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# Prelicensing Education Educational Objectives

## California Limited Lines Automobile Agent Examination

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### Overview

Section 1677 of the California Insurance Code (CIC) requires that the limited lines automobile agent examination be of sufficient scope to satisfy the Insurance Commissioner that an applicant has sufficient knowledge of insurance and insurance laws.

The new limited lines automobile insurance agent will be trained to sell/service the lines more commonly available, less complex lines first, the other lines later. Sufficient knowledge is what this typical new limited lines automobile agent needs to know at the start of one's career.

The most specific knowledge is required in the following areas:

- \* General insurance concepts and principles
- \* Insurance code and ethics
- \* Responsibilities and authority of a Limited Lines Automobile Insurance Agent insurance agent
- \* Personal automobile liability, physical damage, and collision coverage
- \* Motorcycle coverage
- \* Property and liability basics
- \* Low-cost automobile insurance
- \* Umbrella and excess liability insurance
- \* A general understanding of all other of insurance and of how and where they apply.

In addition, this license authorizes the transaction of automobile insurance for the private, non-commercial use of the insured motor vehicle with a load capacity of 1,500 pounds or less. The insurance products that this license can transact are as follows:

- Automobile Liability Coverage which is limited to coverage of bodily injury and property damage liability, medical payments, and uninsured motorists' coverage.
- Automobile Physical Damage/Other than Collision or Comprehensive Coverage includes all coverage of loss or damage to an automobile insured under the policy except loss or damage resulting from collision or upset.
- Automobile Collision Coverage includes all coverage of loss or damage to an automobile insured under the policy resulting from collision or upset.

As stated in Sections 1625.55 through 1625.57 of the CIC, a Limited Lines Automobile Insurance Agent license is an "agent" license. In addition, Section 1625.55 (c) further defines that the Limited Lines Automobile Insurance Agent must be endorsed or appointed in order to act as an agent of a business entity or an insurer. As a result, the language in the California

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Insurance Code precludes the Limited Lines Automobile Insurance Agent from being authorized to “broker” personal automobile insurance business.

### Education Objectives

The educational objectives are derived from the curriculum outline contained in Title 10, Chapter 5, Subchapter 1, Article 6.5, Section 2187.6 of the California Code of Regulations.

### 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 XXXX)” or “(Ethics)” or “(Code)”. References to “Code” or “CIC” in the educational objective mean the California Insurance Code.

### The Examination

The California Department of Insurance’s Limited Lines Automobile Insurance Agent license examination contains 60 multiple-choice questions. The examinees, without any aids (e.g. reference materials, electronic aids) are allowed one and one half (1 ½) hours to answer the 60 question multiple-choice examination.

The California Department of Insurance’s 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:

#### Sacramento:

California Department of Insurance  
Examination Site  
320 Capitol Mall,  
1st Floor  
Sacramento, California 95814

#### Los Angeles:

California Department of Insurance  
Examination Site  
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

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Check-in at 8:10 a.m. for the 8:30 a.m. examination and check-in 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	Redding	Santa Clara
Atascadero	Fresno	Riverside	Santa Rosa
Bakersfield	Hayward	Sacramento	Ventura
Burbank	Laguna Hills	San Diego	Visalia
Carson	Lawndale	San Francisco	Walnut Creek
Diamond Bar			

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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- II. PROPERTY INSURANCE (5 percent of exam questions)
  - A. Basic Legal Concepts – Tort Law
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  - A. Personal Auto
  - B. Umbrellas and Excess Liability Insurance

