

# BASIC EARTHQUAKE POLICY

## DECLARATIONS

**POLICY NUMBER:**

**POLICY PERIOD:** 12:01a.m. Standard Time **FROM:** **TO:**  
at the "dwelling" location

**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'	\$ Companion policy A: Limit
B. OTHER STRUCTURES	NO COVERAGE
C. PERSONAL PROPERTY	\$5,000 to \$100,000
D. LOSS OF USE	\$1,500 to \$15,000
E. LIMITED BUILDING CODE UPGRADE:	\$ 10,000

**POLICY DEDUCTIBLE:** \$(10% or 15%) = 15% OF THE COVERAGE A  
'DWELLING' '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)

Mortgagee/Lienholder (Name and Address):

**PLEASE READ YOUR POLICY**  
**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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# BASIC EARTHQUAKE POLICY

## AGREEMENT

This policy is issued by the “California Earthquake Authority” (“CEA”). All inquiries and correspondence regarding this policy, however, should be directed to the “participating insurer.” Policy services and claims adjusting will be provided by the “participating insurer.”

The policy period as shown on the **DECLARATIONS** page will begin and end at 12:01 a.m. standard time at the location of the insured “dwelling.”

“We” insure for accidental, direct physical loss caused by an “earthquake” that commences during the policy period, to property described under the Coverages and Sub-Coverages Sections in this policy, subject to the Special “Limits of Insurance” on Certain Personal Property, Property Not Covered, Exclusions, and Conditions sections of this policy. In addition, “we” insure for Loss of Use of the “dwelling” resulting from a covered loss to property. “We” will provide the insurance described in this policy in return for the premium and compliance with all applicable provisions of this policy, including the “companion policy” Condition and the Surcharge Clause.

## DEFINITIONS

Please note that all terms that appear in this policy surrounded by “quotation marks” are defined below under **DEFINITIONS** and are used consistently throughout this policy.

Throughout this policy, “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.

“We,” “us,” and “our” refer to the “**California Earthquake Authority**.”

Additional words and phrases are defined as follows:

1. “**Actual Cash Value**” means the fair market value of the property at the time of a total loss, subject to the policy “limit of insurance” for that type of property. If fair market value cannot be determined or if there is a partial loss, “actual cash value” means replacement cost less depreciation, subject to the policy “limit of insurance” for that type of property.
2. “**Business Property**” means property pertaining to or intended for use in any full-time or part-time trade, profession or occupation.
3. “**California Earthquake Authority**” or “**CEA**” means the entity 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. Hearth, mantel, and firebox are considered part of the “dwelling.”
5. “**Companion Policy**” means an insurance policy that provides fire coverage on the “dwelling” or personal property, or both, that are the subject of this “earthquake” policy. The “companion

policy” must be furnished by the same “participating insurer” that services the “California Earthquake Authority” policy for “you.”

6. **“Covered Event”** means the time period commencing with the initial “earthquake” and extending thereafter for a period of 360 hours. One or more “earthquakes” that occur within the 360-hour period following the first “earthquake” in a series of “earthquakes” will be considered a single “covered event.”
7. **“Dwelling”** means the residential structure or mobile home of not more than four living units that is at the “dwelling” location described in the **DECLARATIONS**. This policy does not cover any structure other than the “dwelling” unless the structure (1) shares a common wall or a continuous roof line with the “dwelling” or (2) is attached to the “dwelling” by a foundation that is continuous or contiguous to the “dwelling’s” foundation. Any structure that meets either criteria aforementioned is considered part of the dwelling structure and is covered under Coverage A. Please read the **PROPERTY NOT COVERED** Section of this policy.
8. **“Earthquake”** means a vibration-generating rupture event caused by displacement within the earth’s crust through release of strains associated with “tectonic processes” and includes effects such as ground shaking, liquefaction, seismically-induced land sliding, and damaging amplification of ground motion. “Earthquake” does not mean or include tsunami or volcanic eruption.
9. **“Insured”** means “you” and the following “persons” if they are permanent residents of “your” household:
  - a. “your” relatives, whether related by blood, marriage or adoption; and
  - b. anyone under the age of 21 who is in the care or custody of “you” or any “person” identified under (a), above.
10. **“Limit of Insurance”** means the most “we” will pay for any “covered event.”
11. **“Nuclear Hazard”** means any nuclear reaction, radiation, or radioactive contamination, or any consequence of any of these.
12. **“Participating Insurer”** means the insurance company that meets the legal requirements to offer residential earthquake coverage by participating in the “CEA” and that provides claims and policyholder services to “you” on behalf of the “CEA” for this policy. The “participating insurer” also furnishes “your” “companion policy.”
13. **“Person”** means any person, association, organization, partnership, business trust, limited liability company, or corporation.
14. **“Replacement Cost”** means the cost of replacement or the cost of reasonable repair, at the time of the loss, with like construction and use and using materials of like kind and quality, without deduction for depreciation, subject to the policy “limit of insurance” for that type of property.
15. **“Residence Employee”** means an employee of any “insured” who performs duties at the “dwelling” location described in the **DECLARATIONS** in connection with the maintenance or use of the “dwelling,” including household or domestic services, and any “person” employed to provide personal health care services for any “insured” at the “dwelling” location described in the **DECLARATIONS**.
16. **“Sublimit”** means a dollar limitation on a coverage or on specific 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, the loss of money is covered under the personal property category which has a \$5,000 “limit of insurance,” but no more than the \$250 “sublimit” will be paid to replace damaged or destroyed money. The overall amount available under the personal property “limit of insurance” will be reduced by the amount that is paid to replace money.

