

California Comprehensive Earthquake Policy

Policy Issued By:



Harco National Insurance Company
2850 West Golf Road
Suite 900
Rolling Meadows, IL 60008

Important Notices Regarding Your Earthquake Insurance

This policy is issued by the **HARCO NATIONAL INSURANCE COMPANY**. Throughout the policy and these Important Notices, whenever a term appears in **bold print** it has the special meaning stated in the **Definitions** starting at page 1 of the policy, and no other meaning.

This policy provides coverage for **earthquake** losses only. The policy terms may be different than coverage you have purchased in the past, and is very different from your Homeowners coverage. **We** urge **you** to read the entire policy carefully.

The **limits of insurance** amounts shown on the DECLARATIONS when issued **ARE THE MOST THAT THE POLICY WILL PAY FOR ANY SINGLE LOSS AFTER THE POLICY DEDUCTIBLES HAVE BEEN MET**. It is **your** responsibility, as the **insured**, to determine the appropriate amount of coverage to purchase. Given the effect a catastrophic event such as an **earthquake** has on the market conditions for building supplies and labor, this policy contains no guarantee that **you**, the **insured**, will be able to rebuild their dwelling or replace **your** personal property.

THE COVERAGE PROVIDED BY THIS POLICY MAY NOT BE SUFFICIENT TO REPLACE THE PROPERTY YOU HAD BEFORE THE EARTHQUAKE. IT IS YOUR RESPONSIBILITY TO REQUEST THE APPROPRIATE LIMITS OF INSURANCE.

If the insured dwelling has not been built or remodeled using construction methods (retrofitting) that are **earthquake hazard reductions** to help minimize **earthquake** damage, the Limited Building Code Upgrade coverage within this policy will NOT be provided.

Separate deductibles apply to **your** coverage and are stated as specific amounts on the DECLARATIONS and are calculated by **us** as a percentage of the **limits of insurance** stated on the DECLARATIONS.

The application submitted to **us** by **you** through **your** insurance broker is the basis of **our** decision to insure or not insure **you**.

You and **we** agree that the statements of fact made on the application are material to the risk we assume and some of the basis of **our** decision to insure or not insure **you**.

You also promise to maintain a **companion policy** concurrently with this policy.

If **you** have any questions please contact **your** broker who represented **you** in acquiring this policy from **Harco National Insurance Company**.

AGREEMENT

We will provide the insurance described in this policy in return for the premium and **your** promise to fulfill all terms, conditions and warranties of this policy. **We** only insure for direct physical loss caused by an **earthquake** which commences during the policy period to property described under

the Property Covered and Other Coverage Sections in this policy. One or more **earthquakes** that occur within a seventy-two hour period will be considered a single **covered event**.

The policy period shown in the DECLARATIONS will begin and end at 12:01 A.M. standard time at the location of the property described in the DECLARATIONS.

DEFINITIONS

Throughout this policy whenever a term appears in **bold print** it has the special meaning in these definitions and no other meaning.

1. **"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.
2. **"We," "us"** and **"our"** refer to the Harco National Insurance Company.
3. **"Application"** means the document or documents, including an ACORD application form submitted by you, or on your behalf, to request **earthquake** insurance from **us**. The **application**, and the statements of fact contained therein will be maintained in **our** files and the truth of the matters of fact stated in the **application** is the basis of this insurance.
4. **"Actual cash value"** means fair market value of the property at the time of loss subject to the policy **limit of insurance** for that type of property.
5. **"Additional living expense"** means the necessary increase in living expenses incurred by **you** so that **your** household may maintain its normal standard of living after an **earthquake**.
6. **"Business"** means any full or part-time trade, profession or occupation.
7. **"Business property"** means property pertaining to, or intended for use in any full or part-time **business**.
8. **"Companion policy"** means a homeowners or other policy insuring against the risk of loss to the same property as this policy for risks of loss other than **earthquake**.
9. **"Covered event"** means the time period commencing with the initial damage causing **earthquake** and extending for a period of seventy-two hours.
10. **"Covered property"** means the real or personal property the risk of loss of which is insured by this policy and for which a **limit of insurance** is stated in the DECLARATIONS.
11. **"Dwelling"** means the residential structure which is located on the **residence premises** described 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, seismically-induced land sliding, and damaging amplification of ground motion. **Earthquake** does not mean or include tsunami, volcanic action, or volcanic eruption. One or more **earthquakes** that occur within a seventy-two hour period constitute a single earthquake.
13. **"Earthquake hazard reductions"** mean
 - a. the residential **dwelling** is bolted to the foundation, and
 - b. cripple walls are braced with plywood or its equivalent, and
 - c. the hot water heater is secured to the building frame.

