



**ARROWHEAD GENERAL INSURANCE AGENCY  
RESIDENTIAL EARTHQUAKE INSURANCE PROGRAM**

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**UNDERWRITING GUIDELINES  
&  
RATE MANUAL**

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**UNDERWRITING GUIDELINES**

**A. BINDING AUTHORITY/ELIGIBILITY**

Binding and risk approval authority rests with Arrowhead General Insurance Agency (Arrowhead). Arrowhead reserves the right to decline coverage based on individual risk characteristics which represent unacceptable exposures. All dwellings must meet the following criteria in order to be eligible for coverage.

- Frame construction (includes frame with stucco or with less than 1/3 masonry veneer)
- Concrete slab, basement or solid perimeter foundation (refer to matrix below)
- Dwellings built prior to 1972 must be bolted to the foundation. If the dwelling has cripple walls they must be braced with plywood (refer to seismic retrofitting requirements below).
  - Dwellings on a Historical Register are ineligible
- Three levels or less in height (refer to matrix below)
- Built on flat ground or slope less than 26 degrees
  - Minimum of 50 feet of clearance from a slope of over 26 degrees
  - Minimum of 500 feet from the beach (high tide line)
  - Dwellings built on stilts are ineligible
- Residence types must be individually owned 1-4 family dwellings except for the condominium program (see below)
- Property inspections may be conducted by Arrowhead to verify risk eligibility

**B. MINIMUM & MAXIMUM LIMITS**

**DWELLINGS**

- Maximum \$1,500,000 replacement/Coverage A Value – Producer can pre-qualify, quote and submit applications subject to the published underwriting guidelines.
- Minimum dwelling replacement/Coverage A value - \$75,000

**DWELLINGS – HIGH VALUE**

- Dwellings from \$1,500,000 to \$5,000,000 must be submitted for underwriting approval.

**CONDOMINIUMS**

- Coverage C value \$500,000 and less – Producer can pre-qualify, quote and submit applications subject to the published underwriting guidelines.
- Minimum coverage C value - \$25,000

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**C. YEAR OF CONSTRUCTION, FOUNDATION TYPE AND NUMBER OF LEVELS**

Year of Construction	Foundation Type	Number of Levels (incl. Basements)
1973 to Present	<input type="checkbox"/> All types of concrete foundations are eligible.	3
1955 to 1972	<input type="checkbox"/> All types of concrete foundations are eligible. <input type="checkbox"/> Dwellings with cripple walls – cripple walls must be braced with plywood or its equivalent.	2
Prior to 1955	<input type="checkbox"/> Proof of retrofitting is required (see D.4 Below)	2

**NOTE: Dwellings built on stilts are ineligible for coverage.**

**D. RETROFITTING REQUIREMENTS**

Dwellings built prior to 1955 must meet the following requirements in order to qualify for coverage:

1. The dwelling is properly anchor bolted to the foundation (see definition below):  
and
2. Cripple walls (see definition below) are braced with plywood or its equivalent;  
and
3. The hot water heater is properly secured to the building frame.
4. Written verification of retrofitting addressing the above three items is required and must be submitted with the application. Written verification includes a letter or completed work receipt from a licensed building contractor or an inspection from a qualified structural engineer or retrofitting inspection service within the last 20 years. A retrofitting verification form is included for your convenience on page 8.

**Foundation Bolting:** Steel anchor bolts must connect the sill plate (the wood board that lays directly on top of the foundation) to the foundation. Bolts should be placed four to six feet apart.

**How to identify if the dwelling is bolted to the foundation:** In house with a crawl space, the presence of bolts can be verified by looking underneath the house. In slab on grade construction, an unfinished room such as a garage is the best place to verify the presence of bolts.

**Cripple Wall Definition:** Cripple walls (sometimes referred to as crawl space walls) are short wood perimeter walls used to elevate the house above ground to allow access to the substructure and utility lines or to level a dwelling built on a slope. The height of a

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cripple wall generally ranges from 14 inches to 4 feet. The interior or exterior faces of cripple walls should be sheathed with plywood. Many newer homes utilize concrete perimeter walls to elevate or level the home. These are not cripple walls. A dwelling built on a flat concrete slab without a crawl space beneath it will not have cripple walls.

**How to identify if cripple walls have been braced:** The presence of cripple walls can be confirmed by looking around the perimeter of the crawl space. If wood studs are visible then the cripple walls will have not been braced. Braced cripple walls will be completely covered with plywood.

