



**PACIFIC SPECIALTY INSURANCE COMPANY
STATE OF CALIFORNIA**

**Underwriting Guidelines
Embedded Stand-Alone (Mini) Earthquake**

Standard Protection Policy

Edition 1

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1. POLICY FORMS AND DWELLING LIMITS

A. Standard Protection Earthquake

Dwelling Limits (Coverage A):

Policy Form EQ-POL(S)

Available from \$70,000 up to \$1,100,000

2. ELIGIBILITY

Binding and risk approval authority rests with Pacific Specialty Insurance Company (PSIC). PSIC reserves the right to decline coverage based on individual risk characteristics that represent unacceptable exposures. All dwellings must meet the following criteria in order to be eligible for coverage.

- Frame construction (includes frame with stucco or with less than 1/3 masonry veneer).
- Concrete slab, basement or solid perimeter foundation (refer to matrix below)
- Dwellings built prior to 1972 must be bolted to the foundation. If the dwelling has cripple walls they must be braced with plywood (refer to seismic retrofitting requirements below. Dwellings on a Historical Register are ineligible).
- Three levels or less in height (refer to matrix below)
- Built on flat ground or slope less than 26 degrees (Minimum 50 feet of clearing from a slope of over 26 degrees, minimum 500 feet from the beach (high tide line), dwellings built on stilts are ineligible).
- Residence types must be individually owned 1-4 family dwellings except for the Condominium and Renters programs (see below).
- Dwellings located in zip codes which are shaded (see zip code listing) require prior approval from PSIC.
- Property inspections will be conducted on behalf of PSIC to verify risk eligibility.

Seismic Retrofitting Requirements

Dwellings built prior to 1955 must meet the following requirements in order to qualify for coverage:

- a. The dwelling is properly anchor bolted to the foundation (see definition below); and
- b. Cripple walls (see definition below) are braced with plywood or its equivalent; and
- c. The hot water heater is secured to the building frame.

Foundation Bolting – Steel anchor bolts must connect the sill plate (the wood board that lays directly on top of the foundation) to the foundation. Bolts should be placed four to six feet apart.

How to identify if the dwelling is bolted to the foundation. In houses with crawl space, the presence of bolts can be verified by looking underneath the house. In slab on grade foundation, an unfinished room such as a garage is the best place to verify the presence of bolts.

Cripple wall definition – Cripple walls (sometimes referred to as crawl space walls) are short, wood perimeter walls used to elevate the house above ground to allow access to the construction and utility lines or to level a dwelling built on a slope. The height of the cripple wall generally ranges from 14 inches to 4 feet. The interior or exterior faces of cripple walls should be sheathed with plywood. Many newer homes utilize concrete perimeter walls to elevate or level the home. These are not cripple walls. A dwelling built on a flat concrete slab without a crawl space beneath it will not have cripple walls.

How to identify if cripple walls have been braced – The presence of cripple walls can be confirmed by looking around the perimeter of the crawl space. If wood studs are visible then the cripple walls have not been braced. Braced cripple walls will be completely covered with plywood.

Residence types must be individually owned 1-4 family dwellings.

Year of Construction, Foundation Type and number of levels

Year of Construction	Foundation Type	Number of Levels (inc. basements)
1973 to Present	■ All types of concrete foundations for eligible.	3
1955 - 1972	■ All types of concrete foundations for eligible. ■ Dwellings with cripple walls - cripple walls must be braced with plywood or its equivalent.	2
Prior to 1955	■ All types of concrete foundations for eligible. Proof of retrofitting is required (see below).	2

3. PRIOR EARTHQUAKE DAMAGE

All prior earthquake damage must be repaired before the risk will be eligible for coverage. A breakdown of prior damage (amount of loss to the dwelling, other structures, contents, etc.) and proof of repair by a licensed contractor may be required by PSIC.

4. POLICY TERM

The inception of the earthquake policy will be at 12:01a.m. Policies will be written for a maximum 12-month term only. An initial term of less than 12-months can only be written to ensure that the policy expiration date coincides with the annual expiration date of another insurance policy held by the named insured. If the term is less than 12-months, the premium (not the fees) will be prorated. The minimum premiums still apply.

Direct bill premium invoicing is available, unless the term is less than 6-months. A premium invoice will be mailed directly to the insured 30-40 days prior to each installment due date. A \$10 service fee is added to all installments, but not the initial down payment.

5. OTHER INSURANCE

PSIC Stand-Alone (Mini) Earthquake policies will be written in conjunction with a PSIC homeowners (HO-3) or Dwelling Fire (DP-1 or DP-3) policy. These policies are companion policies to the earthquake policy.

6. COVERAGE AMOUNT REQUIRED

- The Coverage A (for dwelling owners) limit of the insured's homeowners or dwelling fire policy is required as a minimum for the Coverage A limit of the Earthquake policy. Higher limits may be purchased with consideration to potential increases in construction costs after a catastrophic event (commonly referred to as demand surge).
- The limits of insurance may be automatically adjusted on the renewal date of the policy based upon a general inflation provision or other replacement cost factors for the insured dwelling.
- It is the responsibility of the producer and insured to ensure that adequate coverage limits are requested and maintained.

