Prelicensing Education
Educational Objectives
California Personal Lines Broker-Agent Examination

Overview

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

Below is the basic knowledge for what this typical new Personal Lines 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 Ethics and California Insurance Code
- Responsibilities and authority of an insurance agent
- Personal Automobile, Dwelling and Homeowners coverages

(2) To a lesser degree, knowledge is required of:
- Personal Dwelling Property Coverage – Homeowners/Fire Policy and Dwelling Liability Coverage
- Personal Inland Marine Covering Personal Property
- Personal Umbrella/Excess Liability
- Homeowners' Insurance Valuation
- Earthquake coverage

(3) In addition, a Personal Lines Broker-Agent license is a license so to act, Section 1625.5 of the CIC. Generally, the Personal Lines Agent license allows authority to transact insurance products that are not Life Insurance. The list below contains a sample of some of the insurance products that can be transacted with this license.

- transact automobile insurance
- residential property insurance
- earthquake
- flood insurance
- personal watercraft insurance
- umbrella or excess liability insurance providing coverage when written over one or more underlying automobile or residential property insurance policies

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

Prelicensing Education
Educational Objectives
California Personal Lines Broker-Agent Examination

Educational Objectives

The educational objectives are derived from the curriculum outline contained in Title 10, Chapter 5, Subchapter 1, Article 6.5, Section 2187.4 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 objectives mean the California Insurance Code.

The "General" Ethics and California Insurance Code educational objectives that apply to all lines of authority appear in Appendix A at the end of this document. The 12 hours of required Ethics and California Insurance Code education must at a minimum include the material in Appendix A.

The Examination

The California Department of Insurance's Personal Lines Broker-Agent license examination contains 90 multiple-choice questions. The examinees, without any aids (e.g. reference materials, electronic aids), are allowed two hours to answer the 90 question multiple-choice examination.

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

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

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

The California Department of Insurance's examinations are administered at the following locations beginning at 8:30 a.m. and 1:00 p.m., Monday through Friday except on state holidays:

Sacramento:

California Department of Insurance
Examination Site
320 Capitol Mall,
1st Floor
Sacramento, California 95814

Los Angeles:

California Department of Insurance
Examination Site
300 South Spring Street, North Tower,
Suite 1000
Los Angeles, California 90013

San Francisco:

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

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

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

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

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

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

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

Candidate Information Bulletin

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

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

Prelicensing Education
Educational Objectives
California Personal Lines Broker-Agent Examination

Table of Contents

I. General Insurance (35 percent of exam questions), which includes "II. P Insurance"
- A. Basic Insurance Concepts and Principles
- B. Contract Law
- C. The Insurance Marketplace
  1. Distribution Systems
  2. Producers
  3. Insurers
  4. Market Regulation - General
  5. Excess and Surplus (E&S) Lines

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

III. Personal Lines Insurance (65 percent of exam questions)
- A. Insurance on a Residence
  1. General Concepts
  2. Property Coverage
     - a. ~~Homeowners Policy~~ **Dwelling Policy**
     - b. ~~Dwelling Policy~~ **Homeowners Policy**
  3. Liability Coverage – Comprehensive Personal Liability/Dwelling Liability
  4. Endorsements
- B. Homeowners' Insurance Valuation (2 percent of exam questions)
  1. General Concepts and **Section 1749.85 of the** California Insurance Code ~~Section 1749.85~~
  2. Insurance on a Residence
  3. Earthquake Coverage
  4. California Fair Access to Insurance Requirements (FAIR) Plan
  5. Fire Mitigation and How it Affects Insurance Costs
- C. Inland Marine
  1. General Concepts
  ~~1.~~**2.** ~~Personal Watercraft -~~ Personal Insurance
- D. Government / Pools / Catastrophe - Property Insurance
  1. Earthquake Coverage
  ~~2. California Fair Access to Insurance Requirements (FAIR) Plan~~
  ~~3.~~**2.** National Flood Insurance
- E. Personal Auto
  1. General Concepts

2. Liability / Medical/Uninsured Motorist
3. Physical Damage/Miscellaneous
4. California Automobile Assigned Risk Plan (CAARP)
5. Motorcycles
6. Recreational Vehicles

F. Umbrella and Excess Liability Insurance

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

I. General Insurance (35 percent of exam questions – includes II. P&L Basics)

A. Basic Insurance Concepts and Principles

1. Be able to identify examples of insurance (as defined in section 22 of the CIC.
2. Be able to recognize the definition of risk.
3. Be able to differentiate between a pure risk and a speculative risk.
4. Be able to identify a definition of peril.
5. Be able to identify a definition of hazard.
6. Be able to differentiate between moral, morale, physical and legal hazards.
7. Be able to identify the definition of the law of large numbers.
8. Be able to identify a definition or the correct usage of the terms loss and loss exposure, e.g. property loss exposure, liability loss exposure, human personnel loss exposure.
9. Be able to recognize the requisites of an ideally insurable risk.
10. Be able to identify the definition of insurable events, section 250 of the CIC.
11. Be able to identify and apply the definition of insurable interest and indemnity, and be able to recognize the applicability of these terms to a given situation.
12. Be able to identify why private insurers underwrite the insurance applications they receive.
13. Be able to identify the meaning of adverse selection and spread of risk.
14. Be able to identify the benefits and the costs of insurance to society (e.g., loss control, loss payments, or securing credit).
15. Be able to identify that the alternative funding method known as self-funding has benefits tailored to the group.
16. Be able to identify a correct explanation of the role of deductibles in insurance.
    c. only sick care expenses apply to the stated deductible.
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.

I. General Insurance
- 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;
     - f. utmost good faith; and,
     - g. indemnity;
  4. Be able to identify the term insurance policy, section 380 of the CIC.
  5. Be able to identify the meaning and effect of each of the following on a contract:
     - a. fraud, sections 338 and 1871.2 of the CIC;
     - b. concealment, sections 330 through 339 of the CIC;
     - c. warranty (expressed/implied), sections 440 through 445 and 447 of the CIC;
     - d. an implied warranty qualifies as a representation in an insurance contract, section 354 of the CIC;
     - e. materiality, section 334 of the CIC;
     - f. representations, sections 350 through 361 of the CIC;
     - g. misrepresentation, sections 780 through 784 of the CIC; and,
     - h. waiver and estoppel;
  6. Be able to identify six required specifications for all insurance policies, section 381 of the CIC.
  7. Be able to identify:
     - a. the meaning of the term rescission; and,
     - b. when an insurer has the right of rescission, sections 331, 338, 359, and 447 of the CIC.