**CONDOMINIUM PROGRAM**

**E. CONDOMINIUM BUILDING**

1. Construction Type: Wood frame (including wood frame with stucco or exterior veneer) only. All other construction types including steel frame, reinforced concrete and masonry are ineligible.
2. Building Height: Maximum of three stories
3. Year of Construction, Foundation and Parking:

<b>YEAR OF CONSTRUCTION</b>	<b>FOUNDATION AND PARKING</b>
1985 to Present	Buildings with slab on grade foundation and/or reinforced concrete subterranean, first floor or “tuck under” parking are eligible.
1960 – 1984	Buildings with slab on grade foundations only. <b>Buildings constructed with subterranean, first floor or “tuck under” park are ineligible.</b>
Prior to 1960	Ineligible for coverage

**ADDITIONAL ELIGIBILITY GUIDELINES**

**F. COMPANION PROPERTY INSURANCE REQUIRED**

1. Earthquake policies may be written only in conjunction with a homeowners or standard dwelling fire policy issued by admitted insurance companies.
2. Insureds who maintain an HO-3 policy or its equivalent, HO-6 policy or its equivalent or dwelling fire coverage for their property are eligible for coverage.

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3. Superior EQ Policies, Standard EQ Policies, Condo EQ Policies may be written with any effective date that complies with the other provisions in these rules and policy forms.

**G. COVERAGE AMOUNT REQUIRED**

1. The Coverage A (for dwelling owners) limit of the insured's homeowners or dwelling fire policy is required as a minimum for the Coverage A limit of the Superior EQ and Standard EQ policies. Higher limits may be purchased with consideration to potential increases in construction costs after a catastrophic event (commonly referred to as demand surge).
2. The Coverage C (for condominium unit owners) limit of the insured's Condominium (HO-6) policy is required as a minimum for the Coverage C limit of the Condo EQ policy.
3. The limits of insurance may be automatically adjusted on the renewal date of the policy based upon a general inflation provision or other replacement cost factors for the insured dwelling.
4. It is the responsibility of the broker and insured to ensure that adequate coverage limits are requested.

**H. PRIOR EARTHQUAKE DAMAGE**

All prior earthquake damage must be repaired before the risk will be eligible for coverage. A breakdown of prior damage (amount of loss to the dwelling, other structures, contents, etc.) and proof of repair by a licensed contractor may be required by Arrowhead.

**I. MORATORIUM**

After a reported earthquake of 5.0 or greater on the Richter Scale, a moratorium on new business will immediately go into effect for a minimum of 60 days, or until lifted by Arrowhead, at any location within a 100 mile radius of the earthquake epicenter. The moratorium does not apply to renewal coverage.

**J. ADDITIONAL LIVING EXPENSE WAIVER**

Additional Living Expense coverage may be waived by written request if the dwelling is not occupied by the owner. The premium reduction is \$25.00.

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**K. POLICY PERIOD**

The policy period will begin when the request for coverage is received and approved by Arrowhead. The inception of the earthquake policy will be at 12:01 am. The policy period shall be one year.

**L. PREMIUM REVISIONS**

Premium revisions shall be made in accordance with the following procedures:

1. The effective date of such revisions shall be as announced by the company.
2. New Business: If the premium is decreased, a policy issued prior to the effective date of the premium change with an inception date on or after the effective date of the change may be changed to the new premium.
3. Renewals: If the premium is decreased, a renewal policy which has been issued prior to the effective date of the premium change with renewal date on or after the effective date of the change may be changed to the new premium.
4. Changes made under the provisions of paragraphs 2. and 3. may be effective only on the inception or renewal date of the policy.

**M. POLICY CHANGES**

Coverage changes resulting in an additional or return premium shall be computed on a pro rata basis. Amounts of \$3.00 or less shall be waived.

**NOTE:** Changes to earthquake coverage are not to be bound.

**N. ADDITIONAL INTEREST**

The interest of individuals or companies (other than the mortgagee listed in the Declarations) may be added, and will be shown on additional interest endorsement.

**O. CANCELLATION**

If the policy is cancelled at the request of either the insured or the company, the return premium shall be 100% of the pro rata unearned premium. Return premium of \$3.00 or less shall be waived. The policy fee, however, is fully earned.

**P. BILLING**

Billing is direct bill only. Invoices are mailed directly to the insured with copies to the producer. If producer receives premium payment it should be sent immediately to Arrowhead without deducting any commissions. There is a \$5 installment fee.

