



Home	Bill Information	California Law	Publications	Other Resources	My Subscriptions	My Favorites
------	------------------	----------------	--------------	-----------------	------------------	--------------

Code: Section:

[Up^](#) [Add To My Favorites](#)

INSURANCE CODE - INS

DIVISION 1. GENERAL RULES GOVERNING INSURANCE [100 - 1879.8] (Division 1 enacted by Stats. 1935, Ch. 145.)

PART 2. THE BUSINESS OF INSURANCE [680 - 1879.8] (Part 2 enacted by Stats. 1935, Ch. 145.)

CHAPTER 5. Production Agencies [1621 - 1758.993] (Chapter 5 repealed and added by Stats. 1959, Ch. 4.)

ARTICLE 3. Licensing [1631 - 1651] (Article 3 added by Stats. 1959, Ch. 4.)

1631. Unless exempt by the provisions of this article, a person shall not solicit, negotiate, or effect contracts of insurance, or act in any of the capacities defined in Article 1 (commencing with Section 1621) unless the person holds a valid license from the commissioner authorizing the person to act in that capacity. The issuance of a certificate of authority to an insurer does not exempt an insurer from complying with this article.

(Amended by Stats. 2000, Ch. 321, Sec. 3. Effective January 1, 2001. Operative January 1, 2002, by Sec. 9 of Ch. 321.)

1631.5. Nothing in this article shall be deemed to affect the current operations of the Healthy Families Program (Part 6.2 (commencing with Section 12693) of Division 2) or the Access for Infants and Mothers Program (Part 6.3 (commencing with Section 12695) of Division 2).

(Added by Stats. 2000, Ch. 321, Sec. 3.5. Effective January 1, 2001. Operative January 1, 2002, by Sec. 9 of Ch. 321.)

1632. Unless prohibited in this article, a person otherwise eligible for a license may be authorized to act in one or more of the capacities specified in this chapter.

(Amended by Stats. 1990, Ch. 1420, Sec. 8. Operative January 1, 1992, by Sec. 77 of Ch. 1420.)

1633. Any person who transacts insurance without a valid license so to act is guilty of a misdemeanor punishable by a fine not exceeding fifty thousand dollars (\$50,000) or by imprisonment in a county jail for a period not exceeding one year, or by both that fine and imprisonment.

(Amended by Stats. 2004, Ch. 279, Sec. 1. Effective January 1, 2005.)

1633.5. It is hereby declared to be the intent of the Legislature in enacting this chapter that the regulations prescribed herein be the exclusive regulations relating to the conduct of insurance business by persons licensed to act in any of the capacities defined hereunder, any local regulations or ordinances notwithstanding.

(Added by Stats. 1959, Ch. 749.)

1634. No license is required under this chapter for a person to act in any of the following capacities:

- (a) As a full-time salaried employee of a title insurer, controlled escrow company or an underwritten title company.
- (b) As a salaried solicitor or agent of a mortgage insurer or mortgage guaranty insurer provided no part of the compensation of the person is on a commission basis.
- (c) As the attorney in fact of a reciprocal or interinsurance exchange.
- (d) As a life and disability insurance analyst.
- (e) As a surplus line broker or special lines surplus line broker.
- (f) As a bail agent, bail solicitor or bail permittee.
- (g) As an employee, not paid on a commission basis, of a home protection company, including, but not limited to, soliciting, negotiating, or effecting home protection contracts by the employee.

(h) As an employee of a creditor who secures and forwards information for the purpose of obtaining group credit life, credit disability, or involuntary unemployment insurance, or for enrolling individuals in a group credit life, credit disability, or involuntary unemployment insurance plan or issuing certificates of insurance thereunder where no commission is paid to the employee for those services.

(Amended by Stats. 2003, Ch. 439, Sec. 4. Effective January 1, 2004. Operative July 1, 2004, by Sec. 7 of Ch. 439.)

