Date of Notice: Monday, February 14, 2011

PUBLIC NOTICE

A PUBLIC MEETING OF THE GOVERNING BOARD OF THE CALIFORNIA EARTHQUAKE AUTHORITY

NOTICE IS HEREBY GIVEN that the Governing Board of the California Earthquake Authority ("CEA") will meet in Sacramento, California. Pursuant to California Insurance Code §10089.7, subdivision (j), the Bagley-Keene Open Meeting Act applies generally to meetings of the Board, and the meeting is open to the public—public participation, comments, and questions will be welcome for each agenda item. All items are appropriate for action if the Governing Board wishes to take action. Agenda items may be taken out of order.

LOCATION: **CalSTRS Building**
Boardroom – Lobby, E-124
100 Waterfront Place
West Sacramento, California

DATE: **Thursday, February 24, 2011**

TIME: **1:00 p.m.**

This CEA Governing Board meeting will be broadcast live on the Internet. Please wait until the official start time of the meeting before clicking on either icon:

Audio

Video (with audio)

If you are unable to log into the meeting please call the CEA directly at (916) 325-3800 for further assistance.

AGENDA:

1. Call to order and member roll call:

   Governor
   Treasurer
   Insurance Commissioner
   Speaker of the Assembly
   Chair of the Senate Rules Committee

   Establishment of a quorum

2. Consideration and approval of the minutes of the December 9, 2010, Governing Board meeting.

3. Executive Report by Chief Executive Officer Glenn Pomeroy; assisted by CEA executive staff, Mr. Pomeroy's report will include an update for the Board on federal and state legislative activities of interest to the CEA.

4. Chief Financial Officer Tim Richison will present a financial report.

5. Mr. Richison will seek Board authorization to set the CEA participating insurers' respective maximum-earthquake-loss-funding-assessment levels, effective April 1, 2011.

6. Mr. Richison will seek Board approval to continue work on a transformer-reinsurance option to augment CEA claim-paying capacity for 2011–2014.

7. CEA Advisory Panel Chair Wayne Coulon will provide a summary of the proceedings at the January 20, 2011, and February 14, 2011, Panel meetings.

8. Chief Operations Officer Bob Stewart and Chief Actuary Shawna Ackerman will present for Board consideration and approval a proposed rate and form application, including related supporting documents. In a related matter, Mr. Stewart will ask the Board to support approaching the Insurance Commissioner to determine whether regulations governing CEA policy offerings should be modified to allow introduction of the newly proposed "Homeowner Choice" product.

9. Mr. Richison will present a proposed first amendment to the CEA's contract-employee retirement plan and ask that the Board adopt the amendment and authorize staff to submit a determination-letter application to the Commissioner of Internal Revenue.

10. Mr. Pomeroy will ask the Board to designate one of its members to conduct, on behalf of the Board, the annual performance appraisal of the Chief Executive Officer.

11. The Board will meet in closed session to discuss personnel matters and litigation matters, as permitted by California Government Code section 11126, subdivisions (a) and (e), respectively.

12. Public comment on items that do not appear on this agenda and public requests that those matters be placed on a future agenda.

13. Adjournment.

For further information about this notice or its contents:

General Information:
Susan Pitton
(916) 325-3800
Toll free (877) 797-4300

Media Contact:
Chris Nance
Chief Communications Officer
(916) 325-3827 (Direct)
nancec@calquake.com

California Earthquake Authority
801 K Street, Suite 1000
Sacramento, CA 95814-3518
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To view this notice on the CEA Web site or to learn more about the CEA, please visit www.EarthquakeAuthority.com

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Persons with disabilities may request special accommodations at this or any future Governing Board meeting or may request the accommodation necessary to receive agendas or materials the CEA prepares for its Board meetings.

Please contact Susan Pitton by telephone, toll free, at (877) 797-4300 or by email at pittons@calquake.com. We would appreciate hearing from you at least five days before the meeting date to best allow us to meet your needs.

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Draft Meeting Minutes are not available.

Please see CEA Governing Board Meeting Approved Minutes.

Governing Board Memorandum

February 24, 2011

Agenda Item 3: Executive Report by Chief Executive Officer Glenn Pomeroy

Recommended Action: No action required – information only

Chief Executive Officer Glenn Pomeroy will present his Executive Report to the Board; assisted by CEA executive staff, Mr. Pomeroy will update the Board on federal and state legislative activities of interest to the CEA.

DRAFT - PRELIMINARY
SUBJECT TO CEA CFO REVIEW

CALIFORNIA EARTHQUAKE AUTHORITY

FINANCIAL REPORT

GOVERNING BOARD MEETING
THURSDAY, FEBRUARY 24, 2011
1:00 P.M.

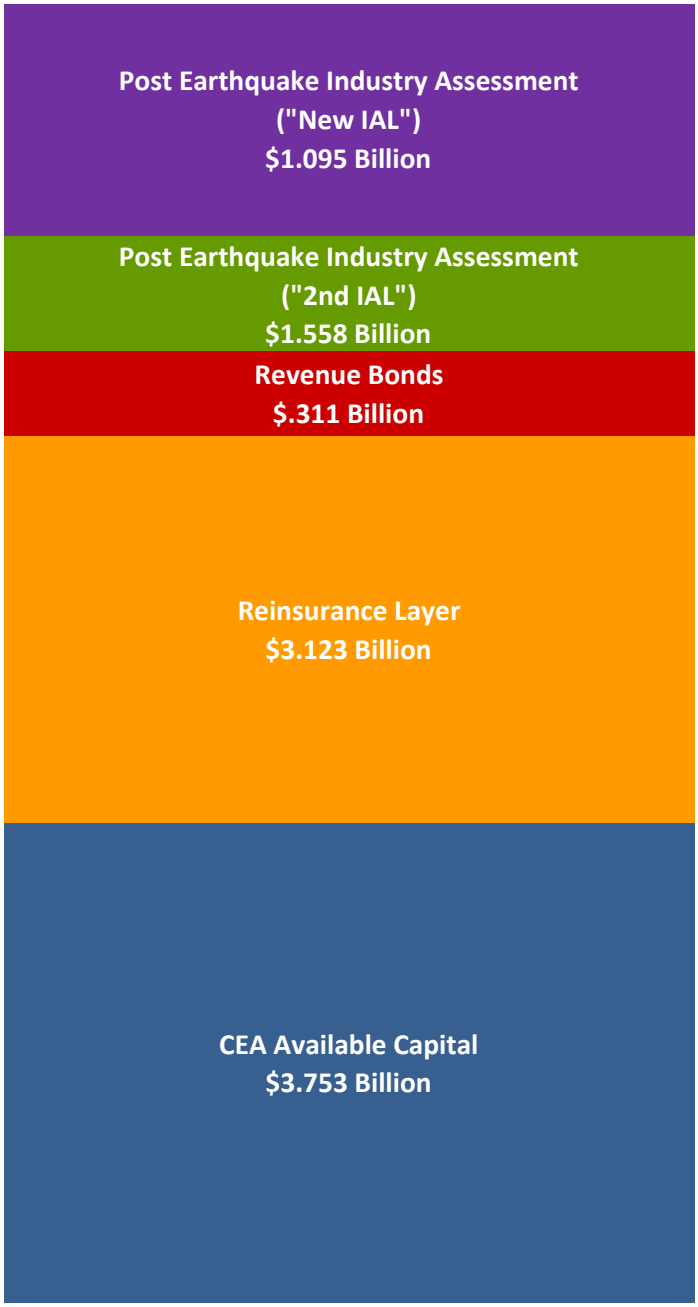
California Earthquake Authority
Base Capital Report

Capital as of December 31, 2010

Cash & Investments (includes capital contributions and premiums)	$	4,250,371,635	*
Revenue Bond Proceeds		(313,836,959)	
Debt Service (Interest, Principal & Debt Service (Min. Bal.))		(25,250,000)	
Interest Receivable		12,350,634	
Securities Receivable		0	
Premium Receivable		49,595,737	
Risk Capital Surcharge Receivable		1,700,000	
Capital Contributions Receivable		3,190,830	
Other Cash-Related Assets		42,495	
Unearned Premium Collected		(222,418,788)	
Securities Payable		0	
Accounts Payable & Accrued Expenses		(2,378,089)	
CEA Base Capital	**$**	**3,753,367,494**	

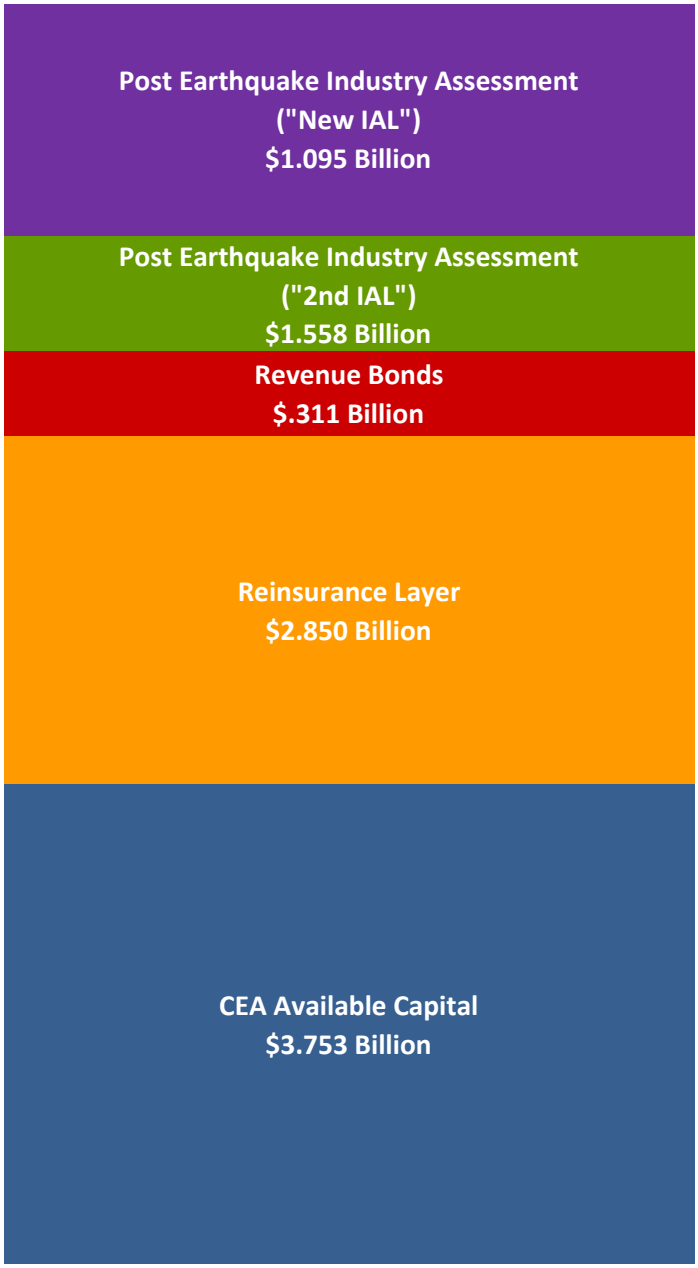
** Does not include mitigation cash and investments of $22,669,639*

California Earthquake Authority
Claims Paying Capacity
as of December 31, 2010



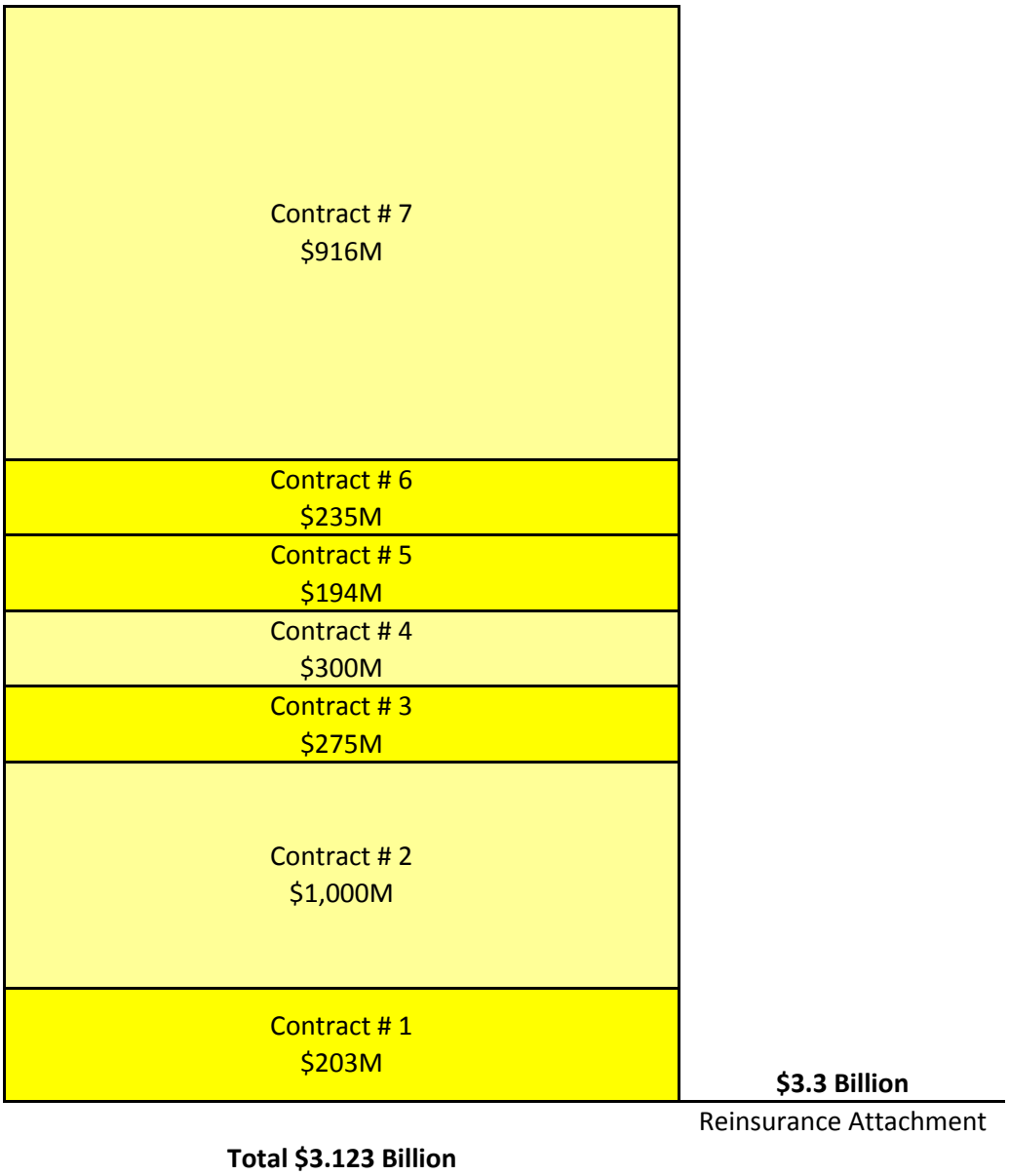
Total $9.840 Billion

California Earthquake Authority
Claims Paying Capacity
as of January 1, 2011



Total $9.567 Billion

California Earthquake Authority
Reinsurance Capacity
as of January 1, 2010



California Earthquake Authority

Balance Sheet

as of December 31, 2010

Unaudited

Assets

Cash and investments:		
Cash and cash equivalents		48,536,535
Restricted cash & equivalents		47,920,327
Restricted investments		313,837,486
Investments		3,862,746,926
Total cash and investments		4,273,041,274
Premiums receivable, net of allowance for doubtful accounts of $10,533,225		49,595,737
Capital contributions receivable		3,190,830
Risk capital surcharge receivable		1,700,000
Interest receivable		12,350,634
Securities receivable		-
Prepaid reinsurance premium		-
Equipment, net		1,413,255
Deferred policy acquisition costs		40,674,396
Other assets		42,495
Total assets	$	4,382,008,621

Liabilities and Net Assets

Unearned premiums	$	302,862,221
Accounts payable and accrued expenses		2,378,089
Claim and claim expense reserves		-
Securities payable		-
Revenue bond payable		189,000,000
Revenue bond interest payable		5,829,705
Total liabilities		500,070,015
Net assets:		
Restricted, expendable		166,540,331
Unrestricted*		3,715,398,275
Total net assets		3,881,938,606
Total liabilities and net assets	$	4,382,008,621

* Includes Cumulative Participating Insurer Contributed Capital of $756,612,796 and State of California Contributed Capital of $154,603,480.

California Earthquake Authority

Statement of Revenues, Expenses and Changes in Net Assets
For the Year-to-Date Ended December 31, 2010

Underwriting income:		
Premiums written	$	603,127,689
Less premiums ceded - reinsurance		(223,488,128)
Less risk capital surcharge		1,700,000
Net premiums written		381,339,561
Change in unearned premiums		(3,867,476)
Net unearned premiums		(3,867,476)
Net premiums earned		377,472,085
Expenses:		
Claim and claims expense		75,036
Participating Insurer commissions		70,225,741
Participating Insurer operating costs		10,311,645
Reinsurance broker commissions		4,800,040
Pro forma premium taxes		13,908,239
Financing expenses, net		8,861,560
Mitigation Fund expenses		424,711
Other underwriting expenses		19,570,601
Total expenses		128,177,573
Underwriting profit		249,294,512
Net investment income		22,486,655
Other income		538,907
Participating Insurer Contributed Capital		5,470,000
State of California premium tax contribution		13,908,239
Increase in net assets		291,698,313
Net assets, beginning of year		3,590,240,293
Net assets, end of year	$	3,881,938,606

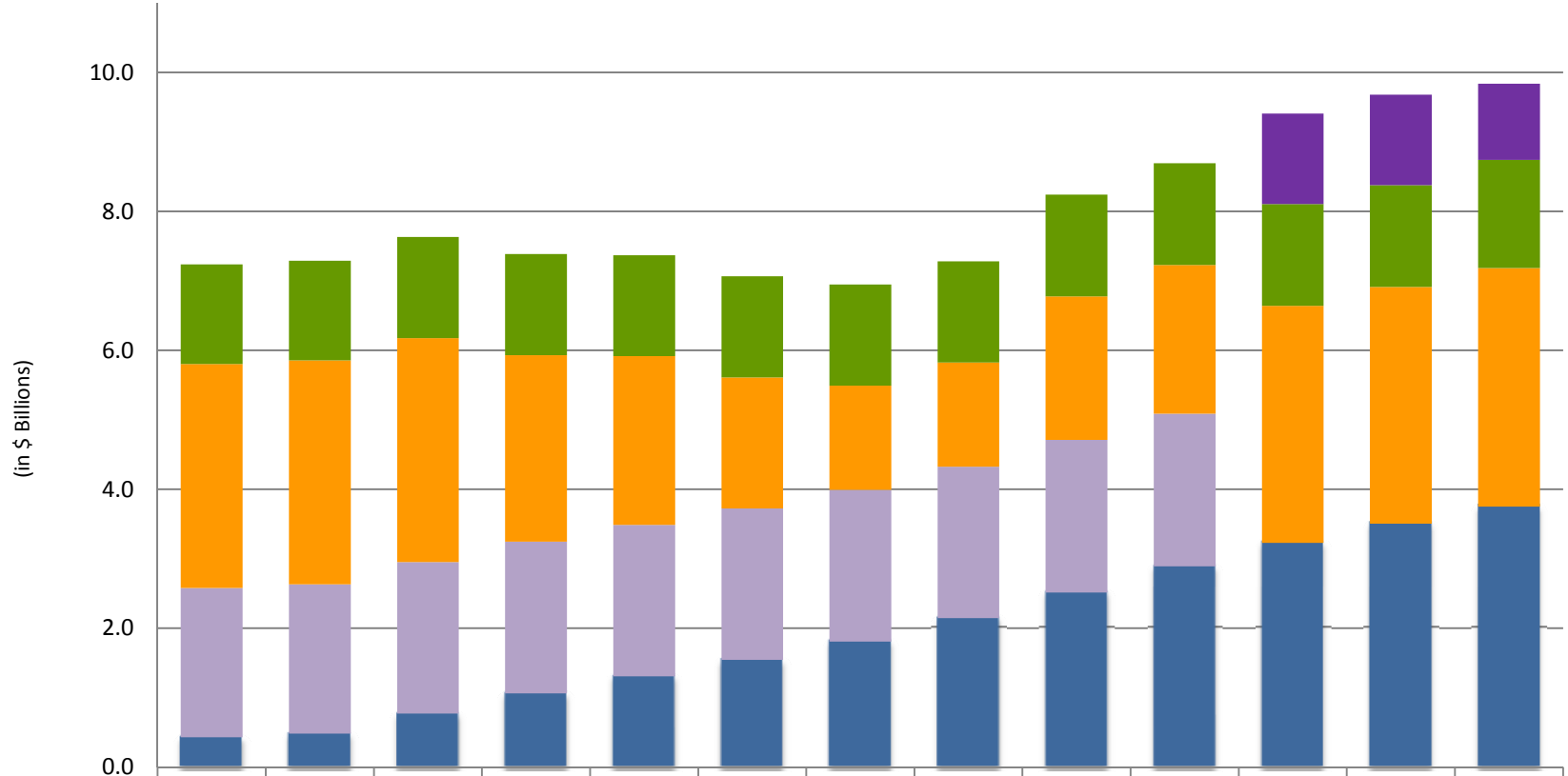
Unaudited

DRAFT - PRELIMINARY
SUBJECT TO CEA CFO REVIEW

CALIFORNIA EARTHQUAKE AUTHORITY
Insurance Services
Budgeted and Actual Expenditures
2010 Budget Year

	(a)	(b)	(c)	(d) (d = a + b + c)	(e)	(f)	(g) (g = d - e)	(h) (h = f - e)	(i) (i = e ÷ d)	(j) (j = e ÷ f)
	Approved 2010 Budget 2/25/10	Adjustments through 12/31/10	Augmentations through 12/31/10	2010 Budget after Augmentations and Adjustments	Actual Expenditures as of 12/31/10	12/31/10 Projected Expenditures from December 2010 Board Meeting	Excess (Deficit) 2010 Budget after Augmentations and Adjustments (d) compared to Actual Expenditures as of 12/31/10 (e)	Excess (Deficit) 12/31/10 Projected Expenditures from December 2010 Board Meeting (f) compared to Actual Expenditures as of 12/31/10 (e)	Actual Expenditures as of 12/31/10 (e) as a percentage of 2010 Budget after Augmentations and Adjustments (d)	Actual Expenditures as of 12/31/10 (e) as a percentage of 12/31/10 Projected Expenditures from December 2010 Board Meeting (f)
Salaries & Benefits	6,126,707	221,000	-	6,347,707	6,533,309	6,346,146	(185,602)	(187,163)	102.92%	102.95%
Rent	659,409	(20,000)	-	639,409	469,926	476,516	169,483	6,590	73.49%	98.62%
Travel	184,727	169,425	-	354,152	304,157	334,152	49,995	29,995	85.88%	91.02%
							-			
Non-paid Consultant Travel	842	-	-	842	-	-	842	-	0.00%	0.00%
Telecommunications	191,986	-	-	191,986	198,099	191,503	(6,113)	(6,596)	103.18%	103.44%
Training	110,922	12,000	-	122,922	95,713	101,478	27,209	5,765	77.86%	94.32%
							-			
Insurance	126,361	-	-	126,361	129,387	126,319	(3,026)	(3,068)	102.39%	102.43%
Board/Panel Services	17,303	1,712	-	19,015	17,366	19,015	1,649	1,649	91.33%	91.33%
Administration & Office	1,024,219	(105,500)	-	918,719	696,348	744,021	222,371	47,673	75.80%	93.59%
(Software Maint & Support, Printing & Stationery, Postage)							-			
Administrative Contracted Services							-			
Data Mgmt Services	778,096	-	-	778,096	428,486	489,896	349,610	61,410	55.07%	87.46%
Other Administrative Contracted Services	37,157	3,051	-	40,208		40,208	40,208	40,208	0.00%	0.00%
Furniture/Equipment	412,180	(130,000)	-	282,180	56,325	79,282	225,855	22,957	19.96%	71.04%
EDP Hardware/Software	950,326	(366,688)	-	583,638	306,263	342,068	277,375	35,805	52.47%	89.53%
Dept of Insurance Examination	20,395	215,000	-	235,395	183,320	235,395	52,075	52,075	77.88%	77.88%
Total Operating Expenses	10,640,630	-	-	10,640,630	9,418,699	9,525,999	1,221,931	107,300	88.52%	98.87%
Consulting Services										
Actuarial	100,000	-	-	100,000	62,403	62,403	37,597	-	62.40%	100.00%
Claims	30,000	-	-	30,000	-	-	30,000	-	0.00%	100.00%
Information Technology	125,000	-	-	125,000	100,000	125,000	25,000	25,000	80.00%	80.00%
Financial Consulting	120,000	13,518	-	133,518	103,199	133,518	30,319	30,319	77.29%	77.29%
Other Consulting Services	1,115,500	(13,518)	-	1,101,982	478,101	481,183	623,881	3,082	43.39%	99.36%
Total Consulting Services	1,490,500	-	-	1,490,500	743,703	802,104	746,797	58,401	49.90%	92.72%
Research	1,600,000	-	-	1,600,000	1,518,000	1,600,000	82,000	82,000	94.88%	94.88%
Contracted Services										
Agent Services	16,000	-	-	16,000	-	-	16,000	-	0.00%	100.00%
Audit Service	175,000	-	-	175,000	100,000	125,000	75,000	25,000	57.14%	80.00%
Brochure/Information Products	20,000	17,000	-	37,000	-	-	37,000	-	0.00%	100.00%
Communications	18,000	(2,000)	-	16,000	-	-	16,000	-	0.00%	100.00%
Consumer Services	540,000	(17,000)	-	523,000	200	200	522,800	-	0.04%	100.00%
Contracted Marketing & Outreach	25,000	28,000	-	53,000	50,309	50,309	2,691	-	94.92%	100.00%
Dynamic Financial Analysis	140,000	-	-	140,000	79,365	79,365	60,635	-	56.69%	100.00%
Investment Compliance	400,000	-	-	400,000	-	-	400,000	-	0.00%	100.00%
Legal Services-Claims Counsel	100,000	-	-	100,000	-	-	100,000	-	0.00%	100.00%
Legal Service - Non-Claims	3,055,000	-	-	3,055,000	818,991	903,223	2,236,009	84,232	26.81%	90.67%
Modeling Service	1,226,000	-	-	1,226,000	947,180	756,240	278,820	(190,940)	77.26%	125.25%
Marketing Services	485,000	80,000	1,145,272	1,710,272	1,224,395	1,216,137	485,877	(8,258)	71.59%	100.68%
Web Development/Maintenance	56,000	-	-	56,000	-	-	56,000	-	0.00%	100.00%
Other Contracted Services	1,044,400	(106,000)	-	938,400	624,517	754,113	313,883	129,596	66.55%	82.81%
Total Contracted Services	7,300,400	-	1,145,272	8,445,672	3,844,957	3,884,587	4,561,085	39,630	45.53%	98.98%
Investment Expenses	2,367,300	-	-	2,367,300	1,757,400	1,772,780	609,900	15,380	74.24%	99.13%
Financing Expenses	23,373,183	-	-	23,373,183	12,958,831	13,120,376	10,414,352	161,545	55.44%	98.77%
Reinsurance	250,832,940	-	-	250,832,940	228,288,168	228,288,825	22,544,772	657	91.01%	100.00%
Total Expenditures	297,604,953	-	1,145,272	298,750,225	258,529,758	258,994,671	40,220,467	464,913	86.54%	99.82%

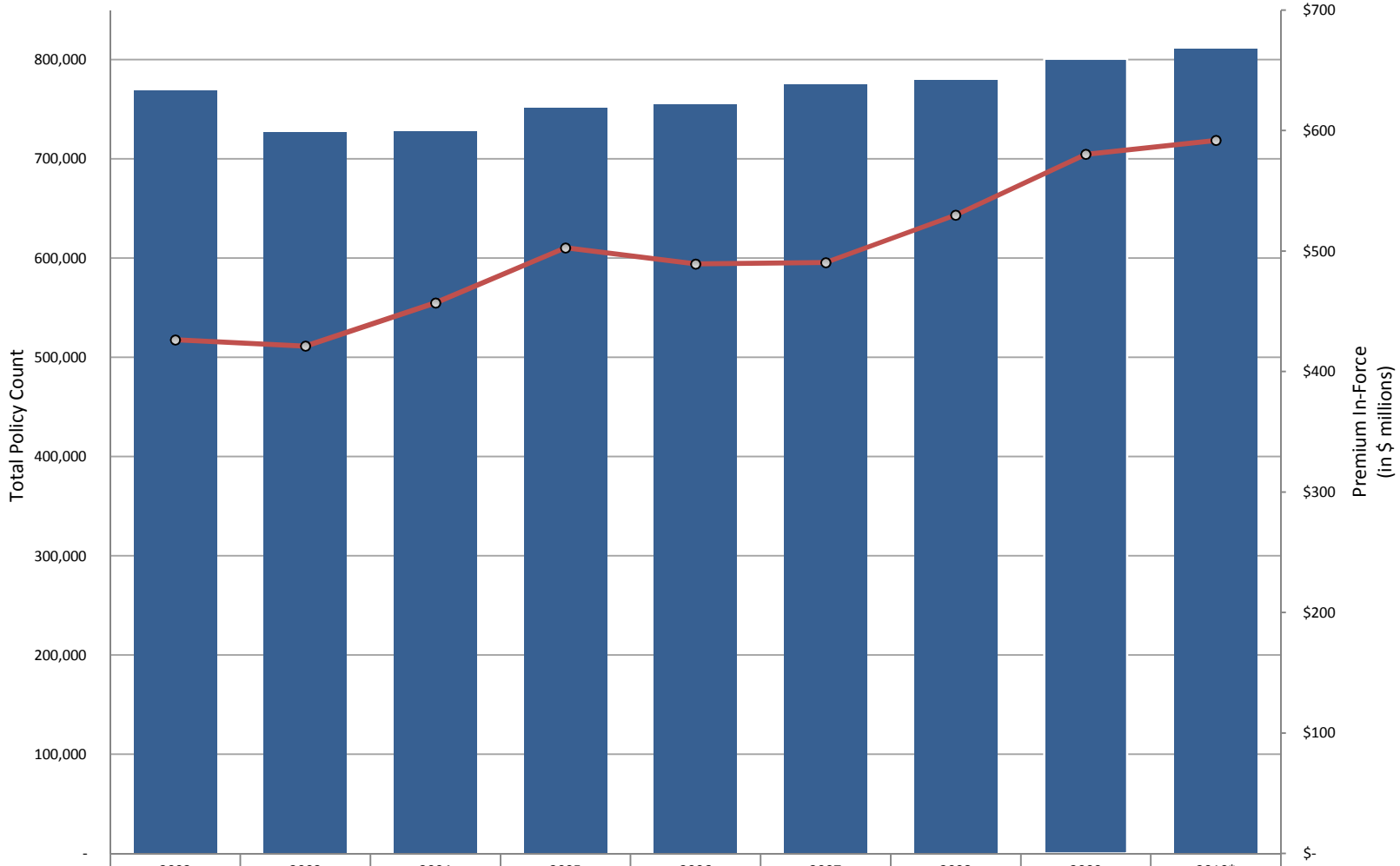
California Earthquake Authority
Total Claim-Paying Capacity (CPC) as of Year End



	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010*
Total CPC	$7.240	$7.293	$7.635	$7.390	$7.373	$7.069	$6.948	$7.284	$8.244	$8.695	$9.411	$9.685	$9.840
New Industry Assessment	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	1.304	1.304	1.095
2nd Industry Assessment	1.434	1.434	1.456	1.456	1.456	1.456	1.456	1.456	1.465	1.465	1.465	1.465	1.558
Reinsurance and Other Risk Transfer	3.224	3.224	3.224	2.687	2.427	1.886	1.500	1.500	2.067	2.139	3.411	3.411	3.434
1st Industry Assessment	2.150	2.150	2.183	2.183	2.183	2.183	2.183	2.183	2.197	2.197	0.000	0.000	0.000
CEA Available Capital	0.432	0.485	0.772	1.064	1.307	1.544	1.809	2.145	2.515	2.894	3.231	3.505	3.753

*as of December 31, 2010

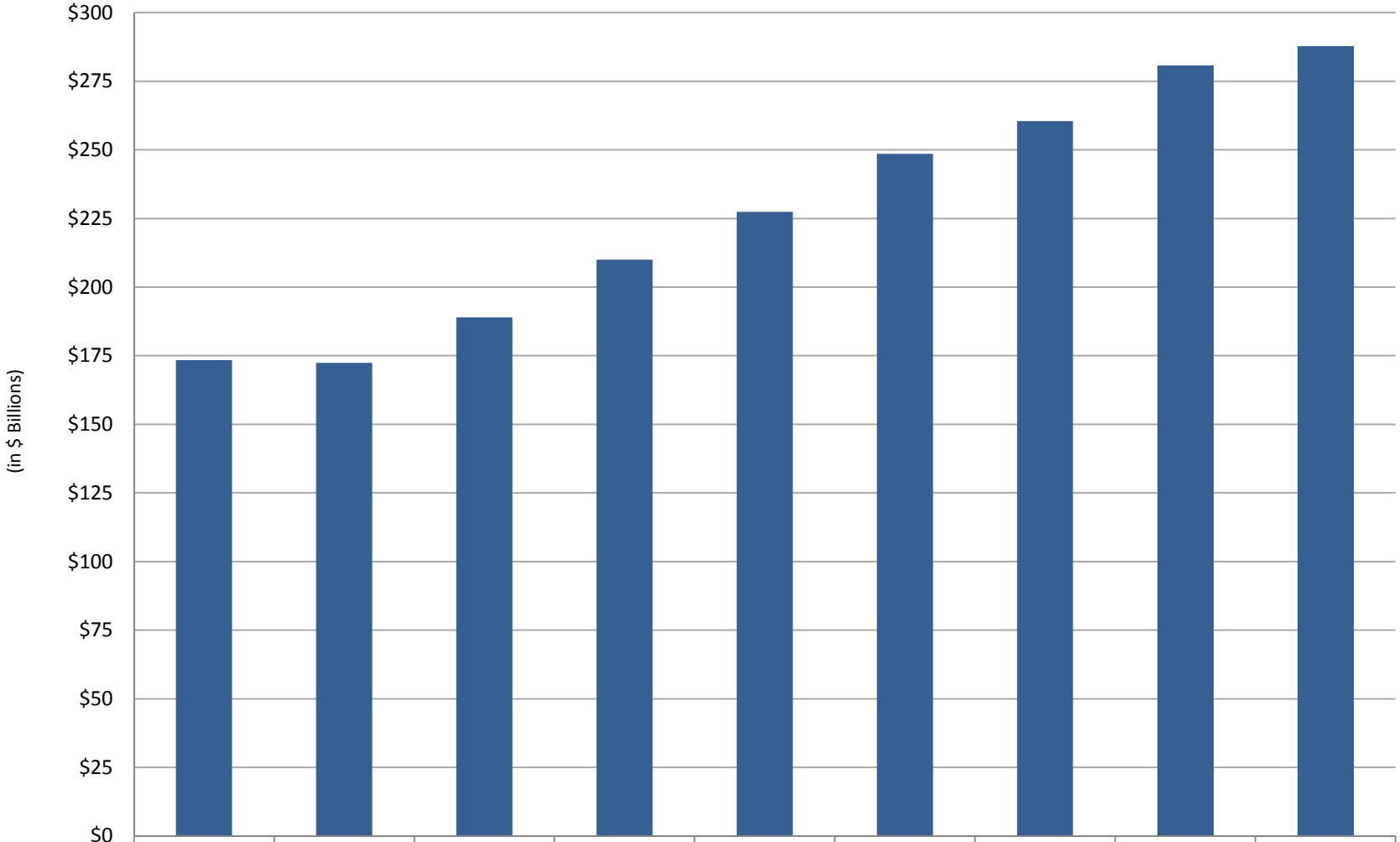
California Earthquake Authority
Policy Count and Premium In-Force at Year End



	2002	2003	2004	2005	2006	2007	2008	2009	2010*
Total Policy Count	768,808	726,675	727,675	751,767	754,672	775,464	779,362	800,930	811,317
Premium In-force	$426.3	$421.1	$456.9	$502.7	$489.3	$490.4	$529.9	$580.2	$591.8
Annual Change in Policy Count		-5.5%	0.1%	3.3%	0.4%	2.8%	0.5%	2.8%	1.3%
Annual Change in Premium		-1.2%	8.5%	10.0%	-2.7%	0.2%	8.0%	9.5%	2.0%

* as of December 31, 2010

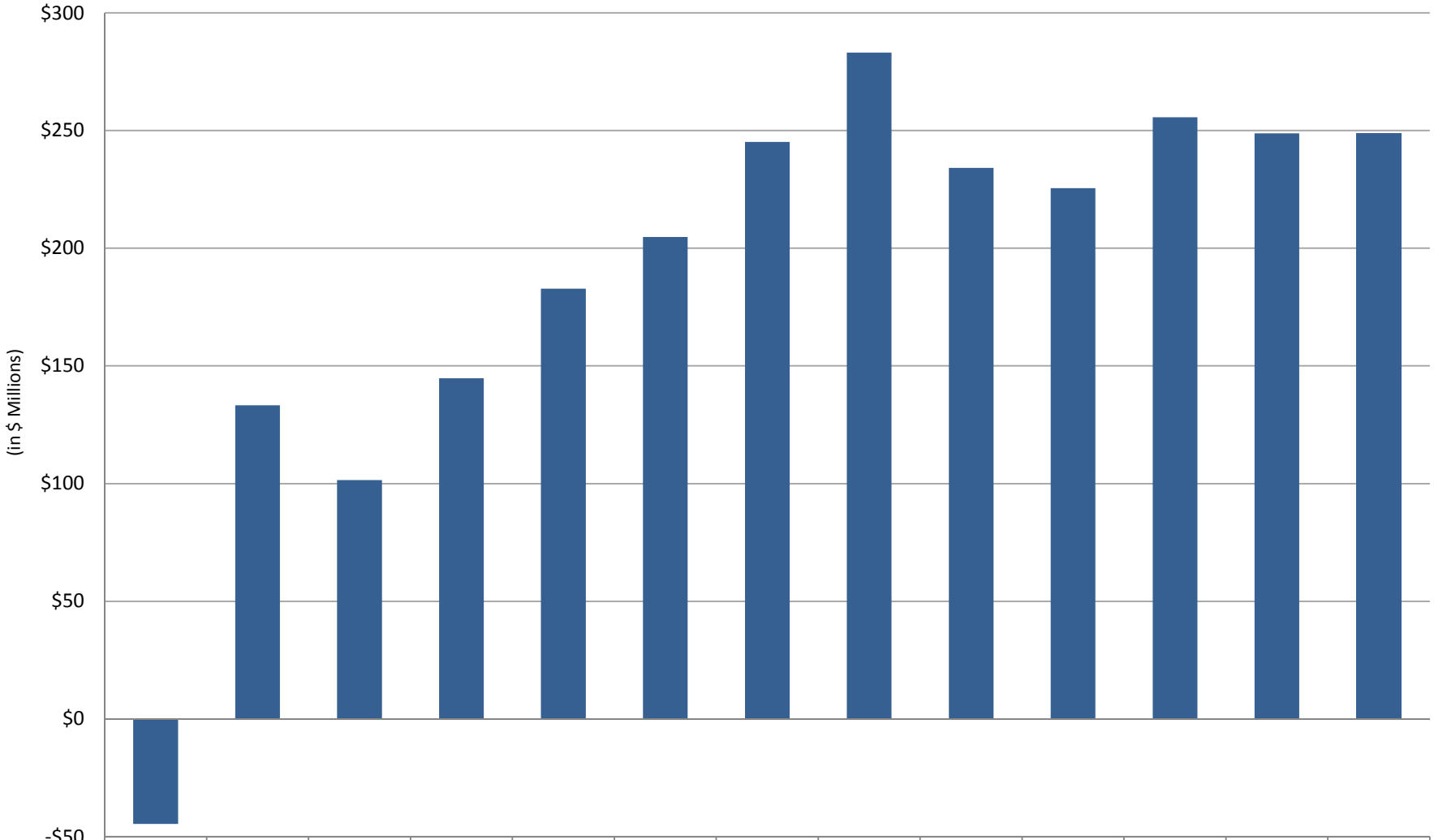
California Earthquake Authority
Policy Exposure In-Force at Year End



	2002	2003	2004	2005	2006	2007	2008	2009	2010*
Exposure In-force	173.4	172.4	188.9	210.0	227.4	248.6	260.5	280.7	287.7
Annual Change in Exposure	0.00%	-0.61%	9.61%	11.16%	8.29%	9.28%	4.82%	7.75%	2.50%

* as of December 31, 2010

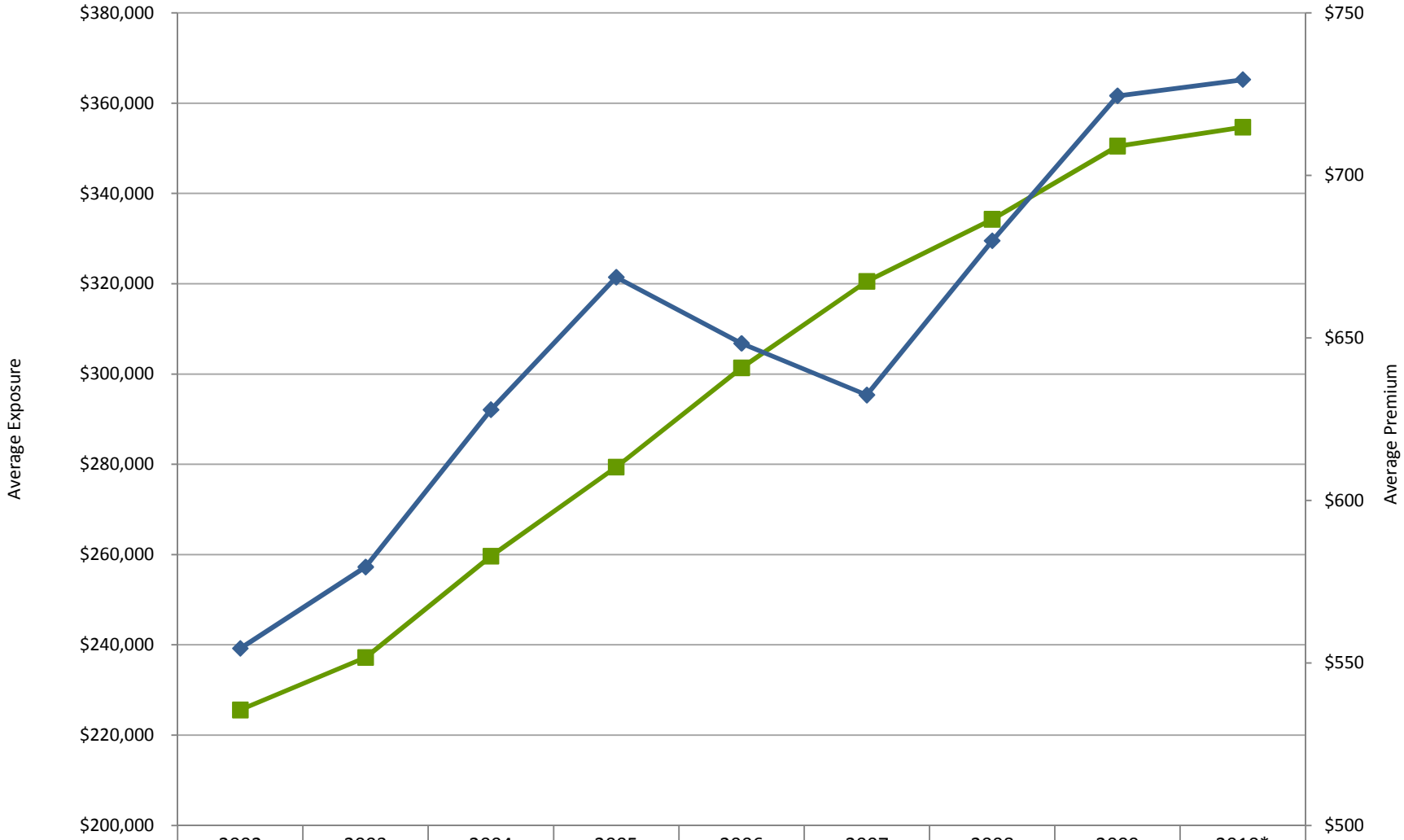
California Earthquake Authority
Annual Capital Accumulated from Premium



1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010*
($44.6)	$133.3	$101.5	$144.8	$182.8	$204.8	$245.2	$283.1	$234.1	$225.5	$255.7	$248.8	$249.1

*as of December 31, 2010

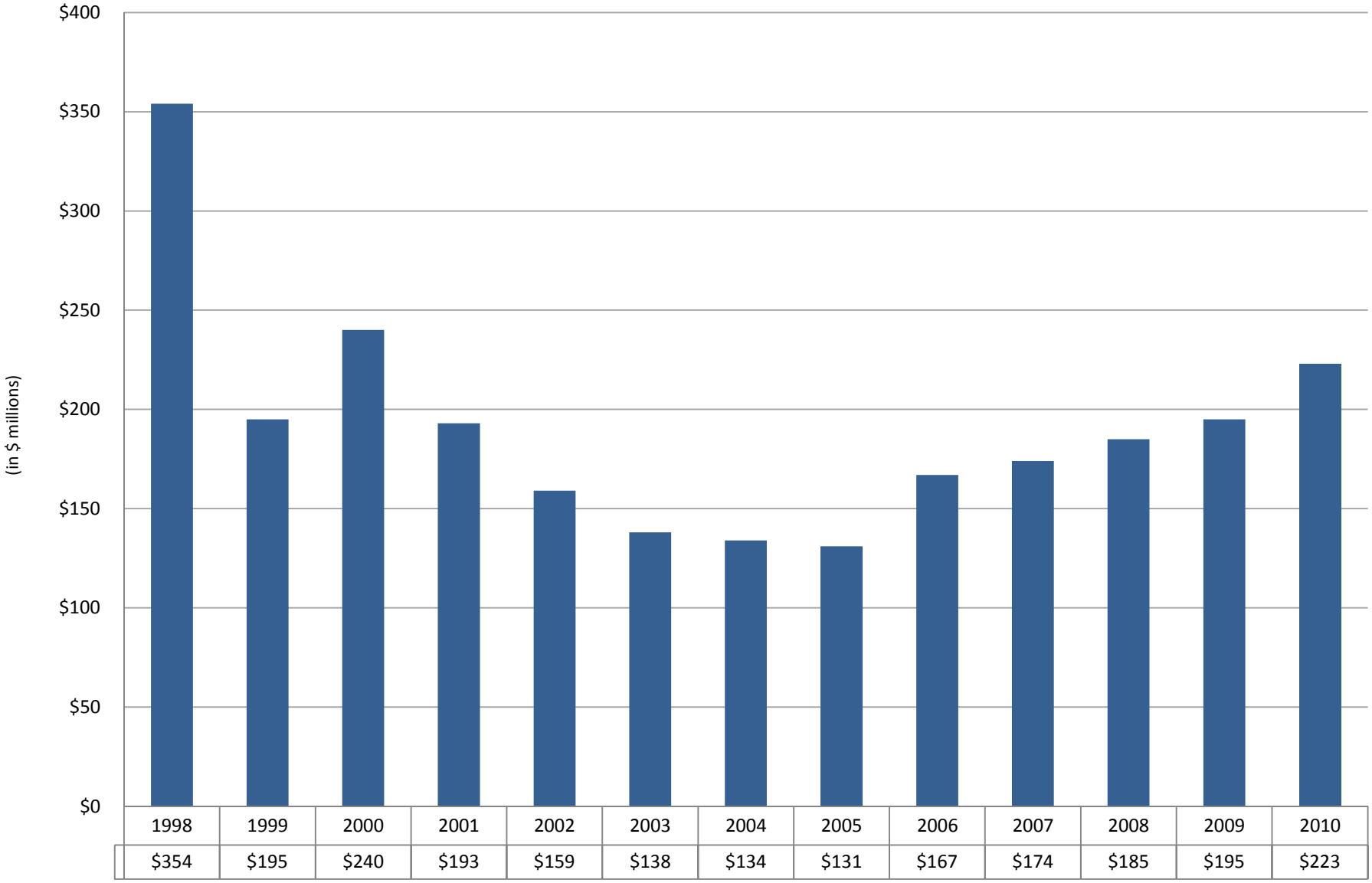
California Earthquake Authority
Average Policy Premium and Average Policy Exposure



	2002	2003	2004	2005	2006	2007	2008	2009	2010*
Average Exposure	$225,580	$237,195	$259,641	$279,374	$301,381	$320,522	$334,278	$350,489	$354,659
Average Premium	$555	$580	$628	$669	$648	$632	$680	$724	$729

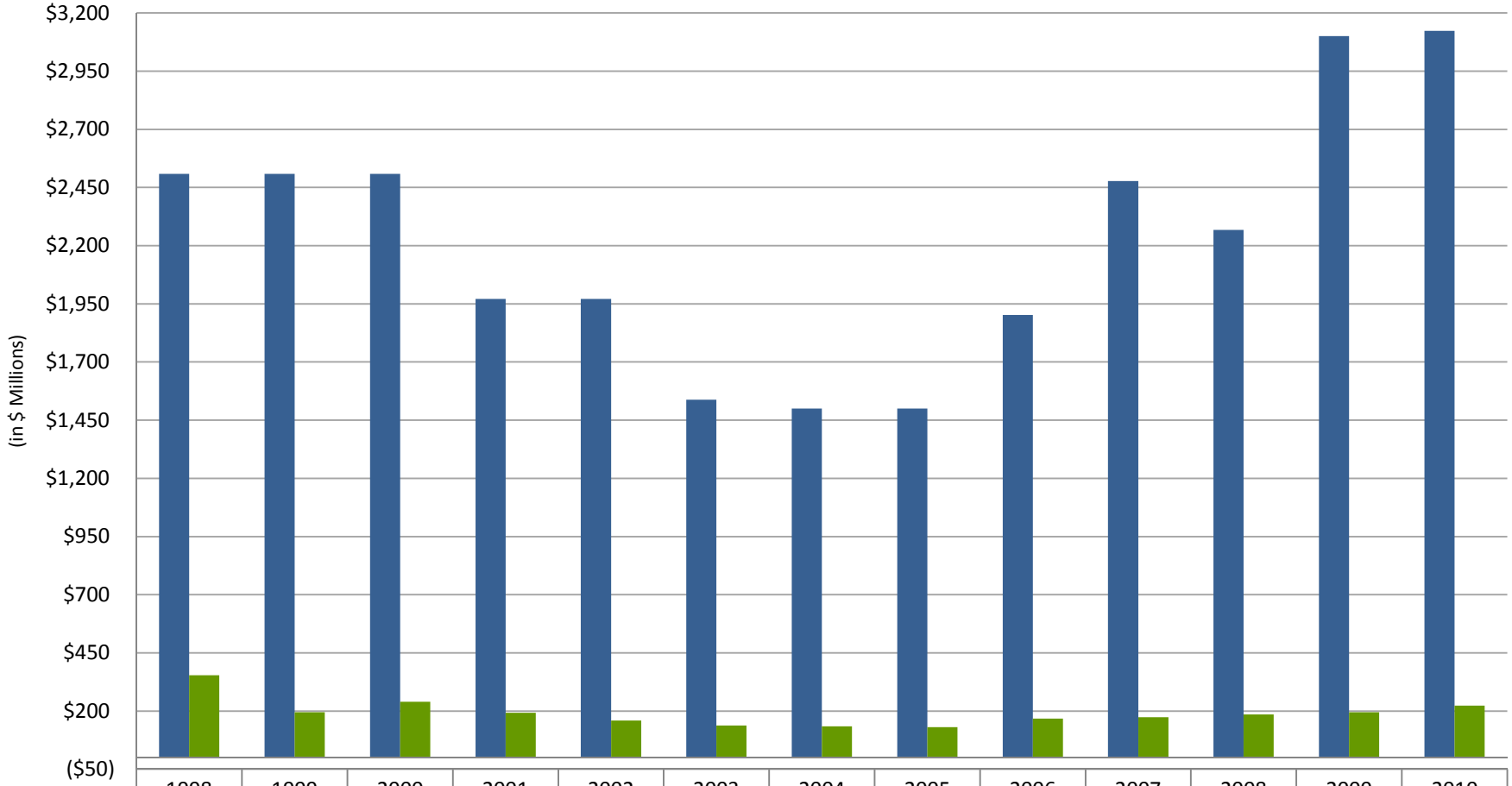
*as of December 31, 2010

California Earthquake Authority
Annual Reinsurance Premium Expense



1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
$354	$195	$240	$193	$159	$138	$134	$131	$167	$174	$185	$195	$223

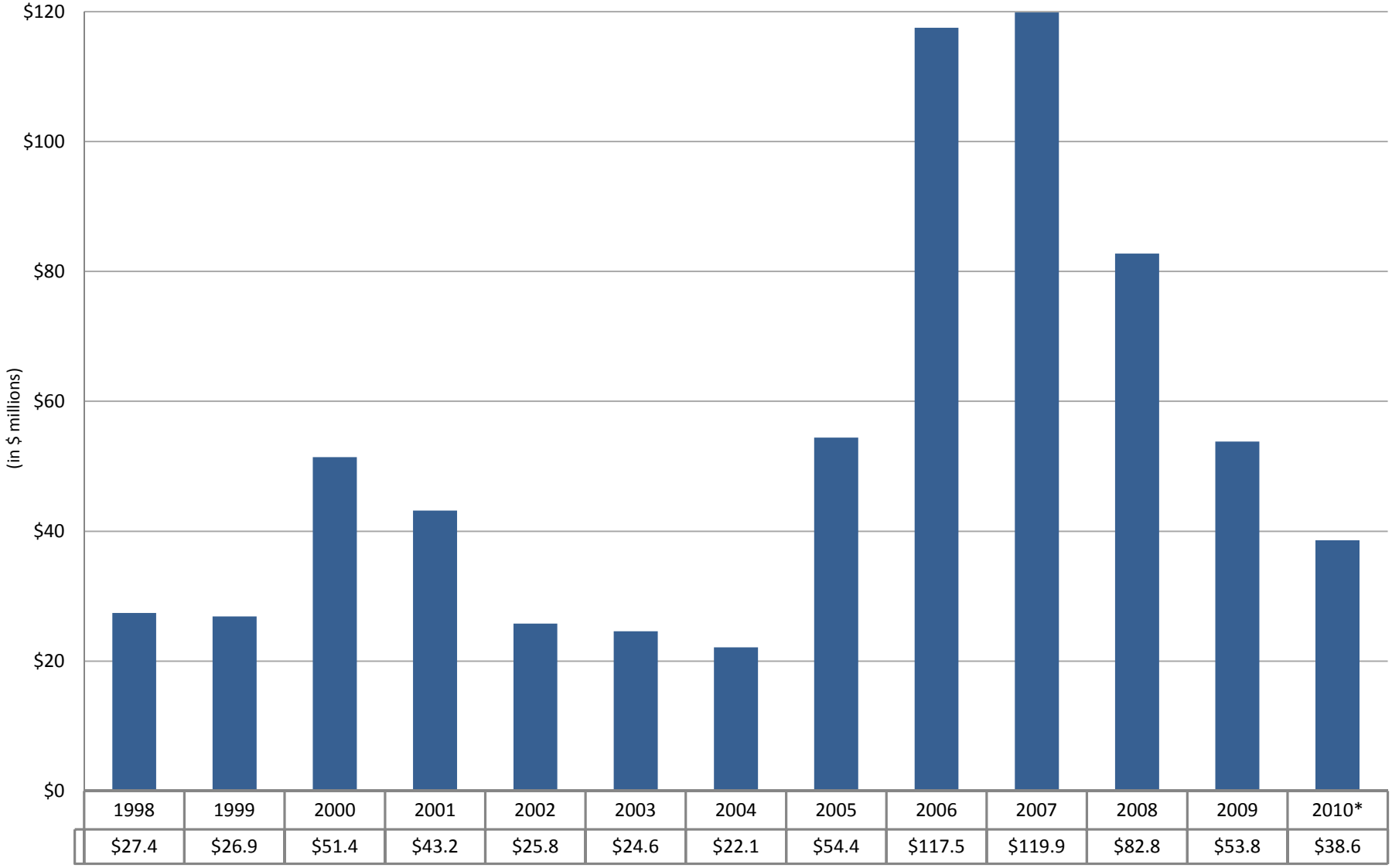
California Earthquake Authority
Annual Reinsurance Premium and Limit*



	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Reinsurance Limit	$2,509	$2,509	$2,509	$1,971	$1,971	$1,538	$1,500	$1,500	$1,902	$2,478	$2,268	$3,100	$3,123
Reinsurance Premium	$354	$195	$240	$193	$159	$138	$134	$131	$167	$174	$185	$195	$223

* Limits through 2005 do not include supplemental coverage while 2006 forward include supplemental coverage.

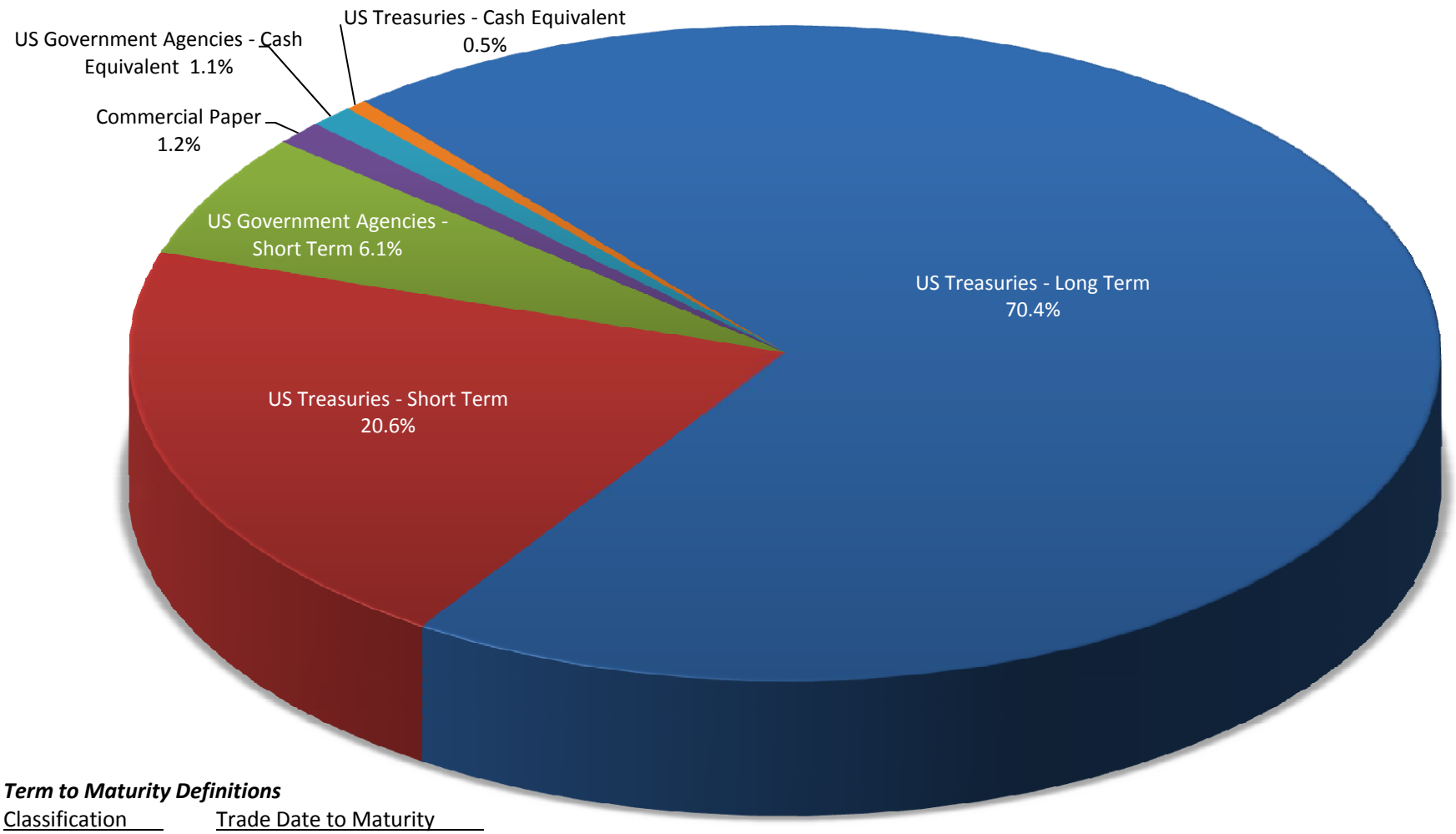
California Earthquake Authority
Annual Investment Income



1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010*
$27.4	$26.9	$51.4	$43.2	$25.8	$24.6	$22.1	$54.4	$117.5	$119.9	$82.8	$53.8	$38.6

*as of December 31, 2010

California Earthquake Authority
Investment Portfolio Distribution*

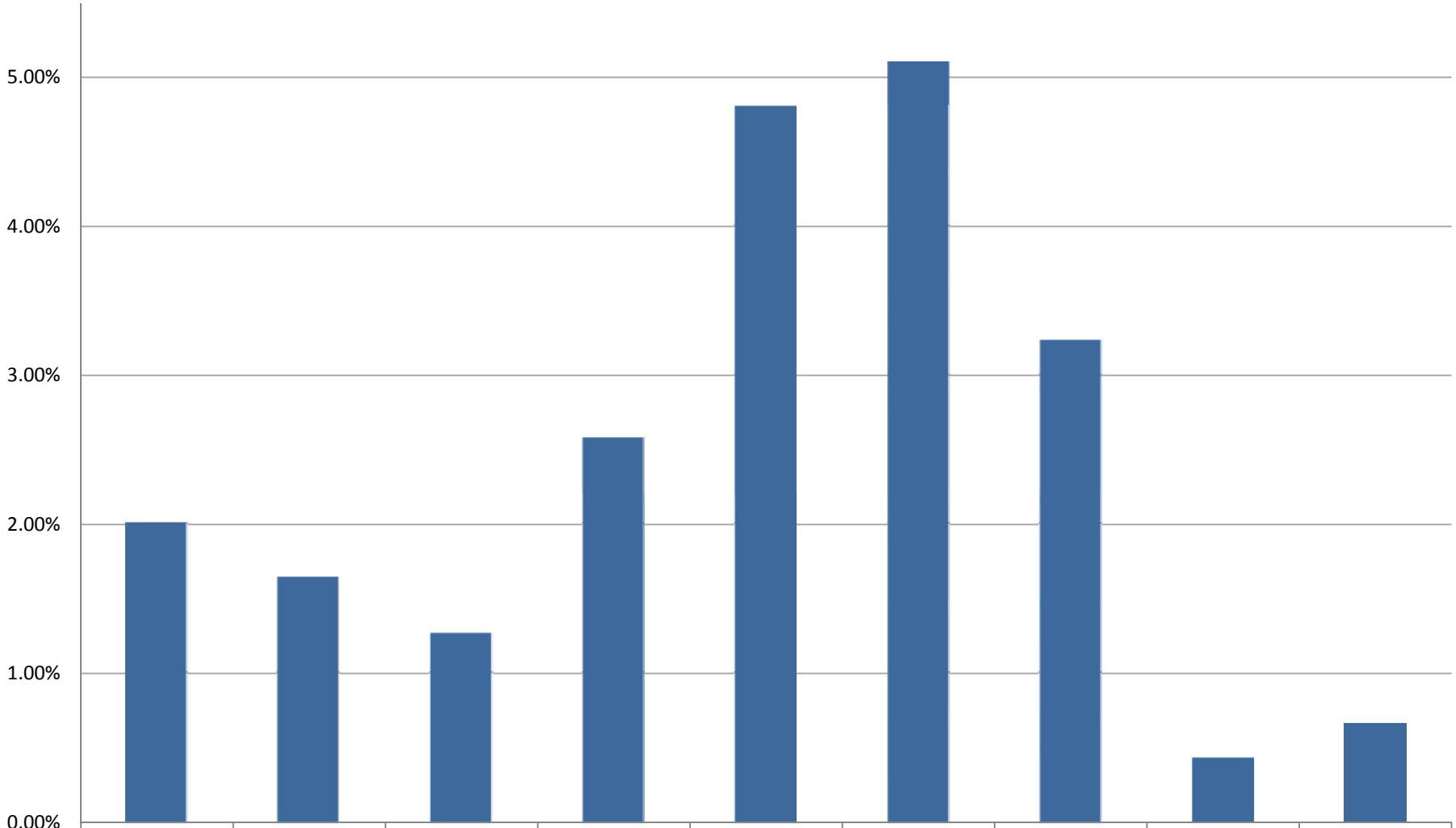


Term to Maturity Definitions

Classification	Trade Date to Maturity
Long Term	≥ 1 year
Short Term	< 1 year and ≥ 90 days
Cash Equivalent	< 90 days

* Based on Market Value as of December 31, 2010

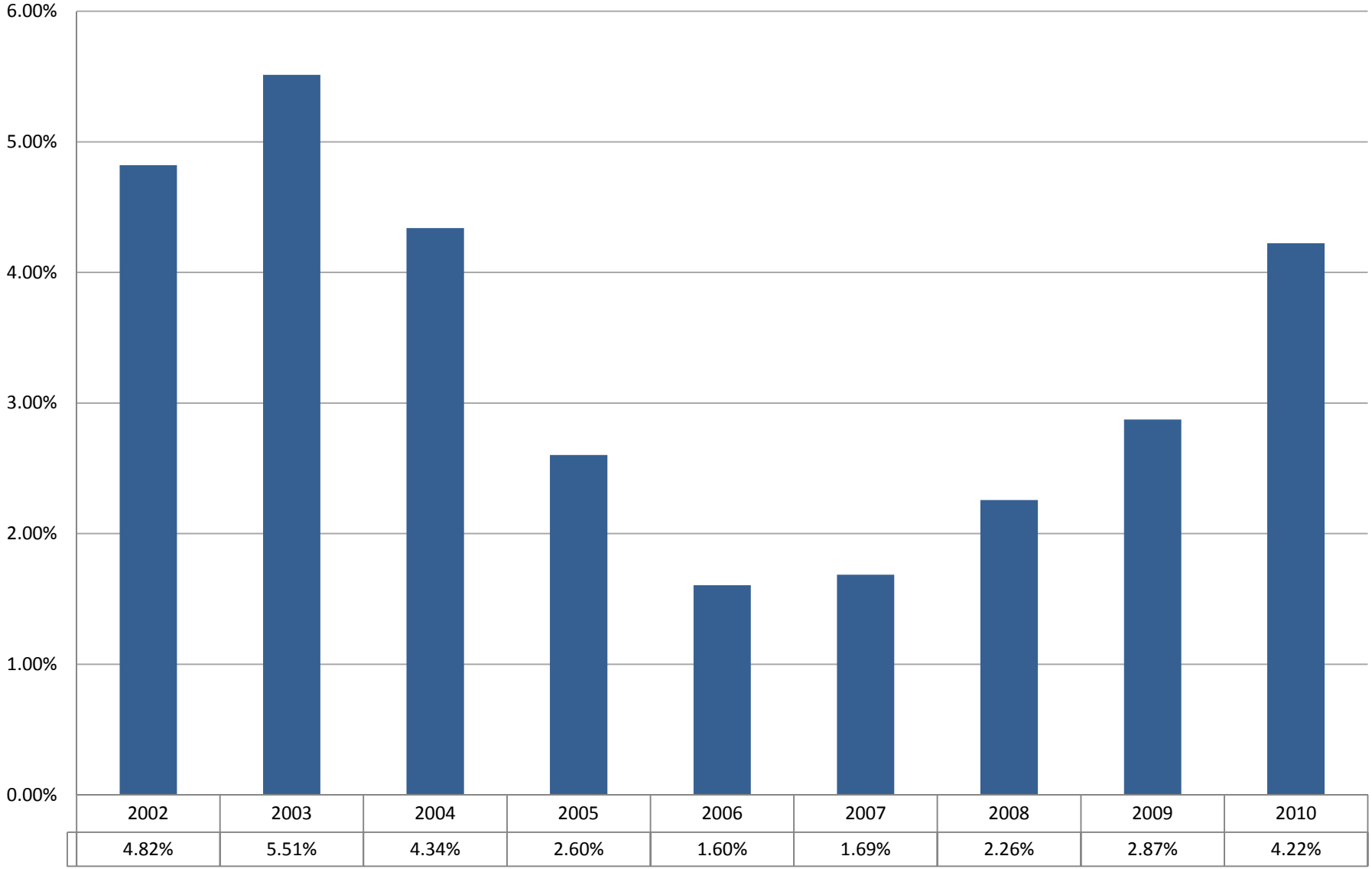
California Earthquake Authority
12-Month Rolling Investment Return*



2002	2003	2004	2005	2006	2007	2008	2009	2010
2.01%	1.64%	1.26%	2.58%	4.80%	5.10%	3.23%	0.43%	0.66%

* Gross of Investment Manager Fees

California Earthquake Authority
Investment Manager Fees as a Percentage of Investment Income



2002	2003	2004	2005	2006	2007	2008	2009	2010
4.82%	5.51%	4.34%	2.60%	1.60%	1.69%	2.26%	2.87%	4.22%

CALIFORNIA EARTHQUAKE AUTHORITY
SCHEDULE OF OUTSTANDING DEBT

DEBT	ISSUANCE AMOUNT	INTEREST RATE	NET PROCEEDS	OUTSTANDING PRINCIPAL	AS OF DATE
Series 2006 Revenue Bonds	**$ 315,000,000**	**6.169%**	**$ 310,829,067**	**$ 189,000,000**	**31-Dec-2010**

DEBT SERVICE SCHEDULE

The table below shows the remaining annual debt service requirements for the Series 2006 Bonds.

Period Ending	Outstanding Principal	Principal	Interest	Debt Service	Annual Debt Service
1-Jan-11	$189,000,000		$5,829,705	$5,829,705	
1-Jul-11	$157,500,000	$31,500,000	$5,829,705	$37,329,705	
2011					$43,159,410
1-Jan-12	$157,500,000		$4,858,088	$4,858,088	
1-Jul-12	$126,000,000	$31,500,000	$4,858,088	$36,358,088	
2012					$41,216,175
1-Jan-13	$126,000,000		$3,886,470	$3,886,470	
1-Jul-13	$94,500,000	$31,500,000	$3,886,470	$35,386,470	
2013					$39,272,940
1-Jan-14	$94,500,000		$2,914,853	$2,914,853	
1-Jul-14	$63,000,000	$31,500,000	$2,914,853	$34,414,853	
2014					$37,329,705
1-Jan-15	$63,000,000		$1,943,235	$1,943,235	
1-Jul-15	$31,500,000	$31,500,000	$1,943,235	$33,443,235	
2015					$35,386,470
1-Jan-16	$31,500,000		$971,618	$971,618	
1-Jul-16		$31,500,000	$971,618	$32,471,618	
2016					$33,443,235

Governing Board Memorandum

February 24, 2011

Agenda Item 5:	CEA Participating Insurers – Maximum Earthquake Loss Funding Assessment Levels – Effective April 1, 2011
Recommended Action:	Approve April 1, 2011, CEA Participating Insurer Maximum Earthquake Loss Funding Assessment Levels

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Background:

California Insurance Code section 10089.25 states,

> "Beginning December 31, 1997, and annually thereafter on the 30th of April, the board shall notify each participating insurer of the maximum earthquake loss funding assessment level that it may be required to meet".

Insurance Code sections 10089.30 and 10089.31 set forth the calculation for determining the maximum aggregate assessments for the so-called "Second Industry Assessment Layer" and "New Industry Assessment Layer" of the CEA financial structure.

Analysis:

Taking legal effect on July 1, 2008, Senate Bill 430 established the CEA's authority to assess its participating insurers through a vehicle commonly referred to as the New Industry Assessment Layer ("New IAL"). This assessment authority was made available to the CEA on December 1, 2008, upon the sunset by law of the CEA's authority to assess its participating insurers in the First Industry Assessment Layer ("1st IAL").

Unlike the 1st IAL, which the CEA could access once it had exhausted its available capital (but before the use of risk-transfer financing), the New IAL sits atop the Second Industry Assessment Layer ("2nd IAL") in the CEA's financial structure. The 2nd IAL and the New IAL can be drawn on only to pay policyholder claims once available capital, proceeds from debt financing actually available and under contract, and other funds actually available and under contract for risk transfer products have been exhausted. CEA participating insurers can be assessed in either or both of the remaining IALs in order to return the CEA's available capital to the statutory minimum capital level of $350 million (see: California Insurance Code sec. 10089.31).

The maximum aggregate assessment the CEA can levy against its participating insurers in the New IAL is $1.406 million, multiplied by the combined earthquake market shares of CEA participating insurers, calculated at the time each insurer joined the CEA (see: California Insurance Code sec. 10089.23(a)(3)).

As a way gradually to decrease the CEA's dependence on its participating insurers for claim-paying capacity, the New IAL is structured to provide for an annual reduction to the CEA's maximum assessment capability. Pursuant to California Insurance Code sec. 10089.33(b)(1), effective April 1, 2011, and on each succeeding April 1st, the maximum aggregate assessment of $1.406 million in the layer is subject to both a 5% annual reduction and a reduction in an amount equal to the "retained earnings differential."

California Insurance Code sec. 10089.33(b)(7) defines the retained earnings differential as:

> "the positive dollar-amount difference between: (A) the authority's positive one-year retained-earnings growth for the preceding calendar year, minus (B) the authority's capacity growth for the preceding calendar year, both calculated as of December 31. As used in this paragraph, "one-year retained-earnings growth" means the difference between the authority's cumulative retained earnings at December 31 of the preceding calendar year and the authority's cumulative retained earnings at December 31 of the year before the preceding calendar year, calculated in accordance with generally accepted accounting principles as of the preceding December 31. As used in this paragraph, the term "capacity growth" is the one-year amount of purchased risk transfer, such as reinsurance, or borrowed risk transfer such as bonds, put in place in the authority's financial structure to account for the authority's aggregate exposure growth over the preceding year ending December 31. The board shall be authorized and entitled, in its sole discretion, to make all final decisions regarding the authority's level of financial strength and security and the authority's choice and use of financing and risk-transfer mechanisms."

Attachment A is the calculation of the annual reduction (commonly referred to as the New IAL "roll-off"), effective April 1, 2011, and the remaining New IAL aggregate assessment amount.

Staff has calculated each CEA participating insurer's CEA earthquake market-share percentage, based on the insurer's written CEA premiums—from this calculation, the CEA determines each insurer's maximum earthquake loss funding assessment level for 2011.

Attachment B shows, for each participating insurer, the maximum earthquake loss funding assessment level it may be required to meet, upon appropriate assessment by the CEA.

<u>Recommendations</u>:

Staff recommends that:

- The Board adopt the New IAL aggregate assessment amount in *Attachment A* effective April 1, 2011.
- The Board adopt the CEA market-share percentages in *Attachment B*, which are used to determine the maximum earthquake loss funding assessment levels for CEA participating insurers, effective April 30, 2011.
- The Board direct and authorize CEA staff to notify each participating insurer of its April 1, 2011, maximum earthquake loss funding assessment level responsibility.

