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# Prelicensing Education Educational Objectives

## California Life-Only Agent Examination

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### Overview

For purposes of the prelicensing curriculum and examination, the successful applicant is defined as an 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.

Section 1677 of the California Insurance Code (CIC) requires that the Life-Only agent examination be of sufficient scope to satisfy the Insurance Commissioner that an applicant has sufficient knowledge of insurance and insurance laws. ~~Effective January 1, 2008, California Insurance Code Sections regarding the Life-Only agent license were amended to include provisions for a "Life-Only" agent license. Specifically, In addition,~~ Section 1626(a)(1) defines a Life-Only Agent licensee 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 ~~L~~ife-~~O~~only agent will be introduced and trained to sell and service the less complex types of business first and the other lines later. Sufficient knowledge is what this new life-only agent needs to know at the start of one's career.

- (1) Basic knowledge including:
  - basic life-~~only~~ insurance concepts and principles
  - responsibilities and authority of a life-only insurance agent
  - commonly written life-~~only~~ insurance products
  - ~~senior~~ 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
  - ~~benefits for disability income insurance~~ 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:
  - \* ~~Permanent Life~~ Cash Value Life (permanent life) - A type of life insurance that includes both a death benefit and a cash value

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component.

- **\*Credit Life** - A policy that can pay off or reduce the balance of a loan or accumulated debt in the event of the insured's death.
- **\*Fixed Annuities\*** – Contracts offering a guaranteed rate of interest and a ~~guaranteed return of principal~~possibility of lifetime income stream for the term of the contract.
- **\*Funeral ~~A~~and Burial** - Specific life insurance policies or annuities having an initial face amount of ~~fifteen~~twenty thousand dollars (~~\$15,000~~20,000) or less that are designated by the purchaser for the payment of funeral and burial expenses.
- **\*Group Life** - Life Insurance provided for members of a group. It is most often issued to a group of employees but may be issued to any group provided it is not formed for the purpose of buying insurance. The cost is lower than for individual policies because administrative expenses per life are decreased, there are certain tax advantages, and measures taken against adverse selection are effective.
- ~~————~~ **\*Indexed Annuity\*** - a fixed annuity contract which uses a crediting index, such as the Standard&Poor's 500.
- **\*Temporary Term Life** – This product provides death protection for a stated time period or term.
- **\*Insurable Interest Third-party Contract** - A life insurance policy on someone else's life~~Insurance owned by a person other than the insured.~~
- **\*Universal Life** – This product is a flexible-premium, adjustable benefit life insurance policy that accumulates account value. The flexibility of this policy allows the insured to change the amount of insurance as the needs for insurance change.
- ~~————~~ **\*Variable Annuities** ~~–~~ This product is issued by insurance companies, ~~and they~~ gives the investor the flexibility to select from a variety of investment fund options. Earnings are tax deferred. The ~~Life-only A~~agent must have registration with the Financial Industry Regulatory Authority to transact in California.
- ~~————~~ **\*Variable Life** - A form of whole life insurance providing death benefits and/or cash values based on a tax-deferred investment portfolio.

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

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- (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 (Section 1749.1(b) of the CIC)

### Educational Objectives

The educational objectives are derived from ~~the following pages. They are derived from~~ the curriculum outline contained in Title 10, Chapter 5, Subchapter 1, Article 6.5, Section 2187.4 of the California Code of Regulations (CCR).

### Ethics and California Insurance Code

The educational objectives for Ethics and California Insurance Code are incorporated in the following pages. The individual objectives may be identified by “~~(CIC Section~~ XXXX of the CIC” or “(Ethics)” ~~or “(Code).”~~ References to “Code” or “CIC” in the educational objectives mean the California Insurance Code. ~~The “General” Ethics and California Insurance Code educational objectives that apply to all lines of authority appear in Appendix A at the end of this document. The 12 hours of required Ethics and California Insurance Code education must at a minimum include the material in Appendix A.~~

### The Examination

~~The California Department of Insurance’s (CDI)~~ The applicant for a ~~life~~Life-only agent license without any aids (e.g. reference materials, electronic aids) is allowed ~~one~~1 and ~~a half hours~~30 minutes (90 minutes) to answer the 75-question multiple-choice examination.

~~CDI examinations~~Examinations are administered at the following locations beginning at 8:30 a.m. and 1:00 p.m., Monday through Friday except on state holidays. ~~Check-in is at 8:10 a.m. for the 8:30 a.m. examination, and check-in is at 12:40 p.m. for the 1:00 p.m. examination.~~

#### Sacramento:

California Department of Insurance  
Examination Site

#### Los Angeles:

California Department of Insurance  
Examination Site

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320 Capitol Mall,  
1st Floor  
Sacramento, California 95814

300 South Spring Street, North Tower,  
Suite 1000  
Los Angeles, California 90013

### **San Francisco:**

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

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

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

Anaheim	El Monte	Riverside	Santa Rosa
Atascadero	Fresno	Sacramento	<a href="#">Walnut Creek</a>
Bakersfield	Hayward	San Diego	<a href="#">Ventura</a>
Burbank	<a href="#">Laguna Hills</a>	San Francisco	<a href="#">Visalia</a>
Carson	Redding	Santa Clara	

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

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

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

### **Candidate Information Bulletin**

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

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

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- I. **General Insurance** (22 questions (30 percent) on the examination)
  - A. Basic Insurance Concepts and Principles (~~7-9~~ questions of the 22 General Insurance questions)
  - B. Contract Law (~~4-6~~ questions of the 22 General Insurance questions)
  - C. The Insurance Marketplace (~~9-7~~ questions of the 22 General Insurance questions)
    - ~~1. Distribution Systems~~
    - ~~2. Producers~~
    - ~~3. Insurers~~
    - ~~4. Market Regulation – General~~
    - ~~5. Fair Claims Settlement Practices Regulations~~
  
- II. **Life Insurance** (49 questions (65 percent) on the examination)
  - A. Life Insurance - Basics (~~7-8~~ questions of the 49 Life Insurance questions)
  - B. Types of Life Policies (~~7-10~~ questions of the 49 Life Insurance questions)
  - C. Annuities (~~7-8~~ questions of the 49 Life Insurance questions)
  - D. Life Insurance and Annuities - Policy Replacement / Cancellation (~~2-4~~ questions of the 49 Life Insurance questions)
  - E. The Individual Life Insurance Contract (10 questions of the 49 Life Insurance questions)
  - F. Taxation of Life Insurance and ~~Annuity – Premium and Proceeds~~Annuities (3 questions of the 49 Life Insurance questions)
  - G. ~~Employee Benefits~~Group Life Insurance Plans – Life (~~5-2~~ questions of the 49 Life Insurance questions)
  - H. Social ~~Insurance System~~Security Disability Program (~~3-1~~ questions of the 49 Life Insurance questions)
  - I. Individual Underwriting~~-,~~ Pricing~~-,~~ and Claims (3 questions of the 49 Life Insurance questions)
  - ~~J. Financial Structure of Insurers (2 questions of the 49 Life Insurance questions)~~
  
- III. **Life Policy Riders** (4 questions (5 percent) on the examination)

