

Value Select Earthquake Policy

SECTION I – AGREEMENT

“We” will provide the insurance described in this policy in return for the premium and “your” promise to fulfill all terms and conditions of this policy. “We” only insure for direct physical loss or damage caused by an “earthquake” during the policy period to property described under **Section III – Property Coverages**.

The policy period shown in the Declarations will begin and end at 12:01 A.M. standard time at the location of the “residence premises” described in the Declarations.

SECTION II – DEFINITIONS

Throughout this policy whenever a term appears in quotation marks, it has the special meaning as set forth in these definitions and no other meaning.

“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 Company providing this insurance.

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

- A.** “Actual cash value” means “replacement cost” less depreciation.
- B.** “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”.
- C.** “Business” means any full or part-time trade, profession or occupation.
- D.** “Business property” means property pertaining to, intended for or used in any full or part-time “business”.
- E.** “Companion policy” means the fire insurance policy, homeowners policy, or other insurance policy that provides fire coverage for the same property that is the subject of this “earthquake” policy.
- F.** “Companion policy dwelling limit of insurance” means the limit of insurance stated for Coverage A – Dwelling coverage on the “companion policy” that provides fire coverage for the same property that is the subject of this “earthquake” policy.
- G.** “Covered event” means direct physical loss or damage caused by an “earthquake” during the policy period. “Covered event” does not mean:
 - 1.** Direct physical loss or damage caused by an “earthquake” which commences:
 - a.** Prior to the effective date of this policy; or
 - b.** After the termination of this policy.
 - 2.** Earth movement, settling of land, land sliding, subsidence, mudflows, or earth sinking, rising or shifting, unless directly and immediately caused by an “earthquake”.

One or more “earthquakes” that occur within any 72 hour period will be considered a single “covered event”. The termination of this policy will not reduce the 72 hour period.

- H.** “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.
- I.** “Dwelling” means the residential structure which is located on the “residence premises”.
- J.** “Earthquake” means a vibration-generating rupture event caused by displacement within the earth’s crust through release of strain associated with “tectonic processes” and includes effects such as ground shaking, liquefaction, seismically-induced land sliding, and damaging amplification of ground motion. “Earthquake” does not mean or include tsunami or volcanic eruption.

- K. "Exterior masonry veneer" means non-supporting brick, stone, or other masonry, except stucco, fastened to a wall of different material.
- L. "Fair rental value" means the average rental cost currently requested in "your" rental market immediately before the "earthquake" for a residential unit which is similar to the "dwelling" shown as the "residence premises" in the Declarations. "Fair rental value" does not include any expenses that do not continue while the premises are unfit to live in.
- M. "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.
- N. "Insured" means "you" and the following persons if permanent residents of "your" household:
 - 1. "Your" relatives, whether related by blood, marriage or adoption.
 - 2. Anyone under the age of 21 who is in the care of any person named above.
- O. "Limit of insurance" means the most "we" will pay under each coverage shown in the Declarations for any single "covered event", after any applicable deductible has been met.
- P. "Replacement cost" means the cost at the time of loss to repair or replace the "dwelling" or personal property using material of like kind and quality without deduction for depreciation.
- Q. "Residence premises" means the "dwelling" which is shown as the "residence premises" in the Declarations. "Residence premises" also includes the grounds at that location.
- R. "Sublimit" means a specific dollar limitation for specific types of property within a category of property which is subject to a higher "limit of insurance". Payment under a "sublimit" will reduce the amount available under the corresponding "limit of insurance" for that category of property. Any loss in excess of the "sublimit" will not be applied toward the fulfillment of the deductible requirement.
- S. "Tectonic processes" means adjustments of the earth's crust in response to regional stress conditions initiated by dynamic forces within the earth's interior.

