

BASIC EARTHQUAKE POLICY—HOMEOWNERS

DECLARATIONS

POLICY NUMBER:

POLICY PERIOD: 12:01a.m. Pacific Time **FROM:** **TO:**

NAMED INSURED AND MAILING ADDRESS:

The **dwelling** covered by this policy is located at the above address unless otherwise stated:

We provide coverage at the indicated **limits of insurance**, subject to the Deductible Clause:

| COVERAGE: | LIMIT OF INSURANCE: |
|---------------------------|---|
| A. DWELLING | } Combined Single Limit: \$ <u>Same as Companion A</u> : Limit |
| B. EXTENSIONS TO DWELLING | |
| C. PERSONAL PROPERTY | \$ <u>5,000 to 100,000</u> |
| D. LOSS OF USE | \$ <u>1,500 to 15,000</u> |

POLICY DEDUCTIBLE: \$ 10 % or 15% (% OF THE “**COVERAGE A: DWELLING**” AND “**COVERAGE B: EXTENSIONS TO DWELLING**” **COMBINED SINGLE LIMIT OF INSURANCE**)
(**Note: Please read the DEDUCTIBLE CLAUSE of this policy.**)

POLICY PREMIUM: \$

NOTE: THIS POLICY MAY BE SURCHARGED
(Please read the Surcharge Clause of this policy)

Mortgage/Lienholder (Name and Address):

PLEASE READ YOUR POLICY

NOTICE: THIS DOCUMENT DOES NOT PROVIDE ANY INSURANCE COVERAGE TO ANY PERSON OR ENTITY. THIS DOCUMENT IS NOT AN ACTUAL INSURANCE CONTRACT OR POLICY; RATHER, IT IS A SPECIMEN COPY OF A CEA POLICY FORM PROVIDED FOR INFORMATIONAL PURPOSES ONLY. IT IS POSSIBLE THAT ANY ACTUAL POLICY ISSUED BY THE CEA TO A PARTICULAR POLICYHOLDER MAY VARY IN FORM OR LANGUAGE FROM THIS SPECIMEN COPY.

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IMPORTANT NOTICES

Many of the terms of this policy are substantially different from the terms of **your companion policy** and most other policies covering a **dwelling**. The following items, among others, are particularly unique to this policy. However, these are not the only terms that are different from the terms of **your companion policy** and other policies—there are many others. Therefore, **we urge you** to read the entire policy. The terms that appear in bold type appear frequently in this policy and are defined below under DEFINITIONS.

1. **Deductible.** No payment will be made for any property loss, including loss to personal property, until the deductible shown on the DECLARATIONS has been exceeded by the amount of covered loss to property that is covered under “COVERAGE A: DWELLING” or “COVERAGE B: EXTENSIONS TO DWELLING.” Regardless of the amount of loss to **your** personal property, there will be no payment for any loss unless the loss to **dwelling** and extensions to **dwelling** exceeds the amount of the deductible. “COVERAGE D: LOSS OF USE” is the only coverage not subject to any deductible. Because of the way the deductible is determined, **you** could have substantial uninsured loss. There are other requirements and restrictions that relate to the deductible. Please read the DEDUCTIBLE CLAUSE on page 4.
2. **Surcharge in the Event of Earthquake.** In the event of an **earthquake** or series of **earthquakes** that partially or completely exhausts the **California Earthquake Authority’s** claims-paying capacity, California Insurance Code section 10089.29, subdivision (b), paragraph (1) authorizes **us** to impose a surcharge of up to 20% of **your** annual policy premium. Please read the Surcharge Clause on page 19.
3. **Pro-rata or Installment Claims Payments.** In accordance with California Insurance Code section 10089.35, if, at any time, the available capital of the **California Earthquake Authority** is insufficient to meet anticipated losses and there are no additional funds from specified sources available to pay claims, the **California Earthquake Authority** may pay claims on a pro-rata basis from the remaining funds available, or claims may be paid on an installment basis, based on a plan approved by the California Insurance Commissioner. If this occurs, **you** might not be paid the full amount of **your** claim. Under no circumstances will the State of California be responsible for the payment of claims. Please read the Pro-rata or Installment Claims Payments Clause on page 19.
4. **This is not a Guaranteed Replacement Cost Policy.** Unlike some homeowner’s policies, this policy does not have a “guaranteed replacement cost” feature. This policy will not provide full repair or replacement of covered property when the loss exceeds the applicable **limit of insurance** stated in the DECLARATIONS, or the applicable **sublimit(s)** as set forth in the policy.
5. **Companion Policy Requirement.** This policy and California law require that, during the entire policy period of this **earthquake** policy, **you** must keep a **companion policy** in force. That **companion policy** must provide fire insurance for the property that is the subject of this **CEA** policy. That **companion policy** must be issued by a **participating insurer** of the **California Earthquake Authority**. If at the time of loss no **companion policy** is in effect, this **earthquake** policy is void and no payment will be made under this **earthquake** policy.

BASIC EARTHQUAKE POLICY--HOMEOWNERS

Please note that terms that appear frequently in this policy are defined below under DEFINITIONS and appear in bold type.

AGREEMENT

This policy is issued by the **California Earthquake Authority (CEA)**, an instrumentality of the State of California established and authorized by law to transact insurance in California as necessary to sell policies of basic residential earthquake insurance.

1. **Covered Losses.** This policy insures for accidental, direct physical loss from an **earthquake** that commences during the policy period as part of a **seismic event** that commences during the policy period to property described under COVERAGES A, B, and C, subject to all of the terms, **limits of insurance**, and conditions of this policy. In addition, as provided in COVERAGE D, **we** insure for loss of use of the **dwelling** resulting from a covered loss to covered property, subject to all of the terms, **limits of insurance**, and conditions of the policy.
2. **Premium Payment.** **We** will provide the insurance described in this policy in return for **your** payment of the premium and **your** compliance with all applicable provisions of this policy.
3. **Policy Period.** The policy period as shown on the DECLARATIONS page will begin and end at 12:01 a.m. Pacific Standard Time or Pacific Daylight Savings Time, whichever is in effect on the inception or termination date.
4. **Companion Policy.** **You** agree to keep in effect a **companion policy** written by a **participating insurer**. If at the time of loss no **companion policy** is in effect, this **earthquake** policy is void and no payment will be made under this **earthquake** policy.
5. **Policy Services.** Policy services and claims adjusting will be provided by the **participating insurer**. All inquiries and correspondence regarding this policy should be directed to the **participating insurer**.

