

---

# California Department of Insurance

## Insurance Adjuster (Independent)

### Examination Objectives

---

#### Overview

The authorizing act for an insurance adjuster (independent) is in Section 14021 of the California Insurance Code (CIC) and states, in part, that “an insurance adjuster is a person other than a private investigator who, for any consideration whatsoever, engages in the business of making any investigation for the purpose of obtaining, information in the course of adjusting or participating in the disposal of, any claim in connection with a policy of insurance on behalf of an insurer or engages in soliciting insurance adjustment business.

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

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

#### Examination Objectives

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

- Knowledge in the following areas of insurance coverages:
  - Personal Automobile
  - Homeowners’ Insurance
  - Dwelling Coverage
  - Commercial Policies
  - Business Owners Policy (BOP)
  - Workers’ Compensation
  - Ocean Marine

---

# California Department of Insurance

## Insurance Adjuster (Independent)

### Examination Objectives

---

- Surety and Fidelity
- Other Coverages and Options
- General knowledge in the following areas:
  - Adjuster's Act
  - Adjusting Losses
  - Fair Claims Settlement Practices

#### **The Examination**

The California Department of Insurance's (CDI) Insurance Adjuster (independent) license examination contains 100 multiple-choice questions. Applicants, without any aids (e.g. reference materials, electronic aids), are allowed two hours and thirty minutes to complete the examination. (Section 14026 of the CIC and Section 2691.6 and 2691.7 of the California Code of Regulations).

CDI's examinations are administered at CDI's examination sites and at CDI's examination vendor's, PSI Services, LLC, test centers.

CDI's examination sites are at the following locations and the examination begins at 8:30 a.m. and 1:00 p.m., Monday through Friday except on state holidays:

#### **Los Angeles:**

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

At CDI's examination sites, please check-in at 8:00 a.m. for the 8:30 a.m. examination and 12:30 p.m. for the 1:00 p.m. examination.

---

# California Department of Insurance

## Insurance Adjuster (Independent)

### Examination Objectives

---

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

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

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

In addition to PSI's test centers sites listed above, independent adjuster (independent) applicants may also take the examination at any PSI test centers located throughout the United States. PSI's web site lists the available test centers at the following link:

<http://psiexams.com/>

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>

---

# California Department of Insurance

## Insurance Adjuster (Independent)

### Examination Objectives

---

#### Table of Contents

- I. **Insurance Regulation** (9 questions (9 percent) on the examination)
  - A. Insurance Adjuster Act (8 questions of the 9 Insurance Regulation questions)
  - B. Special Investigative Unit (SIU) (1 questions of the 9 Insurance Regulation questions)
  
- II. **Insurance Basics** (8 questions (8 percent) on the examination)
  - A. Insurance Principles and Concepts (4 questions of the 8 Insurance Basics questions)
  - B. Contract Basics (2 questions of the 8 Insurance Basics questions)
  - C. Policy Structure (2 questions of the 8 Insurance Basics questions)
  
- III. **Automobile Insurance** (16 questions (16 percent) on the examination)
  - A. Overview (0 questions of the 16 Automobile Insurance questions)
  - B. Personal Automobile Policy (16 questions of the 16 Automobile Insurance questions)
  
- IV. **Homeowners' Insurance** (16 questions (16 percent) on the examination)
  - A. Overview (0 questions of the 16 Homeowners questions)
  - B. Coverage Forms (1 question of the 16 Homeowners questions)
  - C. Definitions (1 question of the 16 Homeowners questions)
  - D. Section I – Property Coverages (4 questions of the 16 Homeowners questions)
  - E. Section II – Liability Coverages (4 questions of the 16 Homeowners questions)
  - F. General Exclusions (2 questions of the 16 Homeowners questions)
  - G. Conditions (2 questions of the 16 Homeowners questions)
  - H. Endorsements (2 questions of the 16 Homeowners questions)
  
- V. **Dwelling Coverage** (5 questions (5 percent) on the examination)
  - A. Overview (1 question of the 5 Dwelling questions)
  - B. Property Coverages (2 questions of the 5 Dwelling questions)
  - C. Liability Endorsement (2 questions of the 5 Dwelling questions)
  
- VI. **Commercial Policy** (15 questions (15 percent) on the examination)
  - A. Overview (0 questions of the 15 Commercial Policy questions)
  - B. Components of a commercial Policy (1 question of the 15 Commercial Policy questions)
  - C. Commercial Property (3 questions of the 15 Commercial Policy questions)
  - D. Commercial General Liability (3 questions of the 15 Commercial Policy questions)
  - E. Commercial Inland Marine (2 questions of the 15 Commercial Policy questions)
  - F. Commercial Crime (1 question of the 15 Commercial Policy questions)
  - G. Equipment Breakdown (1 question of the 15 Commercial Policy questions)

---

# California Department of Insurance

## Insurance Adjuster (Independent)

### Examination Objectives

---

- H. Commercial Automobile Policy (2 questions of the 15 Commercial Policy questions)
- I. Farm Coverage (2 questions of the 15 Commercial Policy questions)

**VII. Business Owners Policy (BOP)** (5 questions (5 percent) on the examination)

- A. General Concepts (1 question of the 5 Business Owners Policy (BOP) questions)
- B. BOP Property Coverages (2 questions of the 5 Business Owners Policy (BOP) questions)
- C. BOP Liability Coverages (2 questions of the 5 Business Owners Policy (BOP) questions)

