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6 Attorneys for Plaintiffs

7 SUPERIOR COURT OF CALIFORNIA

8 COUNTY OF LOS ANGELES

10 JAMES R. FULKER and LISA A.
11 FULKER, individuals; DAVID J.
12 PRAGER and PAMELA S. LANSBURY,
13 individuals;

14 Plaintiffs,

15 vs.

16 INTERINSURANCE EXCHANGE OF
17 THE AUTOMOBILE CLUB, a reciprocal
18 insurance company organized under the
19 laws of the State of California; CSAA
20 INSURANCE EXCHANGE, a reciprocal
21 insurance company organized under the
22 laws of the State of California, and DOES
23 1-100, inclusive,

24 Defendants.

Case No.: **25STCV16244**

**COMPLAINT AND DEMAND FOR
JURY TRIAL**

1. Breach of the Implied Covenant of Good Faith and Fair Dealing
2. Breach of Contract
3. Negligence
4. Negligent Misrepresentation
5. Fraud
6. Unfair Competition
7. Reformation

1 I. INTRODUCTION

2 1. In January 2025, some of the most destructive wildfires in California
3 history broke out across Southern California, including particularly devastating fires in
4 and around Los Angeles County. Overall, the fires rampaged through more than 57,000
5 acres, killed dozens of people, damaged more than 18,000 homes and structures, and
6 forced more than 200,000 people to evacuate their homes. Tragically, thousands of
7 California residents would not be able to return home.



18 Aftermath of Palisades Fire. By: SoSocial, Jan. 11, 2025.



Aftermath of Eaton Fire. By: AP

1 2. Their tragedy was made all the worse if they were insured by the
2 American Automobile Association and its insuring arms, including the Interinsurance
3 Exchange of the Automobile Club (primarily insuring homes in Southern California)
4 and CSAA Insurance Exchange (primarily insuring homes in Northern California, but
5 also providing coverage in Southern California) (collectively referred to herein as
6 “AAA”). AAA collectively insured many homes in the Pacific Palisades, Malibu, and
7 Altadena/Pasadena areas, and represented to insureds for *years*, on an ongoing basis,
8 that in calculating the estimated cost to rebuild their homes, it had taken into account
9 the size, condition, quality, and features of their homes—indeed, it advertised that
10 “[w]orking with your AAA insurance agent is a good way to make sure your
11 insurance needs are covered.” AAA repeatedly represented to its insureds that it was
12 knowledgeable of the conditions threatening Plaintiffs’ homes, chief among them risks
13 like wildfire, represented that AAA had specialized experience and had taken care to
14 estimate the “replacement cost”—i.e., the “cost, at the time of the loss, to repair or to
15 replace covered damaged or destroyed property” or the cost for “equivalent
16 construction without deduction for depreciation”—for insureds’ homes, and could do
17 so based fully and accurately upon quick information provided by the insured over the
18 phone (such as the address, size, and other sparse details), all the while exhorting its
19 insureds to let AAA take care of their insurance needs. Those promises turned out to be
20 false.

21 3. Unfortunately, many of those stricken homeowners found out only *after*
22 the fires that they were significantly “underinsured,” meaning that they cannot afford to
23 replace or rebuild their homes to their pre-loss condition. Underinsurance has long been
24 an issue in California—and one well-known to insurers, but kept hidden from
25 homeowners. “In case after case, California residents whose homes had been damaged
26 or destroyed explained why they had believed their homeowners insurance would
27 enable them to rebuild their dwellings. Once they presented their claim to their
28 insurance company, though, these homeowners discovered that their coverage fell well

1 short of what they needed—sometimes by hundreds of thousands of dollars—to rebuild
2 their homes.” (*Assoc. of Calif. Ins. Cos. v. Jones* (2017) 2 Cal.5th 376, 382.)

3 4. This underinsurance problem was due to the fact that AAA, for years, had
4 been systematically under-estimating the replacement cost of its policyholders’ homes,
5 despite representing that policyholders were adequately insured and did not need—
6 and could not purchase—additional insurance. Thus, AAA policyholders were lulled
7 into selecting and utilizing the AAA-recommended policy limits, limits that were
8 woefully insufficient to cover the total replacement cost of their homes, despite
9 contracting with AAA for that specific purpose. As a result, AAA policyholders are
10 underinsured and unprotected—meaning many may never be able to afford to
11 adequately rebuild their homes.

12 5. This pervasive underinsurance problem is expressly the fault of the
13 insurance industry and the cost estimator software many insurers use to recommend
14 coverage limits to insureds. Through poor design choices, perverse profit and
15 commission incentives, volume business, and other shortcomings, the insurance
16 industry has essentially guaranteed the issue of underinsurance will continue to impact
17 Californians. Coupled with insurers’ failure to disclose and reasonably warn about the
18 problem, failure to honestly discuss the shortfalls in their estimates, and failures to
19 provide true, ongoing, updated, and renewed estimates during renewals, many
20 insurers have engaged in what can only be described as systemic fraud. Indeed, in
21 recent years, many insurers have tried to push the responsibility for estimate
22 preparation onto *insureds*, despite the vast disparity in knowledge, experience, data
23 acquisition, and ability. But the prevalence of underinsurance is, if anything, the
24 insurance industry’s intended result – insurers retain additional market share, keep
25 existing insureds with the company, and still get to tout “full” coverage, while knowing
26 many insureds will be left to fend for themselves in the event of a disaster. And AAA
27 spent years profiting from those misrepresentations, allowing it to maintain, or increase,
28 market share, offer competitive prices, and significantly underinsure vast numbers of

1 insureds in the event of catastrophe.

2 6. AAA knew, or should have known, that its recommended policy limits
3 would be insufficient to cover the total replacement cost of its policyholders' homes.
4 Through prior complaints, prior lawsuits about this issue, and its own claims adjusting
5 experience, AAA has known that it was repeatedly and significantly underinsuring
6 policyholders. It also underwent a Targeted Market Conduct Examination of the
7 California Department of Insurance regarding prior California wildfires, which found
8 that AAA would be required to make *millions* in additional payments due to pervasive
9 underinsurance of California residents.

10 7. AAA's knowledge is also borne out by industry experience. For decades,
11 when homeowners, including those insured by AAA, suffered a catastrophic loss, a
12 significant portion have unfortunately found that their policy limits were insufficient to
13 repair or replace their damaged property. This multibillion-dollar problem first
14 emerged in the 1990s and has never been adequately addressed by the insurance
15 industry, *despite* most homeowners being more than willing to contract for full
16 replacement cost coverage. Although most insurance policies, including AAA's, talk
17 about "replacement" value or "full" replacement coverage, relatively few provide limits
18 that will *actually* provide sufficient funds to fully "replace" the lost property,
19 particularly in light of disasters that impact a large number of homes in a localized area,
20 resulting in significantly increased costs of construction. Again and again, California
21 disasters have borne this out.¹ Among thousands of claims reviewed pursuant to
22 California Public Records Act requests, and as insurers including AAA have known for
23 decades pursuant to their own evaluation of post-loss data, insurers' estimates of the
24 cost of reconstruction massively underestimate the true cost of rebuilding the property.
25 For homes experiencing a total loss, the true scope of the loss exceeded the Coverage A
26 limits—which are nearly always the amount of the insurers' estimate of "full"

27

28 ¹ Kenneth S. Klein, *The Unnatural Disaster of Insurance, Underinsurance, and Natural Disasters*, Connecticut Insurance Law Journal, Vol. 30.1 (2023-2024).

1 replacement cost—approximately **96.1%** of the time, with the property being
2 underinsured by *more than 50%* of the Coverage A limits. Meaning that even with
3 extended replacement cost or other provisions expanding Coverage A limits (i.e.,
4 policies providing 120%, 125%, or 150% of the Coverage A limits), *most* homeowners are
5 underinsured for the true cost to replace their property. And the numbers are even
6 more severe when dealing with catastrophic—wildfire—losses.²

7 8. Similarly, in 2008, the California Department of Insurance conducted
8 investigations of the four largest insurers, which revealed that *most* policyholders have
9 coverage limits matching what was indicated by the insurer’s own coverage calculator.
10 Yet the recommended coverage understated what was actually needed to rebuild the
11 insured’s home over *80% of the time*. Even among those with extended replacement
12 coverage, a significant *majority* still remained underinsured. (*Jones, supra*, 2 Cal.5th at
13 383.)

14 9. Anecdotally, this pervasive problem of underinsurance has been borne
15 out in catastrophe after catastrophe. Following each major California wildfire
16 stretching back decades, despite extended replacement cost coverage, a consistent
17 majority of homeowners have found themselves underinsured for the true cost to
18 rebuild or replace their property.³ United Policyholders, in surveys conducted months
19 after a disaster, found the following:

- 20 • Following the 2007 Southern California Wildfires, 66% of survey respondents
21 reported being underinsured, with the average amount of underinsurance
22 totaling \$319,500.
- 23 • Following the 2010 Butte Fire, 65% of respondents reported they did not have
24 sufficient dwelling insurance.
- 25 • Following the 2015 Valley Fire, 53% reported insufficient insurance, with a
26 shortfall averaging \$103,000.

27 _____
28 ² *Id.* at pp. 51-52.

³ <https://uphelp.org/media/surveys/>

- 1 • Following the 2017 North Bay Fires, 64% reported insufficient insurance, with
- 2 an average shortfall of \$367,000.
- 3 • Following the 2018 Camp Fire, 66% of respondents were underinsured.
- 4 • Following the 2020 California Wildfires, only 18% were confident they had
- 5 sufficient insurance.

6 10. Ultimately, and as the insurance industry has known for decades, even
7 with extended replacement cost, *most* homeowners find themselves underinsured
8 following a wildfire, and the problem is the *insurer's* point of sale replacement cost
9 estimates. In sum, there is a “nationwide underinsurance crisis. Most people want, are
10 willing to pay for, and think they have full and adequate insurance. They are wrong.
11 They are short by a lot. And their insurance companies know it. Yet nothing is being
12 done to remedy the situation.”⁴ This problem has existed, has been known—and has
13 been ignored—by insurers, including AAA, for decades.

14 11. Despite that knowledge, AAA spent years representing that its Coverage
15 A – Dwelling limits were “an estimate of the cost to rebuild your home, including an
16 approximate cost for labor and materials in your area, and specific information” about
17 the home. Indeed, to qualify for extended replacement cost coverage, the insured *had* to
18 insure the dwelling at the valuation determined by AAA—meaning the insured
19 “accepted any changes in the valuation of covered property we considered
20 necessary”—*and* accept any increase in coverage calculated by AAA on a yearly basis, if
21 such increased was considered necessary, *and* pay any additional premium calculated
22 by AAA. Yet even with the extended replacement cost coverage, Plaintiffs still fall far
23 short of the true cost to rebuild or replace their homes. This was made all the worse by
24 the vague and ambiguous policy language proffered by AAA, which encouraged
25 insureds to believe they had 125% of the Coverage A limits in extended replacement
26

27 ⁴ Kenneth S. Klein, *Truth and Consequences: What Catastrophe Teaches Us About Homeownership and*
28 *Underinsurance*, 30 Lewis & Clark L. Rev. __ (2026) (forthcoming). Available at
SSRN: <https://ssrn.com/abstract=5139315> or <http://dx.doi.org/10.2139/ssrn.5139315>

1 cost coverage—yet when a catastrophic loss occurred, AAA only offered to pay an
2 additional 25% of the Coverage A limits. This too left them drastically underinsured.

3 12. AAA also spent years assuring its policyholders that they were
4 adequately insured without ever reasonably inspecting or personally visiting the
5 properties. It spent years representing that it adequately and fully accounted for
6 Plaintiffs' homes' architecture, building materials, finishes, and other details that
7 contribute to determine rebuilding costs—yet failed to adequately consider these
8 parameters and instead relied on insufficient data to create, recommend, and
9 implement substantially insufficient policy limits. AAA also spent years knowing it was
10 required to comply with a California regulation that was intended to provide more
11 accurate replacement cost estimates, and yet still either ignored or willfully
12 undervalued the estimates it provided. These false statements and representations
13 about AAA's ability, experience, and accuracy in determining coverage limits were
14 made for the purpose of inducing Plaintiffs to purchase AAA insurance—while at the
15 same time allowing AAA to minimize claim payouts and perpetuate its market-share
16 scheme providing illusory coverage, all while Plaintiffs believed they were adequately
17 insured. On the whole, this was a disaster of AAA's own making—and one just waiting
18 to happen. It is made even worse by AAA's policy that only requires it to provide
19 actual cash value until the repair/rebuild is completed—requiring homeowners to go
20 “out of pocket” and personally pay to repair or rebuild their home, with AAA
21 providing an amount so low that it keeps many homeowners from even having the
22 necessary capital to *start* their repair/rebuild toward the home's pre-loss condition.

23 13. Finally, in the weeks and months leading up to January 2025, AAA
24 recognized a significant increase in the fire risk for its insureds in California and in Los
25 Angeles County (including the location of Plaintiffs' residences). In recognition of that
26 risk, AAA began increasing many homeowners' premiums by more than 20%, *without* a
27 corresponding increase in coverage amounts, and *without* recognition that a significant
28 disaster would spike prices for housing contractors and materials in the area. Despite

1 that increased risk, AAA maintained its insureds' policies at dramatically underinsured
2 levels, leaving many homeowners *far* short of the necessary funds to rebuild or replace
3 their home after the wildfires.⁵

4 14. In addition, AAA has continued to violate provisions of its policies, has
5 not provided all benefits to which Plaintiffs are due, and has failed to provide itemized
6 scopes of loss taking into account additional coverage over and above the policy
7 limits—violations of the plain language of the policy.

8 15. Here, AAA policyholders who lost their homes as a result of the Los
9 Angeles County Wildfires seek to have AAA adjust their claims without application of
10 the inadequate limits set forth in their homeowners' insurance policies. Those policy
11 limits were woefully insufficient to replace and rebuild their homes to pre-loss
12 condition—in many cases by hundreds of thousands or even more than a million
13 dollars.

14 II. THE PARTIES

15 16. The individual Plaintiffs identified below are referred to collectively
16 throughout this Complaint as the "Plaintiffs" or the "Insureds." The Plaintiffs each
17 purchased their AAA insurance policy with AAA through AAA personnel who were
18 responsible and assumed the responsibility for the evaluation, determination, and
19 repeated setting of the policy limits on Plaintiffs' home. Based on information and
20 belief, a true and correct copy of the form policy, or a similar analog, used by AAA for
21 each of the Plaintiffs at the time of the fire is attached as Exhibit A. In addition, those
22 same AAA employees assured the Plaintiffs that they could obtain all necessary
23 information to set replacement cost limits by evaluating limited information online or
24 over the phone. Those AAA employees repeatedly assured the Plaintiffs that the
25 replacement cost limits selected by AAA were adequate and sufficient to replace the
26

27
28 _____
⁵ <https://www.sfchronicle.com/california/article/insurance-csaa-rates-nonrenewals-19460172.php>

1 Plaintiffs' homes. Plaintiffs in this action include the following AAA insureds:

- 2 a. Plaintiffs James R. Fulker and Lisa A. Fulker, joint insureds or additional
3 insureds, at all times material to the allegations of the Complaint, are the
4 property owners of the property located at 18162 Kingsport Drive, Malibu,
5 CA 90265-5634. The Fulkers, at all times material to the allegations of the
6 Complaint, have been residents of the County of Los Angeles. The
7 Fulkers purchased the Kingsport Drive home in 2020, and have been
8 insured with AAA (in this case, with a policy underwritten by CSAA
9 Insurance Exchange) since the purchase of the home. 18162 Kingsport
10 Drive is a single story, 3 bedroom, 2 bathroom home spanning
11 approximately 1,872 square feet, built in 1964. At the time of their
12 purchase, per the most recent Redfin listing, the Kingsport Drive home
13 had been "newly renovated," featuring a "gorgeous kitchen with shaker
14 style cabinets, a farmhouse sink, center island, and quartz countertops,"
15 high ceilings, a cozy fireplace, large glass doors leading to an
16 entertainment patio, beautiful floors, custom light fixtures, and a master
17 suite with a large walk in closet and spa like bath. The Fulkers are long-
18 time customers of AAA and trusted AAA to make accurate, reasonable,
19 and sufficient recommendations for coverage. Indeed, AAA represented
20 their replacement cost estimate as the true cost to rebuild, and generally
21 refused to allow additional insurance beyond what AAA calculated to be
22 the true replacement cost for the home on Kingsport Drive. At the time of
23 the Palisades Fire, the Fulkers were insured by AAA Homeowners Policy
24 No. CAH3213382262, with policy limits in the following amounts:
25 Coverage A – Dwelling (\$713,200), Coverage B – Other Structures
26 (\$71,400), Coverage C –Personal Property (\$534,800), as well as Loss of
27 Use (\$285,400) and Building Code Upgrade coverage (25% of Coverage A
28 limit). Each of the limits was calculated as a percentage of the policy limit

1 for Coverage A (i.e., Coverage C was roughly 75% of Coverage A;
2 Coverage B was roughly 10% of Coverage A, etc.). In addition, the listing
3 of forms and endorsements discloses the Fulkers have “125% Extended
4 Replacement Cost Coverage” as “included” in their policy. No dollar
5 figure is provided for Extended Replacement Cost on the declarations
6 page. The Kingsport Drive home was completely destroyed during the
7 Palisades Fire. Based on the amount of Coverage A, at the time of the fire
8 AAA was calculating the cost to rebuild the dwelling as a mere \$380 per
9 square foot. In written correspondence, AAA was also attempting to
10 actively mislead the Fulkers, claiming that they were adequately insured
11 because the “Industry average cost per square foot” was only \$278 per
12 square foot. In attempting to obtain quotes to rebuild their totally
13 destroyed home, the Fulkers have begun receiving initial estimates to
14 replace their home with a like kind, quality, and size structure *much*
15 higher than that figure, (easily reaching into the \$800 per square foot and
16 higher) and much higher than any potential extended replacement cost —
17 leaving them drastically underinsured to have a chance to rebuild their
18 home.

- 19 b. Plaintiffs David J. Prager and Pamela S. Lansbury, joint insureds or
20 additional insureds, at all times material to the allegations of the
21 Complaint, resided at the property located at 646 Jacon Way, Pacific
22 Palisades, CA 90272, which was owned in title by David J. Prager, Trustee
23 of the David J. Prager Trust, dated May 1, 1996. Mr. Prager and Ms.
24 Lansbury, at all times material to the allegations of the Complaint, have
25 been residents of the County of Los Angeles. Mr. Prager purchased the
26 646 Jacon Way home in 1994, and has resided in that home with Ms.
27 Lansbury, his partner, since its purchase (they have resided together since
28 approximately 1980). Mr. Prager and Ms. Lansbury have been insured

1 with AAA on the 646 Jacon Way home for at least the last 15 years. AAA
2 has known of their relationship and joint residency for at least that
3 amount of time, as both were insureds or additional insureds on various
4 automobile policies registered or garaged at the Jacon Way address. 646
5 Jacon Way is a single story, 1,970 square foot home, with three bedrooms
6 and three bathrooms, built in 1957 and extensively remodeled in 2007,
7 particularly the kitchen which had new cabinets, granite countertops,
8 flooring, electrical, and plumbing work updated and beautifully redone.
9 Mr. Prager and Ms. Lansbury are long-time customers of AAA and
10 trusted AAA to make accurate, reasonable, and sufficient
11 recommendations for coverage. Indeed, AAA represented their
12 replacement cost estimate as the true cost to rebuild, and generally
13 refused to allow additional insurance beyond what AAA calculated to be
14 the true replacement cost for the home on Jacon Way. At the time of the
15 Palisades Fire, Mr. Prager and Ms. Lansbury were insured by AAA
16 Homeowners Policy No. CHO 079516260, with policy limits in the
17 following amounts: Coverage A – Dwelling (\$675,000), Coverage B –
18 Other Structures (\$67,500), Coverage C – Unscheduled Personal Property
19 (\$506,250), as well as Loss of Use and Building Code Upgrade coverage.
20 Each of the limits was calculated as a percentage of the policy limit for
21 Coverage A (i.e., Coverage C was 75% of Coverage A; Coverage B was
22 10% of Coverage A, etc.). In addition, both Coverage A and Coverage B
23 are denoted on the declarations page with a double asterisk, which means
24 “** Coverage A and Coverage B – Extended Replacement Cost Included.”
25 No dollar figure is provided for Extended Replacement Cost on the
26 declarations page. The Jacon Way home was completely destroyed during
27 the Palisades Fire. Based on the amount of Coverage A, at the time of the
28 fire AAA was calculating the cost to rebuild the dwelling as a mere \$342

1 per square foot. In attempting to obtain quotes to rebuild their totally
2 destroyed home, Mr. Prager and Ms. Lansbury have begun receiving
3 initial estimates to replace their home with a like kind, quality, and size
4 structure *much* higher than that figure, and much higher than any
5 potential extended replacement cost—leaving them drastically
6 underinsured to have a chance to rebuild their home.

7 17. Plaintiffs are informed and believe and thereon allege that defendant
8 INTERINSURANCE EXCHANGE OF THE AUTOMOBILE CLUB (which provides
9 AAA personal lines insurance to AAA members in Southern California and shall be
10 referred to herein as “INTERINSURANCE”) is, and at all relevant times was, a
11 reciprocal insurance company organized under the laws of the State of California,
12 offering personal automobile, homeowner, watercraft, and personal excess liability
13 insurance to AAA members in various states, including California. INTERINSURANCE
14 lists its principal place of business with the California Department of Insurance as
15 located at 3333 Fairview Road, Costa Mesa, CA 92626. At all relevant times,
16 INTERINSURANCE was authorized to transact business in the State of California, and
17 INTERINSURANCE was, and is, transacting the business of insurance in the State of
18 California. INTERINSURANCE is a domiciliary of the State of California for purposes
19 of jurisdiction. INTERINSURANCE insures properties throughout the State of
20 California, including Plaintiffs’ properties at issue in this Action, and throughout and
21 around Los Angeles County. Each INTERINSURANCE policy referenced in this
22 Complaint was negotiated in, delivered in, insures property in, and is subject to the
23 laws of the State of California.

24 18. Plaintiffs are informed and believe and thereon allege that defendant
25 CSAA INSURANCE EXCHANGE is, and at all relevant times was, an unincorporated
26 association domiciled in the State of California. At all relevant times, CSAA was
27 authorized to transact business in the State of California, and CSAA was, and is,
28 transacting the business of insurance in the State of California. CSAA is headquartered

1 in Walnut Creek, California, with its primary office location and principal place of
2 business located at 3055 Oak Road, Walnut Creek, CA 94597-2098. CSAA has
3 previously gone by, and sold insurance under, the following names: AAA Northern
4 California, Nevada & Utah Insurance Exchange and the California State Automobile
5 Association Inter-Insurance Bureau. CSAA INSURANCE EXCHANGE, including all of
6 its past names and affiliated entities, to the extent it needs to be referred to individually,
7 shall be referred to throughout this Complaint as “CSAA”. However, based on
8 information and belief, CSAA operates as the automobile and homeowner insurance
9 arm of the AAA Northern California motor club, and shares letterhead, logos, company
10 descriptors, and other information with other AAA insurers, operating in a joint
11 venture or other relationship with AAA and its various insuring arms, including
12 INTERINSURANCE EXCHANGE. As such, because they were operating a joint
13 insurance business under the name, letterhead, logo, email address, website, and other
14 features that place both under the AAA umbrella, and for ease of reference, Plaintiffs
15 refer to both entities collectively as “AAA.”

16 19. At all times relevant herein, Plaintiffs are informed and believe, and
17 thereupon allege, that DOES 1 through 100, inclusive, and each of them, were domiciled
18 in the State of California, whether by incorporation, principal place of business, or by
19 maintaining sufficient minimum contacts in the State of California to the extent
20 necessary for this Court to exercise personal jurisdiction over them.

21 20. The true names and capacities of DOES 1 through 100, inclusive, and each
22 of them, whether individual, corporate, alter ego, partnership, joint-venture, associate
23 or otherwise are presently unknown to Plaintiffs, who therefore sue these defendants by
24 fictitious names, and will seek leave of court to amend this complaint once the true
25 names and capacities are ascertained.

26 21. At all times relevant, Plaintiffs are further informed and believe, and
27 thereupon allege, that Defendants, including DOES 1 through 100, inclusive, and each
28 of them, acted in the capacity of principal, agent, master, servant, employer, employee,

1 whether general or special, independent contractor, joint-venture, partnership, or
2 otherwise, and acted under the control of and at the direction of each other defendant,
3 and that such agency relationship existed contractually, apparently, or ostensibly, and
4 that each defendant acted within the course and scope of such agency and employment,
5 and that each defendant as a principal is vicariously liable for the negligent conduct of
6 each defendant acting as an agent within the course and scope of such agency, and that
7 each defendant when acting as a principal was negligent, careless, or reckless in the
8 selection, hiring, training, management, supervision, and entrustment of each and every
9 other defendant, and ratified and approved of the unauthorized conduct of each
10 defendant after it occurred, by conduct, inference or otherwise.

11 22. This superior court has general subject matter jurisdiction over this action,
12 pursuant to California Constitution Article VI section 4. The sum in dispute greatly
13 exceeds the minimum jurisdiction limit of the unlimited division of the Superior Court.

14 23. Venue in the Superior Court of this County is proper as it is the county in
15 which the occurrences and events giving rise to Plaintiffs' injuries occurred (including
16 the county where Plaintiffs' homes were damaged, where the property is located upon
17 which insurance was written, and where the insurance policies at issue were delivered)
18 and/or the county in which defendants or some of them reside at the time of the
19 commencement of this action, pursuant to Code of Civil Procedure section 395(a).

20 21 III. GENERAL ALLEGATIONS

22 A. Background of AAA

23 24. Defendant AAA is a purveyor of a vital service—insurance—and as such
24 must give at least as much consideration to the interests of its policyholders as it does to
25 its own interests. The obligations of AAA go beyond meeting reasonable expectations
26 of coverage; the obligations of good faith and fair dealing encompass qualities of
27 decency and humanity inherent in the responsibilities of an insurer. Indeed, insurers
28 like AAA hold themselves out as fiduciaries and holders of the public's trust, and so

1 must perform their obligations in good faith. At minimum, the relationship between
2 AAA and its insureds is a quasi-fiduciary relationship, which imposes fiduciary-like
3 duties on the insurer, including special and heightened duties akin to those of a
4 fiduciary. This includes the insurer's conduct during the offer and sale of a policy or
5 certificate. (See CA Ins. Code § 785.)

6 25. Defendant Interinsurance Exchange of the Automobile Club (NAIC# 2183)
7 is a member of the Auto Club Enterprises Ins Group (NAIC Group Code 1318) and
8 serves as functionally the Southern California insuring arm of AAA—the American
9 Automobile Association, a federation of motor clubs throughout North America with
10 members in every state as well as Canada.

11 26. Defendant CSAA Insurance Exchange (NAIC # 15539) is a member of the
12 CSAA Insurance Group (NAIC Group Code 1278), and utilizes CSAA Insurance
13 Services, Inc., its wholly owned subsidiary, as its Attorney-in-Fact in writing and
14 executing policies throughout Northern California and other parts of the state. CSAA is
15 essentially the Northern California insuring arm of AAA.

16 27. Both CSAA and INTERINSURANCE use the website aaa.com, and contact
17 customers, engage in policy sales, prepare quotes, and other insurance functions and
18 advertisements through the aaa.com website as well as captive insurance agents who
19 work for, and make representations on behalf and bind coverage for, AAA.

20 28. With respect to Dwelling coverage, AAA advertises that such coverage
21 “can pay for home repairs or even total rebuilds if your home is destroyed during a fire,
22 windstorm, or other covered disaster.”⁶ In addition, AAA advises insureds that “how
23 much you need depends on how much it would cost to repair, rebuild, or replace your
24 home.”

25 29. In addition, with respect to “How much dwelling coverage is enough?”
26 AAA states that “You’ll typically want enough insurance to cover rebuilding your
27

28 ⁶ https://www.ace.aaa.com/insurance/home-insurance.html?glintcmp=regular_aaainsurance_home_linktext

1 home and any attached structures such as garage, deck, or front porch if they're
2 damages or destroyed in a covered event. Ideally, your coverage should be equal to
3 your home's replacement cost and should be based on construction price and not the
4 resale value. Your cost to rebuild could be higher or lower than its resale price
5 depending on the location and condition of your home."⁷ Indeed, "**Working with your
6 AAA insurance agent is a good way to make sure your insurance needs are covered.**"

7 (*Id.*)

8 **B. The history of underinsurance—and AAA's longstanding knowledge of and
9 contribution to that pervasive problem**

10 30. Homeowners' insurance is likely one of the most ubiquitous products in
11 the United States. Essentially every mortgage lender requires insurance to be taken out
12 on the property, and even the vast majority of residential properties without a mortgage
13 still purchase and maintain insurance. Insurers consistently frame such coverage as
14 protecting peace of mind, assuring coverage, protection, and sufficiency, claim their
15 expertise in protecting insureds, and base a significant percentage of their products into
16 "bundles" that require the placement of property insurance to receive discounts on
17 other lines of coverage. Coverage under standard homeowners' policies is typically
18 broken down into Coverage A (coverage for the dwelling), Coverage B (coverage for
19 other structures on the property), Coverage C (coverage for personal property and
20 belongings), and Coverage D (coverage for loss of use or additional living expenses),
21 with policies providing additional amounts for debris removal, building code upgrade
22 coverage, trees and shrubs, and other line items. As to perils insured, one of the most
23 basic elements of homeowners' insurance is coverage for the risks associated with fire,
24 and particularly with catastrophic events such as wildfires.

