Overview

The California Insurance Code (Cal. Ins. Code) and Title 10 of the California Code of Regulations (10 Cal. Code Regs.) sections 2187.4 (a) and (b) require the personal lines licensee who would like to apply to become a property and casualty licensee is required to complete a minimum of 20-hours of prelicensing classroom study on commercial insurance. The licensee will not be required to repeat the 12 hours of Ethics and California Insurance Code prelicensing classroom study.

In addition, Cal. Ins. Code section 1677 requires the commercial insurance examination is of sufficient scope to satisfy the Insurance Commissioner that an applicant has sufficient knowledge of insurance and insurance laws.

Basic commercial insurance knowledge is required for personal lines to know to increase their authority to act in the capacity of a property and casualty.

(1) The most specific knowledge is required in the following areas*:*

* Commercial Property
* Commercial Automobile
* Casualty Insurance
* Businessowners Policy (BOP)
* Commercial Package Policies
* Inland and Ocean Marine Coverages
* Crime Coverages
* Surety Bonds and General Bond Concepts
* Umbrella and Excess Liability Policies

1. To a lesser degree, knowledge is required of:

* Workers’ Compensation
* A general understanding of all other lines of insurance

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

Educational Objectives

The educational objectives are derived from the curriculum outline contained in Title 10, Chapter 5, Subchapter 1, Article 6.5, section 2187.5 of the California Code of Regulations.

The License Examination

The personal lines licensee who would like to apply to become a property and casualty licensee is required to take the California Department of Insurance’s (CDI) commercial insurance examination. The commercial insurance examination contains 60 multiple-choice questions. The examinees, without any aids (e.g., reference materials, electronic aids), are allowed one and one-half (1½ hours) to answer the 60-question multiple-choice examination.

All questions are based on "standard” policies; current editions of Insurance Services Office (ISO) policies will be used as the standard where available. The objectives for Section I.B4 – Property Indirect Damage Insurance are based on the Business Income Coverage form.

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

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

|  |
| --- |
| **CDI Los Angeles Test Center:**  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 | Fresno | Sacramento | Santa Rosa |
| Atascadero | Irvine | San Diego | Union City |
| Bakersfield | Lawndale | San Francisco | Ventura |
| Carson | Redding | Santa Clara | Visalia |
| Diamond Bar | Riverside | Santa Fe Springs | Walnut Creek |
|  |  |  |  |

Online remote proctored license examinations are administered on dates and times selected by the license examinee.

Candidate Information Bulletin

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

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

For additional information on license examinations (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](http://www.insurance.ca.gov/0200-industry/0010-producer-online-services/0200-exam-info/index.cfm" \o "blocked::http://www.insurance.ca.gov/0200-industry/0010-producer-online-services/0200-exam-info/index.cfm)

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I. Commercial Insurance

A. Commercial Package Policy (CPP) Program

1. Be able to identify:

a. a description of the modular concept as used in the CPP

b. the major common modules used in all policies

c. the minimum requirements for a package policy (modules & coverages)

d. the advantages to insureds

e. that the various coverages may be written on a monoline basis

2. Elements of a CPP:

a. declarations

i. be able to distinguish first named insured from other insureds

b. be able to identify common policy conditions: cancellation, changes/examination of your books and records/inspections and surveys/premiums/transfer of rights and duties

i. be able to identify and know the importance of understanding the California amendatory endorsements

3. Be able to distinguish the uses of “you,” “your,” and “we”

a. “you” and “your” refers to named insured

b. “we,” “us,” and “our” refer to the insurer

I. Commercial Insurance

B. Property Insurance

1. Commercial property

a. general concepts

b. Building and Personal Property (BPP) coverage form

i. be able to recognize the principal types of covered property and the valuation basis for:

1) Buildings(dwellings not eligible)

