
Prelicensing Education

Educational Objectives

California Property Broker-Agent Examination

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
 - * Businessowner'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.

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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 from 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.

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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 2187.31 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 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.

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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

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:

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

The check-in times and driving directions to PSI's test centers are listed on pages 3, 4, 5 and 6 in the [Candidate Information Bulletin](#).

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

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

Candidate Information Bulletin

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

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

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- 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

- II. Property Insurance
 - A. Legal Concept - Tort Law
 - B. Property

- 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 Residential Properties
 - B. Homeowners' Insurance Valuation
 - C. Liability Coverage
 - D. Government / Pools / Catastrophe - Property Insurance
 - E. Fire Mitigation and How it Affects Insurance Costs
 - F. Inland Marine

- IV. Commercial Insurance Coverages (29 percent of exam questions)
 - A. Commercial Package Policy (CPP) Program introduced by the Insurance Services Office, Inc. (ISO)
 - B. Property Insurance
 - C. Businessowners Policy (BOP)

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- I. General Insurance (31 percent of questions - includes "II. Property 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.
 - 9. Identify risk management techniques
 - 10. Be able to recognize the requisites of an ideally insurable risk.
 - 11. Be able to identify the definition of insurable events, Section 250 of the CIC.
 - 12. Be able to identify and apply the definition of insurable interest, and indemnity, and be able to recognize the applicability of these terms to a given situation.
 - 13. Be able to identify why private insurers underwrite the insurance applications they receive.
 - 14. Be able to identify the meaning of adverse selection and spread of risk.
 - 15. Be able to identify the benefits and the costs of insurance to society (e.g. loss control, loss payments, securing credit, etc.).
 - 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
 - d. unilateral
 - e. personal

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- 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. know that a representation cannot qualify an express provision in a contract of insurance, but it may qualify an implied warranty (Section 354 of the CIC)
 - e. materiality, Section 334 of the CIC;
 - f. representations, Sections 350 through 361 of the CIC;
 - g. misrepresentation, Sections 780 through 784 of the CIC; and;
 - h. waiver and estoppel; and:
 - i. know that either intentional or unintentional concealment entitles an injured party to rescission of a contract (Section 331 of the CIC).
 - 6. Be able to identify 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.
 - 8. Given an insurance situation, be able to identify the following terms correctly:
 - a. application, policy, endorsement
 - b. cancellation, lapse
 - c. rate, premium, earned and unearned premium
- I. General Insurance
- C. The Insurance Marketplace
 - 1. Be able to identify different distribution systems that include, but are not limited to, the following:
 - a. agency
 - b. direct response
- I. General Insurance
- C. The Insurance Marketplace
 - 2. Producers
 - a. Be able to understand the general rules of agency as they apply to an agent, broker, and insurance company
 - i. the responsibilities and duties of each
 - ii. the effect of the types of authority an agent may exercise (express, implied, or apparent)