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- I. GENERAL INSURANCE (15 percent of exam questions)
- A. Basic Insurance Concepts and Principles. Be able to
1. identify examples of insurance (as defined in section 22 of the CIC).
  2. recognize the definition of risk.
  3. differentiate between a pure risk and a speculative risk.
  4. identify a definition of peril.
  5. identify a definition of hazard.
  6. differentiate between moral, morale, physical and legal hazards.
  7. identify the definition of the law of large numbers.
  8. identify a definition or the correct usage of the terms loss and loss exposure, e.g. property loss exposure, liability loss exposure.
  9. identify risk management techniques.
  10. recognize the requisites of an ideally insurable risk.
  11. identify the definition of insurable events, section 250 of the CIC.
  12. identify and apply the definition of insurable interest, and indemnity, and be able to recognize the applicability of these terms to a given situation.
  13. identify why private insurers underwrite the insurance applications they receive.
  14. identify the meaning of adverse selection and spread of risk.
  15. identify the benefits and the costs of insurance to society (e.g. loss control, loss payments, securing credit, etc.).
  16. identify a correct explanation of the role of deductibles in insurance.
  17. identify the major medical deductibles:
    - a. multiple expenses for one individual apply to the stated deductible;
    - b. expenses of several family members apply to the stated deductible; and,
    - c. only sick care expenses apply to the stated deductible.
  18. identify:
    - a. a definition of reinsurance, Section 620 of the CIC, and,
    - b. the purposes of insurers obtaining reinsurance.
  19. identify that for regulatory purposes:
    - a. the Insurance Code divides lines of insurance into classes, Section 100 of the CIC; and,
    - b. defines these classes, Sections 101 through 120 of the CIC.
- I. GENERAL INSURANCE
- B. Contract Law. Be able to
1. identify and compare contract law and tort law.
  2. identify the four major elements of a contract (agreement, competent parties, legal purpose, and consideration).
  3. identify the meaning and effect of the following special characteristics of an insurance contract:
    - a. contract of adhesion;
    - b. conditional contract;

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- c. aleatory;
  - d. unilateral;
  - e. personal;
  - f. utmost good faith; and,
  - g. indemnity.
- 4. identify the term insurance policy, section 380 of the CIC.
  - 5. identify the meaning and effect of each of the following on a contract:
    - a. fraud, section 338 and 1871.2 of the CIC;
    - b. concealment, section 330 through 339 of the CIC;
    - c. warranty (expressed/implied), section 440 through 445, and 447 of the CIC;
    - d. 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);
    - e. materiality, section 334 of the CIC;
    - f. representations, sections 350 through 361 of the CIC;
    - g. misrepresentation, sections 780 through 784 of the CIC; and,
    - h. waiver and estoppel.
  - 6. identify six required specifications for all insurance policies, section 381 of the CIC.
  - 7. identify:
    - a. the meaning of the term rescission; and,
    - b. when an insurer has the right of rescission, section 331, 338, 359, and 447 of the CIC.
  - 8. identify the following terms correctly:
    - a. application, policy, endorsement;
    - b. cancellation, lapse; and,
    - c. rate, premium, earned and unearned premium.

### I. GENERAL INSURANCE

#### C. The Insurance Marketplace

##### 1. Distribution Systems

- a. Be able to identify different distribution systems that include, but are not limited to, the following:
  - i. agency; and,
  - ii. direct response.

### I. GENERAL INSURANCE

#### C. The Insurance Marketplace

##### 2. Producers

- a. Be able to understand the general rules of agency as they apply to an agent, broker, and insurance company:
  - i. the responsibilities and duties of each; and,

