Important Notices Regarding Your Earthquake Insurance

This policy is issued by the PACIFIC SPECIALTY 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 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 of the policy, 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 the 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 bases 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 Pacific Specialty 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 Pacific Specialty 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, intended for or used in any full or part-time business.
8. “Companion policy” means a homeowners policy or other policy of insurance 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 earth movement, shaking, or trembling caused by underground forces, or by the breaking and/or shifting of rock beneath the surface through release of strain associated with tectonic processes, including land shock waves or tremors before, during, or after a 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, at the time of loss. 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 consequence 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 to 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 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).
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. $1,500 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. $1,500 on fences of all kinds and types of material and construction;
3. $1,500 on retaining walls that are not part of the foundation of the **dwelling** or appurtenant structures;
4. $1,500 on those portions of walks, driveways, patios, stairs, porches, and other paved surfaces that are outside the foundation walls of the insured **dwelling**;
5. $1,500 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 subject to the limit of insurance as shown on the DECLARATIONS, Coverage D Loss of Use and the following:

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:
   a. to repair or replace that part of the residence premises occupied by you which is unfit to live in.
   b. if you do not elect to repair or replace, for you to settle elsewhere or
   c. even if you are unable to complete the repair or replacement of 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.

3. **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 LOSS ASSESSMENT**

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

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.
ADDITIONAL COVERAGES
If property described in Coverages A through E above is damaged by 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, 5).

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.

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

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 the 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 located outside of the foundation wall and within the property boundaries of the residence premises, which affects the habitability of the structure is property the risk of loss of which we insure.)
4. Bulkheads, piers and retaining walls not an integral of the dwelling structure.
5. Awnings or other patio coverings.
7. Any items permanently attached to the dwelling or appurtenant structures that consist of a work of fine art or decorative or artistic features under Coverage A. Dwelling, 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.
   c. 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.
12. Animals, birds, reptiles, insects or fish.
13. Landscaping, trees, shrubs, lawns, or plants.
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 operated by power from the electrical system of motor vehicles or all other motorized land conveyances, including:
      i. accessories or antennas; or
ii. tapes, wires, 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.

**DEDUCTIBLE CLAUSE**

The deductible amounts which apply to this policy are shown in the DECLARATIONS and apply separately for Coverages A, B, C, and E.

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, B, C, and E, caused by an earthquake is determined to be more than each deductible stated separately in the DECLARATIONS for Coverages A, B, C, and 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. **COMPANION POLICY**

   This policy applies only to property that is also insured by a companion policy for the peril of fire. This policy will be suspended and of no effect for those periods of time when the companion policy is not in full force and effect.

2. **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.

3. **CONCEALMENT OR FRAUD**

   The entire policy shall 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
   
   e. 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
   
   f. failed to answer any question on the application truthfully.
4. **INTENTIONAL ACTS**

This policy shall be void, and all claims made shall be abandoned if, whether before or after a loss, any **insured** or their representative has:

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:
   i. 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
   ii. with the intent to misrepresent or conceal any facts material to the policy, the loss or a claim.

5. **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. i. protect the property from further damage;
       ii. retain, for our inspection all damaged property;
       iii. make reasonable and necessary repairs to protect the property; and
       iv. 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:
      i. show the damaged property;
      ii. provide **us** with all records and documents we request concerning **you**, the policy, the loss, or the claim and permit **us** to make copies;
      iii. 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**.
      iv. 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:
      i. the time and cause of loss;
      ii. your interest and that of all others in the property involved;
      iii. all liens on, or mortgages secured by the **dwelling** on the **residence premises**;
      iv. other insurance which may cover any portion of the loss;
      v. changes in title or occupancy of the property during the term of the policy;
      vi. specifications of damaged buildings, reports of any engineers, architects, licensed contractors, construction consultants or similar professionals and detailed repair estimates;
      vii. the inventory of damaged personal property described in 5.c.;
      viii. receipts for **additional living expenses** incurred or records that support a **fair rental value** claim;
      ix. your statement of the amount of loss and claim.
   x. All communications between **you** and the insurer that issued the **companion policy**.

6. **LOSSES WILL BE SETTLED AS FOLLOWS**:

a. The **Dwelling**.
   i. Under Coverage A **Dwelling** at replacement cost, without deduction for depreciation;
   ii. 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. 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.

iii. 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.

We will pay no more than the actual cash value unless:

(i) actual repair or replacement is completed on the same premises; or

(ii) actual replacement is acquired at a location other than the residence premises;

iv. 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:

(i) 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.

(ii) 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.

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

b. Personal Property

i. 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.

ii. 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. Failure to submit the proof required by b. ii. a.-b. above within 365 days of the date you gave us written notice that you were making claim on a replacement cost basis will forfeit your claim for the difference between the actual cash value and the replacement cost.

iii. 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.

iv. 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 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 will pay your appraiser. We will pay our appraiser. You and we will share equally the other expenses of the appraisal and the umpire.

9. OTHER INSURANCE
   a. You may have other insurance subject to the same plan, terms, conditions and provisions as the insurance under this policy. If you do, we will pay our share of the covered loss or damage. Our share is the proportion that the limits of insurance under this policy bears to the limits of insurance of all policies covering on the same basis.
   b. If there is other insurance covering the same loss or damage, other than described in a., above, 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 mortgagee 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, occupancy 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 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:
   a. We are subrogated to all the rights of the mortgagee granted under the mortgage on the property, or
   b. 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 in this condition by notifying you 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.
      i. When you have not paid the premium, 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 for any reason or if we discover that the risk does not meet our underwriting guidelines, by mailing notice to you at least 10 days before the date the cancellation takes effect.
   c. 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:
      i. a conviction of the named insured of a crime having as one of its necessary elements an act increasing any hazard insured against; or
ii. discovery of fraud or material misrepresentation; or
iii. discovery of grossly negligent acts or omissions by the insured or his or her representative substantially increasing any of the hazards insured against; or
iv. physical changes in the property described in the DECLARATIONS which result in the property becoming uninsurable.

d. When this policy is canceled, the premium for the period from the date of cancellation to the expiration date will be refunded. When the policy is canceled, the return premium will be pro-rata.
e. If, when we cancel this policy, the return premium is not refunded with the notice of cancellation, we will refund it within 30 days after the date cancellation takes effect. If, when you cancel this policy, the return premium is not refunded when this policy is returned to us, we will refund it within 30 days after the date the cancellation takes effect.
f. Proof of mailing will be sufficient proof of notice.

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:

i. repair or replace any part to restore the pair or set to its value before the loss; or
ii. 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.

WARRANTIES

We rely on your compliance with the warranties listed below. You and we agree that each of the warranties are 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.

Michael J. McGraw
PRESIDENT

Timothy J. Summers
SECRETARY