
Prelicensing Education Educational Objectives

California Life-Only Agent Examination

Overview

For purposes of the prelicensing curriculum and examination, the successful applicant is defined as an entry-level individual of an agency or an insurer. Twenty hours of life-only agent prelicensing education must, at a minimum, include the material in these objectives.

California Insurance Code (Cal. Ins. Code) Section 1677 requires that the life-only agent examination be of sufficient scope to satisfy the Insurance Commissioner that an applicant has basic knowledge of, and is reasonably familiar with, the insurance laws of this state and with the provisions, terms, and conditions of the insurance that may be transacted pursuant to the life-only agent license, and that the applicant has a fair understanding of the obligations and duties of a life-only agent. In addition, Cal. Ins. Code Section 1626(a)(1) defines a life-only agent as authorized to transact insurance coverage on human lives, including benefits of endowment and annuities, and may include benefits in the event of death or dismemberment by accident and benefits (by rider) for disability income.

The new life agent will be introduced and trained to sell and service the less complex types of business first and the other lines later. Basic knowledge is what the new life agent needs to know at the start of their career.

- (1) Basic knowledge including:
 - Basic life insurance concepts and principles
 - Responsibilities and authority of a life-only agent
 - Commonly written life-only insurance products
 - Insurance products for seniors
 - Ethics and insurance code
 - Insurance coverage on human lives
 - Benefits of endowment and annuities
 - Benefits in the event of death or dismemberment by accident
 - Insurable interest

- (2) With a general understanding of:
 - Commonly used non-insurance disability systems
 - Social life and disability insurance programs
 - What is happening in today's marketplace

- (3) In addition, this license authorizes the transaction of insurance coverage on:
 - **Whole Life-** A type of life insurance that provides a guaranteed death benefit at a guaranteed flat premium and that accumulates cash

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value that may be borrowed against.

- **Credit Life** - A type of group term life insurance that can pay off or reduce the balance of a consumer loan or a loan for the purchase of consumer goods in the event of the insured's death. "Reducing" death benefit amounts track with the loan balances due and coverage is marketed through creditors.
- **Mortgage Life** – A type of term life insurance that can pay off or reduce the balance owing on a real estate purchase or refinance mortgage. Death benefit amounts track with the balances due on the loans. Coverages may be available on a group basis through creditors or through licensed agents on an individual basis.
- **Fixed Annuities*** – Contracts providing for a guaranteed income stream for life or for fixed periods in return for guaranteed premiums, usually used to fund retirement plans.
- **Funeral and Burial** - Specific life insurance policies or annuities having an initial face amount of twenty thousand dollars (\$20,000) or less that are designated by the purchaser for the payment of funeral and burial expenses.
- **Group Life** - Life Insurance provided for employees of a common employer or for members of an association provided it is not formed for the purpose of buying insurance. The cost is usually lower than for individual policies, but choices among plans and benefit amounts may be limited. Under a "group" plan, the insurer issues a single "master policy" to the employer or the association and "certificates of insurance" are issued to the individual insureds. Most group programs provide coverage on a term basis, but the "group" plan can be used for most types of life insurance and annuity products.
- **Indexed Annuity*** - A fixed annuity contract which bases its values on a crediting index, such as the Standard & Poor's 500 Index.
- **Term Life** – A type of life insurance that provides a guaranteed fixed or decreasing amount of life insurance for a stated time period or term. Guaranteed premiums usually increase annually with the insured's age and term products do not accumulate cash or surrender values.
- **Third-party Contract** - Insurance owned by a person other than the insured.
- **Universal Life** – A type of life insurance that provides a guaranteed amount of life insurance (subject to adjustment by the insured), but with premiums and cash values that are based upon prevailing interest rates in the economy ("interest sensitive").
- **Variable Annuity** – A type of annuity contract in which benefits and cash/surrender values vary in accordance with the investment

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experience of various types of securities (typically, shares in mutual funds) held by the insurer in a “separate account”. Contract holders can usually allocate their premium payments among an array of investment media, based upon their investment strategies. Variable annuities are considered to be “securities,” so agents marketing them must have registration with the Financial Industry Regulatory Authority to transact in California. Variable annuities may have tax advantages, depending upon the circumstances of their issue.

- **Variable Life** - A form of life insurance, derived from “whole life” insurance, but without the guarantees, in which benefits and cash/surrender values vary in accordance with the investment experience of various types of securities held by the insurer in a “separate account,” on the same basis as Variable Annuities.

* **All cash value contracts may be adversely affected by surrender charges**

- (4) 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 (Cal. Ins. Code Section 1749.1(b))

Educational Objectives

The educational objectives are derived from the curriculum outline contained in Title 10 California Code of Regulations (10 Cal. Code Regs.), Chapter 5, Subchapter 1, Article 6.5, Section 2187.