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- ii. the effect of the types of authority an agent may exercise (express, implied, or apparent).
- b. With regard to the underwriting of applicants and/or insureds, be able to:
  - i. identify a producer's responsibilities; and,
  - ii. understand the insurers' requirements.
- c. Be able to define the following:
  - i. insurance agent (Section 1621 of the CIC);
  - ii. personal lines broker-agent (Section 1625.5 of the CIC);
  - iii. limited lines automobile agent (Section 1625.55 of the CIC);
  - iv. life-only agent (Section 1626(a)(1) of the CIC);
  - v. accident and health agent (Section 1626(a)(2) of the CIC); and,
  - vi. life and disability insurance analyst (Sections 32.5, 1831-1849 of the CIC).
- d. Be able to identify the CIC definition of transact and why the definition is important (Sections 35, 1631, 1633 of the CIC):
  - i. have knowledge of the penalties for transacting without a license (Section 1633 of the CIC).
- e. Be able to identify:
  - i. that the CIC prohibits certain actions by unlicensed persons (Section 1631 of the CIC); and,
  - ii. the penalty for such prohibited actions (Section 1633 of the CIC).
- f. Written Consent in Regards to Interstate Commerce (Prohibited Persons in Insurance):
  - i. be able to identify what conduct is prohibited by Title 18 United States Code Section 1033; and,
  - ii. be able to identify what civil and criminal penalties apply, Title 18 United States Code Sections 1033 and 1034.
- g. Be able to identify the differences between the terms "agent" and "broker" with respect to their relationship with insurers and with their insureds:
  - i. insurance agent means a person authorized, by and on behalf of an insurer, to transact all classes of insurance other than life, disability, or health insurance (Sections 31 and 1621 of the CIC);
  - ii. 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 (Sections 33 and 1625 of the CIC); and,
  - iii. 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

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- manner in which the broker is compensated. (Sections 10113.1(b), 10113.2(b)(1) (A) to (D) of the CIC).
- h. Be able to recognize:
    - i. the differences between the authority of an agent and a solicitor; and,
    - ii. 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).
  - i. For Insurance Agent's Errors & Omissions insurance, be able to identify:
    - i. the types of coverages available;
    - ii. the types of losses commonly covered and not covered; and,
    - iii. the need for the coverage.
  - j. Be able to identify acts prohibited (unless a surplus line broker) with regard to nonadmitted insurers (Section 703 of the CIC).
  - k. Be able to identify the prohibitions of free insurance (Section 777.1 of the CIC).
  - l. Be able to identify the Code requirements for the following:
    - i. an agency name, use of name (Sections 1724.5, 1729.5 of the CIC);
    - ii. change of address (Section 1729 of the CIC);
    - iii. filing license renewal application (Section 1720 of the CIC); and,
    - iv. printing license number on documents (Section 1725.5 of the CIC).
  - m. Be able to identify the records an insurer and agents must maintain (Sections 10508 through 10508.5 of the CIC).
  - n. 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).
  - o. Be able to identify the importance and the scope of the Code regarding:
    - i. the filing of a notice of appointment to transact insurance (Sections 1704, 1705 of the CIC);
    - ii. an inactive license (Section 1704(b) of the CIC); and,
    - iii. cancellation of a license by the licensee in the licensee's possession or in the employer's possession (Section 1708 of the CIC).
  - p. 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).
  - q. Be able to identify and apply:
    - i. the definition of the term "fiduciary"; and,
    - ii. producer fiduciary duties described in the Code (Sections 1733 -1735 of the CIC).
  - r. Be able to identify the continuing education (CE) requirements for:
    - i. an individual licensed as a Limited Lines Automobile Agent; and,
    - ii. an individual licensed as both a life licensee and as a Limited Lines Automobile Agent (Section 1749.32 of the CIC).



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- iii. Know that all licensees must complete a 3-hour course in ethics as part of the required 24 hour of CE prior to each license renewal.