DRAFT – PRELIMINARY
SUBJECT TO CEA CFO REVIEW

Calculation of New Industry Assessment Layer Worksheet

5% of Initial Maximum Aggregate Assessment*(1.780 billion x 5.0%)*				$89,000,000
Retained Earnings Growth			+	**284,369,882**
Capacity Growth:				
New Risk Transfer capacity		$2,850,000,000		
2006 Revenue Bond Proceeds	+	$310,829,067		
Previous Year Risk Transfer capacity	-	$3,122,526,186		
2006 Revenue Bond Proceeds	-	$310,829,067		
Capacity Growth Previous Year	=		-	$0
			=	**$373,369,882**
Prior Year Modified Aggregate Assessment Calculation				$1,406,046,143
April 1, 2011 Aggregate Assessment Reduction			-	$373,369,882
Modified Aggregate Assessment as of April 1, 2011			=	$1,032,676,261
Market Share as of April 1, 2010			x	77.892%
New IAL Assessment Capacity as of April 1, 2011			**=**	**$804,372,193**

CEA Participating Insurers
2011 Maximum Earthquake-Loss-Funding-Assessment Levels - Effective April 1, 2011
(Based on CEA Written-Premium Market Share as of December 31, 2010)
Attachment B

Company Name	CEA Market Share	CA Residential Market Share*	Max Assessment 2nd Layer	Max Assessment New Layer	Total Max Assessments	Written Premium
State Farm Group	35.578115%	18.25938%	$ 554,250,114.37	$ 286,180,468	$ 840,430,582	$ 210,560,240.00
Allstate Group	16.199386%	7.88571%	$ 252,360,515.92	$ 130,303,357	$ 382,663,873	$ 95,872,043.00
Farmers	12.829408%	16.23649%	$ 199,861,642.20	$ 103,196,187	$ 303,057,829	$ 75,927,662.00
USAA	13.447015%	4.26472%	$ 209,482,977.31	$ 108,164,049	$ 317,647,026	$ 79,582,818.00
Inter-Ins. Exchange	6.481341%	4.14146%	$ 100,968,917.53	$ 52,134,102	$ 153,103,020	$ 38,358,205.00
Safeco	5.200130%	2.18792%	$ 81,009,708.22	$ 41,828,401	$ 122,838,110	$ 30,775,679.00
CSAA	4.162335%	5.68290%	$ 64,842,522.46	$ 33,480,667	$ 98,323,189	$ 24,633,747.00
Liberty Mutual	2.420002%	3.20598%	$ 37,699,759.73	$ 19,465,823	$ 57,165,583	$ 14,322,181.00
Mercury	2.362190%	2.58660%	$ 36,799,141.18	$ 19,000,800	$ 55,799,941	$ 13,980,035.00
Allstate-Encompass (97 - 99 CNA)[1]	0.000000%	0.00000%	$ -	$ -	$ -	$ -
FAIR Plan	0.759088%	0.86742%	$ 11,825,371.78	$ 6,105,890	$ 17,931,262	$ 4,492,472.00
Foremost	0.374933%	1.27180%	$ 5,840,851.41	$ 3,015,854	$ 8,856,706	$ 2,218,946.00
Armed Forces	0.122369%	0.06270%	$ 1,906,309.19	$ 984,300	$ 2,890,609	$ 724,209.00
ACA[2]	0.000000%	0.00000%	$ -	$ -	$ -	$ -
Homesite	0.056475%	0.28002%	$ 879,784.19	$ 454,266	$ 1,334,050	$ 334,231.00
Garrison[3]	0.000000%	0.00000%	$ -	$ -	$ -	$ -
Merastar	0.000000%	0.00694%	$ -	$ -	$ -	$ -
Golden Eagle	0.005125%	0.00324%	$ 79,833.93	$ 41,221	$ 121,055	$ 30,329.00
Commerce West	0.002089%	0.01277%	$ 32,550.58	$ 16,807	$ 49,358	$ 12,366.00
TOTAL **	**100.00000%**	**66.95604%**	**$ 1,557,840,000.00**	**$ 804,372,193**	**$ 2,362,212,193**	**$ 591,825,163.00**

* Based on California Department of Insurance 2009 California Market-Share Report. The 2010 California Market-Share Report will not be publicly available until May 2011.

[1] Allstate-Encompass was combined with Allstate Group

[2] ACA was combined with CSAA

[3] Garrison was combined with USAA

Draft for discussion purposes only - CEA CFO has not finally reviewed this document.

Governing Board Memorandum

February 24, 2011

Agenda Item 6:	Transformer reinsurance program financed through capital markets
Recommended Actions:	Approve continuing transformer-reinsurance contract negotiations; direct staff to bring the transaction to Board for final approval when negotiations are complete

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Background:

The CEA continues to explore additional sources of risk transfer to diversify its risk-transfer capacity. The option proposed and presented today is a reinsurance contract that allows the reinsurer to pass through CEA's risk to the capital markets—this type of transaction is referred to as a "transformer" reinsurance catastrophe bond transaction.

Staff has been working with various entities to develop a transaction that would achieve three critical goals, annotated here with the intended benefits of the proposed arrangement:

1. **A multi-year reinsurance contract**
   - ✓ The proposed transformer reinsurance contract is a vehicle for the CEA to access a multi-year, collateralized reinsurance contract.
2. **Collateralized risk-transfer capacity, as part of a mechanism of indirect access (by CEA) to the broader capital markets**
   - ✓ The proposed transformer reinsurance contract provides terms similar to those of CEA's existing reinsurance contracts but with necessary modifications, mostly for the multi-year and collateralized nature of the contract—the capital-markets sourcing of capital allows this favorable multi-year arrangement, and 100%-of-limit collateralization adds a strong security feature.
3. **Diversified risk-transfer sources, in addition to traditional reinsurance markets**
   - ✓ The reinsurer will fund the reinsurance limit through the capital markets, i.e., a catastrophe bond. This method should enable CEA to purchase risk transfer at prices lower than those presently found in traditional reinsurance markets.

Analysis:

1. Details of proposed reinsurance contract.

   Diagram A shows the basics of the transaction structure and the respective roles of the CEA and the special purpose reinsurance vehicle (SPRV) that provides the multi-year contract.

A collateral agreement between the CEA and the SPRV will provide financial security for the reinsurance contract.

- The proposed collateral arrangement is similar to CEA's long-standing practice, that when a reinsurer does not meet the letter of the CEA's "Guidelines for Sources of Claim-Paying Capacity" but still wishes to participate in CEA's reinsurance program, that reinsurer must provide collateral, locked in place through a collateral agreement.
- The CEA will require the SPRV to put up collateral (*in an amount equal to 100% of the reinsurance limit*) in a trust account in a New York bank and execute a CEA-provided form of collateral account control agreement—this must be accomplished before the reinsurance contract is signed, to assure that collateral is in place that fully supports the contract.

The three-year reinsurance contract covers losses on an annual aggregate basis (as do all of the CEA's one-year reinsurance contracts) and has a "reset" provision for deductible and premium for the 2nd and 3rd years.

- At each contract anniversary, the reset provision will allow the parties to redetermine both the dollar-value attachment point and the dollar-value exhaustion point, which together with the remaining available reinsurance limit (note that the limit can only be reduced by loss payments to CEA under the contract) will be used to determine the following year's reinsurance premium.
- The reinsurance contract attachment point "drops down" in CEA's financial structure when (1) the CEA has losses in a one-year period but (2) the one-year total loss is not sufficient to trigger a 100% loss to the reinsurance contract.
    - At the next anniversary of the reinsurance contract, the attachment point of the next year of the reinsurance contract is adjusted for the prior-year CEA losses.
    - Reinsurers expect more premium if the risk of paying losses is higher—when there is a drop-down, the risk of paying losses in the drop-down year is obviously higher than before the drop-down occurred.
- A schedule will show the range of the drop-down and the associated increase in reinsurer premium; the annual reinsurer premium will still be less than what CEA would expect to pay for a traditional reinsurance contract at the same risk level.
- If CEA losses are below an established threshold, the reset provision will put the probability of attachment for subsequent contract periods at the same level as for the initial contract period—i.e., the reinsurance premium will not change.
- The actual attachment point for subsequent contract periods can move up or down, depending on changes in CEA policy count, CEA policy exposure, and earthquake modeling.
- The probability of attachment will be calculated by a modeling firm using the CEA's most current portfolio and the latest commercially available model.

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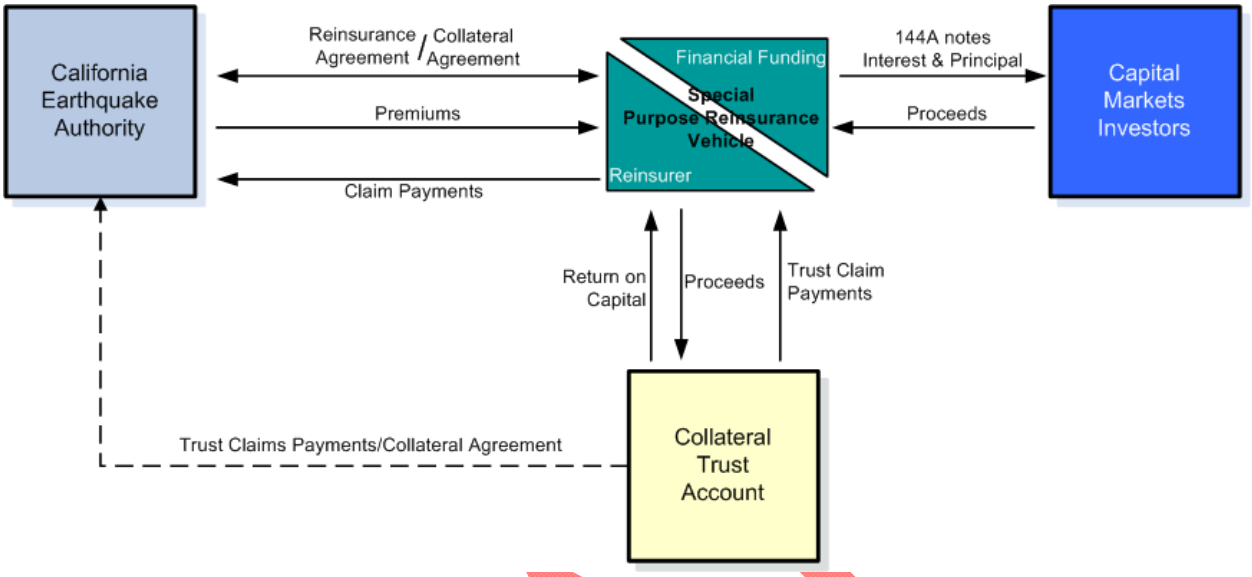
Diagram A shows the reinsurance transformer transaction.

Diagram A - Transformer Reinsurance Catastrophe Bond Transaction



2. <u>Primary Financial Risks of Proposed Transformer Reinsurance Transaction</u>

- Basis Risk
  - For CEA, basis risk is the risk that contract payments to CEA by the reinsurer would not equal CEA losses.
  - CEA has taken effective steps to mitigate basis risk.
    - The transformer contract pays *actual CEA losses*, calculated using standard provisions in CEA's traditional reinsurance contract.
    - The collateral agreement permits investment *only* in U.S. Treasury money market mutual funds. This reduces the risk that the rate earned on investments might differ from the interest due to investors—it also mitigates the risk that collateral-account investments might not be liquid or available when needed.
- Liquidity Risk
  - For CEA, the primary liquidity risk is the risk that CEA's right to receive reinsurance-contract payments would be limited to reimbursement of CEA's actual, prior payment to its policyholders—any such limitation would obviously impair CEA's ability to maintain necessary liquid-asset levels.
  - CEA would mitigate liquidity risk with transformer-contract provisions that require the SPRV to pay for *both paid and estimated amounts* within 30 days of a CEA request for payment. This is similar to the provision in CEA's traditional reinsurance contracts.

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- Counterparty Risk
  - This is the risk that the reinsurer might be unwilling or unable to pay covered losses according to the reinsurance contract.
  - CEA has mitigated this risk by requiring that the SPRV fund a *collateral account* in the total amount of the transformer reinsurance contract limit before CEA executes that contract.
    - The SPRV also will execute a collateral agreement with the CEA that gives CEA control of the collateral account if the SPRV does not meet its obligations under the reinsurance contract.
    - CEA has used this mechanism for certain traditional reinsurance contracts, when the reinsurer may not meet requirements of the CEA's *Guidelines for Sources of Claim-paying Capacity*.
- Execution Risk
  - The execution risk in the proposed transformer transaction is simply the risk that the transaction might not be completed ("executed").
    - The execution risk here is that, as with all catastrophe-bond transactions, the SPRV might not be able to sell the catastrophe bonds—proceeds of that sale are to be used to fund the collateral account. An incomplete sales transaction could occur because some terms and conditions of the transformer reinsurance contract are unique, different from other catastrophe-bond transactions.
    - There is reason to believe, however, that because there is a relatively limited supply of outstanding *earthquake* catastrophe bonds in the market, that investors would be attracted to single-peril California-earthquake catastrophe bonds, to offset their exposure to hurricane catastrophe bonds—and this should help mitigate execution risk.
    - Still, the SPRV will need to demonstrate in its sales efforts (conducted without CEA input or participation) that the provisions in the catastrophe bond transaction are both necessary for the CEA and fair to investors.

3. Benefits of Proposed Transformer Reinsurance Transaction

- Diversify CEA's risk-transfer capacity by use of a capital-markets transaction
  - The supply of acceptably priced traditional reinsurance capacity available for the CEA in the traditional reinsurance market is not without limitation: If and when rising CEA reinsurance-purchase levels exert serious upward pressure on pricing, or for whatever reason capacity pricing rises significantly, the CEA and its policyholders will benefit from the diversifying effects of transformer reinsurance.
  - The transaction is designed to be *repeatable and scalable*, and once established, it can be redone and grown, to provide additional, diversified capacity for CEA each year.

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- It is a fully collateralized reinsurance transaction, offering 100%-of-limit, on-shore security to back up the reinsurance-contract.
- The unit pricing of the transaction will be lower than for CEA's traditional reinsurance.
- The ability to replenish capital after claim payments is key to CEA survivability—this transaction offers a means of capital replenishment.
- Unlike the traditional reinsurance marketplace, which has recently offered CEA primarily single-year contracts, the proposed transaction has at its core a highly advantageous *multi-year* reinsurance agreement, offering as well an attachment point considerably lower than the CEA's traditional reinsurance program.

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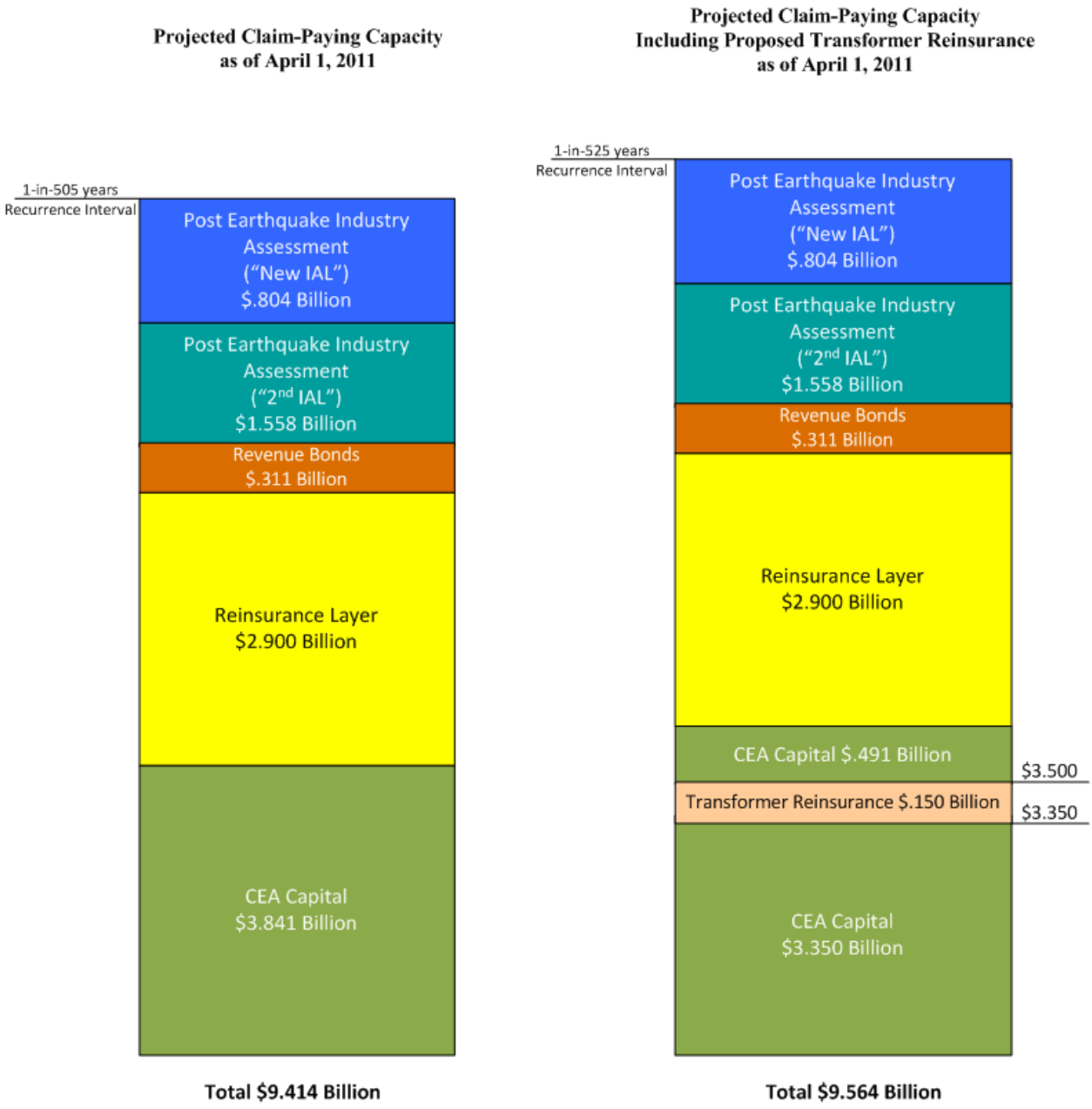
Diagram B illustrates CEA's current financial structure, projected for April 1, 2011, and a proposed structure, which includes the transformer reinsurance projected for April 1, 2011.



Notes on Contract Terms and Conditions

1. Because the binding and effective dates of this contract would be the same, there is no risk of erosion through losses (that is, if those dates were sequential, there could be such risk after the earlier date and until the effective date).

2. The CEA will become obligated to pay transformer-reinsurance premium based on the contract limit for the first full year of coverage, but CEA would pay premium to account only for the remaining reinsurance limit in years two and three. The contract allows premiums for years two and three to be adjusted to account for an increase in risk of loss to the reinsurance contract.

3. As in CEA traditional reinsurance contracts for the past number of years, this contract would provide for no mandatory reinstatement of coverage or require of the CEA a corresponding reinstatement premium. (NOTES: If a reinsurance contract has a reinstatement clause (again, CEA reinsurance contracts do not), when reinsurance coverage under a contract is reduced by loss from one occurrence, the reinsurance limit is *automatically* reinstated—the reinstated limit entitles the reinsurer to an additional reinsurance premium. The reinstatement term usually incepts at the date of the last loss and runs only through the end of the original coverage period.)

4. The contract excludes from coverage certain CEA exposure growth:
    - If CEA's policy count increases by 10% or less in a 12-month period, the contract simply covers any resulting additional exposure.
    - If, however, CEA's policy count increases by more than 10% in a 12-month period, the increase above 10% would effectively reduce the reinsurance limit and CEA would retain the percentage above the 10% mark on a quota-share basis.

Conclusion

This transaction is an opportunity for the CEA to accomplish four key objectives:

1. accessing the capital markets for a part of its risk-transfer needs, thus diversifying its risk-transfer counterparties;
2. obtaining risk-transfer pricing lower than traditional-reinsurance pricing;
3. providing for a repeatable reinsurance contract funding for the future; and
4. securing a multi-year, fully collateralized contract.

Capital-markets investors are attracted to single-peril California earthquake coverage; there will be opportunity to grow the investor base over time and therefore grow this risk-transfer capacity. All such steps represent diversification of the capacity sources and cost-savings for CEA and its policyholders across the State.

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Recommendation:

The proposed option for the transformer reinsurance contract reflects the Board's continuing direction to staff to work to put in place the highest-quality financial products, on the best terms, and at the lowest possible cost.

Although CEA staff is in continuing discussions with the SPRV and hopes to complete the negotiations in the near future, negotiations for terms on the transformer reinsurance contract are not final. For that reason, and to recognize the potential for new and positive opportunities for CEA available through these transformer arrangements, staff asks that the Board (1) approve continuing negotiation of terms for the transformer reinsurance transaction and (2) instruct staff that when the negotiations are complete, staff should bring the transaction to the Board for its final consideration and approval.

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Governing Board Memorandum

February 24, 2011

Agenda Item 7: CEA Advisory Panel update—Wayne Coulon

Recommended Action: No action required - information only

CEA Advisory Panel Chair Wayne Coulon will provide a summary of the proceedings from the January 20, 2011, and February 14, 2011, Advisory Panel meetings.

Governing Board Memorandum

February 24, 2011

Agenda Item 8: Proposed Rate and Form Application

Recommended Actions:

1. Approve the rate and form application and its supporting documents; instruct staff to submit the rate and form application to the Insurance Commissioner for consideration and approval.

2. Support approaching the Insurance Commissioner to determine whether regulations governing CEA policy offerings should be modified to allow introduction of the newly proposed "Homeowners Choice" product.

Background:

The CEA's loss modeler, EQECAT, has incorporated the most recent scientific information into its USQuake™ WORLDCAT enterprise model to analyze the CEA's portfolio. The resulting reduction in the estimated average annual loss provides CEA the ability to fund a statewide average rate decrease and enhance coverages in a number of ways that increase CEA product value—this staff recommendation is well grounded in consumer research and feedback.

Based on these modeling results, CEA staff has thoroughly analyzed the CEA's 2010 mid-year portfolio to prepare a new rate and form application for the Board's consideration and approval.

The application proposes:

- a 12.5% decrease in the CEA's statewide average rates;
- a Homeowner coverage enhancement that expands "Other Coverages" to include $1,500 in coverage–*subject to no deductible*–for emergency repairs to protect the covered property from further damage, secure the residence premises, or restore dwelling habitability;
- a revised rate-classification plan;
- a rating territory reassignment;
- introduction of a minimum-premium rule for each CEA product
- a new edition of each of the CEA's policy forms, incorporating new coverage enhancements and refinements in coverage, definitions, and policy language; and
- introduction of Homeowners Choice, a new CEA homeowners product offering.

The proposed changes may cause individual policyholders to see their rates increase or decrease, depending on the product, the location of the insured property, and related rating factors.

- Based on their current coverage limits, of the more than 652,000 CEA homeowner (dwelling) policyholders, about 68.4% (446,000) would see a premium decrease and an

additional 27% (176,000) would see an increase of less than $10 per month.

- Some policyholders in Imperial and San Benito counties would see higher than average premium increases because of new scientific assessments identifying overall higher earthquake risk in parts of those counties.

All proposed changes are to be implemented for new and renewal policies effective January 1, 2012, or later. Coverage enhancements differ depending on product but would apply to all policyholders upon policy renewal.

Advisory Panel action. Under California Insurance Code section 10089.26(a)(2), the CEA Advisory Panel is responsible for approving and submitting condominium earthquake-loss-assessment-coverage rates to the Board. At its January 20, 2011, meeting, the Panel reviewed staff's analysis of condominium earthquake-loss-assessment rates and voted unanimously to support staff's proposed pricing for that coverage.

Insurance Commissioner review. Staff is asking Board support to submit the application to the Insurance Commissioner for regulatory review and approval. In addition, however, and based on the features of the proposed "Homeowners Choice" product, the Commissioner may wish to consider amending his regulations governing CEA policy offerings to accommodate the new product—but if a regulatory change is indicated, that process could parallel the rate-application review process.

Overview of the proposed rating and coverage changes.

Rate Classification Plan

The revised rate classification plan introduces "foundation type" as a dwelling attribute, and further divides dwelling foundations into three sub-types:

- Slab
- Raised
- Other

This change would remove the "rate reversal" that occurs for retrofitted houses:

- Currently, a retrofitted house built before 1979 on a raised foundation receives a 5% hazard-mitigation discount. After discount application, the house has a lower premium than a house on a raised foundation with an unbraced cripple wall, as it should—but it also has a lower premium than a similarly situated house on a slab foundation, which is contrary to engineering expectations. The proposed classification relativities simply remove this reversal.
- Implementing foundation-type rating is also proposed to establish a rating plan that will accommodate a broader hazard-mitigation discount, which the CEA is exploring for a future filing.

Rating Territory Reassignment

The proposal would reassign selected San Benito and Santa Clara County ZIP Codes from Territory 27 to Territory 20. The ZIP Codes affected are 95023, 95043, 95045, and 95075, all of which are now rated at the lowest rate CEA offers.

A review of the modeled loss costs in these areas reveals *higher* than average expected losses and therefore a need to rate the ZIP Codes in a manner more consistent with expected losses.

New Editions of Policy Forms—Coverage Enhancements

The rate and form application includes a new edition of each of the CEA's policy forms incorporating new coverage enhancements; and, refinements in coverage, definitions, and/or policy language.

Homeowners

The proposed new edition of the CEA Basic Earthquake Policy—Homeowners (currently denoted "BEQ-3A") includes enhancements and refinements in coverage, new definitions, and revised policy language.

1. "Other Coverages" would be broadened to include $1,500 in coverage–*not subject to the deductible*–for emergency repairs to protect the covered property from further damage, secure the residence premises, or restore habitability of the dwelling.
   a. The coverage would be broadened to include broken-glass removal and repair or replacement of covered broken windows or other structural glass.
   b. The balance of the total available limit for emergency-repairs coverage (5% of the policy limit of insurance for the property being protected) would be subject to the deductible.
2. Coverage C (Personal Property) would be expanded to include debris removal coverage.
3. "Property Not Covered – Coverage A and Coverage B" would be clarified to state that the only coverage for additional costs related to enforcement of an ordinance, law, or residential building code is that provided under the Building Code Upgrade coverage.
4. A new deductible calculation would limit to $5,000 the amount of chimney damage that could be applied to the deductible (as was the case in editions of the policy in effect before the current version).
   a. This $5,000 maximum is equal to the standard CEA chimney sublimit.
   b. The change is needed to align coverages with the proposed new CEA Homeowners Choice product and to ensure consistent claims practices between policy forms.

Common Interest Development (Condominium)

The proposed new edition of the Basic Earthquake Policy—Common Interest Development (Condominium) policy form (currently denoted "BEQ-6A") includes the following common-interest-development-specific coverage refinements and clarifications:

1. "Other Coverages" would be broadened to increase coverage for emergency repairs to protect the covered property from further damage, secure the residence premises, or

restore habitability of the dwelling. The present limit is $1,250, which would rise to $1,500. The coverage would be broadened to include broken-glass removal and repair or replacement of covered broken windows or other structural glass.

2. "Property Not Covered – Coverage A Dwelling" would be clarified to state that the only coverage for additional costs related to enforcement of an ordinance, law, or residential building code is that provided under the Building Code Upgrade coverage.
3. Coverage E – Loss Assessments.
   a. "Losses Covered – Coverage E Loss Assessments" would state that only assessments made as a result of loss to structures or other real property are covered—this would clarify that the property itself must be a structure or other real property.
   b. "Property Not Covered – Coverage E Loss Assessments" would be clarified to state that the policy does not provide coverage for loss or damage to land, including land underlying any structure.
   c. "Property Not Covered – Coverage E Loss Assessments" would be clarified to state that the policy provides no coverage for loss or damage to walkways, driveways, decks, or patios *except* the portions of walkways, driveways, decks, or patios necessary for regular pedestrian ingress or egress (by the occupants of that residential structure) from the residential structure that contains the dwelling unit. Currently the policy provides coverage only for pedestrian access to "the dwelling unit."

<u>All policy forms</u>

All proposed new policy forms include the following enhancements and refinements in coverage, definitions, and policy language.

1. Introduction of a new $25,000 limit option for Coverage D – Loss of Use.
2. Introduction of new or revised sublimits for Coverage C – Personal Property.
   a. A new $250 sublimit for securities, checks, cashier's checks, traveler's checks, money orders and other negotiable instruments, accounts, deeds, evidences of debt, letters of credit, passports, notes or other bank notes, manuscripts, and tickets.
   b. The present sublimit of $1,000 for computers and other electronic processing equipment would be increased to $3,000, whether or not it is business property.
   c. The present sublimit of $300 for business property other than computers and electronic processing equipment would be increased to $1,000.
3. Property Not Covered – Coverage C would be refined to include the following:
   a. A clarification regarding animals not covered ("pets, birds, fish, livestock, and other animals" in lieu of just "animals").
   b. Update of the exclusion for automotive electronic and media devices to include within its scope more recently developed devices such as digital audio players (MP3 players) and global positioning system (GPS) devices.
4. In compliance with the California Insurance Equality Act, the definition of "Insured" would be expanded to include a domestic partner, as defined in California Family Code section 297, if the domestic partner resides in the named insured's household.
5. Losses Excluded would be refined as follows:

    a. Water-damage exclusion would be expanded to include failure of dams, levees, berms, or sea walls.
    b. War exclusion would be expanded to include acts of terrorism.
6. Coverage D – Loss of Use, including Additional Living Expense and Loss of Rent, would be broadened and clarified to include both of the following:
    a. Coverage when "covered extensions to the dwelling" are damaged.
    b. Coverage if a civil authority prohibits the insured from occupying the dwelling because of direct damage to other premises in the area.

Homeowners —New Product: "Homeowners Choice"

To bolster product value and empower consumers with more control over their residential earthquake insurance premium, the rate and form application introduces a brand new product: "Basic Earthquake Policy—Homeowners Choice" incorporates significant coverage enhancements.

Homeowners Choice offers more choice in coverage options and delivers more immediate policy benefits after an earthquake for those who own a 1–4-unit family dwelling or a manufactured home (mobilehome). The proposed new product includes:

1. Separate deductibles for Coverage A – Dwelling and Coverage C – Personal Property.
    a. A separate deductible option of either 15% or 10% for <u>each</u> coverage.
    b. The Coverage C – Personal Property deductible would be <u>waived</u> if the Coverage A – Dwelling deductible is met by loss to covered structural property.
2. The option to purchase <u>only</u> Coverage A – Dwelling and Coverage B – Extensions Dwelling, with an option to purchase, in addition, Coverage C – Personal Property or Coverage D – Loss of Use, or both.
    a. If Coverage C – Personal Property is purchased, the Coverage C – Personal Property deductible will be waived if the Coverage A – Dwelling deductible is met by loss to covered structural property.
3. "Other Coverages" would include a $1,500 in coverage–*subject to no deductible*–for emergency repairs to protect the covered property from further damage, secure the residence premises, or restore habitability of the dwelling. The coverage would pay for removal of broken glass, and to repair or replace broken windows or other structural glass. (The balance of the total available limit for emergency repairs coverage, equal to 5% of the policy limit of the insurance for the property being protected, would be subject to the deductible.)

By offering more choice in coverage options, consumers would be empowered to manage their residential earthquake insurance premium—these features therefore enhance both availability and affordability.

A New 'Minimum Premium Rule'

The rate application also introduces a minimum premium for each CEA product, as follows:

Homeowners	$ 100.00
Mobilehome owners	$ 50.00
Renters	$ 35.00
Common Interest Development (Condominium)	$ 35.00

The purpose of the minimum premium is to cover the CEA's fixed expenses to issue a policy.

Schedule of attachments to this memorandum:

Attachment A – Proposed Rate and Form Application
Attachment A-1 – Proposed CEA Rate Manual
Attachment A-2 – Current CEA Rate Manual
Attachment A-3 – Proposed Basic Earthquake Policy – Homeowners – BEQ3-B (xx/20xx)
Attachment A-4 – Current Basic Earthquake Policy – Homeowners – BEQ-3A (01/2003) – including edits for comparison purposes
Attachment A-5 – Current Basic Earthquake Policy – Homeowners – BEQ-3A (01/2003) – unedited
Attachment A-6 – Proposed Basic Earthquake Policy – Homeowners Choice – BEQ3-C (xx/20xx)
Attachment A-7 – Proposed Basic Earthquake Policy – Renters – BEQ4 -B (xx/20xx)
Attachment A-8 – Current Basic Earthquake Policy – Renters – BEQ4-A (01/2003) – including edits for comparison purposes
Attachment A-9 – Current Basic Earthquake Policy – Renters – BEQ4-A (01/2003) – unedited
Attachment A-10 – Proposed Basic Earthquake Policy – Common Interest Development – BEQ6-B (xx/20xx)
Attachment A-11 – Current Basic Earthquake Policy – Common Interest Development – BEQ6-B (01/2003) – including edits for comparison purposes
Attachment A-12 – Current Basic Earthquake Policy – Common Interest Development – BEQ6-B (01/2003) – unedited
Attachment A-13 – Proposed CEA Earthquake Insurance Application (xx/20xx)
Attachment A-14 – Proposed CEA Earthquake Insurance Application Instructions (xx/20xx)
Attachment B – Illustration of impact on policyholders' annual premiums and rates

Analysis:

Staff's thorough analysis of the CEA's mid-year 2010 portfolio used the best available scientific information for assessing earthquake frequency, severity, and loss, as required by law. The resulting rate recommendation is the result of actuarial analysis based on an EQECAT loss analysis of the CEA's book of business as of June 30, 2010, and a review of CEA expenses.

Supporting this rate application is the most current version of the EQECAT USQuake™ WORLDCAT enterprise model (WCe 3.15) used by the CEA's loss modeler, EQECAT, and significant knowledge gained from the unprecedented scientific, engineering, and actuarial review of the CEA's ratemaking process, including all components of the EQECAT earthquake model, completed in 2005.

The EQECAT USQuake™ WCe 3.15 model was released on July 31, 2010 and incorporates the "latest available scientific information" consistent with the "state-of-the-art" of scientific knowledge of California seismic hazard, as required by the CEA enabling legislation.

- The basic seismic hazard in the model was directly developed from the June 2008 USGS-CGS time-independent implementation of the Uniform California Earthquake Rupture Forecast (UCERF 2.0) model.
- EQECAT then incorporated time-dependent probabilities into the model from data provided by the Working Group on California Earthquake Probabilities (WGCEP 2007), which is also used in the UCERF model.
- The EQECAT USQuake™ WCe 3.15 model update also incorporated both of the following:
  - an updated vulnerability functions to be consistent with Next Generation Attenuation (NGA) equations, and
  - a refinement to the Contents loss calculation.

In addition, feedback gathered through ongoing analysis and research focusing on consumers perceptions of residential earthquake insurance clearly indicates demand for increased product value, including the availability of more choice in coverage options.

Recommended Actions:

CEA staff recommends that the Governing Board:

1. approve the rate and form application, which includes the associated new CEA Rate Manual, a revised CEA Earthquake Insurance Application, a new edition of each of the CEA's residential earthquake insurance policy forms, and a new policy form for the proposed "Homeowners Choice" product; and
2. instruct CEA staff to submit the complete application to the Insurance Commissioner for consideration and approval.

In addition, staff asks that the Board support an approach by staff to the Insurance Commissioner to pursue the question of whether regulations governing CEA policy offerings should be modified to allow introduction of the newly proposed "Homeowners Choice" product.

STATE OF CALIFORNIA
DEPARTMENT OF INSURANCE (CDI)
Edition Date: 3/17/2010

Company Name **California Earthquake**
Line of Insurance **EARTHQUAKE**

PRIOR APPROVAL RATE APPLICATION

Completed by: S. Ackerman **Date:** 2/15/2011

Your File #: CEA2011A
(15 Characters Maximum)

☐ SERFF ☐ CD (plus 1 paper copy) ☑ Paper (1 original plus 1 copy)

Does this filing include a variance request? No

Is this a variance request submitted after the prior approval application to which it applies? No

If yes, provide the applicable CDI File Number:

Does this file contain group data? No

Note: Complete page 2 if this is a group filing

Is this a specialty filing? No

Latest applicable CDI file number in this line, subline and/or program:
07-4630, 07-5872

Company Name California Earthquake Authority

NAIC Company Code 10779

Group Name N/A

NAIC Group Code N/A

Organized under the Laws of the State of California

DEPARTMENT USE ONLY

Filing No.:

SERFF No.:

Date Filed:

Compliance Date:

Date Public Notified:

Deemer Date:

Intake Analyst:

Bureau & Senior:

Group Filing: Yes ☐ No ☐

X-Reference No.:

☐ Rate ☐ New Program ☐ Rule

☐ Form ☐ Variance ____% Change

Line Type PERSONAL

Line of Insurance: EARTHQUAKE

Subline

Program Residential

Home Office 801 K Street, Suite 1000, Sacramento, CA 95814

Name and Title of Contact Person Shawna Ackerman, Chief Actuary

Toll Free Phone No.: (877) 797-4300

Fax No.: (916) 327-8270

Email Address ackermans@calquake.com

Mailing Address 801 K Street, Suite 1000, Sacramento, CA 95814

I declare under penalty of perjury under the laws of the State of California, that the information filed is true, complete, and correct.

Authorized Signature	Date of Filing	(916) 325-3833 Telephone Number

Important note: Refer to CDI website at http://www.insurance.ca.gov/0250-insurers/0800-rate-filings/for the most current rate template and prior approval factors.

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STATE OF CALIFORNIA
DEPARTMENT OF INSURANCE (CDI)
Edition Date: 3/17/2010

Company Name: **California Earthquake Authority**
Line of Insurance: **EARTHQUAKE**

PROPERTY AND LIABILITY FILING SUBMISSION DATA SHEET

The purpose of this filing is as follows: (More than one may be marked)

TYPE OF FILING	PRIOR APPROVAL RATE APPLICATION PAGES and EXHIBITS REQUIRED
☐ New Program (Including adoption of advisory organization loss costs, forms and rules.)	Pages 1 through 7, 10, 12, 13 & 14, plus exhibit 17
☑ Rates (Including adoption of advisory organization loss costs.)	
☐ Increase rates	Pages 1 through 10, 13 & 14, plus exhibits
☑ Decrease rate	Pages 1 through 10, 13 & 14, plus exhibits
☐ Zero Overall rate impact	Pages 1 through 10, 13 & 14, plus exhibits
☐ Variance	
☐ Filed together with the prior approval application to which it applies.	Page 11 and exhibit 13
☐ Filed after the prior approval application to which it applies.	Pages 1 through 6, 11, plus exhibit 13
☑ Coverage Forms (Including adoption of advisory organization forms.)	
☑ With rate impact	Pages 1 through 10, 12a, 13 & 14 plus exhibits
☐ Without rate impact	Pages 1 through 5, 12a
☐ Rules (Including adoption of advisory organization rules.)	
☐ With rate impact	Pages 1 through 10, 12b, 13 & 14 plus exhibits (including exhibit 20)
☐ Without rate impact	Pages 1 through 5, 12b, Exhibit 20

All Private Passenger Automobile class plans must be filed separately from the Prior Approval Rate Applications.

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STATE OF CALIFORNIA
DEPARTMENT OF INSURANCE (CDI)
Edition Date: ***3/17/2010***

Company Name: California Earthquake Authority
Line of Insurance: EARTHQUAKE

PROPERTY AND LIABILITY FILING SUBMISSION DATA SHEET (Continued)

Proposed Earned Premium Per Exposure: $ 1.98

Proposed Overall Rate Change -12.5%

	COVERAGE*	INDICATED CHANGE (%)	PROPOSED CHANGE (%)	ADJUSTED EARNED PREMIUM*	PROJECTED EARNED PREMIUM
1.	**Residential Earthquake**	-12.7%	-12.5%	691,859,261	605,688,904
2.					
3.					
4.					
5.					
6.					
7.					
8.					
9.					
10.					
	TOTAL:	-12.7%	-12.5%	691,859,261	605,688,904

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Total earned premium must include all income derived from miscellaneous fees and other charges.

* Commercial Auto Liability and Physical damage must be combined in one application, with separate rate templates for liability and physical damage.
* Adjusted earned premium is the historical earned premium for the most recent year adjusted to the current rate level and trended to the average date of loss of the proposed rating period.

STATE OF CALIFORNIA
DEPARTMENT OF INSURANCE (CDI)
Edition Date: 3/17/2010

Company Name: California Earthquake Authority
Line of Insurance: EARTHQUAKE

FILING CHECKLIST

Use this checklist to assemble a complete application

- ☑ Prior Approval Rate Application, Page 1
- ☐ Group Filing, Page 2
- ☑ Property and Liability Filing Submission Data Sheet, Page 3
- ☑ Property and Liability Filing Submission Data Sheet, Page 4
- ☑ Filing Checklist, Page 5
- ☑ Supporting Data Exhibits, Page 6
- ☑ Ratemaking Data and Template (s), Page 7
- ☑ Reconciliation of Direct Earned Premium, Page 8
- ☑ Additional Data Required by Statute, Page 9
- ☑ Miscellaneous Fees and Other Charges, Page 10
- ☐ Variance Request, Page 11
- ☑ Forms and Rules, Page 12
- ☑ Excluded Expenses, Page 13
- ☑ Projected Yield and Federal Income Tax Rate on Investment Income, Page 14
- ☑ Filing Memorandum

See the prior approval rate filing instructions regarding the following attachments.

- ☑ Printed Rate and Rule Manual Pages
- ☐ Underwriting Rules
- ☑ Forms (Attach all independent forms and list all advisory organization forms)
- ☑ Copies of Reinsurance Agreements
  (Applies only to Medical Malpractice with facultative reinsurance attachment points above one million dollars and Earthquake, where the cost of reinsurance is included in the rate development.)
  We will send copies of the reinsurance agreements under separate cover to the reviewing analyst

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STATE OF CALIFORNIA
DEPARTMENT OF INSURANCE (CDI)
Edition Date: 3/17/2010

Company Name: California Earthquake Authority
Line of Insurance: EARTHQUAKE

SUPPORTING DATA EXHIBITS
Use this document to assemble a complete application

☑	Exhibit 1:	Filing History
☑	Exhibit 2:	Rate Level History
☑	Exhibit 3:	Policy Term Distribution
☑	Exhibit 4:	Premium Adjustment Factor
☑	Exhibit 5:	Premium Trend Factor
☑	Exhibit 6:	Miscellaneous Fees and Other Charges
☑	Exhibit 7:	Loss and Defense & Cost Containment Expense (DCCE) Development Factors
☑	Exhibit 8:	Loss and DCCE Trend
☑	Exhibit 9:	Catastrophe Adjustment
☑	Exhibit 10:	Credibility Adjustment
☑	Exhibit 11:	Ancillary Income
☑	Exhibit 12:	Reinsurance Premium and Recoverables
☐	Exhibit 13:	Variance
☑	Exhibit 14:	Insurer's Ratemaking Calculations
☑	Exhibit 15:	Rate Distribution
☑	Exhibit 16:	Rate Classification Relativities
☐	Exhibit 17:	New Program
☐	Exhibit 18:	Group Filing
☐	Exhibit 19:	Super Group Corporate Structure Verification (PPA only)
☐	Exhibit 20:	Rules
☐	Exhibit 21:	

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RATEMAKING DATA

(Click + to expand for more than 3 years; - to contract)

Completed by	S. Ackerman
Date Completed	2/15/2011
Company/Group	California Earthquake Authority
Line Description	EARTHQUAKE
Coverage	Residential

	%Captive	*%Direct*	*%Independent*	(Must add up to 100%)
Marketing System:			100.00%	
Prior Effective Date (current rates)	7/1/2008			
Proposed Effective Date (new rates)	1/1/2012			
CDI File Number (*Department use only***)**	0			

Does the data provided below reflect a Request for Variance? No Variance #:

Data below is: Accident Year Data

		2nd Prior Year	**1st Prior Year**	**Most Recent Year**	**Projected*/ New Program****	**Source**
		2007	2008	2009		
1	**California Direct Written Premium**				605,688,904	Exhibit 15, Column (6), Total Projected Premium
2	**California Direct Earned Premium**				605,688,904	Exhibit 15, Column (6), Total Projected Premium
3	**Premium Adjustment Factor (Developed in Exhibit 4)**					
4	**Premium Trend Factor * (Developed in Exhibit 5)**				0.00%	Trend for the period the rate will be in effect is included
5	**Miscellaneous Fees and Flat Charges (Not included in Line 2; Developed in Exhibit 6)**				406,254	Exhibit 6, 2009 ratio applied to line 1 above
6	**Earned Exposure Units**				306,183,113	
7	**Historic Losses (Projected for New Programs)**				267,200,218	Exhibit 14-3, Line 1
8	**Historic Defense and Cost Containment Expense (DCCE)**				25,384,021	Exhibit 14-3, Line 2 + Line 3
9	**Loss Development Factor (Developed in Exhibit 7)**					
10	**DCCE Development Factor (Developed in Exhibit 7)**					
11	**Loss Trend Factor* (Developed in Exhibit 8)**				0.00%	Trend is included in line 7
12	**DCCE Trend Factor* (Developed in Exhibit 8)**				0.00%	Trend is included in line 7
13	**Catastrophe Adjustment Factor (Developed in Exh 9)**					
14	**Credibility Factor for Losses & DCCE (Developed in Exhibit 10)**				100.00%	
15	**Excluded Expense Factor (From Page 13)**				0.06%	
16	**Ancillary Income (Developed in Exhibit 11)**	-	-	-	-	
17	**Projected Federal Income Tax Rate on Investment Income (From Page 14)**				35.00%	
18	**Projected Yield (From Page 14)**				0.80%	
	Complete 19, 20 & 21 For Earthquake and certain Medical Malpractice with Reinsurance Only (see instructions)					
19	**Direct Commissions**				10.00%	
20	**Reinsurance Premium (Developed in Exhibit 12)**				235,229,242	Exhibit 14-3, Line 7 + Line 9 - Line 10
21	**Reinsurance Recoverables (Developed in Exhibit 12)**				35,046,419	Exhibit 14-3, Line 8
	Variance Change to Leverage on the basis that the insurer either writes at least 90% of its direct earned premium in one line or writes at least 90% of its direct earned premium in California. (Must be accompanied by Variance Request, subject to CDI approval)				No	
	Variance Change to Efficiency Standard (Must be accompanied by Variance Request, subject to CDI approval)					

* **For all trend factors, the Projected Column should reflect the annual trend expressed as a percentage.**

** **For New Programs, please see Rate Filing Instructions, Page 4.**

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STATE OF CALIFORNIA
DEPARTMENT OF INSURANCE (CDI)
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Company Name **California Earthquake Authority**
Line of Insurance **EARTHQUAKE**

STATUTORY PAGE 14 CALENDAR YEAR DATA

RECONCILIATION OF DIRECT EARNED PREMIUM DATA PER PROGRAM

	Program	Most Recent CDI File #	2nd Prior Year 2007	1st Prior Year 2008	Most Recent Year 2009
1.	Base Coverage	07-4630	$ 433,848,494	$ 444,917,694	$ 589,954,214
2.	Supplemental Coverage	07-5872	$ 52,698,223	$ 55,584,421	
3.					
4.			$ -	$ -	$ -
5.			$ -	$ -	$ -
6.			$ -	$ -	$ -
7.			$ -	$ -	$ -
8.				$ -	$ -
9.			$ -	$ -	$ -
10.			$ -	$ -	$ -
		TOTAL	$ 486,546,717	$ 500,502,115	$ 589,954,214
		Statutory Page 14	$ 486,547,000	$ 500,502,000	$ 589,954,214
		Difference	$ (283)	$ 115	$ -

Explain the Differences:

The Base and Supplemental programs were combined into a single program in December 2008. Therefore, the premium reported on line 1 for 2009 represents the full premium for the program. Minor differences in the totals are due to rounding.

This exhibit requires insurers to itemize each program until all data is reconciled to the corresponding annual statement line of insurance (Statutory Page 14).

For residual market data, a filing number is not required.

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STATE OF CALIFORNIA
DEPARTMENT OF INSURANCE (CDI)
Edition Date: 3/17/2010

Company Name: **California Earthquake Authority**
Line of Insurance: **EARTHQUAKE**

ADDITIONAL DATA REQUIRED BY STATUTE*
Calendar Year **Year** 2009

DATA

1.	Number of claims outstanding at beginning of year	19
2.	Number of claims during the year	137
3.	Number of claims closed during the year	142
4.	Number of claims outstanding at year's end ((1) + (2) - (3))	14
5.	Unearned Premiums	293,406,161
6.	Dollar amount of claims paid	126,273
7.	Net loss reserves for outstanding claims excluding claims incurred but not reported	-
8.	Net loss reserves for claims incurred but not reported	-
9.	Losses incurred as a percentage of premiums earned - including IBNR	0.02%
10.	Net investment gain or loss and other income or gain or loss allocated to the line.	82,652,892
11.	Net income before federal and foreign income taxes (line 10 plus line 15)	367,021,020
12.	Total number of policies in force on the last day of the reporting period	800,318
13.	Total number of policies cancelled	
14.	Total number of policies non-renewed	
15.	Net underwriting gain or loss (=CY earned premiums minus CY incurred loss minus CY incurred expense)	284,368,128
16.	Separate allocations of expenses for:	
	a) commissions and brokerage expense,	63,594,696
	b) other acquisition costs,	36,957,897
	c) general office expenses,	10,178,306
	d) taxes, licenses and fees,	20,395
	e) loss adjustment expense (DCCE & AOE), and	11,365
	f) other expenses	

***CIC 1857.7, CIC 1857.9 and CIC 1864**

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STATE OF CALIFORNIA
DEPARTMENT OF INSURANCE (CDI)
Edition Date: 3/17/2010

Company Name: California Earthquake Authority
Line of Insurance: EARTHQUAKE

MISCELLANEOUS FEES AND OTHER CHARGES

Do any fees or installment finance charges apply to this program? Yes

If yes, identify the fee and the amount charged for each type of fee and for each transaction.

	INDIVIDUAL POLICY CHARGES	
	New Business	Renewals
☐ Policy fee		
☑ Installment fee	$1.00	$1.00
☐ Installment finance charges (ancillary income)	APR	
☐ Endorsement fee		
☐ Inspection fee		
☐ Cancellation fee		
☐ Reinstatement fee		
☐ Late fee		
☐ SR 22		
☐ Non-sufficient funds (NSF) fee (ancillary income)		
☐ Membership dues (ancillary income)		
☐ Other, specify:		

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Except for installment finance charges, NSF fees, and membership dues, data relating to fees must be included in the ratemaking data, Page 7, Line 2 (direct earned premium) or Line 5 (miscellaneous fees) and Exhibit 6, miscellaneous fees, must be completed. Refer to the instructions for additional information.

STATE OF CALIFORNIA
DEPARTMENT OF INSURANCE (CDI)
Edition Date: ***3/17/2010***

Company Name: **California Earthquake Authority**
Line of Insurance: **EARTHQUAKE**

FORMS

Insurers who wish to use a new or replacement form in connection with a new or existing program must furnish the following information and documentation for our review.
Revisions must be highlighted and the corresponding manual pages must be provided.

	FORM NO.	TITLE	TYPE	SOURCE	SOURCE FORM NO *	CATEGORY	Restricts Coverage [Yes/ No]	Broadens Coverage [Yes/ No]	Rate Impact [Yes / No]	% Change	Flat Rate
1] New:	BEQ-3B (1/20XX)	Basic Earthquake Policy–Homeowners	3	3		3	No	Yes	Yes	See Exhibit 15	
Old:	BEQ-3A (1/2003 revision)	Basic Earthquake Policy–Homeowners	3	3		3					
2] New:	BEQ-4B (1/20XX)	Basic Earthquake Policy–Renters	3	3		3	No	Yes	Yes	See Exhibit 15	
Old:	BEQ-4a (1/2003 revision)	Basic Earthquake Policy–Renters	3	3		3					
3] New:	BEQ-6B (1/20XX)	Basic Earthquake Policy Common Interest Development	3	3		3	No	Yes	Yes	See Exhibit 15	
Old:	BEQ-6a (1/2003 revision)	Basic Earthquake Policy Common Interest Development	3	3		3					
4] New:	BEQ-3C (1/20XX)	Basic Earthquake Policy–Homeowners Choice	3	3		2	No	Yes	Yes	See Exhibit 15	
Old:	n/a										
5] New:	n/a		2	3			No	Yes	Yes	See Exhibit 15	
Old:	CEA 01E (07/06)	BUILDING CODE UPGRADES–INCREASE LIMIT OF INSURANCE ENDORSEMENT	2	3		6					

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REQUIRED RESPONSES FOR THE ITEMS ABOVE

TYPE:

1) Application
2) Endorsement
3) Policy
4) Other (Please define)

SOURCE

1) ISO*
2) Other Advisory Organization*
3) Company
4) Other (describe)

CATEGORY

1) New, mandatory
2) New, optional
3) Replacement, mandatory
4) Replacement, optional
5) Withdrawn, mandatory
6) Withdrawn, optional

**** Provide California Dept. of Insurance number (CDI#) under the column identified as Source Form No.***

Additional Information and Documents Required

Describe the purpose of the form or form change

For **NEW FORMS**, furnish a copy of the form to be filed, unless identical to an advisory organization form. If the form is a new endorsement to the policy, describe any changes in coverage under the policy. Describe what adjustments, if any, will be made to the premium due to the introduction of the forms.

For **REVISED FORMS**, describe any changes in coverages between the proposed form and the current form. Reference pertinent sections of each form affected. Brackets [ ] should be used to identify any deletions on the current form and underline all changes in the revised form. Describe what adjustments, if any, will be made to the premium due to the revisions.

SUPPLEMENT TO THE EXCLUDED EXPENSE FACTOR EXHIBIT

CALIFORNIA EARTHQUAKE AUTHORITY

The Excluded Expense Factor Exhibit asks if the company is a stock, mutual or reciprocal company. The question is not answered because the CEA is a "public instrumentality of the State of California" and is not formed as a structure listed on the Excluded Expense Factor Exhibit. As noted on the exhibit, CEA premiums are not subject to Proposition 103; therefore, the maximum permissible compensation defaults to the minimum compensation.

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STATE OF CALIFORNIA
DEPARTMENT OF INSURANCE (CDI)
Edition Date: ***3/17/2010***

Company Name: California Earthquake Authority
Line of Insurance: EARTHQUAKE

EXCLUDED EXPENSE FACTOR

(Insurer Group Data)

Company Organization: Reciprocal

	2nd Prior Year	1st Prior Year	Most Recent Year
(Enter Year)	2007	2008	2009
Countrywide direct earned premium:	486,547,000	500,502,000	589,954,214
Countrywide direct earned premium for lines of business subject to Proposition 103:	-	-	-

2644.10 (b): Executive Compensation

	2nd Prior Year 2007		1st Prior Year 2008		Most Recent Year 2009	
	Cash & Salary	Bonus	Cash & Salary	Bonus	Cash & Salary	Bonus
1st Highest Paid	195,648	0	211,402	0	280,782	42,156
2nd Highest Paid	157,052	0	210,000	0	211,402	0
3rd Highest Paid	132,160	0	160,572	0	150,000	0
4th Highest Paid	115,804	0	142,194	0	143,277	0
5th Highest Paid	101,694	0	121,416	0	111,986	0

	2nd Prior Year 2007		1st Prior Year 2008		Most Recent Year 2009	
	Max Permissible Exc Comp	Excessive Compensation	Max Permissible Exc Comp	Excessive Compensation	Max Permissible Exc Comp	Excessive Compensation
1st Highest Paid	174,311	21,337	174,311	37,091	174,311	148,627
2nd Highest Paid	123,071	33,981	123,071	86,929	123,071	88,331
3rd Highest Paid	92,906	39,254	92,906	67,666	92,906	57,094
4th Highest Paid	87,048	28,756	87,048	55,146	87,048	56,229
5th Highest Paid	81,141	20,553	81,141	40,275	81,141	30,845
Total Excessive Executive Comp:		143,881		287,107		381,126

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STATE OF CALIFORNIA
DEPARTMENT OF INSURANCE (CDI)

Company Name: California Earthquake Authority
Line of Insurance: EARTHQUAKE

Excluded Expense Factor

Countrywide Data	2nd Prior Year 2007	1st Prior Year 2008	Most Recent Year 2009
2644.10 (a): Political contribution and lobbying	0	3,878	189,720
2644.10 (b): Excessive Executive Compensation	143,881	287,107	381,126
2644.10 (c): Bad faith judgments and associated DCCE			
2644.10 (d): All costs for unsuccessful defense of discrimination claims			
2644.10 (e): Fines and penalties			
2644.10 (f): Institution advertising expenses			
2644.10 (g): Excessive payments to affiliates			
Total excluded expenses	143,881	290,985	570,846
Excluded expense factor	0.03%	0.06%	0.10%

3-year average excluded expense factor 0.06%

Draft

STATE OF CALIFORNIA
DEPARTMENT OF INSURANCE (CDI)
Edition Date: ***3/17/2010***

Company Name: **California Earthquake Authority**
Line of Insurance: **EARTHQUAKE**

PROJECTED YIELD AND FEDERAL INCOME TAX RATE ON INVESTMENT INCOME

Line number		Short Term Assets	Intermediate Term Assets		Long Term Assets	
		One year or less	Over 1 yr through 5 yrs	Over 5 yrs through 10 yrs	Over 10 yrs through 20 yrs	Over 20 yrs
1.7	US governments	3,052,935,483	873,819,710	0	0	0
2.7	All other governments	0	0	0	0	0
3.7	States, territories and possessions	0	0	0	0	0
4.7	Political subdivisions	0	0	0	0	0
5.7	Special revenue and assessment obligations	0	0	0	0	0
6.7	Public utilities unaffiliated	0	0	0	0	0
7.7	Industrial and miscellaneous	26,051,324	0	0	0	0
8.7	Credit tenant loans	0	0	0	0	0
9.7	Parent, subsidiaries and affiliates	0	0	0	0	0

		One year or less	Over 1 year through 10 years		Over 10 years	
(1)	US government bonds Sum of line 1.7 and 2.7	3,052,935,483		873,819,710		0
(2)	Other taxable bonds Sum of line 6.7, 7.7, 8.7, 9.7 and half of 5.7	26,051,324		0		0
(3)	Tax exempt bonds Sum of line 3.7, 4.7, and half of 5.7	0		0		0

Data on line 1.7 through 9.7 are from the insurer group's most recent consolidated statutory annual statement, schedule D, part 1A, section 1.

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PROJECTED YIELD AND FEDERAL INCOME TAX RATE ON INVESTMENT INCOME

		Invested Assets [1]	Currently Available Yield * [2]	Return On Invested Assets [3]=[1]*[2]	Federal Income Tax Rate [4]	Federal Income Taxes [5]=[3]*[4]
(1)	US government bonds					
	(A) Short	3,052,935,483	0.14%	4,375,874	35.00%	1,531,556
	(B) Intermediate	873,819,710	3.15%	27,496,194	35.00%	9,623,668
	(C) Long	0	4.09%	0	35.00%	0
(2)	Other taxable bonds					
	(A) Short	26,051,324	0.26%	67,733	35.00%	23,707
	(B) Intermediate	0	4.16%	0	35.00%	0
	(C) Long	0	5.19%	0	35.00%	0
(3)	Tax exempt bonds					
	(A) Short	0	0.17%	0	5.25%	0
	(B) Intermediate	0	3.24%	0	5.25%	0
	(C) Long	0	4.95%	0	5.25%	0
(4)	Common Stock	0				
	(A) Dividends		1.65%	0	14.18%	0
	(B) Capital gains		8.34%	0	34.10%	0
(5)	Preferred stock	0				
	dividends		5.83%	0	14.18%	0
(6)	Mortgage loans	0	5.19%	0	35.00%	0
(7)	Real estate	0	3.99%	0	35.00%	0
(8)	Cash**	1,216,265	0.14%	1,743	35.00%	610
(9)	Other***	0				
	(A) Dividends		1.65%	0	14.18%	0
	(B) Capital gains		8.34%	0	34.10%	0
(10)	Total					
	Sum of line (1) thru (9)	3,954,022,782		31,941,544		11,179,541

Data in column [1], line 4 through (9), are from the insurer group's most recent consolidated statutory annual statement page 2 - Assets.

* Currently available yields are defined in CCR §2644.20. Latest values are posted at
http://www.insurance.ca.gov/0250-insurers/0800-rate-filings/0200-prior-approval-factors/

** Annual statement page 2, line 5, cash only. Cash equivalents and short-term investments are included in Schedule D.

*** Annual statement page 2, line 6 through 9.

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PROJECTED YIELD AND FEDERAL INCOME TAX RATE ON INVESTMENT INCOME

		Invested Assets [1]	Currently Available Yield [2]	Return On Invested Assets [3]=[1]*[2]	Federal Income Tax Rate [4]	Federal Income Taxes [5]=[3]*[4]
(10)	Total line (10) exhibit 13, page 2	3,954,022,782		31,941,544		11,179,541
(11)	Investment expense Annual Statement (AS) page 11, line 25			1,659,399	35.00%	580,790
(12)	Total after investment expense line (10) - line (11)	3,954,022,782		30,282,145		10,598,751
(13)	Federal income tax rate line (12) column [5] / column [3]				35.00%	
(14)	Projected yield on invested assets line (12) column [3] / column [1]		0.77%			

		Most Recent Year
(15)	Loss reserves AS page 3, line 1	0
(16)	Loss adjustment expense reserves AS page 3, line 3	0
(17)	Unearned premium reserves AS page 3, line 9	293,406,161
(18)	Surplus as regards to policyholders AS page 3, line 35	3,498,293,896
(19)	Total reserves and surplus Sum of line (15) to (18)	3,791,700,057
(20)	Projected yield adjusted to reserve and surplus base line (14) * line (12) / line (19)	0.80%

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	RATE TEMPLATE		***Edition Date:***	***3/17/2010***
	(No input by filer)			
CDI FILE NUMBER:	0			
COMPANY/GROUP:	California Earthquake Authority			
LINE OF INSURANCE:	EARTHQUAKE			
COVERAGE:	Residential			
PRIOR_EFF_DATE:	7/1/2008		***Completed by:***	***S. Ackerman***
PROPOSED_EFF_DATE:	1/1/2012		***Date:***	***2/15/2011***
DATA PROVIDED BY FILER				
Year:	2007	2008	2009	
	PRIOR2	PRIOR1	RECENT	PROJECTED/ SUMMARY
WRT_PREM	0	0	0	605,688,904
ERN_PREM	0	0	0	605,688,904
PREM_ADJ	1.000	1.000	1.000	
PREM_TREND	1.000	1.000	1.000	0.000
MISCELLANEOUS_FEES (& other flat charges)	0	0	0	406,254
EARNED_EXP	0	0	0	306,183,113
LOSSES	0	0	0	267,200,218
DCCE	0	0	0	25,384,021
LOSS_DEV	1.000	1.000	1.000	
DCCE_DEV	1.000	1.000	1.000	
LOSS_TREND	1.000	1.000	1.000	0.000
DCCE_TREND	1.000	1.000	1.000	0.000
CAT_ADJ	1.000	1.000	1.000	
CREDIBILITY				100.00%
EXPENSE EXCLUSION FACTOR				0.06%
ANC_INC	0	0	0	0
FIT_INV				35.00%
YIELD				0.80%
CDI PARAMETERS:				
FIT_UW				35.00%
EFF_STANDARD				24.53%
LEVERAGE				1.00
PREMIUM_TAX_RATE				2.35%
SURPLUS_RATIO				1.00
UEP_RES_RATIO				0.48
LOSS_RES_RATIO				1.00
RISK FREE RATE OF RETURN				2.02%
MAXIMUM RATE OF RETURN				8.02%
MINIMUM RATE OF RETURN				-6.00%
CDI CALCULATIONS:				
ADJ_PREM	0	0	0	606,095,158
ADJUSTED_LOSSES	0	0	0	267,200,218
ADJUSTED_DCCE	0	0	0	25,384,021
ADJUSTED_LOSS+DCCE_RATIO	***0.00%***	***0.00%***	***0.00%***	***48.27%***
TRENDED_CURRENT_RATE_LEVEL_PREMIUM	#DIV/0!	#DIV/0!	#DIV/0!	2
LOSS+DCCE_PER_EXP	#DIV/0!	#DIV/0!	#DIV/0!	1
COMP_LOSS+DCCE_PER_EXP	#DIV/0!	#DIV/0!	#DIV/0!	1
CRED_LOSS_PER_EXP	#DIV/0!	#DIV/0!	#DIV/0!	1
ANC_INC_PER_EXP	#DIV/0!	#DIV/0!	#DIV/0!	-
FIXED_INV_INC_FACTOR				0.80%
VAR_INV_INC_FACTOR				1.18%
ANNUAL_NET_TREND				0.00%
COMP_TREND				0.00%
MAX_PROFIT				12.34%
MIN_PROFIT				-9.23%
UW_PROFIT				10.64%
MAX_DENOM				0.643
MIN_DENOM				0.859
MAX_PREMIUM				$1.47
MIN_PREMIUM				$1.10
CHANGE_AT_MIN				-44.24%
CHANGE_AT_MAX				**-25.54%**
Alternate Calculation with Reinsurance				
COMMISSION_RATE				10.00%
RE_PREM	-	-	-	235,229,242
RE_RECOV	-	-	-	35,046,419
RE_PREM_PER_EXP	#DIV/0!	#DIV/0!	#DIV/0!	0.77
RE_RECOV_PER_EXP	#DIV/0!	#DIV/0!	#DIV/0!	0.11
COMP_LOSS_RE	#DIV/0!	#DIV/0!	#DIV/0!	0.72
RMAX_PREMIUM				$2.17
RCHANGE_AT_MAX				***9.82%***

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CALIFORNIA EARTHQUAKE AUTHORITY
RESIDENTIAL EARTHQUAKE
FILING MEMORANDUM

I. INTRODUCTION

This filing is submitted to increase coverage to policyholders, provide consumers the flexibility to choose the products that best suit their needs and to adjust the rate and premiums levels. The change in rates and premiums reflects a reduction in the estimated average annual loss as a result of incorporating new scientific information into the EQECAT USQuake™ model used to analyze the CEA's portfolio. Additionally, the CEA proposes to introduce a new homeowners/mobilehome earthquake product, Homeowner Choice, which will offer consumers more choice in their earthquake coverage.

Section II describes the proposed coverage changes. Section III addresses the proposed rate and premium changes. Section IV provides a brief overview of the supporting exhibits.

The proposed Homeowner Choice policy form and a new edition of each of the CEA's current policy forms are included with the filing. The new editions incorporate new coverage enhancements and refinements in coverage, definitions and policy language.

II. PROPOSED COVERAGE CHANGES

The current homeowners/manufactured home (mobilehome) base-limit policy provides coverage for the dwelling (Coverage A) and limited extensions to dwelling (Coverage B), and $5,000 of coverage for personal property (Coverage C). These coverages are subject to a policy deductible of 15% Coverage A and Coverage B combined single limit. Only Coverage A and Coverage B losses apply toward the policy deductible. Additional living expenses coverage (Coverage D) in the amount of $1,500 is also provided and is not subject to a deductible. Currently, these base-limit coverages must be purchased together. The base-limit policy also includes building code upgrade coverage in the amount of $10,000, also subject to the policy deductible.

For an additional premium, optional increased Coverage C and Coverage D limits are available (in amounts up to $100,000 and $15,000, respectively), as is an option to purchase a 10% deductible. A Homeowner policyholder may also purchase an additional $10,000 of coverage for building code upgrades which increases the base-limit policy coverage from $10,000 to $20,000. The $20,000 building code upgrade increased limit is not available for manufactured homes (mobilehomes.)

This filing proposes three changes to the current coverage offering for the homeowners / manufactured home (mobilehome) program as follows:

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1. Optional Coverage-Specific Deductibles
   In addition to the current product offering, the CEA proposes to offer a new policy, Homeowner Choice, that will change the application of the deductible such that it applies to the Coverage A and Coverage C amounts separately. For example, a Homeowner Choice policy with $400,000 Coverage A and $5,000 Coverage C would have a $60,000 deductible for structure losses and a $750 deductible for personal property losses (assuming a 15% deductible). If covered structural loss exceeds the Coverage A deductible, the Coverage C deductible for personal property losses would be waived. Coverage D will continue to have no deductible. Building code upgrade coverage will continue to be subject to the Coverage A deductible (in this example, $60,000) and would not be paid unless covered structural loss exceeds the Coverage A deductible.

2. Increased Coverage Flexibility
   Currently, Coverages A, C, and D must be purchased together. This filing introduces separate coverage pricing so that the policyholder who chooses the Homeowner Choice policy can select the combination of coverages that best suit his or her needs. Under Homeowner Choice, Coverage A will continue as a required coverage and the policyholder will have the option to purchase any one or all of Coverage C, Coverage D, and, for dwelling risks, the increased building code upgrade limit.

3. Additional Coverage Limits

   Emergency Repairs
   Currently, emergency repairs are covered for the dwelling only if the damage to the structure exceeds the applicable deductible. The proposed change broadens coverage to include $1,500 in coverage – subject to no deductible - for emergency repairs to protect the covered property from further damage. Both the current and new Homeowner Choice policy will include this additional coverage.

   Additional Living Expenses (Coverage D)
   The CEA is introducing an option for a $25,000 limit for additional living expenses (Coverage D). The current maximum limit is $15,000.

Minor changes to the Coverage C sublimits are also proposed. Currently there is a $250 sublimit on money and no sublimit on cashier's checks or traveler's checks. A $250 sublimit is proposed for checks and other similar documents. Additionally, the proposed policies provide increased sublimits for computers (currently $1,000; proposed $3,000) and business property other than computers (currently $300; proposed $1,000.) These proposed sublimits apply to homeowners, mobilehomeowners (manufactured homes), renters, and common interest development policies.

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Renters and Common Interest Development (Condominium) Proposed Coverage Changes

The current renters and common interest development (condominium) base-limits policies each provide $5,000 of coverage for personal property (Coverage C) subject to a 15% deductible ($750). Additional living expenses coverage (Coverage D) in the amount of $1,500 is also provided and is not subject to a deductible. These base coverages must be purchased together.

Optional increased Coverage C and Coverage D limits are available, in amounts up to $100,000 and $15,000, respectively..

This filing proposes to add one new coverage option to the current coverage offerings as follows:

1. Additional Living Expenses (Coverage D)
   The CEA is introducing an option for $25,000 of additional living expenses. The current maximum is $15,000.

III. SUMMARY OF RATE / PREMIUM CHANGES

The rate and premium changes proposed herein are based on an analysis of the CEA's June 30, 2010 portfolio using the best available scientific information for assessing earthquake frequency, severity and loss.

The resulting rate application is based on the most current version of the EQECAT USQuake™ WORLDCAT enterprise model (WCe 3.15) used by the CEA's loss modeler, EQECAT. The USQuake™ WCe 3.15 model was released July 31, 2010, and incorporates the latest available scientific information consistent with the state-of-the-art knowledge of California seismic hazard, as required by the CEA enabling legislation. The basic seismic hazard in the model was directly developed from the June 2008 USGS-CGS time independent implementation of the Uniform California Earthquake Rupture Forecast (UCERF 2.0) model. EQECAT then incorporated time dependent probabilities into the model from data provided by the Working Group on California Earthquake Probabilities (WGCEP 2007), which is also used in the UCERF 2.0 model. Vulnerability functions were also updated to be consistent with the Next Generation Attenuation equations that are part of UCERF 2.0.

Exhibit 15 shows the rate changes for the current basic and increased limits products.

With this filing, the CEA is introducing an additional rating classification, foundation type, with three categories – Slab, Raised and Other. This change is proposed in order to remove the rate reversal that occurs for retrofitted homes. Currently, a home built prior to 1979 on a raised foundation that has been retrofitted receives a 5% hazard mitigation discount. After application of the discount, the home has a lower premium than a home on a raised foundation with an unbraced cripple wall, as it should, but it also has a lower premium than a similarly situated home on a slab foundation which is contrary to engineering expectations. The current proposed classification relativities simply remove this reversal. Implementing foundation type rating is also proposed in order to establish a rating plan that will accommodate a broader hazard

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mitigation discount, which the CEA is currently exploring for a future filing. Exhibit 16-3 details the development of the changes by classification.

The rate application also includes introduction of a minimum premium for each CEA product. The proposed minimum premium for each product is as follows:

Homeowners	$ 100.00
Mobilehomeowners (Manufactured Homes)	$ 50.00
Renters	$ 35.00
Common Interest Development (Condos)	$ 35.00

As indicated on Exhibit 15, the impact of implementing a minimum premium of $50 for mobilehomes (manufactured homes) has a rate effect of almost 9% for mobilehomes. The comparison in Exhibit 15 necessarily assumes that each policyholder renews with the exact same coverage limits and coverage selections. To the extent that policyholders purchase more coverage at renewal, either with increased Coverage A amounts, additional optional coverages, or lower deductibles, then the rate impact will be reduced.

IV. OVERVIEW OF SUPPORTING EXHIBITS

Although the CEA is not subject to the prior approval regulations, the CEA has, for ease of review, completed the exhibits requested in the prior approval rate filing application. The key exhibits for the development of the CEA rates and premiums are as follows:

EXHIBIT 5 – Premium Trend Factor

Homeowners and Manufactured Homes (mobilehomes) premiums for Coverage A – Dwelling depend on the Coverage A amount of the underlying dwelling policy. Exhibit 5 details the historical Coverage A amounts to develop an expected total amount of exposure for the period that the rates will be in effect, which is the combined effect of exposure growth (increases in the average Coverage A amount) and policy growth (anticipated increases in the number of policies sold.) For the remaining coverages (Coverage C, Coverage D, and building code upgrade coverage), the calculated premium trend factor is only a function of the policy growth, as the policy limits are fixed.

There is no frequency trend associated with earthquakes; the severity trend is equal to the total expected increase in exposures. In other words, the calculated premium trend also functions as the loss trend which results in a 0% net trend assumption for the ratemaking process.

EXHIBIT 12 – Reinsurance Premium and Recoverables

The CEA uses a net ratemaking approach wherein the net cost of risk financing (risk financing premiums less the expected recoveries) is included in the rate development. Exhibit 12 details the expected limits, premiums and recoverables for the CEA for 2012 from the two sources of risk financing for which it currently incurs costs – reinsurance and revenue bonds.

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EXHIBIT 14 – Insurer Ratemaking Calculations

The component pieces of the net ratemaking calculation are presented in this exhibit. Exhibits 14-1 through 14-3 step through the development of the loss cost multiplier, which is then applied to each policy type / coverage loss cost presented on Exhibit 14-4. Proposed average rates or premiums are the multiplication of the loss cost multiplier and the projected loss cost. Current average rates or premiums are also presented for comparison.

Exhibit 14-5 shows the calculation of the expected investment income for 2012 using the expected yield as calculated under the CDI methodology using the yields posted on the CDI website February 8, 2011. The CEA does not currently include an underwriting profit provision in its rates. It does, however, retain its net investment income to increase policyholder claims-paying capacity.

EXHIBIT 15 – Rate Distribution

This exhibit displays the indicated and selected changes by policy type and coverage for the CEA's current basic and increased limits products.

EXHIBIT 16 – Rate Classification Relativities

As noted above, the CEA is introducing a new classification for foundation type for homeowners policies. The remaining classification definitions are unchanged for homeowners and manufactured homes (mobilehomes) coverages, with one exception to territory assignments. San Benito County is currently rated in Territory 27, which has the lowest rate of all rating territories. A review of the loss costs in San Benito County indicates that is has higher than average expected losses and should be moved to a higher rate level.

The CEA has also examined the rates for renters / condo coverages based on the latest modeled losses. The definitions are not changing for these coverages, with one exception. Policies in Territory 25 will be moved to the medium-risk category. While there are few policies in Territory 25, a review of the loss costs across all coverages consistently indicates that it should be moved from the high-risk category to the medium-risk category.

The development of the new product rates is included in Exhibit 16. The new product rate development is also based on modeled loss from EQECAT. Because these are new products, there is no underlying distribution. Therefore, the CEA makes the assumption that the new products will have the same distribution of limits as the CEA portfolio at 6/30/2010.

Proposed policy forms

The current policy and the proposed policy for current products are included in the submission along with a strike-out / underline comparison. Immediately preceding the policies is a summary overview of the changes to the current products policy. The new Homeowners Choice policy is also included.

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Proposed rate manual

The submission includes a new CEA Rate manual. The key change to the manual is to structure the rating pages as a collection of rate and rate factor tables rather than printing rates and premiums representing the combination of all rates and factors. An overview of the changes to the manual is included immediately preceding the proposed rate manual.

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CALIFORNIA EARTHQUAKE AUTHORITY
RESIDENTIAL EARTHQUAKE

EXHIBIT 1 - FILING HISTORY

Filing Number	Date Filed	Product
07-5872	9/14/2007	Supplemental Limits Program
07-4630	7/6/2007	Base Limits Program
06-5899	9/16/2006	Supplemental Limits Program
05-6790	9/16/2005	Supplemental Limits Program
05-6789	9/16/2005	Building Code Upgrade
05-6848	8/31/2005	Base Limits Program

EXHIBIT 2 - RATE LEVEL HISTORY

Filing Number	Effective Date	Product	Rate Change
07-5872	6/1/2008	Supplemental Limits Program	1.5%
07-4630	6/1/2008	Base Limits Program	3.5%
06-5899	2/1/2007	Supplemental Limits Program	32.5%
05-6790	7/1/2006	Supplemental Limits Program	Rule Change
05-6789	7/1/2006	Building Code Upgrade	Rule Change
05-6848	7/1/2006	Base Limits Program	-22.1%

Note: The rate change for file 06-5899 was approved for implementation over a two-year period with effective dates of 2/1/2007 and 2/1/2008.