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- b. With regard to the underwriting of applicants and/or insureds, be able to:
 - i. identify a producer's responsibilities
 - ii. understand the insurers' requirements
- c. Be able to define the following:
 - i. life-only agent (Section 1626(a)(1) of the CIC)
 - ii. accident and health agent (Section 1626(a)(2) of the CIC)
 - iii. life and disability insurance analyst (Sections 32.5, 1831-1849 of the CIC)
- d. Be able to identify the CIC definition of transact and why the definition is important (Sections 35, 1631, 1633 of the CIC)
 - i. have knowledge of the penalties for transacting without a license (Section 1633 of the CIC)
- e. Be able to identify:
 - i. that the CIC prohibits certain actions by unlicensed persons (Section 1631 of the CIC)
 - ii. the penalty for such prohibited actions (Section 1633 of the CIC)
- f. Written Consent in Regards to Interstate Commerce (Prohibited Persons in Insurance):
 - i. be able to identify what conduct is prohibited by Title 18 United States Code Section 1033
 - ii. be able to identify what civil and criminal penalties apply, Title 18 United States Code Sections 1033 and 1034
- g. Be able to identify the differences between the terms "agent" and "broker" with respect to their relationship with insurers and with their insureds
 - i. insurance agent means a person authorized, by and on behalf of an insurer, to transact all classes of insurance other than life, disability, or health insurance (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, disability, or health with, but not on behalf of, an insurer (Section 33 of the CIC)
 - iii. life settlement broker means a person who, on behalf of an owner, and for a fee, commission, or other valuable consideration, offers or attempts to negotiate life settlement contracts between an owner and providers. A life settlement broker represents only the owner and owes a fiduciary duty to the owner to act according to the owner's instructions, and in the best interest of the owner, notwithstanding the manner in which the broker is compensated. (Sections 10113.1(b), 10113.2(b)(1) (A) to (D) of the CIC)
- h. Be able to recognize:
 - i. the differences between the authority of an agent and a solicitor
 - ii. that an insurance solicitor is a natural person employed to aid an insurance agent or insurance broker in transacting insurance other

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- than life, disability, or health (Section 1624 of the CIC)
- i. For Insurance Agent's Errors & Omissions insurance, be able to identify:
 - i. the types of coverages available
 - ii. the types of losses commonly covered and not covered
 - iii. the need for the coverage
- j. Be able to identify acts prohibited (unless a surplus line broker) with regard to nonadmitted insurers (Section 703 of the CIC)
- k. Be able to identify the prohibitions of free insurance (Section 777.1 of the CIC)
- l. Be able to identify the Code requirements for the following:
 - i. an agency name, use of name (Sections 1724.5, 1729.5 of the CIC)
 - ii. change of address (Section 1729 of the CIC)
 - iii. filing license renewal application (Section 1720 of the CIC)
 - iv. printing license number on documents (Section 1725.5 of the CIC)
- m. Be able to identify the records an insurer and agents must maintain (Sections 10508 through 10508.5 of the CIC)
- n. Be able to identify the Code specifications regarding producer application investigation, denial of applications, and suspension or revocation of license (Sections 1666, 1668 through 1669, 1738 of the CIC)
- o. Be able to identify the importance and the scope of the Code regarding:
 - i. the filing of a notice of appointment to transact insurance (Sections 1704, 1705 of the CIC)
 - ii. an inactive license (Section 1704(b) of the CIC)
 - iii. cancellation of a license by the licensee in the licensee's possession or in the employer's possession (Section 1708 of the CIC)
- p. Be able to identify the scope and effect of the Code regarding termination of a (producer's) license, including when producers dissolve a partnership (Sections 1708-1712.5 of the CIC)
- q. Be able to identify and apply:
 - i. the definition of the term "fiduciary"
 - ii. producer fiduciary duties described in the Code (Sections 1733 -1735 of the CIC)
- r. Be able to identify the continuing education (CE) requirements for:
 - i. an individual licensed as a Property Broker-Agent and/or Casualty Broker-Agent
 - ii. an individual licensed as both a life licensee and as a Property and/or Casualty Broker-Agent
 - iii. Know that all licensees must complete a 3-hour course in ethics as part of the required 24 hour of CE prior to each license renewal

- I. General Insurance
 - C. The Insurance Marketplace

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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 and Stock insurers. (Section 11535.1 of the CIC)
 - f. Be able to identify Reciprocal 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,

