



California Insurance Law and Ethics

Practice test

April 6, 2026

Time limit: 60 minutes

Official exam page

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Online timed practice

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Answer key for this session (PDF):

californiacerts.com/resources/pdfs/ca-insurance-law-ethics/ca-insurance-law-ethics-practice-solution.pdf

1. A California producer whose license lapses due to non-renewal may reinstate the license within how many years without retaking the exam?
 - A. 10 years
 - B. The exam must always be retaken
 - C. 5 years without retaking the exam
 - D. 1 year
2. California's mandatory 1-hour anti-fraud training (included in the 12-hour pre-licensing requirement) is designed to teach producers to:
 - A. Recognize warning signs, understand reporting obligations, and comply with fraud prevention statutes
 - B. Process insurance applications more quickly
 - C. Teach producers to maximize claim settlements
 - D. Learn how to investigate and prosecute fraud personally
3. Under California Insurance Code, the maximum fine for willfully misrepresenting a material fact on an insurance application is:
 - A. \$500 per violation
 - B. License suspension for 30 days
 - C. A written warning for the first offense
 - D. Up to \$150,000 or double the fraud amount, plus potential imprisonment
4. Under California Insurance Code, a non-resident producer must hold a license in which state to qualify for a California non-resident license?
 - A. Their home state (state of residence) has issued them a license and extends reciprocity
 - B. Their home state does not require any license
 - C. They have at least 5 years of experience
 - D. They have passed a background check only

5. An insurance producer acting in a fiduciary capacity must:
- A. Recommend the most comprehensive coverage available
 - B. Maximize commissions on every transaction
 - C. Follow insurer instructions regardless of client impact
 - D. Put client interests first, exercise care, disclose conflicts, and handle funds separately
6. After passing the California insurance licensing exam, an applicant must submit a license application to CDI within:
- A. No time limit
 - B. 6 months
 - C. 2 years
 - D. 12 months from the date of passing the examination
7. Under California law, a producer's license must be renewed every:
- A. Only if CDI requires it
 - B. Every year
 - C. Every three years
 - D. Every two years with 24 CE hours including 3 ethics hours
8. Workers' compensation fraud in California is prosecuted under:
- A. The California Penal Code only
 - B. Both CIC Section 1871 and Labor Code Section 3700
 - C. Only CIC Section 1871
 - D. Federal RICO statutes only
9. Under California law, a producer who receives client premiums must:
- A. Remit premiums only when it is convenient
 - B. Retain 10% of premiums as a collection fee
 - C. Deposit premiums in a personal account for up to 30 days
 - D. Remit premiums promptly and keep them separate from personal funds
10. A California insurance producer acting as an agent represents:
- A. The insurer — the agent acts on behalf of the insurance company
 - B. The state of California
 - C. Neither party — agents are independent contractors
 - D. The insured seeking coverage
11. Under California law, insurance policies are contracts of:
- A. Bilateral contracts — both parties make promises
 - B. Adhesion — drafted by insurer, ambiguities construed against insurer
 - C. Commutative contracts — equal exchange of value
 - D. Aleatory contracts — one party gives more than the other
12. Staging an automobile accident for the purpose of filing a fraudulent insurance claim is classified as:
- A. A misdemeanor
 - B. An administrative violation
 - C. A civil infraction
 - D. A felony under CIC Section 1871.7 with fines of \$5,000 to \$150,000 per violation
13. Under CIC, "churning" refers to:
- A. Submitting claims on a client's behalf
 - B. Selling insurance aggressively to increase market share
 - C. Replacing policies unnecessarily to generate additional commissions
 - D. Offering multiple lines of insurance to the same client
14. California's Department of Insurance Fraud Division has authority to investigate fraud related to:
- A. Auto fraud only
 - B. Only workers' compensation fraud
 - C. All lines — auto, workers' comp, health, life, and property insurance
 - D. Only cases involving more than \$10,000
15. California continuing education requirements for licensed producers include 24 hours every two years, of which at least how many hours must cover ethics?
- A. No ethics requirement
 - B. 3 hours of ethics
 - C. 1 hour
 - D. 12 hours of ethics
16. California Insurance Code requires insurers to acknowledge receipt of a claim within how many days?
- A. 15 calendar days
 - B. 30 calendar days
 - C. 5 business days
 - D. 60 days