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**Earthquake Insurance Retrofitting Information Form**

This form may be used to document earthquake retrofitting and must be completed by a **Licensed Building Contractor, Engineer, or Inspector.**

1. Name Insured	2. Insured's Phone Number
3. Property Address	
4. Broker Name and Contact	

**FOUNDATION BOLTING\***

5. Dwelling bolted or anchored securely to the foundation? <input type="checkbox"/> No <input type="checkbox"/> Yes	
6. Distance between bolts or anchors: _____ Date work completed: _____	
5. Work done to entire dwelling? <input type="checkbox"/> No <input type="checkbox"/> Yes	8. If no, what area of the dwelling? _____
_____	
_____	

**CRIPPLE WALLS\***

9. Does the dwelling have cripple walls? <input type="checkbox"/> No <input type="checkbox"/> Yes		10.a. If yes, are they braced with plywood? <input type="checkbox"/> No <input type="checkbox"/> Yes	
10.b. Has 100% of the perimeter been braced: <input type="checkbox"/> No <input type="checkbox"/> Yes		If no, please explain: _____	
_____			
_____			

**WATER HEATER \***

11. Type <input type="checkbox"/> Gas <input type="checkbox"/> Electric		12. Strapped to prevent movement? <input type="checkbox"/> No <input type="checkbox"/> Yes	
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**INSPECTOR / ENGINEER / CONTRACTOR\***

13. Name		
14. Professional title or designation	15. Contractor/business license number*	16. Bonded with state <input type="checkbox"/> No <input type="checkbox"/> Yes
17. Business or organization name		18. Business telephone
19. Address		
20. Signature of Inspector / Engineer / Contractor		21. Date

**\* For terminology definitions – See next page.**

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1.	<b><u>Licensed contractor, engineer or inspector.</u></b> The inspector that fills out this form must be licensed to perform <u>structural</u> inspections. Examples of qualified individuals include a licensed building contractor, a qualified structural engineer, or a <u>retrofitting</u> inspection service.
2.	<b><u>Foundation bolting.</u></b> Steel anchor bolts must connect the sill plate (the wood board that lays directly on top of the foundation) to the foundation. Bolts should be placed 4 to 6 feet apart. <b><u>How to identify if the dwelling is bolted to the foundation:</u></b> In houses with crawl space, the presence of bolts can be verified by crawling underneath the house. In a slab on grade construction, an unfinished room such as a garage is the best place to verify the presence of bolts.
3.	<b><u>Cripple Walls:</u></b> Cripple walls are used to support a house and create a crawl space. A cripple wall is a wood framed stud wall extending from the top of the foundation to the underside of the lowest floor framing of the dwelling. The height of a cripple wall generally ranges from 14 inches to 4 feet. The interior or exterior faces of cripple walls should be sheathed with plywood. <b><u>How to identify if the cripple walls have been braced:</u></b> In houses with a crawl space, the presence of cripple wall bracing can be verified by crawling underneath the house where plywood sheathing will be visible on either the interior or exterior wall studs.
4.	<b><u>Water Heater:</u></b> A gas water heater should have a flexible gas pipeline installed to prevent breakage should movement occur. The water heater should be attached to the wall studs in several spots with metal rods or straps to prevent movement. The rods should be bolted directly to the wall studs and adequately attached to the water heater itself.
5.	<b><u>Business License Number:</u></b> This information must be provided. Any contractor or <u>inspector</u> licensed to work in the State of California will know their license number. Work completed or inspections performed by unlicensed contractors will be considered unacceptable by Arrowhead.



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**RESIDENTIAL EARTHQUAKE INSURANCE PROGRAM  
Base Rates and Quote Worksheet**

Rating Band	Superior EQ Policy			Standard EQ Policy	Condo EQ Policy
	5% Deductible	10% Deductible	15% Deductible		
A1	\$1.08	N/A	N/A	\$0.75	\$2.52
A	N/A	\$1.31	\$1.13	\$1.08	\$2.52
B	N/A	\$2.02	\$1.84	\$1.75	\$2.66
C	N/A	\$2.27	\$2.01	\$1.91	\$2.99
D	N/A	\$2.55	\$2.20	\$2.09	\$3.36
E	N/A	\$2.90	\$2.43	\$2.32	\$3.81
F	N/A	\$3.28	\$2.69	\$2.56	\$4.32
G	N/A	\$3.64	\$2.83	\$2.79	\$4.80
H	N/A	\$4.15	\$3.24	\$3.10	\$5.46
I	N/A	\$5.18	\$4.03	\$3.74	\$6.83
J	N/A	N/A	N/A	\$5.08	\$9.39
K	N/A	N/A	N/A	\$8.97	\$17.42

\* Rates per \$1,000 of replacement / Coverage A value for dwelling policies

\* Rates per \$1,000 of Coverage C for condominium policies

\* N/A - Product not available in these rating bands

**Policy Premium Calculation**

**Step I** Determine rating band using zip code listing and corresponding base rate for desired product

**Step II** Multiply base rate by coverage A limit (000) for dwellings or coverage C limit (000) for condominiums

**Step III** Apply age grouping factor for dwellings built prior to 1973

<u>Year of construction</u>	<u>Rating Factor</u>
1973 to present	1.00
1937 to 1972	1.12
Prior to 1937	1.24

**Step IV** Add \$35.00 policy fee for Dwellings with a "Coverage A" amount of 1.5 million and under.  
Add \$150 policy fee for Dwellings with a "Coverage A" amount over 1.5 million.

