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# Prelicensing Education Educational Objectives

## California Property Broker-Agent Examination

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### Overview

The California Insurance Code (Cal. Ins. Code) section 1677 requires the Property Broker-Agent examination be of sufficient scope to satisfy the Insurance Commissioner that an applicant has basic knowledge of insurance and insurance laws.

Basic knowledge is what the typical new property broker-agent needs to know at the start of one's career.

- (1) The most specific knowledge is required in the following areas:
  - \* General Insurance Concepts and Principles
  - \* Insurance Code and Ethics
  - \* Responsibilities and Authority of a Property Broker-Agent
  - \* Businessowners Policy
  - \* Commercial Property
  - \* Earthquake Coverage
  - \* Flood Insurance
  - \* Homeowner's Insurance
  - \* Personal Property
  
- (2) To a lesser degree knowledge is required of:
  - \* A general understanding of all other lines of insurance

As defined by the National Association of Insurance Commissioner's (NAIC) Producer Licensing Model Act, a property broker-agent's lines of authority are defined as insurance coverage for the direct or consequential loss or damage to property of any kind. The list below contains a sample of some of the insurance products that can be transacted with this license.

Businessowners Policy (BOP) covers small and medium sized businesses. BOP's basically consist of integrated property coverage, general liability coverage, and some additional types of coverage that most businesses require. Optional coverages can also be added to meet specific needs of the business. Auto and worker's compensation are generally excluded.

Commercial Multiple Peril is a package insurance policy that provides both liability and property coverage for businesses and other organizations.

Commercial Property Coverage applies to real property (buildings, factories, and warehouses) and business personal property (furniture, fixtures, and inventory). It commonly provides time element coverages such as loss of income.

Crop Insurance is coverage for crops in the event of loss or damage by insured

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perils including hail, fire, and lightning. Prior to the passage of the Federal Crop Insurance Act in 1938, it was virtually impossible to obtain insurance protection against crop damage. Today coverage is available from the Federal Crop Insurance Corporation as well as from private sources. Exclusions from coverage include the perils of war and nuclear disaster.

Dwelling Property is coverage for property damage to a personal dwelling. 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.

Earthquake Insurance is a form of property insurance that pays the policyholder in the event of an earthquake that causes damage to the property. Most homeowners' and dwelling fire insurance policies do not include earthquake damage.

Equipment Breakdown Insurance is insurance commonly referred to as boiler and machinery insurance, covers the costly physical and financial damage that can result from an equipment breakdown. Equipment Breakdown Insurance can pay for: direct property loss (the cost to repair or replace damaged equipment), lost business income and costs for temporary replacement equipment, other expenses incurred to limit the loss or speed restoration of operations, loss value of spoiled products or materials, and business recovery expense.

Flood Insurance is insurance that compensates for property damage arising from flooding. The federal government is primary writer of the coverage, which offers the coverage in federally designated flood areas. Flood coverage is excluded on most homeowners and dwelling fire policies.

Homeowners Insurance is a combination 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 insureds' personal liability. The homeowners' coverage can be used in different formats to insure mobile homes and farms.

Inland Marine Insurance is a broad category of property insurance generally covering loss to movable property or unusual risks. In personal lines, Inland Marine includes coverage for personal effects like jewelry, fine art, sports, or musical equipment. Inland Marine coverage in commercial lines can include, but is not limited to, Equipment Floaters, Builders Risk, Jewelers Block, and Difference in Condition policies.

Livestock Coverage is designated for horses and other farm animals if they are damaged or destroyed. The insurance includes registered cattle and herds, other

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farm livestock, and zoo animals. This type of insurance protects the farmer or rancher against the premature death of animals resulting from natural causes, fire, lightning, accidents, acts of God, acts of individuals other than the owner or employees, and destruction for humane purposes.

Personal Lines are property/casualty insurance products that are designed for and bought by individuals, including homeowners and automobile policies. Personal Lines is also offered as a limited line license through CDI.

Cal. Ins. Code section 1749.1 (b) 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.

### Educational Objectives

The educational objectives are derived from the curriculum outline contained in Title 10, Chapter 5, Subchapter 1, Article 6.5, of the California Code of Regulations (10 Cal. Code Regs.) section 2187.31.

### The License Examination

The California Department of Insurance's (CDI) property broker-agent license examination contains 75-multiple choice questions. The examinees, without any aids (e.g., reference materials, electronic aids), are allowed one hour and thirty minutes to answer the 75-question multiple choice examination.

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

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

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

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

CDI's test center 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:

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### **CDI Los Angeles Test Center:**

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	Fresno	Sacramento	Santa Rosa
Atascadero	Irvine	San Diego	Union City
Bakersfield	Lawndale	Santa Francisco	Ventura
Carson	Redding	Santa Clara	Visalia
Diamond Bar	Riverside	Santa Fe Springs	Walnut Creek

Online remote proctored license examinations are administered on dates and times selected by the license examinee.