25 31. Although wildfire has long been a problem in California, the particular
26 danger of underinsurance—meaning the coverage limits in an insured's policy are

27 _____
28 ⁷ https://www.ace.aaa.com/insurance/home-insurance/how-much-home-insurance-do-i-need.html?glintcmp=regular_sectiontitle_howmuchhomeownersinsurancedoineed_learnmore

1 insufficient, often by hundreds of thousands of dollars, to repair or replace their
2 property in the event of a total loss—is more recent. That is because up until the 1990s,
3 insurers offered “Guaranteed” replacement cost coverage, where an insurer would sell
4 a policy providing dwelling coverage that would pay to replace or rebuild the lost
5 structure, without regard to the cost. Insurers took on the risk of failing to price their
6 policies appropriately. But this began to change in the 1990s following claims
7 experience, with insurers placing profits over policyholders and seeking to reduce the
8 unprofitability of property insurance, shifting the industry to the mere “replacement
9 cost value” (“RCV”) coverage—a set amount provided as the upper limit on the
10 dwelling reconstruction. Some insurers also provide a form of “extended” replacement
11 cost value coverage, meaning an additional percentage on top of the Coverage A limits.
12 But in sum, RCV coverage provides the possibility that homeowners have coverage
13 limits that result in inadequate funds to reconstruct their destroyed home—meaning
14 they are underinsured.

15 32. Insurers typically recommend a coverage limit to homeowners for their
16 Coverage A limits, then basing the rest of the coverage limits on a percentage of those
17 Coverage A limits (i.e., Coverage B for “Other structures” might be 10% of the Coverage
18 A limit). Insurers use cost estimating software to take certain characteristics of the
19 home (age, square footage, address, slope of lot, and a quality rating for home
20 characteristics), obtain that information in a few minutes, usually over the phone or via
21 website, and spit out an estimated replacement cost—which invariably is what the
22 insurer encourages the homeowner to adopt as their Coverage A limits. Indeed, AAA
23 specifically advertises that potential insureds can “Get a quote in just a few minutes.”⁸
24 Homeowners are highly reliant on insurers to guide them through the process and
25 assist in recommending and selecting an appropriate cost to rebuild their home—as
26 predicting the price for a highly complex process like residential construction requires

27 _____
28 ⁸<https://app.ace.aaa.com/insurance/home/homeowners?intcmp=nav:getinsurance:home:homeownersinsurancequotes>

1 enormous time, expertise, and attention to detail. Indeed, insurers often tout their vast
2 claims and underwriting experience in evaluating, calculating, and setting appropriate
3 limits for replacement, which policyholders justifiably rely upon in selecting limits.

4 33. The problem with that system is that insurers often recommend coverage
5 limits that are *woefully* insufficient to actually rebuild or replace a home in the event of
6 catastrophe. As discussed herein, this underinsurance problem is pernicious, has been
7 known by the insurance industry for decades, has been broadly hidden from the public,
8 and continues to impact homeowners in wildfire after wildfire. Data has shown that an
9 insurer's point-of-sale reconstruction estimate—when they first obtain new-customer
10 insurance, or try to maintain market share at the time of renewal—is nearly *guaranteed*
11 to be less than the true cost to rebuild or replace the property, and that shortfall is often
12 hundreds of thousands of dollars or more.

13 34. This pervasive underinsurance problem lies with the insurance industry
14 and the cost estimator software many insurers use to recommend coverage limits to
15 insureds. Through poor design choices, perverse profit and commission incentives,
16 volume business, and other shortcomings, the insurance industry has essentially
17 guaranteed the issue of underinsurance will continue to impact Californians. Coupled
18 with insurers' failure to disclose the problem, failure to honestly discuss the shortfalls in
19 their estimates, and failures to provide true, ongoing, updated, and renewed estimates
20 during renewals, many insurers have engaged in what can only be described as
21 systemic fraud. Indeed, in recent years, many insurers have tried to push the
22 responsibility for estimate preparation onto *insureds*, despite the vast disparity in
23 knowledge, experience, data acquisition, and ability. But the prevalence of
24 underinsurance is, if anything, the insurance industry's intended result – insurers retain
25 additional market share (by keeping prices competitive), keep existing insureds with
26 the company, and still get to tout "full" coverage, while knowing many insureds will be
27 left to fend for themselves in the event of a disaster. And AAA spent years profiting
28 from those misrepresentations, allowing it to maximize market share, keep prices

1 competitive, and keep insureds in the realm of AAA insurance products—ultimately
2 profiting extensively off of this scheme.

3 35. AAA knew, or should have known, that its recommended policy limits
4 would be insufficient to cover the total replacement cost of its policyholders' homes.
5 Through prior complaints, prior lawsuits about this issue, and its own claims adjusting
6 experience, AAA has known that it was repeatedly and significantly underinsuring
7 policyholders. It, through its CSAA arm, also underwent a Targeted Market Conduct
8 Examination of the California Department of Insurance regarding prior California
9 wildfires, which found that AAA would be required to make *tens of millions* in
10 additional payments due to pervasive underinsurance of California residents. That
11 Market Conduct Examination report found the following practices contributed to
12 AAA's pervasive underinsurance of its policyholders:

- 13 a. Failing to properly and fully inform policyholders about the way in which
14 its cost estimating software evaluated home quality and arrived at a
15 replacement cost estimate—an estimate that was routinely far too low to
16 provide the actual cost to rebuild or replace the property;
- 17 b. Failing to adequately insure dwellings for their full replacement value,
18 and engaging in an unfair or deceptive practice in the business of
19 insurance, which was particularly pervasive in estimates AAA prepared
20 immediately prior to, and following, the wildfire losses, which showed
21 marked discrepancies in how AAA was estimating replacement cost
22 value.
- 23 c. Failing to annually and appropriately adjust the Coverage A limits and
24 failing to reunderwrite policies for several renewal terms, as well as using
25 an annual inflation factor that was not locale specific;
- 26 d. Failing to provide policyholders with a copy of the underlying
27 replacement cost estimate generated by their estimating tool, showing all
28 elements and components considered; and

1 e. Failing to provide the home characteristics disclosure or communicate the
2 estimate of replacement cost to insureds.

3 36. Based upon information and belief, many of these same failures continued
4 to impact the policies issued to Plaintiffs, leaving them drastically short of the true cost
5 to rebuild their homes.

6 37. AAA's knowledge is also borne out by industry experience. For decades,
7 when homeowners, including those insured by AAA, suffered a catastrophic loss, a
8 significant portion have unfortunately found that their policy limits were insufficient to
9 repair or replace their damaged property. This multibillion-dollar problem first
10 emerged in the 1990s and has never been adequately addressed by the insurance
11 industry, *despite* most homeowners being more than willing to contract for full
12 replacement cost coverage. Although most insurance policies, including AAA's, talk
13 about "replacement" value or "full" coverage, relatively few provide limits that will
14 *actually* provide sufficient funds to fully "replace" the lost property, particularly in light
15 of disasters that impact a large number of homes in a localized area, resulting in
16 significantly increased costs of construction. Again and again, California disasters have
17 borne this out.⁹ Among thousands of claims reviewed pursuant to California Public
18 Records Act requests, and as insurers including AAA have known for decades pursuant
19 to their own evaluation of post-loss data, insurers' estimates of the cost of
20 reconstruction massively underestimate the true cost of rebuilding the property. For
21 homes experiencing a total loss, the true scope of the loss exceeded the Coverage A
22 limits—which are nearly always the amount of the insurers' estimate of "full"
23 replacement cost—approximately **96.1%** of the time, with the property being
24 underinsured by *more than 50%* of the Coverage A limits. Meaning that even with
25 extended replacement cost or other provisions expanding Coverage A limits (i.e.,
26 policies providing 120%, 125%, or 150% of the Coverage A limits), *most* homeowners are

27

28 ⁹ Kenneth S. Klein, *The Unnatural Disaster of Insurance, Underinsurance, and Natural Disasters*, Connecticut Insurance Law Journal, Vol. 30.1 (2023-2024).

1 underinsured for the true cost to replace their property. And the numbers are even
2 more severe when dealing with catastrophic—wildfire—losses.¹⁰

3 38. Anecdotally, this pervasive problem of underinsurance has been borne
4 out in catastrophe after catastrophe. Following each major California wildfire
5 stretching back decades, despite extended replacement cost coverage, a consistent
6 majority of homeowners have found themselves underinsured for the true cost to
7 rebuild or replace their property.¹¹ United Policyholders, in surveys conducted months
8 after a disaster, found the following:

- 9 • Following the 2007 Southern California Wildfires, 66% of survey respondents
10 reported being underinsured, with the average amount of underinsurance
11 totaling \$319,500.
- 12 • Following the 2010 Butte Fire, 65% of respondents reported they did not have
13 sufficient dwelling insurance.
- 14 • Following the 2015 Valley Fire, 53% reported insufficient insurance, with a
15 shortfall averaging \$103,000.
- 16 • Following the 2017 North Bay Fires, 64% reported insufficient insurance, with
17 an average shortfall of \$367,000.
- 18 • Following the 2018 Camp Fire, 66% of respondents were underinsured.
- 19 • Following the 2020 California Wildfires, only 18% were confident they had
20 sufficient insurance.

21 39. Ultimately, and as the insurance industry has known for decades, even
22 with extended replacement cost, *most* homeowners find themselves underinsured
23 following a wildfire, and the problem is the *insurer's* point of sale replacement cost
24 estimates. In sum, there is a “nationwide underinsurance crisis. Most people want, are
25 willing to pay for, and think they have full and adequate insurance. They are wrong.
26 They are short by a lot. And their insurance companies know it. Yet nothing is being
27

28 ¹⁰ *Id.* at pp. 51-52.

¹¹ <https://uphelp.org/media/surveys/>

1 done to remedy the situation.”¹² This problem has existed, has been known—and has
2 been ignored—by insurers, including AAA, for decades.

4 **B. The Los Angeles County Wildfires**

5 40. In January 2025, Southern California experienced one of the largest and
6 most destructive fire seasons in its history. Beginning on January 7, 2025, and
7 continuing throughout the month, multiple destructive wildfires ripped across
8 Southern California. The most destructive wildfires raged in and around Los Angeles
9 County, where drought conditions, low humidity, a buildup of vegetation, and high-
10 speed Santa Ana winds combined to propel small initial fires into blazing, widespread
11 conflagrations. The fires ultimately killed dozens of people, destroyed more than 18,000
12 homes and structures, burned more than 57,000 acres of land, and forced some 200,000
13 people to evacuate—many with only minutes to flee the path of the fire. Sadly, many of
14 the evacuees returned to find their homes burned to the ground. The most destructive
15 of these fires were two centered in and around Los Angeles County—the “Palisades
16 Fire” and the “Eaton Fire.”

17 41. The Palisades Fire began on January 7, 2025, in the Santa Monica
18 Mountains of Los Angeles County. The fire was first reported at approximately 10:30
19 a.m., covering approximately 10 acres of the mountains north of Pacific Palisades, CA.
20 It rapidly spread, propelled by high winds, excessive fuel, and extreme drought—
21 within minutes, growing to 200 acres, and within hours, growing to 700 acres, then
22 1,262 acres, and beginning to engulf structures and homes. A little more than a day
23 later, the Palisades Fire, despite the efforts of more than a thousand firefighters, had
24 grown to more than 15,000 acres. The fire raged nearly out of control for days,
25 ultimately requiring more than 5,000 firefighting personnel, and did not reach full
26

27 ¹² Kenneth S. Klein, *Truth and Consequences: What Catastrophe Teaches Us About Homeownership and*
28 *Underinsurance*, 30 Lewis & Clark L. Rev. __ (2026) (forthcoming). Available at
SSRN: <https://ssrn.com/abstract=5139315> or <http://dx.doi.org/10.2139/ssrn.5139315>

1 containment until January 31, 2025—24 days after ignition. All told, the Palisades Fire
2 consumed more than 23,000 acres, 6,800 structures, and cost 12 people their lives during
3 the conflagration.

4 42. The Eaton Fire, named after Eaton Canyon, began on January 7, 2025, at
5 approximately 6:18 p.m. near Altadena Drive and Midwick Drive in Altadena,
6 California. Within minutes, the fire that began beneath high-tension power lines was
7 throwing burning embers up to a mile, lighting structures on fire, and rapidly
8 spreading—to more than 2,200 acres with 12 hours, and to more than 10,600 acres
9 within 16 hours of ignition. Despite more than 3,000 firefighting personnel assigned, the
10 fire ultimately burned more than 14,000 acres, damaged or destroyed more than 10,000
11 structures, took the lives of more than a dozen people, and was not fully contained until
12 January 31, 2025.

13 43. These Los Angeles County Wildfires were some of the most destructive
14 fires in this State's history. Once beautiful, vibrant communities across the socio-
15 economic spectrum—from hillside and suburban enclaves to the beaches of Malibu—
16 have been reduced to ash. Made worse, many insureds who lost their homes in these
17 devastating fires have found themselves underinsured by companies like AAA—unable
18 to afford to rebuild their home to its pre-loss condition.

19
20 **C. Plaintiffs find themselves dramatically underinsured by AAA due to the**
21 **insurer's omissions, negligence, bad faith, and false representations**

22 44. Plaintiffs are, and at all times were, the designated, named, or additional
23 insureds under homeowners' insurance policies issued by AAA. The policies were in
24 full force and effect at all times relevant to the allegations contained herein. Plaintiffs
25 are informed and believe and thereon allege that the policies provide coverage to
26 Plaintiffs for losses sustained to their homes and other property as a result of wildfires.
27 Since Plaintiffs first purchased their policies, they have paid premiums and performed
28 each act required on their part to keep their policies in full force and effect.

45. Each of those policies was obtained through, purchased with, and

1 maintained by, AAA employees, agents, and representatives. Those AAA employees,
2 agents, and representatives were, at all times, operating within the scope of their
3 employment with AAA in estimating, evaluating, writing, maintaining, and renewing
4 Plaintiffs' policies at issue here.

5 46. AAA, for some homeowners, would inform them that a few "property
6 characteristics," including the year build, square footage, construction type, number of
7 stories, slope, site access, and a "quality grade," was sufficient to estimate the cost to
8 rebuild or replace their property. Only if the information was incorrect or needed
9 review were insureds directed to "contact your AAA Insurance agent or Insurance
10 Service to update your property characteristics." No information was provided by
11 AAA as to how it arrived at a supposed "quality grade," how that was determined, or
12 what was encompassed. It was explicitly designed to assure policyholders that AAA
13 had adequately considered the features of their home in arriving at a replacement cost
14 estimate—which was invariably the amount of insurance purchased. Indeed, AAA
15 would clearly, in a mailer sent to certain insureds, notify them that AAA "strive[d] to
16 assist you in making decisions about your policy so that it provides the right protection
17 for you and your family," and that it could "suggest recommended levels of coverage
18 based on your home attributes." Based on information and belief, AAA failed to
19 actually provide the Estimated Cost to Rebuild it was preparing on insureds' behalf,
20 enticing them instead to rely on AAA's evaluation and estimation of appropriate
21 coverage limits.

22 47. AAA knew, or should have known, that its policyholders would rely on
23 the figure it recommended when establishing the policy limits for its policyholders,
24 such as Plaintiffs. Plaintiffs actually and reasonably relied on AAA's representation
25 about the adequacy, scope, competency, and reasonability of the replacement cost
26 estimate generated and implemented by AAA, ultimately agreeing to the policy limits
27 AAA set, expecting AAA's assigned policy limits would provide enough coverage such
28 that Plaintiffs would be able to rebuild their homes to their pre-loss condition in the

1 event of a total loss.

2 48. In addition, at all times herein relevant, AAA left nearly nothing to
3 consumers' discretion and undertook the responsibility to set the policy limits for its
4 insured's replacement cost coverage. Insureds were not permitted to have any
5 significant input to determine the adequacy of the amount of coverage procured
6 through AAA. Plaintiffs may have requested additional coverage or advised AAA
7 about improvements/changes made to their homes, but AAA either refused to increase
8 the limits—faking a concern about “overinsurance”—provided only minimal increases
9 (based on its reliance on the estimate it had generated and downplaying insureds'
10 concerns), or failed to take significant action to properly and fully insure the Plaintiffs'
11 homes.

12 49. Since Plaintiffs first purchased their policies, Plaintiffs have paid
13 premiums and performed each act required on their part to keep their policies in full
14 force and effect. Plaintiffs have been continually insured with AAA (or its subsidiary
15 entities) since they first contracted with that entity—AAA wrote the policies, set the
16 original benefit limits, and performed the underwriting/estimation for Plaintiffs'
17 properties. AAA also had an opportunity to conduct additional underwriting each year
18 at renewal to ensure the validity, accuracy, and sufficiency of its estimates.

19 50. Each year, AAA provided a new policy to Plaintiffs for their homes, many
20 times with a new limit of liability for the cost to replace the home—calculated and
21 implemented by AAA. These amounts were calculated solely by AAA without input
22 and with little ability to adjust those limits by the insureds. In fact, for each Declarations
23 Page provided by AAA, the following language appeared: “The limit of liability for this
24 structure (Coverage A) is based on an estimate of the cost to rebuild your home,
25 including an approximate cost for labor and materials in your area, and specific
26 information that you have provided about your home.” Based on information and
27 belief, a true and correct copy of an exemplar declaration page, or a similar analog, used
28 by AAA for each of the Plaintiffs at the time of the fire is attached as Exhibit B. Indeed,

1 per Insurance Code § 10103, that limit of liability was required to be an *estimate*
2 performed by AAA as to the replacement cost of the Plaintiffs' homes.

3 51. That yearly estimate of the cost to replace Plaintiffs' homes provided by
4 AAA in the form of the Coverage A policy limits was required, by law, to incorporate a
5 number of different factors. California Code of Regulation § 2695.183 requires every
6 AAA estimate provided after June 2011 to meet a series of standards, as follows:

7
8 § 2695.183. Standards for Estimates of Replacement Value.

9 No licensee shall communicate an estimate of replacement cost to an applicant or
10 insured in connection with an application for or renewal of a homeowners'
11 insurance policy that provides coverage on a replacement cost basis, unless the
12 requirements and standards set forth in subdivisions (a) through (e) below are
13 met:

14 (a) The estimate of replacement cost shall include the expenses that would
15 reasonably be incurred to rebuild the insured structure(s) in its entirety,
16 including at least the following:

- 17 (1) Cost of labor, building materials and supplies;
- 18 (2) Overhead and profit;
- 19 (3) Cost of demolition and debris removal;
- 20 (4) Cost of permits and architect's plans; and
- 21 (5) Consideration of components and features of the insured structure,

22 including at least the following:

- 23 (A) Type of foundation;
- 24 (B) Type of frame;
- 25 (C) Roofing materials and type of roof;
- 26 (D) Siding materials and type of siding;
- 27 (E) Whether the structure is located on a slope;
- 28 (F) The square footage of the living space;
- (G) Geographic location of property;
- (H) Number of stories and any nonstandard wall heights;
- (I) Materials used in, and generic types of, interior features and finishes,
such as, where applicable, the type of heating and air conditioning system,
walls, flooring, ceiling, fireplaces, kitchen, and bath(s);
- (J) Age of the structure or the year it was built; and
- (K) Size and type of attached garage.

(b) The estimate of replacement cost shall be based on an estimate of the cost to
rebuild or replace the structure taking into account the cost to reconstruct the

1 single property being evaluated, as compared to the cost to build multiple, or
2 tract, dwellings.

3 (c) The estimate of replacement cost shall not be based upon the resale value of
4 the land, or upon the amount or outstanding balance of any loan.

5 (d) The estimate of replacement cost shall not include a deduction for physical
6 depreciation.

7 (e) The licensee shall no less frequently than annually take reasonable steps to
8 verify that the sources and methods used to generate the estimate of replacement
9 cost are kept current to reflect changes in the costs of reconstruction and
10 rebuilding, including changes in labor, building materials, and supplies, based
11 upon the geographic location of the insured structure. The estimate of
12 replacement cost shall be created using such reasonably current sources and
13 methods.

14 52. Based upon information and belief, AAA regularly and repeatedly failed
15 to provide estimates to replace Plaintiffs' homes that complied with the applicable
16 regulation—it is the only explanation for the vast disparity in the policy limits and the
17 actual cost estimate Plaintiffs are receiving to replace their homes—many times in the
18 hundreds of thousands or even millions of dollars.

19 53. AAA was aware, or should have been aware, that its flawed use of cost
20 estimating software was causing it to drastically underestimate the actual cost to repair
21 or rebuild insureds' homes, and thus causing AAA to recommend, require, and
22 implement insufficient insurance for its policyholders. Instead of warning
23 policyholders, AAA represented that it could essentially—using only a few data
24 points—fool-proof the process of calculating the minimum replacement cost for the
25 purposes of setting insurance policy limits. This lulled policyholders, like Plaintiffs,
26 into relying on those representations when agreeing to policy limits established by
27 AAA—limits that AAA represented were sufficient, and which Plaintiffs desired to be
28 sufficient, to rebuild or replace their damaged property.

1 54. Plaintiffs’ policies also provided additional information regarding the
2 suitability, reasonability, and adequacy of the replacement cost estimates (and policy
3 limits) prepared by AAA. First, in the condition’s provisions, AAA would provide that
4 the amount of liability for Coverage A would be adjusted —on an annual basis—to
5 account for inflation, current building costs, changes in the cost of items of personal
6 property, and other factors. To even qualify for extended replacement cost,
7 policyholders were required to “accept[] any changes in the valuation of covered
8 property we considered necessary,” and pay additional premium owed based on that
9 increase in value.

10 **18. Adjustment to Building Cost.**

- 11 a. The amount of insurance for SECTION I, COVERAGE A – Dwelling shown in the Declarations, will be
12 revised at each policy renewal to reflect the rate of change in the replacement cost of your dwelling. The
13 resulting limit will be rounded to the next \$1,000.
- 14 b. SECTION I, COVERAGE B – Other Structures and COVERAGE D – Fair Rental Value, will also be
15 adjusted.
- 16 c. The rules then in use by us will determine the new amounts for these coverages. These amounts will not
17 be reduced without your consent.
- 18 d. You have the right to refuse any resulting change in amount. You must do so before the effective date of
19 such change.
- 20 e. We have the right to change to another replacement cost calculation tool as of any renewal date. Such
21 change must apply to all similar policies issued by us.

22 55. Notably though, AAA misled insureds regarding the extent of available
23 extended replacement cost. In the Endorsement, AAA provided that, *if* the insured
24 complied with certain conditions (accepting AAA’s increases in coverage amounts,
25 paying additional premiums, and notifying the insurer of remodels or additions) *and*
26 any loss exceeds the amount of the applicable limit stated in the declarations page for
27 Coverage A, *then* such loss “will be settled as described under (b) above in an amount
28 up to 125% of the limit of liability stated in the declarations for the damaged or
destroyed property.” To even invoke the coverage, the loss must be in excess of the
Coverage A limits, *and then* the provision about 125% coverage applies. A reasonable
insured would read that language—combined with the declaration page disclosing that
an insured had 125% extended replacement cost with no dollar figure noted—and
believe they had *both* their Coverage A limit of liability *and* an *additional* 125% of that

1 amount to replace their damaged structure, if needed. For example, if the Coverage A
2 limit was \$500,000, an insured would reasonably interpret that provision as providing
3 an additional \$625,000 in extended replacement cost coverage. This is further
4 confirmed in that certain other coverages are described as much smaller percentages of
5 Coverage A to denote much smaller figures (i.e., Loss of Use is described as amounting
6 to 20% of Coverage A, while extended replacement cost is *125% of Coverage A*).
7 However, AAA instead waits until after the catastrophe to clarify that—despite its
8 language, despite the vague mention in the declarations, and despite the low limits
9 already on offer due to AAA’s misrepresentations and flawed behavior—to tell
10 insureds that in reality they have only *25%* additional coverage. This too contributes to
11 policyholders, like Plaintiffs, being drastically underinsured for their losses.

12 56. Following the fires, the Plaintiffs promptly reported their losses to AAA
13 and requested policy benefits under their respective policies. AAA then spent many
14 weeks investigating, evaluating, and deciding on the claims of the Plaintiffs, imposing
15 onerous or unreasonable demands to procure policy benefits. Plaintiffs’ claims are *still*
16 open to this day, with no final written denial or statement that no further payments
17 would be forthcoming. Only upon comparing the independent contractor replacement
18 cost estimates to actually rebuild their homes with their policy limits evaluation of
19 replacement cost did Plaintiffs come to realize how drastically underinsured they were,
20 and how many would lack the funds to even *start* rebuilding their homes. Due to
21 AAA’s extended claims process—which for all Plaintiffs is still ongoing—any
22 limitations provision has been tolled during the evaluation of Plaintiffs’ respective
23 claims and continues to be tolled to and through the filing of this lawsuit.

24 57. In addition to the failures outlined above to provide adequate, accurate
25 replacement cost estimates to its policyholders, AAA perpetuated a scheme of illusory
26 homeowners’ coverage on its policyholders. AAA policyholders believed they were
27 receiving premium home protection from AAA, which helped them choose the right
28 coverage (i.e., coverage supposedly more than sufficient to compensate the

1 policyholders for the total loss of their home *and then* some). In fact, the policyholders
2 (in this case, Plaintiffs) were paying premiums for coverage which the policyholders
3 would never be able to receive as a result of AAA's failure to accurately calculate the
4 minimum replacement cost for Plaintiffs' homes.

5 58. For example, as described above, many Plaintiffs purchased the extended
6 replacement cost on Coverage A – Dwelling, and Coverage B – Other Structures policy
7 limits. And that extension is *conditioned* upon insuring the dwelling to the valuation
8 considered necessary by AAA. However, because of Defendants' unrealistically low
9 policy limit recommendations, Plaintiffs were not paying for *additional* coverage beyond
10 the minimum amount to rebuild or replace Plaintiffs' homes, but were in fact paying for
11 an additional percentage of coverage which *still* failed to cover Plaintiffs for the actual
12 rebuild or replacement cost of their homes. Thus, despite paying premiums for
13 homeowners' coverage purportedly sufficient to cover the full replacement or rebuild
14 cost of Plaintiffs' home, *plus* an additional percentage coverage above the full
15 replacement cost, AAA policyholders, such as Plaintiffs, were paying for coverage that
16 could not even cover the minimum replacement and/or rebuild cost of their homes.

17 59. Due to the way AAA calculates its Loss Settlement Provisions, insureds
18 are entitled to no more than actual cash value *until* they actually repair or replace their
19 homes. In other words, to even access their full policy limits, many times Plaintiffs must
20 first rebuild or replace their homes. Only *after* the homes are replaced or rebuilt—when
21 the policyholder has *completed* the repair or replacement—will AAA issue a final check
22 for the full replacement cost coverage and the extended replacement cost coverage. But
23 because Plaintiffs' policy limits—calculated and set by AAA—are so low, the amount
24 AAA advances to Plaintiffs to initiate the rebuilding process is often times insufficient
25 to cover significant rebuilding costs. Plaintiffs are therefore required to go "out-of-
26 pocket" for the remaining amount required to rebuild or replace their home before
27 receiving the final AAA check for the total cost to rebuild their homes. Unfortunately,
28 the out-of-pocket amount is so high that Plaintiffs cannot afford to cover the shortfall.

1 Thus, many Plaintiffs cannot rebuild their homes. As a result, Plaintiffs are barred from
2 receiving either true rebuilding and/or replacement coverage, or the additional
3 coverage because Plaintiffs can never, in reality, satisfy the conditions in the AAA
4 policy.

5 60. In addition, AAA deprived Plaintiffs of their rights under their policies in
6 a number of ways. For instance, upon information and belief, AAA refuses to conduct a
7 reasonable investigation into the extent of Plaintiffs' losses, or create claim documents,
8 such as adequate repair and replacement estimates and bids, appraisals, scopes of loss,
9 drawings, plans, reports, third party findings on the amounts of loss, covered damages,
10 or cost of repairs, particularly because AAA knows that such documents will
11 demonstrate the drastic level to which the Plaintiffs were uninsured. AAA has a duty to
12 conduct a reasonable investigation and to prepare scopes of loss pursuant to Insurance
13 Code section 10103.5(b) which states, in relevant part, "A consumer is entitled to receive
14 information regarding homeowner's insurance" including "[i]n the event of a claim, an
15 itemized, written scope of loss report prepared by the insurer or its adjuster within a
16 reasonable time period." AAA also has a statutory duty to prepare and provide claim
17 documents under Insurance Code section 10082.3. Despite these statutory duties, upon
18 information and belief, AAA failed to adequately create or provide these documents
19 even after Plaintiffs made a claim under their policies and requested claim documents
20 from AAA.