17. **“Tectonic Processes”** means adjustments of the earth’s crust in response to regional stress conditions initiated by dynamic forces within the earth’s interior.

## COVERAGES

### COVERAGE A: ‘DWELLING’

“We” cover:

1. The “dwelling” identified on the **DECLARATIONS** page;
2. “Chimney(s)” attached to or part of the “dwelling” up to a sublimit of \$5,000, regardless of the number of “chimneys” covered.
3. Wall-to-wall carpeting attached to the “dwelling.”
4. Plumbing pipes and utility service structures and equipment that are (1) enclosed in the walls, ceiling, or floor of the “dwelling” and (2) extend to the exterior surface of the “dwelling’s” foundation wall.
5. Utility service structures and equipment that (1) are located outside of the foundation wall but within the property boundaries at the location on the **DECLARATIONS** page and (2) affect the habitability of the “dwelling,” and (3) are among the following utility services: electric, telephone, natural or bottled gas, heating oil, water, and septic and sanitary sewer systems.
6. That portion of a walkway, driveway, or patio 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.”
7. Bulkheads, piers, and retaining walls that are integral to the stability of the “dwelling” are covered parts of the “dwelling.” Integral to the stability of the “dwelling” means that unless the affected item is repaired or restored immediately, the residential structure is or will become structurally unstable or unsteady.
8. The cost of land stabilization necessary for the habitability of the “dwelling,” including the engineering costs of the stabilization, all subject to a single \$10,000 “sublimit.” The cost of land stabilization is covered only when the land instability is directly and immediately caused by an “earthquake.”

**The amount available under the “limit of insurance” for “your” “dwelling” in coverage A(1), above, will be reduced to the extent that “we” make any payment for coverages A(2) through A(8), above.**

**Covered damage to any of “your” property listed in coverages A(1) through A(7), and a covered loss under coverage A(8) up to the coverage A(8) sublimit of \$10,000, are “dwelling” damage that are covered by Coverage A of this policy for purposes of meeting the deductible requirement. Please see the DEDUCTIBLE CLAUSE of this policy.**

## **COVERAGE B: OTHER STRUCTURES**

This policy does not cover any structure other than the “dwelling” unless the structure (1) shares a common wall or a continuous roof line with the “dwelling” or (2) is attached to the “dwelling” by a foundation that is continuous or contiguous to the “dwelling’s” foundation. Any structure that meets either criteria aforementioned is considered part of the dwelling structure and is covered under Coverage A, above. Please read the **PROPERTY NOT COVERED** Section of this policy.

## **COVERAGE C: PERSONAL PROPERTY**

Subject to a total “limit of insurance” of \$5,000, “we” cover personal property owned or used by an “insured” while the personal property is at the “dwelling.” At “your” request, “we” will cover personal property owned by others while that property is on the part of the “dwelling” occupied by an “insured.” In addition, at “your” request “we” will cover personal property owned by a guest or a “residence employee” while the personal property is on any part of the “dwelling” occupied by an “insured.”