DEDUCTIBLE CLAUSE

Except for losses covered under "COVERAGE D: LOSS OF USE," **we** will pay no amount for loss to any property, including loss to personal property covered under "COVERAGE C: PERSONAL PROPERTY," until the amount of the policy deductible shown on the DECLARATIONS page has been exceeded by the amount of covered loss to property that is covered under "COVERAGE A: DWELLING," "COVERAGE B: EXTENSIONS TO DWELLING," or "OTHER COVERAGES," item 4, Land. "COVERAGE D: LOSS OF USE" is not subject to a deductible.

1. The deductible percentage and deductible amount in dollars that apply to this policy are shown on the DECLARATIONS page. The deductible amount is a percentage of the combined single **limit of insurance** for "COVERAGE A: DWELLING" and "COVERAGE B: EXTENSIONS TO DWELLING."
2. Only the following will be applied to meet the deductible:
 - a. The reasonable and necessary **replacement cost** of the covered damage to property covered under "COVERAGE A: DWELLING," and

- b. The reasonable and necessary **replacement cost** of the covered damage to property covered under “COVERAGE B: EXTENSIONS TO DWELLING,” but only up to the amount of the applicable **sublimit** for property for which there is a **sublimit** under “COVERAGE B: EXTENSIONS TO DWELLING,” and
 - c. The reasonable and necessary cost of emergency measures covered under “OTHER COVERAGES,” item 1, that **you** actually take to protect property that is covered under “COVERAGE A: DWELLING” and “COVERAGE B: EXTENSIONS TO DWELLING” against further damage, but only up to the **sublimit** of 5% of the combined single **limit of insurance** for “COVERAGE A: DWELLING” and “COVERAGE B: EXTENSIONS TO DWELLING,” and
 - d. The reasonable and necessary cost to replace, rebuild, stabilize or otherwise restore the land that is covered under “OTHER COVERAGES,” item 4, but only up to the **sublimit** of \$10,000.
3. The cost to repair or replace personal property, or any other cost not set forth in 2.a through 2.c, above, will not be applied to meet the deductible.
 4. The deductible will be applied one time for each **seismic event**.

DEFINITIONS

Throughout this policy, the words “**you**” and “**your**” refer to the named **insured** shown in the DECLARATIONS and the named **insured’s** spouse if a resident of the same household. The words “**we**,” “**us**,” and “**our**” refer to the **California Earthquake Authority**. Additional words and phrases are defined as follows.

1. “**Actual cash value**” means **replacement cost** less depreciation.
2. “**Business property**” means property pertaining to or intended for use in any (a) full-time or part-time trade, profession, or occupation, or (b) other activity intended for economic gain.
3. “**California Earthquake Authority**” or “**CEA**” means the entity that issued this policy. The **CEA** is an instrumentality of the State of California created and authorized by law to transact insurance in California as necessary to sell policies of basic residential earthquake insurance. The authorization appears in the California Insurance Code, beginning at section 10089.5.
4. “**Chimney**” means the flue or vent and the building code-required structure that surrounds the flue or vent, including exterior chimney facings, from the firebox to the outside of that structure. **Chimney** does not include a hearth, a mantel, or the firebox where combustion takes place.
5. “**Companion policy**” means the fire insurance policy, homeowners policy, or other insurance policy that provides fire coverage for the property that is the subject of this **CEA** policy, and that is issued by the same **participating insurer** that services this **CEA** policy.
6. “**Dwelling**” means the residential structure or mobile home at the location described in the DECLARATIONS. **Dwelling** does not include land, whether or not beneath the residential structure or mobile home, even if required for support. **Dwelling** does not include any structure other than the residential structure or mobile home unless the structure (1) shares a common wall or a continuous roof line with the residential structure or mobile home or (2) is attached to the residential structure or mobile home by a foundation that is continuous with or contiguous to the foundation of the residential structure.

7. **“Earthquake”** means a vibration-generating rupture event caused by displacement within the earth’s crust through release of strain associated with **tectonic processes** and includes effects such as ground shaking, liquefaction, and damaging amplification of ground motion. While land sliding, including seismically-induced land sliding, is not itself an **earthquake**, **we** cover, subject to “LOSSES EXCLUDED” item 5 and subject to all other terms and conditions of this policy, loss to covered property arising out of a seismically-induced landslide if that landslide is induced by, and would not have occurred in the absence of, an **earthquake** that commences during the policy period as part of a **seismic event** that commences during the policy period. **Earthquake** does not mean or include tsunami or volcanic eruption.
8. **“Insured”** means **you** and the following **persons** if they are permanent residents of **your** household:
- your** relatives, whether related by blood, marriage or adoption; and
 - anyone under the age of 21 who is in the care or custody of **you** or of any of **your** relatives who are permanent residents of **your** household.
9. **“Limit of insurance”** means the most **we** will pay for covered loss arising from any **seismic event**.
10. **“Nuclear hazard”** means any nuclear reaction, radiation, or radioactive contamination, or any consequence of any of these.
11. **“Participating insurer”** means the insurance company that issued the **companion policy**, meets the legal requirements to offer residential earthquake coverage by participating in the **CEA** and provides claims and policyholder services for this policy on behalf of the **CEA**.
12. **“Person”** means any human, association, organization, governmental entity, partnership, business trust, limited liability company, or corporation.
13. **“Replacement cost”** means:
- With respect to buildings and structures that are not buildings, the lesser of the reasonable cost at the time of loss to repair or replace covered damaged or destroyed property, without deduction for depreciation, (i) at the location of the **residence premises**, (ii) for the same use, and (iii) with materials of like kind and quality.
 - With respect to personal property and wall-to-wall carpeting, the cost, without deduction for depreciation, of (i) new property identical to the damaged property or, (ii) if identical property is not obtainable, of new property of like quality and of comparable usefulness as the damaged property.
14. **“Residence premises”** means the one, two, three, or four unit **dwelling**, extensions to **dwelling**, and grounds at the address shown in the DECLARATIONS owned by **you**. **Residence premises** does not include land or extensions to **dwelling** not owned by **you**, or property owned by a corporation, association or other entity for the common use of members or shareholders even if **you** are a member or shareholder.
15. **“Seismic event”** means one or more **earthquakes** that occur within a 360-hour period. The **seismic event** commences upon the initial **earthquake**, and all **earthquakes** or aftershocks that occur within the 360 hours immediately following the initial **earthquake** are considered for purposes of this policy to be part of the same **seismic event**.
16. **“Sublimit”** means a dollar limit on a coverage for a specific type of property within a category of property that is subject to a higher total **limit of insurance**. Payment under a **sublimit** will reduce the amount available under the total **limit of insurance**. For example, a **chimney** is covered under

“COVERAGE A: DWELLING” which has a **limit of insurance** shown on the DECLARATIONS page, but no more than the \$5,000 **sublimit** will be paid for loss to any and all **chimney(s)**. The overall amount available under the “COVERAGE A: DWELLING” **limit of insurance** will be reduced by the amount that is paid for loss to any **chimney**.

