Updated Educational Objectives – 2021

The Department of Insurance periodically updates the Educational Objectives for a person to be licensed. These "objectives" are the areas that are covered in the state licensing examination to satisfy the Insurance Commissioner that an applicant has basic knowledge of insurance and insurance laws. Basic knowledge is what this typical new Property and Casualty Broker-Agent needs to know at the start of one's career. Although much of the additional information provided here is already covered in the Chapter, these points of emphasis are added per the DOI regulations.

Concealment: (CIC 333)

Neither party to a contract of insurance is bound to communicate information of the matters following, except in answer to the inquiries of the other:

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.

Materiality: (CIC 334)

is to be determined not by the event, but solely by the probable and reasonable influence of the facts upon the party to whom the communication is due, in forming his estimate of the disadvantages of the proposed contract, or in making his inquiries.

Representation: (CIC 350 – 361)

350 - A representation may be oral or written.

351. - A representation may be made at the time of, or before, issuance of the policy.

352. - The language of a representation is to be interpreted by the same rules as contracts in general.

353. - A representation as to the future is a promise, unless it is merely a statement of a belief or an expectation.

354. - A representation cannot qualify an express provision in a contract of insurance; but it may qualify an implied warranty.

355. - A representation may be altered or withdrawn before the insurance is effected, but not afterwards.

356. - The completion of the contract of insurance is the time to which a representation must be presumed to refer.

357. - When an insured has no personal knowledge of a fact, he may nevertheless repeat information which he has upon the subject, and which he believes to be true, with the explanation that he does so on the information of others; or he may submit the information, in its whole extent, to the insurer. In neither case is he responsible for its truth, unless it proceeds from an agent of the insured, whose duty it is to give the information.

358. - A representation is false when the facts fail to correspond with its assertions or stipulations.

359. - If a representation is false in a material point, whether affirmative or promissory, the injured party is entitled to rescind the contract from the time the representation becomes false.

360. - The materiality of a representation is determined by the same rule as the materiality of a concealment.

361. - The provisions of this chapter apply as well to a modification of a contract of insurance as to its original formation.

ONLINE Direct Selling Systems.

A distribution system within which an insurer deals directly marketing to the public over the internet.

Be able to differentiate between agents and brokers:

"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, on behalf of an admitted insurance company. (CIC 31)

"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.

"Property broker-agent" (CIC 33.5) means a person licensed pursuant to Section 1625.
"Casualty broker-agent" (CIC 33.5) means a person licensed pursuant to Section 1625.

Section 1625 (a) A property licensee or a casualty licensee is a person authorized to act as an insurance agent, broker, or solicitor, and a property broker-agent license or a casualty broker-agent license is a license so to act.
(b) Licenses to act as a property broker-agent under this chapter shall entitle the licensee to transact insurance coverage on the direct or consequential loss or damage to property of every kind.
(c) Licenses to act as a casualty broker-agent shall entitle the licensee to transact insurance coverage against legal liability, including that for death, injury, disability, or damage to real or personal property.

"Insurance solicitor" (CIC 34) means a natural person employed to aid a property and casualty broker-agent acting as an insurance agent or insurance broker in transacting insurance other than life, disability, or health.

"Surplus line broker" (CIC 47) means a person licensed under Section 1765 and authorized to do business under Chapter 6 (commencing with Section 1760) of Part 2 of Division 1.

Section 1765 (a) A license under this chapter shall be applied for and renewed by the filing with the commissioner of a written application therefor, in accordance with Section 1652.
(b) Subject to subdivision (f), the commissioner shall issue a license authorizing any applicant who is trustworthy and competent to transact an insurance brokerage business in a manner as to safeguard the interest of the insured, to act as a surplus line broker from the date of the license until the expiration date specified in Section 1630.
(c) An applicant for a surplus line broker's license shall, as part of the application and a condition of the issuance of the license, file a bond to the people of the State of California in the sum of fifty thousand dollars ($50,000), conditioned that the licensee will fully and faithfully comply with the requirements of this chapter, and all applicable provisions of this code. The bond shall be subject to Sections 1662 and 1663. A surplus line broker bond is not required for an individual licensed as a surplus line broker who transacts only on behalf of a licensed surplus line broker organization.

(d) Every applicant for a business entity license, as provided in subdivision (a) of Section 1765.2, shall provide the names of all persons who may exercise the power and perform the duties under the license. Whenever an organization licensed as a surplus line broker desires to change, remove, or add to the natural person or persons who are to transact insurance under authority of its license, it shall immediately file an application or notice with the commissioner for an endorsement changing its license accordingly, on a form prescribed by the commissioner. The fee for adding or removing from any surplus line broker's license issued to an organization the name of any natural person, named thereon, shall be twenty-nine dollars ($29). The commissioner shall require that the qualifying examination provided by subdivision (a) of Section 1676 be taken by any natural person named by the organization to exercise its agency or brokerage powers who would be required to take and pass the qualifying examination. That natural person or persons and the organization are in all other respects subject to the provisions of this chapter and the insurance laws.
(e) The department is authorized to collect additional license fees resulting from the increases in license fees provided by Chapter 29 of the Statutes of 2008 and shall credit any overpayment resulting from reductions in license fees provided by that act.
(f) A business entity licensed under this chapter shall provide two hours of appropriate training to its employees who solicit, negotiate, or effect insurance coverage placed by a nonadmitted insurer. The training shall be given to each eligible employee every five years. The surplus line advisory organization authorized pursuant to Chapter 6.1 (commencing with Section 1780.50) shall develop the curriculum for the training.
(g) The license shall be renewed in accordance with, and subject to, Sections 1717, 1718, 1719, and 1720.
(h) The commissioner may deny, suspend, or revoke any license applied for or granted pursuant to this chapter on all or any one of the grounds and in accordance with the procedures provided in Article 6 (commencing with Section 1666) and Article 13 (commencing with Section 1737) of Chapter 5, whenever the commissioner finds that the applicant or licensee has committed a violation of any provision of this code.

Understand written consent in regard to Interstate Commerce (Prohibited persons in insurance), and be able to:

1. Identify what conduct is prohibited by Title 18 United States Code section 1033

- knowingly, with the intent to deceive, makes any false material statement or report or willfully and materially overvalues any land, property or security
- willfully embezzles, abstracts, purloins, or misappropriates any of the moneys, funds, premiums, credits, or other property
- knowingly makes any false entry of material fact in any book, report, or statement of such person engaged in the business of insurance with intent to deceive any person, including any officer, employee, or agent of such person engaged in the business of insurance, any insurance regulatory official or agency, or any agent or examiner appointed by such official or agency to examine the affairs of such person, about the financial condition or solvency of such business

2. Identify what civil and criminal penalties apply, Title 18 United States Code sections 1033 and 1034

Title 18 U.S. Code § 1033 - Crimes by or affecting persons engaged in the business of insurance whose activities affect interstate commerce.
(a) (1)Whoever is engaged in the business of insurance whose activities affect interstate commerce and knowingly, with the intent to deceive, makes any false material statement or report or willfully and materially overvalues any land, property or security—