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

##### I.A. Basic Insurance Concepts and Principles (9 questions of the 22 General Insurance questions). Be able to:

1. ~~Be able to identify~~Identify examples the definition of insurance (Section 22 of the CIC).
2. ~~Be able to recognize~~Recognize the definition of risk
3. ~~Be able to differentiate~~Differentiate between a pure risk and a speculative risk
4. ~~Be able to identify~~Identify a the definition of peril
5. ~~Be able to identify~~Identify a the definition of hazard
6. ~~Be able to differentiate~~Differentiate between moral, morale, and physical hazards
7. ~~Be able to identify~~Identify the definition of the law of large numbers
8. ~~Be able to identify~~Identify a the definition or the correct usage of the term loss exposure
9. Identify risk management techniques
910. ~~Be able to identify~~Identify risk situations that present the possibility of a loss
1011. ~~Be able to recognize~~Recognize the requisites of an ideally insurable risk
1112. ~~Be able to identify~~Identify the definition of insurable events (Section 250 of the CIC)
1213. ~~Be able to identify~~Identify and apply the definitions of insurable interest, and the principle of indemnity, and utmost good faith ~~and be able to recognize the applicability of these terms to a given situation.~~
1314. ~~Be able to identify~~Identify why private insurers underwrite the insurance applications they receive the main purpose of insurance underwriting
1415. ~~Be able to identify~~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 (~~4~~6 questions of the 22 General Insurance questions)

1. Be able to identify and compare contract law and tort law
2. Be able to identify the four major basic elements of a contract
  - a. agreement, offer and acceptance
  - b. competent parties
  - c. legal purpose
  - d. consideration
3. Be able to identify the meaning and effect of the following special characteristics of an insurance contract:
  - a. contract of adhesion

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- b. conditional contract
  - c. aleatory
  - d. unilateral
  - e. personal
  - ~~f. utmost good faith;~~
  - ~~g. indemnity.~~
4. Be able to identify the term "insurance policy" (Section 380 of the CIC)
5. Be able to identify the meaning and effect of each of the following on a contract:
- ~~a. fraud (Sections 338, 1871.1 – 1871.4 of the CIC);~~
  - ~~ba. concealment (Sections 330-339 of the CIC)~~
    - i. Be able to identify information that does not need to be communicated in a contract: (Section 333 of the CIC)
      - 1) known information
      - 2) information that should be known
      - 3) information which the other party waives
      - 4) information that is 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 (Section 339 of the CIC)
  - ~~cb. Warranty warranty (Sections 440-445, 447 of the CIC)~~
    - i. know that a representation in an insurance contract qualifies as an implied warranty may be expressed or implied
    - ii. know that violation of a material warranty allows the other party to rescind the contract
  - ~~c. representations (Sections 350-361 of the CIC)~~
    - i. know when a representation can be altered or withdrawn (Section 355 of the CIC)
    - ii. know that a representation is false when the facts fail to correspond with its assertions or stipulations (Section 358 of the CIC)
    - iii. know that a representation cannot qualify an express provision in a contract of insurance, but it may qualify an implied warranty (Section 354 of the CIC)
  - ~~d. misrepresentation (Sections 780-784 of the CIC)~~
  - ~~De. materiality (Section 334 of the CIC)~~
    - i. know that the materiality of concealment is the rule used to determine the importance of a misrepresentation is to be determined not by the event, but solely by the probable and reasonable influence of the facts on the party to whom the communication is due



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- e. ~~representations (Sections 350-361 of the CIC);~~
  - i. ~~know when a representation can be altered or withdrawn (Section 355 of the CIC)~~
  - ii. ~~know that a representation is false when the facts fail to correspond with its assertions or stipulations (Section 358 of the CIC).~~
- f. ~~misrepresentation (Sections 780-784 of the CIC).~~ 76. Be able to identify when an insurer has the right of rescission (Sections 331, 338, 359, 447 of the CIC)
  - a. know that either intentional or unintentional concealment entitles an injured party to rescission of a contract (Section 331 of the CIC)
- 67. Be able to identify six required specifications for all insurance policies (Section 381 of the CIC).
  - 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
  - ag. know that the financial rating of the insurer is not required to be specified in the insurance policy (Section 381 of the CIC)
- 7. Be able to identify:
  - a. ~~the meaning of the term rescission;~~
  - b. ~~when an insurer has the right of rescission (Sections 331, 338, 359, 447 of the CIC).~~
    - i. ~~know that either intentional or unintentional concealment entitles an injured party to rescission of a contract. (Section 331 of the CIC)~~
- 8. Given an insurance situation, be able to identify the following terms correctly:
  - a. application, policy, rider
  - b. cancellation, lapse, ~~renewal and non-renewal~~, grace period
  - c. rate, ~~premium~~, earned and unearned premium
  - d. ~~preferred, standard, and substandard risk.~~
- 9. Be able to identify the requirements of:
  - a. ~~the Fair Credit Reporting Act;~~
  - b. ~~Medical Information Bureau.~~

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

**I. C. The Insurance Marketplace** (~~9-7~~ questions of the 22 General Insurance questions)

**I. C1. Distribution Systems**

1. Be able to identify ~~a definition of the following marketing~~different distribution systems that include, but are not limited to, the following:
  - a. agency;
  - b. direct response;
  - ~~c. home service.~~

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

**I. C. The Insurance Marketplace** (~~9-7~~ questions of the 22 General Insurance questions)

**I. C2. Producers**

1. ~~Given a situation involving the legal relationship of a life-only agent and either a principal (an insurer or agency principal) or an insured/applicant, be able to assess:~~Be able to understand the general rules of agency as they apply to an agent, broker, and insurance company
  - ~~a. the legal relationship;~~
  - ~~ba.~~ the responsibilities and duties of each
  - ~~cb.~~ the effect of the types of authority an agent may have-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. ~~differentiate between the limitations placed on insurer pre-selection and post-selection activities~~understand the insurers' requirements
3. Be able to ~~identify a definition of~~define the following:
  - a. life-only agent (Section ~~1622-1626.(a)(1)~~ of the CIC)
  - ~~b. life and disability analyst (Section 32.5 of the CIC).~~cb. accident and health agent (Section 1626(a)(2) of the CIC)
  - ~~bc. life and disability insurance analyst (Sections 32.5, 1831-1849 of the CIC)~~
- ~~4. Be able to differentiate between a life agent and a life analyst (Sections 32, 32.5, 1831-1849 of the CIC).~~
- ~~54.~~ Be able to identify the Code-CIC definition of transact and why the definition is important (Sections 35, ~~1621-1624,~~ 1631, 1633 of the CIC)
  - a. have knowledge of the penalties for transacting without a license (Section 1633 of the CIC)
- ~~65.~~ Be able to identify:

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- a. that the ~~Code-CIC~~ prohibits certain actions by unlicensed persons (Section 1631 of the CIC)
- b. the penalty for such ~~("(a)" above)~~ prohibited actions (Section 1633 of the CIC)

76. Written Consent in Regards to Interstate Commerce (Prohibited Persons in Insurance):

- a. be able to identify what conduct is prohibited by Title 18 United States Code Section 1033
- b. be able to identify what civil and criminal penalties apply, Title 18 United States Code Sections 1033 and 1034

87. Be able to identify the differences between the terms "agent" and "broker" with respect to their relationship with insurers and with their insureds

- 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 (Section 31 of the CIC)
- b. a life licensee is a person authorized to act as a life 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 (Section 32 of the CIC)
  - i. licenses to act as a life agent under this chapter shall be of the types as set forth in Section 1626
  - ii. a life agent may be authorized to transact 24-hour care coverage, as defined in 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 (Section 33 of the CIC)

ed. 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. (Sections 10113.1(b), 10113.2(b)(1) (A) to (D) of the CIC)

- i. ~~A life insurance producer who has been licensed as a life agent (or a licensed nonresident producer) in this state for one year or longer may act as a life settlement broker by notifying the Commissioner and paying the life settlement broker license fee.~~
- ii. ~~An life insurance producer who has not held life agent license for one year must first complete at least 15 hours of education on life~~