**The amount available under the total “limit of insurance” for personal property will be reduced to the extent that any payment is made for damage to or loss of personal property owned by others.**

**SPECIAL “LIMITS OF INSURANCE” (“SUBLIMITS”) ON CERTAIN PERSONAL PROPERTY:** The “limits of insurance” shown below are “sublimits” of the policy “limit of insurance” provided for Personal Property (Coverage C, above) and do not increase the “limit of insurance” for personal property shown in the **DECLARATIONS**. The “sublimit” for each numbered category, immediately below, is the total “limit of insurance” for any one loss for all property in that category.

1. \$250 on money, bank notes, and coins.
2. \$1,000 on 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 “business property” named in item no. 2, above.

## **COVERAGE D: LOSS OF USE**

Subject to a total “limit of insurance” of \$1,500 for Additional Living Expenses and Fair Rental Value combined:

1. If a covered loss makes that part of the “dwelling” “you” occupy unfit to live in, “we” cover:

Additional Living Expense – 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 (i) to repair or replace the parts of the “dwelling” “you” occupy that are unfit to live in, or (ii) for “you” to relocate permanently if “you” do not elect to repair or replace “your” “dwelling.”

2. If a covered loss makes that part of the “dwelling” rented to others or held for rental by “you” unfit to live in, “we” cover:

The fair rental value of that part of the “dwelling” that is rented to others or that “you” hold for rental, 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 that part of the “dwelling” rented or held for rental. “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 that would have been a covered loss under this policy had it occurred on the premises of the “dwelling,” “we” cover the resulting Additional Living Expense or fair rental value, subject to the Coverage D limits of insurance.

### **COVERAGE E: LIMITED BUILDING CODE UPGRADE**

Subject to the Deductible Clause, “we” will pay up to \$10,000 for the cost of reconstruction to bring the “dwelling” up to local residential building code standards in effect on the date of the “covered event” and as required as part of the approval of the reconstruction permit process after an “earthquake” if “your” “dwelling” suffers loss by a “covered event.”

### **OTHER COVERAGES**

If covered property is damaged by a “covered event”:

1. “We” will pay the cost “you” incur for necessary and reasonable emergency measures “you” take to protect against further “earthquake” damage to covered property. If the measures “you” take involve repair to other damaged property, “we” will pay for those repairs only if that property is covered under this policy.
  - a. This coverage provides up to a sublimit of 5% of the policy “limit of insurance” for the type of property being protected (either “dwelling” or personal property). 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 necessary and reasonable emergency measures to protect covered property from further damage due to an “earthquake” does not relieve “you” of “your” responsibilities outlined in “Your Duties After a Loss” (**CONDITIONS**, item no. 4).
2. “We” will pay the reasonable expense “you” incur in removing debris of damaged covered property. This coverage provides up to 5% of the “dwelling” “limit of insurance” as additional insurance.

## PROPERTY NOT COVERED

### 1. REAL PROPERTY

“We” do not cover:

1. Detached garages, outbuildings, other structures, fences, and masonry fences and walls that are not necessary for the structural integrity of the “dwelling.” Necessary for the structural integrity of the “dwelling” means that unless the affected item is repaired or restored immediately, the residential structure is or will become structurally unstable or unsteady.
2. Walkways, driveways, and patios that are not necessary for regular pedestrian ingress to or pedestrian egress from the “dwelling.”
3. Awnings and patio coverings.
4. Landscaping, trees, shrubs, lawns, or plants, even if damaged by the repair process.
5. Exterior water supply systems including, but not limited to, irrigation systems, sprinkler systems, and water reclamation systems.
6. Underground structures or equipment located outside the perimeter of the “dwelling” foundation including underground pipes, cable, lines, and electrical supply systems and electrical lighting systems.
7. Antennas and satellite dishes and any towers, brackets, or attachments that support or secure them.
8. Any decorative or artistic features of the “dwelling,” including but not limited to works of art and items such as murals; stained or leaded glass; decorative or artistic mirrors or chandeliers; mosaics; statuary or sculpture; carvings, inlays, and reliefs or bas reliefs; and fountains, aquariums, and their systems.
9. Exterior masonry veneer. For purposes of this exclusion, stucco and exterior chimney facings are not exterior masonry veneer.
10. Bulkheads, piers, and retaining walls not integral to the stability of the “dwelling.”
11. Swimming pools, spas, and hot tubs, including the tile lining or attaching the pool, spa or hot tub to a deck.
12. “We” will not pay to replace plaster, and payment for damaged plaster will be made only up to the value of its replacement with sheetrock or drywall.

### 2. PERSONAL PROPERTY

“We” do not cover:

1. Personal property separately insured for the “earthquake” peril under any other insurance policy.
2. Animals, birds, or fish.
3. 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.