### I. GENERAL INSURANCE

#### C. The Insurance Marketplace

##### 3. Insurers

- a. Be able to differentiate between:
  - i. admitted and non-admitted insurers, sections 24 through 25 of the CIC;
  - ii. domestic, foreign or alien insurers, sections 26 through 27, and 1580 of the CIC:
    - 1) an excess and surplus lines insurer writes standard coverages in a state where the insurer is unlicensed; and
    - 2) standard market insurer is an insurer who offers rates for insurance coverage to insureds who have an average or better than average loss exposure.
  - iii. 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.
  - iv. Be able to identify the penalty for unlawfully acting as an insurer without a certificate of authority, section 700 (b) of the CIC.
- b. Be able to identify the functions of the following major operating divisions of insurers: Marketing/Sales, Underwriting, Claims, Actuarial.
- c. Be able to identify market conduct regulations as the state laws that regulate insurer practices regarding underwriting, sales, ratemaking, and claims handling.
- d. Be able to identify who may be an insurer, Section 150 of the CIC.
  - i. person, association, organization, partnership, business trust, limited liability company or corporation (Section 19 of the CIC).
- e. Be able to differentiate between Mutual and Stock insurers. (Section 11535.1 of the CIC).
- f. Be able to identify Reciprocal and Risk Retention groups, and the limitations on state regulation of risk retention groups under the federal Liability Risk Retention Act, and the possible impact on consumers, Section 125 through Section 140 of the CIC and Section 3901 of Title 15 United States Code.

### I. GENERAL INSURANCE

#### C. The Insurance Marketplace

##### 4. Market Regulation - General

- a. Be able to identify the purpose of insurance regulation and the significance of the McCarran–Ferguson Act, (15 U.S.C. 1011-1015).

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- b. Be able to identify:
  - i. the California Insurance Code (CIC) and how it may be changed (Code);
  - ii. the California Code of Regulations (CCR Title 10, Chapter 5) and how it may be changed (Code); and,
  - iii. how the insurance commissioner is selected and the responsibilities of the position, sections 12900 and 12921 of the CIC.
- c. Be able to identify the correct application of the Unfair Practices article, including its prohibitions and penalties, sections 790 through 790.10 of the CIC.
- d. Be able to identify the privacy protection provisions of:
  - i. Insurance Information and Privacy Protection Act regarding practices, prohibitions and penalties, sections 791 through 791.26 of the CIC;
  - ii. Cal-GLBA/ "California Financial Information Privacy Act," Section 4050 CA Financial Code; and,
  - iii. Health Insurance Portability and Accountability Act (HIPAA).
- e. 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.
- f. Be able to define an insolvent insurer, Section 985 of the CIC .
  - i. The definition of an insolvent insurer includes either:
    - 1) Any impairment of minimum "paid-in capital" or "capital paid in," as defined in Section 36, required in the aggregate of an insurer by the provisions of this code for the class, or classes, of insurance that it transacts anywhere; and,
    - 2) An inability of the insurer to meet its financial obligations when they are due;
  - ii. Know that an insurer cannot escape the condition of insolvency by being able to provide for all its liabilities and for reinsurance of all outstanding risks. An insurer must also be possessed of additional assets equivalent to such aggregate "paid-in capital" or "capital paid in" required by this code after making provision for all such liabilities and for such reinsurance, Section 985 (a) (1) and (2) of the CIC; and
  - iii. 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.
- g. Be able to identify the purpose and scope of the Code with regard to:
  - i. the California Insurance Guarantee Association, Sections 1063 (a through c) and, 1063.1 (a), (b), (c)(1)(2) of the CIC;
- h. Be able to identify:
  - i. common circumstances that suggest the possibility of fraud; e.g. that if an insured signs a claim form for a claim which is fraudulent, the

