# Overview

The authorizing act for an insurance adjuster (independent) is in California Insurance Code (Cal. Ins. Code) sections 14000 through 14099. Specifically, Section 14021 states, in part, “an insurance adjuster” is a person, other than a private investigator, who engages in the business or accepts employment to furnish, or agrees to make, or makes, any investigation for the purpose of obtaining, information in the course of adjusting or participating in the disposal of, any claim in connection with a policy of insurance on behalf of an insurer or engages in soliciting insurance adjustment business or aids an insurer in any manner as referenced in this section.

Cal. Ins. Code section 14026 and California Code of Regulations, Title 10, (10 Cal. Code Regs.) sections 2691.6 through 2691.9 state, in part, every qualifying examination for an insurance adjuster's license shall be in writing and shall be of sufficient scope to satisfy the Commissioner that the applicant has sufficient knowledge of and is reasonably familiar with the insurance laws in California and with the provisions, terms and conditions of the insurance contracts for which settlement of claims may be made pursuant to the insurance adjuster (independent) license, and has a general and fair understanding of the obligations and duties of the holder of such license.

The person in charge of the business (owner, partner, officer, or/and employed manager) must meet the following requirements:

* **Minimum Age**: 18 years
* **Residency:** Cal. Ins. Code section 14029(a) states, “the business of each licensee must be operated under the active direction, control, charge, or management of the licensee, if the licensee is qualified, or the person who has qualified to act as the licensee’s manager, if the licensee is not qualified.” Although the qualified manager is not required to be a resident of California, the qualified manager must meet the oversight requirements stated in Cal. Ins. Code section 14029.
* **Entity Type:** Individual and Business Entity
* **Prelicensing Experience/Education:**  Applicants for the insurance adjuster (independent) examination must have two years certified experience in adjusting insurance claims or the equivalent thereof as defined by the Commissioner. The 2,000 hours of compensated work performed by each applicant in the adjusting field is equal to one year of experience. (Cal. Ins. Code section 14025(c) and 10 Cal. Code Regs. section 2691.4[b]).
* **Continuing Education:** California resident independent insurance adjusters must complete 24 hours of continuing education, of which three hours are to be in ethics, during the two-year license term (Cal. Ins. Code section 14090.1[a]).

**Examination Objectives**

These examination objectives are derived from topics relative to the insurance adjuster (independent) license and include the following:

* Knowledge in the following areas of insurance coverages:
	+ - Personal Automobile
		- Homeowners’ Insurance
		- Dwelling Coverage
		- Commercial Policies
		- Business Owners Policy (BOP)
		- Workers’ Compensation
		- Ocean Marine
		- Surety and Fidelity
		- Pet Insurance
		- Other Coverages and Options
* General knowledge in the following areas:
	+ - Insurance Adjuster Act
		- Adjusting Losses
		- Fair Claims Settlement Practices

**The Examination**

The California Department of Insurance’s (CDI) insurance adjuster (independent) license examination contains 100 multiple-choice questions. Applicants, without any aids (e.g., reference materials, electronic aids), are allowed two hours and thirty minutes to complete the examination.

Passing the examination is the completion of an important first step in a career as an insurance adjuster (independent) 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.

CDI examinations are administered at the CDI test center in Los Angeles, at one of CDI’s license examination vendor, PSI Services LLC (PSI), test centers located throughout California, or a PSI online remote proctored license examination.

CDI site examinations begin at 8:30 a.m. (8:00 a.m. check in) and 1:00 p.m. (12:30 p.m. check in), Monday through Friday, except on state holidays.

|  |
| --- |
| **CDI Los Angeles Examination Site:**Ronald Reagan Building300 South Spring StreetNorth Tower, Suite 1000Los Angeles, California 90013 |

PSI’s test centers are located at the following locations, which provide evening and weekend license examinations at some of their locations:

Agoura Hills

Atascadero

Bakersfield

Carson

Diamond Bar

Fresno

Irvine

Lawndale

Redding

Riverside

Sacramento

San Diego

San Francisco

Santa Clara

Santa Fe Springs

Santa Rosa

Union City

Ventura

Visalia

Walnut Creek

Remote online proctored license examinations are administered on dates and times selected by the license applicant.

Candidate Information Bulletin

The Candidate Information Bulletin provides detailed information on how to prepare for the license examination, prelicensing education requirements, examination site procedures, sample examination questions, and addresses for CDI’s Los Angeles and PSI’s test centers. Please review the following link:

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

For additional information on license examinations (e.g., 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](http://www.insurance.ca.gov/0200-industry/0010-producer-online-services/0200-exam-info/index.cfm%22%20%5Co%20%22blocked%3A%3Ahttp%3A//www.insurance.ca.gov/0200-industry/0010-producer-online-services/0200-exam-info/index.cfm)

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B. **CDI Notice on Important California Laws that Pertain to Property Insurance Policies after a Declared Disaster**

* + - 1. At the time the Commissioner declares an emergency and if any laws are enacted, all claims adjusters, whether California-licensed or not, who are assigned to wildfire claims must be properly trained on the California Unfair Practices Act, Fair Claims Settlement Practices Regulations, and all laws relating to property and casualty insurance claims handling (Cal. Ins. Code sections 14022(a)(2), 14022.5, and 14046)
1. **Insurance Regulation** (9 percent of the examination)

