         i. Be able to differentiate between an open policy and a valued policy, Sections 411 and 412 of the CIC;
         ii. Be able to identify the meaning of warranty and its effect on a policy, Sections 440 through 449 of the CIC; and,
         iii. Be able to identify the laws governing return of premium, Sections 481 through Section 487 of the CIC.
      d. Be able to identify the major similarities and differences between an HO-3, and HO-5.
e. Be able to identify the major similarities and differences of an HO-4, and HO-6.

III. Personal Lines Insurance
A. Insurance on a Residence
  2. Property Coverage
   a. Homeowners/Fire Policy
      i. For the Dwelling Program (DP), be able to identify the major differences between the three forms (Basic, Broad and Special) in terms of:
         1) the coverages included;
         2) perils insured; and,
         3) know that “collapse” is an additional coverage that is provided in a DP 3, and which is not included in a DP
   b. Dwelling Policy
      i. The following items refer to the ISO HO-3 contract
         1) Be able to identify who is or is not an "insured" as defined for Section I.
         2) Be able to identify for coverages A, B and C (Dwelling, Other Structures, Personal Property):
            (a) the kinds of property insured, e.g. paint for the interior of the building is personal property that is included under coverage A;
            (b) the valuation basis used for the property;
            (c) the kinds of property excluded;
            (d) the kinds of property with special (sub) limits - and for which perils, e.g. watercraft has special limits;
            (e) the perils insured against and/or the perils excluded; and,
            (f) how coverage applies to a described loss.
   c. Be able to identify the extent Coverage D (Loss of Use) applies to a described loss.
   d. Be able to identify the coverage available for debris removal and property removal under the HO Property Coverages - Additional Coverages.
   e. Be able to identify the effect of the exclusions: Earth Movement and Flood (including the coverage provided for ensuing losses).
   f. Be able to identify the insured's duties after a loss (Section I Conditions).
   g. Given an example, be able to recognize the applicability of the Ordinance or Law exclusion and its relationship to California requirements, i.e. know that the ordinance or law exclusion excludes the additional cost necessary to make a restroom American Disability Act (ADA) compliant; and,
   h. Be able to identify:
      i. the requirements and definitions of the California Residential Property
Insurance Disclosure statement, Sections 10101 and 10102 of the CIC;
   ii that the form contains only a general description of coverages and is
   NOT part of the residential policy; and,
   iii replacement cost and building code upgrade options.

III. Personal Lines Insurance
   A. Insurance on a Residence
      3. Liability Coverage - Comprehensive Personal Liability/Dwelling Liability
         a. Be able to identify the two major coverages provided in homeowners and
            dwelling 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 a Residence
      4. Endorsements
         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. Other Structures - Increased Limits endorsement;
            iii. Scheduled Personal Property endorsement (also see Section III.B2.2), i.e. be able to identify that the scheduled personal property endorsement covers breakage of glassware caused by an earthquake;
            iv. Inflation Guard endorsement;
            v. Personal Property - Replacement Cost endorsement;
            vi. Personal Injury endorsement;
            vii. Additional Residence Rented to Others; and,
            viii. Home business coverage endorsements as compared to commercial policies.

III. Personal Lines Insurance
   B. Homeowners’ Insurance Valuation
      (2 percent of exam questions are specific to this topic)
      1. General Concepts California Insurance Code Section 1749.85
         a. Be able to identify what the “standard fire policy” is, perils insured, and its importance to modern personal and commercial property contracts, Section 2070 of the CIC.
         b. Be able to identify:
            i. the major coverage differences in the Dwelling and Homeowners programs; and,
            ii. why a dwelling might be insured under a Dwelling Policy rather than a Homeowners (HO) Policy.

