

PRELICENSING EDUCATION

Educational Objectives

Appendix A

Ethics and California Insurance Code (12 hour) Educational Objectives

The “General” Ethics and California Insurance Code **educational objectives that apply to all lines of authority** appear below. The 12 hours of required Ethics and California Insurance Code education must at a minimum include the material in Appendix A.

	<u>CHAPTER</u>	<u>PAGE</u>
I. General Insurance		
A. Basic Insurance Concepts and Principles		
1. Be able to identify examples of insurance (CIC 22)	23	3
2. Be able to identify the definition of insurable events (CIC 250)	23	3
I. General Insurance		
B. Contract Law		
1. Be able to identify the term “insurance policy” (CIC 380)	23	23
2. Be able to identify the meaning and effect of each of the following on a contract:		
a. Fraud (CIC 338, 1871.1-1871.4)	23	26,35,36
b. Concealment (CIC 330-339)	23	23&24
i. Be able to identify information that does not need to be communicated in a contract: (CIC 333);	23	23&24
1. Known information		
2. Information that should be known		
3. Information which the other party waives		
4. Information that is not material to the risk		
c. Warranty (CIC 440-445, 447)	23	25&26
i. Known that a representation in an insurance contract qualifies as an implied warranty	23	24
d. Materiality (CIC334)	23	24
i. Known that the materiality of concealment is the rule used to determine the importance of misrepresentation.	23	24
e. Representations (CIC 350-361)	23	21
i. Know when a representative can be altered or withdrawn (CIC 355)	23	24
ii. Know that a representation is false when the facts fail to correspond with its assertions or stipulations (CIC 358)	23	24
f. Misrepresentation (CIC 780-784)	23	25
3. Be able to identify six required specifications for all insurance policies (CIC 381)	23	23
a. Know that the financial rating of the insurer is not required to be specified in the insurance policy (CIC 381)	23	23
4. Be able to identify:		
a. The meaning of the term rescission;	23	26
b. When an insurer has the right of rescission (CIC 331, 338, 359, 447)	23	26

- i. Know that either intentional or unintentional concealment entitles an injured party to rescission of a contract (CIC 331) 23 26

I. General Insurance

C. The Insurance Marketplace

1. Distribution Systems

- a. Be able to identify a definition of the following marketing systems:
 - i. Agency; 23 11
 - ii Direct response 23 11
 - iii Home service 23 11

I. General Insurance

C. The Insurance Marketplace

2. Producers

- a. Be able to identify the Code definition of transact and why the definition is important (CIC 35, 1621-1624, 1633) 23 8-9
- b. Be able to identify what constitutes transaction of insurance (CIC 35 [a-d]) 23 9-10
 - i. Solicitation, (CIC 35[a]) 23 9-10
 - ii. Negotiation, (CIC 35[b]) 23 9-10
 - iii. Execution of a contract of insurance (CIC 35[c]) 23 9-10
 - iv. Transaction of matters subsequent to and arising out of a contract of insurance (CIC 35[d]) 23 9-10
- c. Be able to identify:
 - i. That the Code prohibits certain actions by unlicensed persons (CIC 1631) 23 10
 - ii. The penalty for such [(a) above] prohibited actions (CIC 1633) 23 10
- d. Written Consent in Regards to Interstate Commerce (Prohibited Persons in Insurance):
 - i. Be able to identify what conduct is prohibited by Title 18 United States Code Section 1033 23 17
 - ii. Be able to identify civil and criminal penalties apply, Title 18 United States Code Sections 1033-1034 23 17
- e. Reporting of Administrative Actions and Criminal Convictions
Section 1729.2 of the CIC (<http://www.insurance.ca.gov/0200-industry/0120-notices/upload/NoticeRepSub.pdf>) 23 87-88
- f. Be able to identify the differences between the terms agent and broker with respect to their relationship with insurers and with their insureds.
 - i. insurance agent means a person authorized, by and on behalf of an insurer, to transact all classes of insurance other than life insurance (CIC 31) 23 4
 - ii insurance broker means a person who, for compensation and on behalf of another person, transacts insurance other than life with, but not on behalf of, an insurer (CIC 33) 23 5
 - iii know that there are life settlement brokers (CIC 10113.1-10113.3) 23 5
- g. Be able to identify the Code provisions regarding an accident and health agent or a life agent acting as an agent for an insurer for which the agent is not specifically appointed (CIC 1704.5) 23 4-5