### Candidate Information Bulletin

The Candidate Information Bulletin provides detailed information on how to prepare for your license examination, prelicensing education requirements, examination site procedures, sample examination questions, 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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- I. General Insurance (15 percent of examination questions)
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  - B. Policies
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- III. Personal Lines Insurance (38 percent of examination questions)
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I. General Insurance

A. Basic Insurance Concepts and Principles

1. Be able to identify, recognize, or differentiate between:
  - a. examples of insurance as defined in Cal. Ins. Code section 22
  - b. the definition of risk
  - c. a pure risk and a speculative risk
  - d. a definition of peril
  - e. a definition of hazard
  - f. moral, morale, physical, and legal hazards
  - g. the law of large numbers
  - h. a definition or the correct usage of the terms loss and loss exposure (e.g., property loss exposure, liability loss exposure)
  - i. risk management techniques
  - j. the requisites of an ideally insurable risk
  - k. the definition of insurable events, Cal. Ins. Code section 250
  - l. the definitions of insurable interest and indemnity, and be able to recognize the applicability of these terms to a given situation
  - m. why insurers underwrite the insurance applications they receive
  - n. the concepts of adverse selection and spread of risk
  - o. the benefits and the costs of insurance to society (i.e., loss control, loss payments, securing credit, etc.)
  - p. a correct explanation of the role of deductibles in insurance
  - q. a definition of reinsurance, Cal. Ins. Code section 620, and the purposes and benefits of insurers obtaining reinsurance
  - r. that the insurance code:
    - i. divides lines of insurance into classes, Cal. Ins. Code section 100
    - ii. defines these classes, Cal. Ins. Codes sections 101 through 120

I. General Insurance

B. Contract Law

1. Be able to identify and compare contract law and tort law
2. Be able to identify the four major elements of a contract (competent parties, legal purpose, offer and acceptance, and consideration)
3. Be able to identify the meaning and effect of the following special characteristics of an insurance contract:
  - a. aleatory
  - b. conditional contract
  - c. contract of adhesion
  - d. indemnity
  - e. personal contract
  - f. unilateral
  - g. utmost good faith
4. Be able to identify the term insurance policy, Cal. Ins. Code section 380

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5. Be able to identify the meaning and effect of each of the following on a contract:
  - a. fraud, Cal. Ins. Code sections 338 and 1871.2
  - b. concealment, Cal. Ins. Code sections 330 through 339
    - i. be able to identify information that does not need to be communicated in a contract: Cal. Ins. Code section 333
      - 1) Those which the other knows
      - 2) Those which, in the exercise of ordinary care, the other ought to know, and of which the party has no reason to suppose him ignorant
      - 3) Those of which the other waives communication
      - 4) Those which prove or tend to prove the existence of a risk excluded by a warranty, and which are not otherwise material
      - 5) Those which relate to a risk excepted from insurance, and which are not otherwise material
  - c. materiality, Cal. Ins. Code section 334
    - i. know that the materiality of concealment is the rule used to determine the importance of a misrepresentation
  - d. representations, Cal. Ins. Code sections 350 through 361
    - i. a representation is false when the facts fail to correspond with its assertions or stipulations, Cal. Ins. Code section 358
    - ii. a representation cannot qualify an express provision in a contract of insurance but it may qualify an implied warranty, Cal. Ins. Code section 354
    - iii. know when a representation can be altered or withdrawn, Cal. Ins. Code section 355
  - e. warranty, Cal. Ins. Code sections 440 through 449
    - i. know that a warranty may be expressed or implied
  - f. waiver and estoppel
  - g. know that intentional or unintentional concealment entitles an injured party to rescission of a contract, Cal. Ins. Code section 331
6. Be able to identify six required elements which must be specified in all insurance policies, Cal. Ins. Code section 381
7. Be able to identify:
  - a. the meaning of the term rescission
  - b. when an insurer has the right of rescission, Cal. Ins. Code sections 331, 338, 359, and 447
8. Given an insurance situation, be able to identify the following terms correctly:
  - a. application, policy, endorsement
  - b. cancellation, lapse, grace period
  - c. rate, premium, earned and unearned premium
9. Be familiar with the grace period for premiums after a declared emergency, Cal. Ins. Code section 2062

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- I. General Insurance
  - C. The Insurance Marketplace
    - 1. Be able to identify different distribution systems that include, but are not limited to, the following:
      - a. agency
        - i. independent agent
        - ii. captive agent
        - iii. brokers
      - b. direct response
      - c. online direct sales
  
- I. General Insurance
  - C. The Insurance Marketplace
    - 2. Producers. Be able to:
      - a. understand the general rules of agency as they apply to an agent, broker, and the insurance company
        - i. differentiate between agents, Cal. Ins. Code section 31, and brokers, Cal. Ins. Code section 33
        - ii. the responsibilities and duties of each to insureds and insurers
        - iii. 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 (e.g., "field underwriting")
        - ii. understand the insurers' requirements
      - c. define the following:
        - i. property broker-agent, Cal. Ins. Code sections 31, 33, and 1625(a), (b)
        - ii. casualty broker-agent, Cal. Ins. Code sections 33.5 and 1625(a), (c)
        - iii. solicitor, Cal. Ins. Code section 34
        - iv. personal lines licensee, Cal. Ins. Code section 1625.5
        - v. surplus lines broker, Cal. Ins. Code sections 47 and 1765
      - d. define transact and understand why transacting insurance without a license is important, Cal. Ins. Code sections 35, 1631, 1633 and know the penalties for transacting without a license, Cal. Ins. Code section 1633
      - e. understand written consent in regard to interstate commerce (prohibited persons in insurance), and be able to:
        - i. identify what conduct is prohibited by Title 18 United States Code (18 USC) section 1033
        - ii. identify what civil and criminal penalties apply, 18 USC sections 1033 and 1034
      - f. recognize the differences between the authority of an agent and a solicitor, Cal. Ins. Code section 1624
      - g. for insurance agent's errors & omissions insurance, identify:
        - i. the types of coverages available