7. APPLICATION AND BINDING PROCEDURES

A Pacific Specialty Insurance Company ("PSIC") earthquake application will be fully completed concurrently with the companion (HO-3, DP-1, DP-3) policy, and subject to the companion policy's binding rules and procedures. Please see the companion policy's guidelines "Application and Binding Procedures" section for additional information.

8. CATASTROPHE MANAGEMENT

A. SUSPENSION OF BINDING AUTHORITY

When a major earthquake occurs, PSIC (or its representative) may impose binding authority restriction on all agents in the affected area:

- Binding authority will be restricted when an earthquake reading 5.0 or greater on the Richter Scale occurs.
- Binding authority will be restricted for the day of the earthquake and for at least the 60-day period following the earthquake.
- An aftershock reading 5.0 or greater on the Richter Scale will be considered a new earthquake, and will result in a new period of suspended binding authority.
- The restrictions will apply to all counties located within 100 miles of the earthquake's epicenter.
- Renewals are not affected by these restrictions.

This temporary suspension of binding authority will remain in effect until these binding restrictions have been lifted by PSIC.

B. MISCELLANEOUS RESTRICTIONS

PSIC, as part of its Catastrophe Management Program, may also establish (at its discretion) temporary and/or permanent restrictions on binding authority to property control and maintain appropriate geographic concentration levels, or to address reinsurance concerns that cover this program.

9. INSPECTION FEE, POLICY FEE AND MINIMUM PREMIUMS

All risks will be inspected by a third party vendor after coverage is bound on new business only. The policy fee is \$25 per policy. Policy fees are fully earned and non-refundable.

The minimum written premium is \$100. All premiums are rounded to the nearest whole dollar.

10. COVERAGES AND AMOUNTS

A. Standard Protection Earthquake Policies

The Standard Protection policy contains earthquake coverage for the Dwelling, Personal Property, and Loss of Use. For a complete description, please refer to the policy.

Dwelling: Covered up to the companion policy Coverage A limit. Includes sublimits and exclusions for some types of property.

Personal Property: Covered up to \$5000. Includes sublimits and exclusions for some types of property.

Loss of Use: Provided up to a limit of \$1,500.

11. LOSSES INSURED

Damage to insured Dwelling (Coverage A), Personal Property (Coverage C), and Loss of Use is insured against direct physical loss caused by earthquake, with certain conditions and exclusions.

12. LOSS SETTLEMENT

The structures and Personal Property insured under Coverages A and C are settled on a limited replacement cost basis. (Please refer to the policy for a complete description of the coverage):

13. UNACCEPTABLE RISKS

PACIFIC SPECIALTY INSURANCE COMPANY will not accept the following risks:

1. Any risk that does not meet all eligibility requirements outlined in Section 2 (Eligibility) of this manual.
2. Any premises not used for residential purposes.

14. RESERVED FOR FUTURE USE

15. CHANGES ON POLICY

Limits (above the minimum) may be increased or decreased (subject to minimum eligibility requirements) during the term of the policy. Additional or return premium shall be computed on a pro rata basis. Amount of \$5.00 or less shall be waived.

NOTE: Changes to earthquake coverage cannot be bound. Change requests received within 72 hours following an earthquake measured in excess of 5.0 on the Richter Scale will not be effective until the conclusion of the moratorium or moratorium extension.

16. CANCELLATION OF INSURANCE

Policies may be canceled at the request of the insured at any time. The return premium shall be 100% of the pro rata unearned premium, less the fully-earned fees. No flat cancellations are permitted if coverage has been provided.

17. ASSIGNMENT

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

18. RESERVED FOR FUTURE USE

19. CONSTRUCTION CLASSIFICATIONS

The following construction classifications apply to this program:

A. Frame

A dwelling with exterior walls of combustible construction (including walls with metal, stucco or metal lath and plaster on combustible supports), with less than 1/3 exterior masonry veneer, is classified as frame. Frame construction is the only acceptable construction for a dwelling insured under this program.

B. Masonry

A dwelling with exterior walls of brick, concrete, concrete block, adobe, tile or other masonry materials is classified as masonry. Please note that dwellings constructed of are masonry unacceptable for this program.

C. Exterior Masonry Veneer

Exterior masonry veneer is defined as non-supporting brick, stone, or other masonry, except stucco, fastened to a wall of different material.

20. PREMIUM CREDITS AND SURCHARGES

A. Age Group Surcharge

This surcharge applies to all Standard Protection and Premium Protection policies based on the age of the insured dwelling. The surcharge is added to the base premium. Condo Protection and Renters Protection policies are not subject to the Age Group Surcharge.

Date of Construction		
Prior to 1937	1937-1972	1973-Present
24%	12%	0%

* Percentage applies to Base Rate