**A. Insurance Adjuster Act**

1. General Provisions, Cal. Ins. Code sections 14000 through 14002

* 1. Have knowledge of the terms stated in Cal. Ins. Code section 14001
	2. Understand that nothing in Cal. Ins. Code section 14000 et seq. shall be construed as entitling any person to practice law in this state, unless they are an active member of the State Bar of California

2. Administration: Cal. Ins. Code sections 14010 through 14013

1. Be familiar with the Commissioner’s authority in the:
	* 1. Succession to powers and duties
		2. Construction of reference to prior licensing
		3. Administration and enforcement by the Commissioner

iv. Appointment of personnel

* + 1. Delegation of powers and duties
		2. Adoption and Enforcement of Reasonable Rules

3. Regulation, Licensing, and Registration: Cal. Ins. Code sections 14020 through 14045 and 10 Cal. Code Regs. sections 2691 through 2691.24

1. Have knowledge of the requirements of licensure
	* + - 1. Prerequisites for Licensing
		1. Application Form and Fees
		2. Maintenance of License
		3. Denial of License

4. Emergency Situation: Claims Adjusted by Nonlicensed Adjuster, Cal. Ins. Code section 14022.5

a. Understand the process, registration, and timing when the Commissioner declares an emergency

5. Bonds: Cal. Ins. Code section 14050

1. Be able to identify the amount, form, execution, and sufficiency of sureties
2. Be able to identify actions for damages
3. Have knowledge of maintenance of bonds and reasons for denial of an applicatoin
4. Be familiar with the duration of bonds

6. Disciplinary Proceedings: Cal. Ins. Code section 14060 and 10 Cal. Code Regs. section 2691.3

1. Be able to recognize actions that would result in suspension or revocation of a license

7. Non-Residents: Cal. Ins. Code sections 14070 through 14078

1. Have knowledge of disciplinary proceedings for non-residents
2. Be familiar with proof of compliance requirements for non-residents

8. Penal Provisions: Cal. Ins. Code section 14080

1. Be able to recognize that anyone who falsifies the fingerprints or photographs submitted under subdivision (f) of Cal. Ins. Code section 14024 is guilty of a felony
2. Be able to recognize that any violations to all other provisions is a misdemeanor

9. Crop Insurance Adjuster: Cal. Ins. Code section 14085

a. Have knowledge of the crop insurance adjuster limited line license and its requirements

10. Expiration and Renewal of Licenses and Cards: Cal. Ins. Code sections 14090 through 14094 and10 Cal. Code Regs. section 2691.21

1. Have knowledge of:

i. License Renewal

* + - 1. Be able to recognize that every license, branch office certificate, and pocket card issued pursuant to the Insurance Adjuster Act shall expire on the day two years after the last calendar day of the month in which the initial license was issued
			2. Late License Renewal
		1. Continuing Education Requirements (CE)

11. Revenue: Cal. Ins. Code section 14097

1. Be familiar with the adjuster licensing fees stated in Cal. Ins. Code section 14097
2. **Insurance Regulation** (9 percent of the examination)

**B. Special Investigative Unit (SIU)**

1. Definitions: 10 Cal. Code Regs.section 2698.30

* 1. Have knowledge of the definitions listed in 10 Cal. Code Regs. section 2698.30

2. Insurer Responsibility and SIU Staffing: 10 Cal. Code Regs.sections 2698.31 through 2698.32

1. Understand that the insurer shall comply with applicable sections of the Insurance Fraud Prevention Act (IFPA) and the regulations regarding the establishment, operation, and continuous existence of an SIU
2. Understand what determines the adequacy of the insurer’s SIU staffing and the knowledge and/or experience requirements for SIU staff

3. SIU Contracted Responsibilities: 10 Cal. Code Regs. section 2698.33

1. Be familiar with the insurer’s obligations under SIU regulations

4. Communication with CDI’s Fraud Division and Authorized Governmental Agencies: 10 Cal. Code Regs. section 2698.34

a. Understand that the insurer and any entity performing SIU function(s) shall comply with specific sections of the IFPA regarding communication with the Fraud Division and authorized govermental agencies

b. Be able to identify what information shall be released, upon written request, to the Fraud Division and authorized governmental agencies

5. Detecting and Investigating Suspected Insurance Fraud: 10 Cal. Code Regs. sections 2698.35 through 2698.37

1. Understand that the SIU will be responsible for establishing, maintaining, and distributing procedures to be used by integral anti-fraud personnel
2. Be familiar with what an investigation of possible suspected insurance fraud shall include
3. Be familiar with referrals of suspected insurance fraud and what content is required in the referrals

6. Anti-Fraud Training: 10 Cal. Code Regs. section 2698.39

1. Be familiar with the establishment, maintenance, and frequency of an anti-fraud training program

7. SIU Annual Report and Examinations: 10 Cal. Code Regs. sections 2698.40 through 2698.41

1. Have knowledge of SIU Annual Report requirements
2. Understand that the Commissioner may conduct examinations of an insurer’s SIU and related operations, including operations undertaken by entities under contract with the insurer, as deemed necessary to determine compliance
3. **Insurance Basics** (8 percent of the examination)

**A. Insurance Principles and Concepts**

1. Be able to identify examples of insurance(as defined in Cal. Ins. Code section 22)

2. Be able to recognize the definition ofrisk

3. Be able to identify a definition of peril

4. Be able to identify a definition of hazard

5. Be able to differentiate betweenmoral,physical, and legalhazards

6. Be able to identify a definition or the correct usage of the terms lossand loss exposure (e.g. property loss exposure, liability loss exposure, human personnel loss exposure)

