# Overview

The authorizing act for a Public Insurance Adjuster is in California Insurance Code (Cal. Ins. Code) sections 15000 through 15062. Specifically, Cal. Ins. Code section 15007 states, in part, a “public insurance adjuster” is a person who, for compensation, acts on behalf of or aids in any manner, an insured in negotiating for or effecting the settlement of a claim or claims for loss or damage under any policy of insurance covering real or personal property or any person who advertises, solicits business, or holds himself or herself out to the public as an adjuster of those claims and any person who, for compensation, investigates, settles, adjusts, advises, or assists an insured with reference to claims for those losses on behalf of any public insurance adjuster.

Cal. Ins. Code section 15013 and Title 10, California Code of Regulations (10 Cal. Code Regs.) sections 2691.6 and 2691.7 state, in part, each applicant for a license as a public insurance adjuster shall, prior to issuance of the license, personally take and pass, to the satisfaction of the Commissioner, an examination given by the department. The examination shall be prescribed by the Commissioner and shall be of sufficient scope to reasonably test the applicant’s knowledge, among other things, of basic insurance theory, essential elements of contracts, technical competence in the handling of the various lines for which the applicant is being tested, claims ethics and knowledge of the Unfair Practices Act, and the duties and responsibilities of public insurance adjusters under the law.

**Educational Objectives**

These educational objectives are derived from topics relative to the public insurance adjuster license and include the following:

* Knowledge in the following areas of insurance coverages:
  + - Personal Automobile
    - Homeowners’ Insurance
    - Dwelling Coverage
    - Commercial Policies
    - Business Owners Policy (BOP)
    - Workers’ Compensation
    - Ocean Marine
    - Surety and Fidelity
    - Pet Insurance
    - Other Coverages and Options
* General knowledge in the following areas:
  + - Public Insurance Adjusters Act
    - Adjusting Losses
    - Fair Claims Settlement Practices

**The Examination**

The California Department of Insurance’s (CDI) Public Insurance Adjuster license examination contains 100 multiple-choice questions. Applicants without any aids (e.g., reference materials, electronic aids) are allowed two hours and thirty minutes to complete the examination. California Insurance Code (Cal Ins. Code section 15013 and California Code of Regulations (Cal. Code of Regs.), Title 10, Sections 2691.6 and 2691.7.

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 the applicant.

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

CDI examinations are administered at the CDI test center in Los Angeles, at one of the CDI license examination vendor, PSI Services LLC (PSI), test centers located throughout California, or a PSI remote online proctored license examination.

CDI site examinations begin at 8:30 a.m. (8:00 a.m. check-in) and 1:00 p.m. (12:30 p.m. check-in), Monday through Friday, except on state holidays:

|  |
| --- |
| **CDI Los Angeles Examination Site:**  Ronald Reagan Building  300 South Spring Street  North Tower, Suite 1000  Los Angeles, California 90013 |

PSI’s test centers are located at the following locations**:**

Agoura Hills

Atascadero

Bakersfield

Carson

Diamond Bar

Fresno

Irvine

Lawndale

Redding

Riverside

Sacramento

San Diego

San Francisco

Santa Clara

Santa Fe Springs

Santa Rosa

Union City

Ventura

Visalia

Walnut Creek

Remote online proctored license examinations are administered on dates and times selected by the license applicant.

Candidate Information Bulletin

The Candidate Information Bulletin provides detailed information on how to prepare for the license examination, prelicensing education requirements, examination site procedures, and addresses for CDI’s Los Angeles and PSI’s test centers. Please review the following link:

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

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

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

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1. **Insurance Regulation and California Insurance Code** (16 percent of the examination)

**A. Public Insurance Adjuster Act**

1. General Provisions: Cal. Ins. Code sections 15000 through 15002

* 1. Have knowledge of the terms stated in Cal. Ins. Code section 15001
  2. Understand that nothing in Cal. Ins. Code section 15000 through 15062 can be construed as entitling any person to practice law in this state, unless they are an active member of the State Bar of California

2. Administration: Cal. Ins. Code sections 15003 through 15005

1. Be familiar with the Commissioner’s authority in the:
   * 1. Succession to powers and duties
     2. Construction of reference to prior licensing
     3. Administration and enforcement by the Commissioner

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1. Delegation of powers and duties
2. Adoption and Enforcement of Reasonable Rules

3. Regulation, Licensing, and Registration: Cal. Ins. Code sections 15006 through 15026 and Cal. Ins. Code section 15028 and Cal. Ins. Code 15028.5 and 10 Cal. Code Regs. sections 2691 through 2691.24.