17. “**Tectonic processes**” means natural adjustments of the earth’s crust that are wholly in response to regional stress conditions caused by natural dynamic forces within the earth’s interior, and not initiated, in whole or in any part, by any human activity.

SINGLE LIMIT OF INSURANCE FOR DWELLING AND EXTENSIONS TO DWELLING; OTHER LIMITS AND SUBLIMITS

This policy has a combined single **limit of insurance** which is the most **we** will pay for all covered loss by **earthquake** under “COVERAGE A: DWELLING” and “COVERAGE B: EXTENSIONS TO DWELLING.” This combined limit is shown on **your** DECLARATIONS as the amount of **your dwelling limit of insurance**. The amount of insurance available to **you** under “COVERAGE A: DWELLING” will be reduced to the extent that **we** make any payment for “COVERAGE B: EXTENSIONS TO DWELLING,” and the amount of coverage available to **you** under “COVERAGE B: EXTENSIONS TO DWELLING” will be reduced to the extent that **we** make any payment for “COVERAGE A: DWELLING.” All other limits shown on the DECLARATIONS page are separate **limits of insurance**. There are **sublimits** within the **limits of insurance** that may reduce **your** recovery under this policy.

COVERAGES

COVERAGE A: DWELLING

Property Covered—Coverage A

Subject to the combined single **limit of insurance** for “COVERAGE A: DWELLING” and “COVERAGE B: EXTENSIONS TO DWELLING” shown on the DECLARATIONS page, **we** cover:

1. The **dwelling** on the **residence premises**, except those parts of the **dwelling** that are described in “Property Not Covered—Coverages A and B” on pages ___ and ___ of this policy.
2. Wall-to-wall carpeting attached to the **dwelling**.

Special Limits of Insurance—Coverage A

The **sublimit** of \$5,000 is the most **we** will pay for loss or damage to any and all **chimney(s)** attached to or part of the **dwelling**, regardless of the number of **chimneys** covered. Although no payment will be made beyond the \$5,000 **sublimit**, the full amount of loss or damage to any and all **chimney(s)** will be applied to meet the deductible, as set forth in item 2.a of the “DEDUCTIBLE CLAUSE.”

COVERAGE B: EXTENSIONS TO DWELLING

Property Covered—Coverage B

Subject to the combined single **limit of insurance** for “COVERAGE A: DWELLING” and “COVERAGE B: EXTENSIONS TO DWELLING” shown on the DECLARATIONS page, **we** cover:

1. Equipment and utility service structures for electric, telephone, natural or bottled gas, heating, oil, water, septic, and sanitary sewage systems that (1) are owned by **you** and (2) are located outside of the foundation or walls of the **dwelling** but on the **residence premises** and (3) affect the habitability of the **dwelling**.
2. That portion of any walkway, driveway, deck, or patio that is necessary for regular pedestrian ingress to or egress from the **dwelling** and for the regular ingress to and egress from the **dwelling** by any non-ambulatory **insured**.
3. Those bulkheads, piers, retaining walls, and masonry fences on the **residence premises** that are integral to the stability of the **dwelling**. Except as provided for in "OTHER COVERAGES," item 4, the cost of repairing, replacing or stabilizing the land under or around these devices is not covered.

COVERAGE A: DWELLING AND COVERAGE B: EXTENSIONS TO DWELLING

Property Not Covered—Coverage A and Coverage B

We do not cover:

1. Land, including land underlying the **dwelling**, except as provided for in "OTHER COVERAGES," item 4.
2. Except as provided for in "OTHER COVERAGES," item 4, the cost of (a) land stabilization; (b) structures, apparatuses, or devices to stabilize the land; and (c) engineering associated with land stabilization.
3. Awnings and patio coverings, and their support structures.
4. Antennas and satellite dishes and any towers, brackets, or attachments that support or secure them.
5. Any decorative or artistic features of the property, including but not limited to works of art; items such as murals; stained or leaded glass; mirrors; chandeliers; mosaics; statuary or sculpture; carvings, inlays, and reliefs or bas reliefs; and fountains, aquariums, and their systems. If at the time of loss a decorative or artistic feature is serving a utilitarian purpose, the cost to repair or replace the decorative or artistic feature is not covered to the extent the cost of repair or replacement exceeds the cost of replacing it with a non-decorative, non-artistic functional replacement.
6. Exterior masonry veneer. For purposes of this exclusion, stucco and exterior chimney facings are not exterior masonry veneers.
7. Plaster, to the extent the cost to repair or replace it exceeds the value of its replacement with sheetrock or drywall.
8. Except as provided under "COVERAGE B: EXTENSIONS TO DWELLING, Property Covered," any structure on the **residence premises** other than the **dwelling**, including detached garages, outbuildings, and other structures.
9. Except as provided under "COVERAGE B: EXTENSIONS TO DWELLING, Property Covered," item 1, exterior water supply systems including, but not limited to, irrigation systems, sprinkler systems, and water reclamation systems.
10. Except as provided under "COVERAGE B: EXTENSIONS TO DWELLING, Property Covered," item 1, underground structures or equipment located outside the perimeter of the **dwelling**

foundation, including but not limited to underground pipes, cables, flues, drains, electrical supply systems and electrical lighting systems.

11. Except as provided under “COVERAGE B: EXTENSIONS TO DWELLING, Property Covered,” item 2, walkways, driveways, decks, and patios.
12. Except as provided under “COVERAGE B: EXTENSIONS TO DWELLING, Property Covered,” item 3, fences, bulkheads, piers, and outside walls including retaining walls.
13. Landscaping, trees, shrubs, lawns, or plants, even if damaged by necessary repairs to covered property.
14. Swimming pools, spas, and hot tubs, including the tile or other material linking or attaching the pool, spa, or hot tub to a deck or to the **dwelling**.