7. Be able to identify the definition of insurableevents, Cal. Ins. Code section 250

8. Be able to identify and apply the definition of insurableinterest and indemnity, and be able to recognize the applicability of these terms to a given situation

9. Be able to identify the meaning of adverse selection and spread of risk

10. Be able to identify a correct explanation of the role of deductibles in insurance

11. Be able to identify:

a. Definition of reinsurance, Cal. Ins. Code section 620

b. The purposes of insurers obtaining reinsurance

12. Be able to identify that for regulatory purposes:

a. The Insurance Code divides lines of insurance into classes, Cal. Ins. Code section 100

b. Defines these classes, Cal. Ins. Code sections 101 through 120

1. **Insurance Basics** (8 percent of the examination)

**B. Contract Basics**

1. Understand company specific policies [Insurance Services Office (ISO), American Association of Insurance Services (AAIS)]
2. Be able to identify the elements of a legal contract
3. **Insurance Basics** (8 percent of the examination)

**C. Policy Structure**

1. Understand the various parts of the contract such as:
2. Declarations
3. Insuring Agreement
4. Conditions
5. Exclusions and Limitations
6. Additional Coverages
7. Definitions
8. Endorsements
9. **Automobile Insurance** (16 percent of the examination)

**A. Overview**:

Automobile Insurance covers the loss exposures presented from the ownership and operation of a personal automobile.

1. **Automobile Insurance** (16 percent of the examination)

**B. Personal Automobile Policy**

1. General Concepts

a. Be able to identify:

1. ISO eligibility requirements for a Personal Automobile Policy (PAP)
2. Who is an insured, including the provisions regarding how the policy responds when an insured is no longer a spouse living in the same household (e.g., any person qualifies as an insured while using a covered automobile)
3. The policy territorial limits
4. The difference between "share-the-expense car pools" and "for-hire" situations
5. The coverage that applies to newly acquired automobile and “your covered automobile”
6. The coverage that applies to a non-owned private passenger automobile rented by an insured while on a short vacation
7. Coverage that applies to trailers

b. Be able to identify the financial responsibility law requirements, California Vehicle Code (CVC) sections 16020, 16021, 16025, and 16451

c. An adjuster must be aware of how the PAP policy being sold to the consumer may differ from the ISO PAP

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

1. Primary coverage
2. Excess coverage
3. Special physical damage

e. For newly acquired automobiles, understand that:

1. A newly acquired automobile will have the broadest coverage provided for any vehicle shown in the Declarations, except for collision coverage for damage to your automobile
2. If the insured has collision coverage on at least one automobile listed on the Declarations page, collision coverage on a newly acquired automobile begins on the date the insured becomes the owner, the insured must notify the insurer within 14 days
3. If the insured does not have collision coverage on at least one automobile listed on the Declarations page, collision coverage on a newly acquired automobile begins on the date the insured becomes the owner, but the insured must request collision coverage within 4 days and a $500 deductible applies
4. If a newly acquired automobile is in addition to any vehicle shown in the Declarations, the insured must notify the insurer within 14 days

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

* + - * 1. Know that recreational vehicles (RV) are generally both designed as and used as private passenger vehicles, not commercial vehicles
				2. Once an RV is added to the PAP, the existing coverage of the PAP is extended to this added vehicle
				3. Know that under Cal. Ins. Code section 660(a)(1), a 6-wheel RV would be considered a private passenger vehicle

2. Liability/Medical/Uninsured Motorists

1. Be able to identify how the policy limits apply Liability, Medical, Uninsured Motorist in a given loss situation
2. For a described loss applying to Part A – Liability, be able to determine the effect of:
3. Supplementary payments
4. “Out-of-state coverage" (including "financial responsibility" and “no-fault” compliance)
5. Split limits vs. single limits coverage
6. “Other insurance”
7. Principle – coverage/limitations/exclusions – applying to bodily injury and property damage liability
8. Be able to identify a described loss applying to Part B – Medical Payments; be able to determine the amount of coverage for each insured
9. Principle – coverage/limitations/exclusions/apply to Part B – Medical Payments
10. For a described loss applying to Part C – Uninsured Motorist Coverage
11. Who is defined as an uninsured motorist
12. Who is defined as an underinsured motorist
13. Coverage limit options for uninsured motorists
14. Uninsured Motorist Property Damages
15. Collision deductible waivers
16. Under California law be able to identify:
17. The policy limits required to comply with the Financial Responsibility Law, Cal. Ins. Code section 11580.1(b)(1) and CVC section 16056
18. The requirement for offering Uninsured Motorists Coverage in policies providing bodily injury liability and how an insured may reject the coverage, Cal. Ins. Code section 11580.2(a)(1)

3. Physical Damage/Miscellaneous

1. In a described loss, be able to identify:
2. If the loss is covered and for how much after applying any deductibles

ii. Standard basis of valuation for the automobile

iii. An insurers options in making a loss settlement with the insured

iv. Under what circumstances transportation expenses are reimbursed

v. The coverage for personal effects (none)

vi. The relationship between Other Than Collision (OTC) coverage and comprehensive coverage (ISO uses newer OTC; many insurers still use comprehensive)

1) Know that OTC coverage is a property insurance coverage

vii. Under what conditions waiver of collision deductible and uninsured motorist property damage must be offered and the coverage provided by each

viii. Insured's duties after a loss

1. Be able to identify the purpose of the following:
2. Miscellaneous Type Vehicle Endorsement
3. Limited Mexico Coverage Endorsement
4. Towing and Labor Coverage
5. Trust Endorsement
6. Joint Ownership
7. Automobile Loan/Lease Endorsement (Guaranteed Automobile Protection (GAP) Coverage)
8. Limited Lines Automobile
9. Named Non-owner Coverage
10. Extended Non-owned Liability Coverage (e.g., vehicle furnished or available for regular use)
11. Optional Limits (e.g., transportation expenses coverage)
12. Customizing Equipment Coverage (i.e., sound receiving and transmitting equipment, audio, visual and data electronic equipment and tapes, records, discs)

1. **Homeowners’ Insurance** (16 percent of the examination)
	1. **Overview**

Homeowners insurance is acombination 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 insured’s personal liability.