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- ii. the types of losses commonly covered and not covered
- iii. the need for the coverage
- iv. how errors & omissions insurance is applied
- h. recognize prohibited acts involving non-admitted insurers unless licensed as a surplus lines broker, Cal. Ins. Code section 703
- i. identify the prohibitions of free insurance, Cal. Ins. Code section 777.1
- j. identify the Code requirements for the following:
  - i. an agency name, use of name, and prohibited words, Cal. Ins. Code sections 1724.5, 1729.5, and 10 Cal. Code Regs. section 2052.4
  - ii. change of address, Cal. Ins. Code section 1729
  - iii. filing license renewal application, Cal. Ins. Code section 1720
  - iv. printing license number on documents, Cal. Ins. Code section 1725.5
  - v. internet advertisements, Cal. Ins. Code section 1726(a)
- k. identify the Code specifications regarding producer application investigation, denial of applications, and suspension or revocation of license, Cal. Ins. Code sections 1666, 1668 through 1669, and 1738
- l. identify the importance and the scope of the Code regarding:
  - i. the filing of a notice of appointment to transact insurance, Cal. Ins. Code sections 1704 and 1705
  - ii. an inactive license, Cal. Ins. Code section 1704(b)
  - iii. surrender or cancellation of a license by the licensee, Cal. Ins. Code section 1708
- m. identify the scope and effect of the Code regarding termination of a (producer) license, including when producers dissolve a partnership, Cal. Ins. Code sections 1708 through 1712.5
- n. identify and apply:
  - i. the definition of the term “fiduciary”
  - ii. producer fiduciary duties described in the Code, Cal. Ins. Code sections 1733 through 1735
- o. identify the continuing education (CE) requirements for:
  - i. an individual licensed as a property broker-agent and/or casualty broker-agent
  - ii. know that all licensees must complete a 3-hour course in ethics as part of the required hours of CE prior to each license renewal
- p. identify the licensee’s duty for disclosure of the effective date of coverage, Cal. Ins. Code section 1730.5
- q. reporting of administrative actions and criminal convictions, Cal. Ins. Code section 1729.2
  - i. know that an applicant or licensee shall notify the Commissioner when any of the background information set forth in Cal. Ins. Code section 1729.2 changes after the application has been submitted or the license has been issued
  - ii. notice is required within 30 days of any change in background

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- information
- r. be able to identify, apply the meaning of, and list concrete examples of the following ethical mandates:
    - i. place the customer's interest first
    - ii. know your job and continue to increase your level of competence
    - iii. identify the customer's needs and recommend products and services that meet those needs
    - iv. accurately and truthfully represent products and services
    - v. avoid jargon; use layperson's language when possible
    - vi. stay in touch with customers and conduct periodic coverage reviews
    - vii. maintain confidentiality and protect the privacy of customer information using physical and electronic safeguards
    - viii. keep informed of and obey all insurance laws and regulations
    - ix. avoid unfair or inaccurate remarks about the competition
  - s. be able to identify that the Cal. Ins. Code and the Cal. Code Regs. identify many unethical and/or illegal practices, but they are NOT a complete guide to ethical behavior (i.e., Cal. Ins. Code section 785)
  - t. be able to provide examples of different types of ethical dilemmas that licensees might face
  - u. be able to identify special ethical concerns that may occur regarding pretext interviews, Cal. Ins. Code section 791.03

### I. General Insurance

#### C. The Insurance Marketplace

##### 3. Insurers

- a. be able to differentiate between:
  - i. admitted and non-admitted insurers, Cal. Ins. Code sections 24 through 25
  - ii. domestic, foreign, or alien insurers, Cal. Ins. Code sections 26 through 27 and 1580
  - iii. mutual and stock insurers, Cal. Ins. Code section 11535.1
  - iv. regulation of an admitted insurer and non-admitted insurer, and the potential consequences for consumers, Cal. Ins. Code sections 24, 25, and 1760 through 1780
  - v. be able to differentiate between mutual, stock, and fraternal insurers
    - 1. Know that de-mutualization is a process whereby a mutual insurer becomes a stock company, Cal. Ins. Code section 11535
- b. be able to identify:
  - i. the functions of the following major operating divisions of insurers: marketing/sales, underwriting, claims, actuarial
  - ii. market conduct regulations as the state laws that regulate insurer practices regarding underwriting, sales, ratemaking, and claims handling
  - iii. who may be an insurer, Cal. Ins. Code section 150

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- iv. the penalty for unlawfully acting as an agent for a non-admitted insurer or broker or aiding a non-admitted insurer to transact business in this state for a home state insured, Cal. Ins. Code sections 703 and 1760.1(f)
- v. the distinctions between person, association, organization, partnership, business trust, limited liability company, or corporation, Cal. Ins. Code section 19
- vi. reciprocals 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, Cal. Ins. Code sections 125 through 140, and 15 USC sections 1011 through 1015

### I. General Insurance

#### C. The Insurance Marketplace

##### 4. Market Regulation – General

- a. be able to identify:
  - i. the purpose of insurance regulation and the significance of the McCarran-Ferguson Act, 15 USC sections 1011 through 1015
  - ii. the Cal. Ins. Code and how it may be changed
  - iii. the 10 Cal. Code Regs., Chapter 5, and how it may be changed
  - iv. how the Insurance Commissioner is selected and the responsibilities of the position, Cal. Ins. Code sections 12900 and 12921
  - v. the correct application of the Unfair Practices Article, including its prohibitions and penalties, Cal. Ins. Code sections 790 through 790.15
- b. be able to identify the privacy protection provisions of:
  - i. the California Financial Information Privacy Act, California Financial Code sections 4050 through 4060
  - ii. Insurance Information and Privacy Protection Act regarding practices, prohibitions, and penalties, Cal. Ins. Code sections 791 through 791.29
  - iii. Health Insurance Portability and Accountability Act (HIPPA)
  - iv. Privacy of Nonpublic Personal Information, 10 Cal. Code Regs. sections 2689.4 through 2689.22
  - v. California Consumer Privacy Act of 2018 (effective January 1, 2020)
  - vi. California's "Shine the Light" law (California Civil Code section 1798.83)
- c. be able to define an insolvent insurer, Cal. Ins. Code section 985, and know:
  - i. the definition of an insolvent insurer includes either:
    - 1) Any impairment of minimum "paid-in capital" or "capital paid in," as defined in Cal. Ins. Code section 36, required in the aggregate of an insurer by the provisions of this code for the class, or classes, of insurance that it transacts anywhere
    - 2) An inability of the insurer to meet its financial obligations when they are due