2) Insured’s business personal property,including improvements and betterments

3) Tenants improvements and betterments

4) Personal property of others: in the insured’s care, custody, and control, but not while in transit in the continental United States

ii. be able to identify the purpose of a value reporting form

1) Know that the value reporting form may be used to modify the insurance provided by the building and personal property coverage form

2) Know that 75 percent is the most that will be paid if the insured fails to make the required reports of value

iii. additional coverages and coverage extensions:

1) Vacancy permit endorsement

i) a building is considered vacant when there is insufficient business personal property present to conduct customary operations and/or 70 percent of the total square footage is not rented or used to conduct customary operations

ii) the perils of vandalism and attempted theft, sprinkler leakage, and building glass breakage are not covered if the insured building remains vacant for more than 60 days

iii) When a vacancy permit endorsement is added to a building and personal property coverage form, the vacancy exclusion is waived during the policy period

c. co-insurance

i. be able to:

1) Identify reasons for co-insurance and its advantages/disadvantages to the insured

2) Calculate co-insurance as it applies to a described loss

ii. be able to recognize for co-insurance purposes that the fair market value may be used to determine the actual cash value of a commercial building for the purpose of applying a co-insurance provision

d. mortgage holder

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

e. causes of loss form(s)

i. be able to identify the purpose of the causes of loss (basic, broad, and special) forms and the major differences between the perils insured

ii. know that most of the exclusions are contained in the causes of loss form(s) of the commercial property policy

iii. be able to identify the following excluded loss causes:

1) Ordinance or law

2) Earth movement (e.g., know that the earth movement exclusion applies to landslides, mine subsidence, and earth tremors caused by a volcanic eruption)

3) Water (e.g., know the water damage exclusion in the causes of loss special form applies to sewer backup, tidal waves, and flood)

iv. know that most exclusions may be waived by paying an additional premium to add endorsements to the policy

f. property indirect damage insurance

i. be able to recognize definitions of business income and extra expense and that both are covered by the business income (and extra expense) coverage form

ii. be able to identify that coverage is only activated if there is direct physical losstopropertyat the described premises by a covered peril

iii. be able to recognize situations in which a business would need business income and/or extra expense coverage

iv. the business income declaration shows which causes of loss are covered

v. be able to identify situations in which a business would need coverage for business income from dependent properties

vi. understand the differences between extra expense needs and expediting (business interruption) coverage

vii. business interruption coverage may exclude certain perils such as virus and/or pandemic; coverage may be able to be purchased for additional premium

g. other endorsements and coverages

i. be able to identify why the following forms or coverage options might be used:

1) Leasehold interest

2) Blanket, specific, or scheduled insurance and agreed value

3) Ordinance or law coverage

4) Glass

5) Extended period of indemnity

6) Terrorism

7) “Builder’s Risk” form

I. Commercial Insurance Coverages

B. Property Insurance

2. Inland Marine (IM)

a. be able to identify:

i. why an insured might need IM coverage

ii. common types of property insured using the IM commercial package policy coverage part (e.g., transit, cargo, or equipment)

iii. know what a bill of lading is and its purpose

b. for filed forms, be able to identify:

i. the perils commonly insured “open perils”

ii. the most common exclusions

c. the major reasons for considering an electronic data processing policy

I. Commercial Insurance Coverages

B. Property Insurance

3. Equipment breakdown protection coverage (aka: boiler and machinery)

a. be able to identify why an insured might need coverageeven if they have commercial property insurance with Causes of Loss – Special Form

I. Commercial Insurance Coverages

B. Property Insurance

4. Commercial crime

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

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

i. employee theft

ii. theft of money and securities

1. Inside premises
2. Outside premises

c. be able to differentiate between discovery and loss sustained forms

i. a “discovery” policy form pays for losses which are identified during the policy period even if the loss occurred prior to the effective date of the policy

ii. a “loss sustained” policy form pays for losses which occurred during the policy period and are discovered up to one year after the policy ends

iii. the acts of certain persons, including officers, directors, employees, and independent contractors, may be excluded from coverage