1. Have knowledge of the requirements of licensure
   * + - 1. Prerequisites for licensing
     1. Application form and fees
     2. Maintenance of license
     3. Denial of license
     4. Records

4. Bonds: Cal. Ins. Code sections 15033 through 15037

1. Be able to identify the amount, form, execution, and sufficiency of sureties
2. Be able to identify actions for damages
3. Have knowledge of maintenance of bonds and reasons for denial of an application
4. Be familiar with the duration of bonds

5. Disciplinary Proceedings: Cal. Ins. Code sections 15028, 15028.6, 15028.7 and 15038 through 15043 and 10 Cal. Code Regs., section 2691.3.

1. Be able to recognize misrepresentation: solictation involving conflict of interest
2. Have knowledge of the consequences of mishandling of fudiciary funds
3. Be able to recognize actions that would result in suspension or revocation of a license

6. Nonresidents: Cal. Ins. Code sections 15044 through 15052

1. Have knowledge of disciplinary proceedings for nonresidents
2. Be familiar with proof of compliance requirements for nonresidents

7. Penal Provisions: Cal. Ins. Code section 15053

1. Be able to recognize that anyone who falsifies the fingerprints or photographs submitted under subdivision (f) of Cal. Ins. Code section 15010 is guilty of a felony
2. Be able to recognize that any violations to all other provisions is a misdemeanor

8. Expiration and Renewal of Licenses and Cards: Cal. Ins. Code sections 15054 through 15062 and 10 Cal. Code Regs. section 2691.21.

1. Have knowledge of:

i. License Renewal

* + - 1. Be able to recognize that every license, branch office certificate, and pocket card issued pursuant to the Insurance Adjuster Act shall expire on the day two years after the last calendar day of the month in which the initial license was issued
      2. Late license renewal
    1. Continuing education (CE) requirements

1. **Insurance Regulation and California Insurance Code** (16 percent of the examination)

**B. Special Investigative Unit (SIU)**

1. Definitions: 10 Cal. Code Regs., section 2698.30

* 1. Have knowledge of the definitions listed in 10 Cal. Code Regs., section 2698.30

2. Insurer Responsibility and SIU Staffing: 10 Cal. Code Regs., sections 2698.31 through 2698.32

1. Understand that the insurer shall comply with applicable sections of the Insurance Fraud Prevention Act (IFPA) and the regulations regarding the establishment, operation and continuous existence of an SIU
2. Understand what determines the adequacy of the insurer’s SIU staffing and the knowledge and/or experience requirements for the SIU staff

3. SIU Contracted Responsibilities: 10 Cal. Code Regs. section 2698.33

1. Be familiar with the insurer’s obligations under the SIU regulations

4. Communication with CDI’s Fraud Division and Authorized Governmental Agencies: 10 Cal. Code Regs. section 2698.34

a. Understand that the insurer and any entity performing the SIU function(s) shall comply with specific sections of the IFPA regarding communication with the Fraud Division and authorized govermental agencies

b. Be able to identify what information shall be released, upon written request, to the Fraud Division and authorized governmental agencies

5. Detecting and Investigating Suspected Insurance Fraud: 10 Cal. Code Regs. section 2698.35 through 2698.37

1. Understand that the SIU will be responsible for establishing, maintaining, and distributing procedures to be used by the integral anti-fraud personnel;
2. Be familiar with what an investigation of possible suspected insurance fraud shall include
3. Be familiar with referrals of suspected insurance fraud and what content is required in the referrals

6. Anti-Fraud Training: 10 Cal. Code Regs. section 2698.39

1. Be familiar with the establishment, maintenance, and frequency of an anti-fraud training program

7. SIU Annual Report and Examinations: 10 Cal. Code Regs. sections 2698.40 through 2698.41

1. Have knowledge of SIU Annual Report requirements
2. Understand that the Commissioner may conduct examinations of an insurer’s SIU and related operations, including operations undertaken by entities under contract with the insurer, as deemed necessary to determine compliance
3. **Insurance Regulation and California Insurance Code** (16 percent of the examination)
4. **Unfair Claims Settlement Practices** 
   * + 1. Be familiar with Code Cal. Ins. Code section 790.03 (h)
5. **Insurance Regulation and California Insurance Code** (16 percent of the examination)
6. **Fair Claims Settlement Practices Regulations**