Ethics and California Insurance Code

The educational objectives for Ethics and California Insurance Code are incorporated in the following pages. The individual objectives may be identified by “(Cal. Ins. Code Section XXXX)” or “(Ethics)”. References to “Code” or “Cal. Ins. Code” in the educational objectives mean the California Insurance Code.

The Examination

The California Department of Insurance’s (CDI) life-only agent license examination contains seventy-five (75) multiple choice questions. Examinees are allowed ninety (90) minutes to complete the examination. Possession or use of any unauthorized device, material, or document is prohibited. Prohibited items include notes, crib sheets, textbooks, and electronic devices.

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CDI examinations are administered at the CDI site in Los Angeles or one of the many PSI test centers throughout California. PSI Services, LLC is CDI's examination vendor.

CDI site 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.

Los Angeles:

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

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

Agoura Hills	Diamond Bar	Riverside	Santa Rosa
Anaheim	Fresno	Sacramento	Ventura
Atascadero	Hayward	San Diego	Visalia
Bakersfield	Irvine	San Francisco	Walnut Creek
Burbank	Lawndale	Santa Clara	
Carson	Redding	Santa Fe Springs	

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

For additional information on license examinations (e.g., 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:

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

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I. GENERAL INSURANCE (22 questions (30 percent) on the examination)

I.A. Basic Insurance Concepts and Principles (9 questions). Be able to:

1. Identify the definition of insurance (Cal. Ins. Code Section 22)
2. Recognize the definition of risk
3. Differentiate between a pure risk and a speculative risk
4. Identify the definition of peril
5. Identify the definition of hazard
6. Differentiate between moral, morale, and physical hazards
7. Identify the definition of the law of large numbers
8. Identify the definition or the correct usage of the term loss exposure
9. Identify risk management techniques
10. Identify risk situations that present the possibility of a loss
11. Recognize the requisites of an ideally insurable risk
12. Identify the definition of insurable events (Cal. Ins. Code Section 250)
13. Identify and apply the definitions of insurable interest, the principle of indemnity, and utmost good faith
14. Identify the main purpose of insurance underwriting
15. Identify the meaning of adverse selection and profitable distribution of exposures

I. GENERAL INSURANCE (22 questions (30 percent) on the examination)

I.B. Contract Law (6 questions)

1. Compare contract law and tort law
2. Identify the four basic elements of a contract
 - a. Agreement, offer and acceptance
 - b. Competent parties
 - c. Legal purpose
 - d. Consideration
3. Identify the meaning and effect of the following special characteristics of an insurance contract:
 - a. Contract of adhesion
 - b. Conditional contract
 - c. Aleatory
 - d. Unilateral
 - e. Personal
4. Identify the term "insurance policy" (Cal. Ins. Code Section 380)
5. Identify the meaning and effect of each of the following on a contract:
 - a. Concealment (Cal. Ins. Code Sections 333 and 339)
 - i. Be able to identify information that does not need to be communicated in a contract:
 - 1) Known information
 - 2) Information that should be known
 - 3) Information which the other party waives

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- 4) Information that is excluded by a warranty and not material to the risk
- 5) Information that is excepted from insurance and not material to the risk
- 6) Information based on personal judgment
- b. Warranty (Cal. Ins. Code Sections 440 through 445, and 447)
 - i. Know that a warranty may be expressed or implied
 - ii. Know that violation of a material warranty allows the other party to rescind the contract
- c. Representations (Cal. Ins. Code Sections 350 through 361)
 - i. Know when a representation can be altered or withdrawn (Cal. Ins. Code Section 355)
 - ii. Know that a representation is false when the facts fail to correspond with its assertions or stipulations (Cal. Ins. Code Section 358)
 - iii. Know that a representation cannot qualify an express provision in a contract of insurance, but it may qualify an implied warranty (Cal. Ins. Code Section 354)
- d. Misrepresentation (Cal. Ins. Code Sections 780 through 784)
- e. Materiality (Cal. Ins. Code Section 334)
 - i. Know that the materiality is to be determined not by the event, but solely by the probable and reasonable influence of the facts upon the party to whom the communication is due
- 6. Identify when an insurer has the right of rescission (Cal. Ins. Code Sections 331, 338, 359, and 447)
 - a. Know that either intentional or unintentional concealment entitles an injured party to rescission of a contract (Cal. Ins. Code Section 331)
- 7. Identify six required specifications for all insurance policies (Cal. Ins. Code Section 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 he is not the absolute owner thereof
 - d. The risks insured against
 - e. The period during which the insurance is to continue
 - f. Either:
 - i. A statement of the premium
 - ii. If the insurance is of a character where the exact premium is only determinable upon the termination of the contract, a statement of the basis and rates upon which the final premium is to be determined and paid
- 8. Know that the financial rating of the insurer is not required to be specified in the insurance policy

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9. Given an insurance situation, identify the following terms correctly:
 - a. Application, contract, rider
 - b. Cancellation, lapse, grace period, reinstatement
 - c. Rate, premium, earned and unearned premium