4. 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 recorders, and any accessories, antennas, speakers, tapes, reels, cassettes, cartridges, carrying cases, or other devices used with that equipment.
5. Aircraft, including their parts and equipment.
6. Property of roomers, boarders and other tenants, except roomers and boarders related to any "insured."
7. Data, including data stored in:
  - a. books of account, drawings, or other paper records; or
  - b. electronic data processing tapes, wires, records, discs or other magnetic or optical media.

"We" do, however, cover the cost of blank recording or storage media and if recorded computer programs that are available on the retail market.
8. Artwork, including but not limited to paintings, calligraphy, framing, sculpture, photographs, tapestries, pottery, and ceramics.
9. Glassware, china, and porcelain.
10. Watercraft, including their furnishings, equipment, and inboard, outboard, or inboard-outboard motors.
11. Trailers.
12. Trees, shrubs, or plants.

### EXCLUSIONS

"We" do not cover the following losses when caused directly or indirectly by, or which result from, contributed to, or are aggravated by, an "earthquake," or that were present at the time of an "earthquake."

1. Fire.
2. Water Damage resulting from:
  - a. flood, surface water, waves, tsunamis, tidal water, overflow of a body of water, or spray from any of these, whether or not driven by wind.
  - b. water below the surface of the ground, including water that exerts pressure on or seeps or leaks through a building, sidewalk, driveway, foundation, swimming pool, or other structure.

This water damage exclusion does not exclude "earthquake"-caused surface water damage to covered property from water heaters and refrigerators; surface water displaced from a pool or hot tub by an "earthquake"; water supply pipes within the "dwelling"; municipal or other water

supply lines; or water that backs up through sewers or drains that are located on or off the “dwelling” premises.

3. Loss or damage caused by (1) controlled or uncontrolled “nuclear hazard” or (2) any act or condition incident to any “nuclear hazard,” whether direct or indirect, proximate or remote, or in whole or in part caused by, contributed to or aggravated by an “earthquake.”
4. Pollution damage to groundwater, land, and personal property, including all loss, damage, costs, and expenses that arise out of or are caused by pollution, and any cost or expense incurred by the owner to test for, monitor, clean up, remove, contain, treat, detoxify, or neutralize pollutants. The term “pollutants” means 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. The cost attributable to the enforcement of any ordinance, law, or residential building code that regulates the use, construction, repair, or demolition of a building or other structure, unless specifically provided under this policy.
6. Power failure, meaning the failure of electrical power or other utility service if the failure takes place off the premises where the “dwelling” is located.
7. “Your” neglect to take all reasonable action to save and preserve covered property and after a loss.
8. War, including undeclared war, civil war, insurrection, rebellion, or revolution, warlike act by a military force or military personnel or any person, sabotage, destruction or seizure or use for a military purpose, and any consequence of any of these. The discharge of a nuclear weapon will be deemed a warlike act even if accidental.
9. Intentional loss, meaning any loss arising out of any act committed:
  - a. by 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 a loss.
10. Explosion.
11. Earth movement, settling of land, general land sliding, subsidence, mudflows, or earth sinking, rising or shifting, unless directly and immediately caused by an “earthquake”.

#### **DEDUCTIBLE CLAUSE**

“We” will only pay that part of the loss that exceeds the deductible amount, but not more than the “limit of insurance” for the “dwelling.” The deductible amount is 15% of the “dwelling” “limit of insurance.” The deductible percentage (15%) and deductible amount in dollars that apply to this policy are also shown on the **DECLARATIONS** page.

The deductible will be applied one time for each “covered event.” Until the cost to repair or replace the “dwelling” damage exceeds the deductible, “we” will not pay for any coverage under this policy except for Loss of Use coverage; Loss of Use coverage is not subject to application of the deductible.

Only (1) “dwelling” damage that is covered by Coverage A of this policy, as limited by application of any sublimits that apply to the loss, and (2) the cost “you” incur for necessary and reasonable emergency

measures “you” take to protect the covered “dwelling” against further “earthquake” damage, as described and limited in Other Coverages, Section 1 (above), can be applied to meet the deductible requirement. After the deductible amount is calculated and applied, coverage sublimits, if applicable, will be applied and may limit “your” recovery under this policy.

