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# Prelicensing Education Educational Objectives

## California Personal Lines Broker-Agent Examination

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### Overview

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

Below is the basic knowledge for what this typical new Personal Lines 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 Ethics and California Insurance Code
  - \* Responsibilities and authority of an insurance agent
  - \* Personal Automobile, Dwelling and Homeowners coverages
  
- (2) To a lesser degree, knowledge is required of:
  - \* Personal Dwelling Property Coverage – Homeowners/Fire Policy and DwellingLiability Coverage
  - \* Personal Inland Marine Covering Personal Property
  - \* Personal Umbrella/Excess Liability
  - \*Homeowners' Insurance Valuation
  - \* Earthquake coverage
  
- (3) In addition, a Personal Lines Broker-Agent license is a license so to act, Section 1625.5 of the CIC. Generally, the Personal Lines Agent license allows authority to transact insurance products that are not Life Insurance. The list below contains a sample of some of the insurance products that can be transacted with this license.
  - transact automobile insurance
  - residential property insurance
  - earthquake
  - flood insurance
  - personal watercraft insurance
  - umbrella or excess liability insurance providing coverage when written over one or more underlying automobile or residential property insurance policies

As Section 1749.1(b) of the CIC states, in part, that no prelicensing 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 Title 10, Chapter 5, Subchapter 1, Article 6.5, Section 2187.4 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 objectives mean the California Insurance Code.

### The Examination

The California Department of Insurance's Personal Lines Broker-Agent license examination contains 90 multiple-choice questions. The examinees, without any aids (e.g. reference materials, electronic aids), are allowed two hours to answer the 90 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.

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

Check-in is at 8:10 a.m. for the 8:30 a.m. examination and check-in is at 12:40 p.m. for the 1:00 p.m. examination.

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PSI's test centers are located at the following locations:

Anaheim	Fresno	Sacramento	Ventura
Atascadero	Hayward	San Diego	Visalia
Bakersfield	Laguna Hills	San Francisco	Walnut Creek
Burbank	Lawndale	Santa Clara	
Carson	Redding	Santa Fe Springs	
Diamond Bar	Riverside	Santa Rosa	

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 examinationsites and PSI's test centersthat 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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- I. General Insurance (35percent of exam questions), which includes “II. PropertyInsurance”
  - A. Basic Insurance Concepts and Principles
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  - C. The Insurance Marketplace
  
- II. Property Insurance
  - A. Basic Legal Concepts - Tort Law
  - B. Property
  
- III. Personal Lines Insurance (65percent of exam questions)
  - A. Insurance on a Residential Properties
  - B. Homeowners’ Insurance Valuation (2 percent of exam questions)
  - C. Inland Marine
  - D. Government / Pools / Catastrophe - Property Insurance
  - E. Personal Auto
  - F. Umbrella and Excess Liability Insurance

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- I. General Insurance(35 percent of exam questions – includes II. P&L Basics)
  - A. Basic Insurance Concepts and Principles. Be able to
    - 1. identify examples of insurance (as defined in section 22 of the CIC.
    - 2. recognize the definition of risk.
    - 3. differentiate between a pure risk and a speculative risk.
    - 4. identify a definition of peril.
    - 5. identify a definition of hazard.
    - 6. differentiate between moral, morale, physical and legal hazards.
    - 7. identify the definition of the law of large numbers.
    - 8. identify a definition or the correct usage of the terms loss and loss exposure, e.g. property loss exposure, liability loss exposure
    - 9. identify risk management techniques.
    - 10. recognize the requisites of an ideally insurable risk.
    - 11. identify the definition of insurable events, section 250 of the CIC.
    - 12. identify and apply the definition of insurable interest and indemnity, and be able to recognize the applicability of these terms to a given situation.
    - 13. identify why private insurers underwrite the insurance applications they receive.
    - 14. identify the meaning of adverse selection and spread of risk.
    - 15. identify the benefits and the costs of insurance to society (e.g., loss control, loss payments, or securing credit).
    - 16. identify a correct explanation of the role of deductibles in insurance.
    - 17. identify:
      - a. a definition of reinsurance, Section 620 of the CIC, and,
      - b. the purposes of insurers obtaining reinsurance.
    - 18. identify that for regulatory purposes:
      - a. the Insurance Code divides lines of insurance into classes, Section 100 of the CIC; and,
      - b. defines these classes, Sections 101 through 120 of the CIC.