III. Personal Lines Insurance
   B. Homeowners’ Insurance Valuation
      2. Insurance on a Residence
         a. Be able to identify the major similarities and differences between an HO-3, and HO-5, e.g. the primary difference between HO-3 and HO-5 is coverage C perils.
         b. Be able to identify the major similarities and differences of an HO-4 and an HO-6 (e.g., HO-4, and HO-6 have similar perils insured against under coverage C).
         c. Home Valuations - Replacement costs
i. Given sufficient information about an HO property loss being adjusted under the Section I Condition - Loss Settlement, be able to compute:
   1) the amount of coverage required to receive full replacement cost coverage; and,
   2) the amount that would be paid (at least 80 percent or less than 80 percent of replacement cost);

ii. Know how a replacement cost policy is paid, e.g. ACV vs. replacement; and,

iii. Guaranteed and Extended Replacement Cost Options.

d. Homeowners’ Insurance Endorsements, be able to identify the major effects of the following:
   i. Guaranteed and Extended Replacement Cost Options (i.e. it is inappropriate to use these endorsements to minimize the amount of coverage provided or sold);
   ii. Ordinance or Law Coverage, know when applicable; and
   iii. Dwelling Limitations
      1) Premises liability
      2) Loss of Rent

III. Personal Lines Insurance
B. Homeowners’ Insurance Valuation
   3. Earthquake Coverage
   a. Be able to identify the advantages / disadvantages (if any) of:
      1) obtaining this coverage by a separate policy vs. endorsement to property policy;
      2) single limit of coverage vs. multiple limits (e.g. Homeowners policy);
         and, reduced coverage policies.

III. Personal Lines Insurance
B. Homeowners’ Insurance Valuation
   4. California Fair Access To Insurance Requirements (FAIR) Plan
   a. Be able to identify the marketplace needs met by the California FAIR plan, Sections 10090 and 10091 of the CIC.
   b. Be able to identify the two different types of areas served by the California FAIR plan.
   c. Be able to identify which of a described group of applicants would be eligible for coverage under the plan.
   d. Be able to identify who is eligible to submit applications to the FAIR Plan and the extent of their binding authority Section 10093(a) of the CIC (Also FAIR Plan rules).
   e. Be able to identify the meaning of “basic property insurance” as defined in Section 10091(c) of the CIC.
III. Personal Lines Insurance
   B. Homeowners’ Insurance Valuation
      5. Fire Mitigation and How It Affects Insurance Costs
         a. Be able to define, recognize, and describe the fire problem in the wildland urban interface.
         b. Be knowledgeable of the areas that affect the risk and hazard such as topography, fuels type and locations, weather, and construction.
         c. Be knowledgeable of the current state laws and regulations that address efforts to mitigate include defensible space requirements, building constructions, land use and planning.

III. Personal Lines Insurance
   C. Inland Marine
      1. General Concepts
         a. Be able to recognize why some lines are filed, some non-filed and what the advantages and disadvantages of this difference are.
         b. For Inland Marine policies, be able to identify:
            i. most are written on an open-peril basis;
            ii. the principal types of exclusions; and,
            iii. the special valuation provisions.
         c. Be able to identify why mobility is a common characteristic of many types of property insured under Inland Marine contracts.
         d. Know that an annual transit policy is usually provided on a named peril basis.

III. Personal Lines Insurance
   C. Inland Marine
      2. Personal Insurance
         a. Be able to compare the Personal Articles Floater (PAF) and the Homeowner's "Scheduled Personal Property Endorsement" (they provide the same coverage).
         b. With regard to the Scheduled Personal Property endorsement:
            i. be able to identify the uninsured loss exposures that might cause an HO-3 homeowners insured to add this endorsement;
            ii. be able to identify what effect insuring property under this endorsement has on coverage C of a Homeowners policy; and,
            iii. Be able to identify the restrictions on "insured locations and "insured perils" in property policies.
         c. Be able to identify the limited coverage that is available in the Watercraft endorsement under the Homeowners Program.
III. Personal Lines Insurance  
D. Government / Pools / Catastrophe - Property Insurance  
1. Earthquake Coverage  
a. Be able to identify the major personal insurance policy coverage that insures against losses caused by earth movement (e.g. Personal Auto: other-than collision / comprehensive coverage).  
b. Be able to identify correct statements about:  
i. requirements for insurers to offer earth movement coverage, Sections 10081 and 10084 of the CIC; and,  
ii. state or federal facilities such as the California Earthquake Authority (CEA) that provide coverage for this peril to major segments of the dwelling market, Sections 10089.6, 10089.26, and 10089.28 of the CIC.  
c. Be able to identify the advantages / disadvantages (if any) of earthquake type deductible vs. commonly used property deductibles.  