**VIII. Workers' Compensation Insurance** (8 questions (8 percent) on the examination)

- A. General Concepts (1 question of the 8 Workers' Compensation Insurance questions)
- B. Benefits (1 question of the 8 Workers' Compensation Insurance questions)
- C. Identify Limits (1 question of the 8 Workers' Compensation Insurance questions)
- D. Employers Liability Insurance Policy (1 question of the 8 Workers' Compensation Insurance questions)
- E. Definitions (1 question of the 8 Workers' Compensation Insurance questions)
- F. Endorsements (1 question of the 8 Workers' Compensation Insurance questions)
- G. Twenty-Four Hour Coverage (1 question of the 8 Workers' Compensation Insurance questions)
- H. Policy Coverage (1 question of the 8 Workers' Compensation Insurance questions)

**IX. Ocean Marine Insurance** (3 questions (3 percent) on the examination)

- A. Characteristics and Purpose (1 question of the 3 Ocean Marine Insurance questions)
- B. Differences Between Coverages (1 question of the 3 Ocean Marine Insurance questions)
- C. Protection and Indemnity Insurance (1 question of the 3 Ocean Marine Insurance questions)

**X. Surety and Fidelity** (2 questions (2 percent) on the examination)

- A. Characteristics and Purpose (1 questions of the 2 Surety and Fidelity questions)
- B. Surety Bonds and General Bond Concepts (1 question of the 2 Surety and Fidelity questions)

**XI. Other Coverages and Options** (2 questions (2 percent) on the examination)

- A. Umbrella/Excess Liability Policies (1 question of the 2 Other Coverages and Options questions)

---

# California Department of Insurance

## Insurance Adjuster (Independent)

### Examination Objectives

---

- B. National Flood Insurance Program (1 question of the 2 Other Coverages and Options questions)

**XII. Fair Claims Settlement Practices Regulations** (11 questions (11 percent) on the examination)

- A. File and Record Documentation, Section 2695.3 of the CCR (1 question of the 11 Fair Claims Settlement Practices Regulations questions)
- B. Representation of Policy Provisions and Benefits, Section 2695.4 of the CCR (2 questions of the 11 Fair Claims Settlement Practices Regulations questions)
- C. Duties upon Receipt of Communications, Section 2695.5 of the CCR (1 questions of the 11 Fair Claims Settlement Practices Regulations questions)
- D. Training and Certification, Section 2695.6 of the CCR (0 questions of the 11 Fair Claims Settlement Practices Regulations questions)
- E. Standards for Prompt, Fair and Equitable Settlements, Section 2695.7 of the CCR (2 questions of the 11 Fair Claims Settlement Practices Regulations questions)
- F. Additional Standards Applicable to Automobile Insurance, Section 2695.8 of the CCR (2 questions of the 11 Fair Claims Settlement Practices Regulations questions)
- G. Additional Standards Applicable to First Party Residential and Commercial Property Insurance Policies, Section 2695.9 of the CCR (2 questions of the 11 Fair Claims Settlement Practices Regulations questions)
- H. Additional Standards Applicable to Surety Insurance, Section 2695.10 of the CCR (1 question of the 11 Fair Claims Settlement Practices Regulations questions)
- I. Additional Standards Applicable to Life and Disability Insurance Claims, Section 2695.11 of the CCR (0 questions of the 11 Fair Claims Settlement Practices Regulations questions)
- J. Penalties, Section 2695.11 of the CCR (0 questions of the 11 Fair Claims Settlement Practices Regulations questions)

---

# California Department of Insurance

## Insurance Adjuster (Independent)

### Examination Objectives

---

- I. **Insurance Regulation** (9 questions (9 percent) on the examination)
  - A. **Insurance Adjuster Act** (8 questions of the 9 Insurance Regulation questions)
    - 1. General Provisions, Sections 14000 through 14002 of the CIC
      - a. Have knowledge of the terms stated in Section 14001 of the CIC
      - b. Understand that nothing in Section 14000 et seq. of the CIC can be construed as entitling any person to practice law in this state, unless he is an active member of the State Bar of California.
    - 2. Administration: Sections 14010 through 14013 of the CIC
      - a. Be familiar with the Commissioner's authority in the:
        - i. Succession to powers and duties
        - ii. Construction of reference to prior licensing
        - iii. Administration and enforcement by the Commissioner
        - iv. Appointment of personnel
        - v. Delegation of powers and duties
        - vi. Adoption and Enforcement of Reasonable Rules
    - 3. Regulation, Licensing, and Registration: Sections 14020 through 14045 of the CIC and Sections 2691 through 2691.24 of the CCR
      - a. Have knowledge of the requirements of licensure
        - i. Prerequisites for Licensing
        - ii. Application Form and Fees
        - iii. Maintenance of License
        - iv. Denial of License
    - 4. Emergency Situation: Claims Adjusted by Nonlicensed Adjuster, Section 14022.5 of the CIC
      - a. Understand the process, registration and timing when the Commissioner Declares an Emergency.
    - 5. Bonds: Section 14050 of the CIC
      - a. Be able to identify the amount, form, execution, and sufficiency of sureties.
      - b. Be able to identify actions for damages.
      - c. Have knowledge of maintenance of bonds and reasons for denial of an application.
      - d. Be familiar with the duration of bonds.
    - 6. Disciplinary Proceedings: Section 14060 of the CIC and 2691.3 of the CCR
      - a. Be able to recognize actions that would result in suspension or revocation of a license.
    - 7. Nonresidents: Section 14070 of the CIC
      - a. Have knowledge of disciplinary proceedings for nonresidents
      - b. Be familiar with proof of compliance requirements for nonresidents