### I. General Insurance

- B. Contract Law. Be able to
  - 1. identify and compare contract law and tort law.
  - 2. identify the four major elements of a contract (agreement, competent parties, legal purpose, and consideration).
  - 3. identify the meaning and effect of the following special characteristics of an insurance contract:
    - a. contract of adhesion;
    - b. conditional contract;
    - c. aleatory;
    - d. unilateral;
    - e. personal;
    - f. utmost good faith; and,

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- g. indemnity;
- 4. identify the term insurance policy, section 380 of the CIC.
- 5. identify the meaning and effect of each of the following on a contract:
  - a. fraud, sections 338 and 1871.2 of the CIC;
  - b. concealment, sections 330 through 339 of the CIC;
  - c. warranty (expressed/implied), sections 440 through 445 and 447 of the CIC;
  - d. know that a representation cannot qualify an express provision in a contract of insurance, but it may qualify an implied warranty (section 354 of the CIC);
  - e. materiality, section 334 of the CIC;
  - f. representations, sections 350 through 361 of the CIC;
  - g. misrepresentation, sections 780 through 784 of the CIC;
  - h. waiver and estoppel; and,
  - i. know that either intentional or unintentional concealment entitles an injured party to rescission of a contract (section 331 of the CIC).
- 6. identify six required specifications for all insurance policies, section 381 of the CIC.
- 7. identify:
  - a. the meaning of the term rescission; and,
  - b. when an insurer has the right of rescission, sections 331, 338, 359, and 447 of the CIC.
- 8. identify the following terms correctly:
  - a. application, policy, endorsement;
  - b. cancellation, lapse; and,
  - c. rate, premium, earned and unearned premium.

### I. General Insurance

#### C. The Insurance Marketplace

- 1. Be able to identify the 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

- a. Be able to understand the general rules of agency as they apply to an agent, broker, and insurance company:
  - i. the responsibilities and duties of each; and,
  - ii. the effect of the types of authority an agent may exercise (express, implied, or apparent).
- b. With regard to the underwriting of applicants and/or insureds, be able to:
  - i. identify a producer's responsibilities; and,
  - ii. understand the insurers' requirements.

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- c. Be able to define the following:
  - i. insurance agent (Section 1621 of the CIC);
  - ii. personal lines broker-agent (Section 1625.5 of the CIC);
  - iii. limited lines automobile agent (Section 1625.55 of the CIC);
  - iv. life-only agent (Section 1626(a)(1) of the CIC);
  - v. accident and health agent (Section 1626(a)(2) of the CIC); and,
  - vi. life and disability insurance analyst (Sections 32.5, 1831-1849 of the CIC).
- d. Be able to identify the CIC definition of transact and why the definition is important (Sections 35, 1631, 1633 of the CIC):
  - i. have knowledge of the penalties for transacting without a license (Section 1633 of the CIC).
- e. Be able to identify:
  - i. that the CIC prohibits certain actions by unlicensed persons (Section 1631 of the CIC); and,
  - ii. the penalty for such prohibited actions (Section 1633 of the CIC).
- f. Written Consent in Regards to Interstate Commerce (Prohibited Persons in Insurance):
  - i. be able to identify what conduct is prohibited by Title 18 United States Code Section 1033; and,
  - ii. be able to identify what civil and criminal penalties apply, Title 18 United States Code Sections 1033 and 1034.
- g. Be able to identify the differences between the terms “agent” and “broker” with respect to their relationship with insurers and with their insureds:
  - i. insurance agent means a person authorized, by and on behalf of an insurer, to transact all classes of insurance other than life, disability, or health insurance (Sections 31 and 1621 of the CIC);
  - ii. insurance broker means a person who, for compensation and on behalf of another person, transacts insurance other than life, disability, or health with, but not on behalf of, an insurer (Sections 33 and 1623 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

