

**Pacific Select Property Insurance Company
Residential Earthquake Insurance Program**

sample

**Security EQ Protector
Sample Policy**

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**SECURITY EQ PROTECTOR
BASIC EARTHQUAKE POLICY**

AGREEMENT

This policy is issued by the PACIFIC SELECT INSURANCE COMPANY. It is intended to offer policy terms consistent with the Basic Earthquake Policy (BEQ-3) issued by the California Earthquake Authority.

WARNING

This policy provides coverage for Earthquake related losses only.

The Limit Amounts shown on the Declarations page when issued are the most that the policy will pay for any single loss after the Policy Deductible has been met. It is the responsibility of the insured to determine the appropriate amount of coverage to purchase. Given the effect a catastrophic event such as an earthquake has on the market conditions for building supplies and labor, this policy contains no guarantee that the insured will be able to rebuild their dwelling or replace their personal property.

If the insured dwelling has not been built or remodeled using earthquake hazard reduction construction methods (retrofitting) to help minimize earthquake damage, the Limited Building Code Upgrade coverage within this policy will NOT be provided (see page 6).

COVERAGE

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

"We" insure for accidental 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. This coverage is subject to any constraints specified in the Special "Limits of Insurance" on Certain Personal Property, Property Not Covered, and Exclusions sections of this policy. In addition, "we" insure for Loss of Use of the "residence premises" resulting from a covered loss to property. "We" will provide the insurance described in this policy in return for the premium and compliance with all applicable provisions of this policy.

One or more "earthquakes" that occur within a three hundred and sixty-hour period will be considered a single "covered event".

DEFINITIONS

Throughout this policy "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.

"We", "us" and "our" refer to the Pacific Select Insurance Company providing this insurance.

In addition, certain words and phrases are defined as follows:

1. "Actual Cash Value" means fair market value of the property at the time of loss subject to the policy "limit of insurance" for that type of property.
2. "Business Property" means property pertaining to or intended for use in any full or part-time trade, profession or occupation.
3. "Companion Policy" means a policy which provides fire coverage on the "dwelling" and personal property which is the subject of this "earthquake" policy.
4. "Covered Event" means the time period commencing with the initial earthquake and extending for a period of three hundred and sixty hours.
5. "Dwelling" means the residential structure which is located on the "residence premises" described in the DECLARATIONS.
6. "Earthquake" means a vibration-generating rupture event caused by displacement within the earth's crust through release of strain associated with "tectonic processes" and includes effects such as ground shaking, liquefaction, seismically-induced landsliding and damaging amplification of ground motion.
7. "Earthquake Hazard Reductions" mean:
 - a. the residential "dwelling" is tied to the foundation, and
 - b. cripple walls are braced with plywood or its equivalent, and
 - c. the hot water heater is secured to the building frame.

Such reductions in "earthquake" hazard may exist either by original construction or by retrofitting completed consistent with local residential building codes at the time of construction or retrofitting.

8. "Fair Rental Value" means the average rental cost currently requested in the rental market for a residential unit which is similar to that covered under this policy.
9. "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.
10. "Limit of Insurance" means the most "we" will pay for any single "covered event" after any applicable deductible has been met.
11. "Nuclear Hazard" means any nuclear reaction, radiation, or radioactive contamination, or any consequence of any of these.
12. "Replacement Cost" means the cost of reasonable repair or replacement at time of loss without deduction for depreciation subject to the policy "limit of insurance" for that type of property.
13. "Residence Employee" means an employee of any "insured" who performs duties in connection with the maintenance or use of the "residence premises", including household or domestic services and any person employed to provide personal health care services for any "insured".

14. "Residence Premises" means the residential structure as shown as the "residence premises" in the DECLARATIONS.
15. "Sublimit" means a specific dollar limitation on coverage for specific types of property within a category of property which is subject to a higher total "limit of insurance". For example, money is covered under the personal property category which has a \$5,000 "limit of insurance". However, no more than the \$250 "sublimit" will be paid to replace damaged or destroyed money. The personal property "limit of insurance" will be reduced by the amount which is paid to replace money. Payment under a "sublimit" will reduce the amount available under the total "limit of insurance".
16. "Tectonic Processes" means adjustments of the earth's crust in response to regional stress conditions initiated by dynamic forces within the earth's interior.

