

**CALIFORNIA EARTHQUAKE AUTHORITY**  
**BASIC EARTHQUAKE POLICY—HOMEOWNERS**

**PLEASE READ YOUR POLICY**

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## IMPORTANT NOTICES

Many of the terms of this **California Earthquake Authority** policy are substantially different from the terms of **your companion policy** and many other policies that cover **dwelling**s. The following items, among others, are unique to this policy. But these are not the only terms that are different from the terms of **your companion policy** and other **dwelling** policies—there are many others. Therefore **we** urge **you** to read **your** entire **CEA** 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 loss to property that is covered under “COVERAGE A: DWELLING” or “COVERAGE B: EXTENSIONS TO DWELLING” exceeds the deductible shown on the **DECLARATIONS**. 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. 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 and there are coverages to which the deductible may not apply. 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.”

The deductible amount shown on the **DECLARATIONS** will not reduce the dollar amount of any **limit of insurance** stated on the **DECLARATIONS**; in other words, the amount **we** will pay will be the full amount by which **your** covered loss exceeds the deductible, up to the applicable **limit of insurance** stated on the **DECLARATIONS**.

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 **CEA** 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 the same **participating insurer** that issued this **earthquake** policy—if no **companion policy** is in effect at the time of loss, this **CEA** policy is void and no payment will be made under this **CEA** policy.
3. **Not a “Guaranteed Replacement Cost” or “Extended Replacement Cost” Policy**. This policy does not have a “guaranteed replacement cost” or “extended replacement cost” feature. For that reason, this policy does not provide for full repair or full replacement of covered property if, and to the extent, the loss exceeds (a) the applicable **limit of insurance** stated in the **DECLARATIONS** or, (b) if a **sublimit** applies to the loss, the applicable **sublimit** stated 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 **CEA** policy is not modified by any guaranteed-replacement-cost or extended-replacement-cost feature(s) that may increase the **limits of insurance** of **your** homeowners insurance policy or other **companion policy**.
4. **Pro-rata or Installment Claims Payments**. In accordance with California Insurance Code section 10089.35, if at any time the **California Earthquake Authority** Governing Board determines that the **CEA**’s available capital may be exhausted and that no additional funds (from specified sources) will be available to the **CEA** to pay policyholder claims, the **CEA** may pay claims on a pro-rata basis or in installment payments, based on a plan presented to the California Insurance Commissioner. If this occurs, **you** might not be paid the full amount of **your** claim or **your** claim might be paid in installments, or both. Under no circumstances will the State of California be responsible for the payment of **your** claim. Please read the Pro-rata or Installment Claims Payments Clause on page \_\_\_\_.
5. **Premium Surcharge if CEA Claim-Paying Capacity Is Exhausted**. If an **earthquake**, or a series of **earthquakes**, exhausts the **California Earthquake Authority**’s claim-paying capacity (as provided from specified sources), California Insurance Code section 10089.29, subdivision (b), paragraph (1), gives **us** the

power to impose an annual surcharge of up to 20% of **your** annual policy premium. Please read the Surcharge Clause on page \_\_\_\_.

**THE LANGUAGE OF THIS POLICY HAS BEEN  
APPROVED BY THE CALIFORNIA INSURANCE COMMISSIONER**

Policy Sample

# 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. When a covered loss exceeds the deductible amount shown on the **DECLARATIONS** page, **we** will pay, up to the applicable **limit of insurance** stated on the **DECLARATIONS** page, the amount by which the covered loss exceeds the deductible amount.
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**.

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## 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 3, **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 cost, not to exceed **replacement cost**, of any of the following:

- i. Replacement or repair of the covered damage to property covered under “COVERAGE A: DWELLING,” but with respect to property for which there is a **sublimit** under “COVERAGE A: DWELLING,” only the amount up to the applicable **sublimit** for that property, and
  - ii. Replacement or repair of the covered damage to property covered under “COVERAGE B: EXTENSIONS TO DWELLING,” but with respect to property for which there is a **sublimit** under “COVERAGE A: DWELLING,” only the amount up to the applicable **sublimit** for that property, and
  - iii. Emergency measures in excess of \$1,500 covered under “OTHER COVERAGES,” Item 1, “Emergency Repairs” that **you** actually take to protect 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
  - iv. The cost to replace, rebuild, stabilize or otherwise restore the land that is covered under “OTHER COVERAGES,” Item 3, “Land” but only up to the **sublimit** of \$10,000, and
- b. An amount equal to the reasonable and necessary costs of construction covered under “OTHER COVERAGES” Item 2, “Building Code Upgrades,” but only up to the **limit of insurance** for “OTHER COVERAGES: BUILDING CODE UPGRADES” shown on the **DECLARATIONS** page. Although the full amount of loss that would be covered under that coverage, up to the **limit of insurance** for OTHER COVERAGES: BUILDING CODE UPGRADES” shown on the **DECLARATIONS** page, will be applied to meet the deductible, no payment will be made to **you** under OTHER COVERAGES” Item 2 “Building Code Upgrades” unless **you** actually do undertake repair or replacement of that covered property.
3. The cost to repair or replace personal property, or any other cost not set forth in Item 2 above, will not be applied to meet the deductible.
  4. The deductible will be applied one time for each **seismic event**.

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## 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 of owners**” means, if the location described in the **DECLARATIONS** is part of a **common interest development**, a nonprofit corporation or unincorporated association created for the purpose of governing and managing the **common interest development** in which the **dwelling** is located.
3. “**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.
4. “**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.
5. “**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, the firebox where combustion takes place, or the foundation that supports the chimney.

6. “**Collectible**” or “**collectibles**” means an item or group of items of personal property, regardless of whether an individual item or part of a collection, the monetary worth of which is not primarily based on its utility or function, but rather, is primarily based on its value to a collector, including property that is kept for investment, has a real or perceived past or expected future increase in value because it would be desirable to collectors as part of a collection, or that has a monetary worth significantly greater than its intrinsic value because of its rarity or its demand among collectors.
7. “**Common interest development**” means any of the following:
  - A community apartment project, as defined in California Civil Code section 4105;
  - A condominium project, as defined in California Civil Code section 4125;
  - A planned development, as defined in California Civil Code section 4175; or
  - A stock cooperative, as defined in California Civil Code section 4190.
8. “**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.
9. “**DECLARATIONS**” or “**DECLARATIONS page**” means the single-page document that accompanies, and forms a part of, this CEA policy, and which lists certain basic information specific to this policy, including, but not limited to, the policy number, policy period, name and mailing address of the named insured, **dwelling** address, and the **limits of insurance**, deductible, and premium applicable to this policy. The following title appears at the top of the **DECLARATIONS** page:

CALIFORNIA EARTHQUAKE AUTHORITY  
BASIC EARTHQUAKE POLICY—HOMEOWNERS  
DECLARATIONS

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**” 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.
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. “**Fungi**” means all types of fungus, including but not limited to mildew and mold, and all of their resulting spores and by-products, including mycotoxins and allergens, but not including cultivated edible mushrooms or other cultivated fungi intended for human consumption.

14. **“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.
15. **“Limit of insurance”** means the most **we** will pay for covered loss arising from any **seismic event**.
16. **“Loss assessment”** means an assessment charged by an **association of owners** against all property owners in a **common interest development** that is properly and legally made as a result of a loss to structures or other real property contained within that **common interest development**, 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**.
17. **“Nuclear hazard”** means any nuclear reaction, radiation, or radioactive contamination, or any consequence of any of these.
18. **“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**.
19. **“Person”** means any human, association, organization, governmental entity, partnership, business trust, limited liability company, or corporation.
20. **“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.
21. **“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**. **Residence premises** does not include property owned by a corporation, **association of owners** or other entity, including but not limited to property for the common use of members or shareholders even if **you** are a member or shareholder, except for any extensions to **dwelling** subject to a **loss assessment** covered under Item 4 of “Property Covered – Coverage B” on page \_\_\_ of this policy.
22. **“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**.
23. **“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 \$10,000 **sublimit** will be paid for loss to any and all **chimney(s)**. In that example, the overall amount

available under the “COVERAGE A: DWELLING” and COVERAGE B: EXTENSIONS TO DWELLING combined single **limit of insurance** would be reduced by the amount that is paid for loss to any **chimney**.