1635. A license is not required under the provisions of this chapter for a person to act in the following capacities or to engage in the following activities, providing a commission is not paid or allowed, directly or indirectly, by the insurer, creditor, retailer, or other person for acting in those capacities or engaging in those activities:

- (a) The business of examining, certifying, or abstracting titles to real property.
- (b) The solicitation for membership in a fraternal benefit society and other activities to the extent and as described in Sections 11013 and 11102 of this code.
- (c) As a salaried representative of a reciprocal or interinsurance exchange or of its attorney-in-fact.
- (d) Employment that does not include the solicitation, negotiation, or effecting of contracts of insurance and the signing of policies or other evidences of insurance.
- (e) As an officer of an insurer or a salaried traveling employee of the type commonly known as a special agent or as an agency supervisor, while performing duties and exercising functions that are commonly performed by a special agent or agency supervisor, if the person engaging in the activity does not do either of the following:
 - (1) Effect insurance.
 - (2) Solicit or negotiate insurance except as a part of and in connection with the business of a property broker-agent, casualty broker-agent, or life agent licensed under this chapter.
- (f) As an officer or salaried representative of a life insurer if the activities of the officer or salaried representative are limited to direct technical advice and assistance to a properly licensed person and the officer or salaried representative's activities do not include effecting, soliciting, or negotiating insurance except as a part of and in connection with the business of a property broker-agent, casualty broker-agent, or life agent licensed under this chapter.
- (g) Employment by an insurer at its home or branch office that does not include the solicitation, negotiation, or effecting of contracts of insurance, and that may as part thereof include the signing of policies or other evidences of insurance.
- (h) The completion or delivery of a declaration or certificate of coverage under a running inland marine insurance contract evidencing coverage thereunder and including only those negotiations as are necessary to the completion or delivery if the person performing those acts or the person's employer has an insurable interest in the risk covered by the certificate or declaration.
- (i) As an employee of a licensed property broker-agent or casualty broker-agent, whose employment is one or more of the following:
 - (1) That of a regularly salaried administrative or clerical employee whose activities do not include the solicitation, negotiation, or effecting of contracts of insurance from the insuring public.
 - (2) That of a salesperson who devotes substantially all of that salesperson's activities to selling merchandise and whose solicitation of insurance is limited only to the quoting of a premium for insurance to be included in the purchase price covering the interest retained in the merchandise by the seller.
- (j) The solicitation, negotiation, or effectuation of home protection contracts by a person licensed pursuant to Part 1 (commencing with Section 10000) of Division 4 of the Business and Professions Code in connection with the person's licensed function authorized by Section 10131 or 10131.6 of the Business and Professions Code. The receipt of a payment permitted by Section 12760 shall not disqualify the recipient from the licensing exemption provided by this chapter.
- (k) Employees of an insurer whose duties are the inspection, processing, adjusting, investigation, settling of claims, conducting safety inspections, or accepting or rejecting business from licensed insurance agents or brokers.
- (l) Officers, directors, or employees of an insurer or producer whose executive, administrative, managerial, or clerical activities are only indirectly related to solicitation, negotiation, or effecting the sale of insurance, provided those persons do not have direct contact with consumers in a sales or service capacity except as otherwise provided by this section.
- (m) Employees whose activities are limited to making clerical changes in existing policies or providing indirect marketing and servicing support for the purpose of determining general interest in insurance products.

(Amended by Stats. 2021, Ch. 133, Sec. 1. (SB 272) Effective July 23, 2021.)

1637. An organization may hold any license or licenses necessary to act in the following capacities under this chapter and no others:

- (a) A license to act as a life agent.
- (b) A license to act as an accident and health or sickness agent.
- (c) A license to act as a property broker-agent.
- (d) A license to act as a casualty broker-agent.
- (e) A license to act as a cargo shipper's agent.
- (f) A license to act as a personal lines licensee.
- (g) A license to act as a credit insurance agent.
- (h) A license to act as a car rental agent.
- (i) A nonresident license to act as a limited lines licensee pursuant to subdivision (i) of Section 1639.
- (j) A license to act as a self-service storage agent.
- (k) A license to act as a limited lines automobile insurance agent.

(Amended by Stats. 2020, Ch. 184, Sec. 9. (SB 1255) Effective January 1, 2021.)

1638. (a) A nonresident license is a license issued to a person not a resident of this state.

A person is a resident of this state if either of the following applies:

- (1) A person occupies a dwelling in this state and intends this state to be that person's domicile.
- (2) A person maintains that person's principal place of business in this state.

(b) A person licensed under this chapter may designate only one state as that person's resident state.

(Amended by Stats. 2021, Ch. 133, Sec. 2. (SB 272) Effective July 23, 2021.)

1638.5. Unless denied licensure pursuant to Article 6 (commencing with Section 1666), a nonresident person shall receive a production agency license if that nonresident person meets the following requirements:

- (a) The person is currently licensed and in good standing in the state, territory of the United States, or province of Canada in which the person is licensed as a resident producer.
- (b) The person has submitted the proper request for licensure and has paid the fees required by Section 1750.5.
- (c) The person has submitted or transmitted to the Insurance Commissioner the application for licensure that the person submitted to the state, territory of the United States, or province of Canada in which the person is licensed as a resident, or submitted or transmitted to the commissioner, a completed National Association of Insurance Commissioners (NAIC) Uniform Nonresident Application.
- (d) The state, territory of the United States, or province of Canada in which the person holds a resident producer license awards nonresident producer licenses to residents of this state on the same basis.