Such reductions in **earthquake** hazard may exist either by original construction or by retrofitting completed consistent with local residential building codes at the time of construction or retrofitting.
14. **"Equivalent kind and quality"** means material or labor of the same or interchangeable type and quality not necessarily identical. For the purposes of this policy sheetrock or dry wall is **equivalent kind and quality** to lath and plaster.
15. **"Exterior masonry veneer"** means non-supporting brick, stone, or other masonry, except stucco, fastened to a wall of different material.
16. **"Fair rental value"** means the average rental cost requested in the rental market for a residential unit which is similar to the **dwelling** on the date of the first damage causing **earthquake**. **Fair rental value** does not include any expenses that do not continue while the premises is unfit to live in.
17. **"Fine arts"** means any property whose aesthetic purposes are the primary or uppermost means of establishing value. **Fine arts** include, but are not limited to, paintings, etchings,

drawings, pictures, tapestries, photographs, rugs, books, posters, statuary, marbles, bronzes, art-glass, windows or lamps, glassware, bric-a-brac, marble, porcelain, ceramics, landscape architecture, antique furniture, rugs, collectibles, or any items of antiquity or bona fide rarity, historic value or artistic merit.

18. **“Insured”** means **“you”** and the following persons if permanent residents of **“your”** household:
 - a. **“your”** relatives, whether related by blood, marriage or adoption.
 - b. anyone under the age of 21 who is in the care of any person named above.
19. **“Limit of insurance”** means the most **we** will pay for any single **covered event** after any applicable deductible has been met.
20. **“Nuclear hazard”** means any nuclear reaction, radiation, or radioactive contamination, or any consequences of any of these.
21. **“Replacement Cost”** means the cost to repair or replace the dwelling or its contents using material of like kind and quality at the time of loss without deduction for depreciation.
22. **“Residence premises”** means the residential structure whose common address is shown as the residence premises in the DECLARATIONS.
23. **“Sublimit”** means a specific dollar limitation for specific types of property. The sublimits are specifically stated under the heading “Special Limits” or are otherwise stated in this policy to be a sublimit.
24. **“Tectonic processes”** means adjustments of the earth’s crust in response to regional stress conditions initiated by dynamic forces within the earth’s interior.
25. **“Warranty”** or **“warrant”** mean a statement in this policy or the application submitted by you or on your behalf relating to the person or thing insured, or to the risk, as a fact.

PROPERTY COVERED

COVERAGE A. DWELLING

We insure against the risk of direct physical loss by **earthquake** to:

1. The **dwelling** on the **residence premises**.
2. Walkways, driveways and patios necessary for regular entry or exit of the **dwelling** are considered to be covered as a part of the **dwelling**.
3. Bulkheads, piers, and retaining walls integral to the stability of the **dwelling** structure are parts of the **dwelling**.
4. Wall-to-wall carpeting attached to the dwelling is considered a part of the **dwelling**.

Special Limits of Insurance on Dwelling

The **limits of insurance** shown below are **sublimits** of the **limit of insurance** for Coverage A. **Dwelling** and do not increase the **limits of insurance** shown on the DECLARATIONS. The sublimits shown below are the maximum amount **we** will pay for any one **earthquake** loss for all property in each numbered category below. Any loss in excess of the **sublimit** will not be calculated toward the fulfillment of the **deductible** requirement:

1. Chimney(s) attached to or part of the **dwelling** up to a **sublimit** of \$5,000 total, regardless of the number of chimney(s) covered. **We** will not pay more than the smallest of the following amounts:
 - a. \$5,000; or
 - b. the cost to replace the masonry chimney(s) with a non-masonry, earthquake-resistant chimney(s); or
 - c. the **actual cash value** of the damaged chimney(s) if repair or replacement is not elected; or

- d. the necessary amount actually spent to repair the damaged chimney(s).
- 2. Subject to a sublimit of \$10,000 the cost of land stabilization, including the engineering costs of the stabilization, necessary to the habitability of the **dwelling** only if the land instability is directly and immediately caused by an **earthquake**.
- 3. **We** will not pay more for the replacement or repair of lath and plaster than the cost to repair or replace with dry wall or sheetrock.

COVERAGE B. APPURTENANT STRUCTURES

We insure against the risks of direct physical loss by **earthquake** to:

Appurtenant structures on the **residence premises** set apart from the **dwelling** by clear space. This includes structures connected to the **dwelling** by only a fence, utility line, or similar connection.

Special Limits of Insurance on Appurtenant Structures:

The **limits of insurance** shown below are **sublimits** of the **limit of insurance** for Coverage B. Appurtenant Structures and do not increase the **limits of insurance** shown on the DECLARATIONS. The **sublimits** shown below are the maximum amounts we will pay for any one **earthquake** loss for all property in each numbered category below. Any loss in excess of the **sublimit** will not be calculated toward the fulfillment of the **deductible** requirement:

- 1. \$3,000 on swimming pools, spas and hot tubs, including the tile attaching the pool, spa or hot tub to a deck, whirlpool baths and pools such as fish ponds and decorative pools, including all concrete, stone, tile or similar decking material and all related equipment;
- 2. \$3,000 on fences of all kinds and types of material and construction;
- 3. \$3,000 on retaining walls that are not part of the foundation of the dwelling or appurtenant structures;
- 4. \$3,000 on those portions of walks, driveways, patios, stairs, porches, and other paved surfaces that are outside the foundation walls of the insured **dwelling**.
- 5. \$3,000 on other outdoor fixtures such as, but not limited to, playground equipment, light posts, barbecues, gazebos, trellises, greenhouses, or tool and lawn equipment sheds.
- 6. Chimney(s) attached to or part of the appurtenant structures up to a **sublimit** of \$5,000 total, regardless of the number of chimneys covered. **We** will not pay more than the smallest of the following amounts:
 - a. \$5,000; or
 - b. the cost to replace the masonry chimney(s) with a non-masonry, earthquake-resistant chimney(s); or
 - c. the **actual cash value** of the damaged chimney(s) if repair or replacement is not elected; or
 - d. the necessary amount actually spent to repair the damaged chimney(s).