1. File and Record Documentation, 10 Cal. Code Regs. section 2695.3

a. Be able to identify what files are subject to examination by the Commissioner or by his or her duly appointed designees

b. Be able to identify the steps required to assist in such examinations

2. Representation of Policy Provisions and Benefits, 10 Cal. Code Regs. section 2695.4

a. Understand that full disclosure is required by insurers to claimants of all of the benefits, coverage, time limits and other policy provisions which may apply to a first party claim

3. Duties upon Receipt of Communications, 10 Cal. Code Regs. section 2695.5

a. Be able to identify the duties and obligations of an insurer upon receipt of a claim

4. Training and Certification 10 Cal. Code Regs. section 2695.6

a. understand that an insurer must conduct investigations using written standards and processes and must employ thoroughly and adequately trained personnel

5. Standards for Prompt, Fair and Equitable Settlements, 10 Cal. Code Regs. section 2695.7.

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

6. Additional Standards Applicable to Automobile Insurance, 10 Cal. Code Regs. section 2695.8.

a. Understand the standards which apply to adjustment and settlement of automobile insurance claims under 10 Cal. Code Regs. section 2695.8

b. Be familiar with the Auto Body Repair Consumer Bill of Rights, 10 Cal. Code Regs. section 2695.85

7. Additional Standards Applicable to First Party Residential and Commercial Property Insurance Policies, 10 Cal. Code Regs. section 2695.9.

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

8. Additional Standards Applicable to Surety Insurance, 10 Cal. Code Regs. section 2695.10~~.~~

a. Be familiar with the additional standards applicable to Surety Insurance in 10 Cal. Code Regs. section 2695.10

9. Additional Standards Applicable to Life and Disability Insurance Claims, 10 Cal. Code Regs. section 2695.11.

a. Be familiar with the additional standards applicable to Life and Disability Insurance Claims in 10 Cal. Code Regs. section 2951.11

10. Penalties, 10 Cal. Code Regs. section 2695.12.

a. Understand how penalties are assessed and what evidence is used to determine the appropriate amount

1. **Insurance Regulation and California Insurance Code** (16 percent of the examination)
2. **Reporting of Administrative Actions and Criminal Convictions, Cal. Ins. Code section 1729.2**

1. Understand that an applicant or licensee shall notify the commissioner when any of the background information set forth in this section changes after the application has been submitted or the license has been issued. If the licensee is listed as an endorsee on any business entity license, the licensee shall also provide this notice to any officer, director, or partner listed on that business entity license.

1. **Insurance Basics** (10 percent of the examination)

**A. Insurance Principles and Concepts**

1. Be able to identify examples of insurance(as defined in Cal. Ins. Code section 22)

2. Be able to recognize the definition ofrisk

3. Be able to identify a definition of peril

4. Be able to identify a definition of hazard

5. Be able to differentiate betweenmoral,morale,physical and legalhazards

6. Be able to identify a definition or the correct usage of the term’s lossand loss exposure (e.g., property loss exposure, liability loss exposure, human personnel loss exposure)

7. Be able to identify the definition of insurableevents, Cal. Ins. Code section 250

8. Be able to identify and apply the definition of insurableinterest*,* and indemnity, and be able to recognize the applicability of these terms to a given situation

9. Be able to identify the meaning of adverse selection and spread of risk

10. Be able to identify a correct explanation of the role of deductibles in insurance

11. Be able to identify:

a. Definition of reinsurance, Cal. Ins. Code section 620

b. The purposes of insurers obtaining reinsurance

12. Be able to identify that for regulatory purposes:

a. The Insurance Code divides lines of insurance into classes, Cal. Ins. Code section 100

b. defines these classes, Cal. Ins. Code sections 101 through 120

13. Given a situation involving the legal relationship of an insurance agent and either a principal (insurer or agency principal) or an insured/applicant, be able to assess:

a. Legal relationships

b. Responsibilities and duties of each

c. Effect of the types of authority an agent may have (express / implied / apparent)

14. Be able to identify and apply the meaning of claims terms (e.g., first party, third party, subrogation, arbitration, etc.).

15. Be able to identify the major services provided by the following independent rating organizations:

a. Insurance Services Office (ISO) is the advisory organization that develops forms for the standard market

16. Be able to recognize the principal risk management methods used to identify loss exposures, and the advantages and disadvantages of each method.