I. Commercial Insurance Coverages

B. Property Insurance

5. Farm

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

i. both personal and commercial coverages

ii. liability and property coverages

b. regarding the Federal Crop Insurance Program (FCIP), be able to identify:

i. why the coverage may be needed

ii. the major perils commonly insured

iii. the role of the federal government

I. Commercial Insurance Coverages

B. Property Insurance

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

a. the definition of a flood

b. the principal commercial flood coverages

c. business income and extra expense are not available

d. producers have no binding authority

e. in order to place flood insurance through the NFIP, a producer must complete the required training course before submitting the first application

I. Commercial Insurance

C. Casualty Insurance

1. Commercial General Liability (CGL) coverage forms – occurrence and claims- made. Be able to identify:

a. the difference in the coverage triggers between an occurrence policy and a claims-made policy

b. why certain policies are written on a claims-made basis

c. the definitions of the following terms:

i. retroactive date

ii. prior acts coverage (retro date not specified)

iii. tail coverage (mini, midi, and maxi (SERP))

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

2. CGL

a. general concepts; be able to identify:

i. the term general liability

ii. general types of loss exposures insured or left for other policies to insure

iii. the kinds of limits that are listed in the declarations and the limits of insurance section and how they apply

b. CGL coverage form (occurrence)

i. based on the commercial general liability coverage form, be able to identify and apply:

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

i) the definitions of:

a) occurrence

b) products-completed operations

c) insured contract

d) coverage territory

e) personal and advertising injury

f) bodily injury

g. property damage

h) automobile and mobile equipment

i) employee

j) leased employee

k) temporary employee

i.) independent contractor, subcontractor

2) Be able to identify the effect of the following exclusions:

i) liquor liability

ii) workers’ compensation

iii) pollution

iv) automobile, aircraft, and watercraft

v) care, custody, and control – property damage

vi) recall exclusion

vii) expected and intended

viii) employment practices liability

ix) terrorism exclusions

x) microbial matter exclusions

c. professional liability and errors & omissions:

i. that certain professional liability losses are not covered under CGL policies

1) Because of applicable exclusions

2) Because the loss does not involve:

i) a bodily injury

ii) property damage

iii) personal injury

iv) advertising injury

ii. occupations commonly insured under professional liability policies

iii. what is covered by professional liability policies that are not covered by aCGL policy

iv. the triggers of coverage common to professional liability:

1) Claims-made

2) Claims-made and reported

3) Occurrence (exceedingly rare)

v. the defense provision in a professional liability policy and how it differs from the defense provision in a CGL policy:

1) Employers’ exposure to loss

2) Common perils insured

3) Who is an insured

4) What losses are excluded

5) Employment practices liability

6) Fiduciary liability

d. management (directors and officers) liability:

i. directors and officers’ liability:

1) Various loss exposures for profit and non-profit organizations

2) Three common insuring agreements

3) Who is an insured

4) Exclusions within a policy

ii. employment practices liability:

1) Who is not covered

2) What losses are excluded

3) Management liability is also available as a suite of coverage and designed for exposures not covered by CGL, including D&O, EPLI (including sexual misconduct), E&O, fiduciary, kidnapping & ransom, and cyber liability

e. employment practices liability:

i. the definition of claims that include written demand for monetary or non-monetary relief

ii. administrative or regulatory investigations, including EEO Commission charges

iii. damages that include pre- and post-judgment interest, punitive, exemplary, liquidated, and multiplied damages up to the limit of liability, where insurable; most favorable jurisdiction language applies

iv. the broad definition of wrongful act(s) includes, but is not limited to, discrimination, harassment, wrongful demotion, failure to hire or promote, hostile or offensive work environment that interferes with work performance, termination, and retaliation

v. that bodily injury exclusion includes carve-out for emotional distress, mental anguish, defamation, invasion of privacy, or humiliation

vi. fraudulent or intentional acts of an employer or its agents, and understand there is no exclusion for such acts