1. **Homeowners’ Insurance** (16 percent of the examination)
2. **Coverage Forms**  Be able to identify the following:

1. Homeowners 1 – Basic Form (HO1) – A basic policy form that provides coverage on a home against 11 listed perils; contents are generally included in this type of coverage, but must be explicitly enumerated. The perils include fire or lightning, windstorm or hail, vandalism or malicious mischief, theft, damage from vehicles and aircraft, explosion riot or civil commotion, glass breakage, smoke, volcanic eruption, and personal liability. Exceptions include floods, and earthquakes. Most states no longer offer this type of coverage.

2. Homeowners 2 – Basic Form (HO2) – A more advanced form that provides coverage on a home against 17 listed perils (including all 11 on the HO1). The coverage is usually a "named perils" policy, which lists the events that would be covered.

3. Homeowners 3 – Basic Form (HO3) – The typical, most comprehensive form used for single-family homes. The policy provides "all risk" coverage on the home with some perils excluded, such as earthquake and flood. Contents are covered on a named peril basis. Note: "All Risk" is poorly termed as it is essentially named exclusions (i.e., if it is not specifically excluded, it is covered).

4. Homeowners 4 – Basic Form (HO4) – The "Tenants" form is for renters; it covers personal property against the same perils as the contents portion of the HO2 or HO3. An HO4 generally also includes liability coverage for personal injury or property damage inflicted on others.

5. Homeowners 5 – Basic Form (HO5) – Covers the same as HO3 plus more. On this policy the contents are covered on an open peril basis; therefore, as long as the cause of loss is not specifically excluded in the policy, it will be covered for that cause of loss (can also be achieved by endorsing an HO15 to the HO3).

6. Homeowners 6 – Basic Form (HO6) – The form for condominium owners.

1. **Homeowners’ Insurance** (16 percent of the examination)
2. **Definitions**

Understand that this sectionprovides definitions of important terms in the contract, helps the insured to understand the contract better, and protects the insurer since any ambiguity in an insurance contract is construed against the insurer by the courts.

1. **Homeowners’ Insurance** (16 percent of the examination)

**D. Section I – Property Coverages**

1. Be able to identify for coverages A, B, and C (Dwelling, Other Structures, and 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

f. How coverage applies to a described loss

2. Be able to identify the extent Coverage D (Loss of Use) applies to a described loss

3. Be able to identify thecoverage available for debris removal and property removal under the HO Property Coverages – Additional Coverages

4. Be able to identify the effect of the exclusions: Earth Movement and Flood

a. Know that an “efficient proximate cause” can result in coverage for earth movement following a wildfire, Cal. Ins. Code section 530.5

5. Be able to identify the insured's duties after a loss (Section 1 Conditions)

6. Given an example and be able to recognize the applicability of the Ordinance or Law exclusion and its relationship to California requirements

7. Be able to identify:

a. The requirements and definitions of the California Residential Property Insurance Disclosure statement, Cal. Ins. Code sections 10101 and 10102

b. That the form contains only a general description of coverages and is NOT part of the residential policy

c. Replacement cost per Cal. Ins. Code section 2051.5 as it pertains to:

i. Personal property and real property, including code upgrade options

ii. The extension of timelines to collect full replacement cost in the event of a “state of emergency”

1. Rebuilding at the loss location, rebuilding at a new location, and purchasing an already built home at a new location
	* + - 1. The effect of the value of land on rebuilding, Cal. Ins. Code section 2051.5(c)(2)

d The provisions for combining payments for losses up to the policy limits for the primary dwelling and other structures in the event of a state of emergency, Cal. Ins. Code section 10103.7

e. The criteria and the insured’s timeline to sue the insurer including the extension in the event of a state of emergency, Cal. Ins. Code sections 2071 and 6010

f. The special policy renewal provisions which may apply following a disaster that results in total loss to a property, Cal. Ins. Code section 675.1

g. The extensions of ALE offered due to the declaration by a civil authority while a disaster is ongoing, Cal. Ins. Code section 2060(c)

h. For a total loss of a furnished residence related to a declared state

of emergency, an insurer must provide a payment for contents of no less than 30% of the policy limit, as specified, without requiring an itemized claim, Cal. Ins. Code section 10103.7(b)

1. **Homeowners’ Insurance** (16 percent of the examination)

**E. Section II – Liability Coverages**

1. Be able to identify the two major coverages provided in insurance on residence policies

2. Be able to identify common liability loss exposures covered or excluded

3. For a described loss, be able to identify who would be covered under Medical Payments to Others

4. Be able to identify what types of vehicles would be covered under the HO liability coverage

5. Be able to identify properties included in:

* + - * 1. Insured Locations
				2. Residence Premises

6. Liability Endorsements

a. Be familiar with liability endorsements such as:

1. Residence Rented to Others
2. Business Pursuits
3. Personal Injury
4. Domestic Workers Compensation
5. **Homeowners’ Insurance** (16 percent of the examination)

**F. General Exclusions**

* + - 1. Be able to identify typical exclusions found on the HO Policy form
			2. Understand the relationship between named perils and exclusions
1. **Homeowners’ Insurance** (16 percent of the examination)

**G. Conditions**

1. Be able to identify Section I - Conditions and

2. Be able to identify Section II - Conditions

1. Be able to identify common Sections 1 and 2 Conditions
2. **Homeowners’ Insurance** (16 percent of the examination)

**H. Endorsements**

1. Be able to identify the purpose of the following endorsements:

1. Earthquake and Volcanic Eruption Endorsement
2. Replacement Cost
3. Ordinance or Law Coverage
4. Structures Rented to Others (Residence Premises)
5. **Dwelling Coverage** (6 percent of the examination)
	1. **Overview**

Dwelling Property is coverage for property damage to a dwelling that is not appropriate or eligible for a homeowner’s policy. 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.

1. **Dwelling** **Coverage** (6 percent of the examination)

**B. Property Coverages**

1. Be able to identify the major differences between the three forms (basic, broad, and special) in terms of:

a. The coverages included

b. Perils insured

c. Know that “collapse” is an additional coverage that is provided in a Dwelling Fire – Form 3 (DP 3)

1. **Dwelling Coverage** (6 percent of the examination)

**C. Liability Endorsement**

1. Understand the differences between Comprehensive Personal Liability and Premises Liability

1. **Commercial Policy** (16 percent of the examination)
2. **Overview** Commercial Policies offer protection against potential losses through unforeseen circumstances like theft, liability, property damage, and for coverage in the event of an interruption of business or injured employees.
3. **Commercial Policy** (16 percent of the examination)
4. **Components of a Commercial Policy** Be able to identify and have knowledge of the following:

1. Common Policy Declarations Page

2. Common Policy Conditions

3. Inter Line Endorsement

4. Coverage Parts

1. **Commercial Policy** (16 percent of the examination)
2. **Commercial Property**

1. General Concepts – Be able to identify and apply definitions from the Commercial Property Conditions

2. Understand Building and Personal Property Coverage Forms

3. Recognize the principal types of Covered Property and the valuation basis for:

a. Building(dwellings not eligible)

b. Business Personal Property,including improvements and betterments

c. Personal Property of Others

4. Be able to identify the purpose of a Value Reporting Endorsement and know that the Value Reporting Form may be used to modify the insurance provided by the Building and Personal Property Coverage Forms

5. Be able to recognize:

a. Additional Coverages

b. Coverage Extensions

6.Under Loss Conditions – Vacancy*,* be able to recognize:

a. The definition ofvacancy, 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)

b.What effect this condition has on the coverage

c. The effects of attaching a vacancy permit to a policy

7. Co-insurance:

a. Identify reasons for co-insurance (advantages/disadvantages to the insured)

b. Apply co-insurance to a described loss

c. Be able to recognize, for co-insurance purposes, actual cash value equals replacement cost minus depreciation of a commercial building

8. Causes of Loss Form(s)

a. Be able to identify the purpose of the Basic, Broad, and Special Causes of Loss Forms and the major differences between the perils insured

b. Be able to apply the effect of the exclusion that eliminates concurrent causation from applying to certain perils

c. Be able to recognize situations in which the rights of a mortgage holder are protected, even if an insured's claim is denied

d. Know that most of the exclusions are contained in the Causes of Loss Form(s) of the Commercial Property policy

i. 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)

3) Water (e.g., know the water damage exclusion in the Causes of Loss Special Form applies to sewer backup, tidal waves, and flood)

1. **Commercial Policy** 16 percent of the examination)
2. **Commercial General Liability (CGL)**

1. General Concepts

 a. Be able to understand who is an insured and who may be an additional insured

b. Be able to identify the term General Liability and general types of loss exposures insured

c. Be able to identify the kinds of limits that are listed in the Declarations and the Limits of Insurance section and how they apply

2. CGL Coverage Forms – Occurrence and Claims Made

a. Be able to identify the difference in the coverage triggers between an occurrence policy and a claims*-*made policy

b. Understand the following terms:

i. Retroactive date

ii. Prior acts coverage (retro date not specified)

iii. Tail coverage

iv. Know that the basic extended reporting period begins when the policy period ends and is activated when the policy is cancelled or non-renewed

c. CGL Coverage Form – Occurrence

i. Based on the CGL Form be able to identify and apply:

1) The insuring agreement for coverages A, B, and C

2) 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

k) Temporary employee

ii. Be able to identify the effect of the following exclusions and alternative forms of insurance coverage:

1) Liquor Liability

2) Workers’ Compensation

3) Pollution

4) Automobile

5) Care, Custody, and Control – Property Damage

6) Recall Exclusion

7) Expected and Intended

iii. Common endorsements:

1) Employment Practices Liability

2) Terrorism Exclusions (must be offered, can be rejected)

3) Microbial Matter Exclusions

1. **Commercial Policy** (16 percent of the examination)
2. **Commercial Inland Marine**

1. Be able to identify:

a. Why an insured might need Inland Marine (IM) coverage

b. Common types of property insured using the Commercial Package Policy IM coverage part (e.g., transit, cargo, or equipment)