I. General Insurance
- C. The Insurance Marketplace
  1. Distribution Systems
     - a. Be able to differentiate between the four principal marketing distribution systems (Independent/Exclusive Agencies and Direct Writing/Direct Mail or Internet System) in terms of:
       - i. contractual and ownership relationships between the producer and the insurer; and,

ii. marketing methods.

Prelicensing Education
Educational Objectives
California Personal Lines Broker-Agent Examination

I. General Insurance
  C. The Insurance Marketplace
    2. Producers
      a. Given a situation involving the legal relationship of an insurance agent and either a principal (insurer or agency principal) or an insured/applicant, be able to assess:
        i. the legal relationships;
        ii. the responsibilities and duties of each; and,
        iii. the effect of the types of authority an agent may have (express/implied/apparent).
      b. With regard to the underwriting of applicants or insureds, be able to*:*
        i. identify a producer's responsibilities; and,
        ii. differentiate between the limitations placed on insurer pre-selection and post-selection activities.
      c. Be able to identify and compare the following:
        i. insurance agent, section 1621 of the CIC; e.g. a person authorized by and on behalf
        ii. insurance broker, section 1623 of the CIC; e.g. someone paid for transacting insurance on behalf of another person;
        iii. insurance solicitor, Section 1624 of the CIC; must be appointed by an agent or broker who holds a permanent property broker-agent and/or casualty broker-agent license;
        iv. managing general agent, sections 769.81(c) and 1735 of the CIC;
          1) Know that an MGA can be any person, firm, association, partnership, or corporation that manages all or part of an insurer's business (including a separate division, department or underwriting office); and,
          2) Know that an MGA acts as an agent and produces and underwrites gross direct written premium equal to or more than 5% of the policyholder surplus as reported in the insurer's last annual statement and either:
            a) adjusts or pays claims in excess of an amount determined by the Commissioner, or;
            b) negotiates and binds ceding reinsurance on behalf of the insurer, section 769.81(c) of the CIC.
        v. property and casualty licensee, Section 1625 of the CIC;
        vi. personal lines licensee, section 1625.5 of the CIC;
        vii. insurance adjuster, section 14021 of the CIC;
        viii. be able to identify the coverages a personal lines licensee may and may not transact, Section 1625.5 through section 1630 of the CIC
        ix. public insurance adjuster, section 15007 of the CIC; and,

x. surplus line and special lines surplus line broker section 1761 of the CIC.

d. Be able to identify the Code definition of "transact" and why the definition is important, sections 35, 1621 through 1624, 1631, and1633 of the CIC.

e. Be able to identify what constitutes transaction of insurance, section 35 of the CIC:
   i. Solicitation, section 35(a) of the CIC.
   ii. Negotiation, section 35(b) of the CIC.
   iii. Execution of a contract of insurance, section 35(c) of the CIC. and,
   iv. Transaction of matters subsequent to and arising out of a contract of insurance, section 35(d) of the CIC.

f. Be able to identify:
   i. that the Code prohibits certain actions by unlicensed persons (Section 1631 of the CIC);
   ii. the penalty for such ("a." above) prohibited actions (Section 1633 of the CIC).

g. Be able to identify the Code statements regarding a broker-agent's status when appointed as an agent, section 1731 of the CIC.

h. Be able to differentiate between an insurance agent, an insurance broker and an insurance solicitor, sections 31, 1621, 33, 1623, 34, 1624, and 1625 of the CIC.
   i. Know that Sections 1625.55 through 1625.57 of the CIC states that the Limited Lines Automobile Insurance Agent license is an "agent" license;
   ii. Know that Section 1625.55 (c) of the CIC further defines that the Limited Lines Automobile Insurance Agent must be endorsed or appointed in order to act as an agent of a business entity or an insurer; and,
   iii. Know that the language in the California Insurance Code (CIC) precludes the Limited Lines Automobile Insurance Agent from being authorized to "broker" limited lines automobile insurance business and that broker fees are precluded from being charged under this license.

i. Be able to identify the purpose, duties, and authority of an agency for the following:
   i. applications;
   ii. binders, sections 382.5 of the CIC and 2274 of the CCR;
   iii. certificates of liability insurance and evidence of property insurance;
   iv. renewal responsibilities;
   v. suspense/diary system; and,
   vi. lost policy release.

j. For Insurance Agent's Errors and Omissions insurance, be able to identify:
   i. the types of coverages available;
   ii. the types of losses commonly covered/not covered; and,

iii. the need for the coverage.

k. Be able to identify acts prohibited (unless licensed as a surplus line broker) with regard to non-admitted insurers, section 703 of the CIC. The following link will provide the notice for the new Surplus lines rules:

http://www.insurance.ca.gov/0200-industry/0050-renew-license/0200requirements/upload/Revised_Notice_Surplus_Lines_License.pdf

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

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

n. Be able to identify what civil and criminal penalties apply, Title 18 United States Code Sections 1033 and 1034.

o. Be able to identify the requirements and penalties in the Code with regard to insurance in connection with sales or loans, sections 770 through 770.1, 771, and 773 through 774 of the CIC, and section 2114 of the CCR.

p. Be able to identify the rules regarding insurance in connection with sales and loans, section 776 of the CIC.

q. Be able to identify the prohibitions of free insurance, section 777.1 of the CIC.

r. Be able to identify the Code requirements for property broker-agents casualty broker-agents and property/casualty broker-agents regarding the following:

i. agency name, use of name, section 1724.5 and 1729.5 of the CIC;

ii. display of license, section 1725 of the CIC;

1) Be able to identify the rules regarding displaying the license, section 1725 of the CIC;

iii. records, sections 1727 through 1727.5, 1730.5, and 10508 of the CIC;

iv. Be able to identify what records must be maintained, where, in what form, for how long, and what penalties may be imposed for noncompliance, Title 10 CCR § 2190 through 2190.8, section 1747 of the CIC;

v. office location, sections 1658 and 1728 through 1729 of the CIC;

vi. change of address, section 1729 of the CIC;

vii. premium finance disclosures, sections 778.2, 778.4, and 1730.6 of the CIC;

viii. filing license renewal application, section 1720 of the CIC;

x. printing license number on documents, section 1725.5 of the CIC;

x. the rules regarding fictitious names, section 1724.5 of the CIC;

xi. the rules regarding Internet advertisements, section 1726 (a) of the CIC; and,

xii. the licensee's duty for disclosure of the effective date of coverage, section 1730.5 of the CIC.

s. Be able to identify regulations regarding charges for extra services e.g. mandated procedures to follow when a broker fee is charged.
t. Be able to identify the Code specifications regarding producer application investigation, denial of applications, and suspension or revocation of license, sections 1666, 1668 through 1669 and 1738 of the CIC.
u. Be able to identify the importance and the scope of the Code regarding:
   i. filing a notice of appointment, Sections 1704 through 1705 of the CIC;
   ii. an inactive license, section 1704(a) of the CIC; and,
   iii. cancellation (surrender) of a license by the licensee in the licensee's possession or in the employer's possession (CIC 1708).
v. Be able to identify the scope and effect of the Code regarding termination of a (producer) license including when producers dissolve a partnership, sections 1708 through 1712.5 of the CIC.
w. Be able to identify:
   i. the definition of the term "fiduciary*";* and,
   ii. producer fiduciary duties described in the Code, sections 1733 through 1735.5 of the CIC.
x. Be able to identify what kind of return premium offsets are and are not permissible, section 1735.5 of the CIC.
y. Be able to identify the continuing education requirements for Personal Lines Broker-Agents, section 1749.31 of the CIC.

