

Pacific Select Property Insurance Company
Residential Earthquake Insurance Program

sample

**Condo EQ Protector
Sample Policy**

PACIFIC SELECT INSURANCE COMPANY
CONDO EQ PROTECTOR
CONDOMINIUM EARTHQUAKE POLICY
DECLARATIONS

POLICY NUMBER:

POLICY PERIOD starting at 12:01 a.m. Standard Time FROM:
until 12:01 a.m. Standard Time ON:

at the **residence premises**:

NAMED INSURED AND MAILING ADDRESS:

The **residence premises** covered by this policy is located at the above address unless otherwise stated here:

Insurance against the risk of direct physical loss by **Earthquake** is provided for the following types of property at the indicated **limits of insurance** subject to the deductible amounts stated below which are **10%** of the **limits of insurance** stated for Coverages A., C. and F. There is no deductible for Coverage D. Loss of Use.

COVERAGES, LIMITS OF INSURANCE AND DEDUCTIBLES

COVERAGE:	LIMIT:	DEDUCTIBLE:
A. DWELLING	\$ <u>25,000</u>	\$ <u>2,500</u>
C. PERSONAL PROPERTY	\$ _____	\$ _____
D. LOSS OF USE	\$ <u>2,500</u>	\$ <u>0</u>
F. LOSS ASSESSMENT	\$ <u>5,000</u>	\$ <u>500</u>

ANNUAL POLICY PREMIUM: \$ _____

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sample

AGREEMENT

We will provide the insurance described in this policy in return for the premium and **your** promise to fulfill all terms, conditions and **warranties** of this policy. **We** only insure for direct physical loss caused by an **earthquake** which commences during the policy period to property described under the Property Covered and Other Coverage sections in this policy. One or more **earthquakes** that occur within a seventy-two hour period will be considered a single **covered event**.

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

DEFINITIONS

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

1. **"You"** and **"your"** refer to the **"Named Insured"** shown in the DECLARATIONS and the **"Named Insured's"** spouse if a resident of the same household.
2. **"We," "us"** and **"our"** refer to the Pacific Select Insurance Company.
3. **"Application"** means the document or documents, including an ACORD application form submitted by you, or on your behalf, to request **earthquake** insurance from **us**. The **application**, and the statements of fact contained therein will be maintained in **our** files and the truth of the matters of fact stated in the **application** is the basis of this insurance.
4. **"Actual cash value"** means the **replacement cost** value less physical depreciation of the property at the time of loss subject to the policy **limit of insurance** for that type of property.
5. **Additional living expense** means the necessary increase in living expenses incurred by **you** so that **your** household may maintain its normal standard of living after an **earthquake**.
6. **Building Additions and Alterations** means the building additions, alterations, fixtures, improvements or installations, made or acquired at **your** expense, to that part of the unit used exclusively by **you** as **your residence premises**.
7. **"Business"** means any full or part-time trade, profession or occupation.
8. **"Business property"** means property pertaining to, intended for or used in any full or part-time **business**.
9. **"Companion policy"** means a homeowners policy, condominium unit owners policy or other policy of insurance insuring against the risk of loss to the same property as this policy for risks of loss other than **earthquake**.
10. **"Covered event"** means the time period commencing with the initial damage causing **earthquake** and extending for a period of seventy-two hours.
11. **"Covered property"** means the real or personal property the risk of loss of which is insured by this policy and for which a **limit of insurance** is stated in the DECLARATIONS.
12. **"Condominium Association"** means a corporation, other association or governing body of property owners, one of whom is **you**, who own property in common subject to recorded covenants, conditions and restrictions.
13. **"Earthquake"** means earth movement, shaking, or trembling caused by underground forces, or by the breaking and/or shifting of rock beneath the surface through release of strain associated with **tectonic processes**, including land shock waves or tremors before, during, or after a volcanic eruption. One or more **earthquakes** that occur within a seventy-two hour period constitute a single earthquake.
14. **"Equivalent kind and quality"** means property of the same or interchangeable type and quality not necessarily identical.
15. **"Fair rental value"** means the average rental cost requested in the rental market for a residential unit which is similar to the unit where you reside shown as the **residence premises** in the DECLARATIONS on the date of the first damage causing **earthquake**. **Fair rental value** does not include any expenses that do not continue while the premises is unfit to live in.
16. **"Fine arts"** means any property whose aesthetic purposes are the primary or uppermost means of establishing value. **Fine arts** include, but are not limited to, paintings, etchings, drawings, pictures, tapestries, photographs, rugs, books, posters, statuary, marbles, bronzes, art-glass, windows or

