## Definition

Ethics training comprises a broad curriculum of courses that defines the types of ethical responsibilities insurance producers owe to their companies, their prospective customers, policyholders, their regulators, other agents, and to the public at large.

Ethics training may include subjects such as fair-trade practices, fair claims practices, fair underwriting practices, fair sales practices, market conduct, fraud awareness, fiduciary duties, privacy, product suitability, and compliance with state and federal laws and regulations.

An ethics course is a course in which 100 percentof the content describes licensee conduct in a particular situation or situations that would be good, fair, just, honest, proper, or legal, and why, and contrasts that conduct with conduct that would be bad, unfair, unjust, dishonest, improper, or illegal.

To be approved, an ethics training course must reinforce a producer’s ethical competence, must contribute to a producer’s understanding of the complexities of ethical decision-making in the insurance industry, and must provide tools to help an insurance professional identify, prevent, and constructively resolve ethical dilemmas.

For reference, an “insurance producer” a person required to be licensed under the laws of this state to sell, solicit, or negotiate insurance. An “agent” is a person who transacts insurance other than life, disability, and/or health insurance on behalf of an admitted insurance company. Furthermore, a life and/or accident and health or sickness “licensee” is a person authorized to act on behalf of a life insurer or a disability insurer to transact life and/or accident and health of sickness insurance.

\*Important Note: Education providers may submit ethics courses that are less than three hours; however, if the course does not include the required one hour of study on insurance fraud curriculum stated below, education providers must include the following disclaimer to inform licensees that the one hour of study on insurance fraud requirement will not be met upon completing that education provider’s course:

*Disclaimer: This course does not include the one hour of study on insurance fraud as stated in California Insurance Code section* [*1749*](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?sectionNum=1749.&lawCode=INS), [1749.3](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?sectionNum=1749.3.&lawCode=INS), [1749.31](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?sectionNum=1749.31.&lawCode=INS), [1749.32](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?sectionNum=1749.32.&lawCode=INS), and [1749.33](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?sectionNum=1749.33.&lawCode=INS)*. As such, the one hour of study of insurance fraud requirement will not be met upon completing this course.”*

## Training

Ethics training must include the following:

As stated in California Insurance Code sections [1749](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?sectionNum=1749.&lawCode=INS), [1749.3](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?sectionNum=1749.3.&lawCode=INS), [1749.31](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?sectionNum=1749.31.&lawCode=INS), [1749.32](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?sectionNum=1749.32.&lawCode=INS), and [1749.33](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?sectionNum=1749.33.&lawCode=INS), the Three-Hour Ethics Training Course Development and Review Guidelines (Guidelines) are to incorporate one hour of study on insurance fraud. This training outline is provided by the California Department of Insurance’s (Department) Enforcement Branch Fraud Division.

The Department’s Enforcement Branch Fraud Division’s One Hour of Study on Insurance Fraud Required Training is listed in Section A of this Guideline.

In addition, the ethics training may include subjects as follows:

* Special class issues, including but not limited to, the military, seniors, minors, people with disabilities, and other vulnerable populations
* Anti-money laundering
* Consumer protection
* Credit scoring
* Fair trade practices
* Fair claims practices
* Fair underwriting practices
* Fair sales practices, including compensation disclosure
* Market conduct
* Fraud awareness
* Fiduciary duties
* Managing general agent practices
* Product suitability
* Duties of the licensee to company, client, and customer
* Unfair marketing practices
* Confidentiality, consumer privacy, and cyber security
* Compliance with state and federal laws and regulations
* New issues (at the discretion of the Department)