COVERAGE C: PERSONAL PROPERTY

Property Covered—Coverage C

Subject to the **limit of insurance** for “COVERAGE C: PERSONAL PROPERTY,” we cover (1) personal property owned or used by an **insured** and located at the **residence premises**, and (2) at **your** request and subject to the **sublimit** of \$2,500, personal property owned by others while that property is on any part of the **dwelling** occupied by an **insured**. The cost to repair or replace personal property will not be applied to meet the deductible.

Special Limits of Insurance—Coverage C

The **limits of insurance** shown below are **sublimits** of the policy’s **limit of insurance** provided for “COVERAGE C: PERSONAL PROPERTY” and do not increase the **limit of insurance** for “COVERAGE C: PERSONAL PROPERTY” shown in the DECLARATIONS. The **sublimit** for each numbered category, immediately below, is the total **limit of insurance** for all loss in that category. For property that falls into more than one category, the lowest applicable **sublimit** will apply.

1. \$250 on money, bank notes, coins and medals, including any of these that are part of a collection.
2. \$1,000 on computers and other electronic data processing equipment, including storage media and software used with that equipment, whether or not it is **business property**. Storage media or software that cannot be replaced with other property of like kind and quality on the current consumer retail market is not covered.
3. \$300 on **business property** other than computers and other electronic data processing equipment, including storage media and software.

Property Not Covered—Coverage C

We do not cover:

1. Animals, birds, or fish.
2. Motor vehicles, riding lawn mowers, or any motorized land conveyance, including their parts or accessories while in or on the motor vehicle, lawn mower, or conveyance. This exclusion does not apply to motorized land conveyances not licensed for use on public roads that are designed to assist and are used by the handicapped, or to the parts and accessories of those conveyances.

3. Any sound or picture equipment that is designed for operation by the electrical system of a motor vehicle, motorized land conveyance, or a camp or home trailer while any of this equipment is in, on, or installed in a motor vehicle, motorized land conveyance, or a camp or home trailer, including but not limited to: citizens band radios, radio or cellular telephones, radio transceivers, radio transmitters, two-way mobile radios, scanning monitor receivers, radar detectors, radio receivers, tape players and recorders, disc players, televisions, video players or recorders, and any accessories, antennas, speakers, tapes, reels, discs, cassettes, cartridges, carrying cases, or other devices used with that equipment.
4. Aircraft, including their parts and equipment.
5. Property of roomers, boarders and other tenants, except roomers and boarders related to any **insured**.
6. Valuable papers, records or data, including:
 - a. books of account, drawings, card index systems and other records; and
 - b. data stored on electronic data storage devices, including processing tapes, wires, records, discs or other magnetic or optical media.

We do, however, cover the cost of blank recording or storage media and of prerecorded computer programs that are available on the retail market, subject to the **sublimit** set forth in "Special Limits of Insurance—Coverage C," item 2.

7. Artwork, including but not limited to paintings, drawings, framing, sculpture, photographs, handmade tapestries and rugs, pottery, and ceramics.
8. Glassware, crystal, china, and porcelain.
9. Watercraft, including their furnishings, equipment, and inboard, outboard, or inboard-outboard motors.
10. Trailers.
11. Trees, shrubs, or plants, or their containers.
12. Swimming pools, spas, and hot tubs.
13. Antennas and satellite dishes and any towers, brackets, or attachments that support or secure them.

COVERAGE D: LOSS OF USE

Subject to the total **limit of insurance** set forth in the DECLARATIONS page for "COVERAGE D: LOSS OF USE," and subject to all the terms and conditions of this policy, **we** cover the following.

1. **Additional Living Expense.** If the part of the **dwelling** that **you** occupy becomes unfit to live in and **you** are forced to vacate the **dwelling** as a result of either (1) damage to the **dwelling** caused by an **earthquake** that commences during the policy period as part of a **seismic event** that commences during the policy period or (2) the process of repairing damage to the **dwelling** caused by an **earthquake** that commences during the policy period as part of a **seismic event** that commences during the policy period, then **we** cover the necessary increase in living expenses **you** actually incur to maintain **your** normal standard of living. **We** will pay Additional Living Expenses for the shortest time reasonably needed (a) to repair or replace the parts of the **dwelling** **you** occupy that are unfit to live in, or (b) for **you** to permanently relocate elsewhere if **you** do not elect to repair or replace **your dwelling**.

2. Loss of Rent. If the part of the **dwelling** that **you** rent to others or that **you** actually hold for rental becomes unfit to live in as a result of either (1) damage to the **dwelling** caused by an **earthquake** that commences during the policy period as part of a **seismic event** that commences during the policy period or (2) the process of repairing damage to the **dwelling** caused by an **earthquake** that commences during the policy period as part of a **seismic event** that commences during the policy period, **we** cover the fair rental value of that part of the **dwelling** that is rented to others or that **you** actually held for rental prior to the loss, less any expenses that do not continue while the rental portion of the **dwelling** is unfit to live in. Fair rental value means the average rental amount immediately before the **earthquake** in **your** rental market for a residential unit similar to that covered under this policy.

We will pay for the shortest time reasonably needed to repair or replace the parts of the **dwelling** rented or held for rental that are unfit to live in. **Your** loss of rents due to cancellation of a lease or rental agreement is not covered.

3. If a civil authority prohibits **you** from occupying **your dwelling** because of direct damage to neighboring premises caused by an **earthquake** that commences during the policy period as part of a **seismic event** that commences during the policy period, **we** cover the resulting Additional Living Expense or Loss of Rent, subject to the "COVERAGE D: LOSS OF USE" **limits of insurance**.