The following Educational Objective is derived from the codes of ethics of major industry organizations and is the basis for test questions.

z. Be able to identify and apply the meaning of the following:
   i. place the customer's interest first;
   ii. know your job and continue to increase your level of competence;
   iii. identify the customer's needs and recommend products and services that meet those needs;
   iv. accurately and truthfully represent products and services;
   v. use simple language; talk the layman's language when possible;
   vi. stay in touch with customers and conduct periodic coverage reviews;
   vii. protect your confidential relationship with your client;
   viii. keep informed of and obey all insurance laws and regulations;
   ix. provide exemplary service to your clients; and,
   x. avoid unfair or inaccurate remarks about the competition.
aa. Be able to identify that the California Insurance Code (CIC) and the California Code of Regulations identify many unethical or illegal practices but they are not a complete guide to ethical behavior
bb. Be able to identify the personal lines requirement for providing the effective date of coverage to insureds /applicants, section 1730.5 of the CIC.
cc. Know what a licensee must do to surrender their license. Know what an

employer must do to terminate a licensee's license, Section 1708 of the CIC.

dd. Be able to identify special ethical concerns that may occur when dealing with Senior Citizens regarding pretext interviews, section791.03 of the CIC.

I. General Insurance

C. The Insurance Marketplace

3. Insurers

a. Be able to differentiate between:

i. admitted and non-admitted insurers, section 24 through 25 of the CIC;

ii. domestic, foreign or alien insurers, section 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 700 (b) of the CIC.

b. Be able to identify the functions of the following major operating divisions of insurers: Marketing /Sales, Underwriting, Claims, Actuarial.

c. Be able to identify market conduct regulations as the state laws that regulate insurer practices regarding underwriting, sales, ratemaking, and claims handling.

d. Be able to identify who may be an insurer, section 150 of the CIC.

i. person, association, organization, partnership, business trust, limited liability company or corporation (Section 19 of the CIC).

e. Be able to differentiate between Mutual, Stock and Fraternal insurers.

i. know that de-mutualization is a process whereby a mutual insurer becomes a stock company, section 11535 of the CIC.

ii. identify the major types of private insurers:

1) Stock insurance companies;

2) Mutual insurance companies;

3) Reciprocal insurance exchanges; and,

4) Fraternal organizations.

f. Be able to identify Reciprocals and Risk Retention groups, and the limitations on state regulation of risk retention groups under the federal Liability Risk Retention Act, and the possible impact on consumers, section 125 through section 140 of the CIC and Title 15 United States Code Sections 3901.

I. General Insurance
  C. The Insurance Marketplace
    4. Market Regulation - General
      a. Be able to identify the purpose of insurance regulation and the significance of the McCarran–Ferguson Act, 70 Federal Register, 52,117 (September 1, 2005) (42 U.S.C. 4011).
      b. Be able to identify:
        i. the California Insurance Code (CIC) and how it may be changed;
        ii. the California Code of Regulations (CCR Title 10, Chapter 5) and how it may be changed; and,
        iii. how the Insurance Commissioner is selected and the responsibilities of the position, sections 12900 and 12921 of the CIC.
      c. Be able to identify the correct application of the Unfair Practices article, including its prohibitions and penalties, sections 790 through 790.10 of the CIC.
      d. Be able to identify the privacy protection provisions of:
        i. The Gramm-Leach-Bliley Act
          1) Be able to explain the rules regarding the collection and disclosure of customers' personal financial information by financial institutions;
          2) Be able to identify the requirements for all financial institutions to design, implement and maintain safeguards to protect customer information;
        ii. The California Financial Information Privacy Act (Senate Bill 1, Chapter 241, Statutes of 2004).
        iii. Insurance Information and Privacy Protection Act regarding practices, prohibitions and penalties, sections 791 through 791.26 of the CIC.
        iv. Cal-GLBA/ “California Financial Information Privacy Act,” Section 4050 CA Financial Code;
        v. Health Insurance Portability and Accountability Act (HIPAA).
      e. Be able to identify the scope and correct application of the conservation proceedings described in the Code, Sections 1011, 1013, and 1016 of the CIC.
      f. Be able to define an insolvent insurer, section 985 of the CIC.
        i. The definition of an insolvent insurer includes either:
          1) Any impairment of minimum "paid-in capital" or "capital paid in," as defined in Section 36, required in the aggregate of an insurer by the provisions of this code for the class, or classes, of insurance that it transacts anywhere; and,
          2) An inability of the insurer to meet its financial obligations when they are due.

ii. Know that an insurer cannot escape the condition of insolvency by being able to provide for all its liabilities and for reinsurance of all outstanding risks. An insurer must also be possessed of additional assets equivalent to such aggregate "paid-in capital" or "capital paid in" required by this code after making provision for all such liabilities and for such reinsurance, sections 985.(a) (1 and 2) of the CIC;

iii. Know the definition of Paid-in Capital, section 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-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; and,

ii. efforts to combat fraud, sections 1872, 1874.6, 1875.8, 1875.14,1875.20, and 1877.3(b)(1) of the CIC.

i. Be able to identify the scope and correct application of the False and Fraudulent Claims article of the California Insurance Code (CIC), sections 1871, 1871.1-1871.4, 1872.5 of the CIC.

j. Be able to identify discriminatory fire and casualty practices prohibited by the (CIC), sections 679.70 through 679.73 and 10140 through 10145.4 of the CIC.

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 and use, use and 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, Title 10, California Code of Regulations 2695.2 (c).

2) Notice of Legal Action, Title 10, California Code of Regulations 2695.2(o); and,
3) Proof of Claims, Title 10, California Code of Regulations 2695.2 (s).

ii. Be able to identify File and Record Documentation, Title 10, California Code of Regulations 2695.3;
iii. Be able to identify Duties Upon Receipt of Communications, Title 10, California Code of Regulations 2695.5; and,
iv. Be able to identify Standards for Prompt, Fair and Equitable Settlements, Title 10, California Code of Regulations 2695.7 (a), (b), (c), (g), and (h) of the CCR.