COVERAGE C. PERSONAL PROPERTY

We insure against the risk of direct physical loss by earthquake to:

Personal property usual to the occupancy of a **Dwelling** and owned or used by an **insured** while it is at the **residence premises**.

Special Limits of Insurance on Personal Property: The **limits of insurance** shown below are **sublimits** of the **limit of insurance** for Coverage C, Personal Property and do not increase the

limits of insurance, as shown on the DECLARATIONS. The **sublimits** shown below are the maximum amounts **we** will pay for any one earthquake loss for all personal property in each numbered category below. Any loss in excess of the **sublimit** will not be calculated toward the fulfillment of the **deductible** requirement:

1. \$2,500 on Computer Equipment including all data processing equipment, printers, scanners, fax machines, copiers and other computer related components, computer software and programs including the direct expense of re-creating and entering data into the computer which was lost due to the earthquake.
2. \$1,500 on jewelry, watches, precious and semi-precious stones, articles of gold, silver, platinum or other precious metals and alloys.
3. \$1,500 on all items of glassware, ceramics, china, crystal and dishware, whether for utility or decorative purpose, ornamental items of porcelain and silver including, but not limited to, lamps or statuary.
4. \$1,500 on silverware, silver-plated ware, goldware, gold-plated ware or any item the majority of the value of which is gold or silver.
5. \$1,500 on fur and fur coats and any other articles containing fur.
6. \$1,500 on film, electronic or video cameras of any kind and their related equipment and accessories.
7. \$1,500 on musical instruments.
8. \$1,500 on sporting equipment and firearms including guns and collections.
9. \$1,500 on fine arts.

COVERAGE D. LOSS OF USE

We insure against the risk of the Loss of Use of the **dwelling** by direct physical loss by **earthquake** only subject to the **limit of insurance** as shown on the DECLARATIONS, Coverage D. Loss of Use

1. If an **earthquake** makes the **residence premises** unfit to live in, **we** insure:

Additional living expense

Payment for **additional living expense** will be for the shortest time reasonably needed (i) to repair or replace that part of the **residence premises** occupied by **you** which is unfit to live in, or (ii) if **you** do not elect to repair or replace, for **you** to settle elsewhere or (iii) even if **you** are unable to complete the repair or replace the **dwelling we** will, in no event, pay under Coverage D. Loss of Use for more than the amount stated on the DECLARATIONS as the Loss of Use **limit of insurance**.

2. If an **earthquake** makes that part of the **residence premises** rented to others unfit to live in, **we** insure:

Fair rental value

Payment will be made for the shortest time required to repair or replace that part of the **dwelling** rented or held for rental. In no event will we pay under Coverage D. Loss of Use for more than the amount stated on the DECLARATIONS as the "Loss of Use" **limit of insurance**. Loss of rents due to cancellation of a lease agreement is not covered.

Acts of Civil Authority – Special Limit of Insurance

If a civil authority prohibits you from use of the **residence premises** because of direct damage to neighboring premises by an **earthquake** even if there is no damage to the **residence**

premises, we insure the resulting **additional living expense** or **fair rental value** loss as provided under 1. and 2. above for a maximum of 14 days.

COVERAGE E. LIMITED BUILDING CODE UPGRADE - Special Limits of Insurance

If, at the time of direct physical loss from an **earthquake**, either by original construction, or by upgrading (retrofitting), **your dwelling** meets all of the definitions of **earthquake hazard reductions**, insurance is provided in the following amount:

Up to a maximum of \$10,000 for the additional cost of reconstruction required to bring the **dwelling** on the **residence premises** up to current local residential building code standards as required by a governmental authority before it will approve the reconstruction permit process after an **earthquake**. Any loss in excess of the **sublimit** will not be calculated toward the fulfillment of the deductible requirement.

COVERAGE F. OTHER COVERAGES

If property described in Coverages A. through E. above is damaged by a direct physical loss by an earthquake in an amount greater than the applicable deductible:

1. **We** will pay the reasonable expense incurred by **you** in the demolition and removal of debris of **covered property**. This coverage is limited to 5% of the **dwelling limit of insurance**. The deductible must be met before this coverage is available. This limit does not increase the **dwelling limit of insurance** as shown in the DECLARATIONS.

This additional coverage does not apply to cost to extract pollutants, and all costs or expenses incurred by **you** or on **your** behalf to test for, monitor, clean up, remove, contain, treat, detoxify or neutralize pollutants. Pollutants mean any solid, liquid, metal, gaseous or thermal irritant or contaminant, including but not limited to smoke, vapor, soot, fumes, acids, alkalis, asbestos, lead, chemicals or waste. Waste includes but is not limited to material to be recycled, reconditioned or reclaimed from land or water or to remove, restore or replace polluted land or water.