h.	Be able to differentiate between an insurance agent, an insurance broker and an insurance solicitor (CIC 31, 1621, 33, 1623, 34, and 1624)	23	4-5
i.	For Insurance Agent's Errors & Omissions insurance, be able to identify:		
	i. the need for the coverage	23	41
	ii. the types of coverages available;	23	41
	iii. the types of losses commonly covered and not covered	23	41
j.	Be able to identify acts prohibited (unless a surplus lines broker) with regard to nonadmitted insurers (CIC 703)	23	6
k.	Be able to identify the prohibitions of free insurance (CIC 777.1)	23	12
l.	Be able to identify the Code requirements for the following:		
	i. An agency name, use of name (CIC 1724.5,1729.5)	23	21-22
	ii. Change of address (CIC 1729)	23	21-22
m.	Be able to identify the rules regarding fictitious names (CIC 1724.5)	23	22
n.	Be able to identify the rules regarding Internet advertisements (CIC 1726(a))	23	19-20
o.	Be able to identify the licensee's duty for disclosure of the effective date of coverage (CIC 1730.5)	23	11-12
p.	Be able to identify the Code specifications regarding producer application investigation, denial of applications, and suspension or revocation of license (CIC 1666, 1668-1669, 1738)	23	16-19
q.	Be able to identify the importance and the scope of the California Insurance Code regarding:		
	i. The filing of a notice of appointment (CIC 1673,1704-705)	23	17-18
	ii. An inactive license (CIC 1704(a))	23	15-16
	iii. Cancellation of a license by the licensee in the licensee's possession or in the employer's possession (CIC 1708)	23	18
r.	Be able to identify the scope and effect of the Code regarding termination of a (producer's) license, including when producers dissolve a partnership (CIC 1708-1712.5)	23	18
s.	Be able to identify and apply:		
	i. The definition of the term "fiduciary;"	23	33
	ii. Producer fiduciary duties described in the Code (CIC 1733-1735)	23	33-35
t.	Be able to identify the continuing education (CE) requirements for:		
	i. Agents (CIC 1749.3)	23	20
	ii. An agent writing Long Term Care Insurance (CIC 10234.93)	23	20
	iii. Agents writing California Partnership coverage must meet California long term care requirements on the California Partnership for Long-Term Care (the total hours of CE required are not increased by Sections 10234.93 b or c.	23	20
	iv. Life-only agents or accident and health agents also licensed as a property and casualty broker-agent must complete 24 hours of continuing education each two-year license renewal period.	23	20

The following Educational Objective is derived from the codes of ethics of major industry organizations and is the basis for licensing examination questions.

- u. Be able to identify and apply the meaning of the following:

All of the following are on:		23	55
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 - 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. Use simple language; talk the layman's language when possible;
 - vi. Stay in touch with customers and conduct periodic coverage reviews;
 - vii. Protect your confidential relationship with your client;
 - viii. Keep informed of and obey all insurance laws and regulations.
 - ix. Provide exemplary service to your clients;
 - x. Avoid unfair or inaccurate remarks about competition
- v. Be able to identify that the California Insurance Code (CIC) and California Code of Regulations (CCR) identify many unethical and/or illegal practices, but they are NOT a complete guide to ethical behavior (CIC, CCR)

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- w. Be able to identify special ethical concerns that may occur when dealing with Senior Citizens regarding pretext interviews (CIC 791.03)

	23	47
	24	47,82

I. General Insurance

C. The Insurance Marketplace

3. Insurers

- a. Be able to differentiate between:
 - i. Admitted and nonadmitted insurers (CIC 24-25)

	23	3
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 - ii. Domestic, foreign, and alien insurers (CIC 26-27)

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- b. Be able to differentiate between regulation of an admitted insurer and nonadmitted insurer, and potential consequences for consumer (CIC 24, 25, 1760-1780)

	23	3, 12
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- c. Be able to identify the penalty for unlawfully acting as an insurer without a certificate of authority (CIC700(b))

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- d. Be able to identify who may be an insurer (CIC 150)

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 - i. Person, associate, organization, partnership, business trust, limited liability company or corporation (CIC 19)

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- e. Be able to differentiate between Mutual, Stock and Fraternal insurers.