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- insurance agent or insurance broker in transacting insurance other than life, disability, or health (Section 1624 of the CIC).
- i. For Insurance Agent's Errors & Omissions insurance, be able to identify:
    - i. the types of coverages available;
    - ii. the types of losses commonly covered and not covered; and,
    - iii. the need for the coverage.
  - j. Be able to identify acts prohibited with regard to nonadmitted insurers (unless a surplus line broker) (Section 703 of the CIC).
  - k. Be able to identify the prohibitions of free insurance (Section 777.1 of the CIC).
  - l. Be able to identify the Code requirements for the following:
    - i. an agency name, use of name (Sections 1724.5, 1729.5 of the CIC);
    - ii. change of address (Section 1729 of the CIC);
    - iii. filing license renewal application (Section 1720 of the CIC); and,
    - iv. printing license number on documents (Section 1725.5 of the CIC).
  - m. Be able to identify the records an insurer and agents must maintain (Sections 10508 through 10508.5 of the CIC).
  - n. Be able to identify the Code specifications regarding producer application investigation, denial of applications, and suspension or revocation of license (Sections 1666, 1668 through 1669, 1738 of the CIC).
  - o. Be able to identify the importance and the scope of the Code regarding:
    - i. the filing of a notice of appointment to transact insurance (Sections 1704, 1705 of the CIC);
    - ii. an inactive license (Section 1704(b) of the CIC); and,
    - iii. cancellation of a license by the licensee in the licensee's possession or in the employer's possession (Section 1708 of the CIC).
  - p. Be able to identify the scope and effect of the Code regarding termination of a (producer's) license, including when producers dissolve a partnership (Sections 1708-1712.5 of the CIC).
  - q. Be able to identify and apply:
    - i. the definition of the term "fiduciary"; and,
    - ii. producer fiduciary duties described in the Code (Sections 1733 - 1735 of the CIC).
  - r. Be able to identify the continuing education (CE) requirements for:
    - i. an individual licensed as a Personal Lines Broker-Agent (Section 1749.31(a) of the CIC); and,
    - ii. an individual licensed as both a life licensee and as a Personal Lines Broker-Agent (Section 1749.31(b) of the CIC).
    - iii. Know that all licensees must complete a 3-hour course in ethics as part of the required 24 hour of CE prior to each license renewal.

### I. General Insurance

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## California Personal Lines Broker-Agent Examination

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### C. The Insurance Marketplace

#### 3. Insurers. Be able to

- a. differentiate between:
  - i. admitted and non-admitted insurers, section 24 through 25 of the CIC;
  - ii. domestic, foreign or alien insurers, section 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 700(b) of the CIC.
- b. identify the functions of the following major operating divisions of insurers: Marketing/Sales, Underwriting, Claims, Actuarial.
- c. identify market conduct regulations as the state laws that regulate insurer practices regarding underwriting, sales, ratemaking, and claims handling.
- d. identify who may be an insurer, section 150 of the CIC.
  - i. person, association, organization, partnership, business trust, limited liability company or corporation (Section 19 of the CIC).
- e. differentiate between Mutual and Stock insurers. (Section 11535.1 of the CIC)
- f. identify Reciprocal and Risk Retention groups, and the limitations on state regulation of risk retention groups under the federal Liability Risk Retention Act, and the possible impact on consumers, section 125 through section 140 of the CIC and Title 15 United States Code Section 3901.

### I. General Insurance

#### C. The Insurance Marketplace

##### 4. Market Regulation - General

- a. Be able to identify the purpose of insurance regulation and the significance of the McCarran-Ferguson Act (15 U.S.C. 1011-1015).
- b. Be able to identify:
  - i. the California Insurance Code (CIC) and how it may be changed;
  - ii. the California Code of Regulations (CCR Title 10, Chapter 5) and how it may be changed; and,
  - iii. how the Insurance Commissioner is selected and the responsibilities of the position, sections 12900 and 12921 of the CIC.

