## Overview

California Insurance Code (Cal. Ins. Code) section 1749(g) states, in part, that in addition to the 20 hours of prelicensing education required to qualify for a license as a property agent, casualty agent, personal lines agent, limited lines automobile insurance agent, a life agent, or an accident and health or sickness agent, the California Department of Insurance (Department) shall require 12 hours of study on ethics and the California Insurance Code (code). Where an applicant seeks a license for more than one of the following license types: a property agent license, a casualty agent license, a personal lines agent license, a life license, or an accident and health or sickness license, the applicant shall only be required to complete one 12-hour course on ethics and code. The curriculum for satisfying this requirement shall be approved by the Curriculum Board and submitted to the Commissioner for final approval.

## Educational Objectives

The 12 hours of study on ethics and code are derived from the curriculum outline contained in California Code of Regulations, Title 10, Chapter 5, Subchapter 1, Article 6.5, section 2187.7 (10 Cal. Code Regs.).

## Ethics and California Insurance Code

The 12 hours of required ethics and code education must, at a minimum, include the material in this outline.

## The Examination

The Department’s examinations are administered by the Department’s license examination vendor PSI Services LLC (PSI) at the Department’s test center in Los Angeles, at one of the many PSI test centers located throughout California, or as an online remote proctored license examination through PSI.

The Department’s test center examinations begin at 8:30 a.m. Pacific Time (8:00 a.m. check in) and 1:00 p.m. (12:30 p.m. check in), Monday through Friday, except on state holidays at the following locations:

|  |
| --- |
| **CDI Los Angeles Examination Site:**  Ronald Reagan Building  300 South Spring Street  North Tower, Suite 1000  Los Angeles, California 90013 |

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

|  |  |  |  |
| --- | --- | --- | --- |
| Agoura Hills | El Monte | Riverside | Santa Rosa |
| Atascadero | Fresno | Sacramento | Union City |
| Bakersfield | Lawndale | San Diego | Ventura |
| Carson  Diamond Bar | Irvine  Redding | San Francisco  Santa Clara | Visalia  Walnut Creek |
|  |  |  |  |

Remote Online Proctored License Examinations

Candidate Information Bulletin

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

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

For additional information on license examinations (i.e., online remote proctored examination scheduling, fingerprint requirements, examination admittance, forms of identification, check your scheduled examination date, check your examination results), please review the Department’s Insurance License Examination Information on the following web page:

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

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1. One Hour Study on Insurance Fraud Required Training

1. Suspected Insurance Fraud

The “General” Ethics and California Insurance Code training applies to all lines of authority that appear below.

I. General Insurance

A. Basic Insurance Concepts and Principles

1. Be able to identify examples of insurance as defined in [California Insurance Code (Cal. Ins. Code) section 22](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=INS&sectionNum=22.)

2. Be able to identify the definition of insurable events ([Cal. Ins. Code section 250](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=INS&sectionNum=250.))

I. General Insurance

B. Contract Law

1. Be able to identify the term “insurance policy” ([Cal. Ins. Code section 380](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=INS&sectionNum=380.))

2. Be able to identify the meaning and effect of each of the following on a contract:

a. Fraud ([Cal. Ins. Code sections 338](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=INS&sectionNum=338.) and [1871.1 through 1871.4](https://leginfo.legislature.ca.gov/faces/codes_displayText.xhtml?lawCode=INS&division=1.&title=&part=2.&chapter=12.&article=1.))

b. Concealment ([Cal. Ins. Code sections 330 through 339](https://leginfo.legislature.ca.gov/faces/codes_displayText.xhtml?lawCode=INS&division=1.&title=&part=1.&chapter=3.&article=1.))

i. Be able to identify information that does not need to be communicated in a contract ([Cal. Ins. Code Section 333](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=INS&sectionNum=333.)):

1) Those which the other knows

2) Those which, in the exercise of ordinary care, the other ought to know, and of which the party has no reason to suppose him ignorant

3) Those of which the other waives communication

4) Those which prove or tend to prove the existence of a risk excluded by a warranty, and which are not otherwise material