PROPERTY COVERED

A. DWELLING

"We" cover:

1. The "dwelling" on the "residence premises" identified on the DECLARATIONS page;
2. Walkways, driveways and patios necessary for regular entry or exit of the "dwelling" are considered to be covered as a part of the "dwelling". Walkways, driveways and patios will be repaired or replaced only to the extent necessary to restore safe, unimpeded entry or exit of the "dwelling".
3. Bulkheads, piers, and retaining walls integral to the stability of the "dwelling" structure are also considered to be covered as parts of the "dwelling".
4. Chimney(s) attached to or part of the "dwelling" up to a "sublimit" of \$5,000 total, regardless of the number of chimneys covered. "We" will not pay more than the smallest of the following amounts:
 - a. \$5,000; or
 - b. the replacement of the masonry chimney(s) with a non-masonry, earthquake-resistant chimney(s); or
 - c. the "actual cash value" of the damaged chimney(s) if repair or replacement is not elected; or
 - d. the necessary amount actually spent to repair the damaged chimney(s).
5. Wall-to-wall carpeting attached to the "dwelling" is considered to be covered as a part of the "dwelling".
6. The cost of land stabilization necessary to the habitability of the "dwelling", including the engineering costs of the stabilization, subject to a \$10,000 "sublimit". Such cost is covered only when the land instability is directly and immediately caused by an "earthquake".

Loss to property described under PROPERTY COVERED, 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 like construction and use. Or, if the dwelling is rebuilt or replaced at another location, settlement will be no more than the cost to repair or replace the insured dwelling at the residence premises subject to the applicable "limit of insurance".

This policy does not guarantee full repair or replacement of "your" "dwelling" following a covered "earthquake" event if the costs associated with the repair or replacement exceed the "dwelling" "limit of insurance" shown in the DECLARATIONS.

The "limit of insurance" available to cover "your" "dwelling" structure (coverage 1, above) will be reduced to the extent that any payment is made for coverages 2 through 6, above.

B. APPURTENANT STRUCTURES

This policy does not cover structures not attached to the main dwelling. Please read the "Property Not Covered" section of this policy.

C. PERSONAL PROPERTY

Subject to a "limit of insurance" of \$5,000, "we" cover:

1. Personal property usual to the occupancy of a "dwelling" and owned or used by an "insured" while it is at the "residence premises".
2. At "your" request, "we" will cover personal property owned by others while the property is on part of the "residence premises" occupied by an "insured".
3. At "your" request, "we" will cover, personal property owned by a guest or a "residence employee", while the property is on part of the "residence premises" occupied by an "insured".

The total "limit of insurance" for personal property will be reduced to the extent that any payment is made for damage to personal property owned by others.

Loss to property described under PROPERTY COVERED, C. Personal Property will be settled at "replacement cost" without deduction for depreciation for the amount necessary to repair or replace the damaged property with articles of like kind and quality, subject to the applicable "limit of insurance".

SPECIAL "LIMITS OF INSURANCE" ON CERTAIN PERSONAL PROPERTY:

The "limits of insurance" shown below are "sublimits" of the \$5,000 policy "limit of insurance" provided for Coverage C, and do not increase the "limit of insurance" shown in the DECLARATIONS. The "limit of insurance" for each numbered category is the total "limit of insurance" for any one loss for all property in that category.

1. \$1,000 on electronic data processing equipment including recording or storage media used with such equipment, whether or not it is "business property". Recording or storage media for electronic data processing that cannot be replaced with other property of like and quality on the current retail market is not covered.
2. \$300 on "business property" other than "business property" named in item no. 1, above.
3. \$250 on money, bank notes, and coins.