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- ~~settlement transactions and must complete an application and pay the life settlement broker license fee~~
- ~~iii. A licensee licensed to act as a viatical settlement broker or provider as of December 31, 2009 is considered to have met the requirements for licensure as a life settlement broker or provider~~
- ~~iv. A life settlement broker license is not required for a licensed attorney, certified public accountant, or accredited financial planner who represents the policy owner and whose compensation is not paid directly or indirectly by the life settlement provider. (Section 10113.29(b)(1)(B) of the CIC)9. Be able to identify the Code provisions regarding a life-only agent acting as an agent for an insurer for which the agent is not specifically appointed (Section 1704.5 of the CIC). 108. 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" (Section 1704(d) of the CIC)~~
- ~~bc. 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 (Section 1624 of the CIC)~~
449. For 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
4210. Be able to identify acts prohibited (unless a surplus lines broker) with regard to nonadmitted insurers (Section 703 of the CIC)
4311. Be able to identify the prohibitions of free insurance (Section 777.1 of the CIC)
4412. Be able to identify the Code requirements for the following:
- a. an agency name, use of name (Sections 1724.5, 1729.5 of the CIC)
- b. change of address (Section 1729 of the CIC)
- ~~c. records (Section 10508 of the CIC);~~
- ~~dc. filing license renewal application (Section 1720 of the CIC)~~
- ~~ed. printing license number on documents (Section 1725.5 of the CIC)~~
4513. Be able to identify the records an insurer and a life agents must maintain (Sections 10508- through 10508.5 of the CIC)
4614. Be able to identify the requirements applicable to an insurer for life insurance policy illustrations (Sections 10509.950-10509.965 of the CIC)
4715. Be able to identify the Code specifications regarding producer application investigation, denial of applications, and suspension or revocation of license (Sections 1666, 1668- through 1669, 1738 of the CIC)
4816. Be able to identify the importance and the scope of the California Insurance Code regarding:
- a. the filing of a notice of appointment to transact Life insurance (Sections

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1704,1705 of the CIC)

- ~~b.~~ the filing of a notice of appointment to transact Disability insurance (Sections ~~1673, 1704-1705~~ of the CIC);
  - ~~eb.~~ an inactive license (Section ~~1704a-1704(b)~~ of the CIC)
  - ~~ec.~~ cancellation of a license by the licensee in the licensee's possession or in the employer's possession (Section 1708 of the CIC)
1917. Be able to identify the scope and effect of the Code regarding termination of a (producer's) license, including when producers dissolve a partnership (Sections 1708-1712.5 of the CIC)
2018. Be able to identify and apply:
- a. the definition of the term "fiduciary"
  - b. producer fiduciary duties described in the Code (Sections 1733 -1735 of the CIC)
2119. Be able to identify the continuing education (CE) requirements for:
- a. an individual licensed as
    - ~~i.~~ a life-only agent (Section 1749.3-1749.33 of the CIC)
      - i. 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 (Section 1749.3(b)) and 1749.33(a))
    - ~~b.~~ an agent writing Long Term Care Insurance (Section 10234.93 of the CIC)
    - ~~c.~~ agents writing California Partnership coverage must meet California long-term care requirements and training requirements on the California Partnership for Long Term Care ;
    - ~~d.~~ The total hours of CE required are not increased a, b or c
    - ~~e.~~ life-only agents or accident and health agents also licensed as a property and casualty broker-agent must complete 24 hours of continuing education each license term. Fb. a life-only agent who sells annuity products to individuals 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 (Section 1749.8 of the CIC)
  - c. the total hours of continuing education required for the life-only agent are not increased by the above
20. Be able to describe the differences between benefits provided under an accelerated death benefit rider for chronic illness under Section 10295 et seq. of the CIC and benefits provided under long-term care insurance under Section 10234.93 of the CIC, including but not limited to, the following:
- a. Long-term care training requirements

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- i. Long-term care training is required when an agent is transacting accelerated death benefit provisions or riders that require services to the chronically ill insured
- ii. Long-term care training is not required when transacting accelerated death benefit provisions or riders that do not require services
  - 1) The insured may take the accelerated death benefits in a lump sum when the individual qualifies (Section 10295.1 of the CIC), 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 (Section 10295.12 of the CIC)
    - (a) difference 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

~~2221.~~ Be able to identify the definition of ~~an administrator~~ “administrator” (Section 1759 of the CIC)

~~2322.~~ Concerning a Life and Disability Insurance Analyst license, be able to identify requirements and prohibitions for charging fees (Section 1848 of the CIC):

a. ~~the licensing requirements (Section 1836 of the CIC);~~

b. ~~requirements and prohibitions for charging fees (Section 1848 of the CIC).~~

~~24.~~ Know that the interpretation of policy provisions is not a primary objective of insurance regulation.

The following Educational Objectives is-are derived from the ~~codes of ethics and~~

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California Insurance Code [\(CIC\)](#) and [codes of ethics](#) of major industry organizations, and [This](#) is the basis for life-only examination questions.

- [2523](#). Be able to identify and apply the meaning of the following:
- place the customer's interest first
  - know your job –and continue to increase your level of competence
  - identify the customer's needs and recommend products and services that meet those needs
  - accurately and truthfully represent products and services
  - use simple language; talk the layman's language when possible
  - stay in touch with customers and conduct periodic coverage reviews
  - protect your confidential relationship with your client
  - keep informed of and obey all insurance laws and regulations
  - provide exemplary service to your clients
  - avoid unfair or inaccurate remarks about the competition
- [2624](#). Be able to identify that the [California Insurance Code \(CIC\)](#) and the California Code of Regulations (CCR) identify many unethical and/or illegal practices, but they are NOT a complete guide to ethical behavior
- [2725](#). Be able to identify special ethical concerns that may occur when dealing with Senior Citizens [regarding pretext interviews \(Section 791.03 of the CIC\)](#)

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

**I.C. The Insurance Marketplace** ([9-7](#) questions of the 22 General Insurance questions)

#### I.C3. Insurers

- Be able to differentiate between:
  - admitted and nonadmitted insurers (Sections 24-25 of the CIC)
  - domestic, foreign and alien insurers (Sections 26-27, and 1580 of the CIC)
  - [regulation of an admitted insurer and non-admitted insurer, and the potential consequences for consumers \(Sections 24, 25, and 1760 through 1780 of the CIC\)](#)
- [be able to identify the penalty for unlawfully acting as an insurer without a certificate of authority \(Section 703 of the CIC\)](#)
- Be able to identify the functions of the following major operating divisions of insurers: [Marketing-marketing](#) or [Sales-sales](#), [Underwriting-underwriting](#), [Claims-claims](#), and [Actuarial-actuarial](#)
- Be able to identify that a primary insurer [\(e.g., ceding company\)](#) is the insurance company who transfers its loss exposure to another insurer in a reinsurance transaction [\(e.g., ceding company\)](#)



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4. ~~Be able to differentiate between regulation of an admitted insurer and non-admitted insurer, and the potential consequences for consumers (Sections 24, 25, and 1760 through 1780 of the CIC);~~
5. ~~Be able to identify the penalty for unlawfully acting as an insurer without a certificate of authority (Section 703 of the CIC).~~
65. ~~Be able to identify who~~Know that any person, association, organization, partnership, business trust, limited liability company or corporation capable of making a contract may be an insurer (Section 19, 150 of the CIC) a- ~~person, association, organization, partnership, business trust, limited liability company or corporation (Section 19 of the CIC).~~
76. Be able to differentiate between Mutual, Stock and Fraternal insurers:  
a. ~~know that de-mutualization is a process whereby a mutual insurer becomes a stock company (Section 11535 of the CIC).~~ a. earned surplus  
b. divisible surplus as policy dividends
8. ~~Be able to identify the meaning of post-claims underwriting and what Code restrictions apply (Section 10384 of the CIC).~~