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- 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 California Financial Information Privacy Act (Senate Bill 1, Chapter 241, Statutes of 2004);
 - ii. Insurance Information and Privacy Protection Act regarding practices, prohibitions and penalties, Sections 791 through 791.26 of the CIC;
 - iii. Cal-GLBA/“California Financial Information Privacy Act”, Section 4050 California Financial Code;
 - iv. Health Insurance Portability and Accountability Act (HIPAA).
- e. Be able to identify the scope and correct application of the conservation proceedings described in the Code (Sections 1011, 1013, and 1016 of the CIC).
- f. Be able to define an insolvent insurer, Section 985 of the CIC .
 - i. The definition of an insolvent insurer includes either:
 - 1) Any impairment of minimum "paid-in capital" or "capital paid in," as defined in Section 36, required in the aggregate of an insurer by the provisions of this code for the class, or classes, of insurance that it transacts anywhere; and,
 - 2) An inability of the insurer to meet its financial obligations when they are due;
 - ii. Know that an insurer cannot escape the condition of insolvency by being able to provide for all its liabilities and for reinsurance of all outstanding risks. An insurer must also be possessed of additional assets equivalent to such aggregate "paid-in capital" or "capital paid in" required by this code after making provision for all such liabilities and for such reinsurance, Section 985 (a) (1) and (2) of the CIC;
 - iii. Know the definition of Paid-in Capital, Sections 36 and 985 of the CIC; and,
 - iv. Know that it is a misdemeanor to refuse to deliver any books, records, or assets to the Commissioner once a seizure order has been executed in an insolvency proceeding, Section 1013 of the CIC.
- g. Be able to identify the purpose and scope of the Code with regard to:
 - i. the California Insurance Guarantee Association, Sections 1063 (a through c) and, 1063.1 (a), (b), (c) (1) (2) of the CIC;
- h. Be able to identify:
 - i. common circumstances that suggest the possibility of fraud; e.g. that if an insured signs a claim form for a claim which is fraudulent, the insured may be found guilty of perjury; and,

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- 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 prohibited by the California Insurance code, Sections 679.70 through 679.73.
 - 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 Claim, 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;

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- 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/01-consumers/120-company/07-lasli/lasli.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/strict liability
2. Be able to recognize and identify:
 - a. the four essential elements of negligence (duty / breach / injury / unbroken chain);
 - b. the principle of “proximate cause”; and,
 - c. common law defenses against “negligence” and,
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: compensatory, which includes special and general damages and punitive
6. Be able to recognize the difference between comparative and contributory negligence doctrines.
7. Be able to compute a loss payment applying the doctrines of:
 - a. comparative negligence; and,
 - b. contributory negligence.
8. Be able to apply the assumption of the risk doctrine.

II. Property Insurance

B. Property

1. Basics
 - a. Be able to identify the major services provided by independent rating organizations (e.g. AM Best and Moodys)
 - b. Insurance Services Office (ISO) is the advisory organization that also

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- develops standard forms for the market;
 - c. Be able to recognize the principal risk management methods used to identify loss exposures, and the advantages and disadvantages of each method.
 - d. Be able to identify the difference between direct and indirect (consequential) property losses.
 - e. Be able to recognize common indirect loss exposures.
 - 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" (e.g. basic, broad, and special)
 - 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. 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.
2. Be able to identify:
- a. the requirements and definitions of the California Residential Property Insurance Disclosure statement, Sections 10101 and 10102 of the CIC;
 - b. that the form contains only a general description of coverages and is NOT

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- part of the residential policy; and,
 - c. replacement cost and building code upgrade options.
3. Policies
- a. Be able to identify a description of:
 - i. the major components of insurance policies (e.g. declarations, insuring agreements, definitions, conditions, exclusions, and endorsements)
 - ii. common policy provisions (e.g. insured's right to cancel, assignment of policy, supplementary payments, severability, liberalization, etc.) and coverages (removal and debris removal).
 - b. Be able to identify 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.
 - c. Be able to identify the protection of a mortgagee's interest contained in most mortgage clauses.
 - d. Be able to identify the definition and effect of a concurrent vs. non-concurrent policy.
 - e. 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.