I. GENERAL INSURANCE (22 questions (30 percent) on the examination)

I. C. The Insurance Marketplace (7 questions)

I. C1. Distribution Systems

1. Be able to identify different distribution systems that include, but are not limited to, the following:
 - a. Agency
 - b. Direct response

I. GENERAL INSURANCE (22 questions (30 percent) on the examination)

I. C. The Insurance Marketplace (7 questions)

I. C2. Producers

1. Be able to understand the general rules of agency as they apply to an agent, broker, and insurance company
 - a. The responsibilities and duties of each
 - b. The effect of the types of authority an agent may exercise (express, implied, or apparent)
2. With regard to the underwriting of applicants and/or insureds, be able to:
 - a. Identify a producer's responsibilities
 - b. Understand the insurers' requirements
3. Be able to define the following:
 - a. Life-only agent (Cal. Ins. Code Section 1626(a)(1))
 - b. Accident and health agent (Cal. Ins. Code Section 1626(a)(2))
 - c. Life and disability insurance analyst (Cal. Ins. Code Sections 32.5 and 1831 through 1849)
4. Be able to identify the California Insurance Code definition of transact and why the definition is important (Cal. Ins. Code Sections 35, 1631, and 1633)
 - a. Know that the Code prohibits certain acts by unlicensed persons (Cal. Ins. Code Section 1631)
 - b. Know the penalties for such prohibited acts (Cal. Ins. Code Section 1633)
5. Written consent regarding persons engaged in the business of insurance whose activities affect interstate commerce (prohibited persons in insurance):
 - a. Be able to identify what conduct is prohibited and identify what civil and criminal penalties apply (Title 18 United States Code Sections 1033 and 1034)
6. Be able to identify the differences between the terms "agent" and "broker" with respect to their relationship with insurers and with their insureds

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- a. 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 (Cal. Ins. Code Section 31)
 - b. A life-only licensee is a person authorized to act as a life-only agent on behalf of a life insurer or a disability insurer to transact life insurance, accident and health insurance, or life and accident and health insurance (Cal. Ins. Code Section 32)
 - i. Licenses to act as a life-only agent under this chapter shall be of the types as set forth in Cal. Ins. Code Section 1626
 - ii. A life-only agent may be authorized to transact 24-hour care coverage, as defined in Cal. Ins. Code Section 1749.02, pursuant to the requirements of subdivision (d) of Section 1749 or subdivision (b) of Section 1749.33
 - c. Insurance broker means a person who, for compensation and on behalf of another person, transacts insurance other than life, disability, or health with, but not on behalf of, an insurer (Cal. Ins. Code Section 33).
 - d. Life settlement broker means a person who, on behalf of an owner, and for a fee, commission, or other valuable consideration, offers or attempts to negotiate life settlement contracts between an owner and providers. A life settlement broker represents only the owner and owes a fiduciary duty to the owner to act according to the owner's instructions, and in the best interest of the owner, notwithstanding the manner in which the broker is compensated. (Cal. Ins. Code Sections 10113.1(b) and 10113.2(b)(1)(A) through (D))
7. Be able to recognize:
- a. The differences between the authority of an agent and a solicitor
 - b. That there is no such license as "life solicitor" (Cal. Ins. Code Section 1704(d))
 - c. That an insurance solicitor is a natural person employed to aid an insurance agent or insurance broker in transacting insurance other than life, disability, or health (Cal. Ins. Code Section 1624)
8. Regarding insurance agent's errors & omissions insurance, be able to identify:
- a. The types of coverages available
 - b. The types of losses commonly covered and not covered
 - c. The need for the coverage
9. Be able to identify acts prohibited (unless a surplus line broker) regarding nonadmitted insurers (Cal. Ins. Code Section 703)
10. Be able to identify the prohibitions of free insurance (Cal. Ins. Code Section 777.1)
11. Be able to identify the Code requirements for the following:
- a. An agency name, use of name (Cal. Ins. Code Sections 1724.5, 1726, and 1729.5)
 - b. Change of address (Cal. Ins. Code Section 1729)