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- ii. 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, Cal. Ins. Code sections 985 (a)(1) and (2)
- iii. the definition of "paid-in capital," Cal. Ins. Code sections 36 and 985
- iv. 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, Cal. Ins. Code section 1013
- d. be able to identify:
  - i. the scope and correct application of the conservation proceedings described in Cal. Ins. Code sections 1011, 1013, and 1016
  - ii. the purpose and scope of the Code with regard to the California insurance Guarantee Association, Cal. Ins. Code sections 1063 (a), (b), (c), and 1063.1 (a), (b), (c), (1)(2)
  - iii. common circumstances that suggest the possibility of fraud
    - 1.) know that if an insured signs a claim form for a claim which is fraudulent, the insured may be found guilty of perjury
  - iv. efforts to combat fraud, Cal. Ins. Code sections 1872, 1874.6, 1875.8, 1875.14, 1875.20, and 1877.3 (b)(1)
    - 1.) Be able to describe the steps a licensed agent should take when fraud is suspected
  - v. the scope and correct application of the False and Fraudulent Claims Article of Cal. Ins. Code sections 1871.1 through 1872.5
  - vi. acts and practices prohibited by Cal. Ins. Code sections 679.70 through 679.74
  - vii. the requirements for rates to be approved or remain in effect, Cal. Ins. Code section 1861.05 (a)
  - viii. the types of ratings-regulations (prior approval, file & use, use & file, open competition) and the system used by the state of California to regulate rates for most property and casualty insurance written in California, Cal. Ins. Code section 1861.05 (c)
  - ix. the distinctions between and uses of "shall" and "may," Cal. Ins. Code section 16
  - x. the requirements for notice by mail, Cal. Ins. Code section 38
- e. with regard to the fair claims settlement practices regulations, be able to identify:
  - i. the sixteen claim practices that are prohibited by Cal. Ins. Code section 790.03
  - ii. how the regulations relate to Cal. Ins. Code section 790.03
    - a.) a definition of each of the following:
      - 1) Claimant, 10 Cal. Code Regs. section 2695.2 (c)

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- 2) Notice of legal action, 10 Cal. Code Regs. section 2695.2 (o)
- 3) Proof of claim, 10 Cal. Code Regs. section 2695.2 (s)
- b.) file and record documentation, 10 Cal. Code Regs. section 2695.3
- c.) duties upon receipt of communications, 10 Cal. Code Regs. section 2695.5
- d.) standards for prompt, fair, and equitable settlements, 10 Cal. Code Regs. sections 2695.7 (a), (b), (c), (g), and (h)
- e.) additional standards applicable to first party residential and commercial insurance policies, 10 Cal. Code Regs. section 2695.9

### I. General Insurance

#### C. The Insurance Marketplace

##### 5. Excess and Surplus (E&S) Lines

- a. with regard to surplus lines, be able to identify:
  - i. what the term "surplus lines" means
  - ii. the marketplace needs met by surplus lines
  - iii. the requirements to be met before a risk may be placed with a surplus lines insurer
  - iv. how surplus lines and special lines surplus lines brokers interact with agents
  - v. the absence of binding authority when placing business through excess and surplus lines brokers, Cal. Ins. Code section 1764.2
  - vi. the non-standard nature of the coverages provided, and that:
    - 1.) An excess and surplus lines insurer writes standard coverages in a state where the insurer is unlicensed
    - 2.) A standard market insurer is an admitted insurer who offers rates for insurance coverage to insureds who have an average or better than average loss exposure
  - vii. conditions that must be met before business may be obtained from these carriers, Cal. Ins. Code section 1761
  - viii. what is the List of Approved Surplus Lines Insurers (LASLI)? The following link will provide access to this list:  
<http://www.insurance.ca.gov/01-consumers/120-company/07-lasli/lasli.cfm>
  - ix. what is the Quarterly Listing of Alien Insurers issued by the NAIC's International Insurers Department ("IID List").? The following link will provide access to this list: [https://www.naic.org/prod\\_serv/QLS-AS-230.pdf](https://www.naic.org/prod_serv/QLS-AS-230.pdf)

### I. General Insurance

#### D. Legal Concept: Tort Law

- 1. Be able to identify and/or recognize:

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- a. that torts are forms of civil wrongdoings, including:
  - i. intentional torts
  - ii. negligence
  - iii. absolute/strict liability
- b. the four essential elements of negligence :
  - i. duty
  - ii. breach
  - iii. proximate cause
  - iv. damages
- c. the principles of “proximate cause” and “efficient proximate cause”
- d. legal defenses against “negligence”
- e. the reasons for the absolute and strict liability doctrines and recognize situations in which they would apply
- f. examples of intentional torts (e.g., libel, slander, false arrest)
- g. definitions of gross negligence and vicarious liability
- h. various types of damages available under tort law:
  - i. compensatory, which includes special and general damages
  - ii. punitive
- i. the difference between comparative and contributory negligence doctrines, and know which one applies under California tort law
  - i. be able to compute a loss payment applying the doctrines of:
    - a) comparative negligence
    - b) contributory negligence
- j. the assumption of the risk doctrine, and know:
  - i. how it applies to strict liability
  - ii. that it may be asserted as a legal defense