(A) in connection with any financial reports or documents presented to any insurance regulatory official or agency or an agent or examiner appointed by such official or agency to examine the affairs of such person, and
(B) for the purpose of influencing the actions of such official or agency or such an appointed agent or examiner,
shall be punished as provided in paragraph (2).
(2) The punishment for an offense under paragraph (1) is a fine as established under this title or imprisonment for not more than 10 years, or both, except that the term of imprisonment shall be not more than 15 years if the statement or report or overvaluing of land, property, or security jeopardized the safety and soundness of an insurer and was a significant cause of such insurer being placed in conservation, rehabilitation, or liquidation by an appropriate court.
(b) (1)Whoever—
(A) acting as, or being an officer, director, agent, or employee of, any person engaged in the business of insurance whose activities affect interstate commerce, or
(B) is engaged in the business of insurance whose activities affect interstate commerce or is involved (other than as an insured or beneficiary under a policy of insurance) in a transaction relating to the conduct of affairs of such a business,
willfully embezzles, abstracts, purloins, or misappropriates any of the moneys, funds, premiums, credits, or other property of such person so engaged shall be punished as provided in paragraph (2).
(2) The punishment for an offense under paragraph (1) is a fine as provided under this title or imprisonment for not more than 10 years, or both, except that if such embezzlement, abstraction, purloining, or misappropriation described in paragraph (1) jeopardized the safety and soundness of an insurer and was a significant cause of such insurer being placed in conservation, rehabilitation, or liquidation by an appropriate court, such imprisonment shall be not more than 15 years. If the amount or value so embezzled, abstracted, purloined, or misappropriated does not exceed $5,000, whoever violates paragraph (1) shall be fined as provided in this title or imprisoned not more than one year, or both.
(c) (1) Whoever is engaged in the business of insurance and whose activities affect interstate commerce or is involved (other than as an insured or beneficiary under a policy of insurance) in a transaction relating to the conduct of affairs of such a business, knowingly makes any false entry of material fact in any book, report, or statement of such person engaged in the business of insurance with intent to deceive any person, including any officer, employee, or agent of such person engaged in the business of insurance, any insurance regulatory official or agency, or any agent or examiner appointed by such official or agency to examine the affairs of such person, about the financial condition or solvency of such business shall be punished as provided in paragraph (2).
(2) The punishment for an offense under paragraph (1) is a fine as provided under this title or imprisonment for not more than 10 years, or both, except that if the false entry in any book, report, or statement of such person jeopardized the safety and soundness of an insurer and was a significant cause of such insurer being placed in conservation, rehabilitation, or liquidation by an appropriate court, such imprisonment shall be not more than 15 years.
(d) Whoever, by threats or force or by any threatening letter or communication, corruptly influences, obstructs, or impedes or endeavors corruptly to influence, obstruct, or impede the due and proper administration of the law under which any proceeding involving the business of insurance whose activities affect interstate commerce is pending before any insurance regulatory official or agency or any agent or examiner appointed by such official or agency to examine the affairs of a person engaged in the business of insurance whose activities affect interstate commerce, shall be fined as provided in this title or imprisoned not more than 10 years, or both.
(e) (1) (A) Any individual who has been convicted of any criminal felony involving dishonesty or a breach of trust, or who has been convicted of an offense under this section, and who willfully engages in the business of insurance whose activities affect interstate commerce or participates in such business, shall be fined as provided in this title or imprisoned not more than 5 years, or both.

(B) Any individual who is engaged in the business of insurance whose activities affect interstate commerce and who willfully permits the participation described in subparagraph (A) shall be fined as provided in this title or imprisoned not more than 5 years, or both.
(2) A person described in paragraph (1)(A) may engage in the business of insurance or participate in such business if such person has the written consent of any insurance regulatory official authorized to regulate the insurer, which consent specifically refers to this subsection.
(f)As used in this section—
(1)the term "business of insurance" means—
(A) the writing of insurance, or
(B) the reinsuring of risks, by an insurer, including all acts necessary or incidental to such writing or reinsuring and the activities of persons who act as, or are, officers, directors, agents, or employees of insurers or who are other persons authorized to act on behalf of such persons;
(2) the term "insurer" means any entity the business activity of which is the writing of insurance or the reinsuring of risks, and includes any person who acts as, or is, an officer, director, agent, or employee of that business;
(3)the term "interstate commerce" means—
(A) commerce within the District of Columbia, or any territory or possession of the United States;
(B) all commerce between any point in the State, territory, possession, or the District of Columbia and any point outside thereof;
(C) all commerce between points within the same State through any place outside such State; or
(D) all other commerce over which the United States has jurisdiction; and
(4) the term "State" includes any State, the District of Columbia, the Commonwealth of Puerto Rico, the Northern Mariana Islands, the Virgin Islands, American Samoa, and the Trust Territory of the Pacific Islands.

18 U.S. Code § 1034 - Civil penalties and injunctions for violations of section 1033
(a) The Attorney General may bring a civil action in the appropriate United States district court against any person who engages in conduct constituting an offense under section 1033 and, upon proof of such conduct by a preponderance of the evidence, such person shall be **subject to a civil penalty of not more than $50,000 for each violation or the amount of compensation which the person received or offered for the prohibited conduct, whichever amount is greater.** If the offense has contributed to the decision of a court of appropriate jurisdiction to issue an order directing the conservation, rehabilitation, or liquidation of an insurer, such penalty shall be remitted to the appropriate regulatory official for the benefit of the policyholders, claimants, and creditors of such insurer. The imposition of a civil penalty under this subsection does not preclude any other criminal or civil statutory, common law, or administrative remedy, which is available by law to the United States or any other person.
(b) If the Attorney General has reason to believe that a person is engaged in conduct constituting an offense under section 1033, the Attorney General may petition an appropriate United States district court for an order prohibiting that person from engaging in such conduct. The court may issue an order prohibiting that person from engaging in such conduct if the court finds that the conduct constitutes such an offense. The filing of a petition under this section does not preclude any other remedy which is available by law to the United States or any other person.

Reporting of Administrative Actions and Criminal Convictions, CIC 1729.2

1. **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**
2. **Notice is required within 30 days of any change in background information**

(a) An applicant or licensee shall notify the commissioner when any of the background information set forth in this section changes after the application has been submitted or the license has been issued. If the licensee is listed as an endorsee on any business entity license,

the licensee shall also provide this notice to any officer, director, or partner listed on that business entity license.
(b) A business entity licensee, upon learning of a change in background information pertaining to any unlicensed person listed on its business entity license or application therefor, shall notify the commissioner of that change. The changes subject to this requirement include changes pertaining to any unlicensed officer, director, partner, member, or controlling person, or any other natural person named under the business entity license or in an application therefor.
(c) The following definitions apply for the purposes of this section:
(1) "License" includes all types of licenses issued by the commissioner pursuant to Chapter 5 (commencing with Section 1621), Chapter 5A (commencing with Section 1759), Chapter 6 (commencing with Section 1760), Chapter 6.5 (commencing with Section 1781.1), Chapter 7 (commencing with Section 1800), and Chapter 8 (commencing with Section 1831) of Part 2 of Division 1, Chapter 1 (commencing with Section 10110) of Part 2 of Division 2, Chapter 4 (commencing with Section 12280) of Part 5 of Division 2, Article 8 (commencing with Section 12418) of Chapter 1 of Part 6 of Division 2, and Chapter 1 (commencing with Section 14000) and Chapter 2 (commencing with Section 15000) of Division 5.
(2) "Background information" means any of the following: a misdemeanor or felony conviction; a filing of felony criminal charges in state or federal court; an administrative action regarding a professional or occupational license; any licensee's discharge or attempt to discharge, in a personal or organizational bankruptcy proceeding, an obligation regarding any insurance premiums or fiduciary funds owed to any company, including a premium finance company, or managing general agent; and any admission, or judicial finding or determination, of fraud, misappropriation or conversion of funds, misrepresentation, or breach of fiduciary duty.
(3) "Applicant" and "licensee" include individual and organization applicants and licensees, and officers, directors, partners, members, and controlling persons (as defined in subdivision (b) of Section 1668.5) of an organization.
(d) Notification to the commissioner shall be in writing and shall be sent within 30 days of the date the applicant or licensee learns of the change in background information.
(e) The commissioner may adopt regulations necessary or desirable to implement this section.

1. Be able to identify that the California Insurance Code and the California Code of Regulations identify many unethical and/or illegal practices, but they are NOT a complete guide to ethical behavior. (For example: Cal. Ins. Code Section 785)

2. Be able to provide examples of different types of ethical dilemmas that licensees might face

What is legal is not always ethical and what is unethical is not always a violation of state or federal laws. Although, not all unethical activities are illegal, all illegal activities are unethical. Crossing the line of illegal activities is one that is approached with much caution, but crossing the line of ethics often times is gray and individuals attempt to justify their actions in the name of supporting their families, meeting their personal goals, or meeting their company's quotas.