21 61. In prior catastrophes, AAA has also threatened insureds that it will cut off
22 their Coverage D benefits for Loss of Use and Additional Living Expenses (with even
23 that policy limit being set far too low based on AAA's faulty Coverage A estimates).
24 Based upon information and belief, AAA has contemplated doing the same here. AAA
25 has done so despite knowing that the amounts provided to rebuild/repair/replace
26 Plaintiffs' homes fall far short of the amount necessary to do so, leaving Plaintiffs with
27 the all but impossible choice of hoping for litigation to succeed or being required to
28 rebuild a home that is considerably smaller or of lesser quality than their property

1 destroyed in the fire. In addition, AAA has adopted a patently unfair and unreasonable
2 calculation of the appropriate amount of ALE/Loss of Use, including the paltry
3 payment calculation of \$30 per day for certain insureds, leaving them drastically short
4 of the funds to begin repairing their lives.

5 62. AAA has also taken unreasonable positions with respect to requiring
6 over-documentation of loss, or scopes/proofs of loss, refusing or delaying payment to
7 insureds for trivial reasons on vital aspects of coverage, including Coverage C and
8 Coverage D. In addition, AAA has refused to provide coverage for certain
9 individuals/partners living at the identified residences, claiming they are not insureds,
10 despite AAA long knowing about the existence and living situation of that insured, and
11 knowing their property was intended to, and was, covered under the scope of the
12 policy(ies) issued by AAA.

13 63. Plaintiffs are informed and believe that AAA set most of the coverages in
14 the policies, including Coverages B through D, based on the amount it determined for
15 Coverage A.

16 64. Further AAA failed to comply with California Insurance Code § 678,
17 which requires that any change purporting to have a “reduction of limits or elimination
18 of coverage” must be accompanied by a Notice of Renewal. Furthermore, “[i]t is a long-
19 standing general principle applicable to insurance policies that an insurance company is
20 bound by a greater coverage in an earlier policy when a renewal policy is issued but the
21 insured is not notified of the specific reduction in coverage.” (*Fields v. Blue Shield of Cal.*
22 (1985) 163 Cal.App.3d 570, 579.) Changes to or limits of coverage must be “conspicuous,
23 plain[,] and clear” in order to be enforceable. (*Id.*) Failure to comply with this provision
24 requires that earlier, more generous policy language controls. Based upon information
25 and belief, AAA attempted to surreptitiously change its policy language away from an
26 agreement to yearly update the policy limits to “100%” of the replacement cost of the
27 dwelling—as estimated by AAA—to attempt to shift the burden, unknowingly, onto
28 insureds. Based upon information and belief, AAA failed to provide any adequate

1 notice of this change, and failed to inform homeowners that they had any control over
2 the limit of liability in their policy – repeatedly refusing to permit higher limits than
3 those estimated by AAA.

4 65. AAA has reaped enormous financial benefit to the detriment of its
5 insureds. AAA collects premiums on coverages that as a result of AAA’s insufficient,
6 yet recommended and required policy limits and other contradictory policy provisions,
7 can never be accessed and applied to Plaintiffs' loss. Thus, AAA collects premiums for
8 coverages with knowledge that AAA is immune from having to pay out on claims
9 against that coverage, and with knowledge that it is deliberately or knowingly setting
10 coverage limits far below the true cost to repair or rebuild a home – all in an effort to
11 maximize AAA’s market share and drive profitability.

12 66. Following the Los Angeles County Wildfires, many of AAA’s insureds,
13 including Plaintiffs, were forced to make claims to AAA following the destruction of
14 their homes. Because of the dramatically lower replacement cost policy limits provided
15 by AAA – despite its repeated promises that the amount was the full estimate cost to
16 rebuild or repair and that such limits would be sufficient – many of its insureds ended
17 up *significantly* underinsured for the costs necessary to replace or rebuild their homes –
18 anywhere from hundreds of thousands to more than a million dollars underinsured.

19 FIRST CAUSE OF ACTION

20 **(Breach of the Implied Covenant of Good Faith and Fair Dealing)**

21 ALL PLAINTIFFS, FOR A FIRST CAUSE OF ACTION AGAINST
22 DEFENDANTS AAA AND DOES 1 THROUGH 100, INCLUSIVE, FOR BREACH OF
23 THE IMPLIED COVENANT OF GOOD FAITH AND FAIR DEALING, ALLEGE:

24 67. Plaintiffs refer to each and every paragraph of this complaint and
25 incorporate those paragraphs as though set forth in full in this cause of action.
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27 68. In every insurance contract, a covenant of good faith and fair dealing is
28 implied, including Plaintiffs’ homeowners’ insurance policies. The conduct of insurers,

1 agents, and brokers even prior to purchase must be pursuant to that same duty of good
2 faith and fair dealing.

3 69. In this case, AAA made repeated representations to Plaintiffs that the
4 policy limits selected by AAA were adequate to rebuild Plaintiffs' homes and based
5 upon a fulsome, accurate, and reasonable estimation. AAA's mailings, website, letters,
6 and policy provisions repeatedly assured Plaintiffs that AAA had taken into
7 consideration the characteristics of their home, applied its longstanding expertise in
8 estimating replacement cost, and made an estimate that would provide sufficient funds
9 to fully replace the damaged property. These representations were made directly to
10 Plaintiffs. Plaintiffs relied on those representations in purchasing and maintaining
11 coverage with AAA to repair, rebuild, and replace their homes. Plaintiffs were
12 convinced to purchase AAA insurance, and keep those policies in force for years, based
13 on the representation that their insurance policy limits were sufficient to completely
14 repair, rebuild, or replace their homes in the event of catastrophe.

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16 70. As the Los Angeles County Wildfires demonstrated though, Plaintiffs
17 were woefully underinsured for the actual cost to replace or rebuild their homes. Many
18 of them were hundreds of thousands or even more than a million dollars short of the
19 true cost to repair or rebuild their home.

20 71. In addition, Defendants AAA and DOES 1 through 100, inclusive, and
21 each of them, have breached their duty of good faith and fair dealing owed to Plaintiffs
22 under the Policies as follows:

- 23 (a) Unreasonably dictating coverage limits (and refusing to adequately
24 and fairly increase limits when requested), including AAA's estimate
25 of the cost to repair/rebuild/replace Plaintiffs' homes, despite those
26 estimates falling far short of the true cost;
- 27 (b) Unreasonably failing to conduct a fair, balanced, and thorough
28 investigation, including the failure to adequately evaluate, investigate,

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and review the homes of Plaintiffs prior to recommending and requiring Plaintiffs to obtain a specific coverage limit, and refusing to allow additional insurance to be obtained;

- (c) Unreasonably refusing to make payments to Plaintiffs for the true limits of liability knowing the Plaintiffs' claims for benefits under the Policy were valid, and unreasonably failing to make sufficient payments for Plaintiffs to cover the total rebuild cost of their homes, which is akin to denying Plaintiffs' the benefit of their bargain;
- (d) Unreasonably delaying benefits under the Policy to Plaintiffs, at a time when Defendants knew that the Plaintiffs were entitled to such benefits under the terms of the Policy;
- (e) Unreasonably delaying and denying Plaintiffs the benefits they were promised under the Policy through the unreasonable and illegitimate delay and denial of payments that they were entitled to as well as the enforcement of policy limits set in bad faith by AAA, as well as AAA's illusory coverage scheme that placed its own profit motives ahead of protection for its insureds;
- (f) Unreasonably placing AAA's own financial interests above the interests of its insureds;
- (g) Unreasonably engaging in a course of conduct designed to prevent Plaintiffs from obtaining the coverage they were entitled to under the Policy;
- (h) Unreasonably failing to acknowledge and act promptly upon communications with respect to claims arising under the Policies;
- (i) Failing and refusing to give at least as much consideration to the Plaintiffs' interests as it gave to its own interests;

- 1 (j) Unreasonably and in bad faith failing to honor its promise to provide
2 Plaintiffs with an insurance policy that accurately and faithfully
3 estimated the full or minimum replacement cost of their homes;
- 4 (k) Unreasonably and in bad faith failing to pay out amounts sufficient to
5 cover the total rebuild cost of Plaintiffs' homes;
- 6 (l) Unreasonably and in bad faith interpreting the Policy in a way that
7 contravenes California law and principles of interpretation, all in an
8 effort to avoid paying rightly owed policy benefits.
- 9 (m) Unreasonably and in bad faith failing to comply with California
10 Regulations regarding the estimation of replacement cost value of
11 Plaintiffs' homes, failing to conduct a reasonable estimation of
12 replacement cost value, resulting in policy limits far lower than
13 necessary to properly replace/rebuild those homes.
- 14 (n) Unreasonably and in bad faith failing to give its insureds notice of
15 changes in policy language, and attempting to unreasonably foist
16 responsibility for replacement cost estimates onto insureds despite
17 preventing them from having input or readily increasing their limits.
- 18 (o) Unreasonably and in bad faith failing to pay full and final benefits due
19 under the Debris Removal, Trees, Personal Property, and ALE/Loss of
20 Use provisions of the Policies;
- 21 (p) Unreasonably and in bad faith setting wildly underinflated per diem
22 limits on ALE/Loss of Use payments, in contravention to the state of
23 the market, the fire forcing insureds to flee their homes, and the loss of
24 use of their homes consumed in the fire (indeed, one adjuster believed
25 offering the paltry and unreasonably low sum of \$30 *per day* was
26 sufficient for the Los Angeles market)
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- 1 (q) Unreasonably and in bad faith failing to abide by California Insurance
2 Code § 2061, by failing to provide insureds with at least a four-month
3 advance on their ALE/Loss of Use policy limits in the event of a total
4 loss and a declared state of emergency, such as the Los Angeles
5 County Wildfires and Plaintiffs' homes at issue here;
- 6 (r) Unreasonably and in bad faith refusing to pay out additional
7 coverages, including extended replacement cost, building, ordinance,
8 or law coverage, and other terms and conditions to which Plaintiffs are
9 entitled, either under their policy as currently written, or under the
10 reformed (accurately estimated) replacement cost policies to which
11 Plaintiffs are entitled.
- 12 (s) Unreasonably and in bad faith attempting to discount or restrict the
13 claims of particular insureds, claiming that despite living in the
14 destroyed home, partners with the insured, and being insured on a
15 bundled AAA auto policy for more than a decade, that AAA was
16 unaware of that individual and refusing to pay out coverage for their
17 losses;
- 18 (t) Unreasonably and in bad faith belatedly demanding an itemization of
19 certain losses, creating a series of roadblocks for insureds to obtain
20 their owed policy coverages, relying on hypertechnical and shifting
21 excuses to refuse additional payments.
- 22 (u) Unreasonably and in bad faith misinterpreting the policy to unduly
23 restrict the extent of extended replacement cost coverage, despite the
24 language of the policy, and unreasonably and in bad faith refusing to
25 pay out even the amounts owed under Defendants' interpretation of
26 the policy.
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1 (v) Unreasonably and in bad faith refusing to pay due and owing Code
2 Upgrade or Ordinance or Law coverage when insureds purchase a
3 replacement property to replace the totally destroyed insured
4 property, despite the insured incurring such coverage inherent in the
5 price of a replacement property.

6 72. Plaintiffs are informed and believe and thereon allege that Defendants
7 AAA and DOES 1 through 100, inclusive, and each of them, have breached their duty of
8 good faith and fair dealing owed to Plaintiffs by other acts or omissions of which
9 Plaintiffs are presently unaware and which will be shown according to proof at the time
10 of trial.

11 73. As a proximate result of the aforementioned unreasonable and bad faith
12 conduct of Defendants AAA and DOES 1 through 100, inclusive, and each of them,
13 Plaintiffs have suffered, and will continue to suffer in the future, economic and other
14 consequential damages, for a total amount to be shown at the time of trial.

15 74. As a proximate result of the aforementioned unreasonable and bad faith
16 conduct of Defendants AAA and DOES 1 through 100, inclusive, and each of them,
17 Plaintiffs have suffered, and will continue to suffer in the future, general damages
18 including emotional distress, for a total amount to be shown at the time of trial.

19 75. As a further proximate result of the aforementioned wrongful conduct of
20 Defendants AAA and DOES 1 through 100, inclusive, and each of them, Plaintiffs were
21 compelled to retain legal counsel to obtain the benefits due under the Policy and
22 benefits of their bargain with AAA. Therefore, Defendants AAA and DOES 1 through
23 100, inclusive, and each of them, are liable to the Plaintiffs for those attorneys' fees,
24 witness fees, and costs of litigation reasonably necessary and incurred by Plaintiffs in
25 order to obtain Policy benefits and the cost to adequately rebuild, repair, or replace their
26 homes in a sum to be determined at trial.
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1 76. Defendants AAA and DOES 1 through 100, inclusive, and each of their
2 conduct described herein was intended by these Defendants to cause injury to the
3 Plaintiffs, or was despicable conduct carried on by these Defendants with a willful and
4 conscious disregard of the rights of Plaintiffs, or subjected Plaintiffs to cruel and unjust
5 hardship in conscious disregard of the Plaintiffs' rights, or was an intentional
6 misrepresentation, deceit, or concealment of a material fact known to these Defendants
7 with the intention to deprive the Plaintiffs of property, legal rights, or to otherwise
8 cause injury, such as to constitute malice, oppression, or fraud under California Civil
9 Code section 3294, thereby entitling Plaintiffs to punitive damages in an amount
10 appropriate to punish or set an example of Defendants AAA and DOES 1 through 100.

11 77. Defendants AAA and DOES 1 through 100, inclusive, and each of their
12 conduct as previously alleged evidences that these Defendants consciously engaged in a
13 pattern of intentionally undersetting policy limits, delaying and intentionally
14 wrongfully withholding benefits from the Plaintiffs, unreasonably failing to thoroughly
15 investigate and evaluate Plaintiffs' claims, and knowingly failing to give their insureds'
16 interests at least as much consideration as their own. These Defendants' pattern of
17 conduct to unreasonably delay, underset limits, and failure to provide benefits under
18 the Policy as previously alleged, forced the Plaintiffs to suffer in their personal life, and
19 forced the Plaintiffs to either not receive and/or have to pay for items on their own
20 which should have been covered by the Policy.

21 78. Defendants AAA and DOES 1 through 100, inclusive, and knowingly and
22 wrongfully elevated their financial interests above those of Plaintiff in this case, and
23 acted with a willful and conscious disregard of Plaintiff's rights to timely receive
24 benefits as provided by the Policy. Defendants AAA and DOES 1 through 100, willfully
25 and intentionally sought to deprive Plaintiff of benefits which they were entitled to
26 receive under the Policy or should have been entitled to receive had AAA accurately
27 and adequately performed its duties as an insurer.
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1 and materials in your area, and specific information that you have provided about your
2 home.” Any such “estimate” is required to comply with the provisions of 10 C.C.R.
3 2695.183, which AAA repeatedly failed to undertake.

4 83. Defendants breached the terms and provisions of the contract to provide
5 home insurance policy benefits by unreasonably failing to provide those policy benefits,
6 and drastically underproviding the necessary policy limits to adequately repair or
7 replace the Plaintiffs’ homes. Defendants, despite the contract language to the contrary,
8 did not provide an “estimate of the cost to rebuild your home, including an
9 approximate cost for labor and materials in your area,” as each Plaintiffs’ Coverage A
10 limits—instead underinsuring the Plaintiffs for hundreds of thousands or even millions
11 of dollars, even *after* the extended replacement cost extension of coverage. In addition,
12 Defendants breached the terms and provisions of the contract by failing to provide full
13 scope of loss reports, full policy benefits (including extended replacement cost
14 coverage, ALE/Loss of Use, Trees, Code Upgrade, and other provisions), the agreed-
15 upon coverage extensions, and other violations of the contract as discussed above.
16 Plaintiffs allege that Defendants have also breached the contract in other material
17 respects that will be revealed through the discovery process.

18 84. As a direct and proximate result of Defendants’ conduct and material
19 breach of their contractual obligations, Plaintiffs have suffered damages under the
20 Policy in an amount to be determined according to proof at the time of trial, plus
21 interest and other foreseeable and incidental damages according to proof, and in
22 amounts to be determined at the time of trial.
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THIRD CAUSE OF ACTION

(Negligence)

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3 ALL PLAINTIFFS FOR A THIRD CAUSE OF ACTION AGAINST
4 DEFENDANTS AAA AND DOES 1 THROUGH 100, INCLUSIVE, FOR NEGLIGENCE,
5 ALLEGE:

6 85. Plaintiffs refer to each and every paragraph of this complaint and
7 incorporate those paragraphs as though set forth in full in this cause of action.

8 86. Defendants AAA and DOES 1 through 100, inclusive, and each of them,
9 exclusively utilized AAA personnel, resources, websites, equipment, and AAA-
10 controlled or captive agents/adjusters/claims personnel to sell insurance, correspond
11 with policyholders, and estimate and recommend policy limits. All insurance procured
12 on behalf of Plaintiffs was done directly by, through, and with AAA employees.

13 87. AAA represented that it had specialized knowledge and expertise
14 regarding how to accurately calculate the costs of replacing or reconstructing Plaintiffs'
15 homes following a loss event. AAA knew, or should have known, that policyholders
16 would rely on AAA's assertions of expertise to calculate the minimum policy limits that
17 would enable Plaintiffs to replace or rebuild their homes in the event of loss. AAA also
18 knew that if Plaintiffs, or those in Plaintiffs' position, relied on AAA expertise, but the
19 policy limits proved inadequate, Plaintiffs would be materially harmed and unable to
20 replace or rebuild their homes. AAA also knew, or should have known, that its use of
21 its cost estimating software was insufficient to calculate the specific rebuilding costs of
22 each home. AAA also knew, or should have known, that as a result of its failure to
23 accurately calculate policy limits which reflected the minimum cost to rebuild or replace
24 Plaintiffs' homes, in addition to other actions described herein regarding its illusory
25 coverage, that Plaintiffs were denied the ability to access additional home coverages,
26 such as the extended replacement cost coverage, despite Plaintiffs paying premiums for
27 those coverages.
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1 88. AAA also made affirmations to Plaintiffs that its cost estimating software
2 would accurately calculate policy limits for rebuilding each of Plaintiffs’ individual
3 homes, based on brief information collected online or over the phone, in an effort to
4 induce policy sales, depress claim reimbursement, and maintain and enlarge AAA’s
5 market share. But that cost estimating software did not accurately calculate rebuilding
6 costs—not even close. Instead, Plaintiffs’ policy limits were repeatedly underset by
7 AAA, despite offerings like extended replacement cost coverage (which is supposed to
8 be *over and above* the cost to rebuild, to account for uncertain prospects like demand
9 surge after a wildfire), Plaintiffs were left drastically underinsured for the true cost to
10 restore their homes.

11 89. AAA personnel also on numerous occasions, held themselves out to
12 Plaintiffs as specialists in the homeowners insurance arena and in obtaining
13 comprehensive insurance coverage, including for the full and complete cost to rebuild
14 or replace Plaintiff’s homes. AAA thus owed duties of reasonable care, diligence and
15 loyalty, and judgment to Plaintiffs in procuring insurance and to assure that coverage as
16 requested and promised was in place to protect Plaintiffs, and to ensure that AAA had
17 accurately and sufficiently set each Plaintiffs’ policy limits to fully compensate them in
18 the event of a total loss.

19 90. Plaintiffs specifically requested that AAA obtain full and adequate
20 insurance to protect against the risks of future loss, including the risk their homes may
21 be destroyed in a natural calamity like the Los Angeles County Wildfires. These
22 Defendants agreed to provide such insurance coverage to adequately and fully protect
23 Plaintiff should they ever need to repair, replace, or rebuild their home.

24 91. Defendants AAA and DOES 1 through 100, inclusive, owed Plaintiffs a
25 duty of care to see that their interests were fully protected by the coverage they sought
26 and obtained for Plaintiffs.
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1 92. Defendants AAA and DOES 1 through 100, inclusive, also owed duties to
2 Plaintiffs to ensure that all disclosures were made properly and accurately in the
3 application process; to obtain the coverage requested by Plaintiffs; to obtain appropriate
4 coverage suited to the specific needs of Plaintiffs; to accurately represent and report the
5 coverage obtained; to warn of coverage limitations or exclusions; to not reduce coverage
6 without Plaintiffs' authorization; and to properly assist and report in the claim for
7 benefits to the insurer.

8 93. Defendants AAA and DOES 1 through 100, inclusive, breached that duty,
9 by failing to properly and accurately ensure the amount of coverage obtained for
10 Plaintiffs; by failing to obtain accurate and necessary costs of replacement estimates for
11 Plaintiffs—leading to drastically lower policy limits that were insufficient to
12 compensate Plaintiffs in the event of loss; by failing to obtain the appropriate coverage
13 as requested by Plaintiffs; by failing to accurately represent and report the coverage
14 obtained; and by failing to properly warn Plaintiffs of potential coverage limitations or
15 exclusions.

16 94. At all relevant times, Defendants AAA and DOES 1 through 100,
17 inclusive, knew that Plaintiffs were relying upon their experience, skill, accuracy, good
18 faith, and expertise as insurance specialists for homeowners' insurance such as that
19 obtained for Plaintiffs.

20 95. Defendants AAA and DOES 1 through 100, inclusive, failed to exercise the
21 skill and care that a reasonably careful insurer, insurer's employee, agent, or broker
22 would have used in similar circumstances.

23 96. Plaintiffs are informed and believe and thereon allege that Defendants
24 AAA and DOES 1 through 100, inclusive, were negligent in other acts or omissions of
25 which the Plaintiffs are presently unaware.

26 97. As a proximate result of the negligence of Defendants AAA and DOES 1
27 through 100, inclusive, Plaintiffs have suffered, and will continue to suffer, general and
28 special damages to be determined at trial. These include the drastically reduced policy

1 limits that are far below the amount required to adequately repair, rebuild, or replace
2 Plaintiffs’ homes, their distress at the insurance dispute, the fees to procure counsel to
3 litigate this dispute, and other damages as awardable by the Court.
4

5 **FOURTH CAUSE OF ACTION**
6 **(Negligent Misrepresentation)**

7 ALL PLAINTIFFS FOR A FOURTH CAUSE OF ACTION AGAINST
8 DEFENDANTS AAA AND DOES 1 THROUGH 100, INCLUSIVE, FOR NEGLIGENT
9 MISREPRESENTATION, ALLEGE:

10 98. Plaintiffs refer to each and every paragraph of this complaint and
11 incorporate those paragraphs as though set forth in full in this cause of action.
12

13 99. Defendants AAA and DOES 1 through 100, inclusive, repeatedly
14 represented to Plaintiffs: (1) that AAA was able to precisely calculate the cost of
15 replacing Plaintiffs’ homes based on the specific characteristics of each home, knowing
16 such representations would be communicated to Plaintiffs and relied upon them; (2)
17 that policy limits, recommended and set by AAA, were the minimum required for the
18 cost of rebuilding Plaintiffs’ homes, as the “valuation of covered property [AAA]
19 considered necessary,” and were the full replacement cost for their homes at the time
20 the policy was issued; (3) that AAA was, on an *annual* basis, revising the policy limits to
21 keep up with changes in valuation—i.e., that AAA was, every year, modifying the
22 Coverage A – Dwelling limits to keep current with rebuilding costs; (4) that AAA had
23 obtained and put in place insurance, such as the Policies, to insure the full replacement
24 cost necessary to replace Plaintiffs’ homes and that such insurance they had obtained on
25 behalf of Plaintiffs and at the request of Plaintiffs, including the Policies, would provide
26 full replacement cost coverage for losses sustained to Plaintiffs’ homes; and (5) that the
27 policy limits selected and put in place by AAA were “based on an estimate of the cost to
28 rebuild your home, including an approximate cost for labor and materials in your area,

1 and specific information that you have provided about your home.” Defendants also
2 repeatedly represented to Plaintiffs that the amount reflected as the coverage limits in
3 the Policies was sufficient to fully repair, rebuild, or replace Plaintiffs’ homes, to the
4 point that Defendants refused to permit Plaintiffs to procure much in the way of
5 additional or supplemental coverage for fear of its policyholders being “overinsured.”
6 Defendants also repeatedly provided statements that the policy limits selected by AAA
7 were based on full and complete “rebuild” estimates to the Plaintiffs in order to
8 convince them that they were adequately insured, and did in fact convince Plaintiffs
9 that the coverage estimates established by AAA would be sufficient to rebuild their
10 homes in the event of disaster.

11 100. Defendants AAA and DOES 1 through 100, inclusive, repeatedly
12 represented that it had particular expertise and skill in calculating rebuilding costs in
13 case of property loss, and was obliged to ensure that its calculations for rebuilding costs
14 were accurate—accurately determining both rebuilding costs and the commensurate
15 policy limits.
16

17 101. AAA’s representations were inaccurate—its cost estimating software was
18 woefully deficient in calculating replacement costs, the policy limits calculated and set
19 by AAA were massively short of the true cost to rebuild, the policy limits calculated
20 and set by AAA were not based on a true estimate, factoring in the cost of labor and
21 materials in Plaintiffs’ areas, and it left many Plaintiffs unable to replace or rebuild their
22 homes. AAA also knew, or should have known, that the insufficient data it collected
23 from homeowners, and the generalized assumptions made by its cost estimating
24 software, would not provide accurate estimates of the true rebuilding costs, and did not
25 provide a reasonable basis for calculating homeowners’ policy limits. AAA knew, or
26 should have known, that its representations were false when made.

27 102. Defendants AAA and DOES 1 through 100, inclusive, knew, or should
28 have known, the Plaintiffs could and would rely upon such representations of these

1 Defendants regarding the type, amount, and nature of coverage that they possessed and
2 would rely on the fact that it was being represented to Plaintiffs, that Plaintiffs
3 possessed sufficient and adequate insurance coverage to repair, replace, or rebuild their
4 home in the event of disaster, as represented by the coverage limits in the Policies.
5 Indeed, Plaintiffs purchased AAA insurance in substantial part *because of* AAA's false
6 representations about its cost estimating software, supposed accuracy of rebuild
7 estimates, and alleged sufficiency of policy limits.

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9 103. Plaintiffs were justified in relying, and reasonably relied, on the
10 representations of Defendants AAA and DOES 1 through 100, inclusive, as these
11 Defendants represented themselves as reputable, highly specialized and competent and
12 sophisticated insurers in the business of providing full and adequate insurance to
13 replace, rebuild, or repair Plaintiffs' homes in the event of disaster. In justifiably relying
14 upon these representations, Plaintiffs purchased the Policies, paid the premiums
15 thereon, and Plaintiffs did not seek insurance coverage elsewhere.

16 104. In addition, Defendants AAA and DOES 1 through 100, inclusive,
17 negligently failed to disclose that the insurance that Plaintiffs had requested, including
18 the Policies, and that Defendants had represented had been obtained, would not in fact
19 provide adequate or full replacement cost coverage for Plaintiffs. Instead, the coverage
20 actually obtained fell hundreds of thousands or even more than a million dollars short
21 of providing adequate replacement cost coverage.

