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Attorneys for Plaintiffs

SUPERIOR COURT OF CALIFORNIA
COUNTY OF LOS ANGELES

ETHAN ALEXANDER and MARIJANA
ALEXANDER, individuals; CHRISTJAN
JORDAN and RACHEL SEITEL,
individuals; MATTHEW SHAW and
LISA O'NEILL, individuals; DANA
ZALOOM and GEORGE ZALOOM,
individuals;

Plaintiffs,

vs.

UNITED SERVICES AUTOMOBILE
ASSOCIATION, an unincorporated
association with members in every State;
USAA CASUALTY INSURANCE
COMPANY, a Texas Corporation, and
DOES 1-100, inclusive,

Defendants.

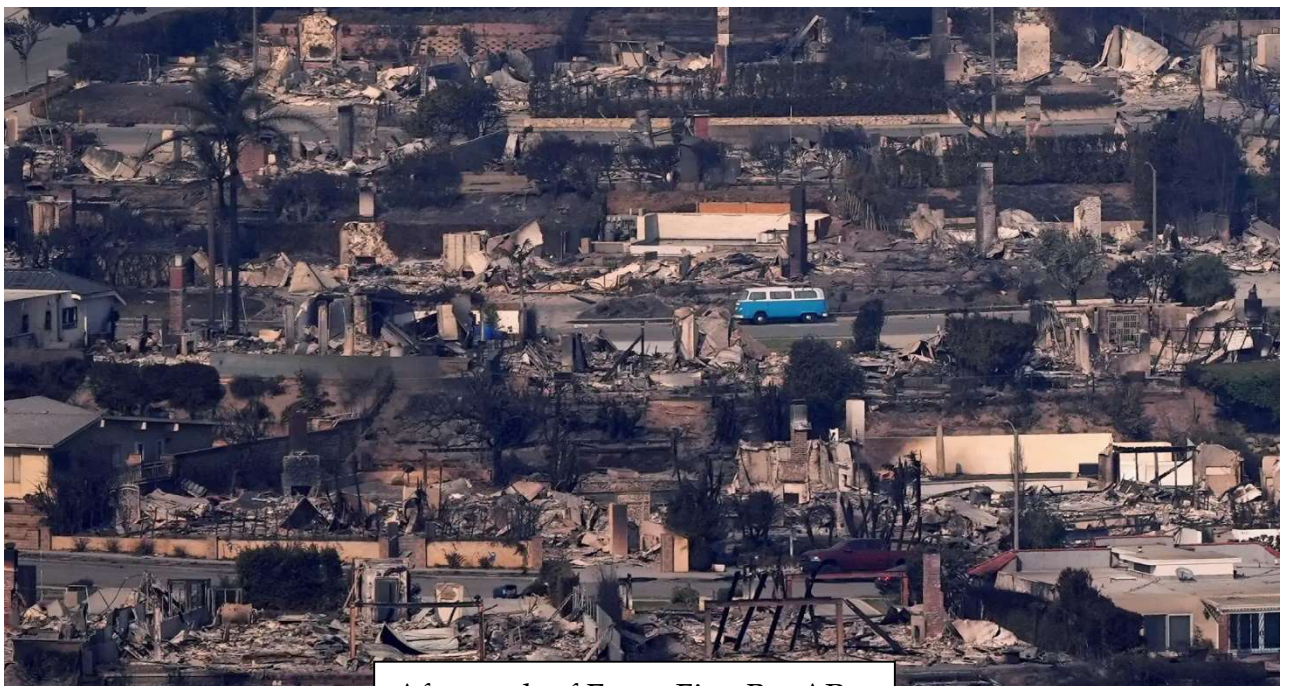
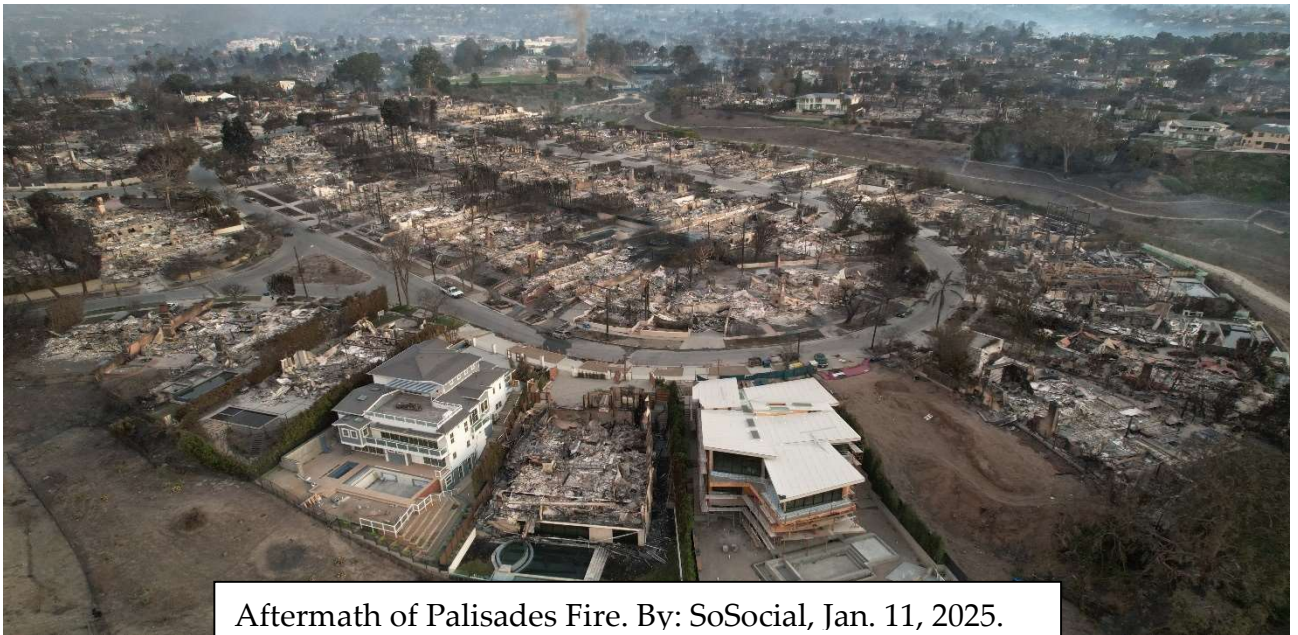
Case No.: **25STCV16247**

**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.



1 2. Their tragedy was made all the worse if they were insured by Defendant
2 United Service Automobile Association (“USAA”). USAA represented to insureds for
3 *years*, on an ongoing basis, that “USAA’s mission is to help protect your financial
4 security. One way we do this is by helping you determine if you’re adequately covered
5 in the event of a loss.” This included “calculate[ing] the minimum estimated rebuilding
6 cost of your home,” which was “based on average construction and labor costs for
7 geographic areas” USAA repeatedly represented to its insureds that it was
8 knowledgeable of the conditions threatening Plaintiffs’ homes, chief among them risks
9 like wildfire, represented that USAA had specialized experience and had taken care to
10 estimate the minimum or “full” replacement cost for insureds’ homes, all the while
11 exhorting its insureds to “Let us help protect your home with military-inspired
12 determination.” Those promises turned out to be false.

13 3. Unfortunately, many of those stricken homeowners found out only *after*
14 the fires that they were significantly “underinsured,” meaning that they cannot afford to
15 replace or rebuild their homes to their pre-loss condition. Underinsurance has long been
16 an issue in California—and one well-known to insurers, but kept hidden from
17 homeowners. “In case after case, California residents whose homes had been damaged
18 or destroyed explained why they had believed their homeowners insurance would
19 enable them to rebuild their dwellings. Once they presented their claim to their
20 insurance company, though, these homeowners discovered that their coverage fell well
21 short of what they needed—sometimes by hundreds of thousands of dollars—to rebuild
22 their homes.” (*Assoc. of Calif. Ins. Cos. v. Jones* (2017) 2 Cal.5th 376, 382.)

23 4. This underinsurance problem was due to the fact that USAA, for years,
24 had been systematically under-estimating the replacement cost of its policyholders’
25 homes, despite representing that policyholders were adequately insured and did not
26 need—and could not purchase—additional insurance. Thus, USAA policyholders were
27 lulled into selecting and utilizing the USAA-recommended policy limits, limits that
28 were woefully insufficient to cover the total replacement cost of their homes, despite

1 contracting with USAA for that specific purpose. As a result, USAA policyholders are
2 underinsured and unprotected—meaning many may never be able to afford to
3 adequately rebuild their homes.

4 5. This pervasive underinsurance problem is expressly the fault of the
5 insurance industry and the cost estimator software many insurers use to recommend
6 coverage limits to insureds. Through poor design choices, perverse profit and
7 commission incentives, volume business, and other shortcomings, the insurance
8 industry has essentially guaranteed the issue of underinsurance will continue to impact
9 Californians. Coupled with insurers' failure to disclose and reasonably warn about the
10 problem, failure to honestly discuss the shortfalls in their estimates, and failures to
11 provide true, ongoing, updated, and renewed estimates during renewals, many
12 insurers have engaged in what can only be described as systemic fraud. Indeed, in
13 recent years, many insurers have tried to push the responsibility for estimate
14 preparation onto *insureds*, despite the vast disparity in knowledge, experience, data
15 acquisition, and ability. But the prevalence of underinsurance is, if anything, the
16 insurance industry's intended result – insurers retain additional market share, keep
17 existing insureds with the company, and still get to tout “full” coverage, while knowing
18 many insureds will be left to fend for themselves in the event of a disaster. And USAA
19 spent years profiting from those misrepresentations, allowing it, in the words of its
20 most recent Management Discussion and Analysis, to find “an appropriate balance
21 between competitiveness and financial strength,” and finding instrumental to its
22 success the “ability to effectively monitor and assess USAA’s price competitive position
23 in the industry.” Indeed, USAA’s *primary* “catastrophe management objective is to
24 mitigate the financial impact of a probable maximum loss (PML) from natural
25 disasters” —protecting USAA at the expense of its insureds.¹

26 _____
27 ¹ California Department of Insurance, Company Profile for United Services Automobile Association, 2023
28 Annual Report, Management Discussion and Analysis. See:
https://interactive.web.insurance.ca.gov/apex_extprd/f?p=144:6:10607368562002::NO:RP,6:P6_COMPANY_ID,P6_NAIC:3288,25941&cs=1KsmwBDM-U8IDHue0wWOvUIy9C_g

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

9 7. USAA's knowledge is also borne out by industry experience. For decades,
10 when homeowners, including those insured by USAA, suffered a catastrophic loss, a
11 significant portion have unfortunately found that their policy limits were insufficient to
12 repair or replace their damaged property. This multibillion-dollar problem first
13 emerged in the 1990s and has never been adequately addressed by the insurance
14 industry, *despite* most homeowners being more than willing to contract for full
15 replacement cost coverage. Although most insurance policies, including USAA's, talk
16 about "replacement" value or "full" replacement coverage, relatively few provide limits
17 that will *actually* provide sufficient funds to fully "replace" the lost property,
18 particularly in light of disasters that impact a large number of homes in a localized area,
19 resulting in significantly increased costs of construction. Again and again, California
20 disasters have borne this out.² Among thousands of claims reviewed pursuant to
21 California Public Records Act requests, and as insurers including USAA have known
22 for decades pursuant to their own evaluation of post-loss data, insurers' estimates of the
23 cost of reconstruction massively underestimate the true cost of rebuilding the property.
24 For homes experiencing a total loss, the true scope of the loss exceeded the Coverage A
25 limits—which are nearly always the amount of the insurers' estimate of "full"
26 replacement cost—approximately **96.1%** of the time, with the property being

27 _____
28 ² Kenneth S. Klein, *The Unnatural Disaster of Insurance, Underinsurance, and Natural Disasters*, Connecticut Insurance Law Journal, Vol. 30.1 (2023-2024).

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

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

13 9. Anecdotally, this pervasive problem of underinsurance has been borne
14 out in catastrophe after catastrophe. Following each major California wildfire
15 stretching back decades, despite extended replacement cost coverage, a consistent
16 majority of homeowners have found themselves underinsured for the true cost to
17 rebuild or replace their property.⁴ United Policyholders, in surveys conducted months
18 after a disaster, found the following:

- 19 • Following the 2007 Southern California Wildfires, 66% of survey respondents
20 reported being underinsured, with the average amount of underinsurance
21 totaling \$319,500.
- 22 • Following the 2010 Butte Fire, 65% of respondents reported they did not have
23 sufficient dwelling insurance.
- 24 • Following the 2015 Valley Fire, 53% reported insufficient insurance, with a
25 shortfall averaging \$103,000.
- 26 • Following the 2017 North Bay Fires, 64% reported insufficient insurance, with
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28 ³ *Id.* at pp. 51-52.

⁴ <https://uphelp.org/media/surveys/>

1 an average shortfall of \$367,000.

- 2 • Following the 2018 Camp Fire, 66% of respondents were underinsured.
3 • Following the 2020 California Wildfires, only 18% were confident they had
4 sufficient insurance.

5 10. Ultimately, and as the insurance industry has known for decades, even
6 with extended replacement cost, *most* homeowners find themselves underinsured
7 following a wildfire, and the problem is the *insurer's* point of sale replacement cost
8 estimates. In sum, there is a “nationwide underinsurance crisis. Most people want, are
9 willing to pay for, and think they have full and adequate insurance. They are wrong.
10 They are short by a lot. And their insurance companies know it. Yet nothing is being
11 done to remedy the situation.”⁵ This problem has existed, has been known—and has
12 been ignored—by insurers, including USAA, for decades.

13 11. Despite that knowledge, USAA spent years representing that its Coverage
14 A – Dwelling Protection limits were “an estimate of the cost to rebuild your home,
15 including an approximate cost for labor and materials in your area, and specific
16 information” about the home. Indeed, to qualify for extended replacement cost (what
17 USAA calls “Home Protector” or “Home Protector Plus”), the insured *had* to insure the
18 dwelling at the amount USAA calculated was the “*full replacement cost* at the time this
19 policy is issued,” *and* accept any increase in coverage calculated by USAA on a yearly
20 basis, if such increased was “deemed necessary by [USAA].” (emph. added.) Yet even
21 with an additional 25% or 50% in dwelling coverage under the extended replacement
22 cost coverage, Plaintiffs still fall far short of the true cost to rebuild or replace their
23 homes.

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

19 13. Finally, in the weeks and months leading up to January 2025, USAA
20 recognized a significant increase in the fire risk for its insureds in California and in Los
21 Angeles County (including the location of Plaintiffs' residences). In recognition of that
22 risk, USAA began increasing many homeowners' premiums by more than 20%, *without*
23 a corresponding increase in coverage amounts, and *without* recognition that a significant
24 disaster would spike prices for housing contractors and materials in the area. Despite
25 that increased risk, USAA maintained its insureds' policies at dramatically
26 underinsured levels, leaving many homeowners *far* short of the necessary funds to
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1 rebuild or replace their home after the wildfires.⁶

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

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

12 II. THE PARTIES

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

- 25 a. Plaintiffs Ethan Alexander and Marijana Alexander, joint insureds, at all
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28 ⁶ <https://www.insurancebusinessmag.com/us/news/breaking-news/usaa-hikes-california-home-insurance-rates-515280.aspx>

1 times material to the allegations of the Complaint, are the property
2 owners of the property located at 833 Bienvenida Avenue, Pacific
3 Palisades, California, 90272. Mr. and Mrs. Alexander, at all times material
4 to the allegations of the Complaint, have been residents of the County of
5 Los Angeles. Mr. Alexander has been insured with USAA in some form
6 or another for nearly *40 years* as a member of the organization through his
7 father. Mr. and Mrs. Alexander have been insured with USAA
8 homeowners insurance on the Bienvenida Avenue property since their
9 purchase of the property in 2018. That year, they acquired the property
10 from a friend and developer in the area, who at the time was working on
11 Bienvenida Avenue as it underwent a complete redevelopment
12 (essentially down to the “studs,” with only half a roof), collaborating on
13 the final finishings and vision. The Alexanders took ownership when the
14 property was fully remodeled and beautifully finished. The completion of
15 the home turned the footprint into a single story, 2,135 square foot, 4
16 bedroom, 3 bathroom residence. That complete redesign turned the home
17 into one of the most updated and modern-looking homes in the area, with
18 a clean white exterior, bold black trim, and standing as a statement of
19 contemporary design, with high-end architectural upgrades, new
20 windows, and a new roof. The Bienvenida Avenue home was equipped
21 with new, modern appliances, custom cabinetry, gorgeous marble
22 countertops, European ceiling lighting, and a custom-built white statuario
23 marble island that was the centerpiece of the kitchen and matched
24 counters throughout the house. The bathrooms had radiant heated floors,
25 elegant marble finishes, herringbone inlays, and high-end chrome fixtures
26 from Brizo. The home had extensive blonde hardwood floors,⁷ with many

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28 ⁷ During debris removal, one officer from the Army Corps of Engineers even commented on how the blonde hardwood floors and herringbone heated floors were among the finest he had ever pulled up—

1 modern components, high-end furnishings, and top-tier energy and safety
2 infrastructure. The home also contained extensive renovations on the
3 exterior, including a detached 2-car garage, black glass garage door, gates,
4 and main house trim, a full row of mature privacy trees, privacy hedges,
5 expansive patio, complete swing and play structure, and a completely
6 new 15x30 foot pool with modern components, safety infrastructure, and
7 high-end plaster. USAA insured the home after a simple interview over
8 the phone, ensuring the Alexanders that they could obtain full and
9 complete coverage in only a few minutes. The Alexanders leaned on the
10 USAA team, as it had for decades, for expert guidance and protection, and
11 believed the USAA recommendations for coverage limits, endorsements,
12 and structure replacement cost values. Ultimately, at the time of the fire,
13 the Bienvenida Avenue home was insured through USAA Policy Number
14 CIC 00605 19 70 91A. The coverage limits for Coverage A – Dwelling
15 Protection were \$584,000, with a 25% Home Protection Endorsement
16 (\$146,000). The rest of the coverages were based on a percentage of
17 Coverage A (i.e., Coverage B – Other Structures was 10% of Coverage A;
18 Coverage C – Personal Property was 50% of Coverage A, etc.). The
19 Bienvenida Avenue home was completely destroyed during the Palisades
20 Fire. Even with the Home Protector endorsement, at the time of the fire
21 USAA was calculating the cost to rebuild the dwelling as a mere \$342 per
22 square foot—*far* below even other homes and residences in the area, with
23 no notice or warning to the insureds about the drastically low limits. In
24 attempting to obtain quotes to rebuild their totally destroyed home, the
25 Alexanders have begun receiving initial estimates to replace their home
26 with a like kind, quality, and size structure *much* higher than that figure,
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further enforcing the quality and care in the construction of 833 Bienvenida Avenue.

1 including estimates at more than \$850-\$1000 per square foot—well above
2 their USAA selected policy limits and leaving them drastically
3 underinsured to have a chance to rebuild their home.

4 b. Plaintiffs Christjan Jordan and Rachel Seitel, joint named insureds, at all
5 times material to the allegations of the Complaint, are the property
6 owners of the property located at 16808 Charmel Lane, Pacific Palisades,
7 California, 90272. Mr. Jordan and Ms. Seitel, at all times material to the
8 allegations of the Complaint, have been residents of the County of Los
9 Angeles. Mr. Jordan has been a USAA member for *48 years* as both of his
10 parents proudly served in the military. Mr. Jordan and Ms. Seitel have
11 been insured with USAA homeowners’ insurance on the Charmel Lane
12 property since their purchase of that property in 2019 and were insured
13 under USAA Policy No. CIC 00831 95 38 93A at the time of the fire.
14 Insurance on their home was procured directly through USAA. Even a
15 cursory Redfin search from when they purchased the property shows that
16 it had an “Ultra High-End Designer Remodel” in 2013, with “elite
17 finishes” and with “every foot of interior & exterior space” being
18 “completely reimagined & re-done” by an internationally acclaimed
19 designer.⁸ Mr. Jordan and Ms. Seitel are long-time customers of USAA
20 and trusted USAA to make accurate, reasonable, and sufficient
21 recommendations for coverage. Indeed, despite requesting additional
22 coverage, USAA pushed back, representing their replacement cost
23 estimate as the true cost to rebuild, and refused to allow additional
24 insurance beyond a marginal amount above what *USAA* calculated to be
25 the true replacement cost for a home with what it called merely an “Above
26 Average” build quality. The home at 16808 Charmel Ln is a two story,
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⁸ <https://www.themls.com/Dashboards/sharedListings/umy8HDsQE6ZGeraXtxWqmU-Rr30L58720>

1 single family detached home, built in 1970, extensively remodeled in 2013,
2 and approximately 2,394 square feet. At the time of the fire, Mr. Jordan
3 and Ms. Seitel had the following coverage limits on the Charmel Lane
4 home—Coverage A (\$1,031,000) with a Home Protector Endorsement
5 (\$257,750), and other coverages based on the amount of the Coverage A
6 limits (i.e., Coverage C was 50% of Coverage A; Coverage D was 20% of
7 Coverage A, etc.). The Charmel Ln home was completely destroyed
8 during the Palisades Fire. Even with the Home Protector endorsement, at
9 the time of the fire USAA was calculating the cost to rebuild the dwelling
10 as a mere \$538 per square foot. In attempting to obtain quotes to rebuild
11 their totally destroyed home, Mr. Jordan and Ms. Seitel have begun
12 receiving initial estimates to replace their home with a like kind, quality,
13 and size structure *much* higher than that figure—leaving them drastically
14 underinsured to have a chance to rebuild their home.

15 c. Plaintiffs Matthew Shaw and Lisa O’Neill, joint individual insureds, at all
16 times material to the allegations of the Complaint, are the property
17 owners of the property located at 1008 Beverly Way, Altadena, Los
18 Angeles, CA 91001. Mr. Shaw and Ms. O’Neill, at all times material to the
19 allegations of the Complaint, have been residents of the County of Los
20 Angeles or the County of Orange. Mr. Shaw and Ms. O’Neill have been
21 insured with USAA on the 1008 Beverly Way home since approximately
22 2017 and have been continuously insured with USAA on that property
23 from 2017 to and through the time of the Eaton fire. Insurance on their
24 home on Beverly Way was procured, renewed, and maintained directly
25 through USAA. At the time of the wildfires, they were insured on the
26 Beverly Way property through USAA Insurance Policy CIC 00738 92 98
27 81A. The Coverage A limits were \$384,000, with a Home Protector
28 Endorsement of \$96,000. Each of the other policy coverages was based on

1 a percentage of the Coverage A limit. The dwelling consists of two
2 dwelling structures totaling approximately 1820 square feet, meaning
3 even with the Home Protector endorsement, USAA was representing the
4 “full” cost to rebuild the dwelling as approximately \$264 per square foot.
5 The Beverly Way dwelling was completely destroyed during the Eaton
6 Fire, and will have to be completely replaced/rebuilt. Following the fire
7 loss, they have begun receiving initial estimates to replace their home with
8 a like kind, quality, and size dwelling *much* higher than that figure
9 (indeed, estimates *before* expenses for finishes, appliances, fixtures, etc.,
10 have been coming in at approximately or more than \$1,000,000)—leaving
11 them drastically underinsured to have a chance to rebuild their home.

- 12 d. Plaintiffs Dana Zaloom and George Zaloom, joint individual insureds, at
13 all times material to the allegations of the Complaint, are the property
14 owners of the property located at 719 Alma Real Drive, Pacific Palisades,
15 CA 90272. Mr. and Mrs. Zaloom, at all times material to the allegations of
16 the Complaint, have been residents of the County of Los Angeles. Mr.
17 and Mrs. Zaloom have been insured with USAA homeowners on the
18 Alma Real Drive property since approximately 2012. USAA also insured
19 the Alma Real Drive home for years before Mr. and Mrs. Zaloom became
20 the owners when the home was owned by Mr. Zaloom’s mother,
21 Madeleine R. Zaloom. Mr. and Mrs. Zaloom have been continuously
22 insured with USAA homeowners’ insurance during their ownership of the
23 property (as well as their other home (a rental property at 1146 Corsica
24 Drive, also located in Pacific Palisades, which incurred smoke damage but
25 did not burn). Insurance on their home on Alma Real Drive was procured,
26 renewed, and maintained directly through USAA. At the time of the
27 wildfires, they were insured on the Alma Real Drive property through
28 USAA Insurance Policy CIC 01682 37 66 92A. The Coverage A limits were

1 \$783,000, with a Home Protector Plus Endorsement of \$391,500. Each of
2 the other policy coverages was based on a percentage of the Coverage A
3 limit. The home is approximately 2,600 square feet, meaning even with
4 the Home Protector Plus endorsement, USAA was representing the “full”
5 cost to rebuild the home as approximately \$451.83 per square foot. While
6 the home was initially built in 1948, it underwent numerous remodels and
7 interior design enhancements. The Zallooms’ home was completely
8 destroyed during the Palisades Fire and will have to be completely
9 replaced/rebuilt. Following the fire loss, and based on initial estimates
10 received by the Zallooms, they are being quoted a price to rebuild their
11 home to like kind, quality, and features, at approximately \$1,400 per
12 square foot (if not more)—meaning they are *drastically* underinsured for
13 the true cost to rebuild their home.

14 17. Plaintiffs are informed and believe and thereon allege that defendant
15 UNITED SERVICES AUTOMOBILE ASSOCIATION (“USAA”) is, and at all relevant
16 times was, an unincorporated association with members in every State, including in the
17 State of California. At all relevant times, USAA was authorized to transact business in
18 the State of California, and USAA was, and is, transacting the business of insurance in
19 the State of California. USAA is a domiciliary of the State of California for purposes of
20 jurisdiction. USAA insures properties throughout the State of California, including
21 Plaintiffs’ properties at issue in this Action, and throughout and around Los Angeles
22 County. Each USAA policy referenced in this Complaint was negotiated in, delivered
23 in, insures property in, and is subject to the laws of the State of California. By
24 purchasing a USAA policy, each individual insured became a “Member” of USAA.
25 And USAA, in each policy, defines *itself* as the insuring entity—“We, us, our, USAA,
26 Company, Reciprocal or Interinsurance Exchange means United Services Automobile
27 Association.” USAA is headquartered in San Antonio, Texas, and has offices
28 throughout the United States and Europe.

1 18. Defendant USAA Casualty Insurance Company (“Casualty”) is, and at all
2 relevant times was, a Texas corporation. Casualty is currently licensed by the State of
3 California to transact business in the State of California, and at all times relevant herein,
4 was and is transacting considerable business with California residents. USAA owns *100*
5 *percent* of the common stock of its direct, wholly owned subsidiary Casualty. Based on
6 information and belief, Plaintiffs allege that Casualty is wholly controlled by USAA,
7 which uses Casualty as an instrumentality in conducting the business of insurance.
8 Further, based on information and belief, Plaintiffs allege that there exists a unity of
9 interest between USAA and Casualty, such that any individuality and separateness
10 between Defendants has ceased, and USAA is, and at all relevant times was, the alter-
11 ego or joint venture of Casualty, as Casualty was a mere shell, instrumentality, or
12 conduit through which USAA carried on its business, including insurance. Such alter
13 ego or joint venture relationship is demonstrated by sharing the same address, sharing
14 the same pool of executive officers, offering materially identical insurance offerings,
15 sharing the same agent for service of process, sharing letterhead, logos, and other
16 company descriptors, sharing the same custodian of records, and being subsumed
17 within the same enterprise. As such, references to USAA herein refer to both USAA
18 and CASUALTY.

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

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

1 of coverage; the obligations of good faith and fair dealing encompass qualities of
2 decency and humanity inherent in the responsibilities of an insurer. Indeed, insurers
3 like USAA hold themselves out as fiduciaries and holders of the public’s trust, and so
4 must perform their obligations in good faith. At minimum, the relationship between
5 USAA and its insureds is a quasi-fiduciary relationship, which imposes fiduciary-like
6 duties on the insurer, including special and heightened duties akin to those of a
7 fiduciary. This includes the insurer’s conduct during the offer and sale of a policy or
8 certificate. (See CA Ins. Code § 785.)

9 25. USAA (NAIC #25941), along with its wholly owned subsidiaries, is a
10 member of the United Serv Automobile Assn Grp (NAIC Group Code 200). Defendant
11 USAA, on its own and through its wholly owned subsidiaries, performs all
12 administrative, human resources, insurance options, finance, information technology,
13 sales, marketing, and legal functions necessary to the operation of the USAA insurance
14 business in California. All direct insurance revenue and expense, including premiums,
15 losses, commissions, and premium taxes, remain centered with USAA.

16 26. USAA regularly promotes the ways it serves “the military, veterans, and
17 their eligible family members,” as it explicitly acknowledges: “We don’t serve
18 everyone—we serve the military community. We understand their unique needs and
19 create products and services made just for them.”⁹ USAA was “founded on military
20 values,” and considers it “a privilege to serve those who defend our country. Our
21 unwavering commitment to serve with excellence means we work to support our
22 members’ changing needs today, tomorrow and for generations to come.” Indeed, its
23 “simple, yet meaningful mission,” is to “empower members to achieve financial
24 security through competitive products, exceptional service and trusted advice.”¹⁰

25 27. USAA also specifically advertises its expertise in minimizing wildfire
26 risks—and expertise in assisting policyholders in wildfire prone areas—through its
27

28 ⁹ <https://www.usaa.com/?akredirect=true>

¹⁰ https://www.usaa.com/about/?wa_ref=pub_footer_about

1 USAA Wildfire Response Program, which applies to USAA policyholders in California
2 and other states. “It’s a service that helps qualifying members reduce the risk of losing
3 their home to an active wildfire. If you live in a designated at-risk area, we’ll
4 automatically enroll you in the program at no additional cost.”¹¹

5 28. Finally, with respect to “How much homeowners insurance do I need?”,
6 USAA specifically advises insureds that they “should insure your home for the
7 *estimated cost to rebuild*,” and “We can help you determine your rebuild cost,” —
8 explicitly telling insureds that they should rely on USAA’s estimates to determine their
9 rebuild cost *and ultimately* the amount of insurance they procure.¹²

10
11 **B. The history of underinsurance—and USAA’s longstanding knowledge of and**
12 **contribution to that pervasive problem**

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

27
28 ¹¹ <https://www.usaa.com/insurance/property/homeowners/wildfire-response-program/>

¹² https://www.usaa.com/inet/wc/insurance_home_condo?akredirect=true (emph. added.)

1 and particularly with catastrophic events such as wildfires.

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

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

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

4 32. 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. Indeed, data has shown
9 that an insurer's point-of-sale reconstruction estimate—when they first obtain new-
10 customer insurance, or try to maintain market share at the time of renewal—is nearly
11 *guaranteed* to be less than the true cost to rebuild or replace the property, and that
12 shortfall is often hundreds of thousands of dollars or more.

13 33. 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 USAA spent years profiting
28 from those misrepresentations, allowing it, in the words of its most recent Management

1 Discussion and Analysis, to find “an appropriate balance between competitiveness and
2 financial strength,” and finding instrumental to its success the “ability to effectively
3 monitor and assess USAA’s price competitive position in the industry.” Indeed,
4 USAA’s *primary* “catastrophe management objective is to mitigate the financial impact
5 of a probable maximum loss (PML) from natural disasters” – protecting USAA at the
6 expense of its insureds.

