



PACIFIC SPECIALTY INSURANCE COMPANY
STATE OF CALIFORNIA

Underwriting Guide
Stand-Alone Earthquake

Premium Protection Policy
Standard Protection Policy
Condo Protection Policy
Renters Protection Policy

Edition 4.2

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- A. Frame
- B. Masonry/Masonry Veneer
- C. Mixed Construction

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1. POLICY FORMS AND DWELLING LIMITS

- | | |
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| A. <u>Standard Protection Earthquake</u>
Dwelling Limits (Coverage A): | Policy Form EQ-POL(S)
Available from \$70,000 up to \$1,100,000
<i>*Higher limits available if bound online with a PSIC residential property policy</i> |
| B. <u>Premium Protection Earthquake</u>
Dwelling Limits (Coverage A): | Policy Form EQ-POL(P)
Available from \$70,000 up to \$1,100,000 |
| C. <u>Condo Protection Earthquake</u>
Personal Property Limits (Coverage C): | Policy Form EQ-POL(C)
Available from \$25,000 up to \$250,000 |
| D. <u>Renters Protection Earthquake</u>
Personal Property Limits (Coverage C): | Policy Form EQ-POL(R)
Available from \$10,000 up to \$300,000 |

2. ELIGIBILITY

A. ALL PROGRAMS

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.

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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.

B. STANDARD AND PREMIUM PROTECTION POLICY

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

C. CONDOMINIUM AND RENTERS PROTECTION POLICIES

Condominium and Rental Buildings

- Construction Type – Wood frame (including wood frame with stucco or exterior veneer) only. All other construction types including steel frame and reinforced concrete (Except buildings constructed after 1984) are ineligible.
- Building Height – Maximum of three stories (Excluding basements).
- Year of Construction, Foundation and Parking

Year of Construction	Foundation and Parking
1985 - Present	Buildings with slab on grade foundations and/or reinforced concrete subterranean, first floor or "tuck under" parking are eligible.
1960 - 1984	Buildings with slab on grade foundations only. Buildings constructed with subterranean, first floor or "tuck under" parking are ineligible.
Prior to 1960	Ineligible for coverage

These Eligibility Guidelines are subject to the SUBMIT FOR APPROVAL and UNACCEPTABLE RISKS sections contained herein.

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 earthquake policies may be written only in conjunction with a homeowners or standard dwelling fire policy issued by an admitted insurance company and approved by the insurance regulatory agency for the state in which the risk resides. The insured must maintain an HO-3 or Dwelling Fire (DP-1 or DP-3) or their equivalents for the Premium or Standard Protection Earthquake Policy, an HO-4 or its equivalent for the Renters Protection Earthquake Policy, or an HO-6 or its equivalent for the Condo Protection 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 Premium Protection 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 Coverage C (for condominium unit owners or renters) limit of the insured's Condominium (HO-6) or Renters (HO-4) policy is required as a minimum for the Coverage C limit of the Condo Protection Earthquake policy and Renters Protection Earthquake policy, respectively.
- 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 must be fully completed and mailed to PSIC (or its representative). No coverage will be bound unless all of the following provisions are fully satisfied and approved by PSIC when the application is submitted:

- *All underwriting rules are followed; and*
- *A PSIC application (including any/all necessary disclosures) is fully completed and signed by both the applicant and producer; and*
- *Required premium (or minimum required down payment) accompanies application; and*
 - *All of the above referenced items are mailed to PSIC (or its representative) and postmarked at least one business day prior to the requested effective date; or*
 - *If the policy is bound online via PSIC's internet rating facility, all of the above referenced items must be mailed to PSIC (or its representative) and postmarked within 15 days of the requested effective date (5 days if direct bill invoicing is requested).*

Applications received in our office that are not postmarked within the required binding period specified above, provided all binding procedures and underwriting criteria are met, will be made effective the business day after the postmark.

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 inspection fee is \$30. The earthquake inspection fee will be waived if the applicant is binding a primary PSIC residential property insurance policy at the same time as the earthquake policy is bound. The policy fee is \$25 per policy and is applicable to new and renewal business. Policy and inspection fees are fully earned and non-refundable.