- lamps, glassware, bric-a-brac, marble, porcelain, ceramics, landscape architecture, antique furniture, rugs, collectibles, or any items of antiquity or bona fide rarity, historic value or artistic merit.
17. **"Insured"** means **"you"** and the following persons if permanent residents of **"your"** household:
 - a. **"your"** relatives, whether related by blood, marriage or adoption.
 - b. anyone under the age of 21 who is in the care of any person named above.
 18. **"Limit of insurance"** means the most **we** will pay for any single **covered event** after any applicable deductible has been met.
 19. **"Nuclear hazard"** means any nuclear reaction, radiation, or radioactive contamination, or any consequence of any of these.
 20. **"Replacement cost"** means the cost to repair or replace the personal property with **equivalent kind and quality** at the time of loss without deduction for depreciation.
 21. **"Residence premises"** means the condominium unit where you reside whose common address is shown as the **residence premises** in the DECLARATIONS.
 22. **"Sublimit"** means a specific dollar limitation for specific types of property. The **sublimits** are specifically stated under the heading "Special Limits" or are otherwise stated in this policy to be a **sublimit**.
 23. **"Tectonic processes"** means adjustments of the earth's crust in response to regional stress conditions initiated by dynamic forces within the earth's interior.
 24. **"Warranty"** or **"warrant"** mean a statement in this policy or the **application** submitted by **you** or on **your** behalf relating to the person or property insured, or to the risk, as a fact.

PROPERTY COVERED

COVERAGE A. DWELLING

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

1. The additions, alterations, appliances, fixtures and improvements which are part of the building contained within the **residence premises** for which **you** are responsible under the **condominium association's** covenants, conditions and restrictions;
2. Items of real property that are part of the **residence premises** used exclusively by **you**.

COVERAGE C. PERSONAL PROPERTY

We insure against the risk of direct physical loss by **earthquake** to personal property usual to the occupancy of the **residence premises** and owned or used by an **insured** while it is at the **residence premises**.

Special Limits of Insurance on Personal Property:

The **limits of insurance** shown below are **sublimits** of the **limit of insurance** for Coverage C. Personal Property and do not increase the **limits of insurance**, as shown on the DECLARATIONS. The **sublimits** shown below are the maximum amounts **we** will pay for any one **earthquake** loss for all personal property in each numbered category below.

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

COVERAGE D. LOSS OF USE

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

1. If a loss by an **earthquake** to covered property or the building containing the property, makes the **residence premises** unfit to live in, **we** insure:

Additional living expense:

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

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

Fair rental value:

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

Acts of Civil Authority — Special Limit of Insurance

If a civil authority prohibits **you** from use of the **residence premises** because of direct damage to neighboring premises by an **earthquake** even if there is no damage to the **residence premises**, **we** insure the resulting **additional living expense** or **fair rental value** loss as provided under 1. and 2. above for a maximum of 14 days.

COVERAGE F. LOSS ASSESSMENT

We will pay **your** share of any loss assessment charged against **you** by the **condominium association**, up to the limit of \$5,000 for loss caused by an **earthquake** during the policy period. This coverage only applies when the assessment is made as a result of direct physical loss to covered property owned by all members collectively, caused by an **earthquake**.

This additional coverage applies only to loss assessments charged against **you** as owner of the **residence premises**. **We** do not cover loss assessments charged against **you** or a corporation or association of property owners by any government body whether resulting from **earthquake** or not.

The **sublimit** of \$5,000 is the most **we** will pay with respect to any one loss, regardless of the number of assessments.