OTHER COVERAGES

The following other coverages are provided subject to the application of the DEDUCTIBLE CLAUSE and all other terms and conditions of this policy:

1. Emergency Repairs. If covered damage occurs to covered property, **we** will pay the cost **you** incur for reasonable and necessary emergency measures **you** take to protect against further damage to covered property.
 - a. This Emergency Repairs coverage provides coverage up to a **sublimit** of 5% of the policy **limit of insurance** for the type of property being protected. The applicable total **limit of insurance** for the type of property being protected will be reduced by any amount **we** pay for this coverage.
 - b. **Your** taking reasonable and necessary emergency measures to protect covered property from further damage does not relieve **you** of **your** responsibilities outlined in "Your Duties After Loss" (CONDITIONS, item no. 3).
2. Debris Removal. **We** will pay the reasonable expense **you** incur in removing from the **residence premises** the debris of covered property that is damaged by an **earthquake** that commences during the policy period as part of a **seismic event** that commences during the policy period. This coverage provides up to 5% of the combined single **limit of insurance** for "COVERAGE A: DWELLING" and "COVERAGE B: EXTENSIONS TO DWELLING" as additional insurance.
3. Building Code Upgrades. If there is a covered loss to property covered under "COVERAGE A: DWELLING" or "COVERAGE B: EXTENSIONS TO DWELLING" and **you** repair that covered property, then **we** will pay as additional insurance up to \$10,000 for the cost of reconstruction to bring the property up to local residential building code standards in effect on the date of the **earthquake** that caused the loss, but only so much of the reconstruction costs attributable to the requirements of securing governmental approval of the reconstruction permit process for repair of the covered property.

4. Land. We will pay up to \$10,000 for the cost, including engineering costs, to replace, rebuild, stabilize or otherwise restore land that is owned by **you** and necessary to support the **dwelling** or covered extensions to **dwelling**, or to add devices or apparatuses to stabilize land that is owned by **you** and necessary to support the **dwelling** or covered extensions to **dwelling**, if the need for stabilization is caused directly by an **earthquake** that commences during the policy period as part of a **seismic event** that commences during the policy period and the stabilization is necessary for the habitability of the **dwelling**. This coverage is provided as a \$10,000 **sublimit** of the combined single **limit of insurance** for “COVERAGE A: DWELLING” and “COVERAGE B: EXTENSIONS TO DWELLING.” The combined single **limit of insurance** for “COVERAGE A: DWELLING” and “COVERAGE B: EXTENSIONS TO DWELLING” will be reduced by any amount **we** pay under this coverage.

LOSSES EXCLUDED

We do not insure for any loss that is not directly caused by an **earthquake** that commences during the policy period as part of a **seismic event** that commences during the policy period.

Without limiting the above, even if a loss directly or indirectly is caused by, is contributed to by, results from, or is aggravated by an **earthquake**, **we** do not insure for any loss that is caused directly or indirectly by, or that in any way results from, is contributed to by, or is aggravated by, any of the following:

1. Fire or explosion.
2. Water damage resulting from:
 - a. flood, rain, surface water, waves, tsunami, tidal water, overflow of a body of water, or spray from any of these; or
 - b. water below the surface of the ground, whether natural or not, including water that exerts pressure on or seeps or leaks through a building, sidewalk, driveway, foundation, or other structure.

This water damage exclusion, however, does not exclude loss that results from water damage to covered property as a result of an **earthquake** which causes:

- (i) the release of water from water heaters, refrigerators, or water supply pipes within the **dwelling**;
 - (ii) the displacement of water from a swimming pool, decorative pool, spa, or hot tub; or
 - (iii) the release of water from municipal or other water supply lines on or off the **residence premises** or the release of water or sewage from sewers or drains on or off the **residence premises**.
3. Controlled or uncontrolled **nuclear hazard** or any act or condition incident to any **nuclear hazard**.
 4. Pollution of groundwater, land, and personal property, including all loss, damage, costs, and expenses that arise out of or are caused by pollution or pollutants, and any cost or expense to test for, monitor, clean up, remove, contain, treat, detoxify, or neutralize pollutants. The terms “pollutants” and “pollution” mean any solid, liquid, gaseous, or thermal irritant or contaminant, including, but not limited to, smoke, vapor, soot, fumes, acids, alkalis, chemicals, asbestos, and waste. The term “waste” includes but is not limited to material to be recycled, reconditioned, or reclaimed.

5. Earth movement, settling of land, land sliding, subsidence, mudflows, or earth sinking, rising or shifting, unless the earth movement, settling of land, land sliding, subsidence, mudflow, or earth sinking, rising or shifting:
 - a. is induced by, and would not have occurred in the absence of, an **earthquake** that commences during the policy period as part of a **seismic event** that commences during the policy period; and
 - b. causes loss that manifests within one year after the **earthquake** that caused the loss.
6. Theft, vandalism or other human conduct causing loss following an **earthquake**.
7. Required compliance with any ordinance, law, or residential building code that regulates the use, construction, repair, or demolition of a building or other structure, except as specifically provided under this policy, in "OTHER COVERAGES," Item 3, "Building Code Upgrades."
8. Power failure, meaning the failure of delivery of electrical power to the **dwelling** or to the **residence premises**.
9. **Your** neglect to take all reasonable action to save and preserve covered property at the time of and after a covered loss.
10. Declared or undeclared war, insurrection, rebellion, revolution, warlike act by a military force or military personnel or any person, destruction or seizure or use for a military purpose, and any consequence of any of these. Discharge of a nuclear weapon will be deemed a warlike act even if accidental.
11. Intentional acts, meaning any loss arising out of any act committed:
 - a. by **you** or at **your** direction, or at the direction of any **insured** or of any **person** named as an additional **insured**; and
 - b. with the intent to cause, aggravate or increase a loss.

YOUR RIGHTS CONCERNING CLAIMS INVESTIGATION

The law provides certain rights and protections to policyholders who are involved in the presentation of a claim. Included among these are the following:

1. Specific rights to privacy under California and Federal law which may protect **you** during the claims process;
2. The right to have **your** claim handled in accordance with the California Insurance Code and Subchapter 7.5 of Chapter 5 of Title 10 of the California Code of Regulations, which impose fair claims handling procedures and requirements on insurers; and
3. The right to be represented by an attorney at **your** expense.

CONDITIONS

1. **Insurable Interest and Limit of Insurance.** Even if more than one **person** has an insurable interest in the property covered, **we** will not be liable:
 - a. to **you** for an amount greater than **your** interest; nor
 - b. for more than the applicable **limit of insurance**.