5) Those which relate to a risk excepted from insurance, and which are not otherwise material

c. Warranty ([Cal. Ins. Code sections 440 through 449](https://leginfo.legislature.ca.gov/faces/codes_displayText.xhtml?lawCode=INS&division=1.&title=&part=1.&chapter=4.&article=4.))

i. Know that a warranty may be expressed or implied

d. Materiality ([Cal. Ins. Code section 334](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=INS&sectionNum=334.))

i. Know that the materiality of concealment is the rule used to determine the importance of a misrepresentation

e. Representations ([Cal. Ins. Code sections 350 through 361](https://leginfo.legislature.ca.gov/faces/codes_displayText.xhtml?lawCode=INS&division=1.&title=&part=1.&chapter=3.&article=2.))

i. Know when a representation can be altered or withdrawn ([Cal. Ins. Code section 355](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=INS&sectionNum=355.))

ii. Know that a representation is false when the facts fail to correspond with its assertions or stipulations ([Cal. Ins. Code section 358](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=INS&sectionNum=358.))

iii. Know that a representation cannot qualify as an express provision in a contract of insurance, but it may qualify as an implied warranty ([Cal. Ins. Code section 354](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=INS&sectionNum=354.))

f. Misrepresentation ([Cal. Ins. Code sections 780 through 784](https://leginfo.legislature.ca.gov/faces/codes_displayText.xhtml?lawCode=INS&division=1.&title=&part=2.&chapter=1.&article=6.))

3. Be able to identify six required specifications for all insurance policies ([Cal. Ins. Code section 381](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=INS&sectionNum=381.))

a. The parties between whom the contract is made

b. The property or life insured

c. The interest of the insured in property insured, if they are not the absolute owner thereof

d. The risks insured against

e. The period during which the insurance is to continue

f. A statement of the premium or a statement of the basis and rates upon which the final premium is to be determined

4. Be able to identify:

a. The meaning of the term rescission

b. When an insurer has the right of rescission

i. Intentional and fraudulent omission ([Cal. Ins. Code section 338](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=INS&sectionNum=338.))

ii. False material representation ([Cal. Ins. Code section 359](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=INS&sectionNum=359.))

iii. Violation of a material warranty or provision ([Cal. Ins. Code section 447](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=INS&sectionNum=447.))

c. Concealment ([Cal. Ins. Code section 331](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=INS&sectionNum=331.))

i. Know that either intentional or unintentional concealment entitles an injured party to rescission of a contract

I. General Insurance

C. The Insurance Marketplace

1. Distribution Channels

a. Be able to identify a definition of the following distribution channels:

i. Captive agents

ii. Direct writers

iii. Independent agents

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 ([Cal. Ins. Code sections 35](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=INS&sectionNum=35.), [1621 through 1624](https://leginfo.legislature.ca.gov/faces/codes_displayText.xhtml?lawCode=INS&division=1.&title=&part=2.&chapter=5.&article=1.), [1631, and 1633](https://leginfo.legislature.ca.gov/faces/codes_displayText.xhtml?lawCode=INS&division=1.&title=&part=2.&chapter=5.&article=3.))

b. Be able to identify what constitutes transaction of insurance ([Cal. Ins. Code section 35):](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=INS&sectionNum=35.)

i. Solicitation ([Cal. Ins. Code section 35(a)](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=INS&sectionNum=35.))

ii. Negotiation ([Cal. Ins. Code section 35(b)](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=INS&sectionNum=35.))

iii. Execution of a contract of insurance ([Cal. Ins. Code section 35(c](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=INS&sectionNum=35.)))

iv. Transaction of matters subsequent to and arising out of a contract of insurance ([Cal. Ins. Code section 35(d)](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=INS&sectionNum=35.))

c. Be able to identify:

i. That the Code prohibits certain actions by unlicensed persons ([Cal. Ins. Code section 1631](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=INS&sectionNum=1631.))

ii. The penalty for such prohibited actions ([Cal. Ins. Code section 1633](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=INS&sectionNum=1633.))

