# Personal Lines Insurance License

California Personal Lines insurance license exam

2026
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## DWELLING

- The Personal Lines license under Cal.
  **Cal. Ins. Code §1625.5; ISO Dwelling Property eligibility**
- DP-1 settles dwelling losses at actual cash value (ACV), which equals replacement cost minus depreciation. **ISO DP 00 01 — Loss Settlement**
- The 80% coinsurance requirement means the insured should carry at least 0.80 × **$500,000** = **$400,000**.
  **ISO Dwelling forms — Loss Settlement; 80% coinsurance**
- Coverage B (Other Structures) is automatically provided at 10% of Coverage A. **ISO Dwelling forms — Coverage B Other Structures**
- DP-2 adds the broad perils on top of the DP-1 basic list.
  **ISO DP 00 02 — DP-2 Broad Form perils**
- Under every Dwelling Property form, personal property is settled at actual cash value (ACV) by default.
  **ISO Dwelling forms — Coverage C personal property settlement**
- Theft is not a base peril on any DP form.
  **ISO DP 04 72 / DP 04 73 — Theft Coverage Endorsements**

## ENDORSEMENTS

- A PUP sits OVER underlying auto and homeowners liability coverage.
  **ISO HO 04 90; CIC Personal Umbrella concepts**
- Scheduled Personal Property removes the unscheduled special-limit cap on jewelry. **ISO HO 04 61 Scheduled Personal Property**
- Water that backs up through sewers or drains is a standard exclusion in the unendorsed HO-3. **ISO HO 04 55 Water Back-up endorsement**
- California insurers that sell residential property coverage must offer earthquake insurance.
  **California Insurance Code §10081 (CEA); CEA program rules**
- Standard homeowners policies exclude flood.
  **National Flood Insurance Act of 1968; NFIP rules**
- HO-4 is the renters/tenants form. **ISO HO-4, HO-6 forms**
- Coverage F is a goodwill, no-fault coverage.
  **ISO HO Coverage F medical payments to others**

## HOMEOWNERS

- HO-3 is the standard owner-occupied form. **ISO HO-3 form**
- HO-5 is the Comprehensive form. **ISO HO-5 form**
- HO-4 is the renter or tenant form. **ISO HO-4 form**
- Coverage B is set at 10% of Coverage A as additional insurance.
  **ISO HO form Section I**
- The standard minimum Coverage E limit is **$100,000** per occurrence.
  **ISO HO form Section II**
- Open-perils coverage reverses the presumption.
  **ISO HO form open-perils policies**
- The CEA is a privately funded, publicly managed entity created after the 1994 Northridge earthquake. **California Earthquake Authority**

## PRINCIPLES

- Pure risk produces either loss or no loss, never gain, and is the only type insurance addresses. **Cal. Ins. Code §22**
- The DICE test asks that a risk be Definite, Independent (not catastrophic), Calculable, and Economical.
  **Industry standard underwriting principle**
- Unilateral means only ONE party (the insurer) is legally bound.
  **Industry standard contract law**
- An insurance policy is a contract of ADHESION drafted by the insurer.
  **Cal. Ins. Code §1633; Civ. Code §1654**
- California follows the majority rule for property: insurable interest must exist AT THE TIME OF LOSS. **Cal. Ins. Code §280, §283**
- Pro rata: each policy pays the share of the loss equal to its limit divided by the total of all applicable limits. **Industry standard pro rata**
- Indemnity means the insured is restored to the SAME financial position as before the loss — not enriched, not impoverished.
  **Cal. Ins. Code §2051; industry indemnity principle**

## PROPERTY FUNDAMENTALS

- Open peril (special form) policies cover ALL causes of loss EXCEPT those specifically excluded. **ISO HO-3 form structure**
- Earth movement, including earthquake, is excluded under standard HO-3 forms. **Cal. Ins. Code §10081, §10089**
- Flood, surface water, waves, tidal water, and overflow of any body of water are EXCLUDED under every standard HO and DP form.
  **Standard HO/DP exclusion**
- Replacement cost pays the current cost to repair or replace with like kind and quality, with NO depreciation deducted.
  **Industry standard valuation**
- Replacement cost is conditional on actually repairing or rebuilding.
  **Cal. Ins. Code §2051.5; standard policy condition**
- 80% of the **$500,000** RC = **$400,000** required.
  **Standard property coinsurance condition**
- Coinsurance is a check on UNDER-insurance, not a cap on recovery.
  **Industry standard coinsurance application**

## AUTO

- Part C of the Personal Auto Policy is Uninsured Motorist and Underinsured Motorist coverage. **ISO PAP form (industry standard)**
- Insurance Code §1861.05, the rate provision of Proposition 103, makes California a prior approval state. **Cal. Ins. Code §1861.05 (Prop 103)**
- California TNC law breaks the driver's exposure into three periods.
  **Cal. Pub. Util. Code §5430+**
- California UIM under Insurance Code §11580.2(p) is a 'difference in limits' coverage. **Cal. Ins. Code §11580.2(p)**
- Part F is the General Provisions of the PAP. **ISO PAP Part F**
- Under Part A of the PAP, an 'insured' includes any person using the covered auto with the named insured's permission. **ISO PAP Part A**

### CA CODE

- Title 10 CCR §2695.5(b) requires the insurer to acknowledge receipt of a claim within 15 calendar days. **Cal. Ins. Code §790.03(b); CCR Title 10 §2695.5(b)**
- Section 1668 lists 14 grounds for license denial, including dishonesty, fraud, material misstatement, and lack of integrity. **Cal. Ins. Code §1668**
- Insurance Code §1875.20 et seq. **Cal. Ins. Code §1875.20**

### CA SPECIFIC

- The CEA, created by statute in 1996, is publicly managed but funded by participating private insurers. **Cal. Ins. Code §10089.5 et seq.**
- The California FAIR Plan, created at Insurance Code §10090 and following, is the basic-form property insurer of last resort. **Cal. Ins. Code §10090 et seq.**
- Insurance Code §11629.7 and following limit the Low Cost Auto Program to qualifying low-income drivers. **Cal. Ins. Code §11629.7 et seq.; §11629.71**