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

#### I. C. The Insurance Marketplace (~~9-7~~ questions of the 22 General Insurance questions)

##### I. C4. Market Regulation – General

1. Be able to identify:  
a. the California Insurance Code (CIC) and how it may be changed (~~Code~~)  
b. the California Code of Regulations (CCR) Title 10, Chapter 5) and how it may be changed (~~Code~~)  
c. how the ~~insurance commissioner~~Insurance Commissioner is selected and the responsibilities of the position (Sections 12900, 12921 of the CIC)
2. Be able to identify the correct application of the Unfair Practices article, including its prohibitions and penalties (Sections 790-790.~~4015~~ of the CIC)  
a. know that only the Commissioner may enforce the provisions of the Unfair Practices Act
3. Be able to identify the privacy protection provisions of:  
a. ~~the Gramm-Leach-Bliley Act~~  
i. ~~Be able to explain the rules regarding the collection and disclosure of customers' personal financial information by financial institutions;~~  
ii. ~~Be able to identify the requirements for all financial institutions to design;~~



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# Prelicensing Education

## Educational Objectives

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- ~~implement and maintain safeguards to protect customer information.~~
- ~~ba. The the California Financial Information Privacy Act (SB 1)~~
- ~~cb. Insurance insurance information and Privacy Protection Act regarding practices prohibitions and penalties (Sections 791-791.26 of the CIC)~~
- ~~dc. Cal-Gramm Leach Bliley Act (GLBA)/"California Financial Information Privacy Act" Section 4050 of the California CA-Financial Code e.—~~For life settlement transactions insured's identity and personal financial and medical information may not be disclosed unless it is:~~~~
- ~~i. —necessary to effect a life settlement contract and the owner and insured have provided prior written consent;~~
- ~~ii. —necessary to effectuate the sale of life settlement contracts as investments, provided the applicable securities laws are followed and the owner and insured have provided prior written consent;~~
- ~~iii. —provided in response to an investigation/examination by the Commissioner;~~
- ~~iv. —a condition to the transfer of a settled life insurance policy by one provider to another provider, and the receiving provider agrees to comply with the Insurance Code's confidentiality provisions;~~
- ~~v. —necessary to allow the provider, life settlement broker, or their authorized representative to make contact for purposes of determining health status of the insured.~~
- ~~4. —Be able to identify the scope and correct application of the conservation proceedings described in the Code (Sections 1011, 1013, and 1016 of the CIC).~~
54. Be able to define an insolvent insurer (Section 985 of the CIC):
- a. Know know the definition of Paid-in Capital (Sections 36, 985 of the CIC)
- b. Know know that it is a misdemeanor to refuse to deliver any books, records, or assets to the Commissioner once a seizure order has been executed in an insolvency proceeding (Section 1013 of the CIC)
5. Be able to identify the scope and correct application of the conservation proceedings described in the Code (Sections 1011, 1013, and 1016 of the CIC)
6. Be able to identify the purpose and scope of the Code-CIC concerning the California Life and Health Insurance Guarantee Association (CLHIGA) (Sections 1067.02(a)(1), 1067.02(b)(1) of the CIC)
- a. basic coverages and exclusions of CLHIGA (Sections 1067 through CIC 1067.18 of the CIC)
- ~~7. —Be able to identify the basic coverages and exclusions of CLHIGA (Sections 1067 through CIC 1067.18 of the CIC).~~

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- ~~8.~~ Be able to identify:
- ~~a.~~ common circumstances that would suggest the possibility of fraud;
  - ~~b.~~ efforts to combat fraud (Sections 1872, 1874.6, 1875.8, 1875.14, 1875.20, 1877.3(b)(1) of the CIC);
  - ~~c.~~ that if an insured signs a fraudulent claim form, the insured may be guilty of perjury.
97. Be able to identify the scope and correct application of the False and Fraudulent Claims article of the ~~Code-CIC~~ (Sections 1871, 1871.4 of the CIC):
- ~~a.~~ efforts to combat fraud (Sections 1872, 1874.6, 1875.8, 1875.14, 1875.20, 1877.3(b)(1) of the CIC)
  - ~~b.~~ that if an insured signs a false claim form, the insured may be guilty of perjury
108. Be able to identify the requirements for: discontinuance of Group Life Insurance (Sections 10128.1-10128.4 of the CIC)
- ~~a.~~ discontinuance of Group Life Insurance (Sections 10128.1-10128.4 of the CIC).
149. Be able to identify discriminatory practices prohibited by the California Insurance Code (Sections 10140-10145 of the CIC)
1210. Be able to identify the meaning of shall and may (as used in Section 16 of the CIC)
- ~~a.~~ shall and may (Section 16 of the CIC);
  - ~~b.~~ person (Section 19 of the CIC).
1311. Be able to identify the requirements for notice by mail and by electronic transmission (Section 38, 38.5 of the CIC)

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

##### I. C. The Insurance Marketplace (9-7 questions of the 22 General Insurance questions)

##### I. C5. Fair Claims Settlement Practices Regulations (Title 10, Chapter 5, Subchapter 7.5, Article 1 of the CCR)

1. Be able to identify a definition of the following:
  - a. Claimant, ~~CCR Title 10, (Section 2695.2(c) of the CCR)~~
  - b. Notice of ~~Legal Action~~ legal action, ~~CCR Title 10, (Section 2695.2(o) of the CCR)~~
  - c. Proof of ~~Claimsclaim~~, ~~CCR Title 10, (Section 2695 2(s) of the CCR)~~
2. Be able to identify File and Record Documentation, ~~CCR Title 10, (Section 2695.3 of the CCR)~~
3. Be able to identify Duties ~~Upon-upon~~ Receipt of Communications, ~~CCR Title 10 (Section 2695.5 of the CCR)~~

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# Prelicensing Education

## Educational Objectives

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4. Be able to identify Standards for Prompt, Fair and Equitable Settlements, CCR Title 10, (Sections 2695.7(a), (b), (c), (g), and (h) of the CCR)

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

##### II. A. Life Insurance - Basics (7-8 questions of the 49 Life Insurance questions)

1. Be able to identify examples or definitions of:
- life-~~only~~ insurance
  - applicant, policy owner, insured, beneficiary
2. Be able to identify the elements of the personal financial insurance planning process:
- identify overall financial objectives
  - develop and implement (including use of risk management techniques) an insurance plan to accomplish the objectives
3. Be able to identify the two approaches used to determine life insurance amounts ~~major components of the personal (non-property/liability) risk management process identifying, quantifying, and treating loss exposures~~
- ~~a. identified and quantified by:~~
- human life value approach or
  - needs approach
- ~~b4. treated by:~~ Be able to identify methods of Managing Risk
- avoidance
  - retention
  - sharing
  - reduction
  - transferring
- ~~45.~~ Be able to identify the following business funding uses of life-~~only~~ insurance:
- key person insurance
  - buy-sell insurance agreements
  - split dollar other uses (e.g. split dollar, deferred compensation, business overhead, salary continuation, etc)
- ~~56.~~ Be able to identify ~~what is meant by~~ the meaning of term, limit of liability in a life-~~only~~ policy
- ~~67.~~ ~~Be able to identify~~ Know when insurable interest is required to exist under life insurance policies (Section 10110 of the CIC)
- ~~78.~~ Be able to identify:
- the term mortality
  - the term mortality table including how it is developed
- ~~89.~~ Be able to identify the meaning of the statement "Life insurance creates an immediate estate"