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

- 17 a. Failing to properly and fully inform policyholders about the way in which
18 its cost estimating software evaluated home quality and arrived at a
19 replacement cost estimate—an estimate that was routinely too low to
20 provide the actual cost to rebuild or replace the property;
- 21 b. Failing to use accurate home characteristics to properly determine the
22 replacement cost set as the Coverage A limits;
- 23 c. Discrepancies between information in the underwriting file or prior
24 information reported to USAA and the characteristics USAA utilized to
25 prepare replacement cost estimates;
- 26 d. Failing to annually adjust the Coverage A limits and failing to
27 reunderwrite policies for several renewal terms;
- 28 e. Failing to provide policyholders with a copy of the underlying

1 replacement cost estimate generated by their estimating tool, showing all
2 elements and components considered;
3 f. Failing to provide the home characteristics disclosure or communicate the
4 estimate of replacement cost to insureds.

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

8 36. USAA's knowledge is also borne out by industry experience. For decades,
9 when homeowners, including those insured by USAA, suffered a catastrophic loss, a
10 significant portion have unfortunately found that their policy limits were insufficient to
11 repair or replace their damaged property. This multibillion-dollar problem first
12 emerged in the 1990s and has never been adequately addressed by the insurance
13 industry, *despite* most homeowners being more than willing to contract for full
14 replacement cost coverage. Although most insurance policies, including USAA's, talk
15 about "replacement" value or "full" coverage, relatively few provide limits that will
16 *actually* provide sufficient funds to fully "replace" the lost property, particularly in light
17 of disasters that impact a large number of homes in a localized area, resulting in
18 significantly increased costs of construction. Again and again, California disasters have
19 borne this out.¹³ Among thousands of claims reviewed pursuant to California Public
20 Records Act requests, and as insurers including USAA have known for decades
21 pursuant to their own evaluation of post-loss data, insurers' estimates of the cost of
22 reconstruction massively underestimate the true cost of rebuilding the property. For
23 homes experiencing a total loss, the true scope of the loss exceeded the Coverage A
24 limits—which are nearly always the amount of the insurers' estimate of "full"
25 replacement cost—approximately **96.1%** of the time, with the property being
26 underinsured by *more than 50%* of the Coverage A limits. Meaning that even with
27

28 ¹³ Kenneth S. Klein, *The Unnatural Disaster of Insurance, Underinsurance, and Natural Disasters*, Connecticut Insurance Law Journal, Vol. 30.1 (2023-2024).

1 extended replacement cost or other provisions expanding Coverage A limits (i.e.,
2 policies providing 120%, 125%, or 150% of the Coverage A limits), *most* homeowners are
3 underinsured for the true cost to replace their property. And the numbers are even
4 more severe when dealing with catastrophic—wildfire—losses.¹⁴

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

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

23 38. Ultimately, and as the insurance industry has known for decades, even
24 with extended replacement cost, *most* homeowners find themselves underinsured
25 following a wildfire, and the problem is the *insurer's* point of sale replacement cost
26 estimates. In sum, there is a “nationwide underinsurance crisis. Most people want, are
27

28 ¹⁴ *Id.* at pp. 51-52.

¹⁵ <https://uphelp.org/media/surveys/>

1 willing to pay for, and think they have full and adequate insurance. They are wrong.
2 They are short by a lot. And their insurance companies know it. Yet nothing is being
3 done to remedy the situation.”¹⁶ This problem has existed, has been known—and has
4 been ignored—by insurers, including USAA, for decades.

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

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

19 40. The Palisades Fire began on January 7, 2025, in the Santa Monica
20 Mountains of Los Angeles County. The fire was first reported at approximately 10:30
21 a.m., covering approximately 10 acres of the mountains north of Pacific Palisades, CA.
22 It rapidly spread, propelled by high winds, excessive fuel, and extreme drought—
23 within minutes, growing to 200 acres, and within hours, growing to 700 acres, then
24 1,262 acres, and beginning to engulf structures and homes. A little more than a day
25 later, the Palisades Fire, despite the efforts of more than a thousand firefighters, had
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27 ¹⁶ 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 grown to more than 15,000 acres. The fire raged nearly out of control for days,
2 ultimately requiring more than 5,000 firefighting personnel, and did not reach full
3 containment until January 31, 2025—24 days after ignition. All told, the Palisades Fire
4 consumed more than 23,000 acres, 6,800 structures, and cost 12 people their lives during
5 the conflagration.

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

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

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

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

1 each act required on their part to keep their policies in full force and effect.

2 44. Each of those policies was obtained through, purchased with, and
3 maintained by, USAA employees, agents, and representatives. Those USAA
4 employees, agents, and representatives were, at all times, operating within the scope of
5 their employment with USAA in estimating, evaluating, writing, maintaining, and
6 renewing Plaintiffs' policies at issue here.

7 45. USAA specifically advises insureds that they "should insure [their] home
8 for the estimated cost to rebuild . . . *We can help you determine your rebuild cost.*"
9 (https://www.usaa.com/inet/wc/insurance_home_condo (emph. added).) USAA also
10 represents to its insureds that its "mission is to help protect your financial security," by
11 "helping you determine if you're adequately covered in the event of a loss, and by
12 calculating "the minimum rebuilding cost of your home based on your home
13 characteristics," including "average construction and labor costs for geographic areas."
14 Further, USAA on occasion provides a summary regarding the "location, home
15 characteristics, and minimum estimate replacement cost" to completely replace the
16 insured's dwelling.

17
18 USAA's mission is to help protect your financial security. One way we do this is by helping you determine if you're
adequately covered in the event of a loss. We can calculate the minimum estimated rebuilding cost of your home based on
your home characteristics, **but only you can decide if this is enough coverage**. Our estimates are based on average
19 construction and labor costs for geographic areas and may not reflect the unique features of your home or the area in which
you live.

20
21
22 Please review the attached document for a detailed summary of the information we used to estimate your home's minimum
estimated rebuilding cost. The estimate includes information regarding the location, home characteristics, and minimum
23 estimated replacement cost. If any of the information is incorrect, the rebuilding cost may be affected. To update the home
characteristics or Quality Grade selections for your home, follow these steps:

24
25 46. USAA then, at least for some policyholders, provides a "Replacement Cost
26 Estimate" from 360Value, which is the Xactware tool used by USAA to estimate
27 replacement costs. USAA had previously represented to policyholders, including
28 Plaintiffs, that it was "using [this] new replacement cost calculation tool provided by

1 Xactware Solutions, Inc., to estimate [Plaintiffs'] home[s'] rebuilding cost," because
2 Xactware provides "an outstanding estimating tool for [USAA's] claims department."
3 Furthermore, Xactware supposedly provided a more "consistent experience" between
4 coverage limits and the adjustment of claims and was used to "estimate the minimum
5 cost to rebuild [Plaintiffs'] home[s]" — assuring Plaintiffs that USAA's use of the
6 Xactware software would more accurately and dependably assist policyholders by
7 accurately calculating replacement costs in such a way to provide comfort to
8 policyholders that their coverage limits would be an accurate accounting of the cost to
9 rebuild in the event of a total loss. These 360Value estimates include line item entries
10 for labor, materials, supplies, contractor overhead and profit, permits, plans,
11 demolition, and removal costs, and listed features of the homes that allegedly went into
12 preparing the bottom-line "Estimated Replacement Cost" for the insured's home. This
13 estimate "represent[ed] approximated costs to rebuild a structure similar to the
14 structure described herein" and was "intended to reflect pricing for labor, materials,
15 applicable permits and fees, sales tax, and contractor's overhead and profit margin."
16 The only thing the estimate excluded from replacement cost was "major excavation or
17 land value." Yet again, USAA represented to its insureds that it was calculating
18 appropriate and accurate policy limits for the cost to rebuild Plaintiffs' homes.

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

27 48. In addition, at all times herein relevant, USAA left nearly nothing to
28 consumers' discretion and undertook the responsibility to set the policy limits for its

1 insured's replacement cost coverage. Insureds were not permitted to have any
2 significant input to determine the adequacy of the amount of coverage procured
3 through USAA. Plaintiffs may have requested additional coverage or advised USAA
4 about improvements/changes made to their homes, but USAA either refused to increase
5 the limits—faking a concern about “overinsurance”—provided only minimal increases
6 (based on its reliance on the estimate it had generated and downplaying insureds'
7 concerns), or failed to take significant action to properly and fully insure the Plaintiffs'
8 homes.

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

16 50. Each year, USAA provided a new policy to Plaintiffs for their homes,
17 many times with a new limit of liability for the cost to replace the home—calculated and
18 implemented by USAA. These amounts were calculated solely by USAA without input
19 and with little ability to adjust those limits by the insureds. In fact, for each Declarations
20 Page provided by USAA, the following language appeared: “THE LIMIT OF LIABILITY
21 FOR THIS STRUCTURE (COVERAGE A – DWELLING) IS BASED ON AN ESTIMATE
22 OF THE COST TO REBUILD YOUR HOME, INCLUDING AN APPROXIMATE COST
23 FOR LABOR AND MATERIALS IN YOUR AREA, AND SPECIFIC INFORMATION
24 THAT YOU HAVE PROVIDED ABOUT YOUR HOME.” Based on information and
25 belief, a true and correct copy of an exemplar declaration page used by USAA for each
26 of the Plaintiffs at the time of the fire is attached as Exhibit B. Indeed, per Insurance
27 Code § 10103, that limit of liability was required to be an *estimate* performed by USAA
28 as to the replacement cost of the Plaintiffs' homes.

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

5
6 § 2695.183. Standards for Estimates of Replacement Value.
7 No licensee shall communicate an estimate of replacement cost to an applicant or
8 insured in connection with an application for or renewal of a homeowners'
9 insurance policy that provides coverage on a replacement cost basis, unless the
10 requirements and standards set forth in subdivisions (a) through (e) below are
11 met:

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

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

20 including at least the following:

- 21 (A) Type of foundation;
- 22 (B) Type of frame;
- 23 (C) Roofing materials and type of roof;
- 24 (D) Siding materials and type of siding;
- 25 (E) Whether the structure is located on a slope;
- 26 (F) The square footage of the living space;
- 27 (G) Geographic location of property;
- 28 (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
single property being evaluated, as compared to the cost to build multiple, or
tract, dwellings.

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

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

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

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

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

27 54. Plaintiffs' policies also provided additional information regarding the
28 suitability, reasonability, and adequacy of the replacement cost estimates (and policy
limits) prepared by USAA. First, in the Section I – Conditions, at 18. Adjustment to
Building Cost, USAA represented to policyholders: (1) that it would *annually* calculate

1 the “rate of change in the replacement cost of your dwelling”; (2) that coverage amounts
2 could be increased by USAA according to “The rules then in use by us will determine
3 the new amounts for these coverage”; and (3) that USAA had “the right to change to
4 another replacement cost calculation tool as of any renewal date.”

5
6 **18. Adjustment to Building Cost.**

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

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55. In the California Special Provisions endorsement, USAA also included a
definition that the Coverage A – Dwelling limits were the *minimum* estimated
replacement or rebuild costs, based on any method or calculation they used to
determine the amount for which they would offer to insure the dwelling:

.....
"Minimum Estimated Replacement or Rebuild Cost" means the COVERAGE A - Dwelling stated
limit based on an updated estimated reconstruction cost of the dwelling, an inflation factor,
changes in costs of construction, or any other method or combination of methods we may use to
determine the amount for which we will offer to insure the dwelling at renewal.

56. In addition, in USAA’s Home Protector endorsement, to qualify for
extended replacement cost coverage, USAA describes the Coverage A – Dwelling limits
as the *full replacement cost* for the home and requires insureds to insure at that value and
to accept any increases imposed by USAA—and had even told the California
Department of Insurance that it would not accept requests for Home Protector coverage
unless the dwelling was insured “for at least 95% of its value at the time” the

1 endorsement was applied¹⁷:

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(3) Home Protector Coverage Requirements.

You agree:

- (a) To insure your buildings under SECTION I – PROPERTY WE COVER, COVERAGE A – Dwelling and COVERAGE B – Other Structures on the “described location” for the full replacement cost at the time this policy is issued; and
- (b) To accept any increase in coverage that results from the application of the **Adjustment to Building Cost** provision if it is deemed necessary by us. You must pay for any added premium; and

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

58. In addition to the failures outlined above to provide adequate, accurate replacement cost estimates to its policyholders, USAA perpetuated a scheme of illusory homeowners’ coverage on its policyholders. USAA policyholders believed they were receiving premium home protection from USAA, which helped them choose the right coverage (i.e., coverage supposedly more than sufficient to compensate the policyholders for the total loss of their home *and then* some). In fact, the policyholders

¹⁷ Cal. Dept. of Insurance. Web Access to Rate Filing Forms. <https://www.insurance.ca.gov/0250-insurers/0800-rate-filings/>. USAA File # 23-3147. See pp. 519, 1447, 1465, 1477, et al.

1 (in this case, Plaintiffs) were paying premiums for coverage which the policyholders
2 would never be able to receive as a result of USAA's failure to accurately calculate the
3 minimum replacement cost for Plaintiffs' homes.

4 59. For example, as described above, many Plaintiffs purchased the Home
5 Protector (or Home Protector Plus) extension in Coverage A – Dwelling, and Coverage
6 B – Other Structures policy limits. And that extension is *conditioned* upon insuring the
7 dwelling to “full” replacement cost as estimated by USAA. However, because of
8 Defendants' unrealistically low policy limit recommendations, Plaintiffs were not
9 paying for *additional* coverage beyond the minimum amount to rebuild or replace
10 Plaintiffs' homes, but were in fact paying for an additional 50% of coverage which *still*
11 failed to cover Plaintiffs for the actual rebuild or replacement cost of their homes. Thus,
12 despite paying premiums for homeowners' coverage purportedly sufficient to cover the
13 full replacement or rebuild cost of Plaintiffs' home, *plus* an additional 25% or 50%
14 coverage above the “full replacement cost,” USAA policyholders, such as Plaintiffs,
15 were paying for coverage that could not even cover the minimum replacement and/or
16 rebuild cost of their homes.

17 60. Moreover, USAA's failure to accurately calculate policy limits sufficient to
18 replace or rebuild Plaintiffs' homes after a loss event sabotages Plaintiffs' ability to even
19 access the full replacement cost of their homes or the additional limits available under
20 their Home Protector coverage. This is because policyholders must “exhaust” their
21 Coverage A limits *and* complete replacement or rebuilding before accessing their Home
22 Protector coverage—something insureds may have little financial ability to ever
23 accomplish, as they would be required to go hundreds of thousands of dollars out of
24 pocket.

25 61. Due to the way USAA calculates its Loss Settlement Provisions, insureds
26 are entitled to no more than actual cash value *until* they actually repair or replace their
27 homes. In other words, to even access their full policy limits, many times Plaintiffs must
28 first rebuild or replace their homes. Only *after* the homes are replaced or rebuilt—when

1 the policyholder has *completed* the repair or replacement—will USAA issue a final check
2 for the full replacement cost coverage and 25% or 50% extra. But because Plaintiffs'
3 policy limits—calculated and set by USAA—are so low, the amount USAA advances to
4 Plaintiffs to initiate the rebuilding process is often times insufficient to cover significant
5 rebuilding costs. Plaintiffs are therefore required to go "out-of-pocket" for the remaining
6 amount required to rebuild or replace their home before receiving the final USAA check
7 for the total cost to rebuild their homes. Unfortunately, the out-of-pocket amount is so
8 high that Plaintiffs cannot afford to cover the shortfall. Thus, many Plaintiffs cannot
9 rebuild their homes. As a result, Plaintiffs are barred from receiving either true
10 rebuilding and/or replacement coverage, or the additional coverage because Plaintiffs
11 can never, in reality, satisfy the conditions in the USAA policy.

12 62. In addition, USAA deprived Plaintiffs of their rights under their policies
13 in a number of ways. For instance, upon information and belief, USAA refuses to
14 conduct a reasonable investigation into the extent of Plaintiffs' losses, or create claim
15 documents, such as adequate repair and replacement estimates and bids, appraisals,
16 scopes of loss, drawings, plans, reports, third party findings on the amounts of loss,
17 covered damages, or cost of repairs, particularly because USAA knows that such
18 documents will demonstrate the drastic level to which the Plaintiffs were uninsured.
19 USAA has a duty to conduct a reasonable investigation and to prepare scopes of loss
20 pursuant to Insurance Code section 10103.5(b) which states, in relevant part, "A
21 consumer is entitled to receive information regarding homeowner's insurance"
22 including "[i]n the event of a claim, an itemized, written scope of loss report prepared
23 by the insurer or its adjuster within a reasonable time period." USAA also has a
24 statutory duty to prepare and provide claim documents under Insurance Code section
25 10082.3. Despite these statutory duties, upon information and belief, USAA failed to
26 adequately create or provide these documents even after Plaintiffs made a claim under
27 their policies and requested claim documents from USAA.

28 63. In prior catastrophes, USAA has also threatened insureds that it will cut

1 off their Coverage D benefits for Loss of Use and Additional Living Expenses (with
2 even that policy limit being set far too low based on USAA's faulty Coverage A
3 estimates). Based upon information and belief, USAA has contemplated doing the
4 same here. USAA has done so despite knowing that the amounts provided to
5 rebuild/repair/replace Plaintiffs' homes fall far short of the amount necessary to do so,
6 leaving Plaintiffs with the all but impossible choice of hoping for litigation to succeed or
7 being required to rebuild a home that is considerably smaller or of lesser quality than
8 their property destroyed in the fire.

9 64. Plaintiffs are informed and believe that USAA set most of the coverages in
10 the policies, including Coverages B through D, based on the amount it determined for
11 Coverage A.

12 65. USAA has reaped enormous financial benefit to the detriment of its
13 insureds. USAA collects premiums on coverages that as a result of USAA's insufficient,
14 yet recommended and required policy limits and other contradictory policy provisions,
15 can never be accessed and applied to Plaintiffs' loss. Thus, USAA collects premiums for
16 coverages with knowledge that USAA is immune from having to pay out on claims
17 against that coverage, and with knowledge that it is deliberately or knowingly setting
18 coverage limits far below the true cost to repair or rebuild a home—all in an effort to
19 maximize USAA's market share and drive profitability.

20 66. Following the Los Angeles County Wildfires, many of USAA's insureds,
21 including Plaintiffs, were forced to make claims to USAA following the destruction of
22 their homes. Because of the dramatically lower replacement cost policy limits provided
23 by USAA—despite its repeated promises that the amount was the full estimate cost to
24 rebuild or repair and that such limits would be sufficient—many of its insureds ended
25 up *significantly* underinsured for the costs necessary to replace or rebuild their homes—
26 anywhere from hundreds of thousands to more than a million dollars underinsured.

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FIRST CAUSE OF ACTION

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

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

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

68. In every insurance contract, a covenant of good faith and fair dealing is implied, including Plaintiffs' homeowners' insurance policies. The conduct of insurers, agents, and brokers even prior to purchase must be pursuant to that same duty of good faith and fair dealing.

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

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

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

- 4 (a) Unreasonably dictating coverage limits (and refusing to adequately
5 and fairly increase limits when requested), including USAA’s estimate
6 of the cost to repair/rebuild/replace Plaintiffs’ homes, despite those
7 estimates falling far short of the true cost;
- 8 (b) Unreasonably failing to conduct a fair, balanced, and thorough
9 investigation, including the failure to adequately evaluate, investigate,
10 and review the homes of Plaintiffs prior to recommending and
11 requiring Plaintiffs to obtain a specific coverage limit, and refusing to
12 allow additional insurance to be obtained;
- 13 (c) Unreasonably refusing to make payments to Plaintiffs for the true
14 limits of liability knowing the Plaintiffs’ claims for benefits under the
15 Policy were valid, and unreasonably failing to make sufficient
16 payments for Plaintiffs to cover the total rebuild cost of their homes,
17 which is akin to denying Plaintiffs’ the benefit of their bargain;
- 18 (d) Unreasonably delaying benefits under the Policy to Plaintiffs, at a time
19 when Defendants knew that the Plaintiffs were entitled to such
20 benefits under the terms of the Policy;
- 21 (e) Unreasonably delaying and denying Plaintiffs the benefits they were
22 promised under the Policy through the unreasonable and illegitimate
23 delay and denial of payments that they were entitled to as well as the
24 enforcement of policy limits set in bad faith by USAA, as well as
25 USAA’s illusory coverage scheme that placed its own profit motives
26 ahead of protection for its insureds;
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- 1 (f) Unreasonably placing USAA's own financial interests above the
2 interests of its insureds;
- 3 (g) Unreasonably engaging in a course of conduct designed to prevent
4 Plaintiffs from obtaining the coverage they were entitled to under the
5 Policy;
- 6 (h) Unreasonably failing to acknowledge and act promptly upon
7 communications with respect to claims arising under the Policies;
- 8 (i) Failing and refusing to give at least as much consideration to the
9 Plaintiffs' interests as it gave to its own interests;
- 10 (j) Unreasonably and in bad faith failing to honor its promise to provide
11 Plaintiffs with an insurance policy that accurately and faithfully
12 estimated the full or minimum replacement cost of their homes;
- 13 (k) Unreasonably and in bad faith failing to pay out amounts sufficient to
14 cover the total rebuild cost of Plaintiffs' homes;
- 15 (l) Unreasonably and in bad faith interpreting the Policy in a way that
16 contravenes California law and principles of interpretation, all in an
17 effort to avoid paying rightly owed policy benefits.
- 18 (m) Unreasonably and in bad faith failing to comply with California
19 Regulations regarding the estimation of replacement cost value of
20 Plaintiffs' homes, failing to conduct a reasonable estimation of
21 replacement cost value, resulting in policy limits far lower than
22 necessary to properly replace/rebuild those homes.
- 23 (n) Unreasonably and in bad faith failing to give its insureds notice of
24 changes in policy language, and attempting to unreasonably foist
25 responsibility for replacement cost estimates onto insureds despite
26 preventing them from having input or readily increasing their limits.
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- 1 (o) Unreasonably and in bad faith failing to pay full and final benefits due
2 under the Debris Removal, Trees, Personal Property, and ALE/Loss of
3 Use provisions of the Policies;
- 4 (p) Unreasonably and in bad faith refusing to pay out additional
5 coverages, including home protector benefits, building, ordinance, or
6 law coverage, and other terms and conditions to which Plaintiffs are
7 entitled, either under their policy as currently written, or under the
8 reformed (accurately estimated) replacement cost policies to which
9 Plaintiffs are entitled.
- 10 (q) Unreasonably and in bad faith refusing to take into account the scope
11 of dwelling coverage, including with respect to multiple dwellings
12 located on a single property, and unreasonably defining dwelling to
13 exclude additional dwelling units, such as ADU (literally an
14 “Accessory Dwelling Unit”), “granny flat,” or other dwelling known to
15 exist and long existing on the property.

16
17 72. Plaintiffs are informed and believe and thereon allege that Defendants
18 USAA, CASUALTY, and DOES 1 through 100, inclusive, and each of them, have
19 breached their duty of good faith and fair dealing owed to Plaintiffs by other acts or
20 omissions of which Plaintiffs are presently unaware and which will be shown according
21 to proof at the time of trial.

22 73. As a proximate result of the aforementioned unreasonable and bad faith
23 conduct of Defendants USAA, CASUALTY, and DOES 1 through 100, inclusive, and
24 each of them, Plaintiffs have suffered, and will continue to suffer in the future,
25 economic and other consequential damages, for a total amount to be shown at the time
26 of trial.

27 74. As a proximate result of the aforementioned unreasonable and bad faith
28 conduct of Defendants USAA, CASUALTY, and DOES 1 through 100, inclusive, and

1 each of them, Plaintiffs have suffered, and will continue to suffer in the future, general
2 damages including emotional distress, for a total amount to be shown at the time of
3 trial.

4 75. As a further proximate result of the aforementioned wrongful conduct of
5 Defendants USAA, CASUALTY, and DOES 1 through 100, inclusive, and each of them,
6 Plaintiffs were compelled to retain legal counsel to obtain the benefits due under the
7 Policy and benefits of their bargain with USAA. Therefore, Defendants USAA and
8 DOES 1 through 100, inclusive, and each of them, are liable to the Plaintiffs for those
9 attorneys' fees, witness fees, and costs of litigation reasonably necessary and incurred
10 by Plaintiffs in order to obtain Policy benefits and the cost to adequately rebuild, repair,
11 or replace their homes in a sum to be determined at trial.

12 76. Defendants USAA, CASUALTY, and DOES 1 through 100, inclusive, and
13 each of their conduct described herein was intended by these Defendants to cause
14 injury to the Plaintiffs, or was despicable conduct carried on by these Defendants with a
15 willful and conscious disregard of the rights of Plaintiffs, or subjected Plaintiffs to cruel
16 and unjust hardship in conscious disregard of the Plaintiffs' rights, or was an
17 intentional misrepresentation, deceit, or concealment of a material fact known to these
18 Defendants with the intention to deprive the Plaintiffs of property, legal rights, or to
19 otherwise cause injury, such as to constitute malice, oppression, or fraud under
20 California Civil Code section 3294, thereby entitling Plaintiffs to punitive damages in an
21 amount appropriate to punish or set an example of Defendants USAA and DOES 1
22 through 100.

23 77. Defendants USAA, CASUALTY, and DOES 1 through 100, inclusive, and
24 each of their conduct as previously alleged evidences that these Defendants consciously
25 engaged in a pattern of intentionally undersetting policy limits, delaying and
26 intentionally wrongfully withholding benefits from the Plaintiffs, unreasonably failing
27 to thoroughly investigate and evaluate Plaintiffs' claims, and knowingly failing to give
28

1 their insureds' interests at least as much consideration as their own. These Defendants'
2 pattern of conduct to unreasonably delay, underset limits, and failure to provide
3 benefits under the Policy as previously alleged, forced the Plaintiffs to suffer in their
4 personal life, and forced the Plaintiffs to either not receive and/or have to pay for items
5 on their own which should have been covered by the Policy.

6 78. Defendants USAA, CASUALTY, and DOES 1 through 100, inclusive, and
7 knowingly and wrongfully elevated their financial interests above those of Plaintiff in
8 this case, and acted with a willful and conscious disregard of Plaintiff's rights to timely
9 receive benefits as provided by the Policy. Defendants USAA and DOES 1 through 100,
10 willfully and intentionally sought to deprive Plaintiff of benefits which they were
11 entitled to receive under the Policy or should have been entitled to receive had USAA
12 accurately and adequately performed its duties as an insurer.

13 79. The conduct of Defendants USAA, CASUALTY, and DOES 1 through 100,
14 inclusive, described herein was undertaken by these corporate Defendants' officers or
15 managing agents, who were responsible for policy underwriting, policy limit setting,
16 claims supervision and operations, underwriting, communications, and/or decisions.
17 The aforementioned conduct of said managing agents and individuals was therefore
18 undertaken on behalf of these corporate Defendants. These corporate Defendants
19 further had advanced knowledge of the actions and conduct of said individuals whose
20 actions and conduct were ratified, authorized, and approved by managing agents
21 whose precise identities are unknown to Plaintiff at this time and are therefore
22 identified and designated herein as DOES 1 through 100, inclusive.
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1 SECOND CAUSE OF ACTION

2 (Breach of Contract)

3 ALL PLAINTIFFS FOR A SECOND CAUSE OF ACTION AGAINST
4 DEFENDANTS USAA, CASUALTY, AND DOES 1 THROUGH 100, INCLUSIVE, FOR
5 BREACH OF CONTRACT, ALLEGE:

6 80. 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 81. Plaintiffs have fully and completely performed all their duties and
9 obligations under the Policy, including the timely payment of all premiums.

10 82. Defendants USAA, CASUALTY, and DOES 1 through 100, inclusive, and
11 each of them, owed duties and obligations to Plaintiffs under the Policies. Defendants
12 had also promised for years that they were providing Coverage A limits that were
13 sufficient to rebuild Plaintiffs' homes, based on the characteristics of each Plaintiffs'
14 individual home. Defendants also represented in the Declarations Page of each of
15 Plaintiffs' policy each year that: "The limit of liability for this structure (Coverage A –
16 Dwelling) is based on an estimate of the cost to rebuild your home, including an
17 approximate cost for labor and materials in your area, and specific information that you
18 have provided about your home." Any such "estimate" is required to comply with the
19 provisions of 10 C.C.R. 2695.183, which USAA repeatedly failed to undertake.

20 83. Defendants breached the terms and provisions of the contract to provide
21 home insurance policy benefits by unreasonably failing to provide those policy benefits,
22 and drastically underproviding the necessary policy limits to adequately repair or
23 replace the Plaintiffs' homes. Defendants, despite the contract language to the contrary,
24 did not provide an "estimate of the cost to rebuild your home, including an
25 approximate cost for labor and materials in your area," as each Plaintiffs' Coverage A
26 limits—instead underinsuring the Plaintiffs for hundreds of thousands or even millions
27 of dollars, even *after* the 25% or 50% extension of coverage. In addition, Defendants
28

1 breached the terms and provisions of the contract by failing to provide full scope of loss
2 reports, agreed-upon coverage extensions, and other violations of the contract as
3 discussed above. Plaintiffs allege that Defendants have also breached the contract in
4 other material respects that will be revealed through the discovery process.

5 84. As a direct and proximate result of Defendants' conduct and material
6 breach of their contractual obligations, Plaintiffs have suffered damages under the
7 Policy in an amount to be determined according to proof at the time of trial, plus
8 interest and other foreseeable and incidental damages according to proof, and in
9 amounts to be determined at the time of trial.

10 THIRD CAUSE OF ACTION

11 (Negligence)

12 ALL PLAINTIFFS FOR A THIRD CAUSE OF ACTION AGAINST
13 DEFENDANTS USAA, CASUALTY, AND DOES 1 THROUGH 100, INCLUSIVE, FOR
14 NEGLIGENCE, ALLEGE:
15

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

18 86. Defendants USAA, CASUALTY, and DOES 1 through 100, inclusive, and
19 each of them, exclusively utilized USAA personnel, resources, websites, equipment, and
20 USAA-controlled or captive agents/adjusters/claims personnel to sell insurance,
21 correspond with policyholders, and estimate and recommend policy limits. All
22 insurance procured on behalf of Plaintiffs was done directly by, through, and with
23 USAA employees.
24

25 87. USAA represented that it had specialized knowledge and expertise
26 regarding how to accurately calculate the costs of replacing or reconstructing Plaintiffs'
27 homes following a loss event. USAA knew, or should have known, that policyholders
28 would rely on USAA's assertions of expertise to calculate the minimum policy limits

1 that would enable Plaintiffs to replace or rebuild their homes in the event of loss. USAA
2 also knew that if Plaintiffs, or those in Plaintiffs' position, relied on USAA's expertise,
3 but the policy limits proved inadequate, Plaintiffs would be materially harmed and
4 unable to replace or rebuild their homes. USAA also knew, or should have known, that
5 its use of 360Value was insufficient to calculate the specific rebuilding costs of each
6 home. USAA also knew, or should have known, that as a result of its failure to
7 accurately calculate policy limits which reflected the minimum cost to rebuild or replace
8 Plaintiffs' homes, in addition to other actions described herein regarding its illusory
9 coverage, that Plaintiffs were denied the ability to access additional home coverages,
10 such as the Home Protector Coverage, despite Plaintiffs paying premiums for those
11 coverages.

12
13 88. USAA also made affirmations to Plaintiffs that its cost estimating software
14 (360Value) would accurately calculate policy limits for rebuilding each of Plaintiffs'
15 individual homes, based on brief information collected online or over the phone, in an
16 effort to induce policy sales, depress claim reimbursement, and maintain and enlarge
17 USAA's market share. But that cost estimating software did not accurately calculate
18 rebuilding costs—not even close. Instead, Plaintiffs' policy limits were repeatedly
19 underset by USAA, despite offerings like Home Protector coverage (which is supposed
20 to be *over and above* the cost to rebuild, to account for uncertain prospects like demand
21 surge after a wildfire), Plaintiffs were left drastically underinsured for the true cost to
22 restore their homes.