SECTION III – PROPERTY COVERAGES

A. DWELLING

- 1. Subject to the Dwelling "limit of insurance" shown in the Declarations, "we" cover:
 - a. The "dwelling" on the "residence premises" identified in the Declarations page.
 - b. Walkways, driveways and patios necessary for regular entry or exit to the "dwelling". Such walkways, driveways and patios will be repaired or replaced only to the extent necessary to restore safe, unimpeded entry or exit of the "dwelling".
 - c. Bulkheads, piers, and retaining walls integral to the stability of the "dwelling" structure.

2. SUBLIMITS OF INSURANCE ON DWELLING

The amounts shown below are "sublimits" of the Dwelling "limit of insurance" and do not increase the Dwelling "limit of insurance" shown on the Declarations. The "sublimits" shown below are the maximum amount "we" will pay for any one loss for all property in each category below.

- a. Subject to a "sublimit" of \$10,000 the cost of land stabilization, including the engineering costs of the stabilization, necessary to the habitability of the "dwelling" only if the land instability is directly and immediately caused by an "earthquake".
- b. Subject to a "sublimit" of 10% of "dwelling" "replacement cost" the cost of ordinance or law.

B. OTHER STRUCTURES

1. Subject to the Other Structures "limit of insurance" shown in the Declarations, "we" cover Other Structures on the "residence premises" set apart from the "dwelling" by clear space. This includes structures connected to the "dwelling" that are outside the foundation walls or not necessary to the structural integrity or habitability of the "dwelling". Examples of Other Structures include detached garages, guest houses, patios & coverings, porches, gazebos, swimming pools, spas, hot tubs, barbecues, fences, retaining walls, etc.

2. SUBLIMITS OF INSURANCE ON OTHER STRUCTURES

The amounts shown below are "sublimits" of the Other Structures "limit of insurance" and do not increase the Other Structures "limit of insurance" shown on the Declarations. The "sublimits" shown below are the maximum amounts "we" will pay for any one loss for all property in each category below.

- a. \$50,000 for the repair or replacement of swimming pools, spas and hot tubs, including the tile attaching the pool, spa or hot tub to a deck, whirlpool baths and pools such as fish ponds and decorative pools, including all concrete, stone, tile or similar decking material and all related equipment.

C. PERSONAL PROPERTY

1. Subject to the Personal Property "limit of insurance" shown in the Declarations, "we" cover personal property usual to the occupancy of a "dwelling" and owned or used by an "insured" while it is at the "residence premises".

2. SUBLIMITS OF INSURANCE ON PERSONAL PROPERTY

The amounts shown below are "sublimits" of the Personal Property "limit of insurance" and do not increase the Personal Property "limit of insurance", as shown in the Declarations. The "sublimits" shown below are the maximum amounts "we" will pay for any one loss for all personal property in each category below.

- a. \$25,000 for the repair or replacement of jewelry, watches, precious and semi-precious stone, articles of gold, silver, platinum or other precious metals and alloys.
- b. \$25,000 for the repair or replacement of 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.
- c. \$10,000 for the repair or replacement of "fine arts".

D. LOSS OF USE

Subject to the Loss Of Use "limit of insurance" shown in the Declarations, "we" insure against the risk of the loss of use of the "dwelling" by a "covered event":

1. ADDITIONAL LIVING EXPENSE

If "covered event" makes the "dwelling" unfit to live in, "we" insure "additional living expense".

Payment for "additional living expense" will be for the shortest time reasonably needed:

- a. To repair or replace that part of the "dwelling" occupied by "you" which is unfit to live in; or
- b. If "you" do not elect to repair or replace, for "you" to settle elsewhere.

Even if "you" are unable to complete the repair or replacement the "dwelling" "we" will, in no event, pay more than the amount stated on the Declarations as the Loss Of Use "limit of insurance".

2. FAIR RENTAL VALUE

If a "covered event" makes that part of the "dwelling" rented to others or held for rental by "you" unfit to live in, "we" insure the "fair rental value" of that part of the "dwelling" rented to others.

Payment will be made for the shortest time required to repair or replace that part of the "dwelling" rented or held for rental by "you". Loss of rents due to cancellation of a lease agreement is not covered.