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

##### II. B. Types of Life Policies (7-10 questions of the 49 Life Insurance questions)

1. Be able to differentiate between the following types of life insurance policies:
  - a. participating and non-participating
  - b. ordinary, industrial (home service), group, individual
  - c. group
2. Be able to identify which of an applicant's needs the key features of each of the following general classes of policies might best fulfill and their appropriate uses:
  - a. term
  - b. whole life
  - c. universal life
  - d. indexed universal life
  - e. variable life and variable universal life
  - f. joint life (first to die); joint and survivorship (second to die)
3. Be able to differentiate between common modes of premium payment:
  - a. single premium
  - b. limited pay
  - c. modified pay premium
  - d. level
  - e. fixed vs. flexible
  - f. guaranteed at initial level vs. initial premium and guaranteed maximum premium tables
4. Be able to identify each of the following special policies or riders and why needed coverages and when they are appropriate:
  - a. mortgage redemption
  - b. family protection, family policy, family rider
  - c. policies linked to indexes
  - d. juvenile policies (including Jumping Juvenile, Payor Rider)
  - e. return of premium policies
  - f. 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 level premium
    - iii. indeterminate level premium
  - b. renewable term
  - c. convertible term
  - d. decreasing term
  - e. universal life designed as term (e.g., Guaranteed Universal Life)

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# Prelicensing Education Educational Objectives

## California Life-Only Agent Examination

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

#### II. C. Annuities (7-8 questions of the 49 Life Insurance questions)

1. Be able to identify a definition of an:— annuity
  - a. ~~\_\_\_\_\_ annuity; accumulation period and distribution phase~~
2. Be able to identify the parties to an annuity:
  - ~~ba.~~ annuitant
  - ~~eb.~~ owner
  - ~~dc.~~ beneficiary
23. Be able to identify the business and personal uses for annuity products
34. Be able to identify and differentiate between:the different types of annuities
  - a. fixed
    - i. general account
  - b. variable
    - i. separate account
  - c. equity indexed
5. Be able to identify the different annuity distribution choices and funding mechanisms
  - a. immediate
  - b. deferred
    - i. single premium
    - ii. 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 Service 403(b) plan)
    - a. ~~\_\_\_\_\_ immediate and deferred annuities, including single premium deferred and flexible premium deferred;~~
    - b. ~~\_\_\_\_\_ fixed and variable annuities;~~
    - c. ~~\_\_\_\_\_ accumulation period and annuity period; ???~~
    - d. ~~\_\_\_\_\_ general account vs. separate account;~~
    - e. ~~\_\_\_\_\_ qualified vs. nonqualified annuities;~~
    - f. ~~\_\_\_\_\_ group vs. individual annuities;~~
    - g. ~~\_\_\_\_\_ equity index annuities;~~
    - h. ~~\_\_\_\_\_ market value adjusted annuities;~~
    - i. ~~\_\_\_\_\_ tax sheltered annuities (403b);~~
    - j. ~~\_\_\_\_\_ individual retirement annuities (IRAs) and their taxation;~~
    - k. ~~\_\_\_\_\_ Roth IRAs and their taxation.~~

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47. Be able to identify and differentiate between ~~benefit~~ different types of annuity payment options:
- a. ~~pure and straight;~~
  - ba. life-only
  - b. life with period certain
  - c. period certain
  - ~~cd. refund life;~~
  - ~~d. installments certain; and~~
  - be. joint-life and joint-and-survivor annuities
58. Be able to identify the following:
- a. the relevant required suitability information to be obtained in-prior to making recommendations to a senior-consumer;:
    - i. occupation and occupational status
    - ii. marital status
    - iii. age
    - iv. number and type of dependents
    - v. sources of income
    - vi. yearly income
    - vii. ~~the~~ consumer's existing insurance
    - viii. ~~the~~ consumer's insurance needs and objectives
    - ix. ~~the~~ cost to the consumer and the consumer's ability to pay for the proposed transaction or transactions
    - x. source of funds to pay premiums
    - xi. investment savings
    - xii. liquid net worth
    - xiii. tax status
    - xiv. need for tax advantages
    - xv. investment experience of the consumer
    - xvi. consumer concern for preservation of principal
    - xvii. product time horizon; ~~and~~  - b. xviii. ~~the~~ need for consumer's awareness of liquidity limitations or surrender charges
  - bc. the standards for determining whether agent's recommended transactions meet senior-consumer's insurance needs and financial objectives
69. Be able to identify the rules regarding ~~the sale to~~ conduct with seniors 65 and older of the types of insurance (Sections 785-789.10 of the CIC)
- a. know what types of disclosures are required if the applicant requests an immediate investment of funds in a variable annuity (Section 10127.10 of the CIC)

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

##### II. D. Life Insurance and Annuities - Policy Replacement and Cancellation (2-4 questions of the 49 Life Insurance questions)

1. Be able to identify the insured's rights to cancel a recently purchased life policy, when insured is:
  - a. individuals age 60 or over
  - b. less than individuals under 60 years of age (Sections 10127.9-10127.10 of the CIC)
2. Be able to identify the requirements and penalties of the "Replacement of Life Insurance and Annuity Policies" article (Sections 10509 -through 10509.09 of the CIC)
3. ~~Know what types of disclosures are required if the applicant requests an immediate investment of funds (Section 10127.10 of the CIC).~~

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

##### II. E. The Individual Life Insurance Contract (10 questions of the 49 Life Insurance questions)

1. Regarding life insurance applications, be able to identify:
  - a. the types of information required on the application
  - 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 and why it becomes part of a life policy.
    - i. entire contract
    - f. conditional receipt vs. binding receipt
      - i. binders are prohibited in life and disability insurance
      - g. temporary insurance agreement
2. Be able to identify the life insurance policy disclosures:
  - a. requirements for using supplemental illustrations (Sections 10509.950, 10509.955, and 10509.970 et seq. of the CIC)
  - b. buyers guide
  - c. cost indexes
  - d. surrender charges
  - e. surrender period
3. Be able to identify-define a life settlement required disclosures as followscontract and know what its purpose and suitability are:
  - a. possible alternatives to life settlements
  - b. the owners' rescission rights

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## California Life-Only Agent Examination

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- c. fraudulent life settlements (including Stranger Originated Life Insurance-Senate Bill 98 effective 7/2010)
  - a. ~~At the time of application~~
    - i. ~~possible alternatives (i.e. accelerated benefits)~~
    - ii. ~~transaction may have tax implications and advice should be sought from a qualified tax advisor~~
    - iii. ~~may affect creditors rights~~
    - iv. ~~possible effect on conversion rights, waiver of premium benefits~~
    - v. ~~may limit ability to purchase future life insurance~~
    - vi. ~~rescission rights~~
    - vii. ~~date by which funds will be available~~
    - viii. ~~owner will be required to disclose medical, financial and personal information~~
    - ix. ~~insured will be contacted periodically to determine health status~~
  - b. ~~At the time of the offer~~
    - i. ~~affiliations between broker and provider; and affiliations between provider and issuer~~
      - ii. ~~provider disclosures~~
        - (1) ~~gross purchase price paid for policy~~
        - (2) ~~amount to be paid to policy owner~~
        - (3) ~~full disclosure of compensation to broker or any party involved in the life settlement transaction~~
        - (4) ~~contact information for broker~~
      - iii. ~~broker disclosures~~
        - (1) ~~complete description of all offers, counteroffers, acceptances and rejections~~
        - (2) ~~affiliation between broker and person making an offer on a proposed life settlement contract~~
        - (3) ~~all estimates of life expectancy of the insured~~
4. Regarding insurable interest, be able to identify the requirements for the:
- a. policyowner
  - b. beneficiary/insured
  - c. facility of payment provision
5. Regarding the life insurance policy, be able to identify:
- a. the types of information recorded on the policy title specification page
  - b. that there are no "standard" life policies (unlike property and casualty insurance)
  - c. premium payment mode (annual, semiannual, quarterly, and monthly, etc.)
6. Regarding policy delivery, be able to identify:
- a. ~~conditional receipt vs. binding receipt~~
  - b. ~~temporary insurance agreement~~