OTHER COVERAGES

If property described in Coverages A. and/or C. above is damaged by direct physical loss by an **earthquake** in an amount greater than the applicable deductible:

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

This additional coverage does not apply to cost to extract pollutants, and all costs or expenses incurred by **you** or on **your** behalf to test for, monitor, clean up, remove, contain, treat, detoxify or neutralize pollutants.

Pollutants mean any solid, liquid, metal, gaseous or thermal irritant or contaminant, including but not limited to smoke, vapor, soot, fumes, acids, alkalis, asbestos, lead, chemicals or waste. Waste includes but is not limited to material to be recycled, reconditioned or reclaimed from land or water or to remove, restore or replace polluted land or water.

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

- a. This coverage is limited to 5% of the policy **limit of insurance** for the type of property being protected.
- b. Taking necessary and reasonable emergency measures to protect covered property from further damage if an **earthquake** occurs does not relieve **you** of **your** responsibilities outlined in CONDITIONS, 5 Your Duties After a Loss.

PROPERTY NOT COVERED

REAL PROPERTY

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

1. property used in whole or in part for **business** purposes;
2. property rented or held for rental to any person not a tenant of the **residence premises**;
3. fences or walls not necessary for the structural integrity of the **residence premises**;
4. any part of the structure(s) held in common by the **condominium association**;
5. walkways or patios not necessary for the regular entry or exit of the **residence premise**;
6. awnings or other patio coverings;
7. satellite dishes, radio and television antennas;
8. swimming pools, spas or hot tubs;
9. landscaping, trees, shrubs, lawns or plants;
10. water or exterior water supply systems;
11. land or any diminution of land value, no matter where it is located, including land on which the **residence premises** is located;
12. any loss or diminution in fair market value to the **residence premises** due to the **earthquake** or to the requirements of any ordinance or law.

PERSONAL PROPERTY

We do not insure against the risk of loss to:

1. personal property owned by any person or entity other than an **insured**;
2. personal property owned or used by any **insured** while located away from the **residence premises**;
3. articles separately described and specifically insured in this or other insurance;
4. watercraft, including their trailers, furnishings, equipment and motors;
5. trailers not used with watercraft or vehicles whether or not licensed for use on public roads;
6. aircraft, including their parts and equipment;
7. data, including data stored in:
 - a. books of account, drawings or other paper records.
 - b. electronic data processing tapes, wires, records, discs or other software media.
We will not pay for the cost to research, replace or restore the data from the lost or damaged medium. However, **we** do insure against the risk of loss of software programs available on the retail market, subject to the **sublimits** and **limits of insurance**;
8. coin and stamp collections;
9. credit cards, debit cards, including bank Automated Teller Machine cards or any other electronic funds transfer device;
10. bullion, gold other than goldware, silver other than silverware, platinum, any valuable metal, medals, rare coins and numismatic property;
11. securities, accounts, deeds, evidence of debt, letters of credit, notes, any negotiable instrument, manuscripts, passports, tickets and stamps, philatelic property or other legal documents or the cost to research, replace or restore the material from the lost or damaged medium;
12. grave markers;
13. animals, birds, reptiles, insects or fish;
14. landscaping, trees, shrubs, lawns, or plants;
15. **business property**;
16. motor vehicles or all other motorized land conveyances. This includes:
 - a. Equipment and accessories; or
 - b. Any device or instrument for the transmitting, recording, receiving or reproduction of sound or pictures which is operated by power from the electrical system of motor vehicles or all other motorized land conveyances, including:
 - (1) accessories or antennas; or
 - (2) tapes, wires, records, disks or other media for use with any such device or instrument;

- while in or upon the vehicle or conveyance; and
- c. disassembled parts of motor vehicles or conveyances while located on the **residence premises** or elsewhere;

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

- (i) Used to service the **residence premises**; or
- (ii) Designed for assisting the disabled.