3. ACTS OF CIVIL AUTHORITY

If a civil authority prohibits “you” from use of the “dwelling” because of direct damage to neighboring premises by loss which would have been a “covered event” if it had occurred on 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.

E. LOSS ASSESSMENT

Subject to the Loss Assessment “limit of insurance” shown in the Declarations, “we” will pay “your” share of any loss assessment charged against “you” by a corporation or association of property owners because of a “covered event” 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 a “covered event”. This 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.

The Loss Assessment “limit of insurance” shown in the Declarations is the most “we” will pay with respect to any one “covered event”, regardless of the number of assessments.

F. OTHER COVERAGES

If “covered property” is damaged by a “covered event”:

1. “We” will pay the reasonable expense incurred by “you” in the demolition and removal of debris of “covered property”. This coverage is limited to 5% of the Dwelling “limit of insurance”, and does not increase the Dwelling “limit of insurance” as shown in the Declarations.

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

2. “We” will pay the cost “you” incur for necessary and reasonable emergency measures taken to protect against further “earthquake” damage to the “dwelling”, other structures or personal property covered under this policy. However, “we” will not pay for measures taken to protect property that is not “covered property” under this policy.
 - a. This coverage is limited to 5% of the Dwelling or Personal Property “limit of insurance” for the type of property being protected. 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 **Section VII – Conditions, D., Your Duties After Loss.**
3. “We” will pay the structural engineering costs, except as provided by public entities, that “you” reasonably incur to determine the habitability of the “dwelling” on the “residence premises” as a result of an “earthquake”. “We” will pay no more than \$10,000 for this coverage which is a “sublimit” of the Dwelling “limit of insurance” and does not increase the Dwelling “limit of insurance” as shown on the Declarations. The “sublimit” is the maximum amount “we” will pay for any one “earthquake” loss for all structural engineering costs.

SECTION IV – PROPERTY NOT COVERED

A. DWELLING

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

1. Walkways, driveways and patios not necessary to the regular and customary entry and exit of the “dwelling”.
2. Water, exterior water supply systems including, but not limited to, irrigation systems, residential sprinkler systems and water reclamation systems.
3. Underground structures or equipment that are located outside the foundation wall of the structure including underground pipes, cables, flues, and drains, except those utility services essential for habitability.

However, plumbing pipes which are enclosed in the walls, ceiling, or floor system of the “dwelling” and plumbing extending to the exterior surface of the foundation wall of the “dwelling” are “covered property”. Essential utility services located outside of the foundation wall and within the property boundaries of the “residence premises” which affects the habitability of the structure is “covered property”.

4. Bulkheads, piers and retaining walls not integral to the “dwelling” structure.
5. Landscaping, trees, shrubs, lawns or plants.
6. Land or any diminution of land value, no matter where it is located, including land on which the “dwelling” is located.
7. Any loss or diminution in fair market value to the “dwelling” due to the “earthquake” or to the requirements of any ordinance or law.
8. Swimming pools, spas and hot tubs, including the tile attaching the pool, spa or hot tub to a deck, whirlpool baths and pools such as fish ponds and decorative pools, including all concrete, stone, tile or similar decking material and all related equipment.
9. Fences.
10. Outdoor fixtures, including but not limited to playground equipment, light posts, barbecues, gazebos, trellises, greenhouses, or tool and lawn equipment sheds.
11. Chimneys not attached to the “dwelling”.

B. OTHER STRUCTURES

“We” do not insure against the risk of loss of other structures:

1. Bulkheads, wharves, docks, piers, bridges, or other structures located on or partially over water, or property thereon; underground structures or equipment outside the foundation walls of the insured “dwelling”.

C. 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”. This exclusion does not apply to personal property used by an “insured” while it is at the “residence premises”.
2. Personal property owned or used by any “insured” while located away from the “residence premises”.
3. Watercraft, including their trailers, furnishings, equipment and motors.
4. Trailers.
5. Aircraft, including their parts and equipment.
6. Data, including data stored in:
 - a. Books of account, drawings or other paper records.

b. Electronic data processing tapes, wires, records, discs or other software media.