d. Written consent in regard to interstate commerce (Prohibited Persons in Insurance):

i. Be able to identify what conduct is prohibited by [Title 18 United States Code (18 USC) section 1033](https://uscode.house.gov/view.xhtml?req=(title:18%20section:1033%20edition:prelim)%20OR%20(granuleid:USC-prelim-title18-section1033)&f=treesort&edition=prelim&num=0&jumpTo=true)

ii. Be able to identify what civil and criminal penalties apply ([18 USC sections 1033 and 1034](https://uscode.house.gov/view.xhtml;jsessionid=31832676BCF9CD0D0500C6A61143EC6D?req=granuleid%3AUSC-prelim-title18-chapter47&saved=%7CKHRpdGxlOjE4IHNlY3Rpb246MTAzMyBlZGl0aW9uOnByZWxpbSkgT1IgKGdyYW51bGVpZDpVU0MtcHJlbGltLXRpdGxlMTgtc2VjdGlvbjEwMzMp%7CdHJlZXNvcnQ%3D%7C%7C0%7Cfalse%7Cprelim&edition=prelim))

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 than life, disability, or health insurance, on behalf of an admitted insurance company ([Cal. Ins. Code section 31](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=INS&sectionNum=31.))

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 ([Cal. Ins. Code section 33](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=INS&sectionNum=33.))

iii. Know that life and health transactions are done by agents and not brokers

iv. Know that there are life settlement brokers ([Cal. Ins. Code sections 10113.1 through 10113.3](https://leginfo.legislature.ca.gov/faces/codes_displayText.xhtml?lawCode=INS&division=2.&title=&part=2.&chapter=1.&article=1.))

f. Be able to identify the Code provisions regarding a life agent acting as an agent for an insurer for which the agent is not specifically appointed ([Cal. Ins. Code section 1704.5](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=INS&sectionNum=1704.5.))

g. Be able to differentiate between an insurance agent, an insurance broker, and an insurance solicitor ([Cal. Ins. Code sections 31](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=INS&sectionNum=31.), [33](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=INS&sectionNum=33.), [34](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=INS&sectionNum=34.), [1621](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=INS&sectionNum=1621.), [1623](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=INS&sectionNum=1623.), and [1624](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=INS&sectionNum=1624.))

h. For insurance agents Errors & Omissions insurance, be able to identify:

i. The need for the coverage

ii.The types of coveragesavailable

iii. The types of lossescommonly covered/not covered

iv. How Errors & Omissions insurance is applied

i. Be able to identify acts prohibited (unless a surplus lines broker) with regard to non-admitted insurers ([Cal. Ins. Code section 703](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=INS&sectionNum=703.))

j. Be able to identify the prohibitions of free insurance ([Cal. Ins. Code section 777.1](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=INS&sectionNum=777.1.))

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

i. An agency name, use of name ([Cal. Ins. Code sections 1724.5](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=INS&sectionNum=1724.5.) and [1729.5](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=INS&sectionNum=1729.5.))

ii. Change of address ([Cal. Ins. Code section 1729](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=INS&sectionNum=1729.5.))

l. Be able to identify the rules regarding fictitious names ([Cal. Ins. Code section 1724.5](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=INS&sectionNum=1724.5.))

m. Be able to identify the rules regarding Internet advertisements ([Cal. Ins. Code section 1726(a)](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=INS&sectionNum=1726.))

n. Be able to identify the licensee’s duty for disclosure of the effective date of coverage ([Cal. Ins. Code section 1730.5](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=INS&sectionNum=1730.5.))

o. Be able to identify the Code specifications regarding producer application investigation, denial of applications, and suspension or revocation of license ([Cal. Ins. Code sections 1666](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=INS&sectionNum=1666.), [1668](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=INS&sectionNum=1668.) through [1669](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=INS&sectionNum=1669.), and [1738](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=INS&sectionNum=1738.))