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- c. Filing license renewal application (Cal. Ins. Code Section 1720)
- d. Printing license number on documents (Cal. Ins. Code Section 1725.5)
- 12. Be able to identify the records an insurer and agents must maintain (Cal. Ins. Code Sections 10508 through 10508.5)
- 13. Be able to identify the requirements applicable to an insurer for life insurance policy illustrations (Cal. Ins. Code Sections 10509.950 through 10509.965)
- 14. 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, 1668 through 1669, and 1738)
- 15. Be able to identify the importance and the scope of the Code regarding:
 - a. The filing of a notice of appointment to transact insurance (Cal. Ins. Code Section 1704 through 1705)
 - b. An inactive license (Cal. Ins. Code Section 1704(b))
 - c. Cancellation of a license by the licensee by written notice thereof delivered to the Commissioner (Cal. Ins. Code Section 1708)
- 16. 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)
- 17. Be able to identify and apply:
 - a. The definition of the term "fiduciary"
 - b. Producer fiduciary duties described in the Code (Cal. Ins. Code Sections 1733 through 1735)
- 18. Be able to identify the continuing education (CE) requirements for an individual licensed as a life-only agent (Cal. Ins. Code Sections 1749.3 through 1749.33):
 - a. Life-only agents also licensed as a property and casualty broker-agent must complete 24 hours of continuing education in either license type, three (3) hours of which must be in ethics (Cal. Ins. Code Sections 1749.3(b) and 1749.33(a))
 - b. A life-only agent who sells annuity products to individual consumers must complete:
 - i. Eight (8) hours of initial training prior to soliciting for sales
 - ii. Four (4) hours of subsequent training every two years prior to license renewal (Cal. Ins. Code Section 1749.8)
 - c. The total hours of continuing education required for the life-only agent are not increased by the above
- 19. Be able to describe the differences between benefits provided under an accelerated death benefit rider for chronic illness under Cal. Ins. Code Section 10295 et seq. and benefits provided under long-term care insurance under Cal. Ins. Code Section 10234.93, including but not limited to, the following:
 - a. Long-term care training requirements
 - i. Long-term care training is required if an agent is transacting accelerated death benefit provisions or riders that require the provision of personal care services to a chronically ill insured

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- ii. Long-term care training is not required when transacting accelerated death benefit provisions or riders that do not require any provision of personal care services to an insured
 - 1) The insured may take the accelerated death benefits in a lump sum when the individual qualifies (Cal. Ins. Code Section 10295.1), as well as choose the option to receive the benefit in periodic payments that is provided for a certain period only
 - 2) Insurers are required to ensure that agents offering, marketing, or selling accelerated death benefits on their behalf are able to describe the differences between benefits provided under an accelerated death benefit and benefits provided under long-term care insurance (Cal. Ins. Code Section 10295.12) Life producers must communicate:
 - (a) Differences between the benefits afforded to an insured through an accelerated death benefit and a long-term care insurance policy or rider
 - (b) Differences between benefit eligibility criteria
 - (c) Whether an elimination period applies to either an accelerated death benefit or long-term care insurance and a description of the elimination period
 - (d) The benefits under the accelerated death benefit or long-term care insurance if benefits are never needed
 - (e) The benefits under the accelerated death benefit or long-term care insurance if benefits are needed
 - (f) Restrictions on benefit amounts
 - (g) Tax treatment of benefits and premiums
 - (h) Income and death benefit considerations
20. Be able to identify the definition of “[third party] administrator” (Cal. Ins. Code Section 1759)
21. Concerning a life and disability insurance analyst license, be able to identify requirements and prohibitions for charging fees (Cal. Ins. Code Section 1848)

The following Educational Objectives are derived from the California Insurance Code and codes of ethics of major industry organizations. These form the basis for life-only examination questions.

22. Be able to identify and apply the meaning of the following:
- a. Place the customer's interest first
 - b. Know your job and continue to increase your level of competence
 - c. Identify the customer's needs and recommend products and services that meet those needs
 - d. Accurately and truthfully represent products and services

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- e. Use simple language; talk the layman's language when possible
 - f. Stay in touch with customers and conduct periodic coverage reviews
 - g. Protect your confidential relationship with your client
 - h. Keep informed of and obey all insurance laws and regulations
 - i. Provide exemplary service to your clients
 - j. Avoid unfair or inaccurate remarks about the competition
23. 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
24. Be able to identify special ethical concerns that may occur when dealing with Senior Citizens (Cal. Ins. Code Sections 785 through 789.10)

I. GENERAL INSURANCE (22 questions (30 percent) on the examination)

I.C. The Insurance Marketplace (7 questions)

I.C3. Insurers

- 1. Be able to differentiate between:
 - a. Admitted and nonadmitted insurers (Cal. Ins. Code Sections 24 and 25)
 - b. Domestic, foreign, and alien insurers (Cal. Ins. Code Sections 26, 27, and 1580)
 - c. Regulation of an admitted insurer and non-admitted insurer, and the potential consequences for consumers (Cal. Ins. Code Sections 24, 25, and 1760 through 1780)
- 2. Be able to identify the penalty for unlawfully acting as an agent for a non-admitted insurer (Cal. Ins. Code Section 703)
- 3. Be able to identify the functions of the following major operating divisions of insurers: marketing or sales, underwriting, claims, and actuarial
- 4. Be able to identify that a primary insurer (i.e., ceding company) is the insurance company which transfers some or all of its loss exposure to another insurer in a reinsurance transaction
- 5. Know that any person, association, organization, partnership, business trust, limited liability company, or corporation capable of making a contract may be an insurer (Cal. Ins. Code Sections 19 and 150)
- 6. Be able to differentiate between mutual, stock, and fraternal insurers:
 - a. Earned surplus
 - b. Divisible surplus as policyholder dividends
 - c. Divisible surplus as shareholder dividends