III. Personal Lines Insurance

A. Insurance on Residential Properties

1. Dwelling Policy

- a. For the Dwelling Policy (DP), be able to identify the major differences between the three forms (Basic, Broad and Special) in terms of:
 - i. the coverages included;
 - ii. perils insured;

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

3. Dwelling Policy Coverages

- a. The following items refer to Coverages A, B, and C"
 - i. Be able to identify who is or is not an "insured"
 - ii. For coverages A, B and C (Dwelling, Other Structures, Personal Property) be able to differentiate between:
 - 1) the types of property insured,
 - 2) Actual Cash Value (ACV) and Replacement Cost;
 - i. be able to identify which type of loss settlement applies to Coverages A and B vs. Coverage C
 - 3) the kinds of property excluded;
 - 4) the kinds of property subject to special or sub limits
- b. Be able to identify situations when Coverage D (Loss of Use/Fair Rental

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Value) might be available as the result of direct and indirect losses, and the extent to which coverage applies

c. Additional Coverages:

- i. Be able to identify the coverage available such as debris removal and property removal under the DP/HO Property Coverages
- ii. Be able to identify the effect of the exclusions: Earth Movement and Flood (including the coverage provided for ensuing losses).
- iii. Given an example, be able to recognize the applicability of the Ordinance or Law exclusion

4. Endorsements

- a. Be able to identify the effect of attaching one or more of the following Endorsements to a Homeowners Policy.
 - i. Workers' Compensation - Residence Employees
 - ii. Other Structures - Increased Limits endorsement;
 - iii. Scheduled Personal Property endorsement
 - 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
 - ix. Manufactured (Mobile) Home Endorsement

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 2070

- 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. Know that
 - i. all Property Broker-Agents, Casualty Broker-Agents and Personal Lines Broker-Agents must complete a continuing education course in Homeowner's Insurance Valuation (and that such course does not increase the required CE hours)
 - ii. the producer is responsible for accurately documenting a dwelling's replacement cost at the time of original application.
 - iii. certain unlicensed persons are prohibited from estimating dwelling replacement cost or explaining insurance coverages

2. Insurance on a Residence

- a. 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:

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- 1) the amount of coverage required to receive full replacement cost coverage; and,
 - 2) the amount that would be paid under a coinsurance provision for:
 - i) total loss
 - ii) partial loss
 - ii. Be able to differentiate between Actual Cash Value and Replacement Cost loss settlements
 - b. Homeowners' Insurance Endorsements, be able to identify the major effects of the following:
 - i. Guaranteed and Extended Replacement Cost
 - ii. Ordinance or Law Coverage
 - c. Be able to identify the relationship between catastrophic loss events and their effect on the increased cost of construction
3. Earthquake Coverage
- a. Know that the risk of earthquake/earth movement is excluded from DP and HO policies
 - b. Be able to identify the advantages of:
 - i. obtaining this coverage via California Earthquake Authority (and participating insurers) vs. coverage in the competitive market place (Section 10089.6, 10089.26 and 10089.28 if the CIC)
 - ii. single limit of coverage vs. multiple limits and,
 - iii. reduced coverage policies.
 - iv. deductible options and their effect on Combined Single Limit (CSL) claims
 - v. increased optional limits for personal property and living expenses

III. Personal Lines Insurance

C. Liability Coverage

1. Be able to differentiate between property damage liability and bodily injury liability coverages provided in the homeowners and dwelling policies.
2. Be able to identify common liability loss exposures covered or excluded.
3. Be able to identify who is not covered by Medical Payments to Others.
4. Be able to identify the vehicles most commonly insured and excluded not under an HO policy form.
5. Be able to differentiate between an "insured location" and a "residence premises".
6. Be able to identify losses covered under the homeowners' watercraft endorsement.

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III. Personal Lines Insurance

D. Government / Pools / Catastrophe - Property Insurance

1. Earthquake Coverage

- a. Be able to identify correct statements about:
 - i. requirements for insurers to offer earthquake coverage, Sections 10081 and 10084 of the CIC; and,
 - ii. the California Earthquake Authority (CEA), as a publicly managed, not-for-profit organization that provides coverage for this peril. Sections 10089.6, 10089.26, and 10089.28 of the CIC.
- b. Be able to identify the advantages / disadvantages (if any) of earthquake type deductible vs. commonly used property deductibles.