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EXHIBIT 3 - POLICY TERM DISTRIBUTION

The policy term for all policies is one year.

EXHIBIT 4 - PREMIUM ADJUSTMENT FACTOR

The rates are developed using a pure premium methodology. Consequently, historical premium is not part of the rate development calculations. Premium adjustment factors are not applicable.

CALIFORNIA EARTHQUAKE AUTHORITY
RESIDENTIAL EARTHQUAKE

EXHIBIT 5 - PREMIUM TREND FACTOR
HOMEOWNERS

CEA homeowner premiums are a function of the underlying Coverage A amount. The historical Coverage A levels for homeowners are shown below. Condos and renters coverage levels are fixed, thus premium trend does not apply.

	Quarter	Policy Count	Coverage A	Average Coverage A
1	4Q04	600,834	163,604,914,040	272,296
2	1Q05	596,958	165,581,572,893	277,376
3	2Q05	593,515	168,152,744,163	283,317
4	3Q05	598,548	173,710,626,837	290,220
5	4Q05	613,266	181,870,490,306	296,561
6	1Q06	610,758	184,499,909,380	302,083
7	2Q06	608,114	188,215,704,525	309,507
8	3Q06	607,638	192,012,988,159	315,999
9	4Q06	612,941	197,579,703,618	322,347
10	1Q07	613,957	201,411,285,766	328,054
11	2Q07	624,403	209,565,475,607	335,625
12	3Q07	628,893	214,450,206,331	340,996
13	4Q07	632,826	218,309,125,938	344,975
14	1Q08	631,150	219,806,080,353	348,263
15	2Q08	633,360	223,310,668,935	352,581
16	3Q08	633,054	226,950,188,908	358,501
17	4Q08	629,138	228,392,927,762	363,025
18	1Q09	628,443	231,855,681,908	368,937
19	2Q09	637,865	239,345,387,308	375,229
20	3Q09	640,294	244,065,116,545	381,177
21	4Q09	642,174	247,334,276,667	385,151
22	1Q10	646,961	250,431,138,712	387,088
23	2Q10	652,602	253,420,051,057	388,323
24	3Q10	650,030	253,336,508,667	389,730

	Policy Growth			Coverage A Growth	
	4-point	0.018		4-point	0.016
	8-point	0.022		8-point	0.042
	12-point	0.012		12-point	0.050
	16-point	0.014		16-point	0.054
	20-point	0.014		20-point	0.061
	24-point	0.015		24-point	0.067
(A)	Selected	0.010	(B)	Selected	0.050

(C)	Effective Date	1/1/2012
(D)	Modeled Portfolio Run Date	6/30/2010
(E)	Trend Period	2.51
(F)	Exposure Growth	1.130
(G)	Policy Growth	1.020

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CALIFORNIA EARTHQUAKE AUTHORITY
RESIDENTIAL EARTHQUAKE

EXHIBIT 5 - PREMIUM TREND FACTOR
MANUFACTURED HOMES (MOBILEHOMES)

CEA manufactured home (mobilehome) premiums are a function of the underlying Coverage A amount. The historical Coverage A levels for manufactured homes (mobilehomes) are shown below.

Quarter	Policy Count	Coverage A	Average Coverage A
4Q04	11,549	546,654,522	47,333
1Q05	11,312	544,505,405	48,135
2Q05	11,032	540,256,421	48,972
3Q05	14,980	779,373,883	52,028
4Q05	17,631	954,306,959	54,127
1Q06	19,343	1,070,100,170	55,322
2Q06	21,415	1,223,853,381	57,149
3Q06	19,981	1,180,602,949	59,086
4Q06	19,289	1,156,888,114	59,977
1Q07	18,696	1,138,833,492	60,913
2Q07	18,503	1,147,581,151	62,021
3Q07	18,485	1,167,156,946	63,141
4Q07	18,262	1,168,385,985	63,979
1Q08	18,295	1,181,270,062	64,568
2Q08	18,896	1,247,136,896	66,000
3Q08	19,108	1,301,059,940	68,090
4Q08	19,437	1,352,019,986	69,559
1Q09	17,962	1,263,195,880	70,326
2Q09	19,993	1,438,675,657	71,959
3Q09	20,805	1,528,696,480	73,477
4Q09	21,169	1,576,472,528	74,471
1Q10	22,705	1,710,930,972	75,355
2Q10	24,523	1,868,497,942	76,194
3Q10	24,463	1,883,900,832	77,010

	Policy Growth			Coverage A Growth	
	4-point	0.227		4-point	0.046
	8-point	0.185		8-point	0.062
	12-point	0.118		12-point	0.074
	16-point	0.072		16-point	0.073
	20-point	0.042		20-point	0.077
	24-point	0.098		24-point	0.088
(A)	Selected	0.040	(B)	Selected	0.060

(C)	Effective Date	1/1/2012
(D)	Modeled Portfolio Run Date	6/30/2010
(E)	Trend Period	2.51
(F)	Exposure Growth	1.157
(G)	Policy Growth	1.082

Note: The policy growth experienced from 3Q2005 - 2Q2006 is a result of Foremost becoming a CEA participating insurer.

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EXHIBIT 6 - MISCELLANEOUS FEES AND OTHER CHARGES

	2007	2008	2009
1. Installment Fee Income (A.S., page 4, line 13)	392,174	376,143	395,700
2. Earned Premium	486,547,000	500,502,000	589,954,214
3. Miscellaneous Fees % of Premium (1) / (2)	0.1%	0.1%	0.1%

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EXHIBIT 7 - LOSS AND DEFENSE AND COST CONTAINMENT (DCCE) DEVELOPMENT FACTORS

The modeled losses used to develop the rate indication are ultimate losses. Therefore, the loss development factors are effectively 1.00 and there is no loss development shown in Exhibit 14.

Loss adjustment expenses are paid by the participating insurance companies per contract at 9% of loss. Therefore, the LAE development factors are also 1.00. The data provided below is for informational purposes only.

Incurred Loss ($000)

Accident Year	Months of Development 12	24	36	48	60	72	84	96	108
2001	247	163	371	236	232	232	232	232	232
2002	48	13	8	8	8	8	8	8	
2003	4,893	2,508	2,508	2,476	2,482	2,481	2,482		
2004	8	-	-	-	-	-			
2005	1	-	-	-	-				
2006	10	2	2	1					
2007	14	14	14						
2008	31	156							
2009	1								

Age-to-Age Factors

Accident Year	12-24	24-36	36-48	48-60	60-72	72-84	84-96	96-108
2001	0.660	2.276	0.636	0.983	1.000	1.000	1.000	1.000
2002	0.271	0.615	1.000	1.000	1.000	1.000	1.000	
2003	0.513	1.000	0.987	1.002	1.000	1.000		
2004								
2005								
2006	0.200	1.000	0.500					
2007	1.000	1.000						
2008	5.032							

Paid Loss ($000)

Accident Year	Months of Development 12	24	36	48	60	72	84	96	108
2001	100	148	232	232	232	232	232	232	232
2002	-	8	8	8	8	8	8	8	
2003	-	2,093	2,476	2,476	2,476	2,481	2,482		
2004	-	-	-	-	-	-			
2005	-	-	-	-	-				
2006	-	-	2	1					
2007	-	14	14						
2008	31	156							
2009	1								

Age-to-Age Factors

Accident Year	12-24	24-36	36-48	48-60	60-72	72-84	84-96	96-108
2001	1.480	1.568	1.000	1.000	1.000	1.000	1.000	1.000
2002		1.000	1.000	1.000	1.000	1.000	1.000	
2003		1.183	1.000	1.000	1.002	1.000		
2004								
2005								
2006			0.500					
2007		1.000						
2008	5.032							

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EXHIBIT 8 - LOSS AND DCCE TREND

There is no expected loss or DCCE trend associated with this program other than the general trend in severity due to increasing coverage amounts and policy growth. Thus loss and DCCE trend factors and premium trend factors are the same. See Exhibit 5.

EXHIBIT 9 - CATASTROPHE ADJUSTMENT

This is a catastrophe line. Average annual losses have been modeled using the EQECAT USQuake™ Wce 3.15 model which was released July 31, 2010. This model includes the latest USGS hazard information.

EXHIBIT 10 - CREDIBILITY ADJUSTMENT

Full credibility is given to the modeled average annual losses.

EXHIBIT 11 - ANCILLARY INCOME

There is no ancillary income as defined in the CDI rate filing instructions.

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EXHIBIT 12 - REINSURANCE PREMIUM AND RECOVERABLES

RISK FINANCING COSTS
(Thousands)

		Total
(1)	Total Reinsurance Purchased	3,386,000
(2)	Average rate on line	6.71%
(3)	Premium	227,201
(4)	Expected Recoveries	33,602
(5)	Brokerage Expenses	5,000
(6)	Net Cost Reinsurance	198,599
(7)	Revenue Bonds	310,000
(8)	Spread	0.025
(9)	Expected Interest Payments	42,286
(10)	Issuance Cost	5,000
(11)	Term	10
(12)	Annual Cost	4,729
(13)	Expected Recoveries	1,445
(14)	Net Cost	3,284
(15)	Total Net Cost	201,883

Notes:

(1) Estimated reinsurance limit needed to maintain claims paying capacity at approximately 1 in 500 year event level.
(2) = (3) / (1)
(3) Expected cost of reinsurance contracts.
(4) Expected recoveries based on EQECAT model, the attachment level and limit.
(5) Broker fees paid in addition to reinsurance premium based on contractual agreements.
(6) = (3) - (4) + (5)
(7) Revenue bonds issued.
(8) Expected average difference between coupon and interest earned over life of bonds.
(9) Expected incremental interest payments over the life of the bonds.
(10) Issuance cost of the bonds
(11) Term in years
(12) = [(9) + (10)] / (11)
(13) Expected recoveries based on EQECAT model, the attachment level and limit.
(14) = (10) - (11)
(15) = (6) + (14)

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EXHIBIT 13 - REQUEST FOR VARIANCE

N/A

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EXHIBIT 14-1 - INSURER'S RATEMAKING CALCULATIONS

The method used in the development of the rate level indication relies primarily on modeled earthquake losses. Exhibit 14-3 shows the development of the total needed premium and the resulting loss cost multiplier that is applied to the loss costs for each policy type. The results from the prior filings are shown for comparison only and represent the combined results of the previously separate base and supplemental filings.

(1) Adjusted Average Annual Losses
Modeled losses for the CEA portfolio as of June 30, 2010 adjusted for policy features and growth. See Exhibit 14-4.

(2) Loss Adjustment Expenses - Member Paid
Per the Participating Insurer Agreement, the CEA pays the participating insurers 9% of the loss for adjusting claims. Calculated as Line (1) x 9%.

(3) Loss Adjustment Expenses - CEA Paid
Estimated adjusting and other expense that the CEA pays. Calculated as Line (1) x .5%.

(4) Indicated Provision for Loss and Loss Adjustment Expense
Sum of lines (1), (2), and (3).

(5) Expenses - Participating Insurers
Per the Insurer Participation Agreement, the CEA pays the participating insurers 6% of the net written CEA premium attributable to the Participating Insurer, not including any loading for reinsurance, capital costs or producer commission.

(6) Premium, Net of Commission, Tax and Risk Financing Costs
Interim calculation in order to determine the proper load for the participating insurers expenses, line (5). Calculated as lines (4) / (1.0 - 6%).

(7) Risk Financing Costs
Estimated cost of risk financing. See Exhibit 12.

(8) Recoveries
Estimated losses recovered from risk financing sources based on modeled losses.

(9) Reinsurance Brokerage Fees
The CEA pays its reinsurance intermediary fees per contract, not under a commission agreement.

(10) Annual Risk Capital Surcharge
Additional capital paid by new participating insurers subject to CIC 10089.16 (d)

(11) Estimated Net Cost of Risk Financing
Calculated as line (7) - line (8) + line (9) - line (10)

(12) Premium Net of Commissions and Tax
Calculated as line (6) + line (11)

(13) Commission
By regulation, the CEA pays 10% commission. Calculated as line (17) x 10%.

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EXHIBIT 14-2 - INSURER'S RATEMAKING CALCULATIONS

(14) CEA Operating Expenses
By statute, the CEA operating expenses are capped at 3% of premium. Calculated as line (17) x 3%.

(15) State Premium Tax
Calculated as line (17) x 2.35%.

(16) Underwriting Profit Provision
See Exhibit 14-5.

(17) Total Premium
Calculated as the sum of lines (12) through (16).

(18) Loss Cost Multiplier
Calculated as line (17) / line (1).

(19) Average Filed Loss Cost Multiplier
Average loss cost multiplier underlying current filed rates for base and supplemental coverage programs.

(20) Change due to change in loss cost multiplier
Calculated as line (18) / line (17) - 1.0.

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EXHIBIT 14-3 - INSURER'S RATEMAKING CALCULATIONS
DEVELOPMENT OF LOSS COST MULTIPLIER
(Thousands)

			Current Filing	2007 Filings
(1)	Adjusted Average Annual Loss		267,200	260,080
(2)	Loss Adjustment Expense - Member paid (1) X 9%	9%	24,048	23,407
(3)	Loss Adjustment Expense - CEA paid (1) X .5%	0.5%	1,336	1,300
(4)	Indicated Provision for Loss and LAE (1) + (2) + (3)		292,584	284,788
(5)	Expenses - Participating Insurers (6) x 6%	6%	18,676	18,178
(6)	Premium Net of Commission, Tax and Risk Financing Costs (4) / (1.0 - 6%)		311,260	302,965
(7)	Risk Financing Costs		231,929	193,820
(8)	Expected Recoveries		35,046	39,161
(9)	Reinsurance Brokerage Fees		5,000	6,500
(10)	Annual Risk Capital Surcharge		1,700	-
(11)	Estimated Net Cost of Risk Financing (7) - (8) + (9) - (10)		200,183	161,159
(12)	Premium Net of Commission and Tax (6) + (11)		511,443	464,124
(13)	Commission (17) x 10%	10%	60,419	54,829
(14)	CEA Operating Expense (17) x 3%	3%	18,126	16,449
(15)	State Premium Tax (17) x 2.35%	2.35%	14,198	12,885
(16)	Underwriting Profit Provision		-	-
(17)	Total Premium (12) + (13) + (14) + (15) + (16)		604,185	548,286
(18)	Loss Cost Multiplier (17) / (1)		2.26	2.11
(19)	Average Filed Loss Cost Multiplier			2.11
(20)	Change due to change in Loss Cost Multiplier (18) / (17) - 1.0		7.1%	

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EXHIBIT 14-4 - INSURER'S RATEMAKING CALCULATIONS - EXISTING PRODUCTS

CEA PRODUCT (1)	Exposure (2)	Adjusted Exposure (3)	Expected Loss (000) (4)	Adjustment for Policy Provisions (5)	Exposure Adjustment (6)	Adjusted EAL (000) (7)	Average Loss Cost (8)	Indicated Average Rate / Premium (9)	Current Average Rate / Premium (10)
Dwellings									
15% deductible, Basic Limits	253,410,138	292,155,934	209,967	-6.6%	1.153	226,002	0.77	1.75	1.93
10% deductible, Basic Limits	23,856,080	27,503,617	4,049	-6.6%	1.153	4,358	0.16	0.36	0.72
15%, 25K Coverage C	10,756,564	12,401,216	1,458	0.0%	1.153	1,680	0.14	0.31	0.49
15%, 50K Coverage C	8,215,058	9,471,121	1,645	0.0%	1.153	1,897	0.20	0.45	0.63
15%, 75K Coverage C	4,481,829	5,167,090	1,094	0.0%	1.153	1,261	0.24	0.55	0.76
15%, 100K Coverage C	18,256,378	21,047,734	4,159	0.0%	1.153	4,795	0.23	0.51	0.73
10%, 25K Coverage C	3,346,836	3,858,559	554.11	0.0%	1.153	639	0.17	0.37	0.51
10%, 50K Coverage C	2,743,144	3,162,564	560.07	0.0%	1.153	646	0.20	0.46	0.59
10%, 75K Coverage C	1,677,892	1,934,438	432.68	0.0%	1.153	499	0.26	0.58	0.71
10%, 100K Coverage C	8,843,352	10,195,479	2,088.46	0.0%	1.153	2,408	0.24	0.53	0.71
10K Coverage D	52,816	53,881	503	0.0%	1.020	513	9.52	21.51	50.09
15K Coverage D	101,115	103,154	1,405	0.0%	1.020	1,433	13.89	31.40	72.23
20K Building Code Upgrade	620,860	633,382	371	0.0%	1.020	378	0.60	1.35	1.81

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EXHIBIT 14-4 - INSURER'S RATEMAKING CALCULATIONS - EXISTING PRODUCTS

CEA PRODUCT (1)	Exposure (2)	Adjusted Exposure (3)	Expected Loss (000) (4)	Adjustment for Policy Provisions (5)	Exposure Adjustment (6)	Adjusted EAL (000) (7)	Average Loss Cost (8)	Indicated Average Rate / Premium (9)	Current Average Rate / Premium (10)
Manufactured Homes (mobilehomes)									
15% deductible, Basic Limits	1,868,500	2,339,454	1,037.17	0.0%	1.252	1,298.58	0.56	1.25	1.22
10% deductible, Basic Limits	282,009	353,089	26.12	0.0%	1.252	32.71	0.09	0.21	0.29
15%, 25K Coverage C	131,411	164,532	12.82	0.0%	1.252	16.05	0.10	0.22	0.17
15%, 50K Coverage C	101,415	126,977	13.04	0.0%	1.252	16.32	0.13	0.29	0.19
15%, 75K Coverage C	34,108	42,705	4.12	0.0%	1.252	5.16	0.12	0.27	0.18
15%, 100K Coverage C	56,365	70,571	6.82	0.0%	1.252	8.54	0.12	0.27	0.20
10%, 25K Coverage C	74,508	93,287	6.06	0.0%	1.252	7.59	0.08	0.18	0.14
10%, 50K Coverage C	74,130	92,815	7.07	0.0%	1.252	8.85	0.10	0.22	0.15
10%, 75K Coverage C	27,324	34,211	2.40	0.0%	1.252	3.01	0.09	0.20	0.12
10%, 100K Coverage C	40,612	50,848	3.56	0.0%	1.252	4.46	0.09	0.20	0.15
10K Coverage D	2,923	3,162	3.62	0.0%	1.082	3.92	1.24	2.80	11.86
15K Coverage D	2,711	2,933	4.03	0.0%	1.082	4.36	1.49	3.36	16.61

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EXHIBIT 14-4 - INSURER'S RATEMAKING CALCULATIONS - EXISTING PRODUCTS

CEA PRODUCT (1)	Exposure (2)	Adjusted Exposure (3)	Expected Loss (000) (4)	Adjustment for Policy Provisions (5)	Exposure Adjustment (6)	Adjusted EAL (000) (7)	Average Loss Cost (8)	Indicated Average Rate / Premium (9)	Current Average Rate / Premium (10)
Condominium Coverage									
Real Property - 25K Limit	70,655	70,655	3,462	0.0%	1.000	3,462	49.00	110.74	89.87
Loss Assessment - 25K Limit	2,899	2,899	321	-6.6%	1.000	300	103.36	233.59	246.36
Loss Assessment - 50K Limit	64,254	64,254	9,479	-6.6%	1.000	8,850	137.73	311.27	285.82
Loss Assessment - 75K Limit	3,079	3,079	583	-6.6%	1.000	544	176.74	399.43	391.66
Renters / Condos Coverage									
15% deductible, Basic Limits	139,294	139,294	4,245	0.0%	1.000	4,245	30.47	68.87	96.81
15%, 25K Coverage C	21,795	21,795	449	0.0%	1.000	448.50	20.58	46.51	109.27
15%, 50K Coverage C	18,398	18,398	449	0.0%	1.000	449.13	24.41	55.17	134.35
15%, 75K Coverage C	8,404	8,404	232	0.0%	1.000	232.18	27.63	62.44	155.57
15%, 100K Coverage C	15,149	15,149	427	0.0%	1.000	427.45	28.22	63.77	158.56
10K Coverage D	22,588	22,588	117	0.0%	1.000	116.93	5.18	11.70	13.77
15K Coverage D	36,660	36,660	208	0.0%	1.000	207.53	5.66	12.79	16.54
TOTAL			249,383			267,200			

Notes:

(2) Coverage D, Condo and Renter coverages exposure base is policy count. The remaining coverage exposure base is Coverage A in thousands of dollars.
(3) = (2)*(6)
(4) EQECAT modeled loss based on June 30, 2010 portfolio
(5) Adjustment to modeled losses to account for policy sublimits and provisions which are not modeled.
(6) Exhibit 5, line F - G
(7) = (4)*[1.0+(5)]*(6)
(8) Stated as $1,000 of Coverage A for Dwellings and Manufactured Homes (mobilehomes) (7) / (3) x 1,000
Stated as per policy for all other coverages (7) / (3)
(9) = (8) * Exhibit 14-3, line 18
(10) Statewide average rate based on current rates and products on June 30, 2010 portfolio distribution.

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EXHIBIT 14-5 - INSURER'S RATEMAKING CALCULATIONS

DEVELOPMENT OF UNDERWRITING PROFIT PROVISION

(Thousands)

(1)	Available Capital	3,898,642
(2)	Implied Rate of Return	0.85%
(3)	Target after-tax return	33,152
(4)	Unearned Premium Reserve	219,524
(5)	Loss and LAE Reserves	251,358
(6)	Investment Yield	0.80%
(7)	Return on Invested Assets	34,897
(8)	Mitigation Fund (lesser of 5% of (7) or $5M)	1,745
(9)	Expected Investment Income net of mitigation fund	33,152
(10)	Selected pre-tax underwriting profit provision	-

Notes:

(1) Projected CEA Capital at 7/1/2012 (assuming expected earthquake loss to CEA capital layer.)

(2) (1) / (9) The CEA retains its investment income in order to increase policyholder claims paying capacity. This is equivalent to targeting a rate of return equal to the investment return and offsetting the rates for the expected investment income.

(3) (1) * (2)

(4) 50% of projected net premium (Exhibit 14-3, line 17 less line 11 plus line 8)

(5) Expected Loss and LAE to CEA Capital layer

(6) CDI Exhibit Page 14c

(7) (6) * [(1) + (4) + (5)]

(8) Per CIC 10089.37

(9) (7) - (8)

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EXHIBIT 15 - RATE DISTRIBUTION

CEA PRODUCT	Adjusted Exposure (1)	Indicated Change (2)	Selected Change (3)	Projected Indicated Premium (4)	Current Premium (5)	Projected Selected Premium (6)
Dwellings						
15% deductible, Basic Limits	292,155,934	-9.5%	-9.5%	510,764,845	564,338,899	510,764,845
10% deductible, Basic Limits	27,503,617	-50.2%	-50.2%	9,848,749	19,768,490	9,848,749
15%, 25K Coverage C	12,401,216	-37.3%	-37.3%	3,797,922	6,062,120	3,797,922
15%, 50K Coverage C	9,471,121	-28.6%	-28.6%	4,286,675	6,003,220	4,286,675
15%, 75K Coverage C	5,167,090	-27.3%	-27.3%	2,850,758	3,921,297	2,850,758
15%, 100K Coverage C	21,047,734	-29.1%	-29.1%	10,835,860	15,273,082	10,835,860
10%, 25K Coverage C	3,858,559	-27.0%	-27.0%	1,443,768	1,978,357	1,443,768
10%, 50K Coverage C	3,162,564	-22.3%	-22.3%	1,459,280	1,878,413	1,459,280
10%, 75K Coverage C	1,934,438	-17.8%	-17.8%	1,127,373	1,371,333	1,127,373
10%, 100K Coverage C	10,195,479	-24.5%	-24.5%	5,441,571	7,209,587	5,441,571
10K Coverage D	53,881	-57.1%	-57.1%	1,158,748	2,698,831	1,158,748
15K Coverage D	103,154	-56.5%	-56.5%	3,238,860	7,451,286	3,238,860
20K Building Code Upgrade	633,382	-25.4%	-25.4%	854,665	1,146,272	854,665
SUBTOTAL		-12.8%	-12.6%	557,109,075	639,101,186	558,538,383

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EXHIBIT 15 - RATE DISTRIBUTION

CEA PRODUCT	Adjusted Exposure (1)	Indicated Change (2)	Selected Change (3)	Projected Indicated Premium (4)	Current Premium (5)	Projected Selected Premium (6)
Manufactured Homes (mobilehomes)						
15% deductible, Basic Limits	2,339,454	2.7%	2.7%	2,934,794	2,856,809	2,934,794
10% deductible, Basic Limits	353,089	-27.8%	-27.8%	73,923	102,446	73,923
15%, 25K Coverage C	164,532	31.4%	31.4%	36,271	27,609	36,271
15%, 50K Coverage C	126,977	49.2%	49.2%	36,885	24,726	36,885
15%, 75K Coverage C	42,705	52.0%	52.0%	11,662	7,672	11,662
15%, 100K Coverage C	70,571	39.4%	39.4%	19,297	13,840	19,297
10%, 25K Coverage C	93,287	32.5%	32.5%	17,146	12,944	17,146
10%, 50K Coverage C	92,815	46.2%	46.2%	19,994	13,674	19,994
10%, 75K Coverage C	34,211	59.2%	59.2%	6,792	4,266	6,792
10%, 100K Coverage C	50,848	32.4%	32.4%	10,086	7,616	10,086
10K Coverage D	3,162	-76.4%	-76.4%	8,859	37,506	8,859
15K Coverage D	2,933	-79.8%	-79.8%	9,862	48,714	9,862
SUBTOTAL		0.9%	9.4%	3,185,571	3,157,823	3,454,421

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EXHIBIT 15 - RATE DISTRIBUTION

CEA PRODUCT	Adjusted Exposure (1)	Indicated Change (2)	Selected Change (3)	Projected Indicated Premium (4)	Current Premium (5)	Projected Selected Premium (6)
Condominium Coverage						
Real Property - 25K Limit	70,655	23.2%	22.8%	7,824,494	6,349,445	7,800,185
Loss Assessment - 25K Limit	2,899	-5.2%	-5.2%	677,163	714,204	676,862
Loss Assessment - 50K Limit	64,254	8.9%	9.0%	20,000,182	18,365,258	20,021,035
Loss Assessment - 75K Limit	3,079	2.0%	1.7%	1,229,858	1,205,913	1,226,367
Renters / Condos Coverage						
Base	139,294	-28.9%	-28.0%	9,593,438	13,485,133	9,706,093
15%, 25K Coverage C	21,795	-57.4%	-57.4%	1,013,613	2,381,526	1,013,762
15%, 50K Coverage C	18,398	-58.9%	-58.9%	1,015,043	2,471,805	1,016,438
15%, 75K Coverage C	8,404	-59.9%	-59.7%	524,734	1,307,418	526,747
15%, 100K Coverage C	15,149	-59.8%	-59.4%	966,031	2,402,056	975,322
10K Coverage D	22,588	-15.0%	-15.0%	264,261	310,970	264,261
15K Coverage D	36,660	-22.7%	-22.7%	469,029	606,525	469,029
SUBTOTAL		-12.1%	-11.9%	43,577,847	49,600,252	43,696,101
TOTAL		-12.7%	-12.5%	603,872,493	691,859,261	605,688,904

Notes:

(1) Exhibit 14-4, column (3)
(2) Exhibit 14-4, column (9) / column (10) - 1.0.
(3) Selected change
(4) (1) x Exhibit 14-4, column (9).
(5) (1) x Exhibit 14-4, column (10). Current premium at projected exposure levels.
(6) (5) x [1.0 + (3)]

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CALIFORNIA EARTHQUAKE AUTHORITY
RESIDENTIAL EARTHQUAKE

EXHIBIT 16 - RATE CLASSIFICATION RELATIVITIES

Indicated and proposed rates and policy premiums are detailed in the subsequent exhibits.

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CALIFORNIA EARTHQUAKE AUTHORITY

EXHIBIT 16-2 - RATE DEVELOPMENT
HOMEOWNER DWELLINGS - BASIC LIMITS POLICY

CEA Territory (1)	# of Policies (2)	Exposure (000) (3)	EAL (000) (4)	Adjustment for Other Rating Factors (5)	Loss Cost per $1,000 (6)	Indicated Rate per $1,000 (7)	Current Rate per $1,000 (8)	Indicated Change (9)	Selected Rate per $1,000 (10)
2	1,058	395,884	546	0.73	1.88	4.26	2.97	43.3%	4.26
4	518	168,247	219	0.85	1.53	3.46	4.50	-23.1%	3.46
5	2,493	870,094	1,513	0.93	1.86	4.20	4.50	-6.6%	4.20
6	44,687	17,231,708	15,013	0.82	1.06	2.40	2.81	-14.7%	2.40
7	194,378	81,166,858	75,542	1.04	0.90	2.03	1.92	5.7%	2.03
8	3,767	1,396,302	1,796	0.90	1.42	3.22	3.93	-18.1%	3.22
11	19,691	7,385,553	8,066	0.91	1.20	2.72	2.84	-4.1%	2.72
12	35,155	14,804,200	14,540	0.96	1.02	2.30	2.77	-17.0%	2.30
13	24,104	14,818,545	9,425	0.93	0.68	1.54	1.79	-13.9%	1.54
15	13,416	7,223,038	5,119	0.99	0.71	1.61	1.48	9.0%	1.61
18	17,822	7,986,689	1,863	0.91	0.26	0.58	0.55	5.1%	0.58
19	4,333	1,856,776	1,172	0.96	0.66	1.48	1.37	8.2%	1.48
20	17,709	9,510,970	8,257	0.93	0.93	2.11	2.03	4.0%	2.11
22	58,906	30,202,833	47,695	1.05	1.50	3.40	3.50	-3.0%	3.40
23	12,835	8,018,990	7,786	1.04	0.93	2.11	2.68	-21.4%	2.11
24	11,583	7,249,744	6,160	1.01	0.84	1.91	1.98	-3.7%	1.91
25	2,680	854,760	740	0.93	0.93	2.10	2.63	-20.3%	2.10
26	13,605	6,185,092	6,125	0.94	1.05	2.38	2.14	11.3%	2.38
27	173,841	74,829,650	14,425	0.90	0.21	0.48	0.63	-23.3%	0.48
TOTAL	652,581	292,155,934	226,002	0.97	0.79	1.77	1.87	-4.9%	1.77

(1) Territory
(2) CEA Dwelling policies in force as of June 30, 2010
(3) CEA Dwelling exposure in force as of June 30, 2010 adjusted for anticipated growth
(4) Expected annual loss based on EQECAT model adjusted for policy provisions and anticipated growth
(5) Weighted average of proposed classification relativities across CEA distribution.
(6) [(4) / (5)]/ (3) * 1,000
(7) (6) x Loss Cost Multiplier (Exhibit 14-3, line 18)
(8) Selected rate per $1,000 of Coverage A

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CALIFORNIA EARTHQUAKE AUTHORITY

EXHIBIT 16-3 - RATE CLASSIFICATION RELATIVITIES
HOMEOWNER DWELLINGS

STORIES

Number of Stories (1)	Loss Cost per $1,000 (2)	Initial Relativity (3)	Adjustment for Other Factors (4)	Corrected Relativity (5)	Current Relativity (6)	Selected Relativity (7)	Change from Current (8)
One-Story	0.78	1.01	1.06	0.95	0.88	0.95	8.0%
Greater than One-Story	0.77	0.99	0.94	1.05	1.19	1.05	-11.8%
TOTAL	0.77	1.00	1.00	1.00	1.04	1.00	-3.4%

CONSTRUCTION / AGE / FOUNDATION

Construction / Age Foundation (1)	Loss Cost per $1,000 (2)	Initial Relativity (3)	Adjustment for Other Factors (4)	Corrected Relativity (5)	Current Relativity (6)	Selected Relativity (7)	Change from Current (8)
Frame Pre-1940, Raised	1.66	2.14	1.24	1.73	1.10	1.263	14.8%
Frame Pre-1940, All Other	1.34	1.73	1.33	1.30	1.10	1.200	9.1%
Frame 1940-1959, Raised	1.05	1.36	1.15	1.19	1.00	1.053	5.3%
Frame 1940-1959, All Other	0.78	1.01	1.09	0.93	1.00	1.000	0.0%
Frame 1960-1979, Raised	1.01	1.30	1.15	1.14	1.20	1.158	-3.5%
Frame 1960-1979, All Other	0.75	0.98	0.91	1.08	1.20	1.100	-8.3%
Frame 1980-1989	0.55	0.70	0.90	0.78	0.95	0.850	-10.5%
Frame Post-1989	0.41	0.54	0.88	0.61	0.75	0.700	-6.7%
Other	0.98	1.27	0.78	1.63	2.00	1.900	-5.0%
TOTAL	0.77	1.00	1.00	0.97	0.99	0.96	-3.0%

(1) Rating Category
(2) Expected annual loss per $1,000 of Coverage A based on EQECAT model, 100% ITV, adjusted for policy provisions and anticipated growth
(3) (2) / Total (2)
(4) Weighted average of proposed classification relativities across CEA distribution.
(5) (3) / (4)
(6) Current approved relativities
(7) Selection
(8) (7) / (6) - 1.0

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CALIFORNIA EARTHQUAKE AUTHORITY

EXHIBIT 16-6 - RATE DEVELOPMENT
MANUFACTURED HOMES (MOBILEHOMES) - BASIC LIMITS

CEA Territory (1)	# of Policies (2)	Exposure (000) (3)	EAL (000) (4)	Loss Cost per $1,000 (5)	Indicated Rate per $1,000 (6)	Current Rate per $1,000 (7)	Indicated Change (8)	Selected Rate per $1,000 (7)
2	181	10,509	17.26	1.64	3.71	2.56	45.0%	3.71
4	182	10,742	17.83	1.66	3.75	6.52	-42.5%	3.75
5	137	9,980	15.72	1.58	3.56	6.66	-46.5%	3.56
6	2,756	227,421	270.72	1.19	2.69	2.42	11.2%	2.69
7	2,369	214,539	164.49	0.77	1.73	1.65	5.0%	1.73
8	110	8,675	12.88	1.48	3.36	3.39	-1.0%	3.36
11	705	63,033	79.86	1.27	2.86	2.45	16.9%	2.86
12	648	62,620	68.09	1.09	2.46	2.39	2.8%	2.46
13	452	64,700	40.48	0.63	1.41	1.54	-8.2%	1.41
15	875	98,903	61.54	0.62	1.41	1.27	10.7%	1.41
18	1,436	161,738	39.67	0.25	0.55	0.47	17.9%	0.55
19	465	53,118	30.76	0.58	1.31	1.17	11.8%	1.31
20	365	41,810	34.85	0.83	1.88	1.75	7.7%	1.88
22	651	66,403	81.25	1.22	2.77	3.02	-8.4%	2.77
23	48	5,881	4.73	0.80	1.82	2.30	-20.9%	1.82
24	217	19,930	14.23	0.71	1.61	1.71	-5.6%	1.61
25	166	12,050	9.09	0.75	1.70	2.27	-24.9%	1.70
26	718	78,451	91.38	1.16	2.63	1.85	42.3%	2.63
27	12,042	1,128,950	243.76	0.22	0.49	0.53	-7.9%	0.49
TOTAL	24,523	2,339,454	1,298.58	0.56	1.25	1.22	2.7%	1.25

(1) Territory
(2) CEA Manufactured Homes (mobilehomes) policies in force as of June 30, 2010
(3) CEA Manufactured Homes (mobilehomes) exposure in force as of June 30, 2010 adjusted for anticipated growth
(4) Expected annual loss based on EQECAT model, adjusted for anticipated growth
(5) (4) / (3) * 1,000
(6) (5) x Loss Cost Multiplier (Exhibit 14-3, line 18)
(7) Selected rate per $1,000 of Coverage A.

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CALIFORNIA EARTHQUAKE AUTHORITY

EXHIBIT 16-9 - RATE DEVELOPMENT
CONDOS & RENTERS (COVERAGES C & D)

CEA Territory (1)	# of Policies (2)	Exposure (000) (3)	EAL (000) (4)	Loss Cost per policy (5)	Indicated Rate per policy (6)	Proposed Rate per policy (7)	Current Rate per policy (8)	Rate Change (9)	Premium Change (10)
18	1,718	11,167	23	13.12	29.65				
27	36,890	239,785	523	14.18	32.05				
Subtotal	38,608	250,952	546	14.13	31.94	35.00	49.00	-28.6%	$ (14.00)
7	46,389	301,529	1,597	34.43	77.80				
13	7,119	46,274	225	31.62	71.45				
15	2,122	13,793	55	26.08	58.95				
19	566	3,679	14	24.00	54.23				
20	1,708	11,102	61	35.80	80.91				
23	2,500	16,250	79	31.64	71.50				
24	1,347	8,756	45	33.36	75.39				
25	68	442	1	21.90	49.49	76.00	136.00	-44.1%	$ (60.00)
26	1,884	12,246	68	36.04	81.44				
Subtotal	63,703	414,070	2,146	33.68	76.12	76.00	103.00	-26.2%	$ (27.00)
2	78	507	4	52.45	118.53				
4	39	254	2	52.92	119.61				
5	199	1,294	12	58.49	132.19				
6	8,445	54,893	347	41.11	92.91				
8	498	3,237	26	52.66	119.02				
11	1,402	9,113	55	39.20	88.60				
12	10,249	66,619	420	40.95	92.54				
22	16,073	104,475	688	42.79	96.71				
Subtotal	36,983	240,390	1,554	42.01	94.94	95.00	136.00	-30.1%	$ (41.00)
TOTAL	139,294	905,411	4,245	30.47	68.87	69.68	96.81	-28.0%	$ (27.13)

(1) Territory
(2) CEA Condo/Renter policies in force as of June 30, 2010.
(3) CEA Condo/Renter exposure in force as of June 30, 2010.
(4) Expected annual loss based on EQECAT model adjusted for policy provisions and anticipated growth
(5) (4) / (2) * 1,000
(6) (5) x Loss Cost Multiplier (Exhibit 14-3, line 18)
(7) Proposed Rate
(8) Current rate per policy
(9) (7) / (8) - 1
(10) (7) - (8)

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CALIFORNIA EARTHQUAKE AUTHORITY

EXHIBIT 16-10 - RATE DEVELOPMENT
CONDOS REAL PROPERTY (COVERAGE A)

CEA Territory (1)	# of Policies (2)	Exposure (000) (3)	EAL (000) (4)	Loss Cost per policy (5)	Indicated Rate per policy (6)	Proposed Rate per policy (7)	Current Rate per policy (8)	Rate Change (9)	Premium Change (10)
18	775	19,375	15	19.35	43.74				
27	23,664	591,600	357	15.10	34.12				
Subtotal	24,439	610,975	372	15.23	34.42	34.00	35.00	-2.9%	$ (1.00)
7	21,766	544,150	1,164	53.46	120.83				
13	4,115	102,875	217	52.79	119.31				
15	959	23,975	52	53.88	121.77				
19	217	5,425	8	38.40	86.79				
20	661	16,525	45	68.43	154.65				
23	740	18,500	48	65.38	147.75				
24	505	12,625	40	79.81	180.36				
25	8	200	0	58.99	133.32	124.00	160.00	-22.5%	$ (36.00)
26	732	18,300	59	80.17	181.18				
Subtotal	29,703	742,575	1,634	55.01	124.33	124.00	96.00	29.2%	$ 28.00
2	38	950	5	126.44	285.76				
4	13	325	2	122.56	276.98				
5	57	1,425	8	144.65	326.90				
6	5,354	133,850	505	94.41	213.38				
8	198	4,950	20	102.12	230.78				
11	726	18,150	59	80.68	182.34				
12	4,799	119,975	366	76.26	172.36				
22	5,328	133,200	491	92.15	208.26				
Subtotal	16,513	412,825	1,456	88.17	199.26	199.00	160.00	24.4%	$ 39.00
TOTAL	70,655	1,766,375	3,462	49.00	110.74	110.40	89.87	22.8%	$ 20.53

(1) Territory
(2) CEA Condo Real Property policies in force as of June 30, 2010.
(3) CEA Condo Real Property exposure in force as of June 30, 2010.
(4) Expected annual loss based on EQECAT model adjusted for policy provisions and anticipated growth
(5) (4) / (2) * 1,000
(6) (5) x Loss Cost Multiplier (Exhibit 14-3, line 18)
(7) Proposed Rate
(8) Current rate per policy
(9) (7) / (8) - 1
(10) (7) - (8)

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CALIFORNIA EARTHQUAKE AUTHORITY

EXHIBIT 16-11 - RATE DEVELOPMENT
CONDOS
LOSS ASSESSMENT (COVERAGE E) $25,000

CEA Territory (1)	# of Policies (2)	Exposure (000) (3)	EAL (000) (4)	Loss Cost per policy (5)	Indicated Rate (6)	Proposed Rate (7)	Current Rate (8)	Rate Change (9)	Premium Change (10)
18	17	425	0.55	32.59	73.66				
27	738	18,450	29.01	39.30	88.82				
Subtotal	755	18,875	29.56	39.15	88.48	88.00	110.00	-20.0%	(22.00)
7	895	22,375	97.97	109.46	247.38				
13	178	4,450	19.15	107.61	243.20				
15	59	1,475	5.38	91.25	206.23				
19	5	125	0.42	84.70	191.41				
20	12	300	1.45	120.84	273.11				
23	9	225	0.83	92.58	209.23				
24	10	250	1.32	131.97	298.24				
25	-	-				246.00	346.00	-28.9%	(100.00)
26	22	550	3.01	136.78	309.12				
Subtotal	1,190	29,750	129.54	108.86	246.02	246.00	253.00	-2.8%	(7.00)
2	2	50	0.35	173.62	392.38				
4	1	25	0.18	182.80	413.13				
5	3	75	0.66	221.28	500.08				
6	290	7,250	46.21	159.35	360.13				
8	27	675	4.59	169.94	384.07				
11	125	3,125	16.46	131.70	297.64				
12	424	10,600	59.34	139.95	316.29				
22	82	2,050	12.73	155.26	350.88				
Subtotal	954	23,850	140.53	147.30	332.90	333.00	346.00	-3.8%	(13.00)
TOTAL	2,899	72,475	299.63	103.36	233.59	233.48	246.36	-5.2%	(12.88)

(1) Territory
(2) CEA Condo Loss Assessment ($25,000) policies in force as of June 30, 2010.
(3) CEA Condo Loss Assessment ($25,000) exposure in force as of June 30, 2010.
(4) Expected annual loss based on EQECAT model adjusted for policy provisions and anticipated growth
(5) (4) / (2) * 1,000
(6) (5) x Loss Cost Multiplier (Exhibit 14-3, line 18)
(7) Proposed Rate
(8) Current average rate per policy
(9) (7) / (8) - 1
(10) (7) - (8)

Draft

CALIFORNIA EARTHQUAKE AUTHORITY

EXHIBIT 16-12 - RATE DEVELOPMENT
CONDOS
LOSS ASSESSMENT (COVERAGE E) $50,000

CEA Territory (1)	# of Policies (2)	Exposure (000) (3)	EAL (000) (4)	Loss Cost per policy (5)	Indicated Rate (6)	Proposed Rate (7)	Current Rate (8)	Rate Change (9)	Premium Change (10)
18	636	31,800	35	54.71	123.65				
27	18,127	906,350	837	46.17	104.34				
Subtotal	18,763	938,150	872	46.46	105.00	105.00	116.00	-9.5%	(11.00)
7	19,803	990,150	2,831	142.98	323.14				
13	4,771	238,550	691	144.88	327.42				
15	1,227	61,350	167	135.70	306.68				
19	163	8,150	17	103.00	232.77				
20	714	35,700	131	184.00	415.84				
23	625	31,250	100	159.54	360.57				
24	500	25,000	99	197.20	445.67				
25	1	50	0	121.85	275.37	332.00	450.00	-26.2%	(118.00)
26	745	37,250	152	204.37	461.87				
Subtotal	28,549	1,427,450	4,188	146.70	331.53	332.00	300.00	10.7%	32.00
2	21	1,050	6	294.89	666.44				
4	1	50	0	286.37	647.20				
5	27	1,350	9	333.13	752.88				
6	5,751	287,550	1,392	241.98	546.87				
8	115	5,750	30	258.24	583.62				
11	707	35,350	139	197.11	445.46				
12	5,637	281,850	1,120	198.77	449.22				
22	4,683	234,150	1,093	233.46	527.62				
Subtotal	16,942	847,100	3,790	223.70	505.56	506.00	450.00	12.4%	56.00
TOTAL	64,254	3,212,700	8,850	137.73	311.27	311.59	285.82	9.0%	25.77

(1) Territory
(2) CEA Condo Loss Assessment ($50,000) policies in force as of June 30, 2010
(3) CEA Condo Loss Assessment ($50,000) exposure in force as of June 30, 2010
(4) Expected annual loss based on EQECAT model adjusted for policy provisions and anticipated growth
(5) (4) / (2) * 1,000
(6) (5) x Loss Cost Multiplier (Exhibit 14-3, line 18)
(7) Proposed Rate
(8) Current average rate per policy
(9) (7) / (8) - 1
(10) (7) - (8)

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CALIFORNIA EARTHQUAKE AUTHORITY

EXHIBIT 16-13 - RATE DEVELOPMENT
CONDOS
LOSS ASSESSMENT (COVERAGE E) $75,000

CEA Territory (1)	# of Policies (2)	Exposure (000) (3)	EAL (000) (4)	Loss Cost per policy (5)	Indicated Rate (6)	Proposed Rate (7)	Current Rate (8)	Rate Change (9)	Premium Change (10)
18	44	3,300	4.04	91.92	207.74				
27	1,419	106,425	94.36	66.50	150.28				
Subtotal	1,463	109,725	98.40	67.26	152.01	152.00	197.00	-22.8%	(45.00)
7	865	64,875	203.51	235.28	531.72				
13	100	7,500	22.97	229.70	519.11				
15	21	1,575	3.91	185.99	420.34				
19	6	450	0.95	158.14	357.40				
20	29	2,175	7.85	270.81	612.03				
23	60	4,500	15.70	261.74	591.54				
24	17	1,275	5.59	328.95	743.43				
25	-	-	-	-	-	539.00	734.00	-26.6%	(195.00)
26	24	-	7.12	296.56	670.24				
Subtotal	1,122	82,350	267.61	238.51	539.03	539.00	497.00	8.5%	42.00
2	1	75	0.49	492.32	1,112.65				
4	1	75	0.43	428.43	968.24				
5	1	75	0.42	419.63	948.36				
6	98	7,350	35.73	364.58	823.94				
8	4	300	1.41	351.76	794.97				
11	5	375	1.66	331.69	749.62				
12	92	6,900	28.76	312.59	706.46				
22	292	21,900	109.28	374.26	845.82				
Subtotal	494	37,050	178.18	360.68	815.14	815.00	734.00	11.0%	81.00
TOTAL	3,079	229,125	544.19	176.74	399.43	398.30	391.66	1.7%	6.64

(1) Territory
(2) CEA Condo Loss Assessment ($75,000) policies in force as of June 30, 2010
(3) CEA Condo Loss Assessment ($75,000) exposure in force as of June 30, 2010
(4) Expected annual loss based on EQECAT model adjusted for policy provisions and anticipated growth
(5) (4) / (2) * 1,000
(6) (5) x Loss Cost Multiplier (Exhibit 14-3, line 18)
(7) Proposed Rate
(8) Current average rate per policy
(9) (7) / (8) - 1
(10) (7) - (8)

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CALIFORNIA EARTHQUAKE AUTHORITY
RESIDENTIAL EARTHQUAKE

EXHIBIT 16-14 - NEW CEA PRODUCTS OPTIONS - RATE DEVELOPMENT

(1)	Exposure (2)	Adjusted Exposure (3)	Expected Loss (000) (4)	Adjustment for Policy Provisions (5)	Exposure Adjustment (6)	Adjusted EAL (000) (7)	Average Loss Cost (8)	Average Rate / Premium (9)
Dwellings								
15% deductible, Coverage A	253,410,138	253,410,138	192,939	-7.3%	1.000	178,777	0.71	1.59
10% deductible, Coverage A	23,856,080	23,856,080	3,934	-7.3%	1.000	3,646	0.15	0.35
15%, 5K Coverage C	652,581	652,581	30,302	0.0%	1.000	30,302	46.43	104.94
15%, 25K Coverage C	30,014	30,014	1,382	0.0%	1.000	1,382	46.06	104.09
15%, 50K Coverage C	20,714	20,714	1,359	0.0%	1.000	1,359	65.58	148.22
15%, 75K Coverage C	10,832	10,832	841	0.0%	1.000	841	77.60	175.38
15%, 100K Coverage C	32,623	32,623	3,476	0.0%	1.000	3,476	106.56	240.83
10%, 5K Coverage C	20,407	20,407	30	0.0%	1.000	30	1.47	3.32
10%, 25K Coverage C	10,001	10,001	473	0.0%	1.000	473	47.33	106.96
10%, 50K Coverage C	7,580	7,580	443	0.0%	1.000	443	58.48	132.16
10%, 75K Coverage C	4,540	4,540	326	0.0%	1.000	326	71.72	162.08
10%, 100K Coverage C	17,427	17,427	1,692	0.0%	1.000	1,692	97.08	219.41
1.5K Coverage D	652,581	652,581	5,137	0.0%	1.000	5,137	7.87	17.79
25K Coverage D	101,115	101,115	1,699	0.0%	1.000	1,699	16.80	37.98

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CALIFORNIA EARTHQUAKE AUTHORITY
RESIDENTIAL EARTHQUAKE

EXHIBIT 16-14 - NEW CEA PRODUCTS OPTIONS - RATE DEVELOPMENT

(1)	Exposure (2)	Adjusted Exposure (3)	Expected Loss (000) (4)	Adjustment for Policy Provisions (5)	Exposure Adjustment (6)	Adjusted EAL (000) (7)	Average Loss Cost (8)	Average Rate / Premium (9)
Manufactured Homes (mobilehomes)								
15% deductible, Coverage A	1,868,500	1,868,500	831.62	0.0%	1.000	831.62	0.45	1.01
10% deductible, Coverage A	282,009	282,009	24.99	0.0%	1.000	24.99	0.09	0.20
15%, 5K Coverage C	24,523	24,523	180.78	0.0%	1.000	180.78	7.37	16.66
15%, 25K Coverage C	1,645	1,645	7.17	0.0%	1.000	7.17	4.36	9.85
15%, 50K Coverage C	1,058	1,058	8.21	0.0%	1.000	8.21	7.76	17.54
15%, 75K Coverage C	308	308	2.59	0.0%	1.000	2.59	8.40	18.99
15%, 100K Coverage C	434	434	4.34	0.0%	1.000	4.34	10.01	22.62
10%, 5K Coverage C	791	791	0.68	0.0%	1.000	0.68	0.86	1.95
10%, 25K Coverage C	1,011	1,011	3.74	0.0%	1.000	3.74	3.70	8.37
10%, 50K Coverage C	810	810	4.46	0.0%	1.000	4.46	5.51	12.46
10%, 75K Coverage C	261	261	1.54	0.0%	1.000	1.54	5.90	13.33
10%, 100K Coverage C	347	347	2.31	0.0%	1.000	2.31	6.65	15.02
1.5K Coverage D	24,523	24,523	43.07	0.0%	1.000	43.07	1.76	3.97
25K Coverage D	2,711	2,711	4.16	0.0%	1.000	4.16	1.54	3.47
Renters / Condos Coverage								
25K Coverage D	36,660	36,660	211	0.0%	1.000	210.73	5.75	12.99

Notes:

(2) The exposure base for Coverage A is thousands of dollars. The exposure base for all other coverages is policy count.
(3) = (2)*(6)
(4) EQECAT modeled loss based on June 30, 2010 portfolio distribution using new product coverages.
(5) Adjustment to modeled losses to account for policy sublimits and provisions which are not modeled.
(6) New product, exposure and loss trend is assumed to be 0%
(7) = (4)*[1.0+(5)]*(6)
(8) Stated as $1,000 of Coverage A for Dwellings and Manufactured Homes (mobilehomes) (7) / (3) x 1,000
Stated as per policy for all other coverages (7) / (3)
(9) = (8) * Exhibit 14-3, line 18

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CALIFORNIA EARTHQUAKE AUTHORITY

EXHIBIT 16-15 - RATE DEVELOPMENT
HOMEOWNER CHOICE - COVERAGE A

CEA Territory (1)	# of Policies (2)	Exposure (000) (3)	EAL (000) (4)	Adjustment for Other Rating Factors (5)	Loss Cost per $1,000 (6)	Indicated Rate per $1,000 (7)	Selected Rate per $1,000 (8)
2	1,058	343,382	426	0.73	1.69	3.83	3.83
4	518	145,934	169	0.85	1.37	3.09	3.09
5	2,493	754,702	1,182	0.93	1.68	3.79	3.79
6	44,687	14,946,435	11,647	0.82	0.95	2.14	2.14
7	194,378	70,402,488	59,444	1.04	0.81	1.84	1.84
8	3,767	1,211,124	1,398	0.90	1.28	2.89	2.89
11	19,691	6,406,079	6,320	0.91	1.09	2.46	2.46
12	35,155	12,840,863	11,365	0.96	0.92	2.07	2.07
13	24,104	12,853,305	7,515	0.93	0.63	1.42	1.42
15	13,416	6,265,117	4,112	0.99	0.66	1.49	1.49
18	17,822	6,927,493	1,448	0.91	0.23	0.52	0.52
19	4,333	1,610,530	916	0.96	0.59	1.34	1.34
20	17,709	8,249,623	6,570	0.93	0.86	1.94	1.94
22	58,906	26,197,326	38,429	1.05	1.40	3.15	3.15
23	12,835	6,955,509	6,313	1.04	0.87	1.97	1.97
24	11,583	6,288,281	4,971	1.01	0.79	1.77	1.77
25	2,680	741,401	581	0.93	0.84	1.90	1.90
26	13,605	5,364,823	4,843	0.94	0.96	2.17	2.17
27	173,841	64,905,723	11,127	0.90	0.19	0.43	0.43
TOTAL	652,581	253,410,138	178,777	0.97	0.72	1.62	1.62

(1) Territory
(2) CEA Dwelling policies in force as of June 30, 2010
(3) CEA Dwelling exposure in force as of June 30, 2010 adjusted for anticipated growth
(4) Expected annual loss based on EQECAT model adjusted for policy provisions and anticipated growth
(5) Weighted average of proposed classification relativities across CEA distribution.
(6) [(4) / (5)]/ (3) * 1,000
(7) (6) x Loss Cost Multiplier (Exhibit 14-3, line 18)
(8) Selected rate per $1,000 of Coverage A

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CALIFORNIA EARTHQUAKE AUTHORITY

EXHIBIT 16-16 - RATE DEVELOPMENT
HOMEOWNER CHOICE - COVERAGE C

CEA Territory (1)	# of Policies (2)	EAL (000) (3)	Adjustment for Other Rating Factors (4)	Loss Cost per Policy (5)	Indicated Premium per Policy (6)	Indicated Premium per Policy (7)
2	1,058	80	0.73	103.75	234.48	234.00
4	518	33	0.85	75.39	170.39	170.00
5	2,493	185	0.93	79.41	179.47	179.00
6	44,687	2,625	0.82	71.51	161.60	162.00
7	194,378	10,581	1.04	52.51	118.67	119.00
8	3,767	282	0.90	82.76	187.04	187.00
11	19,691	1,112	0.91	62.29	140.77	141.00
12	35,155	2,242	0.96	66.10	149.38	149.00
13	24,104	1,352	0.93	60.19	136.03	136.00
15	13,416	555	0.99	41.67	94.17	94.00
18	17,822	375	0.91	23.06	52.12	52.00
19	4,333	185	0.96	44.38	100.30	100.00
20	17,709	1,061	0.93	64.44	145.63	146.00
22	58,906	4,114	1.05	66.44	150.15	150.00
23	12,835	649	1.04	48.51	109.63	110.00
24	11,583	578	1.01	49.57	112.04	112.00
25	2,680	77	0.93	30.90	69.84	70.00
26	13,605	733	0.94	57.36	129.63	130.00
27	173,841	3,484	0.90	22.22	50.23	50.00
TOTAL	652,581	30,302	0.96	47.81	108.06	108.11

(1) Territory
(2) CEA Dwelling policies in force as of June 30, 2010
(3) Expected annual loss based on EQECAT model adjusted for policy provisions and anticipated growth
(4) Weighted average of proposed classification relativities across CEA distribution.
(5) [(3) / (4)]/ (2) * 1,000
(6) (5) x Loss Cost Multiplier (Exhibit 14-3, line 18)
(7) Selected rate per policy

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CALIFORNIA EARTHQUAKE AUTHORITY

EXHIBIT 16-17 - RATE DEVELOPMENT
HOMEOWNER CHOICE - COVERAGE D

CEA Territory (1)	# of Policies (2)	EAL (000) (3)	Adjustment for Other Rating Factors (4)	Loss Cost per Policy (5)	Indicated Premium per Policy (6)	Selected Premium per Policy (7)
2	1,058	12	0.73	15.14	34.21	34.00
4	518	5	0.85	12.08	27.29	27.00
5	2,493	30	0.93	12.94	29.24	29.00
6	44,687	384	0.82	10.47	23.66	24.00
7	194,378	1,842	1.04	9.14	20.66	21.00
8	3,767	40	0.90	11.75	26.56	27.00
11	19,691	178	0.91	9.97	22.52	23.00
12	35,155	344	0.96	10.15	22.94	23.00
13	24,104	216	0.93	9.63	21.76	22.00
15	13,416	97	0.99	7.26	16.41	16.00
18	17,822	64	0.91	3.92	8.85	9.00
19	4,333	35	0.96	8.46	19.12	19.00
20	17,709	180	0.93	10.96	24.76	25.00
22	58,906	758	1.05	12.25	27.68	28.00
23	12,835	132	1.04	9.89	22.35	22.00
24	11,583	102	1.01	8.72	19.71	20.00
25	2,680	15	0.93	5.97	13.49	13.00
26	13,605	121	0.94	9.48	21.42	21.00
27	173,841	581	0.90	3.71	8.37	8.00
TOTAL	652,581	5,137	0.96	8.07	18.23	18.30

(1) Territory
(2) CEA Dwelling policies in force as of June 30, 2010
(3) Expected annual loss based on EQECAT model adjusted for policy provisions and anticipated growth
(4) Weighted average of proposed classification relativities across CEA distribution.
(5) [(3) / (4)]/ (2) * 1,000
(6) (5) x Loss Cost Multiplier (Exhibit 14-3, line 18)
(7) Selected rate per policy

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CALIFORNIA EARTHQUAKE AUTHORITY

EXHIBIT 16-18 - RATE DEVELOPMENT
MANUFACTURED HOMES (MOBILEHOMES) - COVERAGE A

CEA Territory (1)	# of Policies (2)	Exposure (000) (3)	EAL (000) (4)	Loss Cost per $1,000 (5)	Indicated Rate per $1,000 (6)	Selected Rate per $1,000 (7)
2	181	8,393	10.73	1.28	2.89	2.89
4	182	8,580	11.05	1.29	2.91	2.91
5	137	7,971	9.94	1.25	2.82	2.82
6	2,756	181,639	171.94	0.95	2.14	2.14
7	2,369	171,350	104.88	0.61	1.38	1.38
8	110	6,929	8.16	1.18	2.66	2.66
11	705	50,344	51.17	1.02	2.30	2.30
12	648	50,014	43.54	0.87	1.97	1.97
13	452	51,675	26.51	0.51	1.16	1.16
15	875	78,993	39.75	0.50	1.14	1.14
18	1,436	129,179	25.53	0.20	0.45	0.45
19	465	42,425	20.10	0.47	1.07	1.07
20	365	33,393	22.54	0.68	1.53	1.53
22	651	53,036	52.34	0.99	2.23	2.23
23	48	4,697	3.11	0.66	1.50	1.50
24	217	15,918	9.06	0.57	1.29	1.29
25	166	9,625	5.74	0.60	1.35	1.35
26	718	62,658	59.11	0.94	2.13	2.13
27	12,042	901,682	156.42	0.17	0.39	0.39
TOTAL	24,523	1,868,500	831.62	0.45	1.01	1.01

(1) Territory
(2) CEA Manufactured Homes (mobilehomes) policies in force as of June 30, 2010
(3) CEA Manufactured Homes (mobilehomes) exposure in force as of June 30, 2010 adjusted for anticipated growth
(4) Expected annual loss based on EQECAT model, adjusted for anticipated growth
(5) (4) / (3) * 1,000
(6) (5) x Loss Cost Multiplier (Exhibit 14-3, line 18)
(7) Selected rate per $1,000 of Coverage A

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CALIFORNIA EARTHQUAKE AUTHORITY

EXHIBIT 16-19 - RATE DEVELOPMENT
MANUFACTURED HOMES (MOBILEHOMES) - COVERAGE C

CEA Territory (1)	# of Policies (2)	EAL (000) (3)	Loss Cost per policy (4)	Indicated Rate per policy (5)	Selected Rate per policy (6)
2	181	2.39	13.20	29.83	30.00
4	182	2.54	13.98	31.59	32.00
5	137	2.19	15.97	36.08	36.00
6	2,756	38.08	13.82	31.22	31.00
7	2,369	22.16	9.35	21.14	21.00
8	110	1.79	16.24	36.71	37.00
11	705	11.13	15.79	35.68	36.00
12	648	9.63	14.86	33.58	34.00
13	452	5.80	12.83	29.00	29.00
15	875	9.02	10.31	23.31	23.00
18	1,436	5.65	3.93	8.89	9.00
19	465	4.18	8.99	20.31	20.00
20	365	4.89	13.41	30.30	30.00
22	651	11.34	17.42	39.38	39.00
23	48	0.64	13.37	30.21	30.00
24	217	2.06	9.50	21.48	21.00
25	166	1.30	7.84	17.72	18.00
26	718	13.20	18.39	41.56	42.00
27	12,042	32.78	2.72	6.15	6.00
TOTAL	24,523	180.78	7.37	16.66	16.56

(1) Territory
(2) CEA Manufactured Homes (mobilehomes) policies in force as of June 30, 2010
(3) Expected annual loss based on EQECAT model, adjusted for anticipated growth
(4) (3) / (2) * 1,000
(5) (4) x Loss Cost Multiplier (Exhibit 14-3, line 18)
(6) Selection

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CALIFORNIA EARTHQUAKE AUTHORITY

EXHIBIT 16-20 - RATE DEVELOPMENT
MANUFACTURED HOMES (MOBILEHOMES) - COVERAGE D

CEA Territory (1)	# of Policies (2)	EAL (000) (3)	Loss Cost per policy (4)	Indicated Rate per policy (5)	Selected Rate per policy (6)
2	181	0.51	2.84	6.43	6.00
4	182	0.52	2.87	6.49	6.00
5	137	0.44	3.21	7.26	7.00
6	2,756	8.32	3.02	6.82	7.00
7	2,369	5.96	2.52	5.69	6.00
8	110	0.40	3.60	8.13	8.00
11	705	2.32	3.29	7.44	7.00
12	648	2.13	3.29	7.44	7.00
13	452	1.38	3.06	6.90	7.00
15	875	1.98	2.26	5.10	5.00
18	1,436	1.53	1.07	2.41	2.00
19	465	1.01	2.18	4.92	5.00
20	365	1.12	3.07	6.94	7.00
22	651	2.48	3.81	8.61	9.00
23	48	0.13	2.80	6.32	6.00
24	217	0.42	1.94	4.38	4.00
25	166	0.25	1.53	3.47	3.00
26	718	2.57	3.58	8.08	8.00
27	12,042	9.58	0.80	1.80	2.00
TOTAL	24,523	43.07	1.76	3.97	4.06

(1) Territory
(2) CEA Manufactured Homes (mobilehomes) policies in force as of June 30, 2010
(3) Expected annual loss based on EQECAT model, adjusted for anticipated growth
(4) (3) / (2) * 1,000
(5) (4) x Loss Cost Multiplier (Exhibit 14-3, line 18)
(6) Selection

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CALIFORNIA EARTHQUAKE AUTHORITY

RATE MANUAL

Draft

Proposed Effective Date: January 1, 2012

Submitted for Approval to the Governing Board
February 24, 2011

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INTRODUCTION

The purpose of this manual is to provide information necessary to rate residential earthquake insurance policies insured by the California Earthquake Authority (CEA) and serviced by CEA participating insurers. Rates and/or annual premiums are provided for all CEA products.

The manual provides general information regarding CEA products followed by specifics on how to rate CEA policies.

This version of the CEA Rate Manual reflects rate changes submitted to the Governing Board for approval on February 24, 2011.

Draft

PART I - GENERAL INFORMATION

Section 1: Types of Policies

A. Homeowners/Manufactured Home (Mobilehome) (Form BEQ-3B) – Basic Program

This policy insures owners of dwellings or manufactured homes (mobilehomes). Coverage for dwelling, personal property, and loss of use are sold together.

The CEA participating insurer's companion policy must be a Homeowners (HO1, 2, 3, 5, 8), Dwelling Fire (building), Landlord (building), or Manufactured Home (Mobilehome) policy.

B. Homeowners/Manufactured Home (Mobilehome) (Form BEQ-3C) – Choice Program

This policy insures owners of dwellings or manufactured homes (mobilehomes). Coverage for dwelling, personal property and loss of use are sold separately. Dwelling coverage is required.

The CEA participating insurer's companion policy must be a Homeowners (HO1, 2, 3, 5, 8), Dwelling Fire (building), Landlord (building), or Manufactured Home (Mobilehome) policy.

C. Renters (Form BEQ-4B)

This policy insures tenants of dwellings, manufactured homes (mobilehomes), apartments or condominiums.

The CEA participating insurer's companion policy must be a Renters (HO-4), Manufactured Home/ Mobilehome (tenant policy), Dwelling Fire (contents only), or Landlord (contents only) policy.

D. Common Interest Development (Form BEQ-6B)

This policy insures owners of condominium or cooperative units or other common interest development units. Coverage for building property, personal property with loss-of-use, and loss assessment are sold separately.

The CEA participating insurer's companion policy must be a Condominium Unit Owners (HO-6) policy.

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Section 2: Coverages

A. Homeowners/Manufactured Home (Mobilehome) (Form BEQ-3B) – Basic Program

This policy provides coverage as follows:

1. Coverage A & B: Combined Single Limit (CSL) Dwelling; subject to the limit of insurance shown on the declarations page.

   The limit of insurance for the Coverage A & B CSL must be identical to the Coverage A limit of insurance listed on the declarations page of the participating insurer's companion policy.

2. Coverage C: Personal Property

   Coverage C limits are available in the following amounts:

   - Coverage C: $5,000, $25,000, $50,000, $75,000 or $100,000

3. Coverage D: Loss of Use

   Coverage D limits are available in the following amounts:

   - Coverage D: $1,500, $10,000, $15,000, or $25,000

4. Building Code Upgrade Coverage: The policy includes Building Code Upgrade Coverage up to $10,000 as additional insurance.

   Building Code Upgrade Coverage may be increased to a maximum limit of $20,000 for dwelling owners.

   Note: This increased limit option does not apply to Manufactured Homes (Mobilehomes).

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B. Homeowners/Manufactured Home (Mobilehome) (Form BEQ-3C) – Choice Program

This policy provides coverage as follows:

1. Coverage A & B: Combined Single Limit (CSL) Dwelling; subject to the limit of insurance shown on the declarations page.

   This is a required coverage for a Homeowners/Manufactured Home (Mobilehome) policy in the Choice Program.

   The limit of insurance for the Coverage A & B CSL must be identical to the Coverage A limit of insurance listed on the declarations page of the participating insurer's companion policy.

2. Building Code Upgrade Coverage: The policy includes Building Code Upgrade Coverage up to $10,000 as additional insurance.

   Building Code Upgrade Coverage may be increased to a maximum limit of $20,000 for dwelling owners.

   Note: This increased limit option does not apply to Manufactured Homes/Mobilehomes.

The following coverage options may be purchased separately or in combination, at the policyholder's option. The coverages are as follows:

3. Option One – Coverage C: Personal Property

   Coverage C limits are available in the following amounts:

   - Coverage C: $5,000, $25,000, $50,000, $75,000 or $100,000

4. Option Two – Coverage D: Loss of Use

   Coverage D limits are available in the following amounts:

   - Coverage D: $1,500, $10,000, $15,000, or $25,000

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C. Renters (Form BEQ-4B)

This policy provides Coverage C: Personal Property ***and*** Coverage D: Loss of Use

Both Coverage C and D must be purchased. Limits are available in the following amounts:

- Coverage C: $5,000, $25,000, $50,000, $75,000 or $100,000
- Coverage D: $1,500, $10,000, $15,000, or $25,000

D. Common Interest Development (Form BEQ-6B)

This policy provides the availability of three coverage options which may be purchased separately or in combination, at the policyholder's option. The coverages are as follows:

1. Option One – Coverage A: Building Property – $25,000 limit.

   Coverage includes Building Code Upgrade Coverage up to $10,000 as additional insurance.

2. Option Two – Coverage C: Personal Property ***and*** Coverage D: Loss of Use**.**

   For the Option Two package, both Coverage C and D must be purchased. Limits are available in the following amounts:

   - Coverage C: $5,000, $25,000, $50,000, $75,000 or $100,000
   - Coverage D: $1,500, $10,000, $15,000, or $25,000

3. Option Three – Coverage E: Loss Assessment – $25,000, $50,000 or $75,000 limit

   If this coverage is purchased and the value of the covered property, exclusive of the value of the land on which the dwelling is located, exceeds $135,000, a limit of insurance of $50,000 or $75,000 may be selected. If this coverage is purchased and the value of the covered property, exclusive of the value of the land on which the dwelling is located is $135,000 or less, a limit of insurance of $25,000, $50,000 or $75,000 may be selected.

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Section 3: Deductibles

POLICY TYPE	DEDUCTIBLE
Homeowners/Manufactured Home (Mobilehome) (BEQ-3B) – Basic Program	
Dwelling and real property (Coverage A and Coverage B)	15 percent (or 10 percent if lower deductible option is purchased) of Coverage A & B Combined Single Limit (CSL) of liability.
Personal Property (Coverage C)	Dwelling deductible applies – nothing will be paid until dwelling deductible is met by damage to Coverage A and Coverage B property.
Loss of Use (Coverage D)	None
Homeowners/Manufactured Home (Mobilehome) (BEQ-3C) – Choice Program	
Dwelling and real property (Coverage A and Coverage B)	15 percent (or 10 percent if lower deductible option is purchased) of Coverage A & B Combined Single Limit (CSL) of liability.
Personal Property (Coverage C)	15 percent (or 10 percent if lower deductible option is purchased) of Coverage C limit of liability. Deductible is waived if Coverage A/B deductible is met by loss to structure.
Loss of Use (Coverage D)	None

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POLICY TYPE	DEDUCTIBLE
Renters **(BEQ-4B)** Personal Property (Coverage C) Loss of Use (Coverage D)	 $750 (regardless of limit selected) None
Common Interest Development **(BEQ-6B)** Building Property (Coverage A) Personal Property (Coverage C) Loss of Use (Coverage D) Loss Assessment (Coverage E)	 $3,750 $750 (regardless of limit selected) None $ 3,750 for $ 25,000 limit $ 7,500 for $ 50,000 limit $11,250 for $75,000 limit

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Section 4: Rating Information

Use the following instructions to calculate the total annual premium for CEA residential earthquake insurance policies.

A. Homeowners – All Dwellings other than Manufactured Homes (Mobilehomes) (Form BEQ-3B) – Basic Program

Follow these steps to calculate the total annual premium for a CEA Homeowners Basic Program policy:

1. Refer to **Part III – Homeowners Annual Premium Calculation Process** and select the chart entitled "*Homeowners – All Dwellings other than Manufactured Homes (Mobilehomes) – Basic Program*" on page 43.

2. Refer to **Part II, Rating Territory Definitions**, Section 3, ZIP Code/Territory Listing beginning on page 24 to determine a rating territory based on the ZIP Code assigned to the physical location of the insured property.

3. Use the rating territory to complete the following steps indicated on the **Part III – Homeowners Annual Premium Calculation Process** – *Homeowners – All Dwellings Other Than Manufactured Homes (Mobilehomes) – Basic Program* chart on page 43:

   Step #1. Divide the Coverage A&B Combined Single Limit (CSL) by $1,000 and insert that amount in the column entitled Coverage A-Dwelling with Base Limit and Coverage C-Personal Property Increased Limit, if applicable.

   Step #2. Rates/Annual Premiums:

   - Using the **Part III – Homeowners Annual Premium Calculation Process** – Homeowners – All Dwellings Other than Manufactured Homes (Mobilehomes) – Basic Program, *Table 1− Dwelling and Personal Property Rates* on page 44, determine the rate for Coverage A-Dwelling based on the rating territory and the deductible purchased; and, enter the rate into the column entitled Coverage A-Dwelling.

     If increased limits for Coverage C-Personal Property, Coverage D-Loss of Use, or Building Code Upgrade are purchased, continue with Step #2. If not, proceed to Step #3.

   - Using the **Part III – Homeowners Annual Premium Calculation Process**– Homeowners – All Dwellings Other than Manufactured Homes (Mobilehomes) – Basic Program, *Table 1 − Dwelling and Personal Property Rates* on page 44, determine the rate for Coverage C-Personal Property Increased Limit based on the rating territory, limit and deductible purchased; and, enter the rate into the column entitled Coverage C-Personal Property Increased Limit.

   - Using the Part **III – Homeowners Annual Premium Calculation Process** – Homeowners – All Dwellings Other than Manufactured Homes (Mobilehomes) – Basic Program, *Table 2 – Loss of Use and Building Code Upgrade –*

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Increased Limit Annual Premiums on page 45, determine the annual premium for Coverage D-Loss of Use based on the rating territory and limit purchased; and, enter the annual premium into the column entitled Coverage D-Loss of Use Increased Limit.

- Using the **Part III – Homeowners Annual Premium Calculation Process** – Homeowners – All Dwellings Other than Manufactured Homes (Mobilehomes) – Basic Program, *Table 2 – Loss of Use and Building Code Upgrade – Increased Limit Annual Premiums* on page 45, determine the annual premium for Building Code Upgrade – Increased Limit based on rating territory and Coverage A-Dwelling deductible purchased; and, enter the annual premium into the column entitled Building Code Upgrade Increased Limit.

  Note: Building Code Upgrade – Increased Limit is an optional coverage under the CEA Homeowners Policy insuring a dwelling. Manufactured Homes (Mobilehomes) are not eligible for this increased limit option.

Step #3. Using **Part III – Homeowners Annual Premium Calculation Process** – Homeowners – All Dwellings Other than Manufactured Homes (Mobilehomes) – Rating Factors, *Table 3 − Stories Rating Factor* on page 49, determine the appropriate rating factor; and, enter the rating factor into the applicable columns entitled Coverage A-Dwelling, Coverage C-Personal Property Increased Limit, Coverage D-Loss of Use Increased Limit, and Building Code Upgrade Increased Limit.

Step #4. Using **Part III – Homeowners Annual Premium Calculation Process** – Homeowners – All Dwellings Other than Manufactured Homes (Mobilehomes) – Rating Factors, *Table 4 − Construction/Age/Foundation Rating Factor* on page 49, determine the appropriate rating factor; and, enter the rating factor into the applicable columns entitled Coverage A-Dwelling, Coverage C-Personal Property Increased Limit, Coverage D-Loss of Use Increased Limit, and Building Code Upgrade Increased Limit.

Step #5. If applicable, use **Part III – Homeowners Annual Premium Calculation Process** – Homeowners – All Dwellings Other than Manufactured Homes (Mobilehomes) – Rating Factors, *Table 5 − Hazard Reduction Discount Factor* on page 49, to determine the rating factor; and, enter the rating factor into the columns entitled Coverage A-Dwelling, Coverage C-Personal Property Increased Limit, Coverage D-Loss of Use Increased Limit, and Building Code Upgrade Increased Limit. (Refer to Section 7: Hazard Reduction Discount Factor to determine if the risk qualifies for the Hazard Reduction Discount.)

Step #6. Calculate Total Annual Coverage Premium:

- Calculate the Total Annual Coverage Premium for the Coverage A-Dwelling column by sequentially multiplying the value in Step 1 by the applicable rating factors in Steps 2 – 5.

- Calculate the Total Annual Coverage Premium for the Coverage C-Personal Property Increased Limit column by

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sequentially multiplying the value in Step 1 by the applicable rating factors in Steps 2 – 5.

