Overview

California Insurance Code (Calif. Ins. Code) section 1676(c) states, in part, that an applicant for a life agent license who is limited by the terms of a written agreement with an insurer to transact only specific life insurance policies or annuities having an initial face amount of twenty thousand dollars ($20,000) or less that are designated for the payment of funeral and burial expenses, shall not be required to take the full life agent examination to obtain a license. Those applicants shall be required to take an examination developed to test their knowledge of topics relevant to the type of policies that they are restricted to sell. California Insurance Code section 1677 requires that the Life-Limited to the Payment of Funeral and Burial Expensesexamination be of sufficient scope to satisfy the Insurance Commissioner that an applicant has sufficient knowledge of insurance and insurance laws to transact the type of policies that they are restricted to sell.

For purposes of the examination, the applicant must pass a Life-Limited to the Payment of Funeral and Burial Expenses examination that shows that the applicant has sufficient knowledge and comprehends the following items:

(1) With the most specific knowledge required in:

* funeral insurance contracts
* mandatory policy provisions of a funeral insurance contract
* benefits of a funeral insurance contract
* annuity policies

(2) With specific knowledge required in:

* basic life insurance concepts and principles
* responsibilities and authority of a Life-Limited to the Payment of Funeral and Burial Expenses license
* senior insurance products

(3) With a general understanding of:

* life insurance programs
* what is happening in today's insurance marketplace
* common requirements and provisions of a life insurance contract

(4) With a general understanding and familiarity with:

* the California Insurance Code
* the ethics standards expected of all licensees

**The Examination**

Examination questions are based on the examination objectives. Mastery of the examination objectives should guarantee success on the examination.

The Life-Limited to the Payment of Funeral and Burial Expenses examination does not measure sales or communications skills, self-management, motivation, knowledge of agency or company procedures or policy rating skills.

The applicant for a Life-Limited to the Payment of Funeral and Burial Expenses license, without any aids (e.g. reference materials, electronic aids) is allowed two hours (120 minutes) to answer the 90-question multiple‑choice examination.

The California Department of Insurance’s examinations are administered at the following locations beginning at 8:30 a.m. and 1:00 p.m., Monday through Friday, except on state holidays:

**Los Angeles:**

California Department of Insurance

Examination Site

300 South Spring Street, North Tower, Suite 1000

Los Angeles, CA 90013

Check-in is at 8:00 a.m. for the 8:30 a.m. examination, and check-in is at 12:30 p.m. for the 1:00 p.m. examination.

PSI’s test centers are located at the following locations:

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| Agoura Hills | Fresno | Sacramento | Santa Rosa |  |  |  |
| Atascadero | Irvine | San Diego | Union City |  |  |  |
| Bakersfield | Lawndale | San Francisco | Ventura |  |  |  |
| Carson | Redding | Santa Clara | Visalia |  |  |  |
| Diamond Bar | Riverside | Santa Fe Springs | Walnut Creek |  |  |  |
|  |  |  |  |  |  |  |

The list of PSI locations above is current at the time these Objectives are published and is subject to change.

**Candidate Information Bulletin**

**The** [**Candidate Information Bulletin**](http://www.insurance.ca.gov/0200-industry/0020-apply-license/0100-indiv-resident/CandidateInformation.cfm) (CIB) provides detailed information on how to prepare for your license examination, prelicensing education requirements, examination site procedures, sample examination questions, test taking strategies, and driving directions to the Department's examination sites and PSI’s test centers that are located throughout California.

To register for an examination or to obtain a complete list of PSI test centers, test center security policies, check-in times and procedures, as well as driving directions to PSI’s test centers, download the current [CIB](http://www.insurance.ca.gov/0200-industry/0020-apply-license/0100-indiv-resident/CandidateInformation.cfm) for the exam(s) you are taking at [PSI Exams Online](https://candidate.psiexams.com/).

The check-in times and driving directions to PSI’s test centers are listed on pages 4, 5, and 6 in the [CIB](http://www.insurance.ca.gov/0200-industry/0020-apply-license/0100-indiv-resident/CandidateInformation.cfm).

For additional information on license examinations (i.e. online examination scheduling, fingerprint requirements, examination admittance, forms of identification, check your scheduled examination date, check your examination results), please review the Department’s [Insurance License Examination Information](http://www.insurance.ca.gov/0200-industry/0010-producer-online-services/0200-exam-info/index.cfm) web page.