## CONDITIONS

1. **“Companion Policy” Condition.** This “earthquake” policy applies only to property that is also insured by a “companion policy” for the peril of fire. The “companion policy” must be written by the same “participating insurer” that furnished “you” this “earthquake” policy. If for any reason the “companion policy” is not in effect at the time of “earthquake” loss or damage to “your” property, “we” will pay no claims under this “earthquake” policy.
2. **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.”
3. **Concealment or Fraud.** The entire policy will be void if, before or after a loss, you:
  - a. intentionally conceal or misrepresent any material fact or circumstance;
  - b. engage in fraudulent conduct; or
  - c. intentionally make false statements relating to this insurance.
4. **“Your” Duties After Loss.** If a loss occurs to covered property, “you” must perform the following duties:
  - a. Give written notice to the “participating insurer” without delay.
  - b. 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 repair costs.
  - c. 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.
  - d. As often as reasonably required, not in the presence of any other insured, and as permitted under California law:
    - (i) exhibit damaged property to the “participating insurer”;
    - (ii) 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
    - (iii) submit to examination under oath and sign a transcript of the examination.
  - e. Send the “participating insurer,” within 60 days of the “participating insurer’s” request, “your” signed, sworn proof of loss that sets forth, to the best of “your” knowledge and belief:

- (i) the time, date, and cause of loss;
- (ii) “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;
- (iii) a detailed description of all legal claims against the property that sustained a loss;
- (iv) evidence of other insurance that may cover the loss;
- (v) a description of changes in title to or occupancy of the property during the term of the policy;
- (vi) descriptions and detailed repair estimates of any damaged building or other covered structure;
- (vii) the list of damaged or destroyed personal property described in Section 4.c., above; and
- (viii) all receipts and records that support any claim for additional living expense or fair rental value.

5. **“Your” Rights Concerning Claims Investigation.** The law provides certain rights and protections to policyholders who are involved in the settlement of a claim. Included among these are the following:

- a. “You” may have specific rights to privacy under California and Federal law which may protect “you” during the claims settlement process.
- b. The California Insurance Code and Subchapter 7.5 of Chapter 5 of Title X of the California Code of Regulations impose fair claims settlement requirements on insurance companies.
- c. At “your” expense, “you” have the right to be represented by an attorney.

6. **Loss Settlement.** Covered property losses are settled as follows:

- a. “We” will settle a loss to property described or covered, or both, under **COVERAGE A: ‘DWELLING’** at “replacement cost” for the amount actually and necessarily incurred to repair or replace that property with like construction and use and with materials of like kind and quality, without deduction for depreciation, up to the applicable “limit of insurance.” Or, if the “dwelling” is rebuilt or placed at another location, “we” will settle a loss to the property at an amount no more than the cost to repair or replace the “dwelling” at the original “dwelling” location, up to the applicable “limit of insurance.” **This policy does not provide full repair or replacement of “your” “dwelling” following an “earthquake” or “covered event” if the costs associated with the full repair or replacement exceed the “dwelling” “limit of insurance” shown in the DECLARATIONS.**
  - (i) When the cost to repair or replace the “dwelling” damage after application of the deductible amount is more than \$1000 or more than 5% of the amount of insurance provided in this policy on the “dwelling,” whichever is less, “we” will pay no more than the “actual cash value” of the damage until actual repair or replacement is in progress.
  - (ii) “You” may disregard the “replacement cost” loss settlement provision and make claim under this policy for loss or damage to the “dwelling” on an “actual cash value” basis. “You” may then make claim within one year after the date of loss for any additional amount for completed repairs or replacement on a “replacement cost” basis. “We” will

base payment for the “replacement cost” basis claim on documented, completed repairs or replacement.

- (iii) “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, unless specifically provided under this policy.
- b. Walkways, driveways and patios will be repaired or replaced only to the extent necessary to restore regular pedestrian ingress to or pedestrian egress from the “dwelling” or regular ingress to and egress from the “dwelling” by any non-ambulatory “insured.”
- c. 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”;
  - (iii) the “actual cash value” of the damaged “chimney” or “chimneys” if repair or replacement is not elected; or
  - (iv) the necessary amount actually spent to repair the damaged “chimney” or “chimneys.”
- d. “We” will settle losses to property described under **COVERAGE C: “PERSONAL PROPERTY”** at “replacement cost,” without deduction for depreciation, for the amount necessary to repair or replace the damaged property with articles of like kind and quality, up to the “limit of insurance” for personal property.  
“We” will settle losses to property in (i), (ii), and (iii) below, at “actual cash value.”
  - (i) Property which by its inherent nature cannot be replaced;
  - (ii) Property not maintained in good or workable condition; or
  - (iii) Obsolete or unusable property, or property not useful for its intended purpose.
- e. “Our” liability for loss to any property insured under this policy will not exceed the smallest of the following:
  - (i) The cost of repair or restoration;
  - (ii) The replacement cost at time of loss; or
  - (iii) Any “limit of insurance” or “sublimit” described in the policy.