I. Commercial Insurance Coverages

C. Casualty Insurance

3. Commercial auto. Be able to identify and differentiate policy and coverage differences between garage, business auto, and motor carrier forms

a. garage policy:

i. coverage is available for public repair shops, dealerships, attended parking lots, and any other situation where the general public might drive the business vehicle, or when businesses have care, custody, or control over other people’s vehicles

ii. garage liability covers garage operations, and be able to identify:

1) the definition of garage operations

2) the four major coverages provided by garage liability

3) reasons for insuring with garage liability rather than using general liability plus commercial auto coverage

i) be able to distinguish between losses covered by garage keepers’ legal liability and garage keepers direct coverage (primary or excess)

b. Business Auto Policy (BAP); be able to identify:

i. why the following coverages might be needed by an insured:

1) Owned autos

2) Hired autos

3) Non‑owned autos

ii. each of the following symbols used to specify covered autos on the BAP declaration pages: 1, 2, 3, 4, 7, 8, 9, and 19

iii. the “who is insured” provision of the policy

iv. the effect of the following exclusions and alternative methods of providing insurance coverage:

1) Workers’ compensation

2) “Products” and “Completed Operations”

3) Pollution

4) Care, custody, and control – property damage

5) Fellow employee

v. the principal physical damage coverages

vi. the effect of the following endorsements:

1)Individual named insured endorsement

2) Drive other car coverage-broadened coverage for named individuals

c. regarding motor carrier policy (e.g., truckers coverage), know:

i. the definition of "trucker" and the general scope of the Motor Carrier Act of 1980

ii. why a separate automobile program was developed for motor carriers

I. Commercial Insurance Coverages

C. Casualty Insurance

4. Ocean marine. Be able to:

a. differentiate between cargo, hull, freight, and protection and indemnity coverages

b. recognize the sources of claims for which protection and indemnity insurance provides coverage:

i. Jones Act

ii. Longshore and Harbor Workers’ Compensation Act

I. Commercial Insurance Coverages

C. Casualty Insurance

5. Surety bonds and general bond concepts. Be able to differentiate between:

a. the three parties involved in a surety bond

b. surety bonds and insurance policies with regard to loss payments

c. contract, financial guarantee, and faithful performance bonds

I. Commercial Insurance Coverages

C. Casualty Insurance

6. Umbrella and excess liability. Be able to identify:

a. the major functions and differences of these policies

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

c. commonly required underlying policies

d. what a self-insured retention is and how it is applied to a loss

I. Commercial Insurance Coverages

C. Casualty Insurance

7. Workers’ compensation. Be able to identify:

a. the effect on the legal relationship between employer, employee, and independent contractor that was intended when workers’ compensation laws were written, and know:

i. why misclassified workers may not be covered under a workers’ compensation policy

ii. the liability of the employer when a misclassified worker is injured on the job and not covered under a workers’ compensation policy

iii. the “ABC” test that defines independent contractors (Assembly Bill 5, Gonzalez, Chapter 296, Statutes of 2019)

b. situations where workers’ compensation coverage is required by law and the methods used to provide the coverage

c. exclusive remedy

d. the California State Compensation Insurance Fund (SCIF) and Cal. Ins. Code section 11770, et. seq.

i. know who may place business with SCIF, Cal. Ins. Code section 11784

ii. know why a producer would place business with SCIF

e. the different types of benefits provided:

i. medical

1) Know that covered medical expenses to not have time or dollar limits

2) Know the limits for chiropractic care and physical therapy services

ii. disability income

1) Know the waiting period and weekly benefit limitations

iii. rehabilitation (e.g., vocational re-training)

iv. survivor benefits, including death benefit

f. examples of workers’ compensation insurance fraud

i. know the penalties which may be applied to employees who commit workers’ compensation insurance fraud

ii. know how employers can commit workers’ compensation insurance fraud and the penalties which may be imposed