---

# California Department of Insurance

## Insurance Adjuster (Independent)

### Examination Objectives

---

8. Penal Provisions: Section 14080 of the CIC
  - a. Be able to recognize that anyone who falsifies the fingerprints or photographs submitted under subdivision (f) of Section 14024 of the CIC is guilty of a felony
  - b. Be able to recognize that any violations to all other provisions is a misdemeanor
9. Crop Insurance Adjuster, Section 14085 of the CIC
  - a. Have knowledge of the crop insurance adjuster limited line license and its requirements.
10. Expiration and Renewal of Licenses and Cards: Sections 14090 through 14094 of the CIC and Sections 2691.21 of the CCR
  - a. Have knowledge of:
    - i. License Renewal
      - 1) Be able to recognize that every license, branch office certificate, and pocket card issued pursuant to the Insurance Adjuster Act shall expire on the day two years after the last calendar day of the month in which the initial license was issued.
      - 2) Late License Renewal
    - ii. Continuing Education Requirements
11. Revenue: Section 14097 of the CIC
  - a. Be familiar with the adjuster licensing fees stated in Section 14097 of the CIC

**I. Insurance Regulation** (9 questions (9 percent) on the examination)

**B. Special Investigative Unit (SIU)** (1 questions of the 9 Insurance Regulation questions)

1. Definitions: Section 2698.30 of the CCR
  - a. Have knowledge of the definitions listed in Section 2698.30 of the CCR.
2. Insurer Responsibility and SIU Staffing: Sections 2698.31 through 2698.32 of the CCR
  - a. Understand that the insurer shall comply with applicable sections of the Insurance Fraud Prevention Act (IFPA) and the regulations regarding the establishment, operation and continuous existence of an SIU.
  - b. Understand what determines the adequacy of the insurer's SIU staffing and the knowledge and/or experience requirements for the SIU staff.
3. SIU Contracted Responsibilities: Section 2698.33 of the CCR
  - a. Be familiar with the insurer's obligations under the SIU regulations.



---

# California Department of Insurance

## Insurance Adjuster (Independent)

### Examination Objectives

---

4. Communication with the Fraud Division and Authorized Governmental Agencies: Section 2698.34 of the CCR
  - a. Understand that the insurer and any entity performing the SIU function(s) shall comply with specific sections of the IFPA regarding communication with the Fraud Division and authorized governmental agencies.
  - b. Be able to identify what information shall be released, upon written request, to the Fraud Division and authorized governmental agencies.
5. Detecting and Investigating Suspected Insurance Fraud: Section 2698.35 through 2698.37 of the CCR
  - a. Understand that the SIU will be responsible for establishing, maintaining, and distributing procedures to be used by the integral anti-fraud personnel.
  - b. Be familiar with what an investigation of possible suspected insurance fraud shall include.
  - c. Be familiar with referrals of suspected insurance fraud and what content is required in the referrals
6. Anti-Fraud Training: Section 2698.39 of the CCR
  - a. Be familiar with the establishment, maintenance, and frequency of an anti-fraud training program.
7. SIU Annual Report and Examinations: Sections 2698.40 through 2698.41 of the CCR
  - a. Have knowledge of SIU Annual Report requirements
  - b. Understand that the Commissioner may conduct examinations of an insurer's SIU and related operations, including operations undertaken by entities under contract with the insurer, as deemed necessary to determine compliance.

## II. Insurance Basics (8 questions (8 percent) on the examination)

### A. Insurance Principles and Concepts (4 questions of the 8 Insurance Basics questions)

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 identify a definition of peril.
4. Be able to identify a definition of hazard.
5. Be able to differentiate between moral, morale, physical and legal hazards.
6. 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.
7. Be able to identify the definition of insurable events, Section 250 of the CIC.

---

# California Department of Insurance

## Insurance Adjuster (Independent)

### Examination Objectives

---

8. 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.
9. Be able to identify the meaning of adverse selection and spread of risk.
10. Be able to identify a correct explanation of the role of deductibles in insurance.
11. Be able to identify:
  - a. definition of reinsurance, Section 620 of the CIC, and,
  - b. the purposes of insurers obtaining reinsurance.
12. Be able to identify that for regulatory purposes:
  - a. the Insurance Code divides lines of insurance into classes, Section 100 of the CIC; and,
  - b. defines these classes, Sections 101 through 120 of the CIC.

#### II. Insurance Basics (8 questions (8 percent) on the examination)

##### B. Contract Basics (2 questions of the 8 Insurance Basics questions)

1. Understand company specific policies (Insurance Services Office, Inc. (ISO), American Association of Insurance Services (AAIS))
2. Be able to identify the elements of a legal contract

#### II. Insurance Basics (8 questions (8 percent) on the examination)

##### C. Policy Structure (2 questions of the 8 Insurance Basics questions)

1. Understand the various parts of the contract such as:
  - a. Declarations
  - b. Insuring Agreement
  - c. Conditions
  - d. Exclusions and Limitations
  - e. Additional Coverages
  - f. Definitions
  - g. Endorsements