22 105. Plaintiffs are informed and believe and there upon allege that Defendants
23 AAA and DOES 1 through 100, inclusive, negligently misrepresented and negligently
24 failed to disclose other matters regarding the Policies, these acts or omissions of which
25 Plaintiffs are presently unaware but which may be determined through discovery and
26 will be presented at time of trial. These other acts or omissions of these Defendants
27 would constitute further negligent misrepresentation on the part of these Defendants.
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1 full replacement cost coverage for losses sustained to Plaintiffs' homes; and (5) that the
2 policy limits selected and put in place by AAA were "based on an estimate of the cost to
3 rebuild your home, including an approximate cost for labor and materials in your area,
4 and specific information that you have provided about your home." Defendants also
5 repeatedly represented to Plaintiffs that the amount reflected as the coverage limits in
6 the Policies was sufficient to fully repair, rebuild, or replace Plaintiffs' homes, to the
7 point that Defendants refused to permit Plaintiffs to procure sufficient additional or
8 supplemental coverage for fear of its policyholders being "overinsured." Defendants
9 also repeatedly provided projected "rebuild" estimates to the Plaintiffs in order to
10 convince them that they were adequately insured, and did in fact convince Plaintiffs
11 that the coverage estimates established by AAA would be sufficient to rebuild their
12 homes in the event of disaster. By way of specific example, subject to supplementing
13 with further information as discovery into this matter continues, AAA made the
14 following statements or representations to each of the Plaintiffs regarding the policy
15 limits and the cost to rebuild their homes:

- 17 a. AAA made a specific representation to each Plaintiff in both the annual
18 notice and on the Declarations Page of each policy that the: "The limit of
19 liability for this structure (Coverage A – Dwelling) is based on an estimate
20 of the cost to rebuild your home, including an approximate cost for labor
21 and materials in your area, and specific information that you have
22 provided about your home." Plaintiffs are informed and believe that this
23 representation was false and inaccurate.
- 24 b. AAA made a specific representation in the conditions section of the
25 policy—that, on an annual basis, AAA would revise the Coverage A –
26 Dwelling limit "to account for inflation, current building costs, changes in
27 the cost of items of personal property, and other factors. Any adjustment
28 of the amount of the COVERAGE A limit of liability will result in

- 1 proportionate adjustments of the amounts of limits of liability” for the
2 other coverages.” Plaintiffs are informed and believe that this
3 representation was false and inaccurate.
- 4 c. To qualify for extended replacement cost, the insured *had* to insure the
5 dwelling at the amount AAA calculated was the necessary amount to
6 qualify as replacement cost *and* accept any increase in coverage calculated
7 by AAA on a yearly basis, if such increased was “considered necessary”
8 by AAA. Invariably, this amount for full replacement cost was the
9 Coverage A limits *calculated by AAA*. Plaintiffs are informed and believe
10 that this representation was false and inaccurate.
- 11 d. AAA also spent years representing that it adequately and fully accounted
12 for Plaintiffs’ homes architecture, building materials, finishes, and other
13 details that contribute to determine rebuilding costs—yet failed to
14 adequately consider these parameters and instead relied on insufficient
15 data to create, recommend, and implement substantially insufficient
16 policy limits. AAA also spent years knowing it was required to comply
17 with a California regulation that was intended to provide more accurate
18 replacement cost estimates, and yet still either ignored or willfully
19 undervalued the estimates it provided. Plaintiffs are informed and
20 believe that this representation was false and inaccurate.
- 21 e. Based upon information and belief, Plaintiffs were also repeatedly assured
22 that based on AAA’s projected rebuild costs with extended replacement
23 cost or Code Upgrade coverage, their homes were fully insured and that
24 AAA would not allow (or would argue against) additional insurance
25 because AAA had determined the limits would allow Plaintiffs to fully
26 rebuild their homes. Based on the events during and following the Los
27 Angeles County Wildfires, these representations were false by a *large*
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margin and misrepresented the actual replacement cost estimate for Plaintiffs’ properties.

f. In addition, AAA did not provide Plaintiffs with a copy of the estimate it generated to determine replacement cost value with the declaration page or at any other time prior to the fire. AAA did not advise Plaintiffs of material facts necessary to qualify the “half-truth” in the declaration page, or otherwise at that time, including but not limited to the following information that Plaintiffs are informed and believe AAA knew, believed to be true and/or should have known or believed at that time: (a) the estimate AAA calculated to rebuild their home was inaccurate, incomplete and/or would likely not be sufficient in the case of a total loss, (b) historically AAA’s estimates of replacement value had been low and insufficient to cover the cost to rebuild especially in the case of a catastrophe such as a wildfire, (c) AAA’s replacement cost estimate would be low and inadequate in the case of a total loss caused by a catastrophe even when including the extended replacement cost coverage, (d) that Plaintiffs should not rely on AAA’s estimate of the cost to rebuild in determining the amount of homeowners insurance coverage, (e) that AAA’s estimate of the cost to rebuild on which it based the Coverage A limit was intended only to function as one of several sources of information in estimating a replacement costs, or (f) that AAA’s estimate of the cost to rebuild was not guaranteed to represent actual replacement costs in the event of damage or loss. AAA also did not advise Plaintiffs that they should obtain any additional information regarding the cost to rebuild their home from any other source aside from AAA. Plaintiffs reasonably relied on CSAA’s representation and omissions.

1 110. Based on information and belief, AAA and DOES 1 through 100 knew
2 their representations were false when made or made these representations with reckless
3 disregard for their truth. As a large insurance company, with millions of policyholders
4 and billions in premiums per year, AAA knows that it cannot provide an accurate
5 estimate of rebuilding costs by simplistically looking at a home’s characteristics without
6 fully and accurately evaluating the home’s architecture, building materials, finishes,
7 upgrades, and other details that substantially determine rebuilding costs. This is
8 particularly true in the event of a disaster, where “surge” pricing due to limited
9 contractors and materials often substantially increases costs. Yet it failed to prepare full,
10 adequate, and accurate replacement cost estimates for its insureds, including Plaintiffs,
11 leading to policy limits that were drastically short of the amount required to rebuild
12 their homes to pre-loss condition. Based on information and belief, AAA has received
13 numerous complaints over the years about underestimating replacement cost coverage
14 and short-changing many insureds when they were most desperate. This has been an
15 ongoing and consistent problem for AAA after every catastrophe, particularly in
16 California, going back to the time AAA forced policyholders to switch to replacement
17 cost value coverage (i.e., away from *guaranteed* replacement cost coverage) in the 1990s.
18 Yet despite actual notice of the problems with its cost estimating software and decades
19 of “low” estimates resulting in underinsurance for policyholders, AAA continues to
20 make these representations to insureds, leaving them drastically unprepared when
21 something like a wildfire strikes.
22

23 111. Further, based on information and belief, AAA and DOES 1 through 100
24 did not intend to perform their promise to provide adequate replacement cost
25 coverage—repeatedly represented to Plaintiffs by AAA personnel, by the Policy
26 language, and in how AAA sold its policies—at the time the promise was made.
27 Instead, AAA deliberately undersold or underestimated replacement cost coverage and
28 placed its insureds in peril. The falsity of AAA’s promise came true shortly after the

1 Los Angeles County Wildfires, in that AAA has numerous insureds, including
2 Plaintiffs, who are hundreds of thousands or even more than a million dollars “short”
3 of the actual cost to replace, repair, or rebuild their homes. That actual cost far exceeds
4 the amount represented by AAA to be the “full” amount of Plaintiffs’ replacement cost.

5 112. Defendants AAA and DOES 1 through 100, inclusive, knew that their
6 representations about the adequacy of Plaintiffs’ policy limits were false, but continued
7 making such false statements in order to induce homeowners, including Plaintiffs, to
8 buy or renew AAA insurance, so that AAA could maintain or increase its market
9 share—placing AAA’s profits and competitive pricing over the interests of its insureds.

10 113. Defendant AAA and DOES 1 through 100’s representations about the
11 adequacy of policy limits for Plaintiffs’ homes were false at the time they were made, as
12 Defendants had drastically underestimated the necessary policy limits, had done so for
13 years, and had ready knowledge of the falsity of those representations.

14 114. Defendants AAA and DOES 1 through 100, inclusive, knew that, and
15 intended that, the Plaintiffs could and would rely upon such representations of these
16 Defendants regarding the type, amount, and nature of coverage that they possessed and
17 would rely on the fact that it was being represented to Plaintiffs, that Plaintiffs
18 possessed sufficient and adequate insurance coverage to repair, replace, or rebuild their
19 home in the event of disaster, as represented by the coverage limits in the Policies.
20 Plaintiffs purchased, renewed, or maintained their AAA policies in substantial part
21 based upon the representations of Defendants and were induced to obtain or continue
22 those policies through the time of the Los Angeles County Wildfires.
23

24 115. Plaintiffs were justified in relying, and did rely, on the representations of
25 Defendants AAA and DOES 1 through 100, inclusive, as these Defendants represented
26 themselves as reputable, specialized, competent and sophisticated insurance personnel
27 in the business of providing full and adequate insurance to replace, rebuild, or repair
28 Plaintiffs’ homes in the event of disaster. In justifiably relying upon these

1 representations, Plaintiffs purchased the Policies, paid the premiums thereon, and
2 Plaintiffs did not seek insurance coverage elsewhere.

3 116. In addition, Defendants AAA and DOES 1 through 100, inclusive,
4 intentionally failed to disclose that the insurance that Plaintiffs had requested, including
5 the Policies, and that Defendants had represented had been obtained, would not in fact
6 provide adequate replacement cost coverage for Plaintiffs. Instead, the coverage
7 actually obtained fell hundreds of thousands or even more than a million dollars short
8 of providing adequate replacement cost coverage.

9 117. Plaintiffs are informed and believe and there upon allege that Defendants
10 AAA and DOES 1 through 100, inclusive, intentionally misrepresented and
11 intentionally failed to disclose other matters regarding the Policies, these acts or
12 omissions of which Plaintiffs are presently unaware but which may be determined
13 through discovery and will be presented at time of trial. These other acts or omissions
14 of these Defendants would constitute further misrepresentation on the part of these
15 Defendants.

16 118. As a proximate result of these Defendants' conduct, Plaintiffs have
17 suffered damages and harm including economic and consequential damages in a total
18 amount to be shown at the time of trial.

19 119. As a further proximate result of these Defendants' conduct, Plaintiffs have
20 suffered damages and harm including general and emotional distress damages in a
21 total amount to be shown at the time of trial.

22 120. Defendants engaged in despicable conduct with a willful and conscious
23 disregard of the rights of Plaintiffs, subjected Plaintiffs to cruel and unjust hardship in
24 conscious disregard of Plaintiffs' rights, or Defendants made intentional
25 misrepresentations of material fact with the intention to deprive Plaintiffs of property or
26 legal rights or to otherwise cause injury, such as to constitute malice, oppression, or
27 fraud under California Civil Code § 3294, thereby entitling Plaintiffs to punitive
28

1 damages in an amount appropriate to punish or set an example of Defendants and their
2 conduct.

3
4 **SIXTH CAUSE OF ACTION**

5 **(Violation of California Unfair Competition Law, Bus. & Prof. Code § 17200, et seq.)**

6 ALL PLAINTIFFS FOR A SIXTH CAUSE OF ACTION AGAINST
7 DEFENDANTS AAA AND DOES 1 THROUGH 100, INCLUSIVE, FOR UNFAIR
8 COMPETITION, ALLEGE:

9 121. Plaintiffs refer to each and every paragraph of this complaint and
10 incorporate those paragraphs as though set forth in full in this cause of action.

11 122. Defendant AAA and DOES 1 through 100, inclusive, are “persons” subject
12 to the California Unfair Competition Law (“UCL”) pursuant to Business and
13 Professions Code section 17201.

14 123. The UCL prohibits acts of “unfair competition,” including any “unlawful,
15 unfair or fraudulent business act or practice.” (Cal. Bus. & Prof. Code § 17200.)

16 124. California Business & Professions Code § 17204 permits individuals, such
17 as Plaintiffs, to institute an action on behalf of the general public to obtain injunctive
18 and restitutionary relief against persons and entities that engage in unfair business
19 practices and/or unfair competition.

20 125. Defendants' acts and practices, including the faulty estimates establishing
21 Plaintiffs' insurance policy limits and promising that those limits would equal full
22 replacement cost coverage, as alleged in this Complaint, constitute unlawful, unfair,
23 and fraudulent business practices, in violation of the Unfair Competition Law, Cal. Bus.
24 & Prof. Code §§ 17200 et seq.

25 126. Defendants' acts and practices constitute unlawful business practices, as
26 they violate 10 California Code of Regulations § 2695.183, Standards for Estimates of
27 Replacement Value. Section 2695.183 provides that "no licensee shall communicate an
28

1 estimate of replacement cost to an applicant or insured in connection with an
2 application for or renewal of a homeowners' insurance policy that provides coverage on
3 a replacement cost basis" unless certain "requirements and standards" are met. Among
4 these requirements and standards are "consideration of components and features of the
5 insured structure," including "at least" the following criteria:

- 6 (1) Cost of labor, building materials and supplies;
- 7 (2) Overhead and profit;
- 8 (3) Cost of demolition and debris removal;
- 9 (4) Cost of permits and architect's plans; and
- 10 (5) Consideration of components and features of the insured structure, including
at least the following:
 - 11 (A) Type of foundation;
 - 12 (B) Type of frame;
 - 13 (C) Roofing materials and type of roof;
 - 14 (D) Siding materials and type of siding;
 - 15 (E) Whether the structure is located on a slope;
 - 16 (F) The square footage of the living space;
 - 17 (G) Geographic location of property;
 - 18 (H) Number of stories and any nonstandard wall heights;
 - 19 (I) Materials used in, and generic types of, interior features and finishes,
such as, where applicable, the type of heating and air conditioning system,
walls, flooring, ceiling, fireplaces, kitchen, and bath(s);
 - 20 (J) Age of the structure or the year it was built; and
 - 21 (K) Size and type of attached garage.

22 127. Defendants' method of calculating the replacement cost of Plaintiffs'
23 homes materially failed to consider several of these components and features of
24 Plaintiffs' insured structures. As a result, Plaintiffs are underinsured and unable to
replace and/or rebuild their homes to their pre-loss condition.

25 128. In addition, Defendants have refused to create proper claim documents,
26 conduct a prompt, fair, and thorough investigation, provide all payments due and
27 owing under the policies, as well as prepare and submit proper scopes of loss. (See, Cal.
28 Ins. Code §§ 10103.5, 10082.3.) Defendants also violated California Insurance Code

1 Sections 678 (by failing to provide adequate notice of changes in policy conditions) and
2 10103 (requiring AAA to provide adequate replacement cost estimates as part of the
3 yearly policy renewal).

4 129. Defendants' acts and practices, as alleged above, are (1) substantially
5 injurious to Plaintiffs and AAA policyholders; (2) any claimed utility of Defendants'
6 conduct is outweighed by the harm to Plaintiffs and AAA policyholders; and (3) the
7 injury is not one that consumers reasonably could have avoided.

8 130. Defendants' acts and practices constitute unfair, unlawful and/or
9 fraudulent business practices in that they are likely to deceive a reasonable consumer by
10 causing policyholders, like Plaintiffs, to believe that AAA had accurately calculated
11 replacement costs in the event of a loss to their homes. Had Plaintiffs not been misled,
12 Plaintiffs would have used alternative means of calculating the replacement costs of
13 their homes, and would not have relied on Defendants' calculations and
14 recommendations to adopt their policy limits.

15 131. Defendants represented themselves as experts regarding the calculation of
16 replacement costs, and Plaintiffs could not reasonably be expected to learn or discover
17 the true facts related to these calculations without accurate disclosure.

18 132. As a direct and proximate result of Defendants' unlawful, unfair, and
19 fraudulent business practices, Plaintiffs have suffered injury in fact and lost money or
20 property, in that they suffered monetary loss from having their policy limits set too low
21 as a result of Defendants' unfair business practices.

22 133. Defendants' misrepresentations and omissions regarding the calculation
23 of replacement value on Plaintiffs' homes were material and likely to deceive reasonable
24 consumers such as Plaintiffs.

25 134. Pursuant to section 17203 of the California Business and Professions Code
26 and available equitable powers, Plaintiffs are entitled to a preliminary and permanent
27 injunction enjoining Defendants from continuing the unlawful and unfair business
28 practices described above. This specifically includes an injunction precluding AAA

1 from continuing to adjust their claims based on the incorrect policy limits stated in their
2 respective declaration pages and requiring AAA adjust their claims based on the “full”
3 replacement cost of the dwelling plus extended replacement cost, and corresponding
4 limits, including for Coverages B through D, based on the correct calculation of
5 Coverage A at the “full” replacement cost coverage. This also specifically includes an
6 injunction precluding AAA from enforcing any policy provisions that were changed
7 without providing Plaintiffs with the required notice.

8 135. In addition, Plaintiffs are entitled to recover reasonable attorneys' fees
9 pursuant section 1021.5 of the California Code of Civil Procedure.

10 SEVENTH CAUSE OF ACTION

11 (Reformation)

12 ALL PLAINTIFFS FOR A SEVENTH CAUSE OF ACTION AGAINST
13 DEFENDANTS AAA AND DOES 1 THROUGH 100, INCLUSIVE, FOR
14 REFORMATION, ALLEGE:

15 136. Plaintiffs refer to each and every paragraph of this complaint and
16 incorporate those paragraphs as though set forth in full in this cause of action.

17 137. Plaintiffs' respective insurance policies do not reflect the actual agreement
18 of the parties. Whereas AAA and each respective Plaintiff agreed that AAA would
19 provide policy coverage sufficient to cover the cost of rebuilding Plaintiffs' homes, the
20 policy limit derived from AAA's faulty estimation is grossly inadequate.

21 138. This error came about through AAA's fraudulent representation that it
22 had accurately calculated the cost of rebuilding each Plaintiff's home, and its fraudulent
23 promise to fully cover the rebuilding costs of each Plaintiff's home, and that the policy
24 limits set by AAA were the full or necessary replacement cost for each Plaintiff's home.

25 139. Alternatively, the incorrect policy limits came about through Plaintiffs'
26 reliance on Defendants' negligent and intentional misrepresentation AAA had
27 accurately calculated the cost of rebuilding each of Plaintiffs' homes. AAA had reason to
28

1 know that Plaintiffs would and had believed its representations because it held itself
2 out as an expert with special knowledge in the area of loss estimation, utilized its own
3 captive employees and calculator to perform the required estimations, and repeatedly
4 represented to Plaintiffs that the estimations were sufficient for repairing or rebuilding
5 Plaintiffs' homes to pre-loss condition.

6 140. Plaintiffs therefore request that their respective insurance policies are
7 reformed to reflect the true intent of the parties, which is that their homeowners'
8 insurance policies compensate them for the true cost of rebuilding their homes,
9 notwithstanding the stated policy limits.

10 PRAYER FOR RELIEF

11 WHEREFORE, Plaintiffs pray for judgment against Defendants, and each of
12 them, as follows:

- 13 1. For an award of Plaintiffs' past, present, and future economic, general,
14 special, actual, and compensatory damages as proven at the time of trial;
- 15 2. For reformation of Plaintiffs' insurance policies to mandate coverage for
16 the true cost of rebuilding Plaintiffs' homes, as well as increases in the
17 other Coverages based on that true cost, notwithstanding the stated policy
18 limits;
- 19 3. For prejudgment interest on all damages awarded to Plaintiff in
20 accordance with California Civil Code sections 3287 and/or 3288 or as
21 allowable by law;
- 22 4. For attorneys' fees, witness fees, and costs of litigation incurred by
23 Plaintiff to obtain the Policy, promised, and other benefits in an amount to
24 be determined at trial;
- 25 5. For punitive and exemplary damages in an amount appropriate to punish
26 or set an example of these Defendants;
- 27 6. For injunctive relief:
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- a. enjoining AAA from adjusting claims based on AAA’s faulty estimates of replacement cost value;
- b. compelling AAA to accept reasonable scope of loss reports, estimates and bids submitted by Plaintiffs when adjusting Plaintiffs’ claims, and pay for same;
- c. enjoining AAA from continuing to adjust their claims based on the incorrect policy limits stated in their respective declaration pages;
- d. Enjoining AAA from enforcing any policy provisions that were changed without providing Plaintiffs with the required notice, and
- e. enjoining all other continuing unlawful and unfair business practices.

7. For such other and further relief as the Court deems just and proper.

Dated: June 4, 2025

BENTLEY & MORE LLP

By: 


GREGORY L. BENTLEY
STEVEN SCHUETZE
MATTHEW W. CLARK
CLARE H. LUCICH
Attorneys for Plaintiffs

DEMAND FOR JURY TRIAL

Plaintiffs hereby demand a trial by jury.

Dated: June 4, 2025

BENTLEY & MORE LLP

By: 

GREGORY L. BENTLEY
STEVEN SCHUETZE
MATTHEW W. CLARK
CLARE H. LUCICH
Attorneys for Plaintiffs



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EXHIBIT A



INTERINSURANCE EXCHANGE OF THE AUTOMOBILE CLUB

STATE OF CALIFORNIA

DMS - CA Imaging

JAN 17 2025

Received without envelope

I, Nicole Baccari-Haage, hereby certify that the attached is a true copy of the insurance issued by the Interinsurance Exchange of the Automobile for the policy period beginning on the that was in effect on Eighth day of January 2025.

[Handwritten signature of Nicole Baccari-Haage]

Nicole Baccari-Haage
Underwriter Manager
Insurance Underwriting

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document, to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California

County of Orange

Subscribed and sworn to (or affirmed) before me on this 17th day of January, 2025, by
Date Month Year

(1) Nicole Baccari-Haage
Name of Signer

proved to me on the basis of satisfactory evidence to be the person who appeared before me (.) (.)

(and

(2)
Name of Signer

proved to me on the basis of satisfactory evidence to be the person who appeared before me.)

Signature Stacy Hart
Signature of Notary Public



Place Notary Seal Above

NBH:KW





Interinsurance Exchange of the Automobile Club

AAA YourHome - Homeowners Policy Coverages and Limits Renewal Declarations - Form 3

We are pleased to offer you a renewal for your homeowners insurance policy. To renew your policy, send at least the minimum payment on or before the due date. Insurance is in effect only for the coverages and limits of liability shown on this declarations page and as set forth in the insurance policy and endorsements. These declarations, together with the contract and the endorsements in effect, complete your policy.

YOUR NAME AND MAILING ADDRESS (Named Insured)

HOMEOWNERS POLICY NUMBER

POLICY PERIOD (PACIFIC STANDARD TIME)

THIS POLICY IS EFFECTIVE

LOCATION OF RESIDENCE PREMISES (if different from mailing address above)

YEAR BUILT:

COVERAGES AND LIMITS OF LIABILITY - Coverages are subject to all conditions of this policy.

Part I Property Coverages

Description		Deductible*	Limits***
Dwelling	Coverage A**	Yes	
Other Structures	Coverage B**	Yes	
Unscheduled Personal Property	Coverage C	Yes	
Loss of Use	Other Coverages 1. (20% of the amount of Coverage A)	Yes	
Building Code Upgrade	Other Coverages 5. (10% of the amount of Coverage A)	Yes	

The limit of liability for this structure (Coverage A) is based on an estimate of the cost to rebuild your home, including an approximate cost for labor and materials in your area, and specific information that you have provided about your home.

*A deductible of \$20,000 applies to any covered loss resulting from discharge, leakage or overflow of water or steam from any plumbing, heating, air conditioning or fire sprinkler system, or any fixture or appliance. A deductible of \$20,000 applies to any other covered loss.

Part I limits may have been increased using an inflation factor.

** Coverage A and Coverage B - Extended Replacement Cost Included

*** Lower limits may apply to specific losses. Please review your policy and endorsements for any limitations.

Part II Liability Coverages

Description		Limits
Personal Liability	Coverage D (Bodily Injury and Property Damage) - Each Occurrence (Personal Injury) in the Aggregate	\$500,000
Medical Payments to Others	Coverage E - Each Person	\$1,000

Part IV Workers' Compensation and Employers' Liability Coverages

Description	
Workers' Compensation	Coverage F - Statutory
Employers' Liability	Coverage G (per Conditions Part IV Provision 3)
Residence Employees - Outservant(s) 00 / Inservant(s) 00	

PREMIUM DISCOUNTS APPLIED TO YOUR POLICY

Multi Policy	Roof Type	Mature	Fire Alarm	Single Story	Loyalty
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PREMIUM SUMMARY

Additional Coverages

• If you choose to pay less than the full outstanding balance, a \$6 fee applies to each installment billed, as stated in your billing statements which are part of these declarations. The fee may be reduced if you select to pay using our automatic payment plan.

THIS POLICY INCLUDES BUILDING CODE UPGRADE COVERAGE. PLEASE SEE THE ENCLOSED DISCLOSURE THAT STATES THE TERMS, LIMITS, CONDITIONS, AND RESTRICTIONS OF THIS COVERAGE.

THIS POLICY DOES NOT PROVIDE COVERAGE AGAINST THE PERIL OF EARTHQUAKE.

CAH1200A
E20210219
120423

PROCESS DATE: 12-04-2023

PLEASE KEEP WITH YOUR POLICY

(SEE REVERSE)

Interinsurance Exchange of the Automobile Club
AAA YourHome - Homeowners Policy Coverages and Limits
Renewal Declarations - Form 3 (Continued)

ENDORSEMENTS IN EFFECT

Endorsement Number	Description	Limits	Premium
HO-402	AAA YOURHOME PACKAGE ENDORSEMENT		Included
HO-216	ALARM OR FIRE PROTECTION SYSTEM		
HO-2395	AMENDATORY ENDORSEMENT		
438BFU	LENDER'S LOSS PAYABLE ENDORSEMENT		

Any loss under Part I - PROPERTY COVERAGES - is payable as interest may appear to you and the following listed:

PERSON DESIGNATED TO RECEIVE NONPAYMENT OF PREMIUM NOTICES:

An individual designated by a policyholder to receive notice of lapse, termination, expiration, nonrenewal, or cancellation of the policy for nonpayment of premium does not have any rights, whether as an additional insured or otherwise, to any benefits under the policy, other than the right to receive notice.



INTERINSURANCE EXCHANGE of the Automobile Club

AAA YourHome Package Endorsement

HO-402

Effective 12:01 a.m. Pacific Standard Time

Forming a part of Policy No. [REDACTED] issued by the INTERINSURANCE EXCHANGE OF THE AUTOMOBILE CLUB.

For purposes of this endorsement and subject to all the provisions of your Homeowners policy, it is agreed that the coverage provided under PART I – PROPERTY COVERAGES of your policy has been changed as follows:

A. EXTENDED REPLACEMENT COST COVERAGE

Under CONDITIONS – PART I, provision 4. Loss Settlement and Limit of Liability, section d. is deleted and replaced as follows:

d. We will settle covered losses to buildings as follows:

(1) If the amount of a covered loss does not exceed \$5,000, we may, at our option, pay the **replacement cost** of the damaged or destroyed part of the building before repair or replacement is made.

(2) If the loss is not subject to payment under (1) above, and:

(a) If you elect not to repair or replace, we will settle for the lower of:

i. the **replacement cost** less **depreciation**, but not less than the fair market value at the time of the loss, of the damaged or destroyed part of the building;

ii. the limit of liability stated in the declarations for COVERAGE A – DWELLING for loss to the dwelling, or for COVERAGE B – OTHER STRUCTURES for loss to other buildings.

(b) If you elect to repair or replace, we will settle for the lower of:

i. the **replacement cost** less **depreciation**;

ii. the limit of liability stated in the declarations for COVERAGE A – DWELLING for loss to the dwelling, or for COVERAGE B – OTHER STRUCTURES for loss to other buildings;

until repair or replacement is completed as required.

After repair or replacement is completed as required, we will settle on a **replacement cost** basis for any additional cost you actually and necessarily incurred to repair or replace the damaged or destroyed part of the building, not to exceed the amount of the limit of liability stated in the declarations for COVERAGE A – DWELLING for loss to the dwelling, or for COVERAGE B – OTHER STRUCTURES for loss to other buildings.

Repair or replacement is considered completed as required if:

i. it was completed within 18 months of the date of the first payment described under (a) above; or

ii. in the event of a state of emergency, as defined in section 8558 of the Government Code, it was completed within 36 months of the date of the first payment described under (a) above.

Extensions of six months to complete the repair or replacement shall be provided for good cause if you, acting in good faith and with reasonable diligence, encounter a delay or delays in approval for, or reconstruction of, the dwelling that are beyond your control.

AAA YourHome Package Endorsement
(CONTINUED)

HO-402

Circumstances beyond your control include, but are not limited to, unavoidable construction permit delays, the lack of necessary construction materials, or the unavailability of contractors to perform the necessary work.

Any loss claimed under (b) above that becomes ineligible for **replacement cost** settlement because repair or replacement was not completed as required will be settled as described under (a) above.

(c) If the declarations indicate that Extended Replacement Cost coverage is afforded; and

i. you have elected to repair or replace the dwelling or other buildings; and

ii. you have met all of the following requirements:

(i) you have accepted any changes in the valuation of covered property we considered necessary; and

(ii) you have notified us within the 30 calendar days before the completion of:

I. the remodeling of or any addition to the dwelling covered under COVERAGE A – DWELLING; or

II. the construction of new buildings or the remodeling of or addition to existing buildings covered under COVERAGE B – OTHER STRUCTURES;

that will increase the cost to replace the buildings covered under COVERAGE A – DWELLING and COVERAGE B – OTHER STRUCTURES by \$15,000 or more; and

(iii) you have paid any additional premium resulting from any increase in value;

any loss that exceeds the amount of the applicable limit of liability stated in the declarations for COVERAGE A – DWELLING or COVERAGE B – OTHER STRUCTURES will be settled as described under (b) above in an amount up to 125% of the limit of liability stated in the declarations for the damaged or destroyed property.

You must comply with all of the conditions described under (c) above or we will pay no more than the limit of liability stated in the declarations for COVERAGE A – DWELLING or COVERAGE B – OTHER STRUCTURES on the date of loss, less the applicable deductible.

