

RENTAL DWELLING POLICY

REPRESENTATIONS

By accepting this policy **you** agree that:

1. the statements on the Declarations Page are accurate and complete; and
2. those statements are based upon representations **you** made to **us**; and
3. **we** have issued this policy in reliance upon **your** representations.

DEFINITIONS

Words in bold print are defined herein.

1. **Accident** means an undesigned, unexpected and rapidly occurring event.
2. **Accidental** means undesigned, unexpected and rapidly occurring.
3. **Pollutants** means any solid, liquid, gaseous or thermal irritant or contaminant, including smoke, vapor, soot, fumes, acids, alkalis, chemicals and waste. Waste includes materials to be recycled, reconditioned or reclaimed.
4. **Volcanic action** means lava flow, airborne shock waves, ash, dust or other particulate matter caused by or resulting from volcanic eruption.
5. **We, us** and **our** refer to the Company providing this insurance.
6. **You** and **your** refer to the person or entity shown on the Declarations Page as an insured and that person's spouse.

AGREEMENT

We will provide the insurance described in this policy in return for the premium and compliance with all provisions of this policy including endorsements.

1. LIMITS OF INSURANCE

Regardless of the number of persons insured under this policy, the most **we** will pay for any one loss is the applicable limit of insurance shown herein or on the Declarations Page.

2. INSURING AGREEMENT

We insure **you** against direct physical loss of or damage to the property listed below caused by an **accident** and against any resulting net loss of rental income:

- a. while situated at the location(s) described on the Declarations Page:
 - (1) **your** dwelling(s) and other structures;
 - (2) **your** personal property if provided for use by a tenant;

- (3) **your** building materials intended to become integral parts of structures being constructed, renovated or repaired;
- b. while situated anywhere in the continental United States of America:
 - (1) dwelling(s) and related structures acquired or constructed by **you** or constructed for **you** including building materials intended to become integral parts of such structures which are not covered by other insurance. This coverage shall cease sixty (60) days after the date of acquisition or commencement of construction or the expiration or cancellation date of this policy whichever is first. An additional premium, computed using the rates and rules in effect for such structures at the date of acquisition, will be charged for the period of time **we** provide coverage;
 - (2) property insured hereunder while removed from the location described on the Declarations Page but only if such removal is made necessary because of a covered loss or to protect the property from a covered loss and then only for thirty (30) days following such removal.

3. PROPERTY NOT COVERED BY THIS POLICY

- a. Motor vehicles licensed for road use including their equipment.
- b. Watercraft.
- c. Aircraft.
- d. Animals.
- e. Land and land values.

4. OTHER COVERAGES

Subject to the Property Limit of insurance shown on the Declarations Page and subject to all other terms and conditions of this policy, **we** will pay for:

- a. rents accrued within sixty (60) days prior of a covered loss which become uncollectible as a result of that loss; and
- b. rental income loss which continues beyond repair or replacement and beyond the times specified in (3) (a) and (b) of the BASIS OF LOSS PAYMENT provisions for a period no greater than an additional one hundred twenty (120) days; and
- c. fire department service charges under contract which are incurred when the fire department is called to save or protect the property described in this policy from covered loss; and
- d. trees, shrubs and other plants. This coverage is limited to costs actually incurred for replacement not to exceed \$500 for any one tree, shrub or other plant nor \$15,000 in the aggregate for all loss from any one **accident**.

5. LOSS NOT COVERED BY THIS POLICY

We do not insure **you** against loss of or damage to covered property resulting directly or indirectly from any of the following, however caused:

- a. earthquake, volcanic eruption, earth movement, landslide, mudflow, and earth sinking, rising or shifting unless fire, explosion or **volcanic action** ensues and then **we** will be liable only for the ensuing direct damage from the fire, explosion or **volcanic action**;