#### III. Automobile Insurance (16 questions (16 percent) on the examination)

##### A. Overview: (0 questions of the 16 Automobile Insurance questions)

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

#### III. Automobile Insurance (16 questions (16 percent) on the examination)

##### B. Personal Automobile Policy (16 questions of the 16 Automobile Insurance questions)

1. General Concepts
  - a. Be able to identify:

---

# California Department of Insurance

## Insurance Adjuster (Independent)

### Examination Objectives

---

- i. the Insurance Services Office, Inc. (ISO) eligibility requirements for a Personal Automobile 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 automobile;
  - 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 automobile and "your covered automobile"; and
  - vi. the coverage that applies to a non-owned private passenger automobile rented by an insured while on a short vacation.
  - vii. Coverage that applies to trailers
- b. Be able to identify the financial responsibility law requirements, sections 16020, 16021, 16025, and 16451 of the CA Vehicle Code (CVC).
- c. An adjuster must be aware of how the particular personal automobile policy being sold to the consumer may differ from the ISO PAP
- d. Be able to identify situations in which the policy provides:
  - i. primary coverage;
  - ii. excess coverage; and,
  - iii. special physical damage
- e. For newly acquired automobiles, understand that:
  - i. A newly acquired automobile will have the broadest coverage provided for any vehicle shown in the Declarations, except for collision coverage for damage to your automobile;
  - ii. If the insured has collision coverage on at least one automobile listed on the Declarations page, collision coverage on a newly acquired automobile begins on the date the insured becomes the owner. The insured must notify the insurer within 14 days;
  - iii. If the insured does not have collision coverage on at least one automobile listed on the Declarations page, collision coverage on a newly acquired automobile begins on the date the insured becomes the owner, but the insured must request collision coverage within 4 days and a \$500 deductible applies; and,
  - iv. If a newly acquired automobile is in addition to any vehicle shown in the Declarations, the insured must notify the insurer within 14 days.

---

# California Department of Insurance

## Insurance Adjuster (Independent)

### Examination Objectives

---

- f. Be able to differentiate between a private passenger vehicle and a commercial vehicle.
  - i. know that recreational vehicles (RV) 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 section 660(a)(1) of the CIC, a 6-wheel RV would be considered a private passenger vehicle.
  
- 2. Liability / Medical / Uninsured Motorists
  - a. Be able to identify how the policy limits are applied 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
    - 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. For a described loss applying to Part C – Uninsured Motorist Coverage
    - i. who is defined as an uninsured motorist;
    - ii. who is defined as an underinsured motorist;
    - iii. coverage limit options for uninsured motorists
    - iv. Uninsured Motorist Property Damages; and,
    - v. collision deductible waivers.
  - e. Under California law be able to identify:
    - i. the policy limits required to comply with the Financial Responsibility Law, section 11850.1(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;

---

# California Department of Insurance

## Insurance Adjuster (Independent)

### Examination Objectives

---

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 insurers options in making a loss settlement with the insured;
    - iv. under what circumstances transportation expenses are reimbursed;
    - v. the coverage for personal effects (none);
    - vi. the relationship between Other Than Collision 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;
      - 5) Automobile Loan/Lease Endorsement (Guaranteed Automobile Protection (GAP) Coverage); and,
      - 6) Limited Lines Automobile.
    - ii. Named Non-owner Coverage;
    - iii. Extended Non-owned Liability Coverage (e.g. Vehicle Furnished or Available for Regular Use);
    - iv. Optional Limits (e.g. Transportation Expenses Coverage); and,
    - v. Customizing Equipment Coverage (e.g. sound receiving and transmitting equipment, audio, visual and data electronic equipment and tapes, records, discs, etc.)

#### **IV. Homeowners' Insurance** (16 questions (16 percent) on the examination)

##### **A. Overview** (0 questions of the 16 Homeowners questions)

Homeowners insurance is a combination of both property and casualty coverages arising out of the ownership of a home. Coverage includes damage to the home, its contents, additional living expenses, and for the insureds personal liability.

---

# California Department of Insurance

## Insurance Adjuster (Independent)

### Examination Objectives

---

**IV. Homeowners' Insurance** (16 questions (16 percent) on the examination)

**B. Coverage Forms** (1 question of the 16 Homeowners questions), be able to identify the following:

1. Homeowners 1 - Basic Form (HO1) - A basic policy form that provides coverage on a home against 11 listed perils; contents are generally included in this type of coverage, but must be explicitly enumerated. The perils include fire or lightning, windstorm or hail, vandalism or malicious mischief, theft, damage from vehicles and aircraft, explosion riot or civil commotion, glass breakage, smoke, volcanic eruption, and personal liability. Exceptions include floods, earthquakes. Most states no longer offer this type of coverage.
2. Homeowners 2 - Basic Form (HO2) - A more advanced form that provides coverage on a home against 17 listed perils (including all 11 on the HO1). The coverage is usually a "named perils" policy, which lists the events that would be covered.
3. Homeowners 3 - Basic Form (HO3) - The typical, most comprehensive form used for single-family homes. The policy provides "all risk" coverage on the home with some perils excluded, such as earthquake and flood. Contents are covered on a named peril basis. (Note: "All Risk" is poorly termed as it is essentially named exclusions (i.e., if it is not specifically excluded, it is covered))
4. Homeowners 4 - Basic Form (HO4) - The "Tenants" form is for renters. It covers personal property against the same perils as the contents portion of the HO2 or HO3. An HO4 generally also includes liability coverage for personal injury or property damage inflicted on others.
5. Homeowners 5 - Basic Form (HO5) - Covers the same as HO3 plus more. On this policy the contents are covered on an open peril basis, therefore as long as the cause of loss is not specifically excluded in the policy it will be covered for that cause of loss. (Can also be achieved by endorsing an HO15 to the HO3)
6. Homeowners 6 - Basic Form (HO6) - The form for condominium owners.

**IV. Homeowners' Insurance** (16 questions (16 percent) on the examination)

**C. Definitions** (1 question of the 16 Homeowners questions)

Understand that this section provides definitions of important terms in the contract, which removes possible ambiguities, which not only helps the insured to understand the contract better, but it protects the insurer, since any ambiguity in an insurance contract is construed against the insurer by the courts.