2. Concealment or Fraud. The entire policy will be void if, before or after a loss, any **insured**:
- intentionally conceals or misrepresents any material fact or circumstance;
 - engages in fraudulent conduct relating to this insurance; or
 - intentionally makes false statements relating to this insurance.
3. Your Duties After Loss. If a loss occurs to covered property, **you** must perform the following duties:
- Give written notice to the **participating insurer** without delay.
 - Protect the property from further damage. Make any emergency repairs that are necessary and reasonable to protect the property from further damage. Keep records of all costs **you** incur to repair or replace covered property or to protect covered property from further damage.
 - Make and keep a list of all damaged or destroyed personal property, showing in detail the quantity, description, and amount of covered loss. Keep all bills, receipts, and related records that support **your** figures.
 - As often as reasonably required:
 - exhibit damaged property to the **participating insurer**;
 - provide the **participating insurer** with the records and documents that are necessary to support **your** claim under the policy and which the **participating insurer** may request, including bills, receipts, canceled checks, and related records that support **your** figures, and permit the **participating insurer** to make copies; and
 - while not in the presence of any other **insured**, submit to examination under oath and sign a transcript of the examination.
 - Send the **participating insurer**, within 60 days of **our** or the **participating insurer's** request, **your** signed, sworn proof of loss that sets forth, to the best of **your** knowledge and belief:
 - the time, date, and cause of loss;
 - your** interest and the interest of all others in the property that sustained a loss, and evidence of all liens or encumbrances on the property;
 - a detailed description of all legal claims against the property that sustained a loss;
 - evidence of other insurance that may cover the loss;
 - a description of changes in title to or occupancy of the property during the term of the policy;
 - descriptions and detailed repair estimates of any damaged building or other covered structure;
 - the list of damaged or destroyed personal property covered under this policy; and
 - all receipts and records that support any claim for additional living expense or fair rental value.

4. Loss Settlement: Coverages A, B and C.

In case of loss to a pair or set **we** can elect to:

- Repair or replace any part to restore the pair or set to its value before the loss; or
- Pay the difference between **replacement cost** of the pair or set before and after the loss.

5. Loss Settlement: Coverages A and B.
- a. **Our** liability for any loss to property insured under “COVERAGE A: DWELLING” or “COVERAGE B: EXTENSIONS TO DWELLING” will not exceed the smallest of the following:
 - (i) the **replacement cost** at the time of loss;
 - (ii) if the damaged property has been actually repaired or replaced, the amount actually and necessarily spent to repair or replace the damaged property; or
 - (iii) the applicable **limit of insurance** or any applicable **sublimit(s)**.
 - b. If the **dwelling** is rebuilt or replaced at another location, **we** will settle a loss to the property at an amount no more than the **replacement cost** of the covered loss to the property at the original **dwelling** location, up to the applicable **limit of insurance**.
 - c. **We** will not pay for increased costs resulting from enforcement of any ordinance, law, or residential building code that regulates the use, construction, repair, or demolition of a building or other structure, except as specifically provided under this policy in “OTHER COVERAGES,” Item 3, “Building Code Upgrades.”
 - d. **We** will pay for the cost to repair or replace only that portion of any walkway, driveway, deck, or patio covered under this policy that is necessary to restore (i) regular pedestrian ingress to and egress from the **dwelling** or (ii) regular ingress to and egress from the **dwelling** by any non-ambulatory **insured**.
 - e. To repair or replace plaster, **we** will not pay more than the cost to repair or replace the plaster with sheetrock or drywall.
 - f. **We** will replace covered glass with safety glazing material when required by ordinance or law.
 - g. To repair or replace a **chimney**, **we** will not pay more than the least of the following amounts:
 - (i) the **sublimit** of \$5,000 that applies to **chimneys**;
 - (ii) the cost of replacement of a masonry **chimney** or **chimneys** with a non-masonry, earthquake-resistant **chimney** or **chimneys**; or
 - (iii) the necessary amount actually spent to repair the damaged **chimney** or **chimneys**.
6. Loss Settlement: Coverage C.
- a. **We** will settle losses to covered property described under “COVERAGE C: PERSONAL PROPERTY” at **replacement cost**, except that **we** will settle losses to property in items (i), (ii), and (iii) of this paragraph, below, at **actual cash value** only.
 - (i) Property which by its inherent nature cannot be replaced;
 - (ii) Property not maintained in good or workable condition; or
 - (iii) Property that is outdated or obsolete, or property not useful for its intended purpose.
 - b. **Our** liability for loss to any property insured under “COVERAGE C: PERSONAL PROPERTY” will not exceed the smallest of the following:
 - (i) The **replacement cost** at the time of loss;
 - (ii) The amount actually and necessarily spent to repair or replace the damaged property; or
 - (iii) The applicable **limit of insurance** or any applicable **sublimit(s)**.
7. Appraisal. If **you** and **we** fail to agree on the amount of loss, either of us may demand an appraisal of the loss. In this event, each party will choose a competent and disinterested appraiser within 20 days after receiving the written demand from the other. The two appraisers will choose a neutral and

independent umpire. If they cannot agree on an umpire within 15 days, **you** or **we** may request that a judge of a California court of competent jurisdiction in the county where the insured **dwelling** is located appoint an umpire. The two appraisers will separately appraise the amount of loss under this policy. If the appraisers submit an agreed written report to **us**, the amount they agree on will be the amount of loss under this policy. If they fail to agree, they will submit their differences to the umpire. A decision agreed to by any two of the three appraisers will set the amount of loss under this policy. Each party will (a) pay its own appraiser, and (b) bear the other expenses of the appraisal and of the umpire equally.

8. Other Insurance.

- a. If **you** have other insurance that covers earthquake loss to the **dwelling** or other property covered under this policy, **we** will pay **our** share of the covered loss or damage. **Our** share is the proportion that the applicable **limit of insurance** under this policy bears to the combined **limits of insurance** of all policies that cover the same property.
- b. If there is other insurance that covers the same loss or damage, other than as described in 8.a above, **we** will pay only for the amount of covered loss or damage in excess of the amount due from that other insurance, but **we** will not pay more than the applicable **limit of insurance**.

9. Subrogation. **You** may waive in writing before a loss under this policy all **your** rights of recovery against any **person**. If **you** do not waive those rights, **we** may require an assignment of **your** rights of recovery for a loss to the extent that **we** make payment for that loss. If **we** seek an assignment, the **insured** must sign and deliver all related papers to **us** and cooperate with **us**.

10. Legal Action. No action can be brought under this policy by any **person** unless the policy provisions have been fully complied with and the action is started within one year after the date of inception of the loss.

11. Our Option to Repair or Replace Property. If **we** give **you** written notice within 30 days after **we** receive **your** proof of loss, **we** may repair or replace any part of the damaged property with like property.