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- insured may be found guilty of perjury; and,
- ii. efforts to combat fraud, Sections 1872, 1874.6, 1875.8, 1875.14, 1875.20, and 1877.3 (b)(1) of the CIC.
- i. Be able to identify the scope and correct application of the False and Fraudulent Claims article of the California Insurance Code, Sections 1871.1 through 1871.4 (c), and 1872.5.
- j. Be able to identify discriminatory practices prohibited by the California Insurance code, Sections 679.70 through 679.73.
- k. Be able to identify the requirements for rates to be approved or remain in effect, Section 1861.05 (a) of the CIC.
- l. Be able to identify:
  - i. the types of rating laws (prior approval, file & use, use & file, open competition); and,
  - ii. the system used by the state of California to regulate rates for most property and casualty insurance written in California (prior approval), Section 1861.05 (c) of the CIC.
- m. As used by the Code, be able to identify the meaning of:
  - i. "shall" and "may," Section 16 of the CIC; and,
  - ii. "person," Section 19 of the CIC.
- n. Be able to identify the requirements for notice by mail, Section 38 of the CIC.
- o. Fair Claims Settlement Practices Regulations
  - i. Be able to identify a definition of the following:
    - 1) Claimant, Section 2695.2(c) of the CCR;
    - 2) Notice of Legal Action, Section 2695.2(o) of the CCR.
    - 3) Proof of Claims, Section 2695.2(s) of the CCR.
  - ii. Be able to identify File and Record Documentation, Section 2695.3 of the CCR.
  - iii. Be able to identify Duties Upon Receipt of Communications, Section 2695.5 of the CCR.
  - iv. Be able to identify Standards for Prompt, Fair and Equitable Settlements, Section 2695.7, (a), (b), (c), (g), and (h) of the CCR.

### I. GENERAL INSURANCE

#### C. The Insurance Marketplace

##### 5. Excess and Surplus (E&S) Lines

- a. With regard to surplus lines, be able to identify:
  - i. what the term "surplus lines" means;
  - ii. the marketplace needs met by surplus lines;
  - iii. the requirements to be met before a risk may be placed with a surplus lines insurer;
  - iv. how surplus lines and special lines surplus lines brokers interact with

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- agents;
- v. the absence of binding authority when placing business through nonadmitted insurers, Section 1764.2 of the CIC;
- vi. the non-standard nature of the coverages provided;
- vii. conditions that must be met before business may be obtained from these carriers, Section 1761 of the CIC; and,
- viii. what the List of Approved Surplus Lines Insurers (LASLI) is. The following link will provide access to this list:

<http://www.insurance.ca.gov/01-consumers/120-company/07-lasli/lasli.cfm>

### II. PROPERTY INSURANCE (5 percent of exam questions)

#### A. Basic Legal Concepts - Tort Law. Be able to

1. identify the types of wrongs that are dealt with by tort law including:
  - a. intentional torts;
  - b. negligence; and,
  - c. strict liability.
2. recognize and identify:
  - a. the four essential elements of negligence (duty/breach/injury/unbroken chain);
  - b. the principle of "proximate cause"; and,
  - c. common law defenses against "negligence."
3. identify:
  - a. the reasons for the strict liability doctrines and recognize situations in which they would apply; and,
  - b. examples of intentional torts (e.g. libel, slander, false arrest).
4. identify definitions of gross negligence and vicarious liability.
5. identify types of damages: compensatory, which includes special and general damages and punitive.
6. recognize the difference between comparative and contributory negligence doctrines.
7. compute a loss payment applying the doctrines of:
  - a. comparative negligence; and,
  - b. contributory negligence.
8. apply the assumption of the risk doctrine.

### II. PROPERTY INSURANCE

#### B. Property

1. Basics
  - a. Be able to identify the major services provided by independent rating organizations (e.g. AM Best and Moodys).