- Calculate the Total Annual Coverage Premium for the Coverage D-Loss of Use Increased Limit column by sequentially multiplying the annual premium in Step 2 by the applicable rating factors in Steps 3 – 5.

- Calculate the Total Annual Coverage Premium for the Building Code Upgrade Increased Limit column by sequentially multiplying the annual premium in Step 2 by the applicable rating factors in Steps 3 – 5.

Step #7. Calculate Total Annual Premium – Add the applicable Total Annual Coverage Premium(s) for Coverage A-Dwelling, Coverage C-Personal Property Increased Limit, Coverage D-Loss of Use Increased Limit, and Building Code Upgrade Increased Limit calculated in Step #6 to determine the Total Annual Premium. Round the Total Annual Premium to the nearest dollar. The minimum Total Annual Premium for a Homeowners Policy is $100.

B. Homeowners – All Dwellings other than Manufactured Homes (Mobilehomes) (Form BEQ-3C) – Choice Program

Follow these steps to calculate the total annual premium for a CEA Homeowners – Choice Program policy:

1. Refer to **Part III – Homeowners Annual Premium Calculation Process** and select the chart entitled *"Homeowners – All Dwellings other than Manufactured Homes (Mobilehomes) – Choice Program*" on page 46.

2. Refer to **Part II, Rating Territory Definitions**, Section 3, ZIP Code/Rating Territory Listing beginning on page 24 to determine a rating territory based on the ZIP Code assigned to the physical location of the insured property.

3. Use the rating territory to complete the following steps indicated on the **Part III – Homeowners Annual Premium Calculation Process** – *All Dwellings Other than Manufactured Homes (Mobilehomes) – Choice Program* chart on page 46:

   Step #1. Divide the Coverage A&B Combined Single Limit (CSL) by $1,000 and insert that amount in the column entitled Coverage A-Dwelling.

   Step #2. Rates/Annual Premiums:
   - Using the **Part III – Homeowners Annual Premium Calculation Process** – Homeowners – All Dwellings Other than Manufactured Homes (Mobilehomes) – Choice Program, *Table C1− Dwelling and Personal Property Rates/Annual Premiums* on page 47, determine the rate for Coverage A-Dwelling based on the rating territory and the deductible purchased; and, enter the rate into the column entitled Coverage A-Dwelling.

     Note: Coverage A and B Combined Single Limit (CSL) is a mandatory coverage under the Homeowners Choice Program.

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- Using the **Part III – Homeowners Annual Premium Calculation Process** – Homeowners – All Dwellings Other than Manufactured Homes (Mobilehomes) – Choice Program, *Table C1− Dwelling and Personal Property Rates/Annual Premiums – Choice Program* page 47, determine the annual premium for Option One − Coverage C-Personal Property based on the rating territory, limit and deductible purchased; and, enter the annual premium into the column entitled Option One – Coverage C-Personal Property.

  Note: Coverage C – Personal Property is an optional coverage of the Homeowners Choice Program.

- Using the **Part III – Homeowners Annual Premium Calculation Process** – Homeowners – All Dwellings Other than Manufactured Homes (Mobilehomes) – Choice Program, *Table C2 – Loss of Use and Building Code Upgrade - Increased Limit Annual Premiums – Choice Program* on page 48, determine the annual premium for Option Two – Coverage D-Loss of Use based on the rating territory and limit purchased; and, enter the annual premium into the column entitled Option Two – Coverage D-Loss of Use.

  Note: Option Two – Coverage D-Loss of Use is an optional coverage under the Homeowners Choice Program.

- Using the **Part III – Homeowners Annual Premium Calculation Process** – Homeowners – All Dwellings Other than Manufactured Homes (Mobilehomes) – Choice Program, *Table C2–Loss of Use and Building Code Upgrade-Increased Limit Annual Premiums – Choice Program* on page 48, determine the annual premium for Building Code Upgrade – Increased Limit based on rating territory and Coverage A-Dwelling deductible purchased; and, enter the annual premium into the column entitled Building Code Upgrade – Increased Limit.

  Note: Building Code Upgrade – Increased Limit is an optional coverage under all CEA Homeowners Policies insuring a dwelling. Manufactured Homes (Mobilehomes) are not eligible for this increased limit option.

Step #3. Using **Part III – Homeowners Annual Premium Calculation Process** – Homeowners – All Dwellings Other than Manufactured Homes (Mobilehomes) – Rating Factors, *Table 3 − Stories Rating Factor* on page 49, determine the appropriate rating factor; and, enter the rating factor into the columns entitled Coverage A-Dwelling, Option One – Coverage C-Personal Property, Option Two – Coverage D-Loss of Use, and Building Code Upgrade – Increased Limit.

Step #4. Using **Part III – Homeowners Annual Premium Calculation Process** – Homeowners – All Dwellings Other than Manufactured Homes (Mobilehomes) – Rating Factors, *Table 4 − Construction/Age/Foundation Rating Factor* on page 49, determine the appropriate rating factor; and, enter the rating factor into the columns entitled Coverage A-Dwelling, Option One – Coverage C-Personal Property, Option Two – Coverage D-Loss of Use, and Building Code Upgrade – Increased Limit.

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Step #5. If applicable, use **Part III – Homeowners Annual Premium Calculation Process** – Homeowners – All Dwellings Other than Manufactured Homes (Mobilehomes) – Rating Factors, *Table 5 − Hazard Reduction Discount Factor* on page 49, to determine the rating factor; and, enter the rating factor into the columns entitled Coverage A-Dwelling, Option One – Coverage C- Personal Property, Option Two – Coverage D-Loss of Use, and Building Code Upgrade – Increased Limit. (Refer to Section 6: Hazard Reduction Discount Factor on page 22 to determine if the risk qualifies for the Hazard Reduction Discount.)

Step #6. Calculate Total Annual Coverage Premium:

- Calculate the Total Annual Coverage Premium for the Coverage A-Dwelling column by sequentially multiplying the value in Step 1 by the applicable rating factors in Steps 2 – 5.
- Calculate the Total Annual Coverage Premium for the Option One – Coverage C-Personal Property column by sequentially multiplying the premium in Step 2 by the applicable rating factors in Steps 3 – 5.
- Calculate the Total Annual Coverage Premium for the Option Two – Coverage D-Loss of Use column by sequentially multiplying the premium in Step 2 by the applicable rating factors in Steps 3 – 5.
- Calculate the Total Annual Coverage Premium for the Building Code Upgrade – Increased Limit column by sequentially multiplying the annual premium in Step 2 by the applicable rating factors in Steps 3 – 5.

Step #7. Calculate Total Annual Premium – Add the applicable Total Annual Coverage Premium(s) for Coverage A-Dwelling, Option One – Coverage C-Personal Property, Option Two – Coverage D-Loss of Use, and Building Code Upgrade – Increased Limit calculated in Step #6 to determine the Total Annual Premium. Round the Total Annual Premium to the nearest dollar. The minimum Total Annual Premium is for a Homeowners Policy is $100.

C. Manufactured Homes (Mobilehomes) (Form BEQ-3B) – Basic Program

Follow these steps to calculate the total annual premium for a CEA Homeowners Policy insuring a Manufactured Home (Mobilehome) in the Basic Program:

1. Refer to **Part IV – Manufactured Home (Mobilehome) Annual Premium Calculation Process** and select the chart entitled "*Manufactured Home (Mobilehome) – Basic Program*" on page 50.

2. Refer to **Part II, Rating Territory Definitions**, Section 3, ZIP Code/Territory Listing beginning on page 24 to determine a rating territory based on the ZIP Code assigned to the physical location of the insured property.

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3. Use the rating territory to complete the following steps indicated on the **Part IV – Manufactured Home (Mobilehome) – Annual Premium Calculation Process** *Manufactured Home (Mobilehome)– Basic Program* chart on page 50:

Step #1. Divide the Coverage A&B Combined Single Limit (CSL) by $1,000 and insert that amount in the columns entitled Coverage A-Dwelling and Coverage C-Personal Property Increased Limit, if applicable.

Step #2. Rates/Annual Premiums:

- Using **Part IV – Manufactured Home (Mobilehome) Annual Premium Calculation Process**–Manufactured Home (Mobilehome) – Basic Program, Table 6 – Dwelling and Personal Property Rates/Annual Premiums on page 51, determine the rate for Coverage A-Dwelling based on the rating territory and the deductible purchased; and, enter the rate into the column entitled Coverage A-Dwelling.

  If increased limits for Coverage C-Personal Property or Coverage D-Loss of Use are purchased, continue with Step #2. If not, proceed to Step #3.

- Using **Part IV – Manufactured Home (Mobilehome) Annual Premium Calculation Process**–Manufactured Home (Mobilehome) –Basic Program, *Table 6 – Dwelling and Personal Property Rates/Annual Premiums* on page 51, determine the rate for Coverage C-Personal Property Increased Limit based on the rating territory and the deductible purchased; and, enter the rate into the column entitled Coverage C-Personal Property Increased Limit.

- Using **Part IV – Manufactured Home (Mobilehome) Annual Premium Calculation Process**–Manufactured Home (Mobilehome) – Basic Program, *Table 7− Loss of Use Increased Limit Annual Premiums* on page 52, determine the annual premium for Coverage D-Loss of Use Increased Limit based on the rating territory and limits purchased; and, enter the annual premium into the column entitled Coverage D-Loss of Use Increased Limit.

Step #3. If applicable, use **Part IV – Manufactured Home (Mobilehome) Annual Premium Calculation Process** – Manufactured Home (Mobilehome) – Hazard Reduction Discount Rating Factor, *Table 8 – Hazard Reduction Discount Factor* on page 56 to determine the rating factor based on rating territory; and, enter the rating factor into the applicable columns entitled Coverage A-Dwelling, Coverage C-Personal Property Increased Limit, and Coverage D-Loss of Use Increased Limit. (Refer to Section 6: Hazard Reduction Discount Factor on page 22 to determine if the risk qualifies for the Hazard Reduction Discount.)

Step #4. Calculate Total Annual Coverage Premium:

- Calculate the Total Coverage Premium for Coverage A-Dwelling column by sequentially multiplying the value in Step 1 by the applicable rating factors in Steps 2 – 3.

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- Calculate the Total Annual Coverage Premium for Coverage C-Personal Property Increased Limit column by sequentially multiplying the value in Step 1 by the applicable rating factors in Steps 2 – 3.

- Calculate the Total Annual Coverage Premium for Coverage D-Loss of Use Increased Limit column by multiplying the annual premium in Step 2 by the rating factor in Step 3, if applicable. If Step 3 Manufactured Home (Mobilehome) Hazard Reduction Discount Factor does not apply, Step 2 – Annual Coverage Premium equals Step 4 Total Annual Coverage Premium.

Step #5. Calculate Total Annual Premium – Add the applicable Total Annual Coverage Premium for Coverage A-Dwelling, Coverage C-Personal Property Increased Limit, and Coverage D-Loss of Use Increased Limit calculated in Step #4 to determine the Total Annual Premium. Round the Total Annual Premium to the nearest dollar. The minimum Total Annual Premium for a CEA Manufactured Home (Mobilehome) Policy is $50.

D. Manufactured Homes (Mobilehomes) (Form BEQ-3C) – Choice Program

Follow these steps to calculate the total annual premium for a CEA Homeowners Policy insuring a Manufactured Home (Mobilehome) in the Choice Program:

1. Refer to **Part IV – Manufactured Home (Mobilehome) Annual Premium Calculation Process** and select the chart entitled "*Manufactured Home (Mobilehome) – Choice Program*" on page 53.

2. Refer to Part II, Rating Territory Definitions, Section 3, ZIP Code/Territory Listing beginning on page 24 to determine a rating territory based on the ZIP Code assigned to the physical location of the insured property.

3. Use the rating territory to complete the following steps indicated on the Part IV – Manufactured Home (Mobilehome) – Annual Premium Calculation Process – Choice Program chart on page 53:

   Step #1. Divide the Coverage A&B Combined Single Limit (CSL) by $1,000 and insert that amount in the column entitled Coverage A-Dwelling.

   Step #2. Rates/Annual Premiums

   - Using **Part IV – Manufactured Home (Mobilehome) – Annual Premium Calculation Process** – Choice Program, *Table C6 – Personal Property Rates/Annual Premiums* on page 54, determine the rate for Coverage A-Dwelling based on the rating territory and the deductible purchased; and, enter the rate into the column entitled Coverage A-Dwelling.

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Note: Coverage A and B Combined Single Limit (CSL) is a mandatory coverage under a CEA Homeowners Policy insuring a Manufactured Home (Mobilehome) in the Choice Program.

- Using **Part IV – Manufactured Home (Mobilehome) – Annual Premium Calculation Process** – Choice Program, *Table C6 – Personal Property Rates/Annual Premiums* on page 54, determine the annual premium for Option One – Coverage C-Personal Property based on the rating territory, limits and deductible purchased; and, enter the annual premium into the column entitled Option One – Coverage C-Personal Property.

  Note: Coverage C-Personal Property is an optional coverage under a CEA Homeowner Policy insuring a Manufactured Home (Mobilehome) in the Choice Program.

- Using **Part IV – Manufactured Home (Mobilehome) – Annual Premium Calculation Process** – Choice Program, *Table C7 − Loss of Use Annual Premiums* on page 55, determine the annual premium for Option Two – Coverage D-Loss of Use based on the rating territory and limits purchased; and, enter the annual premium into the column entitled Option Two – Coverage D-Loss of Use.

  Note: Coverage D-Loss of Use coverage is an optional coverage under a CEA Homeowner policy insuring a Manufactured Home (Mobilehome) in the Choice Program.

Step #3. If applicable, use Part IV – **Manufactured Home (Mobilehome) – Annual Premium Calculation Process** – Manufactured Home (Mobilehome) – Hazard Reduction Discount Rating Factor, *Table 8 – Hazard Reduction Discount Factor* on page 56, to determine the rating factor based on rating territory; and, enter the rating factor into the columns entitled Coverage A-Dwelling, Option One – Coverage C-Personal Property, and Option Two – Coverage D-Loss of Use. (Refer to Section 6: Hazard Reduction Discount Factor on page 22 to determine if the risk qualifies for the Hazard Reduction Discount.)

Step #4. Calculate Total Annual Coverage Premium:

- Calculate the Total Annual Coverage Premium for Coverage A-Dwelling column by sequentially multiplying the value in Step 1 by the applicable rating factors in Steps 2 – 3.

- Calculate the Total Annual Coverage Premium for Option One – Coverage C-Personal Property column by multiplying the annual premium in Step 2 by the rating factor in Step 3, if applicable. If Step 3 Manufactured Home (Mobilehome) Hazard Reduction Discount Factor does not apply, Step 2 – Annual Coverage Premium equals Step 4 Total Annual Coverage Premium.

- Calculate the Total Annual Coverage Premium for Option Two – Coverage D-Loss of Use column by multiplying the

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annual premium in Step 2 by the rating factor in Step 3, if applicable. If Step 3 Manufactured Home (Mobilehome) Hazard Reduction Discount Factor does not apply, Step 2 – Annual Coverage Premium equals Step 4 Total Annual Coverage Premium.

Step #5. Calculate Total Annual Premium – Add the applicable Total Annual Coverage Premium for Coverage A-Dwelling, Option One – Coverage C-Personal Property, and Option Two – Coverage D-Loss of Use calculated in Step #4 to determine the Total Annual Premium. Round the Total Annual Premium to the nearest dollar. The minimum Total Annual Premium for a CEA Manufactured Home (Mobilehome) Policy is $50.

E. Renters (Form BEQ-4B)

Follow these steps to calculate the total annual premium for a CEA Renters policy:

1. Refer to **Part V – Renters Annual Premium Calculation Process** and select the chart entitled "*Renters Annual Premium Calculation Process*" on page 57.

2. Refer to **Part II, Rating Territory Definitions**, Section 3, ZIP Code/Territory Listing beginning on page 24 to determine a rating territory based on the ZIP Code assigned to the physical location of the insured property.

3. Use the rating territory to complete the following steps indicated on the **Part V – Renters Annual Premium Calculation Process** –*Renters Annual Premium Calculation Process* chart on page 57:

   Step #1. Using **Part V - Renters Annual Premium Calculation Process**, *Table 9 – Personal Property and Loss of Use Annual Premiums* on page 58, determine the annual premium for Coverage C-Personal Property, and Coverage D-Loss of Use, based on rating territory for the limits purchased and enter into the columns entitled Coverage C-Personal Property and Coverage D-Loss of Use.

   Note: Coverage C-Personal Property and Coverage D-Loss of Use are required under a CEA Renters Policy.

   Step #2. Calculate Total Annual Premium – Add the applicable Total Annual Coverage Premium for Coverage C-Personal Property, and Coverage D-Loss of Use in Step #1 to determine the Total Annual Premium. The minimum Total Annual Premium is $35.

F. Common Interest Development (Condominium) (Form BEQ-6B)

Follow these steps to calculate the total annual premium for a CEA Common Interest Development (Condominium) policy:

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1. Refer to **Part VI – Common Interest Development (Condominium) Annual Premium Calculation Process**, and select the chart entitled "*Common Interest Development (Condominium) Annual Premium Calculation Process*" on page 59.

2. Refer to **Part II, Rating Territory Definitions**, Section 3, ZIP Code/Territory Listing beginning on page 24 to determine a rating territory based on the ZIP Code assigned to the physical location of the insured property.

3. Use the rating territory to complete the following steps indicated on the **Part VI – Common Interest Development (Condominium) Annual Premium Calculation Process** – *Common Interest Development (Condominium) Annual Premium Calculation Process* chart on page 59:

   Step #1. Calculate Total Annual Coverage Premium – Using the **Part VI – Common Interest Development (Condominium) Annual Premium Calculation Process**, *Table 10 – Building Property, Personal Property, Loss of Use and Loss Assessment Annual Premiums* on page 60, determine the applicable annual premium(s) based on rating territory for the coverage and limits purchased and enter into the applicable columns entitled Option One – Coverage A-Building Property, Option Two – Coverage C-Personal Property, Option Two – Coverage D-Loss of Use, and Option Three – Coverage E-Loss Assessment Coverage.

   Note: Option Two requires both Coverage C-Personal Property and Coverage D-Loss of Use to be purchased together.

   Step #2. Calculate Total Annual Premium – Add the applicable Total Annual Coverage Premium for Option One – Coverage A-Building Property, Option Two – Coverage C-Personal Property, Option Two – Coverage D-Loss of Use, and Option Three – Coverage E-Loss Assessment Coverage to determine the Total Annual Coverage Premium. The minimum Total Annual Premium is $35.

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Section 5: Rating Definitions – Homeowners – All Dwellings other than Manufactured Homes (Mobilehomes)

Use the following definitions when rating CEA policies:

A. Stories Rating Factor Definition

If the number of stories, including a basement is greater than one, rate as greater than one-story. A basement is defined as the lowest story of a house, below the main floor and wholly or partly below the surface of the ground.

B. Foundation Type Rating Definitions

- *Slab* – A concrete floor that is poured directly at ground level and acts as the first floor sub-surface.
- *Raised* – (Also known as Crawl Space) – The area below the first floor enclosed by foundation walls and/or cripple walls – and may include a pier and beam foundation.
- *Other* – Foundation types such as a basement and foundations which include a combination of more than one foundation type; or, do not meet the definition of a slab or raised foundation.

C. Construction Type Rating Definitions

1. The following types of homes are considered **FRAME** construction:
   - Structures built with light wood studs and joists which create a structural system to which interior and exterior walls are attached.
   - Written under a Homeowners policy – construction type 01 – Frame.
2. The following types of homes are considered **ALL OTHER** construction:
   - Structures built of exterior materials such as masonry, solid brick, logs, and poured cement block without a frame structural system.
   - Written under a Homeowners policy – construction type 09 – Other.
3. The following types of homes are considered a **MODULAR HOME**:
   - Structures built in sections at a factory and transported to the building site on a truck bed and constructed on a permanent

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location subject to local building codes.

- Written under a Homeowners policy – construction type 01 – Frame.

4. The following types of homes are considered a **MANUFACTURED HOME (MOBILEHOME)**:
   - Manufactured homes are built in factory and conform to a Federal building code, called the HUD code, rather than local building codes. Manufactured homes are built on a non-removable steel chassis and are transported to their destination on their own wheels. These types of structures were formerly referred to as mobile homes or trailers.
   - Written under a Homeowners policy – construction type 08 – Manufactured Home (Mobilehome).

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Section 6: Hazard Reduction Discount Rating Factor

The Hazard Reduction Discount applies only to Homeowners policies (dwellings and manufactured homes/mobilehomes).

Note: This discount is applied as a factor in the total annual premium calculation process.

A. Homeowners – All Dwellings other than Manufactured Homes (Mobilehomes)

A five-percent discount is applied to the total annual premium for dwelling policies subject to all of the following age and construction requirements:

- The dwelling was built prior to 1979
- The dwelling is tied to the foundation
- Cripple walls are braced with plywood or its equivalent
- The water heater is secured to the building frame

Note: The Hazard Reduction Discount applies only to wood-frame homes with raised foundations. Dwellings built on slab or other foundations do not qualify for this discount.

B. Manufactured Homes (Mobilehomes)

A discount is applied to the total annual premium for Manufactured Home (Mobilehome) policies if:

- The manufactured home (mobilehome) is reinforced by an Earthquake Resistant Bracing System (ERBS) certified by the State of California Department of Housing and Community Development; or

- The manufactured home (mobilehome) has been installed upon an approved foundation system in accordance with subdivisions (a) or (b) of section 18551 of the California Health and Safety Code.

A schedule providing the percentage discount based on rating territory is provided in Part IV. Manufactured Home (Mobilehome) – Table 8 – Hazard Reduction Discount Factor on Page 56.

In order to obtain the discount, policyholders who have installed an ERBS or a qualified Foundation System will be required to provide the participating insurer with a copy of a permit or final inspection report that verifies the system and installation meet California Department of Housing and Community Development certification or County Building Inspection requirements.

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Section 7: Policy Changes

Policies issued by the CEA may be modified during the policy term to reflect changes made to the participating insurer's companion policy. Any additional or return CEA premium will be computed pro rata.

Section 8: Cancellations

Policies issued by the CEA may be canceled by the insured at any time. If the participating insurer's companion policy is canceled by either the insured or the insurer, the CEA policy must be canceled, with the cancellation to take effect on the same date the companion policy cancellation takes effect. Whenever a CEA policy is canceled, the earned premium will be computed pro rata.

By law, the CEA policy <u>does not</u> provide coverage if there is no companion policy in effect at the time of loss.

Section 9: Mandatory Forms

A. Homeowners/Manufactured Home (Mobilehome) (Form BEQ-3B) – Basic Program

Basic Earthquake Policy – Homeowners – BEQ-3B (X/20XX)

B. Homeowners/Manufactured Home (Mobilehome) (Form BEQ-3C) – Choice Program

Basic Earthquake Policy – Homeowners Choice – BEQ-3C (X/20XX)

C. Renters (BEQ-4B)

Basic Earthquake Policy Renters – BEQ-4B (X/20XX)

D. Common Interest Development (Form BEQ-6B)

Basic Earthquake Policy – Common Interest Development – BEQ-6B (X/20XX)

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PART II - RATING TERRITORY DEFINITIONS

Section 1: Rating Territory Assignments

The California Earthquake Authority (CEA) rate structure is designed so that each ZIP Code will be rated, in its entirety, in one rating territory. Therefore, the Territory Definition pages of this Rate Manual list only ZIP Code and Territory. Participating insurers may also refer to the CEA New Earthquake Information Center (NEIC) Web site, www.earthquakeauthority.com, for a current listing of Territory Definitions.

Section 2: Rating Considerations

The following circumstances require additional consideration and special handling.

- **ZIP Code is not included in the CEA ZIP Code/Territory listing.** Please contact the CEA by e-mail at CEA-ZIPCodes@calquake.com . Many ZIP Codes in California are associated exclusively with Post Office boxes. ZIP Codes associated exclusively with Post Office boxes **must not** be used for rating. The rating territory is based on the ZIP Code assigned to the physical location of the insured property.

- **Post Office reassigns a property's address from an existing ZIP Code to another existing or a newly-created ZIP Code.** The rating territory applicable to the new ZIP Code is to be used for rating purposes. The policy must be rated according to the newly-assigned ZIP Code upon renewal.

The CEA will monitor changes in California ZIP Codes and will notify participating insurers regularly of these changes. The list will be revised as needed to include up–to–date ZIP Code information. Updates will be distributed to participating insurers and posted on the CEA's New Earthquake Information (NEIC) Web site www.earthquakeauthority.com.

Note: *For specific information regarding rating territories and ZIP Code assignments, please contact the CEA by e-mail at CEA-ZIPCodes@calquake.com .*

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Section 3: ZIP Code/Rating Territory Listing

ZIP CODE	TERRITORY	ZIP CODE	TERRITORY	ZIP CODE	TERRITORY
90001	7	90035	7	90094	7
90002	7	90036	7	90097	7
90003	7	90037	7	90099	7
90004	7	90038	7	90101	7
90005	7	90039	7	90201	7
90006	7	90040	7	90210	7
90007	7	90041	7	90211	7
90008	7	90042	7	90212	7
90010	7	90043	7	90220	7
90011	7	90044	7	90221	7
90012	7	90045	7	90222	7
90013	7	90046	7	90230	7
90014	7	90047	7	90232	7
90015	7	90048	7	90240	7
90016	7	90049	13	90241	7
90017	7	90056	7	90242	7
90018	7	90057	7	90245	7
90019	7	90058	7	90247	7
90020	7	90059	7	90248	7
90021	7	90061	7	90249	7
90022	7	90062	7	90250	7
90023	7	90063	7	90254	7
90024	7	90064	7	90255	7
90025	7	90065	7	90260	7
90026	7	90066	7	90261	7
90027	7	90067	7	90262	7
90028	7	90068	7	90263	13
90029	7	90069	7	90265	13
90031	7	90071	7	90266	7
90032	7	90073	7	90270	7
90033	7	90077	7	90272	13
90034	7	90079	7	90274	7

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ZIP CODE	TERRITORY	ZIP CODE	TERRITORY	ZIP CODE	TERRITORY
90275	7	90630	7	90806	7
90277	7	90631	7	90807	7
90278	7	90638	7	90808	7
90280	7	90639	7	90810	7
90290	13	90640	7	90813	7
90291	7	90650	7	90814	7
90292	7	90660	7	90815	7
90293	7	90670	7	90822	7
90301	7	90680	7	90831	7
90302	7	90701	7	90833	7
90303	7	90703	7	90834	7
90304	7	90704	7	90835	7
90305	7	90706	7	91001	7
90311	7	90710	7	91006	7
90401	7	90712	7	91007	7
90402	7	90713	7	91010	7
90403	7	90715	7	91011	11
90404	7	90716	7	91016	7
90405	7	90717	7	91020	11
90501	7	90720	7	91024	7
90502	7	90723	7	91030	7
90503	7	90731	7	91040	11
90504	7	90732	7	91042	11
90505	7	90740	7	91101	7
90506	7	90742	7	91103	7
90601	7	90743	7	91104	7
90602	7	90744	7	91105	7
90603	7	90745	7	91106	7
90604	7	90746	7	91107	7
90605	7	90755	7	91108	7
90606	7	90802	7	91125	7
90620	7	90803	7	91201	7
90621	7	90804	7	91202	7
90623	7	90805	7	91203	7

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ZIP CODE	TERRITORY
91204	7
91205	7
91206	7
91207	7
91208	7
91210	7
91214	11
91301	13
91302	13
91303	12
91304	12
91306	12
91307	12
91311	12
91316	12
91320	13
91321	12
91324	12
91325	12
91326	12
91331	12
91335	12
91340	12
91342	11
91343	12
91344	12
91345	12
91350	11
91351	11
91352	7
91354	12
91355	12
91356	12
91360	13

ZIP CODE	TERRITORY
91361	13
91362	13
91364	12
91367	12
91377	13
91381	12
91382	7
91383	12
91384	12
91387	11
91390	11
91401	12
91402	7
91403	12
91405	12
91406	12
91411	12
91423	12
91436	12
91501	7
91502	7
91504	7
91505	7
91506	7
91601	12
91602	7
91604	7
91605	7
91606	7
91607	12
91608	7
91701	8
91702	7
91706	7

ZIP CODE	TERRITORY
91708	8
91709	6
91710	8
91711	7
91722	7
91723	7
91724	7
91730	8
91731	7
91732	7
91733	7
91737	8
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91741	7
91744	7
91745	7
91746	7
91748	7
91750	7
91752	6
91754	7
91755	7
91758	6
91759	11
91761	6
91762	8
91763	8
91764	8
91765	7
91766	7
91767	7
91768	7
91770	7

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ZIP CODE	TERRITORY	ZIP CODE	TERRITORY	ZIP CODE	TERRITORY
91773	7	91963	27	92067	27
91775	7	91977	27	92069	27
91776	7	91978	27	92070	27
91780	7	91980	27	92071	27
91784	8	92003	27	92075	27
91786	8	92004	27	92078	27
91789	7	92007	27	92081	27
91790	7	92008	27	92082	27
91791	7	92009	27	92083	27
91792	7	92010	27	92084	27
91801	7	92011	27	92086	27
91803	7	92014	27	92091	27
91804	7	92019	27	92092	27
91901	27	92020	27	92093	27
91902	27	92021	27	92101	27
91905	27	92024	27	92102	27
91906	27	92025	27	92103	27
91910	27	92026	27	92104	27
91911	27	92027	27	92105	27
91913	27	92028	27	92106	27
91914	27	92029	27	92107	27
91915	27	92036	27	92108	27
91916	27	92037	27	92109	27
91917	27	92040	27	92110	27
91931	27	92054	27	92111	27
91932	27	92055	27	92113	27
91934	27	92056	27	92114	27
91935	27	92057	27	92115	27
91941	27	92059	27	92116	27
91942	27	92060	27	92117	27
91945	27	92061	27	92118	27
91948	27	92064	27	92119	27
91950	27	92065	27	92120	27
91962	27	92066	27	92121	27

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ZIP CODE	TERRITORY
92122	27
92123	27
92124	27
92126	27
92127	27
92128	27
92129	27
92130	27
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92132	27
92133	27
92135	27
92136	27
92139	27
92140	27
92145	27
92147	27
92154	27
92155	27
92173	27
92197	27
92199	27
92201	6
92203	2
92210	6
92211	6
92220	6
92223	5
92225	27
92227	2
92230	6
92231	2
92233	2
92234	6

ZIP CODE	TERRITORY
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92239	27
92240	6
92241	6
92242	27
92243	2
92249	2
92250	2
92251	2
92252	6
92253	6
92254	2
92256	6
92257	2
92258	6
92259	27
92260	6
92261	6
92262	6
92264	6
92266	27
92267	27
92268	6
92270	6
92273	2
92274	2
92275	2
92276	6
92277	27
92278	27
92280	27
92281	2
92282	6
92283	27

ZIP CODE	TERRITORY
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92285	27
92301	6
92304	27
92305	6
92307	6
92308	6
92309	27
92310	27
92311	27
92313	6
92314	6
92315	6
92316	5
92317	6
92320	5
92321	6
92322	6
92324	5
92325	6
92326	6
92327	27
92328	27
92329	6
92332	27
92333	6
92335	5
92336	8
92337	6
92338	27
92339	6
92340	6
92341	6
92342	6

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ZIP CODE	TERRITORY
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92345	6
92346	6
92347	27
92352	6
92354	5
92356	27
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92363	27
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92372	6
92373	5
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92386	6
92389	27
92391	6
92392	6
92393	6
92394	6
92395	6
92397	6
92398	27
92399	6

ZIP CODE	TERRITORY
92401	5
92403	5
92404	5
92405	5
92407	6
92408	5
92410	5
92411	5
92501	6
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92505	6
92506	6
92507	6
92508	6
92509	6
92518	6
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92532	6
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92544	4
92545	6
92548	6
92549	6
92551	6
92553	6
92555	5
92557	6
92561	6
92562	6
92563	6
92567	6

ZIP CODE	TERRITORY
92570	6
92571	6
92582	4
92583	4
92584	6
92585	6
92586	6
92587	6
92590	6
92591	6
92592	6
92595	6
92596	6
92602	7
92603	27
92604	7
92606	7
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92618	27
92620	7
92624	27
92625	7
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92637	27
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ZIP CODE	TERRITORY
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92782	7
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ZIP CODE	TERRITORY
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92862	27
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92883	6
92886	7
92887	7
92899	27
93001	15

ZIP CODE	TERRITORY
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93010	12
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93013	15
93015	12
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93023	15
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93033	12
93035	12
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93040	12
93041	12
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93063	12
93065	13
93066	12
93067	15
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93103	15
93105	15
93106	15
93108	15
93109	15
93110	15
93111	15
93117	15
93201	27
93202	27
93203	27
93204	27
93205	27

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ZIP CODE	TERRITORY
93206	27
93207	27
93208	27
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93243	27
93244	27
93245	27
93247	27
93249	27
93250	27
93251	27
93252	27
93254	15
93255	27
93256	27

ZIP CODE	TERRITORY
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93262	27
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93301	27
93304	27
93305	27
93306	27
93307	27
93308	27
93309	27
93311	27
93312	27
93313	27
93314	27
93401	18

ZIP CODE	TERRITORY
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93405	18
93407	18
93408	18
93409	18
93410	18
93420	18
93422	18
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93453	18
93454	15
93455	15
93458	15
93460	15

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ZIP CODE	TERRITORY
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93463	15
93465	18
93501	27
93505	27
93510	11
93512	27
93513	27
93514	27
93516	27
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93518	27
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93541	27
93543	11
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93550	11
93551	11
93552	11
93553	11

ZIP CODE	TERRITORY
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93555	27
93560	27
93561	27
93562	27
93563	11
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93628	27
93630	27
93631	27
93633	27

ZIP CODE	TERRITORY
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93637	27
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93675	27
93701	27
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93703	27
93704	27
93705	27

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ZIP CODE	TERRITORY
93706	27
93710	27
93711	27
93720	27
93721	27
93722	27
93723	27
93725	27
93726	27
93727	27
93728	27
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93955	18

ZIP CODE	TERRITORY
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93962	19
94002	22
94005	22
94010	22
94014	23
94015	23
94018	23
94019	23
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94021	20
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94043	22
94044	23
94060	20
94061	22
94062	23
94063	22
94065	22
94066	22
94070	22
94074	20
94080	22
94085	22

ZIP CODE	TERRITORY
94086	22
94087	22
94089	22
94096	22
94098	22
94099	22
94102	22
94103	22
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94118	22
94121	22
94122	22
94123	22
94124	22
94127	23
94128	22
94129	22
94130	22
94131	23
94132	22
94133	22
94134	23
94158	22

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ZIP CODE	TERRITORY
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94303	22
94304	23
94305	22
94306	22
94401	22
94402	22
94403	22
94404	22
94501	22
94502	22
94503	26
94506	20
94507	22
94508	24
94509	20
94510	26
94511	20
94512	26
94513	20
94514	20
94515	24
94517	20
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94519	22
94520	22
94521	22
94523	22
94525	22
94526	22
94528	22
94530	22
94531	20
94533	26

ZIP CODE	TERRITORY
94534	26
94535	26
94536	22
94538	22
94539	22
94541	22
94542	22
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94561	20
94563	22
94564	22
94565	20
94566	22
94567	24
94568	22
94569	22
94571	26
94572	22
94573	24
94574	24

ZIP CODE	TERRITORY
94576	24
94577	22
94578	22
94579	22
94580	22
94582	22
94583	22
94585	26
94586	20
94587	22
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94605	22
94606	22
94607	22
94608	22
94609	22
94610	22
94611	22
94612	22
94613	22
94615	22
94617	22

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ZIP CODE	TERRITORY
94618	22
94619	22
94621	22
94702	22
94703	22
94704	22
94705	22
94706	22
94707	22
94708	22
94709	22
94710	22
94720	22
94801	22
94803	22
94804	22
94805	22
94806	22
94850	22
94901	26
94903	26
94904	24
94920	24
94922	24
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ZIP CODE	TERRITORY
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96162	27

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PART III – HOMEOWNERS ANNUAL PREMIUM CALCULATION PROCESS

Homeowners – All Dwellings Other Than Manufactured Homes (Mobilehomes) – Basic Program

Step #		Table #	Coverage A- Dwelling with Base Limit Coverage*	Coverage C- Personal Property Increased Limit	Coverage D- Loss of Use Increased Limit	Building Code Upgrade Increased Limit
1	Coverage A Amount in Thousands		$	$		
2	Coverage Rate or Annual Premium	1 or 2	x	x	$	$
3	Stories Rating Factor	3	x	x	x	x
4	Construction/Age/Foundation Rating Factor	4	x	x	x	x
5	Homeowners Hazard Reduction Discount Factor	5	x	x	x	x
6	Total Annual Coverage Premium		$	$	$	$

Note: Round to nearest penny after each step 1 through 6.

7	Total Annual Premium (*Sum of Step #6 – Total Annual Coverage Premium*)	

Note: Round to nearest dollar at step 7 (Total Annual Premium). The minimum annual premium for a CEA Homeowners Policy is $100.00.

***Base Limit Coverages are as follows:**

Coverage C- Personal Property = $5,000
Coverage D- Loss of Use = $1,500
Building Code Upgrade = $10,000

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PART III – HOMEOWNERS ANNUAL PREMIUM CALCULATION PROCESS

Homeowners – All Dwellings Other Than Manufactured Homes (Mobilehomes) – Basic Program

Table 1 – Dwelling and Personal Property Rates

		10% Deductible Coverage A- Dwelling Rate with Base Limit Coverage*	15% Deductible Coverage A- Dwelling Rate with Base Limit Coverage*	Increased Limit Rates							
				Coverage C- Personal Property 10% of Coverage A &B CSL Deductible				Coverage C- Personal Property 15% of Coverage A &B CSL Deductible			
				$25,000	$50,000	$75,000	$100,000	$25,000	$50,000	$75,000	$100,000
TERRITORY	2	5.41	4.26	1.14	1.66	1.85	1.88	0.76	1.19	1.40	1.45
	4	4.40	3.46	0.93	1.35	1.50	1.53	0.62	0.96	1.13	1.18
	5	5.34	4.20	1.13	1.63	1.83	1.86	0.75	1.17	1.38	1.43
	6	3.05	2.40	0.64	0.93	1.04	1.06	0.43	0.67	0.79	0.82
	7	2.58	2.03	0.54	0.79	0.88	0.90	0.36	0.57	0.66	0.69
	8	4.09	3.22	0.86	1.25	1.40	1.42	0.57	0.90	1.05	1.10
	11	3.46	2.72	0.73	1.06	1.18	1.20	0.48	0.76	0.89	0.93
	12	2.92	2.30	0.62	0.89	1.00	1.02	0.41	0.64	0.75	0.78
	13	1.96	1.54	0.41	0.60	0.67	0.68	0.27	0.43	0.50	0.52
	15	2.05	1.61	0.43	0.63	0.70	0.71	0.29	0.45	0.53	0.55
	18	0.74	0.58	0.16	0.23	0.25	0.26	0.10	0.16	0.19	0.20
	19	1.88	1.48	0.40	0.58	0.64	0.65	0.26	0.41	0.48	0.50
	20	2.68	2.11	0.57	0.82	0.92	0.93	0.38	0.59	0.69	0.72
	22	4.32	3.40	0.91	1.32	1.48	1.50	0.61	0.95	1.11	1.16
	23	2.68	2.11	0.57	0.82	0.92	0.93	0.38	0.59	0.69	0.72
	24	2.43	1.91	0.51	0.74	0.83	0.84	0.34	0.53	0.63	0.65
	25	2.67	2.10	0.56	0.82	0.91	0.93	0.37	0.58	0.69	0.71
	26	3.02	2.38	0.64	0.93	1.04	1.05	0.42	0.66	0.78	0.81
	27	0.61	0.48	0.13	0.19	0.20	0.21	0.09	0.13	0.16	0.17

***Base Limit Coverage includes: Coverage C- Personal Property = $5,000**

Note: The minimum annual premium for a CEA Homeowners Policy is $100.00.

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PART III – HOMEOWNERS ANNUAL PREMIUM CALCULATION PROCESS

Homeowners – All Dwellings Other Than Manufactured Homes (Mobilehomes) – Basic Program

Table 2 – Loss of Use and Building Code Upgrade – Increased Limit Annual Premiums

					Building Code Upgrade - Increased Limit	
		Coverage D- Loss of Use Increased Limit			10% Coverage A& B CSL Dwelling Deductible	15% Coverage A & B CSL Dwelling Deductible
		$10,000	$15,000	$25,000	$20,000	$20,000
TERRITORY	2	54.00	82.00	99.00	43.00	34.00
	4	44.00	67.00	81.00	34.00	27.00
	5	53.00	81.00	98.00	44.00	34.00
	6	30.00	46.00	56.00	23.00	18.00
	7	26.00	39.00	47.00	21.00	16.00
	8	41.00	62.00	75.00	32.00	25.00
	11	34.00	52.00	63.00	28.00	22.00
	12	29.00	44.00	54.00	23.00	18.00
	13	19.00	30.00	36.00	16.00	13.00
	15	20.00	31.00	38.00	18.00	14.00
	18	7.00	11.00	14.00	5.00	4.00
	19	19.00	29.00	35.00	14.00	11.00
	20	27.00	41.00	49.00	22.00	17.00
	22	43.00	66.00	79.00	38.00	30.00
	23	27.00	41.00	49.00	24.00	19.00
	24	24.00	37.00	45.00	21.00	17.00
	25	27.00	40.00	49.00	22.00	17.00
	26	30.00	46.00	55.00	25.00	20.00
	27	6.00	9.00	11.00	4.00	3.00

***Base Limit Coverage includes: Coverage D- Loss of Use = $1,500 and Building Code Upgrade = $10,000**

Note: The minimum annual premium for a CEA Homeowners Policy is $100.00.

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PART III – HOMEOWNERS ANNUAL PREMIUM CALCULATION PROCESS

Homeowners – All Dwellings Other Than Manufactured Homes (Mobilehomes) – Choice Program

				Option One	Option Two	
Step #		**Table #**	**Coverage A-Dwelling**	**Coverage C-Personal Property**	**Coverage D-Loss of Use**	**Building Code Upgrade Increased Limit**
1	Coverage A Amount in Thousands		$			
2	Coverage Rate or Annual Premium	C1 or C2	x	$	$	$
3	Stories Rating Factor	3	x	x	x	x
4	Construction/Age/Foundation Rating Factor	4	x	x	x	x
5	Homeowners Hazard Reduction Discount Factor	5	x	x	x	x
6	Total Annual Coverage Premium		$	$	$	$

Note: Round to nearest penny after each step 1 through 6.

7	Total Annual Premium (*Sum of Step #6 – Total Annual Coverage Premium*)	

Note: Round to nearest dollar at step 7 (Total Annual Premium). The minimum annual premium for a CEA Homeowners Policy is $100.00.

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PART III – HOMEOWNERS ANNUAL PREMIUM CALCULATION PROCESS

Homeowners – All Dwellings Other Than Manufactured Homes (Mobilehomes) – Choice Program

Table C1 – Dwelling and Personal Property Rates/Annual Premiums

TERRITORY	10% Deductible Coverage A- Dwelling Rate	15% Deductible Coverage A- Dwelling Rate	Option One									
			10% Coverage C- Personal Property Deductible					15% Coverage C- Personal Property Deductible				
			$5,000	$25,000	$50,000	$75,000	$100,000	$5,000	$25,000	$50,000	$75,000	$100,000
2	4.83	3.83	242	506	617	669	857	234	462	575	624	807
4	3.90	3.09	176	368	448	486	623	170	336	418	453	587
5	4.78	3.79	185	387	472	512	655	179	353	440	477	618
6	2.70	2.14	168	350	427	463	593	162	320	398	432	559
7	2.32	1.84	123	257	314	340	436	119	235	292	317	411
8	3.65	2.89	194	405	493	535	685	187	369	460	499	645
11	3.10	2.46	146	305	372	403	516	141	278	347	376	486
12	2.61	2.07	154	322	393	426	546	149	294	366	397	514
13	1.79	1.42	141	294	358	389	498	136	268	334	363	469
15	1.88	1.49	97	203	248	269	344	94	186	231	251	324
18	0.66	0.52	54	112	137	149	190	52	103	128	139	179
19	1.69	1.34	104	216	264	286	366	100	197	246	267	345
20	2.45	1.94	151	316	385	417	535	146	288	359	389	504
22	3.98	3.15	155	325	395	429	549	150	296	369	400	518
23	2.49	1.97	114	238	290	314	403	110	217	270	293	380
24	2.23	1.77	116	242	295	320	410	112	221	275	299	386
25	2.40	1.90	72	151	184	200	256	70	138	172	187	242
26	2.74	2.17	135	281	343	372	476	130	257	320	347	449
27	0.54	0.43	52	108	132	143	183	50	99	123	133	173

Note: The minimum annual premium for a CEA Homeowners Policy is $100.00.

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PART III – HOMEOWNERS ANNUAL PREMIUM CALCULATION PROCESS

Homeowners – All Dwellings Other Than Manufactured Homes (Mobilehomes) – Choice Program

Table C2 – Loss of Use and Building Code Upgrade – Increased Limit Annual Premiums

		Option Two				Building Code Upgrade - Increased Limit	
		Coverage D- Loss of Use				10% Coverage A& B CSL Dwelling Deductible	15% Coverage A & B CSL Dwelling Deductible
		$1,500	$10,000	$15,000	$25,000	$20,000	$20,000
TERRITORY	2	34	88	116	133	43	34
	4	27	71	94	108	34	27
	5	29	82	110	127	44	34
	6	24	54	70	80	23	18
	7	21	47	60	68	21	16
	8	27	68	89	102	32	25
	11	23	57	75	86	28	22
	12	23	52	67	77	23	18
	13	22	41	52	58	16	13
	15	16	36	47	54	18	14
	18	9	16	20	23	5	4
	19	19	38	48	54	14	11
	20	25	52	66	74	22	17
	22	28	71	94	107	38	30
	23	22	49	63	71	24	19
	24	20	44	57	65	21	17
	25	13	40	53	62	22	17
	26	21	51	67	76	25	20
	27	8	14	17	19	4	3

Note: The minimum annual premium for a CEA Homeowners Policy is $100.00.

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PART III – HOMEOWNERS ANNUAL PREMIUM CALCULATION PROCESS

Homeowners – All Dwellings Other Than Manufactured Homes (Mobilehomes) – Rating Factors

Table 3 – Stories Rating Factor

One-Story	0.95
Greater than One-Story	1.05

Note: If number of stories including basement is greater than one, rate as greater than one-story. Please refer to Section 5 (Rating Definitions – Stories Rating Factor) on Page 20 for information regarding story count.

Table 4 – Construction/Age/Foundation Rating Factor

Foundation Type	Frame Construction					All Other Construction
	1990 or later	**1980 - 1989**	**1960 - 1979**	**1940 - 1959**	**1939 or Earlier**	
Slab	0.700	0.850	1.100	1.000	1.200	1.900
Raised	0.700	0.850	1.158	1.053	1.263	1.900
Other	0.700	0.850	1.100	1.000	1.200	1.900

Note: Please refer to Section 5 (Rating Definitions – Foundation and Construction Types) on Page 20 for rating definitions.

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Table 5 – Hazard Reduction Discount Factor

Qualifies	0.95
Does Not Qualify	1.00

Note: Please refer to Section 6 (Hazard Reduction Discount Factor) on Page 22 for information regarding homes that qualify for the Hazard Reduction Discount.

PART IV – MANUFACTURED HOME (MOBILEHOME) ANNUAL PREMIUM CALCULATION PROCESS

Manufactured Home (Mobilehome) – Basic Program

Step #		Table #	Coverage A- Dwelling with Base Limit Coverage*	Coverage C- Personal Property Increased Limit	Coverage D- Loss of Use Increased Limit
1	Coverage A Amount in Thousands		$	$	
2	Coverage Rate or Annual Premium	6 or 7	x	x	$
3	Manufactured Home (Mobilehome) Hazard Reduction Discount Factor	8	x	x	x
4	Total Annual Coverage Premium		$	$	$

Note: Round to nearest penny after each step 1 through 4.

5	Total Annual Premium (*Sum of Step #4 – Total /Annual Coverage Premium*)	$

Note: Round to nearest dollar at step 5 (Total Annual Premium). The minimum annual premium for a CEA Manufactured Home (Mobilehome) Policy is $50.00.

***Base Limit Coverages are as follows:** **Coverage C- Personal Property = $5,000**
Coverage D- Loss of Use = $1,500

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PART IV – MANUFACTURED HOME (MOBILEHOME) ANNUAL PREMIUM CALCULATION PROCESS

Manufactured Home (Mobilehome) – Basic Program

Table 6 – Dwelling and Personal Property Rates/Annual Premiums

TERRITORY	10% Deductible Coverage A- Dwelling Rate with Base Limit Coverage*	15% Deductible Coverage A- Dwelling Rate with Base Limit Coverage*	Increased Limit Annual Rates							
			Coverage C- Personal Property 10% of Coverage A &B CSL Deductible				Coverage C- Personal Property 15% of Coverage A &B CSL Deductible			
			$25,000	$50,000	$75,000	$100,000	$25,000	$50,000	$75,000	$100,000
2	4.44	3.71	0.63	0.75	0.87	0.88	0.54	0.71	0.76	0.78
4	4.49	3.75	0.64	0.76	0.88	0.89	0.55	0.72	0.77	0.78
5	4.26	3.56	0.61	0.72	0.83	0.84	0.52	0.68	0.73	0.74
6	3.22	2.69	0.46	0.55	0.63	0.64	0.39	0.52	0.55	0.56
7	2.07	1.73	0.30	0.35	0.41	0.42	0.25	0.33	0.36	0.37
8	4.02	3.36	0.57	0.68	0.79	0.80	0.49	0.65	0.69	0.70
11	3.43	2.86	0.49	0.58	0.67	0.68	0.42	0.55	0.59	0.60
12	2.95	2.46	0.42	0.50	0.58	0.59	0.36	0.47	0.51	0.52
13	1.69	1.41	0.24	0.29	0.33	0.34	0.21	0.27	0.29	0.31
15	1.69	1.41	0.24	0.29	0.33	0.34	0.21	0.27	0.29	0.31
18	0.66	0.55	0.09	0.11	0.13	0.14	0.08	0.11	0.11	0.12
19	1.57	1.31	0.22	0.27	0.31	0.32	0.19	0.25	0.27	0.28
20	2.25	1.88	0.32	0.38	0.44	0.46	0.27	0.36	0.39	0.40
22	3.32	2.77	0.47	0.56	0.65	0.66	0.40	0.53	0.57	0.58
23	2.18	1.82	0.31	0.37	0.43	0.44	0.27	0.35	0.37	0.38
24	1.93	1.61	0.27	0.33	0.38	0.39	0.24	0.31	0.33	0.35
25	2.04	1.70	0.29	0.35	0.40	0.41	0.25	0.33	0.35	0.37
26	3.15	2.63	0.45	0.54	0.62	0.63	0.38	0.50	0.54	0.55
27	0.59	0.49	0.08	0.10	0.11	0.13	0.07	0.09	0.10	0.11

***Base Limit Coverage includes: Coverage C- Personal Property = $5,000**

Note: The minimum annual premium for a CEA Manufactured Home (Mobilehome) Policy is $50.00.

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PART IV – MANUFACTURED HOME (MOBILEHOME) ANNUAL PREMIUM CALCULATION PROCESS

Manufactured Home (Mobilehome) – Basic Program

Table 7 – Loss of Use Increased Limit Annual Premiums

		Coverage D- Loss of Use Increased Limit		
		$10,000	**$15,000**	**$25,000**
TERRITORY	2	8	10	11
	4	8	10	11
	5	7	9	10
	6	6	7	8
	7	4	5	6
	8	7	9	10
	11	6	7	8
	12	5	6	7
	13	3	4	5
	15	3	4	5
	18	1	2	3
	19	3	4	5
	20	4	5	6
	22	6	7	8
	23	4	5	6
	24	3	4	5
	25	4	5	6
	26	5	7	8
	27	1	2	3

***Base Limit Coverage includes: Coverage D- Loss of Use = $1,500**

Note: The minimum annual premium for a CEA Manufactured Home (Mobilehome) policy is $50.00.

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PART IV – MANUFACTURED HOME (MOBILEHOME) ANNUAL PREMIUM CALCULATION PROCESS

Manufactured Home (Mobilehome) – Choice Program

				Option One	Option Two
Step #		**Table #**	**Coverage A-Dwelling**	**Coverage C-Personal Property**	**Coverage D-Loss of Use**
1	Coverage A Amount in Thousands		$		
2	Coverage Rate or Annual Premium	C6 or C7	x	$	$
3	Manufactured Home (Mobilehome) Hazard Reduction Discount Factor	8	x	x	x
4	Total Annual Coverage Premium		$	$	$

Note: Round to nearest penny after each step 1 through 4.

5	Total Annual Premium (*Sum of Step #4 – Total Annual Coverage Premium*)	$

Note: Round to nearest dollar at step 5 (Total Annual Premium). The minimum annual premium for a CEA Manufactured Home (Mobilehome) Policy is $50.00.

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PART IV – MANUFACTURED HOME (MOBILEHOME) ANNUAL PREMIUM CALCULATION PROCESS

Manufactured Home (Mobilehome) – Choice Program

Table C6 – Personal Property Rates/Annual Premiums

		10% Deductible Coverage A- Dwelling Rate	15% Deductible Coverage A- Dwelling Rate	Option One									
				10% Coverage C- Personal Property Deductible					15% Coverage C- Personal Property Deductible				
				$5,000	$25,000	$50,000	$75,000	$100,000	$5,000	$25,000	$50,000	$75,000	$100,000
TERRITORY	2	3.57	2.89	34	48	57	66	68	30	45	56	61	67
	4	3.60	2.91	36	51	61	70	72	32	48	59	65	71
	5	3.49	2.82	40	57	68	79	81	36	54	67	73	80
	6	2.65	2.14	35	49	59	68	70	31	46	57	63	69
	7	1.71	1.38	23	33	40	46	48	21	31	39	43	47
	8	3.29	2.66	41	59	70	81	83	37	55	68	75	82
	11	2.84	2.30	40	57	68	79	81	36	54	67	73	80
	12	2.44	1.97	38	54	64	74	77	34	51	63	69	75
	13	1.43	1.16	32	46	55	64	65	29	43	54	59	64
	15	1.41	1.14	26	37	44	50	52	23	34	43	47	51
	18	0.56	0.45	10	14	17	20	21	9	13	17	18	20
	19	1.32	1.07	22	32	38	44	45	20	30	37	41	44
	20	1.89	1.53	34	48	57	66	68	30	45	56	61	67
	22	2.76	2.23	44	62	74	85	88	39	58	72	79	87
	23	1.85	1.50	34	48	57	66	68	30	45	56	61	67
	24	1.59	1.29	23	33	40	46	48	21	31	39	43	47
	25	1.67	1.35	20	29	34	39	41	18	27	33	37	40
	26	2.63	2.13	47	67	80	92	94	42	63	78	85	93
	27	0.48	0.39	7	10	12	13	14	6	9	11	12	13

Note: The minimum annual premium for a CEA Manufactured Home (Mobilehome) Policy is $50.00.

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PART IV – MANUFACTURED HOME (MOBILEHOME) ANNUAL PREMIUM CALCULATION PROCESS

Manufactured Home (Mobilehome) – Choice Program

Table C7 – Loss of Use Annual Premiums

		Option Two			
		Coverage D- Loss of Use			
		$1,500	$10,000	$15,000	$25,000
TERRITORY	2	6	14	16	17
	4	6	14	16	17
	5	7	14	16	17
	6	7	13	14	15
	7	6	10	11	12
	8	8	15	17	18
	11	7	13	14	15
	12	7	12	13	14
	13	7	10	11	12
	15	5	8	9	10
	18	2	3	4	5
	19	5	8	9	10
	20	7	11	12	13
	22	9	15	16	17
	23	6	10	11	12
	24	4	7	8	9
	25	3	7	8	9
	26	8	13	15	16
	27	2	3	4	5

Note: The minimum annual premium for a CEA Manufactured Home (Mobilehome) policy is $50.00.

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PART IV – MANUFACTURED HOME (MOBILEHOME) ANNUAL PREMIUM CALCULATION PROCESS

Manufactured Home (Mobilehome) – Hazard Reduction Discount Rating Factor

Table 8 – Hazard Reduction Discount Factor

Territory	Factor
2	0.60
4	0.60
5	0.50
6	0.50
7	0.35
8	0.40
11	0.50
12	0.45
13	0.40
15	0.40
18	0.65
19	0.45
20	0.40
22	0.40
23	0.55
24	0.50
25	0.55
26	0.45
27	0.35

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Note: Please refer to Section 6 (Hazard Reduction Discount Rating Factor) for information regarding manufactured homes (mobilehomes) that qualify for the Hazard Reduction Discount.

PART V – RENTERS ANNUAL PREMIUM CALCULATION PROCESS

Renters Annual Premium Calculation Process

Step #		Table #	Coverage C-Personal Property	Coverage D-Loss of Use
1	Total Annual Coverage Premium	6	$	$

2	Total Annual Premium (*Sum of Step #1 – Total Annual Coverage Premium*)	$

Note: The minimum annual premium for a CEA Renters Policy is $35.00.

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PART V – RENTERS ANNUAL PREMIUM CALCULATION PROCESS

Table 9 – Personal Property and Loss of Use Annual Premiums

		Available Limits								
		Coverage C- Personal Property					Coverage D- Loss of Use			
		$5,000	$25,000	$50,000	$75,000	$100,000	$1,500	$10,000	$15,000	$25,000
TERRITORY	2	79	143	155	164	165	16	32	34	35
	4	79	143	155	164	165	16	32	34	35
	5	79	143	155	164	165	16	32	34	35
	6	79	143	155	164	165	16	32	34	35
	7	63	114	124	131	132	13	26	27	28
	8	79	143	155	164	165	16	32	34	35
	11	79	143	155	164	165	16	32	34	35
	12	79	143	155	164	165	16	32	34	35
	13	63	114	124	131	132	13	26	27	28
	15	63	114	124	131	132	13	26	27	28
	18	29	53	57	60	62	6	11	12	14
	19	63	114	124	131	132	13	26	27	28
	20	63	114	124	131	132	13	26	27	28
	22	79	143	155	164	165	16	32	34	35
	23	63	114	124	131	132	13	26	27	28
	24	63	114	124	131	132	13	26	27	28
	25	63	114	124	131	132	13	26	27	28
	26	63	114	124	131	132	13	26	27	28
	27	29	53	57	60	62	6	11	12	14

Note: The minimum annual premium for a CEA Renters Policy is $35.00.

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PART VI – COMMON INTEREST DEVELOPMENT (CONDOMINIUM) ANNUAL PREMIUM CALCULATION PROCESS

Common Interest Development (Condominium) Annual Premium Calculation Process

			Option One	Option Two		Option Three
Step #		**Table #**	**Coverage A- Building Property**	**Coverage C- Personal Property**	**Coverage D- Loss of Use**	**Coverage E- Loss Assessment**
1	Total Annual Coverage Premium	10	$	$	$	$

2	Total Annual Premium (*Sum of Step #1 – Total Annual Coverage Premium*)	$

Note: The minimum annual premium for a CEA Common Interest Development (Condominium) Policy is $35.00.

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PART VI – COMMON INTEREST DEVELOPMENT (CONDOMINIUM) ANNUAL PREMIUM CALCULATION PROCESS

Table 10 – Building Property, Personal Property, Loss of Use and Loss Assessment Annual Premiums

		Option One	Option Two									Option Three		
		Coverage A-Building Property	Coverage C- Personal Property					Coverage D- Loss of Use				Coverage E- Loss Assessment		
		$25,000	$5,000	$25,000	$50,000	$75,000	$100,000	$1,500	$10,000	$15,000	$25,000	$25,000	$50,000	$75,000
TERRITORY	2	199	79	143	155	164	165	16	32	34	35	333	506	815
	4	199	79	143	155	164	165	16	32	34	35	333	506	815
	5	199	79	143	155	164	165	16	32	34	35	333	506	815
	6	199	79	143	155	164	165	16	32	34	35	333	506	815
	7	124	63	114	124	131	132	13	26	27	28	246	332	539
	8	199	79	143	155	164	165	16	32	34	35	333	506	815
	11	199	79	143	155	164	165	16	32	34	35	333	506	815
	12	199	79	143	155	164	165	16	32	34	35	333	506	815
	13	124	63	114	124	131	132	13	26	27	28	246	332	539
	15	124	63	114	124	131	132	13	26	27	28	246	332	539
	18	34	29	53	57	60	62	6	11	12	14	88	105	152
	19	124	63	114	124	131	132	13	26	27	28	246	332	539
	20	124	63	114	124	131	132	13	26	27	28	246	332	539
	22	199	79	143	155	164	165	16	32	34	35	333	506	815
	23	124	63	114	124	131	132	13	26	27	28	246	332	539
	24	124	63	114	124	131	132	13	26	27	28	246	332	539
	25	124	63	114	124	131	132	13	26	27	28	246	332	539
	26	124	63	114	124	131	132	13	26	27	28	246	332	539
	27	34	29	53	57	60	62	6	11	12	14	88	105	152

Note: The minimum annual premium for a CEA Common Interest Development (Condominium) Policy is $35.00.

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California Earthquake Authority
Proposed Rate Manual
Proposed Effective Date: January 1, 2012

The CEA's Rate and Form Application includes introduction of a new CEA Rate Manual which incorporates the proposed new Homeowners Choice product, a revised rate classification plan, rating territory re-assignments, rating definitions, a new annual premium calculation process, and new rate/annual premium tables for each CEA product. The following provides an overview of the document.

Part I – General Information

Section 1: Types of Policies — incorporates the proposed new Homeowners Choice product and new editions of all CEA policy forms.

Section 2: Coverages — incorporates the proposed new Homeowners Choice product and new editions of all CEA policy forms.

Section 3: Deductibles — incorporates the proposed new Homeowners Choice product and new editions of all CEA policy forms.

Section 4: Rating Information — incorporates a new annual premium calculation process for all CEA products including the proposed new Homeowners Choice product; and, references new editions of all CEA policy forms.

Section 5: Rating Definitions – Homeowners – All Dwellings other than Manufactured Homes (Mobilehomes) — includes definitions of number of stories, foundation type, and construction type.

Section 6: Hazard Reduction Discount — clarifies criteria required for a Manufactured Home (Mobilehome) to qualify for the Hazard Reduction Discount.

Section 7: Policy Changes — no change.

Section 8: Cancellations — no change.

Section 9: Mandatory Forms — provides a reference guide listing mandatory CEA policy forms by product.

Part II – Rating Territory Definitions

Section 1: Rating Territory Assignments — no change because the structure of the assignment process remains the same.

Section 2: Rating Considerations — clarifies the process for submitting an inquiry regarding a ZIP Code/rating territory assignment.

California Earthquake Authority
Proposed Rate Manual
Proposed Effective Date: January 1, 2012

Section 3: ZIP Code/Rating Territory Listing — updated to reflect current United States Postal Service (USPS) ZIP Codes and the reassignment of ZIP Codes 95023, 95043, 95045, and 95075 from Territory 27 to Territory 20.

Part III – Premium Calculation Process

Part III — introduces new rating tables which support a new annual premium calculation process for each CEA product.

Part IV – Homeowners – All Dwellings Other Than Manufactured Homes (Mobilehomes)

Table 1 – provides Dwelling and Personal Property rates for the Basic Program.

Table 2 – provides Loss of Use and Building Code Upgrade increased limit annual premiums for the Basic Program.

Table C1 – provides Dwelling and Personal Property rates and/or annual premiums for the proposed new Homeowners Choice product.

Table C2 – provides Loss of Use and Building Code Upgrade increased limit annual premiums for the proposed new Homeowners Choice product.

Table 3 – provides rating factors based on number of stories – one-story or greater than one-story.

Table 4 – provides rating factors based on construction type, construction year, and foundation type.

Table 5 – provides rating factors for dwellings that qualify for the Hazard Reduction Discount.

Part V – Manufactured Home (Mobilehome)

Table 6 – provides Manufactured Home and Personal Property rates for the Basic Program.

Table 7 – provides Loss of Use increased limit annual premiums for the Basic Program.

Table C6 – provides Manufactured Home and Personal Property rates and/or annual premiums for the proposed new Homeowners Choice Program.

Table C7 – provides Loss of Use increased limit annual premiums for the proposed new Homeowners Choice Program.

California Earthquake Authority
Proposed Rate Manual
Proposed Effective Date: January 1, 2012

Table 8 – provides rating factors for manufactured homes (mobilehomes) that qualify for the Hazard Reduction Discount.

Part VI – Renters

Table 9 – provides Renters Personal Property and Loss of Use annual premiums.

Part VII – Common Interest Development (Condominium)

Table 10 – provides Common Interest Development (Condominium) Building Property, Personal Property, Loss of Use, and Loss Assessment annual premiums.

CALIFORNIA EARTHQUAKE AUTHORITY

RATE MANUAL

Base and Increased Coverage Limits

Effective June 1, 2009

Conformed to the Governing Board – Approved Rates
Based-Limits Program – June 26, 2007
Supplemental-Limits Program – August 30, 2007

Rates Approved by Insurance Commissioner
Base-Limits Program – November 21, 2007
Supplemental-Limits Program – November 30, 2007

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INTRODUCTION

The purpose of this manual is to provide information necessary to rate residential earthquake insurance policies insured by the California Earthquake Authority (CEA) and serviced by CEA participating insurers. Rates and/or premiums are provided for all CEA base-limit products in addition to deductible and increased limit options.

The manual provides general information regarding CEA products followed by specifics on how to rate CEA policies.

This version of the CEA Rate Manual has been conformed to the June 26, 2007 Governing Board – Approved Rates for the Base-Limits Program. Related rate changes were approved by the Insurance Commissioner on November 21, 2007.

In addition, the Manual has been conformed to the August 30, 2007 Governing Board – Approved Rates for the Supplemental-Limits Program. Rates for the Supplemental-Limits Program were approved by the Insurance Commissioner on November 30, 2007.

The June 1, 2009 revision incorporates new premiums for condominium loss assessment coverage for new and renewal policies effective June 1, 2009 or later. The change eliminates the rate differential based on whether the policyholder's homeowner association's master policy included earthquake insurance. As a result, the rating process for condominium loss assessment coverage has been simplified resulting in one premium per limit, per rating territory.

PART I. GENERAL INFORMATION

Section 1: Types of Policies

A. Homeowners/Manufactured Home (Mobilehome) (Form BEQ-3a)

This policy insures owners of dwellings or manufactured homes (mobilehomes).

The CEA participating insurer's companion policy must be either a Homeowners (HO1, 2, 3, 5, 8), Dwelling Fire (building), Landlord (building), or Manufactured Home (Mobilehome) policy.

B. Renters (Form BEQ-4a)

This policy insures tenants of dwellings, manufactured homes (mobilehomes), apartments or condominiums.

The CEA participating insurer's companion policy must be either a Renters (HO-4), Manufactured Home/ Mobilehome (tenant policy), Dwelling Fire (contents only), or Landlord (contents only) policy.

C. Common Interest Development (Form BEQ-6a)

This policy insures owners of condominium or cooperative units or other common interest development units. Coverage for building property, personal property with loss-of-use, and loss assessment are sold separately.

The CEA participating insurer's companion policy must be a Condominium Unit Owners (HO-6) policy.

Section 2: Coverages

A. Homeowners/Manufactured Home (Mobilehome) (Form BEQ-3a)

This policy provides coverage as follows:

1. Coverage A & B: Combined Single Limit (CSL) Dwelling, subject to the limit of insurance shown on the declarations page.

   The limit of insurance for the Coverage A & B CSL must be identical to the Coverage A limit of insurance listed on the declarations page of the participating insurer's companion policy.

2. Coverage C: Personal Property — $5,000

   Coverage C increased limits are available in the following amounts:

   Coverage C: $25,000, $50,000, $75,000 ***or*** $100,000

3. Coverage D: Loss of Use — $1,500

   Coverage D increased limits are available in the following amounts:

   Coverage D: $10,000 ***or*** $15,000

4. Building Code Upgrade Coverage: The Homeowners policy includes Building Code Upgrade Coverage up to $10,000 as additional insurance.

   Building Code Upgrade Coverage may be increased to a maximum limit of $20,000 for dwelling owners. (*This increased limit option does not apply to Manufactured Homes/Mobilehomes.*)

B. Renters (Form BEQ-4a)

This policy provides coverage as follows:

1. Coverage C: Personal Property — $5,000

   Coverage C increased limits are available in the following amounts:

   Coverage C: $25,000, $50,000, $75,000 ***or*** $100,000

2. Coverage D: Loss of Use — $1,500

   Coverage D increased limits are available in the following amounts:

   Coverage D: $10,000 ***or*** $15,000

C. Common Interest Development (Form BEQ-6a)

This policy provides the availability of three coverage options which may be purchased separately or in combination, at the policyholder's option. The coverages are as follows:

1. Coverage A: Building Property — $25,000 limit. Coverage includes Building Code Upgrade Coverage up to $10,000 as additional insurance.

2. Coverage C: Personal Property — $5,000 ***and*** Coverage D: Loss of Use — $1,500**.**

3. Optional Coverage C and D increased limits are available in the following amounts:

   Coverage C: $25,000, $50,000, $75,000 ***or*** $100,000
   Coverage D: $10,000 ***or*** $15,000

4. Coverage E: Loss Assessment — $25,000, $50,000 or $75,000 limit

   If this coverage is purchased and the value of the covered property, exclusive of the value of the land on which the dwelling is located, exceeds $135,000, the limit of insurance under Coverage E is $50,000; or, the $75,000 limit option may be selected.

   If this coverage is purchased and the value of the covered property, exclusive of the value of the land on which the dwelling is located is $135,000 or less, a limit of insurance of either $25,000, $50,000 or $75,000 may be selected.

Section 3: Deductibles

POLICY TYPE	DEDUCTIBLE
Homeowners/Manufactured Home (Mobilehome) (BEQ-3a)	
Dwelling and real property (Coverage A and Coverage B)	15 percent (or 10 percent if lower deductible option is purchased) of Coverage A & B Combined Single Limit (CSL) of liability
Personal Property (Coverage C)	Dwelling deductible applies— nothing will be paid until dwelling deductible is met by damage to Coverage A and Coverage B property
Loss of Use (Coverage D)	None
Renters (BEQ-4a)	
Personal Property (Coverage C)	$750 (regardless of limit selected)
Loss of Use (Coverage D)	None
Common Interest Development (BEQ-6a)	
Building Property (Coverage A)	$3,750
Personal Property (Coverage C)	$750 (regardless of limit selected)
Loss of Use (Coverage D)	None
Loss Assessment (Coverage E)	$3,750 for $25,000 limit $7,500 for $50,000 limit $11,250 for $75,000 limit

Section 4: Rating Information

A. Homeowners/Manufactured Home (Mobilehome) (BEQ-3a)

1. Homeowners—Dwellings other than Manufactured Homes (Mobilehomes): Premiums for the base limits coverages for non-manufactured home (mobilehome) Homeowners policies are determined using the rates per $1,000 of Coverage A & B CSL provided in **Part III, Homeowners (Non-Manufactured Home/Mobilehome) Rates – Base Limits**, using the following rating factors:

   - Rating territory as defined in **Part II, Rating Territory Definitions**
   - Number of stories (one-story or greater than one-story)
   - Type of construction
   - Year built

   (Note: If number of stories including basement is greater than one, rate as greater than one-story.)

2. Homeowners—Manufactured Homes (Mobilehomes): Premiums for the base limit coverages for Manufactured Home (Mobilehome) policies are based on the rating territory as defined in **Part II, Rating Territory Definitions** and the rates per $1,000 of Coverage A & B CSL provided in **Part IV, Manufactured Home (Mobilehome) Rates – Base Limits.**

3. 10% Deductible and Increased Limit Options: For both non-manufactured home (mobilehome) dwellings and manufactured homes (mobilehomes), premiums for the 10% deductible and increased limit options are determined using the rates per $1,000 of Coverage A & B CSL provided in **Part VII, Deductible and Increased Limits Options, Sections 1, 3, 4 and 5** using the same rating factors used in (1) and (2) above.

4. Building Code Upgrade Coverage – Increased Limit (Dwellings other than Manufactured Homes (Mobilehomes) only—not available for Manufactured Homes/Mobilehomes): Premiums for increased building code upgrade coverage are provided in **Part VII, Deductible and Increased Limits Options, Section 2** using the following rating factors:

   - Rating territory as defined in **Part II, Rating Territory Definitions**
   - Number of stories (one-story or greater than one-story)
   - Type of construction
   - Year built

   Building Code Upgrades – Increase of Limit of Insurance Endorsement – CEA 01E (07/06) must be attached to the BEQ-3a when this increased limit option is purchased.

B. Renters (Form BEQ-4a) and Common Interest Development (Form BEQ-6a)

1. Annual premiums for the base limits coverages for Renters are based on the rating territory as defined in **Part II, Rating Territory Definitions** and the annual premiums which are provided in **Part V, Renters Annual Premiums – Base Limits.**

2. Annual premiums for the base limits coverages for Common Interest Development (Condominium) are based on the rating territory as defined in **Part II, Rating Territory Definitions** and the annual premiums which are provided in **Part VI, Common Interest Development (Condominium) Annual Premiums – Base Limits.**

3. Increased Limit Options: For both Renters and Common Interest Development (Condominiums), premiums for increased limit options are determined using the annual premium for each increased limit option purchased using the annual premiums provided in **Part VII, Deductible and Increased Limit Options, Section 6.**

C. How to Calculate the total Annual Premium for CEA Residential Earthquake Insurance Policies

Homeowners—All Dwellings other than Manufactured Homes (Mobilehomes) (Form BEQ-3a)

Follow these steps to calculate the total annual premium for a CEA Homeowner policy:

1. Determine rating territory using **Part II, Rating Territory Definitions, Section 3, ZIP Code/Territory Listing** based on the ZIP Code assigned to physical location of insured property.

2. Refer to **Part III, Homeowners (Non-Manufactured Home/Mobilehome) Rates – Base Limits** to determine base rate per $1,000 of Coverage A&B Combined Single Limit (CSL) based on the rating territory, number of stories, type of construction, and year built.

   (Note: If number of stories including basement is greater than one, rate as greater than one-story.)

3. Multiply the base rate by the Coverage A & B Combined Single Limit (CSL) amount (in thousands) to determine the annual premium for the base-limits coverage.

4. If the 10% deductible option is purchased, determine the additional rate per $1,000 of Coverage A&B Combined Single Limit (CSL) as provided in **Part VII, Deductible and Increased Limit Options – Section 1: Coverage A & B CSL – 10% Deductible** based on the rating territory, number of stories, type of construction and year built. Multiply the applicable rate by the Coverage A & B Combined Single Limit (CSL) amount (in thousands) to determine the additional annual premium.

5. If Coverage C – Personal Property increased limits are purchased, determine the additional rate per $1,000 of Coverage A&B Combined Single Limit (CSL) as provided in **Part VII, Deductible and Increased Limit Options – Section 3: Coverage C: Personal Property – Increased Limits** based on the rating territory, number of stories, type of construction and year built. Multiply the applicable rate by the Coverage A & B Combined Single Limit amount (in thousands) to determine the additional annual premium.

   (Please note if the 10% deductible option is purchased in Step 4 above, the 10% deductible rates provided in **Part VII, Deductible and Increased Limit Options – Section 3: Coverage C: Personal Property – Increased Limits must be used when increased Coverage C: Personal Property limits are purchased.)**

6. If Coverage D – Loss of Use increased limits are purchased, determined the additional annual premium as proved in **Part VII, Deductible and Increased Limit Options-Section 4: Coverage D: Loss of Use – Increased Limits** based on rating territory, number of stories, type of construction and year built.

7. <u>If increased Building Code Upgrade Coverage is purchased</u>, determine the additional annual premium for increased Building Code Upgrade Coverage as provided in **Part VII, Deductible and Increased Limit Options, Section 2: Building Code Upgrade Coverage – Increased Limit – Homeowners (Dwelling Only-Non Manufactured Homes/Mobilehomes)** based on rating territory, number of stories, type of construction, and year built. Attach policy endorsement CEA 01E (07/06) – Building Code Upgrades – Increase of Limit of Insurance Endorsement.

8. Add the base premium, 10% deductible premium (if applicable), Coverage C – Personal Property and/or Coverage D: Loss of Use increased limit premium(s) (if applicable), and increased Building Code Upgrade Coverage premium (if applicable) to determine the total annual premium.