III. Personal Lines Insurance  
D. Government / Pools / Catastrophe - Property Insurance  
2. National Flood Insurance  
a. Be able to identify the major personal insurance policy coverage that insures against losses caused by flood. (e.g. Personal Auto: other-than collision or comprehensive coverage).  
b. For the National Flood Insurance Program (Federal Register, Vol. 70, No. 169, pp. 52117-52119, September 1, 2005, 42 U.S.C. 4011) be able to identify the following:  
i. the types of properties eligible for coverage under the program (applies to both personal and commercial property);  
ii. the principal coverage provided by the contract and limitations for making claims;  
iii. risks eligible for the program, differentiating between the emergency program and the regular program;  
iv. who may place business with the program (any licensed broker-agent);  
v. an agent’s binding authority; and,  
vi. that program dollar limits for coverages are specified.  

IV. Commercial Insurance Coverages (29 percent of exam questions)  
A. Insurance Services Office, Inc. (ISO) Commercial Lines Insurance Programs  
1. Be able to identify:  
a. a description of the modular concept as used in the Commercial Package Program; and,  
b. the major common modules used in all policies.  
2. Be able to identify and apply definitions of the following Common Policy
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Conditions: 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. 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. Property Insurance
1. Commercial Property
   a. General Concepts
      i. Be able to identify and apply definitions from the Commercial Property Conditions.
   b. Building and Personal Property Coverage Form
      i. Be able to recognize the principal types of Covered Property and the valuation basis for:
         1) Building (dwellings not eligible);
         2) Business Personal Property including improvements and betterments; and,
         3) Personal Property of Others, e.g. know that under the Commercial Property Coverage Form, personal property of others is excluded if the property is being transported by the insured.
      ii. Be able to identify the purpose of a Value Reporting Endorsement.
         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. Be able to recognize:
        1) Additional Coverages; and,
        2) Coverage Extensions.
   iv. Under Loss Conditions – Vacancy, be able to recognize:
        1) the definition of vacancy and understand the definition for the
tenancy of the vacancy (e.g. know that 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).

2) what effect this condition has on the policy (e.g. a vandalism loss under a Building and Personal Property Coverage Form is excluded if the insured building has been vacant for more than 60 consecutive days); and,

3) the effect of attaching a vacancy permit to a policy:
   a) Know the perils in the vacancy permit endorsement include vandalism and attempted theft, sprinkler leakage and building glass breakage.
   b) If a vacancy permit endorsement is added to a Building and Personal Property Coverage form, be able to recognize that the vacancy condition under the basic policy is waived during the period.

v. Be able to:
   1) identify reasons for coinsurance (advantages / disadvantages to the insured); and,
   2) apply co-insurance to a described loss.

vi. Be able to recognize for coinsurance purposes, the fair market value may be used to determine the actual cash value of a commercial building.

c. Causes of Loss Form(s)
   i. Be able to recognize situations in which the rights of a mortgage holder are protected, even if an insured's claim is denied.
   ii. Be able to identify the purpose of the (Basic, Broad, and Special) Causes of Loss Forms and the major differences between the perils insured (e.g. know for instance that Windstorm is a covered peril under the Basic, Broad, and Special Cause of Loss Form(s)). Other coverages may not be covered under all three forms.
   iii. Know that most of the exclusions are contained in the Causes of Loss Form(s) of the Commercial Property policy.
   iv. In the Causes of Loss coverage part(s), Section B - Exclusions, be able to identify the following excluded loss causes:
      a) ordinance or law;
      b) earth movement (e.g. know that the earth movement exclusion applies to landslides, mine subsidence and earth tremors caused by a volcanic eruption); and,
      c) water (e.g. know the water damage exclusion in the Causes of Loss Special Form applies to sewer backup, tidal waves, and
flood).