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- b. Insurance Services Office (ISO) is the advisory organization that also develops standard forms for the market.
  - c. Be able to recognize the principle risk management methods used to identify loss exposures, and the advantages and disadvantages of each method.
  - d. Be able to identify the difference between direct and indirect (consequential) property losses.
  - e. Be able to recognize common indirect loss exposures.
  - f. Be able to identify the terms of expense, loss, and combined ratios.
  - g. Be able to identify the following terms:
    - i. "all-risk" (an old term still commonly used and understood within the insurance industry, but a term often misunderstood by the general public);
    - ii. "open peril"/"special form" (terms commonly used in place of "all-risk" in today's policies); and,
    - iii. "named peril" (e.g. basic, broad, and special).
  - h. Be able to identify the terms and differentiate between:
    - i. short rate / flat rate / pro-rata cancellation;
    - ii. cancellation / non-renewal / lapse; and,
    - iii. unearned / earned premium and be able to identify their correct computation.
  - i. Be able to differentiate between the terms "judgment rating," "merit rating," and "manual rating."
  - j. Be able to identify and apply the meaning of claims terms (e.g. first party, third party, subrogation, arbitration, etc.).
  - k. Be able to define the term "loss reserve," e.g. estimate of the amount that an insurer will pay for a claim.
  - l. Be able to identify the requirements to be met to assign a policy from one insured to another.
  - m. Be able to differentiate between property and liability insurance coverages.
  - n. Be able to identify a definition of "loss cost rating" and the reason for its use.
  - o. Be able to identify:
    - i. the requirement for an insurable interest to exist, section 280 of the CIC; and,
    - ii. that contingent or expectant interests are not insurable, section 283 of the CIC.
  - p. Be able to apply the term "concurrent cause" to a loss where two perils are involved the same time and one peril is covered and the other is excluded.
2. Be able to Identify:
- a. the requirements and definitions of the California Residential Property Insurance Disclosure statement, Sections 10101 and 10102 of the CIC;

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- b. that the form contains only a general description of coverages and is NOT part of the residential policy; and,
- c. replacement costs and building code upgrade options.

### II. PROPERTY INSURANCE

#### B. Property

##### 3. Policies. Be able to

- a. identify a description of:
  - i. the major components of insurance policies (e.g. declarations, insuring agreements, definitions, conditions, exclusions, and endorsements); and,
  - ii. common policy provisions (e.g. insured's right to cancel, assignment of policy, supplementary payments, severability, liberalization, etc.) and coverages (removal and debris removal).
- b. identify and compute loss payments for:
  - i. the different types of valuation commonly used in insurance policies. (actual cash value, replacement cost, market value, agreed value, and stated value); and,
  - ii. a valued policy, sections 2053 and 2054 of the CIC.
- c. identify the protection of a mortgagee's interest contained in most mortgage clauses.
- d. identify the definition and effect of a concurrent vs. non-concurrent policy.
- e. identify the Code requirements pertaining to policy cancellation/failure to renew, sections 481.5, 660 through 669.5, 670, 673, and 675 through 679.6 of the CIC.
- f. identify restrictions regarding referral of auto insureds to repair facilities, section 753 of the CIC.
- g. identify the following unlawful practices:
  - i. Additional Standards Applicable to Automobile Insurance, California Code of Regulations 2695.8(e); and,
  - ii. Requirements, suggestions, or recommendations by insurer regarding repair of automobiles at specific automobile repair dealers; conditions; disclosure; powers of commissioner, section 758.5 of the CIC.

### III. PERSONAL AUTO INSURANCE (80 percent of exam questions)

#### A. Personal Auto

##### 1. General Concepts. Be able to identify:

- a. the Financial Responsibility Law and individual or insurance policy requirements, sections 16020, 16021, 16025, and 16451 of the CA Vehicle Code (CVC) and notice requirements pursuant to Section 11580.1(b)(1) of the CIC and Section 16054 of the CVC.
  - i. Know that uninsured motorists involved in a collision cannot sue an at-