p. Reporting of administrative actions and criminal convictions ([Cal. Ins. Code section 1729.2](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=INS&sectionNum=1729.2.)):

i. Know that an applicant or licensee shall notify the Commissioner when any of the background information set forth in ([Cal. Ins. Code section 1729.2](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=INS&sectionNum=1729.2.)) changes after the application has been submitted or the license has been issued

ii. Notice is required within 30 days of any change in background information

q. Be able to identify the importance and the scope of the Code regarding:

i. The filing of a notice of appointment ([Cal. Ins. Code sections 1704 through 1705](https://leginfo.legislature.ca.gov/faces/codes_displayText.xhtml?lawCode=INS&division=1.&title=&part=2.&chapter=5.&article=9.))

ii. An inactive license ([Cal. Ins. Code section 1704(a)](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=INS&sectionNum=1704.5.))

iii. Cancellation of a license by the licensee in the licensee's possession or in the employer’s possession ([Cal. Ins. Code section 1708](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=INS&sectionNum=1708.))

r. Be able to identify the scope and effect of the Code regarding termination of a (producer’s) license, including when producers dissolve a partnership ([Cal. Ins. Code sections 1708 through 1712.5](https://leginfo.legislature.ca.gov/faces/codes_displayText.xhtml?lawCode=INS&division=1.&title=&part=2.&chapter=5.&article=10.))

s. Be able to identify and apply:

i. The definition of the term "fiduciary"

ii. Producer fiduciary duties described in the Code ([Cal. Ins. Code sections 1733 through 1735](https://leginfo.legislature.ca.gov/faces/codes_displayText.xhtml?lawCode=INS&division=1.&title=&part=2.&chapter=5.&article=12.))

t. Be able to identify the continuing education (CE) requirements for:

i. Agents ([Cal. Ins. Code section 1749.3](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=INS&sectionNum=1749.3.))

ii. An agent writing Long Term Care Insurance ([Cal. Ins. Code section 10234.93](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=INS&sectionNum=10234.93.))

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 [Cal. Ins. Code section 10234.93(a)(4)](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=INS&sectionNum=10234.93.)

iv. Life agents or accident and health or sickness agents also licensed as a property agent and/or casualty agent must complete 24 hours of CE each two-year license renewal period

u. Be able to identify, apply the meaning of, and list concrete examples of the following ethical mandates:

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. Avoid jargon; use layperson’s language when possible

vi. Stay in touch with customers and conduct periodic coverage reviews

vii. Maintain confidentiality and protect the privacy of customer information using physical and electronic safeguards

viii. Keep informed of and obey all insurance laws and regulations

x. Avoid unfair or inaccurate remarks about the competition

v. Be able to identify that the California Insurance Code and the California Code of Regulations identify many unethical and/or illegal practices, but they are NOT a complete guide to ethical behavior (for example: [Cal. Ins. Code section 785](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=INS&sectionNum=785.))

w. Be able to provide examples of different types of ethical dilemmas that licensees might face

x. Be able to identify special ethical concerns that may occur regarding pretext interviews ([Cal. Ins. Code section 791.03](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=INS&sectionNum=791.03.))

I. General Insurance

C. The Insurance Marketplace

3. Insurers

a. Be able to differentiate between:

i. Admitted and non-admitted insurers ([Cal. Ins. Code sections 24 through 25](https://leginfo.legislature.ca.gov/faces/codes_displayText.xhtml?lawCode=INS&heading2=GENERAL%20PROVISIONS))

ii. Domestic, foreign, and alien insurers ([Cal. Ins. Code sections 26 through 27](https://leginfo.legislature.ca.gov/faces/codes_displayText.xhtml?lawCode=INS&heading2=GENERAL%20PROVISIONS) and [1580](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=INS&sectionNum=1580.))

b. Be able to differentiate between regulation of an admitted insurer and non-admitted insurer, and the potential consequences for consumers ([Cal. Ins. Code sections 24, 25](https://leginfo.legislature.ca.gov/faces/codes_displayText.xhtml?lawCode=INS&heading2=GENERAL%20PROVISIONS), and [1760 through 1780](https://leginfo.legislature.ca.gov/faces/codes_displayText.xhtml?lawCode=INS&division=1.&title=&part=2.&chapter=6.&article=))

c. Be able to identify the penalty for unlawfully acting as an agent for a non-admitted insurer or broker or aiding a non-admitted insurer to transact insurance business in this state for a home state insured as defined in [Cal. Ins. Code section 1760.1(f)](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=INS&sectionNum=1760.1.)

d. Be able to identify who may be an insurer and understand the definition of “person” ([Cal. Ins. Code sections 19](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=INS&sectionNum=19.) and [150](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=INS&sectionNum=150.))