17. Be able to identify the difference between direct and indirect (consequential*)* property losses.

18. Be able to identify the purpose, duties and authority of an agency for the following:

a. Applications

b. Binders, Cal. Ins. Code section 382.5 and 10 Cal. Code Regs. sections 2274 through 2274.2;

c. Certificates of liability insurance and evidence of property insurance

d. Renewal responsibilities

e. Suspense/diary system

f. Lost policy release

1. **Insurance Basics** (10 percent of the examination)

**B. Contract Basics**

1. Contracts; solicitation and cancellation, Cal. Ins. Code section 15027
   1. Solicitation of Contract after Disaster, Cal. Ins. Code section 15027.1
   2. Agent of Insured after Execution of Contract of Engagement, Cal. Ins. Code section 15027.5
2. Understand company specific policies ISO, American Association of Insurance Services (AAIS)
3. Be able to identify the elements of a legal contract
4. **Insurance Basics** (10 percent of the examination)
5. **Legal Concept: License Requirement, Violations and Penalties Cal. Ins. Code section 15006** (2 questions of the 12 Insurance Basics questions)
   * + 1. Be able to identify the types of wrongs that are dealt with by tort law including:

Intentional torts

Negligence

Absolute liability

Strict liability

1. Be able to recognize and identify:

a. The four essential elements of negligence (duty / breach / injury / unbroken chain)

b. Whether all four elements are present in a described situation

c. The principle of “proximate cause”

d. Legal defenses against “negligence”

3. Be able to identify:

a. The reasons for the absolute and strict liability doctrines and recognize situations in which they would apply

b. Examples of intentional torts (e.g., libel, slander, false arrest)

4. Be able to identify definitions of gross negligence and vicarious liability.

5. Be able to identify types of damages: punitive and compensatory, which includes special and general damages.

1. **Insurance Basics** (10 percent of the examination)

**D. Policy Structure**

1. Understand the various parts of the contract such as:
2. Declarations
3. Insuring Agreement
4. Conditions
5. Exclusions and Limitations
6. Additional Coverages
7. Definitions
8. Endorsements
9. **Homeowners’ Insurance** (25 percent of the examination)
   1. **Overview**

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

1. **Homeowners’ Insurance** (25 percent of the examination)
2. **Coverage Forms**

Be able to identify the following:

1. Homeowners 1 - Basic Form (HO1) - A basic policy form that provides coverage on a home against 11 listed perils; contents are generally included in this type of coverage, but must be explicitly enumerated. The perils include fire or lightning, windstorm or hail, vandalism or malicious mischief, theft, damage from vehicles and aircraft, explosion riot or civil commotion, glass breakage, smoke, volcanic eruption, and personal liability, exceptions include floods, earthquakes. Most states no longer offer this type of coverage.

2. Homeowners 2 - Basic Form (HO2) - A more advanced form that provides coverage on a home against 17 listed perils (including all 11 on the HO1). The coverage is a "named perils" policy, which lists the events that would be covered.

3. Homeowners 3 - Basic Form (HO3) - The typical, most comprehensive form used for single-family homes. The policy provides "all risk" coverage with some perils excluded, such as earthquake and flood. Contents are covered on a named peril basis. Note: "All Risk" is poorly termed as it is essentially named exclusions (i.e., if it is not specifically excluded, it is covered).

4. Homeowners 4 - Basic Form (HO4) - The "Tenants" form is for renters. It covers personal property against the same perils as the contents portion of the HO2 or HO3. An HO4 generally also includes liability coverage for personal injury or property damage inflicted on others.

5. Homeowners 5 - Basic Form (HO5) - Covers the same as HO3 plus more. On this policy the contents are covered on an open peril basis, therefore as long as the cause of loss is not specifically excluded in the policy it will be covered for that cause of loss. (this can also be achieved by endorsing an HO15 to the HO3.)

6. Homeowners 6 - Basic Form (HO6) - The form for condominium owners.

1. **Homeowners’ Insurance** (25 percent of the examination)
2. **Definitions**

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

1. **Homeowners’ Insurance** (25 percent of the examination)

**D. Section I – Property Coverages**

1. Be able to identify for coverages A, B, C and D (dwelling, other structures, and personal property):

a. The kinds of property insured (e.g., materials and supplies used for maintenance that is included under Coverage A)

b. Valuation of real property

c. Valuation of personal property

d. Be able to identify:

i. The requirements and definitions of the California Residential Property Insurance Disclosure statement, Cal. Ins. Code sections 10101 and 10102;

ii. that the form contains only a general description of coverages and is NOT part of the residential policy;

iii. Replacement cost per Cal. Ins. Code section 2051.5 as it pertains to:

a. Personal property and real property, including code upgrade options;

b. The extension of timelines to collect full replacement cost in the event of a “state of emergency”; and

c. Rebuilding at the loss location, rebuilding at a new location, and purchasing an already built home at a new location;