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- fault party for “general” (non-economic) damages.
- b. how the particular personal auto policy being sold to the consumer may differ from the ISO PAP.
- c. Under an ISO PAP, be able to identify:
  - i. the eligibility requirements for coverage;
  - ii. who is an insured including the provisions regarding how the policy responds when an insured is no longer a spouse living in the same household;
    - 1) know that any person qualifies as an insured while using a covered auto;
  - iii. the policy territorial limits;
  - iv. the difference between "share-the-expense car pools" and "for-hire" situations;
  - v. the coverage that applies to newly acquired auto and “your covered auto”; and,
  - vi. the coverage that applies to a non-owned private passenger auto rented by an insured while on a short vacation.
- d. situations in which the policy provides:
  - i. primary coverage;
  - ii. excess coverage; and,
  - iii. special physical damage.
- e. Regarding Good Driver Discounts:
  - i. the eligibility requirements to receive a Good Driver Discount, section 1861.025 of the CIC;
  - ii. the discount percentage of the Good Driver Discount, section 1861.02 of the CIC; and,
  - iii. the three principal rating factors for personal auto policies, section 1861.02(a) of the CIC.
- f. understand the provisions of the California Amendatory Endorsement and be able to identify:
  - i. the permitted reasons for an insurer to cancel or non-renew an automobile policy, sections 1861.03(c) (1) and 661 of the CIC; and,
  - ii. the number of days of notice required, sections 662 and 663 of the CIC.
- g. For newly acquired autos, know that:
  - i. A newly acquired auto will have the broadest coverage provided for any vehicle shown in the Declarations, except for collision coverage for damage to your auto;
  - ii. If the insured has collision coverage on at least one auto listed on the Declarations page, all coverage on a newly acquired auto begins on the date the insured becomes the owner. The insured must notify the insurer within 14 days;

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## California Limited Lines Automobile Agent Examination

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- iii. If the insured does not have collision coverage on at least one auto listed on the Declarations page, collision coverage on a newly acquired auto begins on the date the insured becomes the owner, but the insured must request collision coverage within 4 days and a \$500 deductible applies; and,
- v. If a newly acquired auto is in addition to any vehicle shown in the Declarations, the insured must notify the insurer within 14 days.
- h. Regarding Transportation Network Companies (TNC)
  - i. Know that standard auto insurance rarely covers the driver while working for a TNC.
  - ii. Know that insurers have products that specifically cover the driver while working for a TNC; and,
  - iii. Be familiar with the coverage AB 2293 requires the TNC to provide the driver.

### III. PERSONAL AUTO INSURANCE

#### A. Personal Auto

##### 2. Liability/Medical Payments/Uninsured Motorists

- a. Be able to identify how the policy limits are applied to Liability, Medical, Uninsured Motorist in a given loss situation.
- b. For a described loss applying to Part A - Liability, be able to determine the effect of:
  - i. supplementary payments;
  - ii. "out of state coverage" (including "financial responsibility" and "no-fault" compliance);
  - iii. split limits vs. single limits coverage;
    - 1) know the difference between the application of the per-accident limit in a split limit policy and a single limit policy;
  - iv. "other insurance"; and,
  - v. limitations and exclusions – applicable to bodily injury and/or property damage claims.
- c. Be able to identify a described loss under Part B - Medical Payments, be able to determine the amount of coverage for each insured.
  - i. coverage/limitations/exclusions/applying to Part B-Medical Payments
- d. For a described loss under Part C – Uninsured Motorist Coverage, be able to determine the amount of coverage for each insured:
  - i. who is defined as an uninsured or under insured motorist;
  - ii. the Underinsured Motorists coverage part of the Uninsured Motorist coverage;
  - iii. Uninsured Motorist Property Damage limit of liability;
  - iv. the effect of a collision deductible waiver; and,
  - v. Uninsured Motorist Bodily Injury coverage and limit of liability.



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- e. Under California law be able to identify:
  - i. the requirement for offering Uninsured Motorists Coverage in policies providing bodily injury liability - and how an insured may reject the coverage, section 11580.2(a)(1) of the CIC; and,
  - ii. Driving History Report (MVR) Issues – Fair Credit Reporting Act.
    - 1) Know that a consumer credit report cannot be used as the basis of a decline to insure or as a premium factor in California.