2. 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 who is eligible to submit applications to the FAIR Plan.
- d. Be able to identify the meaning of "basic property insurance" as defined in Section 10091(c) of the CIC.

3. National Flood Insurance Program (NFIP)

- a. Be able to identify the major personal insurance policy coverage that insures against losses caused by flood.
- b. the types of properties eligible for coverage under the program;
- c. the principal coverage provided by the contract and limitations for making claims;
- d. the differences between the emergency program and the regular program and the requirement for NFIP coverage on affected federally insured mortgages (voluntary or forced-placed coverage);
- e. that any licensed broker-agent may obtain an NFIP policy for a client;
- f. agents and brokers have no binding authority; and,
- g. that program dollar limits for coverages are specified.

III. Personal Lines Insurance

E. Fire Mitigation and How It Affects Insurance Costs

- 1. Be able to define, recognize, and describe the fire problem in the wildland urban interface.
- 2. Be knowledgeable of the areas that affect the risk and hazard such as topography, fuels type and locations, weather, and construction.
- 3. Be knowledgeable of the current state laws and regulations that address mitigation efforts, including defensible space requirements, building constructions, land use and planning.

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III. Personal Lines Insurance

F. Inland Marine

1. General Concepts

- a. Be able to identify why certain lines are filed or non-filed and the advantages and/or disadvantages of each.
- b. For Inland Marine policies, be able to identify:
 - i. most are written on an open-peril basis;
 - ii. principal exclusions; and,
 - iii. 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.

2. Personal Property 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; and,
 - ii. be able to identify what effect insuring property under this endorsement has on coverage C of a Homeowners policy.

IV. Commercial Insurance Coverages (29 percent of exam questions)

A. Commercial Package Policy (CPP) program introduced by the Insurance Services Office, Inc. (ISO)

1. Be able to identify:

- a. a description of the modular concept as used in the Commercial Package Program; and,
- b. the major common modules used in all policies.
- c. the minimum requirements for a package policy (modules & coverages);
- d. the advantages to insureds; and,
- e. that the same coverages may be written on a monoline basis.

2. Explain the following elements of a Commercial Package

- a. Declarations – First named Insured
- b. Common Policy Conditions: Cancellation, Changes / Examination of Your Books and Records / Inspections and Surveys / Premiums / Transfer of Rights and Duties.
 - i. Be able to identify and know the importance of understanding the California Amendatory Endorsements.

3. "you," "your," and "we,"

- a. Know that in a commercial policy form "you" and "your" means named

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insured;

- b. 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

b. Building and Personal Property Coverage Form (BPP)

- i. Be able to recognize the principal types of Covered Property and the valuation basis for:

- 1) Building (dwellings not eligible);
- 2) Insured’s Business Personal Property including improvements and betterments; and,
- 3) Tenants improvements and betterments
- 4) Personal Property of Others, in the insured’s care, custody and control but not while in transit in the continental United States.

- ii. Be able to identify the purpose of a Value Reporting Form.

- 1) Know that the Value Reporting Form may be used to modify the insurance provided by the Building and Personal Property Coverage Form; and,
- 2) Know that 75 percent is the most that will be paid in the event of a loss if the insured has made no reports of value as required.

- iii. Additional Coverages and Coverage Extensions:

1) Vacancy Permit Endorsement

- i) A building is considered vacant when there is insufficient business personal property present to conduct customary operations and/or 70 percent of the total square footage is not rented or used to conduct customary operations.
- ii) the effect of attaching a vacancy permit endorsement to a BPP are:
 - a) The perils in the vacancy permit endorsement include vandalism and attempted theft, sprinkler leakage and building glass breakage. Losses from these perils are not covered if the insured building has been vacant for more than 60 consecutive days.
 - b) If a vacancy permit endorsement is added to a Building and Personal Property Coverage form, the vacancy condition under the basic policy is waived during the period.