- b. flood, surface water, water below the surface of the ground, waves, tidal water or overflow of any body of water, or spray from any of these whether driven by wind or not unless fire or explosion ensues and then **we** will be liable only for the ensuing direct damage from the fire or explosion;
- c. freezing of trees, shrubs and other plants;
- d. wind to trees, shrubs and other plants;
- e. vandalism and malicious mischief, theft or attempted theft if the dwelling has been vacant for more than sixty (60) consecutive days immediately before the loss unless fire or explosion ensues and then **we** will be liable only for the ensuing direct damage from the fire or explosion. A dwelling being constructed is not considered to be vacant;
- f. the presence of or the release, discharge, escape, dispersal, seepage or migration of **pollutants** unless the presence, release, discharge, escape, dispersal, seepage or migration is caused by or results from damage during the policy term from **accidental** fire, lightning, explosion, windstorm, hail, aircraft, vehicles, riot or civil commotion, vandalism or malicious mischief, falling objects, **volcanic action** or weight of snow, sleet or ice occurring during the policy term;
- g. constant or repeated seepage or leakage of water or steam over a period of weeks, months or years from within a plumbing, heating, air conditioning or automatic fire protective sprinkler system unless fire or explosion ensues and then **we** will be liable only for the ensuing direct damage from the fire or explosion;
- h. wear and tear, deterioration, mechanical breakdown, latent or patent defect or rust unless fire, explosion or damage from water not otherwise excluded ensues and then **we** will be liable only for the ensuing direct damage from the fire, explosion or water not otherwise excluded. **We** will pay for the expense of tearing out and replacing any part of the covered structure necessary to repair the system or appliance from which water escaped. However, **we** will not pay for the loss or damage to the system or appliance from which the water escaped;
- i. mold, wet or dry rot, insect or vermin unless fire or explosion ensues and then **we** will be liable only for the ensuing direct damage from the fire or explosion;
- j. settling, cracking, shrinking, bulging or expansion of any structure including pavements unless fire, explosion or damage from water not otherwise excluded ensues and then **we** will be liable only for the ensuing direct damage from the fire, explosion or water not otherwise excluded. **We** will pay for the expense of tearing out and replacing any part of the covered structure necessary to repair the system or appliance from which water escaped. However, **we** will not pay for the loss or damage to the system or appliance from which the water escaped;
- k. increases in covered loss made necessary by any ordinance or law regulating the use, construction, repair or demolition of covered property except as provided for elsewhere in this policy;
- l. hostile or warlike action in time of peace or war, insurrection, rebellion, revolution, civil war, usurped power, or action taken in hindering, combating, or defending against such an occurrence or against actual, impending, or expected attack (1) by any government or sovereign power (de jure or de facto) or by any authority maintaining or using military or naval or air forces; or (2) by military, naval or air forces; or (3) by an agent of any such government, power, authority, or forces, it being understood that any discharge, explosion or use of any weapon of war employing nuclear fission or fusion shall be conclusively presumed to be such a hostile or warlike action by such government, power, authority or forces;
- m. nuclear reaction or nuclear radiation or radioactive contamination all whether controlled or uncontrolled, or due to any act or condition incident to any of the foregoing. Direct loss by fire resulting from nuclear reaction or radiation or radioactive contamination is covered.

6. ALL SUBJECT TO THE FOLLOWING CONDITIONS

a. DEDUCTIBLE

Subject to the applicable limit of insurance, **we** will pay no more than the amount by which any loss exceeds the deductible amount shown on the Declarations Page. This provision applies to each separately occurring loss.

b. BASIS OF LOSS PAYMENT

Subject to item 1. LIMITS OF INSURANCE and subject to all other terms and conditions of this policy the amount **we** will pay is calculated as follows:

(1) Structures

- (a) If a damaged or totally destroyed structure is not repaired or replaced, payment shall be limited to the loss of actual cash value at the time and place of loss, but not exceeding the amount which it would cost to repair or replace the damaged or totally destroyed structure with material of like kind, quality and use at the place of and within a reasonable time after the loss.
- (b) If a damaged structure is repaired or if a totally destroyed structure is replaced at the same location, payment shall be limited to the amount actually and necessarily expended to repair the damaged structure or to replace the totally destroyed structure with a new structure of like kind, quality, use and income producing potential as the structure totally destroyed. Regardless of when **you** do complete repair or replacement the amount **we** will pay is limited to the amount required to repair or replace within a reasonable time after the loss.
- (c) **You** may replace a totally destroyed structure by building a new structure elsewhere. If **you** do so, payment shall be limited to the lesser of the following:
 - (1.1) the amount actually and necessarily expended to replace with a new structure elsewhere within a reasonable time after the loss of like kind, quality, use and income producing potential; or
 - (1.2) the amount that would be required to be expended to replace with a new structure at the place of and within a reasonable time after the loss of like kind, quality, use and income producing potential.
- (d) **You** may replace a totally destroyed structure by purchasing an existing structure elsewhere. If **you** do so, payment shall be limited to the lesser of the following:
 - (1.1) the amount reasonably required and actually expended to purchase a structure within a reasonable time after the loss of like kind, quality, use and income producing potential as the structure totally destroyed; or
 - (1.2) the amount that would be required to be expended to replace with a new structure at the place of and within a reasonable time after the loss of like kind, quality, use and income producing potential.

