

Pacific Specialty Insurance Company
California Earthquake Nonrenewal Frequently Asked Questions

In an effort to continue to offer the best coverage possible we are implementing a change to our California Stand-Alone Earthquake Program. This change will allow us to open up a significant portion of the state that is now in moratorium. Unfortunately, due to this rule change some policyholders are no longer eligible for coverage and will be non-renewed. Below is an FAQ to help answer any questions you may have regarding this change.

- **How are policies chosen for nonrenewal?**
Policies are chosen for nonrenewal based on their individual Catastrophe Reinsurance Cost to Premium Ratio (CRPR). The CRPR is determined by earthquake modeling. We will recalculate the ratio for every policy on a quarterly basis. The complete rule is listed in our CA Stand-Alone Earthquake Guidelines. These guidelines were approved for use by the California Department of Insurance on May 20, 2009. These new guidelines will be effective and posted on www.PSIC-Onespot.com on June 1, 2009.
- **When will the first non-renewal be mailed?**
The first non-renewal notices will be mailed on June 1, 2009. Policyholders will be given 75 days notice that their policy will be non-renewed.
- **Will new policies written today be subject to the same nonrenewal?**
Yes. In order to help prevent new business policies from being written and then subsequently non-renewed, we are using our moratorium software to block new business in any zip that has had a policy previously non-renewed due to its CRPR.
- **How can I get a list of my customers' policies that will be nonrenewed?**
Pacific Specialty mailed a letter to all affected producers. A list of policyholders was included with that letter. Please call our Customer Service Department at (800) 303-5000 if you would like more information on a specific policy.
- **How will policyholders be informed?**
Each policyholder who will be non-renewed will receive a Non-Renewal Notice with a cover letter explaining the reason they are being non-renewed. Policyholders will receive this notice and letter 75 days prior to the non-renewal date.
- **Why is Pacific Specialty non-renewing these policies?**
This rule was put in effect to protect the financial strength of the company and guarantee that we can continue to offer Stand-Alone Earthquake coverage to as many of our existing policyholders as possible. Having this rule will also allow us to be open to new business in more areas than we were previously so we can continue to serve the California earthquake insurance market.
- **How will I know which zip codes are in moratorium?**
Please see the Miscellaneous Forms section on www.PSIC-Onespot.com for a list of zip codes in moratorium for California Stand-Alone Earthquake.
- **Once a zip code is blocked for new business, will existing policies in that zip code be nonrenewed?**
Not necessarily. Any policy in that zip code with an unacceptable CRPR will be non-renewed. Any policy in that zip code with an acceptable CRPR will not be non-renewed.
- **Will a blocked zip code ever re-open for new business?**
We will analyze the zip codes on a quarterly basis and open up zip codes when no policy has an unacceptable CRPR in that zip code.