CALIFORNIA EARTHQUAKE AUTHORITY
Participating Insurer - California FAIR Plan Association
P.O. Box 76922
Los Angeles, CA 90076-0922

BASIC EARTHQUAKE POLICY
COMMON INTEREST DEVELOPMENT

BEQ-6B (01-2016 edition)
TABLE OF CONTENTS

IMPORTANT NOTICES .................................................................................................................2
AGREEMENT ...................................................................................................................................3
DEFINITIONS ..................................................................................................................................4

COVERAGES ..................................................................................................................................6

COVERAGE A: BUILDING PROPERTY ............................................................................................6
   Property Covered–Coverage A ....................................................................................................6
   Special Limits of Insurance–Coverage A ....................................................................................6
   Other Coverages–Coverage A
      1. Emergency Repairs ........................................................................................................7
      2. Debris Removal ................................................................................................................7
      3. Building Code Upgrades ................................................................................................7
      4. Energy Efficiency and Environmental Safety Replacement Upgrades .........................8
   Property Not Covered–Coverage A ..........................................................................................9
   Deductible–Coverage A ...........................................................................................................10

COVERAGE C: PERSONAL PROPERTY .........................................................................................10
   Property Covered–Coverage C ................................................................................................10
   Special Limits of Insurance–Coverage C ................................................................................10
   Other Coverage–Coverage C ................................................................................................11
   Property Not Covered–Coverage C ........................................................................................11
   Deductible–Coverage C ...........................................................................................................12

COVERAGE D: LOSS OF USE .........................................................................................................13

COVERAGE E: LOSS ASSESSMENT .............................................................................................13
   Losses Covered–Coverage E .....................................................................................................13
      1. Assessment by Association of Owners ..........................................................................13
      2. Reduction in Value of Your Ownership Interest ............................................................14
   Losses Not Covered–Coverage E ............................................................................................15
   Deductible–Coverage E ...........................................................................................................16

LOSSES EXCLUDED ....................................................................................................................16

YOUR RIGHTS CONCERNING CLAIMS INVESTIGATION ..........................................................18

CONDITIONS ................................................................................................................................18
   1. Insurable Interest and Limit of Insurance ........................................................................18
   2. Concealment or Fraud .......................................................................................................18
   3. Your Duties After Loss ........................................................................................................18
   4. Loss Settlement: Coverages A and C ..............................................................................19
   5. Loss Settlement: Coverage A ...........................................................................................19
   6. Loss Settlement: Coverage C ...........................................................................................20
   7. Appraisal ...........................................................................................................................20
   8. Other Insurance ...............................................................................................................20
   9. Subrogation .......................................................................................................................20
   10. Legal Action .....................................................................................................................20
   11. Our Option to Repair or Replace Property ...................................................................20
   12. Loss Adjustment .............................................................................................................21
   13. Loss Payment ...................................................................................................................21
   14. Mortgagee Clause ...........................................................................................................21
   15. No Benefit to Bailee ........................................................................................................22
   16. Payment ...........................................................................................................................22
   17. Automatic Termination ....................................................................................................22
   18. Cancellation ......................................................................................................................22
   19. Conditional Reinstatement .............................................................................................23
   20. Non-Renewal ...................................................................................................................23
   21. Waiver or Change of Policy Provisions .........................................................................23
   22. Assignment .......................................................................................................................23
   23. Death .................................................................................................................................23
   24. Recovered Property .........................................................................................................23
   25. Abandonment of Property .............................................................................................23
   26. Surcharge Clause ............................................................................................................23
   27. Pro-Rata or Installment Claims Payments .....................................................................23
   28. Changes to Policy Terms in the Event of an Earthquake ................................................24
   29. Renewal of Policy in the Event of an Earthquake ...........................................................24
   30. Liberalization Clause ......................................................................................................24
IMPORTANT NOTICES

Many of the terms of this policy are substantially different from the terms of your companion policy and most other policies that cover a condominium unit or other dwelling unit. The following items, among others, are unique to this policy; these are not the only terms, however, that are different from the terms of your companion policy and other policies—there are many others. Therefore, we urge you to read the entire policy.

The terms that appear in bold type appear frequently in this policy and are defined below under DEFINITIONS.

1. **Deductible.** No payment will be made for any property loss until the amount of covered loss to the type of property for which you make a claim under this policy exceeds the deductible stated on the DECLARATIONS. Because of the way the deductible is determined, you could have substantial uninsured loss. There are other requirements and restrictions that relate to the deductible. Please read the deductible clause relating to each type of covered property.

2. **Companion Policy Requirement.** This policy and California law require that, during the entire policy period of this CEA policy, you must keep a companion policy in force. That companion policy must provide fire insurance for the property that is the subject of this California Earthquake Authority policy. That companion policy must be issued by the same participating insurer that issued this earthquake policy—if no companion policy is in effect at the time of loss, this CEA policy is void and no payment will be made under this CEA policy.

3. **This is Limited Coverage.**
   (a) This CEA policy covers only some parts of your dwelling unit and does not cover many other components of your interest in your common interest development. You may wish to determine if your association of owners has purchased an association master policy that includes earthquake coverage.
   (b) Unlike some fire insurance policies, this policy does not have a “guaranteed replacement cost” or “extended replacement cost” feature. For that reason, this policy does not provide for full repair or full replacement of covered property if, and to the extent, the loss exceeds (1) the applicable limit of insurance stated in the DECLARATIONS or, (2) if a sublimit applies to the loss, the applicable sublimit stated in the policy.

4. **Pro-rata or Installment Claims Payments.** In accordance with California Insurance Code section 10089.35, if at any time the California Earthquake Authority Governing Board determines that the CEA’s available capital may be exhausted and that no additional funds (from specified sources) will be available to the CEA to pay policyholder claims, the CEA may pay claims on a pro-rata basis or in installment payments, based on a plan presented to the California Insurance Commissioner. If this occurs, you might not be paid the full amount of your claim or your claim might be paid in installments, or both. Under no circumstances will the State of California be responsible for the payment of your claim. Please read the Pro-rata or Installment Claims Payments Clause on page 23 and 24.

5. **Surcharge in the Event of Earthquake.** If an earthquake, or a series of earthquakes, exhausts the California Earthquake Authority’s claim-paying capacity (as provided from specified sources), California Insurance Code section 10089.29, subdivision (b), paragraph (1), gives us the power to impose an annual surcharge of up to 20% of your annual policy premium. Please read the Surcharge Clause on page 23.

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

__________________________________________________________________
BASIC EARTHQUAKE POLICY
COMMON INTEREST DEVELOPMENT

Please note that terms that appear frequently in this policy are defined below under DEFINITIONS and appear in bold type.

AGREEMENT

This policy is issued by the California Earthquake Authority (CEA), a public instrumentality of the State of California established and authorized by law to transact insurance in California as necessary to sell policies of basic residential earthquake insurance.

1. Covered Losses.
   a. This policy insures the following property for accidental, direct physical loss from an earthquake that commences during the policy period as part of a seismic event that commences during the policy period, subject to all of the terms, conditions, deductibles, limits of insurance, and sublimits of the policy:
      1. The property described under “COVERAGE A: BUILDING PROPERTY,” but only if a limit of insurance is shown for COVERAGE A on the DECLARATIONS page of this policy;
      2. The property described under “COVERAGE C: PERSONAL PROPERTY,” but only if a limit of insurance is shown for COVERAGE C on the DECLARATIONS page of this policy; and
      3. Your portion of those loss assessments and reductions in value described under “COVERAGE E: LOSS ASSESSMENT,” but only if a limit of insurance is shown for COVERAGE E on the DECLARATIONS page of this policy.
   b. In addition, if a limit of insurance is shown for “COVERAGE D: LOSS OF USE” on the DECLARATIONS page of this policy, we insure for Loss of Use of the dwelling unit resulting from an earthquake that commences during the policy period as part of a seismic event that commences during the policy period, subject to all of the terms, conditions, and limits of insurance of the policy.

2. Deductible. Except as otherwise explicitly stated in this policy, we will pay only when a covered loss to property exceeds the deductible amount shown on the DECLARATIONS page applicable to that category of property. We will then pay only the amount in excess of the applicable deductible amount, up to the applicable limit of insurance. The deductible will be applied one time for each seismic event. There is one deductible that applies to COVERAGE A: BUILDING PROPERTY, a separate deductible that applies to COVERAGE C: PERSONAL PROPERTY, and a separate deductible that applies to COVERAGE E: LOSS ASSESSMENTS. We will pay no amount for any loss under COVERAGE A: BUILDING PROPERTY until the amount of the loss exceeds the amount of the deductible for COVERAGE A: BUILDING PROPERTY shown on the DECLARATIONS page; we will pay no amount for any loss under COVERAGE C: PERSONAL PROPERTY until the amount of the loss exceeds the amount of the deductible for COVERAGE C: PERSONAL PROPERTY shown on the DECLARATIONS page; and we will pay no amount for any loss under COVERAGE E: LOSS ASSESSMENTS until the amount of the loss exceeds the amount of the deductible for COVERAGE E: LOSS ASSESSMENT shown on the DECLARATIONS page. For further information and what will be applied to meet each deductible, see “Deductible—Coverage A” on page 10, “Deductible—Coverage C” on page 12, and “Deductible—Coverage E” on page 16 in the COVERAGES Section of this policy.