d 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) coverages 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.
   a) 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 Business Income from Dependent Properties.
vi. Understand the differences between extra expense needs and expediting (business interruption) coverage.

e. Other endorsements and Coverages
i. Be able to identify why the following forms or coverage options might be used:
   a) Leasehold Interest;
   b) Blanket, Specific, Schedule Insurance, Agreed Value;
   c) Ordinance or Law Coverage;
   d) Glass Coverage;
   e) Extended Period of Indemnity; and,
   f) 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.

IV. 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 Commercial Package Policy IM coverage part (e.g. transit, cargo, equipment); and,
      iii. Know that a release bill of lading limits the carrier’s liability on the shipment for the common carrier.
   b. For filed forms used with the Commercial Lines Program, be able to identify:
      i. the perils commonly insured ("open perils"); and,
iv. the most common exclusions.
c. Be able to understand the major reasons for considering an Electronic Data Processing policy.

IV. Commercial Insurance Coverages
B. Property Insurance
3. Equipment Breakdown Protection Coverage (AKA – Boiler and Machinery)
   Be able to identify why an insured might need Boiler and Machinery coverage even if they have commercial property insurance with Causes of Loss - Special Form.

IV. 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; and,
      iii. theft of money and securities.
   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 are not covered under the policy including officers, employees, and independent contractors.

IV. Commercial Insurance Coverages
B. Property Insurance
5. Farm
   a. Be able to identify that Farm insurance can be written on a monoline or package policy providing:
      i. both personal and commercial coverages; and,
      ii. liability and property coverages.
   b. The Federal Government Crop Insurance Program for Crop Insurance, 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.

IV. Commercial Insurance Coverages
B. Property Insurance
6. National Flood
   a. Be able to identify the definition of a flood.
   b. Be able to identify the principal commercial flood coverages.
   c. Be able to recognize that business income and extra expense are not available through the National Flood Insurance Program (NFIP).
   d. Be able to identify that producers have no binding authority with the NFIP.
   e. Know that in order to place flood insurance through the NFIP the three-hour training must be completed before submitting the policy as stated in Section 207 of Flood Insurance Reform Act of 2004 (Federal Register, Vol. 70, No. 169, pp. 52117-52119, September 1, 2005, 42 U.S.C. 4011).

IV. Commercial Insurance Coverages
B. Property Insurance
7. Ocean Marine
   a. Be able to differentiate between cargo, hull, freight, and protection and indemnity coverage.
   b. Be able to recognize the sources of claims for which Protection and Indemnity insurance provides coverage:
      i. Jones Act; and,
      ii. USL&H Act.

IV. Commercial Insurance Coverages
C. Businessowners Policy (BOP)
   1. General Concepts
      a. Be able to identify the:
         i. purpose of this program;
         ii. mandatory coverages; and,
         iii. categories of eligible businesses.

IV. Commercial Insurance Coverages
C. Businessowners Policy (BOP)
   2. BOP Property Coverages
      a. Be able to differentiate between the coverage provided by the Standard and Special forms.
      b. Be able to differentiate between the perils covered in the BOP policies and the commercial property policy.
      c. Be able to identify important additional coverages included in the BOP that would have to be added to the Commercial Property Policy.
IV. Commercial Insurance Coverages
   C. Businessowners Policy (BOP)
      3. Liability Coverages
         a. Be able to identify that the coverage and exclusions are similar to that provided by coverages A, B, C of the CGL form.
         b. Be able to identify how the limits of liability of the BOP policy differ from the CGL policy.
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
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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.

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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.

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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;
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.

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   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.