## One Hour of Study on Insurance Fraud Required Training Outline

1. Introduction
   1. Who is the Fraud Division ([California Insurance Code (Cal. Ins. Code) section 1872](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=INS&sectionNum=1872.41.))?
      1. Created to enforce provisions of [California Penal Code sections 549](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?sectionNum=549.&nodeTreePath=4.15.9&lawCode=PEN) [through 550](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?sectionNum=550.&nodeTreePath=4.15.9&lawCode=PEN) and administer the provisions of Article 3
      2. [Enforcement Branch Overview](https://www.insurance.ca.gov/0300-fraud/)
   2. Why does the Fraud Division exist ([Cal. Ins Code section 1871-1871.4](https://leginfo.legislature.ca.gov/faces/codes_displayText.xhtml?lawCode=INS&division=1.&title=&part=2.&chapter=12.&article=1.))?
   3. [Fraud Division Programs](https://www.insurance.ca.gov/0300-fraud/0100-fraud-division-overview/10-anti-fraud-prog/)
   4. Types of Fraud cases
      1. Statistical information regarding recent arrests, convictions, referral rates, etc. found in the [Annual Report of the Commissioner](https://www.insurance.ca.gov/0400-news/0200-studies-reports/0700-commissioner-report/)
   5. Review of recent cases (e.g., case examples, administrative actions, resolutions located on the Department’s website: [Special Investigation Unit (SIU) Information E-Blasts](https://www.insurance.ca.gov/0300-fraud/0100-fraud-division-overview/12-siu/)
2. General Overview of Insurer Requirements
   1. Creation of an Anti-Fraud Unit ([Cal Ins. Code section 1875.20 through 1875.23](https://leginfo.legislature.ca.gov/faces/codes_displayText.xhtml?lawCode=INS&division=1.&title=&part=2.&chapter=12.&article=5.6.)) and exceptions from [California Code of Regulations (Cal. Code of Regs.) Title 10, section 2698.30(k)](https://govt.westlaw.com/calregs/Document/IE8CB040C5C2F11EC9C68000D3A7C4BC3?viewType=FullText&originationContext=documenttoc&transitionType=CategoryPageItem&contextData=(sc.Default))
   2. Comply with Insurance Fraud Prevention Act and California Special Investigation Unit (SIU) Regulations ([Cal. Code of Regs Title 10, sections 2698.30 through 2698.42](https://govt.westlaw.com/calregs/Browse/Home/California/CaliforniaCodeofRegulations?guid=IE8C3D8105C2F11EC9C68000D3A7C4BC3&originationContext=documenttoc&transitionType=Default&contextData=(sc.Default)))
      1. Definitions
      2. Adequacy of SIU operation
      3. Cooperation with law enforcement insurance fraud investigation requirements
      4. Fraud detection requirements
      5. SIU insurance fraud investigation requirements
      6. Referral of suspected fraud to the Department
      7. Training requirements for SIU staff and integral anti-fraud personnel
3. Detection ([Cal. Code of Regs. Title 10, section 2698.35](https://govt.westlaw.com/calregs/Document/IE8FBD80D5C2F11EC9C68000D3A7C4BC3?viewType=FullText&originationContext=documenttoc&transitionType=CategoryPageItem&contextData=(sc.Default)))
4. Databases available
   * + 1. Insurance Services Office ([Cal. Ins. Code section 1875.14](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=INS&sectionNum=1875.14.))
       2. Arson database maintained by the California Department of Justice ([Cal. Ins Code section 1874.8](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=INS&sectionNum=1874.8.))
5. Fraud warning language ([Cal. Ins. Code section 1871.2](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=INS&sectionNum=1871.2.))
6. Trends
7. Fraud Indicators
   * + 1. Underwriting and/or new policy indicators
8. Referral ([Cal. Ins. Code section 1872.41](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=INS&sectionNum=1872.41.))
   1. Single company
      1. SIU housed within company
   2. Multiple company
      1. Primary: houses SIU
      2. Subsidiary: sends their fraud referrals to primary company SIU
9. Cooperation with Law Enforcement
   1. [Cal. Code of Regs. Title 10, section 2698.34](https://govt.westlaw.com/calregs/Document/IE8F39AA35C2F11EC9C68000D3A7C4BC3?viewType=FullText&originationContext=documenttoc&transitionType=CategoryPageItem&contextData=(sc.Default))

F. Suspected Insurance Fraud

a. Be able to identify:

i. Common circumstances that would suggest the possibility of fraud

ii. Efforts to combat fraud:

1. Fraud Division ([Cal. Ins. Code section 1872](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=INS&sectionNum=1872.41.))