3. Premium Payment. We will provide the insurance described in this policy in return for your payment of the premium and your compliance with all applicable provisions of this policy.
4. **Policy Period.** The policy period as shown on the DECLARATIONS page will begin and end at 12:01 a.m. Pacific Standard Time or Pacific Daylight Savings Time, whichever is in effect on the inception or termination date.

5. **Companion Policy.** You agree to keep in effect a **companion policy** written by the **participating insurer** that services this policy. If at the time of loss no **companion policy** is in effect, this **earthquake** policy is void and no payment will be made under this **earthquake** policy.

6. **Policy Services.** Policy services and claims adjusting will be provided by the **participating insurer**. All inquiries and correspondence regarding this policy should be directed to the **participating insurer**.

---

**DEFINITIONS**

Throughout this policy, the words “**you**” and “**your**” refer to the named **insured** shown in the DECLARATIONS and the named **insured’s** spouse or **domestic partner** if that spouse or **domestic partner** is a resident of the same household. The words “**we,**” “**us,**” and “**our**” refer to the California Earthquake Authority. Additional words and phrases are defined as follows.

1. **“Actual cash value”** means replacement cost less depreciation.

2. **“Association governing documents”** means the declaration and any other documents, such as bylaws, operating rules of the **association of owners**, articles of incorporation, or articles of association, that govern the operation of the **common interest development** or the **association of owners**.

3. **“Association master policy”** means an insurance policy (1) insuring against the perils of fire, **earthquake**, or both, (2) purchased by or issued to the **association of owners**, and (3) covering, in whole or in part, the **dwelling unit**, other real property located at the **common interest development**, or both.

4. **“Association of owners”** means a nonprofit corporation or unincorporated association created for the purpose of governing and managing the **common interest development** in which the **dwelling unit** is located.

5. **“Business property”** means property pertaining to or intended for use in any (a) full-time or part-time trade, profession, or occupation, or (b) other activity intended for economic gain.

6. **“California Earthquake Authority”** or **“CEA”** means the entity that issued this policy. The **CEA** is a public instrumentality of the State of California created and authorized by law to transact insurance in California as necessary to sell policies of basic residential **earthquake** insurance. The authorization appears in the California Insurance Code, beginning at section 10089.5.

7. **“Chimney”** means the flue or vent and the building code-required structure that surrounds the flue or vent, including exterior chimney facings, from the firebox to the outside of that structure. **Chimney** does not include a hearth, a mantel, the firebox where combustion takes place, or the foundation that supports the **Chimney**.

8. **“Collectible”** or **“collectibles”** means an item or group of items of personal property, regardless of whether an individual item or part of a collection, the monetary worth of which is not primarily based on its utility or function, but rather, is primarily based on its value to a collector, including property that is kept for investment, has a real or perceived past or expected future increase in value because it would be desirable to collectors as part of a collection, or that has a monetary worth significantly greater than its intrinsic value because of its rarity or its demand among collectors.

9. **“Common interest development”** means any of the following:
   - A community apartment project, as defined in California Civil Code section 4105;
   - A condominium project, as defined in California Civil Code section 4125;
10. “Companion policy” means the fire insurance policy that provides fire coverage on the dwelling unit or personal property, or both, that is the subject of this CEA policy, and that is issued by the same participating insurer that services this CEA policy. “Companion policy” does not include the association master policy.

11. “Domestic partner” means a party to a two-person domestic relationship registered by the California Secretary of State through the filing of a Declaration of Domestic Partnership, pursuant to California Family Code section 298.5.

12. “Dwelling unit” means your individual unit in a residential structure located within the common interest development at the location specified in the DECLARATIONS.

13. “Earthquake” means a vibration-generating rupture event caused by displacement within the earth’s crust through release of strain associated with tectonic processes and includes effects such as ground shaking, liquefaction, and damaging amplification of ground motion. While land sliding, including seismically-induced land sliding, is not itself an earthquake, we cover, subject to “LOSSES EXCLUDED” Item 5 and subject to all other terms and conditions of this policy, loss to covered property arising out of a seismically-induced landslide if that landslide is induced by, and would not have occurred in the absence of, an earthquake that commences during the policy period as part of a seismic event that commences during the policy period. Earthquake does not mean or include tsunami or volcanic eruption.

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

15. “Insured” means you and the following persons if they are permanent residents of your household:

   a. your relatives, whether related by blood, marriage or adoption; and
   b. anyone under the age of 21 who is in the care or custody of you or of any of your relatives who are permanent residents of your household.

16. “Limit of insurance” means the most we will pay for covered loss arising from any seismic event.

17. “Nuclear hazard” means any nuclear reaction, radiation, or radioactive contamination, or any consequence of any of these.

18. “Participating insurer” means the insurance company that issued the companion policy, meets the legal requirements to offer residential earthquake coverage by participating in the CEA, and provides claims and policyholder services for this policy on behalf of the CEA.

19. “Person” means any human, association, organization, governmental entity, partnership, business trust, limited liability company, or corporation.

20. “Replacement cost” means:

   a. With respect to structures, the lesser of the reasonable cost at the time of loss to repair or replace covered damaged or destroyed property, without deduction for depreciation, (i) at the location of the dwelling unit, (ii) for the same use, and (iii) with materials of like kind and quality.

   b. With respect to personal property and wall-to-wall carpeting, the cost, without deduction for depreciation, of (i) new property identical to the damaged property or, (ii) if identical property is not obtainable, of new property of like quality and of comparable usefulness as the damaged property.
21. “Seismic event” means one or more earthquakes that occur within a 360-hour period. The seismic event commences upon the initial earthquake, and all earthquakes or aftershocks that occur within the 360 hours immediately following the initial earthquake are considered for purposes of this policy to be part of the same seismic event.

22. “Sublimit” means a dollar limit on a coverage for a specific type of property within a category of property that is subject to a higher total limit of insurance. Payment under a sublimit will reduce the amount available under the total limit of insurance.

23. “Tectonic processes” means natural adjustments of the earth’s crust that are wholly in response to regional stress conditions caused by natural dynamic forces within the earth’s interior, and not initiated, in whole or in any part, by any human activity.

COVERAGES

COVERAGE A: BUILDING PROPERTY

If a limit of insurance for “COVERAGE A: BUILDING PROPERTY” is shown on the DECLARATIONS page of this policy, we provide the following coverage, subject to that limit of insurance, the application of the “Deductible—Coverage A” clause, and all of the terms and conditions of this policy.

If no limit of insurance for “COVERAGE A: BUILDING PROPERTY” is shown on the DECLARATIONS page of this policy, this policy does not provide any coverage under “COVERAGE A: BUILDING PROPERTY.”

Property Covered—Coverage A

We cover:

1. The following property:
   a. Built-in appliances, fixtures, alterations, and improvements that are part of the structure in which the dwelling unit is located and are contained within the dwelling unit;
   b. Wall-to-wall interior carpeting attached to the dwelling unit;
   c. Items of real property, other than chimneys, that pertain exclusively to the dwelling unit.

2. The following property, but only to the extent that you are obligated to repair or maintain the property under the terms of the association governing documents:
   a. Plumbing pipes and utility service structures and equipment that are enclosed within the walls, ceiling, or floor of the dwelling unit, extending to the exterior surface of the perimeter walls of the dwelling unit;
   b. Equipment and utility service structures for electric, telephone, natural or bottled gas, heating, oil, water, septic, and sanitary sewage systems that (1) are located outside of the perimeter walls of the dwelling unit but within the common interest development and (2) directly affect the habitability of the dwelling unit;
   c. Chimneys that are attached to or part of the dwelling unit, up to the applicable sublimit of $10,000, regardless of the number of chimneys covered.

Special Limits of Insurance—Coverage A

The limits of insurance shown below are sublimits of the policy’s limit of insurance provided for “COVERAGE A: BUILDING PROPERTY” and do not increase the limit of insurance for “COVERAGE A: BUILDING PROPERTY” shown in the DECLARATIONS. The sublimit for each numbered category, immediately below, is
1. $10,000 for loss or damage to any and all chimney(s) attached to or part of the dwelling unit, regardless of the number of chimneys covered. This sublimit of $10,000 in coverage for loss or damage to chimneys will be reduced by any amount that we pay under “OTHER COVERAGES,” Item 1, “Emergency Repairs,” for Emergency Repairs to chimneys.