2. **We** will pay the cost **you** incur for necessary and reasonable emergency measures taken to protect against further **earthquake** damage to the **dwelling**, appurtenant structures or personal property. If the measures taken involve repair to other damaged property, **we** will pay for those repairs only if that property is covered under this policy.

- a. This coverage is limited to 5% of the policy **limit of insurance** for the type of property being protected (**dwelling**, appurtenant structures or personal property).

- b. Taking necessary and reasonable emergency measures to protect covered property from further damage if an **earthquake** occurs does not relieve **you** of **your** responsibilities outlined in Your Duties After a Loss, (CONDITIONS, 4).

3. **We** will pay the structural engineering costs, except as provided by public entities, that you reasonably incur to determine the habitability of the dwelling on the **residence premises** as a result of an **earthquake**. We will pay no more than \$10,000 for this coverage which is a sublimit of the limit of insurance for Coverage A. **Dwelling** and does not increase the **limits of insurance** as shown on the DECLARATIONS. The **sublimit** is the maximum amount we will pay for any one earthquake loss for all engineering costs.

Any loss in excess of the **sublimit** will not be calculated toward the fulfillment of the deductible requirement.

4. **We** will pay **your** share of any loss assessment charged against **you**, for no more than \$10,000, by a corporation or association of property owners because of an **earthquake** during the policy period which is a **sublimit** of Coverage A. **Dwelling** and does not increase the **limits of insurance** as shown in the DECLARATIONS. This coverage only applies when the assessment is made as a result of direct physical loss to covered property

owned by all members collectively, caused by an **earthquake**. This additional coverage applies only to loss assessments charged against **you** as owner of the **residence premises**. **We** do not cover loss assessments charged against **you** or a corporation or association of property owners by any government body.

PROPERTY NOT COVERED

THE DWELLING

We do not insure against the risk of loss by **earthquake** to the following property:

1. Walkways, driveways and patios not necessary to the regular and customary entry and exit of **dwelling**.
2. Water, exterior water supply systems including, but not limited to irrigation systems, residential sprinkler systems and water reclamation systems.
3. Underground structures or equipment that are located outside the foundation wall of the structure including underground pipes, cables, flues, and drains, except those utility services essential for habitability. (Plumbing pipes which are enclosed in the walls, ceiling, or floor system of the **dwelling** structure and plumbing extending to the exterior surface of the foundation wall of the **dwelling** are items the risk of loss of which **we** insure. Essential utility service outside of the foundation wall and within the property boundaries of the **residence premises**, which affects the habitability of the structure is properly the risk of loss of which **we** insure.)
4. Bulkheads, piers and retaining walls not an integral part of the **dwelling** structure.
5. Awnings or other patio coverings.
6. Satellite dishes, radio and television antennas.
7. Any items permanently attached to the **dwelling** or **appurtenant structures** that consist of a work of **fine art** or artistic features considered rare or obsolete including plaster, if other covering would be more cost effective.
8. **Exterior masonry veneer.**
9. Landscaping, trees, shrubs, lawns or plants.
10. Land or any diminution of land value, no matter where it is located, including land on which the **dwelling** is located.
11. Any loss or diminution in fair market value to the **dwelling** due to the **earthquake** or to the requirements of any ordinance or law.
12. Swimming pools, spas and hot tubs, including the tile attaching the pool, spa or hot tub to a deck, whirlpool baths and pools such as fish ponds and decorative pools, including all concrete, stone, tile or similar decking material and all related equipment.

APPURTENANT STRUCTURES

We do not insure against the risk of loss of appurtenant structures:

1. used in whole or in part for **business**; or
2. rented or held for rental to any person not a tenant of the **dwelling**, unless used solely as a private garage.
3. bulkheads, wharves, docks, piers, bridges, or other structures located on or partially over water, or property thereon;
4. underground structures or equipment outside the foundation walls of the insured **dwelling**.

PERSONAL PROPERTY

We do not insure against the risk of loss to:

1. Personal property owned by any person or entity other than an **insured**.
2. Personal property owned or used by any **insured** while located away from the residence premises.
3. Watercraft, including their trailers, furnishings, equipment and motors.
4. Trailers not used with watercraft or vehicles whether or not licensed for use on public roads.
5. Aircraft, including their parts and equipment.
6. Data including data stored in:
 - a. books of account, drawings or other paper records.
 - b. electronic data processing tapes, wires, records, discs or other software media.

We will never pay for the cost to research, replace or restore the data from the lost or damaged medium. However, **we** do insure against the risk of loss of software programs available on the retail market, subject to the **sublimits** and **limits of insurance**.

7. Coin and stamp collections.
8. Credit cards, debit cards, including bank Automated Teller Machine cards or any other electronic funds transfer device.
9. Bullion, gold other than goldware, silver other than silverware, platinum, any valuable metal, medals, rare coins and numismatic property.
10. Securities, accounts, deeds, evidence of debt, letters of credit, notes, any negotiable instrument, manuscripts, passports, tickets and stamps, philatelic property or the cost to research, replace or restore the material from the lost or damaged medium.
11. Grave markers.
12. Animals, birds, reptiles, insects or fish.
13. Landscaping, trees, shrubs, lawns, or plants.
14. **Business property**.
15. Motor vehicles or all other motorized land conveyances. This includes:
 - a. Equipment and accessories; or
 - b. Any device or instrument for the transmitting, recording, receiving or reproduction of sound or pictures which is operate by power from the electrical system of motor vehicles or all other motorized land conveyances, including:
 - (1) accessories or antennas; or
 - (2) tapes, wire, records, disks or other media for use with any such device or instrument; while in or upon the vehicle or conveyance; and
 - c. Disassembled parts of motor vehicles or conveyances while located on the **residence premises** or elsewhere.