## II. Property Insurance

### A. Property Basics

#### 1. Know:

- a. the ISO is an advisory organization that also develops standard forms for the market
- b. AM Best, Fitch, Moody’s, and Standard and Poor’s are examples of independent ratings organizations, and know what their ratings indicate
- c. the principal risk management methods used to identify loss exposures, and the advantages and disadvantages of each method
- d. the difference between direct and indirect (consequential) property losses
- e. common indirect loss exposures
- f. the terms expense ratio, loss ratio, and combined ratio
- g. the definitions of and distinctions between the following policy forms
  - i. “all-risk”
  - ii. “open peril”/“special form
  - iii. “named peril” (e.g., basic, broad, and special)

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- h. be able to identify the terms and differentiate between:
  - i. short rate/flat rate/pro-rata cancellation
  - ii. cancellation/non-renewal / lapse
  - iii. unearned/earned premium and be able to identify their correct computation
  - iv. “judgment rating,” “merit rating,” and “manual rating”
  - v. first party claimant, third party claimant, subrogation, and arbitration
  - vi. “loss reserves” and “statutory reserves”
  - viii. property and liability (casualty) insurance coverages
- i. be able to identify:
  - i. the requirements to be met to assign a policy from one insured to another
  - ii. a definition of “loss cost rating” and the reason for its use
  - iii. the requirement for an insurable interest to exist, Cal. Ins. Code sections 280 through 287
  - iv. that contingent or expectant interests are not insurable, Cal. Ins. Code section 283
  - v. apply the term “concurrent cause” to a loss where two perils are involved in the same event but only one peril is covered under the policy (e.g., fire following earthquake, Cal. Ins. Code section 10088.5, and mudslide following wildfire)
  - vi. the requirements and definitions of the California Residential Property Insurance Disclosure Statement, Cal. Ins. Code sections 10101 and 10102
    - a) be familiar with Cal. Ins. Code section 678 (e) as it relates to revisions to the California Residential Property Insurance Disclosure statement regarding:
      - 1) The definition of actual cash value
      - 2) The statement must be signed and acknowledged if the policy does not cover the peril of fire and the insurer must provide information on the FAIR plan and the California Home Insurance Finder
  - vii. that the Residential Property Insurance Disclosure form contains only a general description of coverages and is NOT part of the policy
  - viii. replacement cost and building code upgrade options
- j. be familiar with the requirements for renewal offers:
  - i) in relation to a reduction in limits or coverage, Cal. Ins. Code section 678 (a)
  - ii) in relation to code upgrade coverage, Cal. Ins. Code section 10103

## II. Property Insurance

### B. Policies

#### 1. Be able to identify:

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- a. the major components of insurance policies (e.g., declarations, insuring agreements, definitions, conditions, exclusions, and endorsements)
- b. common policy provisions (i.e., insured's right to cancel, assignment of policy, supplementary payments, severability, liberalization, etc.)
- c. a valued policy, Cal. Ins. Code sections 2053 and 2054, and be able to identify and compute loss payments according to the different types of valuation commonly used in insurance policies (actual cash value, replacement cost, market value, agreed value, and stated value)
- d. the protection of a mortgagee's interest contained in most mortgage clauses
- e. the difference between concurrent and non-concurrent coverage under two or more policies of insurance issued for the same property
- f. the Code requirements pertaining to policy cancellation/failure to renew, Cal. Ins. Code sections 481.5, 660 through 669.5, 670, 673, and 675 through 679.6
- g. the "standard fire policy," perils insured, and its importance to personal and commercial property contracts, Cal. Ins. Code sections 2070 and 2071
- h. 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
- i. the extensions of ALE offered due to the declaration by a civil authority while a disaster is ongoing, Cal. Ins. Code section 2060 (b)(1)
- j. that 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% of the policy limit, as specified, without requiring an itemized claim, Cal. Ins. Code section 10103.7 (b)
- k. 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)
- l. replacement cost per Cal. Ins. Code section 2051.5 as it pertains to:
  - i. personal property and real property, including code upgrade options
  - ii. the extension of timelines to collect full replacement cost in the event of a "state of emergency"
  - iii. rebuilding at the loss location, rebuilding at a new location, and purchasing an already built home at a new location
    - a. the effect of the value of land on rebuilding, Cal. Ins. Code section 2051.5 (c)(2)

## II. Property Insurance

### C. Classes of Insurance, Cal. Ins. Code sections 100 through 124

1. Have basic familiarity with the coverages a property and casualty broker-agent may be appointed to transact:
  - a. fire

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- b. ocean marine /inland marine
- c. surety
- d. plate glass
- e. liability
- f. workers' compensation
- g. common carrier liability
- h. boiler and machinery
- i. burglary
- j. credit
- k. sprinkler
- l. team and vehicle
- m. automobile
- n. aircraft

### III. Personal Lines Insurance

#### A. Insurance on Residential Properties

##### 1. Homeowners policies

- a. be able to define the following terms as they apply to a homeowners' policy: named insured, insureds, insured location, residence employee, residence premises
- b. coverage forms – be able to identify the major differences between the following forms in terms of coverages included and perils insured:
  - i. HO-2 Broad Form
  - ii. HO-3 Special Form
  - iii. HO-4 Contents (Tenant's) Form
  - iv. HO-5 Comprehensive Form
  - v. HO-6 Unit-owner's Form
  - vi. HO-8 Modified Coverage Form
- c. homeowners' policy property coverages
  - i. be able to identify for coverages A, B, and C (dwelling, other structures, and personal property)
    - 1) Who is insured
    - 2) The kinds of property insured and excluded
    - 3) The valuation basis: actual cash value vs replacement cost
    - 4) The property with special (sub) limits
  - ii. be able to identify the extent Coverage D – Loss of Use applies to a described loss
  - iii. be able to identify the insured's duties after a loss
- d. additional coverages – be able to identify:
  - i. the coverage and limitations available such as debris removal and property removal under the property coverages
  - ii. the effect of the exclusions: earth movement and flood (including the coverage provided for ensuing losses)