I. GENERAL INSURANCE (22 questions (30 percent) on the examination)

I. C. The Insurance Marketplace (7 questions)

I. C4. Market Regulation – General

- 1. Be able to identify:

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- a. The California Insurance Code and how it may be changed
- b. Title 10 of the California Code of Regulations (10 Cal. Code Regs.), Chapter 5 and how it may be changed
- c. How the Insurance Commissioner is selected, the term of office, and the responsibilities of the position (Cal. Ins. Code Sections 12900 and 12921)
2. 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)
 - a. Know that only the Commissioner may enforce the provisions of the Unfair Practices Act
 - b. Know that the Commissioner may conduct hearings to identify additional unfair acts or practices and determine their enforcement
3. Be able to identify the privacy protection provisions of:
 - a. The Gramm-Leach-Bliley Act (GLBA)/California Financial Information Privacy Act (California Financial Code sections 4050 through 4060)
 - b. Insurance information and Privacy Protection Act regarding practices, prohibitions, and penalties (Cal. Ins. Code Sections 791 through 791.26)
4. Be able to define an insolvent insurer (Cal. Ins. Code Section 985):
 - a. Know the definition of paid-in capital (Cal. Ins. Code Section 36)
 - b. 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)
5. Be able to identify the scope and correct application of the conservation proceedings described in the Code (Cal. Ins. Code Sections 1011, 1013, and 1016)
6. Be able to identify the purpose and scope of the Cal. Ins. Code concerning the California Life and Health Insurance Guarantee Association (CLHIGA) (Cal. Ins. Code Sections 1067.02(a)(1) and 1067.02(b)(1))
 - a. Basic coverages and exclusions of CLHIGA (Cal. Ins. Code Sections 1067 through 1067.18)
7. 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):
 - a. Efforts to combat fraud (Cal. Ins. Code Sections 1872, 1874.6, 1875.8, 1875.14, 1875.20, and 1877.3(b)(1))
 - b. If an insured signs a false claim form, the insured may be guilty of perjury
8. Be able to identify the requirements for discontinuance of group life insurance (Cal. Ins. Code Section 10128.1 through 10128.4)
9. Be able to identify discriminatory practices prohibited by the Code (Cal. Ins. Code Sections 10140 through 10145)
10. Be able to identify the difference between shall and may (Cal. Ins. Code Section 16)
11. Be able to identify the requirements for notice by mail and by electronic transmission (Cal. Ins. Code Sections 38 and 38.6)

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I. GENERAL INSURANCE (22 questions (30 percent) on the examination)

I. C. The Insurance Marketplace (7 questions)

I. C5. Fair Claims Settlement Practices Regulations (Title 10 California Code of Regulations (10 Cal. Code Regs.), Chapter 5, Subchapter 7.5, Article 1)

1. Be able to identify a definition of the following:
 - a. Claimant (10 Cal. Code Regs. Section 2695.2(c))
 - b. Notice of legal action (10 Cal. Code Regs. Section 2695.2(o))
 - c. Proof of claim (10 Cal. Code Regs. Section 2695.2(s))
2. Be able to identify file and record documentation (10 Cal. Code Regs. Section 2695.3)
3. Be able to identify duties upon receipt of communications (10 Cal. Code Regs. Section 2695.5)
4. Be able to identify standards for prompt, fair and equitable settlements (10 Cal. Code Regs. Sections 2695.7(a), (b), (c), (g), (h))

II. LIFE INSURANCE (49 questions (65 percent) on the examination)

II. A. Life Insurance - Basics (8 questions)

1. Be able to identify examples or definitions of:
 - a. Life insurance
 - b. Applicant, policy owner, insured, beneficiary
2. Be able to identify the elements of the personal insurance planning process:
 - a. Overall financial objectives
 - b. Development and implementation of an insurance plan to accomplish the objectives
3. Be able to identify the two approaches used to determine life insurance amounts:
 - a. Human life value approach, or
 - b. Needs approach
4. Be able to identify methods of managing risk:
 - a. Avoidance
 - b. Retention
 - c. Sharing
 - d. Reduction
 - e. Transferring
5. Be able to identify the following business funding uses of life insurance:
 - a. Key person insurance
 - b. Buy-sell agreements
 - c. Other uses (e.g., split dollar, deferred compensation, business overhead, salary continuation)
6. Be able to identify the meaning of term limit of liability in a life policy
7. Know when insurable interest is required to exist under life insurance policies

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(Cal. Ins. Code Section 10110)

8. Be able to identify:
 - a. The term mortality
 - b. The term mortality table and how it is developed
9. Be able to identify the meaning of the statement "Life insurance creates an immediate estate"