9. <u>If eligible for the Hazard Reduction Discount</u>, multiplying the total annual premium by .95 to determine the revised total annual premium. (See **Part I. General Information, Section 5: Hazard Reduction Discount**, for eligibility requirements.)

Manufactured Homes (Mobilehomes)
(Form BEQ-3a)

Follow these steps to calculate the total annual premium for a CEA Manufactured Home (Mobilehome) policy:

1. Determine rating territory using **Part II, Rating Territory Definitions, Section 3, ZIP Code/Territory Listing** based on the ZIP Code assigned to the physical location of insured property.

2. **Refer to Part IV, Manufactured Home (Mobilehome) Rates – Base Limits** to determine base rate per $1,000 of Coverage A&B Combined Single Limit (CSL) based on the rating territory.

3. Multiply the base rate by the Coverage A & B Combined Single Limit (CSL) amount (in thousands) to develop the annual premium for the base-limit coverage.

4. If the 10% deductible option is purchased, determine the additional rate per $1,000 of Coverage A&B Combined Single Limit (CSL) as provided in **Part VII, Deductible and Increased Limit Options – Section 1: Coverage A & B CSL – 10% Deductible** based on the rating territory. Multiply the applicable rate by the Coverage A & B Combined Single Limit amount (in thousands) to determine the additional annual premium.

5. If Coverage C – Personal Property increased limits are purchased, determine the additional rate per $1,000 of Coverage A&B Combined Single Limit (CSL) as provided in **Part VII, Deductible and Increased Limit Options – Section 5: Coverage C: Personal Property** based on the rating territory. Multiply the applicable rate by the Coverage A & B Combined Single Limit amount (in thousands) to determine the additional annual premium.

   (Please note if the 10% deductible option is purchased in Step 4 above, the 10% deductible rates provided in **Part VII, Deductible and Increased Limit Options – Section 5: Coverage C: Personal Property – Increased Limits must be used when increased Coverage C: Personal Property limits are purchased.)**

6. If Coverage D – Loss of Use increased limits are purchased, determine the additional annual premium as provided in **Part VII, Deductible and Increased Limit Options – Section 5: Coverage D: Loss of Use – Increased Limits** based on the rating territory.

7. Add the base premium, 10% deductible premium (if applicable) and Coverage – Personal Property and/or Coverage D – Loss of Use increased limit premium(s) (if applicable) to determine the total annual premium.

8. <u>If eligible for the Hazard Reduction Discount</u>, multiply the total annual premium by the applicable discount to determine the revised total annual premium. (See **Part I. General Information, Section 5: Hazard Reduction Discount**, for eligibility requirements and discount based on rating territory.)

Renters
(Form BEQ-4a)

Follow these steps to calculate the total annual premium for a CEA Renters policy:

1. Determine rating territory using **Part II, Rating Territory Definitions, Section 3, ZIP Code/Territory Listing** based on the ZIP Code assigned to physical location of insured property.

2. Refer to **Part V, Renters Annual Premiums – Base Limits** and determine base annual premium based on the rating territory.

3. If Coverage C – Personal Property and/or Coverage D – Loss of Use increased limits are purchased determine the additional annual premium for the coverage limits purchased as provided in **Part VII, Deductible and Increased Limit Options, Section 6: Coverage C: Personal Property and Coverage D: Loss of Use – Increased Limits – Renters and Common Interest Development (Condominium)** based on the rating territory.

4. Add the base premium and increased Coverage C – Personal Property and/or Coverage D – Loss of Use increased limit annual premium(s) (if applicable) to determine total annual premium.

Common Interest Development (Condominium)
(Form BEQ-6a)

Follow these steps to calculate the total annual premium for a CEA Common Interest Development (Condominium) policy:

1. Determine rating territory using **Part II, Rating Territory Definitions, Section 3. ZIP Code/Territory Listing** based on the ZIP Code assigned to physical location of insured property.

2. Refer to **Part VI, Common Interest Development (Condominium) – Annual Premiums – Base Limits** and determine base annual premium for coverage options selected including Real Property, Personal Property with Loss of Use and/or Loss Assessment coverage based on the rating territory.

3. If Coverage C – Personal Property and/or Coverage D – Loss of Use increased limits are purchased determine the additional annual premium for the coverage limits purchased as provided in **Part VII, Deductible and Increased Limit Options, Section 6: Coverage C: Personal Property and Coverage D: Loss of Use – Increased Limits – Renters and Common Interest Development (Condominium)** based on the rating territory.

4. Add the base premium(s) and increased Coverage C – Personal Property and/or Coverage D – Loss of Use increased limit annual premium(s) (if applicable) to determine total annual premium.

Section 5: Hazard Reduction Discount

The Hazard Reduction Discount applies only to Homeowners policies (dwellings and manufactured homes/mobilehomes).

This discount is applied as the last step in the Total Annual Premium calculation process.

A. All Dwellings other than Manufactured Homes (Mobilehomes)

A five-percent discount is applied to the total annual premium for dwelling policies subject to the following age and construction requirements:

- The dwelling was built prior to 1979.
- The dwelling is tied to the foundation.
- Cripple walls are braced with plywood or its equivalent.
- The water heater is secured to the building frame.

The Hazard Reduction Discount applies only to wood-frame homes. Dwellings built on slab foundations do not qualify for this discount.

B. Manufactured Homes (Mobilehomes)

A discount is applied to the total annual premium for Manufactured Home (Mobilehome) policies if the manufactured home (mobilehome) is reinforced by an Earthquake Resistant Bracing System (ERBS) certified by the State of California Department of Housing and Community Development. The following is a schedule providing the percentage discount based on rating territory.

TERRITORY	PERCENT DISCOUNT	TERRITORY	PERCENT DISCOUNT	TERRITORY	PERCENT DISCOUNT
2	40%	12	55%	23	45%
4	40%	13	60%	24	50%
5	50%	15	60%	25	45%
6	50%	18	65%	26	55%
7	65%	19	55%	27	65%
8	60%	20	60%		
11	50%	22	60%		

In order to obtain the discount, policyholders who have installed an ERBS will be required to provide the participating insurer with a copy of a permit or final inspection report that verifies the system and installation meet California Department of Housing and Community Development certification requirements.

Section 6: Policy Changes

Policies issued by the CEA may be modified during the policy term to reflect changes made to the participating insurer's companion policy. Any additional or return CEA premium will be computed pro rata.

Section 7: Cancellations

Policies issued by the CEA may be canceled by the insured at any time. If the participating insurer's companion policy is canceled by either the insured or the insurer, the CEA policy must be canceled on the same date the companion policy cancellation takes effect. Whenever a CEA policy is canceled, the earned premium will be computed pro rata.

By law, the CEA policy does not provide coverage if there is no companion policy in effect at the time of loss.

PART II. RATING TERRITORY DEFINITIONS

Section 1: Rating Territory Assignments

The California Earthquake Authority (CEA) rate structure is designed so that every ZIP Code will be rated in one rating territory. Therefore, the Territory Definition pages of this Rate Manual list only ZIP Code and Territory. Participating insurers may also refer to the CEA Web site, www.earthquakeauthority.com, for a current listing of Territory Definitions.

Section 2: Rating Considerations

The following circumstances require additional consideration and special handling.

- **ZIP Code is not included in the CEA ZIP Code/Territory listing.** Please contact the CEA by e-mail at CEA-ZIPCodes@calquake.com or by telephone at (916) 325-3800. Many ZIP Codes in California are associated exclusively with Post Office boxes. ZIP Codes associated exclusively with Post Office boxes **must not** be used for rating. The rating territory is based on the ZIP Code assigned to the physical location of the insured property.

- **Post Office reassigns a property's address from an existing ZIP Code to another existing or a newly-created ZIP Code.** The rating territory applicable to the new ZIP Code is to be used for rating purposes. The policy must be rated according to the newly-assigned ZIP Code upon renewal.

The CEA will diligently monitor changes in California ZIP Codes and will notify participating insurers regularly of these changes. The list will be revised as needed to include up-to-date ZIP Code information.Updates will be distributed to participating insurers and posted on the CEA's Web site www.earthquakeauthority.com.

Note: For specific information regarding rating territories and ZIP Code assignments, please contact the CEA by e-mail at CEA-ZIPCodes@calquake.com or by telephone at (916) 325-3800.

CALIFORNIA EARTHQUAKE AUTHORITY

Section 3: ZIP Code/Rating Territory Listing

ZIP CODE	TERRITORY	ZIP CODE	TERRITORY	ZIP CODE	TERRITORY
90001	7	90038	7	90210	7
90002	7	90039	7	90211	7
90003	7	90040	7	90212	7
90004	7	90041	7	90220	7
90005	7	90042	7	90221	7
90006	7	90043	7	90222	7
90007	7	90044	7	90230	7
90008	7	90045	7	90232	7
90010	7	90046	7	90240	7
90011	7	90047	7	90241	7
90012	7	90048	7	90242	7
90013	7	90049	13	90245	7
90014	7	90056	7	90247	7
90015	7	90057	7	90248	7
90016	7	90058	7	90249	7
90017	7	90059	7	90250	7
90018	7	90061	7	90254	7
90019	7	90062	7	90255	7
90020	7	90063	7	90260	7
90021	7	90064	7	90261	7
90022	7	90065	7	90262	7
90023	7	90066	7	90263	13
90024	7	90067	7	90265	13
90025	7	90068	7	90266	7
90026	7	90069	7	90270	7
90027	7	90071	7	90272	13
90028	7	90073	7	90274	7
90029	7	90077	7	90275	7
90031	7	90079	7	90277	7
90032	7	90089	7	90278	7
90033	7	90094	7	90280	7
90034	7	90097	7	90290	13
90035	7	90099	7	90291	7
90036	7	90101	7	90292	7
90037	7	90201	7	90293	7

ZIP CODE	TERRITORY	ZIP CODE	TERRITORY	ZIP CODE	TERRITORY
90301	7	90706	7	91010	7
90302	7	90710	7	91011	11
90303	7	90712	7	91016	7
90304	7	90713	7	91020	11
90305	7	90715	7	91024	7
90311	7	90716	7	91030	7
90401	7	90717	7	91040	11
90402	7	90720	7	91042	11
90403	7	90723	7	91101	7
90404	7	90731	7	91103	7
90405	7	90732	7	91104	7
90501	7	90740	7	91105	7
90502	7	90742	7	91106	7
90503	7	90743	7	91107	7
90504	7	90744	7	91108	7
90505	7	90745	7	91125	7
90506	7	90746	7	91201	7
90601	7	90755	7	91202	7
90602	7	90802	7	91203	7
90603	7	90803	7	91204	7
90604	7	90804	7	91205	7
90605	7	90805	7	91206	7
90606	7	90806	7	91207	7
90620	7	90807	7	91208	7
90621	7	90808	7	91210	7
90623	7	90810	7	91214	11
90630	7	90813	7	91301	13
90631	7	90814	7	91302	13
90638	7	90815	7	91303	12
90639	7	90822	7	91304	12
90640	7	90831	7	91306	12
90650	7	90833	7	91307	12
90660	7	90834	7	91311	12
90670	7	90835	7	91316	12
90680	7	91001	7	91320	13
90701	7	91006	7	91321	12
90703	7	91007	7	91324	12
90704	7	91008	7	91325	12

ZIP CODE	TERRITORY	ZIP CODE	TERRITORY	ZIP CODE	TERRITORY
91326	12	91505	7	91762	8
91330	12	91506	7	91763	8
91331	12	91601	12	91764	8
91335	12	91602	7	91765	7
91340	12	91604	7	91766	7
91342	11	91605	7	91767	7
91343	12	91606	7	91768	7
91344	12	91607	12	91770	7
91345	12	91608	7	91773	7
91350	11	91701	8	91775	7
91351	11	91702	7	91776	7
91352	7	91706	7	91780	7
91354	12	91708	8	91784	8
91355	12	91709	6	91786	8
91356	12	91710	8	91789	7
91360	13	91711	7	91790	7
91361	13	91722	7	91791	7
91362	13	91723	7	91792	7
91364	12	91724	7	91801	7
91367	12	91730	8	91803	7
91377	13	91731	7	91804	7
91381	12	91732	7	91901	27
91382	7	91733	7	91902	27
91383	12	91737	8	91905	27
91384	12	91739	8	91906	27
91387	11	91740	7	91910	27
91390	11	91741	7	91911	27
91401	12	91744	7	91913	27
91402	7	91745	7	91914	27
91403	12	91746	7	91915	27
91405	12	91748	7	91916	27
91406	12	91750	7	91917	27
91411	12	91752	6	91931	27
91423	12	91754	7	91932	27
91436	12	91755	7	91934	27
91501	7	91758	6	91935	27
91502	7	91759	11	91941	27
91504	7	91761	6	91942	27

ZIP CODE	TERRITORY	ZIP CODE	TERRITORY	ZIP CODE	TERRITORY
91945	27	92066	27	92126	27
91948	27	92067	27	92127	27
91950	27	92069	27	92128	27
91962	27	92070	27	92129	27
91963	27	92071	27	92130	27
91977	27	92075	27	92131	27
91978	27	92078	27	92132	27
91980	27	92081	27	92133	27
92003	27	92082	27	92134	27
92004	27	92083	27	92135	27
92007	27	92084	27	92136	27
92008	27	92086	27	92139	27
92009	27	92091	27	92140	27
92010	27	92092	27	92145	27
92011	27	92093	27	92147	27
92014	27	92101	27	92152	27
92019	27	92102	27	92154	27
92020	27	92103	27	92155	27
92021	27	92104	27	92173	27
92024	27	92105	27	92182	27
92025	27	92106	27	92197	27
92026	27	92107	27	92199	27
92027	27	92108	27	92201	6
92028	27	92109	27	92203	2
92029	27	92110	27	92210	6
92036	27	92111	27	92211	6
92037	27	92113	27	92220	6
92040	27	92114	27	92223	5
92054	27	92115	27	92225	27
92055	27	92116	27	92227	2
92056	27	92117	27	92230	6
92057	27	92118	27	92231	2
92058	27	92119	27	92233	2
92059	27	92120	27	92234	6
92060	27	92121	27	92236	2
92061	27	92122	27	92239	27
92064	27	92123	27	92240	6
92065	27	92124	27	92241	6

ZIP CODE	TERRITORY	ZIP CODE	TERRITORY	ZIP CODE	TERRITORY
92242	27	92310	27	92366	27
92243	2	92311	27	92368	6
92249	2	92313	6	92371	6
92250	2	92314	6	92372	6
92251	2	92315	6	92373	5
92252	6	92316	5	92374	6
92253	6	92317	6	92376	5
92254	2	92320	5	92377	6
92256	6	92321	6	92378	6
92257	2	92322	6	92382	6
92258	6	92324	5	92384	27
92259	27	92325	6	92385	6
92260	6	92326	6	92386	6
92261	6	92327	27	92389	27
92262	6	92328	27	92391	6
92264	6	92329	6	92392	6
92266	27	92332	27	92393	6
92267	27	92333	6	92394	6
92268	6	92335	5	92395	6
92270	6	92336	8	92397	6
92273	2	92337	6	92398	27
92274	2	92338	27	92399	6
92275	2	92339	6	92401	5
92276	6	92340	6	92403	5
92277	27	92341	6	92404	5
92278	27	92342	6	92405	5
92280	27	92344	6	92407	6
92281	2	92345	6	92408	5
92282	6	92346	6	92410	5
92283	27	92347	27	92411	5
92284	6	92352	6	92501	6
92285	27	92354	5	92503	6
92301	6	92356	27	92504	6
92304	27	92358	6	92505	6
92305	6	92359	6	92506	6
92307	6	92363	27	92507	6
92308	6	92364	27	92508	6
92309	27	92365	27	92509	6

ZIP CODE	TERRITORY	ZIP CODE	TERRITORY	ZIP CODE	TERRITORY
92518	6	92617	7	92705	7
92530	6	92618	27	92706	7
92532	6	92620	7	92707	7
92536	6	92624	27	92708	7
92539	6	92625	7	92780	7
92543	4	92626	7	92782	7
92544	4	92627	7	92799	7
92545	6	92629	27	92801	7
92548	6	92630	27	92802	7
92549	6	92637	27	92804	7
92551	6	92646	7	92805	7
92553	6	92647	7	92806	7
92555	5	92648	7	92807	27
92557	6	92649	7	92808	27
92561	6	92651	27	92809	27
92562	6	92653	27	92821	7
92563	6	92655	7	92823	7
92567	6	92656	27	92831	7
92570	6	92657	27	92832	7
92571	6	92660	7	92833	7
92582	4	92661	7	92835	7
92583	4	92662	7	92840	7
92584	6	92663	7	92841	7
92585	6	92672	27	92843	7
92586	6	92673	27	92844	7
92587	6	92675	27	92845	7
92590	6	92676	27	92860	6
92591	6	92677	27	92861	7
92592	6	92678	27	92862	27
92595	6	92679	27	92865	7
92596	6	92683	7	92866	7
92602	7	92688	27	92867	7
92603	27	92691	27	92868	7
92604	7	92692	27	92869	27
92606	7	92694	27	92870	7
92610	27	92701	7	92879	6
92612	7	92703	7	92880	6
92614	7	92704	7	92881	6

ZIP CODE	TERRITORY	ZIP CODE	TERRITORY	ZIP CODE	TERRITORY
92882	6	93203	27	93260	27
92883	6	93204	27	93261	27
92886	7	93205	27	93262	27
92887	7	93206	27	93263	27
92899	27	93207	27	93265	27
93001	15	93208	27	93266	27
93003	12	93210	27	93267	27
93004	12	93212	27	93268	27
93010	12	93215	27	93270	27
93012	13	93218	27	93271	27
93013	15	93219	27	93272	27
93015	12	93221	27	93274	27
93021	13	93222	27	93276	27
93022	15	93223	27	93277	27
93023	15	93224	27	93280	27
93030	12	93225	27	93283	27
93033	12	93226	27	93285	27
93035	12	93227	27	93286	27
93036	12	93230	27	93287	27
93040	12	93234	27	93291	27
93041	12	93235	27	93292	27
93043	12	93238	27	93301	27
93060	12	93239	27	93304	27
93063	12	93240	27	93305	27
93065	13	93241	27	93306	27
93066	12	93242	27	93307	27
93067	15	93243	27	93308	27
93101	15	93244	27	93309	27
93103	15	93245	27	93311	27
93105	15	93247	27	93312	27
93106	15	93249	27	93313	27
93108	15	93250	27	93314	27
93109	15	93251	27	93401	18
93110	15	93252	27	93402	18
93111	15	93254	15	93405	18
93117	15	93255	27	93407	18
93201	27	93256	27	93408	18
93202	27	93257	27	93409	18

ZIP CODE	TERRITORY	ZIP CODE	TERRITORY	ZIP CODE	TERRITORY
93410	18	93514	27	93606	27
93420	18	93516	27	93608	27
93422	18	93517	27	93609	27
93424	18	93518	27	93610	27
93426	18	93519	27	93611	27
93427	15	93523	27	93612	27
93428	18	93526	27	93614	27
93429	15	93527	27	93615	27
93430	18	93528	27	93616	27
93432	18	93529	27	93618	27
93433	18	93530	27	93619	27
93434	15	93531	27	93620	27
93435	18	93532	11	93621	27
93436	15	93534	11	93622	27
93437	15	93535	11	93623	27
93440	15	93536	11	93625	27
93441	15	93541	27	93626	27
93442	18	93543	11	93627	27
93444	18	93544	11	93628	27
93445	18	93545	27	93630	27
93446	18	93546	27	93631	27
93449	18	93549	27	93633	27
93450	18	93550	11	93634	27
93451	18	93551	11	93635	27
93452	18	93552	11	93636	27
93453	18	93553	11	93637	27
93454	15	93554	27	93638	27
93455	15	93555	27	93640	27
93458	15	93560	27	93641	27
93460	15	93561	27	93643	27
93461	18	93562	27	93644	27
93463	15	93563	11	93645	27
93465	18	93591	11	93646	27
93501	27	93601	27	93647	27
93505	27	93602	27	93648	27
93510	11	93603	27	93650	27
93512	27	93604	27	93651	27
93513	27	93605	27	93652	27

ZIP CODE	TERRITORY	ZIP CODE	TERRITORY	ZIP CODE	TERRITORY
93653	27	93924	18	94060	20
93654	27	93925	19	94061	22
93656	27	93926	18	94062	23
93657	27	93927	18	94063	22
93660	27	93928	18	94065	22
93662	27	93930	18	94066	22
93664	27	93932	18	94070	22
93665	27	93933	19	94074	20
93667	27	93940	18	94080	22
93668	27	93943	18	94085	22
93669	27	93950	18	94086	22
93673	27	93953	18	94087	22
93675	27	93954	18	94089	22
93701	27	93955	18	94096	22
93702	27	93960	18	94098	22
93703	27	93962	19	94099	22
93704	27	94002	22	94102	22
93705	27	94005	22	94103	22
93706	27	94010	22	94104	22
93710	27	94014	23	94105	22
93711	27	94015	23	94107	22
93720	27	94018	23	94108	22
93721	27	94019	23	94109	22
93722	27	94020	20	94110	23
93723	27	94021	20	94111	22
93725	27	94022	23	94112	23
93726	27	94024	23	94114	23
93727	27	94025	22	94115	22
93728	27	94027	22	94116	22
93730	27	94028	23	94117	22
93901	19	94030	22	94118	22
93905	19	94035	22	94121	22
93906	19	94037	23	94122	22
93907	19	94038	23	94123	22
93908	19	94040	22	94124	22
93920	18	94041	22	94127	23
93921	18	94043	22	94128	22
93923	18	94044	23	94129	22

ZIP CODE	TERRITORY	ZIP CODE	TERRITORY	ZIP CODE	TERRITORY
94130	22	94530	22	94577	22
94131	23	94531	20	94578	22
94132	22	94533	26	94579	22
94133	22	94534	26	94580	22
94134	23	94535	26	94582	22
94158	22	94536	22	94583	22
94301	22	94538	22	94585	26
94303	22	94539	22	94586	20
94304	23	94541	22	94587	22
94305	22	94542	22	94588	22
94306	22	94544	22	94589	26
94401	22	94545	22	94590	26
94402	22	94546	22	94591	26
94403	22	94547	22	94592	26
94404	22	94548	20	94595	22
94501	22	94549	22	94596	22
94502	22	94550	20	94597	22
94503	26	94551	20	94598	22
94505	20	94552	22	94599	26
94506	20	94553	22	94601	22
94507	22	94555	22	94602	22
94508	24	94556	22	94603	22
94509	20	94558	26	94605	22
94510	26	94559	26	94606	22
94511	20	94560	22	94607	22
94512	26	94561	20	94608	22
94513	20	94563	22	94609	22
94514	20	94564	22	94610	22
94515	24	94565	20	94611	22
94517	20	94566	22	94612	22
94518	22	94567	24	94613	22
94519	22	94568	22	94615	22
94520	22	94569	22	94617	22
94521	22	94571	26	94618	22
94523	22	94572	22	94619	22
94525	22	94573	24	94621	22
94526	22	94574	24	94702	22
94528	22	94576	24	94703	22

ZIP CODE	TERRITORY	ZIP CODE	TERRITORY	ZIP CODE	TERRITORY
94704	22	94952	24	95045	27
94705	22	94954	26	95046	20
94706	22	94956	24	95050	22
94707	22	94957	24	95051	22
94708	22	94960	24	95054	22
94709	22	94963	24	95060	20
94710	22	94964	26	95062	19
94720	22	94965	24	95064	20
94801	22	94970	24	95065	20
94803	22	94971	24	95066	20
94804	22	94972	24	95070	23
94805	22	94973	24	95073	20
94806	22	94974	27	95075	27
94850	22	94999	26	95076	19
94901	26	95002	22	95101	22
94903	26	95003	19	95102	22
94904	24	95004	19	95110	22
94920	24	95005	20	95111	22
94922	24	95006	20	95112	22
94923	24	95007	20	95113	22
94924	24	95008	22	95116	22
94925	24	95010	19	95117	22
94928	26	95012	19	95118	22
94929	24	95013	20	95119	20
94930	24	95014	23	95120	20
94931	26	95017	20	95121	22
94933	24	95018	20	95122	22
94937	24	95019	19	95123	22
94938	24	95020	20	95124	22
94939	24	95023	27	95125	22
94940	24	95030	20	95126	22
94941	24	95032	20	95127	22
94945	26	95033	20	95128	22
94946	24	95035	22	95129	22
94947	24	95037	20	95130	22
94949	26	95039	19	95131	22
94950	24	95041	20	95132	22
94951	26	95043	27	95133	22

ZIP CODE	TERRITORY	ZIP CODE	TERRITORY	ZIP CODE	TERRITORY
95134	22	95245	27	95333	27
95135	20	95246	27	95334	27
95136	22	95247	27	95335	27
95137	22	95248	27	95336	27
95138	20	95249	27	95337	27
95139	20	95250	27	95338	27
95140	20	95251	27	95340	27
95141	20	95252	27	95341	27
95142	22	95254	27	95345	27
95148	22	95255	27	95346	27
95202	27	95257	27	95348	27
95203	27	95258	27	95350	27
95204	27	95301	27	95351	27
95205	27	95303	27	95354	27
95206	27	95304	27	95355	27
95207	27	95305	27	95356	27
95209	27	95306	27	95357	27
95210	27	95307	27	95358	27
95211	27	95309	27	95360	27
95212	27	95310	27	95361	27
95215	27	95311	27	95363	27
95219	27	95313	27	95364	27
95220	27	95315	27	95365	27
95222	27	95316	27	95366	27
95223	27	95317	27	95367	27
95224	27	95318	27	95368	27
95225	27	95319	27	95369	27
95226	27	95320	27	95370	27
95227	27	95321	27	95372	27
95228	27	95322	27	95374	27
95230	27	95323	27	95375	27
95231	27	95324	27	95376	27
95232	27	95325	27	95377	27
95233	27	95326	27	95379	27
95236	27	95327	27	95380	27
95237	27	95328	27	95382	27
95240	27	95329	27	95383	27
95242	27	95330	27	95385	27

ZIP CODE	TERRITORY	ZIP CODE	TERRITORY	ZIP CODE	TERRITORY
95386	27	95448	24	95514	27
95387	27	95449	24	95519	25
95388	27	95450	24	95521	25
95389	27	95451	27	95524	25
95391	27	95452	24	95525	25
95401	26	95453	27	95526	27
95403	26	95454	24	95527	27
95404	26	95456	24	95528	25
95405	26	95457	27	95531	27
95407	26	95458	27	95536	25
95409	26	95459	24	95537	25
95410	24	95460	24	95540	25
95412	24	95461	27	95542	25
95415	24	95462	24	95543	27
95417	24	95463	24	95545	25
95419	26	95464	27	95546	27
95420	24	95465	24	95547	25
95421	24	95466	24	95548	27
95422	27	95467	27	95549	25
95423	27	95468	24	95550	27
95424	27	95469	24	95551	25
95425	24	95470	24	95552	27
95426	27	95471	24	95553	25
95427	24	95472	26	95554	25
95428	24	95476	26	95555	25
95429	24	95480	24	95556	27
95430	26	95482	24	95558	25
95432	24	95485	27	95559	25
95433	26	95486	24	95560	25
95436	24	95488	24	95562	25
95437	24	95490	24	95563	27
95439	26	95492	26	95564	25
95441	24	95493	27	95565	25
95442	24	95494	24	95567	27
95443	27	95497	24	95568	27
95444	26	95501	25	95569	25
95445	24	95503	25	95570	25
95446	24	95511	27	95571	25

ZIP CODE	TERRITORY	ZIP CODE	TERRITORY	ZIP CODE	TERRITORY
95573	27	95639	27	95686	27
95585	24	95640	27	95687	27
95587	24	95641	27	95688	27
95589	25	95642	27	95689	27
95595	27	95645	27	95690	27
95601	27	95646	27	95691	27
95602	27	95648	27	95692	27
95603	27	95650	27	95693	27
95605	27	95651	27	95694	27
95606	27	95652	27	95695	27
95607	27	95653	27	95698	27
95608	27	95655	27	95701	27
95610	27	95656	27	95703	27
95612	27	95658	27	95709	27
95613	27	95659	27	95713	27
95614	27	95660	27	95714	27
95615	27	95661	27	95715	27
95616	27	95662	27	95717	27
95618	27	95663	27	95720	27
95619	27	95664	27	95721	27
95620	27	95665	27	95722	27
95621	27	95666	27	95724	27
95623	27	95667	27	95726	27
95624	27	95668	27	95728	27
95625	27	95669	27	95735	27
95626	27	95670	27	95736	27
95627	27	95672	27	95742	27
95628	27	95673	27	95746	27
95629	27	95674	27	95747	27
95630	27	95675	27	95757	27
95631	27	95676	27	95758	27
95632	27	95677	27	95762	27
95633	27	95678	27	95765	27
95634	27	95681	27	95776	27
95635	27	95682	27	95811	27
95636	27	95683	27	95814	27
95637	27	95684	27	95815	27
95638	27	95685	27	95816	27

ZIP CODE	TERRITORY	ZIP CODE	TERRITORY	ZIP CODE	TERRITORY
95817	27	95922	27	95970	27
95818	27	95923	27	95971	27
95819	27	95925	27	95972	27
95820	27	95926	27	95973	27
95821	27	95928	27	95974	27
95822	27	95930	27	95975	27
95823	27	95932	27	95977	27
95824	27	95934	27	95978	27
95825	27	95935	27	95979	27
95826	27	95936	27	95981	27
95827	27	95937	27	95982	27
95828	27	95938	27	95983	27
95829	27	95939	27	95984	27
95830	27	95941	27	95986	27
95831	27	95942	27	95987	27
95832	27	95943	27	95988	27
95833	27	95944	27	95991	27
95834	27	95945	27	95993	27
95835	27	95946	27	96001	27
95836	27	95947	27	96002	27
95837	27	95948	27	96003	27
95838	27	95949	27	96006	27
95841	27	95950	27	96007	27
95842	27	95951	27	96008	27
95843	27	95953	27	96009	27
95864	27	95954	27	96010	27
95901	27	95955	27	96011	27
95903	27	95956	27	96013	27
95910	27	95957	27	96014	27
95912	27	95959	27	96015	27
95913	27	95960	27	96016	27
95914	27	95961	27	96017	27
95915	27	95962	27	96019	27
95916	27	95963	27	96020	27
95917	27	95965	27	96021	27
95918	27	95966	27	96022	27
95919	27	95968	27	96023	27
95920	27	95969	27	96024	27

ZIP CODE	TERRITORY	ZIP CODE	TERRITORY	ZIP CODE	TERRITORY
96025	27	96075	27	96124	27
96027	27	96076	27	96125	27
96028	27	96080	27	96126	27
96029	27	96084	27	96128	27
96031	27	96085	27	96129	27
96032	27	96086	27	96130	27
96033	27	96087	27	96132	27
96034	27	96088	27	96133	27
96035	27	96089	27	96134	27
96037	27	96090	27	96135	27
96038	27	96091	27	96136	27
96039	27	96092	27	96137	27
96040	27	96093	27	96140	27
96041	27	96094	27	96141	27
96044	27	96096	27	96142	27
96046	27	96097	27	96143	27
96047	27	96101	27	96145	27
96048	27	96103	27	96146	27
96050	27	96104	27	96148	27
96051	27	96105	27	96150	27
96052	27	96106	27	96151	27
96054	27	96107	27	96155	27
96055	27	96108	27	96156	27
96056	27	96109	27	96158	27
96057	27	96110	27	96161	27
96058	27	96111	27	96162	27
96059	27	96112	27		
96061	27	96113	27		
96062	27	96114	27		
96063	27	96115	27		
96064	27	96116	27		
96065	27	96117	27		
96067	27	96118	27		
96068	27	96119	27		
96069	27	96120	27		
96071	27	96121	27		
96073	27	96122	27		
96074	27	96123	27		

PART III. HOMEOWNERS (NON-MANUFACTURED HOME/MOBILEHOME) RATES – BASE LIMITS

CALIFORNIA EARTHQUAKE AUTHORITY

DWELLINGS - ONE-STORY
RATES PER $1,000 OF COVERAGE A & B CSL

Base Limits
Deductible = 15% of Coverage A & B CSL
Coverage C = $5,000
Coverage D = $1,500

	Dwellings - One-Story					
	Frame Construction					
TERRITORY	1990 OR LATER	1980 THRU 1989	1960 THRU 1979	1940 THRU 1959	1939 OR EARLIER	ALL OTHER CONSTRUCTION
2	1.96	2.48	3.13	2.61	2.87	5.93
4	2.97	3.76	4.75	3.96	4.36	9.00
5	2.97	3.76	4.75	3.96	4.36	9.00
6	1.85	2.35	2.96	2.47	2.72	5.61
7	1.27	1.61	2.03	1.69	1.86	3.84
8	2.60	3.29	4.15	3.46	3.81	7.87
11	1.88	2.38	3.00	2.50	2.75	5.69
12	1.83	2.31	2.92	2.44	2.68	5.54
13	1.18	1.49	1.89	1.57	1.73	3.57
15	0.98	1.24	1.57	1.31	1.44	2.97
18	0.36	0.46	0.58	0.49	0.53	1.10
19	0.90	1.14	1.44	1.20	1.32	2.73
20	1.34	1.70	2.15	1.79	1.97	4.07
22	2.31	2.93	3.70	3.08	3.39	7.01
23	1.77	2.24	2.82	2.35	2.59	5.35
24	1.31	1.66	2.09	1.75	1.92	3.97
25	1.74	2.20	2.78	2.32	2.55	5.27
26	1.42	1.79	2.26	1.89	2.08	4.29
27	0.41	0.52	0.66	0.55	0.61	1.26

CALIFORNIA EARTHQUAKE AUTHORITY

DWELLINGS - GREATER THAN ONE-STORY
RATES PER $1,000 OF COVERAGE A & B CSL

Base Limits
Deductible = 15% of Coverage A & B CSL
Coverage C = $5,000
Coverage D = $1,500

	Dwellings - Greater than One-Story					
	Frame Construction					
TERRITORY	1990 OR LATER	1980 THRU 1989	1960 THRU 1979	1940 THRU 1959	1939 OR EARLIER	ALL OTHER CONSTRUCTION
2	2.65	3.35	4.23	3.53	3.88	5.93
4	4.02	5.09	6.43	5.36	5.89	9.00
5	4.02	5.09	6.43	5.36	5.89	9.00
6	2.50	3.17	4.01	3.34	3.67	5.61
7	1.72	2.17	2.74	2.29	2.52	3.84
8	3.51	4.45	5.62	4.68	5.15	7.87
11	2.54	3.22	4.06	3.38	3.72	5.69
12	2.47	3.13	3.95	3.30	3.62	5.54
13	1.59	2.02	2.55	2.13	2.34	3.57
15	1.32	1.68	2.12	1.77	1.94	2.97
18	0.49	0.62	0.79	0.66	0.72	1.10
19	1.22	1.54	1.95	1.62	1.79	2.73
20	1.81	2.30	2.90	2.42	2.66	4.07
22	3.13	3.96	5.00	4.17	4.59	7.01
23	2.39	3.02	3.82	3.18	3.50	5.35
24	1.77	2.24	2.83	2.36	2.60	3.97
25	2.35	2.98	3.76	3.13	3.45	5.27
26	1.91	2.42	3.06	2.55	2.81	4.29
27	0.56	0.71	0.90	0.75	0.82	1.26

PART IV. MANUFACTURED HOME (MOBILEHOME) RATES - BASE LIMITS

CALIFORNIA EARTHQUAKE AUTHORITY

MANUFACTURED HOME (MOBILEHOME)
RATES PER $1,000 OF COVERAGE A & B CSL

Base Limits
Deductible = 15% of Coverage A & B CSL
Coverage C = $5,000
Coverage D = $1,500

TERRITORY	RATE
2	2.56
4	6.52
5	6.66
6	2.42
7	1.65
8	3.39
11	2.45
12	2.39
13	1.54
15	1.27
18	0.47
19	1.17
20	1.75
22	3.02
23	2.30
24	1.71
25	2.27
26	1.85
27	0.53

PART V. RENTERS ANNUAL PREMIUMS – BASE LIMITS

CALIFORNIA EARTHQUAKE AUTHORITY

RENTERS
ANNUAL PREMIUMS

Base Limits
Coverage C = $5,000
Coverage D = $1,500

TERRITORY	RATE
2	136
4	136
5	136
6	136
7	103
8	136
11	136
12	136
13	103
15	103
18	49
19	103
20	103
22	136
23	103
24	103
25	136
26	103
27	49

PART VI. COMMON INTEREST DEVELOPMENT (CONDOMINIUM) ANNUAL PREMIUMS – BASE LIMITS

CALIFORNIA EARTHQUAKE AUTHORITY

COMMON INTEREST DEVELOPMENT, CONDOMINIUM OR COOPERATIVE UNIT
ANNUAL PREMIUMS

Base Limits
Coverage C = $5,000
Coverage D = $1,500

TERRITORY	Real Property Coverage	Personal Property Coverage	LOSS ASSESSMENT COVERAGE		
			$25,000 Limit	$50,000 Limit	$75,000 Limit
2	160	136	346	450	734
4	160	136	346	450	734
5	160	136	346	450	734
6	160	136	346	450	734
7	96	103	253	300	497
8	160	136	346	450	734
11	160	136	346	450	734
12	160	136	346	450	734
13	96	103	253	300	497
15	96	103	253	300	497
18	35	49	110	116	197
19	96	103	253	300	497
20	96	103	253	300	497
22	160	136	346	450	734
23	96	103	253	300	497
24	96	103	253	300	497
25	160	136	346	450	734
26	96	103	253	300	497
27	35	49	110	116	197

PART VII. DEDUCTIBLE AND INCREASED LIMIT OPTIONS RATES AND/OR ANNUAL PREMIUMS

Section 1: Coverage A & B CSL – 10% Deductible Homeowners & Manufactured Home (Mobilehome) – Additional Rates

CALIFORNIA EARTHQUAKE AUTHORITY

COVERAGE A & B CSL - 10% DEDUCTIBLE

Coverage A & B CSL Deductible = 10%
Coverage C = $5,000
Coverage D = $1,500

DWELLINGS - ONE-STORY

Additional Rate Per $1,000 of Coverage A & B CSL

	Dwellings					
	Frame Construction					
TERRITORY	1990 OR LATER	1980 THRU 1989	1960 THRU 1979	1940 THRU 1959	1939 OR EARLIER	ALL OTHER CONSTRUCTION
2	0.98	1.24	1.56	1.30	1.43	2.96
4	1.35	1.71	2.15	1.80	1.97	4.08
5	1.38	1.75	2.21	1.84	2.03	4.19
6	0.77	0.98	1.24	1.03	1.14	2.35
7	0.63	0.80	1.01	0.85	0.93	1.92
8	1.24	1.58	1.99	1.66	1.83	3.77
11	0.89	1.13	1.43	1.19	1.31	2.71
12	0.91	1.16	1.46	1.22	1.34	2.77
13	0.59	0.75	0.94	0.79	0.86	1.79
15	0.49	0.62	0.78	0.65	0.72	1.48
18	0.18	0.23	0.29	0.24	0.27	0.55
19	0.45	0.57	0.72	0.60	0.66	1.36
20	0.67	0.85	1.07	0.89	0.98	2.03
22	1.16	1.46	1.85	1.54	1.70	3.50
23	0.88	1.12	1.41	1.18	1.29	2.67
24	0.65	0.82	1.04	0.86	0.95	1.96
25	0.73	0.92	1.16	0.97	1.06	2.20
26	0.71	0.90	1.13	0.94	1.04	2.14
27	0.21	0.26	0.33	0.28	0.30	0.63

CALIFORNIA EARTHQUAKE AUTHORITY

COVERAGE A & B CSL - 10% DEDUCTIBLE

Coverage A & B CSL Deductible = 10%
Coverage C = $5,000
Coverage D = $1,500

DWELLINGS - GREATER THAN ONE-STORY

Additional Rate Per $1,000 of Coverage A & B CSL

	Dwellings					
	Frame Construction					
TERRITORY	1990 OR LATER	1980 THRU 1989	1960 THRU 1979	1940 THRU 1959	1939 OR EARLIER	ALL OTHER CONSTRUCTION
2	1.32	1.68	2.12	1.76	1.94	2.96
4	1.82	2.31	2.91	2.43	2.67	4.08
5	1.87	2.37	2.99	2.49	2.74	4.19
6	1.05	1.33	1.68	1.40	1.54	2.35
7	0.86	1.09	1.37	1.14	1.26	1.92
8	1.68	2.13	2.69	2.24	2.47	3.77
11	1.21	1.53	1.94	1.61	1.78	2.71
12	1.24	1.56	1.98	1.65	1.81	2.77
13	0.80	1.01	1.28	1.06	1.17	1.79
15	0.66	0.84	1.06	0.88	0.97	1.48
18	0.25	0.31	0.39	0.33	0.36	0.55
19	0.61	0.77	0.97	0.81	0.89	1.36
20	0.91	1.15	1.45	1.21	1.33	2.03
22	1.56	1.98	2.50	2.08	2.29	3.50
23	1.19	1.51	1.91	1.59	1.75	2.67
24	0.88	1.11	1.40	1.17	1.28	1.96
25	0.98	1.24	1.57	1.31	1.44	2.20
26	0.96	1.21	1.53	1.28	1.40	2.14
27	0.28	0.36	0.45	0.37	0.41	0.63

CALIFORNIA EARTHQUAKE AUTHORITY

COVERAGE A & B CSL - 10% DEDUCTIBLE

Coverage A & B CSL Deductible = 10%
Coverage C = $5,000
Coverage D = $1,500

MANUFACTURED HOME (MOBILEHOME)

Additional Rate Per $1,000 of Coverage A & B CSL

TERRITORY	RATE
2	0.73
4	1.86
5	1.90
6	0.69
7	0.47
8	0.97
11	0.70
12	0.68
13	0.44
15	0.36
18	0.13
19	0.33
20	0.50
22	0.86
23	0.66
24	0.49
25	0.65
26	0.53
27	0.15

Section 2: Building Code Upgrade Coverage - Increased Limit Homeowners (Dwelling Only - Non Manufactured Home/Mobilehome)- Additional Annual Premium

CALIFORNIA EARTHQUAKE AUTHORITY

BUILDING CODE UPGRADE COVERAGE - INCREASED LIMIT
Deductible = 15% of Coverage A & B CSL
Additional $10,000

DWELLINGS - ONE-STORY
Additional Annual Premium

	Dwellings - One-Story					
	Frame Construction					
TERRITORY	1990 OR LATER	1980 THRU 1989	1960 THRU 1979	1940 THRU 1959	1939 OR EARLIER	ALL OTHER CONSTRUCTION
2	19.00	31.00	44.00	45.00	57.00	65.00
4	50.00	79.00	111.00	116.00	146.00	166.00
5	51.00	81.00	114.00	118.00	149.00	169.00
6	18.00	29.00	41.00	43.00	54.00	61.00
7	13.00	20.00	28.00	29.00	37.00	42.00
8	26.00	41.00	58.00	60.00	76.00	86.00
11	19.00	30.00	42.00	44.00	55.00	62.00
12	18.00	29.00	41.00	42.00	53.00	61.00
13	12.00	19.00	26.00	27.00	34.00	39.00
15	10.00	15.00	22.00	23.00	29.00	32.00
18	4.00	6.00	8.00	8.00	10.00	12.00
19	9.00	14.00	20.00	21.00	26.00	30.00
20	13.00	21.00	30.00	31.00	39.00	44.00
22	23.00	37.00	52.00	54.00	68.00	77.00
23	18.00	28.00	39.00	41.00	52.00	59.00
24	13.00	21.00	29.00	30.00	38.00	43.00
25	17.00	27.00	39.00	40.00	51.00	58.00
26	14.00	22.00	32.00	33.00	41.00	47.00
27	4.00	6.00	9.00	9.00	12.00	14.00

CALIFORNIA EARTHQUAKE AUTHORITY

BUILDING CODE UPGRADE COVERAGE - INCREASED LIMIT
Deductible = 15% of Coverage A & B CSL
Additional $10,000

DWELLINGS - GREATER THAN ONE-STORY
Additional Annual Premium

	Dwellings - Greater than One-Story					
	Frame Construction					
TERRITORY	1990 OR LATER	1980 THRU 1989	1960 THRU 1979	1940 THRU 1959	1939 OR EARLIER	ALL OTHER CONSTRUCTION
2	26.00	42.00	59.00	62.00	77.00	65.00
4	67.00	107.00	151.00	157.00	197.00	166.00
5	69.00	109.00	154.00	160.00	201.00	169.00
6	25.00	40.00	56.00	58.00	73.00	61.00
7	17.00	27.00	38.00	40.00	50.00	42.00
8	35.00	56.00	78.00	82.00	103.00	86.00
11	25.00	40.00	57.00	59.00	74.00	62.00
12	25.00	39.00	55.00	57.00	72.00	61.00
13	16.00	25.00	35.00	37.00	46.00	39.00
15	13.00	21.00	29.00	31.00	39.00	32.00
18	5.00	8.00	11.00	11.00	14.00	12.00
19	12.00	19.00	27.00	28.00	35.00	30.00
20	18.00	29.00	40.00	42.00	53.00	44.00
22	31.00	49.00	70.00	73.00	91.00	77.00
23	24.00	38.00	53.00	55.00	70.00	59.00
24	18.00	28.00	39.00	41.00	52.00	43.00
25	23.00	37.00	52.00	55.00	69.00	58.00
26	19.00	30.00	43.00	44.00	56.00	47.00
27	5.00	9.00	12.00	13.00	16.00	14.00

CALIFORNIA EARTHQUAKE AUTHORITY

BUILDING CODE UPGRADE COVERAGE - INCREASED LIMIT
Deductible = 10% of Coverage A & B CSL
Additional $10,000

DWELLINGS - ONE-STORY
Additional Annual Premium

	Dwellings - One-Story					
	Frame Construction					
TERRITORY	1990 OR LATER	1980 THRU 1989	1960 THRU 1979	1940 THRU 1959	1939 OR EARLIER	ALL OTHER CONSTRUCTION
2	29.00	43.00	60.00	58.00	71.00	95.00
4	64.00	96.00	133.00	134.00	166.00	207.00
5	65.00	99.00	136.00	136.00	169.00	211.00
6	26.00	39.00	53.00	53.00	65.00	85.00
7	19.00	28.00	38.00	38.00	46.00	61.00
8	38.00	57.00	78.00	77.00	94.00	124.00
11	28.00	41.00	56.00	56.00	68.00	89.00
12	27.00	41.00	56.00	54.00	66.00	89.00
13	18.00	27.00	35.00	35.00	43.00	57.00
15	15.00	21.00	30.00	30.00	36.00	47.00
18	6.00	8.00	11.00	10.00	13.00	18.00
19	14.00	20.00	27.00	27.00	33.00	44.00
20	20.00	30.00	41.00	40.00	49.00	64.00
22	35.00	52.00	71.00	69.00	85.00	112.00
23	27.00	39.00	53.00	53.00	65.00	86.00
24	20.00	29.00	39.00	39.00	48.00	63.00
25	24.00	36.00	51.00	50.00	62.00	80.00
26	21.00	31.00	43.00	42.00	51.00	68.00
27	6.00	9.00	12.00	12.00	15.00	20.00

CALIFORNIA EARTHQUAKE AUTHORITY

BUILDING CODE UPGRADE COVERAGE - INCREASED LIMIT
Deductible = 10% of Coverage A & B CSL
Additional $10,000

DWELLINGS - GREATER THAN ONE-STORY
Additional Annual Premium

	Dwellings - Greater than One-Story					
	Frame Construction					
TERRITORY	1990 OR LATER	1980 THRU 1989	1960 THRU 1979	1940 THRU 1959	1939 OR EARLIER	ALL OTHER CONSTRUCTION
2	39.00	59.00	80.00	80.00	96.00	95.00
4	85.00	130.00	180.00	181.00	224.00	207.00
5	88.00	133.00	184.00	185.00	228.00	211.00
6	36.00	53.00	73.00	72.00	88.00	85.00
7	26.00	38.00	52.00	51.00	63.00	61.00
8	52.00	77.00	105.00	104.00	128.00	124.00
11	37.00	55.00	76.00	75.00	92.00	89.00
12	37.00	55.00	75.00	74.00	90.00	89.00
13	24.00	35.00	48.00	48.00	58.00	57.00
15	20.00	29.00	40.00	40.00	49.00	47.00
18	8.00	11.00	15.00	14.00	18.00	18.00
19	18.00	27.00	37.00	36.00	44.00	44.00
20	27.00	41.00	55.00	54.00	66.00	64.00
22	47.00	69.00	95.00	94.00	114.00	112.00
23	36.00	53.00	72.00	71.00	88.00	86.00
24	27.00	39.00	53.00	53.00	65.00	63.00
25	33.00	49.00	68.00	68.00	83.00	80.00
26	29.00	42.00	58.00	57.00	70.00	68.00
27	8.00	13.00	17.00	17.00	20.00	20.00

Section 3: Coverage C: Personal Property - Increased Limits Homeowners - Additional Rates

CALIFORNIA EARTHQUAKE AUTHORITY

COVERAGE C: PERSONAL PROPERTY - INCREASED LIMITS
Deductible = 15% of Coverage A & B CSL
Coverage C = $25,000

DWELLINGS - ONE-STORY
ADDITIONAL RATE PER $1,000 OF COVERAGE A & B CSL

	Dwellings					
	Frame Construction					
TERRITORY	1990 OR LATER	1980 THRU 1989	1960 THRU 1979	1940 THRU 1959	1939 OR EARLIER	ALL OTHER CONSTRUCTION
2	0.53	0.67	0.85	0.71	0.78	1.60
4	0.73	0.92	1.17	0.97	1.07	2.21
5	0.75	0.95	1.20	1.00	1.10	2.27
6	0.42	0.53	0.67	0.56	0.62	1.27
7	0.34	0.43	0.55	0.46	0.50	1.04
8	0.67	0.85	1.08	0.90	0.99	2.04
11	0.48	0.61	0.77	0.65	0.71	1.47
12	0.49	0.63	0.79	0.66	0.72	1.50
13	0.32	0.40	0.51	0.43	0.47	0.97
15	0.26	0.34	0.42	0.35	0.39	0.80
18	0.10	0.12	0.16	0.13	0.14	0.30
19	0.24	0.31	0.39	0.32	0.36	0.74
20	0.36	0.46	0.58	0.48	0.53	1.10
22	0.63	0.79	1.00	0.83	0.92	1.90
23	0.48	0.60	0.76	0.64	0.70	1.45
24	0.35	0.44	0.56	0.47	0.51	1.06
25	0.39	0.50	0.63	0.52	0.58	1.19
26	0.38	0.48	0.61	0.51	0.56	1.16
27	0.11	0.14	0.18	0.15	0.16	0.34

CALIFORNIA EARTHQUAKE AUTHORITY

COVERAGE C: PERSONAL PROPERTY - INCREASED LIMITS
Deductible = 15% of Coverage A & B CSL
Coverage C = $25,000

DWELLINGS - GREATER THAN ONE-STORY
ADDITIONAL RATE PER $1,000 OF COVERAGE A & B CSL

	Dwellings					
	Frame Construction					
TERRITORY	1990 OR LATER	1980 THRU 1989	1960 THRU 1979	1940 THRU 1959	1939 OR EARLIER	ALL OTHER CONSTRUCTION
2	0.72	0.91	1.15	0.95	1.05	1.60
4	0.99	1.25	1.58	1.31	1.45	2.21
5	1.01	1.28	1.62	1.35	1.48	2.27
6	0.57	0.72	0.91	0.76	0.83	1.27
7	0.46	0.59	0.74	0.62	0.68	1.04
8	0.91	1.15	1.46	1.21	1.34	2.04
11	0.65	0.83	1.05	0.87	0.96	1.47
12	0.67	0.85	1.07	0.89	0.98	1.50
13	0.43	0.55	0.69	0.58	0.63	0.97
15	0.36	0.45	0.57	0.48	0.53	0.80
18	0.13	0.17	0.21	0.18	0.20	0.30
19	0.33	0.42	0.53	0.44	0.48	0.74
20	0.49	0.62	0.79	0.65	0.72	1.10
22	0.85	1.07	1.35	1.13	1.24	1.90
23	0.65	0.82	1.03	0.86	0.95	1.45
24	0.47	0.60	0.76	0.63	0.70	1.06
25	0.53	0.67	0.85	0.71	0.78	1.19
26	0.52	0.66	0.83	0.69	0.76	1.16
27	0.15	0.19	0.24	0.20	0.22	0.34

CALIFORNIA EARTHQUAKE AUTHORITY

COVERAGE C: PERSONAL PROPERTY - INCREASED LIMITS
Deductible = 15% of Coverage A & B CSL
Coverage C = $50,000

DWELLINGS - ONE-STORY
ADDITIONAL RATE PER $1,000 OF COVERAGE A & B CSL

	Dwellings					
	Frame Construction					
TERRITORY	1990 OR LATER	1980 THRU 1989	1960 THRU 1979	1940 THRU 1959	1939 OR EARLIER	ALL OTHER CONSTRUCTION
2	0.71	0.90	1.14	0.95	1.05	2.16
4	0.98	1.24	1.57	1.31	1.44	2.98
5	1.01	1.28	1.61	1.35	1.48	3.06
6	0.57	0.72	0.90	0.75	0.83	1.71
7	0.46	0.59	0.74	0.62	0.68	1.40
8	0.91	1.15	1.45	1.21	1.33	2.75
11	0.65	0.83	1.04	0.87	0.96	1.98
12	0.67	0.84	1.07	0.89	0.98	2.02
13	0.43	0.54	0.69	0.57	0.63	1.30
15	0.36	0.45	0.57	0.48	0.52	1.08
18	0.13	0.17	0.21	0.18	0.19	0.40
19	0.33	0.42	0.53	0.44	0.48	1.00
20	0.49	0.62	0.78	0.65	0.72	1.48
22	0.84	1.07	1.35	1.12	1.24	2.55
23	0.64	0.82	1.03	0.86	0.94	1.95
24	0.47	0.60	0.76	0.63	0.69	1.43
25	0.53	0.67	0.85	0.71	0.78	1.60
26	0.52	0.65	0.83	0.69	0.76	1.56
27	0.15	0.19	0.24	0.20	0.22	0.46

CALIFORNIA EARTHQUAKE AUTHORITY

COVERAGE C: PERSONAL PROPERTY - INCREASED LIMITS
Deductible = 15% of Coverage A & B CSL
Coverage C = $50,000

DWELLINGS - GREATER THAN ONE-STORY
ADDITIONAL RATE PER $1,000 OF COVERAGE A & B CSL

	Dwellings					
	Frame Construction					
TERRITORY	1990 OR LATER	1980 THRU 1989	1960 THRU 1979	1940 THRU 1959	1939 OR EARLIER	ALL OTHER CONSTRUCTION
2	0.96	1.22	1.54	1.29	1.42	2.16
4	1.33	1.68	2.12	1.77	1.95	2.98
5	1.36	1.73	2.18	1.82	2.00	3.06
6	0.76	0.97	1.22	1.02	1.12	1.71
7	0.63	0.79	1.00	0.83	0.92	1.40
8	1.23	1.55	1.96	1.64	1.80	2.75
11	0.88	1.12	1.41	1.18	1.29	1.98
12	0.90	1.14	1.44	1.20	1.32	2.02
13	0.58	0.74	0.93	0.78	0.85	1.30
15	0.48	0.61	0.77	0.64	0.71	1.08
18	0.18	0.23	0.29	0.24	0.26	0.40
19	0.44	0.56	0.71	0.59	0.65	1.00
20	0.66	0.84	1.06	0.88	0.97	1.48
22	1.14	1.44	1.82	1.52	1.67	2.55
23	0.87	1.10	1.39	1.16	1.28	1.95
24	0.64	0.81	1.02	0.85	0.94	1.43
25	0.72	0.91	1.14	0.95	1.05	1.60
26	0.70	0.88	1.12	0.93	1.02	1.56
27	0.20	0.26	0.33	0.27	0.30	0.46

CALIFORNIA EARTHQUAKE AUTHORITY

COVERAGE C: PERSONAL PROPERTY - INCREASED LIMITS
Deductible = 15% of Coverage A & B CSL
Coverage C = $75,000

DWELLINGS - ONE-STORY
ADDITIONAL RATE PER $1,000 OF COVERAGE A & B CSL

	Dwellings					
	Frame Construction					
TERRITORY	1990 OR LATER	1980 THRU 1989	1960 THRU 1979	1940 THRU 1959	1939 OR EARLIER	ALL OTHER CONSTRUCTION
2	0.82	1.03	1.31	1.09	1.20	2.48
4	1.12	1.42	1.80	1.50	1.65	3.41
5	1.16	1.46	1.85	1.54	1.69	3.50
6	0.65	0.82	1.04	0.86	0.95	1.96
7	0.53	0.67	0.85	0.71	0.78	1.60
8	1.04	1.32	1.66	1.39	1.52	3.15
11	0.75	0.95	1.20	1.00	1.10	2.27
12	0.76	0.97	1.22	1.02	1.12	2.31
13	0.49	0.62	0.79	0.66	0.72	1.49
15	0.41	0.52	0.65	0.55	0.60	1.24
18	0.15	0.19	0.24	0.20	0.22	0.46
19	0.38	0.48	0.60	0.50	0.55	1.14
20	0.56	0.71	0.90	0.75	0.82	1.70
22	0.97	1.22	1.54	1.29	1.42	2.93
23	0.74	0.93	1.18	0.98	1.08	2.23
24	0.54	0.69	0.87	0.72	0.79	1.64
25	0.61	0.77	0.97	0.81	0.89	1.84
26	0.59	0.75	0.95	0.79	0.87	1.79
27	0.17	0.22	0.28	0.23	0.25	0.53

CALIFORNIA EARTHQUAKE AUTHORITY

COVERAGE C: PERSONAL PROPERTY - INCREASED LIMITS
Deductible = 15% of Coverage A & B CSL
Coverage C = $75,000

DWELLINGS - GREATER THAN ONE-STORY
ADDITIONAL RATE PER $1,000 OF COVERAGE A & B CSL

	Dwellings					
	Frame Construction					
TERRITORY	1990 OR LATER	1980 THRU 1989	1960 THRU 1979	1940 THRU 1959	1939 OR EARLIER	ALL OTHER CONSTRUCTION
2	1.10	1.40	1.77	1.47	1.62	2.48
4	1.52	1.93	2.43	2.03	2.23	3.41
5	1.56	1.98	2.50	2.08	2.29	3.50
6	0.88	1.11	1.40	1.17	1.28	1.96
7	0.72	0.91	1.15	0.95	1.05	1.60
8	1.41	1.78	2.25	1.87	2.06	3.15
11	1.01	1.28	1.62	1.35	1.48	2.27
12	1.03	1.31	1.65	1.38	1.51	2.31
13	0.67	0.84	1.07	0.89	0.98	1.49
15	0.55	0.70	0.88	0.74	0.81	1.24
18	0.21	0.26	0.33	0.27	0.30	0.46
19	0.51	0.64	0.81	0.68	0.75	1.14
20	0.76	0.96	1.21	1.01	1.11	1.70
22	1.31	1.65	2.09	1.74	1.91	2.93
23	1.00	1.26	1.59	1.33	1.46	2.23
24	0.73	0.93	1.17	0.98	1.07	1.64
25	0.82	1.04	1.31	1.09	1.20	1.84
26	0.80	1.01	1.28	1.07	1.17	1.79
27	0.23	0.30	0.38	0.31	0.34	0.53

CALIFORNIA EARTHQUAKE AUTHORITY

COVERAGE C: PERSONAL PROPERTY - INCREASED LIMITS
Deductible = 15% of Coverage A & B CSL
Coverage C = $100,000

DWELLINGS - ONE-STORY
ADDITIONAL RATE PER $1,000 OF COVERAGE A & B CSL

	Dwellings					
	Frame Construction					
TERRITORY	1990 OR LATER	1980 THRU 1989	1960 THRU 1979	1940 THRU 1959	1939 OR EARLIER	ALL OTHER CONSTRUCTION
2	0.85	1.08	1.36	1.14	1.25	2.58
4	1.17	1.48	1.88	1.56	1.72	3.55
5	1.20	1.53	1.93	1.61	1.77	3.65
6	0.67	0.85	1.08	0.90	0.99	2.04
7	0.55	0.70	0.88	0.74	0.81	1.67
8	1.08	1.37	1.73	1.44	1.59	3.28
11	0.78	0.99	1.25	1.04	1.14	2.36
12	0.80	1.01	1.27	1.06	1.17	2.41
13	0.51	0.65	0.82	0.68	0.75	1.55
15	0.43	0.54	0.68	0.57	0.63	1.29
18	0.16	0.20	0.25	0.21	0.23	0.48
19	0.39	0.50	0.63	0.52	0.57	1.19
20	0.58	0.74	0.93	0.78	0.86	1.77
22	1.01	1.27	1.61	1.34	1.48	3.05
23	0.77	0.97	1.23	1.02	1.13	2.33
24	0.56	0.71	0.90	0.75	0.83	1.71
25	0.63	0.80	1.01	0.84	0.93	1.91
26	0.62	0.78	0.99	0.82	0.90	1.87
27	0.18	0.23	0.29	0.24	0.27	0.55

CALIFORNIA EARTHQUAKE AUTHORITY

COVERAGE C: PERSONAL PROPERTY - INCREASED LIMITS
Deductible = 15% of Coverage A & B CSL
Coverage C = $100,000

DWELLINGS - GREATER THAN ONE-STORY
ADDITIONAL RATE PER $1,000 OF COVERAGE A & B CSL

	Dwellings					
	Frame Construction					
TERRITORY	1990 OR LATER	1980 THRU 1989	1960 THRU 1979	1940 THRU 1959	1939 OR EARLIER	ALL OTHER CONSTRUCTION
2	1.15	1.46	1.84	1.54	1.69	2.58
4	1.59	2.01	2.54	2.11	2.32	3.55
5	1.63	2.06	2.61	2.17	2.39	3.65
6	0.91	1.16	1.46	1.22	1.34	2.04
7	0.75	0.95	1.19	1.00	1.09	1.67
8	1.46	1.86	2.34	1.95	2.15	3.28
11	1.05	1.33	1.69	1.40	1.55	2.36
12	1.08	1.36	1.72	1.43	1.58	2.41
13	0.69	0.88	1.11	0.93	1.02	1.55
15	0.58	0.73	0.92	0.77	0.85	1.29
18	0.21	0.27	0.34	0.29	0.31	0.48
19	0.53	0.67	0.85	0.71	0.78	1.19
20	0.79	1.00	1.26	1.05	1.16	1.77
22	1.36	1.72	2.18	1.81	2.00	3.05
23	1.04	1.32	1.66	1.39	1.52	2.33
24	0.76	0.97	1.22	1.02	1.12	1.71
25	0.85	1.08	1.37	1.14	1.25	1.91
26	0.83	1.05	1.33	1.11	1.22	1.87
27	0.24	0.31	0.39	0.33	0.36	0.55

CALIFORNIA EARTHQUAKE AUTHORITY

COVERAGE C: PERSONAL PROPERTY - INCREASED LIMITS
Deductible = 10% of Coverage A & B CSL
Coverage C = $25,000

DWELLINGS - ONE-STORY
ADDITIONAL RATE PER $1,000 OF COVERAGE A & B CSL

	Dwellings					
	Frame Construction					
TERRITORY	1990 OR LATER	1980 THRU 1989	1960 THRU 1979	1940 THRU 1959	1939 OR EARLIER	ALL OTHER CONSTRUCTION
2	0.68	0.86	1.09	0.91	1.00	2.06
4	0.93	1.18	1.50	1.25	1.37	2.83
5	0.96	1.22	1.54	1.28	1.41	2.91
6	0.54	0.68	0.86	0.72	0.79	1.63
7	0.44	0.56	0.70	0.59	0.65	1.33
8	0.86	1.09	1.38	1.15	1.27	2.62
11	0.62	0.79	0.99	0.83	0.91	1.88
12	0.63	0.80	1.01	0.85	0.93	1.92
13	0.41	0.52	0.65	0.55	0.60	1.24
15	0.34	0.43	0.54	0.45	0.50	1.03
18	0.13	0.16	0.20	0.17	0.19	0.38
19	0.31	0.40	0.50	0.42	0.46	0.95
20	0.47	0.59	0.74	0.62	0.68	1.41
22	0.80	1.02	1.28	1.07	1.18	2.43
23	0.61	0.78	0.98	0.82	0.90	1.86
24	0.45	0.57	0.72	0.60	0.66	1.36
25	0.50	0.64	0.81	0.67	0.74	1.53
26	0.49	0.62	0.79	0.65	0.72	1.49
27	0.14	0.18	0.23	0.19	0.21	0.44

Note: In order to purchase this coverage, applicant must also purchase 10% deductible option.

CALIFORNIA EARTHQUAKE AUTHORITY

COVERAGE C: PERSONAL PROPERTY - INCREASED LIMITS
Deductible = 10% of Coverage A & B CSL
Coverage C = $25,000

DWELLINGS - GREATER THAN ONE-STORY
ADDITIONAL RATE PER $1,000 OF COVERAGE A & B CSL

	Dwellings					
	Frame Construction					
TERRITORY	1990 OR LATER	1980 THRU 1989	1960 THRU 1979	1940 THRU 1959	1939 OR EARLIER	ALL OTHER CONSTRUCTION
2	0.92	1.16	1.47	1.22	1.35	2.06
4	1.26	1.60	2.02	1.68	1.85	2.83
5	1.30	1.64	2.08	1.73	1.90	2.91
6	0.73	0.92	1.16	0.97	1.07	1.63
7	0.60	0.75	0.95	0.79	0.87	1.33
8	1.17	1.48	1.87	1.56	1.71	2.62
11	0.84	1.06	1.34	1.12	1.23	1.88
12	0.86	1.09	1.37	1.14	1.26	1.92
13	0.55	0.70	0.89	0.74	0.81	1.24
15	0.46	0.58	0.74	0.61	0.67	1.03
18	0.17	0.22	0.27	0.23	0.25	0.38
19	0.42	0.54	0.68	0.56	0.62	0.95
20	0.63	0.80	1.01	0.84	0.92	1.41
22	1.08	1.37	1.74	1.45	1.59	2.43
23	0.83	1.05	1.33	1.10	1.21	1.86
24	0.61	0.77	0.97	0.81	0.89	1.36
25	0.68	0.86	1.09	0.91	1.00	1.53
26	0.66	0.84	1.06	0.89	0.97	1.49
27	0.19	0.25	0.31	0.26	0.29	0.44

Note: In order to purchase this coverage, applicant must also purchase 10% deductible option.

CALIFORNIA EARTHQUAKE AUTHORITY

COVERAGE C: PERSONAL PROPERTY - INCREASED LIMITS
Deductible = 10% of Coverage A & B CSL
Coverage C = $50,000

DWELLINGS - ONE-STORY
ADDITIONAL RATE PER $1,000 OF COVERAGE A & B CSL

	Dwellings					
	Frame Construction					
TERRITORY	1990 OR LATER	1980 THRU 1989	1960 THRU 1979	1940 THRU 1959	1939 OR EARLIER	ALL OTHER CONSTRUCTION
2	0.90	1.14	1.44	1.20	1.32	2.72
4	1.24	1.56	1.98	1.65	1.81	3.74
5	1.27	1.61	2.03	1.69	1.86	3.85
6	0.71	0.90	1.14	0.95	1.04	2.15
7	0.58	0.74	0.93	0.78	0.85	1.76
8	1.14	1.45	1.83	1.52	1.67	3.46
11	0.82	1.04	1.31	1.10	1.20	2.49
12	0.84	1.06	1.34	1.12	1.23	2.54
13	0.54	0.68	0.87	0.72	0.79	1.64
15	0.45	0.57	0.72	0.60	0.66	1.36
18	0.17	0.21	0.27	0.22	0.24	0.51
19	0.41	0.52	0.66	0.55	0.61	1.25
20	0.62	0.78	0.98	0.82	0.90	1.86
22	1.06	1.34	1.70	1.41	1.56	3.21
23	0.81	1.03	1.30	1.08	1.19	2.45
24	0.59	0.75	0.95	0.79	0.87	1.80
25	0.67	0.84	1.07	0.89	0.98	2.02
26	0.65	0.82	1.04	0.87	0.95	1.97
27	0.19	0.24	0.30	0.25	0.28	0.58

Note: In order to purchase this coverage, applicant must also purchase 10% deductible option.

CALIFORNIA EARTHQUAKE AUTHORITY

COVERAGE C: PERSONAL PROPERTY - INCREASED LIMITS
Deductible = 10% of Coverage A & B CSL
Coverage C = $50,000

DWELLINGS - GREATER THAN ONE-STORY
ADDITIONAL RATE PER $1,000 OF COVERAGE A & B CSL

	Dwellings					
	Frame Construction					
TERRITORY	1990 OR LATER	1980 THRU 1989	1960 THRU 1979	1940 THRU 1959	1939 OR EARLIER	ALL OTHER CONSTRUCTION
2	1.21	1.54	1.94	1.62	1.78	2.72
4	1.67	2.12	2.67	2.23	2.45	3.74
5	1.72	2.17	2.75	2.29	2.52	3.85
6	0.96	1.22	1.54	1.28	1.41	2.15
7	0.79	1.00	1.26	1.05	1.15	1.76
8	1.54	1.96	2.47	2.06	2.26	3.46
11	1.11	1.41	1.78	1.48	1.63	2.49
12	1.13	1.44	1.81	1.51	1.66	2.54
13	0.73	0.93	1.17	0.98	1.07	1.64
15	0.61	0.77	0.97	0.81	0.89	1.36
18	0.23	0.29	0.36	0.30	0.33	0.51
19	0.56	0.71	0.89	0.75	0.82	1.25
20	0.83	1.05	1.33	1.11	1.22	1.86
22	1.43	1.82	2.30	1.91	2.10	3.21
23	1.09	1.39	1.75	1.46	1.61	2.45
24	0.80	1.02	1.29	1.07	1.18	1.80
25	0.90	1.14	1.44	1.20	1.32	2.02
26	0.88	1.11	1.40	1.17	1.29	1.97
27	0.26	0.33	0.41	0.34	0.38	0.58

Note: In order to purchase this coverage, applicant must also purchase 10% deductible option.

CALIFORNIA EARTHQUAKE AUTHORITY

COVERAGE C: PERSONAL PROPERTY - INCREASED LIMITS
Deductible = 10% of Coverage A & B CSL
Coverage C = $75,000

DWELLINGS - ONE-STORY
ADDITIONAL RATE PER $1,000 OF COVERAGE A & B CSL

	Dwellings					
	Frame Construction					
TERRITORY	1990 OR LATER	1980 THRU 1989	1960 THRU 1979	1940 THRU 1959	1939 OR EARLIER	ALL OTHER CONSTRUCTION
2	0.98	1.24	1.56	1.30	1.43	2.96
4	1.35	1.71	2.15	1.80	1.97	4.08
5	1.38	1.75	2.21	1.84	2.03	4.19
6	0.77	0.98	1.24	1.03	1.14	2.35
7	0.63	0.80	1.01	0.85	0.93	1.92
8	1.24	1.58	1.99	1.66	1.83	3.77
11	0.89	1.13	1.43	1.19	1.31	2.71
12	0.91	1.16	1.46	1.22	1.34	2.77
13	0.59	0.75	0.94	0.79	0.86	1.79
15	0.49	0.62	0.78	0.65	0.72	1.48
18	0.18	0.23	0.29	0.24	0.27	0.55
19	0.45	0.57	0.72	0.60	0.66	1.36
20	0.67	0.85	1.07	0.89	0.98	2.03
22	1.16	1.46	1.85	1.54	1.70	3.50
23	0.88	1.12	1.41	1.18	1.29	2.67
24	0.65	0.82	1.04	0.86	0.95	1.96
25	0.73	0.92	1.16	0.97	1.06	2.20
26	0.71	0.90	1.13	0.94	1.04	2.14
27	0.21	0.26	0.33	0.28	0.30	0.63

Note: In order to purchase this coverage, applicant must also purchase 10% deductible option.

CALIFORNIA EARTHQUAKE AUTHORITY

COVERAGE C: PERSONAL PROPERTY - INCREASED LIMITS
Deductible = 10% of Coverage A & B CSL
Coverage C = $75,000

DWELLINGS - GREATER THAN ONE-STORY
ADDITIONAL RATE PER $1,000 OF COVERAGE A & B CSL

	Dwellings					
	Frame Construction					
TERRITORY	1990 OR LATER	1980 THRU 1989	1960 THRU 1979	1940 THRU 1959	1939 OR EARLIER	ALL OTHER CONSTRUCTION
2	1.32	1.68	2.12	1.76	1.94	2.96
4	1.82	2.31	2.91	2.43	2.67	4.08
5	1.87	2.37	2.99	2.49	2.74	4.19
6	1.05	1.33	1.68	1.40	1.54	2.35
7	0.86	1.09	1.37	1.14	1.26	1.92
8	1.68	2.13	2.69	2.24	2.47	3.77
11	1.21	1.53	1.94	1.61	1.78	2.71
12	1.24	1.56	1.98	1.65	1.81	2.77
13	0.80	1.01	1.28	1.06	1.17	1.79
15	0.66	0.84	1.06	0.88	0.97	1.48
18	0.25	0.31	0.39	0.33	0.36	0.55
19	0.61	0.77	0.97	0.81	0.89	1.36
20	0.91	1.15	1.45	1.21	1.33	2.03
22	1.56	1.98	2.50	2.08	2.29	3.50
23	1.19	1.51	1.91	1.59	1.75	2.67
24	0.88	1.11	1.40	1.17	1.28	1.96
25	0.98	1.24	1.57	1.31	1.44	2.20
26	0.96	1.21	1.53	1.28	1.40	2.14
27	0.28	0.36	0.45	0.37	0.41	0.63

Note: In order to purchase this coverage, applicant must also purchase 10% deductible option.

CALIFORNIA EARTHQUAKE AUTHORITY

COVERAGE C: PERSONAL PROPERTY - INCREASED LIMITS
Deductible = 10% of Coverage A & B CSL
Coverage C = $100,000

DWELLINGS - ONE-STORY
ADDITIONAL RATE PER $1,000 OF COVERAGE A & B CSL

	Dwellings					
	Frame Construction					
TERRITORY	1990 OR LATER	1980 THRU 1989	1960 THRU 1979	1940 THRU 1959	1939 OR EARLIER	ALL OTHER CONSTRUCTION
2	1.02	1.30	1.64	1.37	1.50	3.10
4	1.41	1.79	2.26	1.88	2.07	4.27
5	1.45	1.83	2.32	1.93	2.12	4.39
6	0.81	1.03	1.30	1.08	1.19	2.46
7	0.66	0.84	1.06	0.89	0.97	2.01
8	1.30	1.65	2.08	1.74	1.91	3.95
11	0.94	1.19	1.50	1.25	1.37	2.84
12	0.96	1.21	1.53	1.28	1.40	2.90
13	0.62	0.78	0.99	0.82	0.90	1.87
15	0.51	0.65	0.82	0.68	0.75	1.55
18	0.19	0.24	0.30	0.25	0.28	0.58
19	0.47	0.60	0.75	0.63	0.69	1.43
20	0.70	0.89	1.12	0.94	1.03	2.13
22	1.21	1.53	1.94	1.61	1.78	3.67
23	0.92	1.17	1.48	1.23	1.36	2.80
24	0.68	0.86	1.09	0.90	0.99	2.06
25	0.76	0.96	1.22	1.01	1.11	2.30
26	0.74	0.94	1.19	0.99	1.09	2.24
27	0.22	0.28	0.35	0.29	0.32	0.66

Note: In order to purchase this coverage, applicant must also purchase 10% deductible option.