1) The effect of the value of land on rebuilding, Cal. Ins. Code section 2051.5(c)(2)

d The provisions for combining payments for losses up to the policy limits for the primary dwelling and other structures in the event of a state of emergency, Cal. Ins. Code section 10103.7(a);

e. The criteria and the insured’s timeline to sue the insurer including the extension in the event of a state of emergency, Cal. Ins. Code sections 2071 and 6010; and

f. The special policy renewal provisions which may apply following a disaster that results in total loss to a property, Cal. Ins. Code section 675.1.

g. The extensions of ALE offered due to the declaration by a civil authority while a disaster is ongoing, Cal. Ins. Code section 2060 (c)

h. For a total loss of a furnished residence related to a declared state of emergency, an insurer must provide a payment for contents of no less than 30 percent of the policy limit, as specified, without requiring an itemized claim, Cal. Ins. Code section 10103.7(b)

2. Be familiar with the

a. Kinds of property excluded

b. Kinds of property with special (sub) limits - and for which perils (e.g., watercraft has special limits)

c. Perils insured against and/or the perils excluded

d. How coverage applies to a described loss

3. Be able to identify the extent Coverage D (Loss of Use) applies to a described loss.

4. Be able to identify thecoverage available for debris removal and property removal under the HO Policy - Additional Coverages.

5. Be able to identify the effect of the exclusions: Earth Movement and Flood

6. Know that an “efficient proximate cause” can result in coverage for earth movement following a wildfire, Cal. Ins. Code Section 530.5.

7. Be able to identify the insured's duties after a loss (Section I Conditions).

8. Given an example, be able to recognize the applicability of the ordinance or law exclusion and its relationship to California requirements

1. **Homeowners’ Insurance** (25 percent of the examination)

**E. Section II – Liability Coverages**

1. Be able to identify the two major coverages provided in insurance on residence policies.

2. Be able to identify common liability loss exposures covered or excluded.

3. For a described loss, be able to identify who would be covered under medical payments to others.

4. Be able to identify what types of vehicles would be covered under a HO liability coverage.

5. Be able to identify properties included in:

* + - * 1. Insured Locations
        2. Residence Premises

6. Liability Endorsements

a. Be familiar with liability endorsements such as:

1. Residence Rented to Others
   1. Personal Property Endorsement (e.g., items stolen, what is covered)
2. Business Pursuits
3. Personal Injury
4. Domestic Workers’ Compensation
5. **Homeowners’ Insurance (25 percent of the examination)**

**F. General Exclusions**

1. Be able to identify typical exclusions found on the HO policy form.

2. Understand the relationship between excluded perils and named exclusions.

1. **Homeowners’ Insurance** (25 percent of the examination)

**G. Conditions**

1. Be able to identify common Section 1 and 2 Conditions.
2. **Homeowners’ Insurance** (25 percent of the examination)

**H. Endorsements**

1. Be able to identify the purpose of the following endorsements:

1. Replacement Cost
2. Building and Ordinance or Law Coverage
3. Structures Rented to Others (Residence Premises)
4. Scheduled Personal Property Endorsements

**IV. Dwelling Coverage** (8 percent of the examination)

* 1. **Overview**

Dwelling Property is coverage for property damage to a dwelling that is not appropriate or eligible for a homeowner’s policy. This will include at least coverage for fire and lightning but can be enhanced to include additional property coverages such as water damage, smoke, and theft. It differs from a homeowner’s policy in that liability must be added by endorsement.

**IV. Dwelling Coverage** (8 percent of the examination)

**B. Property Coverages**

1. Be able to identify the major differences between the three forms (Basic, Broad and Special) in terms of:

a. Coverages included (DP-1 and DP-2)

b. Perils insured

c. Know that “collapse” is an additional coverage that is provided in a Dwelling Fire – Form 3 (DP 3)

1. **Commercial Policy** (25 percent of the examination)
2. **Overview** Commercial policies offer protection against potential losses through unforeseen circumstances like theft, liability, property damage, and for coverage in the event of an interruption of business.
3. **Commercial Policy** (25 percent of the examination)
4. **Components of a Commercial Policy**

Be able to identify and have knowledge of the following:

1. Common Policy Declarations Page

2. Common Policy Conditions

3. Inter Line Endorsement

4. Coverage Parts

1. **Commercial Policy** (25 percent of the examination)
2. **Commercial Property**

1. General Concepts - Be able to identify and apply definitions from the Commercial Property Conditions

2. Understand Building and Personal Property Coverage Forms.

3. Recognize the principal types of Covered Property and the valuation basis for:

a. Building(dwellings not eligible)

b. Business Personal Propertyincluding improvements and betterments

c. Personal property of others

4. Be able to identify the purpose of a Value Reporting Endorsement and know that the Value Reporting Form may be used to modify the insurance provided by the Building and Personal Property Coverage Forms.