23 89. USAA personnel also on numerous occasions, held themselves out to
24 Plaintiffs as specialists in the homeowners insurance arena and in obtaining
25 comprehensive insurance coverage, including for the full and complete cost to rebuild
26 or replace Plaintiff's homes. USAA thus owed duties of reasonable care, diligence and
27 loyalty, and judgment to Plaintiffs in procuring insurance and to assure that coverage as
28 requested and promised was in place to protect Plaintiffs, and to ensure that USAA had

1 accurately and sufficiently set each Plaintiffs' policy limits to fully compensate them in
2 the event of a total loss.

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

8 91. Defendants USAA, CASUALTY and DOES 1 through 100, inclusive, owed
9 Plaintiffs a duty of care to see that their interests were fully protected by the coverage
10 they sought and obtained for Plaintiffs.

11 92. Defendants USAA, CASUALTY and DOES 1 through 100, inclusive, also
12 owed duties to Plaintiffs to ensure that all disclosures were made properly and
13 accurately in the application process; to obtain the coverage requested by Plaintiffs; to
14 obtain appropriate coverage suited to the specific needs of Plaintiffs; to accurately
15 represent and report the coverage obtained; to warn of coverage limitations or
16 exclusions; to not reduce coverage without Plaintiffs' authorization; and to properly
17 assist and report in the claim for benefits to the insurer.

18 93. Defendants USAA, CASUALTY and DOES 1 through 100, inclusive,
19 breached that duty, by failing to properly and accurately ensure the amount of coverage
20 obtained for Plaintiffs; by failing to obtain accurate and necessary costs of replacement
21 estimates for Plaintiffs—leading to drastically lower policy limits that were insufficient
22 to compensate Plaintiffs in the event of loss; by failing to obtain the appropriate
23 coverage as requested by Plaintiffs; by failing to accurately represent and report the
24 coverage obtained; and by failing to properly warn Plaintiffs of potential coverage
25 limitations or exclusions.

26 94. At all relevant times, Defendants USAA, CASUALTY and DOES 1
27 through 100, inclusive, knew that Plaintiffs were relying upon their experience, skill,
28

1 accuracy, good faith, and expertise as insurance specialists for homeowners' insurance
2 such as that obtained for Plaintiffs.

3 95. Defendants USAA, CASUALTY and DOES 1 through 100, inclusive, failed
4 to exercise the skill and care that a reasonably careful insurer, insurer's employee,
5 agent, or broker would have used in similar circumstances.

6 96. Plaintiffs are informed and believe and thereon allege that Defendants
7 USAA, CASUALTY and DOES 1 through 100, inclusive, were negligent in other acts or
8 omissions of which the Plaintiffs are presently unaware.

9 97. As a proximate result of the negligence of Defendants USAA, CASUALTY
10 and DOES 1 through 100, inclusive, Plaintiffs have suffered, and will continue to suffer,
11 general and special damages to be determined at trial. These include the drastically
12 reduced policy limits that are far below the amount required to adequately repair,
13 rebuild, or replace Plaintiffs' homes, their distress at the insurance dispute, the fees to
14 procure counsel to litigate this dispute, and other damages as awardable by the Court.

15 **FOURTH CAUSE OF ACTION**

16 **(Negligent Misrepresentation)**

17 ALL PLAINTIFFS FOR A FOURTH CAUSE OF ACTION AGAINST
18 DEFENDANTS USAA, CASUALTY, AND DOES 1 THROUGH 100, INCLUSIVE, FOR
19 NEGLIGENCE MISREPRESENTATION, ALLEGE:
20

21 98. Plaintiffs refer to each and every paragraph of this complaint and
22 incorporate those paragraphs as though set forth in full in this cause of action.
23

24 99. Defendants USAA, CASUALTY and DOES 1 through 100, inclusive,
25 repeatedly represented to Plaintiffs: (1) that USAA was able to precisely calculate the
26 cost of replacing Plaintiffs' homes based on the specific characteristics of each home,
27 knowing such representations would be communicated to Plaintiffs and relied upon
28 them; (2) that policy limits, recommended and set by USAA, were the "minimum"

1 required for the cost of rebuilding Plaintiffs' homes and were the "full replacement
2 cost" for their homes at the time the policy was issued; (3) that USAA was, on an *annual*
3 basis, revising the policy limits to "reflect the rate of change in the replacement cost of
4 your dwelling" —i.e., that USAA was, every year, modifying the Coverage A – Dwelling
5 Protection limits to keep current with rebuilding costs; and (4) that USAA had obtained
6 and put in place insurance, such as the Policies, to insure the full replacement cost
7 necessary to replace Plaintiffs' homes and that such insurance they had obtained on
8 behalf of Plaintiffs and at the request of Plaintiffs, including the Policies, would provide
9 full replacement cost coverage for losses sustained to Plaintiffs' homes. Defendants also
10 repeatedly represented to Plaintiffs that the amount reflected as the coverage limits in
11 the Policies was sufficient to fully repair, rebuild, or replace Plaintiffs' homes, to the
12 point that Defendants refused to permit Plaintiffs to procure much in the way of
13 additional or supplemental coverage for fear of its policyholders being "overinsured."
14 Defendants also repeatedly provided projected "rebuild" estimates to the Plaintiffs in
15 order to convince them that they were adequately insured, and did in fact convince
16 Plaintiffs that the coverage estimates established by USAA would be sufficient to
17 rebuild their homes in the event of disaster.

18
19 100. Defendants USAA, CASUALTY and DOES 1 through 100, inclusive,
20 repeatedly represented that it had particular expertise and skill in calculating rebuilding
21 costs in case of property loss, and was obliged to ensure that its calculations for
22 rebuilding costs were accurate—accurately determining both rebuilding costs and the
23 commensurate policy limits.

24 101. USAA's representations were inaccurate—its cost estimating software was
25 woefully deficient in calculating replacement costs, the policy limits calculated and set
26 by USAA were massively short of the true cost to rebuild, and it left many Plaintiffs
27 unable to replace or rebuild their homes. USAA also knew, or should have known, that
28 the insufficient data it collected from homeowners, and the generalized assumptions

1 made by its cost estimating software, would not provide accurate estimates of the true
2 rebuilding costs, and did not provide a reasonable basis for calculating homeowners'
3 policy limits. USAA knew, or should have known, that its representations were false
4 when made.

5 102. Defendants USAA, CASUALTY and DOES 1 through 100, inclusive,
6 knew, or should have known, the Plaintiffs could and would rely upon such
7 representations of these Defendants regarding the type, amount, and nature of coverage
8 that they possessed and would rely on the fact that it was being represented to
9 Plaintiffs, that Plaintiffs possessed sufficient and adequate insurance coverage to repair,
10 replace, or rebuild their home in the event of disaster, as represented by the coverage
11 limits in the Policies. Indeed, Plaintiffs purchased USAA insurance in substantial part
12 *because of* USAA's false representations about its cost estimating software, supposed
13 accuracy of rebuild estimates, and alleged sufficiency of policy limits.

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

21 104. In addition, Defendants USAA, CASUALTY and DOES 1 through 100,
22 inclusive, negligently failed to disclose that the insurance that Plaintiffs had requested,
23 including the Policies, and that Defendants had represented had been obtained, would
24 not in fact provide adequate or full replacement cost coverage for Plaintiffs. Instead, the
25 coverage actually obtained fell hundreds of thousands or even more than a million
26 dollars short of providing adequate replacement cost coverage.
27
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1 basis, revising the policy limits to “reflect the rate of change in the replacement cost of
2 your dwelling” —i.e., that USAA was, every year, modifying the Coverage A – Dwelling
3 Protection limits to keep current with rebuilding costs; and (4) that USAA had obtained
4 and put in place insurance, such as the Policies, to insure the full replacement cost
5 necessary to replace Plaintiffs’ homes and that such insurance they had obtained on
6 behalf of Plaintiffs and at the request of Plaintiffs, including the Policies, would provide
7 full replacement cost coverage for losses sustained to Plaintiffs’ homes. Defendants also
8 repeatedly represented to Plaintiffs that the amount reflected as the coverage limits in
9 the Policies was sufficient to fully repair, rebuild, or replace Plaintiffs’ homes, to the
10 point that Defendants refused to permit Plaintiffs to procure sufficient additional or
11 supplemental coverage for fear of its policyholders being “overinsured.” Defendants
12 also repeatedly provided projected “rebuild” estimates to the Plaintiffs in order to
13 convince them that they were adequately insured, and did in fact convince Plaintiffs
14 that the coverage estimates established by USAA would be sufficient to rebuild their
15 homes in the event of disaster. By way of specific example, subject to supplementing
16 with further information as discovery into this matter continues, USAA made the
17 following statements or representations to each of the Plaintiffs regarding the policy
18 limits and the cost to rebuild their homes:

- 19
- 20 a. USAA made a specific representation to each Plaintiff in both the annual
21 notice and on the Declarations Page of each policy that the: “The limit of
22 liability for this structure (Coverage A – Dwelling) is based on an estimate
23 of the cost to rebuild your home, including an approximate cost for labor
24 and materials in your area, and specific information that you have
25 provided about your home.” Plaintiffs are informed and believe that this
26 representation was false and inaccurate.
- 27 b. USAA made a specific representation in the “Adjustment to Building
28 Cost” provision of the policy—that, on an annual basis, USAA would

1 revise the Coverage A – Dwelling limit “to reflect the rate of change in the
2 replacement cost of your dwelling.” Plaintiffs are informed and believe
3 that this representation was false and inaccurate.

4 c. To qualify for extended replacement cost (what USAA calls “Home
5 Protector” or “Home Protector Plus”), the insured *had* to insure the
6 dwelling at the amount USAA calculated was the “full replacement cost at
7 the time this policy is issued,” *and* accept any increase in coverage
8 calculated by USAA on a yearly basis, if such increased was “deemed
9 necessary by [USAA].” Invariably, this amount for “full replacement cost”
10 was the Coverage A limits *calculated by USAA*. Plaintiffs are informed and
11 believe that this representation was false and inaccurate.

12 d. USAA also spent years representing that it adequately and fully
13 accounted for Plaintiffs’ homes architecture, building materials, finishes,
14 and other details that contribute to determine rebuilding costs—yet failed
15 to adequately consider these parameters and instead relied on insufficient
16 data to create, recommend, and implement substantially insufficient
17 policy limits. USAA also spent years knowing it was required to comply
18 with a California regulation that was intended to provide more accurate
19 replacement cost estimates, and yet still either ignored or willfully
20 undervalued the estimates it provided. Plaintiffs are informed and
21 believe that this representation was false and inaccurate.

22 e. Based upon information and belief, Plaintiffs were also repeatedly assured
23 that based on USAA’s projected rebuild costs with Home Protector or
24 Code Upgrade coverage, their homes were fully insured and that USAA
25 would not allow (or would argue against) additional insurance because
26 USAA had determined the limits would allow Plaintiffs to fully rebuild
27 their homes. Based on the events during and following the Los Angeles
28

1 County Wildfires, these representations were false by a *large* margin and
2 misrepresented the actual replacement cost estimate for Plaintiffs’
3 properties.

4 110. Based on information and belief, USAA, CASULATY and DOES 1 through
5 100 knew their representations were false when made or made these representations
6 with reckless disregard for their truth. As a large insurance company, with millions of
7 policyholders and billions in premiums per year, USAA knows that it cannot provide
8 an accurate estimate of rebuilding costs by simplistically looking at a home’s
9 characteristics without fully and accurately evaluating the home’s architecture, building
10 materials, finishes, upgrades, and other details that substantially determine rebuilding
11 costs. This is particularly true in the event of a disaster, where “surge” pricing due to
12 limited contractors and materials often substantially increases costs. Yet it failed to
13 prepare full, adequate, and accurate replacement cost estimates for its insureds,
14 including Plaintiffs, leading to policy limits that were drastically short of the amount
15 required to rebuild their homes to pre-loss condition. Based on information and belief,
16 USAA has received numerous complaints over the years about underestimating
17 replacement cost coverage and short-changing many insureds when they were most
18 desperate. This has been an ongoing and consistent problem for USAA after every
19 catastrophe, particularly in California, going back to the time USAA forced
20 policyholders to switch to replacement cost value coverage (i.e., away from *guaranteed*
21 replacement cost coverage) in the 1990s. Yet despite actual notice of the problems with
22 its cost estimating software and decades of “low” estimates resulting in underinsurance
23 for policyholders, USAA continues to make these representations to insureds, leaving
24 them drastically unprepared when something like a wildfire strikes.
25

26 111. Further, based on information and belief, USAA, CASUALTY, and DOES
27 1 through 100 did not intend to perform their promise to provide adequate replacement
28 cost coverage—repeatedly represented to Plaintiffs by USAA personnel, by the Policy

1 language, and in how USAA sold its policies—at the time the promise was made.
2 Instead, USAA deliberately undersold or underestimated replacement cost coverage
3 and placed its insureds in peril. The falsity of USAA’s promise came true shortly after
4 the Los Angeles County Wildfires, in that USAA has numerous insureds, including
5 Plaintiffs, who are hundreds of thousands or even more than a million dollars “short”
6 of the actual cost to replace, repair, or rebuild their homes. That actual cost far exceeds
7 the amount represented by USAA to be the “full” amount of Plaintiffs’ replacement
8 cost.

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

15 113. Defendant USAA, CASUALTY, and DOES 1 through 100’s representations
16 about the adequacy of policy limits for Plaintiffs’ homes were false at the time they
17 were made, as Defendants had drastically underestimated the necessary policy limits,
18 had done so for years, and had ready knowledge of the falsity of those representations.

19 114. Defendants USAA, CASUALTY, and DOES 1 through 100, inclusive,
20 knew that, and intended that, the Plaintiffs could and would rely upon such
21 representations of these Defendants regarding the type, amount, and nature of coverage
22 that they possessed and would rely on the fact that it was being represented to
23 Plaintiffs, that Plaintiffs possessed sufficient and adequate insurance coverage to repair,
24 replace, or rebuild their home in the event of disaster, as represented by the coverage
25 limits in the Policies. Plaintiffs purchased, renewed, or maintained their USAA policies
26 in substantial part based upon the representations of Defendants and were induced to
27 obtain or continue those policies through the time of the Los Angeles County Wildfires.
28

1 115. Plaintiffs were justified in relying, and did rely, on the representations of
2 Defendants USAA, CASUALTY, and DOES 1 through 100, inclusive, as these
3 Defendants represented themselves as reputable, specialized, competent and
4 sophisticated insurance personnel in the business of providing full and adequate
5 insurance to replace, rebuild, or repair Plaintiffs' homes in the event of disaster. In
6 justifiably relying upon these representations, Plaintiffs purchased the Policies, paid the
7 premiums thereon, and Plaintiffs did not seek insurance coverage elsewhere.
8

9 116. In addition, Defendants USAA, CASUALTY, and DOES 1 through 100,
10 inclusive, intentionally failed to disclose that the insurance that Plaintiffs had requested,
11 including the Policies, and that Defendants had represented had been obtained, would
12 not in fact provide adequate replacement cost coverage for Plaintiffs. Instead, the
13 coverage actually obtained fell hundreds of thousands or even more than a million
14 dollars short of providing adequate replacement cost coverage.

15 117. Plaintiffs are informed and believe and there upon allege that Defendants
16 USAA, CASUALTY, and DOES 1 through 100, inclusive, intentionally misrepresented
17 and intentionally failed to disclose other matters regarding the Policies, these acts or
18 omissions of which Plaintiffs are presently unaware but which may be determined
19 through discovery and will be presented at time of trial. These other acts or omissions
20 of these Defendants would constitute further misrepresentation on the part of these
21 Defendants.

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

25 119. As a further proximate result of these Defendants' conduct, Plaintiffs have
26 suffered damages and harm including general and emotional distress damages in a
27 total amount to be shown at the time of trial.
28

1 replacement cost coverage, as alleged in this Complaint, constitute unlawful, unfair,
2 and fraudulent business practices, in violation of the Unfair Competition Law, Cal. Bus.
3 & Prof. Code §§ 17200 et seq.

4 126. Defendants' acts and practices constitute unlawful business practices, as
5 they violate 10 California Code of Regulations § 2695.183, Standards for Estimates of
6 Replacement Value. Section 2695.183 provides that "no licensee shall communicate an
7 estimate of replacement cost to an applicant or insured in connection with an
8 application for or renewal of a homeowners' insurance policy that provides coverage on
9 a replacement cost basis" unless certain "requirements and standards" are met. Among
10 these requirements and standards are "consideration of components and features of the
11 insured structure," including "at least" the following criteria:

- 12 (1) Cost of labor, building materials and supplies;
- 13 (2) Overhead and profit;
- 14 (3) Cost of demolition and debris removal;
- 15 (4) Cost of permits and architect's plans; and
- 16 (5) Consideration of components and features of the insured structure, including
at least the following:
 - 17 (A) Type of foundation;
 - 18 (B) Type of frame;
 - 19 (C) Roofing materials and type of roof;
 - 20 (D) Siding materials and type of siding;
 - 21 (E) Whether the structure is located on a slope;
 - 22 (F) The square footage of the living space;
 - 23 (G) Geographic location of property;
 - 24 (H) Number of stories and any nonstandard wall heights;
 - 25 (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);
 - 26 (J) Age of the structure or the year it was built; and
 - 27 (K) Size and type of attached garage.

28 127. Defendants' method of calculating the replacement cost of Plaintiffs'
homes materially failed to consider several of these components and features of

1 Plaintiffs' insured structures. As a result, Plaintiffs are underinsured and unable to
2 replace and/or rebuild their homes to their pre-loss condition.

3 128. In addition, Defendants have refused to create proper claim documents,
4 conduct a prompt, fair, and thorough investigation, as well as prepare and submit
5 proper scopes of loss. (See, Cal. Ins. Code §§ 10103.5, 10082.3.) Defendants also violated
6 California Insurance Code Sections 678 (by failing to provide adequate notice of
7 changes in policy conditions) and 10103 (requiring USAA to provide adequate
8 replacement cost estimates as part of the yearly policy renewal).

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

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

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

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

27
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1 138. This error came about through USAA’s fraudulent representation that it
2 had accurately calculated the cost of rebuilding each Plaintiff’s home, and its fraudulent
3 promise to fully cover the rebuilding costs of each Plaintiff’s home, and that the policy
4 limits set by USAA were the “full” replacement cost for each Plaintiff’s home.

5 139. Alternatively, the incorrect policy limits came about through Plaintiffs’
6 reliance on Defendants’ negligent and intentional misrepresentation USAA had
7 accurately calculated the cost of rebuilding each of Plaintiffs’ homes. USAA had reason
8 to know that Plaintiffs would and had believed its representations because it held itself
9 out as an expert with special knowledge in the area of loss estimation, utilized its own
10 captive employees and calculator to perform the required estimations, and repeatedly
11 represented to Plaintiffs that the estimations were sufficient for repairing or rebuilding
12 Plaintiffs’ homes to pre-loss condition.

13 140. Plaintiffs therefore request that their respective insurance policies are
14 reformed to reflect the true intent of the parties, which is that their homeowners’
15 insurance policies compensate them for the true cost of rebuilding their homes,
16 notwithstanding the stated policy limits.

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PRAYER FOR RELIEF

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

1. For an award of Plaintiffs' past, present, and future economic, general, special, actual, and compensatory damages as proven at the time of trial;
2. For reformation of Plaintiffs' insurance policies to mandate coverage for the true cost of rebuilding Plaintiffs' homes, as well as increases in the other Coverages based on that true cost, notwithstanding the stated policy limits;
3. For prejudgment interest on all damages awarded to Plaintiff in accordance with California Civil Code sections 3287 and/or 3288 or as allowable by law;
4. For attorneys' fees, witness fees, and costs of litigation incurred by Plaintiff to obtain the Policy, promised, and other benefits in an amount to be determined at trial;
5. For punitive and exemplary damages in an amount appropriate to punish or set an example of these Defendants;
6. For injunctive relief:
 - a. enjoining USAA from adjusting claims based on USAA's faulty estimates of replacement cost value;
 - b. compelling USAA to accept reasonable scope of loss reports, estimates and bids submitted by Plaintiffs when adjusting Plaintiffs' claims, and pay for same;
 - c. enjoining USAA from continuing to adjust their claims based on the incorrect policy limits stated in their respective declaration pages;


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- d. Enjoining USAA 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



HOMEOWNERS POLICY PACKET



IMPORTANT MESSAGES

Refer to your Declarations Page and endorsements to verify that coverages, limits, deductibles and other policy details are correct and meet your insurance needs. Required information forms are also enclosed for your review.

- 1) USAA considers many factors when determining your premium. Maintaining your property to reduce the probability of loss is one of the most important steps you can take toward reducing premium increases. A history of claim activity will affect your policy premium.

- 2) Go to usaa.com to view policy coverages and home features.

- 3) Home Protector coverage provides up to an additional 25% to certain Dwelling coverages. See policy documents for complete details and requirements. Additional coverage, providing up to an additional 50% to certain Dwelling coverages, is available under the Home Protector Plus endorsement. Contact us for more information or to increase coverage.

- 4) With this renewal, your premium has increased due to a rate change in your state or because of your policy's individual risk characteristics. See your Declarations for the new premium. Contact us if you have any questions.

- 5) **FOR YOUR PROTECTION CALIFORNIA LAW REQUIRES THE FOLLOWING: ANY PERSON WHO KNOWINGLY PRESENTS FALSE OR FRAUDULENT INFORMATION TO OBTAIN OR AMEND INSURANCE COVERAGE OR TO MAKE A CLAIM FOR THE PAYMENT OF A LOSS IS GUILTY OF A CRIME AND MAY BE SUBJECT TO FINES AND CONFINEMENT IN STATE PRISON.**

- 6) Your policy does NOT cover loss due to flood from any source. For information about obtaining flood coverage from the National Flood Insurance Program (NFIP), call USAA at (800) 531-8722, or contact the NFIP directly.

If you already have a flood policy, you should review it to make sure you have the appropriate coverage and limits. No automatic increases or adjustments are applied to

(CONTINUED ON NEXT PAGE)

This is not a bill. Any premium charge or return for this policy will be reflected on your next regular monthly statement.

To receive this document and others electronically or view your policy summary online, go to usaa.com.

For U.S. Calls: Policy Service (800) 531-8111. Claims (800) 531-8222.

HOCS1

49709-0406

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HOMEOWNERS POLICY PACKET CONTINUED

your policy. Coverage for loss of household contents due to flood may be available at an additional cost. If you have questions, please call a member service representative at the phone number above.

- 7) You may designate a third party to receive notice of policy cancellation or nonrenewal by completing the attached form 40CA.



9800 Fredericksburg Road - San Antonio, Texas 78288
RENEWAL DECLARATIONS PAGE

Named Insured and Residence Premises

Policy Number

SEE ATTACHED HO-D2

Policy Period From: 08/24/24 To: 08/24/25
(12:01 A.M. standard time at location of the residence premises)

SECTION I - COVERAGES AND AMOUNTS OF INSURANCE	
COVERAGE A - DWELLING PROTECTION HOME PROTECTOR ENDORSEMENT (HO-125CA), MAY ADD UP TO	
COVERAGE B - OTHER STRUCTURES PROTECTION HOME PROTECTOR ENDORSEMENT (HO-125CA), MAY ADD UP TO	
COVERAGE C - PERSONAL PROPERTY PROTECTION	
COVERAGE D - LOSS OF USE PROTECTION (UP TO 12 MONTHS)	
SECTION II - COVERAGES AND LIMITS OF LIABILITY	
Personal Liability - Each Occurrence	
Medical Payments to Others	
DEDUCTIBLES (Applies to SECTION I Coverages ONLY)	
We cover only that part of the loss over the deductible stated.	
ALL PERILS	\$1,000
POLICY PREMIUM for Section I and Section II Coverages Above	
CREDITS AND DISCOUNTS (Included in policy premium above.)	
Details on the following page. (If applicable)	
OTHER COVERAGES AND ENDORSEMENTS	
Forms and Endorsements are printed on the following page.	
STATE SURCHARGES AND TAXES (Shown below if applicable)	
TOTAL POLICY PREMIUM	
Including Credits, Discounts, Optional Coverages, Endorsements, State Surcharges and Taxes	
PREMIUM DUE AT INCEPTION. THIS IS NOT A BILL. STATEMENT TO FOLLOW.	

FIRST MORTGAGEE:



In witness whereof, this policy is signed on 05/29/24

Kelly Armstrong, Secretary

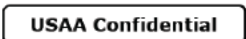
Randy Termeer, President

REFER TO YOUR POLICY FOR OTHER COVERAGES, LIMITS AND EXCLUSIONS.

HOCA-D1 (07-20)

ATTACH THIS DECLARATION TO PREVIOUS POLICY

135968-1022





RENEWAL DECLARATIONS PAGE

Policy Number
[REDACTED]

Policy Term: [REDACTED]
Inception Expiration

NAMED INSURED/LEGAL NAME:

[REDACTED]

LEGAL DESCRIPTION:

[REDACTED]

POLICY AND ENDORSEMENTS THAT ARE PART OF YOUR CONTRACT WITH US.

REMAIN IN EFFECT (Refer to prior Policy Packet(s) for documents not attached.):

- QR3CIC (07-08) QUICK REFERENCE-SPECIAL FORM
- HO-3R (02) (07-08) HOMEOWNERS SPECIAL FORM
- HO-CA (01-22) CALIFORNIA SPECIAL PROVISIONS
- HO-HS (04-18) SHARING ECONOMY ENDORSEMENT
- HO-SLS3CA (01-22) SPECIAL LOSS SETTLEMENT
- HO-WDS (07-15) WILDFIRE RESPONSE PROGRAM ENDORSEMENT
- 438BFU NS (05-42) LENDER'S LOSS PAYABLE ENDORSEMENT
- HO-208 (07-12) WATER BACKUP OR SUMP PUMP OVERFLOW
- HO-728CA (06-19) REPLACEMENT COST COVERAGE

ADDED:

- HO-125CA (01-22) HOME PROTECTOR
- HO-90CA (07-08) CALIFORNIA WORKERS COMPENSATION

YOUR PREMIUM HAS BEEN REDUCED BY THE FOLLOWING CREDITS AND DISCOUNTS:

- AUTO AND HOME COMBINATION DISCOUNT
- CLAIMS FREE DISCOUNT
- INSURANCE-TO-VALUE DISCOUNT
- HOME AGE DISCOUNT
- PROTECTIVE DEVICE CREDIT

[REDACTED]

THE HOME PROTECTOR COVERAGE (HO-125CA) YOU SELECTED MAY PROVIDE UP TO AN ADDITIONAL 25% OF THE AMOUNT OF INSURANCE APPLYING TO THE DAMAGED BUILDING. SEE YOUR POLICY DOCUMENTS FOR COMPLETE DETAILS REGARDING HOW COVERAGE APPLIES TO A LOSS. THE HOME PROTECTOR ENDORSEMENT IS ATTACHED.

THE CONTRACT PROVIDES AN ADDITIONAL 10% OF COVERAGE A LIMIT FOR INCREASED COSTS REQUIRED TO REBUILD, REPAIR, OR DEMOLISH THE PROPERTY DUE TO COMPLIANCE WITH ANY ORDINANCE OR LAW IN EFFECT AT THE TIME OF LOSS, IF THE PROPERTY IS DAMAGED BY A PERIL INSURED AGAINST.

THE LIMIT OF LIABILITY FOR THIS STRUCTURE (COVERAGE A-DWELLING) 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.

HO-D2 (07-08)

05/29/24

87029-0708

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.**HOME PROTECTOR
(HO-3R only)
CALIFORNIA**

For an additional premium, the following is added to Section I – Conditions, 3. Loss Settlement:

c. Home Protector Coverage

You agree:

- (1) To insure your buildings, under Property We Cover – Dwelling Protection and Other Structures Protection, on the "**residence premises**" for the full replacement cost at the time this policy is issued; and
- (2) To accept any increase in coverage that results from the application of the Adjustment to Building Cost provision, if it is deemed necessary by us. You must pay for any added premium; and
- (3) To tell us within 90 days of the start of any additions or other physical changes to building on the "**residence premises**" which increases the value by the greater of:
 - (a) \$25,000; or
 - (b) 5% of the current Dwelling Protection amount of insurance.

You must pay any resulting premium.

If you comply with these requirements and if as a result of a covered loss, you have exhausted the amount of insurance:

- (1) applying to buildings covered under Property We Cover – Dwelling Protection or Other Structures Protection ; or
- (2) provided under ADDITIONAL COVERAGES, Debris Removal: or
- (3) provided under ADDITIONAL COVERAGES, Building Ordinance or Law;

then, we will pay up to an additional 25% of the amount of insurance applying to the damaged building. The most we will pay for (1), (2), or (3), either singly or in any combination is 25% or the amount actually and necessarily spent to repair or replace the damaged building, whichever is less.

If you choose to rebuild the dwelling or other structure, or purchase an existing dwelling or other structure, at a location other than the "**insured location**", we will pay up to an additional 25% of the amount of insurance applying to the damaged building. The most we will pay for (1), (2), or (3), either singly or in any combination is 25% or the amount of our cost you would have incurred to rebuild or to replace the dwelling or other structure at the "**insured location**".

Except as specifically modified in this endorsement, all provisions of the policy to which this endorsement is attached also apply to this endorsement.

Term Premium INCLUDED

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WORKERS' COMPENSATION - CALIFORNIA
Residence Employees

We agree, with respect to "**residence employees**":

Under Coverage I

To pay when due all benefits required of an "**insured**" by the California Workers' Compensation Law; and

Under Coverage II

To pay on behalf of an "**insured**" all damages for which the "**insured**" is legally liable because of "**bodily injury**" sustained by a "**residence employee**". The "**bodily injury**" must be caused by accident or disease and arise out of and in the course of employment by the "**insured**" while:

- a. in the United States of America, its territories or possessions, or Canada, or
- b. temporarily elsewhere if the "**residence employee**" is a citizen or resident of the United States or Canada.

Coverage II does not apply to any suit brought in or judgment rendered by any court outside the United States of America, its territories and possessions, or Canada, or to any action on such judgment.

Who is Covered

A "**residence employee**" is covered if during the 90 calendar days immediately before the date of injury the employee has:

- a. actually been engaged in such employment by the "**insured**" for no less than 52 hours, and
- b. earned no less than one hundred dollars (\$100) in wages.

Application of Coverage

This insurance applies only to "**bodily injury**" which occurs during the policy period. If the "**bodily injury**" is a disease, it must be caused or aggravated by the conditions of the "**residence employee's**" employment by the "**insured**".

Policy Provisions

This insurance is subject to all the provisions of this endorsement and the following provisions of this policy:

- a. Under Section I and II – Conditions:
 3. Waiver or Change of Policy Provisions.
 4. Cancellation.
 6. Subrogation.
 8. Assignment.
- b. Under Section II – Conditions:
 4. Duties After Loss.
 7. Suit Against Us.
- c. Our agreement to defend the "**insured**" as provided under Coverage E – Personal Liability.
- d. Under Section II – Additional Coverages:
 1. Claim Expenses.
 2. First Aid Expenses.
- e. The definition of "**bodily injury**", "**business**", "**insured**" and "**residence employee**".