CALIFORNIA EARTHQUAKE AUTHORITY

COVERAGE C: PERSONAL PROPERTY - INCREASED LIMITS
Deductible = 10% of Coverage A & B CSL
Coverage C = $100,000

DWELLINGS - GREATER THAN ONE-STORY
ADDITIONAL RATE PER $1,000 OF COVERAGE A & B CSL

	Dwellings					
	Frame Construction					
TERRITORY	1990 OR LATER	1980 THRU 1989	1960 THRU 1979	1940 THRU 1959	1939 OR EARLIER	ALL OTHER CONSTRUCTION
2	1.38	1.75	2.22	1.85	2.03	3.10
4	1.91	2.41	3.05	2.54	2.80	4.27
5	1.96	2.48	3.13	2.61	2.87	4.39
6	1.10	1.39	1.76	1.46	1.61	2.46
7	0.90	1.14	1.44	1.20	1.32	2.01
8	1.76	2.23	2.82	2.35	2.58	3.95
11	1.27	1.61	2.03	1.69	1.86	2.84
12	1.29	1.64	2.07	1.72	1.90	2.90
13	0.83	1.06	1.34	1.11	1.22	1.87
15	0.69	0.88	1.11	0.92	1.02	1.55
18	0.26	0.33	0.41	0.34	0.38	0.58
19	0.64	0.81	1.02	0.85	0.94	1.43
20	0.95	1.20	1.52	1.27	1.39	2.13
22	1.64	2.07	2.62	2.18	2.40	3.67
23	1.25	1.58	2.00	1.67	1.83	2.80
24	0.92	1.16	1.47	1.22	1.35	2.06
25	1.03	1.30	1.64	1.37	1.51	2.30
26	1.00	1.27	1.60	1.34	1.47	2.24
27	0.29	0.37	0.47	0.39	0.43	0.66

Note: In order to purchase this coverage, applicant must also purchase 10% deductible option.

Section 4: Coverage D: Loss of Use - Increased Limits Homeowners - Additional Annual Premiums

CALIFORNIA EARTHQUAKE AUTHORITY

COVERAGE D: LOSS OF USE - INCREASED LIMITS
Coverage D = $10,000 - Deductible Does Not Apply

DWELLINGS - ONE-STORY
ADDITIONAL ANNUAL PREMIUM

	Dwellings					
	Frame Construction					
TERRITORY	1990 OR LATER	1980 THRU 1989	1960 THRU 1979	1940 THRU 1959	1939 OR EARLIER	ALL OTHER CONSTRUCTION
2	59.00	74.00	94.00	78.00	86.00	178.00
4	81.00	102.00	129.00	108.00	118.00	244.00
5	83.00	105.00	133.00	111.00	122.00	251.00
6	46.00	59.00	74.00	62.00	68.00	141.00
7	38.00	48.00	61.00	51.00	56.00	115.00
8	75.00	94.00	119.00	99.00	109.00	226.00
11	54.00	68.00	86.00	72.00	79.00	163.00
12	55.00	69.00	88.00	73.00	80.00	166.00
13	35.00	45.00	57.00	47.00	52.00	107.00
15	29.00	37.00	47.00	39.00	43.00	89.00
18	11.00	14.00	17.00	15.00	16.00	33.00
19	27.00	34.00	43.00	36.00	40.00	82.00
20	40.00	51.00	64.00	54.00	59.00	122.00
22	69.00	88.00	111.00	92.00	102.00	210.00
23	53.00	67.00	85.00	71.00	78.00	160.00
24	39.00	49.00	62.00	52.00	57.00	118.00
25	43.00	55.00	70.00	58.00	64.00	132.00
26	42.00	54.00	68.00	57.00	62.00	128.00
27	12.00	16.00	20.00	17.00	18.00	38.00

CALIFORNIA EARTHQUAKE AUTHORITY

COVERAGE D: LOSS OF USE - INCREASED LIMITS
Coverage D = $10,000 - Deductible Does Not Apply

DWELLINGS - GREATER THAN ONE-STORY
ADDITIONAL ANNUAL PREMIUM

	Dwellings					
	Frame Construction					
TERRITORY	1990 OR LATER	1980 THRU 1989	1960 THRU 1979	1940 THRU 1959	1939 OR EARLIER	ALL OTHER CONSTRUCTION
2	79.00	100.00	127.00	106.00	116.00	178.00
4	109.00	138.00	175.00	145.00	160.00	244.00
5	112.00	142.00	179.00	149.00	164.00	251.00
6	63.00	80.00	100.00	84.00	92.00	141.00
7	51.00	65.00	82.00	68.00	75.00	115.00
8	101.00	128.00	161.00	134.00	148.00	226.00
11	73.00	92.00	116.00	97.00	106.00	163.00
12	74.00	94.00	118.00	99.00	109.00	166.00
13	48.00	60.00	76.00	64.00	70.00	107.00
15	40.00	50.00	63.00	53.00	58.00	89.00
18	15.00	19.00	24.00	20.00	22.00	33.00
19	36.00	46.00	58.00	49.00	54.00	82.00
20	54.00	69.00	87.00	72.00	80.00	122.00
22	94.00	119.00	150.00	125.00	137.00	210.00
23	72.00	91.00	114.00	95.00	105.00	160.00
24	52.00	66.00	84.00	70.00	77.00	118.00
25	59.00	74.00	94.00	78.00	86.00	132.00
26	57.00	73.00	92.00	76.00	84.00	128.00
27	17.00	21.00	27.00	22.00	25.00	38.00

CALIFORNIA EARTHQUAKE AUTHORITY

COVERAGE D: LOSS OF USE - INCREASED LIMITS
Coverage D = $15,000 - Deductible Does Not Apply

DWELLINGS - ONE-STORY
ADDITIONAL ANNUAL PREMIUM

	Dwellings					
	Frame Construction					
TERRITORY	1990 OR LATER	1980 THRU 1989	1960 THRU 1979	1940 THRU 1959	1939 OR EARLIER	ALL OTHER CONSTRUCTION
2	93.00	118.00	149.00	124.00	137.00	282.00
4	128.00	162.00	205.00	171.00	188.00	388.00
5	132.00	167.00	211.00	176.00	193.00	399.00
6	74.00	93.00	118.00	98.00	108.00	223.00
7	60.00	76.00	97.00	80.00	88.00	183.00
8	118.00	150.00	189.00	158.00	174.00	359.00
11	85.00	108.00	136.00	114.00	125.00	258.00
12	87.00	110.00	139.00	116.00	127.00	263.00
13	56.00	71.00	90.00	75.00	82.00	170.00
15	47.00	59.00	75.00	62.00	68.00	141.00
18	17.00	22.00	28.00	23.00	25.00	52.00
19	43.00	54.00	69.00	57.00	63.00	130.00
20	64.00	81.00	102.00	85.00	94.00	193.00
22	110.00	139.00	176.00	147.00	161.00	333.00
23	84.00	106.00	134.00	112.00	123.00	254.00
24	62.00	78.00	99.00	82.00	90.00	187.00
25	69.00	87.00	110.00	92.00	101.00	209.00
26	67.00	85.00	108.00	90.00	99.00	204.00
27	20.00	25.00	32.00	26.00	29.00	60.00

CALIFORNIA EARTHQUAKE AUTHORITY

COVERAGE D: LOSS OF USE - INCREASED LIMITS
Coverage D = $15,000 - Deductible Does Not Apply

DWELLINGS - GREATER THAN ONE-STORY
ADDITIONAL ANNUAL PREMIUM

	Dwellings					
	Frame Construction					
TERRITORY	1990 OR LATER	1980 THRU 1989	1960 THRU 1979	1940 THRU 1959	1939 OR EARLIER	ALL OTHER CONSTRUCTION
2	126.00	159.00	201.00	168.00	185.00	282.00
4	173.00	219.00	277.00	231.00	254.00	388.00
5	178.00	225.00	285.00	237.00	261.00	399.00
6	100.00	126.00	160.00	133.00	146.00	223.00
7	82.00	103.00	131.00	109.00	120.00	183.00
8	160.00	203.00	256.00	214.00	235.00	359.00
11	115.00	146.00	184.00	154.00	169.00	258.00
12	118.00	149.00	188.00	157.00	172.00	263.00
13	76.00	96.00	121.00	101.00	111.00	170.00
15	63.00	80.00	101.00	84.00	92.00	141.00
18	23.00	30.00	37.00	31.00	34.00	52.00
19	58.00	73.00	93.00	77.00	85.00	130.00
20	86.00	109.00	138.00	115.00	127.00	193.00
22	149.00	188.00	238.00	198.00	218.00	333.00
23	114.00	144.00	182.00	151.00	167.00	254.00
24	83.00	106.00	133.00	111.00	122.00	187.00
25	93.00	118.00	149.00	124.00	137.00	209.00
26	91.00	115.00	146.00	121.00	134.00	204.00
27	27.00	34.00	43.00	36.00	39.00	60.00

Section 5: Coverage C: Personal Property - Additional Rates
Coverage D: Loss of Use - Increased Limits – Additional Annual Premium
Manufactured Home (Mobilehome)

CALIFORNIA EARTHQUAKE AUTHORITY

COVERAGE C: PERSONAL PROPERTY and
COVERAGE D: LOSS OF USE - INCREASED LIMITS
Deductible = 15% of Coverage A & B CSL
Deductible Does Not Apply to Coverage D

MANUFACTURED HOME (MOBILEHOME)

COVERAGE C: ADDITIONAL RATE PER $1,000 OF COVERAGE A & B CSL
COVERAGE D: ADDITIONAL ANNUAL PREMIUM

	COVERAGE C AMOUNT				COVERAGE D AMOUNT	
TERRITORY	$25,000	$50,000	$75,000	$100,000	$10,000	$15,000
2	0.30	0.32	0.34	0.37	23.00	35.00
4	0.76	0.82	0.87	0.93	59.00	89.00
5	0.77	0.83	0.89	0.95	60.00	91.00
6	0.28	0.30	0.32	0.35	22.00	33.00
7	0.19	0.21	0.22	0.24	15.00	22.00
8	0.39	0.42	0.45	0.49	31.00	46.00
11	0.28	0.31	0.33	0.35	22.00	33.00
12	0.28	0.30	0.32	0.34	22.00	32.00
13	0.18	0.19	0.21	0.22	14.00	21.00
15	0.15	0.16	0.17	0.18	12.00	17.00
18	0.05	0.06	0.06	0.07	4.00	6.00
19	0.14	0.15	0.16	0.17	11.00	16.00
20	0.20	0.22	0.23	0.25	16.00	24.00
22	0.35	0.38	0.41	0.43	27.00	41.00
23	0.27	0.29	0.31	0.33	21.00	31.00
24	0.20	0.21	0.23	0.24	15.00	23.00
25	0.26	0.28	0.30	0.32	21.00	31.00
26	0.21	0.23	0.25	0.26	17.00	25.00
27	0.06	0.07	0.07	0.08	5.00	7.00

CALIFORNIA EARTHQUAKE AUTHORITY

COVERAGE C: PERSONAL PROPERTY and
COVERAGE D: LOSS OF USE - INCREASED LIMITS
Deductible = 10% of Coverage A & B CSL
Deductible Does Not Apply to Coverage D

MANUFACTURED HOME (MOBILEHOME)

COVERAGE C: ADDITIONAL RATE PER $1,000 OF COVERAGE A & B CSL
COVERAGE D: ADDITIONAL ANNUAL PREMIUM

	COVERAGE C AMOUNT				COVERAGE D AMOUNT	
TERRITORY	**$25,000**	**$50,000**	**$75,000**	**$100,000**	**$10,000**	**$15,000**
2	0.34	0.37	0.39	0.41	23.00	35.00
4	0.87	0.93	0.99	1.05	59.00	89.00
5	0.89	0.95	1.01	1.07	60.00	91.00
6	0.32	0.35	0.37	0.39	22.00	33.00
7	0.22	0.24	0.25	0.27	15.00	22.00
8	0.45	0.49	0.52	0.55	31.00	46.00
11	0.33	0.35	0.37	0.39	22.00	33.00
12	0.32	0.34	0.36	0.38	22.00	32.00
13	0.21	0.22	0.23	0.25	14.00	21.00
15	0.17	0.18	0.19	0.20	12.00	17.00
18	0.06	0.07	0.07	0.08	4.00	6.00
19	0.16	0.17	0.18	0.19	11.00	16.00
20	0.23	0.25	0.27	0.28	16.00	24.00
22	0.41	0.43	0.46	0.49	27.00	41.00
23	0.31	0.33	0.35	0.37	21.00	31.00
24	0.23	0.24	0.26	0.27	15.00	23.00
25	0.30	0.32	0.34	0.36	21.00	31.00
26	0.25	0.26	0.28	0.30	17.00	25.00
27	0.07	0.08	0.08	0.09	5.00	7.00

Note: In order to purchase this coverage, applicant must also purchase 10% deductible option.

Section 6: Coverage C: Personal Property and Coverage D: Loss of Use - Increased Limits Renters and Common Interest Development (Condominium) Additional Annual Premium

CALIFORNIA EARTHQUAKE AUTHORITY

COVERAGE C: PERSONAL PROPERTY - INCREASED LIMITS

RENTERS AND COMMON INTEREST DEVELOPMENT (CONDOMINIUM)
ADDITIONAL ANNUAL PREMIUM

TERRITORY	COVERAGE C = 25,000	COVERAGE C = 50,000
2	154	190
4	154	190
5	154	190
6	154	190
7	118	145
8	154	190
11	154	190
12	154	190
13	118	145
15	118	145
18	56	69
19	118	145
20	118	145
22	154	190
23	118	145
24	118	145
25	154	190
26	118	145
27	56	69

CALIFORNIA EARTHQUAKE AUTHORITY

COVERAGE C: PERSONAL PROPERTY - INCREASED LIMITS

RENTERS AND COMMON INTEREST DEVELOPMENT (CONDOMINIUM)

ADDITIONAL ANNUAL PREMIUM

TERRITORY	COVERAGE C = 75,000	COVERAGE C = 100,000
2	216	219
4	216	219
5	216	219
6	216	219
7	165	167
8	216	219
11	216	219
12	216	219
13	165	167
15	165	167
18	79	80
19	165	167
20	165	167
22	216	219
23	165	167
24	165	167
25	216	219
26	165	167
27	79	80

CALIFORNIA EARTHQUAKE AUTHORITY

COVERAGE D: LOSS OF USE - INCREASED LIMITS

RENTERS AND COMMON INTEREST DEVELOPMENT (CONDOMINIUM)

ADDITIONAL ANNUAL PREMIUM

TERRITORY	COVERAGE D = 10,000	COVERAGE D = 15,000
2	20	23
4	20	23
5	20	23
6	20	23
7	15	18
8	20	23
11	20	23
12	20	23
13	15	18
15	15	18
18	7	8
19	15	18
20	15	18
22	20	23
23	15	18
24	15	18
25	20	23
26	15	18
27	7	8

CALIFORNIA EARTHQUAKE AUTHORITY
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 B. EXTENSIONS TO DWELLING	Combined Single Limit: $_____
C. PERSONAL PROPERTY	$_____
D. LOSS OF USE	$_____
OTHER COVERAGES: BUILDING CODE UPGRADES	$_____

POLICY DEDUCTIBLE: $_____

(_____% 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)

Mortgagee/Lienholder/Additional Insured (Name and Address):

PLEASE READ YOUR POLICY

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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. Only the following coverages are not subject to any deductible:

   a. "COVERAGE D: LOSS OF USE," and

   b. The first $1,500 of coverage provided under "OTHER COVERAGES," Item 1, "Emergency Repairs."

   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 _____.

2. **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 **California Earthquake Authority** 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.

3. This is not a Guaranteed Replacement Cost Policy. Unlike some homeowners policies, this policy does not have a "guaranteed replacement cost" or "extended 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. The combined single **limit of insurance** for COVERAGE A: DWELLING and COVERAGE B: EXTENSIONS TO DWELLING stated on the DECLARATIONS of this earthquake policy is not modified by any additional guaranteed or extended **limits of insurance** that may apply to **your** homeowners **companion policy**.

4. 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 ___.

5. 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 ____.

THE LANGUAGE OF THIS POLICY HAS BEEN SUBMITTED TO AND
APPROVED BY THE CALIFORNIA INSURANCE COMMISSIONER

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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)**, a public 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. Deductible. Except as otherwise explicitly stated in this policy, **we** will pay only when a covered loss to property exceeds the deductible amount shown on the DECLARATIONS page, as calculated in accordance with the terms of the DEDUCTIBLE CLAUSE. **We** will then pay only the amount in excess of the deductible amount, up to the applicable **limit of insurance**.

3. 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.

4. 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.

5. **Companion Policy**. **You** agree to keep in effect a **companion policy** written by the **participating insurer** that services this policy. 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.

6. 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" and the first $1,500 of losses covered under "OTHER COVERAGES," Item 1, "Emergency Repairs," **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:

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a. The reasonable and necessary **replacement cost** of the covered damage to property covered under "COVERAGE A: DWELLING," but only up to the amount of the applicable **sublimit** for property for which there is a **sublimit** 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 in excess of $1,500 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 or secure the **dwelling**, 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.d, 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 or **domestic partner** if that spouse or **domestic partner** is 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 a public 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. **"Domestic partner"** means a party to a two-person domestic relationship registered by the California Secretary of State through the filing of a Declaration of Domestic Partnership, pursuant to California Family Code section 298.5.

7. **"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

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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.

8. **"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.

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 of any of **your** relatives who are permanent residents of **your** household.

10. **"Limit of insurance"** means the most **we** will pay for covered loss arising from any **seismic 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 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**.

13. **"Person"** means any human, association, organization, governmental entity, partnership, business trust, limited liability company, or corporation.

14. **"Replacement cost"** means:

    a. With respect to structures, 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.

    b. 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.

15. **"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.

16. **"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**.

17. **"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

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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**.

18. **"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 Limit 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.

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**.

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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.

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13. Except as provided under "OTHER COVERAGES," Item 3, "Building Code Upgrades," any added costs of repair or replacement of covered property 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.

14. Landscaping, trees, shrubs, lawns, or plants, even if damaged by necessary repairs to covered property.

15. 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**, and (3) the reasonable expense **you** incur in removing from the **residence premises** the debris of damaged covered personal property. The cost to repair or replace personal property or to remove the debris of 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. $250 on securities, checks, cashier's checks, traveler's checks, money orders, and other negotiable instruments; accounts, deeds, evidences of debt, letters of credit, notes other than bank notes, manuscripts, passports, and tickets.

3. $3,000 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.

4. $1,000 on **business property** other than computers and other electronic data processing equipment, storage media and software.

Property Not Covered—Coverage C

We do not cover:

1. Pets, birds, fish, livestock, or other animals.

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 electronic 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

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motor vehicle, motorized land conveyance, or a camp or home trailer, including but not limited to: computers; citizens band and other two-way mobile radios; satellite and cellular telephones; radio receivers, transceivers, and transmitters; scanners and scanning monitor receivers; radar detectors; tape or disc players and recorders, MP3 players; televisions; video players, recorders, and monitors; global positioning satellite (GPS) devices, personal digital assistants and other handheld devices; and any accessories, antennas, speakers, tapes, discs, cartridges, media, carrying cases, charging devices, batteries, or other devices and accessories 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, computer drives, portable storage devices or media, 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

If a **limit of insurance** for "COVERAGE D: LOSS OF USE" is shown on the DECLARATIONS page, then subject to that **limit of insurance** and all the terms and conditions of this policy, **we** provide the following coverage, not subject to any deductible.

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** or covered extensions to **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** or covered extensions to **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**.

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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** or covered extensions to **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** or covered extensions to **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 the **residence premises** or other 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 all terms and conditions of this policy. Except for the first $1,500 of losses covered under Item 1, "Emergency Repairs," the coverages are provided subject to the application of the DEDUCTIBLE CLAUSE.

1. Emergency Repairs. If covered damage occurs to covered property and such emergency measures are made necessary as the result of an **earthquake** that commences during the policy period as part of a **seismic event** that commences during the policy period, **we** will pay the following portion of the cost **you** incur for reasonable and necessary emergency measures **you** take (1) to protect against further damage to covered property, (2) to remove from covered property in the **dwelling** the residue of broken glass if the **dwelling** is otherwise habitable, or (3) to repair or replace covered broken windows in the **dwelling** or other covered structural glass that is part of the **dwelling** if the **dwelling** is otherwise habitable. 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, but **we** will never pay more for emergency repairs than 5% of the policy **limit of insurance** for the type of property being protected.

   a. The first $1,500 of covered costs **you** incur for such reasonable and necessary emergency measures is not subject to the application of the DEDUCTIBLE CLAUSE. Costs **you** incur for such emergency measures in excess of $1,500 are subject to the application of the DEDUCTIBLE CLAUSE, which means that until **you** satisfy the deductible amount, you will not be paid for any such costs **you** incur above $1,500.

   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 property covered under "COVERAGE A: DWELLING" or "COVERAGE B: EXTENSIONS TO DWELLING" 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.

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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 subject to the **limit of insurance** for "OTHER COVERAGES: BUILDING CODE UPGRADES" shown on the DECLARATIONS page, we cover the cost of reconstruction to bring that 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 that 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, including damage resulting from:

   a. flood, rain, or surface water; waves, tsunami, or tidal water; rupture of a dam, levee, berm, or sea wall; overflow of a natural or man-made 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 that is a result of any of the following directly resulting from an **earthquake** that commences during the policy period as part of a **seismic event** that commences during the policy period:
   (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,

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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, acts of terrorism, 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

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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**:

   a. intentionally conceals or misrepresents any material fact or circumstance;

   b. engages in fraudulent conduct relating to this insurance; or

   c. 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:

   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 costs **you** incur to repair or replace covered property or to protect covered property from further damage.

   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:
      (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) while not in the presence of any other **insured**, submit to examination under oath and sign a transcript of the examination.

   e. 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:
      (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 covered under this policy; and
      (viii) 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:

   a. Repair or replace any part to restore the pair or set to its value before the loss; or

   b. Pay the difference between **replacement cost** of the pair or set before and after the loss.

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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

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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**.

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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**.

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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.

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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, each of the following persons will be deemed an **insured** with respect to the property insured under this policy:

    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; 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

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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.

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CALIFORNIA EARTHQUAKE AUTHORITY

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 B. EXTENSIONS TO DWELLING	Combined Single Limit: $_____
C. PERSONAL PROPERTY	$_____
D. LOSS OF USE	$_____
OTHER COVERAGES: BUILDING CODE UPGRADES	$_____

POLICY DEDUCTIBLE: $_____

(_____% 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)

Mortgagee/Lienholder/Additional Insured (Name and Address):

PLEASE READ YOUR POLICY

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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. Only the following coverages are not subject to any deductible:

   a. "COVERAGE D: LOSS OF USE," and

   b. The first $1,500 of coverage provided under "OTHER COVERAGES," Item 1, "Emergency Repairs."

   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 _____.

2. **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 **California Earthquake Authority** 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.

3. This is not a Guaranteed Replacement Cost Policy. Unlike some homeowners policies, this policy does not have a "guaranteed replacement cost" or "extended 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. The combined single **limit of insurance** for COVERAGE A: DWELLING and COVERAGE B: EXTENSIONS TO DWELLING stated on the DECLARATIONS of this earthquake policy is not modified by any additional guaranteed or extended **limits of insurance** that may apply to **your** homeowners **companion policy**.

4. 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 ___.

5. 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 ____.

THE LANGUAGE OF THIS POLICY HAS BEEN SUBMITTED TO AND APPROVED BY THE CALIFORNIA INSURANCE COMMISSIONER

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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**), a public 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. Deductible. Except as otherwise explicitly stated in this policy, **we** will pay only when a covered loss to property exceeds the deductible amount shown on the DECLARATIONS page, as calculated in accordance with the terms of the DEDUCTIBLE CLAUSE. **We** will then pay only the amount in excess of the deductible amount, up to the applicable **limit of insurance**.

3. 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.

4. 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.

5. **Companion Policy**. **You** agree to keep in effect a **companion policy** written by the **participating insurer** that services this policy. 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.

6. 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" and the first $1,500 of losses covered under "OTHER COVERAGES," Item 1, "Emergency Repairs," **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:

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a. The reasonable and necessary **replacement cost** of the covered damage to property covered under "COVERAGE A: DWELLING," but only up to the amount of the applicable **sublimit** for property for which there is a **sublimit** 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 in excess of $1,500 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 or secure the **dwelling**, 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.d 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 or **domestic partner** if that spouse or **domestic partner** is 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 a public 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. **"Domestic partner"** means a party to a two-person domestic relationship registered by the California Secretary of State through the filing of a Declaration of Domestic Partnership, pursuant to California Family Code section 298.5.

7. **"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

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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.

8. **"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.

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 of any of **your** relatives who are permanent residents of **your** household.

10. **"Limit of insurance"** means the most **we** will pay for covered loss arising from any **seismic 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 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**.

13. **"Person"** means any human, association, organization, governmental entity, partnership, business trust, limited liability company, or corporation.

14. **"Replacement cost"** means:

    a. With respect to structures, 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.

    b. 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.

15. **"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.

16. **"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**.

17. **"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

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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**.

18. **"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 Limit 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.

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**.

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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.

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13. Except as provided under "OTHER COVERAGES," Item 3, "Building Code Upgrades," any added costs of repair or replacement of covered property 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.

14. Landscaping, trees, shrubs, lawns, or plants, even if damaged by necessary repairs to covered property.

15. 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**, and (3) the reasonable expense **you** incur in removing from the **residence premises** the debris of damaged covered personal property. The cost to repair or replace personal property or to remove the debris of 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.

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1. $250 on money, bank notes, coins and medals, including any of these that are part of a collection.

2. $250 on securities, checks, cashier's checks, traveler's checks, money orders, and other negotiable instruments; accounts, deeds, evidences of debt, letters of credit, notes other than bank notes, manuscripts, passports, and tickets.

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3. $3,000 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.

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4. $1,000 on **business property** other than computers and other electronic data processing equipment, storage media and software.

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Property Not Covered—Coverage C

We do not cover:

1. Pets, birds, fish, livestock, or other animals.

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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.

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3. Any electronic 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

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motor vehicle, motorized land conveyance, or a camp or home trailer, including but not limited to: computers; citizens band and other two-way mobile radios; satellite and cellular telephones; radio receivers transceivers, and transmitters; scanners and scanning monitor receivers; radar detectors; tape or disc players and recorders, MP3 players; televisions; video players, recorders, and monitors; global positioning satellite (GPS) devices, personal digital assistants and other handheld devices; and any accessories, antennas, speakers, tapes, discs, cartridges, media, carrying cases, charging devices, batteries, or other devices and accessories 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, computer drives, portable storage devices or media, 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

If a **limit of insurance** for "COVERAGE D: LOSS OF USE" is shown on the DECLARATIONS page, then subject to that **limit of insurance** and all the terms and conditions of this policy, **we** provide the following coverage, not subject to any deductible.

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** or covered extensions to **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** or covered extensions to **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**.

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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** or covered extensions to **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** or covered extensions to **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 the **residence premises** or other 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**.

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OTHER COVERAGES

The following other coverages are provided subject to all terms and conditions of this policy. Except for the first $1,500 of losses covered under Item 1, "Emergency Repairs," the coverages are provided subject to the application of the DEDUCTIBLE CLAUSE.

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1. Emergency Repairs. If covered damage occurs to covered property and such emergency measures are made necessary as the result of an **earthquake** that commences during the policy period as part of a **seismic event** that commences during the policy period, **we** will pay the following portion of the cost **you** incur for reasonable and necessary emergency measures **you** take (1) to protect against further damage to covered property, (2) to remove from covered property in the **dwelling** the residue of broken glass if the **dwelling** is otherwise habitable, or (3) to repair or replace covered broken windows in the **dwelling** or other covered structural glass that is part of the **dwelling** if the **dwelling** is otherwise habitable. 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, but we will never pay more for emergency repairs than 5% of the policy **limit of insurance** for the type of property being protected.

   a. The first $1,500 of covered costs **you** incur for such reasonable and necessary emergency measures is not subject to the application of the DEDUCTIBLE CLAUSE. Costs **you** incur for such emergency measures in excess of $1,500 are subject to the application of the DEDUCTIBLE CLAUSE, which means that until **you** satisfy the deductible amount, you will not be paid for any such costs **you** incur above $1,500.

   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).

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2. Debris Removal. **We** will pay the reasonable expense **you** incur in removing from the **residence premises** the debris of property covered under "COVERAGE A: DWELLING" or "COVERAGE B: EXTENSIONS TO DWELLING" 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.

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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 subject to the **limit of insurance** for "OTHER COVERAGES: BUILDING CODE UPGRADES" shown on the DECLARATIONS page, we cover the cost of reconstruction to bring that 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 that 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, including damage resulting from:

   a. flood, rain, or surface water; waves, tsunami, or tidal water; rupture of a dam, levee, berm, or sea wall; overflow of a natural or man-made 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 that is a result of any of the following directly resulting from an **earthquake** that commences during the policy period as part of a **seismic event** that commences during the policy period:
   (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,

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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, acts of terrorism, 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

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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**:

   a. intentionally conceals or misrepresents any material fact or circumstance;

   b. engages in fraudulent conduct relating to this insurance; or

   c. 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:

   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 costs **you** incur to repair or replace covered property or to protect covered property from further damage.

   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:
      (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) while not in the presence of any other **insured**, submit to examination under oath and sign a transcript of the examination.

   e. 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:
      (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 covered under this policy; and
      (viii) 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:

   a. Repair or replace any part to restore the pair or set to its value before the loss; or

   b. Pay the difference between **replacement cost** of the pair or set before and after the loss.

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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

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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**.

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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**.

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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.

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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, each of the following persons will be deemed an **insured** with respect to the property insured under this policy:

    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; 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.

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Deleted: or if removed up to one year after the date of death, whichever is later

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

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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.

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California Earthquake Authority
Proposed Form Changes- BEQ-3A to BEQ-3B
Effective January 1, 2012

The CEA's Rate and Form Application includes the revision of the CEA Basic Earthquake Policy–Homeowners (BEQ-3A). The proposed newly-revised policy, BEQ-3B, includes enhancements and refinements in coverage, definitions, and policy language. The following provides an overview of substantive changes in the document; minor grammatical or wording changes are not included.

DECLARATIONS

- "OTHER COVERAGES: BUILDING CODE UPGRADES" has been added under **COVERAGE** and **LIMIT OF INSURANCE** as part of the coverages shown on the declarations. Coverage is now included as part of the BEQ-3B, rather than by endorsement, therefore a limit must be shown on the declarations page.
- "Additional Insured" added.

IMPORTANT NOTICES

- Deductible. Change incorporates proposed change to "OTHER COVERAGES," Emergency Repairs, wherein the first $1,500 of coverage is not subject to the policy deductible.
- **Companion Policy** Requirement. This item has been changed from item number 5 to item number 2.
- This is not a Guaranteed Replacement Cost Policy. Language clarification regarding replacement coverage and item number has changed from 4 to 3.
- Pro-rata or Installment Claims Payments. This item has been changed from item number 3 to item number 4.
- Surcharge in the Event of **Earthquake**. This item has been changed from item number 2 to item number 5.
- Addition of notice indicating that the language of the policy has been submitted to and approved by the California Insurance Commissioner.

AGREEMENT

- Deductible. Addition of deductible wording to explain payments under the policy are in excess of the deductible.
- **Companion Policy**. Clarification added that the **companion policy** must be written by the **participating insurer** that services the CEA policy.

DEDUCTIBLE CLAUSE

- The deductible clause was amended to incorporate changes in other areas of the policy:

- Covered damage to property under Coverage A applies to the deductible, but only up to the amount of the applicable **sublimit** for property to which there is a **sublimit** under COVERAGE A: DWELLING.

- Emergency measures in *excess* of $1,500 will apply toward the deductible.

DEFINITIONS

- **Domestic partner** is added both in the preliminary paragraph and as a defined word.

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

- No change

COVERAGES

- **COVERAGE A: DWELLING**
  - **Special Limit of Insurance–Coverage A**
    - Remove provision that applied chimney damage beyond $5,000 **sublimit** to dwelling deductible.

  - **Property Not Covered–Coverage A and Coverage B**
    - Addition of limitation regarding coverage provided for Building Code Upgrades; only those upgrades covered under "OTHER COVERAGES," item 3, "Building Code Upgrades" are covered.

- **COVERAGE C: PERSONAL PROPERTY**
  - Addition of debris removal coverage for personal property. The cost to remove personal property debris will not be applied to meet the deductible.
  - **Special Limits of Insurance–Coverage C**
    - Addition of limitation of $250 for securities, checks, cashier's checks, traveler's checks, money orders, and other negotiable instruments; accounts, deeds, evidences of debt, letters of credit, notes other than bank notes, manuscripts, passports, and tickets.
    - Increase on the special limits for computers and other electronic data processing equipment from $1,000 to $3,000.
    - Increase on business property other than computers and other electronic data processing equipment from $300 to $1,000.
  - **Property Not Covered–Coverage C**
    - Clarification regarding animals to include pets, livestock and other animals in lieu of solely "animals, birds and fish."
    - Clarification of the electronic equipment provision to include modern devices such as MP3 players, scanners, GPS devices, personal digital assistants and other handheld devices.

- Clarification on data storage devices to include computer drives and portable storage devices or media.

- **COVERAGE D: LOSS OF USE**
  - Introductory paragraph adjusted to show that if coverage is shown on the declarations page, then coverage is provided, subject to the **limit of insurance**, and not subject to any deductible.
  - Additional Living Expense and Loss of Rent was broadened to include coverage when covered extensions to **dwelling** are damaged.
  - Coverage broadened if a civil authority prohibits the insured from occupying the dwelling because of direct damage to the residence premises or *other* premises, rather than to *neighboring* premises.

- **OTHER COVERAGES**
  - Introductory paragraph amended to incorporate Emergency Repairs enhancements and allow $1,500 coverage without application of a deductible.
  - Emergency Repairs broadened to include coverage for removal of broken glass or repair or replace covered broken windows or other structural glass that is in or part of the **dwelling**. The first $1,500 of the 5% **limit of insurance** is not subject to the application of the deductible clause.
  - Debris Removal clarified to specify "COVERAGE A: DWELLING" or "COVERAGE B: EXTENSIONS TO DWELLING". Note: Debris removal for Coverage C: Personal Property was added under Coverage C.
  - Building Code Upgrades was changed to specify the **limit of insurance** is shown on the DECLARATIONS page. This is a change from the previous edition wherein $10,000 coverage was provided in the standard coverage contract and an increase was offered in an endorsement. Coverage will now be shown on the DECLARATIONS page rather than by endorsement.

LOSSES EXCLUDED

- Water damage has been clarified to explicitly include rupture of a dam, levee, berm or sea wall, including natural or man- made bodies of water.
- Water damage was also clarified with regard to the language about a seismic event.
- "Acts of terrorism" was added as part of the war, insurrection and rebellion exclusion as part of an update to the section.

YOUR RIGHTS CONCERNING CLAIMS INVESTIGATION

No changes.

CONDITIONS

- The Death condition was amended to add the defined term "**you**" in lieu of "an **insured**" and to remove language considered unnecessary.

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:
B.	EXTENSIONS TO DWELLING	$_____
C.	PERSONAL PROPERTY	$_____
D.	LOSS OF USE	$_____

POLICY DEDUCTIBLE: $_____

(_____% 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: $_____

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

Mortgagee/Lienholder (Name and Address):

<u>PLEASE READ YOUR POLICY</u>

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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 _____.

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 ____.

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 ___.

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:

   a. **your** relatives, whether related by blood, marriage or adoption; <u>and</u>
   b. 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:

    a. 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.

    b. 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**:

   a. intentionally conceals or misrepresents any material fact or circumstance;

   b. engages in fraudulent conduct relating to this insurance; or

   c. 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:

   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 costs **you** incur to repair or replace covered property or to protect covered property from further damage.

   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:
      (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) while not in the presence of any other **insured**, submit to examination under oath and sign a transcript of the examination.

   e. 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:
      (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 covered under this policy; and
      (viii) 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:

   a. Repair or replace any part to restore the pair or set to its value before the loss; or

   b. 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.

CALIFORNIA EARTHQUAKE AUTHORITY
BASIC EARTHQUAKE POLICY—HOMEOWNERS CHOICE

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 applicable Deductible:

COVERAGE:	**LIMIT OF INSURANCE:**	**DEDUCTIBLE**
A. DWELLING B. EXTENSIONS TO DWELLING	Combined Single Limit: $_____	Combined Deductible: $_____ (__% of the Coverage A/Coverage B Combined Single Limit of Insurance)
C. PERSONAL PROPERTY	$_____	$_____ (__% of the Coverage C Limit of Insurance)
D. LOSS OF USE	$_____	No Deductible
OTHER COVERAGES: BUILDING CODE UPGRADES	$_____	(Coverage A/Coverage B combined deductible applies)

PREMIUM SUMMARY:

Coverage A – Dwelling/Coverage B – Extensions to Dwelling	**$_____**
Option One: Coverage C - Personal Property	**$_____**
Option Two: Coverage D - Loss of Use	**$_____**
Other Coverages: Increased Building Code Upgrades	**$_____**
TOTAL ANNUAL POLICY PREMIUM:	**$_____**

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

Mortgagee/Lienholder/Additional Insured (Name and Address):

PLEASE READ YOUR POLICY

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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 until the deductible shown on the DECLARATIONS has been exceeded by the amount of covered loss to the type of property for which **you** make a claim under this policy." 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 relating to each type of covered property.

2. **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 **California Earthquake Authority** 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.

3. This is not a Guaranteed Replacement Cost Policy. Unlike some homeowners policies, this policy does not have a "guaranteed replacement cost" or "extended 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. The combined single **limit of insurance** for COVERAGE A: DWELLING and COVERAGE B: EXTENSIONS TO DWELLING stated on the DECLARATIONS of this earthquake policy is not modified by any additional guaranteed or extended **limits of insurance** that may apply to **your** homeowners **companion policy**.

4. 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 ___.

5. 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 ____.

THE LANGUAGE OF THIS POLICY HAS BEEN SUBMITTED TO AND APPROVED BY THE CALIFORNIA INSURANCE COMMISSIONER

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BASIC EARTHQUAKE POLICY—HOMEOWNERS CHOICE

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)**, a public 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. Except as otherwise explicitly stated in this policy, **we** will pay only when a covered loss to property exceeds the deductible amount shown on the DECLARATIONS page applicable to that category of property. **We** will then pay only the amount in excess of the applicable deductible amount, up to the applicable **limit of insurance**. The deductible will be applied one time for each **seismic event**. There is a one combined deductible that applies to COVERAGE A: DWELLING and COVERAGE B: EXTENSIONS TO DWELLING, and a separate deductible that applies to COVERAGE C: PERSONAL PROPERTY. **We** will pay no amount for any loss under COVERAGE A: DWELLING or COVERAGE B: EXTENSIONS TO DWELLING until the amount of the loss exceeds the amount of the combined deductible for COVERAGE A: DWELLING and COVERAGE B: EXTENSIONS TO DWELLING shown on the DECLARATIONS page; and **we** will pay no amount for any loss under COVERAGE C: PERSONAL PROPERTY until the amount of the loss exceeds the amount of the deductible for COVERAGE C: PERSONAL PROPERTY shown on the DECLARATIONS page. For further information and what will be applied to meet each deductible, see "Deductible—Coverage A and Coverage B" on page _____ and "Deductible—Coverage C" on page _____.

3. 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.

4. 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.

5. **Companion Policy**. **You** agree to keep in effect a **companion policy** written by the **participating insurer** that services this policy. 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.

6. 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.**

DEFINITIONS

Throughout this policy, the words "**you**" and "**your**" refer to the named **insured** shown in the DECLARATIONS and the named **insured's** spouse or **domestic partner** if that spouse or **domestic partner** is a resident of the same

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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 a public 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. **"Domestic partner"** means a party to a two-person domestic relationship registered by the California Secretary of State through the filing of a Declaration of Domestic Partnership, pursuant to California Family Code section 298.5.

7. **"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.

8. **"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.

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; <u>and</u>
   b. 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.

10. **"Limit of insurance"** means the most **we** will pay for covered loss arising from any **seismic event**.

11. **"Nuclear hazard"** means any nuclear reaction, radiation, or radioactive contamination, or any consequence of any of these.

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12. **"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**.

13. **"Person"** means any human, association, organization, governmental entity, partnership, business trust, limited liability company, or corporation.

14. **"Replacement cost"** means:

    a. With respect to structures, 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.

    b. 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.

15. **"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.

16. **"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**.

17. **"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**.

18. **"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.

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COVERAGES

COVERAGE A: DWELLING

If a combined single **limit of insurance** for "COVERAGE A: DWELLING" and "COVERAGE B: EXTENSIONS TO DWELLING" is shown on the DECLARATIONS page of this policy, we provide the following coverage, subject to that combined single **limit of insurance**, the application of the "Deductible—Coverage A and Coverage B" clause, and all the terms and conditions of this policy,

If no combined single **limit of insurance** for "COVERAGE A: DWELLING" and "COVERAGE B: EXTENSIONS TO DWELLING" is shown on the DECLARATIONS page of this policy, this policy does not provide any coverage under "COVERAGE A: DWELLING."

Property Covered—Coverage A

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.

COVERAGE B: EXTENSIONS TO DWELLING

If a combined single **limit of insurance** for "COVERAGE A: DWELLING" and "COVERAGE B: EXTENSIONS TO DWELLING" is shown on the DECLARATIONS page of this policy, we provide the following coverage, subject to that combined single **limit of insurance**, the application of the "Deductible—Coverage A and Coverage B" clause, and all the terms and conditions of this policy,

If no combined single **limit of insurance** for "COVERAGE A: DWELLING" and "COVERAGE B: EXTENSIONS TO DWELLING" is shown on the DECLARATIONS page of this policy, this policy does not provide any coverage under "COVERAGE B: EXTENSIONS TO DWELLING."

Property Covered—Coverage B

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.

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COVERAGE A: DWELLING AND COVERAGE B: EXTENSIONS TO DWELLING

Deductible—Coverage A and Coverage B

We will pay no amount for any loss under "COVERAGE A: DWELLING" or "COVERAGE B: EXTENSIONS TO DWELLING" until the amount of the loss exceeds the amount of the combined deductible for "COVERAGE A: DWELLING" and "COVERAGE B: EXTENSIONS TO DWELLING" shown on the DECLARATIONS page. The deductible will be applied one time for each **seismic event**. Only the following will be applied to meet the "COVERAGE A: DWELLING" and "COVERAGE B: EXTENSIONS TO DWELLING" combined deductible:

1. The reasonable and necessary cost, not to exceed **replacement cost**, to replace or repair the covered damage to property covered under "COVERAGE A: DWELLING," but only up to the amount of the applicable **sublimit** for property for which there is a sublimit under "COVERAGE A: DWELLING, and

2. The reasonable and necessary cost, not to exceed **replacement cost**, to replace or repair 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

3. The reasonable and necessary cost of emergency measures in excess of $1,500 covered under "OTHER COVERAGES," item 1, that **you** actually take to protect the property that is covered under "COVERAGE A: DWELLING" or COVERAGE B: EXTENSIONS TO DWELLING" against further damage or to secure the **dwelling**, 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

4. 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.

The cost to repair or replace personal property, or any other cost not set forth in items 1 through 4 above, will not be applied to meet this deductible.

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.

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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. Except as provided under "OTHER COVERAGES," Item 3, "Building Code Upgrades," any added costs of repair or replacement of covered property 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.

14. Landscaping, trees, shrubs, lawns, or plants, even if damaged by necessary repairs to covered property.

15. 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

If a **limit of insurance** for "COVERAGE C: PERSONAL PROPERTY" is shown on the DECLARATIONS page of this policy, **we** provide the following coverage, subject to that **limit of insurance**, the application of the "Deductible—Coverage C" clause, and all the terms and conditions of this policy. If no **limit of insurance** for "COVERAGE C: PERSONAL PROPERTY" is shown on the DECLARATIONS page of this policy, this policy does not provide any coverage under "COVERAGE C: PERSONAL PROPERTY."

Property Covered—Coverage C

We cover (1) personal property owned or used by an **insured** and located at the **residence premises**, (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**, and (3) the reasonable expense **you** incur in removing from the **residence premises** the debris of damaged covered personal property

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.

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1. $250 on money, bank notes, coins and medals, including any of these that are part of a collection.

2. $250 on securities, checks, cashier's checks, traveler's checks, money orders, and other negotiable instruments; accounts, deeds, evidences of debt, letters of credit, notes other than bank notes, manuscripts, passports, and tickets.

3. $3,000 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.

4. $1,000 on **business property** other than computers and other electronic data processing equipment, storage media and software.

Deductible—Coverage C

We will pay no amount for any loss under "COVERAGE C: PERSONAL PROPERTY" until the amount of the loss exceeds the amount of the deductible for "COVERAGE C: PERSONAL PROPERTY" shown on the DECLARATIONS page. The deductible will be applied one time for each **seismic event**. Only losses that are covered under "COVERAGE C: PERSONAL PROPERTY," as limited by the application of any **sublimits** that apply to those losses, can be applied to meet this deductible requirement.

If a combined single **limit of insurance** for "COVERAGE A: PERSONAL PROPERTY" and "COVERAGE B: EXTENSIONS TO DWELLING" is shown on the DECLARATIONS page of this policy, and the applicable deductible for "COVERAGE A: PERSONAL PROPERTY" and "COVERAGE B: EXTENSIONS TO DWELLING" has been met or exceeded pursuant to the "Deductible—Coverage A and Coverage B" clause, the deductible for "COVERAGE C: PERSONAL PROPERTY" will be waived and no deductible will apply to losses to property covered under "COVERAGE C: PERSONAL PROPERTY."

Property Not Covered—Coverage C

We do not cover:

1. Pets, birds, fish, livestock, or other animals.

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 electronic 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: computers; citizens band and other two-way mobile radios; satellite and cellular telephones; radio receivers, transceivers, and transmitters; scanners and scanning monitor receivers; radar detectors; tape or disc players and recorders, MP3 players; televisions; video players, recorders, and monitors; global positioning satellite (GPS) devices, personal digital assistants and other handheld devices; and any accessories, antennas, speakers, tapes, discs, cartridges, media, carrying cases, charging devices, batteries, or other devices and accessories 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:

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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, computer drives, portable storage devices or media, 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

If a **limit of insurance** for "COVERAGE D: LOSS OF USE" is shown on the DECLARATIONS page, then subject to that **limit of insurance** and all the terms and conditions of this policy, **we** provide the following coverage, not subject to any deductible. If no **limit of insurance** for "COVERAGE D: LOSS OF USE" is shown on the DECLARATIONS page of this policy, this policy does not provide any coverage under "COVERAGE D: LOSS OF USE."

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** or covered extensions to **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** or covered extensions to **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** or covered extensions to **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** or covered extensions to **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.

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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 the **residence premises** or other 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 all terms and conditions of this policy:

1. Emergency Repairs. If covered damage occurs to covered property and such emergency measures are made necessary as the result of an **earthquake** that commences during the policy period as part of a **seismic event** that commences during the policy period, **we** will pay the following portion of the cost **you** incur for reasonable and necessary emergency measures **you** take (1) to protect against further damage to covered property, or (2) if a combined single **limit of insurance** for "COVERAGE A: DWELLING" and "COVERAGE B: EXTENSIONS TO DWELLING" is shown on the DECLARATIONS page of this policy and the **dwelling** is otherwise habitable, to remove from covered property in the **dwelling** the residue of broken glass or to repair or replace covered broken windows in the **dwelling** or other covered structural glass that is part of the **dwelling**. 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, but **we** will never pay more for emergency repairs than 5% of the policy **limit of insurance** for the type of property being protected.

   a. The first $1,500 of covered costs **you** incur for such reasonable and necessary emergency measures is not subject to the application of any deductible. Costs **you** incur for such emergency measures in excess of $1,500 are subject to the application of the deductible that applies to the type of covered property being protected, which means that until **you** satisfy the applicable deductible amount, you will not be paid for any such costs **you** incur above $1,500.

   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. If a combined single **limit of insurance** for "COVERAGE A: DWELLING" and "COVERAGE B: EXTENSIONS TO DWELLING" is shown on the DECLARATIONS page of this policy and there is a covered loss to property covered under "COVERAGE A: DWELLING" or "COVERAGE B: EXTENSIONS TO DWELLING" in excess of the applicable deductible, then **we** will pay the reasonable expense **you** incur in removing from the **residence premises** the debris of that damaged property covered under "COVERAGE A: DWELLING" or "COVERAGE B: EXTENSIONS TO DWELLING." 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 a combined single **limit of insurance** for "COVERAGE A: DWELLING" and "COVERAGE B: EXTENSIONS TO DWELLING" is shown on the DECLARATIONS page of this policy and there is a covered loss to property covered under "COVERAGE A: DWELLING" or "COVERAGE B: EXTENSIONS TO DWELLING" in excess of the applicable deductible and **you** repair that covered property, then subject to the **limit of insurance** for "OTHER COVERAGES: BUILDING CODE UPGRADES" shown on the DECLARATIONS page, we cover the cost of reconstruction to bring that property up to local residential building code standards in effect on the date of the **earthquake** that caused

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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 that covered property.

4. Land. If a combined single **limit of insurance** for "COVERAGE A: DWELLING" and "COVERAGE B: EXTENSIONS TO DWELLING" is shown on the DECLARATIONS page of this policy and there is a covered loss to property covered under "COVERAGE A: DWELLING" or "COVERAGE B: EXTENSIONS TO DWELLING" in excess of the applicable deductible**, 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, including damage resulting from:

   a. flood, rain, or surface water; waves, tsunami, or tidal water; rupture of a dam, levee, berm, or sea wall; overflow of a natural or man-made 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 that is a result of any of the following directly resulting from an **earthquake** that commences during the policy period as part of a **seismic event** that commences during the policy period:
   (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.

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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, acts of terrorism, 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**.

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2. Concealment or Fraud. The entire policy will be void if, before or after a loss, any **insured**:

   a. intentionally conceals or misrepresents any material fact or circumstance;

   b. engages in fraudulent conduct relating to this insurance; or

   c. 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:

   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 costs **you** incur to repair or replace covered property or to protect covered property from further damage.

   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:
      (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) while not in the presence of any other **insured**, submit to examination under oath and sign a transcript of the examination.

   e. 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:
      (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 covered under this policy; and
      (viii) 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:

   a. Repair or replace any part to restore the pair or set to its value before the loss; or

   b. 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;

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(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

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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

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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, <u>or</u>
(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. <u>No Benefit to Bailee</u>. **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. <u>Payment</u>. 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. <u>Automatic Termination</u>**.** 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. <u>Cancellation</u>.

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.

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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; <u>or</u>

(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; <u>or</u>

(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; <u>or</u>

(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. <u>Conditional Reinstatement</u>. 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. <u>Non-Renewal</u>. **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. <u>Waiver or Change of Policy Provisions</u>. 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. <u>Assignment</u>. **Your** assignment of this policy will not be valid unless **we** give written consent.

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23. Death. If **you** die during the policy term, each of the following persons will be deemed an **insured** with respect to the property insured under this policy:

    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; 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

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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.

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CALIFORNIA EARTHQUAKE AUTHORITY
BASIC EARTHQUAKE POLICY—RENTERS

DECLARATIONS

POLICY NUMBER:

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

NAMED INSURED AND MAILING ADDRESS:

The **rental unit** 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 applicable deductible:

COVERAGE:		**LIMIT OF INSURANCE:**	**DEDUCTIBLE**
C.	PERSONAL PROPERTY	$_____	$ 750.00
D.	LOSS OF USE	$_____	No deductible

POLICY PREMIUM: **$_____**

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

Lienholder/Additional Insured (Name and Address):

PLEASE READ YOUR POLICY

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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 **rental unit**. 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 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 C: PERSONAL PROPERTY." "COVERAGE D: LOSS OF USE" is not subject to any deductible. Please read the deductible provision on page _____.

2. **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.

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 ___.

4. 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 ____.

THE LANGUAGE OF THIS POLICY HAS BEEN SUBMITTED TO AND APPROVED BY THE CALIFORNIA INSURANCE COMMISSIONER

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BASIC EARTHQUAKE POLICY—RENTERS

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)**, a public 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 personal property described under "COVERAGE C: PERSONAL PROPERTY," 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 **rental unit** resulting from damage to the **rental unit** caused by an **earthquake** that commences during the policy period as part of a **seismic event** that commences during the policy period, subject to all of the terms, **limits of insurance**, and conditions of the policy.

2. Deductible. Except as otherwise explicitly stated in this policy, **we** will pay only when a covered loss to property exceeds the deductible amount shown on the DECLARATIONS page applicable to that category of property. **We** will then pay only the amount in excess of the applicable deductible amount, up to the applicable **limit of insurance**. The deductible will be applied one time for each **seismic event**. **We** will pay no amount for any loss under COVERAGE C: PERSONAL PROPERTY until the amount of the loss exceeds the amount of the deductible for COVERAGE C: PERSONAL PROPERTY shown on the DECLARATIONS page. For further information and what will be applied to meet each deductible, see "Deductible—Coverage C" on page _____.

3. 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.

4. 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.

5. **Companion Policy. You** agree to keep in effect a **companion policy** written by the **participating insurer** that services this policy. 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.

6. 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**.

DEFINITIONS

Throughout this policy, the words "**you**" and "**your**" refer to the named **insured** shown in the DECLARATIONS and the named **insured's** spouse or **domestic partner** if that spouse or **domestic partner** is 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.

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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. **"Companion policy"** means the tenant's or renter's insurance policy that provides fire insurance coverage for the personal property contained within the **rental unit**, and that is issued by the same **participating insurer** that services this **CEA** policy.

5. **"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.

6. **"Domestic partner"** means a party to a two-person domestic relationship registered by the California Secretary of State through the filing of a Declaration of Domestic Partnership, pursuant to California Family Code section 298.5.

7. **"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; <u>and</u>
   b. 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.

8. **"Limit of insurance"** means the most **we** will pay for covered loss arising from any **seismic event**.

9. **"Nuclear hazard"** means any nuclear reaction, radiation, or radioactive contamination, or any consequence of any of these.

10. **"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**.

11. **"Person"** means any human, association, organization, governmental entity, partnership, business trust, limited liability company, or corporation.

12. **"Replacement cost"** means 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.

13. **"Rental unit"** means the rented apartment, house, mobile home, or other rented residential space where **you** reside, located at the address shown in the DECLARATIONS.

14. **"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

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immediately following the initial **earthquake** are considered for purposes of this policy to be part of the same **seismic event**.

15. **"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**.

16. **"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.

COVERAGES

COVERAGE C: PERSONAL PROPERTY

Property Covered—Coverage C

Subject to the deductible and **limit of insurance** for "COVERAGE C: PERSONAL PROPERTY" and subject to and all terms and conditions of this policy, **we** cover (1) personal property owned or used by an **insured** and located at the **rental unit**, and (2) at **your** request and subject to the **sublimit** of $2,500, personal property owned by others while that property is located at the **rental unit**.

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. $250 on securities, checks, cashier's checks, traveler's checks, money orders, and other negotiable instruments; accounts, deeds, evidences of debt, letters of credit, notes other than bank notes, manuscripts, passports, and tickets.

3. $3,000 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.

4. $1,000 on **business property** other than computers and other electronic data processing equipment, including storage media and software.

Other Coverages—Coverage C

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

1. Emergency Repairs. If covered damage occurs to property covered under "COVERAGE C: PERSONAL PROPERTY," **we** will pay the cost **you** incur for reasonable and necessary emergency measures **you** take to protect against further damage to that property.

    a. This Emergency Repairs coverage provides coverage up to a **sublimit** of the lesser of (i) 5% of the

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policy **limit of insurance** for "COVERAGE C: PERSONAL PROPERTY" or (ii) $1,000. The applicable total **limit of insurance** for the "COVERAGE C: PERSONAL PROPERTY" 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 a Loss" (CONDITIONS, item no. 3).

2. Debris Removal. **We** will pay the reasonable expense **you** incur in removing from the **rental unit** the debris of property covered under "COVERAGE C: PERSONAL 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, as additional insurance, up to the lesser of (i) 5% of the **limit of insurance** for "COVERAGE C: PERSONAL PROPERTY" or (ii) $1,000.

Property Not Covered—Coverage C

We do not cover:

1. Pets, birds, fish, livestock, or other animals.

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 electronic 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: computers, citizens band and other two-way mobile radios, satellite and cellular telephones, radio receivers, transceivers, and transmitters, scanners and scanning monitor receivers, radar detectors, tape or disc players and recorders, MP3 players, televisions, video players, recorders, and monitors, global positioning satellite (GPS) devices, personal digital assistants and other handheld devices, and any accessories, antennas, speakers, tapes, discs, cartridges, media, carrying cases, charging devices, batteries, or other devices and accessories 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, computer drives, portable storage devices or media, 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.

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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.

Deductible—Coverage C

We will pay no amount for any loss under "COVERAGE C: PERSONAL PROPERTY" until the amount of the loss exceeds the amount of the deductible for "COVERAGE C: PERSONAL PROPERTY" shown on the DECLARATIONS page. The deductible will be applied one time for each **seismic event**. Only losses that are covered under "COVERAGE C: PERSONAL PROPERTY," as limited by the application of any **sublimits** that apply to those losses, can be applied to meet this deductible requirement.

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, not subject to any deductible.

1. Additional Living Expense. If the part of the **rental unit** that **you** occupy becomes unfit to live in and **you** are forced to vacate the **rental unit** as a result of either (1) damage to the **rental unit** 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 **rental unit** 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 **rental unit you** occupy that are unfit to live in, or (b) for **you** to permanently relocate elsewhere if the owner of the **rental unit** does not elect to repair or replace the **rental unit**.

2. Loss of Rent. If the part of the **rental unit** 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 **rental unit** 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 **rental unit** 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 **rental unit** 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 portion of the **rental unit** rented or held for rental is unfit to live in. Fair rental value means the average rental amount immediately before the **earthquake** in **your** rental market for a **rental unit** similar to the one covered under this coverage.

   We will pay for the shortest time reasonably needed to repair or replace the parts of the **rental unit** 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 rental unit** 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**.

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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, including damage resulting from:
   a. flood, rain, or surface water; waves, tsunami, or tidal water; rupture of a dam, levee, berm, or sea wall; overflow of a natural or man-made 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 that is a result of any of the following directly resulting from an **earthquake** that commences during the policy period as part of a **seismic event** that commences during the policy period:
   (i) the release of water from water heaters, refrigerators, or water supply pipes within the **rental unit**;
   (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 **rental unit** location or the release of water or sewage from sewers or drains on or off the **rental unit** location.

3. Controlled or uncontrolled **nuclear hazard** or any act or condition incident to any **nuclear hazard**.

4. Pollution, 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; <u>and</u>
   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. Power failure, meaning the failure of delivery of electrical power to the **rental unit**.

8. **Your** neglect to take all reasonable action to save and preserve covered property at the time of and after a covered loss.

9. Declared or undeclared war, acts of terrorism, 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.

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10. 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**:

    a. intentionally conceals or misrepresents any material fact or circumstance;

    b. engages in fraudulent conduct relating to this insurance; or

    c. 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:

    a. Give written notice to the **participating insurer** without delay.

    b. Protect covered property from further damage. Make any emergency repairs that are necessary and reasonable to protect covered 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.

    c. Make and keep a list of all damaged or destroyed 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:

        (i) exhibit damaged property to the **participating insurer**;

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(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) while not in the presence of any other **insured**, submit to examination under oath and sign a transcript of the examination.

e. 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:

(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) the list of damaged or destroyed personal property covered under this policy;

(vi) documents showing the extent of damage to the **rental unit** in support of any claim for additional living expense or fair rental value; and

(vii) all receipts and records that support any claim for additional living expense or fair rental value.

4. Loss Settlement. Covered property losses will be settled in accordance with the following:

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)**.

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

(i) Repair or replace any part to restore the pair or set to its value before the loss; or

(ii) Pay the difference between **replacement cost** of the pair or set before and after the loss.

5. 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 **rental unit** 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.

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6. Other Insurance.

   a. If **you** have other insurance that covers earthquake loss to 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 6.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**.

7. 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**.

8. 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.

9. **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.

10. Loss Adjustment and Loss Payment. **We**, through the **participating insurer**, will adjust all losses with **you**. 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**.

11. 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.

12. 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.

13. 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**.

14. 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

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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; <u>or</u>

(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; <u>or</u>

(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; <u>or</u>

(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.

15. <u>Conditional Reinstatement</u>. 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.

16. <u>Non-Renewal</u>. **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.

17. <u>Waiver or Change of Policy Provisions</u>. 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.

18. <u>Assignment</u>. **Your** assignment of this policy will not be valid unless **we** give written consent.

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19. Death. If an **you** die during the policy term, , each of the following persons will be deemed an **insured** with respect to the property insured under this policy:

    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; 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.

20. 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.

21. Abandonment of Property. **We** need not accept any property abandoned by an **insured**.

22. 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).

23. 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."

24. Changes to Policy Terms in the Event of an **Earthquake**. If an **earthquake** occurs during the policy period, and the **rental unit** 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 or purchase additional coverages from **us**; and

    b. to inspect the **rental unit** and all insured property 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 or purchase additional coverages from **us**, 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 **rental unit** or to any insured property.

25. Renewal of Policy in the Event of an **Earthquake**. In the event an **earthquake** occurs during the policy period and the **rental unit** 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

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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 or purchase additional coverages from **us** on renewal.

b. **We** have the right, at **our** option, to inspect the **rental unit** and all insured property 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 or purchase additional coverages from **us**. **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 **rental unit** or any insured property.

26. 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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CALIFORNIA EARTHQUAKE AUTHORITY

BASIC EARTHQUAKE POLICY—RENTERS

DECLARATIONS

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POLICY NUMBER:

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

NAMED INSURED AND MAILING ADDRESS:

The **rental unit** 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 applicable deductible:

COVERAGE:		**LIMIT OF INSURANCE:**	**DEDUCTIBLE**
C.	PERSONAL PROPERTY	$_____	$ 750.00
D.	LOSS OF USE	$_____	No deductible

POLICY PREMIUM: **$**_____

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

Lienholder/Additional Insured (Name and Address):

PLEASE READ YOUR POLICY

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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 **rental unit**. 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 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 C: PERSONAL PROPERTY." "COVERAGE D: LOSS OF USE" is not subject to any deductible. Please read the deductible provision on page _____.

2. **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.

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 ___.

4. Surcharge in the Event of **Earthquake**. In the event of an **earthquake** or series of **earthquakes** that partially o 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 **you** annual policy premium. Please read the Surcharge Clause on page ____.

THE LANGUAGE OF THIS POLICY HAS BEEN SUBMITTED TO AND APPROVED BY THE CALIFORNIA INSURANCE COMMISSIONER

_____

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<#>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 ___.¶
¶
<#>**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.¶

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BASIC EARTHQUAKE POLICY—RENTERS

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**), a public 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 personal property described under "COVERAGE C: PERSONAL PROPERTY," 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 **rental unit** resulting from damage to the **rental unit** caused by an **earthquake** that commences during the policy period as part of a **seismic event** that commences during the policy period, subject to all of the terms, **limits of insurance**, and conditions of the policy.

2. Deductible. Except as otherwise explicitly stated in this policy, **we** will pay only when a covered loss to property exceeds the deductible amount shown on the DECLARATIONS page applicable to that category of property. **We** will then pay only the amount in excess of the applicable deductible amount, up to the applicable **limit of insurance**. The deductible will be applied one time for each **seismic event**. **We** will pay no amount for any loss under COVERAGE C: PERSONAL PROPERTY until the amount of the loss exceeds the amount of the deductible for COVERAGE C: PERSONAL PROPERTY shown on the DECLARATIONS page. For further information and what will be applied to meet each deductible, see "Deductible—Coverage C" on page _____.

3. 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.

4. 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.

5. **Companion Policy**. **You** agree to keep in effect a **companion policy** written by the **participating insurer** that services this policy. 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.

6. 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**.

DEFINITIONS

Throughout this policy, the words "**you**" and "**your**" refer to the named **insured** shown in the DECLARATIONS and the named **insured's** spouse or **domestic partner** if that spouse or **domestic partner** is 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.

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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. **"Companion policy"** means the tenant's or renter's insurance policy that provides fire insurance coverage for the personal property contained within the **rental unit**, and that is issued by the same **participating insurer** that services this **CEA** policy.

5. **"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.

6. **"Domestic partner"** means a party to a two-person domestic relationship registered by the California Secretary of State through the filing of a Declaration of Domestic Partnership, pursuant to California Family Code section 298.5.

7. **"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 of any of **your** relatives who are permanent residents of **your** household.

8. **"Limit of insurance"** means the most **we** will pay for covered loss arising from any **seismic event**.

9. **"Nuclear hazard"** means any nuclear reaction, radiation, or radioactive contamination, or any consequence of any of these.

10. **"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**.

11. **"Person"** means any human, association, organization, governmental entity, partnership, business trust, limited liability company, or corporation.

12. **"Replacement cost"** means 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.

13. **"Rental unit"** means the rented apartment, house, mobile home, or other rented residential space where **you** reside, located at the address shown in the DECLARATIONS.

14. **"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

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immediately following the initial **earthquake** are considered for purposes of this policy to be part of the same **seismic event**.

15. **"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**.

16. **"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.

COVERAGES

COVERAGE C: PERSONAL PROPERTY

Property Covered—Coverage C

Subject to the deductible and **limit of insurance** for "COVERAGE C: PERSONAL PROPERTY" and subject to and all terms and conditions of this policy, **we** cover (1) personal property owned or used by an **insured** and located at the **rental unit**, and (2) at **your** request and subject to the **sublimit** of $2,500, personal property owned by others while that property is located at the **rental unit**.

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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. $250 on securities, checks, cashier's checks, traveler's checks, money orders, and other negotiable instruments; accounts, deeds, evidences of debt, letters of credit, notes other than bank notes, manuscripts, passports, and tickets.

3. $3,000 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.

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4. $1,000 on **business property** other than computers and other electronic data processing equipment, including storage media and software.

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Other Coverages—Coverage C

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

1. Emergency Repairs. If covered damage occurs to property covered under "COVERAGE C: PERSONAL PROPERTY," **we** will pay the cost **you** incur for reasonable and necessary emergency measures **you** take to protect against further damage to that property.

   a. This Emergency Repairs coverage provides coverage up to a **sublimit** of the lesser of (i) 5% of the

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policy **limit of insurance** for "COVERAGE C: PERSONAL PROPERTY" or (ii) $1,000. The applicable total **limit of insurance** for the "COVERAGE C: PERSONAL PROPERTY" 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 a Loss" (CONDITIONS, item no. 3).

2. Debris Removal. **We** will pay the reasonable expense **you** incur in removing from the **rental unit** the debris of property covered under "COVERAGE C: PERSONAL 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, as additional insurance, up to the lesser of (i) 5% of the **limit of insurance** for "COVERAGE C: PERSONAL PROPERTY" or (ii) $1,000.

Property Not Covered—Coverage C

We do not cover:

1. Pets, birds, fish, livestock, or other animals.

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 electronic 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: computers, citizens band and other two-way mobile radios, satellite and cellular telephones, radio receivers transceivers, and transmitters, scanners and scanning monitor receivers, radar detectors, tape or disc player and recorders, MP3 players, televisions, video players, recorders, and monitors, global positioning satellite (GPS) devices, personal digital assistants and other handheld devices, and any accessories, antennas, speakers, tapes, discs, cartridges, media, carrying cases, charging devices, batteries, or other devices and accessories 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, computer drives, portable storage devices or media, 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.

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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.

Deductible—Coverage C

We will pay no amount for any loss under "COVERAGE C: PERSONAL PROPERTY" until the amount of the loss exceeds the amount of the deductible for "COVERAGE C: PERSONAL PROPERTY" shown on the DECLARATIONS page. The deductible will be applied one time for each **seismic event**. Only losses that are covered under "COVERAGE C: PERSONAL PROPERTY," as limited by the application of any **sublimits** that apply to those losses, can be applied to meet this deductible requirement.

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, not subject to any deductible.

1. Additional Living Expense. If the part of the **rental unit** that **you** occupy becomes unfit to live in and **you** are forced to vacate the **rental unit** as a result of either (1) damage to the **rental unit** 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 **rental unit** 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 **rental unit you** occupy that are unfit to live in, or (b) for **you** to permanently relocate elsewhere if the owner of the **rental unit** does not elect to repair or replace the **rental unit**.

2. Loss of Rent. If the part of the **rental unit** 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 **rental unit** 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 **rental unit** 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 **rental unit** 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 portion of the **rental unit** rented or held for rental is unfit to live in. Fair rental value means the average rental amount immediately before the **earthquake** in **your** rental market for a **rental unit** similar to the one covered under this coverage.

   We will pay for the shortest time reasonably needed to repair or replace the parts of the **rental unit** 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 rental unit** 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**.

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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, including damage resulting from:
   a. flood, rain, or surface water; waves, tsunami, or tidal water; rupture of a dam, levee, berm, or sea wall; overflow of a natural or man-made 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 that is a result of any of the following directly resulting from an **earthquake** that commences during the policy period as part of a **seismic event** that commences during the policy period:
   (i) the release of water from water heaters, refrigerators, or water supply pipes within the **rental unit**;
   (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 **rental unit** location or the release of water or sewage from sewers or drains on or off the **rental unit** location.

3. Controlled or uncontrolled **nuclear hazard** or any act or condition incident to any **nuclear hazard**.

4. Pollution, 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. Power failure, meaning the failure of delivery of electrical power to the **rental unit**.

8. **Your** neglect to take all reasonable action to save and preserve covered property at the time of and after a covered loss.

9. Declared or undeclared war, acts of terrorism, 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.

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10. 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

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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**:

    a. intentionally conceals or misrepresents any material fact or circumstance;

    b. engages in fraudulent conduct relating to this insurance; or

    c. 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:

    a. Give written notice to the **participating insurer** without delay.

    b. Protect covered property from further damage. Make any emergency repairs that are necessary and reasonable to protect covered 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.

    c. Make and keep a list of all damaged or destroyed 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:

        (i) exhibit damaged property to the **participating insurer**;

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(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) while not in the presence of any other **insured**, submit to examination under oath and sign a transcript of the examination.

e. 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:

(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) the list of damaged or destroyed personal property covered under this policy;

(vi) documents showing the extent of damage to the **rental unit** in support of any claim for additional living expense or fair rental value; and

(vii) all receipts and records that support any claim for additional living expense or fair rental value.

4. Loss Settlement. Covered property losses will be settled in accordance with the following:

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)**.

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

(i) Repair or replace any part to restore the pair or set to its value before the loss; or

(ii) Pay the difference between **replacement cost** of the pair or set before and after the loss.

5. 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 **rental unit** 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.

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6. Other Insurance.

   a. If **you** have other insurance that covers earthquake loss to 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 6.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**.

7. 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**.

8. 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.

9. **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.

10. Loss Adjustment and Loss Payment. **We**, through the **participating insurer**, will adjust all losses with **you**. 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**.

11. 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.

12. 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.

13. 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**.

14. 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

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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.

15. 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.

16. 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.

17. 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.

18. Assignment. **Your** assignment of this policy will not be valid unless **we** give written consent.

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19. Death. If an **you** die during the policy term, , each of the following persons will be deemed an **insured** with respect to the property insured under this policy;

    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; 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.

20. 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.

21. Abandonment of Property. **We** need not accept any property abandoned by an **insured**.

22. 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).

23. 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."

24. Changes to Policy Terms in the Event of an **Earthquake**. If an **earthquake** occurs during the policy period, and the **rental unit** 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 or purchase additional coverages from **us**; and

    b. to inspect the **rental unit** and all insured property 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 or purchase additional coverages from **us**, 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 **rental unit** or to any insured property.

25. Renewal of Policy in the Event of an **Earthquake**. In the event an **earthquake** occurs during the policy period and the **rental unit** 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

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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 or purchase additional coverages from **us** on renewal.

b. **We** have the right, at **our** option, to inspect the **rental unit** and all insured property 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 or purchase additional coverages from **us**. **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 **rental unit** or any insured property.

26. 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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California Earthquake Authority
Proposed Form Changes- BEQ-4A to BEQ-4B
Effective January 1, 2012

The CEA's Rate and Form Application includes the revision of the CEA Basic Earthquake Policy–Renters (BEQ-4A). The proposed newly revised policy, BEQ-4B, includes enhancements and refinements in coverage, definitions, and policy language. The following provides an overview of substantive changes in the document; minor grammatical or wording changes are not included.

DECLARATIONS

- Premium Summary and description of premium by coverage added.
- Lienholder/Additional Insured added.

IMPORTANT NOTICES

- **Companion Policy** Requirement. This item has been changed from item number 4 to item number 2.
- Surcharge in the Event of **Earthquake**. This item has been changed from item number 2 to item number 4.
- Addition of notice indicating that the language of the policy has been submitted to and approved by the California Insurance Commissioner.

AGREEMENT

- Deductible. Addition of deductible wording as part of the Agreement section of the policy in order to explain payments under the policy are in excess of the deductible.
- **Companion Policy.** Clarification added that the **companion policy** must be written by the **participating insurer** that services the CEA policy.

DEFINITIONS

- **Domestic partner** is added both in the preliminary paragraph and as a defined word.

COVERAGES

- **COVERAGE C: PERSONAL PROPERTY**
  - **Property Covered–Coverage C**
    - Clarification in wording only – personal property coverage subject to all terms and conditions of this policy.

- **Special Limits of Insurance–Coverage C**
  - Addition of limitation of $250 for securities, checks, cashier's checks, traveler's checks, money orders, and other negotiable instruments; accounts, deeds, evidences of debt, letters of credit, notes other than bank notes, manuscripts, passports, and tickets.
  - Increase on the special limits for computers and other electronic data processing equipment from $1,000 to $3,000.
  - Increase on business property other than computers and other electronic data processing equipment from $300 to $1,000.
- **Property Not Covered–Coverage C**
  - Clarification regarding animals to include pets, livestock and other animals in lieu of solely "animals, birds and fish."
  - Clarification of the electronic equipment provision to include modern devices such as MP3 players, scanners, GPS devices, personal digital assistants and other handheld devices.
  - Clarification on data storage devices to include computer drives and portable storage devices or media.

- **COVERAGE D: LOSS OF USE**
  - Introductory paragraph clarification added to show items covered under "COVERAGE D: LOSS OF USE" are not subject to any deductible.

LOSSES EXCLUDED

- Water damage has been clarified to explicitly include rupture of a dam, levee, berm or sea wall, including natural or man- made bodies of water.
- Water damage was also clarified with regard to the language about a seismic event.
- "Acts of terrorism" was added as part of the war, insurrection and rebellion exclusion as part of an update to the section. (Not in the Renters- Joe did you want to add it.)

YOUR RIGHTS CONCERNING CLAIMS INVESTIGATION

No changes.

CONDITIONS

- The Death condition was amended to add the defined term "**you**" in lieu of "an **insured**" and to remove language considered unnecessary.

BASIC EARTHQUAKE POLICY—RENTERS

DECLARATIONS

POLICY NUMBER:

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

NAMED INSURED AND MAILING ADDRESS:

The **rental unit** 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 applicable deductible:

COVERAGE:		**LIMIT OF INSURANCE:**	**DEDUCTIBLE**
C.	PERSONAL PROPERTY	$_____	$ 750.00
D.	LOSS OF USE	$_____	No deductible

POLICY PREMIUM: **$_____**

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

PLEASE READ YOUR POLICY

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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 **rental unit**. 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 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 C: PERSONAL PROPERTY." "COVERAGE D: LOSS OF USE" is not subject to any deductible. Please read the deductible provision on page _____.

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 ____.

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 ___.

4. **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—RENTERS

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 personal property described under "COVERAGE C: PERSONAL PROPERTY," 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 **rental unit** resulting from damage to the **rental unit** caused by an **earthquake** that commences during the policy period as part of a **seismic event** that commences during the policy period, 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**.

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. **"Companion policy"** means the tenant's or renter's insurance policy that provides fire insurance coverage for the personal property contained within the **rental unit**, and that is issued by the same **participating insurer** that services this **CEA** policy.

5. **"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.

6. **"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; <u>and</u>
   b. 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.

7. **"Limit of insurance"** means the most **we** will pay for covered loss arising from any **seismic event**.

8. **"Nuclear hazard"** means any nuclear reaction, radiation, or radioactive contamination, or any consequence of any of these.

9. **"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**.

10. **"Person"** means any human, association, organization, governmental entity, partnership, business trust, limited liability company, or corporation.

11. **"Replacement cost"** means 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.

12. **"Rental unit"** means the rented apartment, house, mobile home, or other rented residential space where **you** reside, located at the address shown in the DECLARATIONS.

13. **"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**.

14. **"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**.

15. **"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.

COVERAGES

COVERAGE C: PERSONAL PROPERTY

Property Covered—Coverage C

Subject to the deductible and 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 **rental unit**, and (2) at **your** request and subject to the **sublimit** of $2,500, personal property owned by others while that property is located at the **rental unit**.

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.