Unethical activities are not only of concern for those that commit them, but should also be of concern to fellow workers, managers and employers.

Agent's behaviors are a reflection on the entire industry and whether agents are members of organizations that promote ethics and high standards for the industry or not members of such organizations, every agent, manager or employer should serve as a watch dog to preserve the integrity of the profession. Trust is a primary factor that consumers consider in purchasing their insurance products. Which agent they use or what products they purchase are greatly affected by their perception of the agent or company.

Simply put, laws are what a person must and must not do, while ethics are what a person should and should not do. Ethics and law should not be confused. While laws are frequently created to uphold ethical standards, sometimes laws exist which many would consider unethical, and, on occasion, a seemingly ethical practice may in fact be illegal. **It is also likely that many activities that are not specifically prohibited by law may be unethical in practice**.

This section deals with some of the ethical concepts that insurance producers need to be aware of and understand. **However, it should be noted that neither the California Insurance Code (CIC) nor the Code of Regulations (CCR) is a complete guide to ethical behavior. In general, insurance producers should follow the "Golden Rule," they must act on behalf of their clients in the same manner that they themselves would wish to be treated**.

For example, it would be unethical for an insurance professional to avoid answering a client's questions until the end of a presentation in the hope that the client would forget what they were going to ask. Taking such a short cut is clearly not in the best interest of the client. In order to properly serve the public and the insurance industry, producers must adhere to the following ethical standards:

- **Place the customer's interests first**. For example, an insurance agent should not be influenced to sell one product over another product based upon the commission level to be paid.
- Know your job and continue to increase your level of competence. The insurance industry is an ever-changing atmosphere with underwriting guidelines changing based upon current market conditions. It is the agent's responsibility to stay abreast of these changes.
- Identify the client's needs and recommend products and services that meet those needs. This often referred to as the "suitability test"
- Accurately and truthfully represent products and services. It is the agent's job to represent all material facts to the client so that they may make an informed decision.
- Use simple language; talk the layman's language when possible.
- Stay in touch with customers and conduct periodic coverage reviews.
- Protect your confidential relationship with the client. It is unethical to expose personal information about a client to a third party.
- Keep informed of and obey all insurance laws and regulations. The Department of Insurance often needs to make changes based upon the current market environment and it is the agent's responsibility to stay current.
- Provide exemplary service to your clients. **Success is not defined only in terms of money**.
- Avoid unfair or inaccurate remarks about the competition

Be able to identify the privacy protection provisions of:

1. Privacy of Nonpublic Personal Information, 10 Cal. Code Regs. 2689.4

Section 2689.4. Definitions

As used in these regulations, unless the context requires otherwise:

(a) "Clear and conspicuous" means that a notice is "reasonably understandable" and "designed to call attention to the nature and significance of the information" in the notice. All notices must be clear and conspicuous and accurately reflect the licensee's privacy policies and practices.

A notice is "reasonably understandable" if it:

(1) Presents information in clear, concise sentences, paragraphs, and sections;

(2) Uses short explanatory sentences (an average of 15 - 20 words) or bullet lists whenever possible;

(3) Uses definite, concrete, everyday words and active voice whenever possible;

(4) Avoids multiple negatives;

(5) Avoids legal and highly technical business terminology whenever possible;

(6) Avoids explanations that are imprecise and readily subject to different interpretations; and

(7) Achieves a minimum Flesch Reading Ease Score of 50. (The Flesch Reading Ease Score rates text on a 100-point scale - the higher the score, the easier it is to understand the document. The formula for the Flesch Reading Ease score is:

206.835 - (1.015 x ASL) - (84.6 x ASW)

where:

ASL = average sentence length (the number of words divided by the number of sentences)

ASW = average number of syllables per word (the number of syllables divided by the number of words).)

A notice is "designed to call attention to the nature and significance of the information" in it if it:

(8) Uses a plain-language heading to call attention to the notice;

(9) Uses an easy-to-read typeface and type size (at least 10 point);

(10) Provides wide margins and ample line spacing;

(11) Uses boldface or italics for key words;

(12) In a form that combines the licensee's notice with other information, uses distinctive type size, style, and graphic devices, such as shading or sidebars; and

(13) If on the back or inside of a multi-page form, is accompanied by a prominent notice on the front of the form directing the reader's attention to the privacy notice and where it may be found.

A notice on a web site is "designed to call attention to the nature and significance of the information" in it if it is rendered as a page using Hypertext Markup Language (html) in addition to any other webpage formats used, is at least the equivalent point size and type as the standard text on the licensee's web site, and, uses text or visual cues to encourage scrolling down the page if necessary to view the entire notice and ensures that other elements on the web site (such as text, graphics, hyperlinks or sound) do not distract attention from the notice, and the notice is either:

(14) Placed on a screen that consumers frequently access, such as a page on which transactions are conducted; or

(15) Accessed from a screen that consumers frequently access through a link that connects directly to the notice and is labeled appropriately to convey the importance, nature and relevance of the notice.

(b) "Collect" means to obtain information that the licensee organizes or can retrieve by the name of an individual or by identifying number, symbol or other identifying particular assigned to the individual, regardless of the source of the underlying information.

(c) "Consumer" means an individual who seeks to obtain, obtains or has obtained an insurance product or service from a licensee that is to be used primarily for personal, family or household purposes, and about whom the licensee has nonpublic personal information. "Consumer" includes that individual's legal representative. Examples include, but are not limited to, the following:

(1) An individual who provides nonpublic personal information to a licensee in connection with obtaining or seeking to obtain financial, investment or economic advisory services relating to an insurance product or service, is a consumer regardless of whether the licensee establishes an ongoing relationship.

(2) An applicant for insurance prior to the inception of insurance coverage is a consumer.

(3) An individual who is a consumer of another financial institution is not a licensee's consumer solely because the licensee is acting as agent for, or provides processing or other services to, that financial institution.

(4) An individual is a licensee's consumer if the individual is a beneficiary of a life insurance policy underwritten by the licensee, a claimant under an insurance policy issued by the licensee, an insured or an annuitant under an insurance policy or an annuity issued by the licensee, a certificate holder under an employee or other group policy, a bodily injury claimant against a commercial liability policy, a worker's compensation claimant, or a mortgagor of a mortgage covered under a mortgage insurance policy; and the licensee discloses nonpublic personal information about the individual to a nonaffiliated third party other than as permitted by California Insurance Code Section 791.13.

(5) If the licensee provides initial, annual and revised notices to the plan sponsor, group or blanket insurance policyholder, group annuity contractholder, or workers' compensation plan participant, and does not disclose to a nonaffiliated third party nonpublic personal information about such an individual other than as permitted under California Insurance Code Section 791.13, an individual is not the consumer of the licensee solely because of that relationship. If the licensee does not meet all the conditions of this paragraph, the described individuals are consumers of a licensee.

(6) An individual is not a licensee's consumer solely because he or she is a beneficiary of a trust for which the licensee is a trustee or because he or she has designated the licensee as trustee for a trust.