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- c. Be able to identify the correct application of the Unfair Practices article, including its prohibitions and penalties, sections 790 through 790.10 of the CIC.
- d. Be able to identify the privacy protection provisions of:
  - i. Insurance Information and Privacy Protection Act regarding practices, prohibitions and penalties, sections 791 through 791.26 of the CIC.
  - ii. Cal-GLBA/ "California Financial Information Privacy Act," Section 4050 CA Financial Code;
  - iii. Health Insurance Portability and Accountability Act (HIPAA).
- e. Be able to identify the scope and correct application of the conservation proceedings described in the Code, Sections 1011, 1013, and 1016 of the CIC.
- f. Be able to define an insolvent insurer, section 985 of the CIC.
  - i. The definition of an insolvent insurer includes either:
    - 1) Any impairment of minimum "paid-in capital" or "capital paid in," as defined in Section 36 of the CIC, required in the aggregate of an insurer by the provisions of this code for the class, or classes, of insurance that it transacts anywhere; and,
    - 2) An inability of the insurer to meet its financial obligations when they are due.
  - ii. Know that an insurer cannot escape the condition of insolvency by being able to provide for all its liabilities and for reinsurance of all outstanding risks. An insurer must also be possessed of additional assets equivalent to such aggregate "paid-in capital" or "capital paid in" required by this code after making provision for all such liabilities and for such reinsurance, sections 985.(a) (1 and 2) of the CIC; and,
  - iii. Know that it is a misdemeanor to refuse to deliver any books, records, or assets to the Commissioner once a seizure order has been executed in an insolvency proceeding, section 1013 of the CIC.
- g. Be able to identify the purpose and scope of the Code with regard to:
  - i. the California Insurance Guarantee Association, sections 1063(a through c) and 1063.1(a),(b),(c)(1)(2) of the CIC.
- h. Be able to identify:
  - i. common circumstances that suggest the possibility of fraud; and,
  - ii. efforts to combat fraud, sections 1872, 1874.6, 1875.8, 1875.14, 1875.20, and 1877.3(b)(1) of the CIC.
- i. Be able to identify the scope and correct application of the False and Fraudulent Claims article of the California Insurance Code, sections 1871, 1871.1-1871.4, 1872.5 of the CIC.
- j. Be able to identify discriminatory practices prohibited by the California Insurance Code, sections 679.70 through 679.73.
- k. Be able to identify the requirements for rates to be approved or remain in effect, section 1861.05(a) of the CIC.

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- I. Be able to identify:
    - i. the types of rating laws (prior approval, file and use, use and file, open competition); and,
    - ii. the system used by the State of California to regulate rates for most property and casualty insurance written in California (prior approval), section 1861.05(c) of the CIC.
  - m. As used by the Code, be able to identify the meaning of:
    - i. "shall" and "may," section 16 of the CIC; and,
    - ii. "person," section 19 of the CIC.
  - n. Be able to identify the requirements for notice by mail, section 38 of the CIC.
  - o. Fair Claims Settlement Practices Regulations
    - i. Be able to identify a definition of the following:
      - 1) Claimant, Title 10, California Code of Regulations 2695.2 (c).
      - 2) Notice of Legal Action, Title 10, California Code of Regulations 2695.2(o); and,
      - 3) Proof of Claims, Title 10, California Code of Regulations 2695.2(s).
    - ii. Be able to identify File and Record Documentation, Title 10, California Code of Regulations 2695.3;
    - iii. Be able to identify Duties Upon Receipt of Communications, Title 10, California Code of Regulations 2695.5; and,
    - iv. Be able to identify Standards for Prompt, Fair and Equitable Settlements, Title 10, California Code of Regulations 2695.7 (a), (b), (c), (g), and (h) of the CCR.
- I. General Insurance
- C. The Insurance Marketplace
    - 5. Excess and Surplus (E&S) Line
      - a. With regard to surplus line, be able to identify:
        - i. what the term "surplus line" means;
        - ii. the marketplace needs met by surplus line;
        - iii. the requirements to be met before a risk may be placed with a surplus line insurer;
        - iv. how surplus line and special lines surplus line brokers interact with agents;
        - v. the absence of binding authority for surplus line brokers when placing business through nonadmitted insurers, section 1764.2 of the CIC;
        - vi. the non-standard nature of the coverages provided
        - vii. conditions that must be met before business may be obtained from these carriers, section 1761 of the CIC; and,
        - viii. what the List of Approved Surplus Lines Insurers (LASLI) is. The following link will provide access to this list:

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

### II. Property Insurance

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

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

### II. Property Insurance

#### B. Property

1. Basics. Be able to
  - a. identify the major services provided by independent rating organizations (e.g. AM Best and Moodys);
  - b. Insurance Services Office (ISO) is the advisory organization that also develops standard forms for the market.
  - c. recognize the principal risk management methods used to identify loss exposures, and the advantages and disadvantages of each method.
  - d. identify the difference between direct and indirect (consequential) property losses.
  - e. recognize common indirect loss exposures.
  - f. identify the terms of expense, loss, and combined ratios.