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

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10. COVERAGES AND AMOUNTS

A. Premium Protection, Standard Protection, Condo Protection & Renters Protection Earthquake Policies

The Premium Protection policy contains earthquake coverage for the Dwelling, Other Structures, Personal Property, Loss of Use and other coverages. The Standard Protection policy contains earthquake coverage for the Dwelling, Personal Property, Loss of Use and other coverage. The Condo Protection Policy contains earthquake coverage for the Dwelling, Personal Property, Loss of Use and other coverages. The Renters Protection Policy contains earthquake coverage for Personal Property and Loss of Use. Below is a brief description of the coverages provided. For a complete description, please refer to the policy.

Earthquake Policy Coverage Summary				
Coverage Type	Premium Protection (Comprehensive EQ Policy)	Standard Protection (Basic EQ Policy)	Condo Protection Condominium Unit Owners EQ Policy	Renters Protection (Contents EQ Policy)
Coverage A: Dwelling	Damage to the dwelling structure covered up to the coverage A limit. Includes sublimits and exclusions for some types of property.	Damage to the dwelling structure covered up to the coverage A limit. Includes sublimits and exclusions for some types of property.	Damage to additions, alterations, appliances, fixtures and improvements which are part of the building unit are covered up to a limit of \$25,000	Not Covered
Coverage B: Other Structures	Damage to appurtenant structures covered up to 10% of the coverage A limit. Includes sublimits and exclusions for some types of appurtenant structures.	Not Covered	Not Covered	Not Covered
Coverage C: Personal Property	Damage to personal property covered up to 50% of the coverage A limit. Includes sublimits and exclusions for some types of personal property	Damage to personal property covered up to a limit of \$5,000. Includes sublimits and exclusions for some types of personal property.	Damage to personal property covered up to the coverage C limit (Minimum \$25,000; Maximum \$250,000). Includes sublimits and exclusions for some types of personal property.	Damage to personal property covered up to the coverage C limit (Minimum \$10,000; Maximum \$300,000). Includes sublimits and exclusions for some types of personal property.
Coverage D: Loss of Use	Loss of Use coverage provided up to 20% of the Coverage A limit or \$25,000 whichever is less.	Loss of Use coverage provided up to a limit of \$1,500.	Loss of Use coverage provided up to a limit of \$2,500.	Loss of Use coverage provided up to a limit of \$2,500.
Coverage E: Building Code Upgrade	Provides coverage for up to \$10,000 if the dwelling meets the definition for earthquake hazard reduction	Provides coverage for up to \$10,000 if the dwelling meets the definition for earthquake hazard reduction	Not Covered	Not Covered
Coverage F: Loss Assessment	Provides coverage up to \$10,000 for loss assessment	Not Covered	Provides coverage up to \$5,000 for loss assessment	Not Covered
Deductibles	10% deductible which applies separately to Coverage A, B, C, & E. No deductible for Loss of Use Coverage.	15% deductible applies to the dwelling replacement value/Coverage A limit in the policy. Coverage does not apply until the amount of dwelling damage exceeds the deductible except for Loss of Use Coverage. No deductible	10% deductible which applies separately to Coverage A, C, and F. No deductible for Loss of Use coverage.	10% deductible which applies to Coverage C. No deductible for Loss of Use Coverage.

11. LOSSES INSURED

A. Standard and Premium Protection Earthquake Policy

Damage to insured Dwelling (Coverage A), Other Structures (Coverage B, *Premium Protection only*) and Personal Property (Coverage C) is insured against direct physical loss caused by earthquake, with certain conditions and exclusions.

B. Condo Protection Earthquake Policy

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

C. Renters Protection Earthquake Policy

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

12. LOSS SETTLEMENT

Below is a brief description of the loss settlement provisions of each policy (Please refer to the policy for a complete description of the coverage):

A. Standard and Premium Protection Earthquake Policy

The structures and Personal Property insured under Coverages A and C are settled on a limited replacement cost basis.

B. Condo Protection Earthquake Policy

The structures and Personal Property insured under Coverages A and C are settled on a limited replacement cost basis.

C. Renters Protection Earthquake Policy

Personal Property insured under Coverage C is settled on a limited replacement cost basis.

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.
3. Any policy with a Catastrophe Reinsurance cost to Premium Ratio (CRPR) of 85% or greater.

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 masonry are unacceptable for this program, except for steel reinforced concrete built after 1984 for Renters Protection and Condo Protection policies (see Eligibility Section).

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.