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- e. ~~temporary term~~
  - da. ~~be able to identify~~ the acceptable methods for delivery of a life policy to the owner of the policy (Section 10113.6 of the CIC)
  - eb. ~~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. ~~owners~~owner's rights, including:
    - i. assignment or transfer of policy
      - (1) ~~know how life settlements are effected through the use of absolute assignment~~
      - (2) ~~stranger-originated life insurance (STOLI) arrangements~~
    - ii. selecting or changing payment mode
    - iii. selecting or changing beneficiaries
    - iv. conversion privilege (when applicable)
    - v. cash values
    - vi. dividends ~~or excess interest credits~~
    - vii. surrender charges and periods~~viii. self funding~~
  - e. beneficiary designations, including:
    - i. eligible beneficiaries
    - ii. primary and contingent (secondary) ~~(contingent)~~
    - iii. common disaster clause (Uniform Simultaneous Death Act)
    - iv. spendthrift clause
    - v. revocable vs. irrevocable
    - vi. be able to identify ~~which method used to designate beneficiaries (spouse, children) best serves the needs of a policyowner in common situations~~ per capita vs. per stirpes
    - vii. be able to identify the rights of ~~the following, after the insured's death:~~ beneficiaries and creditors
  - f. grace period
  - g. automatic premium loan
  - h. reinstatement (~~including why reinstating a lapsed policy might be wiser for a policyowner than purchasing a new policy~~)
  - i. policy loan
  - j. incontestability
  - k. suicide
  - l. misstatement of age or sex
8. Be able to list and explain/differentiate the three Nonforfeiture Options:
- a. cash surrender
  - b. reduced paid up

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- c. extended term
- 9. Be able to identify the various-common 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 describe the types of identify the Dividend Options available to insureds, 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
  - b. aviation

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

##### II. F. Taxation of Life Insurance and Taxation of Annuity Annuities – Premium and Proceeds (3 questions of the 49 Life Insurance questions)

- 1. Be able to identify how life and annuity policies receive favorable 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 Service (IRS) 1035 exchanges
- 2. Be able to identify the (Internal Revenue Service) IRS definition of Modified Endowment Contract, including what effect this might have on a policyholder (IRS section 7702)

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

##### II. G. Employee Benefit Plans Group Life Insurance Plans (5-2 questions of the 49 Life Insurance questions)

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# Prelicensing Education Educational Objectives

## California Life-Only Agent Examination

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1. Be able to differentiate between the basic characteristics of group and individual policies concerning:
  - a. an insurance policy vs. master contract vs. certificate of insurance
  - b. requirements for 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
  - b. ~~an insurance policy vs. master contract vs. certificate of insurance;~~
  - c. ~~employer as beneficiary;~~
  - d. ~~insureds premium:~~
    - i. ~~basis;~~
    - ii. ~~relative cost;~~
    - iii. ~~payment (contributory and noncontributory)~~
    - e. ~~classifications of insureds;~~
  - f. ~~allowable benefits levels;~~
  - g. ~~selection of coverage;~~
2. Be able to identify the regulatory requirements for group insuranceKnow the following characteristics of group life insurance:
  - a. eligible groups ~~and insureds~~ (Sections 10202.5, 10270.505, 10270.55, 10270.57 of the CIC)
  - b. coverage for dependents of insureds employees (Section ~~10203.4~~10270.65 of the CIC)
  - c. types of life policies ~~and premiums~~ (Section 10200 of the CIC)
  - d. incontestability (Section ~~10206~~10350.2 of the CIC)
  - e. exclusions for war, military-, and aviation risk (Section 10206.5 of the CIC)
  - f. misstatement of age (Section ~~10208~~10369.3 of the CIC) ~~g. certificate of insurance (Section 10209 of the CIC);~~
  - hg. conversion privilege (Section 10209 of the CIC)
  - ih. conversion grace period coverage (Section 10209 of the CIC)
  - ji. blanket life insurance (Sections ~~10220, 10222~~10270.2 of the CIC)
  - kj. domestic partnership (Section 10121.7 of the CIC)
3. Be aware that life insurance can be held within a qualified plan under certain circumstancesConcerning retirement plans, be able to identify the key points regarding
  - a. ~~qualified plans (e.g., IRA, TSA, SEP, 401K, Roth IRA, education IRA) and nonqualified plans;~~
  - b. ~~thrift funds and thrift accounts~~
  - c. ~~defined benefit plans and defined contribution plans;~~

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- d. ~~profit sharing plans;~~
- e. ~~government regulation regarding~~
  - i. ~~nondiscrimination;~~
  - ii. ~~vesting;~~
  - iii. ~~fully funded.~~
- f. ~~tax aspects – contributions vs. benefits;~~
- g. ~~Employee Stock Ownership Plan (ESOP).~~

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

#### II. H. ~~Social Insurance System~~Security Disability Program (~~3~~1 questions of the 49 Life Insurance questions)

- 1. ~~Be able to differentiate between the characteristics of social and private insurance.~~
- 21. Be able to identify the ~~social security~~Social Security System's 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 retirement and premium-free Medicare Part A benefits
- 32. Be able to identify the kinds of benefit payments paid and the insured status required for the following types of benefits:
  - a. survivor ~~(s)~~
    - i. income benefits (spouse and minor children, and the effect of the "Blackout Period")
    - ii. lump sum death benefits – 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 of the 49 Life Insurance questions)

- 1. Purpose of underwritingUnderwriting
  - a. Prevention of adverse selection ~~Be able to identify the following and their role in the underwriting process:~~
    - i. ~~Medical Information Bureau;~~
    - ii. ~~attending physician's statement.~~

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- iii. ~~know what is required when an applicant reveals conditions that require more information.~~
  - iv. ~~standard, substandard, preferred risks.~~
  - v. ~~group vs. individual~~
  - b. Properly classify risks
    - i. be able to differentiate between preferred, standard, and substandard risk classification
  - b. ~~Be able to identify that there are standards established for insurers requiring them to avoid unfair underwriting for the risk of HIV and AIDS in California (Section 799 of the CIC).~~
2. ~~Pricing~~
- a. ~~Be able to identify the following components of an insurer's policy premium:~~
    - i. ~~mortality cost;~~
    - ii. ~~insurer expenses;~~
    - iii. ~~investment return.~~
    - iv. ~~reinsurance~~
  - b. ~~Be able to identify the significance, to an insurer, of accurate mortality predictions.~~
  - c. ~~Be able to identify the advantages and disadvantages of the methods used to compare the cost of life insurance policies.~~
  - d. ~~Be able to identify the advantages of high retention rates for:~~
    - i. ~~agents;~~
    - ii. ~~policyholders;~~
    - iii. ~~insurers.~~
  - e. ~~Be able to identify the following regarding the Health Insurance Portability and Accountability Act (HIPAA):~~
    - i. ~~what the law provides;~~
    - ii. ~~who is eligible~~
2. Process of underwriting
- a. Be able to identify the responsibility of the agent as the field underwriter
    - i. field underwriting prior to application
    - ii. the application must be completed accurately and truthfully to the best of the agent's ability
    - iii. the 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~~ (Section 799 of the CIC)
    - v. know that insurers may not unfairly discriminate on the basis of tests of a person's genetic characteristics (Section 10146 of the CIC). "Genetic characteristics" means any scientifically or

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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 (Section 10147(b) of the CIC)