This does not include vehicles or conveyances not subject to motor vehicle registration which are:

- a. Used to service an **insured's** residence; or

- b. Designed for assisting the disabled.

EXCLUSIONS

We do not insure against the risk of loss of **covered property** or the loss of use of **covered property** caused directly or indirectly by any cause other than earthquake. All causes of loss, except earthquake, are excluded whether **earthquake** contributes concurrently, or in any sequence to the loss.

Without limiting or modifying the sentence directly above **we** do not insure against the risk of loss of **covered property** or the loss of use of **covered property** caused directly or indirectly by the following whether **earthquake** contributes concurrently, or in any sequence to the loss:

1. Fire.
2. **Nuclear hazard**, meaning nuclear reaction, nuclear radiation, or radioactive contamination, all whether controlled or uncontrolled, and whether or not one of the forces initiating or contributing to the **nuclear hazards** is an **earthquake**.
3. Any risk of loss insured by the **companion policy** whether collectible or not.
4. Ordinance or law, meaning enforcement of any ordinance or law regulating construction, repair, or demolition of a **dwelling** or appurtenant structure, except as specifically insured under Coverage E. Limited Building Code Upgrade.
5. Other non-**earthquake** earth movement, meaning volcanic action, volcanic eruption, settling of land, general land sliding, subsidence, sinkhole, mudflow, or earth sinking, rising or shifting.
6. Water damage, meaning flood, surface water, waves, tidal water, tsunami, overflow of a body of water, or spray from any of these.
7. Explosion.
8. Neglect, meaning neglect of the **insured** to use all reasonable means to save and preserve property at and after the time of loss.
9. War, including undeclared war, civil war, insurrection, rebellion, revolution, warlike act by a military force or military personnel, destruction or seizure or use for a military purpose, and including any consequence of any of these. Discharge of a nuclear weapon will be deemed a warlike act even if accidental.
10. Planning, construction or maintenance, meaning faulty, inadequate or defective planning, zoning, development, surveying, siting, design, specifications, workmanship, repair, construction, grading, compaction, maintenance repair materials, remodeling, or maintenance of part or all of any property (including land, structures or any improvements) whether on or off the residence premises.

DEDUCTIBLE CLAUSE

The deductible amounts which apply to this policy are shown in the DECLARATIONS and apply separately to Coverages A, B, C and E. There is no deductible for the Loss of Use of Coverage.

In case of an **earthquake** we will have no obligation to pay **you** or any **insured** until that part of the loss, subject to the separate **limits of insurance** under each of Coverages A. through E., caused by an **earthquake** is determined to be more than each deductible stated separately in the DECLARATIONS for Coverages A. through E.

CONDITIONS

The conditions that follow are promises **you** make to **us** as consideration for the issuance of this policy. **You** and **we** agree that your failure to fulfill these promises will cause **you** to give up any claim under the policy.

1. INSURABLE INTEREST AND LIMITS OF INSURANCE

Even if more than one person has an insurable interest in the property that is the subject of this policy, **we** will not be liable:

- a. to the **insured** for an amount greater than the **insured's** interest; nor
- b. for more than the **limits of insurance** stated in the DECLARATIONS.

2. CONCEALMENT OR FRAUD

The entire policy will be void, and all claims made shall be abandoned if, whether before or after a loss, **you** have:

- a. concealed or misrepresented any material fact or circumstance;
- b. engaged in fraudulent conduct;
- c. made false statements;
- d. made a false warranty or failed to fulfill a **warranty**; relating to this insurance, the subjects of the insurance, or a loss or claim. (For the purpose of this condition **you** and **we** agree that every question on the **application** on file with us for this insurance are material to our decision to insure or not insure **you** and **you warrant** that each answer to the questions posed by the **application** for this insurance are true); or
- e. failed to answer any question on the **application** truthfully.

3. INTENTIONAL ACTS

This policy shall be void, and all claims made shall be abandoned if, whether before or after a loss, **you** have:

- a. presented any claim arising out of any act committed by, or at the direction of you, any insured, any person or organization named as an insured on the DECLARATIONS or any person or entity named as a mortgagee on the DECLARATIONS or an endorsement attached to this policy:
 - (1) with the intent to deceive us regarding the actual cash value or replacement cost of the dwelling, appurtenant structures, personal property, loss of use, or a loss or claim; or
 - (2) with the intent to misrepresent or conceal any facts material to the policy, the loss or a claim.