II. LIFE INSURANCE (49 questions (65 percent) on the examination)

II. B. Types of Life Policies (10 questions)

1. Be able to differentiate between the following types of life insurance policies:
 - a. Participating and non-participating
 - b. Individual
 - c. Group
2. Be able to identify and differentiate between the key features of each of the following general classes and their appropriate uses:
 - a. Term
 - b. Whole life
 - c. Universal life
 - d. Indexed universal life
 - e. Variable life and variable universal life
 - f. Graded death benefits
3. Be able to differentiate between common modes of premium payment:
 - a. Single premium
 - b. Limited pay
 - c. Modified premium
 - d. Level
 - e. Fixed vs. flexible
 - f. Initial premium and guaranteed maximum premium
4. Be able to identify each of the following special coverages and when they are appropriate:
 - a. Mortgage redemption
 - b. Family protection, family policy, and family rider
 - c. Juvenile policies (including jumping juvenile, payor Rider)
 - d. Return of premium
 - e. Joint life and survivorship policies
5. Be able to identify the following types of term products:
 - a. Level term
 - i. Guaranteed level premium
 - ii. Non-guaranteed premium
 - iii. Indeterminate premium
 - b. Renewable term
 - c. Convertible term

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- d. Decreasing term
- e. Universal life designed as term (e.g., Guaranteed Universal Life, Survivorship Guaranteed Universal Life)

II. LIFE INSURANCE (49 questions (65 percent) on the examination)

II. C. Annuities (8 questions)

1. Be able to identify a definition of an annuity
 - a. Accumulation period and distribution phase
2. Be able to identify the parties to an annuity:
 - a. Annuitant
 - b. Owner
 - c. Beneficiary
3. Be able to identify the business and personal uses for annuity products
4. Be able to differentiate the different types of annuities:
 - a. Fixed – general account
 - b. Variable – separate account
 - c. Equity indexed
5. Be able to identify the different annuity distribution choices and funding mechanisms:
 - a. Immediate – the first payment from a single premium immediate annuity must be made within twelve (12) months of the contract date
 - b. Deferred (single premium, flexible premium)
6. Be able to identify:
 - a. Qualified vs. nonqualified annuities
 - b. Group vs. individual annuities
 - c. Market value adjusted annuities
 - d. Tax sheltered annuities (Internal Revenue Code section 403(b) plan)
7. Be able to identify and differentiate between different types of annuity payment options:
 - a. Life
 - b. Life with period certain
 - c. Period certain
 - d. Life with refund
 - e. Joint life and joint and survivor annuities
8. Know that any unpaid annuity benefits following the death of the annuitant are paid to the beneficiary and are taxable.
9. Be able to identify the following:
 - a. The required suitability information to be obtained prior to making recommendations to a consumer (Cal. Ins. Code Sections 10509.913(i)(1-14)):
 - i. Age
 - ii. Annual income

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- iii. Financial situation and needs, including the financial resources used for the funding of the annuity
 - iv. Financial experience
 - v. Financial objectives
 - vi. Intended use of the annuity
 - vii. Financial time horizon
 - viii. Existing assets, including investment and life insurance holdings
 - ix. Liquidity needs
 - x. Liquid net worth
 - xi. Risk tolerance
 - xii. Tax status
 - xiii. Whether or not the consumer has a reverse mortgage
 - xiv. Whether or not the consumer intends to apply for means-tested government benefits, including but not limited to, Medi-Cal or the veterans' aid and attendance benefit
- b. Exceptions to suitability as stated in Cal. Ins. Code Section 10509.912
 - c. The need for consumer's awareness of liquidity limitations or surrender charges
 - d. The standards for determining whether agent's recommended transactions meet consumer's insurance needs and financial objectives
10. Be able to identify the rules regarding conduct with seniors 65 and older (Cal. Ins. Code Sections 785 through 789.10)
- a. Know what types of disclosures are required if the applicant requests an immediate investment of funds in a variable annuity (Cal. Ins. Code Section 10127.10)

II. LIFE INSURANCE (49 questions (65 percent) on the examination)

II. D. Life Insurance and Annuities - Policy Replacement and Cancellation (4 questions)

- 1. Be able to identify the insured's rights to cancel a recently purchased life policy, when insured is:
 - a. An individual 60 years of age or older (Cal. Ins. Code Section 10127.10)
 - b. An individual under 60 years of age (Cal. Ins. Code Section 10127.9)
- 2. Be able to identify the notice requirements and penalties of the Requirements for Replacement of Life Insurance and Annuity Policies article (Cal. Ins. Code Sections 10509 through 10509.09)

II. LIFE INSURANCE (49 questions (65 percent) on the examination)

II. E. The Individual Life Insurance Contract (10 questions)

- 1. Regarding life-only insurance applications, be able to identify:
 - a. The types of information required on the application