TABLE OF CONTENTS

I. GENERAL INSURANCE (25 questions (28 percent) on the examination)

A. Contract Law (9 questions of the 25 General Insurance questions)

B. The Insurance Marketplace (16 questions of the 25 General Insurance questions)

1. Producers

2. Market Regulation – General

II. LIFE-LIMITED TO THE PAYMENT OF FUNERAL AND BURIAL EXPENSES (29 questions (32 percent) on the examination)

A. Burial (26 questions of the 29 Life-Limited to the Payment of Funeral and Burial Expenses questions)

B. Annuities (3 questions of the 29 Life-Limited to the Payment of Funeral and Burial Expenses questions)

III. LIFE INSURANCE (34 questions (38 percent) on the examination)

A. Life Insurance – Basics (12 questions of the 34 Life Insurance questions)

B. Types of Life Policies and Riders (11 questions of the 34 Life Insurance questions)

C. The Individual Life Insurance Contract (11 questions of the 34 Life Insurance questions)

IV. PENALTIES (2 questions (2 percent) on the examination)

I. GENERAL INSURANCE (25 questions (28 percent) on the examination)

I. A. Contract Law (9 questions of the 25 General Insurance questions)

1. Be able to compare contract law and tort law.

2. Be able to identify the four basic elements of a contract:

a. agreement, offer and acceptance;

b. competent parties;

c. legal purpose; and,

d. consideration.

3. Be able to identify the meaning and effect of the following special characteristics of an insurance contract:

 a. contract of adhesion;

b. conditional contract;

c. aleatory;

d. unilateral; and,

e. personal.

4. Be able to identify the term “insurance policy” (Calif. Ins. Code, section 380).

5. Be able to identify the meaning and effect of each of the following on a contract:

a. concealment (Calif. Ins. Code, section 333);

i. Be able to identify information that does not need to be communicated in a contract:

1) known information;

2) information that should be known;

3) information which the other party waives;

4) information that is excluded by a warranty and not material to the risk;

5) information that is excepted from insurance and not material to the risk; and,

6) information based on personal judgement (Calif. Ins. Code, section 339).

b. warranty (Calif. Ins. Code, sections 440-445, 447);

i. know that a warranty may be expressed or implied; and,

ii. know that a violation of material warranty allows the other party to rescind the contract.

c. representations (Calif. Ins. Code, sections 350-361);

i. know when a representation can be altered or withdrawn (Calif. Ins. Code, section 355 of the CIC);

ii. know that a representation is false when the facts fail to correspond with its assertions or stipulations (Calif. Ins. Code, section 358); and,

iii. know that a representation cannot qualify an express provision in the contract of insurance, but it may qualify an implied warranty. (Calif. Ins. Code, section 354)

d. misrepresentation (Calif. Ins. Code Section 780-784); and,

e. materiality (Calif. Ins. Code, section 334):

 i. know that materiality is to be determined not by the event, but solely by probable and reasonable influence of the fact of the party to whom the communication is due.

6. Be able to identify when an insurer has the right of rescission (Calif. Ins. Code, sections 331, 338, 359, 447):

a. know that either intentional or unintentional concealment entitles an injured party to rescission of a contract (Calif. Ins. Code, section 331).

7. Be able to identify six required specifications for all insurance policies (Calif. Ins. Code, section 381):

 a. the parties between whom the contract is made;

 b. the property or life insured;

 c. the interest of the insured in property insured, if he is not the absolute owner thereof;

 d. the risks insured against;

 e. the period during which the insurance is to continue; and

 f. either:

i. a statement of the premium, or,

ii. if the insurance is of a character where the exact premium is only determinable upon the termination of the contract, a statement of basis and rates upon which the final premium is to be determined and paid.

8. Know that the financial rating of the insurer is not required to be specified in the insurance policy (Calif. Ins. Code, section 381).

9. Given an insurance situation, be able to identify the following terms correctly:

a. application, policy, rider;

b. cancellation, lapse, renewal / non-renewal, grace period; and,

c. rate / premium andearned / unearned premium.

I. GENERAL INSURANCE (25 questions (28 percent) on the examination)

I. B. The Insurance Marketplace (16 questions of the 25 General Insurance questions)

I. B. 1. Producers

1. Given a situation involving the legal relationship of a Life-Limited to the Payment of Funeral and Burial Expenses licensee and a principal (an insurer or agency principal) or an insured/applicant, be able to assess:

a. the legal relationship;

b. the responsibilities and duties of each; and,

c. the effect of the types of authority a licenseemay have (express, implied, or apparent).

