

Form D

**DISASTER INDEMNITY PROGRAM**  
NAMED CAUSES OF LOSS  
INDEMNITY CONTRACT  
**DWELLING FORM D**

California Department of Veterans Affairs

**TO REPORT A LOSS CALL:**

**Carl Warren & Company**

- **Toll Free (800) 626-1613**

**FOR GENERAL INFORMATION CALL:**

**The California Department of Veterans Affairs**

- **Toll Free (866) 421-6978 or Direct (916) 503-8355**

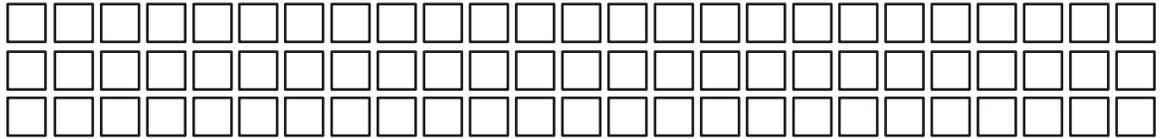
**Policy Period (or Coverage Period) November 1, 2015 to March 1, 2017**  
**Issued by the California Department of Veterans Affairs (hereinafter called CalVet)**

Form D Indemnification provides coverage for **Single Family, Mobile, Modular, and Manufactured Homes** only. It applies to homes with or without a permanent foundation when connected to the required utilities.

This Form D is issued to the Certificate Holder. It is issued subject to the deductible(s), terms, conditions and provisions of the Military and Veterans Code and California Code of Regulations Title 12. Unless otherwise provided, all conditions of this Form D shall apply separately to each item covered.

Loss, if any, is to be adjusted with and shall be payable to the California Department of Veterans Affairs, and the Certificate Holder, as their interests may appear under the terms and conditions as may be specified by the California Department of Veterans Affairs. Any loss hereunder shall not reduce the amount of indemnity available for subsequent losses under this Form D.

**READ THE CONTRACT CAREFULLY. THE INDEMNIFICATION HEREIN IS LARGELY DEFINITION BASED. DEFINED WORDS ARE IN "BOLD TYPE." PLEASE REVIEW THE DEFINITIONS FOUND AT PAGES 24-26 BEFORE READING THE CONTRACT.**



# Table of Contents

The Indemnity Coverage ..... 1

Indemnity Contract Agreement.....2

Section 1 Persons Indemnified.....4

Section 2 Property Indemnified .....5

Section 3 Property Not Covered.....7

Section 4 Losses Indemnified .....9

Section 5 Losses Not Indemnified ..... 13

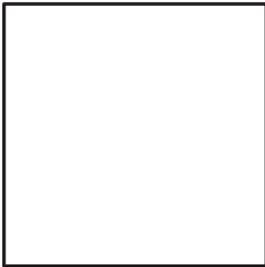
Section 6 Deductibles..... 16

Section 7 General Conditions and Provisions ..... 17

Section 8 Your Duties in the Event of a Loss .....21

Section 9 What Law Governs.....23

Section 10 Definitions.....24



## **THE INDEMNITY COVERAGE**

1. IS REQUIRED IN ORDER TO PARTICIPATE IN THE CalVet LOAN PROGRAM.
2. PROVIDES NO INDEMNITY COVERAGE FOR LOSS TO PERSONAL PROPERTY.
3. IS NOT AN INSURANCE POLICY.
4. PROVIDES NO LIABILITY COVERAGE.
5. IS LIMITED TO SPECIFIED TYPES OF DAMAGE RESULTING FROM A **NAMED CAUSE OF LOSS**.
6. IS SUBJECT TO LIMITATIONS, RESTRICTIONS AND EXCLUSIONS.

YOU MAY WISH TO CONSIDER WHETHER YOU WILL REQUIRE SUPPLEMENTAL COVERAGE FROM AN INSURANCE POLICY AS WELL AS THE INDEMNITY COVERAGE PROVIDED BY THIS CONTRACT.

