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# Prelicensing Education Educational Objectives

## California Casualty Broker-Agent Examination

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### Overview

Section 1677 of the California Insurance Code (CIC) requires that the Casualty Broker-Agent examination be of sufficient scope to satisfy the Insurance Commissioner that an applicant has basic knowledge of insurance and insurance laws.

Basic knowledge is what this typical new Casualty Broker-Agent needs to know at the start of one's career.

- (1) The most specific knowledge is required in the following areas:
  - \* General insurance concepts and principles
  - \* Insurance Code and Ethics
  - \* Responsibilities and authority of a Casualty Broker-Agent
  - \* Commercial General Liability
  - \* Commercial Automobile
  - \* Miscellaneous Personal Casualty
  - \* Miscellaneous Casualty
  - \* Personal Automobile
  - \* Professional Liability
  - \* Umbrella and Excess Liability
  - \* Workers' Compensation
  
- (2) To a lesser degree knowledge is required of:
  - \* A general understanding of all other lines of insurance
  
- (3) In addition, as defined by the National Association of Insurance Commissioner's Producer Licensing Model Act, a Casualty Broker-Agent line of authority is defined as insurance coverage against legal liability, including that for death, injury or disability or damage to real or personal property. The list below contains a sample of some of the insurance products that can be transacted with this license.

Automobile Insurance covers the loss exposures presented from the ownership and operation of a personal automobile. Coverage is provided for bodily injury and property damage to others and optionally, coverage for losses to a consumer's automobile and occupants of the automobile. Coverage may be available for motorcycles, recreational vehicles, and pick-up type trucks if used on public roads.

Commercial General Liability coverage insures against financial loss due to acts or omissions of the insured which cause financial or bodily harm to others. Five forms of liability are covered: premises, operations, products, completed operations and contractual liability.

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Employment Practices Liability Insurance is insurance protection for employers to cover the cost of loss caused by, or due to a liability claim from an employee for such offenses as discrimination, sexual harassment, wrongful termination or other employment related claims.

Personal Liability Coverage protects the insured against claims alleging that a property owner's negligence or inappropriate action resulted in property damage or bodily injury to another.

Professional Liability Insurance is liability insurance that covers liability as a result of performing a profession such as doctors, engineers, lawyers, insurance agents and accountants. It can also include coverage for "wrongful acts" for other types of business such as beauty and barber shops to hi-tech companies. It can include policies for Errors & Omissions Insurance or for the medical field Malpractice Insurance.

Umbrella or Excess Liability Policy is written to provide excess limits over existing liability provisions that a customer may have such as automobile, homeowners, liability, and watercraft policies. May provide additional coverages not provided by the underlying policies. This is available in both personal and commercial policies.

Watercraft insurance covers the loss exposures from the ownership of a watercraft including the vessel, its contents, and the liability of the owner. Can be modified to cover the use of the watercraft and where it travels.

Workers' Compensation Insurance that covers medical and rehabilitation costs, lost wages, and death benefits for employees injured at work; required by law in all states.

Section 1749.1 (b) of the California Insurance Code states, in part, that no pre-licensing or continuing education course shall include sales training, motivational training, self-improvement training, or training offered by insurers or agents regarding new products or programs. The license examination shall also exclude those items.

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### Educational Objectives

The educational objectives are derived from the curriculum outline contained in Section 2187.3 of Title 10, Chapter 5, Subchapter 1, Article 6.5, 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 Casualty Broker-Agent license examination contains 75 multiple-choice questions. The examinees, without any aids (e.g. reference materials, electronic aids), are allowed one hour and thirty minutes to answer the 75 question multiple-choice examination.

Passing the examination is the completion of an important first step in a career in insurance and a continuing program of insurance education and experience for this applicant.

All questions are based on "standard" policies; current editions of Insurance Services Office (ISO) policies will be used as the standard where available.

In addition, for examination purposes, the Comprehensive Personal Liability supplement to the Dwelling Program will be considered to be identical to the Homeowners Section II.