(d) "Customer" means a consumer who has a continuing relationship with a licensee under which the licensee provides one or more insurance products or services to the consumer that are to be

used primarily for personal, family or household purposes.
A consumer has a continuing relationship with a licensee if the consumer is a current policyholder of an insurance product issued by or through the licensee; or the consumer obtains financial, investment or economic advisory services relating to an insurance product or service from the licensee for a fee.
A consumer does not have a continuing relationship with a licensee, and therefore is not a customer, if, for example:

(1) The consumer applies for insurance but does not purchase the insurance;

(2) The licensee sells the consumer travel insurance in an isolated transaction;

(3) The consumer is no longer a current policyholder of an insurance product or no longer obtains insurance services with or through the licensee;

(4) The consumer is a beneficiary or claimant under a policy and has submitted a claim under a policy choosing a settlement option involving an ongoing relationship with the licensee;

(5) The consumer is a beneficiary or a claimant under a policy and has submitted a claim under that policy choosing a lump sum settlement option;

(6) The customer's policy is lapsed, expired, or otherwise inactive or dormant under the licensee's business practices, and the licensee has not communicated with the customer about the relationship for a period of twelve (12) consecutive months, other than annual privacy notices, material required by law or regulation, communication at the direction of a state or federal authority, or promotional materials;

(7) The consumer is an insured or an annuitant under an insurance policy or annuity but is not the policyholder or owner of the insurance policy or annuity; or

(8) The consumer's last known address according to the licensee's records is deemed invalid. An address of record is deemed invalid if mail sent to that address by the licensee has been returned by the postal authorities as undeliverable and if subsequent good faith attempts by the licensee to obtain a current valid address for the individual have been unsuccessful.

If so, and if the consumer has not opted out, the licensee shall, at least annually, remove the consumer's name from any list for marketing purposes for disclosure to a nonaffiliated third party.

(e) "Financial institution" means any institution engaged in activities that are financial in nature or incidental to such financial activities as described in Section 4(k) of the Bank Holding Company Act of 1956 (12 U.S.C. 1843(k)).

Financial institution does not include:

(1) Any person or entity with respect to any financial activity that is subject to the jurisdiction of the Commodity Futures Trading Commission under the Commodity Exchange Act (7 U.S.C. 1 et seq.);

(2) The Federal Agricultural Mortgage Corporation or any entity charged and operating under the Farm Credit Act of 1971 (12 U.S.C. 2001 et seq.); or

(3) Institutions chartered by Congress specifically to engage in securitizations, secondary market

sales (including sales of servicing rights) or similar transactions related to a transaction of a consumer, as long as the institutions do not sell or transfer nonpublic personal information to a nonaffiliated third party.

(f) "Financial product or service" means any product or service that a financial holding company could offer by engaging in an activity that is financial in nature or incidental to such a financial activity under Section 4(k) of the Bank Holding Company Act of 1956 (12 U.S.C. 1843(k)). Financial service includes a financial institution's evaluation or brokerage of information that the financial institution collects in connection with a request or an application from a consumer for a financial product or service.|

(g) "Nonaffiliated third party" means any person or entity that is not an affiliate of, or related by common ownership or affiliated by corporate control with, a licensee. Nonaffiliated third party includes any company that is an affiliate solely by virtue of the direct or indirect ownership or control of the company by the licensee or its affiliate in conducting merchant banking or investment banking activities of the type described in Section 4(k)(4)(H) or insurance company investment activities of the type described in Section 4(k)(4)(I) of the federal Bank Holding Company Act (12 U.S.C. 1843(k)(4)(H) and (I)).

(h) "Nonpublic personal financial information" means personally identifiable financial information a consumer provides to a licensee to obtain an insurance product or service from the licensee, information about a consumer resulting from a transaction involving an insurance product or service between a licensee and a consumer, or information the licensee obtains about a consumer in connection with providing an insurance product or service to that consumer. "Nonpublic personal financial information" includes any list, description or other grouping of consumers that is derived using any personally identifiable financial information that is not publicly available. "Nonpublic personal financial information" does not include medical record information.

(i) "Nonpublic personal information" means "personal information" as defined in California Insurance Code Section 791.02(s). "Nonpublic personal information" includes "nonpublic personal financial information" and "medical record information" (as defined in California Insurance Code Section 791.02(q).
"Nonpublic personal information" includes any list, description or other grouping of consumers that is derived using any personally identifiable information that is not publicly available. "Nonpublic personal information" also includes any information about the licensee's consumer if it is disclosed in a manner that indicates that the individual is or has been the licensee's consumer; any information the licensee collects through an Internet cookie (an information-collecting device from a web survey); and information from a consumer report.

If information about individuals associated with a business entity is collected or accessed in connection with a consumer transaction, or is used for marketing products or services intended for personal, family, or household purposes, it is nonpublic personal information for purposes of these regulations. Insurance transactions relating to products obtained by a policyholder for business, commercial, or agricultural purposes, but which actually provide insurance primarily for personal, family, or household purposes, involve nonpublic personal information for purposes of these regulations.
A dual purpose policy providing only incidental or supplemental commercial coverages is still a policy primarily for personal, family or household purposes for purposes of these regulations.

(j) "Opt-In" means that a licensee must obtain a consumer's permission before sharing certain nonpublic personal information with others.

(k) "Opt-Out" means that a licensee must allow a consumer the opportunity to prevent the sharing of certain nonpublic personal financial information with others.

(l) "Ownership of voting securities," as used in California Insurance Code Section 791.02(g), means ownership or power to vote twenty-five percent (25%) or more of the outstanding shares of any class of voting security of the person or entity, directly or indirectly, or acting through one or more other persons, and includes power in any manner over the election of a majority of the directors, trustees or general partners (or individuals exercising similar functions) of the person or entity.

(m) "Publicly available information" means any information that a licensee has a reasonable basis to believe is lawfully made available to the general public from federal, state or local government records; widely distributed media; or disclosures to the general public that are required to be made by federal, state or local law.
A licensee has a reasonable basis to believe that information is lawfully made available to the general public if the licensee has taken steps to determine that the information is of the type that is available to the general public; and when an individual can direct that the information not be made available to the general public, the individual has not done so.

Be able to identify the privacy protection provisions of:

2. California Consumer Privacy Act of 2018 (eff 1/1/20)

What Is Your "Personal Information"?
"Personal information" refers to information that identifies, relates to, describes, is reasonably capable of being associated with, or could be reasonably linked (directly or indirectly) with you or your household, but does not include public information that is lawfully made available from federal, state, or local government records. A statutory definition of "personal information," together with examples of personal information, can be found at Cal. Civ. Code § 1798.140(o)(1).

What Are My Rights in My Personal Information?
Under the California Consumer Privacy Act of 2018 (CCPA), you have the following rights in relation to the collection, use or sale of your personal information:

1. Right to Know
You have the right to know and right to request that we disclose to you the following information regarding your personal information that we collect, use, disclose or sell:

- the categories of personal information that we have collected about you;
- the categories of sources from which we collected your personal information;
- the specific pieces of personal information that we have collected about you;
- the categories of your personal information that we have sold, the categories of third parties to whom we have sold your personal information, and the categories of your personal information that were sold to each category of third parties;
- the business* or commercial purpose for which we collected or sold your personal information;

- the categories of third parties with whom we share your personal information;
- the categories of your personal information that we disclose about you for a business purpose.*

2. Right to Delete
You have the right to request that we delete any personal information about you which we have collected from you or maintain about you. However, we will not be required to comply with your deletion request if it is necessary for us or our service providers to maintain your personal information in order to carry out the activities listed in Cal. Civ. Code § 1798.105(d).

3. Right to Opt-out of Sale
You have the right, at any time, to direct us not to sell your personal information. However, we do not sell your personal information to third parties, so you do not need to request an opt-out of the sale of your personal information.

4. Right to Non-discrimination
You have the right not to receive discriminatory treatment from us for the exercise of any of your rights conferred by the CCPA. We will not deny goods or services to you, charge you different prices or rates for goods or services, or provide a different level or quality of goods or services to you because you have exercised any of your rights under the CCPA.

Be able to identify the privacy protection provisions of:

3. California's "Shine the Light" law (Civil Code Section 1798.83)

Shine the Light is a California law requiring business that disclose personal information to third parties for the direct marketing purposes of those third parties to provide notice and access to certain information. Cal. Civ. Code Section 1798.83 et. sec.