- b. Completing the application
    - i. know that basic underwriting requirements will vary based on the company
  - 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, scuba diving, auto/boat/motorcycle racing)
    - vi. additional medical testing (e.g., electrocardiogram (EKG), treadmill examination, physician examination)
3. Underwriting outcomes for ~~Be able to identify the duties of each concerning payment of claims in the event of loss:~~
- a. insurer
  - b. insured
  - c. agent
4. Be able to identify the following rate-making components:
- a. mortality
  - b. insurer expenses
  - c. investments
- ~~II. LIFE INSURANCE (49 questions (65 percent) on the examination)~~
- ~~II. J. Financial Structure of Insurers (2 questions of the 49 Life Insurance questions)~~
1. ~~Be able to identify:~~
- a. ~~earned surplus;~~
  - b. ~~policy dividends.~~

2. ~~Be able to identify the major financial reports insurers are required to make.~~

### 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:
  - a. disability income
  - b. waiver of premium or waiver of monthly deduction
  - c. accidental death
  - d. cost of living

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# Prelicensing Education Educational Objectives

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- e. living need (living benefits, terminal illness and critical illness)
- f. ~~option to purchase other insurance~~ (- guaranteed insurability); (guaranteed purchase options)
- g. long-term care
  - i. Long-term care training is required when the following occurs:
    - (1) Long-term care training is required when an agent is transacting accelerated death benefit provisions or riders that require services to the chronically ill insured
      - a) eight (8) hours per year of LTC CE each of the first four years of licensing
      - b) eight (8) hours per license term of LTC CE beginning with the second renewal
    - (2) Long-term care training is not required when transacting accelerated death benefit provisions or riders that do not require services
  - h. ~~annuity riders; and~~
- ih. ~~no-no-~~lapse guarantee riders

## Appendix A

### ~~Ethics and California Insurance Code (12 hour) Educational~~

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

~~I. GENERAL INSURANCE~~ (22 questions (30 percent) on the examination, pages 6 to 16)

~~I. A. Basic Insurance Concepts and Principles~~ (9 questions of the 22 General Insurance questions, page 6)

~~1. Be able to identify examples of insurance (Section 22 of the CIC).~~

~~2. Be able to identify the definition of insurable events (Section 250 of the CIC).~~

~~I. GENERAL INSURANCE~~ (22 questions (30 percent) on the examination, pages 6 to 16)

~~I. B. Contract Law~~ (4 questions of the 22 General Insurance questions, page 7)

~~1. Be able to identify the term “insurance policy” (Section 380 of the CIC).~~

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2. ~~Be able to identify the meaning and effect of each of the following on a contract:~~
  - a. ~~fraud (Sections 338, 1871.1-1871.4 of the CIC);~~
  - b. ~~concealment (Sections 330-339 of the CIC);~~
    - i. ~~Be able to identify information that does not need to be communicated in a contract: (Section 333 of the CIC)~~
      - (1) ~~known information~~
      - (2) ~~information that should be known~~
      - (3) ~~information which the other party waives~~
      - (4) ~~information that is not material to the risk~~
  - c. ~~warranty (Sections 440-445, 447 of the CIC);~~
    - i. ~~know that a representation in an insurance contract qualifies as an implied warranty.~~
  - d. ~~materiality (Section 334 of the CIC);~~
    - i. ~~know that the materiality of concealment is the rule used to determine the importance of a misrepresentation.~~
  - e. ~~representations (Section 350-361 of the CIC);~~
    - i. ~~know when a representation can be altered or withdrawn (Section 355 of the CIC)~~
    - ii. ~~know that a representation is false when the facts fail to correspond with its assertions or stipulations (Section 358 of the CIC).~~
  - f. ~~misrepresentation (Sections 780-784 of the CIC).~~
3. ~~Be able to identify six required specifications for all insurance policies (Section 381 of the CIC)~~
  - a. ~~know that the financial rating of the insurer is not required to be specified in the insurance policy (Section 381 of the CIC).~~
4. ~~Be able to identify:~~
  - a. ~~the meaning of the term rescission;~~
  - b. ~~when an insurer has the right of rescission (Sections 331, 338, 359, 447 of the CIC).~~
    - i. ~~know that either intentional or unintentional concealment entitles an injured party to rescission of a contract (Section 331 of the CIC).~~

~~**I. GENERAL INSURANCE** (22 questions (30 percent) on the examination, pages 6 to 16)~~

~~**I. C. The Insurance Marketplace** (7 questions of the 22 General Insurance questions, page 8)~~

~~**I. C1. Distribution Systems** (page 8)~~

1. ~~Be able to identify a definition of the following marketing systems:~~



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### California Life-Only Agent Examination

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- a. — agency;
- b. — direct response;
- c. — home service.

~~I. GENERAL INSURANCE (22 questions (30 percent) on the examination, pages 6 to 16)~~

~~I. C. The Insurance Marketplace (7 questions of the 22 General Insurance questions, page 8)~~

~~I. C2. Producers (page 8)~~

- ~~1. — Be able to identify the Code definition of transact and why the definition is important (Sections 35, 1621-1624, 1631, 1633 of the CIC).~~
- ~~2. — Be able to identify what constitutes transaction of insurance (Sections 35 of the CIC):~~
  - ~~a. — solicitation, (Section 35(a) of the CIC);~~
  - ~~b. — negotiation, (Section 35(b) of the CIC);~~
  - ~~c. — execution of a contract of insurance (Section 35(c) of the CIC);~~
  - ~~d. — Transaction of matters subsequent to and arising out of a contract of insurance (Section 35(d) of the CIC).~~
- ~~3. — Be able to identify:~~
  - ~~a. — that the Code prohibits certain actions by unlicensed persons (Section 1631 of the CIC);~~
  - ~~b. — the penalty for such [(a) above] prohibited actions (Section 1633 of the CIC).~~
- ~~4. — Written Consent in Regards to Interstate Commerce (Prohibited Persons in Insurance):~~
  - ~~a. — Be able to identify what conduct is prohibited by Title 18 United States Code Section 1033.~~
  - ~~b. — Be able to identify what civil and criminal penalties apply, Title 18 United States Code Sections 1033 and 1034.~~
- ~~5. — Be able to identify the differences between the terms agent and broker with respect to their relationship with insurers and with their insureds.~~
  - ~~a. — insurance agent means a person authorized, by and on behalf of an insurer, to transact all classes of insurance other than life insurance (Section 31 of the CIC).~~
  - ~~b. — insurance broker means a person who, for compensation and on behalf of another person, transacts insurance other than life with, but not on behalf of, an insurer (Section 33 of the CIC).~~

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## California Life-Only Agent Examination

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- ~~6. Be able to identify the Code provisions regarding a life-only agent acting as an agent for an insurer for which the agent is not specifically appointed (Section 1704.5 of the CIC).~~
- ~~7. Be able to differentiate between an insurance agent, an insurance broker and an insurance solicitor (Sections 31, 1621, 33, 1623, 34, and 1624 of the CIC).~~
- ~~8. For 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 lines broker) with regard to nonadmitted insurers (Section 703 of the CIC).~~
- ~~10. Be able to identify the prohibitions of free insurance (Section 777.1 of the CIC).~~
- ~~11. Be able to identify the Code requirements for the following:
  - ~~a. an agency name, use of name (Sections 1724.5, 1729.5 of the CIC);~~
  - ~~b. change of address (Section 1729 of the CIC);~~~~
- ~~12. Be able to identify the rules regarding fictitious names (Section 1724.5 of the CIC).~~
- ~~13. Be able to identify the rules regarding Internet advertisements (Section 1726(a) of the CIC).~~
- ~~14. Be able to identify the licensee's duty for disclosure of the effective date of coverage (Section 1730.5 of the CIC).~~
- ~~15. Be able to identify the Code specifications regarding producer application investigation, denial of applications, and suspension or revocation of license (Sections 1666, 1668-1669, 1738 of the CIC).~~
- ~~16. Be able to identify the importance and the scope of the California Insurance Code regarding:
  - ~~a. the filing of a notice of appointment (Sections 1673, 1704-705 of the CIC);~~
  - ~~b. an inactive license (Section 1704(a) of the CIC).~~
  - ~~c. cancellation of a license by the licensee in the licensee's possession or in the employer's possession (Section 1708 of the CIC).~~~~

