

**California Department of Insurance  
Business Management Practices  
Course Development and Review Guidelines  
Sample topics on Business Management that may be included in  
Continuing Education Courses**

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**OVERVIEW**

The Legislature amended California Insurance Code Section 1749.1(c) in 2007 to allow continuing education courses to include topics on business management practices. Until now, the California Department of Insurance (CDI) disapproved such topics because they did not pertain to insurance or ethics.

Effective January 1, 2008, Section 1749.1(c)(1) through (5) will authorize continuing education on the following business management topics:

- Accounting and financial management
- Information and database management
- Human resource management
- Customer service management
- Communication skills

Prelicensing and continuing education courses covering sales training, motivational training, self-improvement training, or training offered by insurers or agents regarding new products or programs, continue to be prohibited by Section 1749.1(b).

**These courses should not be used as an opportunity to persuade, indoctrinate or enlighten agents on a particular philosophy, a political or a public policy position. Opinions about state or federal legislation or forecasting the success or failure of legislation should not be included in these courses. Moreover, absolutely no marketing information is allowed in annuity courses.**

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Disclaimer - The California Department of Insurance is released of responsibility for approved course materials that may have a copyright infringement. In addition, no course approved for either prelicensing or continuing education hours or any designation resulting from completion of such courses should be construed to be endorsed by the Commissioner

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**Limit on Business Management Continuing Education Credit**

Only 25 percent of a licensee's required CE credits may be in business management courses. The following chart shows the maximum business management CE hours that may be credited toward license renewal.

<b>License Type</b>	<b>Total Required CE credits for renewal</b>	<b>Maximum Business Management CE Credits</b>
Property and Casualty Broker-Agent	24	6
Accident & Health	24	6
Life Only	24	6
Life Only and Accident & Health	24	6
Personal Lines Broker-Agent	24	6
Limited Lines Automobile Insurance Agent	20	5

Courses in business management are optional; a licensee does not have to complete any such courses to renew his or her license. Conversely, a licensee is permitted to complete business management coursework totaling more than the allowable number of CE hours, but will only receive CDI credit up to the maximum.

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**Curriculum Objective – Continuing Education Goal**

At the conclusion of a business management course, a student must have received instruction on how to better manage an insurance business. The instruction must be in one or more of the following areas: accounting, financial management, information and database management, human resource management, or customer service management.

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- I. Accounting and Financial Management
  - A. Trust account maintenance, reconciliation and auditing
    - 1. Insurance Code requirements
    - 2. When a premium trust account is and is not in balance
    - 3. General rule against commingling; exception
    - 4. Causes of a premium trust account deficiency
    - 5. Permissible and impermissible premium trust account investments
    - 6. Fiduciary duties pertaining to premium and return premium
    - 7. How to reconcile a premium trust account
    - 8. How to audit a premium trust account
  - B. Financial statements
    - 1. Financial statement fundamentals – balance sheet, income statement, cash flow statement
    - 2. Financial statements in publicly traded corporations
    - 3. Financial statements in privately held corporations
    - 4. Typical financial statements for small, medium and large producers
    - 5. Insurance company financial statements – SEC and Department of Insurance regulation; rating agencies
      - Assets
      - Liabilities
      - Policyholders' Surplus
      - Earned/Unearned Premiums
      - Losses/Loss Expenses
      - Investment Income
      - Reinsurance Accounting
  - C. Business budgeting
    - 1. Objectives and benefits of a business budget
    - 2. The role of a budget in a business plan
    - 3. The components of a budget
    - 4. How to create a budget
    - 5. How and when to review and change a budget
    - 6. Using a budget to measure business performance

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- D. Income and expense ratios
  - 1. General definition
  - 2. Sources of income
  - 3. Types of expenses
  - 4. Using specific ratios - pairing particular sources of income with particular expenses
  
- E. Banking and investment practices
  - 1. Reasons for keeping separate personal, operating and premium trust bank accounts
  - 2. Other business accounts
  - 3. Permissible and impermissible trust account investments
  - 4. Developing and maintaining a good relationship with a bank
  - 5. Business accounting software
  - 6. Pros and cons of borrowing vs. equity financing
  - 7. Sources of debt and equity financing
  - 8. Pros and cons of bartering
  - 9. Basic investment principles
  - 10. Determining liquidity needs and time horizons
  - 11. Pros and cons of advancing premium
  - 12. Investment of operating funds
  - 13. Investment of retained earnings
  