I. General Insurance
C. The Insurance Marketplace
5. Excess and Surplus (E&S) Line
a. With regard to surplus line, be able to identify:
i. what the term "surplus line" means;
ii. the marketplace needs met by surplus line;
iii. the requirements to be met before a risk may be placed with a surplus line insurer;
iv. how surplus line and special lines surplus line brokers interact with agents;
v. the absence of binding authority for surplus line brokers when placing business through excess and surplus line brokers, section 1764.2 of the CIC;
vi. the non-standard nature of the coverages provided
vii. conditions that must be met before business may be obtained from these carriers, section 1761 of the CIC; and,
viii. what the List of ~~Eligible~~ **Approved** Surplus Lines Insurers (~~LESLI)~~ **(LASLI)** is. The following link will provide access to this list:

http://www.insurance.ca.gov/0250-insurers/0300-insurers/0200-bulletins/eligible-surplus-line/index.cfm

II. Property and Liability Insurance
A. Basic Legal Concepts - Tort Law
1. Be able to identify the types of wrongs that are dealt with by tort law including:
a. intentional torts;
b. negligence;
c. absolute liability; and,
d. strict liability
2. Be able to recognize and identify:

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

3. Be able to identify:
   a. the reasons for the absolute and strict liability doctrines and recognize situations in which they would apply; and,
   b. examples of intentional torts (e.g., libel, slander, or false arrest).
4. Be able to identify definitions of gross negligence and vicarious liability.
5. Be able to identify types of damages: punitive and compensatory, which includes special and general damages.
6. Be able to recognize the difference between “comparative” and “contributory” negligence doctrines.
7. Be able to compute a loss payment applying the doctrines of:
   a. comparative negligence;
   b. contributory negligence; and,
8. Be able to apply the assumption of the risk doctrine.
9. Be able to identify:
   a. the ways a pure no-fault law would modify a tort liability system; and,
   b. the major differences between "pure no-fault" and "modified no-fault" laws.

II. Property Insurance

B. Property

1. Basics
   a. Be able to identify the major services provided by the following independent rating organizations:
      i. Insurance Services Office (ISO) is the advisory organization that develops forms for the standard market; and,
   b. Be able to recognize the principal risk management methods used to identify loss exposures, and the advantages and disadvantages of each method.
   c. Be able to identify the difference between direct and indirect (consequential) property losses.
   d. Be able to recognize common indirect loss exposures.
   e. Be able to identify the methods commonly used by risk managers to deal with risk.
   f. Be able to identify the terms of expense, loss, and combined ratios.
   g. Be able to identify the following terms:
      i. “all-risk” (an old term still commonly used and understood within the insurance industry, but a term often misunderstood by the general public);

ii. “open peril” / “special form” (terms commonly used in place of “all-risk” in today’s policies);
iii. “named peril”; and,
iv. “concurrent causation.”

h. Be able to identify the terms and differentiate between:
i. short rate / flat rate / prorate 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 identify the definition of the term “loss reserve,” e.g. estimate of the amount an insurer will pay for a claim.

l. Be able to identify the requirements to be met to assign a policy from one insured to another.

m. Be able to differentiate between property and liability insurance coverages.

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

o. Be able to identify:
i. the requirement for an insurable interest to exist, section 280 of the CIC;
ii. when insurable interest is required to exist under property insurance policies, section 286 of the CIC; and,
iii. that contingent or expectant interests are not insurable, section 283 of the CIC.

p. Be able to apply the term "concurrent cause" to a loss where two perils are involved the same time and one peril is covered and the other is excluded.

II. Property Insurance
C. Property
2. Policies

a. Be able to identify a description of:
i. the major components of insurance policies (e.g., declarations, insuring agreements, definitions, conditions, exclusions, endorsements, etc.); and,
ii. common policy provisions (e.g., insured's right to cancel, assignment of policy, supplementary payments, severability, liberalization, etc.) and coverages (removal and debris removal).

b. Recognize that property insurance policies contain many items except the insured's address, section 2071 of the CIC.

c. Be able to identify and compute loss payments for:

i. the different types of valuation commonly used in insurance policies. (actual cash value, replacement cost, market value, agreed value, stated value); and,
ii. a valued policy, sections 412, 2053, and 2054 of the CIC.

d. Be able to identify the protection of a mortgagee's interest contained in most mortgage clauses.
e. Be able to identify the definition and effect of a concurrent vs. non-concurrent policy.
f. Be able to identify the Code requirements pertaining to policy cancellation / failure to renew, sections 481.5, 660 through 669.5, 673, and 675 through 679.6, of the CIC)
g. Be able to identify restrictions regarding referral of auto insureds to repair facilities, section 753 of the CIC.
h. Be able to identify the following unlawful practices:
i. Additional Standards Applicable to Automobile Insurance, California Code of Regulations 2695.8 (e); and,
ii. Requirements, suggestions, or recommendations by insurer regarding repair of automobiles at specific automobile repair dealers; conditions; disclosure; powers of commissioner, section 758.5 of the CIC.

i. Be able to describe the provisions in Personal Lines as it relates to Microbial Matter Exclusions (i.e. mold, fungus, mildew, dry rot).
j. Be able to differentiate the California Standard Form Fire Insurance Policy from the Standard Fire Policy (158 vs. 165 lines).

III. Personal Lines Insurance (65 percent of exam questions)

A. Insurance on a Residence

1. General Concepts

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

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

Property Insurance Disclosure statement, Sections 10101 and 10102 of the CIC;

~~ii.~~**2)** that the form contains only a general description of coverages and is NOT part of the residential policy; and,

~~iii.~~**3)** replacement cost and building code upgrade options.

III. Personal Lines Insurance
- A. Insurance on a Residence
  - 3. Liability Coverage – Comprehensive Personal Liability/Dwelling Liability
    - a. Be able to identify the two major coverages provided in homeowners and dwelling policies
    - b. Be able to identify common liability loss exposures covered or excluded.
    - c. For a described loss, be able to identify who would be covered under Medical Payments to Others.
    - d. Be able to identify the vehicles commonly insured/ not insured by the basic policy.
    - e. Be able to identify properties included in:
      - i. Insured Locations; and,
      - ii. Residence Premises.
    - f. Be able to identify losses covered under the Homeowners watercraft Endorsement.