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

I. General Insurance

C. The Insurance Marketplace

4. Market Regulation – General

1. Be able to identify:

i. The California Insurance Code and how it may be changed

ii. The California Code of Regulations [(Cal. Code Regs., Title 10, Chapter 5](https://govt.westlaw.com/calregs/Browse/Home/California/CaliforniaCodeofRegulations?guid=IB97E67505C2F11EC9C68000D3A7C4BC3&originationContext=documenttoc&transitionType=Default&contextData=(sc.Default)&bhcp=1)) and how it may be changed

iii. How the Insurance Commissioner is elected and the responsibilities of the position ([Cal. Ins. Code sections 12900 and 12921](https://leginfo.legislature.ca.gov/faces/codes_displayexpandedbranch.xhtml?tocCode=INS&division=3.&title=&part=&chapter=&article=&nodetreepath=4))

1. Be able to identify the correct application of the Unfair Practices Article, including its prohibitions and penalties ([Cal. Ins. Code sections 790 through 790.15](https://leginfo.legislature.ca.gov/faces/codes_displayText.xhtml?lawCode=INS&division=1.&title=&part=2.&chapter=1.&article=6.5.))
2. Be able to identify the privacy protection provisions of:

i. The California Financial Information Privacy Act ([California Financial Code sections 4050 through 4060](https://leginfo.legislature.ca.gov/faces/codes_displayText.xhtml?division=1.4.&lawCode=FIN))

ii. Insurance Information and Privacy Protection Act regarding practices, prohibitions, and penalties ([Cal. Ins. Code sections 791 through 791.29](https://leginfo.legislature.ca.gov/faces/codes_displayText.xhtml?lawCode=INS&division=1.&title=&part=2.&chapter=1.&article=6.6.))

iii Privacy of Non-public Personal Information [(Cal. Code Regs., Title 10 sections 2689.4 through 2689.22](https://govt.westlaw.com/calregs/Browse/Home/California/CaliforniaCodeofRegulations?guid=IE4814C605C2F11EC9C68000D3A7C4BC3&originationContext=documenttoc&transitionType=Default&contextData=(sc.Default)))

iv. Health Insurance Portability and Accountability Act (HIPAA)

v. California Consumer Privacy Act of 2018 (effective January 1, 2020)

vi. California’s “Shine the Light” law ([California Civil Code section 1798.83](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?sectionNum=1798.83.&lawCode=CIV))

d. Be able to identify the scope and correct application of the conservation proceedings described in [Cal. Ins. Code sections 1011](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=INS&sectionNum=1011.), [1013](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=INS&sectionNum=1013.), and [1016](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=INS&sectionNum=1016.)

e. Be able to define an insolvent insurer ([Cal. Ins. Code section 985):](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=INS&sectionNum=985.)

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

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 provisions for all such liabilities and for such re-insurance ([Cal. Ins. Code sections 985(a)(1) and (2)](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=INS&sectionNum=985.))

iii. Know the definition of “paid-in capital” ([Cal. Ins. Code sections 36](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=INS&sectionNum=36.) and [985](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=INS&sectionNum=985.))

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 ([Cal. Ins. Code section 1013](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=INS&sectionNum=1013.))

f. Be able to describe the steps a licensed agent should take when fraud is suspected

g Be able to identify the meaning of (as used in the Cal. Ins. Code):

i. Shall and may ([Cal. Ins. Code section 16](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=INS&sectionNum=16.))

ii. Person ([Cal. Ins. Code section 19](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=INS&sectionNum=19.))

j. Be able to identify the requirements for notice by mail ([Cal. Ins. Code section 38](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=INS&sectionNum=38.))