<input type="text"/>	<b>x</b>	<input type="text"/>	<b>=</b>	<input type="text"/>	<b>x</b>	<input type="text"/>	<b>+</b>	<input type="text"/>	<b>=</b>	<input type="text"/>
Base Rate		Cov. A or C if Condo		Base Premium		Age Grouping Factor (N/A for condo policies)		\$35.00/150.00		Policy Premium

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**PREMIUM COMPUTATION**

The following is the sequence for premium computation. All applicable steps should be followed in the order described. Premium adjustments should be made to the aggregate premium of the preceding step. Round the amount calculated in each step to the nearest dollar unless otherwise indicated.

STEP	Superior EQ Policy	Standard EQ Policy	CONDO EQ Policy
1	Determine the rate band from the zip code listings	Determine the rate band from the zip code listings	Determine the rate band from the zip code listings
2	Calculate the base premium by multiplying the base rate for the rating band by the requested Coverage A limit (in thousands)	Calculate the base premium by multiplying the base rate for the rating band by the requested Coverage A limit (in thousands)	Calculate the base premium by multiplying the base rate for the rating band by the requested Coverage C limit (in thousands)
3	Apply the Year of Construction Factor	Apply the Year of Construction Factor	Not Applicable
4	Add *\$35.00 Policy Fee	Add *\$35.00 Policy Fee	Add *\$35.00 Policy Fee

**A. YEAR OF CONSTRUCTION FACTORS**

The following year of construction factors apply when determining premiums:

Year of construction	Rating Factor
1973 to present	1.00
1937 to 1972	1.12
Prior to 1937	1.24

Note: Year of construction factors are not applicable to the Condo EQ policy

**B. Rounding Rules**

All premiums shown on the policy and all changes shall be rounded to the nearest whole dollar. A premium of fifty cents (.50) or more shall be rounded to the next higher whole dollar. In the event of cancellation by the company, the return premium shall be calculated to the nearest cent.

**C. Minimum Premium Rule**

The minimum premium shall be \$100.00 per policy.

**D. Policy Fee**

There is a \$35.00 policy fee which applies to new and renewal policies for Dwellings \$1.5 million and under. There is a \$150.00 policy fee which applies to new and renewal policies with Coverage A in excess of \$1.5 million.

# ARROWHEAD GENERAL INSURANCE AGENCY

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## RESIDENTIAL EARTHQUAKE INSURANCE PROGRAM

### SUPERIOR EQ PLUS ENDORSEMENT

Designed for use with our *Superior EQ* policy, the *Superior EQ PLUS* endorsement increases the special limits of insurance for selected items as indicated below. The limits of insurance shown below are sublimits of the limit of insurance for *Coverage B. Appurtenant Structures*, *Coverage C. Personal Property* and *Coverage D. Loss of Use* and do not increase the limits of insurance shown on the DECLARATIONS. If the sublimits below exceed the coverage amount on the DECLARATIONS, the maximum amount that will be paid is the amount stated in the DECLARATIONS.

### COVERAGE B. APPURTENANT STRUCTURES

- Swimming Pools \$25,000

### COVERAGE C. PERSONAL PROPERTY

- Computer Equipment \$10,000
- Jewelry, watches and special stones \$5,000
- Furs \$10,000
- Film, electronic or video equipment \$10,000
- Musical Instruments \$10,000
- Sporting Equipment \$10,000

### COVERAGE D. LOSS OF USE

- 20% of Coverage A up to a maximum of \$100,000

### PREMIUM AND CALCULATION

- 22% surcharge to *Superior EQ Earthquake* policy premium
  - ◆ To determine endorsement premium multiply the total annual premium (as calculated on page II-1 above excluding a \*\$35 policy fee) of the *Superior EQ Earthquake* policy by .22.
  - ◆ This endorsement can be added at policy inception, mid-term (premium is prorated) or renewal.

#### EXAMPLE:

◆ <i>Superior EQ Earthquake</i> policy premium (excluding a *\$35 policy fee)	\$1,000
	<u>X .22</u>
◆ <i>Superior EQ PLUS</i> endorsement premium	\$220

\* The policy fee for Dwellings with a "Coverage A" amount over 1.5 million is \$150.