III. Personal Lines Insurance
- A. Insurance on a Residence
  - 4. Endorsements
    - a. Be able to identify the effect of attaching the Mobilehome Endorsement to a Homeowners Policy.
    - b. Be able to identify the major effects of the following:
      - i. Workers' Compensation - Residence Employees (CA) endorsement - (not optional statutory benefits provided under CA law);
      - ii. Other Structures - Increased Limits endorsement;
      - iii. Scheduled Personal Property endorsement (also see III.B2.2); i.e. be able to identify that the scheduled personal property endorsements covers breakage of glassware caused by an earthquake;
      - iv. Inflation Guard endorsement;
      - v. Personal Property - Replacement Cost endorsement;
      - vi. Personal Injury endorsement;
      - vii. Additional Residence Rented to Others; and,
      - viii. Home business coverage endorsements as compared to commercial policies.

III. Personal Lines Insurance
- A. Homeowners' Insurance Valuation

(2 percent of exam questions are specific to this topic)

1. General Concepts of Section 1749.85 of the CIC
    a. Be able to identify what the "standard fire policy" is, perils insured, and its importance to modern personal and commercial property contracts, Section 2070 of the CIC.
    b. Be able to identify:
        i. the major coverage differences in the Dwelling and Homeowners programs; and,
        ii. why a dwelling might be insured under a Dwelling Policy rather than a Homeowners (HO) Policy.

III Personal Lines Insurance

B. Homeowners' Insurance Valuation

2. Insurance on a Residence
    a. Be able to identify the major similarities and differences between an HO-3, and HO-5, e.g. the primary difference between HO-3 and HO-5 is coverage C perils.
    b. Be able to identify the major similarities and differences of an HO-4 and an HO-6 (e.g., HO-4, and HO-6 have similar perils insured against under coverage C).
    c. Home Valuations - Replacement costs
        i. Given sufficient information about an HO property loss being adjusted under the Section I Condition - Loss Settlement, be able to compute:
            1) the amount of coverage required to receive full replacement cost coverage; and,
            2) the amount that would be paid (at least 80 percent or less than 80 percent of replacement cost);
        ii. Know how a replacement cost policy is paid, e.g. ACV vs. replacement; and,
        iii. Guaranteed and Extended Replacement Cost Options.
    d. Homeowners' Insurance Endorsements, be able to identify the major effects of the following:
        i. Guaranteed and Extended Replacement Cost Options (i.e. it is inappropriate to use these endorsements to minimize the amount of coverage provided or sold);
        ii. Ordinance or Law Coverage, know when applicable; and
        iii. Dwelling Limitations
            1) Premises liability
            2) Loss of Rent

III. Personal Lines Insurance

B. Homeowners' Insurance Valuation

3. Earthquake Coverage

a. Be able to identify the advantages / disadvantages (if any) of:
   1) obtaining this coverage by a separate policy vs. endorsement to property policy;
   2) single limit of coverage vs. multiple limits (e.g. Homeowners policy); and, reduced coverage policies.

III. Personal Lines Insurance
B. Homeowners' Insurance Valuation
4. California Fair Access To Insurance Requirements (FAIR) Plan
a. Be able to identify the marketplace needs met by the California FAIR plan, Sections 10090 and 10091 of the CIC.
b. Be able to identify the two different types of areas served by the California FAIR plan.
c. Be able to identify which of a described group of applicants would be eligible for coverage under the plan.
d. Be able to identify who is eligible to submit applications to the FAIR Plan and the extent of their binding authority Section 10093(a) of the CIC (Also FAIR Plan rules).
e. Be able to identify the meaning of "basic property insurance" as defined in Section 10091(c) of the CIC.

III. Personal Lines Insurance
B. Homeowners' Insurance Valuation
5. Fire Mitigation and How It Affects Insurance Costs
a. Be able to define, recognize, and describe the fire problem in the wildland urban interface.
b. Be knowledgeable of the areas that affect the risk and hazard such as topography, fuels type and locations, weather, and construction.
c. Be knowledgeable of the current state laws and regulations that address efforts to mitigate include defensible space requirements, building constructions, land use and planning.

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

d. Know that an annual transit policy is usually provided on a named peril basis.

III. Personal Lines Insurance
C. Inland Marine
2. ~~Personal Watercraft -~~ Personal Insurance
a. Be able to compare the Personal Articles Floater (PAF) and the Homeowners "Scheduled Personal Property Endorsement."
b. With regard to the Scheduled Personal Property endorsement:
i. be able to identify the uninsured loss exposures that might cause an HO-3 homeowners insured to add this endorsement;
ii. be able to identify what effect insuring property under this endorsement has on coverage C of a Homeowners policy; and,
iii. be able to identify the restrictions on “insured locations” and “insured perils” in property policies.
c. Be able to identify the limited coverage that is available in the Watercraft endorsement under the Homeowners Program.
i. Be able to identify why a boat owner, insured under a Homeowners Policy, might still need Boatowners type coverages.
ii. Be able to identify the typical coverages provided:
1) liability, including operations liability, passenger liability and flotilla liability;
2) medical payments; and,
3) physical damage coverage
~~e.~~**d.** Be able to identify the coverage normally afforded by the yacht policy (e.g., hull, boat trailers, protection and indemnity [P&I]).
~~f.~~**e.** Be able to identify the coverage provided by P&I that are not provided by other boat liability coverages.

III. Personal Lines Insurance
D. Government / Pools / Catastrophe - Property Insurance
1. Earthquake Coverage
a. Be able to identify the major personal insurance policy coverage that insures against losses caused by earth movement (e.g., Personal Auto: other-than collision or comprehensive coverage).
b. Be able to identify correct statements about:
i. requirements for insurers to offer earth movement coverage, section 10081 and 10084 of the CIC; and,
ii. state or federal facilities such as the California Earthquake Authority (CEA) that provide coverage for this peril to major segments of the dwelling market, sections 10089.6, 10089.26, and 10089.28 of the CIC.
c. Be able to identify the advantages / disadvantages (if any) of earthquake

type deductible vs. commonly used property deductibles.