2. For filed forms used with the Commercial Lines Program, be able to identify:

a. Common perils that are covered under an open peril policy

b. The most common exclusions

1. **Commercial Policy** (16 percent of the examination)
2. **Commercial Crime**

1. Be able to differentiate between "theft," "burglary," and "robbery" as defined in crime insurance contracts

2. Be able to identify the following crime coverages and recognize why a business would need to purchase them:

a. Employee theft

b. Theft of money and securities inside the premises

c. Theft of money and securities outside the premises

3. Be able to differentiate between discovery forms and loss sustained forms

4. Know that certain people are not covered under the policy, including officers, employees, and independent contractors

1. **Commercial Policy** (16 percent of the examination)
2. **Equipment Breakdown**
	* + 1. Be able to identify equipment breakdown protection coverage (aka: boiler and machinery) and understand the coverage triggers
3. **Commercial Policy** (16 percent of the examination)
4. **Commercial Automobile Policy**

1. Business Automobile Coverage – Business Automobile Policy (BAP)

a. Know the definitions of:

i. Owned automobiles

ii. Hired automobiles

iii. Non‑owned automobiles

b. Be able to understand the “who is insured” provision of the policy

c. Be able to identify the principal physical damage coverages

2. Garage Automobile Coverage

a. Be able to understand the major coverages in garage liability

3. Motor carrier coverage form

a. Be able to understand

i. Who is insured

ii. Types of coverage

1. **Commercial Policy** (15 percent of the examination)
2. **Farm Coverage**

1. Be able to identify that farm insurance can be written on a monoline or package policy providing:

a. Both personal and commercial coverages

b. Liability and property coverages

2. With respect to multi-peril crop insurance, be able to identify:

a. Why the coverage may be needed

b. The major perils commonly insured

1. **Business Owners Policy (BOP)** (5 percent of the examination)

**A. General Concepts**

1. Be able to identify the:

a. Purpose of this program

b. Mandatory coverages

c. Categories of eligible businesses

1. **Business Owners Policy (BOP)** (5 percent of the examination)

**B. BOP Property Coverages**

1. Be able to differentiate between the coverage provided by the standard and special forms

2. Be able to differentiate between the perils covered in the BOP policies and the commercial property policy

3. Be able to identify important additional coverages included in the BOP that would have to be added to the commercial property policy

1. **Business Owners Policy (BOP)** (5 percent of the examination)

**C. BOP Liability Coverages**

1. Be able to identify that the coverage and exclusions are similar to that provided by coverages A, B, and C of the CGL form

2. Be able to identify how the limits of liability of the BOP policy differ from the CGL policy

1. **Workers’ Compensation Insurance** (3 percent of the examination)
	1. **General Concepts**

1. Be able to identify the:

a. Purpose of this program

b. Mandatory coverages

c. Categories of eligible employers

d. Covered employees

e. Understand that California has a compulsory workers’ compensation law

1. **Workers’ Compensation Insurance** (3 percent of the examination)

**B. Benefits**

1. Be able to identify the different types of benefits provided:

a. Medical

b. Disability

c. Death

1. **Workers’ Compensation Insurance** (3 percent of the examination)

**C. Identify Limits**

1. Be able to identify that covered medical expenses do not have time or dollar limits

a. Identify the limits for physical therapy

b. Identify the limits for chiropractic services

1. **Workers’ Compensation Insurance** (3 percent of the examination)
2. **Employers Liability Insurance Policy**
3. Be able to identify what Employers Liability insurance is and why it is necessary in addition to workers’ compensation, Cal. Ins. Code section 11750.1(f)
4. **Workers’ Compensation Insurance** (3 percent of the examination)
5. **Definitions**
6. Be able to identify and apply a definition of the Other States Insurance section of the policy, Cal. Ins. Code section 11780.5
7. **Workers’ Compensation Insurance** (3 percent of the examination)
8. **Endorsements**
9. Be able to identify the voluntary contribution endorsement
10. **Workers’ Compensation Insurance** (3 percent of the examination)
11. **Twenty-Four Hour Coverage**
12. Be able to identify what is meant by the term “twenty-four-hour coverage," Cal. Ins. Code section 1749.02
13. **Workers’ Compensation Insurance** (3 percent of the examination)
14. **Policy Coverage**
15. Be able to identify that the Workers’ Compensation policy does not cover any federal workers’ compensation or employers liability laws:

a. The Merchant Marine Act of 1920 (The Jones Act)

b. United States Longshore and Harbor (USL&H) Workers Compensation Act

1. **Ocean Marine Insurance** (3 percent of the examination)
	1. **Characteristics and Purpose**
		* 1. Characteristics and Purpose:

Provides coverage for the loss or damage of ships, cargo, terminals, and any transport or cargo by which property is transferred, acquired, or held between the points of origin and final destination.

1. **Ocean Marine Insurance** (3 percent of the examination)
2. **Differences Between Coverages**
	* 1. Be able to differentiate between cargo, hull, freight, and protection and indemnity coverages
3. **Ocean Marine Insurance** (3 percent of the examination)
4. **Protection and Indemnity Insurance**
	1. Be able to recognize the sources of claims for which protection and indemnity does not apply coverage under the:

a. The Jones Act

b. The USL&H Act

1. **Surety and Fidelity** (2 percent of the examination)
	1. **Characteristics and Purpose**

1. A surety bond or surety is a promise to pay one party (the obligee) a certain amount if a second party (the obligor) fails to meet some obligation, such as fulfilling the terms of a contract, the surety bond protects the obligee against losses resulting from the obligor’s failure to meet the obligation.