2. $5,000 for all loss or damage to the dwelling unit or to wall-to-wall carpeting attached to the dwelling unit caused by fungi the presence of which directly results from an earthquake that commences during the policy period as part of a seismic event that commences during the policy period, including, but not limited to, the cost to repair damage from fungi or to test for, monitor, abate, mitigate, remove, dispose of, or remediate fungi. This sublimit of $5,000 in coverage for loss or damage caused by fungi will be reduced by any amount that we pay under “Other Coverages—Coverage A,” Item 1, “Emergency Repairs,” for emergency repairs resulting from fungi. Except for the coverage specifically provided for in this sublimit, this policy does not provide coverage for any loss that is caused directly or indirectly by, or that in any way results from, is contributed to by, or is aggravated by fungi.

Other Coverages—Coverage A

We provide the following other coverages, but only to the extent that the loss or expense is not covered under an association master policy or the deductible of that association master policy has not been exceeded:

1. Emergency Repairs. If covered damage occurs to property covered under “COVERAGE A: BUILDING PROPERTY,” we will pay the cost you incur for reasonable and necessary emergency measures you take to protect against further damage to that property, to remove from covered property in the dwelling unit the residue of broken glass, or to repair or replace covered broken windows in the dwelling unit or other covered structural glass that is part of the dwelling unit, if such emergency measures are made necessary as the result of an earthquake that commences during the policy period as part of a seismic event that commences during the policy period.

   a. This Emergency Repairs coverage provides coverage up to a sublimit of $1500. The applicable total limit of insurance for the “COVERAGE A: BUILDING PROPERTY” will be reduced by any amount we pay for this coverage.

   b. Your taking reasonable and necessary emergency measures to protect covered property from further damage does not relieve you of your responsibilities outlined in “Your Duties After Loss” (CONDITIONS, Item 3).

2. Debris Removal. We will pay the reasonable expense you incur in removing from the common interest development the debris of damaged property covered under “COVERAGE A: BUILDING PROPERTY,” including but not limited to the reasonable expense you incur for the transportation of such debris to landfills or disposal facilities and disposal of the debris at those facilities, or the transportation of such debris to suitable recycling facilities rather than landfills and disposal of the debris at those facilities. The limit of insurance for “COVERAGE A: BUILDING PROPERTY” will be reduced by any amount we pay under this coverage, but in the event that your covered losses under “COVERAGE A: BUILDING PROPERTY” exceed the combined limit of insurance for “COVERAGE A: BUILDING PROPERTY” shown on the DECLARATIONS page of this policy, we will provide, as additional insurance, up to 5% of that limit of insurance for “COVERAGE A: BUILDING PROPERTY” for this debris removal coverage.

3. Building Code Upgrades. If, as a result of an earthquake that commences during the policy period as part of a seismic event that commences during the policy period, there is a covered loss to property specified under “Property Covered—Coverage A” and you or the association of owners repair that property, then we will pay as additional insurance up to $10,000 for the cost of reconstruction to bring that property up to local residential building code standards in effect on the date of the earthquake that caused the loss, but only so much of the reconstruction costs attributable to requirements of securing governmental approval of the reconstruction permit process for repair of that covered property.
4. **Energy Efficiency and Environmental Safety Replacement Upgrades.** If a combined single limit of insurance for “COVERAGE A: BUILDING PROPERTY” is shown on the DECLARATIONS page of this policy and there is a covered loss to property covered under “COVERAGE A: BUILDING PROPERTY” in excess of the applicable deductible, and if you actually undertake repair or replacement of that covered loss, we will pay your cost to repair or replace that property with material that meets the following standards regarding environmental safety and energy efficiency. This coverage will apply to the added costs you incur to repair or replace that property with material that meets those standards as compared to the replacement cost of that property with material that does not meet those standards. This coverage is provided as a $10,000 sublimit of the combined single limit of insurance for “COVERAGE A: BUILDING PROPERTY,” and the limit of insurance for “COVERAGE A: BUILDING PROPERTY” will be reduced by any amount we pay under this coverage. The most we will pay for the replacement or upgrade of any item of covered property is 200% of its replacement cost using material that does not meet the following standards regarding environmental safety and energy efficiency. Losses covered under this coverage are not applied to meet the deductible for “COVERAGE A: BUILDING PROPERTY.”

a. **Energy Efficiency Upgrades:** We will pay the reasonable added costs you incur to replace damaged covered property with the following energy-efficient property:

i. **Electronic Equipment – Energy Star Replacement.** If there is covered loss to electronic equipment, including but not limited to equipment for heating, ventilation, and air conditioning (HVAC) systems, that is part of the dwelling unit and that is covered under “COVERAGE A: BUILDING PROPERTY,” and that electronic equipment must be replaced rather than repaired, then we will pay the reasonable expenses you incur to replace damaged or destroyed electronic equipment with equipment of otherwise equivalent quality and function that has been identified by the United States Government Department of Energy, Environmental Protection Agency as “Energy Star” qualified.

ii. **Window, Door, Roofing, and Insulation Energy Upgrades.** If there is a loss to the dwelling unit that requires the repair or replacement of roofing or insulation material, air sealing, windows, doors, or skylights, then we will pay the reasonable expenses you incur to replace those damaged or destroyed materials with materials of otherwise equivalent quality and function that have been identified by the United States Government Department of Energy, Environmental Protection Agency as “Energy Star” qualified.

iii. **Plumbing Fixture Upgrades.** If there is a loss to the dwelling unit that requires the repair or replacement of plumbing fixtures, then we will pay the reasonable expenses you incur to replace those fixtures with energy and water efficient fixtures, including automatic faucet sensors, faucet and shower head flow restrictors, dual flush toilets, and localized water heaters, using plumbing fixtures of otherwise equivalent quality and function provided that the upgraded property meets the requirements of the Leadership in Energy and Environmental Design (LEED) for Homes Green Building Rating System of the U.S. Green Building Council or meets the requirements of the National Association of Home Builders Green Building Guidelines.

b. **Environmental Safety Upgrades.** We will pay reasonable added costs you incur to repair or replace the damaged or destroyed property covered under “COVERAGE A: BUILDING PROPERTY” with the following environmentally-upgraded property, provided that the upgraded property meets the requirements of the Leadership in Energy and Environmental Design (LEED) for Homes Green Building Rating System of the U.S. Green Building Council or meets the requirements of the National Association of Home Builders Green Building Guidelines:

i. **Interior Finish Materials Upgrades.** If there is a covered loss to the dwelling unit that requires the repair or replacement of interior finish materials, then we will pay the reasonable expenses you incur to replace those materials with materials of otherwise equivalent quality and function that are low in volatile organic compounds (VOC), sustainably developed, rapidly renewable, or comprised of recycled materials. This
coverage applies to interior paints, architectural coatings, primers under coatings, adhesives and sealants, low emissions carpet and floor coverings, including adhesive to affix them to the floor, and permanently installed composite wood fixtures including counters, cabinets and partitions, where available, Forest Stewardship Council certified wood for millwork, ceilings, siding, and framing, and bamboo flooring.

ii. Elimination of Ozone-Depleting Substances Upgrades. If there is a covered loss to the dwelling unit that requires the repair or replacement of systems containing such items, then we will pay the reasonable expenses you incur to replace chlorofluorocarbon refrigerants (CFC) or hydro-chlorofluorocarbon (HCFC) or Halon refrigerants or fire extinguishing agents with environmentally-upgraded replacements.

iii. Flush Out of Reconstructed Space. If necessitated by the repair or replacement of covered loss to the dwelling unit, we will pay the reasonable and necessary costs to flush out the reconstructed space with 100% outside air and new filtration media following completion of the repair or reconstruction process.

Property Not Covered—Coverage A

We do not cover:

1. Land, including land underlying the dwelling unit or any other structure.

2. Detached garages, outbuildings, structures other than the residential structure containing the dwelling unit, fences, and masonry fences and walls that are not integral to the stability of the residential structure containing the dwelling unit.

3. Awnings and patio coverings, carports, and their support structures.

4. Antennas and satellite dishes and any towers, brackets, or attachments that support or secure them.

5. Any decorative or artistic features of the property, including the items of property specifically listed in this exclusion and any items of property, whether or not specifically listed in this exclusion, that are artisan-crafted or that are unique and cannot be replaced with a commercially-made, identical replacement that would be readily available for purchase in the open market. Such decorative or artistic features include, but are not limited to, works of art; murals; stained or leaded glass; mirrors; chandeliers; mosaics, statuary or sculpture; carvings, inlays, or reliefs; and fountains, aquariums, and their systems. If at the time of loss any decorative or artistic feature is serving a utilitarian purpose, the cost to repair or replace the decorative or artistic feature is not covered to the extent the cost of repair or replacement exceeds the cost of replacing it with a non-decorative, non-artistic functional replacement.