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- 1) Know how a wildfire may alter an earth movement exclusion based on an application of “efficient proximate cause”
- 2) Know how the actions or negligence of others may be a cause of action following a loss due to earth movement
- iii. be able to recognize the applicability of the ordinance or law exclusion
- e. liability coverages
  - i. identify common liability loss exposures covered or excluded
  - ii. explain when personal liability coverage is payable
  - iii. for a described loss, be able to identify who would be covered under medical payments to others
- f. homeowners’ endorsements – be able to identify the effect of attaching one or more of the following endorsements 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
  - ix. manufactured home endorsement
  - x. extended replacement cost
  - xi. code upgrade
2. Manufactured home policy
  - a. with the addition of different types of structures, informed agents must be able to recognize the coverage that is applicable to the structure being insured
3. Dwelling policy
  - a. for the dwelling policy, be able to identify the major differences between the three forms (basic, broad, and special) in terms of:
    - i. the coverages included
    - ii. perils insured
4. Policy coverages
  - a. be able to identify and/or differentiate under Coverages A, B, and C:
    - i. who is or is not an “insured”
    - ii. the types of property insured
    - iii. which types of loss settlement applies to dwelling and other structures vs. personal property coverages (actual cash value vs. replacement cost)
    - iv. the kinds of property excluded
    - v. situations when loss of use/fair rental value additional living expenses might be available as the result of direct and indirect losses, and the extent to which coverage applies

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- b. other coverages – be able to identify the limit of insurance on the following coverages as they apply under a dwelling policy
  - i. debris removal
  - ii. property removed
  - iii. ordinance or law

### III. Personal Lines Insurance

#### B Homeowners' Insurance Valuation

- 1. General concepts, Cal. Ins. Code section 2070
  - a. know that
    - i. all property broker-agents, casualty broker-agents, and personal lines broker-agents must complete a CE course on homeowners' insurance valuation (included in their required CE hours)
    - ii. a producer is responsible for accurately documenting a dwelling's replacement cost at the time of original application
    - iii. certain unlicensed persons are prohibited from estimating dwelling replacement cost or explaining insurance coverages
- 2. Insurance on a residence
  - a. valuations and replacement costs
    - i. know how a co-insurance provision affects the limit of liability in a property policy and be able to determine
      - 1) the amount of coverage required to receive full replacement cost coverage
      - 2) the lesser amount that would be paid under a coinsurance provision in the event of:
        - i) total loss
        - ii) partial loss
    - ii. be able to differentiate between actual cash value and replacement cost loss settlements
  - b. endorsements, be able to identify the major effects of the following:
    - i. guaranteed and extended replacement cost
    - ii. ordinance or law coverage
  - c. the relationship between catastrophic loss events and their effect on the increased cost of construction
- 3. Earthquake coverage
  - a. know that the risk of earthquake/earth movement is excluded from dwelling and homeowners policies
  - b. be able to identify the advantages or disadvantages of:
    - i. obtaining this coverage via the California Earthquake Authority (CEA) (and participating insurers) vs. coverage in the competitive market place, Cal. Ins. Code sections 10089.6, 10089.26, and 10089.28
    - ii. single limit of coverage vs. multiple limits
    - iii. reduced coverage policies

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- iv. deductible options and their effect on Combined Single Limit (CSL) claims
- v. increased optional limits for personal property and living expenses
- vi. CEA premium discounts may apply for retrofits

#### III. Personal Lines Insurance

##### C. Liability Coverage. Be able to identify and/or differentiate between:

- 1. Property damage liability and bodily injury liability coverages provided in the homeowners' and dwelling policies
- 2. Common liability loss exposures, and know which are typically covered or excluded in residential policies
- 3. Who is and is not covered by medical payments to others
- 4. The vehicles most commonly insured and excluded not under a homeowners' policy form
- 5. an "insured location" and a "residence premises"
- 6. losses covered under the homeowners' watercraft endorsement

#### III. Personal Lines Insurance

##### D. Government Risk Pools for Catastrophic Events

- 1. Earthquake coverage
  - a. be able to identify:
    - i. requirements for insurers to offer earthquake coverage, Cal. Ins. Code sections 10081 and 10084
    - ii. the CEA as a publicly managed, non-profit organization, Cal. Ins. Code sections 10089.6, 10089.26, and 10089.28
  - b. the advantages and or disadvantages of earthquake policy deductibles vs. standard dwelling policy and homeowners property deductibles
- 2. California Fair Access to Insurance Requirements (FAIR) Plan. Be able to identify:
  - a. the marketplace needs met by the California FAIR plan, Cal. Ins. Code sections 10090 and 10091
  - b. the two different types of areas served by the California FAIR plan
  - c. who is eligible to submit applications to the FAIR Plan
  - d. the meaning of "basic property insurance" as defined in Cal. Ins. Code section 10091(c)
  - e. the requirement that the FAIR Plan reduces existing policyholders and provide for more of the policies to be insured by admitted insurers, Cal. Ins. Code section 10095(i)
  - f. be able to explain the necessary coordination and the differences between a FAIR Plan and a DIC policy
    - i. FAIR Plan provides coverage for specific perils: fire or lightning, explosion, smoke, windstorm or hail, vehicles, and vandalism/malicious mischief

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3. National Flood Insurance Program (NFIP). Be able to identify:
  - a. the 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
  - d. the differences between the emergency program and the regular program and the mandatory coverage requirement for NFIP coverage on affected federally insured mortgages (voluntary or forced-placed coverage)
  - e. how any licensed broker-agent may obtain an NFIP policy for a client
  - f. that agents and brokers have no binding authority
  - g. that program dollar limits for coverages are specified
  - h. the NFIP CE requirement for property broker-agents