12. Loss Adjustment: **We**, through the **participating insurer**, will adjust all losses with **you**. At **our** option, **we** may select and retain adjusters, consultants, contractors, engineers, or other experts to inspect **your** property or to perform tests, including destructive tests, to determine the extent or cause of loss with respect to any claim **you** make under this policy. **We** will bear the cost of performing any tests (including the cost of repair of damage necessitated by any destructive tests) that **we** elect to perform to determine the extent or cause of loss. If, however, it is the opinion of the **CEA** that **your** property (or some particular part of **your** property) has not sustained covered **earthquake** damage over the deductible amount of this policy, and despite **our** opinion **you** request additional testing of **your** property or that part of **your** property, then if additional testing is performed, **you** are solely responsible for the costs of performing the additional testing and of repairing the damage to **your** property that was caused by any additional destructive testing, unless the additional testing establishes the existence of covered **earthquake** damage that, either alone or combined with other covered **earthquake** damage, exceeds the deductible amount of this policy.

13. Loss Payment. As to all claims **we** determine to be covered under this policy, **we** will pay **you** unless some other **person** is named in the policy or is legally entitled to receive payment. That portion of a claim that is not in dispute will be payable within 30 days after **we** receive **your** proof of loss. All other losses will be payable within 30 days after **we** receive **your** proof of loss and:

- a. **we** reach an agreement with **you**;

- b. there is an entry of a final judgment; or
- c. there is a filing of a final appraisal award with **us**.

14. Mortgagee Clause.

- a. The word “mortgagee” as used in this policy includes trustee or beneficiary under a trust deed.
- b. If a mortgagee is named as a loss payee in this policy and, as a condition for making a loan to **you** secured by the **dwelling**, that mortgagee either (1) required **you** to purchase **earthquake** insurance that covers the **dwelling** or (2) required that the mortgagee be named as a loss payee under any coverage on the **dwelling**, any loss payable under “COVERAGE A: DWELLING” or “COVERAGE B: EXTENSIONS TO DWELLING” will be paid to the mortgagee, to the extent of its interest, and to **you**. If more than one mortgagee is so named and otherwise qualifies, the order of payment will be the same as the order of preference of the mortgages.
- c. If **we** deny **your** claim, that denial will not apply to a valid claim of the mortgagee, if the mortgagee does all of the following:
 - (i) notifies the **participating insurer** of any change in ownership or occupancy of the **dwelling**, or of any substantial change in risk of which the mortgagee is aware;
 - (ii) pays any premium due under this policy on demand if **you** have neglected to pay the premium; and
 - (iii) submits a signed, sworn statement of loss within 60 days after it receives notice from **us** of **your** failure to do so.
- d. If **we** decide to cancel or not to renew this policy, **we** will take reasonable steps to notify any mortgagee named as a loss payee under this policy at least 10 days before the date cancellation or nonrenewal takes effect.
- e. If **we** pay the mortgagee for any loss and deny payment to **you**:
 - (i) **We** are subrogated to all the rights of the mortgagee granted under the mortgage on the property, which will not impair the right of the mortgagee to recover the full amount of the mortgagee’s claim, or
 - (ii) At **our** option, **we** may pay to the mortgagee the whole principal on the mortgage plus any accrued interest, in which event, **we** will receive a full assignment and transfer of the mortgage and all security held as collateral for the mortgage debt.
- f. Policy conditions relating to loss settlement and payment, including, but not limited to, the Appraisal, Legal Action, Loss Adjustment, and Loss Payment conditions, apply to the mortgagee.

15. No Benefit to Bailee. **We** will not recognize any assignment or grant any coverage that benefits a **person** that holds, stores, or moves property for a fee, regardless of any other provision of this policy, unless that **person** is named as an **insured** under this policy.

16. Payment. If **you** pay the initial premium for **your** first policy period by check, draft, or any remittance other than cash, **we** will credit **you** with that payment only if the check, draft, or remittance is honored on presentation. If **your** check, draft, or remittance is not honored on presentation, this policy is void from its inception. “Void from its inception” means that **we** will not be liable under this policy for any claims or damages that would otherwise have been covered had the check, draft, or remittance been honored on presentation and had the policy remained in effect.

17. Automatic Termination. If **we** offer to renew **your** policy and **we** do not receive **your** required premium payment on or before the end of the then current policy period, **your** policy will terminate automatically at the expiration of the then current policy period. This means that **you** will have elected not to accept **our** offer to renew the policy, and no notice will be sent to **you**. **Your** failure to accept **our** offer to renew the policy is not a cancellation or non-renewal by **us**.
18. Cancellation.
- a. When the **companion policy** is canceled for any reason, this policy is canceled effective on the same date the **companion policy** cancellation takes effect, and any unearned premiums will be returned to **you** on a pro rata basis. This policy will not provide coverage if there is no **companion policy** in effect at the time of loss.
 - b. **You** may cancel this policy at any time by returning it to the **participating insurer** and by notifying the **participating insurer** in writing of the date cancellation is to take effect. **You** may return the policy and submit the cancellation date to the agent of the **participating insurer**.
 - c. **We** may cancel this policy for the reasons stated in this condition or for any other grounds permitted by law, by notifying **you** in writing of the date cancellation takes or took effect. The cancellation notice may be delivered to **you**, or mailed to **you** at **your** mailing address shown in the DECLARATIONS. Proof of mailing will be sufficient proof of notice.
 - (i) When **you** have not paid the premium when due and payable, **we** may cancel at any time by notifying **you** at least 10 days before the cancellation takes effect.
 - (ii) When this policy has been in effect for less than 60 days and is not a renewal with **us**, the policy may be cancelled if it is discovered that the risk does not meet the eligibility standards of the **CEA**, by notifying **you** at least 10 days before the date cancellation takes effect.
 - (iii) When this policy has been in effect 60 or more days, or is a renewal policy, **we** may cancel at any time by notifying **you** at least 30 days before the date of cancellation takes effect, based on the occurrence of one or more of the following:
 - (A) **your** conviction of a crime having as one of its necessary elements an act increasing any hazard insured against; or
 - (B) **our** discovery of fraud or material misrepresentation by either the **insured** or the **insured's** representative in obtaining the insurance, or by **you** or **your** representative in pursuing a claim under the policy; or
 - (C) **our** discovery of grossly negligent acts or omissions by the **insured** or his or her representative that have substantially increased any of the hazards insured against; or
 - (D) failure of the **insured** to pay an **earthquake** policy surcharge imposed and authorized by the **California Earthquake Authority**, in accordance with California Insurance Code Section 10089.29, subdivision (d).
 - d. When this policy is cancelled, any premium paid for the period from the effective date of the cancellation to the expiration date will be refunded. When the policy is cancelled, the return premium will be pro rata.
 - e. If, when **we** cancel this policy, **we** do not refund the return premium with the notice of cancellation, **we** will refund it within 25 days after the date cancellation takes effect. If **you** cancel this policy, **you** may return the policy to **us**, and **we** will refund the return premium within 25 days after the date the cancellation takes effect.
19. Conditional Reinstatement. If **we** mail a cancellation notice because **you** did not pay required premium when due and **you** then tender payment of the premium by check, draft, or other remittance that is not honored on presentation, **your** policy will terminate on the date and time shown on the cancellation notice and any notice **we** issue that states that it waives the cancellation or reinstates the