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

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San Francisco:

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

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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### Table of Contents

- I. General Insurance (31 percent of exam questions - includes "II. Casualty Insurance")
  - A. Basic Insurance Concepts and Principles
  - B. Contract Law
  - C. The Insurance Marketplace
  
- II. Casualty Insurance
  - A. Legal Concept - Tort Law
  - B. Casualty
  
- III. Personal Lines Insurance (31 percent of exam questions)
  - A. Insurance on Residence
  - B. Inland Marine
  - C. Personal Auto
  - D. Umbrella and Excess Liability Insurance
  
- IV. Commercial Insurance Coverages (38 percent of exam questions)
  - A. Insurance Services Office, Inc. (ISO) Commercial Lines Insurance Programs
  - B. Casualty Insurance
  - C. Surety Bonds and General Bond Concepts

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# Prelicensing Education

## Educational Objectives

### California Casualty Broker-Agent Examination

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- I. General Insurance (31 percent of questions - includes "II. Casualty Insurance")
  - A. Basic Insurance Concepts and Principles. Be able to identify or differentiate:
    - 1. examples of insurance (as defined in Section 22 of the CIC).
    - 2. the definition of risk.
    - 3. between a pure risk and a speculative risk.
    - 4. the definition of peril.
    - 5. the definition of hazard.
    - 6. between moral, morale, physical and legal hazards.
    - 7. the definition of the law of large numbers.
    - 8. a definition or the correct usage of the terms loss and loss exposure (e.g. property loss, liability loss exposure).
    - 9. Identify risk management techniques.
    - 10. the requisites of an ideally insurable risk.
    - 11. the definition of insurable events, Section 250 of the CIC.
    - 12. and apply the definitions of insurable interest and indemnity, and be able to recognize the applicability of these terms to a given situation.
    - 13. why private insurers underwrite the insurance applications they receive.
    - 14. the meaning of adverse selection and spread of risk.
    - 15. the benefits and the costs of insurance to society (e.g. loss control, loss payments, securing credit, etc.).
    - 16. a correct explanation of the role of deductibles in insurance.
    - 17. a definition of reinsurance, Section 620 of the CIC, and, the purposes of insurers obtaining reinsurance.
    - 18. 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.
  - B. Contract Law. Be able to identify
    - 1. and compare contract law and tort law.
    - 2. the four major elements of a contract (agreement, competent parties, legal purpose, and consideration).
    - 3. the meaning and effect of the following special characteristics of an insurance contract:
      - a. contract of adhesion;
      - b. conditional contract;
      - c. aleatory;
      - d. unilateral;
      - e. personal;
      - f. utmost good faith; and,
      - g. indemnity.

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4. the term “insurance policy”, Section 22 and 380 of the CIC.
5. the meaning and effect of each of the following on an insurance contract:
  - a. fraud, Sections 338 and 1871.2 of the CIC;
  - b. concealment, Sections 330 through 339 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);
    - ii. materiality, Section 334 of the CIC;
  - c. representations, Sections 350 through 361 of the CIC;
    - i. 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. warranty (expressed/implied), Sections 440 through 445 and 447 of the CIC;
  - e. misrepresentation, Sections 780 through 784 of the CIC; and;
  - f. waiver and estoppel.
6. the six elements which must be specified in all insurance policies, Section 381 of the CIC.
7. the meaning of the term rescission, and when an insurer has the right of rescission, Sections 331, 338, 359, and 447 of the CIC.
8. the following terms in the context of insurance:
  - a. application, policy, endorsement;
  - b. cancellation, lapse, grace period; and,
  - c. rate, premium, earned and unearned premium.

### I. General Insurance

#### C. The Insurance Marketplace

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

### I. General Insurance

#### C. The Insurance Marketplace

2. Producers. Be able to:
  - a. understand the general rules of agency as they apply to an agent, broker, and insurance company;
    - i. the responsibilities and duties of each;
    - 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:
    - i. identify a producer’s responsibilities; and,
    - ii. understand the insurers’ requirements.