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- g. identify the following terms:
    - i. "all-risk" (an old term still commonly used and understood within the insurance industry, but a term often misunderstood by the general public);
    - ii. "open peril" / "special form" (terms commonly used in place of "all-risk" in today's policies); and,
    - iii. "named peril" (e.g. basic, broad, and special).
  - h. identify the terms and differentiate between:
    - i. short rate / flat rate / prorated cancellation;
    - ii. cancellation / non-renewal / lapse; and,
    - iii. unearned / earned premium and be able to identify their correct computation.
  - i. differentiate between the terms "judgment rating," "merit rating," and "manual rating."
  - j. identify and apply the meaning of claim terms (e.g., first party, third party, subrogation, arbitration, etc.).
  - k. identify the definition of the term "loss reserve," e.g. estimate of the amount an insurer will pay for a claim.
  - l. identify the requirements to be met to assign a policy from one insured to another.
  - m. differentiate between property and liability insurance coverages.
  - n. Be able to identify a definition of "loss cost rating" and the reason for its use.
  - o. identify:
    - i. the requirement for an insurable interest to exist, section 280 of the CIC; and,
    - ii. that contingent or expectant interests are not insurable, section 283 of the CIC.
  - p. apply the term "concurrent cause" to a loss where two perils are involved the same time and one peril is covered and the other is excluded.
2. Be able to identify:
- a. the requirements and definitions of the California Residential Property Insurance Disclosure statement, Sections 10101 and 10102 of the CIC;
  - b. that the form contains only a general description of coverages and is NOT part of the residential policy; and,
  - c. replacement costs and building code upgrade options.

## II. Property Insurance

### B. Property

- 3. Policies. Be able to
  - a. identify a description of:

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- i. the major components of insurance policies (e.g., declarations, insuring agreements, definitions, conditions, exclusions, and endorsements); and,
- ii. common policy provisions (e.g., insured's right to cancel, assignment of policy, supplementary payments, severability, liberalization, etc.) and coverages (removal and debris removal).
- b. identify and compute loss payments for:
  - i. the different types of valuation commonly used in insurance policies. (actual cash value, replacement cost, market value, agreed value, stated value); and,
  - ii. a valued policy, sections 412, 2053, and 2054 of the CIC.
- c. identify the protection of a mortgagee's interest contained in most mortgage clauses.
- d. identify the definition and effect of a concurrent vs. non-concurrent policy.
- e. identify the Code requirements pertaining to policy cancellation / failure to renew, sections 481.5, 660 through 669.5, 673, and 675 through 679.6, of the CIC)
- f. identify restrictions regarding referral of auto insureds to repair facilities, section 753 of the CIC.
- g. identify the following unlawful practices:
  - i. Additional Standards Applicable to Automobile Insurance, California Code of Regulations 2695.8(e); and,
  - ii. Requirements, suggestions, or recommendations by insurer regarding repair of automobiles at specific automobile repair dealers; conditions; disclosure; powers of commissioner, section 758.5 of the CIC.

### III. Personal Lines Insurance

#### A. Insurance on Residential Properties

##### 1. Dwelling Policy

- a. For the Dwelling Policy (DP), be able to identify the major differences between the three forms (Basic, Broad and Special) in terms of:
  - i. the coverages included; and,
  - ii. perils insured.
- 2. Be able to identify the insured's duties after a loss (Section I Conditions)
- 3. Dwelling Policy Coverages:
  - a. The following items refer to Coverages A, B, and C.
    - i. Be able to identify who is or is not an "insured".
    - ii. For coverages A, B and C (Dwelling, Other Structures, Personal Property) be able to differentiate between:
      - 1) the types of property insured;
      - 2) Actual Cash Value (ACV) and Replacement Costs;
      - 3) the kinds of property excluded;
      - 4) the kinds of property subject to special or sub limits;

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- b. Be able to identify situations when Coverage D (Loss of Use/Fair Rental Value) might be available as the result of direct and indirect losses, and the extent to which coverage applies.
- c. Additional Coverages
  - i. Be able to identify the coverage available such as debris removal and property removal under the DP/HO Property Coverages.
  - ii. Be able to identify the effect of the exclusions: Earth Movement and Flood (including the coverage provided for ensuing losses).
  - iii. Given an example, be able to recognize the applicability of the Ordinance or Law exclusion.