---

# California Department of Insurance

## Insurance Adjuster (Independent)

### Examination Objectives

---

#### **IV. Homeowners' Insurance** (16 questions (16 percent) on the examination)

##### **D. Section I – Property Coverages** (4 questions of the 16 Homeowners questions)

1. Be able to identify for coverages A, B and C (Dwelling, Other Structures, and Personal Property):
  - a. the kinds of property insured (e.g. paint for the interior of the building is personal property that is included under coverage A);
  - b. the valuation basis used for the property;
  - c. the kinds of property excluded;
  - d. the kinds of property with special (sub) limits - and for which perils, e.g. watercraft has special limits;
  - e. the perils insured against and/or the perils excluded; and,
  - f. how coverage applies to a described loss.
2. Be able to identify the extent Coverage D (Loss of Use) applies to a described loss.
3. Be able to identify the coverage available for debris removal and property removal under the HO Property Coverages - Additional Coverages.
4. Be able to identify the effect of the exclusions: Earth Movement and Flood (including the coverage provided for ensuing losses).
5. Be able to identify the insured's duties after a loss (Section I Conditions).
6. Given an example, be able to recognize the applicability of the Ordinance or Law exclusion and its relationship to California requirements
7. Be able to identify:
  - a. the requirements and definitions of the California Residential Property Insurance Disclosure statement, Sections 10101 and 10102 of the CIC;
  - b. that the form contains only a general description of coverages and is NOT part of the residential policy; and,
  - c. replacement cost and building code upgrade options.

#### **IV. Homeowners' Insurance** (16 questions (16 percent) on the examination)

##### **E. Section II – Liability Coverages** (4 questions of the 16 Homeowners questions)

1. Be able to identify the two major coverages provided in insurance on residence policies
2. Be able to identify common liability loss exposures covered or excluded.
3. For a described loss, be able to identify who would be covered under Medical Payments to Others.
4. Be able to identify what types of vehicles would be covered under an HO liability coverage.
5. Be able to identify properties included in:
  - a. Insured Locations; and,
  - b. Residence Premises.

---

# California Department of Insurance

## Insurance Adjuster (Independent)

### Examination Objectives

---

- 6. Liability Endorsements
  - a. Be familiar with liability endorsements such as:
    - i. Residence Rented to Others
    - ii. Business Pursuits
    - iii. Personal Injury
    - iv. Domestic Workers Comp

**IV. Homeowners' Insurance** (16 questions (16 percent) on the examination)

**F. General Exclusions** (2 questions of the 16 Homeowners questions)

- 1. Be able to identify typical exclusions found on the HO Policy form
- 2. Understand the relationship between excluded perils and named exclusions.

**IV. Homeowners' Insurance** (16 questions (16 percent) on the examination)

**G. Conditions** (2 questions of the 16 Homeowners questions)

- 1. Be able to identify Section 1 Conditions
- 2. Be able to identify Section 2 Conditions
- 3. Be able to identify common Section 1 and 2 Conditions

**IV. Homeowners' Insurance**(16 questions (16 percent) on the examination)

**H. Endorsements** (2 questions of the 16 Homeowners questions)

- 1. Be able to identify the purpose of the following endorsements:
  - a. Earthquake Endorsement
  - b. Replacement Cost
  - c. Building and Ordinance
  - d. Additional Structures Rented to Others

**V. Dwelling Coverage** (5 questions (5 percent) on the examination)

**A. Overview** (1 question of the 5 Dwelling questions)

Dwelling Property is coverage for property damage to a personal dwelling. This will include at least coverage for fire and lightning but can be enhanced to include additional property coverages such as water damage, smoke, and theft. It differs from a homeowner's policy in that liability must be added by endorsement.

**V. Dwelling Coverage**(5 questions (5 percent) on the examination)

**B. Property Coverages** (2 questions of the 5 Dwelling questions)

- 1. Be able to identify the major differences between the three forms Basic, Broad and Special) in terms of:
  - a. the coverages included;
  - b. perils insured; and,
  - c. know that "collapse" is an additional coverage that is provided in a Dwelling Fire – Form 3 (DP 3)



---

# California Department of Insurance

## Insurance Adjuster (Independent)

### Examination Objectives

---

- V. Dwelling Coverage** (5 questions (5 percent) on the examination)
- C. Liability Endorsement** (2 questions of the Dwelling questions)
1. Understand the differences between Comprehensive Personal Liability and Premises Liability
- VI. Commercial Policy** (15 questions (15 percent) on the examination)
- A. Overview** (0 questions of the 15 Commercial Policy questions)  
Commercial Policies offer protection against potential losses through unforeseen circumstances like theft, liability, property damage, and for coverage in the event of an interruption of business or injured employees.
- VI. Commercial Policy** (15 questions (15 percent) on the examination)
- B. Components of a Commercial Policy** (1 question of the 15 Commercial Policy questions), be able to identify and have knowledge of the following:
1. Common policy Declarations Page
  2. Common policy Conditions
  3. Inter Line Endorsement
  4. Coverage Parts
- VI. Commercial Policy** (15 questions (15 percent) on the examination)
- C. Commercial Property** (3 questions of the 15 Commercial Policy questions)
1. General Concepts - Be able to identify and apply definitions from the Commercial Property Conditions.
  2. Understand Building and Personal Property Coverage Forms
  3. Recognize the principal types of Covered Property and the valuation basis for:
    - a. Building (dwellings not eligible);
    - b. Business Personal Property including improvements and betterments; and,
    - c. Personal Property of Others
  4. Be able to identify the purpose of a Value Reporting Endorsement and know that the Value Reporting Form may be used to modify the insurance provided by the Building and Personal Property Coverage Forms
  5. Be able to recognize:
    - a. additional coverages; and,
    - b. coverage extensions.
  6. Under Loss Conditions - Vacancy, be able to recognize:
    - a. the definition of vacancy; and understand the definition for the tenancy of the vacancy; e.g. know that a building is considered vacant when there is insufficient business personal property present to conduct customary operations and/or 70 percent of the total