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 [(Cal. Code Regs., Title 10 section 2695.2(c)](https://govt.westlaw.com/calregs/Document/IE6150BC75C2F11EC9C68000D3A7C4BC3?viewType=FullText&originationContext=documenttoc&transitionType=CategoryPageItem&contextData=(sc.Default)))

ii. Notice of Legal Action ([Cal. Code Regs., Title 10 section 2695.2(o)](https://govt.westlaw.com/calregs/Document/IE6150BC75C2F11EC9C68000D3A7C4BC3?viewType=FullText&originationContext=documenttoc&transitionType=CategoryPageItem&contextData=(sc.Default)))

iii. Proof of Claim [(Cal. Code Regs., Title 10 section 2695.2(s)](https://govt.westlaw.com/calregs/Document/IE6150BC75C2F11EC9C68000D3A7C4BC3?viewType=FullText&originationContext=documenttoc&transitionType=CategoryPageItem&contextData=(sc.Default)))

b. Be able to identify File and Record Documentation [(Cal. Code Regs., Title 10 section 2695.3](https://govt.westlaw.com/calregs/Document/IE6244E065C2F11EC9C68000D3A7C4BC3?viewType=FullText&originationContext=documenttoc&transitionType=CategoryPageItem&contextData=(sc.Default)))

c. Be able to identify Duties Upon Receipt of Communications [(Cal. Code Regs., Title 10 section 2695.5](https://govt.westlaw.com/calregs/Document/IE63146575C2F11EC9C68000D3A7C4BC3?viewType=FullText&originationContext=documenttoc&transitionType=CategoryPageItem&contextData=(sc.Default)))

d. Be able to identify Standards for Prompt, Fair, and Equitable Settlements [(Cal. Code Regs., Title 10 sections 2695.7(a), (b), (c), (g), and (h](https://govt.westlaw.com/calregs/Document/IE642F9A05C2F11EC9C68000D3A7C4BC3?viewType=FullText&originationContext=documenttoc&transitionType=CategoryPageItem&contextData=(sc.Default)))