coverage is void. This means **we** will not be liable under this policy for claims or damages after the date and time stated on the cancellation notice.

20. Non-Renewal. **We** may elect not to renew this policy by delivering to **you** or mailing to **you** at **your** mailing address shown in the DECLARATIONS, written notice of non-renewal at least 45 days before the expiration date of this policy. Proof of mailing will be sufficient proof of notice.
21. Waiver or Change of Policy Provisions. No waiver or change of a policy provision is valid unless it is in writing and signed by **us**. **Our** request for an appraisal or examination does not waive any of **our** rights.
22. Assignment. **Your** assignment of this policy will not be valid unless **we** give written consent.
23. Death. If an **insured** dies during the policy term, **we** insure:
 - a. the legal representatives or person who by law succeeds to the ownership of the insured property, but only with respect to the property of the deceased covered under this policy at the time of death until the termination date of this policy or if removed up to one year after the date of death, whichever is later; and
 - b. with respect to the property covered under this policy at the time of death, the **person** that has proper temporary custody of the property until appointment and qualification of a legal representative.
24. Recovered Property. If **you** or **we** recover any property for which **we** have made payment under this policy, **you** or **we** will notify the other of the recovery. At **your** option, the property will be returned to or retained by **you** or it will become **our** property. If the recovered property is returned to or retained by **you**, the loss payment will be adjusted based on the amount of the payment **we** made for the recovered property.
25. Abandonment of Property. **We** need not accept any property abandoned by an **insured**.
26. Surcharge Clause. In the event of an **earthquake** or series of **earthquakes**, **we** can impose a surcharge, as permitted by law, up to 20% of **your** annual policy premium within any one year, in accordance with California Insurance Code section 10089.29, subdivision (b), paragraph (1).
27. Pro-rata or Installment Claims Payments. In accordance with California Insurance Code Section 10089.35, if, at any time, the available capital of the **California Earthquake Authority** is insufficient to meet anticipated losses and there are no additional funds from assessments, reinsurance, or private capital markets available to pay claims, the **California Earthquake Authority** may pay claims on a pro-rata basis from the remaining funds available, or claims may be paid on an installment basis, based on a plan approved by the California Insurance Commissioner. If this occurs, **you** may not be paid the full amount of **your** claim. If **we** submit a pro rata or installment plan to the Insurance Commissioner, deadlines in this policy that apply to **our** payment of **your** claim may, at **our** sole option, be extended by the length of time the Insurance Commissioner has the plan under consideration; the deadlines will be reinstated and recomputed no later than the date an approved plan is in place. Also, with respect to **California Earthquake Authority** claims payments, California Insurance Code section 10089.25, subdivision (d), reads as follows: "The State of California shall have no liability for payment of claims in excess of funds available pursuant to this chapter. The State of California, and any of the funds of the State of California, shall have no obligations whatsoever for payment of claims or costs arising from this act, except as specifically provided in this act."
28. Changes to Policy Terms in the Event of an Earthquake. If an **earthquake** occurs during the policy period, and the **dwelling** identified in the DECLARATIONS page is located in a United States Postal Service ZIP Code that lies, in whole or in part, within a 50-mile radius of the epicenter of that

earthquake, we have the rights, at **our** option, to do either or both of the following:

- a. To refuse any request **you** make from the time of that **earthquake** until thirty days after the **earthquake** to alter the terms or coverages of this policy, including any request that **you** make to change the limits of any of the coverages of this policy, purchase additional coverages from **us**, or lower the deductible of this policy; and
- b. To inspect the **residence premises** prior to granting any request **you** make from the time of that **earthquake** until the expiration of the term of this policy to alter the terms or coverages of this policy, including any request that **you** make to change the limits of any of the coverages of this policy, purchase additional coverages from **us**, or lower the deductible of this policy, and to deny **your** request to alter the terms of this policy if **our** inspection reveals the existence of any **earthquake**-related damage to the **residence premises**.

29. Renewal of Policy in the Event of an Earthquake. In the event an **earthquake** occurs during the policy period and the **dwelling** identified in the DECLARATIONS page is located in a United States Postal Service ZIP Code that lies, in whole or in part, within a 50-mile radius of the epicenter of that **earthquake**, we have the following rights with respect to the renewal of this policy:

- a. If the expiration date of this policy is between the date of the **earthquake** and 30 days after the **earthquake**, we have the right, at **our** option, to refuse to renew this policy on terms different from those contained in this policy. This means that we have the right to refuse any request **you** make from the time of the **earthquake** until thirty days thereafter to change the limits of any of the coverages of this policy on renewal, purchase additional coverages from **us** on renewal, or lower the deductible of this policy on renewal.
- b. We have the right, at **our** option, to inspect the **residence premises** prior to granting any request **you** make to renew this policy on terms different from those contained in this policy, including any request that **you** make on renewal to change the limits of any of the coverages of this policy, purchase additional coverages from **us**, or lower the deductible of this policy. We have the right to deny **your** request to alter the terms of this policy on renewal if **our** inspection reveals the existence of any **earthquake**-related damage to the **residence premises**.

30. Liberalization Clause. If we make a change that broadens coverage under this edition of **our** policy without additional premium charge to **you**, that change will automatically apply to **your** insurance as of the date we implement the change.

This Liberalization Clause does not apply to changes implemented through **our** introduction of a subsequent edition of **our** policy.