### III. PERSONAL AUTO INSURANCE

#### A. Personal Auto

#### 3. Physical Damage/Miscellaneous

- a. In a described loss, be able to identify:
  - i. what constitutes physical damage;
  - ii. if the loss is covered and for how much after applying any deductibles;
  - iii. the standard basis of valuation for the automobile;
  - iv. an insurer's options in making a loss settlement with the insured;
  - v. under what circumstances transportation expenses are reimbursed;
  - vi. the coverage for personal effects (none);
  - vii. the relationship between Other Than Collision coverage (OTC) and comprehensive coverage (ISO uses newer "OTC"; many insurers still use "comprehensive");
    - 1) Know that Other Than Collision coverage is a property insurance coverage.
- b. Be able to identify Common Auto Endorsements:
  - i. Miscellaneous Type Vehicle Endorsement;
  - ii. Limited Mexico Coverage Endorsement;
  - iii. Towing and Labor Coverage;
  - iv. Trust Endorsement;
  - v. Joint Ownership;
  - vi. Auto Loan/Lease Endorsement (GAP Coverage);
  - vii. Impact of shared rides on personal auto insurance;
  - viii. Named Non-owner Coverage;
  - ix. Extended Non-owned Liability Coverage - Vehicle Furnished or Available for Regular Use;
  - x. Optional Limits - Transportation Expenses Coverage; and,
  - xi. Customizing Equipment Coverage (PP 08 18).

### III. PERSONAL AUTO INSURANCE

#### A. Personal Auto

#### 4. California Automobile Assigned Risk Plan (CAARP)

- a. Be able to identify the purpose of CAARP.
- b. Be able to identify:

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- i. who is eligible to place business with CAARP;
- ii. the eligibility requirements for applicants;
- iii. how business is placed through CAARP;
- iv. the coverages and limits available and/or required;
- v. when coverage may be bound; and,
- vi. when commercial risks are also eligible for "assigned risk" coverage.
- c. California's Low-Cost Automobile Insurance (CLCA). Be able to identify:
  - i. what is "low-cost automobile insurance";
  - ii. the coverages and limits available;
  - iii. eligibility to purchase low-cost automobile insurance;
  - iv. the cancellation and renewal procedures for low-cost automobile insurance; and,
    - 1) the costs for this insurance.

### III. PERSONAL AUTO INSURANCE

#### A. Personal Auto

##### 5. Recreational Vehicles

- a. Know that for Recreational Vehicles endorsements can be added to a Personal Auto Policy (PAP) to provide coverage.
- b. Be able to differentiate between a private passenger vehicle and a commercial vehicle:
  - i. know that RV's are generally both designed as and used as private passenger vehicles, not commercial vehicles;
  - ii. once a Recreational Vehicle is added to the Personal Auto Policy (PAP), the existing coverage of the PAP is extended to this added vehicle; and,
  - iii. know that under Section 660 (a)(1) of the CIC, a six-wheel RV would be considered a private passenger vehicle.

### III. Personal Lines Insurance

#### A. Personal Auto

##### 6. Motorcycles

- a. Know that motorcycles generally are not covered by a Personal Auto Policy and generally cannot be added as an endorsement.
- b. Be able to explain how to insure vehicles with less than four wheels.
- c. Know that specialty motorcycle policies may have limitations in the areas of medical payments and uninsured motorist.

### III. PERSONAL AUTO INSURANCE

#### B. Umbrellas and Excess Liability Insurance

##### 1. Be able to identify:

- a. the difference between umbrella and excess policies;

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# Prelicensing Education Educational Objectives

## California Limited Lines Automobile Agent Examination

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- b. the benefits of umbrella and excess liability insurance; and
  - c. How uninsured motorist and underinsured motorist coverage is extended under an Umbrella or Excess liability policy.
2. Be able to identify:
- a. underlying policy limits that are commonly required to be maintained by the umbrella insurer;
  - b. what a self-insured retention is and how it is applied to a loss; and,
  - c. Standardized Personal Umbrella policies and their availability.