(Amended by Stats. 2021, Ch. 133, Sec. 3. (SB 272) Effective July 23, 2021.)

1639. The following types of licenses under this chapter may be issued to nonresidents:

- (a) A property broker-agent or a casualty broker-agent if the nonresident is duly licensed to transact those lines of insurance described in Section 1625, under the laws of the state, territory of the United States, or province of Canada where the resident license is maintained.
- (b) A personal lines broker-agent if the nonresident is duly licensed to transact those lines of insurance described in Section 1625.5, under the laws of the state, territory of the United States, or province of Canada where the resident license is maintained.
- (c) A life agent or an accident and health or sickness agent if the nonresident possesses a resident license in another state, territory of the United States, or province of Canada to transact life insurance or disability insurance.
- (d) A nonresident may be granted authority to transact variable life and variable annuity contracts if the person has been granted that authority by the state where the resident license is maintained. To qualify for this authority, the nonresident is required to also be licensed as a life agent in the state where the resident license is maintained.
- (e) A surplus line broker and a special lines surplus broker if the nonresident holds that type of license in the state or territory of the United States where the resident license is maintained.

(f) A credit insurance agent if the nonresident holds that type of license in the state, territory of the United States, or province of Canada where the resident license is maintained.

(g) A car rental agent if the nonresident holds that type of license in the state, territory of the United States, or province of Canada where the resident license is maintained.

(h) A cargo shipper's agent if the nonresident holds that type of license in the state, territory of the United States, or province of Canada where the resident license is maintained.

(i) A limited lines license if the nonresident holds that type of license in the state, territory of the United States, or province of Canada where the resident license is maintained. As used in this section, "limited lines license" means any authority granted by the resident state that restricts the authority of the license to less than the total authority granted by any of the types of licenses identified in this section.

(j) A self-service storage agent if the nonresident holds that type of license in the state, territory of the United States, or province of Canada where the resident license is maintained.

(Amended by Stats. 2020, Ch. 184, Sec. 10. (SB 1255) Effective January 1, 2021.)

1639.1. (a) The class or classes of insurance which a nonresident person is licensed to transact under that nonresident person's resident license shall be determined according to the definitions of classes of insurance in Sections 101 to 120, inclusive. A certificate from the insurance regulatory authority of the nonresident's home state may be accepted as evidence of the applicant's license status and the capacity or capacities in which that nonresident person is licensed. The Insurance Commissioner may also verify the producer's licensing status through the Producer Database maintained by the National Association of Insurance Commissioners, its affiliates or subsidiaries.

(b) A nonresident producer who moves from one state to another state or a resident producer who moves from this state to another state shall file a change of address and provide certification from the new resident state within 30 days of the change of legal residence. No fee or license application is required.

(c) The license authority granted to the nonresident shall not exceed the class or classes of insurance granted by the license issued under the laws of the state, territory of the United States, or province of Canada where the resident license is maintained.

(Amended by Stats. 2021, Ch. 133, Sec. 4. (SB 272) Effective July 23, 2021.)

1640. A person authorized to act as an insurance solicitor is not eligible at the same time to act as an insurance agent or broker, and a person authorized to act as either an insurance agent or broker is not eligible at the same time to act as an insurance solicitor.

(Amended by Stats. 1990, Ch. 1420, Sec. 12. Operative January 1, 1992, by Sec. 77 of Ch. 1420.)

1642. An insurer or reciprocal or interinsurance exchange is not eligible for any license under this chapter; but a corporation rendering sales services in connection with a separate account may be licensed irrespective of the extent of ownership of the corporation by an insurer. Nothing herein shall be interpreted to prohibit an insurer or reciprocal or interinsurance exchange from licensing its employees who solicit, negotiate, or effect contracts of insurance pursuant to this article.

(Amended by Stats. 2000, Ch. 321, Sec. 4.7. Effective January 1, 2001. Operative January 1, 2002, by Sec. 9 of Ch. 321.)

1644. A person under 18 years of age is not eligible to apply for a license pursuant to this chapter, Chapter 5A (commencing with Section 1759), Chapter 6 (commencing with Section 1760), and Chapter 7 (commencing with Section 1800) of Part 2 of Division 1, and Chapter 1 (commencing with Section 14000) and Chapter 2 (commencing with Section 15000) of Division 5.