### III. Personal Lines Insurance

#### E. Fire Mitigation and How It Affects Insurance Costs

1. Define, recognize, and describe the fire problem in the wildland urban interface
2. Identify those items that affect the risk and hazard such as topography, fuels type and locations, weather, and construction
3. Identify the current state laws and regulations that address mitigation efforts, including defensible space requirements, building constructions, land use, and planning

### III. Personal Lines Insurance

#### F. Inland Marine Risks

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 provide coverage on an open-peril basis
    - ii. the principal exclusions
    - iii. any special valuation provisions
    - iv. why mobility is a common characteristic of many types of property insured
    - v. why an annual transit policy is usually provided on a "named peril" basis
2. Personal property coverage
  - a. be able to compare and contrast a Personal Articles Floater (PAF) and the homeowner's scheduled personal property endorsement
  - b. with regard to the scheduled personal property endorsement:
    - i. why a HO-3 homeowners' insured would add this endorsement
    - ii. what effect insuring property under this endorsement has on coverage C of a homeowners' policy

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### California Property Broker-Agent Examination

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#### IV. Commercial Insurance

##### A. Commercial Package Policy (CPP) Program

1. Be able to identify:
  - a. a description of the modular concept as used in the CPP
  - b. the major common modules used in all policies
  - c. the minimum requirements for a package policy (modules & coverages)
  - d. the advantages to insureds
  - e. that the various coverages may be written on a “monoline” basis
2. Elements of a CPP
  - a. declarations
    - i. be able to distinguish first named insured from other insureds
  - b. be able to identify common policy provisions
    - i. cancellation
    - ii. changes
    - iii. examination of your books and records
    - iv. inspections and surveys
    - v. premiums
    - vi. transfer of rights and duties
  - c. know the importance of understanding the California amendatory endorsements
3. Be able to distinguish the uses of “you,” “your,” “we,” “us,” and “our.” Know that:
  - a. “you” and “your” refers to the named insured
  - b. “we,” “us,” and “our” refer to the insurer

#### IV. Commercial Insurance

##### B. Property Insurance

1. Commercial property
  - a. general concepts
  - b. Building and Personal Property (BPP) coverage form
    - i. be able to recognize the principal types of covered property and the valuation basis for:
      - 1) Building (dwellings not eligible)
      - 2) Insured’s BPP, including improvements and betterments
      - 3) Tenants improvements and betterments
      - 4) Personal property of others in the insured’s care, custody, and control, but not while in transit in the continental United States
    - ii. be able to identify the purpose of a value reporting form, and know that:
      - 1) the value reporting form may be used to modify the insurance provided by the BPP coverage form
      - 2) 75 percent is the most that will be paid if the insured fails to make the required reports of value
    - iii. additional coverages and coverage extensions:

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- 1) Vacancy permit endorsement; know that:
  - i. 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
  - ii. the perils of vandalism and attempted theft, sprinkler leakage, and building glass breakage are not covered if the insured building remains vacant for more than 60 days
  - iii. when a vacancy permit endorsement is added to a BPP coverage form, the vacancy exclusion is waived during the policy period
- c. co-insurance
  - i. be able to:
    - 1) identify reasons for co-insurance and its advantages and/or disadvantages to the insured
    - 2) calculate co-insurance as it applies to a described loss
    - 3) recognize that fair market value may be used to determine the actual cash value of a commercial building for the purpose of applying a co-insurance provision
- d. mortgage holder
  - i. be able to recognize situations in which the rights of a mortgage holder are protected, even if an insured's claim is denied
- e. causes of loss form(s)
  - i. be able to identify the purpose of the basic, broad, and special causes of loss forms and the major differences between the perils insured
  - ii. know that most of the exclusions are contained in the causes of loss form(s) of the commercial property policy
  - iii. 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)
  - iv. know that most exclusions may be waived by paying an additional premium to add endorsements to the policy
- f. property indirect damage insurance; be able to identify or recognize:
  - i. definitions of business income and extra expense and that both are covered by the business income (and extra expense) coverages form
  - ii. that coverage is only activated if there is direct physical loss to property at the described premises by a covered peril
  - iii. situations in which a business would need business income and/or extra expense coverage

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- iv. the business income declaration shows which causes of loss are covered
- v. situations in which a business would need business income from dependent properties
- vi. the differences between extra expense needs and expediting (business interruption) coverage
- vii. business interruption coverage may exclude certain perils such as virus and/or pandemic; coverage may be able to be purchased for additional premium
- g. other endorsements and coverages
  - i. be able to identify why the following forms or coverage options might be used:
    - 1) Leasehold interest
    - 2) Blanket, specific, or scheduled Insurance; agreed value
    - 3) ordinance or law
    - 4) glass
    - 5) extended period of indemnity
    - 6) terrorism
    - 7) "builder's risk" form

#### IV. Commercial Insurance

##### B. Property Insurance

- 2. Inland marine. Be able to identify:
  - a. why an insured might need inland marine coverage
    - i. common types of property insured using the inland marine CPP coverage part (e.g., transit, cargo, equipment)
    - ii. Know what a bill of lading is and its purpose
  - b. for filed forms
    - i. the perils commonly insured ("open perils")
    - ii. the most common exclusions
  - c. the major reasons for considering an electronic data processing policy

#### IV. Commercial Insurance Coverages

##### B. Property Insurance

- 3. Equipment breakdown protection coverage (aka: boiler and machinery)
  - a. be able to identify why an insured might need this coverage even if they have commercial property insurance with causes of loss special form

#### IV. Commercial Insurance

##### B. Property Insurance

- 4. Commercial crime. Be able to identify and/or differentiate between:
  - a. "theft," "burglary," and "robbery" as defined in crime insurance contracts
  - b. the following crime coverages and recognize why a business would need to