If our payment under this provision for any loss to the dwelling exceeds the amount of the limit of liability stated in the declarations for COVERAGE A – DWELLING, the amounts of the limits of liability:

i. stated in the declarations for COVERAGE B – OTHER STRUCTURES and COVERAGE C – PERSONAL PROPERTY;

ii. stated in the policy as a percentage of the amount of the limit of liability for COVERAGE A – DWELLING, COVERAGE B – OTHER STRUCTURES or COVERAGE C – PERSONAL PROPERTY;

will be increased with respect to that loss by the same percentage by which our payment for loss to the dwelling exceeds the amount of the limit of liability stated in the declarations for COVERAGE A – DWELLING.

This coverage does not apply to a building under construction.

B. PERSONAL PROPERTY REPLACEMENT COST COVERAGE

The following Personal Property Replacement Cost Coverage has been added to your policy under OTHER COVERAGES – PART I:

1. Covered losses to the following property will be settled at the replacement cost at the time of loss:
 - a. Personal property described under CONDITIONS – PART I, provision 4., section b.
 - b. Awnings, carpeting, household appliances, outdoor antennas and outdoor equipment.
 - c. The following articles or classes of property specifically insured and separately described in the policy:
 - (1) camera equipment;
 - (2) silverware, silver-plated ware, goldware, gold-plated ware, and pewterware, but excluding pens, pencils, flasks, smoking implements or jewelry;
 - (3) furs, garments trimmed with fur, and items that derive their principal value from fur;
 - (4) firearms, cases, holsters and similar articles of equipment;
 - (5) musical instruments and related articles of equipment;
 - (6) golf equipment, meaning golf clubs, golf shoes and other golf equipment not including wearing apparel and golf balls.

Under b. and c. above, replacement cost coverage does not apply to articles that are not maintained in good or workable condition or that are outdated or obsolete and are stored and not being used.
2. In case of covered loss to property described above in provision 1., we will pay the lowest of the following:
 - a. the **replacement cost**;
 - b. the full cost of repair at the time of the loss;
 - c. the amount of the limit of liability stated in the declarations, as applicable to the property;
 - d. the amount of any special limit of liability stated in the policy;
 - e. for any article specifically insured and separately described in the policy, the amount of the limit of liability stated in the policy for that item.
3. Payment of **replacement cost** is subject to the following provisions:
 - a. If the amount of a loss covered under this coverage does not exceed \$1,000, we may, at our option, pay the **replacement cost** of lost or damaged property before repair or replacement is made.
 - b. If the loss is not subject to a. above, we will pay no more than the **replacement cost less depreciation** of the lost or damaged property. Actual repair or replacement must be completed within 24 months of the date of initial settlement under this provision.

However, if the loss is related to a state of emergency, as defined in section 8558 of the Government Code, then actual repair or replacement must be completed within 36 months of the date of initial settlement under this provision.

Extensions of six months to complete the repair or replacement shall be provided for good cause if you, acting in good faith and with reasonable diligence, encounter a delay or delays in approval for, or reconstruction of, the dwelling that are beyond your control.

Circumstances beyond your control include, but are not limited to, unavoidable construction permit delays, the lack of necessary construction materials, or the unavailability of contractors to perform the necessary work.

AAA YourHome Package Endorsement
(CONTINUED)

HO-402

- c. Settlement of any loss not eligible for **replacement cost** because b. above was not complied with will be concluded for **replacement cost** less **depreciation**, but not less than the fair market value at the time of the loss.

This coverage does not increase the amount of any limit of liability stated in the policy, including the declarations and any applicable endorsements, for property covered under this coverage.

All provisions of your policy not affected by this endorsement remain unchanged.

ACSC Management Services, Inc.
ATTORNEY-IN-FACT



INTERINSURANCE EXCHANGE of the Automobile Club

ALARM OR FIRE PROTECTION SYSTEM ENDORSEMENT

HO-216

Effective 12:01 a.m. Pacific Standard Time

[REDACTED] issued by the INTERINSURANCE EXCHANGE OF
THE AUTOMOBILE CLUB

PROPERTY COVERAGES - PART I

For a premium credit, we acknowledge the installation on the *residence premises* of an alarm system approved by us. You agree to:

1. maintain this system in working order; and
2. notify us promptly of:
 - a. any change made to the system;
 - b. the removal of the system.

All provisions of your policy not affected by this endorsement remain unchanged.

ACSC Management Services, Inc.
ATTORNEY-IN-FACT



INTERINSURANCE EXCHANGE of the Automobile Club

**THIS ENDORSEMENT CHANGES YOUR POLICY.
PLEASE READ IT CAREFULLY AND ATTACH IT TO YOUR POLICY.**

MEMBERS' HOMEOWNERS POLICY – FORM AMENDATORY ENDORSEMENT – CALIFORNIA

Effective 12:01 a.m. Pacific Standard Time



issued by the INTERINSURANCE EXCHANGE OF THE
AUTOMOBILE CLUB.

For purposes of this endorsement and subject to all the provisions of your Homeowners policy, it is agreed that the coverage provided under your policy has been changed as follows:

PART I – PROPERTY COVERAGES

A. WHAT PROPERTY IS NOT COVERED – COVERAGE C

Under WHAT PROPERTY IS NOT COVERED –
COVERAGE C, provision 5. is deleted and
replaced as follows:

Under COVERAGE C we do not cover:

...

- 5. Aircraft and parts. Aircraft means any contrivance used or designed for navigation of or flight in the air, except model aircraft of the hobby variety (including airplanes, helicopters, or drones) not used or designed to carry people or cargo.

B. OTHER COVERAGES – PART I

Under OTHER COVERAGES – PART I,
provision 1. LOSS OF USE is deleted and
replaced as follows:

1. LOSS OF USE

- a. If a loss covered under PART I makes the **residence premises** unfit to live in by rendering it unsafe for human habitation or by creating a condition that prevents the performance of any of the functions necessary for human habitation, we will pay:

- (1) Any reasonable and necessary increase in living expenses actually incurred by you while that part of the **residence premises** that you occupy is unfit to live in.
- (2) Actual loss of rental income while that part of the **residence premises** that is actually rented or leased to others is unfit to live in. Our payment shall be reduced by the expenses that do not continue while the rented part of the **residence premises** is unfit to live in.

Payment shall be for the shortest time required to repair or replace the damage or, if you permanently relocate, the shortest time required to establish your household elsewhere.

- b. If a civil authority prohibits you from occupying the **residence premises** as a result of direct damage to neighboring premises by a cause of loss covered under PART I, we will pay any reasonable and necessary increase in living expenses as described under (1) above, and actual loss of rental income as described under (2) above for a period not exceeding two weeks during which occupancy is prohibited.

However, if the event that caused the covered loss has been declared a state of emergency, as defined in section 8558 of the Government Code, additional extensions of two weeks for payment of any reasonable and necessary increase in living expenses as described under (1) above shall be provided for good cause while occupancy of the **residence premises** is prohibited by civil authorities.

The periods of time under a. and b. above are not limited by the expiration of the policy; however, the events causing the **residence premises** to become unfit to live in, or the order of civil authorities prohibiting you from occupying the **residence premises** must occur during the policy period.

We do not cover:

- a. Loss of use due to the **residence premises** becoming unfit to live in more than 12 months after the date of the physical loss that gave rise to the claim for loss of use.

MEMBERS' HOMEOWNERS POLICY – FORM 3
AMENDATORY ENDORSEMENT – CALIFORNIA
(CONTINUED)

However, if the event that caused the covered loss has been declared a state of emergency, as defined in section 8558 of the Government Code, we do not cover loss of use for your increase in living expenses due to the **residence premises** becoming unfit to live in more than 24 months after the date of the physical loss that gave rise to the claim for loss of use.

We shall grant an extension of up to 12 additional months, for a total of 36 months, if you, acting in good faith and with reasonable diligence, encounter a delay or delays in the reconstruction process that are the result of circumstances beyond your control. Circumstances beyond your control include, but are not limited to, unavoidable construction permit delays, lack of necessary construction materials, and lack of available contractors to perform the necessary work. Additional extensions of six months shall be provided to you for good cause.

- b. Loss of use due to the **residence premises** becoming unfit to live in because of the presence or **remediation** of mold, fungus, wet rot, dry rot, or bacteria, except as specifically covered under provision 14. of OTHER COVERAGES – PART I.
- c. Loss or expense due to the cancellation of a lease or agreement.
- d. Loss of use for an increase in living expenses due to a utility public safety power shut off event to deenergize a portion of the electrical distribution or transmission system to reduce the risk of wildfire ignition.

Our limit of liability under provision 1. shall not exceed 20% of the amount of the limit of liability stated in the declarations for COVERAGE A.

This coverage is additional insurance.

Under OTHER COVERAGES – PART I, provision 5. BUILDING ORDINANCE OR LAW is deleted and replaced as follows:

5. BUILDING ORDINANCE OR LAW

If a cause of loss covered under WHAT LOSSES ARE COVERED – COVERAGE A AND COVERAGE B results in direct damage to the dwelling, and a building ordinance or law that was in effect at the time of the loss is enforced because of that loss, and:

- a. You elect not to repair or replace the dwelling, or you elect to replace the dwelling at a location other than the **residence premises**, we will pay:
 - (1) the additional cost actually and necessarily incurred by you in connection with the direct damage to the dwelling and resulting from the enforcement of any applicable ordinance or law requiring the demolition, meaning the tearing down of the entire undamaged portion of the dwelling, and the removal of its debris;
 - (2) for loss to the undamaged portion of the dwelling demolished because of the enforcement of any ordinance or law.

Our limit of liability under this option shall not exceed 10% of the amount of the limit of liability of COVERAGE A for:

- (1) the cost actually and necessarily incurred by you under (1) above; and
- (2) the **replacement cost** less **depreciation**, but not less than the fair market value at the time of the loss, of the undamaged portion of the dwelling under (2) above.

- b. You elect to repair or replace the dwelling at the location of the **residence premises** or, if ordinance or law mandates relocation, you replace the dwelling at a location subject to generally the same building ordinances or laws as the **residence premises**, we will pay the additional cost actually and necessarily incurred by you in connection with the direct damage to the dwelling and resulting from the enforcement of any applicable ordinance or law:

MEMBERS' HOMEOWNERS POLICY – FORM 3
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(CONTINUED)

- (1) regulating the repair or replacement of the damaged portion of the dwelling;
- (2) requiring the demolition, meaning the tearing down and removing the debris of, and regulating the reconstruction of:
 - (a) the entire undamaged portion of the dwelling; or
 - (b) any part of the undamaged portion of the dwelling if necessary to:
 - i. repair the damaged portion;
 - ii. bring the undamaged portion into conformity with any applicable ordinance or law.

However, until repair or replacement is completed, we will pay no more than:

- (a) the cost actually and necessarily incurred by you for the demolition of any undamaged portion of the dwelling, including the removal of its debris; and
- (b) the **replacement cost less depreciation** of any undamaged portion of the dwelling.

Our limit of liability under this option shall not exceed 10% of the amount of the limit of liability of COVERAGE A for the additional cost actually and necessarily incurred by you under (1) and (2) above.

- c. In the event of a total loss of the dwelling and you elect to replace the dwelling at a location other than the **residence premises**, we will pay the additional cost actually and necessarily incurred by you in connection with the direct damage to the dwelling and resulting from the enforcement of any ordinance or law applicable to the **residence premises**:
 - (1) regulating the repair or replacement of the damaged portion of the dwelling;
 - (2) requiring the demolition, meaning the tearing down and removing the debris of, and regulating the reconstruction of:

- (a) the entire undamaged portion of the dwelling; or
- (b) any part of the undamaged portion of the dwelling if necessary to:
 - i. repair the damaged portion;
 - ii. bring the undamaged portion into conformity with any applicable ordinance or law.

However, until replacement is completed, we will pay no more than:

- (a) the cost actually and necessarily incurred by you for the demolition of any undamaged portion of the dwelling, including the removal of its debris; and
- (b) the **replacement cost less depreciation** of any undamaged portion of the dwelling.

Our limit of liability under this option shall not exceed 10% of the amount of the limit of liability of COVERAGE A for the additional cost actually and necessarily incurred by you under (1) and (2) above.

We do not cover:

- a. any additional cost resulting from the enforcement of any ordinance or law:
 - (1) you were required to comply with before the loss to the dwelling occurred, but failed to do so;
 - (2) requiring or regulating:
 - (a) the replacement, rebuilding, stabilization or other restoration of the land supporting the dwelling, or the application of any device or treatment to any land for the purpose of adding, protecting or restoring the stability of the dwelling;
 - (b) the testing for, cleanup or removal of, or other specified treatment of **pollutants**;

MEMBERS' HOMEOWNERS POLICY – FORM 3
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(CONTINUED)

- b. any lessening of the value of the dwelling resulting from the enforcement of any ordinance or law.

This coverage is additional insurance.

Under OTHER COVERAGES – PART I, provision 11. REFRIGERATED FOOD SPOILAGE is deleted.

C. WHAT LOSSES ARE NOT COVERED – PART I

Under WHAT LOSSES ARE NOT COVERED – PART I, provision 2., sections h. and i. are deleted and replaced as follows:

2. We do not cover any loss to property insured under COVERAGES A, B or C that is caused by, resulting from, contributed to or consisting of:

...

- h. INTENTIONAL LOSS, meaning loss arising out of any act or omission committed by or at the direction of:

- (1) the *insured*, with respect to the peril of fire; or
(2) any *insured*, with respect to any cause of loss other than fire;

with the intent to cause loss, or that could reasonably be expected to cause loss.

- i. INTERRUPTION OF POWER or other utility service if that interruption takes place away from the **residence premises**.

We do cover loss resulting from or occurring as a consequence of power or utility service interruption if that resulting loss is covered under PART I and occurs on the **residence premises**.

Under WHAT LOSSES ARE NOT COVERED – PART I, provision 3., section e., subsections (1) and (2) are deleted and replaced as follows:

3. We do not cover any loss to property insured under COVERAGES A or B that is caused by, resulting from, contributed to or consisting of:

...

- e. (1) WEAR AND TEAR, marring, deterioration;

- (2) continuous or repeated seepage or leakage of water or steam from within a plumbing, heating, air conditioning or automatic fire protective sprinkler system or from within a household appliance;

D. CONDITIONS – PART I

Under CONDITIONS – PART I, provision 2. Deductible is deleted and replaced as follows:

2. Deductible

We will pay only when the amount of a loss covered under PART I, or an expense covered under OTHER COVERAGES – PART I exceeds the amount of the deductible stated in the declarations, and then we will pay only the amount exceeding the deductible.

The deductible shall apply to all losses except losses paid under the following provisions of OTHER COVERAGES – PART I:

4. FIRE DEPARTMENT SERVICE CHARGE.
6. LOCKS.
8. REMOVAL OF PROPERTY.
12. CREDIT CARD, FUND TRANSFER CARD, FORGERY AND COUNTERFEIT MONEY.

Under CONDITIONS – PART I, provision 4. Loss Settlement and Limit of Liability, section d. is deleted and replaced as follows:

- d. We will settle covered losses to buildings as follows:

- (1) If the amount of a covered loss does not exceed \$5,000, we may, at our option, pay the **replacement cost** of the damaged or destroyed part of the building before repair or replacement is made.

- (2) If the loss is not subject to payment under (1) above, and:

- (a) If you elect not to repair or replace, we will settle for the lower of:

- i. the **replacement cost** less **depreciation**, but not less than the fair market value at the time of the loss, of the damaged or destroyed part of the building;

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- ii. the limit of liability stated in the declarations for COVERAGE A for loss to the dwelling, or for COVERAGE B for loss to other buildings.
- (b) If you elect to repair or replace, we will settle for the lower of:
- i. the **replacement cost less depreciation**;
 - ii. the limit of liability stated in the declarations for COVERAGE A for loss to the dwelling, or for COVERAGE B for loss to other buildings;

until repair or replacement is completed as required.

After repair or replacement is completed as required, we will settle on a **replacement cost** basis for any additional cost you actually and necessarily incurred to repair or replace the damaged or destroyed part of the building, not to exceed the amount of the limit of liability stated in the declarations for COVERAGE A for loss to the dwelling, or for COVERAGE B for loss to other buildings.

Repair or replacement is considered completed as required if:

- i. it was completed within 18 months of the date of the first payment described under (a) above; or
- ii. in the event of a state of emergency, as defined in section 8558 of the Government Code, it was completed within 36 months of the date of the first payment described under (a) above.

Extensions of six months to complete the repair or replacement shall be provided

for good cause if you, acting in good faith and with reasonable diligence, encounter a delay or delays in approval for, or reconstruction of, the dwelling that are beyond your control.

Circumstances beyond your control include, but are not limited to, unavoidable construction permit delays, the lack of necessary construction materials, or the unavailability of contractors to perform the necessary work.

Any loss claimed under (b) above that becomes ineligible for **replacement cost** settlement because repair or replacement was not completed as required will be settled as described under (a) above.

Our limit of liability for loss to any property insured under PART I shall not be increased because more than one person has an insurable interest in the property.

Under CONDITIONS – PART I, provision 9. Suits Against Us is deleted and replaced as follows:

9. Suits Against Us

We may not be sued unless all terms of this policy have been fully complied with. In addition, legal action may not be brought against us under PART I unless the action is started within one year after the date of loss.

However, if the loss is related to a state of emergency, as defined in section 8558 of the Government Code, legal action may not be brought against us under PART I unless the action is started within two years after the date of loss.

PART II – LIABILITY COVERAGES

Under WHAT LOSSES ARE NOT COVERED – PART II, provision 1., section a., section h., and section i. are deleted and replaced as follows:

1. Under COVERAGES D and E we do not cover:

- a. **Bodily injury** or **property damage** arising out of:

MEMBERS' HOMEOWNERS POLICY – FORM 3
AMENDATORY ENDORSEMENT – CALIFORNIA
(CONTINUED)

(1) Acts or omissions committed by or at the direction of any *insured* with the intent to produce ***bodily injury*** or ***property damage*** of any kind and in any degree.

(2) Intentional acts or omissions committed by or at the direction of any *insured* that could reasonably be expected to result in ***bodily injury*** or ***property damage*** of any kind and in any degree. This applies whether or not the *insured* forms the intent or has the mental capacity to form the intent to cause ***bodily injury*** or ***property damage***.

(3) Criminal acts or omissions committed by or at the direction of any *insured* that could reasonably be expected to result in ***bodily injury*** or ***property damage*** of any kind and in any degree. This exclusion applies whether or not the *insured* is charged with or convicted of a crime.

(4) Acts or omissions of a criminal nature committed by or at the direction of any *insured* while actually or allegedly insane, even if the *insured* lacks criminal responsibility by reason of such insanity. This exclusion applies whether or not the *insured* is charged with or convicted of a crime.

(5) Acts or omissions committed by or at the direction of any *insured* while under the influence of any ***drug***. This exclusion does not apply to any acts or omissions committed while under the influence of any prescription ***drug*** legally dispensed in the USA and taken under the order of and in compliance with the instructions of a physician licensed in the USA.

...

h. ***Bodily injury*** or ***property damage*** arising out of the ownership, maintenance, use, loading or unloading of aircraft, meaning any contrivance

used or designed for navigation of or flight in the air.

This exclusion does not apply to:

(1) model aircraft of the hobby variety (including airplanes, helicopters, or drones) not used or designed to carry people or cargo.

However, we do not cover ***bodily injury*** or ***property damage*** arising out of the ownership, maintenance, or use of a model aircraft of the hobby variety (including airplanes, helicopters, or drones) that:

(a) interferes with or results in a collision with any aircraft;

(b) interferes with the rendering of any emergency services or the duties of any firefighter, law enforcement, or emergency personnel; or

(c) violates any federal, state, or local law, ordinance or regulation.

(2) ***bodily injury*** to ***residence employees*** if the injury arises out of and in the course of employment by any *insured*.

i. ***Bodily injury*** or ***property damage*** arising out of any *insured's*:

(1) entrustment to any other person; or

(2) vicarious parental liability, whether or not imposed by statute, for the actions of a child or minor relating to the operation, maintenance, loading or unloading; or

(3) supervision of any other person in the operation, maintenance, loading or unloading;

of motor vehicles or any other motorized land conveyances, including trailers of any type, or of any watercraft or aircraft for which liability is excluded under PART II.

Under WHAT LOSSES ARE NOT COVERED – PART II, provision 2., section h., subsection (3)(a) is deleted and replaced as follows:

**MEMBERS' HOMEOWNERS POLICY – FORM 3
AMENDATORY ENDORSEMENT – CALIFORNIA
(CONTINUED)**

2. In addition, under COVERAGE D, we do not cover:

...

h. **Personal injury:**

...

(3) Arising out of:

(a) criminal acts or omissions committed by or at the direction of any *insured* whether or not the *insured* is charged with or convicted of a crime;

Under WHAT LOSSES ARE NOT COVERED – PART II, provision 2., section h., subsection (7) is added as follows:

2. In addition, under COVERAGE D, we do not cover:

...

h. **Personal injury:**

...

(7) Arising out of the ownership, maintenance, use, loading or unloading of aircraft, meaning any contrivance used or designed for navigation of or flight in the air.

PART III – GENERAL PROVISIONS

Under TERMINATION, provision 3. is deleted and replaced as follows:

This policy is subject to the following termination provisions:

...

3. Nonrenewal

We retain the right to refuse renewal of this policy for any reason not prohibited by law. We will notify you of our intention not to renew this policy at least 75 calendar days before the policy period ends.

All of the provisions of your policy that are not affected by this endorsement remain unchanged.

ACSC Management Services, Inc.
ATTORNEY-IN-FACT

LENDER'S LOSS PAYABLE ENDORSEMENT

Form 438BFU NS
(Rev. May 1, 1942)X

1. Loss or damage, if any, under this policy, shall be paid to the Payee named on the first page of this policy, its successors and assigns, hereinafter referred to as "the Lender", in whatever form or capacity its interests may appear and whether said interest be vested in said Lender in its individual or in its disclosed or undisclosed fiduciary or representative capacity, or otherwise, or vested in a nominee or trustee of said Lender.

2. The insurance under this policy, or any rider or endorsement attached thereto, as to the interest only of the Lender, its successors and assigns, shall not be invalidated nor suspended: (a) by any error, omission, or change respecting the ownership, description, possession, or location of the subject of the insurance or the interest therein, or the title thereto; (b) by the commencement of foreclosure proceedings or the giving of notice of sale of any of the property covered by this policy by virtue of any mortgage or trust deed; (c) by any breach of warranty, act, omission, neglect, or non-compliance with any of the provisions of this policy, including any and all riders now and hereafter attached thereto, by the named insured, the borrower, mortgagor, trustor, vendee, owner, tenant, warehouseman, custodian, occupant, or by the agents of either or any of them or by the happening of any event permitted by them or either of them, or their agents, or which they failed to prevent, whether occurring before or after the attachment of this endorsement, or whether before or after a loss, which under the provisions of this policy of insurance or of any rider or endorsement attached thereto would invalidate or suspend the insurance as to the named insured, excluding herefrom, however, any acts or omissions of the Lender while exercising active control and management of the property.

3. In the event of failure of the insured to pay any premium or additional premium which shall be or become due under the terms of this policy or on account of any change in occupancy or increase in hazard not permitted by this policy, this Company agrees to give written notice to the Lender of such non-payment of premium after sixty (60) days from and within one hundred and twenty (120) days after due date of such premium and it is a condition of the continuance of the rights of the Lender hereunder that the Lender when so notified in writing by this Company of the failure of the insured to pay such premium shall pay or cause to be paid the premium due within ten (10) days following receipt of the Company's demand in writing therefor. If the Lender shall decline to pay said premium or additional premium, the rights of the Lender under the Lender's Loss Payable Endorsement shall not be terminated before (10) days after receipt of said written notice by the Lender.

4. Whenever this Company shall pay to the Lender any sum for loss or damage under this policy and shall claim that as to the insured no liability therefor exists, this Company, at its option, may pay to the Lender the whole principal sum and interest and other indebtedness due or to become due from the insured, whether secured or unsecured, (with refund of all interest not accrued), and this Company, to the extent of such payment, shall thereupon receive a full assignment and transfer, without recourse, of the debt and all rights and securities held as collateral thereto.

5. If there be any other insurance upon the within described property, this Company shall be liable under this policy as to the Lender for the proportion of such loss or damage that the sum hereby insured bears to the entire insurance of similar character on said property under policies held by, payable to and expressly consented to by the Lender. Any Contribution Clause included in any Fallen Building Clause Waiver or any Extended Coverage Endorsement attached to this contract of insurance is hereby nullified, and also any Contribution Clause in any other endorsement or rider attached to this contract of insurance is hereby nullified except Contribution Clauses for the compliance with which the insured has received reduction in the rate charged or has received extension of the coverage to include hazards other than fire and compliance with such Contribution Clause is made a part of the consideration for insuring such other hazards. The Lender upon the payment to it of the full amount of its claim, will subrogate this Company (pro rata with all other insurers contributing to said payment) to all of the Lender's rights of contribution under said other insurance.

6. This Company reserves the right to cancel this policy at any time, as provided by its terms, but in such case this policy shall continue in force for the benefit of the Lender for ten (10) days after written notice of such cancellation is received by the Lender and shall then cease.

7. This policy shall remain in full force and effect as to the interest of the Lender for a period of ten (10) days after its expiration unless an acceptable policy in renewal thereof with loss thereunder payable to the Lender in accordance with the terms of this Lender's Loss Payable Endorsement, shall have been issued by some insurance company and accepted by the Lender.

8. Should legal title to and beneficial ownership of any of the property covered under this policy become vested in the Lender or its agents, insurance under this policy shall continue for the term thereof for the benefit of the Lender but, in such event, any privileges granted by this Lender's Loss Payable Endorsement which are not also granted the insured under the terms and conditions of this policy and/or under other riders or endorsements attached thereto shall not apply to the insurance hereunder as respects such property.

9. All notices herein provided to be given by the Company to the Lender in connection with this policy and this Lender's Loss Payable Endorsement shall be mailed to or delivered to the Lender at its office or branch described on the first page of the policy.

Approved:

Board of Fire Underwriters of the Pacific,
California Bankers' Association,
Committee on Insurance

ACSC Management Services
ATTORNEY-IN-FACT



INTERINSURANCE EXCHANGE of the Automobile Club

MEMBERS' HOMEOWNERS POLICY - FORM 3

IMPORTANT NOTICE!
Please read this policy for important coverage limitations and exclusions, which include water damage, mold, certain terrorist events, and specific breeds of dog.

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AGREEMENT

We will provide the insurance you have selected in return for the premium due us and compliance with all applicable policy provisions. The enclosed declarations page shows the policy period, the premises to which this insurance applies, the coverages and limits you have chosen, and your premiums. Insurance under this policy is provided only for the coverages for which a premium is stated in the declarations. The declarations page is part of this policy.

DEFINITIONS

Throughout this policy:

1. "We", "us" or "our" means the Interinsurance Exchange of the Automobile Club.
2. "You" or "your" means any Named Insured in the declarations. If there is only one Named Insured in the declarations and that insured is a natural person, "you" or "your" includes:
 - a. a spouse of the Named Insured; or
 - b. a person who is a registered domestic partner, under California law, with the Named Insured;

if a resident of the same household.

3. Certain words and phrases have a defined meaning when printed in **bold italic** type:

Bodily injury – means bodily harm, sickness or disease, including death therefrom.

Business – means any full or part time activity intended for economic gain. **Business** includes but is not limited to commercial enterprise, trade, profession, occupation or employment, and the renting, leasing or holding for rental or lease of any part of any premises by any **insured**.

Depreciation – means the lessening of the economic value of any property because of wear and tear and obsolescence.

Drug – means any substance listed in the schedules of controlled substances in Chapter 13 of Title 21 of the United States Code.

Insured – means you and the following residents of your household:

- a. Your relatives by blood, marriage, adoption or domestic partnership registered under California law.
- b. Any other person under the age of 21 who is in the care of you or any person included under a. above.

Under PART II, **insured** also means:

- c. With respect to animals or watercraft to which this policy applies, any person or organization legally responsible for these animals or watercraft which are owned by you or any person included in a. or b. above. A person or organization using or having custody of these animals or watercraft in the course of any **business** or without permission of the owner is not an **insured**.
- d. With respect to any vehicle to which this policy applies:
 - (1) any person while engaged in your employment or the employment of any person included in a. or b. above; or
 - (2) any other person using the vehicle on an **insured location** with your permission.

Insured location – means:

- a. The **residence premises**.
- b. Under PART II, **insured location** also means that part of any other premises, other structures and grounds you acquire during the policy period for your use as a residence.
- c. Any premises used by you in connection with any premises listed in a. or b. above.
- d. Any part of any premises not owned by any **insured** where an **insured** is temporarily residing.

- e. Vacant land, other than farm land, owned by or rented or leased to any **insured**.
- f. Land owned by or rented or leased to any **insured** on which a one or two family dwelling is being constructed as a residence for any **insured**.
- g. Individual or family cemetery plots or burial vaults of any **insured**.
- h. Any part of a premises occasionally rented to any **insured** for other than **business** purposes.