4. YOUR DUTIES AFTER LOSS

In case of an **earthquake** loss **you** must see that the following are done:

- a. give prompt notice to **us**;
- b.
 - (1) protect the property from further damage;
 - (2) retain, for **our** inspection all damaged property;
 - (3) make reasonable and necessary repairs to protect the property; and
 - (4) keep an accurate record of repair expenses;

- c. prepare an inventory of damaged personal property showing the quantity, description, **actual cash value, replacement cost** and amount of loss as to each item. Attach all bills, receipts and related documents that justify the amounts stated in the inventory;
- d. as often as **we** reasonably require:
- (1) show the damaged property;
 - (2) provide **us** with all records and documents **we** request concerning you, the policy, the loss, or the claim and permit us to make copies;
 - (3) provide **us** with all records and documents **we** request concerning **you**, the **dwelling**, the appurtenant structures or the **contents**, including, but not limited to, any financial documents and records created by you or any **insured** or on **your** behalf or on behalf of any **insured**.
 - (4) submit to examinations under oath by any person designated by us, and cause every person who is an **insured** to submit to examinations under oath, while not in the presence of any other **insured**, and sign the transcript of the same under oath;
- e. send to **us**, within ninety (90) days after an **earthquake** causing loss, your signed, sworn proof of loss which sets forth to the best of your knowledge and belief:
- (1) time and cause of loss;
 - (2) your interest and that of all others in the property involved;
 - (3) all liens on, or mortgages secured by the **dwelling** on the **residence premises**;
 - (4) other insurance which may cover any portion of the loss;
 - (5) changes in title or occupancy of the property during the term of the policy;
 - (6) specifications of damaged buildings, reports of any engineers, architects, licensed contractors, construction consultants or similar professionals and detailed repair estimates;
 - (7) the inventory of damaged personal property described in 4.c.;
 - (8) receipts for **additional living expenses** incurred or records that support a **fair rental value** claim;
 - (9) **your** statement of the amount of loss and claim.

5. YOUR RIGHTS CONCERNING CLAIMS INVESTIGATION

The law may provide certain rights and protections that apply to policyholders involved in the settlement of a claim. Included among these are the following:

- a. **You** may have specific rights to privacy under California and Federal law which may protect **you** during the claims settlement process from unreasonable inquiry by **us**. By accepting this policy **you** waive any rights of privacy that may exist to those documents you promise to provide to **us** by Conditions 4 **c.**, **d.** and **e.**;
- b. The California Insurance Code and Title X, Chapter 5, Subchapter 7.5 of the California Code of Regulations called the "Fair Claims Settlement Practices Regulations" impose fair claims settlement requirements on insurance companies with which Regulations **we** agree to comply;
- c. At **your** expense, **you** have the right to be represented by an attorney or a public insurance adjuster licensed pursuant to California Insurance Code §§ 15000 et.seq.

6. LOSSES WILL BE SETTLED AS FOLLOWS:

a. THE DWELLING.

- (1) Under Coverage A. **Dwelling** at **replacement cost**, without deduction for depreciation;
- (2) Loss to property described under PROPERTY COVERED, Coverage A., **Dwelling** will be settled at **replacement cost** subject to the applicable **limit of insurance**. This is the amount, without deduction for depreciation, actually and necessarily incurred to repair or replace such property with equivalent construction using materials of **equivalent kind and quality**. We will determine whether to repair or replace such property based upon generally accepted engineering and construction practices. If the **dwelling** is rebuilt or replaced at another location, settlement will be no more than the cost to repair or replace the **dwelling** at the **residence premises** subject to the applicable **limit of insurance**.
- (3) We will pay the cost to repair or replace the **dwelling** with materials of **equivalent kind and quality**, after application of the deductible, and without deduction for depreciation, but not more than the smallest of the following amounts:
 - (a) the **limit of insurance** under this policy that applies to the **dwelling**;
 - (b) the replacement cost of that part of the **dwelling** damaged by **earthquake** for equivalent construction and use if built on the same premises; or
 - (c) the amount actually and necessarily spent to repair or rebuild the damaged **dwelling** and/or appurtenant structures on the same premises.
- (1) We will pay no more than the **actual cash value** unless:
 - (A) actual repair or replacement is completed on the same premises; or
 - (B) actual replacement is acquired at a location other than the **residence premises**; or
- (4) You may disregard the replacement cost loss settlement provisions and make claim under this policy for loss or damage to buildings on an **actual cash value** basis. You may then make claim within one hundred eighty (180) days after loss for any additional liability on a replacement cost basis.
 - (a) If you make claim for replacement cost you must complete repairs within 365 days of the date you give us written notice that you are making claim on a **replacement cost** basis.
 - (b) To collect replacement cost in addition to actual cash value you must:
 - (1) Submit proof to us that you have actually rebuilt the damaged **dwelling**, appurtenant structures or other structures on the same premises or replaced the **dwelling** with a **dwelling of equivalent kind and quality** at some other location at a cost for the structures alone greater than the **actual cash value loss**.
 - (2) Submit proof to us that you have actually spent more than the **actual cash value** amount of loss or up to the **limit of insurance**, whichever is the smaller amount.