5. Be able to recognize:

a. Additional Coverages

b. Coverage Extensions

c. Warranties

6.Under Loss Conditions ‑ Vacancy*,* be able to recognize:

a. The definition ofvacancy; and understand the definition for the tenancy of the vacancy (e.g., know that a building is considered vacant when there is insufficient business personal property present to conduct customary operations and/or 70 percent of the total square footage is not rented or used to conduct customary operations)

b.What effect this condition has on the coverage

c. The effects of attaching a vacancy permit to a policy

7. Coinsurance:

a. Identify reasons for coinsurance (i.e., advantages / disadvantages to the insured)

b. Apply coinsurance to a described loss

8. Causes of Loss Form(s)

a. Be able to identify the purpose of the Basic, Broad, and Special Causes of Loss Forms and the major differences between the perils insured

b. Be able to recognize situations in which the rights of a mortgage holder or loss payee are protected, even if an insured's claim is denied

c. Know that most of the exclusions are contained in the Causes of Loss Form(s) of the Commercial Property policy

i. In the Causes of Loss coverage part(s), Section B ‑ Exclusions*,* be able to identify the following excluded loss causes:

1) Ordinance or Law

2) Earth movement (e.g., know that the earth movement exclusion applies to landslides, mine subsidence and earth tremors caused by a volcanic eruption)

3) Water (e.g., know the water damage exclusion in the Causes of Loss Special Form applies to sewer backup, tidal waves, and flood)

9. Additional Coverages

a. Be able to identify examples of Additional Coverages such as

i. Debris removal

ii. Trees, Shrubs and Plants

1. **Commercial Policy** (25 percent of the examination)
2. **Commercial General Liability (CGL)**

1. General Concepts

a. Be able to understand who is an insured and who may be an additional insured or mortgagee

b. Be able to identify the term General Liability and general types of loss exposures insured

c. Be able to identify the kinds of limits that are listed in the Declarations and the Limits of Insurance section and how they apply

2. CGL Coverage Forms – Occurrence and Claims Made

a. Be able to identify the difference in the coverage triggers between an occurrence policy and a claims*-*made policy

b. Understand the following terms:

i. Retroactive Date

ii. Prior acts coverage (retro date not specified)

c. CGL Coverage Form (Occurrence)

i. Based on the Form, be able to identify and apply:

1) The insuring agreement for coverage A, B, and C

2) The definitions of:

a) Occurrence

b) Products-completed operations

c) Insured contract

d) Coverage territory

iii. Common Exclusions or Limitations:

2) Terrorism Exclusions (e.g., must be offered, can be rejected)

3) Microbial Matter Exclusions

4) Mold and Fungi, Asbestos

1. **Commercial Policy** (25 percent of the examination)
2. **Commercial Inland Marine**

1. Be able to identify:

a. why an insured might need Inland Marine (IM) coverage

b. Common types of property insured using the Commercial Package Policy IM coverage part (e.g., transit, cargo, or equipment)

2. For filed forms used with the Commercial Lines Program, be able to identify:

a. The common perils that are covered under an “open peril” policy

b. The most common exclusions

1. **Commercial Policy** (25 percent of the examination)
2. **Commercial Crime**

1. Be able to differentiate between "theft," "burglary," “vandalism” and "robbery" as defined in crime insurance contracts.

2. Be able to identify the following crime coverages and recognize why a business would need to purchase them:

a. Employee theft

b. Theft of money and securities, inside the premises

c. Theft of money and securities, outside the premises

3. Be able to differentiate between the discovery form and loss sustained forms.

4. Know that certain people are not covered under the policy including officers, employees, and independent contractors.

1. **Commercial Policy** (25 percent of the examination)
2. **Equipment Breakdown** 
   * + 1. Be able to identify Equipment Breakdown Protection Coverage (aka – Boiler and Machinery and understand the coverage triggers).
3. **Commercial Policy** (25 percent of the examination)
4. **Farm Coverage**