### III. Personal Lines Insurance

#### A. Insurance on Residential Properties

##### 4. Liability Coverage. Be able to

- a. differentiate between property damage liability and bodily injury liability coverages provided in the homeowners and dwelling policies.
- b. identify common liability loss exposures covered or excluded.
- c. identify who is not covered by Medical Payments to Others.
- d. identify the vehicles most commonly insured and excluded under an HO policy form.
- e. differentiate between an “insured location” and a “residence premises”.
- f. Be able to identify losses covered under the Homeowners watercraft Endorsement.

### III. Personal Lines Insurance

#### A. Insurance on Residential Properties

##### 5. Endorsements

- a. Be able to identify the effect of attaching one or more of the following Endorsement to a Homeowners Policy.
  - i. Workers' Compensation - Residence Employees;
  - ii. Other Structures - Increased Limits endorsement;
  - iii. Scheduled Personal Property endorsement;
  - iv. Inflation Guard endorsement;
  - v. Personal Property - Replacement Cost endorsement;
  - vi. Personal Injury endorsement;
  - vii. Additional Residence Rented to Others;
  - viii. Home business coverage endorsements; and,
  - ix. Manufactured (Mobile) Home Endorsement.

### III. Personal Lines Insurance

#### B. Homeowners' Insurance Valuation

(2 percent of exam questions are specific to this topic)

- 1. General Concepts of Section 1749.85 of the CIC

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# Prelicensing Education Educational Objectives

## California Personal Lines Broker-Agent Examination

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- a. Be able to identify what the "standard fire policy" is, perils insured, and its importance to modern personal and commercial property contracts, Section 2070 of the CIC.
- b. Know that:
  - i. all Property Broker-Agents, Casualty Broker-Agents and Personal Lines Broker-Agents must complete a continuing education course in Homeowner's Insurance Valuation (and that such course does not increase the required CE hours);
  - ii. the producer is responsible for accurately documenting a dwelling's replacement cost at the time of original application; and,
  - iii. certain unlicensed persons are prohibited from estimating dwelling replacement cost or explaining insurance coverages.

### III Personal Lines Insurance

#### B. Homeowners' Insurance Valuation

##### 2. Insurance on a Residence

- a. Home Valuations - Replacement costs
  - i. Given sufficient information about an HO property loss being adjusted under the Section I Condition - Loss Settlement, be able to compute:
    - 1) the amount of coverage required to receive full replacement cost coverage; and,
    - 2) the amount that would be paid under a coinsurance provision for;
      - (a) total loss; and,
      - (b) partial loss.
  - ii. Be able to differentiate between Actual Cash Value and Replacement Cost loss settlements.
- b. Homeowners' Insurance Endorsements, be able to identify the major effects of the following:
  - i. Guaranteed and Extended Replacement Cost ; and,
  - ii. Ordinance or Law Coverage.
- c. Be able to identify the relationship between catastrophic loss events and their effect on the increased cost of construction.

### III. Personal Lines Insurance

#### B. Homeowners' Insurance Valuation

##### 3. Earthquake Coverage

- a. Know that the risk of earthquake/earth movement is excluded from DP and HO policies.
- b. Be able to identify the advantages of:
  - i. obtaining this coverage via California Earthquake Authority (and participating insurers) vs. coverage in the competitive market place (Section 10089.6, 10089.26 and 10089.28 of the CIC;
  - ii. single limit of coverage vs. multiple limits;

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# Prelicensing Education

## Educational Objectives

### California Personal Lines Broker-Agent Examination

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- iii. reduced coverage policies;
- iv. deductible options and their effect on Combined Single Limit (CSL) claims; and,
- v. increased optional limits for personal property and living expenses.