(Amended by Stats. 2009, Ch. 254, Sec. 1. (AB 800) Effective January 1, 2010.)

1646. An organization is not eligible for a license under this chapter if its articles of incorporation or association or agreement of copartnership forbid it to act in the capacity for which a license is sought.

(Repealed and added by Stats. 1959, Ch. 4.)

1647.5. (a) Each limited liability company, at the time of licensing pursuant to this chapter and, with respect to surplus line brokers, Chapter 6 (commencing with Section 1760), and at all times during which the company holds an active license, is required to provide security for claims against it as follows:

(1) For claims based upon acts, errors, or omissions arising out of the practice of insurance agency, brokerage, or surplus line brokerage, a licensed limited liability company providing insurance agency, brokerage, or surplus line brokerage services shall comply with the requirements of subparagraph (A) or (B), or pursuant to subdivision (b), some combination of those requirements.

(A) (i) Maintain a policy or policies of insurance against liability imposed on or against it by law for damages arising out of claims in an amount for each claim of at least one hundred thousand dollars (\$100,000) multiplied by the number of licensees rendering professional services on behalf of the company, with a minimum required amount of five hundred thousand dollars (\$500,000); however, the maximum amount of insurance is not required to exceed five million dollars (\$5,000,000) for claims initially asserted in any one calendar year, less amounts paid in defending, settling, or discharging those claims. In addition, the policy shall contain, at a minimum, a provision that the policy cannot be nonrenewed, canceled, or terminated, without providing written notice to the commissioner within 10 days.

(ii) An applicant who wishes to satisfy the requirements of this section wholly, or in part, by maintaining a policy or policies of insurance as set forth in clause (i) shall submit to the commissioner a certification of coverage pursuant to subdivision (d). If a license is automatically issued or renewed without providing this certification, the license may be inactivated by the commissioner upon discovery of the lack of compliance with this paragraph.

(iii) If the policy specified in clause (i) contains a deductible or self-insured retention and the policy provides that the insurer is ultimately responsible for payment of the total amount of the claim up to the policy limits, including the deductible or retention, the policyholder shall not be required to maintain security for payment of its deductible limit or self-insured retention liability under the terms set forth in subparagraph (B).

(iv) If the policy specified in clause (i) contains a deductible limit or self-insured retention and does not provide that the insurer is responsible for payment of the total amount of the claim up to the policy limits, the policyholder shall maintain security for payment of its deductible limit or self-insured retention under the terms set forth in subparagraph (B).

(B) Maintain in trust or bank escrow, cash, bank certificates of deposit, United States Treasury obligations, bank letters of credit, or bonds of insurance companies as security for payment of liabilities imposed by law for damages arising out of all claims in an amount of at least one hundred thousand dollars (\$100,000) multiplied by the number of licensees rendering professional services on behalf of the company, with a minimum required amount of five hundred thousand dollars (\$500,000); however, the maximum amount of security is not required to exceed five million dollars (\$5,000,000) for claims initially asserted in any one calendar year, less amounts paid in defending, settling, or discharging those claims.

(b) For purposes of satisfying the security requirements of this section, a limited liability company may aggregate the security provided by it pursuant to subparagraphs (A) and (B) of paragraph (1) of subdivision (a).

(c) At the time of licensing pursuant to this article, limited liability companies shall file with the commissioner information, in the manner prescribed by the commissioner, and accompanied by all documentation requested by the commissioner, demonstrating compliance with the financial security requirements of this section. Limited liability companies shall also file an annual confirmation with the commissioner, at a time and in a manner, and with documentation, prescribed by the commissioner, demonstrating continuing compliance with the financial security requirements of this section.

(d) If the security requirements of this section are satisfied wholly, or in part, with an insurance policy, then a certification of coverage shall be submitted to the commissioner by the licensee or applicant, and signed by an authorized agent or employee of the insurer. The certification of coverage shall be in the following form:

Department of Insurance
Limited Liability Company
Certification of Coverage Under Section 1647.5 of the California Insurance Code
I hereby certify that the insurance company listed below has issued a policy or policies of insurance as follows:
Insured Name:
License Number:
Company Name:
Address:
Policy Number(s):
Insurance Company:
Policy Effective Date:
Policy Expiration Date:

Specify whether blanket or individual policy:
Specify number of licensees rendering services:
I hereby certify that the limited liability company named above is insured against claims arising from errors and omissions as defined and described in the amounts and limits set forth in Section 1647.5 of the California Insurance Code. I understand and agree that the insurance coverage for the entity and person(s) insured under this policy or policies may not be terminated, canceled, or nonrenewed, regardless of cause or reason, without providing written notice to the commissioner within ten (10) days.
Signature:Date: _____
(Insurance Company Representative)
Title:

(e) The commissioner may summarily deny or decline to act upon an application for the issuance or renewal of a license, or may summarily inactivate an existing license, for failure to comply with the requirements of this section.