In no event will **we** pay for the value of the land.

You may first make claim for the loss of actual cash value and, within one (1) year from the payment of that loss, make claim for any additional amount payable by reason of (b), (c) or (d) above.

(2) Personal Property

- (a) If lost or damaged property is not repaired or replaced, payment shall be limited to the loss of actual cash value but not exceeding the amount which it would cost to repair or replace the lost or damaged property with property of like kind, quality and use.
- (b) If lost or damaged property is repaired or replaced, payment shall be limited to the amount actually and reasonably expended to repair or replace the property with new property of like kind, quality and use.

(3) Rental Income

We shall pay **your** net loss of rental income, including rents accrued but rendered uncollectible by reason of a covered loss. **We** shall also pay for extra expenses **you** necessarily incur to minimize **your** rental income loss, but only to the extent that the rental income loss **we** would otherwise pay is reduced. The amount **we** will pay is further limited as follows:

Period of Indemnity

- (a) If the damaged or totally destroyed property is not repaired or replaced, or if it is repaired or replaced at the same location, **we** shall not pay for a greater time than that during which the property could be repaired or replaced at the same location with property of like kind, quality and use with the exercise of due diligence and dispatch.
- (b) If a covered structure is totally destroyed and is replaced elsewhere by the construction or purchase of another structure of like kind, quality and use, **we** shall not pay for a greater time than that during which the structure could be so replaced elsewhere not to exceed the time specified in (a) above for the replacement of property at the same location.
- (c) In no event will **we** pay for more than twelve (12) months of incurred net loss of rental income.

(4) Operation of Law

You may apply no more than 10% of the Property Limit of insurance shown on the Declarations Page to any increase of otherwise covered loss to a structure or of rental income made necessary by reason of any ordinance or law regulating the use, construction, repair or demolition of a covered structure. The amount payable because of any such ordinance or law in effect prior to a covered loss which required **your** compliance even if that structure had not sustained covered damage shall be limited to \$2,500.

(5) Trees, Shrubs and other Plants

Payment shall be limited to the amount actually and necessarily expended to replace trees, shrubs and other plants, or, if not replaced, the amount actually and necessarily expended for the removal of the debris of such property from the covered location.

c. MORTGAGEE INTERESTS AND OBLIGATIONS

If **you** fail to render a statement of loss, a designated mortgagee, upon notice, shall render a statement of loss within sixty (60) days thereafter and shall be subject to the provisions hereof relating to arbitration and time of payment and of bringing suit. If **we** claim no liability existed as to the mortgagor or owner, **we** will, to the extent of payment of loss to the mortgagee, be subrogated to all of the mortgagee's right to sue; or **we** may pay off the mortgage debt and require an assignment thereof and the mortgage.

d. **YOUR DUTIES FOLLOWING A LOSS**

(1) **You** shall at **your** expense:

- (a) Give **us** written notice of any loss as soon as practicable.
 - (b) File with **us** a detailed sworn statement of loss within ninety (90) days after the loss unless this time is extended by **us** in writing, setting forth to the best of **your** knowledge and belief:
 - (1.1) The time and cause of loss.
 - (1.2) **Your** interest and that of all others in the property involved.
 - (1.3) Other policies of insurance that may cover the loss.
 - (1.4) Changes in title or occupancy of the property during the term of this policy.
 - (1.5) The amounts **you** claim for loss under each coverage provided by this policy accompanied by all exhibits and documents necessary to support the amounts claimed.
 - (c) Do all things and produce all documents reasonably required to establish values, loss and damage and coverage for the loss.
- (2) **You** shall at **our** expense submit and subscribe to examinations under oath by any person named by **us**.

e. **CONCEALMENT, MISREPRESENTATION OR FRAUD**

This policy shall be void if any insured, whether before or after a loss, has intentionally concealed or misrepresented any material fact or circumstance or made false statements or engaged in fraudulent conduct relating to this insurance.

f. **MANDATORY ARBITRATION**

In case **we** fail to agree with **you** as to the meaning of any provision of this policy, or as to the amount payable in accordance with the express terms of this policy for any covered loss, the disagreement shall be resolved by binding arbitration in accordance with the statutory rules and procedures of the state in which the property is located. Should an arbitration under the terms of this clause result in any of the following, **we** shall reimburse **you** for expenses actually incurred by **you** with respect to the arbitration, including reasonable attorney's fees, in a sum to be determined by the arbitrator(s):

- (1) a finding of coverage for claimed loss or damage for which coverage is denied by **us**;
- (2) a finding that **you** are entitled to a loss payment in accordance with the express terms of this policy and exclusive of costs or attorney's fees in an amount that exceeds the amount of any offer made by **us** in writing to settle **your** claim at any time up to thirty (30) days prior to the commencement of the arbitration hearing.