1. Be able to identify that Farm Insurance can be written on a monoline or package policy providing:

a. Both personal and commercial coverages

b. Liability and property coverages

2. With respect to the Multi-Peril Crop Insurance, be able to identify:

a. Why the coverage may be needed

b. The major perils commonly insured

1. **Business Owners Policy (BOP)** (5 percent of the examination)

**A. General Concepts**

1. Be able to identify the:

a. Purpose of this program

b. Mandatory coverages

c. Categories of eligible businesses

1. **Business Owners Policy (BOP)** (5 percent of the examination)

**B. BOP Property Coverages**

1. Be able to differentiate between the coverage provided by the Standard and Special forms

2. Be able to differentiate between the perils covered in the BOP policies and the Commercial Property Policy

3. Be able to identify important additional coverages included in the BOP that would have to be added to the Commercial Property Policy

1. **Ocean Marine Insurance** (3 percent of the examination)
   1. **Characteristics and Purpose**
      1. Provides coverage for the loss or damage of ships, cargo, terminals, and any transport or cargo by which property is transferred, acquired, or held between the points of origin and final destination
2. **Ocean Marine Insurance** (3 percent of the examination)
3. **Differences Between Coverages**
   * 1. Be able to differentiate between cargo, hull, freight, and protection and indemnity coverages
4. **Ocean Marine Insurance** (3 percent of the examination)
5. **Protection and Indemnity Insurance**
   1. Be able to recognize the sources of claims for which protection and indemnity does not apply coverage under the:

a. Merchant Marine Act of 1920 (The Jones Act)

b. United States Longshore and Harbor Workers’ Compensation Act

1. **Surety and Fidelity** (2 percent of the examination)
   1. **Characteristics and Purpose**

1. A surety bond or surety is a promise to pay one party (the obligee) a certain amount if a second party (the obligor) fails to meet some obligation, such as fulfilling the terms of a contract, the surety bond protects the obligee against losses resulting from the obligor’s failure to meet the obligation

2. Fidelity bonds, also known as employee dishonesty coverage, cover theft of an employer's property by its own employees, this is referred to as bonds, and fidelity coverage functions as a traditional insurance policy rather than a surety bond

1. **Surety and Fidelity** (2 percent of the examination)
2. **Surety Bonds and General Bond Concepts**

1. Be able to differentiate between the three parties involved in a surety bond.

a. Obligor

b. Obligee

c. Guarantor

2. Be able to identify differences between surety bonds and insurance policies with regard to loss payments.

3. Be able to identify the differences between contract, financial guarantee and faithful performance bonds.

1. **Other Coverages and Options** (4 percent of the examination)
2. **National Flood Insurance Program** **(NFIP)**

1. Be able to identify the definition of a flood.

2. Be able to identify the principal flood coverages.

3. Recognize that other coverages, such as Business Income and Extra Expense, are not available through NFIP.

**B.** **Earthquake**

1. Be familiar with the types of losses covered under an earthquake policy.

**C.** **California Fair Access to Insurance Requirements (FAIR) Plans**

1. Be familiar with the concept and definition of the FAIR Plan.

**D.** **Difference in Conditions (DIC)/Wrap Policies**

1. Be familiar with the application of DIC/Wrap policies.

**X. Pet Insurance** (2 percent of examination questions)

**A. Definitions**

1. Know the following definitions, Cal. Ins. Code section 12880:

a. Chronic condition

b. Congenital anomaly or disorder

c. Hereditary disorder

d. Pet insurance

e. Preexisting condition

f. Veterinarian

g. Veterinary expenses

h. Waiting or affiliation period

**X. Pet Insurance** (2 percent of examination questions)

**B. Pet Insurance Basics**

1. Know that a policy of pet insurance covers veterinary expenses, which includes the costs associated with medical advice, diagnosis, care, or treatment provided by a veterinarian, including, but not limited to, the cost of drugs prescribed by a veterinarian, Cal. Ins. Code section 12880(g)

**X. Pet Insurance** (2 percent of examination questions)

**C. Disclosures**

1. Know that an insurer transacting pet insurance in California shall disclose all of the following to consumers:

a. Exclusions, Cal. Ins. Code sections 12880.2(1)(A) through (D)