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- c. define the following:
  - i. life-only agent (Section 1626.(a)(1) of the CIC);
  - ii. accident and health agent (Section 1626(a)(2) of the CIC); and,
  - iii. life and disability insurance analyst (Sections 32.5, 1831-1849 of the CIC).
- d. 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. 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. Regarding Written Consent in Regards to Interstate Commerce (Prohibited Persons in Insurance), be able to identify:
  - i. what conduct is prohibited by Title 18 United States Code Section 1033; and,
  - ii. what civil and criminal penalties apply, Title 18 United States Code Sections 1033 and 1034.
- g. Regarding the differences between the terms “agent” and “broker” with respect to their relationship with insurers and with their insureds, be able to identify that:
  - 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 (Section 31 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 (Section 33 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 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).

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- 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. Identify acts prohibited (unless a surplus line broker) with regard to non-admitted insurers (Section 703 of the CIC).
- k. Be able to identify the prohibitions of free insurance (Section 777.1 of the CIC).
- l. 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. Identify the records an insurer and agents must maintain (Sections 10508 through 10508.5 of the CIC).
- n. 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. 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. 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. 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. Identify the continuing education (CE) requirements for:
  - i. an individual licensed as a Property Broker-Agent and/or Casualty Broker-Agent;
  - ii. an individual licensed as both a life licensee and as a Property and/or Casualty Broker-Agent; and,
  - iii. Know that all licensees must complete a 3-hour course in ethics as part of the required hours of CE prior to each license renewal.

- I. General Insurance
  - C. The Insurance Marketplace
    - 3. Insurers. Be able to identify or differentiate

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- a. 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) A 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; and,
    - iv. Be able to identify the penalty for unlawfully acting as an insurer without a certificate of authority, Section 703 of the CIC.
  - b. the functions of the following major operating divisions of insurers: Marketing /Sales, Underwriting, Claims, Actuarial.
  - c. 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).
  - d. between Mutual and Stock insurers (Section 11535.1 of the CIC).
  - e. Reciprocal insurers and Risk Retention groups;
    - i. Know 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. Be able to identify:
- a. the purpose of insurance regulation and the significance of the McCarran–Ferguson Act, P.L. 15 (1945).
  - b. the California Insurance Code (CIC) and how it may be changed;
    - i. market conduct regulations as the state laws that regulate insurer practices regarding underwriting, sales, ratemaking, and claims handling.
  - c. the California Code of Regulations (CCR, Title 10, Chapter 5) and how it may be changed.
  - d. how the insurance commissioner is selected and the responsibilities of the position, Sections 12900 and 12921 of the CIC.
  - e. the correct application of the Unfair Practices article, including its prohibitions and penalties, Sections 790 through 790.10 of the CIC.

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- f. the privacy protection provisions of:
  - i. The California Financial Information Privacy Act (Senate Bill 1, Chapter 241, Statutes of 2004);
  - ii. Insurance Information and Privacy Protection Act regarding practices, prohibitions and penalties, Sections 791 through 791.26 of the CIC;
  - iii. California Financial Information Privacy Act, (“Cal-GLBA”) Section 4050 California Financial Code; and,
  - iv. Health Insurance Portability and Accountability Act (HIPAA).
- g. the scope and correct application of the conservation proceedings described in the Code (Sections 1011, 1013, and 1016 of the CIC).
- h. the definition of an insolvent insurer, Section 985 of the CIC;
  - i. Know the definition of Paid-in Capital, Sections 36 and 985 of the CIC; and,
  - ii. 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.
- i. 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;
- j. common circumstances that suggest the possibility of fraud and the efforts made to combat fraud, Sections 1872, 1874.6, 1875.8, 1875.14, 1875.20, and 1877.3 (b) (1) of the CIC;
  - i. Know that a person who signs a false or fraudulent claim form may be found guilty of perjury;
- k. 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.
- l. discriminatory practices prohibited by the California Insurance Code, Sections 679.70 through 679.73.
- m. the requirements for rates to be approved or remain in effect, Section 1861.05 (a) of the CIC.
- n. the types of rating laws (prior approval, file & use, use & file, open competition).
- o. that the “prior approval” method is used by the state of California to regulate rates for most property and casualty insurance written in California, Section 1861.05 (c) of the CIC.
- p. as used by the Code, the definition of:
  - i. “shall” and “may,” Section 16 of the CIC; and,
  - ii. “person,” Section 19 of the CIC.
- q. the requirements for notice by mail, Section 38 of the CIC.
- r. Regarding the Fair Claims Settlement Practices Regulations, be able to identify.