Additional Provisions Applicable to Coverage I

The following provisions are applicable to Coverage I:

- a. We shall be directly and primarily liable to any **"residence employee"** of an **"insured"** entitled to the benefits of the California Workers' Compensation Law.
- b. As between the **"residence employee"** and us, notice to or knowledge of the **"occurrence"** of the injury on the part of an **"insured"** will be deemed notice or knowledge on our part.
- c. The jurisdiction of an **"insured"** will, for the purpose of the law imposing liability for compensation, be our jurisdiction.
- d. We will be subject to the orders, findings, decisions or awards rendered against an **"insured"**, under the provisions of the law imposing liability for compensation, subject to the provisions, conditions and limitations of this policy. This policy shall govern as between an **"insured"** and us as to payments by either in discharge of an **"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.

Limits of Liability Coverage II

Our total limit of liability will not exceed \$100,000 for all damages because of **"bodily injury"**:

- a. sustained by one or more **"residence employees"** in any one accident; or
- b. caused by disease and sustained by a **"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.

Other Insurance

This insurance does not apply to any loss to which other valid and collectible Workers' Compensation or Employers' Liability Insurance applies.

Conformity to Statute

Terms of this insurance which are in conflict with the California Workers' Compensation Law are amended to conform to that law.

Exclusions

This policy does not apply:

- a. to liability for additional compensation imposed on an **"insured"** under Sections 4553 and 4557, Division IV, Labor Code of the State of California, because of the serious and willful misconduct of an **"insured"**, or because of **"bodily injury"** to an employee under 16 years of age and illegally employed at the time of injury;
- b. to liability for **"bodily injury"** arising out of **"business"** pursuits of an **"insured"**.
- c. Under Coverage II:
 1. to liability assumed by the **"insured"** under any contract or agreement.
 2. to **"bodily injury"** by disease unless a written claim is made or suit brought against the **"insured"** within 36 months after the end of the policy period.
 3. to any obligation under a workers' compensation, unemployment or disability benefits law or any similar law.

Except as specifically modified in this endorsement, all provisions of the policy to which this endorsement is attached also apply to this endorsement.

Term Premium: NO CHARGE

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EARTHQUAKE EXCLUSION

This policy does not provide coverage for loss caused directly or indirectly by earthquake.

As outlined in SECTION I – LOSSES WE DO NOT COVER UNDER DWELLING PROTECTION, OTHER STRUCTURES PROTECTION AND PERSONAL PROPERTY PROTECTION, there is no coverage when earthquake is a proximate cause of loss, regardless of whether the loss or damage also results, directly or indirectly, from, or is contributed to concurrently or in any sequence by any other proximate or remote cause.

If direct loss by:

- (1) fire;
- (2) explosion; or
- (3) breakage of glass or safety glazing material which is part of a building, storm door or storm window;

ensues, we will pay only for the ensuing loss.



NOTICE OF INFORMATION PRACTICES

This notice describes the information practices of the:

- United Services Automobile Association,
- USAA Casualty Insurance Company,
- USAA General Indemnity Company, and
- Garrison Property and Casualty Insurance Company.

These practices relate to the information we have about you. You may have also received our "Privacy Promise." However, the laws in your state require that we give you this notice. Any other notice does not limit your rights in this notice.

COLLECTION OF INFORMATION

We collect information about you, and the individuals you add on your policy, from various sources. This data may be gathered from you and other sources by telephone, in person, electronically, or by mail. Some examples are shown below:

- Information you provide on applications and other forms, such as name, address, and date of birth.
- Information about your transactions with us, or with other companies. This means, for example, a request for a new policy, a policy change, or a billing transaction.
- Information from consumer reporting agencies, such as a motor vehicle report.
- Data from research firms and other data providers.
- Information gathered during the process of handling insurance claims, including health information.
- Information from government agencies, such as accident or theft reports.

SHARING OF INFORMATION AS PERMITTED BY LAW

We may need to share some information about our current or former customers outside of USAA to properly manage our business. This includes sharing to efficiently service your accounts, to comply with laws, and for other routine business practices. For example, we may share such information with:

- You, when handling your insurance transactions.
- Our affiliates.
- Businesses that provide information to us or assist in settling claims. This may involve other insurers, medical care institutions or professionals, or repair shops.
- Regulatory, law enforcement, or other government agencies.
- Those who provide us a business service or help us with an insurance function, such as printers, mail houses, appraisers, or insurance support organizations.
- Those who assist us in detecting or preventing criminal activity, fraud, material misrepresentation, or material nondisclosure in connection with an insurance transaction.
- Those who serve us with a facially valid administrative or judicial order, including a search warrant or subpoena.
- Those who conduct actuarial or research studies.

IMPORTANT PRIVACY CHOICES

USAA provides two privacy opt out choices: (1) limit the information USAA uses for marketing and (2) limit the flow of information within USAA. You may opt out online by updating your Privacy Preferences at usaa.com/optout, or by calling us at (800) 531-7154. Opting out will make it difficult for us to serve you as you might expect. If you opt out:

- We may need you to repeat information that you have already provided and we may not be able to pre-fill applications for you.
- We may have to transfer your phone calls more often.
- We may not have information that allows us to offer you the products that best meet your needs.

AUTHORIZATION TO SHARE

We honor any additional rights you may have under state laws. By not opting out, you authorize us to use and share your information within USAA.

SECURITY AND CONFIDENTIALITY PRACTICES

USAA protects the information we collect. Access to this information is limited to those persons who must have it to do their jobs. We also have:

- Physical security at our buildings.
- Password protected databases and virus/intrusion detection software.
- Privacy compliance audits.

INFORMATION FOR INTERNET USERS

USAA uses Internet cookies and related technology for your security, to manage our site and to provide more relevant offers. Visit our Security Center at usaa.com to learn more.

USAA collects personal information on USAA websites, web pages and "apps", as well as public information posted on social media, for site management, security, business and marketing purposes. Examples of information we may collect include: previous URL you visited, transaction information you submit, and clicks on USAA ads and related pages.

REVIEWING AND CORRECTING PERSONAL INFORMATION

You may review our files of personal information about you. You may do this in person or request a copy. We are not required to provide information that relates to any claim, whether paid or not, or when the possibility of a lawsuit reasonably exists.

The review request must:

- Be in writing.
- Specify the type of personal information you wish to review.
- Include your name, address, and policy number.
- Be mailed to: USAA, 9800 Fredericksburg Road, San Antonio, Texas 78288-0342

After we receive your request, we will:

- Inform you of the nature of the information we have.
- Confirm if the data you are requesting is available.
- Advise you of processing and copy fees. These fees are due before we provide any copies you request.

If you request medical information supplied by a medical care institution or professional, we will release the information to you and tell you the source of the information. If you direct us, we will release copies of this information to the licensed medical professional you designate. Mental health information may be supplied to you only with the approval of a qualified professional with treatment responsibility for the condition to which the information relates.

You may also request that we correct, amend, or delete incorrect personal information we have about you. This request must:

- Be made to us in writing.
- Be made separate from a review request.
- Explain what you believe is incorrect and why.
- Be mailed to the address given above.

INSURANCE SUPPORT ORGANIZATIONS AND THE INFORMATION RETAINED

Insurance support organizations may keep information they give us. These firms may share that information with other persons as permitted by law.

NOTICE TO CONSUMERS - CALIFORNIA RESIDENTIAL INSURANCE DISCLOSURE

This disclosure is required by Section 10102 of the California Insurance Code. This form provides general information related to the residential property insurance and is not part of your residential property insurance policy. Only the specific provisions of your policy will determine whether a particular loss is covered and the amount payable. The information provided does not preempt existing California law.

PRIMARY FORMS OF RESIDENTIAL DWELLING COVERAGE

You have purchased the coverage(s) checked below. NOTE: Actual Cash Value Coverage is the most limited level of coverage listed. Guaranteed Replacement Cost is the broadest level of coverage.

 ACTUAL CASH VALUE COVERAGE for either a total or partial loss to the structure or its contents pays the amount it would cost you to repair, rebuild, or replace the thing lost or injured, less a fair and reasonable deduction for physical depreciation based upon its condition at the time of the injury or the policy limit, whichever is less. A deduction for physical depreciation applies only to components of a structure that are normally subject to repair and replacement during the useful life of that structure.

 REPLACEMENT COST COVERAGE is intended to provide for the cost to repair or replace the damaged or destroyed dwelling without a deduction for physical depreciation. Many policies pay only the dwelling's actual cash value until the insured has actually begun or completed repairs or construction on the dwelling. Coverage only pays for replacement costs up to the limits specified in your policy.

EXTENDED REPLACEMENT COST COVERAGE is intended to provide for the cost to repair or replace the damaged or destroyed dwelling without a deduction for physical depreciation. Many policies pay only the dwelling's actual cash value until the insured has actually begun or completed repairs or reconstruction on the dwelling. Extended Replacement Cost provides additional coverage above the dwelling limits up to a stated percentage or specific dollar amount. See your policy for the additional coverage that applies.

 GUARANTEED REPLACEMENT COST COVERAGE covers the full cost to repair or replace the damaged or destroyed dwelling for a covered peril regardless of the dwelling limits shown on the policy declarations page.

BUILDING CODE UPGRADE COVERAGE, also called Ordinance and Law coverage, covers additional costs to repair or replace a dwelling to comply with the building codes and zoning laws in effect at the time of loss or rebuilding. These costs may otherwise be excluded by your policy. Meeting current building code requirements can add significant costs to rebuilding your home. Refer to your policy or endorsement for the specific coverage provided and coverage limits that apply.

AVAILABLE FIRE-SAFETY DISCOUNTS

You are receiving the discount(s) checked below.

 Firewise USA Discount® applies to homes that are located in sites recognized by the Firewise USA Recognition Program.

X **Protective Device Discount(s)** apply to homes with central and self-monitored fire or burglary systems. The Protective Device Discount(s) and the Connected Home Discount are mutually exclusive; if a policy is eligible for both, the Connected Home Discount will apply.

___ **Automatic Sprinkler Discount** applies to owner-occupied homes with sprinkler systems properly installed in all areas of the home. Both the Automatic Sprinkler Discount and the Connected Home Discount may apply to the same policy.

___ **Connected Home Discount** applies to owner-occupied homes when eligible connected home devices are installed in the residence and transmitting data. To be eligible, USAA must have a signed user agreement for the listed property address and the required minimum number of eligible connected home devices must be verified electronically through a data exchange with the selected partner provider to be in working order. The Protective Device Discount(s) and the Connected Home Discount are mutually exclusive; if a policy is eligible for both, the Connected Home Discount will apply. Both the Automatic Sprinkler Discount and the Connected Home Discount may apply to the same policy.

READ YOUR POLICY AND POLICY DECLARATIONS PAGE CAREFULLY: The policy declarations page shows the specific coverage limits you have purchased for your dwelling, personal property, separate structures such as detached garages, and additional living expenses. The actual policy and endorsements provide details on extensions of coverage, limitations of coverage, and coverage conditions and exclusions. The amount of any claim payment made to you will be reduced by any applicable deductibles shown on your policy declarations page. It is important to take the time to consider whether the limits and limitations of your policy meet your needs. Contact your agent, broker, or insurance company if you have questions about what is covered or if you want to discuss your coverage options.

INFORMATION YOU SHOULD KNOW ABOUT RESIDENTIAL DWELLING INSURANCE

AVOID BEING UNDERINSURED: Insuring your home for less than its replacement cost may result in your having to pay thousands of dollars out of your own pocket to rebuild your home if it is completely destroyed. Contact your agent, broker, or insurance company immediately if you believe your policy limits may be inadequate.

THE RESIDENTIAL DWELLING COVERAGE LIMIT: The coverage limit on the dwelling structure should be high enough so you can rebuild your home if it is completely destroyed. Please note:

- The cost to rebuild your home is almost always different from the market value.
- Dwelling coverage limits do not cover the value of your land.
- The estimate to rebuild your home should be based on construction costs in your area and should be adjusted to account for the features of your home. These features include, but are not limited to, the square footage, type of foundation, number of stories, and the quality of the materials used for items such as flooring, countertops, windows, cabinetry, lighting, and plumbing.
- The cost to rebuild your home should be adjusted each year to account for inflation.
- Coverage limits for contents, separate structures, additional living expenses, and debris removal are usually based on a percentage of the limit for the dwelling. If your dwelling limit is too low, these coverage limits may also be too low.

You are encouraged to obtain a current estimate of the cost to rebuild your home from your insurance agent, broker, or insurance company or an independent appraisal from a local contractor, architect, or real estate appraiser. If you do obtain an estimate of replacement value and wish to change your policy limits, contact your insurance company. While not a guarantee, a current estimate can help protect you against being underinsured.

DEMAND SURGE: After a widespread disaster, the cost of construction can increase dramatically as a result of the unusually high demand for contractors, building supplies, and construction labor. This effect is known as demand surge. Demand surge can increase the cost of rebuilding your home. Consider increasing your coverage limits or purchasing Extended Replacement Cost coverage to prepare for this possibility.

CHANGES TO PROPERTY: Changes to your property may increase its replacement cost. These changes may include the building of additions, customizing your kitchen or bathrooms, or otherwise remodeling your home. Failure to advise your insurance company of any significant changes to your property may result in your home being underinsured.

EXCLUSIONS: Not all causes of damage are covered by common homeowners or residential fire policies. You need to read your policy to see what causes of loss or perils are not covered. Coverage for landslide is typically excluded. Some excluded perils such as earthquake or flood can be purchased as an endorsement to your policy or as a separate policy. Contact your agent, broker, or insurance company if you have a concern about any of the exclusions in your policy.

CONTENTS (PERSONAL PROPERTY) COVERAGE DISCLOSURE:

This disclosure form does not explain the types of contents coverage provided by your policy for items such as your furniture or clothing. Contents may be covered on either an actual cash value or replacement cost basis depending on the contract. Almost all policies include specific dollar limitations on certain property that is particularly valuable, such as jewelry, art, or silverware. Contact your agent, broker, or insurance company if you have any questions about your contents coverage. You should create a list of all personal property in and around your home. Pictures and video recordings also help you document your property. The list, photos, and video should be stored away from your home.

CONSUMER ASSISTANCE:

If you have any concerns or questions, contact your agent, broker, or insurance company. You are also encouraged to contact the California Department of Insurance consumer information line at 800-927-HELP (4357) or at www.insurance.ca.gov for free insurance assistance.

California Residential Property Insurance Bill of Rights

A consumer is entitled to receive information regarding homeowner's insurance. The following is a limited overview of information that your insurance company can provide:

- The insurance company's customer service telephone number for underwriting, rating, and claims inquiries.
- A written explanation for any cancellation or nonrenewal of your policy.
- A copy of the insurance policy.
- An explanation of how your policy limits were established.
- In the event of a claim, an itemized, written scope of loss report prepared by the insurer or its adjuster within a reasonable time period.
- In the event of a claim, a copy of the Unfair Practices Act and, if requested, a copy of the Fair Claims Settlement Practices Regulations.
- In the event of a claim, notification of a consumer's rights with respect to the appraisal process for resolving claims disputes.
- An offer of coverage and premium quote for earthquake coverage, if eligible.

A consumer is also entitled to select a licensed contractor or vendor to repair, replace, or rebuild damaged property covered by the insurance policy.

The information provided herein is not all inclusive and does not negate or preempt existing California law. If you have any concerns or questions, contact your agent, broker, insurance company, or the California Department of Insurance consumer information line at (800) 927-HELP (4357) or at www.insurance.ca.gov for free insurance assistance.

This insurer reports claim information to one or more claims information databases. The claim information is used to furnish loss history reports to insurers. If you are interested in obtaining a report from a claims information database, you may do so by contacting:

ISO ClaimSearch Customer Support
800-888-4476 option 2, then 2
njsupport@iso.com
www.iso.com

LexisNexis Consumer Center
800-456-6004
www.consumerdisclosure.com

CLUE, (Comprehensive Loss Underwriting Exchange)
866-312-8076
<https://personalreports.lexisnexis.com>



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ACKNOWLEDGMENT OF RECEIPT

California law (Section 10102 of the Insurance Code) requires that we obtain your signature acknowledging your receipt of the Residential Property Insurance Disclosure Notice. Please sign and date this form and return it to us within 60 days from the date you receive it.

Signature _____

Date _____

Member Number _____



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CALIFORNIA**Determining Your Premium**

We strive to provide competitive insurance rates to our members. This means each member's rate is based upon their home's characteristics and other relevant risk factors. Factors utilized by USAA may include, but are not limited to, the following:

- The location of your home.
- Your coverage selections.
- The usage and occupancy of your home.
- Your loss history.
- Your age and marital status.
- Characteristics of your home, such as: square footage, age, number of stories, number of bathrooms, roof type, and foundation type.

Please be assured that our highest priority is to continually enhance the value of USAA membership through high-quality products and service at a competitive price. We appreciate the opportunity to serve you and thank you for choosing USAA.

IMPORTANT NOTICE - CALIFORNIA WORKERS' COMPENSATION

Under California Law, you as the owner or occupant of a California residence have the responsibility of providing workers' compensation benefits for people you hire to do work around your home such as cleaning help, gardeners, babysitters, etc. if they worked for you at least 52 hours and you paid them wages of at least \$100 during the 90 days preceding the date of any injury.

Your policy automatically provides Workers' Compensation coverage for occasional or part-time residence employees who meet the above eligibility requirements. If the occasional or part-time employee works less than 20 hours per week, there is no additional premium charged.

Residence employees (working 20 hours or more per week and more than 10 days in a period of 90 consecutive days) are considered full-time employees, and Workers' Compensation coverage must be added to your policy. The premium charge for this coverage will be based on the number of full-time residence employees and the length of employment.

FAILURE TO REPORT FULL-TIME EMPLOYEES COULD IMPAIR YOUR PROTECTION.

If you have any full-time residence employees not previously reported to us, please complete the lower portion of this form and return it within thirty (30) days so that your exposure under the Workers' Compensation Law can be fully protected. If you currently do not have any full-time residence employees, but acquire one in the future, please let us know.

Full Time Inservants

Type of Work

Date Hired

Date Left Employment

(one whose duties are primarily inside the house and works 20 hours or more per week and expected to work more than 10 days in a period of 90 consecutive days.

Example: Cook, Maid, Babysitter)

- 1. _____
- 2. _____
- 3. _____

Full Time Outservants

Type of Work

Date Hired

Date Left Employment

(one whose duties are primarily outside the house and works 20 hours or more per week and expected to work more than 10 days in a period of 90 consecutive days.

Example: Gardener)

- 1. _____
- 2. _____
- 3. _____

Name (Please Print)

Policy Number

Address

Signature

Date

If this form is sent by facsimile machine (fax), the sender adopts the document received by USAA as a duplicate original and adopts the signature produced by the receiving fax machine as the sender's original signature.



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COMPLAINT NOTICE

Should any dispute arise about your premium or about a claim that you have filed, write or call us. The information shown below applies to the company displayed on the declaration page.

usaa.com

9800 Fredericksburg Rd.
San Antonio, Texas 78288

(800) 531-USAA (8722)

The Department of Insurance should only be contacted if the problem cannot be resolved. You may write or call the Department of Insurance at:

www.insurance.ca.gov

California Department of Insurance Consumer Services Division
300 S. Spring Street
Los Angeles, California 90013

(800) 927-HELP (4357)

CA Third-Party Designee Notice

You are entitled to designate another person to receive any termination, expiration, nonrenewal cancellation notice involving this California insurance policy. Such notifications will be made to the designee in addition to any notifications made to you, the named insured.

To make a third-party designation, you must provide us with your written authorization, as well as written acknowledgement by your designee.

If you would like to appoint a designee, please become familiar with the following stipulations and review them with the designated person:

- The appointment of a designee will apply to your automobile, homeowners, rental property insurance or renters policies.
- Your designee is only authorized to receive copies of notices of policy cancellations or non-renewals. All other correspondence between you and USAA will remain confidential.
- Your designee will have no authority to act on your behalf to make any policy changes or conduct any other business involving your account. If you would like to authorize someone to handle your account and policies, please let us know. We can arrange that with a power of attorney.
- Your designee will incur no liability by accepting this designation by you.
- You may discontinue the appointment of the designee at any time by notifying us in writing. We recommend that you advise your designee of these types of changes, since we will not send your designee any notice.
- You may appoint another designee by following the same process you used to appoint your first designee.
- To appoint a designee, provide us with your request on the enclosed form.

If you have any additional questions about making a third-party designation, please call us at 210-531-USAA (8722), our mobile shortcut #8722 or 800-531-8722.



Request for Appointment of Third-Party Insurance Notification Designee

Member Name _____ **USAA Member Number** _____

Member Address _____

The following designee is authorized to receive a separate copy of any notices of cancellation or non-renewal of my auto and or homeowners (RPI) policies.

Designee Name _____

Designee Mailing Address _____

(for Notices)

Member's Signature _____ **Date** _____

I accept this appointment to be an insurance notification designee for the member named above. I understand that I will be sent copies of any cancellation or non-renewal of the auto, homeowners, rental property insurance and renters policies of the above member. Additionally, I do not incur any liability by accepting this appointment.

Designee's Signature _____ **Date** _____

Mail to:
USAA
9800 Fredericksburg Rd
San Antonio, TX 78288

Both parties must sign where indicated.

40CA(01) 01-16
PS.006051970.40CA.91A



CHARACTERISTICS OF YOUR HOME - CALIFORNIA

Our mission at USAA is to help protect your financial security. We calculate the minimum estimated rebuild cost of your home based on your home characteristics, but only you can decide if this is enough coverage. Our estimates are based on average construction costs and labor costs for geographic areas and may not reflect the unique features of your home or the area you live in.

It is also important to consider other structures not attached to your home. Some examples include fences, detached garages, guest houses, outbuildings, swimming pools, fences, pavers, and driveways. Your other structures coverage is a percentage of your home coverage. You can choose a limit for the combination of all your other structures from 10% up to 100% of your home coverage.

A detailed estimate including all characteristics used in this calculation will be provided in a separate mailing or by logging on to usaa.com. If any of the information is incorrect, the rebuilding cost may be affected, so please revise any inaccuracies by:

- Logging on to usaa.com, selecting your policy and then Home Characteristics, or
- Calling us at 210-531-USAA (8722), our mobile shortcut #8722 or 800-531-8722.

Should I adjust the coverage on my flood policy?

If you have a separate flood for this property, please call your agent or insurer to confirm that your coverage is adequate. For flood policies serviced by the USAA Insurance Agency, please call us at the numbers listed above.

PROPERTY ADDRESS:



Minimum Estimated Rebuild Cost* as of 05-21-2024

LABOR, MATERIALS AND SUPPLIES:
 CONTRACTORS OVERHEAD & PROFIT:
 PERMITS & ARCHITECTS PLANS:
 DEMOLITION AND DEBRIS REMOVAL:
 ESTIMATED REBUILD COST:



*Note: This limit may be different than the Dwelling coverage limit on your policy. The minimum estimated rebuild cost breakdown provided for your home may not reflect an annual inflation increase that could be applied to your Dwelling coverage limit. The Dwelling coverage limit is rounded to the nearest thousand on the policy declaration page.



USAA
 9800 Fredericksburg Road
 San Antonio, Texas 78288

SPECIAL FORM - HOMEOWNERS POLICY.

READ YOUR POLICY CAREFULLY

This policy is a legal contract between you, the policyholder, and us, the insurer. And like other contracts, it contains certain duties and responsibilities of both parties to the contract. This contract consists of the Declarations page, the policy, and any applicable endorsements.

Your policy provides the coverages and amounts of insurance shown in the Declarations with a premium.

This cover sheet provides only a brief outline of some of the important features of your policy. This is not the insurance contract and only the actual policy provisions will control. The policy itself sets forth, in detail, the rights and obligations of both you and your insurance company.

IT IS THEREFORE IMPORTANT THAT YOU READ YOUR POLICY.

QUICK REFERENCE

	Page		Page
AGREEMENT	1		
DEFINITIONS	1		
DEDUCTIBLE	3		
SECTION I			
PROPERTY WE COVER	3		
Dwelling Protection			
Other Structures Protection			
Personal Property Protection			
Special Amounts			
Property We Do Not Cover			
Loss of Use Protection			
ADDITIONAL COVERAGES	7		
Debris Removal			
Reasonable Repairs			
Trees, Shrubs, Plants			
Fire Department Charge			
Property Removed			
Credit Card and Identity Fraud			
Loss Assessment			
Collapse			
Lock Replacement			
Refrigerated Products			
Land			
Glass or Safety Glazing			
Landlord's Furnishings			
Building Ordinance or Law			
		Temporary Living Expense	
		Fungus, or Wet or Dry Rot	
		Military Uniforms	
		War	
		Electronic Media	
		LOSSES WE COVER	13
		Dwelling and Other Structures	
		Personal Property	
		LOSSES WE DO NOT COVER	15
		CONDITIONS	18
		SECTION II	
		LIABILITY COVERAGES	23
		Personal Liability	
		Medical Payments	
		EXCLUSIONS	24
		ADDITIONAL COVERAGES	28
		Claims Expenses	
		First Aid Expenses	
		Damage to Property of Others	
		Loss Assessment	
		CONDITIONS	29
		SECTIONS I and II	
		CONDITIONS	31

This policy is issued by USAA Casualty Insurance Company ("USAA CIC"). This is a participating policy. You are entitled to dividends as may be declared by the USAA CIC Board of Directors.

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

SHARING ECONOMY ENDORSEMENT

(Applies to HO-3R, HO-6R & HO-9R unless otherwise noted.)

DEFINITIONS

Item 4. **"Business"** is deleted and replaced by the following:

4. **"Business"** means any full or part-time activity arising out of or related to any trade, profession or occupation of any **"insured"**. **"Business"** does not include **"home exchange"** or **"home-sharing host activities"**.

The following definitions are added:

"Home-sharing host activities" means the rental or holding for rental of the **"residence premises,"** in whole or in part, by any **"insured"** to a **"home-sharing occupant"**. **"Home-sharing host activities"** include **"home exchange"**, but do not include a full-time bed and breakfast, hostel, or boarding house. **"Home-sharing host activities"** also do not include any group home, assisted living, nursing, or hospice care facility.

"Home-sharing occupant" means a person other than an **"insured"**, who has entered into an agreement or arrangement to compensate an **"insured"** for **"home-sharing host activities"** for a period of not more than thirty consecutive days. **"Home-sharing occupant"** also includes someone who is accompanying a person who has entered into such an agreement or arrangement.

"Home exchange" occurs when you and another person agree to exchange homes temporarily, either simultaneously or not, with or without monetary compensation. **"Home exchange"** applies only to the **"residence premises"**.

SECTION I - PROPERTY WE COVER

For form HO-6R, under COVERAGE A – Dwelling Protection, We Do Not Cover, item 2 is deleted and replaced by:

2. Structures rented or held for rental to any person not a tenant of the **"residence premises"**, unless used solely as a private garage. This exclusion does not apply to structures rented to, or held for rental to a **"home-sharing occupant"**.

For forms HO-3R and HO-9R under **Property We Do Not Cover** items 6. and 7. are deleted and replaced by the following:

6. Personal property of roomers, roommates, boarders, other tenants, **"home exchange"** participant other than an insured, or **"home-sharing occupants."** This does not apply to property of roomers, roommates, boarders or other tenants who qualify as **"insureds"**.
7. Personal property in an apartment regularly rented or held for rental to others by any **"insured"**, except as used for **"home-sharing host activities"** or as provided in ADDITIONAL COVERAGES, Landlord's Furnishings.

ADDITIONAL COVERAGES

For forms HO-3R and HO-9R item 13. **Landlord's Furnishings** is deleted and replaced by the following:

13. **Landlord's Furnishings.** We will pay up to \$10,000 for your appliances, your carpeting, and other household furnishings located in an apartment, room, or guest quarters on the **"residence premises"** regularly rented or held for rental to others by an **"insured"**, for loss caused by **"named peril(s)"**.

The \$10,000 limit is the most we will pay in any one loss regardless of the number of appliances, carpeting or other household furnishings involved in the loss.

This coverage reduces the Personal Property Protection amount of insurance.

The policy deductible applies.

SECTION I - LOSSES WE COVER

Under **COVERAGE C - PERSONAL PROPERTY PROTECTION**, item 9. **Theft** is deleted in its entirety and replaced by the following:

9. **Theft**, including attempted theft and loss of property from a known place when it is likely that the property has been stolen.

This peril does not include loss caused by theft:

- a. Committed by any **"insured"**; or
- b. Committed by any other person regularly residing on any part of the **"insured location"** for a period in excess of thirty consecutive days, even if other permanent residency is established or claimed elsewhere; or
- c. In or to a dwelling under construction, or materials and supplies for use in the construction until the dwelling is finished and occupied; or

Theft of personal property committed by a **"home exchange"** participant other than an **"insured"**, or **"home-sharing occupant"** is covered up to \$10,000 subject to **Special Amounts of Insurance**.

This peril does not include loss caused by theft that occurs away from the **"residence premises"** of:

- a. Property while at any other residence owned by, rented to, or occupied by any **"insured"** unless the **"insured"** has

stayed at the temporary residence at any time during the 60 days immediately before the loss;

- b. **"Watercraft"**, or **"personal watercraft"** including their furnishings, equipment and outboard motors; or
- c. Trailers and campers.

SECTION II - EXCLUSIONS

Under **Coverage E - Personal Liability and Coverage F - Medical Payments to Others** item 1.b. is deleted and replaced by the following:

- 1.b. (1) Arising out of or in connection with a **"business"** conducted from an **"insured location"** or engaged in by any **"insured"**, whether or not the **"business"** is owned or operated by an **"insured"** or employs an **"insured"**. This exclusion applies but is not limited to an act or omission, regardless of its nature or circumstance, involving a service or duty rendered, promised, owed, or implied to be provided because of the nature of the **"business"**.
- (2) Arising out of the rental or holding for rental of any part of any premises by any **"insured"**, except for:
 - (a) **"Home-sharing host activities"**;
 - (b) **"Home exchange"**; or
 - (c) An **"insured location"**, used in part, as an office, studio, or private garage.

SECTION II - ADDITIONAL COVERAGES

Item 3. **Damage to Property of Others** is deleted in its entirety and replaced by the following:

3. **Damage to Property of Others**. We will pay, at replacement cost, up to \$1,000 per **"occurrence"** for **"property damage"** to property of others caused by any **"insured"**.

We will not pay for **"property damage"**:

- a. To the extent of any amount recoverable under SECTION I of this policy;
- b. Caused intentionally by any **"insured"** who is 13 years of age or older;
- c. To property owned by any **"insured"**;
- d. To property owned by or rented to a tenant, roomer, boarder, or **"home exchange"** participant other than an **"insured"**, if residing on any part of the **"insured location"** for a period in excess of thirty consecutive days prior to the date of loss; or
- e. Arising out of:
 - (1) A **"business"** engaged in by any **"insured"**;
 - (2) Any act or omission in connection with a premises owned, rented or controlled by any **"insured"**, other than the **"insured location"**; or

- (3) The ownership, maintenance, occupancy, operation, use, loading or unloading of **"aircraft"**, **"hovercraft"**, **"watercraft"**, **"personal watercraft"** or **"motor vehicle"**. This exclusion e.(3) does not apply to a **"motor vehicle"** that
 - (a) Is designed for recreational use off public roads;
 - (b) Is not owned by any **"insured"**; and
 - (c) At the time and place of the **"occurrence"**, is not required by law, or regulation issued by a government agency, to have been registered for it to be used on public roads or property.

Except as specifically modified in this endorsement, all provisions of the policy to which this endorsement is attached also apply to this endorsement.

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THIS ENDORSEMENT CHANGES YOUR POLICY. PLEASE READ IT CAREFULLY.