2. Fidelity bonds, also known as employee dishonesty coverage, cover theft of an employer's property by its own employees, this is referred to as bonds,

and fidelity coverage functions as a traditional insurance policy

rather than a surety bond.

1. **Surety and Fidelity** (2 percent of the examination)
	1. **Surety Bonds and General Bond Concepts**

1. Be able to differentiate between the three parties involved in a surety bond.

a. Obligor

b. Obligee

c. Guarantor

2. Be able to identify differences between surety bonds and insurance policies with regard to loss payments

3. Be able to identify the differences between contract, financial guarantee, and faithful performance bonds

1. **Other Coverages and Options** (2 percent of the examination)
	1. **Umbrella/Excess Liability Policies**

1. Be able to identify:

a. The major functions of these policies

b. That most carriers have developed their own form with unique coverage

c. The difference between umbrella and excess policies

d. Underlying policies and limits that are commonly required by the umbrella insurer to be maintained

e. What a self-insured retention is and how it is applied to a loss

1. **Other Coverages and Options** (2 percent of the examination)
2. **National Flood Insurance Program** **(NFIP)**

1. Be able to identify the definition of a flood

2. Be able to identify the principal flood coverages

3. Recognize that other coverages, such as business income and extra expense, are not available through NFIP

**XII. Pet Insurance** (2 percent of examination questions)

**A. Definitions**

1. Know the following definitions, Cal. Ins. Code section 12880:

a. Chronic condition

b. Congenital anomaly or disorder

c. Hereditary disorder

d. Pet insurance

e. Preexisting condition

f. Veterinarian

g. Veterinary expenses

h. Waiting or affiliation period

**XII. Pet Insurance** (2 percent of examination questions)

**B. Pet Insurance Basics**

1. Know that a policy of pet insurance covers veterinary expenses, which includes the costs associated with medical advice, diagnosis, care, or treatment provided by a veterinarian, including, but not limited to, the cost of drugs prescribed by a veterinarian, Cal. Ins. Code section 12880(g)

**XII. Pet Insurance** (2 percent of examination questions)

**C. Disclosures**

1. Know that an insurer transacting pet insurance in California shall disclose all of the following to consumers:

a. Exclusions, Cal. Ins. Code sections 12880.2(1)(A) through (D)

1. A pre-existing condition
2. A hereditary disorder
3. A congenital anomaly or disorder
4. A chronic condition

b. If the policy includes any other exclusion, the following statement: “Other exclusions may apply. Please refer to the exclusions section of the policy for more information,” Cal Ins. Code section 12880.2(a)(2)

c. Any policy provision that limits coverage through a waiting or affiliation period, a deductible, co-insurance, or an annual or lifetime policy limit, Cal. Ins. Code section 12880.2(a)(3)

d. Whether the insurer reduces coverage or increases premiums based on the insured’s claim history, Cal. Ins. Code section 12880.2(a)(4)

e. A summary description of the basis or formula on which the insurer determines claim payments under a pet insurance policy within the policy and through a link on the main page of the insurer’s internet website, Cal. Ins. Code section 12880.2(c)

f. A pet insurer that uses a benefit schedule to determine claim payment under a pet insurance policy shall do both of the following:

i. Clearly disclose the applicable benefit schedule in the policy, Cal. Ins. Code section 12880.2(d)(1)

ii. Disclose all benefit schedules used by the insurer under its pet insurance policies through a link on the main page of the insurer’s internet website, Cal. Ins. Code section 12880.2(d)(2)

g. A pet insurer that determines claim payments under a pet insurance policy based on usual and customary fees, or any other reimbursement limitation based on prevailing veterinary service provider charges, shall do both of the following:

i. Include a usual and customary fee limitation provision in the policy that clearly describes the insurer’s basis for determining usual and customary fees and how that basis is applied in calculating claim payments, Cal. Ins. Code section 12880.2(e)(1)

ii. Disclose the insurer’s basis for determining usual and customary fees through a link on the main page of the insurer’s Internet Web site, Cal. Ins. Code section 12880.2(e)(2)

h. The insurer shall create a summary of all policy provisions required in Cal. Ins. Code section 12880.2 subdivisions (a) through (e), inclusive, into a separate document titled “Insurer Disclosure of Important Policy Provisions,” Cal. Ins. Code section 12880.2(f)

i. The insurer shall post the “Insurer Disclosure of Important Policy Provisions” document required in subdivision (f) through a link on the main page of the insurer’s internet website, Cal. Ins. Code section 12880.2 (f)

In connection with the issuance of a new pet insurance policy, the insurer shall provide the consumer with a copy of the “Insurer Disclosure of Important Policy Provisions” document required pursuant to subdivision (f) in at least 12-point type when it delivers the policy, Cal. Ins. Code section 12880.2(h)(1)

In addition, the pet insurance policy shall have clearly printed thereon or attached thereto a notice stating that, after receipt of the policy by the owner, the policy may be returned by the insured for cancellation by delivering it or mailing it to the insurer or to the agent through whom it was purchased, Cal. Ins. Code section 12880.2(h)(2)

1) The period of time set forth by the insurer for return of the policy shall be clearly stated on the notice, and this free look period shall be not less than 30 days, the insured may return the policy to the insurer or the agent through whom the policy was purchased, Cal. Ins. Code section 12880.2(h)(2)(A)