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- i. the 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; and,
  - 3) Proof of Claim, Section 2695.2 (s) of the CCR.
- ii. File and Record Documentation, Section 2695.3 of the CCR;
- iii. Duties Upon Receipt of Communications, Section 2695.5 of the CCR; and,
- iv. 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 brokers interact with agents;
  - v. the absence of binding authority when placing business through excess and surplus lines brokers, 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/0250-insurers/0300-insurers/0200-bulletins/eligible-surplus-line/index.cfm>

### II. Casualty Insurance

#### A. Legal Concept: Tort Law. Be able to identify:

- 1. the types of wrongs that are dealt with by tort law including:
  - a. intentional torts,
  - b. negligence,
  - c. strict liability; and,
  - d. vicarious liability.
- 2. the four essential elements of negligence (duty / breach / injury / unbroken chain);
  - a. whether all four elements are present in a described situation;
  - b. the principle of "proximate cause"; and,
  - c. legal defenses against "negligence."

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3. the reasons for the doctrine of strict liability and recognize situations in which it would apply; and:
  - a. examples of intentional torts (e.g. libel, slander, false arrest);
  - b. definitions of gross negligence and vicarious liability;
  - c. types of damages: punitive and compensatory, which includes special and general damages; and,
  - d. the difference between comparative and contributory negligence doctrines.
4. Be able to compute a loss payment applying the doctrines of:
  - a. comparative negligence.

## II. Casualty Insurance

### B. Casualty

1. Basics. Be able to identify
  - a. the major services provided by the following organizations:
    - i. Insurance Services Office (ISO);
    - ii. ACORD (Association for Cooperative Operations Research and Development);
    - iii. California Workers' Compensation Inspection Rating Bureau, Section 11750.3 of the CIC; and,
    - iv. Understand that there are other rating organizations out of state (e.g. National Council on Compensation Insurance, Inc. (NCCI)).
  - b. the principal risk management methods used to identify loss exposures, and the advantages and disadvantages of each method.
  - c. the terms of expense, loss, and combined ratios.
  - d. the terms and differentiate between:
    - i. cancellation / non-renewal / lapse;
    - ii. unearned / earned premium and be able to identify their correct computation; and,
    - iii. short rate / flat rate / pro-rata cancellation.
  - e. the differences between the terms "judgment rating," "merit rating," and "manual rating."
  - f. and apply the meaning of claims terms (e.g. first party, third party, subrogation).
  - g. Be able to define the term "loss reserve."
  - h. Know that ownership of most property and liability policies cannot be assigned without prior approval of the insurance company.
  - i. Be able to differentiate between property and casualty/liability insurance coverages.

## II. Casualty Insurance

### B. Casualty

2. Policies. Be able to identify:

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- a. a description of:
  - i. the major components of insurance policies (e.g. declarations, insuring agreements, definitions, conditions, exclusions, endorsements, etc.);
  - ii. common policy provisions and coverages;
- b. the provisions or exclusions related to microbial matter.
- c. 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.

### III. Personal Lines Insurance (31 percent of exam questions)

#### A. Insurance on a Residence

- 1. Liability Coverage - Comprehensive Personal Liability/ Residence Liability. Be able to identify:
  - a. the two major coverages provided in residential insurance policies.
  - b. common liability loss exposures covered or excluded.
  - c. For a described loss, who would be covered under "Medical Payments to Others."
  - d. the vehicles commonly insured/not insured by the basic policy.
  - e. properties included in:
    - i. Insured Locations; and,
    - ii. Residence Premises.
  - f. losses covered under the homeowners' watercraft endorsement.