Organizations have three options to comply with Shine the Light:

1. Adopt a **policy to only disclose** information subject to Shine the Light **with customer's opt-in.**
2. **Offer an opt-out** and adopt a policy to not disclose information subject to Shine the Light if a customer opts-out.
3. Share information subject to Shine the Light but **provide the mandated disclosures AND provide individualized reports** when requested.

Section 2695.9. Additional Standards Applicable to First Party Residential and Commercial Property Insurance Policies

(a) When a residential or commercial property insurance policy provides for the adjustment and settlement of first party losses based on replacement cost, the following standards apply:
(1) When a loss requires repair or replacement of an item or part, any consequential physical damage incurred in making the repair or replacement not otherwise excluded by the policy shall be included in the loss. The insured shall not have to pay for depreciation nor any other cost except for the applicable deductible.
(2) When a loss requires replacement of items and the replaced items do not match in quality, color or size, the insurer shall replace all items in the damaged area so as to conform to a reasonably uniform appearance.
(b) No insurer shall require that the insured have the property repaired by a specific individual or entity.

(c) No insurer shall suggest or recommend that the insured have the property repaired by a specific individual or entity unless:
(1) the referral is expressly requested by the claimant; or
(2) the claimant has been informed in writing of the right to select a repair individual or entity and, if the claimant accepts the suggestion or recommendation, the insurer shall cause the damaged property to be restored to no less than its condition prior to the loss and repaired in a manner which meets accepted trade standards for good and workmanlike construction at no additional cost to the claimant other than as stated in the policy or as otherwise allowed by these regulations.
(d) If losses are settled on the basis of a written scope and/or estimate prepared by or for the insurer, the insurer shall supply the claimant with a copy of each document upon which the settlement is based. The estimate prepared by or for the insurer shall be in accordance with applicable policy provisions, of an amount which will restore the damaged property to no less than its condition prior to the loss and which will allow for repairs to be made in a manner which meets accepted trade standards for good and workmanlike construction. The insurer shall take reasonable steps to verify that the repair or rebuilding costs utilized by the insurer or its claims agents are accurate and representative of costs in the local market area. If the claimant subsequently contends, based upon a written estimate which he or she obtains, that necessary repairs will exceed the written estimate prepared by or for the insurer, the insurer shall:
(1) pay the difference between its written estimate and a higher estimate obtained by the claimant; or,
(2) if requested by the claimant, promptly provide the claimant with the name of at least one repair individual or entity that will make the repairs for the amount of the written estimate. The insurer shall cause the damaged property to be restored to no less than its condition prior to the loss and which will allow for repairs in a manner which meets accepted trade standards for good and workmanlike construction at no additional cost to the claimant other than as stated in the policy or as otherwise allowed by these regulations; or,
(3) reasonably adjust any written estimates prepared by the repair individual or entity of the insured's choice and provide a copy of the adjusted estimate to the claimant.
(e) Once the appraisal provision under an insurance policy is invoked, the appraisal process shall not include any legal proceeding or procedure not specified under California Insurance Code Section 2071. Nothing herein is intended to preclude separate legal proceedings on issues unrelated to the appraisal process.
(f) When the amount claimed is adjusted because of betterment, depreciation, or salvage, all justification for the adjustment shall be contained in the claim file. Any adjustments shall be discernable, measurable, itemized, and specified as to dollar amount, and shall accurately reflect the value of the betterment, depreciation, or salvage. Any adjustment for betterment or depreciation shall reflect a measurable difference in market value attributable to the condition and age of the property and apply only to property normally subject to repair and replacement during the useful life of the property. The basis for any adjustment shall be fully explained to the claimant in writing.
(1) Under a policy, subject to California Insurance Code Section 2071, where the insurer is required to pay the expense of repairing, rebuilding or replacing the property destroyed or damaged with other of like kind and quality, the measure of recovery is determined by the actual cash value of the damaged or destroyed property, as set forth in California Insurance Code Section 2051. Except for the intrinsic labor costs that are included in the cost of manufactured materials or goods, the expense of labor necessary to repair, rebuild or replace covered property is not a component of physical depreciation and shall not be subject to depreciation or betterment.
NOTE: Authority cited: Sections 790.10, 2051, 2051.5, 2071, 12921 and 12926 of the California Insurance Code, Section 7109 of the California Business and Professions Code and Sections 11342.2 and 11152 of the California Government Code; Reference: Sections 790.03(h)(3), (5) and (7) of the California Insurance Code.

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

Be familiar with Cal Ins Code as it relates to revisions to the California Residential Property Insurance Disclosure statement regarding:

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

10103.6. (a) If an insurer issues a new residential property insurance policy on or after July 1, 2021, that does not provide coverage for the peril of fire, the insurer shall, on or before the date of issuance of the policy, obtain a signed acknowledgment from the applicant or insured stating that the newly issued policy does not provide coverage for the peril of fire. If the applicant or insured does not sign the required acknowledgment on or before the issuance of the policy, the insurer shall obtain the signed acknowledgment from the applicant or insured within 60 days of the date of issuance of the policy. For purposes of this subdivision, a new or newly issued policy does not include renewal of an existing policy, including a renewal that contains different terms than the preceding policy periods.
(b) If an insurer issues or renews a residential property insurance policy on or after July 1, 2021, that does not provide coverage for the peril of fire, the insurer shall prominently disclose both of the following on the declarations page of the policy:
(1) The following statement in bold, uppercase letters in no less than 12-point type:

THIS POLICY DOES NOT COVER THE PERIL OF FIRE. THERE ARE OTHER RESOURCES FOR FINDING FIRE COVERAGE, INCLUDING USING THE CALIFORNIA DEPARTMENT OF INSURANCE'S HOME INSURANCE FINDER OR PURCHASING COVERAGE FROM THE CALIFORNIA FAIR PLAN ASSOCIATION.

(2) Information on the California FAIR Plan, as required by subdivision (h) of Section 10095, and the information on the California Home Insurance Finder, as required by subdivision (b) of Section 10095.7.

Be familiar with the requirements for renewal offers:

a. in relation to a reduction in limits or coverage Cal Ins Code 678 (a)

678(A) Any reduction of limits or elimination of coverage. That reduction of limits or elimination of coverage shall identify the specific limits being reduced or coverage being eliminated by the offer of renewal. The elimination of coverage for the previously covered peril of fire shall be subject to subdivision (b) of Section 10103.6.

b. in relation to code upgrade coverage, Cal Ins Code 10103

10103 (a) A policy of residential property insurance shall not be issued or renewed in this state unless it provides the following information on the declarations page of the policy:
(1) The limits of liability for the structure.