EXCLUSIONS

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

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

1. fire;
2. **nuclear hazard**, meaning nuclear reaction, nuclear radiation, or radioactive contamination, all whether controlled or uncontrolled, and whether or not one of the forces initiating or contributing to the **nuclear hazards** is an **earthquake**;
3. any risk of loss insured by the **companion policy** whether collectible or not;
4. ordinance or law, meaning enforcement of any ordinance or law regulating construction, repair, or demolition of the **residence premises**;
5. other earth movement, meaning volcanic eruption, landslide, mudflow, or earth sinking, rising or shifting;
6. water damage, meaning sprinkler leakage, flood, surface water, waves, tidal water, tsunami, overflow of a body of water or spray from any of these;
7. explosion;
8. neglect, meaning neglect of the **insured** to use all reasonable means to save and preserve property at and after the time of loss;
9. war, including undeclared war, civil war, insurrection, rebellion, revolution, warlike act by a military force or military personnel, destruction or seizure or use for a military purpose, and including any consequence of any of these. Discharge of a nuclear weapon will be deemed a warlike act even if accidental;
10. planning, construction or maintenance, meaning faulty, inadequate or defective planning, zoning, development, surveying, siting, design, specifications, workmanship, repair, construction, grading, compaction, maintenance repair materials, remodeling, or maintenance of part or all of any property (including land, structures or any improvements) whether on or off the **residence premises**;

DEDUCTIBLE CLAUSE

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

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

CONDITIONS

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

1. COMPANION POLICY

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

2. INSURABLE INTEREST AND LIMITS OF INSURANCE

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

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

3. **CONCEALMENT OR FRAUD**

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

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

4. **INTENTIONAL ACTS**

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

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

5. **YOUR DUTIES AFTER LOSS**

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

- a. give prompt notice to **us**, **our** claims adjuster or broker;
- b.
 - (1) protect the property from further damage;
 - (2) retain, for **our** inspection all damaged property;
 - (3) make reasonable and necessary repairs to protect the property; and
- c. prepare an inventory of damaged personal property showing the quantity, description, **actual cash value**, **replacement cost** and amount of loss as to each item. Attach all bills, receipts and related documents that justify the amounts stated in the inventory;
- d. as often as we reasonably require:
 - (1) show the damaged property;
 - (2) provide **us** with all records and documents **we** request concerning **you**, the policy, the **companion policy**, the claim presented by **you** to the insurer of the **companion policy**, the loss, or the claim and permit **us** to make copies;
 - (3) provide **us** with all records and documents **we** request concerning **you**, the **residence premises** or the personal property including, but not limited to, any financial documents and records created by **you** or any **insured** or on **your** behalf or on behalf of any **insured**.
 - (4) submit to examinations under oath by any person designated by **us**, and cause every person who is an **insured** to submit to examinations under oath, while not in the presence of any other **insured**, and sign the transcript of the same under oath;
- e. send to **us**, within ninety (90) days after an **earthquake** causing loss, or your receipt of a notice of loss assessment from the **condominium association**, unless the time is extended by us in writing, **your** signed, sworn proof of loss which sets forth to the best of your knowledge and belief:
 - (1) the time and cause of loss;
 - (2) **your** interest and that of all others in the property involved;
 - (3) all liens on, or mortgages secured by the **residence premises**;
 - (4) changes in title or occupancy of the property during the term of the policy;
 - (5) other insurance which may cover any portion of the loss;
 - (6) specifications of damaged buildings, reports of any engineers, architects, licensed contractors, construction consultants or similar professionals and detailed repair estimates;
 - (7) the inventory of damaged personal property described in 5.c.;

- (8) receipts for **additional living expenses** incurred or records that support a **fair rental value** claim;
- (9) **your** statement of the amount of loss and claim;
- (10) the loss assessment; and
- (11) all communications between **you** and the insurer that issued the **companion policy**.

6. YOUR RIGHTS CONCERNING CLAIMS INVESTIGATION

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

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

7. LOSSES WILL BE SETTLED AS FOLLOWS:

a. COVERAGE A. Dwelling.

