

California Stand-Alone Earthquake Program

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1. POLICY FORMS AND DWELLING LIMITS

Dwelling Limits (Coverage A): Available from \$70,000 up to \$800,000

- A. Basic Earthquake Protection: Policy Form ASIS-POL-EQ
- B. Comprehensive Earthquake Protection: Policy Form ASIS-POL-EQ with Endorsement Form ASIS-END-O26D

2. ELIGIBILITY

Binding and risk approval authority rests with Aegis Security Insurance Company (“Aegis”). “Aegis” reserves the right to decline coverage based on individual risk characteristics that represent unacceptable exposures.

A. Required Criteria

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). Reinforced masonry, reinforced concrete, metal/steel frame. Following are ineligible: modular/mobile home and unreinforced masonry
- Concrete slab, basement or solid perimeter foundation (refer to matrix below), caisson
- Three levels or less in height
- Built on flat ground or slope less than 26 degrees
- Dwellings built on wooden stilts are ineligible
- Residence types must be 1-4 family dwellings under a single, common ownership (Condominium and Unit-Owner properties are unacceptable)
- Property inspections will be conducted on behalf of “Aegis” to verify risk eligibility
- Dwelling must be built 1900 or later
- Dwellings on Historical Register are ineligible

B. Seismic Retrofitting Requirements

Dwellings built prior to 1972 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; and

Written verification of retrofitting addressing the above three items may be required if “Aegis” is unable to verify retrofitting through onsite inspection. Written verification includes a letter or completed work receipt from a licensed building contractor or inspection from a qualified structural engineer or retrofitting inspection service within the last 20 years.

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.

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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.

Year of Construction, Foundation Type and Number of Levels

Year of Construction	Foundation Type	Number of Levels (including basements)
1972 to Present	All types of concrete foundation are eligible	3
Prior to 1972	All types of concrete foundation are eligible. Dwellings must be bolted to the foundation. Dwellings with cripple walls require the cripple walls be braced with plywood. Written proof of retrofitting may be required if unable to verify during inspection.	3

3. PRIOR STRUCTURAL AND EARTHQUAKE DAMAGE

All prior structural and 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 “Aegis”.

4. POLICY TERM

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

Direct bill premium invoicing is available, unless the initial term is less than 6-months. A \$5 service fee is added to all installment payments, but not the initial down payment. The service fee is reduced to \$2 if installments are paid electronically using automatic payments.

5. OTHER INSURANCE

“Aegis” earthquake policies may be written only in conjunction with a homeowners or standard dwelling fire policy issued by an admitted insurance company or a CDI preapproved surplus lines carrier (LASLI List). The insured must maintain an HO-3 or Dwelling Fire (DP-1 or DP-3) policy or their equivalents for the Basic or Comprehensive Coverage 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 Comprehensive 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). “Aegis” may require higher limits depending on valuation determination.
- A 3% annual inflation adjustment will be automatically applied to the Coverage A, B, C and D limit at each policy renewal (Endorsement Form ASIS-END-M7S).
- It is the responsibility of the producer and insured to ensure that adequate coverage limits are requested and maintained.
- Dwellings must be 100% insured to value

7. APPLICATION AND BINDING PROCEDURES

All application questions must be fully completed by the producer and the applicant. After the policy has been bound and a policy number has been issued, the application must be signed by both the producer and the applicant. The application and any supporting documentation must be maintained by the producer and is subject to current submission procedures. The “Aegis” electronic application must be used for all new business. Please contact customer service with any questions.

8. CATASTROPHE MANAGEMENT

A. Suspension of Binding Authority

When a major earthquake occurs, “Aegis” (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 unless lifted earlier by “Aegis”.
- 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 quake’s epicenter.
- Renewal are not affected by these restrictions.

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

B. Miscellaneous Restrictions

“Aegis”, as part of its Catastrophe Management Program, may also establish (at its discretion) temporary and/or permanent restrictions on binding authority to properly control and maintain appropriate geographic concentration levels, or to address reinsurance concerns that cover this program. Restrictions can include reducing availability of lower deductibles and/or enhanced coverage.

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 \$70. 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.

10. COVERAGES AND AMOUNTS

The Basic and Comprehensive Coverage Earthquake policies contain earthquake coverage for the Dwelling, Other Structures, Personal Property, Loss of Use and other coverages. For a complete description, please refer to the policy.

Coverage Type	Basic Protection	Comprehensive Coverage
Coverage A: Dwelling	Damage to the dwelling structure covered up to the Coverage A limit. Includes sublimits and exclusions for some types of property.	Same as Basic Protection
Coverage B: Other Structures	Damage to appurtenant structures covered with available limits of 10% - 50% of the Coverage A limit. Includes sublimits and exclusions for some types of appurtenant structures. Coverage for swimming pools is limited to \$3,000.	Same as Basic Protection with coverage for swimming pools increased to \$25,000.
Coverage C: Personal Property	Damage to personal property covered with available limits of 5% to 80% of the Coverage A limit. Includes sublimits and exclusions for some types of property.	Same as Basic Protection with sublimit coverage increased in several categories.
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 20% of the Coverage A limit or \$100,000 whichever is less
Coverage E: Building Code Upgrade	Provides coverage for up to \$10,000 if the dwelling meets the definition of earthquake hazard reduction.	Same as Basic Protection.
Coverage F: Loss Assessment	Provides coverage up to \$10,000 for loss assessment.	Same as Basic Protection.
Deductibles	5%, 7.5%, 10%, 15%, 20% and 25% deductibles available. Deductible applies separately for Coverage A, B, C and E. No deductible for Loss of Use Coverage.	Same as Basic Protection.

11. LOSSES INSURED

Damage to insured Dwelling (Coverage A), Other Structures (Coverage B), and Personal Property (Coverage C) is insured 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):

The structures and Personal Property insured under Coverages A and C are settled on a limited replacement cost basis with certain limitations and exclusions. Please review the Earthquake Policy for full details.

13. UNACCEPTABLE RISKS

AEGIS SECURITY 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. Manufactured or Mobile Homes
4. Dwellings wholly or partially constructed over water.
5. Dwellings undergoing extensive remodeling, renovation or construction effecting habitability.
6. Any policy with a Modeled Loss and Catastrophe Reinsurance cost to Premium Ratio (CRPR) of 75% or greater.
7. Dwellings without an in-force 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.

14. 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. Amounts of \$5.00 or less shall be waived.

NOTE: Changes to earthquake coverage cannot be bound during a suspension of binding authority. 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.

15. 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.

16. 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.

17. 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.

B. **Reinforced Masonry**

Dwellings having load bearing exterior walls of reinforced concrete and/or reinforced hollow concrete block masonry and roofs and supported floors of wood or metal assemblies.

C. **Wood Frame with Brick Veneer**

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

D. **Unreinforced Masonry**

A building constructed of masonry, such as bricks, adobe, Compressed Earth Blocks (“CEBs”), etc; with no reinforcement. Please note that dwellings constructed of unreinforced masonry are unacceptable for this program.

E. **Metal/Steel Frame**

The framing of the dwelling is constructed with metal/steel. Most metal homes are constructed on a slab foundation and have conventional features such as vinyl siding, sheet rock and paint on the inside walls.