17. A producer who signs a client's name on an insurance document without authorization has committed:
- A. Forgery — a felony and grounds for license revocation
 - B. Permissible if the client gave verbal consent
 - C. A misdemeanor only
 - D. An administrative violation with a warning
18. A producer who learns of a material change in a client's risk situation has an ethical obligation to:
- A. Inform the client and recommend appropriate coverage adjustments
 - B. Ignore the change if it doesn't affect the premium
 - C. Report the change to CDI immediately
 - D. Cancel the policy immediately
19. The CDI Commissioner has authority to suspend or revoke a producer license for which of the following reasons?
- A. Only for non-payment of license fees
 - B. CDI cannot revoke licenses — only suspend them
 - C. Misrepresentation, fraud, incompetence, felony conviction, rebating, misappropriation, or CIC violation
 - D. Only for criminal convictions
20. The California Department of Insurance (CDI) is headed by the:
- A. The California State Legislature
 - B. The Governor of California
 - C. The Director of the Department of Consumer Affairs
 - D. The independently elected California Insurance Commissioner
21. The California Insurance Guarantee Association (CIGA) protects policyholders when:
- A. The policy is cancelled for non-payment
 - B. The policyholder moves out of California
 - C. The insurer has paid excess claims
 - D. A member admitted insurer becomes insolvent and cannot pay claims
22. Under California law, a producer who collects a premium but fails to remit it to the insurer may be charged with:
- A. A civil penalty only
 - B. No violation if remitted within 90 days
 - C. Theft or embezzlement — criminal prosecution and immediate license revocation
 - D. A licensing CE requirement only
23. A California insurance license application requires the applicant to disclose:
- A. Only contact information
 - B. Preferred insurance lines only
 - C. No disclosure required for first-time applicants
 - D. Criminal history, prior license discipline, bankruptcy, and regulatory actions in other states
24. When replacing an existing life insurance policy, California law requires the producer to provide the client with:
- A. Only verbal disclosure is required
 - B. A simple form showing the new policy premium
 - C. A comparison disclosure showing benefits, costs, and surrender charges of both policies
 - D. No disclosure required if the new policy is lower cost
25. A producer who recommends a policy primarily because it pays the highest commission, without regard for the client's needs, has violated which ethical duty?
- A. Only a violation if the client complains
 - B. Selecting the most affordable policy for the client
 - C. Breach of fiduciary duty — recommending for commission rather than client need
 - D. Appropriate sales technique under CIC
26. The California Insurance Code prohibits an insurer from discriminating in coverage or rates based on:
- A. Age and gender
 - B. Credit score and claims history
 - C. Geographic location and property age
 - D. Race, color, national origin, religion, sex, marital status, or sexual orientation
27. Under California law, the statute of limitations for prosecuting insurance fraud is:
- A. 4 years from the date of offense or discovery, whichever is later
 - B. 6 months from the date of the claim
 - C. No statute of limitations for insurance fraud
 - D. 1 year from the date of the offense
28. A California insurance producer who places coverage with a non-admitted insurer through a surplus lines broker must ensure:
- A. Place the risk without checking admitted market availability
 - B. Diligently seek coverage from at least three admitted carriers before placing surplus lines
 - C. Get approval from CDI for each surplus lines placement
 - D. Require the client to waive all consumer protections