CALIFORNIA SPECIAL PROVISIONS

DEFINITIONS

Item 5. **"Collapse"** is deleted and replaced by the following:

5. **"Collapse"** means:

- a. A sudden falling or caving in; or
- b. A sudden breaking apart or deformation such that the building or part of a building is in imminent peril of falling or caving in and is not fit for its intended use.

Item 9. **"Insured"** is deleted and replaced by the following:

9. **"Insured"** means:

- a. The **"member"**;
- b. Spouse when a resident of the same household; or
- c. Your registered domestic partner as defined in Section 297 of the Family Code; and
- d. Residents of your household who are:
 - (1) Your relatives;
 - (2) Other persons under the age of 21 and in the care of any person named above.

Under SECTION II, **"insured"** also means:

- e. With respect to animals, or **"watercraft"** or **"personal watercraft"** to which this policy applies, any person or organization legally responsible for these animals, **"watercraft"** or **"personal watercraft"** which are owned by you or any person included in 9.a, 9.b., 9.c. or 9.d. above. Any person or organization using or having custody of these animals, **"watercraft"** or **"personal watercraft"** without consent of the owner is not an **"insured"**.

f. With respect to any vehicles or conveyance to which this policy applies:

- (1) **"Residence Employees"** while engaged in your employ or that of any person included in 9.a., 9.b., 9.c. or 9.d. above; or
- (2) Other persons using the vehicle on an **"insured location"** with your consent.

The following Definition is added:

"Minimum Estimated Replacement or Rebuild Cost" means the COVERAGE A – Dwelling Protection stated limit based on an updated estimated reconstruction cost of the dwelling, an inflation factor, changes in costs of construction, or any other method or combination of methods we may use to determine the amount for which we will offer to insure the dwelling at renewal.

SECTION I - PROPERTY WE COVER

For form HO-3R, **COVERAGE A - Dwelling Protection and COVERAGE B - Other Structures Protection** is deleted and replaced by the following:

COVERAGE A - Dwelling Protection

We cover:

1. The dwelling on the **"residence premises"** shown in the Declarations, including structures attached to the dwelling;
2. Materials and supplies located on or next to the **"residence premises"** used to construct, alter or repair the dwelling or other structures on the **"residence premises"**; and
3. Custom or permanently installed window treatments and permanently installed carpeting.

Except as specifically provided in SECTION I – ADDITIONAL COVERAGES, Land, we do not cover land, including land on which the dwelling is located.

Dwelling Coverage for Certain Losses Related to a State of Emergency

In the event of a covered loss related to a state of emergency declared in accordance with Section 8558 of the Government Code of the State of California, the policy limits for COVERAGE A and COVERAGE B may be combined to pay for any of the covered expenses reasonably necessary to rebuild or replace the damaged or destroyed dwelling, if the COVERAGE A policy limit when combined with any applicable endorsements is insufficient to rebuild or replace the dwelling. This provision does not increase the limit of liability that applies to COVERAGE B. Payments for other structures in excess of the amount applied towards the necessary cost to rebuild or replace the damaged or destroyed dwelling shall be paid according to the terms of the policy. Any combination of COVERAGE A and COVERAGE B is based upon the limits of those coverages as specified on the Declaration page, exclusive of any endorsements applicable to this policy.

COVERAGE - B Other Structures Protection

We cover:

1. Other structures on the **"residence premises"**:
 - a. We cover other structures on the **"residence premises"**:
 - (1) Set apart from the dwelling by clear space; and
 - (2) Sidewalks, driveways and fences; and
 - (3) Structures connected to the dwelling by only a fence, utility line, or similar connection.
 - b. We do not cover:
 - (1) Land, except as specifically provided in SECTION I – ADDITIONAL COVERAGES, Land, including land on which the other structures are located;
2. Structures used in whole or part for **"business"** unless such use consists solely of use of office space for paperwork, computer work or use of a telephone, and consists solely of activities that are:
 - (a) Duties of any **"insured's"** employment by another; and
 - (b) Performed solely by an **"insured"**.
2. Other Structures away from the **"residence premises"**.
 - a. We cover other structures owned by you and located away from the **"residence premises"**, if used by you in connection with the **"residence premises"**.
 - b. We do not cover:
 - (1) Other structures located away from the **"residence premises"**:
 - (a) Being used as a dwelling; or
 - (b) Capable of being used as a dwelling; or
 - (c) Used in whole or part for **"business"**; or
 - (2) Land, including land on which the other structure is located.

The amount of insurance for all structures will not be more than the amount of insurance shown in the Declarations for Other Structures Protection.

COVERAGE C - Personal Property Protection

Under Property We Do Not Cover:

Item 1. is deleted.

Item 3. is deleted and replaced by the following:

3. **"Motor vehicle(s)"**. This includes but is not limited to the following while in or upon a **"motor vehicle"**.

- a. Equipment, accessories, and parts; or
- b. Any device or instrument for the transmitting, recording, receiving or reproduction of data, sound or pictures which is permanently installed in a **"motor vehicle"**. We do not cover antennas, tapes, wire, discs or other media, for use with any such device or instrument.

We do cover **"motor vehicle(s)"** or all other motorized land conveyances not subject to motor vehicle registration which are:

- a. Used solely to service any residence; or
- b. Designed for assisting the handicapped

Subject to the provisions under Special Amounts of Insurance we also cover:

- a. Motorized golf carts and their equipment and accessories; and
- b. Motorized vehicles designed or modified to operate at speeds not to exceed 15 miles per hour and for use off public roads.

The following is added to **Property We Do Not Cover**:

Controlled substances included on Schedule I as defined by 21 United States Code Section 812, and as changed, updated, and republished by 21 Code of Federal Regulations Part 1308 at the time of loss. This exclusion applies whether or not state law allows use of the substance.

Under **COVERAGE D - Loss of Use Protection**, the last paragraph of item 1. **Additional Living Expense** is deleted and replaced by the following:

In the event of a loss covered under Section I – LOSSES WE COVER, which results from an event assigned a Property Claims Service (PCS) catastrophe code or proclaimed by the Governor to be a "state of emergency" as defined in Section 8558 of the Government Code of the State of California, coverage for additional living expenses shall be for a period not to exceed a total of 24 months from the

date of such covered loss, unless during this period you request in writing that this timeline be extended for an additional 12 months for a total of 36 months. Upon receipt of written request from you, additional extensions of 6 months will be granted for good cause. Payment under this section will be for the shortest time required to repair or replace the damage, or if you permanently relocate, the shortest time required for your household to settle elsewhere. Any additional living expenses shall be subject to all other policy provisions. Any extension of the additional living expense time limit pursuant to this paragraph shall not act to increase the additional living expense policy limit in force at the time of the covered loss.

Under **COVERAGE D - Loss of Use Protection**, item 3. **Prohibited Use** is deleted and replaced by the following:

3. Prohibited Use. If a loss covered under Section I – LOSSES WE COVER results in an order from a civil authority prohibiting you from use of the **"residence premises"** we cover the Additional Living Expense or Fair Rental Value loss as provided under 1. and 2. above for up to two weeks. Additional extensions of two weeks will be granted for good cause, subject to other policy provisions. These extensions do not increase the amount of insurance provided under **Loss of Use Protection**.

Under **COVERAGE D - Loss of Use Protection**, the last paragraph is deleted and replaced by the following:

Pursuant to California law, we may provide a reasonable alternative remedy that addresses the property condition that precludes reasonable habitation of the **"residence premises"** in lieu of making payments required by 1. 2. and 3. above. The Additional Living Expense or Fair Rental Value coverage subject to these sections do not include a utility public safety power shut off event, which is the deenergization of a portion of the electrical distribution or transmission system to reduce the risk of wildfire ignition.

No deductible applies to the coverage afforded under 1., 2., and 3. above.

ADDITIONAL COVERAGES

The lead-in paragraph is deleted and replaced by the following:

Unless specifically addressed elsewhere in this policy, the coverages provided below are the only coverages provided for the following. The SECTION I – LOSSES WE DO NOT COVER apply to these coverages unless otherwise stated.

Under Item 6. **Credit Card Coverage and Identity Fraud Expense Coverage**, item b., “Expenses” (3) is deleted and replaced by the following:

- (3) Lost wages as a result of time taken off from work to meet with, or talk to, law enforcement agencies, credit agencies, merchants, and/or legal counsel, or to complete fraud affidavits, not to exceed \$250 per day.

Item 7. **Loss Assessment** is deleted in its entirety and replaced by the following:

7. **Loss Assessment.** We will pay up to \$50,000 for your share of loss assessment charged against you by a corporation or association of property owners. This coverage applies for an event that occurs during the policy period, when the assessment is made as a result of “**sudden and accidental**” direct physical loss to the property owned by all members collectively. This loss must be caused by a loss under Section I – LOSSES WE COVER for **DWELLING PROTECTION COVERAGE** and **OTHER STRUCTURES PROTECTION COVERAGE**, subject to all provisions of the policy.

This coverage does not apply to assessments made as a result of damage caused by:

- a. Earthquake; or
- b. Land shock waves or tremors before, during or after a volcanic eruption.

This coverage applies only to loss assessments charged against you as owner or tenant of the “**residence premises**”.

We do not cover loss assessments charged against you or a corporation or association of property owners by any government body.

The limit of \$50,000 is the most we will pay with respect to any one loss, regardless of the number of assessments.

This coverage is not limited by the expiration of this policy.

This coverage is additional insurance and does not reduce the amount of insurance.

No deductible applies to this coverage.

HO-3R only:

Under Item 12. **Glass or Safety Glazing Material** the third paragraph is deleted and replaced by the following:

This coverage does not include loss on the “**residence premises**” if the dwelling has been vacant for more than 180 consecutive days immediately before the loss. An insured dwelling being constructed is not considered vacant.

HO-6R only:

Under Item 11. **Glass or Safety Glazing Material** the third paragraph is deleted and replaced by the following:

This coverage does not include loss on the “**residence premises**” if the building containing the “**residence premises**” has been vacant for more than 180 consecutive days immediately before the loss. An insured dwelling being constructed is not considered vacant.

Item 14. **Building Ordinance or Law** is deleted and replaced by the following:

14. **Building Ordinance or Law.** For loss caused by a loss under Section I – LOSSES WE COVER to buildings under Dwelling Protection and Other Structures Protection, we will pay the increased costs which are required and you actually incur to comply with any ordinance or law governing the rebuilding, repair or demolition of the damaged property.

If a total loss has occurred and:

1. The dwelling or other structure is rebuilt at a new premises; or
2. You purchase an existing dwelling or other structure at a new premises;

We will pay the increased costs you would have incurred due to the enforcement of any ordinance or law had you repaired, rebuilt, or replaced the dwelling or other structure at the original premises.

The limit for this coverage will not be more than 10% of the COVERAGE A – Dwelling Protection amount of insurance.

This coverage is additional insurance and does not reduce the Dwelling Protection amount of insurance.

The policy deductible applies.

HO-3R only:

Under Item 18. **War**, item b. is deleted and replaced by the following:

- b. Abandonment as a consequence of “war”.

SECTION I - LOSSES WE COVER

COVERAGE C - PERSONAL PROPERTY PROTECTION

Under Item 9. **Theft**, item a. is deleted and replaced by the following:

- a. Committed by any “insured” or any other person regularly residing on any part of the “insured location” for a period in excess of thirty consecutive days, even if other permanent residency is established or claimed elsewhere.

Under Item 14. **Freezing** is deleted and replaced by the following:

14. **Freezing** of a plumbing, heating, air conditioning or automatic fire protective sprinkler system or of a household appliance.

This peril does not include loss on the “residence premises” while the dwelling is unoccupied, if you have failed to:

- a. Maintain heat in the building; or
- b. Shut off the water supply and drain the system and appliances of water.

SECTION I - LOSSES WE DO NOT COVER

For form HO-3R under **LOSSES WE DO NOT COVER UNDER DWELLING PROTECTION AND OTHER STRUCTURES PROTECTION**, the lead-in paragraph under item 1. is deleted and replaced by the following:

1. Unless otherwise stated in 3. below we do not insure for damage consisting of or caused directly by any of the following, regardless of whether the event or damage occurs suddenly or gradually, involves isolated or widespread damage, or occurs as a result of any combination of these to produce the loss.

Item 1.a. is deleted and replaced by the following:

- a. Freezing of a plumbing, heating, air conditioning or automatic fire protective sprinkler system or of a household appliance, or by discharge, leakage or overflow from within the system or appliance caused by freezing. This exclusion applies only while the dwelling is vacant, unoccupied or being constructed and then, only if you have failed to:
 - (1) Maintain heat in the building; or
 - (2) Shut off the water supply and drain the system and appliance of water.

For form HO-3R under **LOSSES WE DO NOT COVER UNDER DWELLING PROTECTION, OTHER STRUCTURES PROTECTION AND PERSONAL PROPERTY PROTECTION** and for form HO-6R under **LOSSES WE DO NOT COVER UNDER DWELLING PROTECTION AND PERSONAL PROPERTY PROTECTION**, the lead-in paragraph under item 1. is deleted and replaced by the following:

1. We do not insure for damage consisting of or caused directly by any of the following, regardless of whether the event or damage occurs suddenly or gradually, involves isolated or widespread damage, or occurs as a result of any combination of these to produce the loss.

For form HO-3R under **LOSSES WE DO NOT COVER UNDER DWELLING PROTECTION, OTHER STRUCTURES PROTECTION AND PERSONAL PROPERTY PROTECTION:**

Item **2.a.** is deleted and replaced by the following:

2.a. Weather Conditions which includes but is not limited to heat, cold, humidity, rain, ice, snow, sleet, wind, hail or drought. However, this exclusion only applies if weather conditions contribute in any way with a cause or event excluded in **LOSSES WE DO NOT COVER UNDER DWELLING PROTECTION, OTHER STRUCTURES PROTECTION AND PERSONAL PROPERTY PROTECTION** item 1. above to produce the loss.

SECTION I - CONDITIONS

For form HO-3R under Item **3. Loss Settlement**, item b. is deleted and replaced by the following:

b. All items under Dwelling Protection and buildings on the **"residence premises"** under Other Structures Protection. We will pay our cost to repair or our cost to replace the damaged property with similar construction and for the same use on the premises shown in the Declarations, subject to the following:

- (1) When our cost to repair or replace the damaged property is equal to or less than \$5,000 we will pay you the full replacement cost amount without deduction for depreciation.
- (2) When our cost to repair or our cost to replace the damaged property is greater than \$5,000, and until actual repair or replacement is completed, we will pay only the **"actual cash value"**, not to exceed our cost to repair or our cost to replace the damaged part of the property.
 - (a) To receive any additional payments on a replacement cost basis, you must notify us within 30 days after the work has been completed. You must complete the actual repair or replacement of the damaged part of the property within:

- (i) 36 months after the date we tender the first payment toward the **"actual cash value"** if the loss or damage is related to a state of emergency as defined in Section 8558 of the Government Code of the State of California; or
- (ii) 36 months after the date we tender the first payment toward the **"actual cash value"** if the loss or damage results from an event assigned a Property Claims Service (PCS) catastrophe code; or
- (iii) 12 months after the date we tender the first payment toward the **"actual cash value"** in all other cases;

unless during this period you request in writing that this time line be extended for an additional 6 months. Written requests for an additional 6 month extensions will be granted for good cause.

- (b) When repair or replacement is actually completed, we will pay the covered additional amount you actually and necessarily spend to repair or replace the damaged part of the property, or our cost to repair or replace the damaged part of the property whichever is less.

For form HO-6R under **3. Loss Settlement**, item b. is deleted and replaced by the following:

- b. All items under **Coverage A - Dwelling Protection**. We will pay our cost to repair or our cost to replace the damaged property with similar construction and for the same use on the premises shown in the Declarations, subject to the following:
 - (1) When our cost to repair or replace the damaged property is equal to or less than \$5,000 we will pay you the full replacement cost amount without deduction for depreciation.

(2) When our cost to repair or our cost to replace the damaged property is greater than \$5,000, and until actual repair or replacement is completed, we will pay only the "actual cash value", not to exceed our cost to repair or our cost to replace the damaged part of the property.

(a) To receive any additional payments on a replacement cost basis, you must notify us within 30 days after the work has been completed. You must complete the actual repair or replacement of the damaged part of the property within:

(i) 36 months after the date we tender the first payment toward the "actual cash value" if the loss or damage is related to a state of emergency as defined in Section 8558 of the Government Code of the state of California; or

(ii) 36 months after the date we tender the first payment toward the "actual cash value" if the loss or damage results from an event assigned a Property Claims Service (PCS) catastrophe code; or

(iii) 12 months after the date we tender the first payment toward the "actual cash value" in all other cases;

unless during this period you request in writing that this timeline be extended for an additional 6 months. Written request for an additional 6 month extensions will be granted for good cause.

(b) When repair or replacement is actually completed, we will pay the covered additional amount you actually and necessarily spend to repair or replace the damaged part of the property, or our cost to repair or replace the damaged part of the property whichever is less.

Under Item 6. **Appraisal** the first paragraph is deleted and replaced by the following:

6. **Appraisal.** If you and we fail to agree on the amount of loss, then, either party may make a written request for an appraisal. In this event, each party will select a competent and impartial appraiser. Each party shall notify the other of the appraiser selected within 20 days of the request. Where the request is accepted, the two appraisers will select a competent and impartial umpire. If they cannot agree upon an umpire within 15 days, you or we may request that the choice be made by a judge of a court of record in the state where the "residence premises" is located.

The appraisers will appraise the loss, stating separately the loss to each item. If they fail to agree, they will submit their differences to the umpire. An award in writing, agreed to by any two, will set the amount of loss.

Each party will:

- a. Pay its own appraiser; and
- b. Bear the other expenses of the appraisal and umpire equally.

Item 7. **Other Insurance** is deleted and replaced by the following:

7. **Other Insurance.** Other insurance includes the coverage and any deductible require by such other insurance. If a loss covered by this policy is also covered by other insurance, we will pay as follows:

- a. Coverage provided by the ADDITIONAL COVERAGE, Credit Card Coverage and Identity Fraud Expense Coverage is excess over other insurance that covers the same loss. This coverage is also excess over any other contractual conditions, rights or benefits that provide relief from or indemnification for your obligations to pay any amounts to any third party resulting from a loss covered by this coverage. In no event will we pay more than the applicable amount of insurance; or

- b. For a loss to personal property that is separately described and specifically insured by other insurance, whether or not that policy is primary or excess, we will be excess over that insurance for a loss that is also covered under this policy; or
- c. For all other coverage we will pay only the proportion of the loss that the amount of insurance that applies under this policy bears to the total amount of insurance covering the loss; or
- d. This policy does not apply to motorized golf carts and their equipment and accessories when any other insurance also applies.

Item 10. **Loss Payment**, is deleted and replaced by the following:

- 10. Loss Payment.** We will adjust all losses with you. We will pay you unless some other person is named in the policy or is legally entitled to receive payment. Loss will be payable 30 days after we receive your proof of loss and:
- a. Reach an agreement with you;
 - b. There is an entry of a final judgment; or
 - c. There is a filing of an appraisal award with us.

Item 18. **Adjustment to Building Cost**, is deleted and replaced by the following:

- 18. Adjustment to Building Cost.** The amount of insurance for COVERAGE A – Dwelling Protection, shown in the Declarations of this policy, will be revised at each policy renewal to reflect the rate of change in the replacement cost of your dwelling. The resulting limit will be rounded to the next \$1,000.

COVERAGE B – Other Structures Protection, Personal Property and Loss of Use, will also be adjusted. The rules then in use by us will determine the new amounts for these coverages.

Those amounts will not be reduced without your consent.

You have the right to refuse any resulting change in amount that does not reduce COVERAGE A – Dwelling Protection coverage below 80% of the **“Minimum Estimated Replacement or Rebuild Cost”**. You must do so before the effective date of such change.

We have the right to change to another replacement cost calculation tool as of any renewal date. We will give you at least 30 days prior written notice if we do this. Such change must apply to all similar policies issued by us.

The following Condition is added:

19. Reducing The Risk Of Loss

We may occasionally provide you with products or services that assist you in preventing or reducing the risk of loss, and may provide an incentive for your use of these items.

SECTION II - EXCLUSIONS

- 1. Coverage E - Personal Liability and Coverage F - Medical Payments to Others**, in item e.:

This exclusion does not apply to the permissive use, loading or unloading of: is deleted and replaced by the following:

This exclusion does not apply to the ownership, maintenance, permissive use, loading or unloading of:

SECTION II - ADDITIONAL COVERAGES

Item 4. **Loss Assessment** is deleted in its entirety and replaced by the following:

- 4. Loss Assessment.** We will pay up to \$50,000 for your share of loss assessment charged against you by a corporation or association of property owners, when the assessment is made as a result of:
- a. **“Bodily injury”** or **“property damage”** caused by an **“occurrence”** not excluded under SECTION II of this policy; or
 - b. Liability for an act committed by a director, officer or trustee during the policy period in the capacity as a director, officer or trustee, provided:

- (1) The director, officer or trustee is elected by the members of a corporation or association of property owners; and
- (2) The director, officer or trustee serves without deriving any income from the exercise of duties which are solely on behalf of a corporation or association of property owners.

This coverage applies only to loss assessments charged against you as owner or tenant of the **"residence premises"**.

We do not cover loss assessments charged against you or a corporation or association of property owners by any governmental body.

Regardless of the number of assessments, the limit of \$50,000 is the most we will pay for loss arising out of:

- a. One **"occurrence"**, including continuous or repeated exposure to substantially the same general harmful conditions; or
- b. A covered act of a director, officer or trustee. An act involving more than one director, officer or trustee is considered to be a single act.

SECTION II, COVERAGE E – Personal Liability Exclusion 2.a.(1) does not apply to this coverage.

This coverage is not limited by the expiration of this policy.

SECTION II - CONDITIONS

Item 2. **Severability of Insurance** is deleted and replaced by the following:

2. **Severability of Insurance.** The Section II limits of liability of this policy apply separately to each **"insured"**. This condition will not increase our limit of liability for any one **"occurrence"**.

SECTIONS I AND II - CONDITIONS

Item 4. **Cancellation** is deleted and replaced by the following:

- a. The **"member"** may cancel this policy at any time by giving us written notice. But the cancellation cannot take effect before the date of the notice. Return premium will be computed on a pro rata basis.
- b. We may cancel this policy only for the reasons stated below by letting the person named on the Declarations know in writing of the date cancellation takes effect. This cancellation notice will be mailed to the person named on the Declarations at the mailing address shown in the Declarations or electronically if we have your consent and agreement on file to receive documents electronically.

Proof of mailing, whether by postal mail or by electronic media or communication channel, will be sufficient proof of notice. Electronic notice will be provided upon placing it on our website pursuant to an electronic transaction agreement, or upon directing it to an electronic mailbox or voice channel that you designate for the purpose of receiving mail.

- (1) When the person named on the Declarations has not paid the premium, we may cancel at any time by letting the person named on the Declarations know at least 10 days before the date cancellation takes effect.
- (2) When this policy has been in effect for less than 60 days and is not a renewal with us, we may cancel for any reason, except as provided below, by letting you know at least 20 days before the date cancellation takes effect.

We may not cancel this policy solely because:

- (a) You accepted an offer of earthquake coverage;

(b) Corrosive soil conditions exist on the **"residence premises"**. This provision (b) applies only if this policy includes one or more of the following, which exclude loss caused by corrosive soil conditions:

- (i) HO-3R Special Form;
- (ii) Unit-Owners Coverage A Endorsement (HO-32CA); or
- (iii) Unit-Owners Coverage C Endorsement (HO-874CA); or

(c) You cancelled or did not renew an earthquake policy issued by the California Earthquake Authority (CEA) that included an earthquake policy premium surcharge.

However, we may cancel this policy if you have accepted a new or renewal policy issued by the CEA that included an earthquake policy premium surcharge, but you failed to pay the earthquake policy premium surcharge authorized by the CEA.

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

- (a) Conviction of a crime having as one of its necessary elements an act increasing the hazard insured against; or
- (b) Discovery of fraud or material misrepresentation by:
 - (i) Any **"insured"** or his or her representative in obtaining this insurance; or
 - (ii) You or your representative in pursuing a claim under this policy; or
- (c) Discovery of grossly negligent acts or omissions substantially increasing any of the hazards insured against; or

(d) Physical changes in the property insured against which result in the property becoming uninsurable.

However, we may not cancel this policy solely because corrosive soil conditions exist on the **"residence premises"** if this policy includes one or more of the following, which exclude loss caused by corrosive soil conditions:

- (i) HO-3R Special Form;
- (ii) Unit-Owners Coverage A Endorsement (HO-32CA); or
- (iii) Unit-Owners Coverage C Endorsement (HO-874CA).

(e) Acceptance of a new or renewal policy, issued by the CEA that included an earthquake policy premium surcharge, but you failed to pay the earthquake policy premium surcharge authorized by the CEA.

This can be done by notifying you at least 30 days before the date cancellation takes effect.

(4) When this policy is written for a period longer than one year, we may cancel for any reason at anniversary by notifying you at least 75 days before the date cancellation takes effect.

- c. When this policy is cancelled, the premium for the period from the date of cancellation to the expiration date will be refunded pro rata.
- d. If, when we cancel this policy, the return premium is not refunded with the notice of cancellation, we will refund it within 25 days after the date cancellation takes effect. If, when you cancel this policy, the return premium is not refunded when this policy is returned to us, we will refund it within a reasonable time after the date cancellation takes effect.

Item 5. **Nonrenewal** is deleted and replaced by the following:

5. Nonrenewal

- a. We may elect not to renew this policy, subject to the provisions of b. below. We may do so by letting you know in writing 75 days before policy termination. This nonrenewal notice may be delivered to you, mailed to you by postal mail at your mailing address shown in the Declarations or, with your consent and agreement, provided to you electronically if we have your consent and agreement on file to receive documents electronically.

Proof of mailing, whether by postal mail or by electronic media or communication channel, will be sufficient proof of notice. Electronic notice will be provided upon placing it on our website pursuant to an electronic transaction agreement, or upon directing it to an electronic mailbox or voice channel that you designate for the purpose of receiving mail.

- b. We will not refuse to renew this policy:

- (1) Solely because you accepted an offer of earthquake coverage.

However, the following applies only to insurers who are associate participating insurers as established by Cal. Ins. Code Section 10089.16. We may elect not to renew this policy after you have accepted an offer of earthquake coverage if one or more of the following reasons apply:

- (a) The nonrenewal is based on sound underwriting principles that relate to the coverages provided by this policy and that are consistent with the approved rating plan and related documents filed with the Department of Insurance as required by existing law;
- (b) The Commissioner of Insurance finds that the exposure to potential losses will threaten our solvency or

place us in a hazardous condition. A hazardous condition includes, but is not limited to, a condition in which we make claims payments for losses resulting from an earthquake that occurred within the preceding two years and that required a reduction in policyholder surplus of at least 25% from payment of those claims; or

- (c) We have:

- (i) Lost or experienced a substantial reduction in the availability or scope of reinsurance coverage; or
- (ii) Experienced a substantial increase in the premium charged for reinsurance coverage of our residential property insurance policies; and

the Commissioner has approved a plan for the nonrenewals that is fair and equitable, and that is responsive to the changes in our reinsurance position;

- (2) Solely because you cancelled or did not renew an earthquake policy, issued by the California Earthquake Authority, that included an earthquake policy premium surcharge; or

- (3) Solely because corrosive soil conditions exist on the "**residence premises**". This provision (3) applies only if this policy includes one or more of the following, which exclude loss caused by corrosive soil conditions:

- (a) HO-3R Special Form;
- (b) Unit-Owners Coverage A Endorsement (HO-32CA);
- (c) Unit-Owners Coverage C Endorsement (HO-874CA).

- c. If this policy is written for a period of less than one year, we agree not to refuse to renew except at the end of an annual period commencing with the original or renewal effective date.

Item 6. **Subrogation** is changed in the HO-3R only:

Under Item 6. **Subrogation**, the first paragraph is deleted and replaced by the following:

6. Subrogation. Any "insured" may waive in writing before a loss all rights of recovery against any person. If not waived, we may require an assignment of rights of recovery for a loss to the extent that payment is made by us.

Item 7. **Spouse Access** is deleted and replaced by the following:

7. Spouse Access. The "member" and we agree that the "member" and resident spouse or domestic partner of the "member" registered under California law are customers for the purposes of state and federal privacy laws. The resident spouse or domestic partner will have access to the same information available to the "member" and may initiate the same transactions as the "member".

The "member" may notify us that he/she no longer agrees that the resident spouse or domestic partner of the "member" shall be treated as a customer for purposes of state and federal privacy laws, and we will not permit the resident spouse or domestic partner of the "member" to access policy information.

Item 8. **Assignment** is deleted and replaced by the following:

8. Assignment. Assignment of any claim or this policy will not be valid unless we give our written consent.

Except as specifically modified in this endorsement, all provisions of the policy to which this endorsement is attached also apply to this endorsement.

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AGREEMENT

In return for payment of premium and subject to all terms of this policy, we will provide the insurance described.

DEFINITIONS

In this policy, "you" and "your" refer to the "named insured" shown in the Declarations and the spouse when a resident of the same household. "We", "us" and "our" refer to the Company providing this insurance. Certain words and phrases are defined and are printed in boldface and quotation marks when used.

1. **"Actual cash value"** is calculated as the amount it would cost to repair or replace covered property, at the time of loss or damage, with material of like kind and quality, subject to a deduction for deterioration, depreciation and obsolescence. **"Actual cash value"** applies to valuation of covered property regardless of whether that property has sustained partial loss, or total loss. The **"actual cash value"** of lost or damaged property may be significantly less than its replacement cost.
 - a. A sudden falling or caving in;
 - b. A sudden breaking apart or deformation such that the building or part of a building is in imminent peril of falling or caving in and is not fit for its intended use.
2. **"Aircraft"** means any conveyance used or designed for flight, except model or hobby aircraft not used or designed to carry people or cargo.
3. **"Bodily injury"** means physical injury, sickness or disease, including required care, loss of services and death that results.

"Bodily injury" does not include mental injuries such as: emotional distress, mental anguish, humiliation, mental distress, or any similar injury unless it arises out of physical injury to the person claiming a mental injury.
4. **"Business"** means any full or part-time activity arising out of or related to any trade, profession or occupation of any **"insured"**.
5. **"Collapse"** means:
 - a. Damage consisting solely of settling, cracking, shrinking, bulging or expansion is not covered unless it is the direct result of **"collapse"**.
6. **"Damages"** means compensatory damages the **"insured"** is legally obligated to pay as a result of **"bodily injury"** or **"property damage"** covered by this insurance, but does not include punitive, exemplary or multiple damages.
7. **"Fungus"** means any microorganism or by-product of any microorganism, including, but not limited to mold, mildew, fungi, mycotoxins and spores.
8. **"Hovercraft"** means a self-propelled motorized ground effect vehicle and includes, but is not limited to, flarecraft and air cushion vehicles.
9. **"Insured"** means:
 - a. The **"member"**;
 - b. Spouse when a resident of the same household; and

- c. Residents of your household who are:
 - (1) Your relatives; or
 - (2) Other persons under the age of 21 and in the care of any person named above.

Under SECTION II, **"insured"** also means:

- d. With respect to animals, **"watercraft"** or **"personal watercraft"** to which this policy applies, any person or organization legally responsible for these animals, **"watercraft"** or **"personal watercraft"** which are owned by you or any person included in 9.a., 9.b., or 9.c. above. A person or organization using or having custody of these animals, **"watercraft"** or **"personal watercraft"** without consent of the owner is not an **"insured"**.
- e. With respect to any vehicle or conveyance to which this policy applies:
 - (1) **"Residence Employees"** while engaged in your employ or that of any person included in 9.a., 9.b. or 9.c. above; or
 - (2) Other persons using the vehicle on an **"insured location"** with your consent.