~~III. Personal Lines Insurance~~
~~D. Government / Pools / Catastrophe - Property Insurance~~
~~2. California Fair Access to Insurance Requirements (FAIR) Plan~~
~~a. Be able to identify the marketplace needs met by the California FAIR plan, sections 10090 and 10091 of the CIC.~~
~~b. Be able to identify the two different types of areas served by the California FAIR plan.~~
~~c. Be able to identify which of a described group of applicants would be eligible for coverage under the plan.~~
~~d. Be able to identify who is eligible to submit applications to the FAIR Plan and the extent of their binding authority, section 10093(a) of the CIC (also FAIR Plan rules).~~
~~e. Be able to identify the meaning of "basic property insurance" as defined in the Code, section 10091(c) of the CIC.~~

III. Personal Lines Insurance
D. Government / Pools / Catastrophe - Property Insurance
~~3.~~**2.** National Flood Insurance
a. Be able to identify the major personal insurance policy coverage that insures against losses caused by flood (e.g., Personal Auto: other-than collision or comprehensive coverage).
b. For the National Flood Program(Federal Registry, Volume 70, Number 169, pages 52117-52119, September 1, 2005, 42 U.S.C. 4011), be able to identify the following:
i. the types of properties eligible for coverage under the program (applies to both personal and commercial property);
ii. the principal coverage provided by the contract and limitations for making claims;
iii. risks eligible for the program, differentiating between the emergency program and the regular program;
iv. who may place business with the program (any licensed Personal Lines Broker-Agent);
v. an agent's binding authority; and,
vi. that program dollar limits for coverages are specified.

III. Personal Lines Insurance
E. Personal Auto
1. General Concepts
a. Be able to differentiate between a private passenger vehicle and a commercial vehicle;
i. know that RV's are generally both designed as and used as private

passenger vehicles, not commercial vehicles;
ii. once a Recreational Vehicle is added to the PAP, the existing coverage of the PAP is extended to this added vehicle; and,
iii. know that under CIC 660(a)(1), a 6-wheel RV would be considered a private passenger vehicle.

b. Be able to identify the financial responsibility law requirements, sections 16020, 16021, 16025, and 16451 of the California Vehicle Code (CVC).
c. An agent must be aware of how the particular personal auto policy being sold to the consumer may differ from the ISO Personal Auto Policy (PAP).
d. Be able to identify:
   i. the ISO eligibility requirements for a Personal Auto Policy (PAP);
   ii. who is an insured including the provisions regarding how the policy responds when an insured is no longer a spouse living in the same household, e.g. any person qualifies as an insured while using a covered auto;
   iii. the policy territorial limits;
   iv. the difference between "share-the-expense car pools" and "for-hire" situations;
   v. the coverage that applies to newly acquired auto and “your covered auto”; and,
   vi. the coverage that applies to a non-owned private passenger auto rented by an insured while on a short vacation.
e. Be able to identify situations in which the policy provides:
   i. primary coverage;
   ii. excess coverage; and,
   iii. special physical damage
f. Be able to identify:
   i. the eligibility requirements to receive a Good Driver Discount, section 1861.025 of the CIC;
   ii. the discount percentage of the Good Driver Discount, 1861.02 of the CIC; and,
   iii. the three principal rating factors for personal auto policies, section 1861.02(a) of the CIC.
g. Be able to understand the provisions of the California Amendatory Endorsement and be able identify:
   i. the permitted reasons for an insurer to cancel or non-renew an automobile policy, section 1861.03(c)(1) and 661 of the CIC; and,
   ii. the number of days of notice required, sections 662 and 663 of the CIC.
h. For newly acquired autos, know that:
   i. A newly acquired auto will have the broadest coverage provided for any vehicle shown in the Declarations, except for collision coverage;

ii. If the insured has collision coverage on at least one auto listed on the Declarations page, collision coverage on a newly acquired auto begins on the date the insured becomes the owner. The insured must notify the insurer within 14 days;
iii. If the insured does not have collision coverage on at least one auto listed on the Declarations page, collision coverage on a newly acquired auto begins on the date the insured becomes the owner, but the insured must request collision coverage within 4 days and a $500 deductible applies; and,
iv. If a newly acquired auto is in addition to any vehicle shown in the Declarations, the insured must notify the insurer within 14 days.

III. Personal Lines Insurance
E. Personal Auto
2. Liability / Medical / Uninsured Motorist
a. Be able to identify how the policy limits are applied in a PAP to Liability, Medical, Uninsured Motorist in a given loss situation.
b. For a described loss applying to Part A - Liability, be able to determine the effect of:
i. supplementary payments;
ii. "out of state coverage" (including "financial responsibility" and “no-fault” compliance);
iii. split limits vs. single limits coverage; e.g. the difference between the per accident limit in a split limit policy and a single limit policy is that in a split limit policy the per accident limit applies only to bodily injury and property damage and the single limit applies to all claims;
iv. “other insurance”; and,
v. the principle coverage / limitations / exclusions applying to bodily injury and property damage liability.
c. Be able to identify a described loss applying to Part B - Medical Payments, be able to determine the amount of coverage for each insured.
i. the principle – coverage/limitations/exclusions/apply to Part B-Medical Payments.
d. Be able to identify a described loss applying to Part C – Uninsured Motorist, be able to determine the amount of coverage for each insured.
i. who is defined as an uninsured motorist;
ii. the Underinsured Motorists coverage part of the Uninsured Motorist coverage, sections 11580.2(p)(2) and (7) of the CIC;
ii. Uninsured Motorist Property Damage; and,
iv. collision deductible waivers.
e. Under California law be able to identify:
i. the policy limits required to comply with the Financial Responsibility Law, sections 11580.1(b)(1) of the CIC and section 16056 of the CVC.

ii. the requirement for offering Uninsured Motorists Coverage in policies providing bodily injury liability - and how an insured may reject the coverage, section 11580.2(a)(1) of the CIC; and,
iii. MVR Issues – Fair Credit Reporting

III. Personal Lines Insurance
E. Personal Auto
3. Physical Damage / Miscellaneous
a. In a described loss, be able to identify:
i. if the loss is covered and for how much after applying any deductibles;
ii. the standard basis of valuation for the automobile;
iii. an insurer's 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 coverage (OTC) and comprehensive coverage (ISO uses newer "OTC", many insurers still use "comprehensive");
1) Know that Other Than Collision coverage is a property insurance coverage.
vii. under what conditions waiver of collision deductible and uninsured motorist property damage must be offered and the coverage provided by each; and,
viii. insured's duties after a loss.
b. Be able to identify the purpose of the following:
i. Miscellaneous Type Vehicle Endorsement:
1) Limited Mexico Coverage Endorsement;
2) Towing and Labor Coverage.
3) Trust Endorsement
4) Joint Ownership; and,
5) Auto Loan/Lease Endorsement (GAP Coverage)
ii. Named Non-owner Coverage;
iii. Extended Non-owned Liability Coverage – Vehicle Furnished or Available for Regular Use;
iv. Optional Limits - Transportation Expenses Coverage; and,
v. Customizing Equipment Coverage (PP 08 18);
c. Be able to identify physical damage.