- 1) Loss to property described under PROPERTY COVERED, Coverage A., Dwelling will be settled at **replacement cost** subject to the applicable **limit of insurance**. This is the amount, without deduction for depreciation, actually and necessarily incurred to repair or replace such property with equivalent construction using materials of **equivalent kind and quality**.
- 2) **We** will pay the cost to repair or replace the **residence premises** with materials of **equivalent kind and quality**, after **application** of the deductible, and without deduction for depreciation, but not more than the smallest of the following amounts:
 - (a) the **limit of insurance** under this policy that applies to Coverage A. Dwelling;
 - (b) the replacement cost of that part of the **residence premises** damaged by **earthquake** using materials and labor of **equivalent kind and quality**, construction and use; or
 - (c) the amount actually and necessarily spent to repair or rebuild the damaged **residence premises** using materials and labor of **equivalent kind and quality**. **We** will pay no more than the **actual cash value** unless the actual repair or replacement is completed.
- 3) **You** may disregard the replacement cost loss settlement provisions and make claim under this policy for loss or damage to the **residence premises** on an **actual cash value** basis. You may then make claim within one hundred eighty (180) days after loss for any additional liability on a replacement cost basis.
 - (a) If you make claim for replacement cost **you** or the **condominium association** must complete repairs within 365 days of the date **you** give **us** written notice that **you** are making claim on a **replacement cost** basis.
 - (b) To collect **replacement cost** in addition to **actual cash value** **you** must:
 - (1) Submit proof to **us** that **you** or the **condominium association** has actually rebuilt the damaged **residence premises**,
 - (2) Submit proof to **us** that **you** or the **condominium association** has actually spent more than the **actual cash value** amount of loss or up to the **limit of insurance**, whichever is the smaller amount.
 - (3) **You** agree that failure to submit the proof required by (b)(1) – (2) above within 365 days of the date **you** gave **us** written notice that **you** were making claim on a **replacement cost** basis **you** will give up **your** claim for the difference between the **actual cash value** loss and the **replacement cost** loss.

b. COVERAGE C. PERSONAL PROPERTY

- (1) Loss to personal property will be settled at **replacement cost** without deduction for depreciation for the amount necessary to repair or replace the damaged property with articles of **equivalent kind and quality**, subject to the applicable **limits of insurance**.

(2) To collect **replacement cost** in addition to **actual cash value** you must:

- (a) Submit proof to **us** that **you** have actually replaced or repaired the damaged personal property with material of **equivalent kind and quality** for an amount greater than the **actual cash value** loss.
 - (b) Submit proof to **us** that **you** have actually spent more than the **actual cash value** amount of loss or up to the **limit of insurance**, whichever is the smaller amount.
 - (c) You agree that failure to submit the proof required by 7b.1-2 above within 365 days of the date **you** gave **us** written notice that **you** were making claim on a **replacement cost** basis **you** will give up **your** claim for the difference between the **actual cash value** loss and the **replacement cost** loss.
- c. **You** may only recover **actual cash value** or fair market value, whichever is less and the **replacement cost** coverage does not apply to:
1. **Fine arts.**
 2. Property which by its inherent nature cannot be replaced.
 3. Property not maintained in good or workable condition at the time of the **earthquake**.
 4. Property not being used by **you** or stored for such use.
- d. Our liability for loss to any individual item of covered property will not exceed the smallest of the following:
1. The cost of repair or restoration using material and labor of **equivalent kind and quality**.
 2. The **replacement cost** at time of loss using material and labor of **equivalent kind and quality**.
 3. Any **limit of insurance**, or special **sublimits** described in the policy.

8. POLICY PERIOD

This policy applies only to loss by **earthquake** that happens during the policy period shown on the

DECLARATIONS.