10. **"Insured location"** means:

- a. The **"residence premises"**;
- b. Any premises used by you in connection with 10.a. above;
- c. Any part of a premises:
 - (1) Not owned by any **"insured"**; and
 - (2) Where any **"insured"** is temporarily residing;
- d. Vacant land, other than farm land owned by or rented to any **"insured"**;
- e. Land owned by or rented to any **"insured"** on which a one or two family dwelling is being built as a residence for any **"insured"**;

- f. Individual or family cemetery plots or burial vaults of any **"insured"**; or
- g. Any part of a premises occasionally rented to an **"insured"** for other than **"business"** use.

- 11. **"Member"** means the owner of the policy who is the person who meets all eligibility requirements for membership and whose membership number is shown in the Declarations of this policy.
- 12. **"Motor vehicle(s)"** means any type of motorized land vehicle or conveyance, whether or not subject to motor vehicle registration.
- 13. **"Named peril(s)"** means one or more of the perils listed under LOSSES WE COVER - PERSONAL PROPERTY PROTECTION.
- 14. **"Occurrence"** means an accident, including continuous or repeated exposure to substantially the same general harmful conditions, which results, during the policy period, in:
 - a. **"Bodily injury"**; or
 - b. **"Property damage"**.
- 15. **"Personal watercraft"** means a conveyance, used or designed to be used on water that uses a jet pump powered by an internal combustion engine as the primary source of propulsion.
- 16. **"Pollutants"** means any solid, liquid, gaseous or thermal irritant or contaminant, including smoke, vapor, soot, fumes, acids, alkalis, chemicals and waste. Waste includes materials to be recycled, reconditioned or reclaimed.
- 17. **"Professional services"** means any type of service to the public that requires members rendering a service to obtain an advanced degree and/or obtain a license or other legal authorization to provide the service and includes, but is not limited to services rendered by dentists, naturopaths, chiropractors, physicians and surgeons,

doctors of dentistry, physical therapists, occupational therapists, podiatrists, optometrists, nurses, nurse-midwives, veterinarians, pharmacists, architects, landscape architects, engineers, accountants, land surveyors, psychologists, attorneys-at-law, therapists, counselors and social workers.

18. **"Property damage"** means physical damage to or destruction of tangible property, including loss of use of this property.
19. **"Residence employee"** means an employee of any **"insured"** whose primary duties are related to the maintenance or use of the **"residence premises"**, including household or domestic service.
20. **"Residence premises"** means:
 - a. The one family dwelling, other structures, and grounds; or
 - b. That part of any other building;

Where you reside and which is shown as the **"residence premises"** in the Declarations.

"Residence premises" also means a two family dwelling where you reside in at least one of the family units and which is shown as the **"residence premises"** in the Declarations.

21. **"Sudden and accidental"** means an abrupt, fortuitous event which is unintended from the perspective of a reasonable person.
22. **"War"** means war whether declared or undeclared; civil war; insurrection; rebellion; revolution; any warlike act by friendly or enemy forces, destruction or seizure for a military purpose.
23. **"Watercraft"** means a conveyance principally designed to be propelled on or in water by wind, current, paddles, oars, engine power or electric motor.

DEDUCTIBLE

Unless otherwise noted in this policy, the following deductible provision applies:

Subject to the applicable amount of insurance that applies, we will pay only that part of the total of all loss payable under SECTION I - PROPERTY WE COVER that exceeds the deductible amount shown in the Declarations.

SECTION I PROPERTY WE COVER

COVERAGE A - Dwelling Protection

We cover:

1. The dwelling on the **"residence premises"** shown in the Declarations, including structures attached to the dwelling;
2. Materials and supplies located on or next to the **"residence premises"** used to construct, alter or repair the dwelling or other structures on the **"residence premises"**; and
3. Custom or permanently installed window treatments and permanently installed carpeting.

Except as specifically provided in SECTION I - ADDITIONAL COVERAGES, Land, we do not cover land, including land on which the dwelling is located.

COVERAGE B - Other Structures Protection

We cover:

1. Other structures on the **"residence premises"**:
 - a. We cover other structures on the **"residence premises"**:

- (1) Set apart from the dwelling by clear space; and
- (2) Sidewalks, driveways and fences; and
- (3) Structures connected to the dwelling by only a fence, utility line, or similar connection.

b. We do not cover:

- (1) Land, except as specifically provided in SECTION I - ADDITIONAL COVERAGES, Land, including land on which the other structures are located;
- (2) Structures used in whole or part for "**business**" unless such use consists solely of use of office space for paperwork, computer work or use of a telephone, and consists solely of activities that are:
 - (a) Duties of any "**insured's**" employment by another; and
 - (b) Performed solely by an "**insured**".

2. Other Structures away from the "**residence premises**".

a. We cover other structures owned by you and located away from the "**residence premises**", if used by you in connection with the "**residence premises**".

b. We do not cover:

- (1) Other structures located away from the "**residence premises**":
 - (a) Being used as a dwelling; or
 - (b) Capable of being used as a dwelling; or
 - (c) Used in whole or part for "**business**"; or
- (2) Land, including land on which the other structure is located.

The amount of insurance for all structures will not be more than the amount of

insurance shown in the Declarations for Other Structures Protection.

COVERAGE C - Personal Property Protection

We cover:

Tangible personal property owned or used by any "**insured**" while it is anywhere in the world. After a loss and at your request, we will cover the loss of personal property owned by:

1. Others while the property is on the part of the "**residence premises**" occupied by any "**insured**";
2. A guest or a "**residence employee**", while the property is in any residence occupied by any "**insured**".

The amount of insurance for personal property usually located at any "**insured's**" residence, other than the "**residence premises**" is limited to 10% of the amount of insurance for Personal Property Protection, or \$1,000, whichever is greater.

Personal property in a newly acquired principal residence is not subject to this limitation for the 30 days from the time you begin to move the property there.

Special Amounts of Insurance. The special amounts set out below do not increase the Personal Property Protection amount of insurance. The special amount for each numbered category below is the total amount for each loss for all property in that category.

1. \$200 for money, bank notes, bullion, gold other than goldware, silver other than silverware, platinum other than platinumware, coins, medals, scrip, stored value cards, smart cards and gift certificates including electronic gift certificates.
2. \$1,000 for securities, accounts, deeds, evidences of debt, letters of credit, notes other than bank notes, manuscripts, passports, and tickets.

This limit includes the cost to research, replace or restore the information from the lost or damaged material.

This limit applies to these categories regardless of the medium (such as paper or computer software) on which the material exists.

3. \$1,500 for **"watercraft"** or **"personal watercraft"**, including their trailers, furnishings, equipment and outboard motors.
4. \$1,500 for trailers not used with **"watercraft"** or **"personal watercraft"**.
5. \$10,000 for loss by theft of jewelry, watches, precious and semi-precious stones, fur garments, including any garment containing fur, which represents its principal value.
6. \$2,500 on stamps, trading cards and comic books, including any of these that are part of a collection.
7. \$10,000 for loss by theft of firearms.
8. \$10,000 for loss by theft of silverware, silver-platedware, goldware, gold-plated ware, platinumware, platinum-plated ware and pewterware. This category includes but is not limited to flatware, hollowware, tea sets, trays and trophies made of or including silver, gold or pewter.
9. (a) \$10,000 for tangible **"business"** property at your residence.
(b) \$1,000 for tangible **"business"** property away from your residence.
10. \$3,000 on motorized golf carts and their equipment and accessories. But if, at the time of loss, there is any other insurance covering physical loss to golf carts, then this policy does not apply.
11. \$3,000 for motorized vehicles designed or modified to operate at speeds not to exceed 15 miles per hour and for use off public roads. However, this limit does not apply to vehicles not subject to motor vehicle registration which are:

- a. Used to service any **"insured's"** residence, or
- b. Designed for assisting the handicapped.

Property We Do Not Cover.

1. Personal property separately described and specifically insured in this or other insurance.
2. Animals, birds or fish.
3. **"Motor vehicle(s)"**. This includes but is not limited to:
 - a. Equipment, accessories, and parts;
 - b. Any device or instrument for the transmitting, recording, receiving or reproduction of data, sound or pictures which is permanently installed in a **"motor vehicle"**. We do not cover antennas, tapes, wires, discs or other media, for use with any such device or instrument, while in or upon the **"motor vehicle"**.

We do cover **"motor vehicle(s)"** or all other motorized land conveyances not subject to motor vehicle registration which are:

- a. Used to service any **"insured's"** residence; or
- b. Designed for assisting the handicapped.

We also cover:

- a. Motorized golf carts and their equipment and accessories; and
- b. Motorized vehicles designed or modified to operate at speeds not to exceed 15 miles per hours and for use off public roads

subject to the provisions under Special Amounts of Insurance.

4. **"Aircraft"** and parts.
5. **"Hovercraft"** and parts.

6. Personal property of roomers, roommates, boarders, or other tenants. This does not apply to property of roomers, roommates, boarders or other tenants who qualify as "insureds".
7. Personal property in an apartment regularly rented or held for rental to others by any "insured", except as provided in ADDITIONAL COVERAGES, Landlord's Furnishings.
8. Personal property rented or held for rental to others off the "residence premises".
9. "Business" data, records, recordings, images and photographs including such data stored in:
 - a. Books of account, drawings or other paper records; or,
 - b. Electronic storage media.

However, we do cover the cost of blank recording or storage media, and of prerecorded computer programs available on the retail market.

10. Personal data, records, recordings, images, and photographs, regardless of storage media. This includes songs, movies and other audio or video media which you purchase and download onto a computer or portable electronic media player, other than as provided in ADDITIONAL COVERAGES, Electronic Media. However, we do cover the cost of blank recording or storage media, and of prerecorded computer programs available on the retail market.
11. Credit cards, electronic fund transfer cards or access devices used solely for deposit, withdrawal or transfer of funds except as provided in ADDITIONAL COVERAGES, Credit Card Coverage and Identity Fraud Expense Coverage.

COVERAGE D - Loss Of Use Protection

The amount of insurance for Loss of Use shown on the Declarations is the total limit for the coverages that follow.

1. **Additional Living Expense.** If a loss covered under Section - I - LOSSES WE

COVER makes that part of the "residence premises" where you reside uninhabitable, we cover the reasonable and necessary increase in living expenses incurred by you so that your household can maintain its normal standard of living.

Payment will be for the shortest time required to repair or replace the damage or, if you permanently relocate, the shortest time required for your household to settle elsewhere, in either event, not to exceed 12 months.

However, if a loss covered under Section I - LOSSES WE COVER results from an event which is assigned a Property Claims Service (PCS) catastrophe code, payment will be for the shortest time required to repair or replace the damage, or if you permanently relocate, the shortest time required for your household to settle elsewhere, in either event not to exceed 24 months. This extension does not increase the amount of insurance provided under Loss of Use Protection.

2. **Fair Rental Value.** If a loss covered under Section I - LOSSES WE COVER makes that part of the "residence premises" rented to others or held for rental by you uninhabitable, we cover the fair rental value of that part of the "residence premises" rented to others or held for rental by you less any expenses that do not continue while the premises is uninhabitable.

Payment will be for the shortest time required to repair or replace that part of the premises rented or held for rental, but not to exceed 12 months.

3. **Prohibited Use.** If a loss covered under Section I - LOSSES WE COVER results in an order from a civil authority prohibiting you from use of the "residence premises" as a result of direct damage to neighboring premises by a loss covered under Section I - LOSSES WE COVER, we cover the Additional Living Expense or Fair Rental Value loss as provided under 1. and 2. above for not more than two weeks. A neighboring premise is defined as a premises that is adjacent to the "residence premises".

The periods of time under 1., 2., and 3. above are not limited by expiration of this policy.

We do not cover loss or expense due to cancellation of a lease or agreement.

Except as provided in ADDITIONAL

COVERAGES, Fungus, or Wet or Dry Rot, the Loss of Use coverage afforded under 1., 2., and 3. above does not apply to loss caused by "fungus", or wet or dry rot.

No deductible applies to the coverage afforded under 1., 2., and 3. above.

ADDITIONAL COVERAGES

Unless specifically addressed elsewhere in this policy, the coverages provided below are the only coverages provided for the following:

1. Debris Removal

- a. We will pay your reasonable expense for the removal of:
- (1) Debris of covered property if loss to the damaged property is covered under SECTION I - LOSSES WE COVER; or
 - (2) Ash, dust or particles from a volcanic eruption that has caused direct loss to a building or property contained in a building.

This expense is included in the amount of insurance that applies to the damaged property. When the amount payable for the actual damage to the property plus the expense for debris removal exceeds the amount of insurance for the damaged property, an additional 5% of that amount of insurance will be available to cover debris removal expense.

- b. We will also pay your reasonable expense, up to \$1,000 in the aggregate, for the removal from the "residence premises" of:
- (1) Your tree(s) felled by the peril of windstorm or hail, or weight of ice, snow or sleet; or
 - (2) A neighbor's tree(s) felled by a loss under "named peril(s)".
provided the tree(s)
 - (3) Damage(s) a covered structure; or
 - (4) Does not damage a covered structure, but:

- (a) Blocks a driveway on the "residence premises" which prevents a "motor vehicle" that is registered for use on public roads or property, from entering or leaving the "residence premises"; or
- (b) Blocks a ramp or other fixture designed to assist a handicapped person to enter or leave the dwelling building.

The \$1,000 limit is the most we will pay in any one loss regardless of the number of fallen trees. No more than \$500 of this limit will be paid for the removal of any one tree.

This coverage reduces the amount of insurance that applies to the covered property.

The policy deductible applies.

2. **Reasonable Repairs.** In the event that covered property is damaged by an applicable loss under Section I - LOSSES WE COVER, we will pay the reasonable expense incurred by you, for necessary measures taken solely to protect against further damage. If the measures taken involve repair to other damaged property, we will pay for those measures only if that property is covered under this policy and the damage to that property is caused by an applicable loss under SECTION I - LOSSES WE COVER. This coverage reduces the amount of insurance that applies to the covered property and does not relieve you of your duties in case of a loss to covered property, as set forth in SECTION I - CONDITIONS 2.d.

The policy deductible applies.

3. Trees, Shrubs and Other Plants.

We cover trees, shrubs, plants, lawns, or landscaping on the **"residence premises"**; for loss caused by the following Losses We Cover: 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 will pay up to 5% of the amount of insurance that applies to the dwelling for all trees, shrubs, plants, lawns or landscaping. No more than \$500 of this limit will be available for any one tree, shrub or plant. We do not cover property grown for **"business"** purposes.

This coverage is additional insurance and does not reduce the amount of insurance.

The policy deductible applies.

4. Fire Department Service Charge.

We will pay up to \$500 for your liability assumed by contract or agreement for fire department charges incurred when the fire department is called to save or protect covered property from a loss under SECTION I - LOSSES WE COVER.

This coverage is additional insurance and does not reduce the amount of insurance.

No deductible applies to this coverage.

5. Property Removed.

We insure covered property against direct loss from any cause while being removed from a premises endangered by a loss under SECTION I - LOSSES WE COVER and for no more than 30 days after the property has been removed. We will also pay for reasonable expenses incurred by you for the removal and return of the covered property.

This coverage reduces the amount of insurance that applies to the property being removed.

The policy deductible applies.

6. Credit Card Coverage and Identity Fraud Expense Coverage.

We will pay up to \$5,000 in the aggregate for all loss and defense costs resulting from **Credit Card Coverage and Identity Fraud Expense Coverage**.

For the purposes of **Credit Card Coverage and Identity Fraud Expense Coverage**, a series of acts committed by any one person in which any one person is concerned or implicated is considered to be one loss, even if a series of acts continues into a subsequent policy period.

a. **Credit Card Coverage** also includes, fund transfer cards, forgery and counterfeit money. Under **Credit Card Coverage**, we pay for all loss and defense costs resulting from:

- (1) The legal obligation of any **"insured"** to pay because of the theft or unauthorized use of credit cards issued to or registered in any **"insured's"** name;
- (2) Loss resulting from theft or unauthorized use of electronic fund transfer cards or access devices used for deposit, withdrawal or transfer of funds, issued to or registered in any **"insured's"** name;
- (3) Loss to any **"insured"** caused by forgery or alteration of any **"insured's"** check or negotiable instrument written on an **"insured's"** bank account. This does not include loss by the acceptance of a forged, altered or counterfeit check, or other negotiable instrument, by an **"insured"**.
- (4) Loss to any **"insured"** through acceptance in good faith of counterfeit United States or Canadian paper currency.

For losses covered by this additional insurance we will provide defense as follows:

- (1) We may investigate and settle any claim or suit as we deem to be appropriate. Any duty to defend a claim or suit ends when the amount we pay or tender for the loss equals the applicable amount of insurance.
- (2) If a suit is brought against any **"insured"** as a result of theft or unauthorized use of a credit card or fund transfer card, we will provide a defense at our expense by counsel of our choice. We have the option to defend at our expense any **"insured"** against any suit for the enforcement of payment under the forgery coverage.

This is additional insurance and does not reduce the amount of insurance.

No deductible applies to **Credit Card Coverage**.

- b. Under **Identity Fraud Expense Coverage**, we pay for **"expenses"** and defense costs incurred by any **"insured"** as the direct result of **"identity fraud"**.

With respect to the provisions of this coverage only, the following definitions are added:

"Identity Fraud" means the act of knowingly transferring or using, without lawful authority, a means of identification of any **"insured"** with the intent to commit, or aid or abet, any unlawful activity that constitutes a violation of federal law or a felony under any applicable state or local law.

"Expenses" means:

- (1) Costs for notarizing fraud affidavits or similar documents for financial institutions or similar credit grantors or credit agencies that have required that such affidavits be notarized;
- (2) Costs for certified mail to law enforcement agencies, credit agencies, financial institutions or similar credit grantors;

- (3) Lost wages as a result of time taken off from work to meet with, or talk to, law enforcement agencies, credit agencies, merchandise, and/or legal counsel, or to complete fraud affidavits, not to exceed \$250 per day;
- (4) Loan application fees for re-applying for a loan or loans when original application is rejected solely because the lender received incorrect credit information resulting from **"identity fraud"**;
- (5) Reasonable attorney fees incurred, with our prior consent, for:
 - (a) Defense of lawsuits brought against the **"insured"** by merchants or their collection agencies; and
 - (b) The removal of any criminal or civil judgments wrongly entered against an **"insured"**.
- (6) Charges incurred for long distance telephone calls to merchants, law enforcement agencies, financial institutions or similar credit grantors, or credit agencies to report or discuss an actual **"identity fraud"**.
- (7) Research fees charged by merchants, financial institutions or similar credit grantors, or credit agencies resulting from **"identity fraud"**.

This coverage is additional insurance and does not reduce the amount of insurance.

A \$100 deductible applies to **Identity Fraud Expense Coverage**.

The following exclusions apply to **Credit Card Coverage** and **Identity Fraud Expense Coverage**:

- (1) We do not cover forgery, theft or use of a credit card, electronic fund transfer card or access device:
 - (a) By a resident of your household or any **"insured"**;

- (b) By a person who has been entrusted with the card(s) or device(s);
- (c) If any **"insured"** has not complied with all terms and conditions under which the cards or devices are issued.

(2) We do not cover loss arising out of **"business"** pursuits, dishonesty, fraud, or criminal activity of any **"insured"**.

7. **Loss Assessment.** We will pay up to \$10,000 for your share of loss assessment charged against you by a corporation or association of property owners, for an event that occurs during the policy period, when the assessment is made as a result of **"sudden and accidental"** direct physical loss to the property, owned by all members collectively, caused by a loss under Section I - LOSSES WE COVER for **DWELLING PROTECTION COVERAGE AND OTHER STRUCTURES PROTECTION COVERAGE**, subject to all provisions of the policy.

This coverage does not apply to assessments made as a result of damage caused by:

- a. Earthquake; or
- b. Land shock waves or tremors before, during or after a volcanic eruption.

This coverage applies only to loss assessments charged against you as owner or tenant of the **"residence premises"**.

We do not cover loss assessments charged against you or a corporation or association of property owners by any government body.

The limit of \$10,000 is the most we will pay with respect to any one loss, regardless of the number of assessments.

This coverage is not limited by the expiration of this policy.

This coverage is additional insurance and does not reduce the amount of insurance.

No deductible applies to this coverage.

8. **"Collapse"**. For an entire building or any part of a building covered by this insurance we insure for direct physical loss to covered property involving **"collapse"** of a building or any part of a building only when the **"collapse"** is caused by one or more of the following:

- a. **"Named peril(s)"** apply to covered buildings and personal property for loss insured by this additional coverage.
- b. Decay that is hidden from view, meaning damage that is unknown prior to **"collapse"** or that does not result from a failure to reasonably maintain the property;
- c. Insect or vermin damage that is hidden from view, meaning damage that is unknown prior to **"collapse"** or that does not result from a failure to reasonably maintain the property;
- d. Weight of contents, equipment, animals or people;
- e. Weight of rain which collects on a roof; or
- f. Use of defective material or methods in construction, remodeling or renovation if the **"collapse"** occurs during the course of the construction, remodeling or renovation.

Loss to an awning, fence, patio, pavement, swimming pool, underground pipe, water well, cistern flue, drain, cesspool, septic tank, foundation, retaining wall, bulkhead, pier, wharf or dock is not included under items b., c., d., e. and f. unless the loss is a direct result of the **"collapse"** of a building.

This coverage reduces the amount of insurance that applies to the damaged covered property.

The policy deductible applies.

9. **Lock Replacement.** When the dwelling door keys are stolen in a covered theft loss, we will pay the cost to:

- a. Change the combination in the lock hardware of the doors, or
- b. Change the lock hardware of the doors.

The most we will pay for Lock Replacement is \$250. No deductible applies to this coverage.

10. **Refrigerated Products.** We will pay you up to \$500 for loss to the contents of a freezer or a refrigerator located on your "**residence premises**", as a consequence of power failure or mechanical breakdown. The \$500 limit is the most we will pay in any one loss regardless of the number of freezers or refrigerators.

The Power Failure exclusion under Section I - LOSSES WE DO NOT COVER UNDER DWELLING PROTECTION, OTHER STRUCTURES PROTECTION AND PERSONAL PROPERTY PROTECTION does not apply to Refrigerated Products.

This coverage does not increase the Personal Property Protection amount of insurance.

No deductible applies to this coverage.

11. **Land.** If a loss covered under Section I - LOSSES WE COVER damages a building on the "**residence premises**" insured under Dwelling Protection or Other Structures Protection and the same loss causes the land necessary to support the building insured under Dwelling Protection or Other Structures Protection to become unstable, we will pay up to \$10,000 for the cost required to replace, rebuild, stabilize or otherwise restore such land.

This coverage is an additional insurance and does not reduce the amount of insurance.

The policy deductible applies.

12. **Glass or Safety Glazing Material.**

We cover:

- a. The breakage of glass or safety glazing material caused by a loss under Section I - LOSSES WE COVER, which is part of a covered building, storm door or storm window; and
- b. Damage to covered property by glass or safety glazing material which is part of a building storm door or storm window.

This coverage does not include loss on the "**residence premises**" if the dwelling has been vacant for more than 30 consecutive days immediately before the loss. An insured dwelling being constructed is not considered vacant.

This coverage reduces the amount of insurance that applies to the damaged property.

The policy deductible applies.

13. **Landlord's Furnishings.** We will pay up to \$2,500 for your appliances, your carpeting and other household furnishings located in an apartment on the "**residence premises**" regularly rented or held for rental to others by any "**insured**", for loss caused by "**named peril(s)**", other than theft.

The \$2,500 limit is the most we will pay in any one loss regardless of the number of appliances, carpeting or other household furnishing involved in the loss.

This coverage reduces the Personal Property Protection amount of insurance.

The policy deductible applies.

14. **Building Ordinance or Law.** For loss caused by a loss under Section I - LOSSES WE COVER to buildings under Dwelling Protection and Other Structures Protection, we will pay the increased costs which are

required and you actually incur to comply with any ordinance or law governing the rebuilding, repair or demolition of the damaged property.

The limit for this coverage will not be more than 5% of the Coverage A - Dwelling Protection amount of insurance.

This coverage is additional insurance and does not reduce the Dwelling Protection amount of insurance.

The policy deductible applies.

15. **Temporary Living Expenses.** We will pay up to \$2,000 for necessary increase in costs which you incur to maintain your normal standard of living when the **"residence premises"** is uninhabitable due to a loss caused by earthquake, volcanic eruption, landslide, or if a civil authority prohibits your use of the **"residence premises"** because an earthquake, volcanic eruption or landslide has occurred.

This coverage is additional insurance and does not reduce the Loss Of Use Protection amount of insurance.

No deductible applies to this coverage.

16. **Fungus, or Wet or Dry Rot.**

1. We will pay up to a total of \$2, 500 for:
 - a. The cost to treat, remove or dispose of **"fungus"**, or wet or dry rot from covered property;
 - b. The cost to tear out and replace any part of the building or other covered property as needed to gain access to the **"fungus"**, or wet or dry rot; and/or
 - c. The cost to test, to detect, measure or evaluate air or property to confirm the absence, presence or level of **"fungus"**, or wet or dry rot whether performed prior to, during or after removal, repair, restoration.

or replacement. The cost of such testing will be provided only to the extent that there is a reasonable probability that there is the presence of **"fungus"**.

which is the direct result of a loss under Section I - LOSSES WE COVER.

2. We will pay up to a \$2, 000 for the necessary increase in costs which you incur to maintain your normal standard of living when the **"residence premises"** is uninhabitable due to a loss caused by, resulting from, or consisting of **"fungus"**, or wet or dry rot which is the direct result of Section I - LOSSES WE COVER.

This coverage is additional insurance and does not reduce the amount of insurance.

No deductible applies to this coverage once the policy deductible has been met.

17. **Military Uniforms and Equipment.** We will waive your deductible for loss to uniforms and military equipment, owned by you, including but not limited to clothing, insignia, flight cases, headsets, personal body armor and GPS devices for a loss caused by **"named peril(s)"** while you are on active or active reserve duty.

This coverage reduces the Personal Property Protection amount of insurance.

No deductible applies to this coverage.

18. **War.** To the extent that coverage for **"war"** is provided here, item 1.f. under **LOSSES WE DO NOT COVER UNDER DWELLING PROTECTION, OTHER STRUCTURES PROTECTION AND PERSONAL PROPERTY PROTECTION** and the **"war"** exclusion in any endorsement attached to this policy do not apply.

We will pay up to \$10,000 for:

- a. Direct loss or damage to your personal property caused by **"war"**; or

- b. Abandonment as a consequence of "war" subject to these conditions.

subject to the following conditions:

This coverage applies only:

- a. To any "insured" who is subject to government reimbursement for loss to personal property under 31 USC 3721, commonly referred to as the Military Personnel and Civilian Employees Claims Act, as amended and supplemented, or any successor or replacement act; and
- b. To loss that occurs anywhere outside the Continental United States, Alaska and Hawaii.

In addition to compliance with the other provisions of **Your Duties After Loss**, you must:

- a. Report your claim to the U.S. Government, its affiliate or agency, and comply with its requirements;
- b. Send us, within 60 days after our request, copies of all actual documents which outline the basis of the government's reimbursement for your loss including the amount paid.

The **Suit Against Us** clause is changed for loss by "war" only:

No action can be brought unless the policy provisions have been complied with and the action is started within one year after the date of payment by the government.

The **Loss Settlement** clause in this policy is changed for loss by "war" only to read:

"War" loss to personal property under this policy is not payable until the U.S. Government has made its final payment to you for the loss under 31 USC 3721 as amended and supplemented, or any successor or replacement act.

Subject to all policy provisions, our payment will be the total amount of your loss minus the U.S. government payment.

We will adjust all losses with you. We will pay you unless some other person is named in this policy or is legally entitled to receive payment. Loss will be payable 60 days after we receive your proof of loss, and satisfactory evidence of the amount of the U.S. Government payment, or we reach an agreement with you.

This coverage reduces the Personal Property Protection amount of insurance.

No deductible applies to this coverage.

- 19. **Electronic Media**, meaning songs, movies and other audio or video media, which you purchased and downloaded onto a computer or portable electronic media player. We will pay up to \$250 for a loss covered under "named peril(s)", provided that you maintain records to document the actual purchase of this media. This coverage does not include personal data or records.

This coverage is additional insurance and does not reduce the Personal Property Protection amount of insurance.

The policy deductible applies.

SECTION I - LOSSES WE COVER

COVERAGE A - DWELLING PROTECTION COVERAGE AND COVERAGE B - OTHER STRUCTURES PROTECTION COVERAGE

We insure against "sudden and accidental", direct, physical loss to tangible property described in PROPERTY WE COVER -

Coverages A and B unless excluded in Section I - LOSSES WE DO NOT COVER.

COVERAGE C - PERSONAL PROPERTY PROTECTION

We insure against "**sudden and accidental**", direct physical loss to tangible property described in PROPERTY WE COVER - Coverage C caused by a peril listed below unless the loss is excluded in **LOSSES WE DO NOT COVER UNDER DWELLING PROTECTION, OTHER STRUCTURES PROTECTION AND PERSONAL PROPERTY PROTECTION**.

1. Fire or lightning.

2. Windstorm or hail.

This peril does not include loss to the property contained in a building caused by rain, snow, sleet, sand or dust unless the direct force of wind or hail damages the building causing an opening in a roof or wall and the rain, snow, sleet, sand, or dust enters through this opening.

This peril includes loss to the "**watercraft**", "**personal watercraft**", and their trailers, furnishings, equipment and outboard motors, only while inside a fully enclosed building.

3. Explosion.

4. Riot or civil commotion.

5. Aircraft, including self-propelled missiles and spacecraft.

6. Vehicles, meaning damage caused by or resulting from an impact with a "**motor vehicle**". This does not include damage to personal property being transported by a "**motor vehicle**" unless this vehicle is itself involved in a collision.

7. Smoke, meaning "**sudden and accidental**" damage from smoke.

This peril does not include loss caused by smoke from agricultural smudging or industrial smudging or operations.

8. Vandalism or malicious mischief.

9. Theft, including attempted theft and loss of property from a known place when it is likely that the property has been stolen.

This peril does not include loss caused by theft:

- a. Committed by any "**insured**" or any other person regularly residing on any part of the "**insured location**" for a period in excess of thirty consecutive days, if other permanent residency is established or claimed elsewhere;
- b. In or to a dwelling under construction, or materials and supplies for use in the construction until the dwelling is finished and occupied; or
- c. From that part of a "**residence premises**" rented by any "**insured**" to a person who does not qualify as an "**insured**".

This peril does not include loss caused by theft that occurs away from the "**residence premises**" of:

- a. Property while at any other residence owned by, rented to, or occupied by any "**insured**" unless the "**insured**" has stayed at the temporary residence at any time during the 60 days immediately before the loss;
- b. "**Watercraft**", or "**personal watercraft**" including their furnishings, equipment and outboard motors; or
- c. Trailers and campers.

10. Falling objects.

This peril does not include loss to property contained in a building unless the roof or an outside wall of a building is first damaged by a falling object. Damage to the falling object itself is not included.

11. Weight of ice, snow or sleet, which causes damage to property contained in a building.

12. **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. A plumbing system does not include a sump pump or sump well designed to drain subsurface water from the interior foundation area even if such overflow results from the mechanical breakdown of the sump pump.