6. Exterior masonry veneer. For purposes of this exclusion, stucco and exterior chimney facings are not exterior masonry veneers.

7. Plaster, to the extent the cost to repair or replace it exceeds the value of its replacement with sheetrock or drywall.

8. Except as provided under “COVERAGE A: BUILDING PROPERTY, Property Covered,” Item 2.b, exterior water supply systems including, but not limited to, irrigation systems, sprinkler systems, and water reclamation systems.

9. Except as provided under “COVERAGE A: BUILDING PROPERTY, Other Coverages—Coverage A,” Item 3, “Building Code Upgrades,” any added costs of repair or replacement of covered property resulting from enforcement of any ordinance, law, or residential building code that regulates the use, construction, repair, or demolition of a building or other structure.
10. Except as provided under “COVERAGE A: BUILDING PROPERTY, Property Covered,” Item 2.b, underground structures or equipment located outside the perimeter walls of the dwelling unit, including but not limited to underground pipes, cables, flues, drains, electrical supply systems and electrical lighting systems.

11. Walkways, driveways, decks, and patios that are not necessary for and regularly used for pedestrian ingress to and or egress from the dwelling unit.

12. Fences, bulkheads, piers, and outside walls including retaining walls.

13. Landscaping, trees, shrubs, lawns, or plants, even if damaged by necessary repairs to covered property.

14. Swimming pools, spas, and hot tubs including the tile or other material linking or attaching the pool, spa or hot tub to a deck or to a structure.

Deductible—Coverage A

We will pay no amount for any loss under “COVERAGE A: BUILDING PROPERTY” until the amount of the loss exceeds the amount of the deductible for “COVERAGE A: BUILDING PROPERTY” shown on the DECLARATIONS page. The deductible will be applied one time for each seismic event. Only losses that are covered under “COVERAGE A: BUILDING PROPERTY,” as limited by the application of any sublimits that apply to those losses, can be applied to meet this deductible requirement.

COVERAGE C: PERSONAL PROPERTY

If a limit of insurance for “COVERAGE C: PERSONAL PROPERTY” is shown on the DECLARATIONS page of this policy, we provide the following coverage, subject to that limit of insurance, the application of the “Deductible—Coverage C” clause, and all of the terms and conditions of this policy. If no limit of insurance for “COVERAGE C: PERSONAL PROPERTY” is shown on the DECLARATIONS page of this policy, this policy does not provide any coverage under “COVERAGE C: PERSONAL PROPERTY.”

Property Covered—Coverage C

We cover (1) personal property owned or used by an insured and located at the common interest development, and (2) at your request and subject to a sublimit of $2,500, personal property owned by others while that property is on any part of the dwelling unit occupied by an insured.

Special Limits of Insurance—Coverage C

The special limits of insurance shown below are sublimits of the limit of insurance for “COVERAGE C: PERSONAL PROPERTY” and do not increase the limit of insurance for “COVERAGE C: PERSONAL PROPERTY” shown on the DECLARATIONS page of this policy. The sublimit for each numbered category, immediately below, is the total limit of insurance for all loss in that category. For property that falls into more than one category, the lowest applicable sublimit will apply. If any item of property falls both into one of the following sublimits and one of the categories of property listed under “Property Not Covered—Coverage C,” then we do not cover that item of property.

1. $250 in the aggregate on all money, bank notes, coins and medals, including any of these that are part of a collection.

2. $250 in the aggregate on all securities, checks, cashier’s checks, traveler’s checks, money orders, and other negotiable instruments; accounts, deeds, evidences of debt, letters of credit, notes other than bank notes, manuscripts, passports, and tickets.

3. $3,000 in the aggregate on all computers and other electronic data processing equipment, including storage media and software used with that equipment, whether or not it is business property. Storage media or
software that cannot be replaced with other property of like kind and quality on the current consumer retail market is not covered.

4. $1,000 in the aggregate on all business property other than computers and other electronic data processing equipment, storage media, and software.

5. $3,000 in the aggregate on all jewelry, watches, furs, and precious and semi-precious stones, but not more than $1,000 for any one article.

6. $3,000 in the aggregate on all collectibles, including but not limited to sports cards; collectible dolls, model trains, or toys; collectible postage stamps; collectible autographed items; memorabilia; and commemorative or otherwise collectible plates, spoons, or cups; regardless of whether any such item is a single item or part of a collection.

7. $3,000 in the aggregate on all beverages contained in bottles or in other glass, ceramic, or pottery containers, including but not limited to wine, port, liquor, beer, and all other alcoholic or non-alcoholic beverages.

Other Coverage—Coverage C

The following other coverages are provided subject to the application of the deductible and all other terms and conditions of this policy:

1. Emergency Repairs. If covered damage occurs to property covered under “COVERAGE C: PERSONAL PROPERTY,” we will pay the cost you incur for reasonable and necessary emergency measures you take to protect against further damage to that property.

   a. This Emergency Repairs coverage provides coverage up to a sublimit of the lesser of (i) 5% of the policy limit of insurance for “COVERAGE C: PERSONAL PROPERTY” or (ii) $1,000. The applicable total limit of insurance for the “COVERAGE C: PERSONAL PROPERTY” will be reduced by any amount we pay for this coverage.

   b. Your taking reasonable and necessary emergency measures to protect covered property from further damage does not relieve you of your responsibilities outlined in “Your Duties After Loss” (CONDITIONS, Item 3).

2. Debris Removal. We will pay the reasonable expense you incur in removing from the dwelling unit the debris of property covered under “COVERAGE C: PERSONAL PROPERTY,” including but not limited to the reasonable expense you incur for the transportation of such debris to landfills or disposal facilities and disposal of the debris at those facilities, or the transportation of such debris to suitable recycling facilities rather than landfills and disposal of the debris at those facilities. The limit of insurance for “COVERAGE C: PERSONAL PROPERTY” will be reduced by any amount we pay under this coverage, but in the event that your covered losses under “COVERAGE C: PERSONAL PROPERTY” exceed the combined limit of insurance for “COVERAGE C: PERSONAL PROPERTY” shown on the DECLARATIONS page of this policy, we will provide, as additional insurance, up to the lesser of (i) 5% of the limit of insurance for “COVERAGE C: PERSONAL PROPERTY” or (ii) $1,000.

Property Not Covered—Coverage C

We do not cover:

1. Pets, birds, fish, livestock, or other animals.

2. Motor vehicles, riding lawn mowers, or any motorized land conveyance, including their parts or accessories while in or on the motor vehicle, lawn mower, or conveyance. This exclusion does not apply to motorized land conveyances not licensed for use on public roads that are designed to assist and are used by the handicapped, or to the parts and accessories of those conveyances.
3. Any electronic equipment that is designed for operation by the electrical system of a motor vehicle, motorized land conveyance, or a camp or home trailer while any of this equipment is in, on, or installed in a motor vehicle, motorized land conveyance, or a camp or home trailer, including but not limited to: computers, citizens band and other two-way mobile radios, satellite and cellular telephones, radio receivers, transceivers, and transmitters, scanners and scanning monitor receivers, radar detectors, tape or disc players and recorders, MP3 players, televisions, video players, recorders, and monitors, global positioning satellite (GPS) devices, personal digital assistants and other handheld devices, and any accessories, antennas, speakers, tapes, discs, cartridges, media, carrying cases, charging devices, batteries, or other devices and accessories used with that equipment.

4. Aircraft, including their parts and equipment.

5. Property of roomers, boarders and other tenants, except roomers and boarders related to any insured.

6. Valuable papers, records or data, including:
   a. books of account, drawings, card index systems and other records; and
   b. data stored on electronic data storage devices, including processing tapes, wires, records, discs, computer drives, portable storage devices or media, or other magnetic or optical media.

   We do, however, cover the cost of blank recording or storage media and of prerecorded computer programs that are available on the retail market, subject to the sublimit set forth in “Special Limits of Insurance—Coverage C,” Item 3.

7. Artwork, including but not limited to paintings, drawings, or etchings; framing; sculpture or statues, photographs; and handmade, loom-crafted, and other non-machine-made tapestries and rugs.

8. Breakable items, consisting of the following:
   a. Glassware, crystal, china, ceramic, pottery, and porcelain items created as table settings, serving ware, or otherwise intended for use in serving or consuming food or beverage, whether currently being used for that purpose or not; and,
   b. Figurines, vessels, vases, and other ornamental items made of crystal, china, pottery, ceramics, porcelain, glass, or marble.