---

# California Department of Insurance

## Insurance Adjuster (Independent)

### Examination Objectives

---

- square footage is not rented or used to conduct customary operations;
  - b. what effect this condition has on the coverage; and,
  - c. the effects of attaching a vacancy permit to a policy
- 7. Coinsurance:
  - a. identify reasons for coinsurance (advantages / disadvantages to the insured); and,
  - b. apply coinsurance to a described loss.
  - c. be able to recognize for coinsurance purposes, the fair market value may be used to determine the actual cash value of a commercial building.
- 8. Causes of Loss Form(s)
  - a. Be able to identify the purpose of the Basic, Broad, and Special Causes of Loss Forms and the major differences between the perils insured
  - b. Be able to apply the effect of the exclusion that eliminates concurrent causation from applying to certain perils.
  - c. Be able to recognize situations in which the rights of a mortgage holder are protected, even if an insured's claim is denied.
  - d. Know that most of the exclusions are contained in the Causes of Loss Form(s) of the Commercial Property policy.
    - i. In the Causes of Loss coverage part(s), Section B - Exclusions, be able to identify the following excluded loss causes:
      - 1) ordinance or law;
      - 2) earth movement; e.g. know that the earth movement exclusion applies to landslides, mine subsidence and earth tremors caused by a volcanic eruption; and,
      - 3) water; e.g. know the water damage exclusion in the Causes of Loss Special Form applies to sewer backup, tidal waves, and flood.

#### **VI. Commercial Policy (15 questions (15 percent) on the examination)**

##### **D. Commercial General Liability (CGL)(3 questions of the 15 Commercial Policy questions)**

- 1. General Concepts
  - a. Be able to understand who is an insured and who may be an additional insured.
  - b. Be able to identify the term General Liability and general types of loss exposures insured.
  - c. Be able to identify the kinds of limits that are listed in the Declarations and the Limits of Insurance section and how they apply.

---

# California Department of Insurance

## Insurance Adjuster (Independent)

### Examination Objectives

---

2. CGL Coverage Forms – Occurrence and Claims Made
  - a. Be able to identify the difference in the coverage triggers between an occurrence policy and a claims-made policy.
  - b. Understand the following terms:
    - i. Retroactive Date;
    - ii. Prior acts coverage (retro date not specified);
    - iii. Tail coverage; and,
    - iv. Know that the Basic Extended Reporting Period begins when the policy period ends and is activated when the policy is cancelled or non-renewed.
  - c. CGL Coverage Form (Occurrence)
    - i. Based on the Commercial General Liability Coverage Form be able to identify and apply:
      - 1) the insuring agreement for coverage A, B, C; and;
      - 2) the definitions of:
        - a) occurrence;
        - b) products-completed operations;
        - c) insured contract;
        - d) coverage territory;
        - e) personal and advertising injury;
        - f) bodily injury;
        - g) property damage;
        - h) automobile and mobile equipment;
        - i) employee;
        - j) leased employee; and,
        - k) temporary employee.
    - ii. Be able to identify the effect of the following exclusions, and alternative forms of insurance coverage:
      - 1) Liquor Liability;
      - 2) Workers' Compensation;
      - 3) Pollution;
      - 4) Automobile;
      - 5) Care, Custody and Control - Property Damage;
      - 6) Recall Exclusion; and,
      - 7) Expected and Intended.
    - iii. Common Endorsements:
      - 1) Employment Practices Liability;
      - 2) Terrorism Exclusions (must be offered, can be rejected); and,
      - 3) Microbial Matter Exclusions

---

# California Department of Insurance

## Insurance Adjuster (Independent)

### Examination Objectives

---

- VI. Commercial Policy** (15 questions (15 percent) on the examination)
- E. Commercial Inland Marine** (2 questions of the 15 Commercial Policy questions)
1. Be able to identify:
    - a. why an insured might need Inland Marine (IM) coverage; and,
    - b. common types of property insured using the Commercial Package Policy IM coverage part; e.g., transit, cargo, or equipment.
  2. For filed forms used with the Commercial Lines Program, be able to identify:
    - a. the perils commonly insured as "open perils"; and,
    - b. the most common exclusions.
- VI. Commercial Policy** (15 questions (15 percent) on the examination)
- F. Commercial Crime** (1 question of the 15 Commercial Policy questions)
1. Be able to differentiate between "theft," "burglary" and "robbery" as defined in crime insurance contracts.
  2. Be able to identify the following crime coverages and recognize why a business would need to purchase them:
    - a. employee theft;
    - b. theft of money and securities, inside the premises; and,
    - c. theft of money and securities, outside the premises.
  3. Be able to differentiate between the discovery form and loss sustained forms.
  4. Know that certain people are not covered under the policy including officers, employees, and independent contractors.
- VI. Commercial Policy** (15 questions (15 percent) on the examination)
- G. Equipment Breakdown** (1 question of the 15 Commercial Policy questions)
1. Be able to identify Equipment Breakdown Protection Coverage (aka – Boiler and Machinery and understand the coverage triggers
- VI. Commercial Policy** (15 questions (15 percent) on the examination)
- H. Commercial Automobile Policy** (2 questions of the 15 Commercial Policy questions)
1. Business Automobile Coverage - Business Automobile Policy (BAP)
    - a. Know the definitions of:
      - i. owned automobiles;
      - ii. hired automobiles; and,
      - iii. non-owned automobiles.
    - b. Be able to understand the "who is insured" provision of the policy.
    - c. Be able to identify the principal physical damage coverages.