2. With regard to the underwriting of applicants and / or insureds, be able to:

a. identify a producer’s responsibilities; and,

b. understand the insurers’ requirements.

3. Be able to identify a definition of Life-Limited to the Payment of Funeral and Burial Expenses licensee (Calif. Ins. Code, section 1676(c)).

4. Be able to identify the Code definition of transact and why the definition is important (Calif. Ins. Code, sections 35, 1621-1624, 1631, 1633).

5. Have knowledge of the penalties for transacting without a license and punishments (Calif. Ins. Code, section 1633).

6. Be able to identify:

 a. that the Code prohibits certain actions by unlicensed persons (Calif. Ins. Code, section 1631); and,

 b. the penalty for such above prohibited actions (Calif. Ins. Code, section 1633).

7. Written Consent in Regards to Interstate Commerce (Prohibited Persons in Insurance):
a. be able to identify what conduct is prohibited by United States Code, title 18, section 1033. b. be able to identify what civil and criminal penalties apply (United States Code, title 18, sections 1033 and 1034).

8. Be able to identify the differences between the terms “agent” and “broker”with respect to their relationship with insurers and with their insureds:

a. insurance agent means a person authorized, by and on behalf of an insurer, to transact all classes of insurance other than life, disability, and health insurance (Calif. Ins. Code, section 31); and,

b. 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 (Calif. Ins. Code, section 33).

9. Be able to identify the Code provisions regarding a Life-Limited to the Payment of Funeral and Burial Expenses licensee acting as an agent for an insurer for which the agent is not specifically appointed (Calif. Ins. Code, section 1704.5).

10. For Insurance Agent’s Errors and Omissions insurance, be able to identify:

a. the types of coverages available;

b. the types of losses commonly covered and not covered; and,

c. the need for the coverage.

11. Be able to identify the prohibitions of free insurance (Calif. Ins. Code, section 777.1).

12. Be able to identify the Code requirements for the following:

a. an agency name, use of name (Calif. Ins. Code, sections 1724.5, 1729.5);

b. change of address (Calif. Ins. Code, section 1729);

c. records (Calif. Ins. Code, section 10508);

d. filing license renewal application (Calif. Ins. Code, section 1720); and,

e. printing license number on documents (Calif. Ins. Code, section 1725.5).

13. Be able to identify the Code specifications regarding producer application investigation, denial of applications, and suspension or revocation of license (Calif. Ins. Code, sections 1666, 1668, 1669, 1738).

The following Examination Objective is derived from the codes of ethics and California Insurance Code of major industry organizations and is the basis for Life-Limited to the Payment of Funeral and Burial Expense examination questions.

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

a. place the customer's interest first;

b. know your job – and continue to increase your level of competence;

c. identify the customer’s needs and recommend products and services that meet those needs;

d. accurately and truthfully represent products and services;

e. use simple language; talk the layman’s language when possible;

f. stay in touch with customers and conduct periodic coverage reviews;

g. protect your confidential relationship with your client;

h. keep informed of and obey all insurance laws and regulations;

i. provide exemplary service to your clients; and,

j. avoid unfair or inaccurate remarks about the competition.

15. 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.

16. Be able to identify special ethical concerns that may occur when dealing with Senior Citizens regarding pretext interviews (Calif. Ins. Code, section 791.03).

I. GENERAL INSURANCE (25 questions (28 percent) on the examination)

I. B. The Insurance Marketplace (16 questions of the 25 General Insurance questions)

I. B. 2. Market Regulation – General

1. Be able to identify:

a. the California Insurance Code (Calif. Ins. Code CIC) and how it may be changed;

b. the California Code of Regulations (Calif Code Reg., title 10, chapter 5) and how it may be changed; and,

c. how the insurance commissioner is selected and the responsibilities of the position (Calif. Ins. Code, sections 12900, 12921).

2. Be able to identify the privacy protection provisions of:

a. The California Financial Information Privacy Act (SB 1);

b. Insurance Information and Privacy Protection Act regarding practices, prohibitions and penalties (Calif. Ins. Code, sections 791-791.26); and,

c. Cal-GLBA/“California Financial Information Privacy Act” Section 4050 CA Financial Code.