(2) The following statement regarding the valuation of the structure:
“The limit of liability for this structure (Coverage A) is based on an estimate of the cost to rebuild your home, including an approximate cost for labor and materials in your area, and specific information that you have provided about your home.”
(3) Limits of liability for personal property.
(4) Deductibles.
(5) For a residential property insurance policy that provides replacement cost coverage, a statement that the policy provides building code upgrade coverage for the increased costs of repairing or replacing damage to the insured dwelling caused by a covered loss because of building ordinances or laws regulating the repair or replacement. Building code upgrade coverage is provided based on the increased costs associated with building ordinances or laws in effect at the time of loss or rebuilding, up to policy limits for this coverage. The policy may denote restrictions, if any, on coverage for compliance with applicable building codes that take effect after the date of loss, but before the issuance of required building permits.
(b) If the policy includes building code upgrade coverage, it shall do both of the following:
(1) State it includes building code upgrade coverage on the declaration page in no less than 10-point type, state any applicable limits on the amount of coverage, and, if the policy contains other terms, conditions, or restrictions for coverage, disclose on the declarations page that those terms, conditions, or restrictions are identified on a separate disclosure form attached to the declarations page.
(2) If the building code upgrade coverage is subject to any terms, limits, conditions, or restrictions, state the terms, limits, conditions, or restrictions on a separate disclosure form attached to the declarations page. The separate disclosure form shall be printed in no less than 10-point type.
(c) An open policy of residential property insurance that provides replacement cost coverage shall not be issued or renewed unless it provides additional building code upgrade coverage of no less than 10 percent of the dwelling coverage policy limits. The building code upgrade coverage required by this subdivision shall be additional coverage, and use of this coverage shall not reduce or deplete the dwelling coverage policy limits for the insured property. This subdivision does not prohibit an insurer from offering building code upgrade coverage of greater than 10 percent of the dwelling coverage policy limits, in addition to providing the minimum coverage of 10 percent of the dwelling coverage policy limits.
(d) The provisions of paragraphs (1), (2), and (5) of subdivision (a), subdivision (b), and subdivision (c) are not required for policies purchased by tenants or unit owners that do not cover the structure of the premises.
(e) (1) The requirements of paragraph (5) of subdivision (a), subdivision (b), and subdivision (c) do not apply to a policy of residential property insurance that provides actual cash value coverage and does not provide replacement cost coverage or building code upgrade coverage.
(2) The requirements of subdivision (c) do not apply to a policy of residential property insurance that is an apartment policy, a tenant’s policy, a renter’s policy, a mobilehome policy, or a policy insuring individually owned condominium units, if the policy of residential property insurance does not provide dwelling structure coverage. The requirements of subdivision (c) also do not apply to a policy covering all or part of a commercial or farm operation, including a policy covering a structure or dwelling unit on commercial or farm property, regardless of whether the structure or dwelling unit is owner occupied or rented for individual residential purposes.
(3) A policy of residential property insurance that does not provide building code upgrade coverage shall include on the declarations page of the policy in no less than 10-point type the following statement: “THIS POLICY DOES NOT INCLUDE BUILDING CODE UPGRADE COVERAGE.”
(f) The amendments to this section made by the act adding this subdivision shall be operative for any policy issued or renewed on or after July 1, 2021, except that an insurer that files a complete rate application, including, without limitation, a form change application or rule filing, by no later than April 1, 2021, in order to comply with the provisions of this act, shall begin issuing and renewing policies in compliance with this section within 75 days following the commissioner’s prior approval of that complete rate application, including, without limitation, a form change application or rule filing.

Be able to identify the special policy renewal provisions which may apply following a disaster that results in total loss to a property. Cal Ins Code 675.1

675.1 (a) In the case of a total loss to the primary insured structure under a policy of residential property insurance subject to Section 675, the following provisions apply:
(1) If reconstruction of the primary insured structure has not been completed by the time of policy renewal, the insurer, prior to or at the time of renewal, and after consultation by the insurer or its representative with the insured as to what limits and coverages might or might not be needed, shall adjust the limits and coverages, write an additional policy, or attach an endorsement to the policy that reflects the change, if any, in the insured's exposure to loss. The insurer shall adjust the premium charged to reflect any change in coverage.
(2) The insurer shall not cancel coverage while the primary insured structure is being rebuilt, except for the reasons specified in subdivisions (a) to (e), inclusive, of Section 676. The insurer shall not use the fact that the primary insured structure is in damaged condition as a result of the total loss as the sole basis for a decision to cancel the policy pursuant to subdivision (e) of that section.
(3) Except for the reasons specified in subdivisions (a) to (e), inclusive, of Section 676, the insurer shall offer, for at least the next two annual renewal periods, but no less than 24 months of coverage from the date of the loss, to renew the policy in accordance with paragraph (1) if the total loss to the primary insured structure was caused by a disaster, as defined in subdivision (b) of Section 1689.14 of the Civil Code, the loss was not also due to the negligence of the insured, and losses have not occurred subsequent to the disaster-related total loss that relate to physical or risk changes to the insured property that result in the property becoming uninsurable.
(4) With respect to policies of residential earthquake insurance, the California Earthquake Authority, or any insurer, including a participating insurer, as defined in subdivision (i) of Section 10089.5, may defer its initial implementation of this section until no later than October 1, 2005.
(5) With respect to a residential earthquake insurance policy issued by the California Earthquake Authority, the following provisions apply:
(A) The participating insurer that issued the underlying policy of residential property insurance on the primary insured structure shall consult with the insured as to what limits and coverages might or might not be needed as required by paragraph (1).
(B) The California Earthquake Authority, in lieu of meeting the requirements of paragraph (1), shall establish procedures and practices that allow it to reasonably accommodate the needs and interests of consumers in maintaining appropriate earthquake insurance coverage, within the statutory and regulatory limitations on the types of insurance coverages and the coverage limits of the policies that the authority may issue.
(b) (1) An insurer shall not cancel or refuse to renew a policy of residential property insurance for a property located in any ZIP Code within or adjacent to the fire perimeter, for one year after the declaration of a state of emergency, as defined in Section 8558 of the Government Code, based solely on the fact that the insured structure is located in an area in which a wildfire has occurred. This prohibition applies to all policies of residential property insurance in effect at the time of the declared emergency.
(2) For the purposes of this section, the fire perimeter shall be determined by the Department of Forestry and Fire Protection in consultation with the Office of Emergency Services. The department shall provide the commissioner with data describing the fire perimeter sufficient for the commissioner to determine which ZIP Codes are within or adjacent to the fire perimeter. The commissioner shall then issue a bulletin to inform insurers which ZIP Codes are subject to this subdivision.
(c) Subdivision (b) does not apply in any of the following circumstances:
(1) If willful or grossly negligent acts or omissions by the named insured, or his or her representatives, are discovered that materially increase any of the risks insured against.
(2) If losses unrelated to the post disaster loss condition of the property have occurred that would collectively render the risk ineligible for renewal.

(3) If there are physical or risk changes to the insured property beyond the catastrophe-damaged condition of the structures and surface landscape that result in the property becoming uninsurable.
(d) For the purposes of this section, “policy of residential property insurance” has the meaning described in subdivision (a) of Section 10087.

Be able to identify the extensions of ALE offered due to the declaration by a civil authority while a disaster is ongoing Cal Ins Code 2060 (b) (1)

2060 (b) (1) In the event of a covered loss relating to a state of emergency, as defined in Section 8558 of the Government Code, coverage for additional living expenses shall be for a period of no less than 24 months from the inception of the loss, but shall be subject to other policy provisions. An insurer shall grant an extension of up to 12 additional months, for a total of 36 months, if an insured acting in good faith and with reasonable diligence encounters a delay or delays in the reconstruction process that are the result of circumstances beyond the control of the insured. Circumstances beyond the control of the insured include, but are not limited to, unavoidable construction permit delays, lack of necessary construction materials, and lack of available contractors to perform the necessary work.

Be able to identify 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 10103.7 (b)

10103.7(b) (1) In the event of a covered total loss of a primary dwelling under a residential property insurance policy resulting from a state of emergency, as defined in Section 8558 of the Government Code, if the residence was furnished at the time of the loss, the insurer shall offer a payment under the contents (personal property) coverage in an amount no less than 30 percent of the policy limit applicable to the covered dwelling structure, up to a maximum of two hundred fifty thousand dollars ($250,000), without requiring the insured to file an itemized claim.
(2) After receiving the payment described in paragraph (1), the insured may recover additional amounts up to the policy limit for contents coverage by filing a claim pursuant to the terms of the policy for the loss of contents that exceeds the value of the payment provided pursuant to paragraph (1).
(3) When an insured files a claim relating to a state of emergency, as defined in Section 8558 of the Government Code, the insurer shall notify the insured of the option to receive payment for loss of contents pursuant to paragraph (1) and of the insured’s option to subsequently file a full itemized claim pursuant to paragraph (2).
(4) This subdivision does not affect payment under the policy for scheduled personal property.
(5) This section does not prohibit an insurer from restricting payment in cases of suspected fraud.