(1) If the commissioner inactivates a license for failure to comply with the requirements of subparagraph (A) of paragraph (1) of subdivision (a), the effective date of the inactivation shall be the date on which the insurance policy or policies used to satisfy that requirement expire or are canceled, as indicated by the expiration date specified on the certification of coverage filed pursuant to subdivision (d) or by a notification received from the insurer of termination, cancellation, or nonrenewal of coverage.

(2) If the commissioner inactivates a license for failure to comply with the requirements of subparagraph (B) of paragraph (1) of subdivision (a), or with the requirements of subdivision (b), the effective date of the inactivation shall be the date set by the commissioner as the deadline for demonstrating compliance with those provisions.

(3) Within 10 working days of the date of inactivation under this section, the commissioner shall send by certified mail to the licensee's address, as reflected in the commissioner's records, a notice to the licensee of the inactivation of the license.

(4) A license that has been inactivated pursuant to this section shall be reactivated if, within 30 days of the date of inactivation, the licensee demonstrates, in the manner prescribed by the commissioner, satisfaction of the requirements of subparagraph (A) or (B) of paragraph (1) of subdivision (a), or the requirements of subdivision (b), and includes any fees, penalties, and any other required licensing documents necessary to reactivate the license, including new company appointment forms, bonds, and any new business entity endorsements as required. If a certification of coverage is provided to demonstrate compliance with these requirements, and the certification indicates that the insurance policy or policies have been in effect continuously from the date of the inactivation, the license shall be reactivated retroactive to and including the date of inactivation. If the certification of coverage shows an effective date for the insurance policy or policies later than the date of inactivation, the license shall be reactivated as of the effective date of the policy or policies.

(f) Any licensee who, acting alone or in concert with others, willfully or knowingly causes or allows to be filed with the commissioner for the purpose of demonstrating compliance with this section a certification of coverage described in subdivision (d), or any other document required by this section, that is false, fraudulent, or misleading, shall be subject to administrative penalty, including suspension or revocation of the licensee's license, after notice and hearing as provided for in the Administrative Procedure Act. However, nothing in this section shall entitle a licensee to notice or hearing on the summary denial of an application or the summary inactivation of a license pursuant to subdivision (e).

(g) The commissioner may disclose on the department's Internet Web site the names and license numbers of those licensees whose licenses have been inactivated or who have been penalized due to noncompliance with this section. The commissioner may also report that information to the National Association of Insurance Commissioners (NAIC).

(h) The commissioner may adopt regulations as necessary to implement this section.

(Amended by Stats. 2005, Ch. 312, Sec. 2. Effective January 1, 2006.)

1649.5. Notwithstanding Section 1642, an insurer may own or control, whether directly or indirectly, a separate entity licensed under this chapter as a property broker-agent, casualty broker-agent, or life agent as defined in Section 1621, 1622, or 1623, respectively. Insurance transacted by a property broker-agent or a casualty broker-agent with and on behalf of the owning or controlling insurer shall be in its capacity as an insurance agent.

(Amended by Stats. 2011, Ch. 411, Sec. 13. (AB 1416) Effective January 1, 2012.)

1650. Every license issued under this chapter shall state thereon all the following:

- (a) The name of the licensee.
- (b) The capacity of the license.
- (c) The conditions, if any, subject to which the license is issued.
- (d) The effective date and expiration date of the license.
- (e) If issued to an organization, by separate listing attached to it, the name of each natural person who is qualified to be named thereon pursuant to the provisions of Section 1628.

(Amended by Stats. 1990, Ch. 1420, Sec. 19. Operative January 1, 1992, by Sec. 77 of Ch. 1420.)

1651. The commissioner shall at all times retain full property rights in any document evidencing any license issued pursuant to Chapters 5, 6, 7, and 8 of this part. The commissioner may require the surrender of said document for any proper reason.

(Amended by Stats. 2021, Ch. 133, Sec. 5. (SB 272) Effective July 23, 2021.)