2) The delivery or mailing of the policy by the insured pursuant to this paragraph shall void the policy from the beginning, and the parties shall be in the same position as if a policy or contract had not been issued, Cal. Ins. Code section 12880.2 (h)(2)(B)

3) All premiums paid and any policy fee paid for the policy shall be refunded to the insured within 30 days from the date that the insurer is notified of the cancellation; however, if the insurer has paid any claim, or has advised the insured in writing that a claim will be paid, the 30-day free look right pursuant to this paragraph is inapplicable and instead the policy provisions relating to cancellation apply to any refund, Cal. Ins. Code section 12880.2 (h)(2)(C)

j. At the time a pet insurance policy is issued or delivered to a policyholder, the insurer shall include a written disclosure with all of the following information, printed in 12-point boldface type

i. The Department’s mailing address and toll-free telephone number established pursuant to Cal. Ins. Code section 12921.1, and internet website address, Cal. Ins. Code section 12880.6(a)

ii. The address and customer service telephone number of the insurer or the agent or broker of record, Cal. Ins. Code section 12880.6(b)

iii. A statement that the department should be contacted only after discussions with the insurer, or its agent or other representative, have failed to produce a satisfactory resolution of the problem, Cal. Ins. Code section 12880.6(c)

iv. If the policy was issued or delivered by an agent or broker, a statement advising the policyholder to contact the broker or agent for assistance, Cal. Ins. Code section 12880.6(d)

**XII. Pet Insurance** (2 percent of examination questions)

**D. Administrative Proceedings**

1. Know that any person suspected of violating any of these sections is subject to an administrative hearing, Cal. Ins. Code section 12880.4

a. If violations are proved, know what the fines are and how they may be imposed, Cal. Ins. Code section 12880.3

**XIII. Training and Certification** (12 percent of the examination)

**A. Fair Claims Settlement Practices Regulations**

1. File and Record Documentation, 10 Cal. Code Regs. section 2695.3

a. Be able to identify what files are subject to examination by the Commissioner or by his or her duly appointed designees

b. Be able to identify the steps required to assist in such examinations

2.Representation of Policy Provisions and Benefits, 10 Cal. Code Regs.section 2695.4

a. Understand that full disclosure is required by insurers to claimants of all of the benefits, coverage, time limits, and other policy provisions which may apply to a first party claim

3.Duties upon Receipt of Communications,10 Cal. Code Regs. section 2695.5

a. Be able to identify the duties and obligations of an insurer upon receipt of a claim

4.Training and Certification,10 Cal. Code Regs. section 2695.6

a. Understand that an insurer must conduct investigations using written standards and processes and must employ thoroughly and adequately trained personnel

5.Standards for Prompt, Fair and Equitable Settlements,10 Cal. Code Regs.section 2695.7

a. Understand that discrimination by insurers in their claims settlement practices is strictly prohibited; claims must be accepted or denied, in whole or in part, on a timely basis and that denials must be made in writing

6.Additional Standards Applicable to Automobile Insurance,10 Cal. Code Regs.section2695.8

a. Understand the standards which apply to adjustment and settlement of automobile insurance claims under 10 Cal. Code Regs. section 2695.8

b. Be familiar with the Auto Body Repair Consumer Bill of Rights, CCR, Title 10, Title 10, section 2695.85

7.Additional Standards Applicable to First Party Residential and Commercial Property Insurance Policies,10 Cal. Code Regs. section 2695.9

a. Understand that fire and extended coverage type policies with replacement cost coverage are entitled not only to repair and replacement of damaged property, but also to repair of any damage incurred in making such repairs or replacements; when items or parts are replaced, such items or parts should be of the same quality as those they are replacing

8.Additional Standards Applicable to Surety Insurance,10 Cal. Code Regs. section 2695.10

a. Be familiar with the additional standards applicable to surety insurance in 10 Cal. Code Regs. section 2695.10

9.Additional Standards Applicable to Life and Disability Insurance Claims,10 Cal. Code Regs.section 2695.11

a. Be familiar with the additional standards applicable to Life and Disability Insurance Claims in 10 Cal. Code Regs. section 2951.11

10.Penalties, 10 Cal. Code Regs. section 2695.11

a. Understand how penalties are assessed and what evidence is used to determine the appropriate amount

**XIII. Training and Certification** (12 percent of the examination)

**B. CDI Notice on Important California Laws that Pertain to Property Insurance Policies after a Declared Disaster**

1.When the Commissioner declares an emergency, all claims adjusters, whether California-licensed or not, who are assigned to wildfire claims must be properly trained on the California Unfair Practices Act, Fair Claims Settlement Practices Regulations, and all laws relating to property and casualty insurance claims handling

a. Have knowledge of all laws relating to property and casualty insurance claims handling which are to include, but are not limited to, the following:

i. California Unfair Practices Act in California Insurance Code, Division 1, Part 2, Chapter 1, Article 6.5, commencing with section 790

ii. Fair Claims Settlement Practices Regulations in Title 10, Chapter 5, Subchapter 7.5, Article 1 of the California Code of Regulations, sections 2695.1 through 2695.14

iii. Cancellation and failure to renew certain property insurance, California Insurance Code, Division 1, Chapter 11, sections 675 through 679.7

iv. Fire Insurance Contract, California Insurance Code, Division 2, Part 1, Chapter 2, commencing with section 2030

v. California Residential Property Insurance Disclosure, California Insurance Code, Division 2, Part 1, Chapter 10, commencing with section 10101

vi. State of Emergency, California Government Code, Division 1, Chapter 7, Article 2, section 8558(b)