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 - i. Know that de-mutualization is a process whereby a mutual insurer becomes a stock company (CIC 11535)

	23	10-11
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I. General Insurance

C. The Insurance Marketplace

4. Market Regulation – General

- a. Be able to identify:
 - i. The California Insurance Code and how it may be changed (Code)

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 - ii. The California Code of Regulations (CCR Title 10, Chapter 5) and how it may be changed (Code);

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 - iii. How the insurance commissioner is selected and the responsibilities of the position (CIC 12900, 12921)

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b..	Be able to identify the correct application of the Unfair Practices article, including its prohibitions and penalties (CIC 790-790.15)	23	26-29
c.	Be able to identify the privacy protection provisions of:		
i.	The Gramm-Leach-Bliley Act	23	32-33
1).	Be able to explain the rules regarding the collection and disclosure of customers' personal financial information by financial institutions;	23	32-33
2).	Be able to identify the requirements for all financial institutions to design, implement and maintain safeguards to protect customer information.	23	32-33
ii.	The California Financial Information Privacy Act (California Financial Code Sections 4050-4060 (Senate Bill1, Chapter 241, Statutes of 2004)	23	33-35
iii.	Insurance information and Privacy Protection Act regarding practices, prohibitions and penalties (CIC 791-791.26)	23	30-31
iv.	Cal-GLBA/ "California Financial Information Privacy Act" (CA Financial Code Section 4050)	23	33
d.	Be able to identify the scope and correct application of the conversation proceedings described in the Code (CIC 1011, 1013, and 1016)	23	42-43
e.	Be able to define an insolvent insurer (CIC 985)	23	42
i.	The definition of an insolvent insurer includes either:		
1).	Any impairment of minimum "paid-in capital" or "capital paid in," as defined in section 36, required in the aggregate of an insurer by the provisions of this code for the class, or classes, of insurance that it transacts anywhere;	23	42
2).	An inability of the insurer to meet its financial obligations when they are due;	23	42
ii.	Know that an insurer cannot escape the condition of insolvency by being able to provide for all its liabilities and for reinsurance of all outstanding risks. An insurer must also be possessed of additional assets equivalent to such aggregate "paid-in capital" or "capital paid in" required by this code after making provision for all such liabilities and for such reinsurance (CIC 985(a) [1&2])	23	42
iii.	Know the definition of Paid-in Capital (CIC 36; 985)	23	42
iv.	Know that it is a misdemeanor to refuse to deliver any books, records, or assets to the Commissioner once a seizure order has been executed in an insolvency proceeding (CIC 1013)	23	43
f.	Be able to identify:		
a.	Common circumstances that would suggest the possibility of fraud	23	35-36
b.	Efforts to combat fraud (CIC 1872, 1874.6, 1875.8, 1875.14, 1875.20, 1877.3(b)(1))	23	36-37
c.	That if an insured signs a fraudulent claim form, the insured may be guilty of perjury.	23	36
g.	Be able to identify the scope and correct application of the False and Fraudulent Claims article of Code (CIC 1871, 1871.4)	23	35-36
h.	Be able to identify the meaning of (as used in (CIC):		
a.	Shall and may (CIC 16)	23	3
b.	Person (CIC 19)	23	4
i.	Be able to identify the requirements for notice by mail (CIC 38)	23	21

I.	General Insurance		
C	The Insurance Marketplace		
	5. Fair Claims Settlement Practices Regulations		
a.	Be able to identify a definition of the following:		
	i. Claimant (CCR Title 10, Section 2695.2(c))	23	39
	ii. Notice of Legal Action (CCR Title 10, Section 2695.2[c])	23	39
	iii. Proof of Claims (CCR Title 10, Section 2695.2(s))	23	39
b.	Be able to identify File and Record Documentation (CCR Title 10, Section 2695.3)	23	38
c.	Be able to identify Duties Upon Receipt of Communications (CCR Title 10, Section 2695.5)	23	38-39
d.	Be able to identify Standards for Prompt, Fair and Equitable Settlements (CCR Title 10, Sections 2695.7(a), (b), (c), (g) and (h))	23	39-40