3. Be able to identify the scope and correct application of the conservation proceedings described in the Code (Calif. Ins. Code, sections 1011, 1013, and 1016).

4. Be able to identify the purpose and scope of the Code concerning the California Life and Health Insurance Guarantee Association (CLHIGA) (Calif. Ins. Code, sections 1067.02(a)(1), and 1067.02(b)(1)).

a. Basic coverages and exclusions of CLHIGA (Calif. Ins. Code, sections 1067-1067.198).

5. Be able to identify the scope and correct application of the False and Fraudulent Claims article of the Code (Calif. Ins. Code, sections 1871, and 1871.4):

a. common circumstances that would suggest the possibility of fraud;

b. efforts to combat fraud (Calif. Ins. Code, sections 1872, 1874.6, 1875.8, 1875.14, 1875.20, 1877.3(b)(1)); and,

c. that if an insured signs a fraudulent claim form, the insured may be guilty of perjury.

6. Be able to identify the meaning of shall and may (Calif. Ins. Code, section 16).

7. Be able to identify the requirements for notice by mail and electronic transmission (Calif. Ins. Code, sections 38, and 38.6).

II. LIFE-LIMITED TO THE PAYMENT OF FUNERAL AND BURIAL EXPENSES (29 questions (32 percent) on the examination)

II. A. Burial (26 questions of the 29 Life-Limited to the Payment of Funeral and Burial Expenses questions)

1. Contracts (Calif. Ins. Code, section 10240):

a. Be able to identify the definition of Funeral Insurance Contract; and,

b. Be able to recognize services provided by a Funeral Insurance Contract.

2. Mandatory Policy Provisions (Calif. Ins. Code, section 10244):

a. Grace Period – Be able to define grace period;

b. Incontestability – Have knowledge of which provision limits the amount of time that an insurer has to contest a policy;

c. Entire Contract – Be able to identify the provision that makes the application and riders part of the funeral insurance contract;

d. Representations – Be able to define representations made by the Insured;

e. Misstatement of Age – Identify the effects of misstatement of age;

f. Payment of Proceeds – Be able to identify when an insurer may pay the proceeds of an undertaker or funeral director;

g. Change in Designation of Funeral Director – Know that an insured may change the designated funeral director at any time; and,

h. Assessments – Know that any person purchasing a funeral insurance contract may be subject to additional assessments.

3. Limited Death Benefits Contracts (Calif. Ins. Code, section 10247).

a. Be able to identify the meaning of Limited Death Benefits Contracts.

4. Reduction of Benefits; Duration of Limited Death Benefit Period (Calif. Ins. Code, section 10248).

a. Know when a reduction of the benefit to a funeral insurance contract is allowed; and,

b. Know the duration of limited death benefit periods.

5. Insurers Authorized to Issue Policies (Calif. Ins. Code, section 10250).

a. Know which type of insurer can issue a funeral insurance contract.

6. Life Agent’s License (Calif. Ins. Code, sections 1622 and 10252).

a. Know what the license requirements are for someone who sells funeral insurance contracts.

II. LIFE-LIMITED TO THE PAYMENT OF FUNERAL AND BURIAL EXPENSES (29 questions (32 percent) on the examination)

II. B. Annuities (3 questions of the 29 Life-Limited to the Payment of Funeral and Burial Expenses questions)

1. Be able to identify the definition of:

a. annuity;

b. annuitant;

c. owner; and,

d. beneficiary.

2. Be able to identify and differentiate between the following terms:

 a. single premium deferred annuities; and,

 b. fixed and indexed annuities.

3. Life Insurance and Annuities – Policy Replacement / Cancellation:

a. Be able to identify the insured’s rights to cancel a recently purchased life policy, when insured is:

 i. age 60 or over; and,

 ii. less than 60 years of age (Calif. Ins. Code, sections 10127.9-10127.10).

b. Be able to identify the requirements and penalties of the "Replacement of Life Insurance and Annuity Policies" article (Calif. Ins. Code, sections 10509-10509.9).

4. Taxation of Life Insurance and Taxation of Annuity – Premium and Proceeds:

a. Be able to identify how life and annuity policies receive favorable tax treatment regarding:

i. cash value accumulation or dividends;

ii. death benefit proceeds; and,

iii. annuity payments to the beneficiary.