- (3) **You** agree that failure to submit the proof required by 4(b)(1) – (2) above within 365 days of the date **you** gave **us** written notice that **you** were making claim on a **replacement cost** basis **you** will give up your claim for the difference between the **actual cash value** loss and the **replacement cost** loss.

b. PERSONAL PROPERTY

- 1) Loss to personal property will be settled at **replacement cost** without deduction for depreciation for the amount necessary to repair or replace the damaged property with articles of like kind and quality, subject to the applicable **limit of insurance**.
- 2) To collect **replacement cost** in addition to **actual cash value** you must:
 - (a) Submit proof to **us** that **you** have actually replaced or repaired the damaged personal property with material **of equivalent kind and quality** for an amount greater than the **actual cash value** loss.
 - (b) Submit proof to **us** that **you** have actually spent more than the **actual cash value** amount of loss or up to the **limit of insurance**, whichever is the smaller amount.
 - (c) **You** agree that failure to submit the proof required by 2) (a) – (b) above within 365 days of the date **you** gave **us** written notice that **you** were making claim on a **replacement cost** basis **you** will give up **your** claim for the difference between the **actual cash value** loss and the **replacement cost** loss.
- 3) This **replacement cost** coverage does not apply to:
 - (a) **Fine arts**.
 - (b) Property which by its inherent nature cannot be replaced;
 - (c) Property not maintained in good or workable condition at the time of the **earthquake**.
 - (d) Property not being used by **you** or stored for such use.
- 4) Our liability for loss to any property insured under this policy will not exceed the smallest of the following:
 - (a) The cost of repair or restoration.
 - (b) The **replacement cost** at time of loss; or
 - (c) Any **limit of insurance**, or special **sublimits** described in the policy.

7. POLICY PERIOD

This policy applies only to loss by **earthquake** which happens during the policy period shown on the DECLARATIONS.

8. APPRAISAL

If **you** and **we** fail to agree on the amount of loss, either may demand the arbitration of the amount of loss, called an "appraisal." In the event **you** and **we** fail to agree on the amount of loss and either **you** or **us** demand appraisal, each party will choose a competent and disinterested appraiser within twenty (20) days after receiving a written request from the other. The two appraisers will choose an umpire. If they cannot agree upon an umpire within fifteen (15) days, **you** or **we** may request that the choice be made

by a judge of a California court in the County where the **dwelling** is located. The appraisers will only set the amount of loss. If the appraisers submit a written report of an agreement to **you** and **us**, the amount agreed upon will be the amount of loss. If they fail to agree, they will submit their differences to the umpire. A decision agreed to by any two (called an appraisal award) will set the amount of loss when it is delivered to **you** and **us**. **You** and **we** will share equally the other expenses of the appraisal and the umpire.

9. OTHER INSURANCE

If there is other insurance covering the same loss or damage, **we** will pay only for the amount of covered loss or damage in excess of the amount due from that other insurance. **We** will not pay more than the limit of **insurance** less the amount due from that other insurer.

10. ASSIGNMENT

Assignment of this policy will not be valid unless **we** give **our** written consent. **You** may, without our consent, assign to any person, all or part of a claim after an **earthquake** loss.

11. SUBROGATION.

We may require an assignment of rights of recovery for a loss to the extent that payment is made by **us**. If an assignment is sought, **you** and any person insured must sign and deliver all related papers and cooperate with **us**. If **we** request, **you** will appear in court or sign any documents necessary to assist **us** in perfecting the claim of recovery against any person.

12. SALVAGE VALUE

Any value that may be realized from salvage will not diminish the amount owed by you under the deductible clause nor will it reduce the applicable **limit of insurance**. **We** need not take, but **you** grant **us** all rights to salvage.

13. ABANDONMENT OF PROPERTY

We need not accept any property abandoned by **you**.

14. OUR OPTION

If **we** give **you** written notice within 30 days after **we** receive **your** signed, sworn proof of loss, **we** may repair or replace any part of the damaged property with **equivalent kind and quality**.

15. LOSS PAYMENT

We will adjust all losses with **you**. **We** will pay **you** unless some other person is named in the policy or is legally entitled to receive payment. Loss will be payable 30 days after **we** receive **your** proof of loss and:

- a. **We** reach an agreement with **you** expressed in writing from **us** to **you**;
- b. There is a filing of an appraisal award with **us**; or
- c. There is an entry of a final judgment.

16. MORTGAGE CLAUSE

The word "mortgagee" includes trustee. If a mortgage is named as a loss payee in the **earthquake** policy, any loss payable under Coverage A. **Dwelling** will be paid to the mortgagee, to the extent of its interest, and to **you**. If more than one mortgagee is so named, the order of payment will be the same as the order of precedence of the mortgages.

If **we** deny **your** claim, that denial will not apply to a valid claim of the mortgagee, if the mortgagee:

- a. Notifies **us** of any change in ownership, occupant or substantial change in risk of which the mortgagee is aware;
- b. Pays any premium due under this policy on demand if **you** have neglected to pay the premium, and
- c. Submits a signed, sworn statement of loss within 60 days after receiving notice from **us** of **your** failure to submit a sworn proof of loss as required by this policy. Policy conditions relating to Appraisal, Suit Against Us and Loss Payment apply to the mortgagee.