### III. Personal Lines Insurance

#### B. Homeowners' Insurance Valuation

- 4. California Fair Access Insurance Requirements (FAIR) Plan. Be able to
  - a. identify the marketplace needs met by the California FAIR plan, Sections 10090 and 10091 of the CIC.
  - b. identify the two different types of areas served by the California FAIR plan.
  - c. Be able to identify who is eligible to submit applications to the FAIR Plan.
  - d. identify the meaning of "basic property insurance" as defined in Section 10091(c) of the CIC.

### III. Personal Lines Insurance

#### B. Homeowners' Insurance Valuation

- 5. Fire Mitigation and How It Affects Insurance Costs
  - a. Be able to define, recognize, and describe the fire problem in the wildland urban interface.
  - b. Be knowledgeable of the areas that affect the risk and hazard such as topography, fuels type and locations, weather, and construction.
  - c. Be knowledgeable of the current state laws and regulations that address mitigation efforts, including defensible space requirements, building constructions, land use and planning.

### III. Personal Lines Insurance

#### C. Inland Marine

- 1. General Concepts
  - a. Be able to identify why certain lines are filed or non-filed and the advantages and/or disadvantages of each.
  - b. For Inland Marine policies be able to identify:
    - i. that most are written on an open-peril basis;
    - ii. principal exclusions; and,
    - iii. special valuation provisions.
  - c. Be able to identify why mobility is a common characteristic of many types of property insured under Inland Marine contracts.
  - d. Know that an annual transit policy is usually provided on a named peril basis.

### III. Personal Lines Insurance

#### C. Inland Marine

- 2. Personal Property Insurance

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# Prelicensing Education

## Educational Objectives

### California Personal Lines Broker-Agent Examination

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- a. Be able to compare the Personal Articles Floater (PAF) and the Homeowners "Scheduled Personal Property Endorsement" (they provide the same coverage).
- b. With regard to the Scheduled Personal Property endorsement:
  - i. be able to identify the uninsured loss exposures that might cause an HO-3 homeowners insured to add this endorsement; and,
  - ii. be able to identify what effect insuring property under this endorsement has on coverage C of a Homeowners policy,
- c. Be able to identify the limited coverage that is available in the Watercraft endorsement under the Homeowners Program.
  - i. Be able to identify why a boat owner, insured under a Homeowners Policy, might still need Boatowners type coverages.
  - ii. Be able to identify the typical coverages provided:
    - 1) liability, including operations liability, passenger liability and flotilla liability;
    - 2) medical payments; and,
    - 3) physical damage coverage
- d. Be able to identify the coverage normally afforded by the yacht policy (e.g., hull, boat trailers, protection and indemnity [P&I]).
- e. Be able to identify the coverage provided by P&I that are not provided by other boat liability coverages.

### III. Personal Lines Insurance

#### D. Government / Pools / Catastrophe - Property Insurance

- 1. Earthquake Coverage. Be able to identify
  - a. identify correct statements about:
    - i. requirements for insurers to offer earthquake coverage, section 10081 and 10084 of the CIC; and,
    - ii. the California Earthquake Authority (CEA), as a publicly managed, not-for profit organization that provides coverage for this peril, sections 10089.6, 10089.26, and 10089.28 of the CIC.
  - b. Be able to identify the advantages / disadvantages (if any) of earthquake type deductible vs. commonly used property deductibles.

### III. Personal Lines Insurance

#### D. Government / Pools / Catastrophe - Property Insurance

- 2. National Flood Insurance Program (NFIP)
  - a. Be able to identify the major personal insurance policy coverage that insures against losses caused by flood
  - b. the types of properties eligible for coverage under the program ;
  - c. the principal coverage provided by the contract and limitations for making claims;

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# Prelicensing Education

## Educational Objectives

### California Personal Lines Broker-Agent Examination

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- d. the differences between the emergency program and the regular program and the requirement for NFIP coverage on affected federally insured mortgages (voluntary or forced-placed coverage);
- e. that any licensed broker-agent may obtain an NFIP policy for a client;
- f. agents and brokers have no binding authority; and,
- g. that program dollar limits for coverages are specified.