---

# California Department of Insurance

## Insurance Adjuster (Independent)

### Examination Objectives

---

2. Garage Automobile Coverage
  - a. Be able to understand the major coverages in Garage Liability
3. Motor carrier coverage form
  - a. Be able to understand;
    - i. Who is insured
    - ii. Types of coverage

**VI. Commercial Policy** (15 questions (15 percent) on the examination)

**I. Farm Coverage** (2 questions of the 1 Commercial Policy questions)

1. Be able to identify that Farm Insurance can be written on a monoline or package policy providing:
  - a. both personal and commercial coverages; and,
  - b. liability and property coverages.
2. With respect to the Multi-Peril Crop Insurance, be able to identify:
  - a. why the coverage may be needed;
  - b. the major perils commonly insured

**VII. Business Owners Policy (BOP)** (5 questions (5 percent) on the examination)

**A. General Concepts** (1 question of the 5 Business Owners Policy (BOP) questions)

1. Be able to identify the:
  - a. purpose of this program;
  - b. mandatory coverages; and,
  - c. categories of eligible businesses.

**VII. Business Owners Policy (BOP)** (5 questions (5 percent) on the examination)

**B. BOP Property Coverages** (2 questions of the 5 Business Owners Policy (BOP) questions)

1. Be able to differentiate between the coverage provided by the Standard and Special forms.
2. Be able to differentiate between the perils covered in the BOP policies and the commercial property policy.
3. Be able to identify important additional coverages included in the BOP that would have to be added to the Commercial Property Policy.

**VII. Business Owners Policy (BOP)** (5 questions (5 percent) on the examination)

**C. BOP Liability Coverages** (2 questions of the 5 Business Owners Policy (BOP) questions)

1. Be able to identify that the coverage and exclusions are similar to that provided by coverages A, B, C of the CGL form.
2. Be able to identify how the limits of liability of the BOP policy differ from the CGL policy.

---

# California Department of Insurance

## Insurance Adjuster (Independent)

### Examination Objectives

---

- VIII. Workers' Compensation Insurance** (8 questions (8 percent) on the examination)
- A. General Concepts** (1 questions of the 8 Workers' Compensation Insurance questions)
1. Be able to identify the:
    - a. purpose of this program;
    - b. mandatory coverages; and,
    - c. categories of eligible employers
    - d. covered employees
    - e. understand that California has a compulsory Workers' Compensation law
- VIII. Workers' Compensation Insurance** (8 questions (8 percent) on the examination)
- B. Benefits** (1 question of the 8 Workers' Compensation Insurance questions)
1. Be able to identify the different types of benefits provided:
    - a. Medical;
    - b. Disability; and,
    - c. Death.
- VIII. Workers' Compensation Insurance** (8 questions (8 percent) on the examination)
- C. Identify Limits** (1 question of the 8 Workers' Compensation Insurance questions)
1. Be able to identify that covered medical expenses do not have time or dollar limits.
    - a. Identify the limits for physical therapy; and,
    - b. Identify the limits for chiropractic services.
- VIII. Workers' Compensation Insurance** (8 questions (8 percent) on the examination)
- D. Employers Liability Insurance Policy** (1 questions of the 8 Workers' Compensation Insurance questions)
1. Be able to identify what Employers Liability insurance is and why it is necessary in addition to workers' compensation, Section 11750.1(f) of the CIC.
- VIII. Workers' Compensation Insurance** (8 questions (8 percent) on the examination)
- E. Definitions** (1 question of the 8 Workers' Compensation Insurance questions)
1. Be able to identify and apply a definition of the Other States Insurance section of the policy, Section 11780.5 of the CIC.
- VIII. Workers' Compensation Insurance** (8 questions (8 percent) on the examination)
- F. Endorsements** (1 question of the 8 Workers' Compensation Insurance questions)
1. Be able to identify the voluntary contribution endorsement.

---

# California Department of Insurance

## Insurance Adjuster (Independent)

### Examination Objectives

---

**VIII. Workers' Compensation Insurance** (8 questions (8 percent) on the examination)  
**G. Twenty-Four Hour Coverage** (1 question of the 8 Workers' Compensation Insurance questions)

1. Be able to identify what is meant by the term "Twenty-Four- Hour coverage," Section 1749.02 of the CIC.

**VIII. Workers' Compensation Insurance** (8 questions (8 percent) on the examination)  
**H. Policy Coverage** (1 questions of the 8 Workers' Compensation Insurance questions)

1. Be able to identify that the Workers' Compensation policy does not cover any federal workers' compensation or employers liability laws:
  - a. The Merchant Marine Act of 1920 (The Jones Act); and,
  - b. United States The Longshore and Harbor Workers Compensation Act (USL&H).

**IX. Ocean Marine Insurance** (3 questions (3 percent) on the examination)

**A. Characteristics and Purpose** (1 question of the 3 Ocean Marine Insurance questions)

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

**IX. Ocean Marine Insurance** (3 questions (3 percent) on the examination)

**B. Differences Between Coverages** (1 question of the 3 Ocean Marine Insurance questions)

1. Be able to differentiate between cargo, hull, freight, and protection and indemnity coverages.

**IX. Ocean Marine Insurance** (3 questions (3 percent) on the examination)

**C. Protection and Indemnity Insurance** (1 question of the 3 Ocean Marine Insurance questions)

1. Be able to recognize the sources of claims for which Protection and Indemnity does not apply coverage under the:
  - a. The Merchant Marine Act of 1920 (The Jones Act)
  - b. The United States Longshore and Harbor Workers Compensation Act (USL&H).