29. The principle of utmost good faith (uberrimae fidei) in insurance requires:
- A. Only the insurer must act with honesty
 - B. Both insurer and insured must act with complete honesty and disclose all material facts
 - C. Neither party is obligated to volunteer information
 - D. Only the insured must disclose information
30. Under CIC Section 1858, an insurer must pay a claim or provide written denial with reasons within how many days of receiving proof of loss?
- A. 180 days
 - B. 90 days
 - C. 40 days of receiving proof of loss
 - D. 10 days
31. When must a California producer disclose any compensation they will receive on a transaction to the client?
- A. Before completing the transaction — conflicts of interest must be disclosed in advance
 - B. After the policy is issued
 - C. Only if compensation exceeds \$5,000
 - D. Only if the client specifically asks
32. A California licensed producer who suspects insurance fraud is being committed by a client must:
- A. Report suspected fraud to CDI's Fraud Division or the insurer's SIU
 - B. Ignore it — fraud investigation is the insurer's responsibility
 - C. Confront the client directly
 - D. Cancel the client's policy immediately
33. A California producer who changes their address of record must notify CDI within:
- A. 90 days
 - B. Only at the time of license renewal
 - C. 30 days
 - D. 60 days
34. Under California Insurance Code, an admitted insurer is one that:
- A. Holds a Certificate of Authority from CDI and participates in CIGA
 - B. Can only write commercial lines insurance
 - C. Is exempt from CDI rate filing requirements
 - D. Has higher rates than non-admitted insurers
35. California's ethical guidelines require that advertising for insurance products must:
- A. Be truthful, not misleading, identify the insurer, and not omit material information
 - B. Only disclose the premium and coverage limit
 - C. Require CDI pre-approval before publication
 - D. May contain false statements if they generate interest
36. Under Proposition 103, prior approval of insurance rates by CDI is required for:
- A. Personal lines auto, homeowners, and earthquake insurance
 - B. Life insurance only
 - C. Commercial package policies only
 - D. All lines of insurance in California
37. Under California law, a homeowner's insurer that non-renews a policy must provide how many days advance notice?
- A. 30 days
 - B. 10 days
 - C. 60 days
 - D. 45 days
38. California Insurance Code Section 1871.4 makes it a crime to:
- A. Present truthful insurance claims
 - B. Present or assist in presenting fraudulent insurance claims
 - C. Charge premiums above the approved rate
 - D. Fail to renew a license on time
39. The California Insurance Code prohibits an insurer from using which of the following as a basis for cancelling a personal lines policy mid-term?
- A. Non-payment of premium
 - B. Cancellation based on protected class (race, religion, national origin, etc.)
 - C. The client's credit score declined
 - D. Material misrepresentation on the application
40. A licensed producer's duty of confidentiality requires that client information:
- A. May be shared with any third party for marketing purposes
 - B. May be disclosed to other insurance companies without restriction
 - C. Must be kept confidential and not shared without client consent under California privacy laws
 - D. Only health information is protected — financial information may be shared

41. Under California Insurance Code, which action constitutes "twisting"?
- A. Offering a free insurance consultation
 - B. Recommending a lower-cost policy to a client
 - C. Filing a claim on a client's behalf
 - D. Inducing a policyholder to replace an existing policy through misrepresentation
42. California's 12-hour pre-licensing requirement (effective January 1, 2026, per AB 943) replaced the previous requirement of:
- A. No prelicensing requirement
 - B. A 52-hour line-specific prelicensing course
 - C. A 4-hour online course
 - D. A 20-40 hour line-specific prelicensing course
43. A California producer who participates in a scheme to submit false medical billing to an insurer faces:
- A. A felony with imprisonment, fines up to \$150,000 or double the fraud amount, and license revocation
 - B. Only civil liability
 - C. A first-offense warning
 - D. A \$500 fine
44. California Insurance Code Section 790 prohibits which type of insurance industry practice?
- A. Requiring policyholders to give timely notice of loss
 - B. Charging premiums based on risk classification
 - C. Requiring medical exams for all applicants
 - D. Denying claims without investigation or making low offers without explanation
45. The CDI's authority under Proposition 103 to review and approve rates applies to which insurance lines?
- A. Life and health lines only
 - B. Personal auto, homeowners, and earthquake insurance
 - C. Workers' compensation and surety bonds
 - D. All commercial and personal lines
46. Under CIC, "misrepresentation" by an insurance producer includes:
- A. Making false or misleading statements about policy terms, benefits, or insurer financial condition
 - B. Explaining policy exclusions to a client
 - C. Declining to write a risk outside the insurer's appetite
 - D. Providing correct premium quotes
47. A producer who makes a material misrepresentation on their license application is subject to:
- A. A \$100 fine only
 - B. No penalty if the license was not yet issued
 - C. A warning letter only
 - D. License denial, suspension, or revocation and potential criminal fraud charges
48. Under California Insurance Code, a producer found guilty of willful misrepresentation may be fined up to what amount per violation?
- A. Up to \$500
 - B. Up to \$5,000 per violation
 - C. Up to \$50,000 per violation
 - D. No fines — only license action
49. The California Insurance Code defines "replacement" of a life insurance policy as:
- A. When coverage is added to an existing policy
 - B. When a new agent takes over an existing policy
 - C. When a policy is renewed with the same insurer
 - D. When a new policy causes an existing policy to lapse, surrender, or terminate
50. Which of the following is an example of "rebating" under California Insurance Code?
- A. Charging a higher premium than competitors
 - B. Giving cash, gifts, or services not specified in the policy to induce purchase
 - C. Providing a free policy review
 - D. Offering a 10% discount on premiums