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purchase them:

- i. employee theft
- ii. theft of money and securities
  - 1) Inside premises
  - 2) Outside premises
- c. the discovery and loss sustained forms; know that:
  - i. a “discovery” policy form pays for losses which are identified during the policy period even if the loss occurred prior to the effective date of the policy
  - ii. a “loss sustained” policy form pays for losses which occurred during the policy period and are discovered up to one year after the policy ends
  - iii. the acts of certain persons, including officers, directors, employees, and independent contractors, may be excluded from coverage

#### IV. Commercial Insurance

##### B. Property Insurance

###### 5. Farm

- a. be able to identify that Farm insurance can be written as a monoline or package policy providing:
  - i. both personal and commercial coverages;
  - ii. liability and property coverages
- b. regarding the Federal Crop Insurance Program (FCIP), be able to identify:
  - i. why the coverage may be needed
  - ii. the major perils commonly insured
  - iii. the role of the federal government

#### IV. Commercial Insurance

##### B. Property Insurance

###### 6. Concerning the NFIP, be able to identify:

- a. the definition of “flood”
- b. the principal commercial flood coverages
- c. that business income and extra expense are not available
- d. that producers have no binding authority
- e. that a producer must complete the required pre-licensing or CE before submitting the first application

#### IV. Commercial Insurance

##### B. Property Insurance

###### 7. Ocean marine. Be able to:

- a. differentiate between cargo, hull, freight, and protection and indemnity coverage
- b. recognize the sources of claims for which protection and indemnity insurance provides coverage:

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- i. Jones Act
- ii. Longshore and Harbor Workers' Compensation Act

#### IV. Commercial Insurance

##### C. Businessowners Policy (BOP)

1. General concepts
  - a. be able to identify:
    - i. property loss exposures covered
    - ii. advantages of the BOP
    - iii. BOP eligibility rules
    - iv. rating the BOP
  - b. know that:
    - i. commercial auto coverage is not included in a BOP
    - ii. coverage for hired and non-owned autos may be added by endorsement
2. Property loss exposures covered. Be able to differentiate between:
  - a. buildings
  - b. business personal property
  - c. personal property of others
3. Advantages of a BOP. Know that:
  - a. policies are designed similarly to homeowners' policies
  - b. package policies reduce adverse selection
  - c. simplified rating lowers insurer's costs and aids producers in quoting
  - d. underwriting is automated and also lowers insurer's costs
  - e. lower premiums and broader coverage results in competition that benefits business owners
  - f. insureds have convenience of a single policy that meets many coverage needs
4. BOP eligibility rules. Know that:
  - a. every insurer writing BOP policies has eligibility rules
  - b. rating structures contemplate a homogeneous group of small and midsize businesses
  - c. ISO rules are based on business size and complexity of loss exposures
    - i. total floor area (less than 35,000 square feet)
    - ii. number of stories
    - iii. annual gross revenue (not more than \$6,000,000 per location)
    - iv. business type
    - iv. characteristics of the business operations
    - v. restaurants and contractors are no longer excluded
    - vi. ineligible businesses include automobile related, bars, financial institutions, manufacturing occupancies
  - d. proprietary BOP programs may have different eligibility rules

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5. Rating the BOP. Know that:
  - a. rating is less complicated the commercial package policies
  - b. property coverage is rated based on building and personal property coverage limits
  - c. rates include built-in charges (“loading”) for business income and other included coverages, not calculated separately
  - d. liability rates are based on class of business and applied to the property insurance limits (either building or business personal property)
  - e. computer-based rating variables include:
    - i. territory (climate variables, urban vs. rural)
    - ii. type of construction
    - iv. public fire protection
    - v. occupancy of building
    - vi. deductible
    - vii. insured’s request for increased coverage
6. Property covered and excluded from coverage. Know that ISO BOP policies feature:
  - a. covered causes of loss and valuation provisions
    - i. basic, broad, and special loss forms
    - ii. replacement cost is standard valuation; actual cash value is optional
  - b. usually no co-insurance
    - i. policies usually include an insurance-to-value provision
    - ii. some insurers may agree to waive insurance-to-value by endorsement
  - c. shorter list of property not covered
    - i. typical exclusions are not needed because of ineligible risks
    - ii. BOP insureds are generally lower-risk businesses
    - iii. excavation, underground pipes, foundations, and retaining walls not usually excluded compared to commercial package policies
  - d. automatic seasonal increase provision
    - i. increases limit of liability by 25% when insured to 100% value
  - e. business income and extra expense coverage usually included
    - i. not usually limited by co-insurance or monthly maximum, or total dollar amount
    - ii. policies will include a time limit of 12 months
    - iii. policies may compute coverage based on 20% of building insurance limit plus 100% of personal property insurance limit
    - iv. coverage trigger may include “anchor store” dependency
  - f. additional property coverages may be available, including:
    - i. employee dishonesty
    - ii. money and securities (special form) or burglary and robbery (named perils)

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- iii. forgery
- iv. interior and exterior glass (when not otherwise included)
- v. outdoor signs
- vi. mechanical breakdown
- vii. money orders and counterfeit money
- viii. computer coverage
- ix. accounts receivable
- x. valuable papers and records
- xi. know that limits for these additional coverages are usually low
  - 1) Often sufficient for typical small business
  - 2) May be increased based on insured's actual needs

#### V. Pet Insurance

##### 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

#### V. Pet Insurance

##### 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)

#### V. Pet Insurance

##### 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)
    - i. a pre-existing condition
    - ii. a hereditary disorder
    - iii. a congenital anomaly or disorder
    - iv. 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)

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- 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 website, 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)
  - ii. 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)
  - iii. 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

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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)
- i. 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, 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)

#### V. Pet Insurance

##### 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