---

# California Department of Insurance

## Insurance Adjuster (Independent)

### Examination Objectives

---

- X. Surety and Fidelity** (2 questions (2 percent) on the examination)
- A. Characteristics and Purpose** (1 question of the 2 Surety and Fidelity questions)
1. A surety bond or surety is a promise to pay one party (the obligee) a certain amount if a second party (the obligor) fails to meet some obligation, such as fulfilling the terms of a contract. The surety bond protects the obligee against losses resulting from the obligor's failure to meet the obligation.
  2. Fidelity bonds, also known as employee dishonesty coverage, cover theft of an employer's property by its own employees. This is referred to as bonds, fidelity coverage functions as a traditional insurance policy rather than a surety bond.
- X. Surety and Fidelity** (2 questions (2 percent) on the examination)
- B. Surety Bonds and General Bond Concepts** (1 question of the 2 Surety and Fidelity questions)
1. Be able to differentiate between the three parties involved in a surety bond.
    - a. Obligor
    - b. Obligee
    - c. Guarantor
  2. Be able to identify differences between surety bonds and insurance policies with regard to loss payments.
  3. Be able to identify the differences between contract, financial guarantee and faithful performance bonds.
- XI. Other Coverages and Options** (2 questions (2 percent) on the examination)
- A. Umbrella/Excess Liability Policies** (1 question of the 2 Other Coverages and Options questions)
1. Be able to identify:
    - a. the major functions of these policies;
    - b. that most carriers have developed their own form with unique coverage;
    - c. the difference between umbrella and excess policies;
    - d. underlying policies and limits that are commonly required by the umbrella insurer to be maintained; and,
    - e. what a self-insured retention is and how it is applied to a loss.
- XI. Other Coverages and Options** (2 questions (2 percent) on the examination)
- B. National Flood Insurance Program (NFIP)** (1 question of the 2 Other Coverages and Options questions)
1. Be able to identify the definition of a flood.
  2. Be able to identify the principal flood coverages.



---

# California Department of Insurance

## Insurance Adjuster (Independent)

### Examination Objectives

---

3. Recognize that other coverages, such as Business Income and Extra Expense, are not available through National Flood Insurance Program (NFIP).

**XII. Fair Claims Settlement Practices Regulations** (11 questions (11 percent) on the examination)

- A. File and Record Documentation, Section 2695.3 of the CCR** (1 question of the 11 Fair Claims Settlement Practices Regulations questions)
1. Be able to identify what files are subject to examination by the Commissioner or by his or her duly appointed designees
  2. Be able to identify the steps required to assist in such examinations

**XII. Fair Claims Settlement Practices Regulations** (11 questions (11 percent) on the examination)

- B. Representation of Policy Provisions and Benefits, Section 2695.4 of the CCR** (2 questions of the 11 Fair Claims Settlement Practices Regulations questions)
1. Understand that full disclosure is required by insurers to claimants of all of the benefits, coverage, time limits and other policy provisions which may apply to a first party claim

**XII. Fair Claims Settlement Practices Regulations** (11 questions (11 percent) on the examination)

- C. Duties upon Receipt of Communications, Section 2695.5 of the CCR** (1 question of the 11 Fair Claims Settlement Practices Regulations questions)
1. Be able to identify the duties and obligations of an insurer upon receipt of a claim.

**XII. Fair Claims Settlement Practices Regulations** (11 questions (11 percent) on the examination)

- D. Training and Certification, Section 2695.6 of the CCR** (0 questions of the 11 Fair Claims Settlement Practices Regulations questions)
1. Understand that an insurer must conduct investigations using written standards and processes and must employ thoroughly and adequately trained personnel.

**XII. Fair Claims Settlement Practices Regulations** (11 questions (11 percent) on the examination)

- E. Standards for Prompt, Fair and Equitable Settlements, Section 2695.7 of the CCR** (2 questions of the 11 Fair Claims Settlement Practices Regulations questions)

---

# California Department of Insurance

## Insurance Adjuster (Independent)

### Examination Objectives

---

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

**XII. Fair Claims Settlement Practices Regulations** (11 questions (11 percent) on the examination)

**F. Additional Standards Applicable to Automobile Insurance, Section 2695.8 of the CCR** (2 questions of the 11 Fair Claims Settlement Practices Regulations questions)

1. Understand the standards which apply to adjustment and settlement of automobile insurance claims under Section 2695.8 of the CCR
2. Be familiar with the Auto Body Repair Consumer Bill of Rights, Section 2695.85 of the CCR.

**XII. Fair Claims Settlement Practices Regulations** (11 questions (11 percent) on the examination)

**G. Additional Standards Applicable to First Party Residential and Commercial Property Insurance Policies, Section 2695.9 of the CCR** (2 questions of the 11 Fair Claims Settlement Practices Regulations questions)

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

**XII. Fair Claims Settlement Practices Regulations** (11 questions (11 percent) on the examination)

**H. Additional Standards Applicable to Surety Insurance, Section 2695.10 of the CCR** (1 question of the 11 Fair Claims Settlement Practices Regulations questions)

1. Be familiar with the additional standards applicable to Surety Insurance in Section 2695.10 of the CCR.

**XII. Fair Claims Settlement Practices Regulations** (11 questions (11 percent) on the examination)

**I. Additional Standards Applicable to Life and Disability Insurance Claims, Section 2695.11 of the CCR** (0 questions of the 11 Fair Claims Settlement Practices Regulations questions)

1. Be familiar with the additional standards applicable to Life and Disability Insurance Claims in Section 2695.11 of the CCR.

---

# California Department of Insurance

## Insurance Adjuster (Independent)

### Examination Objectives

---

- XII. Fair Claims Settlement Practices Regulations** (11 questions (11 percent) on the examination)
- J. Penalties, Section 2695.11 of the CCR** (0 questions of the 11 Fair Claims Settlement Practices Regulations questions)
1. Understand how penalties are assessed and what evidence is used to determine the appropriate amount.