24. “**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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## 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 of insurance** 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

#### 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” section of this policy.
2. Wall-to-wall carpeting attached to the **dwelling**.
3. The reasonable expense **you** incur in removing from the **residence premises** the debris of that damaged property covered under “COVERAGE A: DWELLING,” including but not limited to the reasonable expense **you** incur for the transportation of such debris to landfills or disposal facilities and disposal of the debris at those facilities, or the transportation of such debris to suitable recycling facilities rather than landfills and disposal of the debris at those facilities. 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, but in the event that **your** covered losses under COVERAGE A: DWELLING” and “COVERAGE B: EXTENSIONS TO DWELLING” exceed the combined single **limit of insurance** for “COVERAGE A: DWELLING” and “COVERAGE B: EXTENSIONS TO DWELLING” shown on the **DECLARATIONS** page of this policy, **we** will provide, as additional insurance, up to 5% of that combined single **limit of insurance** for the aggregate of the expenses **you** incur in removing from the **residence premises** the debris of (a) property covered under “COVERAGE A: DWELLING,” as provided for in this paragraph, and (b) property covered under “COVERAGE B: EXTENSIONS TO DWELLING,” as provided for under Item 5 of “COVERAGE B: EXTENSIONS TO DWELLING, Property Covered—Coverage B.”

#### Special Limits of Insurance—Coverage A

The **limits of insurance** shown below are **sublimits** of the policy’s **limit of insurance** provided for “COVERAGE A: DWELLING” and do not increase the **limit of insurance** for “COVERAGE A: DWELLING” 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. \$10,000 for loss or damage to any and all **chimney(s)** attached to or part of the **dwelling**, regardless of the number of **chimneys** covered. This **sublimit** of \$10,000 in coverage for loss or damage to **chimneys** will be reduced by any amount that **we** pay under “OTHER COVERAGES,” Item 1, “Emergency Repairs,” for emergency repairs to **chimneys**, and by any amount that **we** pay under “Property Covered—Coverage A,” Item 3, for the removal of the debris of **chimneys**.
2. \$5,000 for all loss or damage to the **dwelling** or to wall-to-wall carpeting attached to the **dwelling** caused by **fungi** the presence of which directly results from an **earthquake** that commences during the policy period as part of a **seismic event** that commences during the policy period, including, but not limited to, the cost to repair damage from **fungi** or to test for, monitor, abate, mitigate, remove, dispose of or remediate **fungi**. This **sublimit** of \$5,000 in coverage for loss or damage caused by **fungi** will be reduced by any amount that **we** pay under “OTHER COVERAGES,” Item 1, “Emergency Repairs,” for Emergency Repairs resulting from **fungi**. Except for the coverage specifically provided for in this **sublimit**, this policy does not provide coverage 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 **fungi**.

## **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. Walkways, driveways, decks, or patios on the **residence premises** that are necessary for and regularly used for either (1) pedestrian ingress to or egress from the **dwelling** by any **insured** or (2) ingress to and egress from the **dwelling** by any non-ambulatory **insured**, but **we** cover only that portion of each covered walkway, driveway, deck, or patio that is reasonably necessary for ingress to and egress from **dwellings** by pedestrian or non-ambulatory **insured**. Any portion of an otherwise-covered walkway, driveway, deck, or patio that is not reasonably necessary for and regularly used for pedestrian ingress to or egress from the **dwelling** by any **insured** or ingress to and egress from the **dwelling** by any non-ambulatory **insured**, and any walkway, driveway, deck, or patio not regularly used for any such purposes, is not covered.
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 3, the cost of repairing, replacing or stabilizing the land under or around these devices is not covered.
4. If the **residence premises** is part of a **common interest development** and that **common interest development** is governed by an **association of owners**, then **we** cover **your** share of **loss assessments** that are legally and properly made against **you** by the **association of owners**, but only to the extent the **loss assessment** is made for the purpose of effecting the repair or replacement of property covered under Items 2 and 3, above, of this “Property Covered—Coverage B” section. This coverage for **loss assessments** is provided as a \$10,000 **sublimit** of the combined single **limit of insurance** for “COVERAGE A: DWELLING” and “COVERAGE B: EXTENSIONS TO DWELLING,” and the amount of coverage available under 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 for **loss assessments**. If a **loss assessment** is made as a result of a combination of (a) assessments

made to affect the repair or replacement of property covered under Items 2 and 3 of this “Property Covered—Coverage B” section and (b) assessments made for effecting other repairs or for other purposes, then **we** will pay only a pro rata portion of the **loss assessment** equal to that percentage of the entire assessment that is made to affect the repair or replacement of property covered under Items 2 and 3 of this “Property Covered—Coverage B” section, subject to the \$10,000 **sublimit**.