The provisions of this clause are mandatory and may be enforced either by **you** or by **us**.

g. **COMPANY'S OPTION**

It shall be **our** option to take all, or any part, of the property at the agreed or appraised value or to repair, rebuild or replace the property destroyed or damaged with other property of like kind, quality and use within a reasonable time provided **we** give notice of **our** intention to do so within thirty (30) days after receipt of the required statement of loss.

h. ABANDONMENT

There can be no abandonment to **us** of any property.

i. SALVAGE AND RECOVERY

Any recovery from third parties or salvage recovery on a loss will accrue entirely to **our** benefit until the sum paid by **us** has been made up.

j. WHEN LOSS PAYABLE

The amount of loss for which **we** may be liable will be payable thirty (30) days after the required statement of loss is received and agreed to in writing by **us** or an arbitration award is received by **us**.

k. TIME LIMITATION FOR ACTION

No suit, demand for an arbitration or other action on this policy for the recovery of any claim shall be sustainable in any court or other forum unless all the requirements of this policy shall have been complied with and unless commenced within twelve (12) months after the inception of the loss.

l. TIME OF LOSS

This policy applies only to losses which occur during the policy period shown on the Declarations Page.

m. EXAMINATION OF **YOUR** BOOKS AND RECORDS

We may examine and audit **your** books and records as they relate to this policy at any time during the policy period and up to three (3) years after the cancellation or expiration of this policy whichever is first.

n. WAIVER OR CHANGE OF POLICY PROVISIONS

This policy contains all the agreements between **you** and **us** concerning this insurance. A waiver or change of any provision of this policy must be in writing by **us** to be valid. A request for an arbitration or examination under oath shall not waive any of **our** rights or any of **your** rights.

o. CANCELLATION AND NON-RENEWAL

(1) **You** may cancel this policy at any time by returning it to **us** or by notifying **us** in writing of the date cancellation is to take effect.

(2) When this policy has been in effect for sixty (60) days or less and is not a renewal with **us**, **we** may cancel this policy for:

(a) non-payment of premium by giving **you** fifteen (15) days written notice; or

(b) any other reason by giving **you** thirty (30) days written notice.

We may not cancel this policy solely because **you** have accepted **our** offer of earthquake coverage.

(3) When this policy has been in effect for more than sixty (60) days, or at any time if it is a renewal with **us**, **we** may cancel this policy for:

- (a) non-payment of premium by giving **you** fifteen (15) days written notice; or
 - (b) failure by **you** or **your** representative to implement reasonable loss control requirements, agreed to by **you** as a condition of policy issuance, or which were conditions precedent to **our** use of a particular rate or rating plan, if that failure materially increases any of the risks insured against by giving **you** thirty (30) days written notice.
- (4) **We** may non-renew this policy for any reason by giving **you** at least sixty (60) days, but not more than one hundred twenty (120) days, written notice to be effective at the next anniversary or expiration date of this policy, whichever is first.

We may not non-renew this policy solely because **you** have accepted **our** offer of earthquake coverage.

We will also mail such notice of cancellation or non-renewal to each mortgagee or other person or entity shown on this policy to have an insurable interest in the covered property.

We will state the reason for cancellation or non-renewal on the written notice.

Any pro-rata premium due **you** will be refunded within a reasonable time after cancellation takes effect.

p. OTHER INSURANCE

This policy is excess to any other insurance which is valid and collectible or which would be valid and collectible except for the existence of this policy, except insurance written specifically to cover as excess over the limits of liability that apply in this policy.

q. RECOVERY FROM THIRD PARTIES

- (1) **You** may waive **your** rights of recovery against any party in writing before an **accident**.
- (2) Within ninety (90) days after an **accident**, **you** may waive **your** rights of recovery against any party who at the time of the **accident** is:
 - (a) Shown on the Declarations Page.
 - (b) **Your** tenant.
 - (c) Owned or controlled by **you** or owns or controls **you**.

Subject to the above **we** may require an assignment of **your** rights of recovery against any party for loss to the extent that payment for that loss is made by **us**.

r. DEATH

If **you** die:

- (1) **we** insure **your** legal representative but only with respect to the property covered under the policy at the time of **your** death;
- (2) insured is redefined to include the person having proper temporary custody of covered property until appointment and qualification of a legal representative.