9. Watercraft, including their furnishings, equipment, and inboard, outboard, or inboard-outboard motors.

10. Trailers.

11. Trees, shrubs, or plants, or their containers.

12. Swimming pools, spas, and hot tubs.

13. Antennas and satellite dishes and any towers, brackets, or attachments that support or secure them.

**Deductible—Coverage C**

We will pay no amount for any loss under “COVERAGE C: PERSONAL PROPERTY” until the amount of the loss exceeds the amount of the deductible for “COVERAGE C: PERSONAL PROPERTY” shown on the DECLARATIONS page. The deductible will be applied one time for each seismic event. Only losses that are covered under “COVERAGE C: PERSONAL PROPERTY,” as limited by the application of any sublimits that apply to those losses, can be applied to meet this deductible requirement.
If a limit of insurance for “COVERAGE D: LOSS OF USE” is shown on the DECLARATIONS page of this policy, then subject to that limit of insurance and subject to all the terms and conditions of this policy, we provide the following coverage, not subject to any deductible. If no limit of insurance for “COVERAGE D: LOSS OF USE” is shown on the DECLARATIONS page of this policy, this policy does not provide any coverage under “COVERAGE D: LOSS OF USE.”

1. Additional Living Expense. If the part of dwelling unit that you occupy becomes unfit to live in and you are forced to vacate the dwelling unit as a result of either (1) damage to the dwelling unit caused by an earthquake that commences during the policy period as part of a seismic event that commences during the policy period or (2) the process of repairing damage at the common interest development caused by an earthquake that commences during the policy period, then we cover the necessary increase in living expenses you actually incur to maintain your normal standard of living. We will pay Additional Living Expenses for the shortest time reasonably needed (a) to repair the damage that makes the parts of the dwelling unit you occupy unfit to live in, or (b) for you to permanently relocate elsewhere if you do not elect to repair or replace the dwelling unit.

2. Loss of Rent. If the part of the dwelling unit that you rent to others or that you actually hold for rental becomes unfit to live in as a result of either (1) damage to the dwelling unit caused by an earthquake that commences during the policy period as part of a seismic event that commences during the policy period or (2) the process of repairing damage at the common interest development caused by an earthquake that commences during the policy period, we cover the fair rental value of that part of the dwelling unit that is rented to others or that you actually held for rental prior to the loss, less any expenses that do not continue while the rental portion of the dwelling unit is unfit to live in. Fair rental value means the average rental amount immediately before the earthquake in your rental market for a residential unit similar to that covered under this policy.

We will pay for the shortest time reasonably needed to repair the damage that makes the parts of the dwelling unit rented or held for rental unfit to live in. Your loss of rents due to cancellation of a lease or rental agreement is not covered.

3. If a civil authority prohibits you from occupying the dwelling unit because of direct damage to the common interest development in which the dwelling unit is located caused by an earthquake that commences during the policy period as part of a seismic event that commences during the policy period, we cover the resulting Additional Living Expense or Loss of Rent, subject to the “COVERAGE D: LOSS OF USE” limits of insurance.

COVERAGE E: LOSS ASSESSMENT

If a limit of insurance for “COVERAGE E: LOSS ASSESSMENT” is shown on the DECLARATIONS page of this policy, we provide the following coverage, subject to that limit of insurance, the application of the “Deductible—Coverage E” clause, all of the terms and conditions of this policy.

The limit of insurance shown on the DECLARATIONS page for “COVERAGE E: LOSS ASSESSMENT” is the most we will pay under this coverage for all claims arising out of any one seismic event, regardless of the number of assessments that are assessed against you or the number or amount of claims you make under this coverage. If no limit of insurance for “COVERAGE E: LOSS ASSESSMENT” is shown on the DECLARATIONS page of this policy, this policy does not provide any coverage under “COVERAGE E: LOSS ASSESSMENT.”

Losses Covered—Coverage E

1. Assessment By Association of Owners: We cover your share of any assessment charged by the association of owners against all property owners in the common interest development, if all of the following three requirements are satisfied:
a. **Requirement One:** You have a legal obligation to pay the amounts assessed against you by the association of owners, and the assessment is properly and legally made as a result of a loss that is directly caused by an earthquake that commences during the policy period as part of a seismic event that commences during the policy period;

b. **Requirement Two:** The assessment is not made as a result of a loss specified in “Losses Not Covered—Coverage E”; and

c. **Requirement Three:** The assessment is made as a result of a loss to structures or other real property, and those structures or other real property are owned by one or any combination of the following three categories: (i) all members of the association of owners collectively, (ii) the association of owners, or (iii) you.

If an assessment is made as a result of a combination of (a) losses that are not covered, including but not limited to losses specified in “Losses Not Covered—Coverage E” or in “LOSSES EXCLUDED,” and (b) loss to property that is covered under “COVERAGE E: LOSS ASSESSMENT,” then we will pay only that pro rata portion of your share of the assessment equal to that percentage of the entire assessment that is based on covered loss that is not excluded.

There is a sublimit of $10,000 under this coverage for your share of any portion of an assessment resulting from the cost of reconstruction to bring the property up to local residential building code standards in effect on the date of the earthquake that caused the loss, as required as part of the approval of the reconstruction permit process for repair of the covered property. Any amount we pay for losses that are subject to this sublimit will reduce the applicable total limit of insurance for “COVERAGE E: LOSS ASSESSMENT.”

2. **Reduction In Value Of Your Ownership Interest:**

   a. **What Reduction In Value We Cover:**

   If there is physical loss to structures or other real property at the common interest development directly caused by an earthquake that commences during the policy period as part of a seismic event that commences during the policy period, and the association of owners elects not to repair or replace that property or is permanently prevented by a government authority or court order from repairing or replacing the property, we cover the resulting reduction in the value of your ownership interest in the dwelling unit and the common interest development, if both of the following requirements are satisfied:

   i. As a result of the unrepaired damage, the dwelling unit is either unfit to live in or cannot legally be occupied; and

   ii. The reduction in the value of your ownership interest in the dwelling unit is not the result of a loss to property specified in “Losses Not Covered—Coverage E.”

   b. **Partially Covered Losses**

   If the reduction in the value of your ownership interest in the dwelling unit and the common interest development is the result of a combination of (a) losses that are not covered, including but not limited to losses specified in “Losses Not Covered—Coverage E” or in “LOSSES EXCLUDED,” and (b) loss to property that is covered under “COVERAGE E: LOSS ASSESSMENT,” then we will pay that portion of the reduction in the value of your ownership interest in the dwelling unit and the common interest development that directly results from covered loss.

   c. **How the Value of the Loss Is Calculated**

   The amount of reduction in the value of your ownership interest in the dwelling unit and the common interest development under this coverage for “Reduction Of Value Of Your Ownership Interest” will be calculated by determining the dollar amount of that portion of the loss in fair market value of your ownership interest that is directly attributable to physical loss to covered property directly caused by the earthquake upon which your claim under this coverage is based, reduced by the following amounts:

   i. Any payments that we make, under “COVERAGE A: BUILDING PROPERTY” or “COVERAGE E: LOSS ASSESSMENT” of this policy, for losses arising out of the same seismic event upon which the claim for this coverage under “Reduction Of Value Of Your Ownership Interest” is based;
ii. Payments made under any other insurance policy, including the companion policy or an association master policy, to you or to holders of mortgages or deeds of trust secured by your ownership interest in the dwelling unit and the common interest development, for damage or loss to the dwelling unit or the common interest development arising out of the same seismic event upon which the claim for this coverage under “Reduction Of Value Of Your Ownership Interest” is based;

iii. Payments made to you or to holders of mortgages or deeds of trust secured by your ownership interest in the dwelling unit and the common interest development by any government agency arising out of the same seismic event upon which the claim for this coverage under “Reduction Of Value Of Your Ownership Interest” is based, including but not limited to disaster relief payments;

iv. Payments made by the association of owners to you or to holders of mortgages or deeds of trust secured by your ownership interest in the dwelling unit and the common interest development arising out of the same seismic event upon which the claim for this coverage under “Reduction Of Value Of Your Ownership Interest” is based, as a result of the following:

(A) The collection of any insurance proceeds relating to damage to the dwelling unit or the property of the common interest development; or

(B) The liquidation or sale of any asset or capital that is not included in the calculation of the fair market value of your interest in the dwelling unit and the common interest development.

**Losses Not Covered—Coverage E**

We do not cover any losses under “COVERAGE E: LOSS ASSESSMENT” that arise out of any of the following:

1. Loss or damage to land, including land underlying any structure.

2. Loss or damage to detached garages, outbuildings, structures other than residential structures, or fences and masonry fences and walls that are not integral to the stability of the residential structure containing the dwelling unit or integral to the stability of other residential structures at the common interest development.

3. Loss or damage to awnings and patio coverings, carports, or their support structures.

4. Loss or damage to antennas or satellite dishes, or to any towers, brackets, or attachments that support or secure them.