This peril does not include loss:

- a. To the system or appliance from which the water or steam escaped; or
- b. Caused by or resulting from freezing except as provided in the peril of Freezing below; or
- c. On the "**residence premises**" caused by discharge or overflow which occurs off the "**residence premises**".

13. **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.

14. **Freezing** of a plumbing, heating, air conditioning or automatic fire protective sprinkler system or of a household appliance.

This peril does not include loss on the "**residence premises**" if you have failed to:

- a. Maintain heat in the building; or
- b. Shut off the water supply and drain the system and appliances of water.

15. **Damage from artificially generated electrical current.**

16. **Volcanic eruption** other than loss caused by earthquake, land shock waves or tremors.

SECTION I - LOSSES WE DO NOT COVER

LOSSES WE DO NOT COVER UNDER DWELLING PROTECTION AND OTHER STRUCTURES PROTECTION.

1. Unless otherwise stated in 3. below we do not insure for damage consisting of or caused directly or indirectly by any of the following, regardless of:

- (i) The cause of the excluded event or damage that; or
- (ii) Other causes of the loss that; or
- (iii) Whether the event or damage occurs, suddenly or gradually, involves isolated or widespread damage, or occurs as a result of any combination of these to; or
- (iv) Whether other causes or events act concurrently or in any sequence with the excluded event to

produce the loss.

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

appliance, or by discharge, leakage or overflow from within the system or appliance caused by freezing. This exclusion does not apply if you have:

- (1) Maintained heat in the building; or
- (2) Shut off the water supply and drained 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) Swimming pool, hot tub, or spa, including their filtration and circulation system; or

- (2) Fence, pavement, patio; or

- (3) Foundation, retaining wall or bulkhead; or

- (4) Pier, wharf or dock.

- c. Theft in or to a dwelling under construction, or of materials and supplies for use in in the construction until the dwelling is finished and occupied;
 - d. Vandalism and malicious mischief or breakage of glass and safety glazing materials, and any ensuing loss caused by any intentional and wrongful act committed in the course of the vandalism or malicious mischief, if the dwelling has been vacant for more than 180 consecutive days immediately before the loss. A dwelling being constructed is not considered vacant;
 - e. Constant or repeated seepage or leakage of water or steam over a period of 14 days or more from within a plumbing, heating, air conditioning or automatic fire protective sprinkler system or from within a household appliance;
 - f. Wear and tear, marring, deterioration;
 - g. Mechanical breakdown, latent defect, inherent vice, or any quality of the property that causes it to damage or destroy itself;
 - h. Smog, rust, electrolysis or other corrosion;
 - i. Smoke from agricultural smudging or industrial operations;
 - j. Discharge, dispersal, seepage, migration, release or escape of **"pollutants"** unless the discharge, dispersal, seepage, migration, release or escape is itself caused by **"named peril(s)"** of this policy.
 - k. Settling, cracking, shrinking, bulging or expansion of pavements, patios, foundations, walls, floors, roofs or ceilings;
 - l. Birds, rodents, insects;
 - m. Animals owned or kept by any **"insured"**.
 - n. Vermin meaning animals, other than (m.) above, that access real or personal property for foraging or shelter and by their presence cause damage to such property. Vermin include, but are not limited to armadillos, bats, beavers, coyotes, ferrets, opossums, porcupines, raccoons, skunks and squirrels.
 - o. Nesting, infestation, discharge or release of waste products or secretions, by any birds, rodents, insects, vermin, or animals owned or kept by an **"insured"**.
 - p. Pressure from, or presence or intrusion of, tree, shrub or plant roots.
2. If items 1.f. through 1.p. above cause water damage which is not otherwise excluded, we cover the resulting water damage, including the cost of tearing out and replacing any part of a building necessary to repair a plumbing, heating, air conditioning or automatic fire protective sprinkler system or household appliance. We do not cover loss to the system or appliance from which this water escaped.
 3. If any item in 1. above directly causes a **"named peril(s)"** to occur, the resulting damage produced by the **"named peril(s)"** is covered unless otherwise excluded or excepted elsewhere in this policy.

LOSSES WE DO NOT COVER UNDER DWELLING PROTECTION, OTHER STRUCTURES PROTECTION AND PERSONAL PROPERTY PROTECTION

1. We do not insure for damage consisting of or caused directly or indirectly by any of the following regardless of:
 - (i) The cause of the excluded event or damage that; or
 - (ii) Other causes of the loss that; or
 - (iii) Whether the event or damage occurs, suddenly or gradually, involves isolated or widespread damage, or occurs as a result of any combination of these to; or

(iv) Whether other causes or events act concurrently or in any sequence with the excluded event to

produce the loss.

a. **Ordinance or Law**, meaning the increased cost of demolition, repairs or rebuilding due to the enforcement or compliance with any ordinance or law regulating the construction, repair or demolition of a building or other structure other than as provided in ADDITIONAL COVERAGES, Building Ordinance or Law.

b. **Earth Movement** arising from or caused by or resulting from human or animal forces or any act of nature, meaning:

- (1) Earthquake, including land shock waves or tremors before, during or after a volcanic eruption;
- (2) Landslide; mudslide or mudflow;
- (3) Subsidence, sinkhole, erosion or movement resulting from improper compaction, site selection or any other external forces;
- (4) Earth sinking, rising or shifting, expanding or contracting of earth, all whether combined with water or not;

unless direct loss by fire, theft, explosion, or breakage of glass or safety glazing material which is part of building, storm door or storm window results and then we will pay only for the resulting loss.

c. **Water Damage** arising from, caused by or resulting from human or animal forces, any act of nature, or any other source. Water damage means damage caused by or consisting of:

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

(2) Any release, overflow, escape or rising of water otherwise held, contained, controlled or diverted by a dam, levee, dike or by any type of water containment, water diversion or flood control device; or

(3) Water or water-borne material which backs up through sewers or drains or which overflows from a sump pump, sump well or similar device designed to drain water from the foundation area; or

(4) Water or water-borne material below the surface of the ground, including water which exerts pressure on or seeps through a building, sidewalk, driveway, foundation, swimming pool or other structure;

unless direct loss by fire, explosion or theft results from water damage and then we will pay only for the resulting loss.

d. **Power Failure**, meaning the failure of power or other utility service if the failure takes place off the "**residence premises**" except as provided in ADDITIONAL COVERAGES, Refrigerated Products.

If damage caused by a loss insured under Section I - LOSSES WE COVER results on the "**residence premises**", we will pay only for that damage.

e. **Neglect**, by or failure of any "**insured**" to use all reasonable means to save and preserve property at and after the time of a loss or damage or the event resulting in loss or damage.

f. "**War**" and any consequence of "**war**", except as provided in ADDITIONAL COVERAGES, War. Discharge of a nuclear weapon will be deemed a warlike act even if accidental.

- g. **Nuclear Hazard**, meaning
 - (1) Any nuclear reaction, radiation, or radioactive contamination, all whether controlled or uncontrolled or however caused, or any consequence of any of these.
 - (2) Loss caused by the nuclear hazard will not be considered loss caused by fire, explosion, or smoke, whether these perils are specifically named in or otherwise included within the Section I - LOSSES WE COVER.
 - (3) This policy does not apply under Section I to loss caused directly or indirectly by nuclear hazard, except that direct loss by fire resulting from the nuclear hazard is covered.
- h. **Intentional Loss**, meaning loss arising out of any act any "insured" commits or conspires to commit with the intent to cause a loss. Even "insureds" who did not commit or conspire to commit the act causing the loss are not entitled to coverage.
- i. **"Fungus", Wet or Dry Rot or Bacteria**, other than as provided in ADDITIONAL COVERAGES, **Fungus or Wet or Dry Rot**.
- j. **"Collapse"**, other than as provided in ADDITIONAL COVERAGES, **"Collapse"**.
- k. **Diminution in value**, meaning any reduction in value that would remain after damaged property is repaired or replaced.

2. We do not insure for loss caused by any of the following. However, any ensuing loss to property described in Dwelling Protection and Other Structures Protection not precluded by any other provision in this policy is covered.

- a. **Weather Conditions** which includes but is not limited to heat, cold, humidity, rain, ice, snow, sleet, wind, hail, or drought. However, this exclusion only applies if weather conditions contribute in any way with a cause or event excluded in LOSSES WE DO NOT COVER UNDER DWELLING PROTECTION AND OTHER STRUCTURES PROTECTION, item 1. above to produce the loss.
- b. **Acts or decisions**, including the failure to act or decide, of any person, group, organization or governmental body;
- c. **Faulty, negligent, inadequate or defective**;
 - (1) Planning, zoning, development, surveying, siting;
 - (2) Design, specifications, workmanship, repair, construction, renovation, remodeling, grading, compaction;
 - (3) Materials used in repair, construction, renovation or remodeling; or maintenance.

This limitation applies to loss or damage to any property on or off the "residence premises".

SECTION I - CONDITIONS

1. **Insurable Interest and Amount of Insurance.**

Even if more than one person has an insurable interest in the property covered, we will not be liable in any one loss:

- a. To the "insured" for more than the amount of the "insured's" interest at the time of loss; or
- b. For more than the applicable amount of insurance

whichever is less.

2. **Your Duties After Loss.** In case of a loss to which this insurance may apply you must see that the following are done:

- a. Promptly notify us or our agent about the loss. This policy will not provide any coverage for your loss if you fail to notify us about the loss within one year after the loss actually occurs;
- b. Notify the police in case of loss by theft, vandalism, or any other criminal act;
- c. Notify the credit card or fund transfer card company in case of loss under ADDITIONAL COVERAGES, Credit Card Coverage and Identity Fraud Expense Coverage;
- d.
 - (1) Protect the property from further damage;
 - (2) Make reasonable and necessary repairs to protect the property; and
 - (3) Keep an accurate record of repair expenses;
- e. Cooperate with us in the investigation of a claim;
- f. At our request prepare an inventory of claimed personal property showing the quantity, description, age, replacement cost and amount of loss. Include with the inventory all bills, receipts and related documents that support the items listed and substantiate the figures shown in the inventory;
- g. As often as we reasonably require:
 - (1) Show the damaged property;
 - (2) Provide us with records and documents we request and permit us to make copies; and
 - (3) Submit to and sign, while not in the presence of any other "insured":
 - (a) Statements; and
 - (b) Examinations under oath; and
 - (4) Produce employees, members of your household or others for examinations under oath to the

extent it is within your power to do so.

- h. Send to us, within 60 days after our request, your signed proof of loss which sets forth, to the best of your knowledge and belief:
 - (1) The time and cause of loss;
 - (2) The interest of the "insured" and all others in the property involved and all liens on the property;
 - (3) Other insurance which may cover the loss;
 - (4) Changes in title or occupancy of the property during the term of the policy;
 - (5) Specifications of damaged buildings and detailed repair estimate;
 - (6) The inventory of claimed personal property described in 2.f. above;
 - (7) Receipts for Additional Living Expenses and Temporary Living Expenses incurred and records that support the Fair Rental Value loss; and
 - (8) Evidence or affidavit stating the amount and cause of loss that supports a claim under ADDITIONAL COVERAGES, Credit Card Coverage, and receipts, bills or other records that support your claim for expenses under Identity Fraud Expense Coverage.

3. **Loss Settlement.** We will not pay more than the amount of insurance that applies to the damaged, destroyed or stolen property as stated on the Declarations page unless such amount is increased due to ADDITIONAL COVERAGES or the Home Protector Coverage. Subject to the amount of insurance covered losses are settled as follows:

- a. For the following property:
 - (1) Personal property; and
 - (2) Awnings, outdoor antennas, satellite dishes, and outdoor equipment, whether or not attached to the buildings; and

- (3) Structures that are not buildings; and
- (4) All covered structures whether or not they are buildings, if located away from the "**residence premises**".

We will pay the lesser of:

- (1) The "**actual cash value**"; or
- (2) Our cost to replace the property with property of like kind, quality, age and condition; or
- (3) Our cost to repair or our cost to restore the property to the condition it was in just before the loss.

b. All items under Dwelling Protection and buildings on the "**residence premises**" under Other Structures Protection. We will pay our cost to repair or our cost to replace the damaged property with similar construction and for the same use on the premises shown in the Declarations, subject to the following:

- (1) When our cost to repair or replace the damaged property is less than \$5,000 we will pay you the full replacement cost amount without deduction for depreciation.
- (2) When our cost to repair or our cost to replace the damaged property is greater than \$5,000, and until actual repair or replacement is completed, we will pay only the "**actual cash value**", not to exceed our cost to repair or our cost to replace the damaged part of the property.
 - (a) To receive any additional payments on a replacement cost basis, you must complete the actual repair or replacement of the damaged part of the property within one year after the date of loss, unless during this period you request in writing that this time limit be extended for an additional 180 days, and notify us within 30 days after the work has been completed.

- (b) When repair or replacement is actually completed, we will pay the covered additional amount you actually and necessarily spend to repair or replace the damaged part of the property, or our cost to repair or replace the damaged part of the property whichever is less.

4. **Loss or Damage to a Pair or Set.** In case of loss or damage 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 "**actual cash value**" of the property before and after the loss.

5. **Matching of Undamaged Property.** In case of damage to property, we will not pay to repair or replace undamaged property due solely to:

- a. Mismatch of color between undamaged material and new material used to replace faded, weathered or oxidized damaged material; or
- b. Mismatch between undamaged material and new material used to repair or replace damaged material due to outdated, obsolete or discontinued products.

6. **Appraisal.** If you and we fail to agree on the amount of loss, either may demand an appraisal of the loss. In this event, each party will choose a competent and impartial appraiser within 20 days after receiving a written request from the other. The two appraisers will choose an umpire. If they cannot agree upon an umpire within 15 days, you or we may request that the choice be made by a judge of a court of record in the state where the "**residence premises**" is located. The appraisers will separately set the amount of the loss. If the appraisers submit a written report of an agreement to us, the amount agreed upon

will be the amount of loss. If they fail to agree, they will submit their differences to the umpire. A decision agreed to by any two will set the amount of loss.

Each party will:

- a. Pay its own appraiser; and
- b. Bear the other expense of the appraisal and umpire equally.

Any fees for expert witnesses or attorneys will be paid by the party who hires them. Neither the umpire nor the appraisers will have a financial interest that is conditioned on the outcome of the specific matter for which they are called to serve.

This is not a provision providing for or requiring arbitration. The appraisers and umpire are only authorized to determine the "actual cash value", replacement cost, or cost to repair the property that is the subject of the claim. They are not authorized to determine coverage, exclusions, conditions, forfeiture provisions, conditions precedent, or any other contractual issues that may exist between you and us. The appraisal award cannot be used by either you or us in any proceeding concerning coverage, exclusions, forfeiture provisions, conditions precedent, or other contractual issues. However, once contractual liability is admitted or determined, the appraisal award is binding upon you and us. This appraisal process and authority granted to the appraisers and the umpire can only be expanded and modified by written mutual consent signed by you and us.

7. **Other Insurance.** Other insurance includes the coverage and any deductible required by such other insurance.

If a loss covered by this policy, other than a loss covered by the ADDITIONAL COVERAGE, Credit Card Coverage and Identity Fraud Expense Coverage or golf cart coverage, is also covered by other insurance, we will pay only the proportion of the loss that the amount of insurance that applies under this policy bears to the total amount of insurance covering the loss.

Coverage provided by the ADDITIONAL COVERAGE, Credit Card Coverage and Identity Fraud Expense Coverage is excess over other insurance that covers the same loss. This coverage is also excess over any other contractual conditions, rights or benefits that provide relief from or indemnification for your obligations to pay any amounts to any third party resulting from a loss covered by this coverage. In no event will we pay more than the applicable amount of insurance.

This policy does not apply to motorized golf carts and their equipment and accessories when any other insurance also applies.

8. **Suit Against Us.** No action can be brought against us unless you have:
 - a. Given us notice of the loss;
 - b. Complied with all other policy provisions; and
 - c. Started actionwithin two years after the date of the loss.
9. **Our Option.** If we give you written notice within 30 days after we receive your notice of loss, we may repair or replace any part of the damaged property with like property.
10. **Loss Payment.** We will adjust all losses with you. We will pay you unless some other person is named in the policy or is legally entitled to receive payment. Loss will be payable 60 days after we receive your proof of loss and:
 - a. Reach an agreement with you;
 - b. There is an entry of a final judgment; or
 - c. There is a filing of an appraisal award with us.
11. **Abandonment.** You may not abandon property to us for any reason.

12. Mortgage Clause. The word "mortgagee" includes trustee.

If a mortgagee is named in this policy, any covered loss under Section I - LOSSES WE COVER for Dwelling Protection or Other Structures Protection will be paid to the mortgagee and you, as interests appear. If more than one mortgagee is named, the order of payment will be the same as the order of precedence of the mortgages.

If we deny your claim because you or any other "**insured**" has failed to comply with the terms and conditions of this policy that denial shall not apply to a valid claim of the mortgagee, if the mortgagee:

- a. Promptly notifies us of any change in ownership, occupancy or substantial change in risk of which the mortgagee is aware; and
- b. Pays any premium due under this policy on demand if you have neglected to pay the premium; and
- c. Sends to us, within 60 days after our request, a signed sworn proof of loss which sets forth, to the best of the mortgagee's knowledge and belief:
 - (1) The time and cause of loss;
 - (2) The interest of the mortgagee and all others in the property involved and all liens on the property;
 - (3) Other insurance which may cover the loss;
 - (4) Changes in title or occupancy of the property during the term of the policy;
 - (5) Specifications of damaged buildings and detailed repair estimates.

Policy conditions relating to Appraisal, Suit Against Us and Loss Payment apply to the mortgagee.
- d. Submits to examinations under oath.

If we decide to cancel or not to renew this policy, the mortgagee will be properly notified at least 10 days before the date cancellation or nonrenewal takes effect.

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 will receive a full assignment and transfer of the mortgage and all securities held as collateral to the mortgage debt.

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

13. No Benefit to Bailee. We will not recognize any assignment or grant any coverage that benefits a person or organization holding, storing or moving property for a fee regardless of any other provision of this policy.

14. Salvage and Recovered Property.

- a. We have an interest in the salvage value of any property for which we have made a payment under the Loss Settlement Condition. At our option, property that we have paid for or replaced becomes our property.
- b. 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 may be retained by you. If you retain the property, the loss payment, or any lesser amount to which we agree, must be refunded to us.

15. **Concealment, Misrepresentation or Fraud.** If you or any other "insured", whether before or after an "occurrence" or loss under this policy has:

- a. Intentionally concealed or misrepresented any material fact or circumstance;
- b. Engaged in fraudulent conduct; or
- c. Made false statements which, if known by us, would have caused us not to:
 - (1) Issue the policy;
 - (2) Issue the policy in as large an amount;
 - (3) Provide coverage for the hazard resulting in the loss; or
 - (4) Issue the policy for the same amount of premium or at the same rate

relating to the issuance of this policy or in the presentation of a claim, we may deny coverage or declare the entire policy void as to the interest of all "insureds" and refund the unearned premium as of the date of the conduct described in a., b., or c. above. Any unearned premium refund will be offset by any amounts paid to any "insured" under the policy after the date of the conduct described in a., b., or c. above.

We reserve all rights to seek recovery of the amount we pay from any person committing concealment, misrepresentation or fraud for all payments made and cost incurred.

16. **Duties to Determine and Maintain Policy Limits.** It is your responsibility to determine and maintain adequate amounts of insurance to totally replace or repair your dwelling, other structures and personal property.

17. **Volcanic Eruption Period.** One or more volcanic eruptions that occur within a 72-hour period will be considered as one volcanic eruption.

18. **Adjustment to Building Cost.** The amount of insurance for Section I, Dwelling Protection, shown in the Declarations of this policy, will be revised at each policy renewal to reflect the rate of change in the replacement cost of your dwelling. The resulting limit will be rounded to the next \$1,000.

Section I, Other Structures Protection, Personal Property and Loss of Use, will also be adjusted. The rules then in use by us will determine the new amounts for these coverages.

These amounts will not be reduced without your consent.

You have the right to refuse any resulting change in amount. You must do so before the effective date of such change.

We have the right to change to another replacement cost calculation tool as of any renewal date. We will give you at least 30 days prior written notice if we do this. Such change must apply to all similar policies issued by us.

SECTION II - LIABILITY COVERAGES

COVERAGE E - Personal Liability

If a claim is made or a suit is brought against any "insured" for "damages" because of "bodily injury" or "property damage" caused by an "occurrence" to which this coverage applies, we will:

- 1. Pay up to our limit of liability for the "damages" for which the "insured" is legally liable; and

2. Provide a defense at our expense by counsel of our choice, even if the suit is groundless, false or fraudulent. We may investigate and settle any claim or suit that we decide is appropriate. Our duty to settle or defend ends when the amount we pay for **"damages"** resulting from the **"occurrence"** equals our limit of liability. This coverage does not provide defense to any **"insured"** for criminal prosecution or proceedings.

We will not pay for punitive damages or exemplary damages, fines or penalties.

COVERAGE F - Medical Payments To Others

We will pay the necessary medical expenses that are incurred or medically ascertained within three years from the date of an accident causing **"bodily injury"**. Medical expenses means reasonable charges for medical, surgical, x-ray, dental, ambulance, hospital, professional nursing, prosthetic devices and funeral expenses. This coverage does not apply to you or regular residents of your household except **"residence employees"**. As to others, this coverage applies only:

1. To a person on the **"insured location"** with the permission of any **"insured"**; or
2. To a person off the **"insured location"**, if the **"bodily injury"**:
 - a. Arises out of a condition on the **"insured location"** or the ways immediately adjoining;
 - b. Is caused by the activities of any **"insured"**;
 - c. Is caused by a **"residence employee"** in the course of the **"residence employee's"** employment by any **"insured"**; or
 - d. Is caused by an animal owned by or in the care of any **insured**.

SECTION II - EXCLUSIONS

1. Coverage E - Personal Liability and Coverage F - Medical Payments to Others do not apply to **"bodily injury"** or **"property damage"**:

- a. Which is reasonably expected or intended by any **"insured"** even if the resulting **"bodily injury"** or **"property damage"**:

- (1) Is of a different kind, quality or degree than initially expected or intended; or
- (2) Is sustained by a different person, entity, real or personal property, than initially expected or intended.

However, this exclusion does not apply to **"bodily injury"** resulting from the use of lawful reasonable force by any **"insured"** to protect persons or property.

- b. (1) Arising out of or in connection with a **"business"** engaged in by any **"insured"**. This exclusion applies but is not limited to an act or omission, regardless of its nature or circumstance, involving a service or duty rendered, promised, owed, or implied to be provided because of the nature of the **"business"**.
- (2) Arising out of the rental or holding for rental of any part of any premises by any **"insured"**. This exclusion does not apply to the rental or holding for rental of any **"insured location"**.
 - (a) On an occasional basis if used only as a residence;

- (b) In part for use only as a residence, unless a single family unit is intended for use by the occupying family to lodge more than two roomers or boarders; or
 - (c) In part, as an office, school, studio or private garage.
 - c. Arising out of the rendering or failure to render **"professional services"**;
 - d. Arising out of a premises:
 - (1) Owned by any **"insured"**; or
 - (2) Rented to any **"insured"**; or
 - (3) Rented to others by any **"insured"**;
 that is not an **"insured location"**;
 - e. Arising out of:
 - (1) The ownership, maintenance, use, loading or unloading of **"motor vehicles"** including trailers, owned or operated by or rented or loaned to any **"insured"**
 - (2) The entrustment by any **"insured"** of a **"motor vehicle"** to any person; or
 - (3) Vicarious liability, whether or not statutorily imposed, for the actions of anyone using a "motor vehicle" excluded in paragraph (1) or (2) above.
- This exclusion does not apply to the permissive use, loading or unloading of:
- (1) A trailer not towed by or carried on a **"motor vehicle"**;
 - (2) A **"motor vehicle"** designed for recreational use off public roads, not subject to motor vehicle registration and:
 - (a) Not owned by an **"insured"**; or
 - (b) Owned by any **"insured"** provided the **"occurrence"** takes place on any **"insured location"**; or
- (c) Owned by any **"insured"** and designed or modified to operate at speeds not to exceed 15 miles per hour.
- (3) A motorized golf cart that is designed to carry up to 4 persons, not built or modified after manufacture to exceed a speed of 25 miles per hour on level ground and, at the time of an **"occurrence"**, is within the legal boundaries of:
 - (a) A golfing facility and is parked or stored there, or being used by any **"insured"** to:
 - (i) Play the game of golf or for other recreational or leisure activity allowed by the facility; or
 - (ii) Travel to and from an area where **"motor vehicles"** or golf carts are parked or stored; or
 - (iii) Cross public roads at designated points to access other parts of the golfing facility
 - (b) A private residential community, including its public roads upon which a motorized golf cart can legally travel, which is subject to the authority of a property owners association and contains an **"insured's"** residence.
- (4) A **"motor vehicle"** not subject to motor vehicle registration which is:
 - (a) Used to service any **"insured's"** residence; or
 - (b) Designed for assisting the handicapped; or
 - (c) In dead storage on an **"insured location"**.
- f. Arising out of:
 - (1) The ownership, maintenance, use, loading or unloading of; or
 - (2) The entrustment by any **"insured"** to any person of; or

(3) Vicarious liability, whether or not statutorily imposed, for the actions of anyone using:

a "watercraft" or "personal watercraft".

This exclusion does not apply to any "watercraft" owned or borrowed by, or rented to any "insured":

- (1) With inboard, outboard or inboard-outdrive motor power of up to 50 horsepower; or
- (2) That is a sailing vessel, with or without auxiliary power, which is up to 35 feet in length.

This exclusion does not apply to any "personal watercraft" or "watercraft" that is being stored.

g. Arising out of:

- (1) The ownership, maintenance, use, loading or unloading of: or
- (2) The entrustment by any "insured" to any person; or
- (3) Vicarious liability, whether or not statutorily imposed, for the actions of anyone using:

an "aircraft" or "hovercraft".

h. Caused directly or indirectly by "war" including any consequence of "war". Discharge of a nuclear weapon will be deemed a warlike act even if accidental.

i. Arising out of the transmission of a communicable disease by any "insured".

j. Arising out of the use, sale, manufacture, delivery, transfer or possession by any person of a controlled substance(s). Controlled substances include but are not limited to cocaine, LSD, marijuana and all narcotic drugs. However, this exclusion does not apply to the legitimate use of prescription drugs by a person following the orders of a licensed physician.

k. Arising out of the actual, alleged, or threatened discharge, dispersal, release, escape, seepage or migration of "pollutants" however caused and whenever occurring. This includes any loss, cost or expense arising out of any:

- (1) Request, demand or order that any "insured" or others test for, monitor, clean up, remove, contain, treat, detoxify, or assess the effects of "pollutants"; or
- (2) Claim or suit by or on behalf of a governmental authority for damages because of testing for, monitoring, cleaning up, removing, containing, treating, detoxifying or neutralizing, or in any way responding to, or assessing the effects of "pollutants".

l. Arising out of exposure to lead paint or other lead-based products.

m. Arising out of exposure to asbestos.

n. Arising out of or caused by the commission of, attempting to flee from, or avoiding apprehension for a criminal act for which intent is a necessary element.

o. Arising directly or indirectly, in whole or in part, out of the actual, alleged or threatened inhalation of, ingestion of, contact with, exposure to, existence of or presence of any "fungus", wet or dry rot or bacteria.

p. Arising out of your failure, intentionally or unintentionally, to disclose information regarding the sale or transfer of real or personal property.

q. Arising out of any actual, alleged or threatened:

- (1) Sexual misconduct; or
- (2) Sexual harassment; or
- (3) Sexual molestation.

r. Arising out of any actual, alleged or threatened physical or mental abuse.

Exclusions d., e., f., and g. do not apply to **"bodily injury"** to a **"residence employee"** arising out of and in the course of the **"residence employee's"** employment by any **"insured"**.

2. Coverage E - Personal Liability does not apply to:

a. Liability:

- (1) For any loss assessment charged against you as a member of an association, corporation or community of property owners other than as provided in SECTION II - ADDITIONAL COVERAGES, Loss Assessment.
- (2) Under any contract or agreement. However, this exclusion does not apply to written contracts:
 - (a) That directly relate to the ownership, maintenance or use of any **"insured location"**; or
 - (b) Where the liability of others is assumed by any **"insured"** prior to an **"occurrence"**.

unless excluded in (1) above or elsewhere in this policy;

- b. **"Property damage"** to property owned by the **"insured"**.
- c. **"Property damage"** to property rented to, occupied or used by or in the care of any **"insured"**. This exclusion does not apply to **"property damage"** caused by fire, smoke or explosion.

d. **"Bodily injury"** to any person eligible to receive any benefits:

- (1) Voluntarily provided; or
- (2) Required to be provided, whether or not actually provided;

by any **"insured"** under any:

- (1) Workers' compensation law;
- (2) Non-occupational disability law; or
- (3) Occupational disease law.

e. **"Bodily injury"** or **"property damage"** for which any **"insured"** under this policy.

- (1) Is also an **"insured"** under a nuclear energy liability policy; or
- (2) Would be an **"insured"** under that policy but for the exhaustion of its limit of liability.

A nuclear energy liability policy is one issued by:

- (1) Nuclear Energy Liability Insurance Association;
- (2) Mutual Atomic Energy Liability Underwriters;
- (3) Nuclear Insurance Association of Canada; or any of their successors'.

f. **"Bodily injury"** to you or any **"insured"** within the meaning of part a., b., or c. of **"insured"** as defined.

g. Punitive or exemplary damages, fines, or penalties.

3. Coverage F - Medical Payments to Others does not apply to **"bodily injury"**:

a. To a **"residence employee"** if the **"bodily injury"**:

- (1) Occurs off the **"insured location"**; and
- (2) Does not arise out of or in the course of the **"residence employee's"** employment by an **"insured"**.

b. To any person eligible to receive benefits:

- (1) Voluntarily provided; or
- (2) Required to be provided;

under any:

- (1) Workers' compensation law; or
- (2) Non-occupational disability law; or
- (3) Occupational disease law.

c. From any:

- (1) Nuclear reaction; or

(2) Nuclear radiation; or

(3) Radioactive contamination;

all whether controlled or uncontrolled or however caused; or

(4) Any consequence of any of these.

d. To any person, other than a "residence employee" of any "insured", regularly residing on any part of the "insured location" or residing on any part of the "insured location" for a period in excess of thirty consecutive days prior to the date of loss, if other permanent residency is established or claimed elsewhere.

SECTION II - ADDITIONAL COVERAGES

Unless specifically addressed elsewhere in this policy, the coverages provided below are the only coverages provided for the following and do not reduce the limit of liability:

1. **Claim Expenses.** We pay:

- a. Expenses we incur and costs taxed against any "insured" in any suit we defend;
- b. Premiums on bonds required in a suit we defend, but not for bond amounts more than the limit of liability for Coverage E. We need not apply for or furnish any bond;
- c. Reasonable expenses incurred by any "insured" at our request, including actual loss of earnings (but not loss of other income) up to \$250 per day, for assisting us in the investigation or defense of a claim or suit;
- d. Interest on the entire judgment which accrues after entry of the judgment and before we pay or tender, or deposit in court that part of the judgment which does not exceed the limit of liability that applies;
- e. Prejudgment interest awarded against the "insured" on that part of the judgment we pay. If we make an offer

to pay the applicable limit of liability, we will not pay any prejudgment interest based on that period of time after the offer.

2. **First Aid Expenses.** We will pay expenses for first aid to others incurred by any "insured" for "bodily injury" covered under this policy. We will not pay for first aid to you or any other "insured".