c. Coinsurance

- i. Be able to:

- 1) identify reasons for coinsurance (advantages / disadvantages to

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- the insured); and,
 - 2) apply co-insurance to a described loss.
 - ii. Be able to recognize for coinsurance purposes, the fair market value may be used to determine the actual cash value of a commercial building.
- d. Mortgage Holder
 - i. Be able to recognize situations in which the rights of a mortgage holder are protected, even if an insured's claim is denied.
- e. Causes of Loss Form(s)
 - i. Be able to identify the purpose of the (Basic, Broad, and Special) Causes of Loss Forms and the major differences between the perils insured
 - ii. Know that most of the exclusions are contained in the Causes of Loss Form(s) of the Commercial Property policy.
 - iii. In the Causes of Loss coverage part(s), Section B - Exclusions, be able to identify the following excluded loss causes:
 - 1) ordinance or law;
 - 2) earth movement (e.g. know that the earth movement exclusion applies to landslides, mine subsidence and earth tremors caused by a volcanic eruption); and,
 - 3) water (e.g. know the water damage exclusion in the Causes of Loss Special Form applies to sewer backup, tidal waves, and flood).
- f. Property Indirect Damage Insurance
 - i. Be able to recognize definitions of Business Income and Extra Expense and that both are covered by the Business Income (and extra expense) 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.
 - 1) There needs to be a complete suspension of operation for the Business income to be triggered.
 - iii. Be able to recognize situations in which a business would need Business Income and/or Extra Expense coverage.
 - iv. The Business Income declaration shows which causes of loss are covered.
 - v. Be able to identify situations in which a business would need Business Income from Dependent Properties.
 - vi. Understand the differences between extra expense needs and expediting (business interruption) coverage.
- g. Other endorsements and Coverages
 - i. Be able to identify why the following forms or coverage options might be used:

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- 1) Leasehold Interest;
 - 2) Blanket, Specific, Schedule Insurance, Agreed Value;
 - 3) Ordinance or Law Coverage;
 - 4) Glass Coverage;
 - 5) Extended Period of Indemnity; and,
 - 6) Terrorism Exclusions
- ii. Be able to identify the purpose of a "Builder's Risk" form. Know that the coinsurance requirement on a Builder's Risk form is 100 percent of the completed value.

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 Inland Marine Commercial Package Policy coverage part (e.g. transit, cargo, equipment); and,
 - iii. Know what a bill of lading is and its purpose.
- b. For filed forms used with the Commercial Lines Program, be able to identify:
 - i. the perils commonly insured ("open perils"); and,
 - ii. the most common exclusions.
- 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 this 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;
 - 1) inside premises

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- 2) outside premises
- c. Be able to differentiate between the discovery and loss sustained forms.
 - i. Know that the loss sustained type of crime coverage would pay for losses which occur during the policy period and are found for up to one year after the policy is terminated; and,
 - ii. Know that the discovery type of crime policy would pay for a loss which is found during the policy period even if the loss occurs prior to the effective date of the policy.
- d. Know that certain people may not be covered under the policy including officers, employees, and independent contractors.

IV. Commercial Insurance Coverages

B. Property Insurance

5. Farm

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

IV. Commercial Insurance Coverages

B. Property Insurance

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

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

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. Longshore and Harbor Workers' Compensation Act

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IV. Commercial Insurance Coverages

C. Businessowners Policy (BOP)

1. General Concepts

- a. Be able to identify the:
 - i. purpose of this coverage;
 - ii. categories of eligible businesses; and,
 - iii. Coverages.

IV. Commercial Insurance Coverages

C. Businessowners Policy (BOP)

2. BOP Property and Liability Coverages

- a. For BOP Property Coverage, be able to differentiate between the perils covered in the BOP policies and the commercial property policy.
- b. For BOP Liability Coverage, be able to identify that the coverage and exclusions are similar to that provided by coverages A, B, C of the CGL form.