D. LOSS OF USE

Subject to a total "limit of insurance" of \$1,500:

1. If a covered loss makes the "residence premises" unfit to live in, "we" cover:

Additional Living Expense - the necessary increase in living expenses incurred by "you" so that "your" household can maintain its normal standard of living.

Payment will be for the shortest time reasonably needed (i) to repair or replace that part of the "residence premises" occupied by "you" which is unfit to live in, or (ii) if "you" do not elect to repair or replace, for "you" to permanently relocate.

2. If a loss covered under this Section makes that part of the "residence premises" rented to others unfit to live in, "we" cover:

"Fair Rental Value" - the "fair rental value" of that part of the "residence premises" rented to others less any expenses that do not continue while the premises is unfit to live in.

Payment will be for the shortest time reasonably needed to repair or replace that part of the premises rented or held for rental. Loss of rents due to cancellation of a lease or agreement is not covered.

3. If a civil authority prohibits "you" from use of the "residence premises" because of direct damage to neighboring premises by a loss which would have been covered under this policy if it had occurred on the "residence premises", "we" cover the resulting additional living expense or "fair rental value".

E. LIMITED BUILDING CODE UPGRADE

If, at the time of loss from a "covered event", either by original construction, or by upgrading (retrofitting), "your" "dwelling" meets all three policy conditions of "earthquake hazard reductions" as described in DEFINITIONS, item no. 7, coverage is provided in the following amount:

Up to \$10,000 for the cost of reconstruction required to bring the residential "dwelling" on the residential property up to current local residential building code standards as required as part of the approval of the reconstruction permit process after an "earthquake".

OTHER COVERAGE

If covered property is damaged by a "covered event":

1. "We" will pay the reasonable expense incurred by "you" in the removal of debris of covered property. This coverage is limited to 5% of the "dwelling" "limit of insurance". The deductible must be met before this coverage is available.
2. "We" will pay the cost "you" incur for necessary and reasonable emergency measures taken to protect against further "earthquake" damage. If the measures taken involve repair to other damaged property, "we" will pay for those repairs only if that property is covered under this policy.
 - a. This coverage is limited to 5% of the policy "limit of insurance" for the type of property being protected ("dwelling" or personal property). In addition, the applicable "limit of insurance" for the type of property being protected will be reduced by the amount of any payment made for this coverage.
 - b. Taking necessary and reasonable emergency measures to protect covered property from further damage if an "earthquake" occurs does not relieve "you" of "your" responsibilities outlined in "Your Duties After a Loss", (CONDITIONS, item no. 4).

PROPERTY NOT COVERED

REAL PROPERTY

"We" will not cover:

1. Walkways, driveways and patios not necessary for regular ingress to or egress from the "dwelling".
2. Outbuildings, appurtenant structures, masonry fences and walls not necessary for the structural integrity of the "dwelling".
3. Exterior water supply systems including, but not limited to, irrigation systems, residential sprinkler systems and water reclamation systems.
4. Underground structures or equipment that are located outside the foundation wall of the structure including underground pipes, cables, flues, and drains, except those utility services essential for habitability.

(Plumbing pipes which are enclosed in the walls, ceiling, or floor system of the structure and plumbing extending to the exterior surface of the foundation wall of the covered structure are covered items. Essential

utility service located outside of the foundation wall and within the property boundaries of the residential property, which affects the habitability of the structure, is covered.)

5. Bulkheads, piers and retaining walls not integral to the stability of the "dwelling" structure.
6. Awnings or other patio coverings.
7. Satellite dishes.
8. Any building items that consist of a work of art or ornate or decorative items such as wall murals, stained glass, mirrors permanently affixed to the structure, mosaics, bas-relief and statuary.
9. Plaster will not be replaced, but payment for damaged plaster will be made only up to the value of sheetrock.
10. Exterior masonry veneer - for the purposes of this exclusion, stucco is not considered masonry veneer.
11. Swimming pools, spas and hot tubs, including the tile attaching the pool, spa or hot tub to a deck.
12. Landscaping, trees, shrubs, lawns or plants.
13. Land or any diminution of land value, no matter where it is located, including land on which the dwelling is located, except for certain land stabilization as noted under "dwelling" coverage 6.
14. Any loss in value to the dwelling due to the requirements of any ordinance or law.