1. General Insurance
2. Fraud One-Hour Required Training presented by CDI’s Enforcement Branch Fraud Division
3. Introduction
   1. Who is the Fraud Division ([Cal. Ins. Code section 1872](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=INS&sectionNum=1872.))?
      1. Created to enforce provisions of [California Penal Code sections 549](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?sectionNum=549.&nodeTreePath=4.15.9&lawCode=PEN) [through 550](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?sectionNum=550.&nodeTreePath=4.15.9&lawCode=PEN) and administer the provisions of Article 3
      2. [Enforcement Branch Overview](https://www.insurance.ca.gov/0300-fraud/)
   2. Why does the Fraud Division exist ([Cal. Ins Code section 1871 through 1871.4](https://leginfo.legislature.ca.gov/faces/codes_displayText.xhtml?lawCode=INS&division=1.&title=&part=2.&chapter=12.&article=1.))?
   3. [Fraud Division Programs](https://www.insurance.ca.gov/0300-fraud/0100-fraud-division-overview/10-anti-fraud-prog/)
   4. Types of Fraud cases
      1. Statistical information regarding recent arrests, convictions, referral rates, etc. found in the [Annual Report of the Commissioner](https://www.insurance.ca.gov/0400-news/0200-studies-reports/0700-commissioner-report/)
   5. Review of recent cases (e.g., case examples, administrative actions, resolutions located on the Department’s website: [Special Investigation Unit (SIU) Information E-Blasts](https://www.insurance.ca.gov/0300-fraud/0100-fraud-division-overview/12-siu/)
4. General Overview of Insurer Requirements
   1. Creation of an Anti-Fraud Unit ([Cal Ins. Code section 1875.20 through 1875.23](https://leginfo.legislature.ca.gov/faces/codes_displayText.xhtml?lawCode=INS&division=1.&title=&part=2.&chapter=12.&article=5.6.)) and exceptions from [Cal. Code of Regs., Title 10 section 2698.30(k)](https://govt.westlaw.com/calregs/Document/IE8CB040C5C2F11EC9C68000D3A7C4BC3?viewType=FullText&originationContext=documenttoc&transitionType=CategoryPageItem&contextData=(sc.Default))
   2. Comply with Insurance Fraud Prevention Act and California Special Investigation Unit (SIU) Regulations [(Cal. Code of Regs., Title 10 sections 2698.30 through 2698.42](https://govt.westlaw.com/calregs/Browse/Home/California/CaliforniaCodeofRegulations?guid=IE8C3D8105C2F11EC9C68000D3A7C4BC3&originationContext=documenttoc&transitionType=Default&contextData=(sc.Default)))
      1. Definitions
      2. Adequacy of SIU operation
      3. Cooperation with law enforcement insurance fraud investigation requirements
      4. Fraud detection requirements
      5. SIU insurance fraud investigation requirements
      6. Referral of suspected fraud to the Department
      7. Training requirements for SIU staff and integral anti-fraud personnel
5. Detection ([Cal. Code of Regs., Title 10 section 2698.35](https://govt.westlaw.com/calregs/Document/IE8FBD80D5C2F11EC9C68000D3A7C4BC3?viewType=FullText&originationContext=documenttoc&transitionType=CategoryPageItem&contextData=(sc.Default)))
6. Databases available
   * + 1. Insurance Services Office ([Cal. Ins. Code section 1875.14](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=INS&sectionNum=1875.14.))
       2. Arson database maintained by the California Department of Justice ([Cal. Ins Code section 1874.8](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=INS&sectionNum=1874.8.))
7. Fraud warning language ([Cal. Ins. Code section 1871.2](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=INS&sectionNum=1871.2.))
8. Trends
9. Fraud Indicators
   * + 1. Underwriting and/or new policy indicators
10. Referral ([Cal. Ins. Code section 1872.41](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=INS&sectionNum=1872.41.))
    1. Single company
       1. SIU housed within company
    2. Multiple company
       1. Primary: houses SIU
       2. Subsidiary: sends their fraud referrals to primary company SIU
11. Cooperation with Law Enforcement
    1. [Cal. Code of Regs., Title 10 section 2698.34](https://govt.westlaw.com/calregs/Document/IE8F39AA35C2F11EC9C68000D3A7C4BC3?viewType=FullText&originationContext=documenttoc&transitionType=CategoryPageItem&contextData=(sc.Default))

11. Suspected Insurance Fraud

a. Be able to identify:

i. Common circumstances that would suggest the possibility of fraud

ii. Efforts to combat fraud:

* 1. Fraud Division ([Cal. Ins. Code section 1872](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=INS&sectionNum=1872.41.))
  2. Arson Reporting Information System ([Cal. Ins. Code section 1875.8](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=INS&sectionNum=1875.8.))
  3. Claims Analysis Bureau ([Cal. Ins. Code section 1875.14](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=INS&sectionNum=1875.14.))
  4. Special Investigative Units required by [Cal. Ins. Code section 1875.20](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=INS&sectionNum=1875.20.)

b. Know that if the insured signs a fraudulent claim form, the insured may be guilty of perjury ([Cal. Ins. Code sections 1871.2 through 1871.3](https://leginfo.legislature.ca.gov/faces/codes_displayText.xhtml?lawCode=INS&division=1.&title=&part=2.&chapter=12.&article=1.))

c. Be able to identify the scope and correct application of the False and Fraudulent Claims article of the Code ([Cal. Ins. Code sections 1871 and 1871.4](https://leginfo.legislature.ca.gov/faces/codes_displayText.xhtml?lawCode=INS&division=1.&title=&part=2.&chapter=12.&article=1.))

d. Be able to describe the steps a licensed agent should take when fraud is suspected ([Cal. Ins. Code section 1872.41](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=INS&sectionNum=1872.41.))