5. The reasonable expense **you** incur in removing from the **residence premises** the debris of that damaged property covered under “COVERAGE B: EXTENSIONS TO DWELLING,” including but not limited to the reasonable expense **you** incur for the transportation of such debris to landfills or disposal facilities and disposal of the debris at those facilities, or the transportation of such debris to suitable recycling facilities rather than landfills and disposal of the debris at those facilities. 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, but in the event that **your** covered losses under COVERAGE A: DWELLING” and “COVERAGE B: EXTENSIONS TO DWELLING” exceed the combined single **limit of insurance** for “COVERAGE A: DWELLING” and “COVERAGE B: EXTENSIONS TO DWELLING” shown on the **DECLARATIONS** page of this policy, **we** will provide, as additional insurance, up to 5% of that combined single **limit of insurance** for the aggregate of the expenses **you** incur in removing from the **residence premises** the debris of (a) property covered under “COVERAGE A: DWELLING,” as provided for under Item 3 of “COVERAGE A: DWELLING, Property Covered—Coverage A,” and (b) property covered under “COVERAGE B: EXTENSIONS TO DWELLING,” as provided for in this paragraph.

## **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 3, “Land”.
2. Except as provided for in “OTHER COVERAGES,” Item 3, “Land” 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. For purposes of this exclusion, carport covers are not awnings or patio coverings.
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 the items of property specifically listed in this exclusion and any items of property, whether or not specifically listed in this exclusion, that are artisan-crafted or that are unique and cannot be replaced with a commercially-made, identical replacement that would be readily available for purchase in the open market. Such decorative or artistic features include, but are not limited to, works of art; murals; stained or leaded glass; mirrors; chandeliers; mosaics, statuary or sculpture; carvings, inlays, or reliefs; and fountains, aquariums, and their systems. If at the time of loss any 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. Except as provided under “OTHER COVERAGES,” Item 2, “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 and all of their components, 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. If any item of property falls both into one of the following **sublimits** and one of the categories of property listed under “Property Not Covered – Coverage C,” then **we** do not cover that item of property.

1. \$250 in the aggregate on all money, bank notes, coins and medals, including any of these that are part of a collection.
2. \$250 in the aggregate on all 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 in the aggregate on all 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 in the aggregate on all **business property** other than computers and other electronic data processing equipment, storage media, and software.
5. \$3,000 in the aggregate on all jewelry, watches, furs, and precious and semi-precious stones, but not more than \$1,000 for any one article.
6. \$3,000 in the aggregate on all **collectibles**, including but not limited to sports cards; **collectible** dolls, model trains, or toys; **collectible** postage stamps; **collectible** autographed items; memorabilia; and commemorative or otherwise **collectible** plates, spoons, or cups; regardless of whether any such item is a single item or part of a collection.
7. \$3,000 in the aggregate on all beverages contained in bottles or in other glass, ceramic, or pottery containers, including but not limited to wine, port, liquor, beer, and all other alcoholic or non-alcoholic beverages.

### **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 that is not owned or used by an **insured**, including but not limited to the property of roomers, boarders, and other tenants, except (a) the property owned by others that **we** cover at **your** request under Item 2 of "Property Covered—Coverage C," subject to the applicable **sublimit** of \$2,500, and (b) the property of 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 3.