PERSONAL PROPERTY

"We" do not cover:

1. Personal property insured in any other policy or personal property owned or used by any insured while located away from the residence premises.
2. Watercraft, including their trailers, furnishings, equipment and outboard motors.
3. Trailers not used with watercraft.
4. Motor vehicles, including their parts or accessories while in or on any motor vehicle.
5. Aircraft, including their parts or equipment.
6. Property or roomers, boarders and other tenants, except roomers and boarders related to any "insured".
7. Data, including data stored in:
 - a. books of account, drawings or other paper records; or
 - b. electronic data processing tapes, wires, records, discs or other software media.
 - c. There is no coverage for the cost to research, replace or restore the data from the lost or damaged medium.

However, "we" do cover the cost of blank recording or storage media, and/or prerecorded computer programs available on the retail market.

8. Artwork including, but not limited to, paintings, drawings, framing, sculpture, photographs tapestries, pottery, and ceramics.
9. Glassware, china and porcelain.

10. Any sound or picture equipment which 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. Such equipment includes: citizens band radios, radio or cellular telephones, radio transceivers, radio transmitters, two-way mobile radios, scanning monitor receivers, radar detectors, car radio receivers, tape players and recorders, disc players, TV sets, video recorders and any accessories, antennas, speakers, tapes, reels, cassettes, cartridges, carrying cases or other devices used with such sound equipment.
11. Credit cards or fund transfer cards.
12. Bullion, gold other than goldware, silver other than silverware, platinum, medals, rare coins and other numismatic property.
13. Securities, accounts, deeds, evidence of debt, letters of credit, notes other than bank notes, manuscripts, passports, tickets and stamps. This applies to these categories regardless of the medium (such as paper or computer software) on which the material exists. There is no coverage for the cost to research, replace or restore the material from the lost or damaged medium.
14. Grave markers.
15. Animals, birds or fish.
16. Landscaping, trees, shrubs, lawns, or plants.

EXCLUSIONS

"We" do not insure for loss caused directly or indirectly by any of the following:

1. Fire, whether caused by, resulting from, contributed to, or aggravated by "earthquake".
2. Water Damage, meaning:
 - a. flood, surface water, waves, tidal water, overflow of a body of water, or spray from any of these whether or not driven by wind. This is not intended to exclude water from domestic appliances, including but not limited to, water heaters, pools or hot tubs;
 - b. water which backs up through sewers or drains located off the "residence premises";
 - c. water below the surface of the ground, including water which exerts pressure on or seeps or leaks through a building, sidewalk driveway, foundation, swimming pool or other structure.
3. Earth movement, settling of land, general landsliding, subsidence, mudflows, or earth sinking, rising or shifting, unless directly and immediately caused by an earthquake.
4. Pollution damage to groundwater, land and personal property including all loss, damage, costs and/or expenses arising out of or caused by pollution, and all costs and/or expenses incurred by the owner to test for, monitor, clean up remove, contain, treat, detoxify or neutralize pollutants. Pollutants 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. Waste includes but is not limited to material to be recycled, reconditioned or reclaimed.
5. Loss or damage caused by "nuclear hazard", including but not limited to, nuclear reaction, nuclear radiation or radioactive contamination, whether controlled or uncontrolled, or due to any act or condition incident to any of the foregoing, whether such loss be direct or indirect, proximate or remote, or be in whole or in part caused by, contributed to or aggravated by the qualifying "earthquake" event.

6. 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.
7. Power failure, meaning the failure of power or other utility service if the failure takes place off the "residence premises".
8. Neglect, meaning "your" neglect to use all reasonable means to save and preserve property at and after the time of loss.
9. Intentional Loss, meaning any loss arising out of any act committed:
 - a. by or at the direction of "you" or any "insured" or any person or organization names as an additional "insured"; and
 - b. with the intent to cause a loss.
10. Explosion.
11. Enforcement of any ordinance, law or residential building code regulating the use, construction, repair, or demolition of a building or other structure, unless specifically provided under this policy.
12. Loss assessments made as a result of loss caused by the peril of earthquake to the property owned collectively by members of an association of property owners.