III. LIFE INSURANCE (34 questions (38 percent) on the examination)

III. A. Life Insurance – Basics (12 questions of the 34 Life Insurance questions)

1. Be able to identify examples or definitions of:

a. life insurance;

b. applicant;

c. policy owner;

d. insured; and,

e. beneficiary.

2. Be able to identify the elements of the personal financial planning process:

a. identify overall financial objectives; and,

b. develop and implement (including use of risk management techniques) a plan to accomplish the objectives.

3. Be able to identify the major components of the personal (non-property / liability) risk management process identifying, quantifying, and treating loss exposures.

a. managed by:

i. avoidance;

ii. retention;

iii. sharing;

iv. reduction; and,

v. transferring.

4. Be able to identify what is meant by the term “limit of liability” in alife insurancepolicy.

5. Be able to identify when insurable interest is required to exist under life insurance policies (Section 10110 of the CIC).

6. Be able to identify:

a. the term mortality; and,

b. the term mortality table, including how it is developed.

7. Be able to identify the meaning of the statement “life insurance creates an immediate estate.”

III. LIFE INSURANCE (34 questions (38 percent) on the examination)

III. B. Types of Life Policies (11 questions of the 34 Life Insurance questions)

1. Be able to differentiate between the following types of life insurance policies:

a. participating and non-participating.

2. Be able to identify the similarities and differences between the following policies:

a. term; and,

b. whole life.

3. Be able to differentiate the common premium payment alternatives:

a. single premium;

b. limited pay;

c. modified pay; and,

d. level.

4. Be able to identify which of an applicant's needs might be fulfilled by each of the following riders or clauses:

a. waiver of premium or waiver of monthly deduction; and,

b. accidental death.

III. LIFE INSURANCE (34 questions (38 percent) on the examination)

III. C. The Individual Life Insurance Contract (11 questions of the 34 Life Insurance questions)

1. Regarding life insurance applications, be able to identify:

a. the types of information required on the application;

b. a “non-medical application”; and

c. why insurers attach the application to a life policy and why they become part of a life policy.

2. Regarding the life insurance policy, be able to identify:

a. the types of information recorded on the policy title page;

b. life policies are not standardized (unlike property and casualty insurance); and,

c. premium payment mode (annual, semiannual, quarterly, monthly) and related service charges.

3. Be able to identify the following “common provisions” of life policies:

a. insuring clause;

b. free look;

c. consideration clause;

d. entire contract;

e. owner's rights, including:

i. selecting or changing payment mode;

ii. selecting or changing beneficiaries;

iii. cash values;

iv. dividends or excess interest credits; and,

v. surrender charges.

f. beneficiary designations, including:

i. eligible beneficiaries;

ii. primary and secondary (contingent);

iii. common disaster clause (Uniform Simultaneous Death Act);

iv. spendthrift clause;

v. revocable vs. irrevocable;

vi. be able to identify which method used to designate beneficiaries (spouse, children) best serves the needs of a policyowner in common situations; and,

vii. be able to identify the rights of the following, after the insured’s death: beneficiaries and creditors.

g. grace period;

h. automatic premium loan;

i. reinstatement (including why reinstating a lapsed policy might be wiser for a policyowner than purchasing a new policy);

j. incontestability;

k. suicide; and,

l. misstatement of age or sex.

4. Be able to identify a description of each of the non-forfeiture values displayed in the Table of Guaranteed Values.

5. Know that reduced paid-up is the default non-forfeiture option.

6. Be able to differentiate between the following:

a. conditional receipt;

b. temporary insurance agreement;

c. temporary term;

d. be able to identify the acceptable methods for delivery of a life policy to the owner of the policy (Calif. Ins. Code, section 10113.6); and,

e. delivery receipt.

7. Regarding insurable interest, be able to identify the requirements for the:

1. policyowner; and,
2. beneficiary.

IV. PENALTIES (2 questions (2 percent) on the examination)

IV. A. Be familiar with the following prohibitions and penalties:

1. misrepresentation and twisting (Calif. Ins. Code, sections 780-782);

2. senior insurance (Calif. Ins. Code, sections 785-789.10);

3. the Unfair Practices article (Calif. Ins. Code, sections 790-790.10);

4. the Insurance Information and Privacy Protection Act (Calif. Ins. Code, sections 791-791.26);

5. actions by unlicensed individuals (Calif. Ins. Code, sections 1631 and 1633); and,

6. requirements for replacement of life insurance and annuity policies (Calif. Ins. Code, sections 10509-10509.9).