### III. Personal Lines Insurance

#### A. Insurance on Residence

- 2. Liability Endorsements. Be able to identify:
  - a. the effect of attaching the Endorsement to a Homeowners Policy.
  - b. the major effects of the following:
    - i. Workers' Compensation - Residence Employees (CA) endorsement ;
    - ii. Additional Residence Rented to Others; and,
    - iii. Home business coverage endorsements as compared to commercial policies.

### III. Personal Lines Insurance

#### B. Inland Marine

- 1. Personal Watercraft - Personal Insurance. Be able to identify:
  - a. why a boat owner, insured under a Homeowners Policy, might still need Boat owners type coverages.
  - b. the typical coverages provided.
    - i. liability operations liability, passenger liability and flotilla liability;
    - ii. medical payments; and,
    - iii. physical damage coverage.

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- c. the coverage normally afforded by the yacht policy (Hull, boat trailers, Protection and Indemnity (P&I)).

### III. Personal Lines Insurance

#### C. Personal Auto

- 1. General Concepts. Be able to identify:
  - a. the Financial Responsibility Law and minimum individual or insurance policy requirements, Section 16020, 16021, 16025, 16056, and 16451 of the California Vehicle Code (CVC), and notice requirements pursuant to Section 11580.1(b)(1) of the CIC and Section 16054 of the CVC.
  - 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. Be able to understand the provisions of the California Amendatory Endorsements and be able identify:
    - i. the permitted reasons for an insurer to cancel or non-renew an automobile policy, Section 1861.03(c)(1) and Section 661 of the CIC; and,

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- 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; and,
  - 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.
- 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 Lines Insurance

#### C. Personal Auto

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

- 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 under 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 covered 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.

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- d. For a described loss under Part C – Uninsured Motorists, be able to determine the amount of coverage for each insured:
  - i. who is an uninsured or underinsured 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;
- 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 Lines Insurance

#### C. 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"); and,
    - 1) Know that Other Than Collision coverage is a property insurance coverage.
  - viii. insured's duties after a loss.
- 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  
Named Non-owner Coverage;
  - viii. Extended Non-owned Liability Coverage – Vehicle Furnished or

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Available for Regular Use;

- ix. Optional Limits - Transportation Expenses Coverage; and,
- x. Customizing Equipment Coverage (PP 08 18).

### III. Personal Lines Insurance

#### C. Personal Auto

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

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

#### C. 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

#### C. Personal Auto

##### 6. Motorcycles

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- 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 Lines Insurance

#### D. Umbrellas and Excess Liability Insurance

1. Be able to identify:
  - a. the difference between umbrella and excess liability insurance;
  - 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 Umbrella policies and their availability.

### IV. Commercial Insurance Coverages (38 percent of exam questions)

#### A. Insurance Services Office, Inc. (ISO) Commercial Lines Insurance Programs. Be able to identify:

1. a description of the modular concept as used in the Commercial Package Program; and the common modules;
2. the following Common Policy Conditions and their application: Cancellation, Changes / Examination of Your Books and Records / Inspections and Surveys / Premiums / Transfer of Rights and Duties / First Named Insured;
3. For package policies:
  - a. the minimum requirements for a package policy (modules & coverages);
  - b. the advantages to insureds; and,
  - c. how coverages may be written on a monoline basis.

### IV. Commercial Insurance Coverages

#### B. Casualty Insurance

1. CGL Coverage Forms - Occurrence and Claims-Made. Be able to identify:
  - a. the difference in the coverage triggers between an occurrence policy and a claims-made policy;
  - b. why certain policies are written on a claims made basis;
    - i. the definitions of the following terms:
      - 1) Retroactive Date;
      - 2) Prior acts coverage (retro date not specified);
      - 3) Tail coverage (mini, midi, and maxi [SERP]); and,

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## Educational Objectives

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- 4) Know that the Basic Extended Reporting Period begins when the policy period ends and is activated when the policy is cancelled or non-renewed.