2. Arson Reporting Information System ([Cal. Ins. Code section 1875.8](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=INS&sectionNum=1875.8.))

3. Claims Analysis Bureau ([Cal. Ins. Code section 1875.14](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=INS&sectionNum=1875.14.))

4. SIU requirements ([Cal. Ins. Code section 1875.20](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=INS&sectionNum=1875.20.))

b. Know that if the insured signs a fraudulent claim form, the insured may be guilty of perjury ([Cal. Ins. Code sections 1871.2 through 1871.3](https://leginfo.legislature.ca.gov/faces/codes_displayText.xhtml?lawCode=INS&division=1.&title=&part=2.&chapter=12.&article=1.))

c. Be able to identify the scope and correct application of the False and Fraudulent Claims ([Cal. Ins. Code sections 1871 and 1871.4](https://leginfo.legislature.ca.gov/faces/codes_displayText.xhtml?lawCode=INS&division=1.&title=&part=2.&chapter=12.&article=1.))

d. Be able to describe the steps a licensed agent should take when fraud is suspected ([Cal. Ins. Code section 1872.41](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=INS&sectionNum=1872.41.))

## Questions for Education Providers:

1. Describe how this course contributes to an agent’s understanding of his/her ethical responsibilities.
2. Point out where in the course examples of “ethical” producer’s, agent’s, or licensee’s conduct are given, as well as examples of “unethical” licensee conduct.
3. Explain how this course contributes to a producer’s, agent’s, or licensee’s understanding of the complexities of ethical decision-making within the context of insurance transactions.
4. Describe where in the coursework an agent may find tools to help identify, prevent, and resolve ethical dilemmas that arise in the course of conducting insurance business.
5. How will the content of this course contribute to the producer’s, agent’s, or licensee’s understanding of proper vs. improper, honest vs. dishonest behavior?
6. Please provide two samples of licensee conduct you will use in this course to contrast ethical with unethical behavior and details supporting the judgment of ethical or unethical behavior.
7. Identify how this course demonstrates to whom the licensee "owes" an ethical responsibility to in this course and how this course will help the licensee under his or her ethical responsibilities to such an entity.
8. How will this course help the licensee distinguish between legal and ethical behavior and legal but unethical behavior?
9. Does this course include the mandatory “One Hour of Study on Insurance Fraud” training as provided by Department’s Enforcement Branch, Fraud Division?

# Course Approval Requirements

## Non-Contact Course (Non-Interactive)

**Content:** To be approved, an ethics training course must reinforce a producer’s ethical competence, must contribute to a producer’s understanding of the complexities of ethical decision-making in the insurance industry, and must provide tools to help an insurance professional identify, prevent, and constructively resolve ethical dilemmas.

**Non-Contact Course Credit Hours:** A minimum of 4,600 words is required for each hour of credit approved.

Time included for the examination must not be more than 15 percent of the course total credit hours. The examination must have a minimum of three (3) questions for each credit hour approved.

Partial credit hours will not be awarded and will be rounded down to the nearest whole credit hour.

### Non-Interactive Courses

Non-Interactive video, online, compact diskette (CD), and digital versatile disc (DVD) courses are reviewed in a similar manner using screen prints or scripts and applying the same formula in “Non-Contact Credit Hours” noted above.

### Contact Course (Interactive)

**Content:** To be approved, an ethics training course must reinforce a producer’s ethical competence, must contribute to a producer’s understanding of the complexities of ethical decision-making in the insurance industry, and must provide tools to help an insurance professional identify, prevent, and constructively resolve ethical dilemmas.

**Contact Course Credit Hours:** Our guideline for assigning credit hours to contact courses is based on a 50-minute hour of classroom instruction. No credit is given for breaks. The student may receive credit for only 480 minutes of instruction per day. This equates to nine (9) hours of classroom credit per day (partial hours are not given credit). The student is required to be attentive and to participate. It is at the instructor’s discretion to determine if the student should receive credit based on his attention and participation. Additionally, the instructor may give credit if the student participates in at least 80% of class instruction.

No credit is given for review. Credit is given for examinations only if it is mandatory to pass the examination to receive credit for the course.