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# Prelicensing Education Educational Objectives

## California Life-Only Agent Examination

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17. ~~Be able to identify the scope and effect of the Code regarding termination of a (producer's) license, including when producers dissolve a partnership (Sections 1708-1712.5 of the CIC).~~
18. ~~Be able to identify and apply:~~
- a. ~~the definition of the term "fiduciary;"~~
  - b. ~~producer fiduciary duties described in the Code (Sections 1733-1735 of the CIC).~~
19. ~~Be able to identify the continuing education (CE) requirements for:~~
- a. ~~agents (Section 1749.3 of the CIC);~~
  - b. ~~an agent writing Long Term Care Insurance (Section 10234.93 of the CIC);~~
  - c. ~~agents writing California Partnership coverage must meet California long-term care requirements and training requirements on the California Partnership for Long Term Care.~~
    - i. ~~The total hours of CE required are not increased by b. or c.~~
  - d. ~~life-only agents or accident and health agents also licensed as a fire and casualty broker-agent must complete 25 hours of training in the first four 12-month periods for either license.~~

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

1. ~~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;~~
  - 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.~~
2. ~~Be able to identify that the California Insurance Code (CIC) and the California Code of Regulations (CCR) identify many unethical and/or illegal practices, but they are NOT a complete guide to ethical behavior (CIC, CCR).~~
3. ~~Be able to identify special ethical concerns that may occur when dealing with~~

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# Prelicensing Education Educational Objectives

## California Life-Only Agent Examination

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~~Senior Citizens regarding pretext interviews (Section 791.03 of the CIC).~~

~~**I. GENERAL INSURANCE** (22 questions (30 percent) on the examination, pages 6 to 16)~~

~~**I. C. The Insurance Marketplace** (7 questions of the 22 General Insurance questions, page 8)~~

~~**I. C3. Insurers** (page 13)~~

- ~~1. Be able to differentiate between:
  - a. admitted and nonadmitted insurers (Sections 24-25 of the CIC);
  - b. domestic, foreign, and alien insurers (Sections 26-27 of the CIC);~~
- ~~2. Be able to differentiate between regulation of an admitted insurer and non-admitted insurer, and the potential consequences for consumers (Sections 24, 25, 1760 through 1780 of the CIC);~~
- ~~3. Be able to identify the penalty for unlawfully acting as an insurer without a certificate of authority, (Section 70(b) of the CIC).~~
- ~~4. Be able to identify who may be an insurer (Section 150 of the CIC).
  - a. person, association, organization, partnership, business trust, limited liability company or corporation (Section 19 of the CIC).~~
- ~~5. Be able to differentiate between Mutual, Stock and Fraternal insurers.
  - a. know that de-mutualization is a process whereby a mutual insurer becomes a stock company (Section 11535 of the CIC).~~

~~**I. GENERAL INSURANCE** (22 questions (30 percent) on the examination, pages 6 to 16)~~

~~**I. C. The Insurance Marketplace** (7 questions of the 22 General Insurance questions, page 8)~~

~~**I. C4. Market Regulation – General** (page 13)~~

- ~~1. Be able to identify:
  - a. the California Insurance Code and how it may be changed (Code);
  - b. the California Code of Regulations (CCR Title 10, Chapter 5) and how it may be changed (Code);
  - c. how the insurance commissioner is selected and the responsibilities of the position (Sections 12900, 12921 of the CIC).~~
- ~~2. Be able to identify the correct application of the Unfair Practices article, including its prohibitions and penalties (Sections 790-790.10 of the CIC).~~

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# Prelicensing Education Educational Objectives

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3. ~~Be able to identify the privacy protection provisions of:~~
  - a. ~~the Gramm-Leach-Bliley Act~~
    - i. ~~Be able to explain the rules regarding the collection and disclosure of customers' personal financial information by financial institutions;~~
    - ii. ~~Be able to identify the requirements for all financial institutions to design, implement and maintain safeguards to protect customer information.~~
  - b. ~~The California Financial Information Privacy Act (SB 1)~~
  - c. ~~Insurance information and Privacy Protection Act regarding practices, prohibitions and penalties (Sections 791-791.26 of the CIC);~~
  - d. ~~Cal-GLBA/"California Financial Information Privacy Act" Section 4050 CA Financial Code.~~
  
4. ~~Be able to identify the scope and correct application of the conservation proceedings described in the Code (Sections 1011, 1013, and 1016 of the CIC).~~
  
5. ~~Be able to define an insolvent insurer (Section 985 of the CIC):~~
  - a. ~~the definition of an insolvent insurer includes either:~~
    - i. ~~Any impairment of minimum "paid-in capital" or "capital paid in," as defined in Section 36, required in the aggregate of an insurer by the provisions of this code for the class, or classes, of insurance that it transacts anywhere;~~
    - ii. ~~An inability of the insurer to meet its financial obligations when they are due;~~
  - b. ~~know that an insurer cannot escape the condition of insolvency by being able to provide for all its liabilities and for reinsurance of all outstanding risks. An insurer must also be possessed of additional assets equivalent to such aggregate "paid-in capital" or "capital paid in" required by this code after making provision for all such liabilities and for such reinsurance (Section 985.(a) (1 and 2) of the CIC);~~
  - c. ~~know the definition of Paid-in Capital (Sections 36 and 985 of the CIC);~~
  - d. ~~know that it is a misdemeanor to refuse to deliver any books, records, or assets to the Commissioner once a seizure order has been executed in an insolvency proceeding (Section 1013 of the CIC).~~
  
6. ~~Be able to identify:~~
  - a. ~~common circumstances that would suggest the possibility of fraud;~~
  - b. ~~efforts to combat fraud (Sections 1872, 1874.6, 1875.8, 1875.14, 1875.20, 1877.3(b)(1) of the CIC);~~
  - c. ~~that if an insured signs a fraudulent claim form, the insured may be guilty~~

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## California Life-Only Agent Examination

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of perjury.

7. ~~Be able to identify the scope and correct application of the False and Fraudulent Claims article of the Code (Section 1871, 1871.4 of the CIC).~~
8. ~~Be able to identify the meaning of (as used in the CIC):~~
  - a. ~~shall and may (Section 16 of the CIC);~~
  - b. ~~person (Section 19 of the CIC).~~
9. ~~Be able to identify the requirements for notice by mail (Section 38 of the CIC).~~

~~**I. GENERAL INSURANCE** (22 questions (30 percent) on the examination, pages 6 to 16)~~

~~**I. C. The Insurance Marketplace** (7 questions of the 22 General Insurance questions, page 8)~~

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# Prelicensing Education Educational Objectives

## California Life-Only Agent Examination

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### ~~I. C5. Fair Claims Settlement Practices Regulations (page 15)~~

- ~~1. Be able to identify a definition of the following:
  - ~~a. Claimant (Section 2695.2(c), Title 10 of the CCR);~~
  - ~~b. Notice of Legal Action (Section 2695.2(e), Title 10 of the CCR);~~
  - ~~c. Proof of Claims (Section 2695.2(s), Title 10 of the CCR);~~~~
- ~~2. Be able to identify File and Record Documentation (Section 2695.3, Title 10 of the CCR);~~
- ~~3. Be able to identify Duties Upon Receipt of Communications (Section 2695.5, Title 10 of the CCR); and,~~
- ~~4. Be able to identify Standards for Prompt, Fair and Equitable Settlements (Section 2695.7(a), (b), (c), (g), and (h), Title 10 of the CCR).~~