"We" will not pay for the cost to research, replace or restore the data from the lost or damaged medium, except as provided under Paragraph 2.a. of **Section III – Property Coverages, B. Personal Property**.

7. Coin and stamp collections.
8. Credit cards, debit cards, including bank Automated Teller Machine cards or any other electronic funds transfer device.
9. Bullion, gold other than goldware, silver other than silverware, platinum, any valuable metal, medals, rare coins and numismatic property, except as provided under Paragraphs 2.b. and 2.d. of **Section III – Property Coverages, B. Personal Property**.
10. Securities, accounts, deeds, evidence of debt, letters of credit, notes, any negotiable instrument, manuscripts, passports, tickets and stamps, philatelic property or the cost to research, replace or restore the material from the lost or damaged medium.
11. Animals, birds, reptiles, insects or fish.
12. Landscaping, trees, shrubs, lawns, or plants.
13. "Business property".
14. 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:
 - (1) Used to service an "insured's" residence; or
 - (2) Designed for assisting the disabled.

SECTION V – EXCLUSIONS

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

Without limiting or modifying the above "we" do not insure against the risk of loss or damage to 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:

- A. Fire.
- B. 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".
- C. Any risk of loss insured by the "companion policy" whether collectible or not.

D. Water Damage, meaning:

1. 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 exclusion does not apply to loss or damage caused by water, if a "covered event" results in the release of water from domestic appliances, including but not limited to water heaters, pools or hot tubs;
2. Water which backs up through sewers or drains located off the "residence premises";
3. 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.

E. Explosion.

F. Neglect, meaning neglect of the "insured" to use all reasonable means to save and preserve property at and after the time of loss.

G. 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.

H. 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".

I. Acts or Decisions, including the failure to act or decide, of any person, group, organization or governmental body.

J. Intentional loss, meaning any loss arising out of any act committed:

1. By or at the direction of "you" or any "insured" or any person or organization named as an additional "insured"; and
2. With the intent to cause a loss.

K. Pollution damage to groundwater, land and personal property including all loss, damage, costs or expenses arising out of or caused by pollution, and all costs or expenses incurred by the "insured" 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.

SECTION VI – DEDUCTIBLE CLAUSE

The deductible amounts which apply to this policy are shown in the Declarations and apply separately to Dwelling, Other Structures, Personal Property and Loss Of Use.

In case of a "covered event", "we" will have no obligation to pay "you" or any "insured" until that part of the loss or damage is determined to be more than the deductible stated separately in the Declarations for each coverage.

SECTION VII – CONDITIONS

A. 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 the "earthquake" loss or damage to the property, no claims will be paid under this "earthquake" policy.

B. INSURABLE INTEREST AND LIMITS OF INSURANCE

Even if more than one person has an insurable interest in "covered property", "we" will not be liable:

1. To an "insured" for an amount greater than the "insured's" interest at the time of loss; or
2. For more than the applicable "limit of insurance" stated in the Declarations.

C. CONCEALMENT OR FRAUD

"We" provide coverage to no "insureds" under this policy, if, whether before or after a loss, an "insured" has:

1. Intentionally concealed or misrepresented any material fact or circumstance;
2. Engaged in fraudulent conduct; or
3. Made false statements relating to this insurance.