DEDUCTIBLE CLAUSE

The deductible amount which applies to this policy is shown in the DECLARATIONS as a percentage of the "dwelling" "limit of insurance" (15%) and as a dollar amount.

The deductible will be applied one time for each "covered event". Until the amount of "dwelling" damage exceeds the deductible, no payment will be made for any coverage under this policy except for Loss of Use coverage. There is no deductible for the Loss of Use coverage.

Only "dwelling" damage which is covered by this policy will be applied to meet the deductible requirement.

CONDITIONS

1. "Companion Policy". This "earthquake" policy applies only to property that is also insured by a "companion policy" for the peril of fire. If the "companion policy" is not in effect at the time of "earthquake" loss or damage to the property, no claims will be paid under this "earthquake" policy.
2. 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 the "insured" for an amount greater than the "insured's" interest; nor
 - b. for more than the "blanket policy limit".
3. Concealment or Fraud. The entire policy will be void, if either before or after a loss, an "insured" has:
 - a. engaged in fraudulent conduct;
 - b. made false statements relating to this insurance; or
 - c. intentionally concealed or misrepresented any material fact or circumstance.

4. "Your" Duties After Loss. If a loss occurs to covered property, "you" must perform the following duties:
 - a. Give written notice to "us" without unnecessary delay.
 - b. Protect the property from further damage. Make any emergency repairs necessary and reasonable to protect the property from further damage. Keep records of all repair costs.
 - c. Make a list of all damaged or destroyed personal property showing in detail the quantity, description, and amount of loss. Attach all bills, receipts and related records that support "your" figures.
 - d. As often as "we" reasonably require and as permitted pursuant to the laws of California:
 - (i) exhibit damaged property.
 - (ii) provide "us" with the records and documents "we" may request, including banking or other financial records, if obtainable, and permit "us" to take copies.
 - (iii) submit to examination under oath and sign a transcript of same.
 - e. Send "us" within 60 days of "our" request, "your" signed, sworn proof of loss which sets forth, to the best of "your" knowledge and belief.
 - (i) time and cause of loss,
 - (ii) interest of the "insured" and all others in the property involved, and all liens or encumbrances on the property,
 - (iii) all legal claims against the property involved,
 - (iv) other insurance which may cover the loss,
 - (v) changes in title or occupancy of the property during the term of the policy,
 - (vi) specifications and detailed repair estimates of any damaged building or other structure,
 - (vii) a list of damaged or destroyed personal property described in 4.c., above,
 - (viii) receipts and records that support any loss for additional living expense or fair rental value.
5. "Your" Rights Concerning Claims Investigation. The law provides 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;
 - b. The California Insurance Code and Title X, Chapter 5, Subchapter 7.5 of the California Code of Regulations impose fair claims settlement requirements on insurance companies;
 - c. At "your" expense, "you" have the right to be represented by an attorney.
6. Loss Settlement. Covered property losses are settled as follows:
 - a. Losses to property described under PROPERTY COVERED, A. "dwelling" (page 3) will be settled at "replacement cost", without deduction for depreciation, for the amount actually and necessarily incurred to repair or replace such property, up to the "blanket policy limit".