Occurrence – means an accident, including continuous or repeated injurious exposure to essentially the same conditions, which, during the policy period, results in **bodily injury** or **property damage**. Continuous or repeated injurious exposure to essentially the same conditions is considered to be one **occurrence**.

Personal injury – means injury which, during the policy period, arises out of one or more of the following:

- a. false arrest, detention or imprisonment;
- b. malicious prosecution, provided all actions of or on behalf of any **insured** which gave rise to the claim of malicious prosecution occurred during the time that **insured** has been continuously insured under this or any other homeowners policy issued by us;
- c. libel, slander or defamation of character, provided the first publication or utterance which gave rise to the claim of libel, slander or defamation of character was made by or on behalf of any **insured** during the time that **insured** has been continuously insured under this or any other homeowners policy issued by us;
- d. invasion of privacy, wrongful eviction or wrongful entry.

Pollutant – means any solid, liquid, vaporous, gaseous or thermal irritant or contaminant, including but not limited to asbestos, radon, carbon monoxide gas, fuel oil, gasoline, lead paint, PCB and waste.

Property damage – means physical injury to or destruction of tangible property, including the loss of use arising out of the injury to or destruction of tangible property.

Remediation – means the reasonable and necessary treatment, containment, removal or disposal of mold, fungus, wet rot, dry rot, or bacteria. **Remediation** also includes any testing to detect, measure or evaluate mold, fungus, wet rot, dry rot, or bacteria. **Remediation** does not include any consequential physical damage incurred to repair or replace property covered under PART I.

Replacement cost – means:

- a. With respect to buildings and structures that are not buildings, the lesser of the cost, at the time of the loss, to repair or to replace covered damaged or destroyed property:
 - (1) at the location of the **residence premises**; and
 - (2) for the same use; and
 - (3) with materials of like or reasonably similar kind and quality.

Replacement cost does not include:

- (1) loss to any property;
 - (2) the cost of repairing, reconstructing or demolishing any property;
 - (3) the cost of removing the debris of any property;
- occurring as a result of the enforcement of any building ordinance or law.

Limited building ordinance or law coverage for the dwelling is provided under provision 5. of OTHER COVERAGES – PART I.

- b. With respect to personal property, awnings, wall-to-wall carpeting, household appliances, outdoor antennas and outdoor equipment, the cost, at the time of the loss, of new property:
 - (1) identical to the lost or damaged property; or
 - (2) of like or reasonably similar kind and quality and of comparable usefulness as the lost or damaged property if identical property is not obtainable.

Residence employee – means:

- a. under PARTS I and II:

an employee of any *insured* who performs duties in connection with the maintenance or use of the *residence premises*, including household or domestic services, or who performs duties elsewhere of a similar nature not in connection with the *business* of any *insured*;
- b. under PART IV:

any person employed by any *insured* whose duties are incidental to the ownership, maintenance or use of the *residence premises*, including the performance of

household domestic services, or who performs elsewhere duties of a similar nature, or whose duties are personal and not in the course of the *business* of any *insured* and who has:

- (1) actually been engaged in such employment by an *insured* for no less than 52 hours; and
 - (2) earned from an *insured* no less than one hundred dollars (\$100) in wages;
- during the 90 calendar days immediately preceding the date of injury.

Residence premises – means:

- a. the one or two family dwelling, other structures and grounds; or
 - b. that part of any other building;
- that is used by you as a residence and that is shown as the "residence premises" in the declarations.

Terrorist event – means any act or series of acts that are violent or dangerous to human life, in violation of the criminal laws of the United States of America or of any State, to intimidate or coerce a government, the civilian population, or any segment thereof, in furtherance of political, ideological, religious, or social objectives.

Theft – means the unlawful taking and carrying away of property from another person with the intent to deprive the other person of that property. *Theft* includes attempted *theft* and loss of property from a known location when it is likely that the property has been stolen.

Theft does not include the conversion, embezzlement or secretion of another's property by any person to whom possession was entrusted. This applies whether or not entrustment was obtained by trick or false pretense.

PART I – PROPERTY COVERAGES

COVERAGE A – DWELLING

COVERAGE B – OTHER STRUCTURES

COVERAGE C – PERSONAL PROPERTY

WHAT PROPERTY IS COVERED –
COVERAGE A AND COVERAGE B

1. Under COVERAGE A we cover:
 - a. The dwelling on the *residence premises* shown in the declarations, used principally as a private residence, including structures attached to the dwelling. This shall not include attached driveways, walkways, patios, fences, and external walls not part of the perimeter of the dwelling and not necessary for the structural integrity of the dwelling.
 - b. Materials and supplies located on or next to the *residence premises* for use in constructing, altering or repairing the dwelling or other structures on the *residence premises*.
 - c. Wall-to-wall carpeting installed in the dwelling on the *residence premises*.
 - d. Outdoor antennas on the *residence premises*.
2. Under COVERAGE B we cover:
 - a. Driveways, walkways, patios and fences attached to the dwelling.
 - b. External walls attached to but not part of the perimeter of the dwelling and not necessary for the structural integrity of the dwelling.

- c. Other structures on the *residence premises*, either set apart from the dwelling by clear space or connected to the dwelling only by a fence, utility line or similar connection.

- d. Wall-to-wall carpeting installed in other buildings on the *residence premises*.

WHAT PROPERTY IS NOT COVERED –
COVERAGE A AND COVERAGE B

1. Under COVERAGES A and B we do not cover:
 - a. any land, including the land supporting the dwelling or other structures;
 - b. the cost to replace, rebuild, stabilize or otherwise restore land;
 - c. the cost of any device or treatment applied to land for the purpose of adding, protecting or restoring the stability of any structure supported by that land.
2. In addition, under COVERAGE B we do not cover structures used in whole or in part in *business*; however, this shall not apply to:
 - a. structures rented, leased or held for rental or lease to any person who is a tenant of the dwelling;
 - b. garages rented, leased or held for rental or lease for use as private parking garages.

WHAT PROPERTY IS COVERED – COVERAGE C

Under Coverage C we cover personal property owned or used by any *insured* while it is anywhere in the world.

At your request, we also cover personal property:

1. owned by others, while the property is on the part of the *residence premises* occupied solely by persons defined as *insureds*;
2. owned by a guest or a *residence employee* while the property is in any residence occupied by an *insured*.

Our limit of liability for personal property usually situated at a location other than the *residence premises* is 10% of the amount of the limit of liability for COVERAGE C. Personal property in a newly acquired principal residence is not subject to this limitation for the 30 calendar days immediately after you begin to move the property there.

WHAT PROPERTY IS COVERED SUBJECT TO INDIVIDUAL LIMITS OF LIABILITY – COVERAGE C

Individual limits of liability apply to certain categories of personal property. These limits do not increase the COVERAGE C limit of liability. The limit shown below for each category is the most we will pay for each loss to all property in that category. The lowest applicable limit shall apply to property that falls into more than one category.

1. \$200 on money, bank notes, bullion, gold other than goldware, silver other than silverware, platinum, medals, coins, coin collections and other numismatic property.
2. \$1,000 on securities, accounts, deeds, evidences of debt, letters of credit, notes other than bank notes, checks and other negotiable instruments, stored value cards, manuscripts, passports, tickets, personal records, personal data, stamps, stamp collections and other philatelic property.

This limitation:

- a. applies regardless of the type of medium (such as paper, films, tapes or discs) on which these items are stored; and
 - b. includes the cost of researching, retrieving, restoring or replacing any lost, damaged or destroyed information in these items.
3. \$1,000 on camper bodies, slide-on campers or camper shells not permanently attached to a motor vehicle.
 4. \$1,000 on watercraft, including their trailers, furnishings, equipment and outboard motors.
 5. \$1,000 on trailers not used with watercraft.
 6. a. \$2,500 on property used at any time during the policy period or intended for use in *business* while that property is located on the *residence premises*.
 - b. \$250 on property used at any time during the policy period or intended for use in *business* while that property is located away from the *residence premises*.

This category does not include:

- a. electronic data processing equipment;
 - b. *business* records or *business* data.
7. \$1,500 for loss by *theft* of:
 - a. jewelry, watches, precious and semiprecious stones, including items that derive their principal value from precious or semiprecious stones;
 - b. furs, whether used for utilitarian or ornamental purposes, including items that derive their principal value from fur.
 8. \$2,500 for loss by *theft* of silverware, silver-plated ware, goldware and gold-plated ware including:
 - a. flatware, hollowware, tea or coffee sets, trays, trophies and similar items;
 - b. other utilitarian items made of or including silver or gold.

9. \$2,000 for loss by *theft* of firearms.
10. \$2,500 for loss by *theft* of valuable rugs, carpets, tapestries and wallhangings, whether used for utilitarian or ornamental purposes.
11. a. \$10,000 for loss by *theft* of tools from the *residence premises*.
- b. \$2,500 for loss by *theft* of tools while located away from the *residence premises*.
12. a. \$5,000 on electronic data processing equipment, meaning:
 - (1) computer hardware, including internal and external components and peripheral devices, and storage or recording media;
 - (2) computer software, meaning computer programs and applications;whether or not used in *business*, while located on the *residence premises*.
- b. \$1,000 on property identified under (1) and (2) above while located away from the *residence premises*.
13. \$1,000 on collectibles that have no intrinsic monetary value but derive their value solely from their desirability to collectors, such as sports cards, campaign buttons and similar political memorabilia, comic books and movie posters.

WHAT PROPERTY IS NOT COVERED – COVERAGE C

Under COVERAGE C we do not cover:

1. Property specifically insured and separately described either individually or as a class in this or any other insurance.
2. Animals of any kind.
3. Motor vehicles or any other motorized land conveyances including:
 - a. equipment permanently attached;
 - b. equipment designed for use with a motor vehicle or other motorized land conveyance as a means of transportation while located in or upon a motor vehicle or other motorized land conveyance;
 - c. camper bodies, slide-on campers or camper shells while located in or upon but not permanently attached to a motor vehicle.
4. Any devices or instruments for the transmission, recording, reception or reproduction of sound and/or pictures if permanently installed in a motor vehicle, other motorized land conveyance, trailer or watercraft, including:
 - a. their accessories and antennas;
 - b. tapes, cassettes, wires, records, discs, cartridges or other media for use with any such devices or instruments;

while located in or upon the motor vehicle, other motorized land conveyance, trailer or watercraft.

5. Aircraft and parts. Aircraft means any contrivance used or designed for navigation of or flight in the air, except model aircraft of the hobby variety not used or designed to carry people or cargo.

6. Property of roomers, boarders or other regular residents of the **residence premises** not related to any **insured**.
7. Property contained in an apartment regularly rented, leased or held for rental or lease to others by any **insured**.
8. Property rented, leased or held for rental or lease to others away from the **residence premises**.
9. **Business** records or **business** data, regardless of the type of medium (such as paper, films, tapes or discs) on which they are stored. We will pay for blank or unexposed media of the type used for the storage of the lost or damaged **business** records or **business** data.
10. Computer software that at the time of the loss cannot be replaced on the retail market with other of like or reasonably similar kind and quality, including later releases of the same software. We will pay for blank or unexposed media of the type used for the storage of computer software that cannot be replaced.
11. Credit cards or fund transfer cards except as provided under OTHER COVERAGES – PART I, provision 12.

OTHER COVERAGES – PART I

1. LOSS OF USE

- a. If a loss covered under PART I makes the **residence premises** unfit to live in by rendering it unsafe for human habitation or by creating a condition that prevents the performance of any of the functions necessary for human habitation, we will pay:

- (1) Any reasonable and necessary increase in living expenses actually incurred by you while that part of the **residence premises** that you occupy is unfit to live in.
- (2) Actual loss of rental income while that part of the **residence premises** that is actually rented or leased to others is unfit to live in. Our payment shall be reduced by the expenses that do not continue while the rented part of the **residence premises** is unfit to live in.

Payment shall be for the shortest time required to repair or replace the damage or, if you permanently relocate, the shortest time required to establish your household elsewhere.

- b. If a civil authority prohibits you from occupying the **residence premises** as a result of direct damage to neighboring premises by a cause of loss covered under PART I, we will pay any reasonable and necessary increase in living expenses as described under (1) above, and actual loss of rental income as described under (2) above for a period not exceeding two weeks during which occupancy is prohibited.

The periods of time under a. and b. above are not limited by the expiration of the policy; however, the events causing the **residence premises** to become unfit to live in, or the order of civil authorities prohibiting you from occupying the **residence premises** must occur during the policy period.

We do not cover:

- a. Loss of use due to the **residence premises** becoming unfit to live in more than twelve months after the date of the physical loss that gave rise to the claim for loss of use.
However, if the event that caused the covered loss has been declared a state of emergency, as defined in section 8558 of the Government Code, we do not cover loss of use for your increase in living expenses due to the **residence premises** becoming unfit to live in more than twenty four months after the date of the physical loss that gave rise to the claim for loss of use.

- b. Loss of use due to the **residence premises** becoming unfit to live in because of the presence or **remediation** of mold, fungus, wet rot, dry rot, or bacteria, except as specifically covered under provision 14. of OTHER COVERAGES – PART I.
- c. Loss or expense due to the cancellation of a lease or agreement.

Our limit of liability under provision 1. shall not exceed 20% of the amount of the limit of liability stated in the declarations for COVERAGE A.

This coverage is additional insurance.

2. REMOVAL OF FALLEN TREES

We will pay the reasonable expense actually incurred by you in the removal of fallen trees from the **residence premises** if:

- a. coverage is not afforded under provision 3. of OTHER COVERAGES – PART I; or
- b. the tree is not covered by this policy;

provided the tree damages covered property, and a loss covered under COVERAGE C is the cause of the tree falling.

Our limit of liability shall not exceed \$500 in the aggregate for any one loss.

This coverage is additional insurance.

3. TREES, SHRUBS AND OTHER PLANTS

We cover outdoor trees, outdoor shrubs, outdoor plants or lawns on the **residence premises** for loss by the following: fire or lightning, explosion, riot or civil commotion, aircraft, vehicles not owned or operated by a resident of the **residence premises**, vandalism or malicious mischief or **theft**.

We do not cover property grown for **business** purposes.

Our limit of liability shall not exceed 5% of the amount of the limit of liability of COVERAGE A for all outdoor trees, outdoor shrubs, outdoor plants or lawns, nor more than \$500 for any one tree, shrub or plant.

This coverage is additional insurance.

4. FIRE DEPARTMENT SERVICE CHARGE

We will pay up to \$500 for your liability assumed by contract or agreement for the fire department service charges actually incurred when the fire department is called to save or protect covered property from a covered loss.

We will not pay fire department service charges if the property is located within the limits of the city, municipality or protection district furnishing the fire department response.

This coverage is additional insurance.

5. BUILDING ORDINANCE OR LAW

If a cause of loss covered under WHAT LOSSES ARE COVERED – COVERAGE A AND COVERAGE B results in direct damage to the dwelling, and a building ordinance or law that was in effect at the time of the loss is enforced because of that loss, and:

- a. You elect not to repair or replace the dwelling, or you elect to replace the dwelling at a location other than the **residence premises**, we will pay:

- (1) the additional cost actually and necessarily incurred by you in connection with the direct damage to the dwelling and resulting from the enforcement of any applicable ordinance or law requiring the demolition, meaning the tearing down of the entire undamaged portion of the dwelling, and the removal of its debris;
- (2) for loss to the undamaged portion of the dwelling demolished because of the enforcement of any ordinance or law.

Our limit of liability under this option shall not exceed 10% of the amount of the limit of liability of COVERAGE A for:

- (1) the cost actually and necessarily incurred by you under (1) above; and
- (2) the **replacement cost** less **depreciation**, but not less than the fair market value at the time of the loss, of the undamaged portion of the dwelling under (2) above.

b. You elect to repair or replace the dwelling at the location of the **residence premises** or, if ordinance or law mandates relocation, you replace the dwelling at a location subject to generally the same building ordinances or laws as the **residence premises**, we will pay the additional cost actually and necessarily incurred by you in connection with the direct damage to the dwelling and resulting from the enforcement of any applicable ordinance or law:

- (1) regulating the repair or replacement of the damaged portion of the dwelling;
- (2) requiring the demolition, meaning the tearing down and removing the debris of, and regulating the reconstruction of:
 - (a) the entire undamaged portion of the dwelling; or
 - (b) any part of the undamaged portion of the dwelling if necessary to:
 - i. repair the damaged portion;
 - ii. bring the undamaged portion into conformity with any applicable ordinance or law.

However, until repair or replacement is completed, we will pay no more than:

- (a) the cost actually and necessarily incurred by you for the demolition of any undamaged portion of the dwelling, including the removal of its debris; and
- (b) the **replacement cost** less **depreciation** of any undamaged portion of the dwelling.

Our limit of liability under this option shall not exceed 10% of the amount of the limit of liability of COVERAGE A for the additional cost actually and necessarily incurred by you under (1) and (2) above.

We do not cover:

- a. any additional cost resulting from the enforcement of any ordinance or law:
 - (1) you were required to comply with before the loss to the dwelling occurred, but failed to do so;
 - (2) requiring or regulating:
 - (a) the replacement, rebuilding, stabilization or other restoration of the land supporting the dwelling, or the application of any device or treatment to any land for the purpose of adding, protecting or restoring the stability of the dwelling;
 - (b) the testing for, cleanup or removal of, or other specified treatment of **pollutants**;
- b. any lessening of the value of the dwelling resulting from the enforcement of any ordinance or law.

This coverage is additional insurance.

6. LOCKS

We will pay up to \$250 in the aggregate per policy period for reasonable expenses actually incurred by you for the necessary rekeying or replacement of locks when the keys to locks on any outside door of the dwelling were stolen, lost or misplaced.

This coverage is additional insurance.

7. REMOVAL OF DEBRIS AND VOLCANIC ASH

We will pay reasonable expenses actually incurred by you in the removal of:

- a. debris of covered property, provided the loss to the property is from a cause of loss identified under WHAT LOSSES ARE COVERED - COVERAGE A AND COVERAGE B, or WHAT LOSSES ARE COVERED - COVERAGE C, as applicable to the property;
- b. that portion of volcanic ash, dust or particulate matter that has caused direct loss to a building or to property contained in a building covered under PART I.

The expense for the removal of debris and volcanic ash is included in the amount of the limit of liability applying to the damaged property. When the amount payable for the actual damage to the property plus the expense for the removal of debris and volcanic ash exceeds the amount of the limit of liability for the damaged property, an additional 5% of the amount of that limit of liability will be available to cover the expense of removing debris and volcanic ash.

8. REMOVAL OF PROPERTY

We will pay reasonable expenses actually incurred by you in the removal of covered property which is imminently endangered by a loss covered under PART I and which otherwise would have been damaged or destroyed.

This coverage does not increase the limit of liability applying to the property being removed.

9. REASONABLE EMERGENCY MEASURES

We will pay reasonable expenses actually incurred by you for necessary emergency measures taken solely to protect covered property from further damage after a loss covered under PART I. If this involves repair to property other than the property to be protected, we will pay only for the repair of other property that is covered under PART I and damaged by a cause of loss covered under PART I.

This coverage does not increase the limit of liability applicable to the covered property.

10. PROPERTY REMOVED

We will cover property insured under PART I while being removed from premises endangered by a loss covered under PART I. We will cover that removed property for up to 30 calendar days for direct loss from any cause.

This coverage does not increase the limit of liability applicable to the property being removed.

11. REFRIGERATED FOOD SPOILAGE

We will pay up to \$500 in the aggregate per policy period for damage to or spoilage of perishable foods owned by any **insured** and kept in a refrigerator or freezer located on the **residence premises** if the loss results from:

- a. interruption of power to the refrigerator or freezer caused by damage to or failure of the generating or transmitting equipment;
- b. mechanical breakdown of the refrigerator or freezer.

This coverage:

- a. is voided by the negligence of any *insured* in:
 - (1) maintaining:
 - (a) the refrigerator or freezer in working condition;
 - (b) the supply of electricity to the refrigerator or freezer;
 - (2) protecting food after a known loss;
- b. does not increase the limit of liability of COVERAGE C.

12. CREDIT CARD, FUND TRANSFER CARD, FORGERY AND COUNTERFEIT MONEY

We will pay up to \$2,500 for:

- a. the legal obligation of any *insured* to pay because of the *theft* or unauthorized use of any credit card issued to or registered in any *insured's* name;
- b. loss resulting from the *theft* or unauthorized use of any fund transfer card used for deposit, withdrawal or transfer of funds, issued to or registered in any *insured's* name;
- c. loss to any *insured* caused by the forgery or alteration of that *insured's* check or other negotiable instrument;
- d. loss to any *insured* through acceptance in good faith of counterfeit United States or Canadian paper currency.

All loss resulting from a series of acts committed by any one person, or in which any one person is concerned or implicated, is considered to be one loss.

We do not cover:

- a. the *theft* or unauthorized use of any credit or fund transfer card by:
 - (1) an *insured* or any other regular resident of the *residence premises*;
 - (2) any person who has been entrusted with the credit or fund transfer card;
 - (3) any person if any *insured* has not complied with all terms and conditions under which the credit or fund transfer card is issued;
- b. loss to any *insured* caused by the forgery or alteration of any *insured's* check or other negotiable instrument by an *insured* or any other regular resident of the *residence premises*;
- c. loss to any *insured* caused by any *insured's* acceptance of any check or other negotiable instrument that has been altered or forged, or that is dishonored by the financial institution upon which it is drawn;
- d. loss arising out of the *business* or dishonesty of any *insured*.

If a suit is brought:

- a. against any *insured* for liability under the CREDIT CARD or FUND TRANSFER CARD coverage, we will provide a defense at our expense by lawyers of our choice;
- b. for the enforcement of payment under the FORGERY coverage, we have the option to defend, at our expense, an *insured* or an *insured's* financial institution.

We may make settlement of any claim or lawsuit as we think appropriate. Our obligation to defend any claim or suit ends when the amount we pay for the loss equals our limit of liability.

This coverage is additional insurance.

13. COLLAPSE OF A BUILDING OR ANY PART OF A BUILDING

We will cover property insured under PART I against accidental direct physical loss from the collapse of a building or part of a building if caused by or resulting from:

- a. any cause of loss identified under WHAT LOSSES ARE COVERED – COVERAGE C;
- b. weight of ice, snow or sleet, or weight of rain which collects on a roof;
- c. hidden decay;
- d. hidden insect or vermin damage;
- e. weight of contents, equipment, people or animals;
- f. use of defective materials or methods in construction, repair, remodeling or renovation if the collapse occurs during the construction, repair, remodeling or renovation.

Collapse means the sudden and accidental complete falling down or caving in of a building or any part of a building but does not include cracking, shrinking, bending, bulging, expansion or settling, whether at a uniform or differential rate, unless combined with the complete falling down or caving in of a building or any part of a building.

Loss to an awning, fence, patio, driveway or walkway, spa, swimming pool, pond, underground pipe, flue, drain, cesspool, septic tank, foundation, retaining wall, pier, bulkhead, wharf or dock, all whether or not attached to the dwelling or any other building on the *residence premises*, is not covered unless the loss is a direct result of the collapse of a building or any part of it.

This coverage does not increase the amount of the limit of liability applicable to the property damaged or destroyed by collapse.

14. MOLD, FUNGUS, WET ROT, DRY ROT, OR BACTERIA

We will pay for:

- a. The reasonable and necessary *remediation* of mold, fungus, wet rot, dry rot, or bacteria as required to repair or replace property covered under PART I, if the mold, fungus, wet rot, dry rot, or bacteria is caused by or results from a loss covered under PART I. We will not pay for any consequential physical damage incurred to repair or replace property covered under PART I.
- b. The reasonable and necessary increase in living expense actually incurred by you while that part of the *residence premises* that you occupy is unfit to live in due to the *remediation* of mold, fungus, wet rot, dry rot, or bacteria, if the mold, fungus, wet rot, dry rot, or bacteria is caused by or results from a loss covered under PART I.

Our limit of liability under provision 14. shall not exceed \$5,000. This coverage does not increase the amount of the limit of liability applicable to the property damaged or destroyed.

WHAT LOSSES ARE COVERED – COVERAGE A AND COVERAGE B

Except as excluded under WHAT LOSSES ARE NOT COVERED – PART I, we cover:

- 1. all loss from FIRE AND LIGHTNING; and
 - 2. accidental direct physical loss from other causes of loss;
- to the property described under WHAT PROPERTY IS COVERED – COVERAGE A and COVERAGE B.

WHAT LOSSES ARE COVERED – COVERAGE C

Except as excluded under WHAT LOSSES ARE NOT COVERED – PART I, we cover the following losses to personal property described under WHAT PROPERTY IS COVERED – COVERAGE C:

1. all loss from FIRE AND LIGHTNING; and
2. accidental direct physical loss from:
 - a. WINDSTORM OR HAIL.

We do not cover loss from sand, dust, rain, snow or sleet to property contained in a building unless the direct force of wind or hail damages the building, causing an opening in a roof or wall, and the sand, dust, rain, snow or sleet enters through this opening.

We do not cover loss from windstorm or hail to watercraft and their trailers, furnishings, equipment and outboard motors while not inside a fully enclosed building.

- b. EXPLOSION.
- c. RIOT OR CIVIL COMMOTION.
- d. AIRCRAFT, including self-propelled missiles and spacecraft.
- e. VEHICLES.
- f. SUDDEN AND ACCIDENTAL DAMAGE FROM SMOKE.

We do not cover loss caused by smoke from agricultural smudging or industrial operations.

- g. VANDALISM OR MALICIOUS MISCHIEF.
- h. **THEFT.**

We do not cover loss caused by *theft*:

- (1) committed by or at the direction of any *insured* or any other regular resident of the *residence premises*, except a *residence employee*;
- (2) in or to a dwelling or other structure under construction, or of materials and supplies for use in the construction until the dwelling is completed and occupied;
- (3) from that part of the *residence premises* rented or leased by any *insured* to other than an *insured*;
- (4) occurring away from the *residence premises*:
 - (a) of property while at any other residence owned by, rented or leased to or occupied by any *insured*, except while an *insured* is temporarily residing there;
 - (b) of watercraft, including their furnishings, equipment and outboard motors;
 - (c) of trailers including their furnishings and equipment;
 - (d) of camper bodies, slide-on campers or camper shells not permanently attached to a motor vehicle, including their furnishings and equipment.

- i. FALLING OBJECTS.

We do not cover loss to personal property contained in a building unless the roof or an exterior wall of the building is first damaged by a falling object. We do not cover loss to the falling object itself.

- j. WEIGHT OF ICE, SNOW OR SLEET which causes damage to property contained in a building.
- k. SUDDEN AND ACCIDENTAL DISCHARGE OR OVERFLOW OF WATER OR STEAM from within a plumbing, heating, air conditioning or automatic fire protective sprinkler system or from within a household appliance. We do not cover loss:
 - (1) caused by or resulting from freezing;
 - (2) to the appliance from which the water or steam escaped;
 - (3) on the *residence premises* caused by or resulting from accidental discharge or overflow which occurs off the *residence premises*.

- l. SUDDEN AND ACCIDENTAL TEARING APART, cracking, burning or bulging of a steam or hot water heating system, an air conditioning or automatic fire protective sprinkler system or an appliance for heating water. We do not cover loss caused by or resulting from freezing.

- m. FREEZING of a plumbing, heating, air conditioning or automatic fire protective sprinkler system or of a household appliance.

We do not cover loss on the *residence premises* while the dwelling is unoccupied and you have not used reasonable care to maintain heat in the building or shut off the water supply and drain the system and appliances of water.

- n. SUDDEN AND ACCIDENTAL changes in the electric power supply to electrical appliances, devices, fixtures and wiring.

- o. FRAGMENTS OF BROKEN GLASS or safety glazing material which is part of a building, storm door or storm window.

We do not cover loss on the *residence premises* if the dwelling has been vacant for more than 30 consecutive days immediately before the loss. For the purposes of this provision, a dwelling being constructed is not considered vacant.

- p. VOLCANIC ERUPTION other than loss caused by earthquake, land shock waves or tremors. One or more volcanic eruptions occurring within a 168-hour period shall be considered one volcanic eruption.

WHAT LOSSES ARE NOT COVERED – PART I

1. EARTHQUAKE

In compliance with California Insurance Code Section 10088, we do not cover any loss to property insured under COVERAGES A, B or C when earthquake, including land shock waves or tremors before, during or after a volcanic eruption, is a proximate cause, regardless of whether the loss also directly or indirectly results from or is contributed to concurrently or in any sequence by any other proximate or remote cause, whether or not insured under this policy.

We do cover accidental direct physical loss by fire or explosion resulting from or occurring as a consequence of earthquake.