5. Loss or damage to any decorative or artistic features of any property at the common interest development that are decorative or artistic features of the property, including the items of property specifically listed in this exclusion and any items of property, whether or not specifically listed in this exclusion, that are artisan-crafted or that are unique and cannot be replaced with a commercially-made, identical replacement that would be readily available for purchase in the open market. Such decorative or artistic features include, but are not limited to, works of art; murals; stained or leaded glass; mirrors; chandeliers; mosaics, statuary or sculpture; carvings, inlays, or reliefs; and fountains, aquariums, and their systems. If at the time of loss any decorative or artistic feature is serving a utilitarian purpose, the cost to repair or replace the decorative or artistic feature is not covered to the extent the cost of repair or replacement exceeds the cost of replacing it with a non-decorative, non-artistic functional replacement.

6. Loss or damage to exterior masonry veneer. For purposes of this exclusion, stucco and exterior chimney facings are not exterior masonry veneers.

7. Loss or damage to plaster, to the extent the cost to repair or replace it exceeds the value of its replacement with sheetrock or drywall.

8. Loss or damage to exterior water supply systems including, but not limited to, irrigation systems, sprinkler systems, and water reclamation systems.

9. Loss or damage to underground structures or equipment located outside the perimeter of the dwelling unit foundation, including but not limited to underground pipes, cables, flues, drains, electrical supply systems and electrical lighting systems.
10. Loss or damage to walkways, driveways, decks, or patios, except that portion of those walkways, driveways, decks, or patios that are necessary for and regularly used for ingress to and or egress from the residential structure containing the **dwelling unit** by pedestrian or non-ambulatory occupants of that residential structure.

11. Loss or damage to fences, bulkheads, piers, and outside walls including retaining walls.

12. Loss or damage to landscaping, trees, shrubs, lawns, or plants, even if damaged by necessary repairs to covered property.

13. Loss or damage to swimming pools, spas, and hot tubs, whether part of the **dwelling unit** or not, including the tile or other material linking or attaching the pool, spa or hot tub to a deck or to a structure.

14. Assessments that do not relate directly to the reconstruction of structures or other real property damaged or destroyed as a direct result of an **earthquake** that commences during the policy period as part of a **seismic event** that commences during the policy period.

15. Assessments made for the purpose of improving, bettering, or updating covered property to a condition or status better or more costly than the condition and status of the property as it existed immediately preceding the **earthquake** causing loss to the property. This exclusion does not apply to your share of any portion of assessment resulting from the cost of reconstruction to bring the property up to local residential building code standards in effect on the date of the **earthquake** that caused the loss, as required as part of the approval of the reconstruction permit process for repair of the covered property, subject to the applicable **sublimit** of $10,000.

16. Assessments that follow or relate in any way to the payment or distribution to you, or any other member of the **association of owners**, of capital or assets of the **association of owners**, unless the payment or distribution of capital (a) is made as a result of a loss that is directly caused by an **earthquake** that commences during the policy period as part of a **seismic event** that commences during the policy period and (b) is made for the purpose of payment or reimbursement for the repair or replacement of covered loss to property at the **common interest development**.

**Deductible—Coverage E**

We will pay no amount for any loss under “**COVERAGE E: LOSS ASSESSMENT**” until the amount of the loss exceeds the amount of the deductible for “**COVERAGE E: LOSS ASSESSMENT**” shown on the DECLARATIONS page. The deductible will be applied one time for each **seismic event**. Only losses that are covered under “**COVERAGE E: LOSS ASSESSMENT**” can be applied to meet this deductible requirement.

**LOSSES EXCLUDED**

We do not insure for any loss that is not directly caused by an **earthquake** that commences during the policy period as part of a **seismic event** that commences during the policy period.

Without limiting the above, even if a loss directly or indirectly is caused by, is contributed to by, results from, or is aggravated by an **earthquake**, we do not insure for any loss that is caused directly or indirectly by, or that in any way results from, is contributed to by, or is aggravated by, any of the following:

1. Fire or explosion.

2. Water damage, including damage resulting from:
   a. Flood, precipitation (including rain, snow, hail, or sleet) or surface water; waves, tsunami, or tidal water; rupture of a dam, levee, berm, or sea wall; overflow of a natural or man-made body of water; or
This water damage exclusion, however, does not exclude loss that results from water damage to covered property that is a result of any of the following directly resulting from an earthquake that commences during the policy period as part of a seismic event that commences during the policy period:

(i) The release of water from water heaters, refrigerators, or water supply pipes within the dwelling unit:

(ii) The displacement of water from a swimming pool, decorative pool, spa, or hot tub; or

(iii) The release of water from municipal or other water supply lines on or off the premises of the common interest development or the release of water or sewage from sewers or drains on or off the premises of the common interest development, or

(iv) Precipitation (including rain, snow, hail, or sleet) entering a building through an opening in a roof or wall, if the opening is the direct result of damage from an earthquake that commences during the policy period as part of a seismic event that commences during the policy period.

3. Controlled or uncontrolled nuclear hazard or any act or condition incident to any nuclear hazard.

4. Pollution of groundwater, land, and personal property, including all loss, damage, costs, and expenses that arise out of or are caused by pollution or pollutants, and any cost or expense to test for, monitor, clean up, remove, contain, treat, detoxify, or neutralize pollutants. The terms “pollutants” and “pollution” mean any solid, liquid, gaseous, or thermal irritant or contaminant, including, but not limited to, smoke, vapor, soot, fumes, acids, alkalis, chemicals, asbestos, and waste. The term “waste” includes but is not limited to material to be recycled, reconditioned, or reclaimed.

5. Earth movement, settling of land, land sliding, subsidence, mudflows, or earth sinking, rising or shifting, unless the earth movement, settling of land, land sliding, subsidence, mudflow, or earth sinking, rising or shifting:

a. is induced by, and would not have occurred in the absence of, an earthquake that commences during the policy period as part of a seismic event that commences during the policy period; and

b. causes loss that manifests within one year after the earthquake that caused the loss.

6. Theft, vandalism or other human conduct causing loss following an earthquake.

7. Fungi, including but not limited to the cost to repair or replace property damaged by fungi or to test for, monitor, abate, mitigate, remove, dispose of or remediate fungi, except for loss or damage to the dwelling unit or to wall-to-wall carpeting attached to the dwelling unit caused by fungi the presence of which directly results from an earthquake that commences during the policy period as part of a seismic event that commences during the policy period, and subject to the $5,000 sublimit set forth in “Special Limits of Insurance—Coverage A,” Item 2.”

8. Required compliance with any ordinance, law, or residential building code that regulates the use, construction, repair, or demolition of a building or other structure, except as specifically provided under this policy, under the following provisions:

a. “Other Coverages—Coverage A,” Item 3, “Building Code Upgrades,” subject to the applicable $10,000 limit of insurance, or

b. “Losses Covered—Coverage E,” Item 1, “Assessment By Association of Owners,” subject to the applicable $10,000 sublimit.

9. Power failure, meaning the failure of delivery of electrical power to the dwelling unit or to the common interest development.

10. Your neglect to take all reasonable action to save and preserve covered property at the time of and after a covered loss.
11. Declared or undeclared war, acts of terrorism, insurrection, rebellion, revolution, warlike act by a military force or military personnel or any person, destruction or seizure or use for a military purpose, and any consequence of any of these. Discharge of a nuclear weapon will be deemed a warlike act even if accidental.

12. Intentional acts, meaning any loss arising out of any act committed:
   a. by you or at your direction, or at the direction of any insured or of any person named as an additional insured; and
   b. with the intent to cause, aggravate or increase a loss.

YOUR RIGHTS CONCERNING CLAIMS INVESTIGATION

The law provides certain rights and protections to policyholders who are involved in the presentation of a claim. Included among these are the following:
1. Specific rights to privacy under California and Federal law which may protect you during the claims process;
2. The right to have your claim handled in accordance with the California Insurance Code and Subchapter 7.5 of Chapter 5 of Title 10 of the California Code of Regulations, which impose fair claims handling procedures and requirements on insurers; and
3. The right to be represented by an attorney at your expense.

CONDITIONS

1. Insurable Interest and Limit of Insurance. Even if more than one person has an insurable interest in the property covered, we will not be liable:
   a. to you for an amount greater than your interest; nor
   b. for more than the applicable limit of insurance.

2. Concealment or Fraud. The entire policy will be void if, before or after a loss, any insured does any of the following:
   a. Intentionally conceals or misrepresents any material fact or circumstance;
   b. Engages in fraudulent conduct relating to this insurance; or
   c. Intentionally makes false statements relating to this insurance.