9. APPRAISAL

If **you** and **we** fail to agree on the amount of loss, either may demand the arbitration of the amount of loss, called an "appraisal." In the event **you** and **we** fail to agree on the amount of loss and either **you** or **us** demand appraisal, each party will choose a competent and disinterested appraiser within twenty (20) days after receiving a written request from the other. The two appraisers will choose an umpire. If they cannot agree upon an umpire within fifteen (15) days, **you** or **we** may request that the choice be made by a judge of a California court in the County where the **residence premises** is located. The appraisers will only set the amount of loss. If the appraisers submit a written report of an agreement to **you** and **us**, the amount agreed upon will be the amount of loss. If they fail to agree, they will submit their differences to the umpire. A decision agreed to by any two (called an appraisal award) will set the amount of loss when it is delivered to **you** and **us**. **You** will pay your appraiser. **We** will pay our appraiser. **You** and **we** will share equally the other expenses of the appraisal and the umpire.

10. OTHER INSURANCE

- a. **You** may have other insurance subject to the same plan, terms, conditions and provisions as the insurance under this policy. If **you** do, **we** will pay **our** share of the covered loss or damage. **Our** share is the proportion that the **limits of insurance** under this policy bears to the **limits of insurance** of all policies covering on the same basis.
- b. If there is other insurance covering the same loss or damage, other than described in a., above, **we** will pay only for the amount of covered loss or damage in excess of the amount due from that other insurance. **We** will not pay more than the **limit of insurance** less the amount due from the other Insurer.

11. ASSIGNMENT

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

12. SUBROGATION

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

13. SALVAGE VALUE

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

14. **ABANDONMENT OF PROPERTY**

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

15. **OUR OPTION**

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

16. **LOSS PAYMENT**

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

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

17. **NO BENEFIT TO BAILEE**

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

18. **CANCELLATION**

- a. **You** may cancel this policy at any time by returning it to **us** or by letting **us** know in writing of the date cancellation is to take effect.
- b. **We** may cancel this policy only for the reasons stated in this condition by notifying **you** in writing of the date cancellation takes effect. This cancellation notice may be delivered to **you**, or mailed to **you** at **your** mailing address shown in the DECLARATIONS.
 1. When **you** have not paid the premium, **we** may cancel at any time by notifying you at least 10 days before the cancellation takes effect.
 2. When this policy has been in effect for less than 60 days and is not a renewal with us, **we** may cancel for any reason or if **we** discover that the risk does not meet **our** underwriting guidelines, by mailing notice to **you** at least 10 days before the date the cancellation takes effect.
 3. When this policy has been in effect for 60 days or more, or at any time if it is a renewal with **us**, **we** may cancel if there has been:
 - (a) a conviction of the **named insured** of a crime having as one of its necessary elements an act increasing any hazard insured against; or
 - (b) discovery of fraud or material misrepresentation; or
 - (c) discovery of grossly negligent acts or omissions by the **insured** or his or her representative substantially increasing any of the hazards insured against; or
 - (d) physical changes in the property described in the DECLARATIONS which result in the property becoming uninsurable.
- c. When this policy is canceled, the premium for the period from the date of cancellation to the expiration date will be refunded. When the policy is canceled, the return premium will be pro-rata.
- d. If, when **we** cancel this policy, the return premium is not refunded with the notice of cancellation, **we** will refund it within 30 days after the date cancellation takes effect. If, when **you** cancel this policy, the return premium is not refunded when this policy is returned to us, **we** will refund it within 30 days after the date the cancellation takes effect.

Proof of mailing will be sufficient proof of notice.

19. **NON-RENEWAL**

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

20. **WAIVER OR CHANGE OF POLICY PROVISIONS**

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

21. **LOSS TO A PAIR OR SET**

In case of loss to a pair or set **we** may elect to:

- (a) repair or replace any part to restore the pair or set to its value before the loss; or

(b) pay the difference between the value of the property before and after the loss.

22. **YOUR DUTY TO SELECT AND MAINTAIN THE LIMITS OF INSURANCE**

It is **your** responsibility to select and maintain the **limits of insurance**. This includes adjusting **your** coverage in the event of additions to **your** personal property.

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

23. **DEATH**

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

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

24. **SUIT AGAINST US**

No action can be brought unless all the conditions and **warranties** have been complied with by **you** and the action is started within one (1) year after the **earthquake** unless **you** report the loss to **us** promptly and then within one (1) year after **we** advise **you your** claim is denied.

WARRANTIES

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

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