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7. **Loss to a Pair or Set.** 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.
8. **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 a written request from the other. The two appraisers will choose an 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 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 of the umpire agreed to by any two of the three individuals (consisting of the two appraisers and the umpire) will set the amount of loss under this policy.

Each party will:

- pay its own appraiser, and
  - bear the other expenses of the appraisal and of the umpire equally.
9. **Other Insurance.**
- If “you” have other insurance that covers the “dwelling” or other property covered under this policy and which is subject to the same terms, conditions and provisions as the insurance 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 on the same risks.
  - If there is other insurance that covers the same loss or damage, other than as described in 9(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.”
10. **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.”
11. **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.
12. **“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.
13. **Loss Payment.** “We,” through the “participating insurer,” will adjust all losses with “you.” “We” will pay “you” unless some other “person” is named in the policy or is legally entitled to receive payment. Losses will be payable 60 days after “we” receive “your” proof of loss and:
- “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. Mortgage Clause.**

- a. The word mortgagee as used in this policy includes trustee.
- b. If a mortgagee is named as a loss payee in this policy and that mortgagee required “you” to purchase earthquake insurance that covers the “dwelling” as a condition for making a loan to “you” secured by the “dwelling,” any loss payable under Coverage A will be paid to the mortgagee, to the extent of its interest, and to “you.” If more than one mortgagee is so named, the order of payment will be the same as the order of precedence of the mortgages.
- c. If “we” deny “your” claim, that denial will not apply to a valid claim of the mortgagee, if the mortgagee:
  - (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. Policy conditions relating to Appraisal, Suit Against “Us,” and Loss Payment apply to the mortgagee.
- d. If “we” decide to cancel or not to renew this policy, “we” will take reasonable steps to notify the mortgagee 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, or
  - (ii) At “our” option, “we” may pay to the mortgagee the whole principal on the mortgage plus any accrued interest. In this event, “we” will receive a full assignment and transfer of the mortgage and all security held as collateral for the mortgage debt.
  - (iii) Subrogation will not impair the right of the mortgagee to recover the full amount of the mortgagee’s claim.

**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.

**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 the “California Earthquake Authority” 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. 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”

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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 will be 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 letting the “participating insurer” know 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 only for the reasons stated in this condition 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, “we” may cancel it if “we” discover that the risk does not meet “our” eligibility standards by letting “you” know at least 10 days before the date cancellation takes effect.
- (iii) When this policy has been in effect for 60 days or more, or if at any time it is a renewal with us, “we” may cancel based on the occurrence of one or more of the following:
  - (a) conviction of the “insured” 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 the “earthquake” policy surcharge authorized by the “California Earthquake Authority”, in accordance with California Insurance Code Section 10089.29, subdivision (b), paragraph (1).

“We” may cancel this policy during the policy term by notifying “you” at least 30 days before the date cancellation takes effect. “We” may cancel this policy at the policy renewal date by notifying “you” at least 45 days before the date cancellation takes effect.

- d. When this policy is canceled, any premium paid for the period from the effective date of the cancellation to the expiration date will be refunded. When the policy is canceled, 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 the “CEA” 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 “you” die during the policy term, “we” insure:
- “your” legal representatives, but only with respect to the property of the deceased covered under this policy at the time of “your” death;
  - with respect to “your” 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; and
  - residents of “your” household who were “insureds” at the time of “your” death.
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 “you” received for the recovered property.
25. **Surcharge Clause.** “We” may impose a surcharge, as permitted by law, up to 20% of “your” annual policy premium within any one year by the “California Earthquake Authority” in accordance with California Insurance Code Section 10089.29, subdivision (b), paragraph (1).
26. **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 “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.**

27. **Abandonment of Property.** “We” need not accept any property abandoned by an “insured.”
28. **Glass Replacement.** We will replace glass damaged in a loss covered under this part with safety glazing material when required by ordinance or law.
29. **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, provided that this implementation date falls during or within 60 days before the policy period stated in the Declarations.

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

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