- (i) When the cost to repair or replace the damage is more than \$1000 or more than 5% of the amount of insurance in this policy on the "dwelling", whichever is less, "we" will pay no more than the "actual cash value" of the damage until actual repair or replacement is in progress.
 - (ii) "You" may disregard the "replacement cost" loss settlement provision and make claim under this policy for loss or damage to the "dwelling" on an "actual cash value" basis. "You" may then make claim within one year after the date of loss for any additional liability on a "replacement cost" basis. Payment for such claim will be based on documented completed repairs or replacement.
 - (iii) When "you" have incurred costs resulting from the repair or replacement of damaged property, "we" will pay for such incurred costs within 30 days of receipt of properly documented payment requests.
 - b. Losses to personal property will be settled at "replacement cost", without deduction for depreciation, for the amount necessary to repair or replacement the damaged property with articles of like kind and quality, subject to the "blanket policy limit".
 - c. When "you" have incurred costs resulting from the repair or replacement of damaged personal property, "we" will pay for such incurred costs at reasonable intervals and, in no event, less frequently than every 30 days.
 - d. This coverage will not apply to:
 - (i) Property which by its inherent nature cannot be replaced;
 - (ii) Property not maintained in good or workable condition;
 - (iii) Property not being used by "you" or stored for such use.
 - e. Our liability for loss to any property insured under this policy will not exceed the smallest of the following:
 - (i) The cost of repair or restoration,
 - (ii) The replacement value at time of loss; or
 - (iii) Any "limit of insurance", or special "sublimits" described in the policy.
- 7. 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 "replacement cost" of the property before and after the loss.
- 8. Appraisal. If "you" and "we" fail to agree on the amount of loss, either may demand an appraisal of the loss. In this event, each party will choose a competent and disinterested appraiser within 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 15 days, "you" or "we" may request that the choice be made by a judge of a California court of competent jurisdiction in the county where the insured "residence premises" is located. The appraisers will separately set the amount of loss. If the appraisers submit a written report or an agreement to 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 will set the amount of loss.
 - a. pay its own appraiser, and

- b. bear the other expenses of the appraisal and umpire equally.
9. Other Insurance
- a. "You" may have other insurance subject to the same plan, terms, conditions and provisions as the insurance under this policy. If "you" do, "we" will pay "our" share of the covered loss or damage. "Our" share is the proportion that the "blanket policy limit" 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. But "we" will not pay more than the "blanket policy limit".
10. Subrogation. "You" may waive in writing before a loss all rights of recovery against any person. If not waived, "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, the person insured must sign and deliver all related papers and cooperate with us.

11. Suit Against Us. No action can be brought unless the policy provisions have been complied with and the action is started within one year after the date of loss, subject to regulatory and case law.
12. 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 like property.
13. 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";
 - b. there is an entry of a final judgment; or
 - c. there is a filing of an appraisal award with us.
14. Mortgage Clause. The word "mortgagee" includes trustee.

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

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

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

If "we" decide to cancel or not to renew this policy, the mortgagee will be notified at least 10 days before the date cancellation or non-renewal takes effect.

If "we" pay the mortgagee for any loss and deny payment to "you":

- (i) "We" are subrogated to all the rights of the mortgagee granted under the mortgage on the property, or

- (ii) At "our" option, "we" may pay to the mortgagee the whole principal on the mortgage plus any accrued interest. In this event, "we" will receive a full assignment and transfer of the mortgage and all securities held as collateral to the mortgage debt.

Subrogation will not impair the right of the mortgagee to recover the full amount of the mortgagee's claim.

- 15. 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.
- 16. 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.

Proof of mailing will be sufficient proof of notice.

- (i) When "you" have not paid the premium, "we" may cancel at any time by notifying you at least 10 days before the cancellation takes effect.;
 - (ii) When this policy has been in effect for less than 60 days and is not a renewal with us, "we" may cancel it if "we" discover that the risk does not meet "our" underwriting guidelines by letting "you" know at least 10 days before the date of cancellation takes effect.
 - (iii) When this policy has been in effect for 60 days or more, or at any time it is a renewal with us, "we" may cancel if there has been:
 - a) conviction of the named "insured" of a crime having as one of its necessary elements an act increasing any hazard insured against; 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 insured property 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.
- 17. 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.
 - 18. 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.

19. Assignment. Assignment of this policy will not be valid unless "we" give written consent.
20. 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.
21. 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 "you" received for the recovered property.
22. Salvage Value. Any value that may be realized from salvage will not diminish the amount owed by you under the deductible clause. "We" need not accept, but have all rights to salvage.