Be able to identify 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 10103.7 (a)

10103.7 (a) In the event of a covered loss relating to a state of emergency, as defined in Section 8558 of the Government Code, an insured under a residential property insurance policy shall be permitted to combine payments for claims for losses up to the policy limits for the primary dwelling and other structures, for any of the covered expenses reasonably necessary to rebuild or replace the damaged or destroyed dwelling, if the policy limits for coverage to rebuild or replace

the primary dwelling are insufficient. Any claims payments for losses pursuant to this subdivision for which replacement cost coverage is applicable shall be for the full replacement value of the loss without requiring actual replacement of the other structures or contents. Claims payments for other structures in excess of the amount applied towards the necessary cost to rebuild or replace the damaged or destroyed dwelling shall be paid according to the terms of the policy.

Be able to identify replacement cost per Cal Ins Code 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, and purchasing an already built home at a new location**
  - **a. the effect of the value of land on rebuilding, Cal Ins Code 2051.5 (c) (2)**

2051.5. (a) (1) Under an open policy that requires payment of the replacement cost for a loss, the measure of indemnity is the amount that it would cost the insured to repair, rebuild, or replace the thing lost or injured, without a deduction for physical depreciation, or the policy limit, whichever is less.
(2) If the policy requires the insured to repair, rebuild, or replace the damaged property in order to collect the full replacement cost, the insurer shall pay the actual cash value of the damaged property, as defined in Section 2051, until the damaged property is repaired, rebuilt, or replaced. Once the property is repaired, rebuilt, or replaced, the insurer shall pay the difference between the actual cash value payment made and the full replacement cost reasonably paid to replace the damaged property, up to the limits stated in the policy.
(b) (1) (A) A time limit of less than 12 months from the date that the first payment toward the actual cash value is made shall not be placed upon an insured in order to collect the full replacement cost of the loss, subject to the policy limit.
(B) In the event of a loss relating to a "state of emergency," as defined in Section 8558 of the Government Code, a time limit of less than 36 months from the date that the first payment toward the actual cash value is made shall not be placed upon the insured in order to collect the full replacement cost of the loss, subject to the policy limit.
(C) This section does not prohibit an insurer from allowing the insured additional time to collect the full replacement cost.
(2) An insurer shall provide to a policyholder one or more additional extensions of six months for good cause pursuant to subparagraph (A) or (B) of paragraph (1) if the insured, acting in good faith and with reasonable diligence, encounters a delay or delays in approval for, or reconstruction of, the home or residence that are beyond the control of the insured. Circumstances beyond the control of the insured include, but are not limited to, unavoidable construction permit delays, the lack of necessary construction materials, or the unavailability of contractors to perform the necessary work.
(c) (1) In the event of a total loss of the insured structure, a policy issued or delivered in this state shall not contain a provision that limits or denies, on the basis that the insured has decided to rebuild at a new location or to purchase an already built home at a new location, payment of the building code upgrade cost or the replacement cost, including any extended replacement cost coverage, to the extent those costs are otherwise covered by the terms of the policy or any policy endorsement. However, the measure of indemnity shall not exceed the replacement cost, including the building code upgrade cost and any extended replacement cost coverage, if applicable, to repair, rebuild, or replace the insured structure at its original location.
(2) Notwithstanding any other law, for a residential property insurance policy, the measure of damages available to a policyholder to use to rebuild or replace the insured home at another location shall be the amount that would have been recoverable had the insured dwelling been rebuilt at its original location, and a deduction for the value of land at the new location shall not be

permitted from that measure of damages. However, the measure of indemnity shall not exceed the cost, including the building code upgrade cost and any extended replacement cost coverage, if applicable, to rebuild the insured structure at its original location.
(d) This section does not prohibit an insurer from restricting payment in cases of suspected fraud.
(e) (1) On and after July 1, 2005, and only until July 1, 2019, all policy forms used by an insurer shall be in compliance with this section, except for the changes made to this section by the act that added paragraph (2).
(2) On and after July 1, 2019, all policy forms issued or renewed by an insurer shall comply with this section in its entirety, including the changes made to this section by the act that added this paragraph.

Be able to identify the requirement that the FAIR Plan reduces existing policyholders and provides for more of the policies to be insured by admitted insurers Cal Ins Code 10095 (i)

10095 (i) To reduce the association's concentration and number of policies, and to encourage maximum use of the normal insurance market consistent with subdivision (c) of Section 10090, the association shall develop and implement a clearinghouse program on or before July 1, 2021, to help reduce the number of existing FAIR Plan policies and provide the opportunity for admitted insurers to offer homeowners' insurance policies to FAIR Plan policyholders. An insurer that participates in the clearinghouse program shall sign an agreement with the association that sets forth the terms and conditions for the insurer to offer homeowners insurance through the policy's listed agent or broker of record, if any. The clearinghouse program may include a provision to include nonadmitted insurers if admitted insurers have the first option.

Be able to explain the necessary coordination and the differences between a FAIR Plan and a DIC policy:

It is important to understand that we have both the FAIR plan and DIC policies as options for consumers. There are certain perils that need to be covered and each policy addresses different issues and perils. Therefore, the coordination of benefits between these two policy types is vital to ensure the consumer has the desired perils covered and does not have an issue with a gap or duplication of coverages. The FAIR plan provides limited coverage for specific perils of fire, lighting, explosion, smoke, windstorm or hail, vehicles and vandalism/malicious mischief. Whereas, most DIC policies specifically exclude any peril offered by the FAIR plan regardless of whether the coverage was purchased by the insured or not.

The NFIP CE requirement for property broker-agents

Section 207 of the Flood Insurance Reform Act of 2004 requires all producers selling flood insurance policies under the National Flood Insurance Program (NFIP) to be properly trained and educated about the NFIP to ensure producers may best serve their clients.

The Act[1] directs the Director of the Federal Emergency Management Agency, in cooperation with the insurance industry, State insurance regulators, and other interested parties to establish minimum training and education requirements for all insurance agents who sell flood insurance policies. FEMA and state approved continuing education providers are developing courses related to the NFIP. An insurance producer who sells flood insurance may satisfy the minimum training and education requirements by completing a course related to the NFIP, which may be approved for three (3) hours of continuing education credit by the California Department of Insurance (CDI). The failure to comply with this continuing education requirement may jeopardize the producer's authority to write insurance through the NFIP.

Be able to identify the effect of the exclusions: earth movement and flood, (including the coverage provided for ensuring losses

1) know how a wildfire may alter an earth movement exclusion based on an application of "sufficient proximate cause"

2) know how the actions or negligence of others may be a cause of action following a loss due to earth movement

Earth movement and Flood are standard exclusions under Homeowners' policies and separate policies must be acquired to cover these perils. This affects the homeowner in that there may be some confusion as to whether and why those perils are not covered.

1. However, based upon the concept of "sufficient proximate cause" the perils that are or may be covered might become unclear. For example, a wildfire may burn all the trees that were holding dirt, mud, rocks etc. in place. If we had a large storm that created a downpour of rain this might cause mud slides that destroy a piece of property. "Sufficient proximate cause" would suggest had there been no wildfire that destroyed the trees there would not have been a mudslide.

2. Another scenario would be the negligence of one person's actions causing a lost to another may be covered. For example, if there was a fire and a neighbor built a barrier to protect their property which diverted the landslide to another neighbor's property causing property damage there is a "sufficient proximate cause" and a reasonable argument for coverage.

Be able to identify how an insurance company rates Businessowners Policies (BOP)

The BOP policy is unique in that the insurance company must take into consideration multiple risk factors including *both* Property and Liability, therefore by putting these exposures into one policy there is usually a savings to the customer by buying these coverages in a "package".