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- b. A "non-medical application" and why a medical examination may be required
 - c. Required signatures
 - d. Changes to the application
 - e. Why insurers attach the application to a life policy
 - f. Conditional receipt vs. binding receipt
 - i. Binders are prohibited in life and disability insurance
 - g. Temporary insurance agreement and the insurer's conditions for a temporary insurance agreement to be in effect
2. Be able to identify the life insurance policy disclosures (Cal. Ins. Code Sections 10509.950, 10509.955, and 10509.970 through 10509.975):
- a. Requirements for using illustrations
 - b. Buyer's guide
 - c. Cost indexes
 - d. Surrender charges
 - e. Surrender period
3. Be able to define a life settlement contract and know what its purpose and suitability are
- a. Possible alternatives to life settlements
 - b. Owners' rescission rights
 - c. Fraudulent life settlements (including stranger originated life insurance)
 - d. Know that a life-only agent must also be licensed as a life settlement broker in order to transact life settlements on behalf of a policy owner
4. Regarding insurable interest, be able to identify the requirements for the:
- a. Policy owner
 - b. Insured
5. Regarding the life insurance policy, be able to identify:
- a. The types of information recorded on the policy specification page
 - b. That there are no "standard" life policies (unlike property and casualty insurance)
 - c. premium payment mode (annual, semiannual, quarterly, and monthly)
6. Regarding policy delivery, be able to identify:
- a. The acceptable methods for delivery of a life policy to the owner of the policy (Cal. Ins. Code Section 10113.6)
 - b. The purpose of a delivery receipt
7. Be able to identify the following "common provisions" of life policies:
- a. Insuring clause
 - b. Free look
 - c. Consideration clause
 - d. Owner's rights, including:
 - i. Assignment or transfer of policy
 - ii. Selecting or changing payment mode

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- iii. Selecting or changing beneficiaries
- iv. Conversion privilege (when applicable)
- v. Cash values
- vi. Dividends
- vii. Surrender charges and periods
- e. Beneficiary designations, including:
 - i. Eligible beneficiaries
 - ii. Primary and contingent (secondary)
 - iii. Common disaster clause (Uniform Simultaneous Death Act)
 - iv. Spendthrift clause
 - v. Revocable vs. irrevocable
 - vi. Be able to identify per capita vs. per stirpes
 - vii. Be able to identify the rights of beneficiaries and creditors
 - viii. Know that a divorced spouse is automatically revoked as a beneficiary of a life policy issued in California, and must be renamed as a beneficiary if necessary
- f. Grace period
- g. Automatic premium loan
- h. Reinstatement
- i. Policy loan
- j. Incontestability
- k. Suicide
- l. Misstatement of age or sex
- 8. Be able to differentiate the three nonforfeiture options:
 - a. Cash surrender
 - b. Reduced paid up
 - c. Extended term
- 9. Be able to identify the common death benefit and annuity settlement options and why each might be selected:
 - a. Lump sum
 - b. Fixed amount
 - c. Fixed period
 - d. Life income
 - e. Interest only
- 10. Be able to identify the dividend options that may be available to policy owners, including:
 - a. Cash payments
 - b. Accumulation at interest
 - c. Paid-up additions
 - d. Reduced premium payment
 - e. One-year term
- 11. Common Policy Exclusions
 - a. War or military service

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- b. Aviation
- c. Illegal activity
- d. Know that suicide during the contestability period usually results in a refund of premiums paid, not payment of the death benefit
- e. Know that hazardous hobbies or occupations may result in the exclusion of certain causes of death by endorsement, resulting in a refund of premiums paid

II. LIFE INSURANCE (49 questions (65 percent) on the examination)

II. F. Taxation of Life Insurance and Annuities (3 questions)

1. Be able to identify the tax treatment regarding:
 - a. Premium payments
 - b. Cash value accumulation or dividends
 - c. Death benefit proceeds
 - d. Surrender and mature policy values
 - e. Annuity payments to the annuitant or the beneficiary
 - f. Group life insurance
 - g. Internal Revenue Code (IRC) Section 1035 exchanges
 - i. Know what policy exchanges are or are not permitted, and how they are affected
2. Be able to identify the IRC definition of modified endowment contract, including what effect this might have on a policyholder (IRC Section 7702)

II. LIFE INSURANCE (49 questions (65 percent) on the examination)

II. G. Group Life Insurance Plans (2 questions of the 49 Life Insurance questions)

1. Be able to differentiate between the basic characteristics of group and individual policies concerning:
 - a. An individual insurance policy vs. group master contract vs. individual certificate of insurance
 - b. Medical examinations and eligibility
 - c. Contributory and non-contributory plans
 - d. Employer responsibilities
 - i. Selection of coverage
 - ii. Non-discrimination within a class of employees
 - iii. Recordkeeping
 - iv. Enrollment
2. Know the following characteristics of group life insurance:
 - a. Eligible groups (Cal. Ins. Code Sections 10202.5, 10270.505, 10270.55, and 10270.57)
 - b. Coverage for dependents of insureds (Cal. Ins. Code Section 10270.65)
 - c. Types of life policies (Cal. Ins. Code Section 10200)