2. We do not cover any loss to property insured under COVERAGES A, B or C that is caused by, resulting from, contributed to or consisting of:

a. EARTH MOVEMENT OTHER THAN EARTHQUAKE, meaning landslide, mudflow, subsidence, mine subsidence, sinkhole, erosion, earth expanding, contracting, sinking, rising or shifting, all however caused or whether combined with water or not.

This exclusion applies regardless of whether the loss is caused by or results from human, animal, or naturally occurring forces, or however caused.

We do cover accidental direct physical loss by fire or explosion resulting from or occurring as a consequence of earth movement other than earthquake.

b. BUILDING ORDINANCE OR LAW, meaning the enforcement, whether or not in connection with a physical loss to buildings or other structures covered under PART I, of any ordinance or law:

(1) Requiring or regulating the demolition, construction, repair, reconstruction, remodeling, renovation, placement, stabilization or use of buildings or other structures unless specifically covered under provision 5. of OTHER COVERAGES – PART I, or under provision 6. of CONDITIONS – PART I.

For the purposes of section b.(1), loss means:

(a) loss or damage caused directly or indirectly by the enforcement of any building ordinance or law;

(b) any additional cost of repair, reconstruction, demolition or debris removal incurred to comply with any building ordinance or law.

(2) Requiring or regulating the testing for, cleanup or removal of, or other specified treatment of *pollutants*.

(3) Resulting in a lessening of the value of any property insured under PART I.

We do cover direct physical loss caused by or resulting from the actions of civil authorities to prevent the spread of fire unless the fire itself is a loss not covered under PART I.

c. WATER DAMAGE, meaning:

(1) flood, surface water, waves, tidal water, storm surge, tsunami, seiche, overflow of a body of water or spray from any of these, whether or not driven by wind;

(2) any liquid or semiliquid material or substance from outside the plumbing system on the *residence premises* that enters the *residence premises* through sewers or drains;

(3) water below the surface of the ground, including water which exerts pressure on or seeps or leaks or flows through a building, sidewalk, driveway, foundation, swimming pool, spa or other structure;

(4) damage to the interior of a building from rain, snow or sleet unless the walls or roof of the building have first sustained a loss from a cause of loss covered under PART I that created an opening through which the rain, snow or sleet entered;

(5) water which is released, overflows or escapes from a dam, levee, or other structure designed to contain surface water;

whether caused by or resulting from human, animal, or naturally occurring forces, or however caused.

We do cover direct physical loss by fire, explosion or *theft* resulting from or occurring as a consequence of water damage.

d. NEGLECT, meaning neglect of the *insured* to take all reasonable steps to save and preserve property at and after the time of a loss, or when the property is endangered by a cause of loss we cover.

e. WAR, including undeclared war, civil war, insurrection, rebellion, revolution, warlike act by a military force or military personnel, destruction or seizure or use for a military purpose, including any consequence of any of these. Discharge of a nuclear weapon shall be deemed a warlike act even if accidental.

f. NUCLEAR HAZARD, including any nuclear reaction, nuclear radiation or radioactive contamination, whether controlled or uncontrolled or however caused, including any consequence of any of these. Loss by fire, explosion or smoke caused by nuclear hazard will be considered nuclear hazard and will not be covered under PART I, except direct loss by fire.

g. INCREASED HAZARD, meaning loss while the hazard is increased by any means within the control or knowledge of the *insured*.

h. INTENTIONAL LOSS, meaning loss arising out of any act or omission committed by or at the direction of any *insured* with the intent to cause loss, or that could reasonably be expected to cause loss.

i. INTERRUPTION OF POWER or other utility service if that interruption takes place away from the *residence premises*, unless specifically covered under provision 11. of OTHER COVERAGES – PART I.

We do cover loss resulting from or occurring as a consequence of power or utility service interruption if that resulting loss is covered under PART I and occurs on the *residence premises*.

j. COLLAPSE, unless specifically covered under provision 13. of OTHER COVERAGES – PART I.

k. MOLD, fungus, wet rot, dry rot, or bacteria, except as specifically covered under provision 14. of OTHER COVERAGES – PART I.

We do not cover any consequential physical damage incurred as a result of *remediation* required to repair or replace property covered under PART I.

3. We do not cover any loss to property insured under COVERAGES A or B that is caused by, resulting from, contributed to or consisting of:

a. (1) FREEZING of a plumbing, heating, air conditioning or automatic fire protective sprinkler system or a household appliance; or

(2) leakage, discharge or overflow from within the system or appliance caused by freezing;

while the dwelling is vacant, unoccupied or being constructed, and you have not used reasonable care to maintain heat in the building or shut off the water supply and drain the system and appliances of water.

b. FREEZING, thawing, pressure or weight of water or ice, whether driven by wind or not, to a:

(1) fence, driveway, walkway, patio, spa, swimming pool or pond;

(2) foundation, retaining wall or bulkhead;

(3) pier, wharf or dock.

c. *THEFT* in or to a dwelling under construction, or of materials and supplies for use in the construction until the dwelling is completed and occupied.

- d. VANDALISM or malicious mischief, or breakage of glass or safety glazing materials if the dwelling has been vacant for more than 30 consecutive days immediately before the loss. For the purposes of this provision, a dwelling being constructed is not considered vacant.
- e. (1) WEAR AND TEAR, marring, deterioration;
- (2) continuous or repeated seepage or leakage of water or steam over weeks, months or years from within a plumbing, heating, air conditioning or automatic fire protective sprinkler system or from within a household appliance;
- (3) inherent vice, latent defect, mechanical breakdown;
- (4) smog, rust, corrosion or other decay;
- (5) smoke from agricultural smudging or industrial operations;
- (6) presence, release, discharge or dispersal of:
 - (a) *pollutants*;
 - (b) soil corrosives, including but not limited to chemicals, compounds, elements, suspensions, gels or crystals forming in the soil;
- (7) cracking, shrinking, sagging, bulging, bending, expansion or settling of driveways, walkways, patios, foundations, walls, floors, roofs or ceilings;
- (8) birds, vermin, rodents, insects or domestic animals;
- (9) growth of, or pressure from the roots of trees, shrubs or other plants.

If a loss excluded under e. above causes or results in water to escape suddenly and accidentally from a plumbing, heating, air conditioning or automatic fire protective sprinkler system or household appliance, we do cover the direct physical loss caused by the water, including the cost of tearing out and replacing any part of a building necessary to repair the system or appliance. We do not cover loss to the system or appliance from which this water escaped.

If a loss excluded under 3. above results in direct physical loss to property covered under PART I, we will cover that resulting loss if it is not itself excluded under PART I.

- 4. We do not cover any loss to property insured under COVERAGES A or B in which any of the events listed below cause or aggravate or contribute concurrently or in any sequence to a loss excluded under 2. or 3. above:
 - a. WEATHER CONDITIONS.
 - b. ACTS OR DECISIONS, including the failure to act or decide, whether intentional or unintentional, or whether negligent, wrongful or without fault, of any person, group, organization or governmental body, whether an *insured* or not.

This provision does not apply to an *insured's* acts or decisions, including the failure to act or decide, excluded under provision 2., sections d. and h. above.
 - c. FAULTY, DEFECTIVE OR INADEQUATE:
 - (1) planning, zoning, development, surveying or siting;
 - (2) establishment or enforcement of building codes or standards for construction or materials;
 - (3) design, specifications, construction, renovation, remodeling, repair, grading, compaction or workmanship;

- (4) materials, parts or equipment used in construction, renovation, remodeling, repair, grading or compaction;
 - (5) maintenance;
- of part or all of any property whether on or off the *residence premises*. This exclusion does not apply to the use of defective materials or methods for which coverage is afforded under section f. of provision 13. of OTHER COVERAGES – PART I.

- 5. We do not cover any loss to property insured under COVERAGES A, B, or C arising out of any *terrorist event* which causes, contributes to, creates or results in:
 - a. NUCLEAR HAZARD, meaning any nuclear reaction, nuclear discharge, nuclear radiation, nuclear or radioactive pollution, or nuclear or radioactive contamination, whether controlled or uncontrolled or however caused, including any consequence of any of these;
 - b. BIOLOGICAL HAZARD, meaning the presence, release, discharge, or dispersal of any pathogenic material, contaminant or pollutant, such as anthrax, cholera, smallpox, and botulinum; or
 - c. CHEMICAL HAZARD, meaning the presence, release, discharge, or dispersal of any chemical material, contaminant or pollutant, such as a nerve agent, choking agent, blood agent, or blister agent.

This exclusion shall apply only when the amount of damage to all commercial, residential, and personal property attributable to any *terrorist event* exceeds \$100,000,000 in the aggregate. Damage includes all loss of use and business interruption losses.

This exclusion does not supercede any other exclusion under PART I, including but not limited to Exclusion 2.e. WAR and Exclusion 2.f. NUCLEAR HAZARD for any nuclear, biological, or chemical hazard which does not arise out of any *terrorist event*.

CONDITIONS – PART I

- 1. Insurable Interest

Even if more than one person has an insurable interest in the property covered under PART I, we shall not be liable in any one loss to any *insured* for an amount greater than that *insured's* interest at the time of loss.

- 2. Deductible

We will pay only when the amount of a loss covered under PART I, or an expense covered under OTHER COVERAGES – PART I exceeds the amount of the deductible stated in the declarations, and then we will pay only the amount exceeding the deductible.

The deductible shall apply to all losses except losses paid under the following provisions of OTHER COVERAGES – PART I:

- 1. LOSS OF USE.
- 4. FIRE DEPARTMENT SERVICE CHARGE.
- 6. LOCKS.
- 8. REMOVAL OF PROPERTY.
- 11. REFRIGERATED FOOD SPOILAGE.
- 12. CREDIT CARD, FUND TRANSFER CARD, FORGERY AND COUNTERFEIT MONEY.

3. Your Duties After Loss

After a loss:

- a. Notification must be given promptly:
 - (1) to us; and
 - (2) in case of *theft*, to the police; and
 - (3) in case of loss under the CREDIT CARD or FUND TRANSFER CARD coverage, to the credit card or fund transfer card company.
- b. Any *insured* must protect the property from further damage, take reasonable and necessary measures required to protect the property, and keep an accurate record of the cost of these measures.
- c. Any *insured* must prepare an inventory of damaged or destroyed personal property showing in detail the quantity, description, date of acquisition, acquisition cost, fair market value, *replacement cost* or *replacement cost less depreciation*, as applicable to the property, and the amount of loss claimed. All bills, receipts and related documents that substantiate the figures in the inventory must be attached to the inventory.
- d. Any *insured* must as often as we reasonably require:
 - (1) make the damaged property available for our inspection; and
 - (2) provide us with records and documents we request, and permit us to make copies; and
 - (3) submit to examinations under oath, not in the presence of any other *insured*, and sign and return to us the transcript of such examinations; and
 - (4) answer oral or written interrogatories.
- e. You must, within 60 calendar days after the loss, submit to us your signed, sworn proof of loss providing us with:
 - (1) information on:
 - (a) the time and cause of loss;
 - (b) the interest of any *insured* and of all others in the property involved, and all liens on the property;
 - (c) other insurance which may cover the loss;
 - (d) changes in title, use, occupancy, location, possession of or exposure to the property during the term of the policy;
 - (e) specifications and plans of any damaged or destroyed building, and detailed estimates for repair of the damage;
 - (2) an inventory of damaged or destroyed personal property as described in c. above;
 - (3) receipts for additional living expenses incurred, and records supporting the loss of rental income;
 - (4) evidence or affidavit supporting a claim under the CREDIT CARD, FUND TRANSFER CARD, FORGERY AND COUNTERFEIT MONEY coverage, stating the amount and cause of loss.
- f. Any *insured* who has made claim under this policy must notify us if they wish to obtain copies of any claims-related documents that relate to the evaluation of their claim.

Claims-related documents include, but are not limited to, repair and replacement estimates and bids, appraisals, scopes of loss, drawings, plans, reports, third party findings on the amount of loss, covered damages, and cost of repairs, and all other valuation, measurement, and loss adjustment calculations of the amount of loss, covered damage, and cost of repairs. However, attorney work product and attorney-client privileged documents, and documents that indicate fraud by the *insured* or that contain medically privileged information, are excluded from the documents we are required to provide.

Any claims-related documents that are requested will be provided within 15 days.

4. Loss Settlement and Limit of Liability

- a. We will settle covered losses to the following articles of personal property:
 - (1) medals, coins, coin collections and other numismatic property;
 - (2) stamps, stamp collections and other philatelic property;
 - (3) jewelry;
 - (4) antiques, fine arts, paintings and similar rare or antique articles;
 - (5) collectibles that have no intrinsic monetary value but derive their value solely from their desirability to collectors;
 - (6) memorabilia, souvenirs, collectibles other than as defined in (5) above, and similar articles whose age or history contribute to their value;
 - (7) articles not maintained in good or workable condition;
 - (8) articles that are outdated or obsolete and are stored or not being used;

for the lowest of the following at the time of the loss:

- (1) the fair market value of the lost or damaged property;
- (2) the cost to repair the damaged property;
- (3) the cost to replace the lost or damaged property with property of the same kind, of reasonably similar quality and usefulness, and in the same condition;
- (4) the limit of liability applicable to the lost or damaged property.

- b. We will settle covered losses to:

- (1) personal property other than as described under a. above;
- (2) awnings, wall-to-wall carpeting, household appliances, outdoor antennas and outdoor equipment, whether or not attached or otherwise connected to buildings;

for the lowest of the following at the time of the loss:

- (1) the *replacement cost less depreciation*, but not less than the fair market value of the lost or damaged property;
- (2) the cost to repair the damaged property;
- (3) the cost to replace the lost or damaged property with property of the same kind, of reasonably similar quality and usefulness, and in the same condition;
- (4) the limit of liability applicable to the lost or damaged property.

c. We will settle covered losses to structures that are not buildings for the lower of:

- (1) the **replacement cost** less **depreciation**, but not less than the fair market value at the time of the loss, of the damaged or destroyed part of the structure;
- (2) the limit of liability stated in the declarations for COVERAGE B.

d. We will settle covered losses to buildings as follows:

- (1) If the amount of a covered loss does not exceed \$5,000, we may, at our option, pay the **replacement cost** of the damaged or destroyed part of the building before repair or replacement is made.
- (2) If the loss is not subject to payment under (1) above, and:
 - (a) If you elect not to repair or replace, we will settle for the lower of:
 - i. the **replacement cost** less **depreciation**, but not less than the fair market value at the time of the loss, of the damaged or destroyed part of the building;
 - ii. the limit of liability stated in the declarations for COVERAGE A for loss to the dwelling, or for COVERAGE B for loss to other buildings.
 - (b) If you elect to repair or replace, we will settle for the lower of:
 - i. the **replacement cost** less **depreciation**;
 - ii. the limit of liability stated in the declarations for COVERAGE A for loss to the dwelling, or for COVERAGE B for loss to other buildings;

until repair or replacement is completed as required.

After repair or replacement is completed as required, we will settle on a **replacement cost** basis for any additional cost you actually and necessarily incurred to repair or replace the damaged or destroyed part of the building, not to exceed the amount of the limit of liability stated in the declarations for COVERAGE A for loss to the dwelling, or for COVERAGE B for loss to other buildings.

Repair or replacement is considered completed as required if:

- i. it was completed within 18 months of the date of the first payment described under (a) above; or
- ii. in the event of a state emergency, as defined in section 8558 of the Government Code, it was completed within 24 months of the date of the first payment described under (a) above.

Extensions of six months to complete the repair or replacement shall be provided for good cause.

Any loss claimed under (b) above that becomes ineligible for **replacement cost** settlement because repair or replacement was not completed as required will be settled as described under (a) above.

Our limit of liability for loss to any property insured under PART I shall not be increased because more than one person has an insurable interest in the property.

5. Loss to a Pair or Set

In case of loss to a pair or set we may elect to:

- a. repair or replace any part to restore the pair or set to its value before the loss; or
- b. pay the difference between the value established for the property under provision 4. above before and after the loss.

6. Glass Replacement

We will replace glass damaged in a loss covered under PART I with safety glazing material when required by ordinance or law.

7. Appraisal

If you and we fail to agree on the amount of a covered loss, either can make a written request that the amount of loss be set by appraisal. If either you or we make a written request for appraisal that is accepted, each shall select a competent and disinterested appraiser and notify the other of the appraiser's identity within 20 calendar days of receipt of the request. In the event of a government-declared disaster, as defined in the California Government Code, appraisal may be requested by either you or we but shall not be compelled.

Appraisal proceedings will be informal unless you and we mutually agree otherwise. Informal means that no formal discovery shall be conducted, including depositions, interrogatories, requests for admission, or other forms of formal civil discovery, no formal rules of evidence shall be applied, and no court reporter shall be used for the proceedings.

The two appraisers shall then select a competent and disinterested umpire. If the two appraisers are unable to agree upon an umpire within 15 calendar days, you or we can request a judge of the Superior Court of California to select an umpire.

The appraisers shall then set the amount of the loss. If the appraisers submit a written report of an agreement to us, the amount agreed upon shall be the amount of the loss. If the appraisers fail to agree within a reasonable time, they shall submit their differences to the umpire. Written award signed by any two of these three shall set the amount of the loss.

Each appraiser shall be paid by the party selecting that appraiser. Other expenses of the appraisal and the compensation of the umpire shall be paid equally by you and us.

8. Other Insurance

If there is other applicable insurance for a loss covered under PART I, we will pay only our share of the loss. Our share is the proportion that the limit of liability applicable under PART I bears to the total amount of insurance covering the loss.

9. Suits Against Us

We may not be sued unless all terms of this policy have been fully complied with. In addition, legal action may not be brought against us under PART I unless the action is started within one year after the date of loss.

10. Our Option

At our option, we may take part or all of the covered damaged property at the agreed or appraised value. We may also repair or rebuild or replace covered damaged or destroyed property with property of like or reasonably similar kind and quality. We will notify you of our intention in writing within 30 calendar days after we receive your signed, sworn proof of loss.

11. Loss Payment

We will pay you unless another payee is named in the policy or is legally entitled to receive payment. Loss is payable within 30 calendar days after we receive your signed, sworn proof of loss and:

- a. reach agreement with you; or
- b. an appraisal award is filed with us; or
- c. a final judgment is entered.

12. Abandonment of Property

We need not accept any property abandoned by any *insured*.

13. Mortgage Clause

The word "mortgagee" includes trustee.

If a mortgagee is named in this policy, any loss payable under COVERAGE A or COVERAGE B shall be paid to the mortgagee and you, as interests appear. If more than one mortgagee is named, the order of payment shall be the same as the order or precedence of the mortgages.

If we deny your claim, that denial shall not apply to a valid, covered claim of the mortgagee if the mortgagee:

- a. notifies us of any change in ownership, occupancy or substantial change in risk of which the mortgagee is aware;
- b. pays any premium due under this policy on demand if you have neglected to pay the premium;
- c. submits a signed, sworn proof of loss within 60 calendar days after we notify the mortgagee of your failure to submit the required proof of loss.

Policy conditions relating to Appraisal, Suits Against Us and Loss Payment apply to the mortgagee.

If the policy is cancelled or nonrenewed by us, the mortgagee shall be notified at least 10 calendar days before the date cancellation or nonrenewal will become effective.

If we pay the mortgagee for any loss and deny payment to you:

- a. we are subrogated to all the rights of the mortgagee granted under the mortgage on the property; or
- b. at our option, we may pay to the mortgagee the whole principal on the mortgage plus any accrued interest. In this event, we shall receive a full assignment and transfer of the mortgage and all securities held as collateral to the mortgage debt.

Subrogation shall not impair the right of the mortgagee to recover the full amount of the mortgagee's claim.

14. No Benefit to Bailee

This insurance shall not in any way benefit any person or organization who may be holding, storing or transporting property for a fee.

15. Recovered Property

If you or we recover any property for which we have made payment under this policy, you or we will notify the other of the recovery. At your option, the property will be returned to or retained by you or it will become our property. If the recovered property is returned to or retained by you, our loss payment will be adjusted based on the amount of the payment we made for the recovered property.

16. Adjusters

If, within a six-month period, we assign a third or subsequent adjuster to be primarily responsible for a claim, we, in a timely manner, shall provide the *insured* with a written status report. The written status report shall include a summary of any decisions or actions that are substantially related to the disposition of the claim, including, but not limited to, the amount of the losses to structures or contents, the retention or consultation of design or construction professionals, the amount of coverage for losses to structures or contents and all items of dispute.

17. Your Duty to Select and Maintain Policy Limits

At each policy renewal date, the amount of the limit of liability stated in the declarations for COVERAGE A may be adjusted to account for inflation, current building costs, changes in the cost of items of personal property, and other factors. Any adjustment of the amount of the COVERAGE A limit of liability will result in proportionate adjustments of the amounts of limits of liability of COVERAGE B and COVERAGE C, and the amounts of the limits of liability of those OTHER COVERAGES - PART I, for which the limits of liability are stated in the policy as a percentage of the COVERAGE A limit of liability. It is your duty, however, to select and maintain adequate amounts of insurance.

Any adjustment in the limits of liability listed above do not, in any way, represent, warrant, or guarantee that these adjustments will accurately account for inflation or that the amounts of coverage are adequate to repair or replace the damaged or destroyed property.

18. Our Right to Inspect

We reserve the right to conduct inspections of your *residence premises* upon reasonable notice as often as we deem reasonably necessary. We may conduct inspections to determine insurability and the premiums to be charged. You must permit inspections and cooperate with us during the inspection process.

19. Your Duty to Notify Us of Increase in Value

You must notify us within 30 calendar days prior to completion of:

- a. the remodeling of or any addition to the dwelling covered under COVERAGE A; or
- b. the construction of new buildings or remodeling of or addition to existing buildings covered under COVERAGE B;

that will increase the cost to replace the buildings covered under COVERAGE A and COVERAGE B by \$15,000 or more.

PART II - LIABILITY COVERAGES

COVERAGE D - PERSONAL LIABILITY

COVERAGE E - MEDICAL PAYMENTS TO OTHERS

WHAT LOSSES ARE COVERED - COVERAGE D

1. We will pay damages which any *insured* is legally liable to pay because of:

- a. *bodily injury* or *property damage* caused by an *occurrence* to which this coverage applies;
- b. *personal injury* to which this coverage applies.

Damages do not include criminal fines, penalties or restitution orders.

2. We will defend any suit claiming damages for **bodily injury, property damage or personal injury** to which this coverage applies. We will defend suit even if the allegations are groundless, false or fraudulent. Defense lawyers will be hired by us. If any **insured** retains a lawyer for any claim, whether or not covered under this coverage, we will not pay the fees and cost charged by that lawyer. Our duty to defend ends when the amount we pay for damages resulting from one **occurrence** equals our limit of liability. We have no duty to defend any **insured** in any criminal action or proceeding in which the recovery of a fine, penalty or restitution is sought.

3. We may settle any claim or suit as we think appropriate.

WHAT LOSSES ARE COVERED – COVERAGE E

We will pay reasonable expenses actually incurred for necessary medical and funeral services because of **bodily injury** sustained as a result of an accident to which this coverage applies. We will pay only for services actually rendered within 3 years from the accident date.

This coverage applies to:

1. persons on the **insured location** with the permission of any **insured**;
2. persons off the **insured location** if the **bodily injury**:
 - a. arises out of a condition in the **insured location** or the ways immediately adjoining; or
 - b. is caused by the activities of any **insured**; or
 - c. is caused by a **residence employee** in the course of that **residence employee's** employment by any **insured**; or
 - d. is caused by an animal owned by or in the care or custody of any **insured**;
3. **residence employees**.

WHAT LOSSES ARE NOT COVERED – PART II

1. Under COVERAGES D and E we do not cover:
 - a. **Bodily injury or property damage** arising out of:
 - (1) Acts or omissions committed by or at the direction of any **insured** with the intent to produce **bodily injury or property damage** of any kind and in any degree.
 - (2) Intentional acts or omissions committed by or at the direction of any **insured** that could reasonably be expected to result in **bodily injury or property damage** of any kind and in any degree. This applies whether or not the **insured** forms the intent or has the mental capacity to form the intent to cause **bodily injury or property damage**.
 - (3) Criminal acts or omissions committed by or at the direction of any **insured** that could reasonably be expected to result in **bodily injury or property damage** of any kind and in any degree.
 - (4) Acts or omissions committed by or at the direction of any **insured** while under the influence of any **drug**. This exclusion does not apply to any acts or omissions committed while under the influence of any prescription **drug** legally dispensed in the USA and taken under the order of and in compliance with the instructions of a physician licensed in the USA.
 - b. **Bodily injury or property damage** arising out of any premises which is or has ever been owned by or rented or leased to any **insured**, other than an **insured location**.

This exclusion does not apply to **bodily injury to residence employees** if the injury arises out of and in the course of employment by any **insured**.

- c. **Bodily injury or property damage** arising out of or in connection with:

- (1) The operation of a family day care home.
- (2) Any other **business** of any **insured**.

This exclusion does not apply:

- (a) to the renting, leasing or holding for rental or lease of a residence of yours on an occasional basis for the use only as a residence;
 - (b) to the renting, leasing or holding for rental or lease of a residence of yours:
 - i. in part, for the use as a residence by no more than two roomers or boarders;
 - ii. in part, as an office, school, studio or private parking garage;
 - (c) to the renting, leasing or holding for rental or lease for use as a residence of that part of your dwelling on the **residence premises** that you do not occupy. This applies only if the dwelling is a two family dwelling.
 - (d) to any part-time or occasional **business** of any **insured** who is under the age of 18, is self-employed, has no employees, and has received no more than \$2,000 in total compensation during the prior 12 months.
- d. **Bodily injury or property damage** arising out of the rendering or failing to render professional services.
 - e. **Bodily injury or property damage** arising out of the manufacture, sale, delivery or transfer of any **drug** by any **insured**.
 - f. **Bodily injury or property damage** arising out of the ownership, maintenance, use, loading or unloading of motor vehicles or any other motorized land conveyances, including trailers of any type. This exclusion does not apply to:
 - (1) trailers not towed by, attached to or carried on motor vehicles or other motorized land conveyances;
 - (2) motor vehicles or other motorized land conveyances:
 - (a) designed to assist and used by the physically handicapped if:
 - i. not subject to motor vehicle registration; and
 - ii. not designed, constructed or altered for travel on public roads;
 - (b) stored on an **insured location** and inoperable;
 - (c) used exclusively on an **insured location**;
 - (d) designed for recreational use off public roads, not subject to motor vehicle registration and not owned by any **insured**;
 - (3) motorized golf carts not licensed and not required to be licensed for highway use;
 - (4) **bodily injury to residence employees** if the injury arises out of and in the course of employment by any **insured**.
 - g. **Bodily injury or property damage** arising out of the ownership, maintenance, use, loading or unloading of watercraft:
 - (1) exceeding 26 feet 5 inches in overall length; or
 - (2) powered by any inboard, jet-drive or inboard/outboard motor, and owned by or leased to any **insured**; or

- (3) powered by any inboard, jet-drive or inboard/outboard motor exceeding 50 horsepower, and rented to any *insured*; or
- (4) powered by one or more outboard motors with a total of 25 or more horsepower, and owned by or leased to any *insured*.

This exclusion does not apply:

- (1) while the watercraft is on an *insured location* or stored on land elsewhere;
- (2) to *bodily injury to residence employees* if the injury arises out of and in the course of employment by any *insured*.

- h. *Bodily injury or property damage* arising out of the ownership, maintenance, use, loading or unloading of aircraft, meaning any contrivance used or designed for navigation of or flight in the air, except model aircraft of the hobby variety not used or designed to carry people or cargo.

This exclusion does not apply to *bodily injury to residence employees* if the injury arises out of and in the course of employment by any *insured*.

- i. *Bodily injury or property damage* arising out of any *insured's*:

- (1) entrustment to any other person; or
- (2) vicarious parental liability, whether or not imposed by statute, for the actions of a child or minor relating to the operation, maintenance, loading or unloading; or
- (3) supervision of any other person in the operation, maintenance, loading or unloading;

of motor vehicles or any other motorized land conveyances, including trailers of any type, or of any watercraft or aircraft not covered under PART II.

- j. *Bodily injury or property damage* caused directly or indirectly by war, including undeclared war, civil war, insurrection, rebellion, revolution, warlike act by a military force or military personnel, destruction or seizure or use for a military purpose, including any consequence of any of these. Discharge of a nuclear weapon shall be deemed a warlike act even if accidental.

- k. *Bodily injury or property damage* arising out of, in connection with, aggravated by, or consisting of *pollutants*.

- l. *Bodily injury or property damage* arising out of the ownership of, custody of, or care for the following pure or mixed breed or pure or mixed type of dogs:

- (1) Any pit bull type of dog (which may be known as American Pit Bull Terrier, American Staffordshire Terrier, Staffordshire Bull Terrier, Bull Terrier, Miniature Bull Terrier, American Bulldog, Dogo Argentino or Alpha Blue Bulldog);
- (2) Rottweiler;
- (3) Akita (which may be known as a Japanese Akita or an Akita Inu); or
- (4) Canary Dog (which may be known as a Presa Canario or a Perro de Presa Canario).

