

California Department of Insurance

Fire and Casualty Broker-Agent or 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, a Fire and Casualty Broker-Agent or Personal Lines Broker-Agent must have significant knowledge in the proper methods of estimating the replacement value of structures. Specifically, the Fire 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 Fire and Casualty Broker-Agent or Personal Lines Broker-Agents shall:

- Be able to differentiate between a homeowners' policy and a dwelling property policy;
- Be able to estimate the value of an insured's property by having basic knowledge of its value;
- Know the valuation principles and methods;
- Know the value of the components of a dwelling to assess its replacement cost or value;
- Have the ability to recognize other factors influencing the replacement cost;
- Have knowledge of endorsements used in relation to the insuring of replacement costs of a homeowners'/dwelling policy; and,
- Understand the process used in determining the value of an insured's property.

These courses 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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Table of Contents

Topic		Page		Contact Course Amount of Time (Minutes)	Non-Contact Course Number of Pages
Training Goals		1			
Table of Contents		2			
I.	Differences Between Homeowners' – Dwelling Property Policies- 5 percent	6		8	1
II.	Basic Concepts of Property Valuations – 15 percent	6		23	4
III.	Components of the Replacement Value of a Dwelling – 10 percent	6		14	3
IV.	Effects of Catastrophes on Replacement Cost - 15 percent	6		23	4
V.	Endorsements to the Homeowners/Dwelling Policy – 15 percent	6		23	4
VI	Basic Fire Policy – 5 percent	7		8	1
VII.	Types of Basic Building Construction – 10 percent	7		14	3
VIII.	Methodologies of Determining Value - 10 percent	7		14	3
IX.	Fire Mitigation - – 15 percent	8		23	4

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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

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
 - 1. Different Types of Structure
 - 2. California Residential Property Disclosure
- D. Depreciation (Holdback) for claims
 - 1. Market Value
 - 2. Replacement cost less depreciation for age, wear and tear

III. Components of the Replacement Value of a Dwelling

- A. Foundations
- B. Roofing
- C. Siding
- D. Location of property being built on
- E. Building code upgrades
- F. Retro-fit of structures (seismic) due to covered damage
- G. Appurtenant Structures coverage/values
- H. Other areas affecting values

IV. Effects of Catastrophes on Replacement Cost

- A. Labor shortages
- B. Supply shortages
- C. Fuel shortages
- D. Transportation Issues

V. Endorsements to the Homeowners/Dwelling Policy

- A. Review of Property Endorsements to the Policy
- B. Catastrophe Coverages
- C. Types of Replacement Cost
 - 1. What property lines are covered?
 - 2. What are the limits?
 - 3. Extended or Guaranteed replacement cost,
 - a) Misuse
 - b) What elements of repair are covered (i.e. architectural, engineering)

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Homeowners' Insurance Valuation Course Curriculum

- D. Building Ordinance coverage requirements
- E. Appurtenant Structures,
 - 1. What is included?
 - 2. What is excluded?
- F. Extended or Guaranteed Replacement cost,
 - 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

VII. Types of Basic Building Construction

- A. Tilt –Up
- B. Cinderblock
- C. Conventional Frame
- D. Brick and Masonry
- E. Metal Frame

VIII. Methodology of Determining Value

- A. Proprietary valuation tools (e.g. Marshall- Swift Evaluation)
- B. Appraisals
- C. Insurance Company's Valuation Software
- D. Contractor's/Expert's opinions
- E. Cost per square footage estimates
- F. Insured's opinion
- G. Elements of a custom home and how its construction can affect the replacement value
- H. Different cost factors that can affect the replacement value due to location or type of construction structure of a structure

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IX. Fire Mitigation

- 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 and regulations that address efforts to mitigate. Those include defensible space 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).