

California Department of Insurance  
Property and Casualty Broker-Agent and  
Personal Lines Broker-Agent  
Homeowners' Insurance Valuation Course Curriculum

Overview

In order to successfully meet the requirements of Section 1749.85 (a) of the California Insurance Code and Section 2188.65 of the California Code of Regulations, a Property and Casualty Broker-Agent, and Personal Lines Broker-Agent must have significant knowledge in the proper methods of estimating the replacement value of structures. Specifically, the Property and Casualty Broker-Agent or the Personal Lines Broker-Agent that transacts, negotiates or sells homeowners' (HO) insurance would be required to complete a minimum of three hours of homeowners' insurance valuation training. With this training these agents will be able to explain various levels of coverage under a homeowners' insurance policy, have an understanding of the elements that comprise the value of a dwelling and convey this to the insured and make recommendations of the appropriate levels of coverage.

Curriculum Objectives

At the conclusion of a homeowners' insurance valuation course, the Property and Casualty Broker-Agent or Personal Lines Broker-Agents shall:

- Be able to differentiate between a homeowners' policy and a dwelling property policy, Section 2188.65 (d);
- Be able to estimate the value of an insured's property by having basic knowledge of its value, Section 2188.65 (d);
- Know the valuation principles and methods, Section 2188.65 (d)(1), and (2);
- Know the value of the components of a dwelling to assess its replacement cost or value, Section 2188.65 (d)(3);
- Have the ability to recognize other factors influencing the replacement cost, Section 2188.65 (d)(4);
- Have knowledge of endorsements used in relation to the insuring of replacement costs of a homeowners'/dwelling policy, Section 2188.65 (d)(5);
- Understand the process used in determining the value of an insured's property, Section 2188.65 (d)(7) and (8); and,
- Ensure that broker-agent is aware of Section 2695.182 (Documentation of Person Estimating Replacement Value) and Section 2695.183 (Standards to Be Used when a Licensee Estimates Replacement Cost) of the California Code of Regulations, 2188.65 (e).

This course should not be used as an opportunity to persuade, indoctrinate or enlighten agents on a particular philosophy, a political or a public policy position. Opinions about state or federal legislation or forecasting the success or failure of legislation should not be included in these courses. Moreover, absolutely no marketing information is allowed in homeowners insurance valuation courses.

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	Code of Regulations – 5 percent			
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- I. Differences between Homeowners' – Dwelling Property Policies
  - A. Dwelling is considered a residential property of up to four units, whether occupied by the insured or not
  - B. Homeowner's policy is for a dwelling that is owner occupied
  - C. Differences in the property coverage that may necessitate differences in coverage or coverage levels
  
- II. Basic Concepts of Property Valuations
  - A. Loss Settlement Provisions
    - 1. How does it apply?
    - 2. What effect does underinsurance have on a settlement?
  - B. Actual Cash Value
  - C. Replacement Cost Value as described in Sections 2051, 2051.5 and 10102 of the CIC
    - 1. Different Types of Structure
    - 2. California Residential Property Disclosure
  - D. Depreciation (Holdback) for claims and how it is applied under a homeowners' insurance policy
    - 1. Market Value
    - 2. Replacement cost less depreciation for age, wear and tear
  
- III. Components of a Structure Necessary to Estimate Replacement Cost
  - A. Type of Foundations;
  - B. Type of Frame;
  - C. Roofing materials and type of roof;
  - D. Siding materials and type of siding;
  - E. Whether the structure is located on a slope;
  - F. Building code upgrades
    - 1. Size of the entire structure and, separately, the square footage of the living space;
  - G. Geographic location of property;
  - H. Number of stories and any nonstandard interior wall heights;
  - I. Materials used in, and types of, interior features and finishes such as, where applicable, the type of heating and air conditioning system, walls, flooring, ceiling, fireplaces, kitchen, and bath(s);
  - J. Cost of demolition and debris removal;
  - K. Architect's plans, engineering reports, and permits;
  - L. Age of the structure or the year it was built;
  - M. Size and type of attached garage; and,
  - N. Additional costs associated with building a single or custom home.
  
