Property & Casualty Insurance License

California P&C insurance license exam

2026
PrepPass.org

COMMERCIAL PROPERTY

- The Special Form is the broadest of the three standard causes-of-loss forms. **ISO Causes of Loss — Special Form (open perils)**
- The coinsurance formula is (Did Carry / Should Have Carried) x Loss. **ISO Commercial Property — Coinsurance condition**
- The Agreed Value option suspends the coinsurance clause for the policy term. **ISO Commercial Property — Agreed Value option**
- BOPs are designed for small-to-mid-sized risks such as small retail stores, offices, and small habitational risks. **ISO Businessowners Policy — eligibility (typical)**
- The Builders Risk Coverage Form is specifically designed for buildings or structures under construction. **ISO Builders Risk Coverage Form (CP 00 20)**
- Coinsurance requires the insured to carry at least the required percentage of value. **ISO Commercial Property — Coinsurance (full-coverage scenario)**
- The false statement is that ocean marine policies are designed for land-based commercial buildings. **ISO Commercial Property — common policy conditions and modular structure**

HOMEOWNERS

- The HO-4, often called the Renter's or Tenant's form, is built specifically for someone who does not own the building. **ISO HO-4 Contents Broad Form**
- The HO-5 Comprehensive Form is the broadest unendorsed homeowners contract sold in the United States. **ISO HO-5 Comprehensive Form**
- The HO-6 is the condo unit-owners form. **ISO HO-6 Unit-Owners Form**
- The HO-8 Modified Coverage Form is designed for older or historic homes whose replacement cost greatly exceeds market value. **ISO HO-8 Modified Coverage Form**
- Other Structures (Coverage B) is automatically provided at 10% of Coverage A on the standard ISO HO-3. **ISO Homeowners Section I, Coverage B**
- Personal Property (Coverage C) is automatically set at 50% of Coverage A on the standard owner-occupied HO-3. **ISO Homeowners Section I, Coverage C**
- California Insurance Code §675.1 imposes a one-year moratorium following a declared wildfire emergency. **Cal. Ins. Code §675.1 (post-disaster moratorium)**

PRINCIPLES

- Insurers will only write pure risk — situations involving the chance of loss or no loss. **Insurance theory — pure vs. speculative risk**
- A morale or attitudinal hazard is the careless behavior that grows because the insured knows coverage is in place. **Insurance theory — hazards**
- Adverse selection is the tendency of higher-than-average risks to seek insurance more aggressively than the general public. **Insurance theory — adverse selection**
- The four contract elements are offer and acceptance, consideration, legally competent parties, and a legal purpose. **Cal. Civ. Code §1550; Cal. Ins. Code §22**
- An aleatory contract is one in which the values exchanged are unequal and depend on a chance event. **Insurance contract characteristics — aleatory / unilateral / adhesion**
- Insurance policies are contracts of adhesion drafted by the insurer and offered take-it-or-leave-it. **California case law — adhesion contracts**
- California Insurance Code §286 requires that an insurable interest in property exist at the time of the loss. **Cal. Ins. Code §286**

PROPERTY FUNDAMENTALS

- On a named-peril form the insured must show the loss was caused by a covered peril. **ISO Special Form (CP 10 30) concept**
- Real property is the land and the structures or fixtures permanently attached to it. **Real vs personal property classification**
- Should carry = 80% x **$500,000** = **$400,000**. **Coinsurance clause formula**
- A standard or union mortgage clause creates an independent contract between the insurer and the mortgagee. **Mortgagee / standard mortgage clause**
- An open or simple mortgage clause makes the lender a mere loss payee. **Open mortgage clause concept**
- A pro-rata clause shares the loss in proportion to each policy's limit relative to the total of all applicable limits. **Other insurance - pro rata clause**
- ACV pays the cost to repair or replace minus a fair and reasonable deduction for physical depreciation. **Loss settlement and ACV vs RC concept**

AUTO

- Part A of the Personal Auto Policy is Liability Coverage. **ISO Personal Auto Policy, Part A**
- On the Business Auto Coverage Form (CA 00 01), Symbol 1 means 'Any Auto'. **ISO Business Auto Coverage Form (CA 00 01)**
- California Insurance Code §663 requires at least **20 days**' written notice before non-renewal of a personal auto policy. **ISO PAP, Part F — General Provisions; Cal. Ins. Code §677.2**
- Vehicle Code §16020 requires drivers to carry written evidence of financial responsibility. **Cal. Veh. Code §16020; Cal. Ins. Code §1872.85**
- Intentional acts are excluded under Part A — the policy responds only to accidental loss. **ISO PAP, Part A — Exclusions**
- Part A defines 'bodily injury' as bodily harm, sickness or disease, including death resulting from any of these. **ISO PAP, Part A definition of 'bodily injury'**

CA CODE

- Section 31 defines an insurance agent as a person authorized to transact insurance on behalf of an insurer. **Cal. Ins. Code §§31, 33, 1623**
- Section 12921 charges the Commissioner with executing and enforcing the Insurance Code and adopting reasonable regulations. **Cal. Ins. Code §12921**
- Section 250 (and §280) provide that insurable interest in property must exist at the time of loss. **Cal. Ins. Code §250**
- Section 1633 provides that producer licenses are issued for a two-year term and must be renewed before expiration. **Cal. Ins. Code §1633**
- Section 1724.5 requires a licensee to file a notice of change of address with the Commissioner within **30 days**. **Cal. Ins. Code §1724.5**
- Section 1879.5 grants insurers civil immunity for good-faith reports of suspected fraud to authorized agencies. **Cal. Ins. Code §1879.5**

CASUALTY LIABILITY

- Negligence requires (1) duty, (2) breach, (3) proximate (legal) cause, and (4) actual damages. **Common law of negligence (Restatement (Second) of Torts §281)**
- California follows PURE comparative negligence under Li v. **Li v. Yellow Cab Co., 13 Cal. 3d 804 (1975) (pure comparative negligence)**
- The standard CGL has three coverages. **ISO Commercial General Liability Coverage Form (CG 00 01) – Coverage A**
- Each individual occurrence is capped by the EACH OCCURRENCE LIMIT (**$1,000,000**); **$600,000** is well within that. **ISO CGL – Limits of Insurance section**
- Coverage C – Medical Payments is a no-fault, good-will coverage. **ISO CGL Coverage C – Medical Payments**
- California generally bars dram-shop suits (Cal. **Cal. Bus. & Prof. Code §25602.1 (Dram Shop)**

WORKERS COMP

- California workers' compensation is a no-fault, statutory exclusive-remedy system. **Cal. Labor Code §3600**
- Failure to carry workers' compensation in California is a misdemeanor. **Cal. Labor Code §3722**
- Temporary disability replaces a portion of lost wages while the worker recovers and cannot work. **Cal. Labor Code §4453 (TD), §4658 (PD)**
- Labor Code §2775 codifies the ABC test from Dynamex / AB 5. **Cal. Labor Code §2775 (AB 5 / ABC test)**
- Workers' compensation is the exclusive remedy against the EMPLOYER, not against unrelated third parties. **Cal. Labor Code §3852 (subrogation)**