1. A pre-existing condition
2. A hereditary disorder
3. A congenital anomaly or disorder
4. A chronic condition

b. If the policy includes any other exclusion, the following statement: “Other exclusions may apply. Please refer to the exclusions section of the policy for more information,” Cal Ins. Code section 12880.2(a)(2)

c. Any policy provision that limits coverage through a waiting or affiliation period, a deductible, co-insurance, or an annual or lifetime policy limit, Cal. Ins. Code section 12880.2(a)(3)

d. Whether the insurer reduces coverage or increases premiums based on the insured’s claim history, Cal. Ins. Code section 12880.2(a)(4)

e. A summary description of the basis or formula on which the insurer determines claim payments under a pet insurance policy within the policy and through a link on the main page of the insurer’s internet website, Cal. Ins. Code section 12880.2(c)

f. A pet insurer that uses a benefit schedule to determine claim payment under a pet insurance policy shall do both of the following:

i. Clearly disclose the applicable benefit schedule in the policy, Cal. Ins. Code section 12880.2(d)(1)

ii. Disclose all benefit schedules used by the insurer under its pet insurance policies through a link on the main page of the insurer’s internet website, Cal. Ins. Code section 12880.2(d)(2)

g. A pet insurer that determines claim payments under a pet insurance policy based on usual and customary fees, or any other reimbursement limitation based on prevailing veterinary service provider charges, shall do both of the following:

i. Include a usual and customary fee limitation provision in the policy that clearly describes the insurer’s basis for determining usual and customary fees and how that basis is applied in calculating claim payments, Cal. Ins. Code section 12880.2(e)(1)

ii. Disclose the insurer’s basis for determining usual and customary fees through a link on the main page of the insurer’s Internet Web site, Cal. Ins. Code section 12880.2(e)(2)

h. The insurer shall create a summary of all policy provisions required in Cal. Ins. Code section 12880.2 subdivisions (a) through (e), inclusive, into a separate document titled “Insurer Disclosure of Important Policy Provisions,” Cal. Ins. Code section 12880.2(f)

i. The insurer shall post the “Insurer Disclosure of Important Policy Provisions” document required in subdivision (f) through a link on the main page of the insurer’s internet website, Cal. Ins. Code section 12880.2 (f)

In connection with the issuance of a new pet insurance policy, the insurer shall provide the consumer with a copy of the “Insurer Disclosure of Important Policy Provisions” document required pursuant to subdivision (f) in at least 12-point type when it delivers the policy, Cal. Ins. Code section 12880.2(h)(1)

In addition, the pet insurance policy shall have clearly printed thereon or attached thereto a notice stating that, after receipt of the policy by the owner, the policy may be returned by the insured for cancellation by delivering it or mailing it to the insurer or to the agent through whom it was purchased, Cal. Ins. Code section 12880.2(h)(2)

1) The period of time set forth by the insurer for return of the policy shall be clearly stated on the notice, and this free look period shall be not less than 30 days, the insured may return the policy to the insurer or the agent through whom the policy was purchased, Cal. Ins. Code section 12880.2(h)(2)(A)

2) The delivery or mailing of the policy by the insured pursuant to this paragraph shall void the policy from the beginning, and the parties shall be in the same position as if a policy or contract had not been issued, Cal. Ins. Code section 12880.2 (h)(2)(B)

3) All premiums paid and any policy fee paid for the policy shall be refunded to the insured within 30 days from the date that the insurer is notified of the cancellation; however, if the insurer has paid any claim, or has advised the insured in writing that a claim will be paid, the 30-day free look right pursuant to this paragraph is inapplicable and instead the policy provisions relating to cancellation apply to any refund, Cal. Ins. Code section 12880.2 (h)(2)(C)

j. At the time a pet insurance policy is issued or delivered to a policyholder, the insurer shall include a written disclosure with all of the following information, printed in 12-point boldface type

i. The Department’s mailing address and toll-free telephone number established pursuant to Cal. Ins. Code section 12921.1, and internet website address, Cal. Ins. Code section 12880.6(a)

ii. The address and customer service telephone number of the insurer or the agent or broker of record, Cal. Ins. Code section 12880.6(b)

iii. A statement that the department should be contacted only after discussions with the insurer, or its agent or other representative, have failed to produce a satisfactory resolution of the problem, Cal. Ins. Code section 12880.6(c)

iv. If the policy was issued or delivered by an agent or broker, a statement advising the policyholder to contact the broker or agent for assistance, Cal. Ins. Code section 12880.6(d)

**X. Pet Insurance** (2 percent of examination questions)

**D. Administrative Proceedings**

1. Know that any person suspected of violating any of these sections is subject to an administrative hearing, Cal. Ins. Code section 12880.4

a. If violations are proved, know what the fines are and how they may be imposed, Cal. Ins. Code section 12880.3