- IV. Effects of Catastrophes on Replacement Cost
  - A. Construction labor shortages
  - B. Building supply shortages
  - C. Fuel shortages
  - D. Transportation Issues
  - E. Permit restrictions can result in increased costs, sometimes referred to as demand surge, and delays in rebuilding

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- V. Enhancements and Endorsements to the Homeowners/Dwelling Policy and Identification of Coverages that Help Protect Against Underinsurance
  - A. Review of significant Property Enhancements and Endorsements to the Policy
  - B. Catastrophe Coverages and Types of Replacement Cost
    - 1. How shortages of construction labor, building supplies, fuel, transportation issues, and permit restrictions can result in increased costs, sometimes referred to as demand surge, and delays in rebuilding.
  - C. Building Ordinance coverage requirements
    - 1. What is included and excluded in Building Code Upgrade (Ordinance and Law) Coverage as defined in section 10102 of the California Insurance Code (CIC)?
    - 2. What are the various types and levels of replacement cost, as defined in section 10102 of the CIC?
  - D. Various Types Levels of Replacement cost, as defined in Section 10102 of the California Insurance Code
    - 1. What is covered?
    - 2. What are the limits?
    - 3. Misuse of extended replacement cost. Know that failure to insure the full value of the risk and relying on the "replacement cost" endorsement to make up the difference is inappropriate and harms the policyholder.
  
- VI. Basic Fire Policy
  - A. Property (Real) Forms
  - B. Differences in
    - 1. Actual Cost Value (ACV)
    - 2. Replacement Cost Value (RCV)
  - C. Exclusion and Limitations of coverage
    - 1. Building
    - 2. Appurtenant Structure
  - D. Extensions of Coverage
  - E. Review of the California Standard Form Fire Policy and FAIR Plan coverages, as described in California Insurance Code sections 2071 and 10090, respectively
  - F. Review of earthquake insurance coverages as described in Section 10081 et seq, including coverage offered by the California Earthquake Authority (CEA).
  
- VII. Types of Basic Building Construction
  - A. Tilt –Up
  - B. Cinderblock
  - C. Wood Frame
  - D. Brick and Masonry
  - E. Metal Frame

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- VIII. Methodology of Determining Value
  - A. Proprietary valuation tools (e.g. Marshall- Swift Evaluation)
  - B. Real Estate Appraisals
  - C. Insurance Company's Valuation Software
  - D. Contractor's and Expert's estimates or opinions
  - E. Cost per square footage estimates
  - F. Insured's opinion
  
- IX. Fire Mitigation and How It Affects Insurance Costs
  - A. The Fire Problem – The California Wildland-Urban Interface Fire Problem. Define, recognize, and describe the fire problem in the wildland urban interface.
  - B. What affects the risk and hazard problem in the California Wildland Urban Interface.  
Discuss the areas that affect the risk and hazard such as topography, fuels type and locations, weather, and construction.
  - C. Laws that impact the mitigation of risk and hazard.  
Discuss current state and local laws statutes and regulations that address efforts to mitigate and indicate that local codes may also apply. These statutes and codes . These include requirements for defensible space and fire-resistant requirements, building constructions, land use and planning.
  - D. How to provide mitigation:
    - 1. Discuss how to mitigate the risk and hazard using a complete fire protection approach that recognizes sound engineering (building construction) and land use (defensible space and vegetation modifications);
    - 2. Discuss the hazards in using more than one “tool in the tool box” to address the risk and hazards associated with the Wildland-Urban Interface and reduce the potential for loss. Discuss a complete fire protection approach that recognizes sound engineering (building construction) and land use (defensible space and vegetation modifications).
  
- X. Ensure that broker-agent is aware of Section 2695.182 (Documentation of Person Estimating Replacement Value) and Section 2695.183 (Standards to Be Used when a Licensee Estimates Replacement Cost) of the California Code of Regulations.