D. YOUR DUTIES AFTER LOSS

If a loss occurs to "covered property", "you" must perform the following duties:

1. Give prompt notice to "us" or "our" agent.
2. Protect the property from further damage. Make any emergency repairs 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.
3. Prepare an inventory of damaged or destroyed 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.
4. As often as "we" reasonably require:
 - a. Show the damaged property;
 - b. Provide "us" with all records and documents "we" request concerning "you", the policy, the "companion policy", the loss, or the claim and permit "us" to make copies;
 - c. Provide "us" with all records and documents "we" request concerning "you", the "dwelling", the other structures 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"; and
 - d. 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.
5. Cooperate with "us" in the investigation of a claim.
6. Send to "us", within 90 days after "our" request, "your" signed, sworn proof of loss which sets forth to the best of "your" knowledge and belief, including the following information:
 - a. The time and cause of loss;
 - b. The interest of all "insureds" and all others in the property involved;
 - c. A detailed description of all legal claims against the property that sustained a loss, including all liens, mortgages or other encumbrances on the property;
 - d. Other insurance which may cover any portion of the loss;
 - e. Changes in title or occupancy of the property during the term of the policy;
 - f. Specifications of damaged buildings, reports of any engineers, architects, licensed contractors, construction consultants or similar professionals and detailed repair estimates;
 - g. The inventory of damaged or destroyed personal property described in **D.3.** above;
 - h. Receipts for "additional living expenses" incurred or records that support a "fair rental value" claim;
 - i. "Your" statement of the amount of loss and claim; and
 - j. All communication between "you" and the insurer that issued the "companion policy".

E. YOUR RIGHTS CONCERNING CLAIMS INVESTIGATION

The law provides certain rights and protections that apply to policyholders 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 settlement 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.

F. LOSSES WILL BE SETTLED AS FOLLOWS:

1. DWELLING AND OTHER STRUCTURES

- a. Loss to property described under **Section III – Property Coverages, A. Dwelling and B. Other Structures**, will be settled at "replacement cost" for the amount actually and necessarily incurred to repair or replace such property at the "residence premises", subject to the applicable Dwelling or Other Structures "limit of insurance". If the "dwelling" is rebuilt or replaced at a location other than the "residence premises", settlement will be no more than the cost that would have been incurred to repair or replace the "dwelling" at the "residence premises" subject to the applicable Dwelling "limit of insurance".
- b. "We" will pay the cost to repair or replace the "dwelling" or other structures, after application of the deductible, but not more than the smallest of the following amounts:
 - (1) The applicable Dwelling or Other Structures "limit of insurance" shown in the Declarations;
 - (2) The "replacement cost" of that part of the "dwelling" or other structures damaged by "earthquake" for equivalent construction and use if built on the same premises; or
 - (3) The amount actually and necessarily spent to repair or rebuild the damaged "dwelling" or other structures on the same premises using materials and labor of like kind and quality.

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

- (a) Actual repair or replacement is completed on the same premises; or
 - (b) Actual replacement is acquired at a location other than the "residence premises".
- c. "You" may disregard the "replacement cost" loss settlement provisions and make claim under this policy for loss or damage to buildings on an "actual cash value" basis. "You" may then make claim for any additional liability on a "replacement cost" basis, provided "you" notify "us", within 180 days after the date of loss, of "your" intent to repair or replace the damaged property.
 - (1) If "you" make claim for "replacement cost" "you" must complete repairs within 365 days of the date "you" give "us" written notice that "you" are making claim on a "replacement cost" basis.
 - (2) To collect "replacement cost" in addition to "actual cash value" "you" must:
 - (a) Submit proof to "us" that "you" have actually rebuilt the damaged "dwelling", or other structures on the same premises or replaced the "dwelling" with a "dwelling" of like kind and quality at some other location at a cost for the structures alone greater than the "actual cash value" loss; and
 - (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.

2. PERSONAL PROPERTY

- a. Loss to personal property described under **Section III – Property Coverages, C. Personal Property** will be settled at "replacement cost" for the amount necessary to repair or replace the damaged property with articles of like kind and quality, subject to the Personal Property "limit of insurance".
- b. To collect "replacement cost" in addition to "actual cash value" "you" must:

- (1) Submit proof to "us" that "you" have actually replaced or repaired the damaged personal property with material of like kind and quality for an amount greater than the "actual cash value" loss; and
 - (2) Submit proof to "us" that "you" have actually spent more than the "actual cash value" amount of loss or up to the Personal Property "limit of insurance", whichever is the smaller amount.
- c. "You" may recover only "actual cash value", and this "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 that is outdated or obsolete, or property not useful for its intended purpose.
- d. "Our" liability for loss to any property insured under this policy will not exceed the smallest of the following:
- (1) The cost of repair or restoration;
 - (2) (a) For property as described in **F.2.c.** above, the "actual cash value" at time of loss; or
(b) For property other than as described in **F.2.c.** above, the "replacement cost" at time of loss;
 - (3) Any applicable "limit of insurance" or special "sublimits" described in the policy.