g. what employers liability coverage is and why it is necessary in addition to workers’ compensation, Cal. Ins. Code section 11750.1(f)

h. the definition and application of the other states insurance section of the policy, Cal. Ins. Code section 11780.5

i. the voluntary contribution endorsement

j. the California workers’ compensation rating system and the purpose of the experience modification system

k. a workers’ compensation policy does not cover any employees subject to federal workers’ compensation or employer’s liability laws

l. federal workers’ compensation programs

i. Defense Base Act

ii. Longshore and Harbor Workers’ Compensation Act

iii. Jones Act

I. Commercial Insurance Coverages

D. Businessowners Policy (BOP)

1. General concepts

a. be able to identify:

i. property loss exposures covered

ii. advantages of the BOP

iii. BOP eligibility rules

iv. rating the BOP

b. know that:

i. commercial auto coverage is not included in a BOP

ii. coverage for hired and non-owned autos may be added by endorsement

2. Property loss exposures covered. Be able to differentiate between:

a. buildings

b. business personal property

c. personal property of others

3. Advantages of a BOP. Know that:

a. policies are designed similarly to homeowners’ policies

b. package policies reduce adverse selection

c. simplified rating lowers insurer’s costs and aids producers in quoting

d. underwriting is automated and also lowers insurer’s costs

e. lower premiums and broader coverage result in competition that benefits business owners

f. insureds have convenience of a single policy that meets many coverage needs

4. BOP eligibility rules. Know that:

a. every insurer writing BOP policies has eligibility rules

b. rating structures contemplate a homogeneous group of small and midsize businesses

c. ISO rules are based on business size and complexity of loss exposures

i. total floor area (less than 35,000 square feet)

ii. number of stories

iii. annual gross revenue (not more than $6,000,000 per location)

iv. business type

v. characteristics of the business operations

d. restaurants and contractors are no longer excluded

e. ineligible businesses include automobile related, bars, financial institutions, general contractors, and manufacturing occupancies

f. proprietary BOP programs may have different eligibility rules

5. Rating the BOP. Know that:

a. rating is less complicated the commercial package policies

b. property coverage is rated based on building and personal property coverage limits

c. rates include built-in charges (“loading”) for business income and other included coverages, not calculated separately

d. liability rates are based on class of business and applied to the property insurance limits (either building or business personal property)

e. computer-based rating variables include:

i. territory (climate variables, urban vs. rural)

ii. type of construction

iv. public fire protection

v. occupancy of building

vi. deductible

vii. insured’s request for increased coverage

6. Property covered and excluded from coverage. Know that ISO BOP policies feature:

a. covered causes of loss and valuation provisions

i. basic, broad, and special loss forms

ii. replacement cost is standard valuation; actual cash value is optional

b. usually no co-insurance

i. policies usually include an insurance-to-value provision

ii. some insurers may agree to waive insurance-to-value by endorsement

c. shorter list of property not covered

i. typical exclusions are not needed because of ineligible risks

ii. BOP insureds are generally lower-risk businesses

iii. excavation, underground pipes, foundations, retaining walls not usually excluded compared to commercial package policies

d. automatic seasonal increase provision

i. increases limit of liability by 25% when insured to 100% value

e. business income and extra expense coverage usually included

i. not usually limited by co-insurance or monthly maximum, or total dollar amount

ii. policies will include a time limit of 12 months

iii. policies may compute coverage based on 20% of building insurance limit plus 100% of personal property insurance limit

iv. coverage trigger may include “anchor store” dependency

f. additional property coverages may be available, including:

i. employee dishonesty

ii. money and securities (special form) or burglary and robbery (named perils)

iii. forgery

iv. interior and exterior glass (when not otherwise included)

v. outdoor signs

vi. mechanical breakdown

vii. money orders and counterfeit money

viii. computer coverage

ix. accounts receivable

x. valuable papers and records

xi. know that limits for these additional coverages are usually low

1) Often sufficient for typical small business

2) May be increased based on insured’s actual needs