III. Personal Lines Insurance
E. Personal Auto
4. California Automobile Assigned Risk Plan (CAARP)
a. Be able to identify the purpose of CAARP.
b. Be able to identify:
i. who is eligible to place business with CAARP;

ii. the eligibility requirements for applicants;
iii. how business is placed through CAARP;
iv. the coverages and limits available and/or required;
v. when coverage may be bound; and,
vi. when commercial risks are also eligible for "assigned risk" coverage.

c. Low-Cost Automobile Insurance
i. Be able to identify:
1) low-cost automobile insurance;
2) the costs for this insurance;
3) eligibility to purchase low-cost automobile insurance;
4) the cancellation and renewal procedures for low-cost automobile insurance; and,
5) the coverages and limits available.

III. Personal Lines Insurance
E. Personal Auto
5. Motorcycles
a. Be able to explain how to insure motorcycles.
b. Know that motorcycles generally are not covered by a Personal Auto Policy and generally cannot be added as an endorsement.
c. Be knowledgeable of specialty motorcycle coverage and be particularily aware of common limitations in the area of medical payments and uninsured motorist.

III. Personal Lines Insurance
E. Personal Auto
6. Recreational Vehicles
a. Know that for Recreational Vehicles, endorsements can be added to a Personal Auto Policy (PAP) to provide coverage*;*
i. understand the different types of Recreational Vehicles; and,
ii. be able to explain the difference between coverage available for recreational vehicles (e.g. motorhomes vs. quad).

III. Personal Lines Insurance
F. Umbrella and Excess Liability Insurance
1. Be able to identify:
a. the major function of these policies;
b. the difference between umbrella and excess policies; and,
c. the benefits of umbrella and excess liability insurance.
2. Be able to identify:
a. underlying policies that are commonly required by the umbrella insurer to be maintained;
b. what a self-insured retention is and how it is applied to a loss; and,

c. Standardized Umbrella policies and their availability.

Prelicensing Education
Educational Objectives
California Personal Lines Broker-Agent Examination

APPENDIX A

Ethics and California Insurance Code (12 hour)
Educational Objectives

The "General" Ethics and California Insurance Code educational objectives that apply to all lines of authority appear below. The 12 hours of required Ethics and California Insurance Code education must at a minimum include the material in Appendix A.

I. General Insurance
- A. Basic Insurance Concepts and Principles
  1. Be able to identify examples of insurance (as defined is Section 22 of the CIC).
  2. Be able to identify the definition of insurable events, Section 250 of the CIC.

I. General Insurance
- B. Contract Law
  1. Be able to identify the term "insurance policy," Section 380 of the CIC.
  2. Be able to identify the meaning and effect of each of the following on a contract:
     - a. fraud, Sections 338 and 1871.1 through 1871.4 of the CIC;
     - b. concealment, Sections 330 through 339 of the CIC;
       - i. Be able to identify information that does not need to be communicated in a contract: Section 333 of the CIC;
         - 1) known information
         - 2) information that should be known
         - 3) information which the other party waives
         - 4) information that is not material to the risk
     - c. warranty, Section 440 through 445 and 447 of the CIC;
       - i. know that a representation in an insurance contract qualifies as an implied warranty;
     - d. materiality, Section 334 of the CIC;
       - i. know that the materiality of concealment is the rule used to determine the importance of a misrepresentation;
     - e. representations, Sections 350 through 361 of the CIC;
       - i. know when a representation can be altered or withdrawn, Section 355 of the CIC;
       - ii. know that a representation is false when the facts fail to correspond with its assertions or stipulations, Section 358 of the CIC; and,
     - f. misrepresentation, Sections 780 through 784 of the CIC.
  3. Be able to identify six required specifications for all insurance policies, Section 381 of the CIC.
     - a. know that the financial rating of the insurer is not required to be specified in the insurance policy, Section 381 of the CIC.
  4. Be able to identify:

a. the meaning of the term rescission; and,
b. when an insurer has the right of rescission, Sections 331, 338, 359, and 447 of the CIC.
i. know that either intentional or unintentional concealment entitles an injured party to rescission of a contract, Section 331 of the CIC.

I. General Insurance
C. The Insurance Marketplace
1. Distribution Systems
a. Be able to identify a definition of the following marketing systems:
i. agency;
ii. direct response; and,
iii. home service.

I. General Insurance
C The Insurance Marketplace
2. Producers
a. Be able to identify the Code definition of transact and why the definition is important, Sections 35, 1621 through 1624, 1631, and 1633 of the CIC.
b.Be able to identify what constitutes transaction of insurance, Section 35 of the CIC:
i. solicitation, Section 35(a) of the CIC;
ii. negotiation, Section 35(b) of the CIC;
iii. execution of a contract of insurance, Section 35(c) of the CIC; and,
iv. Transaction of matters subsequent to and arising out of a contract of insurance, Section 35(d) of the CIC.
c. Be able to identify:
i. that the Code prohibits certain actions by unlicensed persons, Section 1631 of the CIC; and,
ii. the penalty for such ("a." above) prohibited actions, Section 1633 of the CIC.
d. Written consent in regards to interstate commerce (Prohibited Persons in Insurance):
i. Be able to identify what conduct is prohibited by Title 18 United States Code Section 1033; and,
ii. Be able to identify what civil and criminal penalties apply, Title 18 United States Code Sections 1033 and 1034.
e. Be able to identify the differences between the terms agent and broker with respect to their relationship with insurers and with their insureds:
i. insurance agent means a person authorized, by and on behalf of an insurer, to transact all classes of insurance other that life insurance, Section 31 of the CIC;
ii. insurance broker means a person who, for compensation and on behalf of another person, transacts insurance other than life with, but

not on behalf of, an insurer, Section 33 of the CIC; and,

iii. know that there is no life broker or health broker; and,

iv. know that there are life settlement brokers, Sections 10113.1 through 10113.3 of the CIC.

f. Be able to identify the Code provisions regarding an accident and health agent acting as an agent for an insurer for which the agent is not specifically appointed, Section 1704.5 of the CIC.

g. Be able to differentiate between an insurance agent, an insurance broker and an insurance solicitor, Sections 31, 1621, 33, 1623, 34, and 1624 of the CIC.

h. For Insurance Agent's Errors & Omissions insurance, be able to identify:

i. the need for the coverage.

ii. the types of coverages available;

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

i. Be able to identify acts prohibited (unless a surplus lines broker) with regard to nonadmitted insurers, Section 703 of the CIC.

j. Be able to identify the prohibitions of free insurance, Section 777.1 of the CIC.

k. Be able to identify the Code requirements for the following:

i. an agency name, use of name, Sections 1724.5 and 1729.5 of the CIC; and,

ii. change of address, Section 1729 of the CIC;

l. Be able to identify the rules regarding fictitious names, Section 1724.5 of the CIC.