7. Artwork, including but not limited to paintings, drawings, or etchings; framing; sculpture or statues, photographs; and handmade, loom-crafted, and other non-machine-made tapestries and rugs.
8. Breakable items, consisting of the following:
  - a. Glassware, crystal, china, ceramic, pottery, and porcelain items created as table settings, serving ware, or otherwise intended for use in serving or consuming food or beverage, whether currently being used for that purpose or not; and,
  - b. Figurines, vessels, vases, and other ornamental items made of crystal, china, pottery, ceramics, porcelain, glass, or marble.
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, including all of their components.
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**.
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 3).
2. 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. Although no payment will be made to **you** under this coverage unless **you** repair that covered property, the full amount of loss covered under this coverage, up to the **limit of insurance** for “OTHER COVERAGES: BUILDING CODE UPGRADES” shown on the **DECLARATIONS** page, will be applied to meet the deductible, as set forth in Item 2b of the “DEDUCTIBLE CLAUSE.”
3. 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.

4. Energy Efficiency and Environmental Safety Replacement 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 if **you** actually undertake repair or replacement of that covered loss, we will pay **your** cost to repair or replace that property with material that meets the following standards regarding environmental safety and energy efficiency. This coverage will apply to the added costs **you** incur to repair or replace that property with material that meets those standards as compared to the **replacement cost** of that property with material that does not meet those standards. This coverage is provided as a \$25,000 **sublimit** of the combined single **limit of insurance** for “COVERAGE A: DWELLING” and “COVERAGE B: EXTENSIONS TO DWELLING,” and 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. The most **we** will pay for the replacement or upgrade of any item of covered property is 200% of its **replacement cost** using material that does not meet the following standards regarding environmental safety and energy efficiency. Losses covered under this coverage are not applied to meet the combined deductible for “COVERAGE A: DWELLING” and “COVERAGE B: EXTENSIONS TO DWELLING.”
  - a. Energy Efficiency Upgrades: **We** will pay the reasonable added costs you incur to replace damaged covered property with the following energy-efficient property:
    - i. Electronic Equipment – Energy Star Replacement. If there is covered loss to electronic equipment, including but not limited to equipment for heating, ventilation, and air conditioning (HVAC) systems, that is part of the **dwelling** and that is covered under “COVERAGE A: DWELLING,” and that electronic equipment must be replaced rather than repaired, then we will pay the reasonable expenses **you** incur to replace damaged or destroyed electronic equipment with equipment of otherwise equivalent quality and function that has been identified by the United States Government Department of Energy, Environmental Protection Agency as “Energy Star” qualified.
    - ii. Window, Door, Roofing, and Insulation Energy Upgrades. If there a loss to the **dwelling** that requires the repair or replacement of roofing or insulation material, air sealing, windows, doors, or skylights, then **we** will pay the reasonable expenses **you** incur to replace those damaged or destroyed materials with materials of otherwise equivalent quality and function that have been identified by the United States Government Department of Energy, Environmental Protection Agency as “Energy Star” qualified.
    - iii. Plumbing Fixture Upgrades. If there is a loss to the **dwelling** that requires the repair or replacement of plumbing fixtures, then **we** will pay the reasonable expenses **you** incur to replace those fixtures with energy and water efficient fixtures, including automatic faucet sensors, faucet and shower head flow restrictors, dual flush toilets, and localized water heaters, using plumbing fixtures of otherwise equivalent quality and function provided that the upgraded property meets the requirements of the Leadership in Energy and Environmental Design (LEED) for Homes Green Building Rating System of the U.S. Green Building Council or meets the requirements of the National Association of Home Builders Green Building Guidelines.
  - b. Environmental Safety Upgrades. **We** will pay reasonable added costs **you** incur to repair or replace the damaged or destroyed property covered under “COVERAGE A: DWELLING” with the following

environmentally-upgraded property, provided that the upgraded property meets the requirements of the Leadership in Energy and Environmental Design (LEED) for Homes Green Building Rating System of the U.S. Green Building Council or meets the requirements of the National Association of Home Builders Green Building Guidelines:

- i. Interior Finish Materials Upgrades. If there is a covered loss to the **dwelling** that requires the repair or replacement of interior finish materials, then **we** will pay the reasonable expenses **you** incur to replace those materials with materials of otherwise equivalent quality and function that are low in volatile organic compounds (VOC), sustainably developed, rapidly renewable, or comprised of recycled materials. This coverage applies to interior paints, architectural coatings, primers under coatings, adhesives and sealants, low emissions carpet and floor coverings, including adhesive to affix them to the floor, and permanently installed composite wood fixtures including counters, cabinets and partitions, where available, Forest Stewardship Council certified wood for millwork, ceilings, siding, and framing, and bamboo flooring.
- ii. Elimination of Ozone-Depleting Substances Upgrades. If there is a covered loss to the **dwelling** that requires the repair or replacement of systems containing such items, then **we** will pay the reasonable expenses **you** incur to replace chlorofluorocarbon refrigerants (CFC) or hydrochlorofluorocarbon (HCFC) or Halon refrigerants or fire extinguishing agents with environmentally-upgraded replacements.
- iii. Flush Out of Reconstructed Space. If necessitated by the repair or replacement of covered loss to the **dwelling**, **we** will pay the reasonable and necessary costs to flush out the reconstructed space with 100% outside air and new filtration media following completion of the repair or reconstruction process.

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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 but not limited to damage resulting from:
  - a. Flood, precipitation (including but not limited to rain, snow, hail, or sleet), 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 an aquarium, drinking water container or dispenser, 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**, or
  - (iv) Precipitation (including rain, snow, hail, or sleet) entering a building through an opening in a roof or wall, if the opening is the direct result of damage from an **earthquake** that commences during the policy period as part of a **seismic event** that commences during the policy period.
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. **Fungi**, including but not limited to the cost to repair or replace property damaged by **fungi** or to test for, monitor, abate, mitigate, remove, dispose of or remediate **fungi**, except for loss or damage to the **dwelling** or to wall-to-wall carpeting attached to the **dwelling** caused by **fungi** the presence of which directly results from an **earthquake** that commences during the policy period as part of a **seismic event** that commences during the policy period, and subject to the \$5,000 **sublimit** set forth in “Special Limits of Insurance—Coverage A,” Item 2.
  7. Theft, vandalism or other human conduct causing loss following an **earthquake**.
  8. 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 2, “Building Code Upgrades.”
  9. Power failure, meaning the failure of delivery of electrical power to the **dwelling** or to the **residence premises**.
  10. **Your** neglect to take all reasonable action to save and preserve covered property at the time of and after a covered loss.
  11. 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.
  12. 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.

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### 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** does any of the following:
  - 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, cancelled 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 do either of the following:

- 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 2, "Building Code Upgrades."

- d. **We** will pay for the cost to repair or replace only that portion of any regularly used walkway, driveway, deck, or patio covered under this policy that is necessary to restore (i) pedestrian ingress to and egress from the **dwelling** or (ii) 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 \$10,000 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 there is 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 does not cover the peril of **earthquake** but that otherwise provides coverage for the same loss or damage for which **you** submit a claim under this policy, **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, before the end of the then current policy period of this policy, **we** or the **participating insurer** provide **you** with a renewal notice for **your** policy, that notice will be deemed **our** offer to renew **your** policy for an additional policy period. If **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 cancelled for any reason, this policy is cancelled 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** or 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**, **we** may cancel the policy if the property does not meet the eligibility standards of the **CEA**, by notifying **you** at least 20 days before the date cancellation takes effect.
- (iii) When this policy has been in effect 60 or more days, or is a renewal with **us**, **we** may cancel at any time by notifying **you** at least 30 days before the date 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) Physical changes to the **residence premises** that result in the property failing to meet the eligibility standards of the **CEA**; however, **we** may not cancel this policy because of physical changes that occur solely as a result of an **earthquake** that commences during the policy period as part of a **seismic event** that commences during the policy period; or
- (E) **Your** failure 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, the return premium is not refunded with the notice of cancellation, **we** will refund it within 25 business days after the notice of cancellation is sent. If, when **you** cancel this policy, the return premium is not refunded when **you** return the policy to **us**, **we** will refund it within 25 business days after the date **we** receive **your** notice of cancellation.
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:
- 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
  - 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 Modified Mercalli Intensity (MMI) Scale value of V (5) or greater with respect to that **earthquake**, as determined by the U.S. Geological Survey (USGS), **we** have the rights, at **our** option, to do either or both of the following:
- 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 Modified Mercalli Intensity (MMI) Scale value of V (5) or greater with respect to that **earthquake**, as determined by the U.S. Geological Survey (USGS), **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.