#### IV. Commercial Insurance Coverages

##### B. Casualty Insurance

##### 2. Commercial General Liability (CGL).

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

- i. the term "general liability";
- ii. general types of loss exposures insured or left for other policies to insure;
- iii. the kinds of limits that are listed in the Declarations and the Limits of Insurance Section and how they apply;
- iv. CGL Coverage Form (Occurrence)

- 1) Based on the Commercial General Liability Coverage Form, be able to identify and apply:

- i) the insuring agreement for coverage A, B, C.
- ii) the definitions of:
  - a) occurrence;
  - b) products-completed operations;
  - c) insured contract;
  - d) coverage territory;
  - e) personal and advertising injury;
  - f) bodily injury;
  - g) property damage;
  - h) automobile and mobile equipment;
  - i) employee;
  - j) leased employee; and,
  - k) temporary employee.

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

- i) Liquor Liability;
- ii) Workers' Compensation;
- iii) Pollution;
- iv) Automobile, aircraft, watercraft;
- v) Care, Custody and Control - Property Damage;
- vi) Recall Exclusion;
- vii) Expected and Intended;
- viii) Employment practices liability;
- ix) Terrorism Exclusions; and,
- x) Microbial Matter Exclusions.

#### IV. Commercial Insurance Coverages

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## Educational Objectives

### California Casualty Broker-Agent Examination

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#### B. Casualty Insurance

3. Professional Liability and Errors & Omissions. Be able to identify
  - a. that certain professional liability losses aren't covered under CGL policies:
    - i. because of applicable exclusions;
    - ii. because the loss does not involve:
      - 1) a bodily injury;
      - 2) property damage;
      - 3) personal injury; or,
      - 4) advertising injury.
  - b. the occupations commonly insured under professional liability policies.
  - c. what is covered by Professional Liability Policies that are not covered by a CGL policy.
  - d. the triggers of coverage common to professional liability.
    - i. Claims made;
    - ii. Claims made and reported; and,
    - iii. Occurrence (exceedingly rare).
  - e. the defense provision in a Professional Liability policy and how it differs from the defense provision in a CGL policy:
    - i. Employers' exposure to loss;
    - ii. Common perils insured;
    - iii. Who is an insured;
    - iv. What losses are excluded;
    - v. Employment practices liability; and,
    - vi. Fiduciary Liability.

#### IV. Commercial Insurance Coverages

##### B. Casualty Insurance

4. Management (Directors and Officers) Liability
  - a. Directors and Officers Liability. Be able to identify and understand:
    - i. various loss exposures for profit and non-profit organizations;
    - ii. the three common insuring agreements;
    - iii. who is an insured; and,
    - iv. the exclusions within a policy.
  - b. Employment Practices Liability. Know:
    - i. who is not covered; and,
    - ii. what losses are excluded.
  - c. Management Liability is also available as a suite of coverages and designed for exposures not covered by CGL including D&O, EPLI, E&O, Fiduciary, Kidnapping & Ransom, and Cyber Liability.

#### IV. Commercial Insurance Coverages

##### B. Casualty Insurance

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# Prelicensing Education Educational Objectives

## California Casualty Broker-Agent Examination

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5. Employment Practices, be able to identify:
  - a. the definition of claims that include written demand for monetary or non-monetary relief.
  - b. administrative or regulatory investigations (including Equal Employment Opportunity Commission charges).
  - c. damages that include pre- and post-judgment interest, punitive, exemplary, liquidated and multiplied damages up to the limit of liability, where insurable; most favorable jurisdiction language applies.
  - d. the broad definition of wrongful act(s) includes but is not limited to discrimination, harassment, wrongful demotion, failure to hire or promote, hostile or offensive work environment that interferes with work performance, termination and retaliation.
  - e. that bodily injury exclusion includes carve-out for emotional distress mental anguish, defamation, invasion of privacy or humiliation.
  - f. Be able to understand that there is no exclusion for fraudulent or intentional acts.