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- d. Incontestability of the policy (Cal. Ins. Code Section 10350.2)
 - e. Exclusions for war, military, and aviation risk (Cal. Ins. Code Section 10206.5)
 - f. Misstatement of age (Cal. Ins. Code Section 10369.3)
 - g. Conversion privilege (Cal. Ins. Code Section 10209)
 - h. Grace period coverage (Cal. Ins. Code Section 10209)
 - i. Blanket life insurance (Cal. Ins. Code Section 10270.2)
 - j. Domestic partnership (Cal. Ins. Code Section 381.5)
3. Be aware that life insurance can be held within a qualified plan under very limited circumstances

II. LIFE INSURANCE (49 questions (65 percent) on the examination)

II. H. Social Security Disability Program (1 question)

- 1. Be able to identify the Social Security System's requirements to be currently insured vs. fully insured for disability and survivors' benefits.
 - a. Know that the minimum requirement for workers under age 24 to obtain "currently insured" status is 6 credits in the last three years
 - b. Know that beginning at age 24 additional credits are required to obtain "currently Insured" status based on the worker's age at the time of disability
 - c. Know that 40 credits is the requirement for fully insured status in order to obtain disability, retirement, premium-free Medicare Part A benefits, and eligibility for Medicare Part B
- 2. Be able to identify the kinds of benefit payments paid and the insured status required for the following types of benefits:
 - a. Survivor
 - i. income benefits (spouse and minor children, and the effect of the "Blackout Period")
 - ii. Lump sum death benefit
 - b. Disability income
 - c. Retirement income

II. LIFE INSURANCE (49 questions (65 percent) on the examination)

II. I. Individual Underwriting, Pricing, and Claims (3 questions)

- 1. Purpose of underwriting
 - a. Prevention of adverse selection
 - b. Properly classify risks
 - i. Be able to differentiate between preferred, standard, and substandard risk classification
- 2. Process of underwriting
 - a. Be able to identify the responsibility of the agent as the field underwriter

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- i. Field underwriting prior to application
- ii. Application must be completed accurately and truthfully to the best of the agent's ability
- iii. Agent's report
- iv. Know that the insurers must not make unfair distinctions between individuals in underwriting for the risk of human immunodeficiency virus (HIV) and acquired immune deficiency syndrome AIDS (Cal. Ins. Code Section 799)
- v. Know that insurers may not unfairly discriminate on the basis of tests of a person's genetic characteristics (Cal. Ins. Code Section 10146). "Genetic characteristics" means any scientifically or medically identifiable gene or chromosome that is known to be a cause of a disease or disorder that is presently not associated with any symptoms of any disease or disorder (Cal. Ins. Code Section 10147(b))
- b. Completing the application
 - i. Know that basic underwriting requirements will vary based on the company
 - ii. Know that the applicant's signature attests to the accuracy of the information in the application
- c. Know that additional information may be required if an application reveals certain health conditions or other risk exposures
 - i. MIB, Inc. report
 - ii. Attending physician's statement (APS)
 - iii. Credit and/or inspection report
 - iv. Department of Motor Vehicle (DMV) report
 - v. Hazardous activity questionnaires (e.g., aviation, skydiving, scuba diving, auto/boat/motorcycle racing, mountain climbing)
 - vi. Additional medical testing (e.g., electrocardiogram (EKG), treadmill examination, physician examination)
3. Underwriting outcomes for:
 - a. Insurer
 - b. Insured
 - c. Agent
4. Be able to identify the following rate-making components:
 - a. Mortality
 - b. Insurer expenses
 - c. Investments

III. LIFE POLICY RIDERS (4 questions (5 percent) on the examination)

1. Be able to identify which of an applicant's needs might be fulfilled by each of the following riders or clauses:

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- a. Disability income
- b. Waiver of premium or waiver of monthly deduction in universal life policies
- c. Accidental death
- d. Cost of living
- e. Accelerated death benefits (living need rider, terminal illness rider and/or critical illness rider)
- f. Guaranteed insurability (guaranteed purchase options)
- g. Long-term care (LTC)
 - i. LTC training is required when an agent is transacting accelerated death benefit provisions or riders that requires services to the chronically ill insured
 - (1) Eight (8) hours of LTC training prior to soliciting individual consumers for the sale of LTC insurance
 - (2) Eight (8) hours of LTC training each of the first four years of licensing
 - (3) Eight (8) hours of LTC training every two-year license term, beginning with the fifth year of licensing
 - ii. LTC training is not required when transacting accelerated death benefit provisions or riders that do not require services
- h. No-lapse guarantees (universal life policies)
- i. Guaranteed minimum income and guaranteed minimum withdrawal riders in life and annuity contracts
 - i. Know what affects these riders have on death or annuity benefits