Other Coverages—Coverage C

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

1. Emergency Repairs. If covered damage occurs to property covered under "COVERAGE C: PERSONAL PROPERTY," **we** will pay the cost **you** incur for reasonable and necessary emergency measures **you** take to protect against further damage to that property.

   a. This Emergency Repairs coverage provides coverage up to a **sublimit** of the lesser of (i) 5% of the policy **limit of insurance** for "COVERAGE C: PERSONAL PROPERTY" or (ii) $1,000. The applicable total **limit of insurance** for the "COVERAGE C: PERSONAL PROPERTY" 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 a Loss" (CONDITIONS, item no. 3).

2. Debris Removal. **We** will pay the reasonable expense **you** incur in removing from the **rental unit** the debris of property covered under "COVERAGE C: PERSONAL 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, as additional insurance, up to the lesser of (i) 5% of the **limit of insurance** for "COVERAGE C: PERSONAL PROPERTY" or (ii) $1,000.

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.

Deductible—Coverage C

We will pay no amount for any loss under "COVERAGE C: PERSONAL PROPERTY" until the amount of the loss exceeds the amount of the deductible for "COVERAGE C: PERSONAL PROPERTY" shown on the DECLARATIONS page. The deductible will be applied one time for each **seismic event**. Only losses that are covered under "COVERAGE C: PERSONAL PROPERTY," as limited by the application of any **sublimits** that apply to those losses, can be applied to meet this deductible requirement.

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 **rental unit** that **you** occupy becomes unfit to live in and **you** are forced to vacate the **rental unit** as a result of either (1) damage to the **rental unit** 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 **rental unit** 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 **rental unit you** occupy that are unfit to live in, or (b) for **you** to permanently relocate elsewhere if the owner of the **rental unit** does not elect to repair or replace the **rental unit**.

2. Loss of Rent. If the part of the **rental unit** 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 **rental unit** 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 **rental unit** 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 **rental unit** 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 portion of the **rental unit** rented or held for rental is unfit to live in. Fair rental value means the average rental amount immediately before the **earthquake** in **your** rental market for a **rental unit** similar to the one covered under this coverage.

   We will pay for the shortest time reasonably needed to repair or replace the parts of the **rental unit** 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 rental unit** 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**.

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 **rental unit**;
(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 **rental unit** location or the release of water or sewage from sewers or drains on or off the **rental unit** location.

3. Controlled or uncontrolled **nuclear hazard** or any act or condition incident to any **nuclear hazard**.

4. Pollution, 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; <u>and</u>
   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. Power failure, meaning the failure of delivery of electrical power to the **rental unit**.

8. **Your** neglect to take all reasonable action to save and preserve covered property at the time of and after a covered loss.

9. 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.

10. 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**; <u>and</u>
    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**:

   a. intentionally conceals or misrepresents any material fact or circumstance;

   b. engages in fraudulent conduct relating to this insurance; or

   c. 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:

   a. Give written notice to the **participating insurer** without delay.

   b. Protect covered property from further damage. Make any emergency repairs that are necessary and reasonable to protect covered 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.

   c. Make and keep a list of all damaged or destroyed 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:

      (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) while not in the presence of any other **insured**, submit to examination under oath and sign a transcript of the examination.

e. 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:
   (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) the list of damaged or destroyed personal property covered under this policy;
   (vi) documents showing the extent of damage to the **rental unit** in support of any claim for additional living expense or fair rental value; and
   (vii) all receipts and records that support any claim for additional living expense or fair rental value.

4. Loss Settlement. Covered property losses will be settled in accordance with the following:

   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)**.

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

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

5. 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 **rental unit** 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.

6. Other Insurance.

   a. If **you** have other insurance that covers earthquake loss to 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 6.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**.

7. 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**.

8. 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.

9. **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.

10. Loss Adjustment and Loss Payment. **We**, through the **participating insurer**, will adjust all losses with **you**. 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**.

11. 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.

12. 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.

13. 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**.

14. 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; <u>or</u>

(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; <u>or</u>

(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; <u>or</u>

(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.

15. <u>Conditional Reinstatement</u>. 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.

16. <u>Non-Renewal</u>. **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.

17. <u>Waiver or Change of Policy Provisions</u>. 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.

18. <u>Assignment</u>. **Your** assignment of this policy will not be valid unless **we** give written consent.

19. 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.

20. 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.

21. Abandonment of Property. **We** need not accept any property abandoned by an **insured**.

22. 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).

23. 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."

24. Changes to Policy Terms in the Event of an **Earthquake**. If an **earthquake** occurs during the policy period, and the **rental unit** 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 or purchase additional coverages from **us**; and

    b. to inspect the **rental unit** and all insured property 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 or purchase additional coverages from **us**, 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 **rental unit** or to any insured property.

25. Renewal of Policy in the Event of an **Earthquake**. In the event an **earthquake** occurs during the policy period and the **rental unit** 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 or purchase additional coverages from **us** on renewal.

b. **We** have the right, at **our** option, to inspect the **rental unit** and all insured property 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 or purchase additional coverages from **us**. **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 **rental unit** or any insured property.

26. 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.

CALIFORNIA EARTHQUAKE AUTHORITY

BASIC EARTHQUAKE POLICY
COMMON INTEREST DEVELOPMENT

DECLARATIONS

POLICY NUMBER:

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

NAMED INSURED AND MAILING ADDRESS:

The **dwelling unit** 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 applicable deductibles:

COVERAGE:		**LIMIT OF INSURANCE:**	**DEDUCTIBLE**
A.	BUILDING PROPERTY	$_____	$_____
C.	PERSONAL PROPERTY	$_____	$ 750.00
D.	LOSS OF USE	$_____	No deductible
E.	LOSS ASSESSMENT	$_____	$_____

NOTE: If **you** choose not to purchase "COVERAGE E: LOSS ASSESSMENT," then "**NO LOSS ASSESSMENT COVERAGE**" will appear under the **limit of insurance** for "COVERAGE E: LOSS ASSESSMENT."

PREMIUM SUMMARY:

Option One:	**Coverage A - Building Property**	**$_____**
Option Two:	**Coverage C - Personal Property and Coverage D - Loss of Use**	**$_____**
Option Three:	**Coverage E – Loss Assessment**	**$_____**
TOTAL ANNUAL POLICY PREMIUM:		**$_____**

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

Mortgagee/Lienholder/Additional Insured (Name and Address):

PLEASE READ YOUR POLICY

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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 that cover a condominium unit or other **dwelling unit**. The following items, among others, are unique to this policy; these are not the only terms, however, 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 until the deductible shown on the DECLARATIONS has been exceeded by the amount of covered loss to the type of covered property for which **you** make a claim under this policy. Because of the way the deductible is determined, **you** could have substantial uninsured loss. Please read the deductible provisions relating to each type of covered property.

2. **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.

3. This is Limited Coverage.
   (a) This policy covers only some parts of **your dwelling unit** and does not cover many other components of **your** interest in **your common interest development**. **You** may wish to determine if **your association of owners** has purchased an **association master policy** that includes **earthquake** coverage.
   (b) Unlike some fire insurance 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)** set forth in the policy.

4. 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 ___.

5. 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 ____.

THE LANGUAGE OF THIS POLICY HAS BEEN SUBMITTED TO AND APPROVED BY THE CALIFORNIA INSURANCE COMMISSIONER

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BASIC EARTHQUAKE POLICY
COMMON INTEREST DEVELOPMENT

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)**, a public 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.

   a. This policy insures the following property 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, subject to all of the terms, conditions, deductibles, **limits of insurance**, and **sublimits** of the policy:

      1. The property described under "COVERAGE A: BUILDING PROPERTY," but only if a **limit of insurance** is shown for COVERAGE A on the DECLARATIONS page of this policy;

      2. The property described under "COVERAGE C: PERSONAL PROPERTY," but only if a **limit of insurance** is shown for COVERAGE C on the DECLARATIONS page of this policy; and

      3. **Your** portion of those loss assessments and reductions in value described under "COVERAGE E: LOSS ASSESSMENT," but only if a **limit of insurance** is shown for COVERAGE E on the DECLARATIONS page of this policy.

   b. In addition, if a **limit of insurance** is shown for "COVERAGE D: LOSS OF USE" on the DECLARATIONS page of this policy, **we** insure for loss of use of the **dwelling unit** resulting from an **earthquake** that commences during the policy period as part of a **seismic event** that commences during the policy period, subject to all of the terms, conditions, and **limits of insurance** of the policy.

2. Except as otherwise explicitly stated in this policy, **we** will pay only when a covered loss to property exceeds the deductible amount shown on the DECLARATIONS page applicable to that category of property. **We** will then pay only the amount in excess of the applicable deductible amount, up to the applicable **limit of insurance**. The deductible will be applied one time for each **seismic event**. There is a one deductible that applies to COVERAGE A: BUILDING PROPERTY, a separate deductible that applies to COVERAGE C: PERSONAL PROPERTY, and a separate deductible that applies to COVERAGE E: LOSS ASSESSMENTS. **We** will pay no amount for any loss under COVERAGE A: BUILDING PROPERTY until the amount of the loss exceeds the amount of the deductible for COVERAGE A: BUILDING PROPERTY shown on the DECLARATIONS page; **we** will pay no amount for any loss under COVERAGE C: PERSONAL PROPERTY until the amount of the loss exceeds the amount of the deductible for COVERAGE C: PERSONAL PROPERTY shown on the DECLARATIONS page; and **we** will pay no amount for any loss under COVERAGE E: BUILDING PROPERTY until the amount of the loss exceeds the amount of the deductible for COVERAGE E: PERSONAL PROPERTY shown on the DECLARATIONS page. For further information and what will be applied to meet each deductible, see "Deductible—Coverage A and Coverage B" on page _____ and "Deductible—Coverage C" on page _____.

3. 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.

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4. 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.

5. **Companion Policy**. **You** agree to keep in effect a **companion policy** written by the **participating insurer** that services this policy. 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.

6. 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**.

DEFINITIONS

Throughout this policy, the words "**you**" and "**your**" refer to the named **insured** shown in the DECLARATIONS and the named **insured's** spouse or **domestic partner** if that spouse or **domestic partner** is 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. **"Association governing documents"** means the declaration and any other documents, such as bylaws, operating rules of the **association of owners**, articles of incorporation, or articles of association, that govern the operation of the **common interest development** or the **association of owners**.

3. **"Association master policy"** means an insurance policy (1) insuring against the perils of fire, **earthquake**, or both, (2) purchased by or issued to the **association of owners**, and (3) covering, in whole or in part, the **dwelling unit**, other real property located at the **common interest development**, or both.

4. **"Association of owners"** means a nonprofit corporation or unincorporated association created for the purpose of governing and managing the **common interest development** in which the **dwelling unit** is located.

5. **"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.

6. **"California Earthquake Authority**" or **"CEA"** means the entity that issued this policy. The **CEA** is a public 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.

7. **"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.

8. **"Common interest development"** means any of the following:
   - A community apartment project, as defined in California Civil Code section 1351, subdivision (d);
   - A condominium project, as defined in California Civil Code section 1351, subdivision (f);
   - A planned development, as defined in California Civil Code section 1351, subdivision (k); or
   - A stock cooperative, as defined in California Civil Code section 1351, subdivision (m).

9. **"Companion policy"** means the fire insurance policy that provides fire coverage on the **dwelling unit** or personal property, or both, that is the subject of this **CEA** policy, and that is issued by the same **participating insurer** that services this **CEA** policy. **"Companion policy"** does not include the **association master policy**.

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10. **"Domestic partner"** means a party to a two-person domestic relationship registered by the California Secretary of State through the filing of a Declaration of Domestic Partnership, pursuant to California Family Code section 298.5.

11. **"Dwelling unit"** means **your** individual unit in a residential structure located within the **common interest development** at the location specified in the DECLARATIONS.

12. **"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.

13. **"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 of any of **your** relatives who are permanent residents of **your** household.

14. **"Limit of insurance"** means the most **we** will pay for covered loss arising from any **seismic event**.

15. **"Nuclear hazard"** means any nuclear reaction, radiation, or radioactive contamination, or any consequence of any of these.

16. **"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**.

17. **"Person"** means any human, association, organization, governmental entity, partnership, business trust, limited liability company, or corporation.

18. **"Replacement cost"** means:

a. With respect structures, 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 **dwelling unit,** (ii) for the same use, and (iii) with materials of like kind and quality.

b. 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.

19. **"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**.

20. **"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**.

21. **"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.

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COVERAGES

COVERAGE A: BUILDING PROPERTY

If a **limit of insurance** for "COVERAGE A: BUILDING PROPERTY" is shown on the DECLARATIONS page of this policy, **we** provide the following coverage, subject to that **limit of insurance**, the application of the "Deductible—Coverage A" clause, and all of the terms and conditions of this policy.

If no **limit of insurance** for "COVERAGE A: BUILDING PROPERTY" is shown on the DECLARATIONS page of this policy, this policy does not provide any coverage under "COVERAGE A: BUILDING PROPERTY."

Property Covered—Coverage A

We cover:

1. The following property:

   a. Built-in appliances, fixtures, alterations, and improvements that are part of the structure in which the **dwelling unit** is located and are contained within the **dwelling unit**;

   b. Wall-to-wall interior carpeting attached to the **dwelling unit**;

   c. Items of real property, other than **chimneys**, that pertain exclusively to the **dwelling unit**.

2. The following property, but only to the extent that **you** are obligated to repair or maintain the property under the terms of the **association governing documents**:

   a. Plumbing pipes and utility service structures and equipment that are enclosed within the walls, ceiling, or floor of the **dwelling unit**, extending to the exterior surface of the perimeter walls of the **dwelling unit**;

   b. Equipment and utility service structures for electric, telephone, natural or bottled gas, heating, oil, water, septic, and sanitary sewage systems that (1) are located outside of the perimeter walls of the **dwelling unit** but within the **common interest development** and (2) directly affect the habitability of the **dwelling unit**;

   c. **Chimneys** that are attached to or part of the **dwelling unit,** up to a **sublimit** of $5,000, regardless of the number of **chimneys** covered.

Other Coverages—Coverage A

We provide the following other coverages, but only to the extent that the loss or expense is not covered under an **association master policy** or the deductible of that **association master policy** has not been exceeded:

1. Emergency Repairs. If covered damage occurs to property covered under "COVERAGE A: BUILDING PROPERTY," **we** will pay the cost **you** incur for reasonable and necessary emergency measures **you** take to protect against further damage to that property, to remove from covered property in the **dwelling unit** the residue of broken glass, or to repair or replace covered broken windows in the **dwelling unit** or other covered structural glass that is part of the **dwelling unit**, if such emergency measures are made necessary as the result of an **earthquake** that commences during the policy period as part of a **seismic event** that commences during the policy period.

   a. This Emergency Repairs coverage provides coverage up to a **sublimit** of $1500. The applicable total **limit of insurance** for the "COVERAGE A: BUILDING PROPERTY" will be reduced by any amount **we** pay for this coverage.

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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 a Loss" (CONDITIONS, item no. 3).

2. Debris Removal. **We** will pay the reasonable expense **you** incur in removing from the **common interest development** the debris of property covered under "COVERAGE A: BUILDING 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 **limit of insurance** for "COVERAGE A: BUILDING PROPERTY" as additional insurance.

3. Building Code Upgrades. If, as a result of an **earthquake** that commences during the policy period as part of a **seismic event** that commences during the policy period, there is a covered loss to property specified under "Property Covered—Coverage A" and **you** or the **association of owners** repair that property, then **we** will pay as additional insurance up to $10,000 for the cost of reconstruction to bring that 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 requirements of securing governmental approval of the reconstruction permit process for repair of that covered property.

Property Not Covered—Coverage A

We do not cover:

1. Land, including land underlying the **dwelling unit** or any other structure.

2. Detached garages, outbuildings, structures other than the residential structure containing the **dwelling unit**, fences, and masonry fences and walls that are not integral to the stability of the residential structure containing the **dwelling unit**.

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 any 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 A: BUILDING PROPERTY, Property Covered," item 2.c, exterior water supply systems including, but not limited to, irrigation systems, sprinkler systems, and water reclamation systems.

9. Except as provided under "COVERAGE A: BUILDING PROPERTY, Other Coverages—Coverage A," Item 3, "Building Code Upgrades," any added costs of repair or replacement of covered property 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.

10. Except as provided under "COVERAGE A: BUILDING PROPERTY, Property Covered," item 2.c, underground structures or equipment located outside the perimeter walls of the **dwelling unit**, including but

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

11. Walkways, driveways, decks, and patios that are not necessary for regular pedestrian ingress to and or egress from the **dwelling unit**.

12. 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 a structure.

Deductible—Coverage A

We will pay no amount for any loss under "COVERAGE A: BUILDING PROPERTY" until the amount of the loss exceeds the amount of the deductible for "COVERAGE A: BUILDING PROPERTY" shown on the DECLARATIONS page. The deductible will be applied one time for each **seismic event**. Only losses that are covered under "COVERAGE A: BUILDING PROPERTY," as limited by the application of any **sublimits** that apply to those losses, can be applied to meet this deductible requirement.

COVERAGE C: PERSONAL PROPERTY

If a **limit of insurance** for "COVERAGE C: PERSONAL PROPERTY" is shown on the DECLARATIONS page of this policy, **we** provide the following coverage, subject to that **limit of** insurance, the application of the "Deductible—Coverage C" clause, and all of the terms and conditions of this policy. If no **limit of insurance** for "COVERAGE C: PERSONAL PROPERTY" is shown on the DECLARATIONS page of this policy, this policy does not provide any coverage under "COVERAGE C: PERSONAL PROPERTY."

Property Covered—Coverage C

We cover (1) personal property owned or used by an **insured** and located at the **common interest development**, and (2) at **your** request and subject to a **sublimit** of $2,500, personal property owned by others while that property is on any part of the **dwelling unit** occupied by an **insured**.

Special Limits of Insurance—Coverage C

The special **limits of insurance** shown below are **sublimits** of the **limit of insurance** for "COVERAGE C: PERSONAL PROPERTY" and do not increase the **limit of insurance** for "COVERAGE C: PERSONAL PROPERTY" shown on the DECLARATIONS page of this policy. 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. $250 on securities, checks, cashier's checks, traveler's checks, money orders, and other negotiable instruments; accounts, deeds, evidences of debt, letters of credit, notes other than bank notes, manuscripts, passports, and tickets.

3. $3,000 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.

4. $1,000 on **business property** other than computers and other electronic data processing equipment, storage media and software.

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Other Coverages—Coverage C

We provide the following other coverages:

1. Emergency Repairs. If covered damage occurs to property covered under "COVERAGE C: PERSONAL PROPERTY," **we** will pay the cost **you** incur for reasonable and necessary emergency measures **you** take to protect against further damage to that property.

   a. This Emergency Repairs coverage provides coverage up to a **sublimit** of the lesser of (i) 5% of the policy **limit of insurance** for "COVERAGE C: PERSONAL PROPERTY" or (ii) $1,000. The applicable total **limit of insurance** for the "COVERAGE C: PERSONAL PROPERTY" 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 a Loss" (CONDITIONS, item no. 3).

2. Debris Removal. **We** will pay the reasonable expense **you** incur in removing from the **common interest development** the debris of property covered under "COVERAGE C: PERSONAL 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, as additional insurance, up to the lesser of (i) 5% of the **limit of insurance** for "COVERAGE C: PERSONAL PROPERTY" or (ii) $1,000.

Property Not Covered—Coverage C

We do not cover:

1. Pets, birds, fish, livestock, or other animals.

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 electronic 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: computers, citizens band and other two-way mobile radios, satellite and cellular telephones, radio receivers, transceivers, and transmitters, scanners and scanning monitor receivers, radar detectors, tape or disc players and recorders, MP3 players, televisions, video players, recorders, and monitors, global positioning satellite (GPS) devices, personal digital assistants and other handheld devices, and any accessories, antennas, speakers, tapes, discs, cartridges, media, carrying cases, charging devices, batteries, or other devices and accessories 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, computer drives, portable storage devices or media, 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.

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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.

Deductible—Coverage C

We will pay no amount for any loss under "COVERAGE C: PERSONAL PROPERTY" until the amount of the loss exceeds the amount of the deductible for "COVERAGE C: PERSONAL PROPERTY" shown on the DECLARATIONS page. The deductible will be applied one time for each **seismic event**. Only losses that are covered under "COVERAGE C: PERSONAL PROPERTY," as limited by the application of any **sublimits** that apply to those losses, can be applied to meet this deductible requirement.

COVERAGE D: LOSS OF USE

If a **limit of insurance** for "COVERAGE D: LOSS OF USE" is shown on the DECLARATIONS page of this policy, then subject to that **limit of insurance** and subject to all the terms and conditions of this policy, **we** provide the following coverage, not subject to any deductible. If no **limit of insurance** for "COVERAGE D: LOSS OF USE" is shown on the DECLARATIONS page of this policy, this policy does not provide any coverage under "COVERAGE D: LOSS OF USE."

1. Additional Living Expense. If the part of **dwelling unit** that **you** occupy becomes unfit to live in and **you** are forced to vacate the **dwelling unit** as a result of either (1) damage to the **dwelling unit** 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 at the **common interest development** 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 the damage that makes the parts of the **dwelling unit you** occupy unfit to live in, or (b) for **you** to permanently relocate elsewhere if **you** do not elect to repair or replace the **dwelling unit**.

2. Loss of Rent. If the part of the **dwelling unit** 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 unit** 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 at the **common interest development** 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 unit** 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 unit** 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 the damage that makes the parts of the **dwelling unit** rented or held for rental unfit to live in. **Your** loss of rents due to cancellation of a lease or rental agreement is not covered.

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3. If a civil authority prohibits **you** from occupying the **dwelling unit** because of direct damage to the **common interest development** in which the **dwelling unit** is located 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**.

COVERAGE E: LOSS ASSESSMENT

If a **limit of insurance** for "COVERAGE E: LOSS ASSESSMENT" is shown on the DECLARATIONS page of this policy, **we** provide the following coverage, subject to that **limit of insurance**, the application of the "Deductible—Coverage E" clause, all of the terms and conditions of this policy.

The **limit of insurance** shown on the DECLARATIONS page for "COVERAGE E: LOSS ASSESSMENT" is the most **we** will pay under this coverage for all claims arising out of any one **seismic event**, regardless of the number of assessments that are assessed against **you** or the number or amount of claims **you** make under this coverage. If no **limit of insurance** for "COVERAGE E: LOSS ASSESSMENT" is shown on the DECLARATIONS page of this policy, this policy does not provide any coverage under "COVERAGE E: LOSS ASSESSMENT."

Losses Covered—Coverage E

1. Assessment By **Association of Owners**: **We** cover **your** share of any assessment charged by the **association of owners** against all property owners in the **common interest development**, if all of the following three requirements are satisfied:

   a. **Requirement One: You** have a legal obligation to pay the amounts assessed against **you** by the **association of owners**, and the assessment is properly and legally made as a result of a loss that is directly caused by an **earthquake** that commences during the policy period as part of a **seismic event** that commences during the policy period;
   b. **Requirement Two:** The assessment is not made as a result of a loss specified in "Losses Not Covered—Coverage E"; and
   c. **Requirement Three:** The assessment is made as a result of a loss to structures or other real property, and those structures or other real property are owned by one or any combination of the following three categories: (i) all members of the **association of owners** collectively, (ii) the **association of owners**, or (iii) **you**.

   If an assessment is made as a result of a combination of (a) losses that are not covered, including but not limited to losses specified in "Losses Not Covered—Coverage E" or in "LOSSES EXCLUDED," and (b) loss to property that is covered under "COVERAGE E: LOSS ASSESSMENT," then **we** will pay only that pro rata portion of **your** share of the assessment equal to that percentage of the entire assessment that is based on covered loss that is not excluded.

   There is a **sublimit** of $10,000 under this coverage for **your** share of any portion of an assessment resulting from 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, as required as part of the approval of the reconstruction permit process for repair of the covered property. Any amount **we** pay for losses that are subject to this **sublimit** will reduce the applicable total **limit of insurance** for "COVERAGE E: LOSS ASSESSMENT."

2. Reduction In Value Of **Your** Ownership Interest:

   a. What Reduction In Value **We** Cover:
   If there is physical loss to structures or other real property at the **common interest development** directly caused by an **earthquake** that commences during the policy period as part of a **seismic event** that commences during the policy period, and the **association of owners** elects not to repair or replace that property or is permanently prevented by a government authority or court order from repairing or replacing the property, **we** cover the resulting reduction in the value of **your** ownership interest in the **dwelling unit** and the **common interest development**, if both of the following requirements are satisfied:

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i. As a result of the unrepaired damage, the **dwelling unit** either is unfit to live in or cannot legally be occupied; and
ii. The reduction in the value of **your** ownership interest in the **dwelling unit** is not the result of a loss to property specified in "Losses Not Covered—Coverage E."

b. Partially Covered Losses
If the reduction in the value of **your** ownership interest in the **dwelling unit** and the **common interest development** is the result of a combination of (a) losses that are not covered, including but not limited to losses specified in "Losses Not Covered—Coverage E" or in "LOSSES EXCLUDED," and (b) loss to property that is covered under "COVERAGE E: LOSS ASSESSMENT," then **we** will pay that portion of the reduction in the value of **your** ownership interest in the **dwelling unit** and the **common interest development** that directly results from covered loss.

c. How the Value of the Loss Is Calculated
The amount of reduction in the value of **your** ownership interest in the **dwelling unit** and the **common interest development** under this coverage for "Reduction Of Value Of **Your** Ownership Interest" will be calculated by determining the dollar amount of that portion of the loss in fair market value of **your** ownership interest that is directly attributable to physical loss to covered property directly caused by the **earthquake** upon which **your** claim under this coverage is based, reduced by the following amounts:

i. Any payments that **we** make, under "COVERAGE A: BUILDING PROPERTY" or "COVERAGE E: LOSS ASSESSMENT" of this policy, for losses arising out of the same **seismic event** upon which the claim for this coverage under "Reduction Of Value Of **Your** Ownership Interest" is based;
ii. Payments made under any other insurance policy, including the **companion policy** or an **association master policy**, to **you** or to holders of mortgages or deeds of trust secured by **your** ownership interest in the **dwelling unit** and the **common interest development**, for damage or loss to the **dwelling unit** or the **common interest development** arising out of the same **seismic event** upon which the claim for this coverage under "Reduction Of Value Of **Your** Ownership Interest" is based;
iii. Payments made to **you** or to holders of mortgages or deeds of trust secured by **your** ownership interest in the **dwelling unit** and the **common interest development** by any government agency arising out of the same **seismic event** upon which the claim for this coverage under "Reduction Of Value Of **Your** Ownership Interest" is based, including but not limited to disaster relief payments;
iv. Payments made by the **association of owners** to **you** or to holders of mortgages or deeds of trust secured by **your** ownership interest in the **dwelling unit** and the **common interest development** arising out of the same **seismic event** upon which the claim for this coverage under "Reduction Of Value Of **Your** Ownership Interest" is based, as a result of the following:
(A) The collection of any insurance proceeds relating to damage to the **dwelling unit** or the property of the **common interest development**; or
(B) The liquidation or sale of any asset or capital that is not included in the calculation of the fair market value of **your** interest in the **dwelling unit** and the **common interest development**.

Losses Not Covered—Coverage E

We do not cover any losses under "COVERAGE E: LOSS ASSESSMENT" that arise out of any of the following:

1. Loss or damage to land, including land underlying any structure.

2. Loss or damage to detached garages, outbuildings, structures other than residential structures, fences, and masonry fences and walls that are not integral to the stability of the residential structure containing the **dwelling unit** or integral to the stability of other residential structures at the **common interest development**.

3. Loss or damage to awnings or patio coverings or their support structures.

4. Loss or damage to antennas or satellite dishes, or to any towers, brackets, or attachments that support or secure them.

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5. Loss or damage to any decorative or artistic features of any property at the **common interest development**, 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. Loss or damage to exterior masonry veneer. For purposes of this exclusion, stucco and exterior chimney facings are not exterior masonry veneers.

7. Loss or damage to plaster, to the extent the cost to repair or replace it exceeds the value of its replacement with sheetrock or drywall.

8. Loss or damage to exterior water supply systems including, but not limited to, irrigation systems, sprinkler systems, and water reclamation systems.

9. Loss or damage to underground structures or equipment located outside the perimeter of the **dwelling unit** foundation, including but not limited to underground pipes, cables, flues, drains, electrical supply systems and electrical lighting systems.

10. Loss or damage to walkways, driveways, decks, or patios, except that portion of those walkways, driveways, decks, or patios that are necessary for regular pedestrian ingress to and or egress from the residential structure containing the **dwelling unit** by the occupants of that residential structure.

11. Loss or damage to fences, bulkheads, piers, and outside walls including retaining walls.

12. Loss or damage to landscaping, trees, shrubs, lawns, or plants, even if damaged by necessary repairs to covered property.

13. Loss or damage to swimming pools, spas, and hot tubs, whether part of the **dwelling unit** or not, including the tile or other material linking or attaching the pool, spa or hot tub to a deck or to a structure.

14. Assessments that do not relate directly to the reconstruction of structures or other real property damaged or destroyed as a direct result of an earthquake that commences during the policy period as part of a seismic event that commences during the policy period.

15. Assessments made for the purpose of improving, bettering, or updating covered property to a condition or status better or more costly than the condition and status of the property as it existed immediately preceding the **earthquake** causing loss to the property. This exclusion does not apply to **your** share of any portion of assessment resulting from 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, as required as part of the approval of the reconstruction permit process for repair of the covered property, subject to the applicable **sublimit** of $10,000.

16. Assessments that follow or relate in any way to the payment or distribution to **you**, or any other member of the **association of owners**, of capital or assets of the **association of owners**, unless the payment or distribution of capital (a) is made as a result of a loss that is directly caused by an **earthquake** that commences during the policy period as part of a **seismic event** that commences during the policy period <u>and</u> (b) is made for the purpose of payment or reimbursement for the repair or replacement of covered loss to property at the **common interest development**.

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Deductible—Coverage E

We will pay no amount for any loss under "COVERAGE E: LOSS ASSESSMENT" until the amount of the loss exceeds the amount of the deductible for "COVERAGE E: LOSS ASSESSMENT" shown on the DECLARATIONS page. The deductible will be applied one time for each **seismic event**. Only losses that are covered under "COVERAGE E: LOSS ASSESSMENT" can be applied to meet this deductible requirement.

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, including damage resulting from:

   a. flood, rain, or surface water; waves, tsunami, or tidal water; rupture of a dam, levee, berm, or sea wall; overflow of a natural or man-made 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 that is a result of any of the following directly resulting from an **earthquake** that commences during the policy period as part of a **seismic event** that commences during the policy period:
   (i) the release of water from water heaters, refrigerators, or water supply pipes within the **dwelling unit**;
   (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 premises of the **common interest development** or the release of water or sewage from sewers or drains on or off the premises of the **common interest development**.

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; <u>and</u>
   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**.

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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, under the following provisions:
   a. "Other Coverages—Coverage A," Item 3, "Building Code Upgrades," subject to the applicable $10,000 **limit of insurance**, or
   b. "Losses Covered—Coverage E," Item 1, "Assessment By **Association of Owners**," subject to the applicable $10,000 **sublimit**.

8. Power failure, meaning the failure of delivery of electrical power to the **dwelling unit** or to the **common interest development**.

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, acts of terrorism, 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**:

   a. intentionally conceals or misrepresents any material fact or circumstance;

   b. engages in fraudulent conduct relating to this insurance; or

   c. intentionally makes false statements relating to this insurance.

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3. **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 costs **you** incur to repair or replace covered property or to protect covered property from further damage.

   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. If requested, provide the **participating insurer** with copies of all **association governing documents.**

   e. As often as reasonably required:
      (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) while not in the presence of any other **insured**, submit to examination under oath and sign a transcript of the examination.

   f. Send the **participating insurer**, within 60 days of **our** or the **participating insurer's** request, **your** signed, sworn proof of loss that contains, 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 for any covered damage to the **dwelling unit** or other items of real property;
      (vii) the list of damaged or destroyed personal property covered under this policy; and
      (viii) all receipts and records that support any claim for additional living expense or fair rental value.

4. Loss Settlement: Coverages A and C.

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

   a. Repair or replace any part to restore the pair or set to its value before the loss; or

   b. Pay the difference between **replacement cost** of the pair or set before and after the loss.

5. Loss Settlement: Coverage A.

   a. **Our** liability for any loss to property insured under "COVERAGE A: BUILDING PROPERTY" 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 unit** 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 unit** location, up to the applicable **limit of insurance**.

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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 "COVERAGE A: BUILDING PROPERTY, Other Coverages—Coverage A," 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 unit** or (ii) regular ingress to and egress from the **dwelling unit** 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 unit** 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, not including the **association master policy**, that covers **earthquake** loss to the **dwelling unit** 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.

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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 unit** or by **your** interest in the **common interest development**, that mortgagee either (1) required **you** to purchase **earthquake** insurance that covers the **dwelling unit** or **your** interest in the **common interest development**, or (2) required that the mortgagee be named as a loss payee under any coverage on the **dwelling unit** or on **your** interest in the **common interest development**, then any loss payable under "COVERAGE A: DWELLING" or "COVERAGE E: LOSS ASSESSMENT" 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 of any insured property or change in occupancy of the **dwelling unit**, or of any substantial change in risk of which the mortgagee is aware;

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(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.

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(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 **you** die during the policy term, each of the following persons will be deemed an **insured** with respect to the property insured under this policy:

    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; 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**.

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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 unit** 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 insured property 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 insured property.

29. Renewal of Policy in the Event of an **Earthquake**. In the event an **earthquake** occurs during the policy period and the **dwelling unit** 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 insured property 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 insured property.

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.

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This Liberalization Clause **d**oes not apply to changes implemented through **our** introduction **o**f a subsequent edition of **our** policy.

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CALIFORNIA EARTHQUAKE AUTHORITY

BASIC EARTHQUAKE POLICY
COMMON INTEREST DEVELOPMENT

DECLARATIONS

POLICY NUMBER:

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

NAMED INSURED AND MAILING ADDRESS:

The **dwelling unit** 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 applicable deductibles:

COVERAGE:		LIMIT OF INSURANCE:	DEDUCTIBLE
A.	BUILDING PROPERTY	$_____	$_____
C.	PERSONAL PROPERTY	$_____	$ 750.00
D.	LOSS OF USE	$_____	No deductible
E.	LOSS ASSESSMENT	$_____	$_____

NOTE: If **you** choose not to purchase "COVERAGE E: LOSS ASSESSMENT," then "**NO LOSS ASSESSMENT COVERAGE**" will appear under the **limit of insurance** for "COVERAGE E: LOSS ASSESSMENT."

PREMIUM SUMMARY:

Option One:	**Coverage A - Building Property**	**$**
Option Two:	**Coverage C - Personal Property and Coverage D - Loss of Use**	**$**
Option Three:	**Coverage E – Loss Assessment**	**$**
TOTAL ANNUAL POLICY PREMIUM:		**$**

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

Mortgagee/Lienholder/Additional Insured (Name and Address):

PLEASE READ YOUR POLICY

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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 that cover a condominium unit or other **dwelling unit**. The following items, among others, are unique to this policy; these are not the only terms, however, 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 until the deductible shown on the DECLARATIONS has been exceeded by the amount of covered loss to the type of covered property for which **you** make a claim under this policy. Because of the way the deductible is determined, **you** could have substantial uninsured loss. Please read the deductible provisions relating to each type of covered property.

2. **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.

3. This is Limited Coverage.
   (a) This policy covers only some parts of **your dwelling unit** and does not cover many other components of **your** interest in **your common interest development**. **You** may wish to determine if **your association of owners** has purchased an **association master policy** that includes **earthquake** coverage.
   (b) Unlike some fire insurance 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)** set forth in the policy.

4. 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 ____.

5. 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 ____.

THE LANGUAGE OF THIS POLICY HAS BEEN SUBMITTED TO AND APPROVED BY THE CALIFORNIA INSURANCE COMMISSIONER

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<#>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 ___.¶
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<#>This policy covers only some parts of **your dwelling unit** and does not cover many other components of **your** interest in **your common interest development**. **You** may wish to determine if **your association of owners** has purchased an **association master policy** that includes **earthquake** coverage. ¶
(b) Unlike some fire insurance 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 ...

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BASIC EARTHQUAKE POLICY
COMMON INTEREST DEVELOPMENT

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**), a public 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.

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1. Covered Losses.

   a. This policy insures the following property 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, subject to all of the terms, conditions, deductibles, **limits of insurance**, and **sublimits** of the policy:

      1. The property described under "COVERAGE A: BUILDING PROPERTY," but only if a **limit of insurance** is shown for COVERAGE A on the DECLARATIONS page of this policy;

      2. The property described under "COVERAGE C: PERSONAL PROPERTY," but only if a **limit of insurance** is shown for COVERAGE C on the DECLARATIONS page of this policy; and

      3. **Your** portion of those loss assessments and reductions in value described under "COVERAGE E: LOSS ASSESSMENT," but only if a **limit of insurance** is shown for COVERAGE E on the DECLARATIONS page of this policy.

   b. In addition, if a **limit of insurance** is shown for "COVERAGE D: LOSS OF USE" on the DECLARATIONS page of this policy, **we** insure for loss of use of the **dwelling unit** resulting from an **earthquake** that commences during the policy period as part of a **seismic event** that commences during the policy period, subject to all of the terms, conditions, and **limits of insurance** of the policy.

2. Except as otherwise explicitly stated in this policy, **we** will pay only when a covered loss to property exceeds the deductible amount shown on the DECLARATIONS page applicable to that category of property. **We** will then pay only the amount in excess of the applicable deductible amount, up to the applicable **limit of insurance**. The deductible will be applied one time for each **seismic event**. There is a one deductible that applies to COVERAGE A: BUILDING PROPERTY, a separate deductible that applies to COVERAGE C: PERSONAL PROPERTY, and a separate deductible that applies to COVERAGE E: LOSS ASSESSMENTS. **We** will pay no amount for any loss under COVERAGE A: BUILDING PROPERTY until the amount of the loss exceeds the amount of the deductible for COVERAGE A: BUILDING PROPERTY shown on the DECLARATIONS page; **we** will pay no amount for any loss under COVERAGE C: PERSONAL PROPERTY until the amount of the loss exceeds the amount of the deductible for COVERAGE C: PERSONAL PROPERTY shown on the DECLARATIONS page; and **we** will pay no amount for any loss under COVERAGE E: BUILDING PROPERTY until the amount of the loss exceeds the amount of the deductible for COVERAGE E: PERSONAL PROPERTY shown on the DECLARATIONS page. For further information and what will be applied to meet each deductible, see "Deductible—Coverage A and Coverage B" on page _____ and "Deductible—Coverage C" on page _____.

3. 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.

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4. 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.

5. **Companion Policy. You** agree to keep in effect a **companion policy** written by the **participating insurer** that services this policy. 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.

6. 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**.

DEFINITIONS

Throughout this policy, the words "**you**" and "**your**" refer to the named **insured** shown in the DECLARATIONS and the named **insured's** spouse or **domestic partner** if that spouse or **domestic partner** is 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. **"Association governing documents"** means the declaration and any other documents, such as bylaws, operating rules of the **association of owners**, articles of incorporation, or articles of association, that govern the operation of the **common interest development** or the **association of owners**.

3. **"Association master policy"** means an insurance policy (1) insuring against the perils of fire, **earthquake**, or both, (2) purchased by or issued to the **association of owners**, and (3) covering, in whole or in part, the **dwelling unit**, other real property located at the **common interest development**, or both.

4. **"Association of owners"** means a nonprofit corporation or unincorporated association created for the purpose of governing and managing the **common interest development** in which the **dwelling unit** is located.

5. **"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.

6. **"California Earthquake Authority"** or **"CEA"** means the entity that issued this policy. The **CEA** is a public 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.

7. **"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.

8. **"Common interest development"** means any of the following:
   - A community apartment project, as defined in California Civil Code section 1351, subdivision (d);
   - A condominium project, as defined in California Civil Code section 1351, subdivision (f);
   - A planned development, as defined in California Civil Code section 1351, subdivision (k); or
   - A stock cooperative, as defined in California Civil Code section 1351, subdivision (m).

9. **"Companion policy"** means the fire insurance policy that provides fire coverage on the **dwelling unit** or personal property, or both, that is the subject of this **CEA** policy, and that is issued by the same **participating insurer** that services this **CEA** policy. **"Companion policy"** does not include the **association master policy**.

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10. **"Domestic partner"** means a party to a two-person domestic relationship registered by the California Secretary of State through the filing of a Declaration of Domestic Partnership, pursuant to California Family Code section 298.5.

11. **"Dwelling unit"** means **your** individual unit in a residential structure located within the **common interest development** at the location specified in the DECLARATIONS.

12. **"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.

13. **"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 of any of **your** relatives who are permanent residents of **your** household.

14. **"Limit of insurance"** means the most **we** will pay for covered loss arising from any **seismic event**.

15. **"Nuclear hazard"** means any nuclear reaction, radiation, or radioactive contamination, or any consequence of any of these.

16. **"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**.

17. **"Person"** means any human, association, organization, governmental entity, partnership, business trust, limited liability company, or corporation.

18. **"Replacement cost"** means:

a. With respect structures, 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 **dwelling unit,** (ii) for the same use, and (iii) with materials of like kind and quality.

b. 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.

19. **"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**.

20. **"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**.

21. **"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.

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COVERAGES

COVERAGE A: BUILDING PROPERTY

If a **limit of insurance** for "COVERAGE A: BUILDING PROPERTY" is shown on the DECLARATIONS page of this policy, **we** provide the following coverage, subject to that **limit of insurance**, the application of the "Deductible—Coverage A" clause, and all of the terms and conditions of this policy.

If no **limit of insurance** for "COVERAGE A: BUILDING PROPERTY" is shown on the DECLARATIONS page of this policy, this policy does not provide any coverage under "COVERAGE A: BUILDING PROPERTY."

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Property Covered—Coverage A

We cover:

1. The following property:

   a. Built-in appliances, fixtures, alterations, and improvements that are part of the structure in which the **dwelling unit** is located and are contained within the **dwelling unit**;

   b. Wall-to-wall interior carpeting attached to the **dwelling unit**;

   c. Items of real property, other than **chimneys**, that pertain exclusively to the **dwelling unit**.

2. The following property, but only to the extent that **you** are obligated to repair or maintain the property under the terms of the **association governing documents**:

   a. Plumbing pipes and utility service structures and equipment that are enclosed within the walls, ceiling, or floor of the **dwelling unit**, extending to the exterior surface of the perimeter walls of the **dwelling unit**;

   b. Equipment and utility service structures for electric, telephone, natural or bottled gas, heating, oil, water, septic, and sanitary sewage systems that (1) are located outside of the perimeter walls of the **dwelling unit** but within the **common interest development** and (2) directly affect the habitability of the **dwelling unit**.

   c. **Chimneys** that are attached to or part of the **dwelling unit,** up to a **sublimit** of $5,000, regardless of the number of **chimneys** covered.

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Other Coverages—Coverage A

We provide the following other coverages, but only to the extent that the loss or expense is not covered under an **association master policy** or the deductible of that **association master policy** has not been exceeded:

1. Emergency Repairs. If covered damage occurs to property covered under "COVERAGE A: BUILDING PROPERTY," **we** will pay the cost **you** incur for reasonable and necessary emergency measures **you** take to protect against further damage to that property, to remove from covered property in the **dwelling unit** the residue of broken glass, or to repair or replace covered broken windows in the **dwelling unit** or other covered structural glass that is part of the **dwelling unit**, if such emergency measures are made necessary as the result of an **earthquake** that commences during the policy period as part of a **seismic event** that commences during the policy period.

   a. This Emergency Repairs coverage provides coverage up to a **sublimit** of $1500. The applicable total **limit of insurance** for the "COVERAGE A: BUILDING PROPERTY" will be reduced by any amount **we** pay for this coverage.

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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 a Loss" (CONDITIONS, item no. 3).

2. Debris Removal. **We** will pay the reasonable expense **you** incur in removing from the **common interest development** the debris of property covered under "COVERAGE A: BUILDING 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 **limit of insurance** for "COVERAGE A: BUILDING PROPERTY" as additional insurance.

3. Building Code Upgrades. If, as a result of an **earthquake** that commences during the policy period as part of a **seismic event** that commences during the policy period, there is a covered loss to property specified under "Property Covered—Coverage A" and **you** or the **association of owners** repair that property, then **we** will pay as additional insurance up to $10,000 for the cost of reconstruction to bring that 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 requirements of securing governmental approval of the reconstruction permit process for repair of that covered property.

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Property Not Covered—Coverage A

We do not cover:

1. Land, including land underlying the **dwelling unit** or any other structure.

2. Detached garages, outbuildings, structures other than the residential structure containing the **dwelling unit**, fences, and masonry fences and walls that are not integral to the stability of the residential structure containing the **dwelling unit**.

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 any 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 A: BUILDING PROPERTY, Property Covered," item 2.c, exterior water supply systems including, but not limited to, irrigation systems, sprinkler systems, and water reclamation systems.

9. Except as provided under "COVERAGE A: BUILDING PROPERTY, Other Coverages—Coverage A," Item 3, "Building Code Upgrades," any added costs of repair or replacement of covered property 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.

10. Except as provided under "COVERAGE A: BUILDING PROPERTY, Property Covered," item 2.c, underground structures or equipment located outside the perimeter walls of the **dwelling unit**, including but

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

11. Walkways, driveways, decks, and patios that are not necessary for regular pedestrian ingress to and or egress from the **dwelling unit**.

12. 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 a structure.

Deductible—Coverage A

We will pay no amount for any loss under "COVERAGE A: BUILDING PROPERTY" until the amount of the loss exceeds the amount of the deductible for "COVERAGE A: BUILDING PROPERTY" shown on the DECLARATIONS page. The deductible will be applied one time for each **seismic event**. Only losses that are covered under "COVERAGE A: BUILDING PROPERTY," as limited by the application of any **sublimits** that apply to those losses, can be applied to meet this deductible requirement.

COVERAGE C: PERSONAL PROPERTY

If a **limit of insurance** for "COVERAGE C: PERSONAL PROPERTY" is shown on the DECLARATIONS page of this policy, **we** provide the following coverage, subject to that **limit of** insurance, the application of the "Deductible—Coverage C" clause, and all of the terms and conditions of this policy. If no **limit of insurance** for "COVERAGE C: PERSONAL PROPERTY" is shown on the DECLARATIONS page of this policy, this policy does not provide any coverage under "COVERAGE C: PERSONAL PROPERTY."

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Property Covered—Coverage C

We cover (1) personal property owned or used by an **insured** and located at the **common interest development**, and (2) at **your** request and subject to a **sublimit** of $2,500, personal property owned by others while that property is on any part of the **dwelling unit** occupied by an **insured**.

Special Limits of Insurance—Coverage C

The special **limits of insurance** shown below are **sublimits** of the **limit of insurance** for "COVERAGE C: PERSONAL PROPERTY" and do not increase the **limit of insurance** for "COVERAGE C: PERSONAL PROPERTY" shown on the DECLARATIONS page of this policy. 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. $250 on securities, checks, cashier's checks, traveler's checks, money orders, and other negotiable instruments; accounts, deeds, evidences of debt, letters of credit, notes other than bank notes, manuscripts, passports, and tickets.

3. $3,000 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.

4. $1,000 on **business property** other than computers and other electronic data processing equipment, storage media and software.

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Other Coverages—Coverage C

We provide the following other coverages:

1. Emergency Repairs. If covered damage occurs to property covered under "COVERAGE C: PERSONAL PROPERTY," **we** will pay the cost **you** incur for reasonable and necessary emergency measures **you** take to protect against further damage to that property.

   a. This Emergency Repairs coverage provides coverage up to a **sublimit** of the lesser of (i) 5% of the policy **limit of insurance** for "COVERAGE C: PERSONAL PROPERTY" or (ii) $1,000. The applicable total **limit of insurance** for the "COVERAGE C: PERSONAL PROPERTY" 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 a Loss" (CONDITIONS, item no. 3).

2. Debris Removal. **We** will pay the reasonable expense **you** incur in removing from the **common interest development** the debris of property covered under "COVERAGE C: PERSONAL 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, as additional insurance, up to the lesser of (i) 5% of the **limit of insurance** for "COVERAGE C: PERSONAL PROPERTY" or (ii) $1,000.

Property Not Covered—Coverage C

We do not cover:

1. Pets, birds, fish, livestock, or other animals.

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 electronic 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: computers, citizens band and other two-way mobile radios, satellite and cellular telephones, radio receivers transceivers, and transmitters, scanners and scanning monitor receivers, radar detectors, tape or disc players and recorders, MP3 players, televisions, video players, recorders, and monitors, global positioning satellite (GPS) devices, personal digital assistants and other handheld devices, and any accessories, antennas, speakers, tapes, discs, cartridges, media, carrying cases, charging devices, batteries, or other devices and accessories 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, computer drives, portable storage devices or media, 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.

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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.

Deductible—Coverage C

We will pay no amount for any loss under "COVERAGE C: PERSONAL PROPERTY" until the amount of the loss exceeds the amount of the deductible for "COVERAGE C: PERSONAL PROPERTY" shown on the DECLARATIONS page. The deductible will be applied one time for each **seismic event**. Only losses that are covered under "COVERAGE C: PERSONAL PROPERTY," as limited by the application of any **sublimits** that apply to those losses, can be applied to meet this deductible requirement.

COVERAGE D: LOSS OF USE

If a **limit of insurance** for "COVERAGE D: LOSS OF USE" is shown on the DECLARATIONS page of this policy, then subject to that **limit of insurance** and subject to all the terms and conditions of this policy, **we** provide the following coverage, not subject to any deductible. If no **limit of insurance** for "COVERAGE D: LOSS OF USE" is shown on the DECLARATIONS page of this policy, this policy does not provide any coverage under "COVERAGE D: LOSS OF USE."

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1. Additional Living Expense. If the part of **dwelling unit** that **you** occupy becomes unfit to live in and **you** are forced to vacate the **dwelling unit** as a result of either (1) damage to the **dwelling unit** 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 at the **common interest development** 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 the damage that makes the parts of the **dwelling unit you** occupy unfit to live in, or (b) for **you** to permanently relocate elsewhere if **you** do not elect to repair or replace the **dwelling unit**.

2. Loss of Rent. If the part of the **dwelling unit** 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 unit** 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 at the **common interest development** 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 unit** 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 unit** 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 the damage that makes the parts of the **dwelling unit** rented or held for rental unfit to live in. **Your** loss of rents due to cancellation of a lease or rental agreement is not covered.

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3. If a civil authority prohibits **you** from occupying the **dwelling unit** because of direct damage to the **common interest development** in which the **dwelling unit** is located 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**.

COVERAGE E: LOSS ASSESSMENT

If a **limit of insurance** for "COVERAGE E: LOSS ASSESSMENT" is shown on the DECLARATIONS page of this policy, **we** provide the following coverage, subject to that **limit of insurance**, the application of the "Deductible—Coverage E" clause, all of the terms and conditions of this policy.

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The **limit of insurance** shown on the DECLARATIONS page for "COVERAGE E: LOSS ASSESSMENT" is the most **we** will pay under this coverage for all claims arising out of any one **seismic event**, regardless of the number of assessments that are assessed against **you** or the number or amount of claims **you** make under this coverage. If no **limit of insurance** for "COVERAGE E: LOSS ASSESSMENT" is shown on the DECLARATIONS page of this policy, this policy does not provide any coverage under "COVERAGE E: LOSS ASSESSMENT."

Losses Covered—Coverage E

1. Assessment By **Association of Owners**: **We** cover **your** share of any assessment charged by the **association of owners** against all property owners in the **common interest development**, if all of the following three requirements are satisfied:

   a. **Requirement One: You** have a legal obligation to pay the amounts assessed against **you** by the **association of owners**, and the assessment is properly and legally made as a result of a loss that is directly caused by an **earthquake** that commences during the policy period as part of a **seismic event** that commences during the policy period;
   b. **Requirement Two:** The assessment is not made as a result of a loss specified in "Losses Not Covered—Coverage E"; and
   c. **Requirement Three:** The assessment is made as a result of a loss to structures or other real property, and those structures or other real property are owned by one or any combination of the following three categories: (i) all members of the **association of owners** collectively, (ii) the **association of owners**, or (iii) **you**.

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   If an assessment is made as a result of a combination of (a) losses that are not covered, including but not limited to losses specified in "Losses Not Covered—Coverage E" or in "LOSSES EXCLUDED," and (b) loss to property that is covered under "COVERAGE E: LOSS ASSESSMENT," then **we** will pay only that pro rata portion of **your** share of the assessment equal to that percentage of the entire assessment that is based on covered loss that is not excluded.

   There is a **sublimit** of $10,000 under this coverage for **your** share of any portion of an assessment resulting from 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, as required as part of the approval of the reconstruction permit process for repair of the covered property. Any amount **we** pay for losses that are subject to this **sublimit** will reduce the applicable total **limit of insurance** for "COVERAGE E: LOSS ASSESSMENT."

2. Reduction In Value Of **Your** Ownership Interest:

   a. What Reduction In Value **We** Cover:
   If there is physical loss to structures or other real property at the **common interest development** directly caused by an **earthquake** that commences during the policy period as part of a **seismic event** that commences during the policy period, and the **association of owners** elects not to repair or replace that property or is permanently prevented by a government authority or court order from repairing or replacing the property, **we** cover the resulting reduction in the value of **your** ownership interest in the **dwelling unit** and the **common interest development**, if both of the following requirements are satisfied:

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i. As a result of the unrepaired damage, the **dwelling unit** either is unfit to live in or cannot legally be occupied; and

ii. The reduction in the value of **your** ownership interest in the **dwelling unit** is not the result of a loss to property specified in "Losses Not Covered—Coverage E."

b. Partially Covered Losses

If the reduction in the value of **your** ownership interest in the **dwelling unit** and the **common interest development** is the result of a combination of (a) losses that are not covered, including but not limited to losses specified in "Losses Not Covered—Coverage E" or in "LOSSES EXCLUDED," and (b) loss to property that is covered under "COVERAGE E: LOSS ASSESSMENT," then **we** will pay that portion of the reduction in the value of **your** ownership interest in the **dwelling unit** and the **common interest development** that directly results from covered loss.

c. How the Value of the Loss Is Calculated

The amount of reduction in the value of **your** ownership interest in the **dwelling unit** and the **common interest development** under this coverage for "Reduction Of Value Of **Your** Ownership Interest" will be calculated by determining the dollar amount of that portion of the loss in fair market value of **your** ownership interest that is directly attributable to physical loss to covered property directly caused by the **earthquake** upon which **your** claim under this coverage is based, reduced by the following amounts:

i. Any payments that **we** make, under "COVERAGE A: BUILDING PROPERTY" or "COVERAGE E: LOSS ASSESSMENT" of this policy, for losses arising out of the same **seismic event** upon which the claim for this coverage under "Reduction Of Value Of **Your** Ownership Interest" is based;

ii. Payments made under any other insurance policy, including the **companion policy** or an **association master policy**, to **you** or to holders of mortgages or deeds of trust secured by **your** ownership interest in the **dwelling unit** and the **common interest development**, for damage or loss to the **dwelling unit** or the **common interest development** arising out of the same **seismic event** upon which the claim for this coverage under "Reduction Of Value Of **Your** Ownership Interest" is based;

iii. Payments made to **you** or to holders of mortgages or deeds of trust secured by **your** ownership interest in the **dwelling unit** and the **common interest development** by any government agency arising out of the same **seismic event** upon which the claim for this coverage under "Reduction Of Value Of **Your** Ownership Interest" is based, including but not limited to disaster relief payments;

iv. Payments made by the **association of owners** to **you** or to holders of mortgages or deeds of trust secured by **your** ownership interest in the **dwelling unit** and the **common interest development** arising out of the same **seismic event** upon which the claim for this coverage under "Reduction Of Value Of **Your** Ownership Interest" is based, as a result of the following:

(A) The collection of any insurance proceeds relating to damage to the **dwelling unit** or the property of the **common interest development**; or

(B) The liquidation or sale of any asset or capital that is not included in the calculation of the fair market value of **your** interest in the **dwelling unit** and the **common interest development**.

Losses Not Covered—Coverage E

We do not cover any losses under "COVERAGE E: LOSS ASSESSMENT" that arise out of any of the following:

1. Loss or damage to land, including land underlying any structure.

2. Loss or damage to detached garages, outbuildings, structures other than residential structures, fences, and masonry fences and walls that are not integral to the stability of the residential structure containing the **dwelling unit** or integral to the stability of other residential structures at the **common interest development**.

3. Loss or damage to awnings or patio coverings or their support structures.

4. Loss or damage to antennas or satellite dishes, or to any towers, brackets, or attachments that support or secure them.

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5. Loss or damage to any decorative or artistic features of any property at the **common interest development** 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. Loss or damage to exterior masonry veneer. For purposes of this exclusion, stucco and exterior chimney facings are not exterior masonry veneers.

7. Loss or damage to plaster, to the extent the cost to repair or replace it exceeds the value of its replacement with sheetrock or drywall.

8. Loss or damage to exterior water supply systems including, but not limited to, irrigation systems, sprinkler systems, and water reclamation systems.

9. Loss or damage to underground structures or equipment located outside the perimeter of the **dwelling unit** foundation, including but not limited to underground pipes, cables, flues, drains, electrical supply systems and electrical lighting systems.

10. Loss or damage to walkways, driveways, decks, or patios, except that portion of those walkways, driveways, decks, or patios that are necessary for regular pedestrian ingress to and or egress from the residential structure containing the **dwelling unit** by the occupants of that residential structure.

11. Loss or damage to fences, bulkheads, piers, and outside walls including retaining walls.

12. Loss or damage to landscaping, trees, shrubs, lawns, or plants, even if damaged by necessary repairs to covered property.

13. Loss or damage to swimming pools, spas, and hot tubs, whether part of the **dwelling unit** or not, including the tile or other material linking or attaching the pool, spa or hot tub to a deck or to a structure.

14. Assessments that do not relate directly to the reconstruction of structures or other real property damaged or destroyed as a direct result of an earthquake that commences during the policy period as part of a seismic event that commences during the policy period.

15. Assessments made for the purpose of improving, bettering, or updating covered property to a condition or status better or more costly than the condition and status of the property as it existed immediately preceding the **earthquake** causing loss to the property. This exclusion does not apply to **your** share of any portion of assessment resulting from 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, as required as part of the approval of the reconstruction permit process for repair of the covered property, subject to the applicable **sublimit** of $10,000.

16. Assessments that follow or relate in any way to the payment or distribution to **you**, or any other member of the **association of owners**, of capital or assets of the **association of owners**, unless the payment or distribution of capital (a) is made as a result of a loss that is directly caused by an **earthquake** that commences during the policy period as part of a **seismic event** that commences during the policy period and (b) is made for the purpose of payment or reimbursement for the repair or replacement of covered loss to property at the **common interest development**.

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Deductible—Coverage E

We will pay no amount for any loss under "COVERAGE E: LOSS ASSESSMENT" until the amount of the loss exceeds the amount of the deductible for "COVERAGE E: LOSS ASSESSMENT" shown on the DECLARATIONS page. The deductible will be applied one time for each **seismic event**. Only losses that are covered under "COVERAGE E: LOSS ASSESSMENT" can be applied to meet this deductible requirement.

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, including damage resulting from:

   a. flood, rain, or surface water; waves, tsunami, or tidal water; rupture of a dam, levee, berm, or sea wall; overflow of a natural or man-made 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 that is a result of any of the following directly resulting from an **earthquake** that commences during the policy period as part of a **seismic event** that commences during the policy period:
   (i) the release of water from water heaters, refrigerators, or water supply pipes within the **dwelling unit**;
   (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 premises of the **common interest development** or the release of water or sewage from sewers or drains on or off the premises of the **common interest development**.

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**.

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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, under the following provisions:
   a. "Other Coverages—Coverage A," Item 3, "Building Code Upgrades," subject to the applicable $10,000 **limit of insurance**, or
   b. "Losses Covered—Coverage E," Item 1, "Assessment By **Association of Owners**," subject to the applicable $10,000 **sublimit**.

8. Power failure, meaning the failure of delivery of electrical power to the **dwelling unit** or to the **common interest development**.

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, acts of terrorism, 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**:

   a. intentionally conceals or misrepresents any material fact or circumstance;

   b. engages in fraudulent conduct relating to this insurance; or

   c. intentionally makes false statements relating to this insurance.

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3. **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 costs **you** incur to repair or replace covered property or to protect covered property from further damage.

   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. If requested, provide the **participating insurer** with copies of all **association governing documents.**

   e. As often as reasonably required:
      (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) while not in the presence of any other **insured**, submit to examination under oath and sign a transcript of the examination.

   f. Send the **participating insurer**, within 60 days of **our** or the **participating insurer's** request, **your** signed, sworn proof of loss that contains, 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 for any covered damage to the **dwelling unit** or other items of real property;
      (vii) the list of damaged or destroyed personal property covered under this policy; and
      (viii) all receipts and records that support any claim for additional living expense or fair rental value.

4. Loss Settlement: Coverages A and C.

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

   a. Repair or replace any part to restore the pair or set to its value before the loss; or

   b. Pay the difference between **replacement cost** of the pair or set before and after the loss.

5. Loss Settlement: Coverage A.

   a. **Our** liability for any loss to property insured under "COVERAGE A: BUILDING PROPERTY" 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 unit** 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 unit** location, up to the applicable **limit of insurance**.

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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 "COVERAGE A: BUILDING PROPERTY, Other Coverages—Coverage A," 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 unit** or (ii) regular ingress to and egress from the **dwelling unit** 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 unit** 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, not including the **association master policy**, that covers **earthquake** loss to the **dwelling unit** 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.

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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 unit** or by **your** interest in the **common interest development**, that mortgagee either (1) required **you** to purchase **earthquake** insurance that covers the **dwelling unit** or **your** interest in the **common interest development**, or (2) required that the mortgagee be named as a loss payee under any coverage on the **dwelling unit** or on **your** interest in the **common interest development**, then any loss payable under "COVERAGE A: DWELLING" or "COVERAGE E: LOSS ASSESSMENT" 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 of any insured property or change in occupancy of the **dwelling unit**, or of any substantial change in risk of which the mortgagee is aware;

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(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.

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(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 **you** die during the policy term, each of the following persons will be deemed an **insured** with respect to the property insured under this policy:

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; 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**.

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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 unit** 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 insured property 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 insured property.

29. Renewal of Policy in the Event of an **Earthquake**. In the event an **earthquake** occurs during the policy period and the **dwelling unit** 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 insured property 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 insured property.

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.

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This Liberalization Clause **d**oes not apply to changes implemented through **our** introduction **o**f a subsequent edition of **our** policy.

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California Earthquake Authority
Proposed Form Changes- BEQ-6A to BEQ-6B
Effective January 1, 2012

The CEA's Rate and Form Application includes the revision of the CEA Basic Earthquake Policy–Homeowners (BEQ-6A). The proposed newly revised policy, BEQ-6B, includes enhancements and refinements in coverage, definitions, and policy language. The following provides an overview of substantive changes in the document; minor grammatical or wording changes are not included.

DECLARATIONS

- "**PREMIUM SUMMARY**" added together with premium details of each coverage option and its corresponding premium, as well as the "**TOTAL ANNUAL POLICY PREMIUM.**"
- "Additional Insured" added.

IMPORTANT NOTICES

- **Companion Policy** Requirement. This item has been changed from item number 5 to item number 2.
- This is a Limited Coverage. This item number has changed from item number 4 to item number 3.
- Pro-rata or Installment Claims Payments. This item has been changed from item number 3 to item number 4.
- Surcharge in the Event of **Earthquake**. This item has been changed from item number 2 to item number 5.
- Addition of notice indicating that the language of the policy has been submitted to and approved by the California Insurance Commissioner.

AGREEMENT

- Deductible. Addition of wording to explain payments under the policy are in excess of the deductible and that a separate deductible applies depending on the type of coverage.
- **Companion Policy**. Clarification added that the **companion policy** must be written by the **participating insurer** that services the CEA policy.

DEFINITIONS

- **Domestic partner** is added both in the preliminary paragraph and as a defined word.

COVERAGES

- **COVERAGE A: BUILDING PROPERTY**
  - Introductory paragraph clarified to indicate coverage is provided subject to the **limit of insurance**, application of the "Deductible–Coverage A" clause and the terms and conditions of the policy.
  - **Property Covered–Coverage A**
    - Chimney provision moved from number 1d to number 2c.
  - **Other Coverages–Coverage A**
    - Emergency Repairs broadened to include coverage for removal of broken glass or repair or replace covered broken windows or other structural glass that is in or part of the **dwelling**. Coverage also increased to $1,500, from 5% of **limit of insurance (**or $1,250).
  - **Property Not Covered–Coverage A**
    - Addition of limitation regarding coverage provided for Building Code Upgrades; only those upgrades covered under "OTHER COVERAGES," item 3, "Building Code Upgrades" are covered.
    - Clarification added regarding the physical area of coverage for underground structures or equipment.

- **COVERAGE C: PERSONAL PROPERTY**
  - Introductory paragraph clarified to indicate coverage is provided subject to the **limit of insurance**, application of the "Deductible–Coverage C" clause and the terms and conditions of the policy.
  - **Special Limits of Insurance–Coverage C**
    - Addition of limitation of $250 for securities, checks, cashier's checks, traveler's checks, money orders, and other negotiable instruments; accounts, deeds, evidences of debt, letters of credit, notes other than bank notes, manuscripts, passports, and tickets.
    - Increase on the special limits for computers and other electronic data processing equipment from $1,000 to $3,000.
    - Increase on business property other than computers and other electronic data processing equipment from $300 to $1,000.
  - **Property Not Covered–Coverage C**
    - Clarification regarding animals to include pets, livestock and other animals in lieu of solely "animals, birds and fish."
    - Clarification of the electronic equipment provision to include modern devices such as MP3 players, scanners, GPS devices, personal digital assistants and other handheld devices.
    - Clarification on data storage devices to include computer drives and portable storage devices or media.

- **COVERAGE D: LOSS OF USE**
  - Introductory paragraph adjusted to show that if coverage is shown on the declarations page, then coverage is provided, subject to the **limit of insurance**, and not subject to any deductible.

- **COVERAGE E: LOSS ASSESSMENT**
  - Introductory paragraph adjusted to show that if coverage is shown on the declarations page, then coverage is provided, subject to the **limit of insurance**, subject to the application of the "Deductible–Coverage E" clause, and all the terms and conditions of the policy.
  - Assessment of **Association of Owners, Requirement Three** clarified to explicitly state that the coverage applies only to assessments related to losses to real property.
  - Reduction in Value of Your Ownership Interest, What Reduction in Value **we** Cover clarified to explicitly state that the coverage applies only to assessments related to losses to real property.
  - **Property Not Covered–Coverage E**
    - Addition of limitation for land, including land underlying any structure.
    - Clarification added to limitation for detached garages and other outbuildings; wording now consistent with other items in list.
    - Clarification added to limitation for loss or damage to walkways, driveways, decks, or patios to provide exception for those walkways, driveways, decks or patios providing pedestrian ingress/egress from the residential structure containing the **dwelling unit**.
    - Clarification to explicitly state that the coverage applies only to assessments related to losses to real property.

LOSSES EXCLUDED

- Water damage has been clarified to explicitly include rupture of a dam, levee, berm or sea wall, including natural or man-made bodies of water.
- Water damage was also clarified with regard to the language about a seismic event.
- "Acts of terrorism" was added as part of the war, insurrection and rebellion exclusion as part of an update to the section.

YOUR RIGHTS CONCERNING CLAIMS INVESTIGATION

No changes.

CONDITIONS

- The Death condition was amended to add the defined term "**you**" in lieu of "an **insured**" and to remove language considered unnecessary.

BASIC EARTHQUAKE POLICY
COMMON INTEREST DEVELOPMENT

DECLARATIONS

POLICY NUMBER:

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

NAMED INSURED AND MAILING ADDRESS:

The **dwelling unit** 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 applicable deductibles:

COVERAGE:		**LIMIT OF INSURANCE:**	**DEDUCTIBLE**
A.	BUILDING PROPERTY	$_____	$_____
C.	PERSONAL PROPERTY	$_____	$ 750.00
D.	LOSS OF USE	$_____	No deductible
E.	LOSS ASSESSMENT	$_____	$_____

NOTE: If **you** choose not to purchase "COVERAGE E: LOSS ASSESSMENT," then "**NO LOSS ASSESSMENT COVERAGE**" will appear under the **limit of insurance** for "COVERAGE E: LOSS ASSESSMENT."

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

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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 that cover a condominium unit or other **dwelling unit**. The following items, among others, are unique to this policy; these are not the only terms, however, 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 until the deductible shown on the DECLARATIONS has been exceeded by the amount of covered loss to the type of covered property for which **you** make a claim under this policy. Because of the way the deductible is determined, **you** could have substantial uninsured loss. Please read the deductible provisions relating to each type of covered property. "COVERAGE D: LOSS OF USE" is the only coverage not subject to any deductible.

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 ____.

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 ___.

4. This is Limited Coverage.
   (a) This policy covers only some parts of **your dwelling unit** and does not cover many other components of **your** interest in **your common interest development**. **You** may wish to determine if **your association of owners** has purchased an **association master policy** that includes **earthquake** coverage.
   (b) Unlike some fire insurance 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)** 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
COMMON INTEREST DEVELOPMENT

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.

   a. This policy insures the following property 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, subject to all of the terms, conditions, deductibles, **limits of insurance**, and **sublimits** of the policy:

      1. The property described under "COVERAGE A: BUILDING PROPERTY," but only if a **limit of insurance** is shown for COVERAGE A on the DECLARATIONS page of this policy;

      2. The property described under "COVERAGE C: PERSONAL PROPERTY," but only if a **limit of insurance** is shown for COVERAGE C on the DECLARATIONS page of this policy; and

      3. **Your** portion of those loss assessments and reductions in value described under "COVERAGE E: LOSS ASSESSMENT," but only if a **limit of insurance** is shown for COVERAGE E on the DECLARATIONS page of this policy.

   b. In addition, if a **limit of insurance** is shown for "COVERAGE D: LOSS OF USE" on the DECLARATIONS page of this policy, **we** insure for loss of use of the **dwelling unit** resulting from an **earthquake** that commences during the policy period as part of a **seismic event** that commences during the policy period, subject to all of the terms, conditions, and **limits of insurance** 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**.

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. **"Association governing documents"** means the declaration and any other documents, such as bylaws, operating rules of the **association of owners**, articles of incorporation, or articles of association, that govern the operation of the **common interest development** or the **association of owners**.

3. **"Association master policy"** means an insurance policy (1) insuring against the perils of fire, **earthquake**, or both, (2) purchased by or issued to the **association of owners**, and (3) covering, in whole or in part, the **dwelling unit**, other real property located at the **common interest development**, or both.

4. **"Association of owners"** means a nonprofit corporation or unincorporated association created for the purpose of governing and managing the **common interest development** in which the **dwelling unit** is located.

5. **"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.

6. **"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.

7. **"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.

8. **"Common interest development"** means any of the following:
   - A community apartment project, as defined in California Civil Code section 1351, subdivision (d);
   - A condominium project, as defined in California Civil Code section 1351, subdivision (f);
   - A planned development, as defined in California Civil Code section 1351, subdivision (k); or
   - A stock cooperative, as defined in California Civil Code section 1351, subdivision (m).

9. **"Companion policy"** means the fire insurance policy that provides fire coverage on the **dwelling unit** or personal property, or both, that is the subject of this **CEA** policy, and that is issued by the same **participating insurer** that services this **CEA** policy. **"Companion policy"** does not include the **association master policy**.

10. **"Dwelling unit"** means **your** individual unit in a residential structure located within the **common interest development** at the location specified in the DECLARATIONS.

11. **"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.

12. **"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 of any of **your** relatives who are permanent residents of **your** household.

13. **"Limit of insurance"** means the most **we** will pay for covered loss arising from any **seismic event**.

14. **"Nuclear hazard"** means any nuclear reaction, radiation, or radioactive contamination, or any consequence of any of these.

15. **"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**.

16. **"Person"** means any human, association, organization, governmental entity, partnership, business trust, limited liability company, or corporation.

17. **"Replacement cost"** means:

    a. 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 **dwelling unit,** (ii) for the same use, and (iii) with materials of like kind and quality.

    b. 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.

18. **"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**.

19. **"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**.

20. **"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.

COVERAGES

COVERAGE A: BUILDING PROPERTY

If a **limit of insurance** for "COVERAGE A: BUILDING PROPERTY" is shown on the DECLARATIONS page of this policy, **we** provide the following coverage, subject to all of the terms and conditions of this policy and subject to the deductible for "COVERAGE A: BUILDING PROPERTY" shown on the DECLARATIONS page, and up to the **limit of insurance** for "COVERAGE A: BUILDING PROPERTY" shown on the DECLARATIONS page.

If no **limit of insurance** for "COVERAGE A: BUILDING PROPERTY" is shown on the DECLARATIONS page of this policy, this policy does not provide any coverage under "COVERAGE A: BUILDING PROPERTY."

Property Covered—Coverage A

We cover:

1. The following property:

   a. Built-in appliances, fixtures, alterations, and improvements that are part of the structure in which the **dwelling unit** is located and are contained within the **dwelling unit**;

   b. Wall-to-wall interior carpeting attached to the **dwelling unit**;

   c. Items of real property, other than **chimneys**, that pertain exclusively to the **dwelling unit**;

   d. **Chimneys** that are attached to or part of the **dwelling unit,** up to a **sublimit** of $5,000, regardless of the number of **chimneys** covered.

2. The following property, but only to the extent that **you** are obligated to repair or maintain the property under the terms of the **association governing documents**:

   a. Plumbing pipes and utility service structures and equipment that are enclosed within the walls, ceiling, or floor of the **dwelling unit**, extending to the exterior surface of the perimeter walls of the **dwelling unit**;

   b. Equipment and utility service structures for electric, telephone, natural or bottled gas, heating, oil, water, septic, and sanitary sewage systems that (1) are located outside of the perimeter walls of the **dwelling unit** but within the **common interest development** and (2) directly affect the habitability of the **dwelling unit**.

Other Coverages—Coverage A

We provide the following other coverages, but only to the extent that the loss or expense is not covered under an **association master policy** or the deductible of that **association master policy** has not been exceeded:

1. Emergency Repairs. If covered damage occurs to property covered under "COVERAGE A: BUILDING PROPERTY," **we** will pay the cost **you** incur for reasonable and necessary emergency measures **you** take to protect against further damage to that property.

   a. This Emergency Repairs coverage provides coverage up to a **sublimit** of 5% of the policy **limit of insurance** for "COVERAGE A: BUILDING PROPERTY." The applicable total **limit of insurance** for the "COVERAGE A: BUILDING PROPERTY" 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 a Loss" (CONDITIONS, item no. 3).

2. Debris Removal. **We** will pay the reasonable expense **you** incur in removing from the **common interest development** the debris of property covered under "COVERAGE A: BUILDING 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 **limit of insurance** for "COVERAGE A: BUILDING PROPERTY" as additional insurance.

3. Building Code Upgrades. If, as a result of an **earthquake** that commences during the policy period as part of a **seismic event** that commences during the policy period, there is a covered loss to property specified under "Property Covered—Coverage A" and **you** or the **association of owners** repair that 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 requirements of securing governmental approval of the reconstruction permit process for repair of the covered property.

Property Not Covered—Coverage A

We do not cover:

1. Land, including land underlying the **dwelling unit** or any other structure.

2. Detached garages, outbuildings, structures other than the residential structure containing the **dwelling unit**, fences, and masonry fences and walls that are not integral to the stability of the residential structure containing the **dwelling unit**.

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 any 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 A: BUILDING PROPERTY, Property Covered," item 2.c, exterior water supply systems including, but not limited to, irrigation systems, sprinkler systems, and water reclamation systems.

9. Except as provided under "COVERAGE A: BUILDING PROPERTY, Property Covered," item 2.c, underground structures or equipment located outside the perimeter of the **dwelling unit** foundation, including but not limited to underground pipes, cables, flues, drains, electrical supply systems and electrical lighting systems.

10. Walkways, driveways, decks, and patios that are not necessary for regular pedestrian ingress to and or egress from the **dwelling unit**.

11. Fences, bulkheads, piers, and outside walls including retaining walls.

12. Landscaping, trees, shrubs, lawns, or plants, even if damaged by necessary repairs to covered property.

13. 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 a structure.