m. Be able to identify the rules regarding Internet advertisements, Section 1726 (a) of the CIC.

n. Be able to identify the licensee's duty for disclosure of the effective date of coverage, Section 1730.5 of the CIC.

o. Be able to identify the Code specifications regarding producer application investigation, denial of applications, and suspension or revocation of license, Sections 1666, 1668-1669, and 1738 of the CIC.

p. Be able to identify the importance and the scope of the California Insurance Code regarding:

i. the filing of a notice of appointment, Section 1704 through 705 of the CIC;

ii. an inactive license, Section 1704 (a) of the CIC; and,

iii. cancellation of a license by the licensee in the licensee's possession or in the employer's possession, Section 1708 of the CIC.

q. Be able to identify the scope and effect of the Code regarding termination of a (producer's) license, including when producers dissolve a partnership, Sections 1708 through 1712.5 of the CIC.

r. Be able to identify and apply:

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

ii. producer fiduciary duties described in the Code, Sections 1733 through 1735 of the CIC.

s. Be able to identify the continuing education (CE) requirements for:
   i. agents, Section 1749.3 of the CIC;
   ii. an agent writing Long Term Care Insurance, Section 10234.93 of the CIC;
   iii. agents writing California Partnership coverage must meet California long-term care requirements and training requirements on the California Partnership for Long-Term Care (the total hours of CE required are not increased by Sections 10234.93 (b) or (c)); and,
   iv. life-only agents or accident and health agents also licensed as a property broker-agent and/or casualty broker-agent must complete 24 hours of continuing education each two-year license renewal period.

The following Educational Objective is derived from the codes of ethics of major industry organizations and is the basis for licensing examination questions.

t. Be able to identify and apply the meaning of the following:
   i. place the customer's interest first;
   ii. know your job - and continue to increase your level of competence;
   iii. identify the customer's needs and recommend products and services that meet those needs;
   iv. accurately and truthfully represent products and services;
   v. use simple language; talk the layman's language when possible;
   vi. stay in touch with customers and conduct periodic coverage reviews;
   vii. protect your confidential relationship with your client;
   viii. keep informed of and obey all insurance laws and regulations;
   ix. provide exemplary service to your clients; and,
   x. avoid unfair or inaccurate remarks about the competition.

u. Be able to identify that the California Insurance Code (CIC) and the California Code of Regulations (CCR) identify many unethical and/or illegal practices, but the CIC and CCR are NOT a complete guide to ethical behavior.

v. Be able to identify special ethical concerns that may occur when dealing with Senior Citizens regarding pretext interviews, Section 791.03 of the CIC.

I. General Insurance
   C. The Insurance Marketplace
      3. Insurers
         a. Be able to differentiate between:
            i. admitted and nonadmitted insurers, Sections 24 through 25 of the CIC; and,

ii. domestic, foreign, and alien insurers, Sections 26 through 27 of the CIC;

b. Be able to differentiate between regulation of an admitted insurer and non-admitted insurer, and the potential consequences for consumers, Sections 24, 25, and 1760 through 1780 of the CIC;

c. Be able to identify the penalty for unlawfully acting as an insurer without a certificate of authority, Section 703 of the CIC.

d. Be able to identify who may be an insurer, Section 150 of the CIC.

i. person, association, organization, partnership, business trust, limited liability company or corporation, Section 19 of the CIC.

e. Be able to differentiate between Mutual, Stock and Fraternal insurers.

i. know that de-mutualization is a process whereby a mutual insurer becomes a stock company, Section 11535 of the CIC.

I. General Insurance

C. The Insurance Marketplace

4. Market Regulation - General

a. Be able to identify:

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

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

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

b. Be able to identify the correct application of the Unfair Practices article, including its prohibitions and penalties, Sections 790 through 790.15 of the CIC.

c. Be able to identify the privacy protection provisions of:

i. The Gramm-Leach-Bliley Act

1) Be able to explain the rules regarding the collection and disclosure of customers' personal financial information by financial institutions;

2) Be able to identify the requirements for all financial institutions to design, implement and maintain safeguards to protect customer information;

ii. The California Financial Information Privacy Act (Sections 4050 - 4060 of the California Financial Code (Senate Bill 1, Chapter 241, Statutes of 2004);

iii. Insurance Information and Privacy Protection Act regarding practices, prohibitions and penalties, Sections 791 through 791.26 of the CIC;

iv. Cal-GLBA/“California Financial Information Privacy Act,” Section 4050 California Financial Code;

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

d. Be able to identify the scope and correct application of the conservation

proceedings described in the Code, Sections 1011, 1013, and 1016 of the CIC.

e. Be able to define an insolvent insurer, Section 985 of the CIC:
   i. the definition of an insolvent insurer includes either:
      1) Any impairment of minimum "paid-in capital" or "capital paid in," as defined in Section 36, required in the aggregate of an insurer by the provisions of this code for the class, or classes, of insurance that it transacts anywhere; and,
      2) An inability of the insurer to meet its financial obligations when they are due;
   ii. know that an insurer cannot escape the condition of insolvency by being able to provide for all its liabilities and for reinsurance of all outstanding risks. An insurer must also be possessed of additional assets equivalent to such aggregate "paid-in capital" or "capital paid in" required by this code after making provision for all such liabilities and for such reinsurance, Sections 985 (a) (1 and 2) of the CIC;
   iii. know the definition of Paid-in Capital, Sections 36 and 985 of the CIC; and,
   iv. know that it is a misdemeanor to refuse to deliver any books, records, or assets to the Commissioner once a seizure order has been executed in an insolvency proceeding, Section 1013 of the CIC.

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

g. Be able to identify the scope and correct application of the False and Fraudulent Claims article of the Code, Sections 1871, 1871.4 of the CIC.

h. Be able to identify the meaning of (as used in the CIC):
   i. shall and may, Section 16 of the CIC; and,
   ii. person, Section 19 of the CIC.

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

I. General Insurance

C. The Insurance Marketplace

5. Fair Claims Settlement Practices Regulations

a. Be able to identify a definition of the following:
   i. Claimant, Title 10, Section 2695.2(c) of the CCR;
   ii. Notice of Legal Action, Title 10, Section 2695.2(c) of the CCR; and,
   iii. Proof of Claims, Title 10, Section 2695 2(s) of the CCR;

b. Be able to identify File and Record Documentation, Section 2695.3 of the

CCR.

c. Be able to identify Duties Upon Receipt of Communications, Section 2695.5 of the CCR.

d. Be able to identify Standards for Prompt, Fair and Equitable Settlements, Sections 2695.7(a), (b), (c), (g), and (h) of the CCR.