### III. Personal Lines Insurance

#### E. Personal Auto

- 1. General Concepts. Be able to identify:
  - a. the Financial Responsibility Law and individual or insurance policy requirements, sections 16020, 16021, 16025, and 16451 of the California Vehicle Code (CVC) and notice requirements pursuant to Section 11580.1(b)(1) of the CIC and Section 16054 of the CVC.
    - i. Know that uninsured motorists involved in a collision cannot sue an at-fault party for "general" (non-economic) damages.
  - b. how the particular personal auto policy being sold to the consumer may differ from the ISO Personal Auto Policy (PAP).
  - c. Under an ISO PAP, be able to identify:
    - i. 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, 1861.02 of the CIC; and,
    - iii. the three principal rating factors for personal auto policies, section 1861.02(a) of the CIC.

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# Prelicensing Education Educational Objectives

## California Personal Lines Broker-Agent Examination

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- f. Be able to understand the provisions of the California Amendatory Endorsement 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 661 of the CIC; and,
  - ii. the number of days of notice required, sections 662 and 663 of the CIC.
- g. For newly acquired autos, know that:
  - i. A newly acquired auto will have the broadest coverage provided for any vehicle shown in the Declarations, except for collision coverage for damage to your auto;
  - ii. If the insured has collision coverage on at least one auto listed on the Declarations page, all coverage on a newly acquired auto begins on the date the insured becomes the owner. The insured must notify the insurer within 14 days;
  - iii. If the insured does not have collision coverage on at least one auto listed on the Declarations page, collision coverage on a newly acquired auto begins on the date the insured becomes the owner, but the insured must request collision coverage within 4 days and a \$500 deductible applies; and,
  - iv. If a newly acquired auto is in addition to any vehicle shown in the Declarations, the insured must notify the insurer within 14 days.

### III. Personal Lines Insurance

#### E. 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 applying to Part A-Liability, be able to determine the effect of:
  - i. supplementary payments;
  - ii. "out of state coverage" (including "financial responsibility" and "no-fault" compliance);
  - iii. split limits vs. single limits coverage;
    - 1) Know the difference between the application of the per- accident limit in a split limit policy and a single limit policy
  - iv. "other insurance"; and,
  - v. limitations and exclusions applicable to 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.
- d. For a described loss applying to Part C – Uninsured Motorist, be able to determine the amount of coverage for each insured:

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# Prelicensing Education Educational Objectives

## California Personal Lines Broker-Agent Examination

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- i. who is defined as an uninsured or underinsured motorist;
- ii. the Underinsured Motorists coverage part of the Uninsured Motorist coverage;
- iii. Uninsured Motorist Property Damage limit of liability; and,
- iv. the effect of a collision deductible waiver.
- 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,
  - iii. 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

#### E. 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); and,
  - vii. the relationship between Other Than Collision coverage (OTC) and comprehensive coverage (ISO uses newer "OTC", many insurers still use "comprehensive");
    - 1) Know that Other Than Collision coverage is a property insurance coverage.
- b. Be able to identify Common Auto Endorsements:
  - i. Miscellaneous Type Vehicle Endorsement;
  - ii. Limited Mexico Coverage Endorsement;
  - iii. Towing and Labor Coverage;
  - iv. Trust Endorsement
  - v. Joint Ownership;
  - vi. Auto Loan/Lease Endorsement (GAP Coverage);
  - vii. Impact of shared rides on personal auto insurance;
  - viii. Named Non-owner Coverage;
  - ix. Extended Non-owned Liability Coverage – Vehicle Furnished or Available for Regular Use;
  - x. Optional Limits - Transportation Expenses Coverage; and,
  - xi. Customizing Equipment Coverage (PP 08 18);

### III. Personal Lines Insurance

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# Prelicensing Education

## Educational Objectives

### California Personal Lines Broker-Agent Examination

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E. 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; and,
  - iv. the cancellation and renewal procedures for low-cost automobile insurance.

III. Personal Lines Insurance

E. 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

E. Personal Auto

6. Motorcycles

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

III. Personal Lines Insurance

F. Umbrella and Excess Liability Insurance

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# Prelicensing Education Educational Objectives

## California Personal Lines Broker-Agent Examination

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1. Be able to identify:
  - a. the difference between umbrella and excess policies;
  - 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.