3. **Damage to Property of Others.** We will pay, at replacement cost, up to \$1,000 per "occurrence" for "property damage" to property of others caused by any "insured".

We will not pay for "property damage":

- a. To the extent of any amount recoverable under SECTION I of this policy;
- b. Caused intentionally by any "insured" who is 13 years of age or older;
- c. To property owned by any "insured";
- d. To property owned by or rented to a tenant of any "insured" or a resident in your household; or
- e. Arising out of:

- (1) A **"business"** engaged in by any **"insured"**;
- (2) Any act or omission in connection with a premises owned, rented or controlled by any **"insured"**, other than the **"insured location"**; or
- (3) The ownership, maintenance, occupancy, operation, use, loading or unloading of **"aircraft"**, **"hovercraft"**, **"watercraft"**, **"personal watercraft"** or **"motor vehicle"**. This exclusion e.(3) does not apply to a **"motor vehicle"** that:
 - (a) Is designed for recreational use off public roads,
 - (b) Is not owned by any **"insured"**; and
 - (c) At the time and place of the **"occurrence"**, is not required by law, or regulation issued by a government agency, to have been registered for it to be used on public roads or property.

4. **Loss Assessment.** We will pay up to \$10,000 for your share of loss assessment charged against you by a corporation or association of property owners, when the assessment is made as a result of:

- a. **"Bodily injury"** or **"property damage"** caused by an **"occurrence"** not excluded under SECTION II of this policy; or
- b. Liability for an act committed by a director, officer or trustee during the policy period in the capacity as a director, officer or trustee, provided:

- (1) The director, officer or trustee is elected by the members of a corporation or association of property owners; and
- (2) The director, officer or trustee serves without deriving any income from the exercise of duties which are solely on behalf of a corporation or association of property owners.

This coverage applies only to loss assessments charged against you as owner or tenant of the **"residence premises"**.

We do not cover loss assessments charged against you or a corporation or association of property owners by any governmental body.

Regardless of the number of assessments, the limit of \$10,000 is the most we will pay for loss arising out of:

- a. One **"occurrence"**, including continuous or repeated exposure to substantially the same general harmful conditions; or
- b. A covered act of a director, officer or trustee. An act involving more than one director, officer or trustee is considered to be a single act.

SECTION II, Coverage E - Personal Liability Exclusion 2.a.(1) does not apply to this coverage.

This coverage is not limited by the expiration of this policy.

SECTION II - CONDITIONS

1. **Limit of Liability.** The Coverage E limit is shown in the Declarations. This is our limit for all damages from each **"occurrence"** regardless of the number of **"insureds"**, claims made or persons injured. All **"bodily injury"** and **"property damage"** resulting from any one accident or from continuous

or repeated exposure to substantially the same general harmful conditions shall be considered to be the result of one **"occurrence"**.

The Coverage F limit is shown in the Declarations. This is our limit for all medical expenses payable for **"bodily injury"** to one person as the result of one accident.

2. **Severability of Insurance.** This insurance applies separately to each "**insured**". This condition does not increase our limit of liability for any one "**occurrence**".

3. **Concealment, Misrepresentation or Fraud.** If you or any other "**insured**", whether before or after an "**occurrence**" or loss under this policy has:

- a. Concealed or misrepresented any material fact or circumstance;
- b. Engaged in fraudulent conduct; or
- c. Made false statements which if known by us, would have caused us not to:
 - (1) Issue the policy;
 - (2) Issue the policy in as large an amount;
 - (3) Provide coverage for the hazard resulting in the loss; or
 - (4) Issue the policy for the same amount of premium or at the same rate

relating to the issuance of this policy or in the presentation of a claim we may deny coverage as to the interest of all "**insureds**".

We reserve all rights to seek recovery from any person committing concealment, misrepresentation or fraud for all payments made and cost incurred.

4. **Duties After Loss.** In case of an accident or "**occurrence**", the "**insured**" will perform the following duties that apply. You will help us by seeing that these duties are performed:

- a. Give written notice to us or our agent as soon as is practical, which sets forth:
 - (1) The identity of the policy and "**insured**";
 - (2) Reasonably available information on the time, place and circumstances of the accident or "**occurrence**"; and

(3) Names and addresses of any claimants and witnesses.

- b. Cooperate with us in the investigation, settlement or defense of any claim or suit.
- c. Promptly forward to us every notice, demand, summons or other process relating to the accident or "**occurrence**".
- d. At our request, help us:
 - (1) To make settlement;
 - (2) To enforce any right of contribution or indemnity against any person or organization who may be liable to any "**insured**";
 - (3) With the conduct of suits and attend hearings and trials;
 - (4) To secure and give evidence and obtain the attendance of witnesses;
- e. Under Damage to Property of Others, if we request, submit to us within 60 days after notice of the loss, a sworn statement of loss and show the damaged property, if in the "**insured's**" control.
- f. The "**insured**" will not, except at the "**insured's**" own cost, voluntarily make payment, assume obligation or incur expense other than for first aid to others at the time of the "**bodily injury**".

5. **Duties of an Injured Person - Coverage F - Medical Payments to Others.** The injured person or someone acting for the injured person will:

- a. Give us written proof of claim, under oath if required, as soon as is practical; and
- b. Authorize us to obtain copies of medical reports and records.

The injured person will submit to a physical exam by a doctor of our choice when and as often as we reasonably require.

6. **Payment of Claim - Coverage F - Medical Payment to Others.** Payment under this coverage is not an admission of liability by any "insured" or us.
7. **Suit Against Us.** No action can be brought against us unless there has been compliance with the policy provisions.

No one will have the right to join us as a party to any action against any "insured". Also, no action with respect to Coverage E can be brought against us until the obligation of the "insured" has been determined by final judgment or agreement signed by us.

8. **Bankruptcy of any Insured.** Bankruptcy or insolvency of any "insured" will not relieve us of our obligations under this policy.
9. **Other Insurance - Coverage E - Personal Liability.** This insurance is excess over other valid and collectible insurance except insurance written specifically to cover as excess over the limits of liability that apply in this policy.

SECTIONS I AND II - CONDITIONS

1. **Policy Period.** This policy applies only to loss in SECTION I or "bodily injury" or "property damage" in SECTION II, which occurs during the policy period.
2. **Liberalization Clause.** If we make a change which broadens coverage under this edition of our policy without additional premium charge, that change will automatically apply to your insurance as of the date we implement the change in your state, provided that this implementation date falls within 60 days prior to or during the policy period stated in the Declarations.

This Liberalization Clause does not apply to changes implemented with a general program revision that includes both broadenings and restrictions in coverage, whether that general program revision is implemented through introduction of:

- a. A subsequent edition of this policy; or
 - b. An amendatory endorsement.
3. **Waiver or Change of Policy Provisions.** A waiver or change of a provision of this policy must be in writing by us to be valid. Our request for an appraisal or examination will not waive any of our rights.

4. **Cancellation.**
 - a. You may cancel this policy at any time. But the effective date of cancellation cannot be earlier than the date of your request.
 - b. We may cancel this policy only for the reasons stated below by letting you know in writing of the date cancellation takes effect. This cancellation notice may be delivered to you, mailed to you by postal mail at your mailing address shown in the Declarations or provided to you electronically if we have your consent and agreement on file to receive documents electronically.

Proof of mailing, whether by postal mail or by electronic media or communication channel, will be sufficient proof of notice. Electronic notice will be provided upon placing it on our website pursuant to an electronic transaction agreement, or upon directing it to an electronic mailbox or voice channel that you designate for the purpose of receiving mail.

- (1) When you have not paid the premium, we may cancel at any time by letting you know at least 10 days before the date cancellation takes effect.

- (2) When this policy has been in effect for less than 60 days and is not a renewal with us, we may cancel for any reason by letting you know at least 10 days before the date cancellation takes effect.
- (3) When this policy has been in effect for 60 days or more, or at any time if it is a renewal with us, we may cancel:
 - (a) Upon discovery of fraud, concealment or misrepresentation made by or with the knowledge of any "insured" in obtaining this policy, continuing the policy, or presenting a claim under this policy; or
 - (b) If the risk has changed substantially since the policy was issued;
 - (c) Upon discovery that the "insured" does not meet USAA Group membership eligibility requirements; or
 - (d) Any other reason allowed by law.

Cancellation can be done by notifying you at least 30 days before the date cancellation takes effect.

- (4) When this policy is cancelled, the premium for the period from the date of cancellation to the expiration date will be refunded pro rata.
- (5) If the return premium is not refunded with the notice of cancellation or when this policy is returned to us, we will refund it within a reasonable time after the date cancellation takes effect.

5. **Nonrenewal.** We may elect not to renew this policy. We may do so by letting you know in writing 30 days before policy termination. This nonrenewal notice may be delivered to you, mailed to you by postal mail at your mailing address shown in the Declarations or provided to you

electronically if we have your consent and agreement on file to receive documents electronically.

Proof of mailing, whether by postal mail or by electronic media or communication channel, will be sufficient proof of notice. Electronic notice will be provided upon placing it on our website pursuant to an electronic transaction agreement, or upon directing it to an electronic mailbox or voice channel that you designate for the purpose of receiving mail.

6. **Subrogation.** Any "insured" may waive in writing before a loss all rights of recovery against any person. If not waived, we may require an assignment of rights or recovery for a loss to the extent that payment is made by us.

If an assignment is sought, an "insured" must:

- a. Sign and deliver all related papers;
- b. Cooperate with us in a reasonable manner; and
- c. Do nothing after a loss to prejudice such rights.

7. **Spouse Access.** The "member" and we agree that the "member" and resident spouse are customers and applicants for purposes of state and federal privacy and insurance laws. The resident spouse will have access to the same information available to the "member" and may conduct the same transactions as the "member" including making coverage changes, signing regulatory forms, terminating the policy, and selecting delivery preferences for policy documents.

The "member" may notify us that he/she no longer wants the resident spouse to have access or transaction authority on his/her policy, and we will not permit the residence spouse to access policy information or conduct transactions on this policy.

8. **Assignment.** Assignment of this policy will not be valid unless we give our written consent.
9. **Death.** If any person named in the Declarations or the spouse, if a resident of the same household, dies:
- a. We insure the legal representative of the deceased but only with respect to the premises and property of the deceased covered under the policy at the time of death;
 - b. For the purpose of this condition "**insured**" includes:
 - (1) Any member of your household who is an "**insured**" at the time of your death, but only while a resident of the "**residence premises**"; and
 - (2) With respect to your property, the person having proper temporary custody of the property until appointment and qualification of a legal representative.

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THIS ENDORSEMENT CHANGES YOUR POLICY. PLEASE READ IT CAREFULLY.
SPECIAL LOSS SETTLEMENT
(HO-3R only)
California

TOTAL LOSS - LOSS SETTLEMENT

COVERAGE A - Dwelling Protection

In the event that your dwelling is completely destroyed solely by Fire or Windstorm to the extent that it has lost its identity and specific character as a building, for **COVERAGE A - Dwelling Protection** only, **SECTION I - CONDITIONS, 3. Loss Settlement**, item c. is added:

- c. Under **COVERAGE A - Dwelling Protection**: We will pay you the total amount of insurance for **COVERAGE A - Dwelling Protection** shown in the Declarations.

For other all other available coverages afforded when your dwelling is completely destroyed by fire or windstorm, please refer to the provisions of this policy to which this endorsement is attached.

COVERAGE C - Personal Property Protection

In the event that your dwelling is completely destroyed solely by Fire or Windstorm to the extent that it has lost its identity and specific character as a building, and your personal property is destroyed to the extent the property cannot be repaired to its condition prior to the loss we will pay your claim under the following terms:

Items a., b. and c. of the **LOSS SETTLEMENT** provision of the **CA REPLACEMENT COST COVERAGE - PERSONAL PROPERTY** endorsement is deleted and replaced by the following:

We will pay 75% of the amount of insurance for **COVERAGE C - Personal Property Protection** as shown in the Declarations, if all of your personal property is located in your dwelling located on the "**residence premises**" at the time of loss.

However, if part of your personal property covered by this endorsement is at another location, or in an undamaged structure on the "**residence premises**" at the time of the loss, payment will be 75% of the **COVERAGE C - Personal Property Protection** limit less the covered replacement cost of the personal property not destroyed.

To receive additional payment which exceeds 75% of Coverage C - Personal Property Protection limit, the provisions and terms of the **CA REPLACEMENT COST COVERAGE - PERSONAL PROPERTY** endorsement will apply.

In no event will we pay more than the applicable coverage limits stated in the policy or endorsements.

Liberalization Clause.

The provisions of this endorsement will automatically apply to your insurance as of the date we implement this change in your state.

Unless specifically modified by this endorsement all other provisions of the policy to which this endorsement is attached shall apply.

LENDER'S LOSS PAYABLE ENDORSEMENT

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 or 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 this Lender's Loss Payable Endorsement shall not be terminated before ten (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.

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

WATER BACKUP OR SUMP PUMP OVERFLOW

SECTION I

This endorsement applies to **PROPERTY WE COVER - Dwelling Protection, Other Structures Protection, Personal Property Protection and Loss of Use Protection.**

The following additional coverage is added:

We insure for direct, physical loss caused by:

1. Water or water-borne material which flows into the plumbing system of your dwelling or other structures through sewers or drains located off the "**residence premises**"; or
2. Water which overflows from a sump pump or sump well with a sump pump designed to drain subsurface water from the foundation area even if such overflow results from the mechanical breakdown of the sump pump or a disruption in power. This coverage does not apply to direct physical loss of the sump pump, or related equipment, which is caused by mechanical breakdown.

This coverage does not apply to loss caused directly or indirectly by any of the following, regardless of whether any other causes or events act concurrently or in any sequence with the excluded event to produce the loss:

1. A general condition of flooding meaning a temporary condition of complete inundation of:
 - a. two or more acres of normally dry land area; or
 - b. two or more properties

that includes the inundation of the part of the "**residence premises**" where the "**insured's**" dwelling is located. This applies even if there is a mechanical breakdown or a disruption of power; or

2. the negligence of any "**insured**".

AMOUNT OF INSURANCE

\$10,000 is the most we will pay for any one loss whether resulting from a single condition or series of related conditions.

SECTION I - LOSSES WE DO NOT COVER

For loss covered by this endorsement, if your policy is the:

HO-3R or HO-9R only:

LOSSES WE DO NOT COVER UNDER DWELLING PROTECTION AND OTHER STRUCTURES PROTECTION, item 1.g. is deleted and replaced by the following:

- g. latent defect, inherent vice, or any quality of the property that causes it to damage or destroy itself;

HO-6R:

If your policy includes the **Unit-Owners Coverage A - Special Dwelling Protection** endorsement, LOSSES WE DO NOT COVER UNDER DWELLING PROTECTION, item 1.g. is deleted and replaced by the following:

- g. latent defect, inherent vice, or any quality of the property that causes it to damage or destroy itself;

If the policy includes the **Special Personal Property Coverage** endorsement, under LOSSES WE DO NOT COVER, item r. is deleted and replaced by the following:

- r. latent defect, inherent vice, or any quality of the property that causes it to damage or destroy itself;

Except to the extent of additional coverage provided by the terms of this endorsement **Water Damage** is excluded as provided in HO-3R & HO-9R:

LOSSES WE DO NOT COVER UNDER DWELLING PROTECTION, OTHER STRUCTURES PROTECTION AND PERSONAL PROPERTY PROTECTION 1.c. **Water Damage**.

Exclusion 1.d. **Power Failure** is deleted and replaced by the following:

- d. **Power Failure**, meaning the failure of power or other utility service if the failure takes place off the residence premises except as provided in ADDITIONAL COVERAGES, Refrigerated Products and Water Backup or Sump Pump Overflow.

Except to the extent of additional coverage provided by this endorsement, **Water Damage** is excluded as provided in HO-6R:

LOSSES WE DO NOT COVER UNDER DWELLING PROTECTION AND PERSONAL PROPERTY PROTECTION 1.c. **Water Damage**.

Exclusion 1.d. **Power Failure** is deleted and replaced by the following:

- d. **Power Failure**, meaning the failure of power or other utility service if the failure takes place off the residence premises except as provided in ADDITIONAL COVERAGES, Refrigerated Products and Water Backup or Sump Pump Overflow.

Except as specifically modified in this endorsement, all provisions of the policy to which this endorsement is attached also apply to this endorsement.

Term Premium

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

WILDFIRE RESPONSE PROGRAM

(HO-3 and HO-9 only)

SECTION I - DEFINITIONS

20. "Residence premises" for the purposes of this endorsement only, is deleted and replaced by:

20. "Residence premises" means:

- a. The one family dwelling, other structures, and grounds; or
- b. That part of any other building;

Where you reside and which is shown as the "residence premises" in the Declarations.

With respect to the coverage provided by this endorsement, the following definitions are added:

"Wildfire" means an uncontrolled, rapidly spreading fire through woodland, brush or residential areas.

"Wildfire response supplier" means a supplier we have contracted with to perform wildfire suppression and structural protection services. The "wildfire" response supplier determines what wildfire activity has the potential to threaten your "residence premises" and determines the most appropriate methods to mitigate fire loss.

SECTION I - CONDITIONS

The following condition is added:

If an active "wildfire":

- a. is within 3 miles of your "residence premises"; or
- b. causes a civil authority to prohibit you from use of the "residence premises";

you authorize our "wildfire response supplier's" certified firefighters to access your "residence premises" to perform nondestructive "wildfire" suppression and structural protection services, including but not limited to:

- a. debris removal;
- b. fuel source mitigation; and
- c. closing structure openings.

This Condition is not a promise that "Wildfire" services will be provided or will prevent damage.

The wildfire response program may be discontinued at any time without further notice.

Except as specifically modified in this endorsement, all provisions of the policy to which this endorsement is attached also apply to this endorsement.

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THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

CA REPLACEMENT COST COVERAGE - PERSONAL PROPERTY

We will settle losses to covered property at full replacement cost without deduction for depreciation, subject to the following:

REPLACEMENT COST COVERAGE DEFINED

Replacement Cost means the cost, at the time of loss, of a new item identical to the one damaged, destroyed or stolen. If an identical item is no longer manufactured or cannot be obtained, replacement cost will be the cost of a new item which is:

- a. Similar to the insured article; and
- b. Of like quality and usefulness.

DEDUCTIBLE

The deductible shown on the Declarations Page applies.

PROPERTY COVERED

- a. Personal property covered in Property We Cover – Personal Property Protection, except personal property stated in Property Not Eligible below;
- b. If covered in this policy; awnings, carpeting, and household appliances, whether or not attached to buildings.

PROPERTY NOT ELIGIBLE

Replacement cost coverage does not apply to:

- a. Items of rarity or antiquity that cannot be replaced;
- b. Articles whose age or history contributes substantially to their value. These include, but are not limited to, memorabilia, souvenirs and collectors' items;
- c. Motorized golf carts and their equipment and accessories;

- d. Articles not maintained in good or workable condition;
- e. Property that is either obsolete or useless to the "insured" at the time of loss;
- f. Property that you do not intend to repair, replace, or restore.

LOSS SETTLEMENT

SECTION I – CONDITIONS, Item 3.a **Loss Settlement** does not apply to property covered by this endorsement. Instead the following loss settlement applies:

- a. For property that is eligible for replacement cost coverage it is our option to:
 - (1) Replace, or pay you our cost to replace the property with new property of like kind and quality without deduction for depreciation, or
 - (2) Pay you the cost to repair or restore the property to the condition it was in just before the loss, or
 - (3) Pay you the necessary amount actually spent to repair or replace the damaged property.
- b. We will pay no more than "**actual cash value**" until repair or replacement of the damaged property is completed, unless the entire loss is less than \$5,000.
- c. You may make a claim for loss on an "**actual cash value**" basis and then make a claim after the loss for any additional liability under the terms of this provision. You must complete the actual repair or replacement of the damaged property within:
 - (1) 36 months after we tender the first payment toward the "**actual cash value**" if the loss or damage is related to a state of emergency as defined in section 8558 of the Government Code of the State of California; or

- (2) 36 months after we tender the first payment toward the **"actual cash value"** if the loss or damage results from an event assigned to a Property Claims Service (PCS) catastrophe code; or
- (3) 12 months after the date we tender the first payment toward the **"actual cash value"** in all other cases

unless during this period you request in writing that this time line be extended for an additional 6 months. Written requests for additional 6 month extensions will be granted for good cause.

- d. For property that is not eligible for replacement cost coverage, it is our option to:

- (1) pay you the **"actual cash value"**; or
- (2) replace, or to pay you our cost to replace the property with property of like kind, age, quality and condition; or
- (3) pay you the cost to repair or restore the property to the condition it was in just before the loss.

- e. We will not pay more than the Amount of Insurance that applies to Personal Property Protection. Nor will we pay more than any Special Amounts of Insurance that apply as stated in the policy to which this endorsement is attached.

Except as specifically modified in this endorsement, all provisions of the policy to which this endorsement is attached also apply to this endorsement.

Term Premium

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THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

HOME PROTECTOR
(HO-3R only)
CALIFORNIA

For an additional premium, the following is added to Section I – Conditions, 3. Loss Settlement:

c. Home Protector Coverage

You agree:

- (1) To insure your buildings, under Property We Cover – Dwelling Protection and Other Structures Protection, on the **“residence premises”** for the full replacement cost at the time this policy is issued; and
- (2) To accept any increase in coverage that results from the application of the Adjustment to Building Cost provision, if it is deemed necessary by us. You must pay for any added premium; and
- (3) To tell us within 90 days of the start of any additions or other physical changes to building on the **“residence premises”** which increases the value by the greater of:
 - (a) \$25,000; or
 - (b) 5% of the current Dwelling Protection amount of insurance.

You must pay any resulting premium.

If you comply with these requirements and if as a result of a covered loss, you have exhausted the amount of insurance:

- (1) applying to buildings covered under Property We Cover – Dwelling Protection or Other Structures Protection ; or
- (2) provided under ADDITIONAL COVERAGES, Debris Removal: or
- (3) provided under ADDITIONAL COVERAGES, Building Ordinance or Law;

then, we will pay up to an additional 25% of the amount of insurance applying to the damaged building. The most we will pay for (1), (2), or (3), either singly or in any combination is 25% or the amount actually and necessarily spent to repair or replace the damaged building, whichever is less.

If you choose to rebuild the dwelling or other structure, or purchase an existing dwelling or other structure, at a location other than the **“insured location”**, we will pay up to an additional 25% of the amount of insurance applying to the damaged building. The most we will pay for (1), (2), or (3), either singly or in any combination is 25% or the amount of our cost you would have incurred to rebuild or to replace the dwelling or other structure at the **“insured location”**.

Except as specifically modified in this endorsement, all provisions of the policy to which this endorsement is attached also apply to this endorsement.

Term Premium

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WORKERS' COMPENSATION - CALIFORNIA
Residence Employees

We agree, with respect to **"residence employees"**:

Under Coverage I

To pay when due all benefits required of an **"insured"** by the California Workers' Compensation Law; and

Under Coverage II

To pay on behalf of an **"insured"** all damages for which the **"insured"** is legally liable because of **"bodily injury"** sustained by a **"residence employee"**. The **"bodily injury"** must be caused by accident or disease and arise out of and in the course of employment by the **"insured"** while:

- a. in the United States of America, its territories or possessions, or Canada, or
- b. temporarily elsewhere if the **"residence employee"** is a citizen or resident of the United States or Canada.

Coverage II does not apply to any suit brought in or judgment rendered by any court outside the United States of America, its territories and possessions, or Canada, or to any action on such judgment.

Who is Covered

A **"residence employee"** is covered if during the 90 calendar days immediately before the date of injury the employee has:

- a. actually been engaged in such employment by the **"insured"** for no less than 52 hours, and
- b. earned no less than one hundred dollars (\$100) in wages.

Application of Coverage

This insurance applies only to **"bodily injury"** which occurs during the policy period. If the **"bodily injury"** is a disease, it must be caused or aggravated by the conditions of the **"residence employee's"** employment by the **"insured"**.

Policy Provisions

This insurance is subject to all the provisions of this endorsement and the following provisions of this policy:

- a. Under Section I and II - Conditions:
 3. Waiver or Change of Policy Provisions.
 4. Cancellation.
 6. Subrogation.
 8. Assignment.
- b. Under Section II - Conditions:
 4. Duties After Loss.
 7. Suit Against Us.
- c. Our agreement to defend the **"insured"** as provided under Coverage E - Personal Liability.
- d. Under Section II - Additional Coverages:
 1. Claim Expenses.
 2. First Aid Expenses.
- e. The definition of **"bodily injury"**, **"business"**, **"insured"** and **"residence employee"**.

Additional Provisions Applicable to Coverage I

The following provisions are applicable to Coverage I:

- a. We shall be directly and primarily liable to any **"residence employee"** of an **"insured"** entitled to the benefits of the California Workers' Compensation Law.
- b. As between the **"residence employee"** and us, notice to or knowledge of the **"occurrence"** of the injury on the part of an **"insured"** will be deemed notice or knowledge on our part.
- c. The jurisdiction of an **"insured"** will, for the purpose of the law imposing liability for compensation, be our jurisdiction.
- d. We will be subject to the orders, findings, decisions or awards rendered against an **"insured"**, under the provisions of the law imposing liability for compensation, subject to the provisions, conditions and limitations of this policy. This policy shall govern as between an **"insured"** and us as to payments by either in discharge of an **"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.

Limits of Liability Coverage II

Our total limit of liability will not exceed \$100,000 for all damages because of **"bodily injury"**:

- a. sustained by one or more **"residence employees"** in any one accident; or
- b. caused by disease and sustained by a **"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.

Other Insurance

This insurance does not apply to any loss to which other valid and collectible Workers' Compensation or Employers' Liability Insurance applies.

Conformity to Statute

Terms of this insurance which are in conflict with the California Workers' Compensation Law are amended to conform to that law.

Exclusions

This policy does not apply:

- a. to liability for additional compensation imposed on an **"insured"** under Sections 4553 and 4557, Division IV, Labor Code of the State of California, because of the serious and willful misconduct of an **"insured"**, or because of **"bodily injury"** to an employee under 16 years of age and illegally employed at the time of injury;
- b. to liability for **"bodily injury"** arising out of **"business"** pursuits of an **"insured"**.
- c. Under Coverage II:
 - 1. to liability assumed by the **"insured"** under any contract or agreement.
 - 2. to **"bodily injury"** by disease unless a written claim is made or suit brought against the **"insured"** within 36 months after the end of the policy period.
 - 3. to any obligation under a workers' compensation, unemployment or disability benefits law or any similar law.

Except as specifically modified in this endorsement, all provisions of the policy to which this endorsement is attached also apply to this endorsement.

Term Premium:

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EXHIBIT B



9800 Fredericksburg Road - San Antonio, Texas 78288
RENEWAL DECLARATIONS PAGE

Named Insured and Residence Premises

Policy Number

SEE ATTACHED HO-D2

Policy Period From: 08/24/24 To: 08/24/25
(12:01 A.M. standard time at location of the residence premises)

SECTION I - COVERAGES AND AMOUNTS OF INSURANCE	
COVERAGE A - DWELLING PROTECTION HOME PROTECTOR ENDORSEMENT (HO-125CA), MAY ADD UP TO	
COVERAGE B - OTHER STRUCTURES PROTECTION HOME PROTECTOR ENDORSEMENT (HO-125CA), MAY ADD UP TO	
COVERAGE C - PERSONAL PROPERTY PROTECTION	
COVERAGE D - LOSS OF USE PROTECTION (UP TO 12 MONTHS)	
SECTION II - COVERAGES AND LIMITS OF LIABILITY	
Personal Liability - Each Occurrence	
Medical Payments to Others	
DEDUCTIBLES (Applies to SECTION I Coverages ONLY)	
We cover only that part of the loss over the deductible stated.	
ALL PERILS	\$1,000
POLICY PREMIUM for Section I and Section II Coverages Above	
CREDITS AND DISCOUNTS (Included in policy premium above.)	
Details on the following page. (If applicable)	
OTHER COVERAGES AND ENDORSEMENTS	
Forms and Endorsements are printed on the following page.	
STATE SURCHARGES AND TAXES (Shown below if applicable)	
TOTAL POLICY PREMIUM	
Including Credits, Discounts, Optional Coverages, Endorsements, State Surcharges and Taxes	
PREMIUM DUE AT INCEPTION. THIS IS NOT A BILL. STATEMENT TO FOLLOW.	

FIRST MORTGAGEE:

In witness whereof, this policy is signed on 05/29/24

Kelly Armstrong, Secretary

Randy Termeer, President

REFER TO YOUR POLICY FOR OTHER COVERAGES, LIMITS AND EXCLUSIONS.

HOCA-D1 (07-20)

ATTACH THIS DECLARATION TO PREVIOUS POLICY

135968-1022

USAA Confidential



RENEWAL DECLARATIONS PAGE

Policy Number
[REDACTED]

Policy Term: [REDACTED]
Inception Expiration

NAMED INSURED/LEGAL NAME:

[REDACTED]

LEGAL DESCRIPTION:

[REDACTED]

POLICY AND ENDORSEMENTS THAT ARE PART OF YOUR CONTRACT WITH US.

REMAIN IN EFFECT (Refer to prior Policy Packet(s) for documents not attached.):

- QR3CIC (07-08) QUICK REFERENCE-SPECIAL FORM
- HO-3R (02) (07-08) HOMEOWNERS SPECIAL FORM
- HO-CA (01-22) CALIFORNIA SPECIAL PROVISIONS
- HO-HS (04-18) SHARING ECONOMY ENDORSEMENT
- HO-SLS3CA (01-22) SPECIAL LOSS SETTLEMENT
- HO-WDS (07-15) WILDFIRE RESPONSE PROGRAM ENDORSEMENT
- 438BFU NS (05-42) LENDER'S LOSS PAYABLE ENDORSEMENT
- HO-208 (07-12) WATER BACKUP OR SUMP PUMP OVERFLOW
- HO-728CA (06-19) REPLACEMENT COST COVERAGE

ADDED:

- HO-125CA (01-22) HOME PROTECTOR
- HO-90CA (07-08) CALIFORNIA WORKERS COMPENSATION

YOUR PREMIUM HAS BEEN REDUCED BY THE FOLLOWING CREDITS AND DISCOUNTS:

- AUTO AND HOME COMBINATION DISCOUNT
- CLAIMS FREE DISCOUNT
- INSURANCE-TO-VALUE DISCOUNT
- HOME AGE DISCOUNT
- PROTECTIVE DEVICE CREDIT

[REDACTED]

THE HOME PROTECTOR COVERAGE (HO-125CA) YOU SELECTED MAY PROVIDE UP TO AN ADDITIONAL 25% OF THE AMOUNT OF INSURANCE APPLYING TO THE DAMAGED BUILDING. SEE YOUR POLICY DOCUMENTS FOR COMPLETE DETAILS REGARDING HOW COVERAGE APPLIES TO A LOSS. THE HOME PROTECTOR ENDORSEMENT IS ATTACHED.

THE CONTRACT PROVIDES AN ADDITIONAL 10% OF COVERAGE A LIMIT FOR INCREASED COSTS REQUIRED TO REBUILD, REPAIR, OR DEMOLISH THE PROPERTY DUE TO COMPLIANCE WITH ANY ORDINANCE OR LAW IN EFFECT AT THE TIME OF LOSS, IF THE PROPERTY IS DAMAGED BY A PERIL INSURED AGAINST.

THE LIMIT OF LIABILITY FOR THIS STRUCTURE (COVERAGE A-DWELLING) 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.

HO-D2 (07-08)

05/29/24