- m. *Bodily injury* arising out of the transmission by any *insured* of any disease or of any organisms or agents capable of causing such disease through:

- (1) personal physical contact of any *insured* with any other person;
- (2) the transmission of any *insured's* body fluids to any other person.

- n. *Bodily injury* arising out of:

- (1) sexual misconduct including, but not limited to, sexual harassment, sexual abuse, and sexual molestation;
 - (2) corporal punishment;
 - (3) physical or mental abuse;
- whether or not committed with the intent to produce *bodily injury*.

- o. *Bodily injury or property damage* arising out of, in connection with, aggravated by, or consisting of mold, fungus, wet rot, dry rot, or bacteria.

- 2. In addition, under COVERAGE D, we do not cover:

- a. *Bodily injury* to you and the following residents of your household:

- (1) Your relatives by blood, marriage, adoption or domestic partnership registered under California law.
- (2) Any other person under the age of 21 who is in the care of you or any person included under (1) above.

- b. *Bodily injury* to any person when the ultimate benefits of indemnification accrue directly or indirectly to you or the following residents of your household:

- (1) Your relatives by blood, marriage, adoption or domestic partnership registered under California law.
- (2) Any other person under the age of 21 who is in the care of you or any person included under (1) above.

- c. *Bodily injury or property damage* if insurance is or can be afforded under a nuclear energy liability policy.

- d. *Bodily injury* to any person eligible to receive any benefits required to be provided or voluntarily provided by any *insured* under any workers' compensation law, nonoccupational disability law or occupational disease law.

- e. *Property damage* to property owned by any *insured* or any other resident of your household. This includes any cost or expense incurred by any *insured* or by others to repair, replace, stabilize, restore, maintain or otherwise change the condition of any property owned by any *insured* to prevent injury to a person or property of others, whether on or off an *insured location*.

- f. *Property damage* to property rented or leased to, occupied or used by, or in the care, custody or control of any *insured* unless the *property damage* is caused by fire, smoke or explosion.

- g. Liability:

- (1) For any loss assessment charged against you as a member of an association, corporation or community of property owners.

- (2) Under any contract or agreement.

We do cover liability assumed under written contracts that directly relate to the ownership, maintenance or use of an *insured location* unless excluded in (1) above or elsewhere in this policy.

- (3) Arising out of the sale or transfer of real property including but not limited to the following:

- (a) known or unknown property or structural defects;
- (b) known or hidden defects in the plumbing, heating, and electrical systems;
- (c) known or unknown soil conditions or drainage problems; or
- (d) concealment or misrepresentation of any known defects.

h. **Personal injury.**

- (1) To you and the following residents of your household:
 - (a) Your relatives by blood, marriage, adoption or domestic partnership registered under California law.
 - (b) Any other person under the age of 21 who is in the care of you or any person included under (a) above.
 - (2) Sustained by any person as a result of an act directly or indirectly related to that person's selection for, engagement in, or termination of employment by any *insured*.
 - (3) Arising out of:
 - (a) criminal acts or omissions committed by or at the direction of any *insured*;
 - (b) any publication or utterance made by, at the direction of, or with the consent of any *insured* having knowledge of its falsity or reason to believe that it was false;
 - (c) the rendering or failing to render professional services;
 - (d) advertising, publishing, broadcasting or telecasting activities conducted by or on behalf of any *insured*;
 - (e) civic or public activities performed for pay by any *insured*;
 - (f) any *insured's* activities:
 - i. as an officer, director, trustee or agent of the United States Government, or of any state, county, school district or any other political subdivision; or
 - ii. as a candidate for public office; or
 - iii. on behalf of a candidate for public office.
 - (4) Arising out of or in connection with the *business* of any *insured*.
 - (5) Arising out of or in connection with sexual misconduct including, but not limited to, sexual abuse and sexual molestation committed by or at the direction of or on behalf of any *insured*.
 - (6) Arising out of any communication, publication or posting by means of the internet, worldwide web or any local intranet.
- i. Liability for punitive or exemplary damages. However, if the underlying claim is covered under COVERAGE D, we will defend suit alleging such damages. Defense lawyers will be hired by us. If any *insured* retains a lawyer in any such suit, we will not pay for the fees and cost charged by that lawyer. Our duty to defend ends when:
- (1) the amount we pay for covered nonpunitive damages equals our limit of liability; or
 - (2) all claims for covered nonpunitive damages have been resolved by judgments or settlements;
- whichever comes first.
3. In addition, under COVERAGE E we do not cover *bodily injury*.
- a. To you or any other person regularly residing on any part of the *insured location*, except *residence employees*.
 - b. To *residence employees* if the *bodily injury* occurs off the *insured location* and does not arise out of and in the course of the *residence employee's* employment by any *insured*.

- c. To any person eligible to receive any benefits required to be provided or voluntarily provided under any workers' compensation law, nonoccupational disability law or occupational disease law.
- d. From any nuclear reaction, nuclear radiation or radioactive contamination, all whether controlled or uncontrolled or however caused, or from any consequence of any of these.

ADDITIONAL PAYMENTS – PART II

In addition to the limits of liability, we will pay:

1. **CLAIM EXPENSES**

We will pay:

- a. All settlement and defense costs we incur.
- b. Interest on damages covered under COVERAGE D on that portion of a judgment that is within our limit of liability, except:
 - (1) if we offer to pay our limit of liability before judgment, we will not pay interest thereafter;
 - (2) if a judgment is rendered, we will not pay interest after our limit of liability has been paid or deposited in court.
- c. Up to \$200 a day for earnings an *insured* actually loses because of attendance at hearings or trials at our request.
- d. Other reasonable expenses an *insured* actually incurs at our request.
- e. Premiums on appeal bonds or attachment bonds required in any suit we defend. We will not pay the premium for:
 - (1) any bond in excess of the limits of liability;
 - (2) an appeal bond for that portion of a judgment that is not covered under COVERAGE D.

We will pay for but not apply for or furnish any such bonds.

2. **FIRST AID EXPENSES**

We will pay reasonable expenses any *insured* actually incurs for first aid to others because of *bodily injury* covered under PART II. We will not pay for first aid to you or any other *insured*.

3. **DAMAGE TO PROPERTY OF OTHERS**

We will pay on a *replacement cost* basis up to \$500 per *occurrence* for *property damage* to property of others if that damage is caused by any *insured*.

We will not pay for *property damage*:

- a. To the extent of any amount recoverable under PART I of this policy.
- b. Caused intentionally by any *insured* age 13 or older.
- c. To property owned by or rented or leased to any *insured*, any other resident of your household or a tenant of any *insured*.
- d. Arising out of or in connection with any *insured's business*.
- e. Arising out of any acts or omissions in connection with any premises which is or has ever been owned by or rented or leased to any *insured*, other than an *insured location*.
- f. Arising out of the ownership, maintenance, use, loading or unloading of motor vehicles or any other motorized land conveyances, including trailers of any type, watercraft or aircraft.

This exclusion does not apply to motor vehicles or other motorized land conveyances designed for recreational use off public roads, not subject to motor vehicle registration, and not owned by any *insured*.

- g. Arising out of any *insured's*:
 - (1) entrustment to any other person; or
 - (2) vicarious parental liability, whether or not imposed by statute, for the actions of a child or minor relating to the maintenance, use, loading or unloading; or
 - (3) supervision of any person in the maintenance, use, loading or unloading;
 - of motor vehicles or any other motorized land conveyances, including trailers of any type, watercraft or aircraft.
- h. Arising out of the ownership of, custody of, or the care for the following pure or mixed breed or pure or mixed type of dogs:
 - (1) Any pit bull type of dog (which may be known as American Pit Bull Terrier, American Staffordshire Terrier, Staffordshire Bull Terrier, Bull Terrier, Miniature Bull Terrier, American Bulldog, Dogo Argentino or Alpha Blue Bulldog);
 - (2) Rottweiler;
 - (3) Akita (which may be known as a Japanese Akita or an Akita Inu); or
 - (4) Canary Dog (which may be known as a Presa Canario or a Perro de Presa Canario).

CONDITIONS – PART II

1. Limit of Liability

Regardless of the number of *insureds*, persons injured, persons or organizations who sustain *personal injury*, claims made or suits brought, the limit of liability stated in the declarations for:

- a. COVERAGE D is the most we will pay for:
 - (1) *Bodily injury* and *property damage* resulting from any one *occurrence*. If an *insured* has been insured for more than one policy period under this or any other homeowners policy issued by us, and an accident, including continuous or repeated injurious exposure to essentially the same conditions, results in *bodily injury* or *property damage* during more than one of these policy periods, the limits of liability of two or more of these policy periods may not be added together, combined or stacked to increase the coverage for this *bodily injury* or *property damage*.
 - (2) *Personal injury*:
 - (a) for all damages related to, arising out of or in connection with, or resulting from any one act that first gave rise to the claim under this coverage, regardless of the policy period during which that act occurred; and
 - (b) per policy period for all *personal injury* during that policy period;
 - in the aggregate.
- We will not pay any claims for *bodily injury*, *property damage* or *personal injury* after we have paid the amount of the applicable limit of liability.
- b. COVERAGE E is the most we will pay for all medical expenses because of *bodily injury* to one person as the result of any one accident.

2. Duties After Loss

- a. In the event of accident, *occurrence* or *personal injury*, we must be notified promptly and informed of the time, place and circumstances of the accident, *occurrence* or *personal injury*, including the names and addresses of persons involved, injured persons and witnesses.
- b. In case of claim or suit against any *insured*, any legal papers received by any *insured* must be sent to us promptly.

- c. Any *insured* shall cooperate with us in the investigation of any claim and shall, at our request:
 - (1) attend hearings and trials;
 - (2) assist in:
 - (a) making settlements;
 - (b) securing and giving evidence;
 - (c) obtaining the attendance of witnesses;
 - (d) the conduct of suits;
 - (3) submit to examinations under oath, not in the presence of any other *insured*, and sign and return to us the transcript of such examinations;
 - (4) authorize us to obtain any documentation we reasonably require in investigating any claim.
- d. *Insureds* shall not, except at their own cost, voluntarily:
 - (1) Make any payment or assume any obligation.
 - (2) Incur any expense other than for first aid to others at the time of *bodily injury*.
- e. Under provision 3. of ADDITIONAL PAYMENTS – PART II, an *insured* shall, within 60 days after the loss, give us a sworn statement of loss and make the damaged property available for our inspection if the property is within the *insured's* control.

3. Duties of an Injured Person – COVERAGE E

- a. Any injured person or someone acting on behalf of the injured person shall:
 - (1) promptly give us written proof of any claim and any further information requested by us, under oath if required;
 - (2) execute authorizations to allow us to obtain copies of medical reports and records.
- b. Any injured person shall, when and as often as we reasonably require, submit to physical examinations by physicians we choose.

4. Payment of Claim – COVERAGE E

We may pay the injured person or any person or organization rendering services. Payment by us shall reduce the amount we owe. Payment by us is not an admission:

- a. of liability by us or any *insured*;
- b. that the medical expenses were reasonable or necessary or otherwise covered under PART II.

5. Suits Against Us

We may not be sued until all terms of this policy have been fully complied with. In addition, under COVERAGE D, legal action may not be brought against us until the obligation to pay, by any *insured*, is finally determined either by:

- a. judgment against the *insured* after actual trial; or
- b. written agreement of the *insured*, the claimant and us.

No one has the right to bring us into a suit to determine the liability of any *insured*.

6. Other Insurance – COVERAGE D

This insurance is excess over any other valid and collectible insurance. If there is insurance provided by us under any other policy affording Personal Liability coverage:

- a. the limits of liability of the applicable policies may not be added together, combined or stacked to increase the coverage for any one *occurrence* or any *personal injury*;
- b. the highest limits of any of the policies apply.

This provision does not apply to other insurance written specifically as excess over the limits of liability of this policy.

PART III – GENERAL PROVISIONS

BANKRUPTCY

Bankruptcy or insolvency of any *insured* shall not relieve us of any obligations under this policy.

CHANGES AND LIBERALIZATION

This policy may not be changed unless we authorize and agree upon the change. We will mail or deliver a written endorsement reflecting the change. Mailing or delivery by us to the insured(s) named in the declarations at the last address on record shall constitute proof of endorsement or notice.

If we make changes under this edition of the policy that broaden coverage without charge, this policy will automatically provide the broadened coverages as of the date we implement them, provided that date is during the policy period. This provision does not apply when we issue a new edition of the policy.

CONCEALMENT OR FRAUD

This entire policy shall be void if either before or after a loss:

1. the *insured* has, with respect to the perils of fire or lightning; or
2. any *insured* has, with respect to any cause of loss other than fire or lightning;

willfully concealed or misrepresented any material fact or circumstance, or intentionally made false statements or engaged in fraudulent conduct concerning or relating to this insurance.

JOINT OBLIGATIONS OF INSURED(S)

The terms of this policy impose joint obligations on all persons defined as persons *insured*. This means that the responsibilities, acts and failures to act of any person defined as an *insured* will be binding upon any other person defined as an *insured*.

POLICY PERIOD

This policy applies only to:

1. loss under PART I;
2. *bodily injury, property damage or personal injury* under PART II;

which occurs during the policy period stated in the declarations.

STATEMENTS IN THE APPLICATION FOR INSURANCE

By accepting this policy, you agree:

1. The facts stated in the application for insurance and the declarations are correct and accurate. We have issued the policy in reliance upon the truth of your statements.
2. This policy contains all the agreements between you and us.
3. Except as specifically provided in provision 4. below, you or someone on your behalf will notify us promptly of any change to the facts affecting this insurance, including but not limited to:
 - a. any change of location, title or use of, or exposure to, the *residence premises*;
 - b. any change in the number of *residence employees*.
4. You will notify us within 30 calendar days prior to completion of:
 - a. the remodeling of or any addition to the dwelling covered under COVERAGE A; or
 - b. the construction of new buildings or remodeling of or addition to existing buildings covered under COVERAGE B;

that will increase the cost to replace the buildings covered under COVERAGE A and COVERAGE B by \$15,000 or more.

SUBROGATION

When we pay, any rights of recovery from someone else become ours up to the amount we have paid. Any *insured* must:

1. protect these rights; and
2. help us enforce them.

If we recover damages through subrogation, we will pay you the amount recovered not to exceed the applicable deductible.

You may waive all rights of recovery against any person. This waiver must be executed in writing before a loss occurs.

Subrogation does not apply to COVERAGE E, or to coverage under provision 3. of ADDITIONAL PAYMENTS – PART II.

TERMINATION

This policy is subject to the following termination provisions:

1. Cancellation by You

You may cancel the entire policy by returning the policy (including the declarations) to us, or you may cancel the entire policy or portions of it by giving us notice of what you wish cancelled, and on what future date you wish to stop coverage.

2. Cancellation by Us

We may cancel this policy:

- a. for nonpayment of premium;
- b. for fraud;
- c. when it has been in effect for less than 60 calendar days and is not a renewal, for any other reason not prohibited by law; or
- d. when it has been in effect for 60 or more calendar days or it is a renewal, for any of the following reasons:
 - (1) you have been convicted of a crime having as one of its necessary elements an act increasing any hazard insured against;
 - (2) discovery of fraud or material misrepresentation committed by any insured or his or her representative in obtaining the insurance or by you or your representative in pursuing a claim under the policy;
 - (3) discovery of grossly negligent acts or omissions by any insured or his or her representative substantially increasing any of the risks insured against;
 - (4) physical changes in the property insured under this policy which result in the property becoming uninsurable.

We will mail notice at least:

- a. 10 calendar days prior to the effective date of cancellation when your policy is cancelled for nonpayment of premium or fraud.
- b. 20 calendar days prior to the effective date of cancellation when your policy is cancelled for any other reason.

The mailing time of the notice listed above will be extended by:

- a. 5 calendar days when your last address, on our records, is within the State of California.
- b. 10 calendar days when your last address, on our records, is outside the State of California but within the United States.
- c. 20 calendar days when your last address, on our records, is outside the United States.

3. Nonrenewal

We retain the right to refuse renewal of this policy for any reason not prohibited by law. We will notify you of our intention:

- a. not to renew this policy; or
- b. to condition its renewal on the reduction of limits or elimination of coverage;

at least 45 calendar days before the policy period ends.

4. Automatic Termination

If we offer to renew or continue this policy and the premium required to renew or continue the policy is not paid when due, we will assume you have rejected our offer. Coverage under this policy will then terminate on the date and time of expiration stated in the declarations.

5. Method of Mailing Notice

Notice of cancellation or nonrenewal will be in writing and mailed or delivered to the insured(s) named in the declarations at the last address on our records. Mailing of notice shall be sufficient proof of notice.

6. Premium Refund

When this policy is cancelled, a premium refund may be due you. If so, we will mail you the refund. We will make any refund you are due as soon as we are reasonably able to do so. The termination will be effective even if the refund is not made immediately.

If this policy is cancelled during the first policy period:

- a. by you for any reason; or
- b. by us for nonpayment of premium;

the cancellation may be short rated. Under the short rate method of cancellation, the premium due us is more than a proportionate share of the annual premium.

Any other cancellation by you or by us will be prorated, meaning the premium due us will be a proportionate share of the annual premium.

TRANSFER OR ASSIGNMENT

This policy or any interests in it may not be assigned without our written consent. In case of your death:

- 1. the deceased's interest in this policy will be transferred to the legal representative of the deceased, but only with respect to the premises and property of the deceased covered under this policy at the time of the death;
- 2. the following persons will be insured under the policy:
 - a. any member of the deceased's household who is an *insured* at the time of the death, but only while a resident of the *residence premises*;
 - b. with respect to the property of the deceased that is insured under this policy, the person having proper temporary custody of the property until appointment and qualification of a legal representative.

Coverage under this provision will only be provided until the end of the policy period during which the death occurred. However, if the death occurred after we offered to renew this policy, we will continue coverage until the end of the policy period for which we offered renewal, contingent upon payment of the premium.

YOUR PREMIUM

You agree to pay:

- 1. the premium stated in the declarations for the policy period; and
- 2. any additional premium resulting during the policy period from:
 - a. the correction or completion of;
 - b. any changes to;
 any information on file that affects the premium for this insurance.

If a. or b. above results in a premium decrease during the policy period, any refund due will be:

- a. mailed to you if your premium is paid in full; or
- b. applied to your outstanding balance.

PART IV – WORKERS' COMPENSATION AND EMPLOYERS' LIABILITY

COVERAGE F – WORKERS' COMPENSATION
COVERAGE G – EMPLOYERS' LIABILITY

WHAT LOSSES ARE COVERED --
COVERAGE F AND COVERAGE G

With respect to *residence employees* of any *insured*, we agree:

- 1. Under COVERAGE F, to pay promptly when due all compensation and other benefits required of any *insured* by the California Workers' Compensation Law for *residence employees*.
- 2. Under COVERAGE G, to pay damages which any *insured* is legally liable to pay because of *bodily injury* to a *residence employee* if that *bodily injury* is caused by accident or disease and arises out of and in the course of employment by that *insured*. For the purposes of this provision, *bodily injury* includes damages for which any *insured* is liable because of suits or claims brought against that *insured* by a third party to recover the damages paid by that third party because of *bodily injury* to any *residence employees* of that *insured* that arose out of and in the course of employment.

WHAT LOSSES ARE NOT COVERED – PART IV

- 1. Under COVERAGES F and G we do not cover:
 - a. any additional compensation imposed on any *insured* under Section 132a, Division I, and under Sections 4553 and 4557, Division IV, Labor Code of the State of California, because of:

- (1) the discrimination against, coercion or termination of any *residence employee*;
- (2) the serious and willful misconduct of any *insured* or any representative of an *insured*;
- (3) injury to an employee under 16 years of age and illegally employed at the time of injury;
- b. *bodily injury* arising out of or in connection with the *business* of any *insured*;
- c. *bodily injury* to any person employed by his or her parent, spouse, registered domestic partner or child.
- 2. In addition, under COVERAGE G, we do not cover:
 - a. *bodily injury* by disease, unless written claim is made or suit is brought against any *insured* within 36 months after the end of the policy period;
 - b. *bodily injury* to any *residence employee*:
 - (1) while employed in violation of the law with the knowledge of any *insured*;
 - (2) while acting as a master or member of the crew of any vessel;
 - (3) intentionally caused or aggravated by any *insured*;
 - (4) sustained outside the United States of America, its territories or possessions, or Canada unless the injured *residence employee* is a citizen or resident of the United States of America or Canada who is temporarily outside these countries;

- c. **bodily injury** to any person in work subject to the Longshore and Harbor Workers' Compensation Act (33 USC Sections 901-950);
- d. liability assumed by any *insured* under any contract or agreement;
- e. any obligation for which any *insured* or that *insured's* insurer may be held liable under the California Workers' Compensation Law, any other workers' compensation or occupational disease law, any unemployment compensation or disability benefits law, or under any similar law;
- f. any suit brought in or any judgment rendered by any court outside the United States of America, its territories or possessions, or Canada, or any action on such judgment wherever brought;
- g. punitive or exemplary damages because of **bodily injury** to any *residence employee* employed by any *insured* in violation of law;
- h. fines or penalties imposed on any *insured* for the violation of any federal or state law;
- i. damages arising out of the discrimination against, coercion, criticism, demotion, evaluation, reassignment, discipline, defamation, harassment, humiliation or termination of any *residence employee*.

- e. Claim Expenses under provision 1., and First Aid Expenses under provision 2. of ADDITIONAL PAYMENTS – PART II.
- f. Duties After Loss, Duties of an Injured Person, and Suits Against Us under provisions 2., 3. and 5. of CONDITIONS – PART II.

2. Under COVERAGE F only:

- a. We shall be directly and primarily liable to any **residence employee** of any *insured* entitled to the benefits of the California Workers' Compensation Law under this policy.
- b. When an *insured* knows of or is notified of the occurrence of an injury to a **residence employee**, we will consider that notice or knowledge on our part.
- c. For the purpose of the law imposing liability for compensation, the jurisdiction of an *insured* will be our jurisdiction.
- d. Subject to the provisions, conditions and limitations of PART IV, we will in all things be bound by and subject to the orders, findings, decisions or awards rendered against any *insured* under the provisions of the law imposing liability for compensation. PART IV shall govern as between any *insured* and us as to payments by either in discharge of any *insured's* liability for compensation.
- e. The **residence employee** has a first lien upon any amount which we owe you on account of this insurance. In case of your legal incapacity or inability to receive the money and pay it to the **residence employee**, we will pay it directly to the **residence employee**. Your obligation to the **residence employee** will be discharged to the extent of such payment.

APPLICATION OF COVERAGE AND POLICY PERIOD – PART IV

We will pay for **bodily injury**:

1. Resulting from an accident and occurring during the policy period stated in the declarations.
2. Resulting from disease caused or aggravated by the conditions of the **residence employee's** employment by any *insured*. The **residence employee's** last day of last exposure to the conditions that caused or aggravated the disease must be during the policy period stated in the declarations.

CONDITIONS – PART IV

1. In addition to the conditions listed under 2., 3., 4. and 5. below, only the following provisions of the policy apply to PART IV:
 - a. AGREEMENT.
 - b. DEFINITIONS.
 - c. Bankruptcy, Changes and Liberalization, Statements in the Application for Insurance, Subrogation, Termination, Transfer or Assignment and Your Premium under GENERAL PROVISIONS.
 - d. Agreement for defense and settlement under provision 2. of WHAT LOSSES ARE COVERED – COVERAGE D in PART II.

3. Under COVERAGE G only, our limit of liability will not exceed \$100,000 for all damages:

- a. Because of **bodily injury** sustained by one or more **residence employees** in any one accident.
- b. Arising out of **bodily injury** by disease sustained by one **residence employee**.

Subject to our limit of liability for one **residence employee**, our total limit of liability will not exceed \$500,000 for all damages arising out of **bodily injury** by disease, regardless of the number of **residence employees** who sustain **bodily injury** by disease.

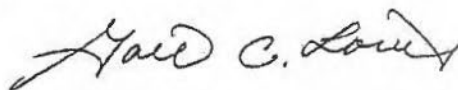
4. PART IV does not apply to any loss with respect to which other valid and collectible workers' compensation or employers' liability insurance applies.

5. The terms of PART IV which are in conflict with the provisions of the California Workers' Compensation Law are hereby amended to conform to that law.

In Witness Whereof, the Interinsurance Exchange of the Automobile Club has caused this policy to be executed by its Attorney-In-Fact at Costa Mesa, California.

ACSC Management Services, Inc.
ATTORNEY-IN-FACT

By



SECRETARY

By



PRESIDENT AND CHIEF EXECUTIVE OFFICER

EXHIBIT B



Interinsurance Exchange of the Automobile Club

AAA YourHome - Homeowners Policy Coverages and Limits Renewal Declarations - Form 3

We are pleased to offer you a renewal for your homeowners insurance policy. To renew your policy, send at least the minimum payment on or before the due date. Insurance is in effect only for the coverages and limits of liability shown on this declarations page and as set forth in the insurance policy and endorsements. These declarations, together with the contract and the endorsements in effect, complete your policy.

YOUR NAME AND MAILING ADDRESS (Named Insured)

HOMEOWNERS POLICY NUMBER

POLICY PERIOD (PACIFIC STANDARD TIME)

THIS POLICY IS EFFECTIVE

LOCATION OF RESIDENCE PREMISES (if different from mailing address above)

YEAR BUILT:

COVERAGES AND LIMITS OF LIABILITY - Coverages are subject to all conditions of this policy.

Part I Property Coverages

Description		Deductible*	Limits***
Dwelling	Coverage A**	Yes	
Other Structures	Coverage B**	Yes	
Unscheduled Personal Property	Coverage C	Yes	
Loss of Use	Other Coverages 1. (20% of the amount of Coverage A)	Yes	
Building Code Upgrade	Other Coverages 5. (10% of the amount of Coverage A)	Yes	

The limit of liability for this structure (Coverage A) is based on an estimate of the cost to rebuild your home, including an approximate cost for labor and materials in your area, and specific information that you have provided about your home.

*A deductible of \$20,000 applies to any covered loss resulting from discharge, leakage or overflow of water or steam from any plumbing, heating, air conditioning or fire sprinkler system, or any fixture or appliance. A deductible of \$20,000 applies to any other covered loss.

Part I limits may have been increased using an inflation factor.

** Coverage A and Coverage B - Extended Replacement Cost Included

*** Lower limits may apply to specific losses. Please review your policy and endorsements for any limitations.

Part II Liability Coverages

Description		Limits
Personal Liability	Coverage D (Bodily Injury and Property Damage) - Each Occurrence (Personal Injury) in the Aggregate	\$500,000
Medical Payments to Others	Coverage E - Each Person	\$1,000

Part IV Workers' Compensation and Employers' Liability Coverages

Description	
Workers' Compensation	Coverage F - Statutory
Employers' Liability	Coverage G (per Conditions Part IV Provision 3)
Residence Employees - Outservant(s) 00 / Inservant(s) 00	

PREMIUM DISCOUNTS APPLIED TO YOUR POLICY

Multi Policy	Roof Type	Mature	Fire Alarm	Single Story	Loyalty
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PREMIUM SUMMARY

Additional Coverages

• If you choose to pay less than the full outstanding balance, a \$6 fee applies to each installment billed, as stated in your billing statements which are part of these declarations. The fee may be reduced if you select to pay using our automatic payment plan.

THIS POLICY INCLUDES BUILDING CODE UPGRADE COVERAGE. PLEASE SEE THE ENCLOSED DISCLOSURE THAT STATES THE TERMS, LIMITS, CONDITIONS, AND RESTRICTIONS OF THIS COVERAGE.

THIS POLICY DOES NOT PROVIDE COVERAGE AGAINST THE PERIL OF EARTHQUAKE.

CAH1200A
E20210219
120423

PROCESS DATE: 12-04-2023

PLEASE KEEP WITH YOUR POLICY

(SEE REVERSE)

Interinsurance Exchange of the Automobile Club
AAA YourHome - Homeowners Policy Coverages and Limits
Renewal Declarations - Form 3 (Continued)

ENDORSEMENTS IN EFFECT

Endorsement Number	Description	Limits	Premium
HO-402	AAA YOURHOME PACKAGE ENDORSEMENT		Included
HO-216	ALARM OR FIRE PROTECTION SYSTEM		
HO-2395	AMENDATORY ENDORSEMENT		
438BFU	LENDER'S LOSS PAYABLE ENDORSEMENT		

Any loss under Part I - PROPERTY COVERAGES - is payable as interest may appear to you and the following listed:

PERSON DESIGNATED TO RECEIVE NONPAYMENT OF PREMIUM NOTICES:

An individual designated by a policyholder to receive notice of lapse, termination, expiration, nonrenewal, or cancellation of the policy for nonpayment of premium does not have any rights, whether as an additional insured or otherwise, to any benefits under the policy, other than the right to receive notice.