If **we** decide to cancel or not to renew this policy, the mortgagee will be notified at least 10 days before the date cancellation or non-renewal takes effect. If **we** pay the mortgagee for any loss and deny payment to **you**:

- (i) **we** are subrogated to all the rights of the mortgagee granted under the mortgage on the property, or
- (ii) At **our** option, **we** may pay to the mortgagee the whole principal on the mortgage plus any accrued interest. In this event, **we** will receive a full assignment and transfer of the mortgage and all securities held as collateral to the mortgage debt. Subrogation will not impair the right of the mortgagee to recover the full amount of the mortgagee's claim.

17. NO BENEFIT TO BAILEE

We will not recognize any assignment or grant any coverage that benefits a person or organization holding, storing or moving property for a fee regardless of any other provision of this policy.

18. CANCELLATION

a. **You** may cancel this policy at any time by returning it to **us** or by letting **us** know in writing of the date cancellation is to take effect.

b. **We** may cancel this policy only for the reasons stated below by letting **you** know in writing of the date cancellation takes effect. This 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.

- (1) When **you** have not paid the premium, **we** may cancel at any time by letting **you** know at least 10 days before the date cancellation takes effect.
- (2) When this policy has been in effect for less than 60 days and is not a renewal with **us**, **we** may cancel for any reason by letting **you** know at least 20 days before the date cancellation takes effect.
- (3) When this policy has been in effect for 60 days or more, or at any time if it is a renewal with **us**, **we** may cancel if there has been:
 - (a) Conviction of the **named insured** of a crime having as one of its necessary elements an act increasing any hazard insured against;
 - (b) Discovery of fraud or material misrepresentation by either of the following:
 - I. **you** or **your** representative in obtaining the insurance, or
 - II. **you** or **your** representative in pursuing a claim under this policy.
 - (c) Discovery of grossly negligent acts or omissions by **you** or **your** representative substantially increasing any of the hazards insured against.
 - (d) Physical changes in the insured property which result in the property becoming uninsurable.

This can be done by letting **you** know at least 20 days before the date cancellation takes effect.

c. When this policy is terminated for any reason, or there is a reduction in coverage, **we**

shall tender the gross unearned premium resulting from the termination, or the amount of the unearned premium generated by the reduction in coverage, to **you** or, pursuant to Section 673, to **your** premium finance company. The gross unearned premium shall be tendered within 25 business days after **we** either receive notice of the event that generated the gross unearned premium, or receive notice from a premium finance company of a cancellation.

- d. If the return premium is not refunded with the notice of cancellation or when the policy is returned to **us**, **we** will refund it within a reasonable time after the date cancellation takes effect.

19. 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 at least 45 days before the expiration date of this policy. Proof of mailing will be sufficient proof of notice.

20. WAIVER OR CHANGE OF POLICY PROVISIONS

A waiver or change of a provision of this policy must be in writing by **us** to be valid. **Our** request for an appraisal or examination will not waive any of **our** rights.

21. LOSS TO A PAIR OR SET

In case of loss to a pair or set **we** may 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 the value of the property before and after the loss.

22. GLASS REPLACEMENT

Claims for damage to glass caused by an **earthquake** will be settled on the basis of replacement with safety glazing materials when required by ordinance or law.

23. YOUR DUTY TO SELECT AND MAINTAIN THE LIMITS OF INSURANCE

It is **your** responsibility to select and maintain the **limits of insurance**. This includes adjusting your coverage in the event of renovations, remodels or additions to **your dwelling**, appurtenant structures or personal property.

We will adjust annually, either up or down, **your dwelling limit of insurance** based upon factors for **your** area supplied to us by recognized appraisal agencies. This adjustment will be made on the renewal date of **your** policy. **You** will be notified in advance of the new amount of coverage. Payment of **your** renewal premium is all that is necessary to indicate **your** acceptance of the new amount.

This policy contains **NO GUARANTEE** that the limits quoted, offered, or selected will be sufficient to rebuild **your Dwelling** or replace **your** personal property. **We** will never pay more than the **limit of insurance** or any **sublimit** of insurance.

24. DEATH

If **you** die, **we** insure:

- a. **your** legal representatives but only with respect to the property of the deceased covered under the policy at the time of death;
- b. with respect to **your** property, the person having proper temporary custody of the property until appointment and qualification of a legal representative.

25. SUIT AGAINST US

No action can be brought unless all the conditions and **warranties** have been complied with by **you** and the action is started within one (1) year after the **earthquake** unless you

report the loss to **us** promptly and then within one (1) year after **we** advise **you your** claim is denied.

In Witness Whereof, the Company has caused this policy to be executed and attested, but this policy shall not be valid unless countersigned on the Declarations page by a duly authorized agent of the Company.

Michael D. Blanson

Secretary

Stephen L. Stephens

President

Warranties

We rely on your compliance with the **warranties** listed below. You and **we** agree that each of the **warranties** is material to **our** decision to insure or not insure **you**. When a **warranty** is not fulfilled at the date and time this policy comes into effect, this policy does not attach to the risk. When the **warranty** is broken on or after the day and time this policy comes into effect, **you** agree that this policy is void, of no effect and **you** have no right to present claim to **us** for any **earthquake** loss:

1. All statements of fact made by **you**, or on **your** behalf, in the application(s) for insurance submitted to **us** are true.
2. **You** shall maintain, concurrently with this policy, a **companion policy**.