Deductible—Coverage A

We will pay no amount for any loss under "COVERAGE A: BUILDING PROPERTY" until the amount of the loss exceeds the amount of the deductible for "COVERAGE A: BUILDING PROPERTY" shown on the DECLARATIONS page. The deductible will be applied one time for each **seismic event**. Only losses that are covered under "COVERAGE A: BUILDING PROPERTY," as limited by the application of any **sublimits** that apply to those losses, can be applied to meet this deductible requirement.

COVERAGE C: PERSONAL PROPERTY

If a **limit of insurance** for "COVERAGE C: PERSONAL PROPERTY" is shown on the DECLARATIONS page of this policy, **we** provide the following coverage, subject to all of the terms and conditions of this policy and subject to the deductible for "COVERAGE C: PERSONAL PROPERTY" shown on the DECLARATIONS page, and up to the **limit of insurance** for "COVERAGE C: PERSONAL PROPERTY" shown on the DECLARATIONS page. If no **limit of insurance** for "COVERAGE C: PERSONAL PROPERTY" is shown on the DECLARATIONS page of this policy, this policy does not provide any coverage under "COVERAGE C: PERSONAL PROPERTY."

Property Covered—Coverage C

We cover (1) personal property owned or used by an **insured** and located at the **common interest development**, and (2) at **your** request and subject to a **sublimit** of $2,500, personal property owned by others while that property is on any part of the **dwelling unit** occupied by an **insured**.

Special Limits of Insurance—Coverage C

The special **limits of insurance** shown below are **sublimits** of the **limit of insurance** for "COVERAGE C: PERSONAL PROPERTY" and do not increase the **limit of insurance** for "COVERAGE C: PERSONAL PROPERTY" shown on the DECLARATIONS page of this policy. 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.

Other Coverages—Coverage C

We provide the following other coverages:

1. Emergency Repairs. If covered damage occurs to property covered under "COVERAGE C: PERSONAL PROPERTY," **we** will pay the cost **you** incur for reasonable and necessary emergency measures **you** take to protect against further damage to that property.

   a. This Emergency Repairs coverage provides coverage up to a **sublimit** of the lesser of (i) 5% of the policy **limit of insurance** for "COVERAGE C: PERSONAL PROPERTY" or (ii) $1,000. The applicable total **limit of insurance** for the "COVERAGE C: PERSONAL PROPERTY" 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 a Loss" (CONDITIONS, item no. 3).

2. Debris Removal. **We** will pay the reasonable expense **you** incur in removing from the **common interest development** the debris of property covered under "COVERAGE C: PERSONAL 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, as additional insurance, up to the lesser of (i) 5% of the **limit of insurance** for "COVERAGE C: PERSONAL PROPERTY" or (ii) $1,000.

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.

Deductible—Coverage C

We will pay no amount for any loss under "COVERAGE C: PERSONAL PROPERTY" until the amount of the loss exceeds the amount of the deductible for "COVERAGE C: PERSONAL PROPERTY" shown on the DECLARATIONS page. The deductible will be applied one time for each **seismic event**. Only losses that are covered under "COVERAGE C: PERSONAL PROPERTY," as limited by the application of any **sublimits** that apply to those losses, can be applied to meet this deductible requirement.

COVERAGE D: LOSS OF USE

If a **limit of insurance** for "COVERAGE D: LOSS OF USE" is shown on the DECLARATIONS page of this policy, then 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** provide the following coverage. If no **limit of insurance** for "COVERAGE D: LOSS OF USE" is shown on the DECLARATIONS page of this policy, this policy does not provide any coverage under "COVERAGE D: LOSS OF USE."

1. Additional Living Expense. If the part of **dwelling unit** that **you** occupy becomes unfit to live in and **you** are forced to vacate the **dwelling unit** as a result of either (1) damage to the **dwelling unit** 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 at the **common interest development** 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 the damage that makes the parts of the **dwelling unit you** occupy unfit to live in, or (b) for **you** to permanently relocate elsewhere if **you** do not elect to repair or replace the **dwelling unit**.

2. Loss of Rent. If the part of the **dwelling unit** 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 unit** 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 at the **common interest development** 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 unit** 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 unit** 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 the damage that makes the parts of the **dwelling unit** rented or held for rental 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 the **dwelling unit** because of direct damage to the **common interest development** in which the **dwelling unit** is located 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**.

COVERAGE E: LOSS ASSESSMENT

If a **limit of insurance** for "COVERAGE E: LOSS ASSESSMENT" is shown on the DECLARATIONS page of this policy, **we** provide the following coverage, subject to all of the terms and conditions of this policy, and subject to the application of the deductible for "COVERAGE E: LOSS ASSESSMENT" shown on the DECLARATIONS page.

The **limit of insurance** shown on the DECLARATIONS page for "COVERAGE E: LOSS ASSESSMENT" is the most **we** will pay under this coverage for all claims arising out of any one **seismic event**, regardless of the number of assessments that are assessed against **you** or the number or amount of claims **you** make under this coverage. If no **limit of insurance** for "COVERAGE E: LOSS ASSESSMENT" is shown on the DECLARATIONS page of this policy, this policy does not provide any coverage under "COVERAGE E: LOSS ASSESSMENT."

Losses Covered—Coverage E

1. Assessment By **Association of Owners**: **We** cover **your** share of any assessment charged by the **association of owners** against all property owners in the **common interest development**, if all of the following three requirements are satisfied:

   a. **Requirement One: You** have a legal obligation to pay the amounts assessed against **you** by the **association of owners**, and the assessment is properly and legally made as a result of a loss that is directly caused by an **earthquake** that commences during the policy period as part of a **seismic event** that commences during the policy period;
   b. **Requirement Two:** The assessment is not made as a result of a loss specified in "Losses Not Covered—Coverage E"; and
   c. **Requirement Three:** The assessment is made as a result of a loss that is to property owned by one or any combination of the following three categories: (i) all members of the **association of owners** collectively, (ii) the **association of owners**, or (iii) **you**.

   If an assessment is made as a result of a combination of (a) losses that are not covered, including but not limited to losses specified in "Losses Not Covered—Coverage E" or in "LOSSES EXCLUDED," and (b) loss to property that is covered under "COVERAGE E: LOSS ASSESSMENT," then **we** will pay only that pro rata portion of **your** share of the assessment equal to that percentage of the entire assessment that is based on covered loss that is not excluded.

There is a **sublimit** of $10,000 under this coverage for **your** share of any portion of an assessment resulting from 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, as required as part of the approval of the reconstruction permit process for repair of the covered property. Any amount **we** pay for losses that are subject to this **sublimit** will reduce the applicable total **limit of insurance** for "COVERAGE E: LOSS ASSESSMENT."

2. Reduction In Value Of **Your** Ownership Interest:

   a. What Reduction In Value **We** Cover:
   If there is physical loss to property at the **common interest development** directly caused by an **earthquake** that commences during the policy period as part of a **seismic event** that commences during the policy period, and the **association of owners** elects not to repair or replace that property or is permanently prevented by a government authority or court order from repairing or replacing the property, **we** cover the resulting reduction in the value of **your** ownership interest in the **dwelling unit** and the **common interest development**, if both of the following requirements are satisfied:

      i. As a result of the unrepaired damage, the **dwelling unit** either is unfit to live in or cannot legally be occupied; and
      ii. The reduction in the value of **your** ownership interest in the **dwelling unit** is not the result of a loss to property specified in "Losses Not Covered—Coverage E."

   b. Partially Covered Losses
   If the reduction in the value of **your** ownership interest in the **dwelling unit** and the **common interest development** is the result of a combination of (a) losses that are not covered, including but not limited to losses specified in "Losses Not Covered—Coverage E" or in "LOSSES EXCLUDED," and (b) loss to property that is covered under "COVERAGE E: LOSS ASSESSMENT," then **we** will pay that portion of the reduction in the value of **your** ownership interest in the **dwelling unit** and the **common interest development** that directly results from covered loss.

   c. How the Value of the Loss Is Calculated
   The amount of reduction in the value of **your** ownership interest in the **dwelling unit** and the **common interest development** under this coverage for "Reduction Of Value Of **Your** Ownership Interest" will be calculated by determining the dollar amount of that portion of the loss in fair market value of **your** ownership interest that is directly attributable to physical loss to covered property directly caused by the **earthquake** upon which **your** claim under this coverage is based, reduced by the following amounts:

      i. Any payments that **we** make, under "COVERAGE A: BUILDING PROPERTY" or "COVERAGE E: LOSS ASSESSMENT" of this policy, for losses arising out of the same **seismic event** upon which the claim for this coverage under "Reduction Of Value Of **Your** Ownership Interest" is based;
      ii. Payments made under any other insurance policy, including the **companion policy** or an **association master policy**, to **you** or to holders of mortgages or deeds of trust secured by **your** ownership interest in the **dwelling unit** and the **common interest development**, for damage or loss to the **dwelling unit** or the **common interest development** arising out of the same **seismic event** upon which the claim for this coverage under "Reduction Of Value Of **Your** Ownership Interest" is based;

iii. Payments made to **you** or to holders of mortgages or deeds of trust secured by **your** ownership interest in the **dwelling unit** and the **common interest development** by any government agency arising out of the same **seismic event** upon which the claim for this coverage under "Reduction Of Value Of **Your** Ownership Interest" is based, including but not limited to disaster relief payments;

iv. Payments made by the **association of owners** to **you** or to holders of mortgages or deeds of trust secured by **your** ownership interest in the **dwelling unit** and the **common interest development** arising out of the same **seismic event** upon which the claim for this coverage under "Reduction Of Value Of **Your** Ownership Interest" is based, as a result of the following:

(A) The collection of any insurance proceeds relating to damage to the **dwelling unit** or the property of the **common interest development**; or

(B) The liquidation or sale of any asset or capital that is not included in the calculation of the fair market value of **your** interest in the **dwelling unit** and the **common interest development**.

Losses Not Covered—Coverage E

We do not cover any losses under "COVERAGE E: LOSS ASSESSMENT" that arise out of any of the following:

1. Detached garages, outbuildings, structures other than residential structures, fences, and masonry fences and walls that are not integral to the stability of the residential structure containing the **dwelling unit** or integral to the stability of other residential structures at the **common interest development**.

2. Loss or damage to awnings or patio coverings or their support structures.

3. Loss or damage to antennas or satellite dishes, or to any towers, brackets, or attachments that support or secure them.

4. Loss or damage to any decorative or artistic features of any property at the **common interest development**, 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.

5. Loss or damage to exterior masonry veneer. For purposes of this exclusion, stucco and exterior chimney facings are not exterior masonry veneers.

6. Loss or damage to plaster, to the extent the cost to repair or replace it exceeds the value of its replacement with sheetrock or drywall.

7. Loss or damage to exterior water supply systems including, but not limited to, irrigation systems, sprinkler systems, and water reclamation systems.

8. Loss or damage to underground structures or equipment located outside the perimeter of the **dwelling unit** foundation, including but not limited to underground pipes, cables, flues, drains, electrical supply systems and electrical lighting systems.

9. Loss or damage to those walkways, driveways, decks, or patios that are not necessary for regular pedestrian ingress to and or egress from the **dwelling unit** by the occupants of the **dwelling unit**.

10. Loss or damage to fences, bulkheads, piers, and outside walls including retaining walls.

11. Loss or damage to landscaping, trees, shrubs, lawns, or plants, even if damaged by necessary repairs to covered property.

12. Loss or damage to swimming pools, spas, and hot tubs, whether part of the **dwelling unit** or not, including the tile or other material linking or attaching the pool, spa or hot tub to a deck or to a structure.

13. Assessments that do not relate directly to the reconstruction of property damaged or destroyed as a direct result of an **earthquake** that commences during the policy period as part of a **seismic event** that commences during the policy period.

14. Assessments made for the purpose of improving, bettering, or updating covered property to a condition or status better or more costly than the condition and status of the property as it existed immediately preceding the **earthquake** causing loss to the property. This exclusion does not apply to **your** share of any portion of assessment resulting from 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, as required as part of the approval of the reconstruction permit process for repair of the covered property, subject to the applicable **sublimit** of $10,000.

15. Assessments that follow or relate in any way to the payment or distribution to **you**, or any other member of the **association of owners**, of capital or assets of the **association of owners**, unless the payment or distribution of capital (a) is made as a result of a loss that is directly caused by an **earthquake** that commences during the policy period as part of a **seismic event** that commences during the policy period and (b) is made for the purpose of payment or reimbursement for the repair or replacement of covered loss to property at the **common interest development**.

Deductible—Coverage E

We will pay no amount for any loss under "COVERAGE E: LOSS ASSESSMENT" until the amount of the loss exceeds the amount of the deductible for "COVERAGE E: LOSS ASSESSMENT" shown on the DECLARATIONS page. The deductible will be applied one time for each **seismic event**. Only losses that are covered under "COVERAGE E: LOSS ASSESSMENT" can be applied to meet this deductible requirement.

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 unit**;
(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 premises of the **common interest development** or the release of water or sewage from sewers or drains on or off the premises of the **common interest development**.

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; <u>and</u>
   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, <u>except</u> as specifically provided under this policy, under the following provisions:
   a. "<u>Other Coverages—Coverage A</u>," Item 3, "<u>Building Code Upgrades</u>," subject to the applicable $10,000 **limit of insurance**, or
   b. "<u>Losses Covered—Coverage E</u>," Item 1, "<u>Assessment By **Association of Owners**</u>," subject to the applicable $10,000 **sublimit**.

8. Power failure, meaning the failure of delivery of electrical power to the **dwelling unit** or to the **common interest development**.

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**:

    a. intentionally conceals or misrepresents any material fact or circumstance;

    b. engages in fraudulent conduct relating to this insurance; or

    c. 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:

    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 costs **you** incur to repair or replace covered property or to protect covered property from further damage.

    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. If requested, provide the **participating insurer** with copies of all **association governing documents.**

    e. As often as reasonably required:
        (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) while not in the presence of any other **insured**, submit to examination under oath and sign a transcript of the examination.

f. Send the **participating insurer**, within 60 days of **our** or the **participating insurer's** request, **your** signed, sworn proof of loss that contains, 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 for any covered damage to the **dwelling unit** or other items of real property;

(vii) the list of damaged or destroyed personal property covered under this policy; and

(viii) all receipts and records that support any claim for additional living expense or fair rental value.

4. Loss Settlement: Coverages A and C.

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

a. Repair or replace any part to restore the pair or set to its value before the loss; or

b. Pay the difference between **replacement cost** of the pair or set before and after the loss.

5. Loss Settlement: Coverage A.

a. **Our** liability for any loss to property insured under "COVERAGE A: BUILDING PROPERTY" 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 unit** 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 unit** 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 "COVERAGE A: BUILDING PROPERTY, Other Coverages—Coverage A," 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 unit** or (ii) regular ingress to and egress from the **dwelling unit** 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 unit** 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, not including the **association master policy**, that covers **earthquake** loss to the **dwelling unit** 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 unit** or by **your** interest in the **common interest development**, that mortgagee either (1) required **you** to purchase **earthquake** insurance that covers the **dwelling unit** or **your** interest in the **common interest development**, or (2) required that the mortgagee be named as a loss payee under any coverage on the **dwelling unit** or on **your** interest in the **common interest development**, then any loss payable under "COVERAGE A: DWELLING" or "COVERAGE E: LOSS ASSESSMENT" 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 of any insured property or change in occupancy of the **dwelling unit**, 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; <u>or</u>

(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; <u>or</u>

(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; <u>or</u>

(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. <u>Conditional Reinstatement</u>. 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. <u>Non-Renewal</u>. **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. <u>Waiver or Change of Policy Provisions</u>. 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. <u>Assignment</u>. **Your** assignment of this policy will not be valid unless **we** give written consent.

23. <u>Death</u>. 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 unit** 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 insured property 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 insured property.

29. Renewal of Policy in the Event of an **Earthquake**. In the event an **earthquake** occurs during the policy period and the **dwelling unit** 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 insured property 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 insured property.

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.

CALIFORNIA EARTHQUAKE AUTHORITY

Earthquake Insurance Application

Effective Date **Expiration Date**

Applicant Information

Applicant — Last Name | First Name | Middle Initial | Telephone Numbers: Home | Work

Co-Applicant (if applicable) — Last Name | First Name | Middle Initial | Telephone Numbers: Home | Work

Street Address of Physical Location of Insured Property — Number and Street Address | Unit | City | State | ZIP Code | County

Mailing Address (if different) — Number and Street Address | Unit | City | State | ZIP Code | Country

Companion Policy Information

Participating Insurer | Companion Policy Number | Dwelling — Coverage A Limit | Expiration Date (must be same as CEA policy)

Type of Policy

☐ Homeowner ☐ Manufactured Home / Mobilehome ☐ Condominium (see page two) ☐ Renters (see page two)

☐ Dwelling Fire

Homeowner/Dwelling Fire Basic Program

Rating Territory

Year Built

Number of Stories, Including Basement

Construction Type ☐ Frame ☐ Other

Number of Chimneys

Square Footage

Foundation Type ☐ Raised ☐ Slab ☐ Other

Roof Type ☐ Composition ☐ Tile ☐ Wood Shake ☐ Other

Is there unrepaired structural earthquake damage to the dwelling? ☐ Yes ☐ No

If yes, DO NOT BIND and explain in Remarks

NOTE: Inspections are required on all properties with existing non-structural (i.e. cosmetic) earthquake damage.

Dwelling secured to foundation? ☐ Yes ☐ No

Cripple walls braced with plywood or equivalent? ☐ Yes ☐ No

Water heater secured to building frame? ☐ Yes ☐ No

Dwelling — Coverage A

Dwelling Limit

Same as Companion Policy

Deductible ☐ 15% ☐ 10%

— optional —

Additional Limited Building Code Upgrade

☐ Increase Limited Building Code Upgrade coverage from $10,000 to a total limit of $20,000

No deductible for this coverage if Coverage A deductible is met. No coverage if Coverage A deductible is not met.

Personal Property — Coverage C

☐ $5,000 ☐ $25,000 ☐ $50,000
☐ $75,000 ☐ $100,000

No deductible for this coverage if Coverage A deductible is met. No coverage if Coverage A deductible is not met.

Loss of Use — Coverage D

☐ $1,500 ☐ $10,000 ☐ $15,000 ☐ $25,000

No deductible for this coverage

Homeowner/Dwelling Fire Choice Program

Rating Territory

Year Built

Number of Stories, Including Basement

Construction Type ☐ Frame ☐ Other

Number of Chimneys

Square Footage

Foundation Type ☐ Raised ☐ Slab ☐ Other

Roof Type ☐ Composition ☐ Tile ☐ Wood Shake ☐ Other

Is there unrepaired structural earthquake damage to the dwelling? ☐ Yes ☐ No

If yes, DO NOT BIND and explain in Remarks

NOTE: Inspections are required on all properties with existing non-structural (i.e. cosmetic) earthquake damage.

Dwelling secured to foundation? ☐ Yes ☐ No

Cripple walls braced with plywood or equivalent? ☐ Yes ☐ No

Water heater secured to building frame? ☐ Yes ☐ No

Dwelling — Coverage A

Dwelling Limit

Same as Companion Policy

Deductible ☐ 15% ☐ 10%

— optional —

Additional Limited Building Code Upgrade

☐ Increase Limited Building Code Upgrade coverage from $10,000 to a total limit of $20,000

No deductible for this coverage if Coverage A deductible is met. No coverage if Coverage A deductible is not met.

Choose any combination of one or more of the following options

☐ Option One

Personal Property — Coverage C

☐ $5,000 ☐ $25,000 ☐ $50,000
☐ $75,000 ☐ $100,000

Deductible ☐ 15% ☐ 10%

Deductible is waived if Coverage A deductible is met.

☐ Option Two

Loss of Use — Coverage D

☐ $1,500 ☐ $10,000 ☐ $15,000 ☐ $25,000

No deductible for this coverage

Manufactured Home/Mobilehome Basic Program

Rating Territory

Construction Type ☐ Manufactured or Mobile

Is there unrepaired structural earthquake damage to the dwelling? ☐ Yes ☐ No

If yes, DO NOT BIND and explain in Remarks

NOTE: Inspections are required on all properties with existing non-structural (i.e. cosmetic) earthquake damage.

Is the home reinforced by an earthquake resistant bracing system or installed upon an approved foundation system certified by the California Department of Housing and Community Development? ☐ Yes ☐ No

If yes, attach a copy of the certification

Dwelling — Coverage A

Dwelling Limit $

Same as Companion Policy

Deductible ☐ 15% ☐ 10%

Personal Property — Coverage C

☐ $5,000 ☐ $25,000 ☐ $50,000
☐ $75,000 ☐ $100,000

No deductible for this coverage if Coverage A deductible is met. No coverage if Coverage A deductible is not met.

Loss of Use — Coverage D

☐ $1,500 ☐ $10,000 ☐ $15,000 ☐ $25,000

No deductible for this coverage

Manufactured Home/Mobilehome Choice Program

Rating Territory

Construction Type ☐ Manufactured or Mobile

Is there unrepaired structural earthquake damage to the dwelling? ☐ Yes ☐ No

If yes, DO NOT BIND and explain in Remarks

NOTE: Inspections are required on all properties with existing non-structural (i.e. cosmetic) earthquake damage.

Is the home reinforced by an earthquake resistant bracing system or installed upon an approved foundation system certified by the California Department of Housing and Community Development? ☐ Yes ☐ No

If yes, attach a copy of the certification

Dwelling — Coverage A

Dwelling Limit $

Same as Companion Policy

Deductible ☐ 15% ☐ 10%

Choose any combination of one or more of the following options

☐ Option One

Personal Property — Coverage C

☐ $5,000 ☐ $25,000 ☐ $50,000
☐ $75,000 ☐ $100,000

Deductible ☐ 15% ☐ 10%

Deductible is waived if Coverage A deductible is met.

☐ Option Two

Loss of Use — Coverage D

☐ $1,500 ☐ $10,000 ☐ $15,000 ☐ $25,000

No deductible for this coverage

Additional Interests

☐ Mortgagee
☐ Additional Insured
☐ Loss Payee

Name | Loan Number
Address
City | State | ZIP Code

☐ 2nd Mortgagee
☐ Additional Insured
☐ Loss Payee

Name | Loan Number
Address
City | State | ZIP Code

Send Bill To

☐ Insured ☐ First Mortgagee ☐ 2nd Mortgagee

Payment Options

☐ Annual ☐ Installments

Draft

CEA CALIFORNIA EARTHQUAKE AUTHORITY

Earthquake Insurance Application

Condominium

Rating Territory

Number of Stories in building

Choose any combination of one or more of the following options

☐ Option One

Building Property — Coverage A

Real Property — $25,000

There is a $3,750 deductible for this coverage

☐ Option Two

Personal Property — Coverage C

☐ $5,000 ☐ $25,000 ☐ $50,000
☐ $75,000 ☐ $100,000

There is a $750 deductible for this coverage

« **AND** »

Loss of Use — Coverage D

☐ $1,500 ☐ $10,000 ☐ $15,000 ☐ $25,000

No deductible for this coverage

☐ Option Three

Loss Assessment — Coverage E

☐ $25,000 $3,750 deductible

Only available if value of property is $135,000 or less

☐ $50,000 $7,500 deductible

☐ $75,000 $11,250 deductible

Renters

Rating Territory

Personal Property — Coverage C

☐ $5,000 ☐ $25,000 ☐ $50,000
☐ $75,000 ☐ $100,000

There is a $750 deductible for this coverage

Loss of Use — Coverage D

☐ $1,500 ☐ $10,000 ☐ $15,000 ☐ $25,000

No deductible for this coverage

Remarks

Additional Interests — Condominium

☐ Mortgagee
☐ Additional Insured
☐ Loss Payee

Name Loan Number
Address
City State ZIP Code

☐ 2nd Mortgagee
☐ Additional Insured
☐ Loss Payee

Name Loan Number
Address
City State ZIP Code

Draft

I am applying for the insurance indicated and certify that the information supplied on this application is true and correct.

X

Applicant Signature | Producer Name and Address | Application Date and Time

CALIFORNIA EARTHQUAKE AUTHORITY
EARTHQUAKE INSURANCE APPLICATION INSTRUCTIONS

POLICY EFFECTIVE DATE AND EXPIRATION DATE

Provide CEA policy effective date and expiration date. Expiration date *must* be the same as the expiration date of the companion policy.

APPLICANT

Complete all requested information for applicant(s) including:

- Name(s)
- Telephone number(s)
- Street address of physical location of insured property
- Mailing address (if different from street address of property's physical location)

COMPANION POLICY INFORMATION

Complete all requested information for companion policy including:

- Name of Participating Insurer
- Policy number of companion policy
- Dwelling limit (i.e., Coverage A) of companion policy (if companion policy has dwelling limit)
- Expiration date of companion policy
- Type of companion policy

POLICY TYPE –RATING AND COVERAGE INFORMATION

Identify CEA policy type based on the type of companion policy as follows:

- **Homeowner** (Companion policy must be either a Homeowners (HO-1, 2, 3, 5, or 8), Dwelling Fire (building), Landlord (building), or Mobilehome policy.)
  - ***Manufactured Home (Mobilehome)*** (Written on CEA Homeowner Policy form; however, requires unique rating information.)
- **Condominium (i.e. Common Interest Development)** (Companion policy must be a Condominium Unit Owners (HO-6) policy.)
- **Renters** (Companion policy must be a Renters (HO-4), Mobilehome (tenant policy), Dwelling Fire (contents only), or Landlord (contents only) policy.)

Complete all information requested under the applicable CEA policy type. Select desired CEA policy limits and coverage options. Note: A CEA Homeowner/Manufactured Home (Mobilehome) must provide Coverage A-Dwelling coverage at a minimum; Personal Property- Coverage C and Loss of Use- Coverage D are optional Coverages.

PAYMENT OPTIONS

Select payment option:

- Annual; or
- Installments

SEND BILL TO

Select who should receive the bill:

- Insured; or
- Mortgagee

ADDITIONAL INTERESTS

Complete information requested for each additional interest, including:

- Type:
  - Mortgagee;
  - Additional insured; or
  - Loss payee
- Name and address
- Loan number (if applicable)

REMARKS

Include any additional remarks as needed.

SIGNATURE

Secure the applicant's signature on the application, the date, and time the application is completed.
Provide the producer's name and address.

Draft

Governing Board Memorandum

February 24, 2011

Agenda Item 9:	Proposed First Amendment to the (Restated) CEA Retirement Plan
Recommended Action:	Approve Amendment; Direct Staff to Seek a Favorable Determination Letter on the Tax-Qualified Status of the CEA Retirement Plan

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Background:

The CEA has a retirement plan (the "Plan") that was originally filed and approved by the Internal Revenue Service in 1997—CEA contract employees are plan participants as part of their CEA-employment benefits.

As laws governing retirement plans have changed over the years, and on advice of counsel, CEA has periodically amended and restated the Plan.

Analysis:

The Governing Board approved the most recent Plan restatement at its April 29, 2010, meeting, which served to keep the Plan current following changes in the law and guidance. After that Board meeting, however, the CEA's benefits counsel, Chang, Ruthenberg & Long, determined that the Plan did not contain language to support one-time irrevocable elections to defer 5% of compensation into the Plan upon commencement of employment, which has been the CEA's practice from and after commencement of the Plan on January 1, 1997.

On recommendation of counsel, the CEA submitted an application to the Voluntary Correction Program of the Internal Revenue Service, asking that IRS approve the Plan-correction language by adopting a retroactive Plan amendment, effective as of Plan commencement. The CEA received a compliance statement from the IRS on November 5, 2010, approving this correction.

To correct the Plan formally, the CEA must now submit an amendment to the Commissioner of Internal Revenue and secure a favorable determination letter on the tax-qualified status of the Plan.

Provided to the Board today are two attachments:

1. *Attachment A* is a copy of the fully executed revised IRS Compliance Statement, approving the proposed Plan-defect correction submitted to the IRS Voluntary Correction Program.
2. *Attachment B* is the First Amendment to the Plan, which staff proposes to send to the Commissioner of Internal Revenue (once typo on CEO title is corrected).

Recommendation:

Staff recommends that the Governing Board (1) approve the resolution adopting the Amendment and (2) direct staff to seek a favorable determination letter on the tax-qualified status of the Plan from the Commissioner of Internal Revenue.

APPENDIX D
VCP SUBMISSION

PART 1 – PLAN INFORMATION

1. Applicant's Name: California Earthquake Authority
2. Applicant's Address: 801 K Street, Suite 1000
   Sacramento, CA 95814-3518
3. Applicant's Telephone No.: _____ (Optional)
4. FAX No.: _____ (Optional)
5. Applicant's EIN: 68-0396140
6. Plan No. 001
7. Plan Name: California Earthquake Authority Retirement Plan
8. Type Of Submission

☐	Regular Submission
☒	Regular Submission – Anonymous
☐	Regular Submission – Multi-Employer Plan
☐	Regular Submission – Multiple Employer Plan
☐	Group Submission

9. Type Of Plan (Check One Only):

01	☐	Profit Sharing	09	☐	Cash Balance
02	☐	401(k)	10	☒	Governmental Plan (section 414(d))
03	☐	Money Purchase	11	☐	SEP
04	☐	Defined Benefit	12	☐	SARSEP
05	☐	ESOP	13	☐	SIMPLE
06	☐	Target Benefit	14	☐	Stock Bonus
07	☐	403(b)	15	☐	KSOP
08	☐	457	16	☐	Other (Specify):

10. Date (Month And Day) On Which Plan Year Ends: 12/31
11. Number of participants in the plan as provided on the most recently filed Form 5500 series (see Rev.Proc. 2008-50, section 12.07.): 3 participants. Note: The Plan is a government plan. No Form 5500 is filed.
12. Assets in the plan as provided on the most recently filed Form 5500 series (round to nearest dollar): $782,461. See Rev. Proc. 2008-50, section 12.07. Note: The Plan is a government plan. No Form 5500 is filed.

APPENDIX D
VCP SUBMISSION

Plan Name: California Earthquake Authority Retirement Plan EIN: 68-0396140 Plan No.: 001

If the Applicant is being represented by someone in connection with this matter or wishes to authorize someone to receive information from us in connection with this matter, submit a completed Form 2848 or Form 8821, and complete items 13 through 18.

13. Name Of Applicant's Representative: Marcel P. Weiland
14. Name Of Representative's Firm: Chang, Ruthenberg & Long PC
15. Representative's Address: 620 Coolidge Drive, Suite 350
    Folsom, California 95630
16. Representative's Telephone No.: (916) 357-5660 (Optional) 17. FAX No.: (916) 357-5644 (Optional)
18. Representative's E-Mail Address: MPW@seethebenefits.com (Optional)

PART II - APPLICANT'S DESCRIPTION OF FAILURES

Operational Failure

California Earthquake Authority ("Employer") is a governmental entity that sponsors the California Earthquake Authority Retirement Plan ("Plan") which is a profit sharing plan. The Plan was established effective January 1, 1997. All employees of the Employer are eligible to participate in the Plan except for civil service employees. To date, all eligible employees have been executives or contract employees of the Employer. The Plan provided for employer contributions at section 3.1 (copy enclosed).[1] The Plan does not require or allow employee contributions.

Each affected employee began employment with the Employer with the understanding that (i) he or she was required to either make or elect whether to make employee contributions equal to 5% of the compensation stated in the written employment agreement with the Employer (described further below), (ii) such contributions would be considered employer contributions, and (iii) such contributions would be on a pre-tax basis and would reduce taxable income. The Employer has treated the employee contributions to the Plan as if they were made according to a one-time irrevocable election under Treasury regulations section 1.401(k)-1(a)(3)(v) which provides:

[1] Unless otherwise specified, Plan sections refer to sections of the document in effect when this VCP application was submitted on March 16, 2010. The most recent plan document is the EGTRRA restatement dated April 2010. Section 6-2 of the adoption agreement for the EGTRRA restatement provides for employer contributions. (Copy enclosed.) Both documents provide for employer contributions but do not provide for one-time irrevocable employee elections.

APPENDIX D
VCP SUBMISSION

Plan Name: California Earthquake Authority Retirement Plan EIN: 68-0396140 Plan No.: 001

> *A cash or deferred election does not include a one-time irrevocable election made no later than the employee's first becoming eligible under the plan or any other plan or arrangement of the employer that is described in section 219(g)(5)(A) (whether or not such other plan or arrangement has terminated), to have contributions equal to a specified amount or percentage of the employee's compensation (including no amount of compensation) made by the employer on the employee's behalf to the plan and a specified amount or percentage of the employee's compensation (including no amount of compensation) divided among all other plans or arrangements of the employer (including plans or arrangements not yet established) for the duration of the employee's employment with the employer, or in the case of a defined benefit plan to receive accruals or other benefits (including no benefits) under such plans. Thus, for example, employer contributions made pursuant to a one-time irrevocable election described in this paragraph are not treated as having been made pursuant to a cash or deferred election and are not includible in an employee's gross income by reason of §1.402(a)-1(d).*

The Employer has not included these contributions in the employees' gross income for income or employment tax purposes. The Plan document does not explicitly provide for or preclude one-time irrevocable elections to be made by participants.

With two exceptions, every plan participant has entered into an employment contract with the Employer that provides that he "shall" or "must" participate in the Plan which "require(s)" contributions from the Employer and the participant. The contracts further provide that such participation shall continue so long as the participant remains an executive with the Employer.

The participants who were the two exceptions entered into a contract with the Employer that gave them the option to participate in the plan. The relevant portion of the contract provides that he

> *may elect to participate in the [Plan] which requires contributions from the [Employer] and [participant] . . . . If [participant] so elects . . . . Except as [Employer] and [participant] otherwise agree, [Employer] and [participant] shall make their respective contributions into the [Plan] for so long as [participant] retains an executive position at [Employer].*

APPENDIX D
VCP SUBMISSION

Plan Name: California Earthquake Authority Retirement Plan EIN: 68-0396140 Plan No.: 001

This participant elected to participate in the Plan. The Employer and the participant understood that the participant's election to participate in and contribute to the Plan was irrevocable. This understanding is evidenced by the election form executed by this employee at his commencement of employment that states that he understood that this is a one-time irrevocable election.

The Plan at section 2.3 (copy enclosed) provided that "[a] [P]articipant may, with the written consent of the Employer, elect in writing to waive participation in the Plan for any [P]lan [Y]ear." Therefore, although a participant could not unilaterally revoke his participation in the Plan, the plan language allowed revocation with the consent of the Employer. However, the Employer and each participant understood that the participant's election to participate and contribute to the Plan was irrevocable. The language contained in the employment contracts regarding these elections being one-time irrevocable elections, which clearly shows employer intent and employee expectation, was not incorporated into the Plan.

The Applicant believes that this situation has resulted in an operational failure, because the plan document did not and does not provide for one-time irrevocable elections of 5% of compensation such that these contributions did not clearly fall under the exemption from being a cash or deferred arrangement (CODA) as set forth under Treasury regulations section 1.401(k)-1(a)(3)(v). Because the Plan is a governmental plan, it is barred from having a CODA feature and consequently this operational failure constitutes a qualification failure.

Interim Amendment Failure

In addition, there was an interim amendment failure because the Plan was not timely amended for the final regulations under Code section 415.

PART III - APPLICANT'S DESCRIPTION OF THE PROPOSED METHOD OF CORRECTION

Proposed Method of Correction: Operational Failure

The Applicant proposes the following correction of the operational failure (and the resulting qualification failure):

The Employer will adopt an amendment to the Plan retroactively effective as of January 1, 1997 to conform the terms of the Plan to the actual operation of the Plan such that the Plan will provide for one-time irrevocable elections of 5% of compensation

APPENDIX D
VCP SUBMISSION

Plan Name: California Earthquake Authority Retirement Plan EIN: 68-0396140 Plan No.: 001

so that such contributions fall under the exemption from being considered a CODA as set forth under Treasury regulations section 1.401(k)-1(a)(3)(v). (A copy of the proposed amendment is enclosed.) The amendment to the Plan will provide that (i) a participant's contribution of 5% of compensation to the Plan will be considered an employer contribution made pursuant to a one-time irrevocable election under Treasury regulations section 1.401(k)-1(a)(3)(v), (ii) a participant will not have a cash or deferred election right with respect to the employee contributions so that each participant will not be allowed to opt out or receive the contributed amounts directly instead of having them paid by the Employer to the Plan, and (iii) the participant will not be able to revoke such an election once made.

The Employer's intent and the employees' expectation that these elections were one-time irrevocable elections is clearly shown by the language of the employment contracts. With two exceptions, every plan participant has entered into an employment contract with the Employer that provides that he "shall" or "must" participate in the Plan which "require(s)" contributions from the Employer and the participant. The contracts further provide that such participation shall continue so long as the participant remains an executive with the Employer (see enclosed redacted copies of the relevant pages of these contracts). The participants who were the two exceptions entered into a contract with the Employer that gave them the option to participate in the Plan. The relevant portion of the contract provides that if they elect to participate in the Plan that the contributions will be made so long as the participant remains an employee (see enclosed redacted copy of the relevant pages of the contract). In addition, these employees executed (or will execute) separate election forms indicating that they understood that the election was a one-time irrevocable election.

The Applicant proposes that the proposed retroactive amendment to the Plan serve as a correction of the operational failure and that the IRS treat the employees' contributions to the Plan as employer contributions made pursuant to a one-time irrevocable election from the inception of each contract and each participant's entry into the Plan to the present. As a result, no operational failure exists and there is no resulting qualification failure because of an impermissible CODA.

Proposed Method of Correction: Interim Amendment Failure

The Applicant proposes the following correction of the interim amendment failure:

The Employer has adopted a retroactive amendment that satisfies the requirements of the final regulations under Code Section 415. (A copy of the amendment is enclosed.)

APPENDIX D
VCP SUBMISSION

Plan Name: California Earthquake Authority Retirement Plan EIN: 68-0396140 Plan No.: 001

PART IV- APPLICANT'S PROPOSED REVISION TO ADMINISTRATIVE PROCEDURES

There is no need to revise the Plan's Administrative Procedures.

PART V - REQUESTS RELATED TO EXCISE TAXES, ADDITIONAL TAX, AND TAX REPORTING

☐ The Applicant requests that the Service not pursue the following taxes under the Internal Revenue Code (attach supporting rationale as required by Section 6.09), labeled "PART V. REQUESTS RELATED TO EXCISE TAX, ADDITIONAL TAX, AND TAX REPORTING."

- ☐ Excise tax under section 4972 with respect to failure(s) #_____.
- ☐ Excise tax under section 4973 with respect to failure(s) #_____.
- ☐ Excise tax under section 4974 with respect to failure(s) #_____.
- ☐ Excise tax under section 4979 with respect to failure(s) #_____.
- ☐ Imposition of additional tax under section 72(t) with respect to failure(s) #_____.

☐ The Applicant requests that the Service grant the following with respect to plan loan failures as described in section 6.07 of Rev. Proc. 2008-50:

- ☐ With respect to failure(s) #_____, that a deemed distribution corrected pursuant to this VCP submission not be required to be reported on Form 1099-R and that repayments made by such correction not result in the affected participant having additional basis in the plan for purposes of determining the tax treatment of subsequent distributions from the plan.

- ☐ With respect to failure(s) #_____, that a deemed distribution be reported on Form 1099-R with respect to affected participant(s) for the year of correction instead of the year of the failure.

PART VI - APPLICANT'S REPRESENTATIONS

(NOTE: Since the representations include the penalty of perjury statement, the representations under Part VI of this Appendix D must be signed by the Plan Sponsor, not the plan representative.)

A. Under Examination

To the best of my knowledge:

APPENDIX D
VCP SUBMISSION

Plan Name: California Earthquake Authority Retirement Plan EIN: 68-0396140 Plan No.: 001

1. The subject plan is not currently under examination of either an Employee Plans Form 5500 series return or other Employee Plans examination;
2. The Plan Sponsor is not under an Exempt Organizations examination (that is, an examination of a Form 990 series return or other Exempt Organizations examination);
3. Neither the Plan Sponsor nor any of its representatives has received verbal or written notification from the Tax Exempt and Government Entities Division of the Internal Revenue Service of an impending examination or of any impending referral for such examination, nor is the plan in Appeals or litigation for any issues raised in such an examination; and
4. The subject plan is not currently under investigation by the Criminal Investigation Division of the Internal Revenue Service.

B. Abusive tax avoidance transaction (check box that applies)

☒ Neither the plan nor the Plan Sponsor has been a party to an abusive tax avoidance transaction as defined in section 4.13(2) of Rev. Proc. 2008-50.

☐ The plan or the Plan Sponsor has been a party to an abusive tax avoidance transaction. Details of the transaction(s) are provided in a separate statement which has been included with the submission.

C. Compliance Fee

The Applicant will neither attempt to amortize, deduct, or recover from the Internal Revenue Service any compliance fee paid in connection with this compliance statement nor receive any Federal tax benefit on account of payment of such compliance fee.

D. Penalties of Perjury

Under penalties of perjury, I declare that I have examined this submission, including accompanying documents and representations. To the best of my knowledge and belief, the facts and information presented in support of this submission are true, correct, and complete.

Signed: Glenn Pomeroy Date: 10-5-10

Name: Glenn Pomeroy Title: Chief Executive Officer

APPENDIX D
VCP SUBMISSION

Plan Name: California Earthquake Authority Retirement Plan EIN: 68-0396140 Plan No.: 001

PART VII - ENFORCEMENT RESOLUTION (to be completed by IRS only)

The Service will not pursue the sanction of revoking the tax-favored status of the plan under sections 401(a), 403(b), 408(k) or 408(p) on account of the failure(s) described in this submission. This compliance statement considers only the acceptability of the correction method(s) and the revision(s) of administrative procedures described in the submission and does not express an opinion as to the accuracy or acceptability of any calculations or other material submitted with the application. In no event may this compliance statement be relied on for the purpose of concluding that the plan or Plan Sponsor (as defined in Rev. Proc. 2008-50) was not a party to an abusive tax avoidance transaction. The compliance statement should not be construed as affecting the rights of any party under any other law, including Title I of the Employee Retirement Income Security Act of 1974.

This compliance statement is conditioned on (1) there being no misstatement or omission of material facts in connection with the submission and (2) the completion of all corrections described within one hundred fifty (150) days of the date of the compliance statement.

☐ The Service will treat the failure to adopt interim amendments or amendments for optional law changes, as described in section 6.05(3)(a) of Rev. Proc. 2008-50 as if they had been adopted timely for the purpose of making available the extended remedial amendment period currently set forth in Revenue Procedure 2007-44, 2007-28 I.R.B. 54, or its successors. However, this compliance statement does not constitute a determination as to whether any such plan amendments, as drafted, comply with the applicable changes in qualification requirements.

☐ The Service will not pursue the following on account of the qualification failure(s) described in this submission:

- ☐ Excise tax under section 4972.
- ☐ Excise tax under section 4973.
- ☐ Excise tax under section 4974.
- ☐ Excise tax under section 4979.

☐ With respect to the loan failure(s) described in this submission:

- ☐ The Service will not require deemed distributions under section 72(p) to be reported on Forms 1099-R with respect to the participant(s) affected by the failure(s), and repayments made pursuant to the correction of such loan(s) will not result in an affected participant having additional basis in the plan for the purpose of determining the tax treatment of subsequent distributions from the plan to such participant(s).

APPENDIX D
VCP SUBMISSION

Plan Name: California Earthquake Authority Retirement Plan EIN: 68-0396140 Plan No.: 001

☐ The Service will require deemed distributions under section 72(p) to be reported on Form 1099-R with respect to the participant(s) affected by the failure(s). However, the plan will be permitted to report deemed distributions on Form 1099-R in the year of correction, instead of the year of the failure.

☐ With respect to the Overpayment failures described in this submission that were corrected by removing improper distributions from the IRA(s) of the affected participant(s) and returning those distributions to the plan, the Service will not pursue _____% of the 10% additional income tax under section 72(t).

Approved: _____ Date: NOV 0 5 2010

Joyce Kahn, Manager
Employee Plans Voluntary Compliance
Tax Exempt and Government Entities Division

FIRST AMENDMENT TO
CALIFORNIA EARTHQUAKE AUTHORITY RETIREMENT PLAN

This First Amendment (Amendment) to the California Earthquake Authority Retirement Plan (Plan) is adopted by California Earthquake Authority (Employer), to be effective on and as of the date set forth below.

RECITALS

A. The Employer adopted the Plan effective as of January 1, 1997 as a plan of deferred compensation that qualifies under section 401(a) of the Internal Revenue Code of 1986, as amended (Code).

B. The Employer amended and restated the Plan in May 2001, effective as of January 1, 1997 in order to comply with certain changes in the Code's qualification requirements.

C. The Employer subsequently amended the Plan on several occasions in order to comply with certain other changes in the Code's qualification requirements and changes in the Treasury regulations that interpret such requirements.

D. The Plan is a "governmental plan" as defined in Code section 414(d) and, as such, the Plan (i) is not subject to all of the qualification requirements contained in Code section 401(a) and other related provisions of the Code and (ii) is not subject to the requirements of the Employee Retirement Income Security Act of 1974, as amended.

E. The Employer and each participant in the Plan intended and understood that the Plan provided a one-time deferral election.

F. The Employer now wishes to amend the Plan to clarify that the Plan provides a one-time deferral election and to eliminate any contrary provisions, effective to the Plan's original effective date.

In accordance with the forgoing recitals, the Employer hereby amends the Plan, effective January 1, 1997, by adding section 6-2(f) to the Plan's adoption agreement and selecting 6-2(f) as follows:

☒ ***NONELECTIVE CONTRIBUTIONS***

Pursuant to Treasury regulations section 1.401(k)-1(a)(3)(v), an Employee who is eligible to become a Participant under this Plan shall immediately authorize the Employer, through a one-time irrevocable election, to deduct five percent (5%) of such

Participant's Compensation prior to its payment as a Nonelective Contribution to the Plan. The Employer will make such a Nonelective Contribution to the Plan on the Participant's behalf equal to five percent (5%) of the Participant's Compensation. The Participant will not have a cash or deferred election right with respect to such percentage or amount. The Participant cannot opt out or receive the contributed amounts directly instead of having them paid by the Employer to the Plan. The Participant cannot revoke such election once it is made.

The language of this Amendment shall supersede the provisions of the Plan to the extent those provisions are inconsistent with the provisions of this Amendment. Except as amended above, the remaining provisions of the Plan shall remain in full force and effect.

Dated this ____ day of _____ 201___.

EMPLOYER

CALIFORNIA EARTHQUAKE AUTHORITY

By: _____
Glenn Pomeroy

Title: _____President_____

Governing Board Memorandum

February 24, 2011

Agenda Item 10:	Planning for evaluation of CEO Glenn Pomeroy under the CEA's *Executive Performance Management Plan*
Recommended Actions:	Designate a Governing Board member to conduct the annual appraisal of the CEO's performance and report recommendations to the Board

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Background:

Under the CEA's *Executive Performance Management Plan* (PMP) the Governing Board adopted in 2002, the CEO's performance is reviewed by the Board each year. The CEA's PMP appraisal process allows a full assessment of the CEO's accomplishments in the previous year and provides for feedback to the executive employee and guidance to enhance future performance.

Analysis:

Glenn Pomeroy joined the CEA as its Chief Executive Officer in the spring of 2008, and it is once again time for the Board to delegate to one of its members the groundwork of appraising Mr. Pomeroy's previous-year performance under the PMP, with the proviso that the resulting findings, appraisal, and any recommendations be brought to the Board for action.

Recommendation:

To initiate the PMP process for Mr. Pomeroy for the current evaluation period, the Board should designate one of its members to conduct the CEO evaluation, with the proviso that the reviewer's findings, appraisal, and recommendations, including compensation recommendations, be brought to the Board for consideration and action.

California Earthquake Authority

Losses & Loss Adjustment Expenses (LAE) Paid - Cumulative to December 31, 2010

Event Code	Event Name	Date of Event	Magnitude	Location	# of Paid Claims	Losses Paid	LAE Paid	Total Paid Losses & LAE
98010	Chino	1/5/1998	4.3	3 mi. W of Chino	1	$1,385.72	$124.71	$1,510.43
98050	San Juan Bautista	8/12/1998	5.3	7 mi. SSE of San Juan Bautista	1	161,204.93	13,643.13	$174,848.06
98070	Redding	11/26/1998	5.2	3 mi. NNW of Redding	1	4,029.72	362.67	$4,392.39
	1998 Minor Quakes				2	4,199.20	377.93	$4,577.13
99050	Hector Mine	11/16/1999	7.0	28 mi. N of Joshua Tree (near Palm Springs)	25	137,361.81	12,362.47	$149,724.28
	1999 Minor Quakes				1	4,037.26	363.35	$4,400.61
00030	Napa	9/3/2000	5.2	17 mi. ESE of Santa Rosa; 6 mi. NNE of Sonoma;	15	278,130.07	25,031.71	$303,161.78
01010	Ferndale	1/13/2001	5.4	53 mi. WNW of Ferndale	1	34,764.54	3,128.79	$37,893.33
	2001 Minor Quakes				1	52,896.82	4,760.70	$57,657.52
01040	West Hollywood	9/9/2001	4.2	West Hollywood	10	67,044.15	6,033.94	$73,078.09
	2002 Minor Quakes				1	8,361.24	752.51	$9,113.75
03090	San Simeon	12/22/2003	6.4	7 mi. NE of San Simeon	84	2,692,628.02	242,339.74	$2,934,967.76
04120	Parkfield	9/28/2004	6.0	7 mi SSE of Parkfield	1	7,032.59	632.93	$7,665.52
07240	Chatsworth	8/9/2007	4.5	4 mi NNW of Chatsworth	1	7,813.88	703.24	$8,517.12
07250	Alum Rock	10/30/2007	5.6	5 mi NNE of Alum Rock	1	6,149.20	553.42	$6,702.62
08280	Chino Hills	7/29/2008	5.4	5.5 mi SE of Diamond Bar	8	156,781.38	14,110.29	$170,891.67
09320	Calexico	12/30/2009	5.9	22.7 mi SE of Calexico	1	275.88	24.83	$300.71
	2009 Minor Quakes				1	1,413.51	127.22	$1,540.73
10330	Ferndale	1/9/2010	6.5	27 mi W of Ferndale	2	6,023.06	542.07	$6,565.13

California Earthquake Authority

Losses & Loss Adjustment Expenses (LAE) Paid - Cumulative to December 31, 2010

Event Code	Event Name	Date of Event	Magnitude	Location	# of Paid Claims	Losses Paid	LAE Paid	Total Paid Losses & LAE
10360	Baja California Mexico	4/4/2010	7.2	16 mi SW from Guadalupe Victoria, Mexico	15	61,788.79	5,560.92	$67,349.71
				Total	**173**	**$3,693,321.77**	**$331,536.57**	**$4,024,858.34**

Claims History Report Glossary

Event Code: A 5 digit code that the CEA assigns to all earthquakes expected to produce paid losses. This code is used to track statistics for a particular earthquake.

Event Name: This is generally the name given to the earthquake by the USGS (United States Geological Survey).

Date of Event: Date that the earthquake occurred.

Magnitude: Richter scale magnitude assigned by USGS.

Location: This is assigned by USGS and is usually a city close to the earthquake.

# of Paid Claims: A numeric count of the claims that received a payment for damage caused by a particular earthquake.

Losses Paid: Total dollar amount of all claims paid to the policyholders for a particular earthquake.

LAE Paid: "LAE" stands for Loss Adjustment Expense which is always 9% of paid losses. This is the amount paid to the Participating Insurers for handling the claim.

Total Paid Losses and ALE: The sum of Losses Paid and LAE Paid.

Minor Quakes: Losses paid for damage from minor earthquakes that were initially not expected to generate a claim and therefore were not issued a CEA event code.

California Earthquake Authority

Operations - Governing Board Report

All Companies - As Of 1/23/2011 - Policies in Force on: 12/31/2010

TOTALS	Policies In Force	% Total	Exposure	% Total	Written Premium	% Total	Avg Written Premium
Homeowner							
15% Total	588,183	72.5 %	246,325,744,017	85.6 %	478,369,811	80.8 %	813
10% Total	59,764	7.4 %	28,024,048,807	9.7 %	63,717,192	10.8 %	1,066
Homeowner Total	647,947	79.9 %	274,349,792,824	95.3 %	542,087,003	91.6 %	837
Manufactured Homes (Mobilehomes)							
15% Total	20,874	2.6 %	2,107,726,073	0.7 %	2,033,383	0.3 %	97
10% Total	3,549	0.4 %	518,936,049	0.2 %	438,636	0.1 %	124
Manufactured Homes (Mobilehomes) Total	24,423	3.0 %	2,626,662,122	0.9 %	2,472,019	0.4 %	101
Condo Total	101,553	12.5 %	9,389,064,000	3.3 %	40,674,883	6.9 %	401
Renter Total	37,394	4.6 %	1,375,589,500	0.5 %	6,574,564	1.1 %	176
Grand Total	811,317	100.0 %	287,741,108,446	100.0 %	591,808,469	100.0 %	729

California Earthquake Authority

Operations - Governing Board Report

All Companies - As Of 1/23/2011 - Policies in Force on: 12/31/2010

HOMEOWNER	Policies In Force	% Total	Exposure	% Total	Written Premium	% Total	Avg Written Premium
Deductible - 15%							
CovA/C5k/D1.5k/BCU10k	588,183	90.8 %	239,073,393,017	87.1 %	442,269,663	81.6 %	752
BCU 20k	53,994	8.3 %	539,940,000	0.2 %	1,447,391	0.3 %	27
Coverage C 25k	30,032	4.6 %	600,640,000	0.2 %	5,169,834	1.0 %	172
Coverage C 50k	20,649	3.2 %	929,205,000	0.3 %	5,113,731	0.9 %	248
Coverage C 75k	10,529	1.6 %	737,030,000	0.3 %	3,282,975	0.6 %	312
Coverage C 100k	32,741	5.1 %	3,110,395,000	1.1 %	13,036,966	2.4 %	398
Coverage D 10k	38,493	5.9 %	327,190,500	0.1 %	2,008,483	0.4 %	52
Coverage D 15k	74,663	11.5 %	1,007,950,500	0.4 %	6,040,768	1.1 %	81
15% Total	**588,183**	**90.8 %**	**246,325,744,017**	**89.8 %**	**478,369,811**	**88.2 %**	**813**
Deductible - 10%							
CovA/C5k/D1.5k/BCU10k	59,764	9.2 %	24,936,344,307	9.1 %	50,784,918	9.4 %	850
BCU 20k	11,873	1.8 %	118,730,000	0.0 %	302,077	0.1 %	25
Coverage C 25k	9,847	1.5 %	196,940,000	0.1 %	1,647,709	0.3 %	167
Coverage C 50k	7,463	1.2 %	335,835,000	0.1 %	1,568,511	0.3 %	210
Coverage C 75k	4,421	0.7 %	309,470,000	0.1 %	1,134,850	0.2 %	257
Coverage C 100k	17,196	2.7 %	1,633,620,000	0.6 %	6,006,464	1.1 %	349
Coverage D 10k	13,690	2.1 %	116,365,000	0.0 %	552,652	0.1 %	40
Coverage D 15k	27,907	4.3 %	376,744,500	0.1 %	1,720,009	0.3 %	62
10% Total	**59,764**	**9.2 %**	**28,024,048,807**	**10.2 %**	**63,717,192**	**11.8 %**	**1,066**
Homeowner Total	**647,947**	**100.0 %**	**274,349,792,824**	**100.0 %**	**542,087,003**	**100.0 %**	**837**

California Earthquake Authority

Operations - Governing Board Report

All Companies - As Of 1/23/2011 - Policies in Force on: 12/31/2010

MANUFACTURED HOMES (MOBILEHOMES)	Policies In Force	% Total	Exposure	% Total	Written Premium	% Total	Avg Written Premium
Deductible - 15%							
CovA/C5k/D1.5k/BCU10k	20,874	85.5 %	1,928,760,573	73.4 %	1,928,483	78.0 %	92
Coverage C 25k	1,597	6.5 %	31,940,000	1.2 %	21,040	0.9 %	13
Coverage C 50k	1,078	4.4 %	48,510,000	1.8 %	17,618	0.7 %	16
Coverage C 75k	316	1.3 %	22,120,000	0.8 %	5,849	0.2 %	19
Coverage C 100k	433	1.8 %	41,135,000	1.6 %	9,855	0.4 %	23
Coverage D 10k	1,758	7.2 %	14,943,000	0.6 %	23,175	0.9 %	13
Coverage D 15k	1,505	6.2 %	20,317,500	0.8 %	27,363	1.1 %	18
15% Total	**20,874**	**85.5 %**	**2,107,726,073**	**80.2 %**	**2,033,383**	**82.3 %**	**97**
Deductible - 10%							
CovA/C5k/D1.5k/BCU10k	3,549	14.5 %	370,090,049	14.1 %	379,739	15.4 %	107
Coverage C 25k	1,089	4.5 %	21,780,000	0.8 %	10,320	0.4 %	9
Coverage C 50k	888	3.6 %	39,960,000	1.5 %	10,795	0.4 %	12
Coverage C 75k	299	1.2 %	20,930,000	0.8 %	3,728	0.2 %	12
Coverage C 100k	392	1.6 %	37,240,000	1.4 %	6,433	0.3 %	16
Coverage D 10k	1,222	5.0 %	10,387,000	0.4 %	10,617	0.4 %	9
Coverage D 15k	1,374	5.6 %	18,549,000	0.7 %	17,003	0.7 %	12
10% Total	**3,549**	**14.5 %**	**518,936,049**	**19.8 %**	**438,636**	**17.7 %**	**124**
Manufactured Homes (Mobilehomes) Total	**24,423**	**100.0 %**	**2,626,662,122**	**100.0 %**	**2,472,019**	**100.0 %**	**101**

California Earthquake Authority

Operations - Governing Board Report

All Companies - As Of 1/23/2011 - Policies in Force on: 12/31/2010

CONDO	Policies In Force	% Total	Exposure	% Total	Written Premium	% Total	Avg Written Premium
Coverage A/BCU 10k	70,825	69.7 %	2,478,875,000	26.4 %	6,283,843	15.4 %	89
Coverage C 5k/D 1.5k	36,643	36.1 %	238,179,500	2.5 %	3,336,169	8.2 %	91
Coverage C 5k[1]	6,685	6.6 %	33,425,000	0.4 %	631,937	1.6 %	95
Coverage C 25k	13,537	13.3 %	338,425,000	3.6 %	2,649,116	6.5 %	196
Coverage C 50k	11,958	11.8 %	597,900,000	6.4 %	2,657,943	6.5 %	222
Coverage C 75k	6,047	6.0 %	453,525,000	4.8 %	1,487,791	3.7 %	246
Coverage C 100k	11,535	11.4 %	1,153,500,000	12.3 %	2,913,907	7.2 %	253
Coverage D 1.5k[2]	7,473	7.4 %	11,209,500	0.1 %	3	0.0 %	0
Coverage D 10k	15,252	15.0 %	152,520,000	1.6 %	201,715	0.5 %	13
Coverage D 15k	27,037	26.6 %	405,555,000	4.3 %	430,606	1.1 %	16
Coverage E 25k	2,890	2.8 %	72,250,000	0.8 %	706,775	1.7 %	245
Coverage E 50k	63,101	62.1 %	3,155,050,000	33.6 %	17,847,688	43.9 %	283
Coverage E 75k	3,982	3.9 %	298,650,000	3.2 %	1,527,391	3.8 %	384
Condo Total	**101,553**	**100.0 %**	**9,389,064,000**	**100.0 %**	**40,674,883**	**100.0 %**	**401**

[1]Policies that have a Coverage C limit of 5k and a Coverage D limit >1.5k

[2]Policies that have a Coverage D limit of 1.5k and a Coverage C limit >5k

California Earthquake Authority

Operations - Governing Board Report

All Companies - As Of 1/23/2011 - Policies in Force on: 12/31/2010

RENTER	Policies In Force	% Total	Exposure	% Total	Written Premium	% Total	Avg Written Premium
Coverage C 5k/D 1.5k	14,780	39.5 %	96,070,000	7.0 %	1,431,444	21.8 %	97
Coverage C 5k[1]	2,506	6.7 %	12,530,000	0.9 %	251,375	3.8 %	100
Coverage C 25k	8,373	22.4 %	209,325,000	15.2 %	1,735,496	26.4 %	207
Coverage C 50k	6,113	16.3 %	305,650,000	22.2 %	1,435,604	21.8 %	235
Coverage C 75k	2,039	5.5 %	152,925,000	11.1 %	535,959	8.2 %	263
Coverage C 100k	3,583	9.6 %	358,300,000	26.0 %	905,911	13.8 %	253
Coverage D 1.5k[2]	4,733	12.7 %	7,099,500	0.5 %	1	0.0 %	0
Coverage D 10k	6,905	18.5 %	69,050,000	5.0 %	98,292	1.5 %	14
Coverage D 15k	10,976	29.4 %	164,640,000	12.0 %	180,483	2.7 %	16
Renter Total	**37,394**	**100.0 %**	**1,375,589,500**	**100.0 %**	**6,574,564**	**100.0 %**	**176**

[1]Policies that have a Coverage C limit of 5k and a Coverage D limit >1.5k

[2]Policies that have a Coverage D limit of 1.5k and a Coverage C limit >5k

California Earthquake Authority

Historical Reinsurance Costs

Base & Supplemental Limits

Contract Year	Contract	Limit		Retention	Rate On Line (ROL)	Premium
2011	Contract #1	$200,000,000	xs	$3,300,000,000	8.1500%	$16,300,000
	Contract #2	$1,300,000,000	xs	$3,500,000,000	7.5000%	$97,500,000
	Contract #3	$500,000,000	xs	$4,500,000,000	6.2000%	$31,000,000
	Contract #3a	$200,000,000	xs	$4,500,000,000	6.0000%	$12,000,000
	Contract #4 (65% placed)	$650,000,000	xs	$5,000,000,000	5.5000%	$35,750,000
	Contract #4a (5% placed)	$50,000,000	xs	$5,000,000,000	5.5000%	$2,062,500
	Total	**$2,900,000,000**	**xs**	**$3,300,000,000**	**6.7108%**	**$194,612,500**
Percent Change from Previous Year		-7.13%			-6.24%	-12.92%
2010	Contract #1	$202,500,000	xs	$3,300,000,000	9.2500%	$18,731,250
	Contract #2	$1,000,000,000	xs	$3,500,000,000	8.5500%	$85,500,000
	Contract #3	$275,000,000	xs	$4,250,000,000	7.7000%	$21,175,000
	Contract #4	$300,000,000	xs	$4,500,000,000	6.8000%	$20,400,000
	Contract #5 (97.10% placed)	$200,000,000	xs	$4,800,000,000	6.5000%	$12,623,000
	Contract #6 (94.05% placed)	$250,000,000	xs	$5,000,000,000	6.2500%	$14,695,313
	Contract #7 (79.62619% placed)	$1,150,000,000	xs	$5,250,000,000	5.5000%	$50,363,565
	Total	**$3,122,526,185**	**xs**	**$3,300,000,000**	**7.1573%**	**$223,488,128**
Percent Change from Previous Year		0.73%			13.96%	14.79%
2009	Contract #1	$500,000,000	xs	$3,500,000,000	7.7500%	$38,749,846
	Contract #2	$500,000,000	xs	$4,000,000,000	6.9999%	$34,999,384
	Contract #3	$200,000,000	xs	$4,500,000,000	5.9600%	$11,920,000
	Contract #4	$100,000,000	xs	$4,700,000,000	5.8000%	$5,800,000
	Contract #5	$200,000,000	xs	$4,800,000,000	5.5400%	$11,080,000
	Contract #6	$200,000,000	xs	$5,000,000,000	5.3100%	$10,620,000
	Contract #7 Backup Reinsurance for Transformer	$250,000,000	xs	$5,160,000,000	6.9900%	$17,475,000
	Contract #8	$650,000,000	xs	$5,410,000,000	4.9938%	$32,460,000
	Contract #9 Backup Reinsurance for Transformer	$400,000,000	xs	$6,000,000,000	6.6500%	$26,600,000
	Contract #10	$100,000,000	xs	$6,060,000,000	4.9938%	$4,993,846
	Total	**$3,100,000,000**	**xs**	**$3,500,000,000**	**6.2806%**	**$194,698,076**
Percent Change from Previous Year		85.96%			-26.36%	5.71%
						(Combined base & Supplemental)

California Earthquake Authority
Historical Reinsurance Costs

Base-Limits

Contract Year	Contract	Limit		Retention	Rate On Line (ROL)	Premium
2008	Combined Reinsurance Contract #1	$300,000,000	xs	$3,600,000,000	9.8000%	$29,400,000
	Combined Reinsurance Contract #2	$1,367,000,000	xs	$3,900,000,000	8.2500%	$112,777,500
	Total	**$1,667,000,000**	**xs**	**$3,600,000,000**	**8.5289%**	**$142,177,500**
Percent Change from Previous Year		-11.58%			5.77%	-6.48%
2007	Collateralized Reinsurance Contract (2006-2007)	$350,000,000	xs	$3,600,000,000	6.9500%	$24,325,000
	Reinsurance Layer 1	$150,000,000	xs	$3,950,000,000	15.0000%	$22,500,000
	Reinsurance Layer 2	$50,000,000	xs	$4,100,000,000	12.5000%	$6,250,000
	Collateralized Reinsurance Contract (2007)	$125,000,000	xs	$4,150,000,000	11.5000%	$14,375,000
	Reinsurance Layer 3	$20,000,000	xs	$4,275,000,000	11.0000%	$2,200,000
	Reinsurance Layer 4 (79.45953% placed)	$1,200,000,000	xs	$4,300,000,000	7.1000%	$0
	Reinsurance Layer 5 (79.47738% placed)	$298,000,000	xs	$5,500,000,000	6.2000%	$0
	Total	**$1,885,356,952**	**xs**	**$3,600,000,000**	**8.0639%**	**$152,033,760**
Percent Change from Previous Year		7.37%			24.19%	33.33%
2006	Collateralized Reinsurance Contract (2005-2006)	$300,000,000	xs	$3,300,000,000	7.0000%	$21,000,000
	Collateralized Reinsurance Contract (2006-2007)	$350,000,000	xs	$3,600,000,000	6.9500%	$24,325,000
	Collateralized Reinsurance Contract	$30,000,000	xs	$3,950,000,000	6.8000%	$2,040,000
		$680,000,000	**xs**	**$3,300,000,000**	**6.9654%**	**$47,365,000**
	Base-Limit Coverage Reinsurance Contract	$1,076,000,000	xs	$4,006,000,000	6.0000%	$64,560,000
	Insurance In Force Adjustment					$2,100,000
	Total	**$1,756,000,000**	**xs**	**$3,300,000,000**	**6.4935%**	**$114,025,000**
Percent Change from Previous Year		17.07%			5.83%	23.89%

California Earthquake Authority
Historical Reinsurance Costs

Contract Year	Contract	Limit		Retention	Rate On Line (ROL)	Premium
2005	Collateralized Reinsurance Contract (2005-2006)	$300,000,000	xs	$3,300,000,000	7.0000%	$21,000,000
	First Transformer Layer (2004-2005)	$150,000,000	xs	$3,600,000,000	7.2500%	$10,875,000
	MLCRC First Reinsurance Layer	$550,000,000	xs	$3,750,000,000	5.7500%	$31,625,000
		$1,000,000,000	**xs**	**$3,300,000,000**	**6.3500%**	**$63,500,000**
	Second Transformer Layer (2004-2005)	$200,000,000	xs	$4,617,000,000	5.5000%	$11,000,000
	MLCRC Second Reinsurance Layer	$300,000,000	xs	$4,817,000,000	4.3500%	$13,050,000
		$500,000,000	**xs**	**$4,617,000,000**	**4.8100%**	**$24,050,000**
	Insurance In Force Adjustment [1]					$4,484,662
	Total	**$1,500,000,000**	**xs**	**$3,300,000,000**	**6.1356%**	**$92,034,662**
Percent Change from Previous Year		0.00%			-8.51%	-8.51%
2004	MLCRC First Reinsurance Layer	$700,000,000	xs	$2,900,000,000	7.8500%	$54,950,000
	First Transformer Layer (2004-2005)	$150,000,000	xs	$3,600,000,000	7.2500%	$10,875,000
	MLCRC Second Reinsurance Layer	$150,000,000	xs	$3,750,000,000	6.3500%	$9,525,000
		$1,000,000,000	**xs**	**$2,900,000,000**	**7.5350%**	**$75,350,000**
	Second Transformer Layer (2004-2005)	$200,000,000	xs	$4,617,000,000	5.5000%	$11,000,000
	MLCRC Third Reinsurance Layer	$300,000,000	xs	$4,817,000,000	4.7500%	$14,250,000
		$500,000,000	**xs**	**$4,617,000,000**	**5.0500%**	**$25,250,000**
	Total	**$1,500,000,000**	**xs**	**$2,900,000,000**	**6.7067%**	**$100,600,000**
Percent Change from Previous Year		-2.47%			-6.40%	-8.72%
2003	MLCRC Coverage A	$600,000,000	xs	$2,900,000,000	8.8000%	$52,800,000
	MLCRC Coverage B	$400,000,000	xs	$3,500,000,000	7.2500%	$29,000,000
		$1,000,000,000	**xs**	**$2,900,000,000**	**8.1800%**	**$81,800,000**
	Transformer Layer	$200,000,000	xs	$4,617,000,000	5.5000%	$11,000,000
	MLCRC Coverage C	$338,000,000	xs	$4,817,000,000	5.1500%	$17,407,000
		$538,000,000	**xs**	**$4,617,000,000**	**5.2801%**	**$28,407,000**
	Total	**$1,538,000,000**	**xs**	**$2,900,000,000**	**7.1656%**	**$110,207,000**
Percent Change from Previous Year		-21.98%			6.99%	-16.53%

California Earthquake Authority
Historical Reinsurance Costs

Contract Year	Contract	Limit		Retention	Rate On Line (ROL)	Premium
2002	First Aggregate	$1,433,620,000	xs	$3,436,000,000	7.2500%	$82,187,450
	First Aggregate ($200M part of)	$1,433,620,000	xs	$3,436,000,000	7.1400%	$14,280,000
	First Aggregate ($100M part of)	$1,433,620,000	xs	$3,436,000,000	5.9900%	$5,990,000
		$1,433,620,000	**xs**	**$3,436,000,000**	**7.1468%**	**$102,457,450**
	Second Aggregate	$537,607,500	xs	$5,326,000,000	5.5000%	$29,568,413 [2]
	Total	**$1,971,227,500**	**xs**	**$3,436,000,000**	**6.6976%**	**$132,025,863**
Percent Change from Previous Year		0.00%			-13.69%	-13.69%
2001	First Aggregate	$1,433,620,000	xs	$3,130,000,000	8.5000%	$96,357,700
	First Aggregate ($200M part of)	$1,433,620,000	xs	$3,130,000,000	7.5000%	$15,000,000
	First Aggregate ($100M part of)	$1,433,620,000	xs	$3,130,000,000	5.9900%	$5,990,000
		$1,433,620,000	**xs**	**$3,130,000,000**	**8.1854%**	**$117,347,700**
	Second Aggregate	$537,607,500	xs	$5,281,000,000	6.6250%	$35,616,497
	Total	**$1,971,227,500**	**xs**	**$3,130,000,000**	**7.7598%**	**$152,964,197**
Percent Change from Previous Year		-21.43%			-17.31%	-35.03%
2000	First Aggregate	$1,433,620,000	xs	$2,843,000,000	8.5000%	$104,857,697
	First Aggregate ($200M part of)	$1,433,620,000	xs	$2,843,000,000	7.5000%	$15,000,002
		$1,433,620,000	**xs**	**$2,843,000,000**	**8.3605%**	**$119,857,699**
	Second Aggregate	$1,075,215,000	xs	$4,993,000,000	10.7500%	$115,585,613
	Total	**$2,508,835,000**	**xs**	**$2,843,000,000**	**9.3846%**	**$235,443,311**
Percent Change from Previous Year		0.00%			3.02%	3.02%
1999	First Aggregate	$1,433,620,000	xs	$2,602,000,000	11.0000%	$157,698,200
	No Claims Bonus Paid to CEA					($28,970,456)
	Exposure Adjustment					($15,769,820)
	Revised ROL and Premium	$1,433,620,000	xs	$2,602,000,000	7.8792%	$112,957,924
	Second Aggregate	$1,075,215,000	xs	$4,753,000,000	10.7500%	$115,585,613
	Total	**$2,508,835,000**	**xs**	**$2,602,000,000**	**9.1095%**	**$228,543,537**
Percent Change from Previous Year		0.00%			-23.56%	-23.56%

California Earthquake Authority
Historical Reinsurance Costs

Contract Year	Contract	Limit		Retention	Rate On Line (ROL)	Premium
1998	First Aggregate	$1,433,620,000	xs	$2,726,000,000	14.3750%	$206,082,875
	No Claims Bonus Paid to CEA					($22,687,734)
	Revised ROL and Premium	$1,433,620,000	xs	$2,726,000,000	12.7925%	$183,395,141
	Second Aggregate	$1,075,215,000	xs	$4,877,000,000	10.7500%	$115,585,613
	Total	**$2,508,835,000**	**xs**	**$2,726,000,000**	**11.9171%**	**$298,980,754**
Percent Change from Previous Year		16.13%			-4.19%	11.27%
1997	First Aggregate	$1,433,620,000	xs	$2,850,000,000	14.3750%	$206,082,875
	No Claims Bonus Paid to CEA					($14,430,600)
	Revised ROL and Premium	$1,433,620,000	xs	$2,850,000,000	13.3684%	$191,652,275
	Second Aggregate (1/1/98 - 3/31/98)	$1,075,215,000	xs	$4,877,000,000	10.7500%	$28,896,403
	Second Aggregate (7/1/97 - 12/31/97)	$716,810,000	xs	$4,815,000,000	10.7500%	$38,528,538
	Second Aggregate (4/1/97 - 6/30/97)	$358,405,000	xs	$5,001,000,000	10.7500%	$9,632,134
					10.7500%	**$77,057,075**
	Total	**$2,160,430,000** [3]	**xs**	**$2,850,000,000**	**12.4378%**	**$268,709,350**

[1] Based on IIF of $198,926,424,765 at 12/31/05
[2] Twelve month annualized amount
[3] Includes average limit for Second Aggregate of $716.810M

Note: Retentions based on CEA Capital and retained earnings calculated at the beginning of the calendar year
Retentions were variable between 1997 - 2002

California Earthquake Authority
Historical Reinsurance Costs

Supplemental-Limits

Contract Year	Contract	Limit		Retention	Rate On Line (ROL)	Premium
2008	Combined Reinsurance Contract #1	$150,000,000	xs	$50,000,000	10.8500%	$16,275,000
	Combined Reinsurance Contract #2	$451,300,000	xs	$200,000,000	5.7000%	$25,725,000
	Total	**$601,300,000**	**xs**	**$50,000,000**	**6.9849%**	**$42,000,000**
Percent Change from Previous Year		1.45%			-1.43%	0.00%
2007	Supplemental-Limits Excess (1st Layer)	$50,000,000	xs	$50,000,000	14.2500%	$7,125,000
	Supplemental-Limits Excess (2nd Layer)	$200,000,000	xs	$100,000,000	8.7375%	$17,475,000
	Supplemental-Limits Excess (3rd Layer)	$342,715,221	xs	$300,000,000	5.0771%	$17,400,000
	Total	**$592,715,221**	**xs**	**$50,000,000**	**7.0860%**	**$42,000,000**
Percent Change from Previous Year		306.36%			66.73%	577.53%
2006 [1]	Supplemental-Limits Excess	$145,858,362	xs	$450,000,000	4.2500%	$6,198,980
	Total	**$145,858,362**	**xs**	**$450,000,000**	**4.2500%**	**$6,198,980**

[1] 2006 included quota share limit of $450M

Supplemental Quota Share

Contract Period Begin	End	Written Premium	Ceding Commission	Ceded Premium	Losses
1/1/2005	12/31/2006	$102,946,945	$18,181,382	$84,765,563	
7/1/2004	12/31/2004	$16,102,397	$2,232,406	$13,869,991	
7/1/2003	6/30/2004	$22,980,920	$4,599,044	$18,381,876	$186,801
1/1/2003	6/30/2003	$18,538,621	$3,707,724	$14,830,897	$50,817
7/1/2002	12/31/2002	$12,510,357	$2,502,071	$10,008,286	
3/1/2001	6/30/2002	$27,527,388	$5,505,478	$22,021,910	
7/1/1999	2/28/2002	$15,448,110	$3,089,622	$12,358,488	
Unearned Premium @ 12/31/2006		-$24,138,678	-$4,224,269	-$19,914,409	
Total		$191,916,060	$35,593,458	$156,322,602	$237,618