G. POLICY PERIOD

This policy applies only to loss or damage by "earthquake" which commences during the policy period shown on the Declarations.

H. 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 party. 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 court of competent jurisdiction in the county where the insured "residence premises" is located. The two appraisers will separately appraise the amount of loss. If the appraisers submit a written report of their 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 of the three appraisers will set the amount of loss.

Each party will:

1. Pay its own appraiser, and
2. Bear the other expenses of the appraisal and umpire equally.

I. OTHER INSURANCE

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

J. ASSIGNMENT

Assignment of this policy will not be valid unless "we" give "our" written consent.

K. 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 "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.

L. 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” must grant “us” all rights to salvage.

M. ABANDONMENT OF PROPERTY

“We” need not accept any property abandoned by “you”.

N. 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 kind and quality.

O. 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” satisfactory proof of loss and:

1. “We” reach an agreement with “you” expressed in writing from “us” to you;
2. There is a filing of an appraisal award with “us”; or
3. There is an entry of a final judgment.

P. MORTGAGE CLAUSE

The word "mortgagee" includes trustee.

If a mortgagee is named as an additional insured in the “earthquake” policy, any loss payable under **Section III – Property Coverages, A. Dwelling** will be paid to the mortgagee, to the extent of its interest, and to “you”. If more than one mortgagee is so named, the order of payment will be the same as the order of precedence of the mortgages.

1. 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.

All of the terms of this policy will then apply directly to the mortgagee.

2. 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.
3. If “we” pay the mortgagee for any loss and deny payment to “you”:
 - a. “We” will be subrogated to all the rights of the mortgagee granted under the mortgage on the property, or
 - b. At “our” option, “we” may pay to the mortgagee the whole principal on the mortgage plus any accrued interest. In this event, “we” will receive a full assignment and transfer of the mortgage and all securities held as collateral to the mortgage debt.
4. Subrogation will not impair the right of the mortgagee to recover the full amount of the mortgagee's claim.

Q. 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.

R. CANCELLATION

1. “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.

2. "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.

- a. 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.
- b. 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 20 days before the date the cancellation takes effect.
- c. When this policy has been in effect for 60 days or more, or at any time if it is a renewal with "us", "we" may cancel if there has been:
 - (1) A conviction of the named "insured" of a crime having as one of its necessary elements an act increasing any hazard insured against;
 - (2) Discovery of fraud or material misrepresentation; or
 - (3) Discovery of grossly negligent acts or omissions by the "insured" or his or her representative substantially increasing any of the hazards insured against; or physical changes in the property described in the Declarations which result in the property becoming uninsurable.
3. 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.
4. If, when "we" cancel this policy, the return premium is not refunded with the notice of cancellation, "we" will refund it within 25 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 25 days after the date the cancellation takes effect.

S. 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.

T. 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.

U. LOSS TO A PAIR OR SET

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

1. Repair or replace any part to restore the pair or set to its value before the loss; or
2. Pay the difference between the value of the property before and after the loss.

V. GLASS REPLACEMENT

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

W. DEATH

If "you" die, "we" insure:

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

X. SUIT AGAINST US

No action can be brought against “us” unless there has been full compliance with all of the terms of this policy and the action is started within one year after the date of loss.

Y. LIBERALIZATION CLAUSE

If “we” adopt a revision which would broaden the coverage under this policy without additional premium within 60 days prior to or during the policy period, the broadened coverage will immediately apply to this policy.