#### IV. Commercial Insurance Coverages

##### B. Casualty Insurance

##### 6. Commercial Auto

- a. Business Auto Coverage - Business Auto Policy (BAP). Be able to identify:
  - i. why the following coverages might be needed by an insured:
    - 1) owned autos;
    - 2) hired autos;
    - 3) non-owned autos; and,
    - 4) uninsured and under-insured motorists.
  - ii. each of the following symbols used to specify covered autos on the BAP declaration pages: 1, 2, 3, 4, 7, 8, 9 and, 19.
  - iii. the "who is insured" provision of the policy.
  - iv. the effect of the following exclusions and alternative methods of providing insurance coverage:
    - 1) Workers' Compensation;
    - 2) "Products" and "Completed Operations";
    - 3) Pollution;
    - 4) Care, Custody and Control - Property Damage; and,
    - 5) Fellow employee.
  - v. the principal physical damage coverages.
  - vi. the effect of the following endorsements:
    - 1) Individual Named Insured endorsement;
    - 2) Drive Other Car Coverage-Broadened Coverage for Named Individuals;
    - 3) Garage Auto Coverage

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- i) Garage Liability covers Garage Operations; be able to identify:
    - a) the definition of Garage Operations;
    - b) the four major coverages provided by Garage Liability;
    - c) reasons for insuring with Garage Liability rather than using General Liability plus Commercial Auto coverage.
  - ii) Be able to distinguish between losses covered by Garagekeepers Legal Liability and Garagekeepers Direct Coverage (primary or excess).
- 4) Regarding Truckers Coverage:
- i) the definition of "trucker" and the general scope of the Motor Carrier Act of 1980; and,
  - ii) why a separate automobile program was developed for motor carriers.

#### IV. Commercial Insurance Coverages

##### B. Casualty Insurance

7. Umbrella and Excess Liability. Be able to identify:
- a. the major functions and differences of these policies;
  - b. most carriers have developed their own form with unique coverage;
  - c. commonly required underlying policies and limits of liability; and,
  - d. what a self-insured retention is and how it is applied to a loss.

#### IV. Commercial Insurance Coverages

##### B. Casualty Insurance

8. Workers' Compensation. Be able to identify:
- a. the effect on the legal relationship between employer, employee and independent contractor that was intended when worker's compensation laws were written.
  - b. situations where law requires worker's compensation coverage and the methods used to provide the coverage.
  - c. Exclusive remedy.
  - d. the California State Compensation Insurance Fund (SCIF) and Section 11770 et seq. of the California Insurance Code.
    - i. Know who may place business with it, Section 11784 of the CIC; and,
    - ii. Know why a producer would place business with SCIF.
  - e. the different types of benefits provided:
    - i. Medical-replacement income-weekly benefit;
    - ii. Disability;
    - iii. Death; including survivor benefits; and,
    - iv. Supplemental job benefits.
  - f. that covered medical expenses do not have time or dollar limits:

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- i. identify the limits for physical therapy; and,
  - ii. identify the limits for chiropractic services.
- g. what Employers Liability coverage is and why it is necessary in addition to workers' compensation, Section 11750.1 (f) of the CIC.
- h. the definition and application of the Other States' Insurance Section of the policy, Section 11780.5 of the CIC.
- i. the voluntary compensation endorsement.
- j. the term "Twenty-Four Hour coverage," Section 1749.02 of the CIC.
- k. the California Workers' Compensation rating system and the purpose of the experience modification system.
- l. that a Workers' Compensation policy does not cover any employees subject to federal workers' compensation or employer's liability laws.
- m. Federal Workers' Compensation Programs
  - i. Defense Base Act;
  - ii. Longshore and Harbor Workers' Compensation Act; and,
  - iii. Jones Act.

#### IV. Commercial Insurance Coverages

##### C. Surety Bonds and General Bond Concepts. Be able to differentiate between:

1. the three parties involved in a surety bond;
2. surety bonds and insurance policies with regard to loss payments; and,
3. contracts, financial guarantees and faithful performance bonds.