3. Your Duties After Loss. If a loss occurs to covered property, you must perform the following duties:
   a. Give written notice to the participating insurer without delay.
   b. Protect the property from further damage. Make any emergency repairs that are necessary and reasonable to protect the property from further damage. Keep records of all costs you incur to repair or replace covered property or to protect covered property from further damage.
   c. Make and keep a list of all damaged or destroyed personal property, showing in detail the quantity, description, and amount of covered loss. Keep all bills, receipts, and related records that support your figures.
   d. If requested, provide the participating insurer with copies of all association governing documents.
   e. As often as reasonably required:
(i) Exhibit damaged property to the participating insurer;
(ii) Provide the participating insurer with the records and documents that are necessary to support your claim under the policy and which the participating insurer may request, including bills, receipts, canceled checks, and related records that support your figures, and permit the participating insurer to make copies; and
(iii) While not in the presence of any other insured, submit to examination under oath and sign a transcript of the examination.

f. Send the participating insurer, within 60 days of our or the participating insurer’s request, your signed, sworn proof of loss that contains, to the best of your knowledge and belief the following:
   (i) The time, date, and cause of loss;
   (ii) Your interest and the interest of all others in the property that sustained a loss, and evidence of all liens or encumbrances on the property;
   (iii) A detailed description of all legal claims against the property that sustained a loss;
   (iv) Evidence of other insurance that may cover the loss;
   (v) A description of changes in title to or occupancy of the property during the term of the policy;
   (vi) Descriptions and detailed repair estimates for any covered damage to the dwelling unit or other items of real property;
   (vii) The list of damaged or destroyed personal property covered under this policy; and
   (viii) All receipts and records that support any claim for additional living expense or fair rental value.

4. Loss Settlement: Coverages A and C.

In case of loss to a pair or set we can elect to either of the following:

a. Repair or replace any part to restore the pair or set to its value before the loss; or

b. Pay the difference between replacement cost of the pair or set before and after the loss.

5. Loss Settlement: Coverage A.

a. Our liability for any loss to property insured under “COVERAGE A: BUILDING PROPERTY” will not exceed the smallest of the following:
   (i) The replacement cost at the time of loss;
   (ii) If the damaged property has been actually repaired or replaced, the amount actually and necessarily spent to repair or replace the damaged property; or
   (iii) The applicable limit of insurance or any applicable sublimit(s).

b. If the dwelling unit is rebuilt or replaced at another location, we will settle a loss to the property at an amount no more than the replacement cost of the covered loss to the property at the original dwelling unit location, up to the applicable limit of insurance.

c. We will not pay for increased costs resulting from enforcement of any ordinance, law, or residential building code that regulates the use, construction, repair, or demolition of a building or other structure, except as specifically provided under this policy in “COVERAGE A: BUILDING PROPERTY, Other Coverages—Coverage A,” Item 3, Building Code Upgrades.

d. We will pay for the cost to repair or replace only that portion of any regularly-used walkway, driveway, deck, or patio covered under this policy that is necessary to restore (i) pedestrian ingress to and egress from the dwelling unit or (ii) ingress to and egress from the dwelling unit by any non-ambulatory insured.

e. To repair or replace plaster, we will not pay more than the cost to repair or replace the plaster with sheetrock or drywall.

f. We will replace covered glass with safety glazing material when required by ordinance or law.

g. To repair or replace a chimney, we will not pay more than the least of the following amounts:
(i) The **sublimit** of $10,000 that applies to **chimneys**;
(ii) The cost of replacement of a masonry **chimney** or **chimneys** with a non-masonry, earthquake-resistant **chimney** or **chimneys**; or
(iii) The necessary amount actually spent to repair the damaged **chimney** or **chimneys**.

6. **Loss Settlement: Coverage C.**

   a. **We** will settle losses to covered property described under “COVERAGE C: PERSONAL PROPERTY” at **replacement cost**, except that **we** will settle losses to property in items (i), (ii), and (iii) of this paragraph, below, at **actual cash value** only.

      (i) Property which by its inherent nature cannot be replaced;
      (ii) Property not maintained in good or workable condition; or
      (iii) Property that is outdated or obsolete, or property not useful for its intended purpose.

   b. **Our** liability for loss to any property insured under “COVERAGE C: PERSONAL PROPERTY” will not exceed the smallest of the following:

      (i) The **replacement cost** at the time of loss;
      (ii) The amount actually and necessarily spent to repair or replace the damaged property; or
      (iii) The applicable **limit of insurance** or any applicable **sublimit(s)**.

7. **Appraisal.** If **you** and **we** fail to agree on the amount of loss, either of us may demand an appraisal of the loss. In this event, each party will choose a competent and disinterested appraiser within 20 days after receiving the written demand from the other. The two appraisers will choose a neutral and independent umpire. If they cannot agree on an umpire within 15 days, **you or we** may request that a judge of a California court of competent jurisdiction in the county where the insured **dwelling unit** is located appoint an umpire. The two appraisers will separately appraise the amount of loss under this policy. If the appraisers submit an agreed written report to **us**, the amount they agree on will be the amount of loss under this policy. If they fail to agree, they will submit their differences to the umpire. A decision agreed to by any two of the three appraisers will set the amount of loss under this policy. Each party will (a) pay its own appraiser, and (b) bear the other expenses of the appraisal and of the umpire equally.

8. **Other Insurance.**

   a. If there is other insurance, not including the **association master policy**, that covers **earthquake** loss to the **dwelling unit** or other property covered under this policy, **we** will pay **our** share of the covered loss or damage. **Our** share is the proportion that the applicable **limit of insurance** under this policy bears to the combined **limits of insurance** of all policies that cover the same property.

   b. If there is other insurance that does not cover the peril of **earthquake** but that otherwise provides coverage for the same loss or damage for which **you** submit a claim under this policy, **we** will pay only for the amount of covered loss or damage in excess of the amount due from that other insurance, but **we** will not pay more than the applicable **limit of insurance**.

9. **Subrogation.** **You** may waive in writing before a loss under this policy all **your** rights of recovery against any **person**. If **you** do not waive those rights, **we** may require an assignment of **your** rights of recovery for a loss to the extent that **we** make payment for that loss. If **we** seek an assignment, the **insured** must sign and deliver all related papers to **us** and cooperate with **us**.

10. **Legal Action.** No action can be brought under this policy by any **person** unless the policy provisions have been fully complied with and the action is started within one year after the date of inception of the loss.

11. **Our Option to Repair or Replace Property.** If **we** give **you** written notice within 30 days after **we** receive **your** proof of loss, **we** may repair or replace any part of the damaged property with like property.
12. **Loss Adjustment**: We, through the **participating insurer**, will adjust all losses with you. At our option, we may select and retain adjusters, consultants, contractors, engineers, or other experts to inspect your property or to perform tests, including destructive tests, to determine the extent or cause of loss with respect to any claim you make under this policy. We will bear the cost of performing any tests (including the cost of repair of damage necessitated by any destructive tests) that we elect to perform to determine the extent or cause of loss. If, however, it is the opinion of the CEA that your property (or some particular part of your property) has not sustained covered earthquake damage over the deductible amount of this policy, and despite our opinion you request additional testing of your property or that part of your property, then if additional testing is performed, you are solely responsible for the costs of performing the additional testing and of repairing the damage to your property that was caused by any additional destructive testing, unless the additional testing establishes the existence of covered earthquake damage that, either alone or combined with other covered earthquake damage, exceeds the deductible amount of this policy.

13. **Loss Payment**: As to all claims we determine to be covered under this policy, we will pay you unless some other person is named in the policy or is legally entitled to receive payment. That portion of a claim that is not in dispute will be payable within 30 days after we receive your proof of loss. All other losses will be payable within 30 days after we receive your proof of loss and:

   a. we reach an agreement with you;
   b. there is an entry of a final judgment; or
   c. there is a filing of a final appraisal award with us.

14. **Mortgagee Clause**:
   a. The word “mortgagee” as used in this policy includes trustee or beneficiary under a trust deed.
   b. If a mortgagee is named as a loss payee in this policy and, as a condition for making a loan to you secured by the dwelling unit or by your interest in the common interest development, that mortgagee either (1) required you to purchase earthquake insurance that covers the dwelling unit or your interest in the common interest development, or (2) required that the mortgagee be named as a loss payee under any coverage on the dwelling unit or on your interest in the common interest development, then any loss payable under “COVERAGE A: DWELLING” or “COVERAGE E: LOSS ASSESSMENT” will be paid to the mortgagee, to the extent of its interest, and to you. If more than one mortgagee is so named and otherwise qualifies, the order of payment will be the same as the order of preference of the mortgages.
   c. If we deny your claim, that denial will not apply to a valid claim of the mortgagee, if the mortgagee does all of the following:
      (i) Notifies the participating insurer of any change in ownership of any insured property or change in occupancy of the dwelling unit, or of any substantial change in risk of which the mortgagee is aware;
      (ii) Pays any premium due under this policy on demand if you have neglected to pay the premium; and
      (iii) Submits a signed, sworn statement of loss within 60 days after it receives notice from us of your failure to do so.
   d. If we decide to cancel or not to renew this policy, we will take reasonable steps to notify any mortgagee named as a loss payee under this policy at least 10 days before the date cancellation or nonrenewal takes effect.
   e. If we pay the mortgagee for any loss and deny payment to you:
      (i) We are subrogated to all the rights of the mortgagee granted under the mortgage on the property, which will not impair the right of the mortgagee to recover the full amount of the mortgagee’s claim, or
At our option, we may pay to the mortgagee the whole principal on the mortgage plus any accrued interest, in which event, we will receive a full assignment and transfer of the mortgage and all security held as collateral for the mortgage debt.