Advantages of a BOP. Know that:

a. policies are designed similar to homeowners' policies:

BOP's are designed similar to Homeowners policies in that they are both package policies with section #1 Property and section #2 Liability.

b. package policies reduce adverse selection

Because the eligibility requirements for a BOP are so specific this reduces adverse selection as the prospective policy owner must qualify for this type of policy.

c. simplified rating lowers insurer's costs

The prepackaging of these polices and the stringent qualifying factors lowers the insurance companies over all cost.

d. underwriting is automated and also lowers insurer's costs

The automation of the underwriting guidelines also contributes to less labor costs and the overall insurer's cost.

e. lower premiums and broader coverage results in competition that benefits business owners

These BOP policies are designed to result in the consumer (Business owner) having access to more possible companies to work with. This fuels competition amongst carriers and results in a healthy competition that creates a lower premium to the consumer.

f. insureds have convenience of a single policy that meets many coverage needs

One of the major advantages to buying a BOP is the convenience of having coverage needs met all in one policy versus trying to coordinate multiple policies.

Rating the BOP. Know that:

- rating is less complicated the commercial package policies

- property coverage is rated based on building and personal property coverage limits
- rates include built-in charges ("loading") for business income and other included coverages, not calculated separately.

- liability rates are based on class of business and applied to the property insurance limits (either building or business personal property)

- computer-based rating variables include:
    - territory (climate variables, urban vs. rural)
    - type of construction
    - public fire protection
    - occupancy of building
    - deductible
    - insured's request for increased coverage

Property covered and excluded from coverage. Know that ISO BOP policies feature:

1. Covered causes of loss and valuation provisions and that there are three forms of loss to be covered - basic, broad, and special loss forms

2.. *Replacement cost* is standard valuation used, however *actual cash value* is optional.

3. There is usually no coinsurance and policies usually include an insurance-to-value provision. While some insurers may agree to waive insurance-to-value by endorsement.

4. A 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, retaining walls not usually excluded compared to Commercial Package Policies

5. An automatic seasonal increase provision which increases limit of liability by 25% when insured to 100% value

6. Business income and extra expense coverage:
    i. usually included and is not usually limited by coinsurance 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

7. Additional property coverages may be available including:

- employee dishonesty
- money and securities (special form) or burglary and robbery (named perils)
- forgery
- interior and exterior glass
- outdoor signs
- mechanical breakdown
- money orders and counterfeit money
- computer coverage
- accounts receivable
- valuable papers and records
- know that limits of the additional coverages are usually low
    1) often sufficient for typical small business
    2) may be increased based on insured's actual needs

Transportation Network Companies (TNC) – (e.g., Uber, Lyft…etc)

- ✓ Personal auto policy exclusion: Because a person is working for/with a TNC that would be considered a commercial/business venture and in most cases is specifically excluded from a PAP.

- ✓ Insurance companies recognize there is a loss exposure presented when an individual uses their personal use vehicle for commercial purposes and personal use. For this reason, Insurers have taken the time to address this issue by designing products that fit the need for a person that needs a combination of personal/business exposures.

- ✓ Public Utilities Code 5433 requires the TNC to provide specific coverages to the driver to cover possible loss exposures.

A list of available TNC coverage can be found on CDI's webpage at:

http://www.insurance.ca.gov/01-consumers/105-type/82-TNC-Ridesharing/upload/1-12-17TNCProductApprovalChartPublic.pdf

In regards to personal vehicle sharing you need to know the following:

The definition of personal vehicle sharing means "the use of private passenger vehicles by persons other than the vehicle owner, in connection with a personal sharing program as defined by CIC 11580.24

In addition the personal vehicle sharing program must provide coverage for the vehicle "during all times that the vehicle is engaged in personal vehicle sharing" as long as the annual revenue received by the vehicle's owner which was generated by the personal vehicle sharing of the vehicles does not exceed the annual expenses of owning the vehicle. CIC 11580.24 (a)(2), and as long as the vehicle is not being being used for commercial purposes, including but not limited to, ridesharing (TNC) CIC 11580.24(a)(3)

The vehicle sharing program shall "provide insurance coverage for the vehicle and the operator of the vehicle that are equal to or greater than the insurance coverages maintained by the vehicle owner and reported to the personal vehicle sharing program." CIC 115801.24(c)(1)

In regards to a Garage Policy. Know that:

Coverage is available for public repair shops, dealerships, attended parking lots, any other situation where the general public might drive the business vehicle, or when businesses have care, custody, or control over other people's vehicles

Why misclassified workers may not be covered under a Workers' Compensation policy:

Workers' compensation rates are based upon class codes or most often referred to as "SIC Codes." For this reason, insurance companies look at the risk involved for coverage and calculate the premium based upon payroll. For example: let's say a receptionist has a rate of $0.10, what that means is for every $100 paid to the receptionist in salary $0.10 would be paid to the Workers Compensation carrier. Conversely, in that same company we have someone who cuts down trees which is considered dangerous and for every $100 paid to that employee the rate is $17. That would mean that every $100 paid to that employee would command $17 paid to the workers compensation carrier. As you can probably guess, many unscrupulous business owners or insurance agents might try to misclassify the employee to obtain a cheaper rate through misclassification. That is why insurance companies may deny a claim under Workers' compensation as the employer was not paying for the appropriate coverage.

Liability of the employer when a misclassified worker is injured on the job and not covered under a Workers' Compensation policy:

In the example above if the employer misclassified the employees and there is an injury sustained by a worker that would not be covered by a workers compensation policy the employer would be considered liable.

The "ABC" test that defines independent contractors (AB5, 2019):

California has adopted Senate bill AB5 which is used as a guideline to define whether a worker is acting in an employee role or independent contractor role. The test used to determine this is referred to as the "ABC" test. The test reads as follows:

1. The worker is free to perform services without the control or direction of the company.
2. The worker is performing work tasks that are outside the usual course of the company's business activities.

Examples of Workers' Compensation Insurance fraud and the penalties which may be applied to employees who commit workers' compensation insurance fraud:

Unfortunately, workers compensation fraud is an ongoing problem for both insurance companies and business owners that effectively drive up the cost for everyone else. Some examples of this would be:

Bob is playing softball with his friends on a Sunday afternoon and hurts his knee running to first base. Bob is not the most honest person and wants to take advantage of the situation so he goes to work Monday morning and fakes a fall on the ground and claims to have been injured in the course of working.

Larry has decided he needs a vacation for an indefinite amount of time so he tells his HR department he is so stressed out at work that he is now experiencing physical issues even though in reality he simply wanted to go fishing for a week.

Penalties to an employee that commits workers compensation fraud can be extensive and may include but not limited to:
Workers' compensation fraud under Insurance Code 1871.4 is what is known as a wobbler. This is a crime that may be charged as either a misdemeanor or a felony, depending on:

- The circumstances of the charges; and
- The defendant's criminal history.

When it is charged as a California misdemeanor, Insurance Code 1871.4 workers' compensation fraud carries the following penalties:

- Misdemeanor (summary) probation;
- Up to one (1) year in county jail;
- A fine of up to one hundred fifty thousand dollars ($150,000) or double the amount of the fraud, whichever is greater; and/or
- Restitution to any parties who were victims of the fraud.24

When this form of California workers' compensation fraud is charged as a felony, the potential penalties are:

- Felony (formal) probation;
- Two (2), three (3) or five (5) years in county jail under California's realignment program;
- A fine of up to one hundred fifty thousand dollars ($150,000) or double the amount of the fraud, whichever is greater; and/or
- Restitution to any parties who were the victims of the fraud.

How employers can commit workers' compensation insurance fraud and the penalties which may be imposed:

Every person who violates subdivision (a) shall be punished by imprisonment in a county jail for one year, or pursuant to subdivision (h) of Section 1170 of the Penal Code, for two, three, or five years, or by a fine not exceeding one hundred fifty thousand dollars ($150,000) or double the value of the fraud, whichever is greater, or by both that imprisonment and fine. Restitution shall be ordered, including restitution for any medical evaluation or treatment services obtained or provided. The court shall determine the amount of restitution and the person or persons to whom the restitution shall be paid. A person convicted under this section may be charged the costs of investigation at the discretion of the court.