- F. Business perpetuation and planning
  - 1. Definition of a "business plan" and "perpetuation"
  - 2. Objectives and benefits of a business plan
  - 3. The components of a business plan
  - 4. How to create a business plan
  - 5. How and when to review and change a business plan
  - 6. Relinquishment of ownership and control – different approaches
  - 7. Succession in privately held corporations, partnerships and sole proprietorships and family agencies
  - 8. Keys to successful ownership succession; succession planning
  - 9. Insurance agency valuation formulas
  - 10. Maximizing insurance agency value
  - 11. Locating and developing business buyers
  - 12. When and how to employ a business planning or perpetuation consultant, lawyer and accountant

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- II. Information and database management
  - A. Recordkeeping
    - 1. Diary Suspense
    - 2. Client Information
    - 3. Work flow, efficiency
    - 4. Auditing
    - 5. Department of Insurance required records and retention rules
    - 6. Accounting records
    - 7. Client records
    - 8. Tax record keeping
    - 9. Electronic record keeping
    - 10. Recordkeeping and litigation discovery
  - B. Privacy law
    - 1. Federal privacy laws
    - 2. State privacy laws
  - C. Other legal requirements covering the use of information
    - 1. Department of Insurance information practices act – C.I.C. § 791 et seq.
- III. Human resource management
  - A. Recruitment – permanent, part-time, and temporary employees
  - B. Training
  - C. Supervision and performance appraisal
  - D. Licensing
  - E. Labor laws and potential liability to employees
  - F. Employee taxes and benefits
  - G. Vicarious liability for employee conduct
  - H. Ensuring employee compliance with laws and regulations
  - I. Outsourcing – employee leasing, payroll services
- IV. Customer service management
  - A. Costs and benefits of providing good customer service
  - B. Types of complaints and complainers
  - C. Preventing customer complaints through effective communication and expectation management
  - D. Creating a customer inquiry and complaint handling procedure and tracking system
  - E. Determining and improving overall customer satisfaction levels and

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- retention rates
  - F. Roles of salesperson, CSR, supervisor and manager in handling inquiries and complaints
  - G. Department of Insurance requirements in handling customer complaints
  - H. Using an agency website for customer inquiries and complaints
- V. Communication skills
- A. Importance of good communication skills
  - B. Listening skills
  - C. Planning and conducting effective meetings
  - D. Giving and receiving constructive criticism
  - E. Communicating organizational changes to staff, clients and others
  - F. Effective negotiation
  - G. Communication on an agency website
  - H. Communication for the interviewer and interviewee
  - I. When to use and not use a particular form of communication
  - J. Phone skills
  - K. Preparing and delivering speeches
  - L. Communication in inquiries and complaint handling
  - M. Communicating with difficult people
  - N. Informing vs. persuading
  - O. E-mail do's and don'ts
  - P. Formal correspondence do's and don'ts
  - Q. How to improve grammar and English usage

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**Contact Course**  
**(Interactive)**

**Content:** To be approved, a course covering Business Management topics must reinforce the producer's competence in sound business practices; and management of operational issues that impact day to day business activities for the business of insurance in the areas of accounting and financial management, information and database management, human resource management, and customer service management.

**Credit Hours for Contact Courses:** 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 can receive credit for only 8 hours or 480 minutes of instruction per day. This equates to 9 hours of classroom credit per day (partial hours are not given credit.) The student is required to be attentive and participate. It is the instructor's discretion or judgment 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 percent 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.

**Non-Contact Course**  
**(Non-Interactive)**

**Content:** To be approved, a course covering Business Management topics must reinforce the producer's competence in sound business practices; and management of operational issues that impact day to day business activities for the business of insurance in the areas of accounting and financial management, information and database management, human resource management, and customer service management.

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

The examination time must total at least 10 percent and not more than 15 percent of the course completion time. The examination must have a minimum of three to five questions for each credit hour approved.

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



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**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