Policy conditions relating to loss settlement and payment, including, but not limited to, the Appraisal, Legal Action, Loss Adjustment, and Loss Payment conditions, apply to the mortgagee.

No Benefit to Bailee. We will not recognize any assignment or grant any coverage that benefits a person that holds, stores, or moves property for a fee, regardless of any other provision of this policy, unless that person is named as an insured under this policy.

Payment. If you pay the initial premium for your first policy period by check, draft, or any remittance other than cash, we will credit you with that payment only if the check, draft, or remittance is honored on presentation. If your check, draft, or remittance is not honored on presentation, this policy is void from its inception. “Void from its inception” means that we will not be liable under this policy for any claims or damages that would otherwise have been covered had the check, draft, or remittance been honored on presentation and had the policy remained in effect.

Automatic Termination. If, before the end of the then current policy period of this policy, we or the participating insurer provide you with a renewal notice for your policy, that notice will be deemed our offer to renew your policy for an additional policy period. If we do not receive your required premium payment on or before the end of the then current policy period, your policy will terminate automatically at the expiration of the then current policy period. This means that you will have elected not to accept our offer to renew the policy, and no notice will be sent to you. Your failure to accept our offer to renew the policy is not a cancellation or non-renewal by us.

Cancellation.

a. When the companion policy is canceled for any reason, this policy is canceled effective on the same date the companion policy cancellation takes effect, and any unearned premiums will be returned to you on a pro rata basis. This policy will not provide coverage if there is no companion policy in effect at the time of loss.

b. You may cancel this policy at any time by returning it to the participating insurer and by notifying the participating insurer in writing of the date cancellation is to take effect. You may return the policy and submit the cancellation date to the agent of the participating insurer.

c. We may cancel this policy for the reasons stated in this condition or for any other grounds permitted by law, by notifying you in writing of the date cancellation takes or took effect. The cancellation notice may be delivered to you, or mailed to you at your mailing address shown in the DECLARATIONs. Proof of mailing will be sufficient proof of notice.

(i) When you have not paid the premium when due and payable, we may cancel at any time by notifying you at least 10 days before the cancellation takes effect.

(ii) When this policy has been in effect for less than 60 days and is not a renewal with us, the policy may be cancelled if it is discovered that the risk does not meet the eligibility standards of the CEA by notifying you at least 10 days before the date cancellation takes effect.

(iii) When this policy has been in effect 60 or more days, or is a renewal policy, we may cancel at any time by notifying you at least 30 days before the date of cancellation takes effect, based on the occurrence of one or more of the following:

(A) Your conviction of a crime having as one of its necessary elements an act increasing any hazard insured against; or

(B) Our discovery of fraud or material misrepresentation by either the insured or the insured’s representative in obtaining the insurance, or by you or your representative in pursuing a claim under the policy; or

(C) Our discovery of grossly negligent acts or omissions by the insured or his or her representative that have substantially increased any of the hazards insured against; or
d. When this policy is cancelled, any premium paid for the period from the effective date of the cancellation to the expiration date will be refunded. When the policy is cancelled, the return premium will be pro rata.

e. If, when we cancel this policy, we do not refund the return premium with the notice of cancellation, we will refund it within 25 days after the date cancellation takes effect. If you cancel this policy, you may return the policy to us, and we will refund the return premium within 25 days after the date the cancellation takes effect.

19. Conditional Reinstatement. If we mail a cancellation notice because you did not pay required premium when due and you then tender payment of the premium by check, draft, or other remittance that is not honored on presentation, your policy will terminate on the date and time shown on the cancellation notice and any notice we issue that states that it waives the cancellation or reinstates the coverage is void. This means we will not be liable under this policy for claims or damages after the date and time stated on the cancellation notice.

20. Non-Renewal. We may elect not to renew this policy by delivering to you or mailing to you at your mailing address shown in the DECLARATIONS, written notice of non-renewal at least 45 days before the expiration date of this policy. Proof of mailing will be sufficient proof of notice.

21. Waiver or Change of Policy Provisions. No waiver or change of a policy provision is valid unless it is in writing and signed by us. Our request for an appraisal or examination does not waive any of our rights.

22. Assignment. Your assignment of this policy will not be valid unless we give written consent.

23. Death. If you die during the policy term, each of the following persons will be deemed an insured with respect to the property insured under this policy:

a. The legal representatives or person who by law succeeds to the ownership of the insured property, but only with respect to the property of the deceased covered under this policy at the time of death until the termination date of this policy; and

b. With respect to the property covered under this policy at the time of death, the person that has proper temporary custody of the property until appointment and qualification of a legal representative.

24. Recovered Property. If you or we recover any property for which we have made payment under this policy, you or we will notify the other of the recovery. At your option, the property will be returned to or retained by you or it will become our property. If the recovered property is returned to or retained by you, the loss payment will be adjusted based on the amount of the payment we made for the recovered property.

25. Abandonment of Property. We need not accept any property abandoned by an insured.

26. Surcharge Clause. In the event of an earthquake or series of earthquakes, we can impose a surcharge, as permitted by law, up to 20% of your annual policy premium within any one year, in accordance with California Insurance Code section 10089.29, subdivision (b), paragraph (1).

27. Pro-rata or Installment Claims Payments. In accordance with California Insurance Code Section 10089.35, if, at any time, the available capital of the California Earthquake Authority is insufficient to meet anticipated losses and there are no additional funds from assessments, reinsurance, or private capital markets available to pay claims, the California Earthquake Authority may pay claims on a pro-rata basis from the remaining funds available, or claims may be paid on an installment basis, based on a plan approved by the California Insurance Commissioner. If this occurs, you may not be paid the full amount of your claim. If we submit a pro rata or installment plan to the Insurance Commissioner, deadlines in this policy that apply to your payment of your claim may, at our sole option, be extended by the length of time the Insurance Commissioner has the plan under consideration; the deadlines will be reinstated and recomputed no later than the date an approved
Changes to Policy Terms in the Event of an Earthquake. If an earthquake occurs during the policy period, and the dwelling unit identified in the DECLARATIONS page is located in a United States Postal Service ZIP Code that lies, in whole or in part, within a Modified Mercalli Intensity (MMI) Scale value of V (5) or greater with respect to that earthquake, as determined by the U.S. Geological Survey (USGS), we have the rights, at our option, to do either or both of the following:

a. To refuse any request you make from the time of that earthquake until thirty days after the earthquake to alter the terms or coverages of this policy, including any request that you make to change the limits of any of the coverages of this policy, purchase additional coverages from us, or lower the deductible of this policy; and

b. To inspect the insured property prior to granting any request you make from the time of that earthquake until the expiration of the term of this policy to alter the terms or coverages of this policy, including any request that you make to change the limits of any of the coverages of this policy, purchase additional coverages from us, or lower the deductible of this policy, and to deny your request to alter the terms of this policy if our inspection reveals the existence of any earthquake-related damage to the insured property.

Renewal of Policy in the Event of an Earthquake. In the event an earthquake occurs during the policy period and the dwelling unit identified in the DECLARATIONS page is located in a United States Postal Service ZIP Code that lies, in whole or in part, within a Modified Mercalli Intensity (MMI) Scale value of V (5) or greater with respect to that earthquake, as determined by the U.S. Geological Survey (USGS), we have the following rights with respect to the renewal of this policy:

a. If the expiration date of this policy is between the date of the earthquake and 30 days after the earthquake, we have the right, at our option, to refuse to renew this policy on terms different from those contained in this policy. This means that we have the right to refuse any request you make from the time of the earthquake until thirty days thereafter to change the limits of any of the coverages of this policy on renewal, purchase additional coverages from us on renewal, or lower the deductible of this policy on renewal.

b. We have the right, at our option, to inspect the insured property prior to granting any request you make to renew this policy on terms different from those contained in this policy, including any request that you make on renewal to change the limits of any of the coverages of this policy, purchase additional coverages from us, or lower the deductible of this policy. We have the right to deny your request to alter the terms of this policy on renewal if our inspection reveals the existence of any earthquake-related damage to the insured property.

Liberalization Clause. If we make a change that broadens coverage under this edition of our policy without additional premium charge to you, that change will automatically apply to your insurance as of the date we implement the change.

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