## **THIS CONTRACT COVERS ONLY**

1. **NON-CONDOMINIUM RESIDENTIAL BUILDING AND SINGLE FAMILY HOMES** **WHERE** 1) INDEMNIFICATION COVERAGE FOR THE **DWELLING** IS PROVIDED UNDER THE CalVet FORM A, OR 2) FOR **MOBILE HOMES**, WHERE THE **BUILDING** OR **MOBILE HOME** IS INTENDED FOR PRINCIPAL USE AS A **DWELLING PLACE** FOR NO MORE THAN ONE FAMILY.
2. **PRIVATE STRUCTURES** AS DEFINED HEREIN.



## Indemnity Contract Agreement

THIS IS AN AGREEMENT OF CONTRACT between CALIFORNIA DEPARTMENT OF VETERAN AFFAIRS (as “CalVet”), overseer of the statutory disaster indemnity program and the program pool fund, (DISASTER INDEMNITY PROGRAM), (hereinafter known as **we, our, and us**) and the “INDEMNITEE” (hereinafter known as **you and your**).

- A. **DWELLINGS.** We agree to indemnify **you** against **specified direct physical loss** caused by or resulting from a **named cause of loss** to the **designated dwelling**, based upon:
1. Having paid the correct assessment; and
  2. Having maintained **your** residence in the **dwelling** as required by the program; and
  3. **Our** reliance on the accuracy of the information and statements **you** have furnished; and
  4. All the terms of this contract, the Military and Veterans Code and the Regulations written to support the Code.

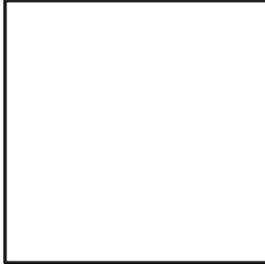
On this basis, **you** will be indemnified for **each loss** causing **specified** damage to **designated dwelling(s)** at replacement cost without deduction for **depreciation**, subject to the following options up to the lesser of:

1. The amount actually and necessarily expended to repair or rebuild the dwelling, or any part thereof, with materials of like kind and quality, and use on the same site; or
2. For no greater cost than option 1, if you elect to build a dwelling at another location; or
3. In the event of a total loss to a dwelling for which you do not elect either option 1 or 2 and elect a cash settlement, we will pay the loss in the fair market value of the damaged and/or destroyed dwelling based upon the difference in the measure of its fair market value immediately prior to the loss, and that subsequent to the loss, but in no case more than the amount required to repair or replace the damaged property.

**B. PRIVATE STRUCTURES INCLUDING FARM BUILDINGS & OUTBUILDINGS.** We agree to indemnify **you** against **specified direct physical loss** caused by or resulting from a loss due to a **named cause of loss** to the **Farm Buildings & Outbuildings** based upon:

1. Having paid the correct assessment; and
2. Having maintained **your** residence in the **dwelling** as required by the program; and
3. Our reliance on the accuracy of the information and statements **you** have furnished; and
4. All the terms of this contract, the Military and Veterans Code and the Regulations written to support the Code.

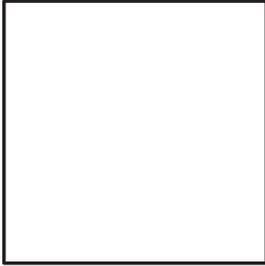
On this basis, **you** will be indemnified for **specified** loss to **private structures and Farm Buildings & Outbuildings**. **The cost to repair damage to any covered property** that is not a part of the **dwelling** will be calculated based upon the cost to repair or replace that part of the **private structure, farm building or outbuilding** and any other covered structures that are damaged or destroyed with material of like kind and quality less an allowance for deterioration and **depreciation**.



## Section 1. Persons Indemnified

We agree to indemnify only:

- A. The party named in this **contract** and in the event of their death while this contract is in force, their legal representatives.
- B. Any mortgagee and loss payee named in the application, as well as any other mortgagee or loss payee determined to 1) **HAVE BEEN APPROVED BY THE DEPARTMENT** and that 2) exists at the time of a loss, in the order of precedence and to the extent of their interest but for no more, in the aggregate, than the interest of the program participant named in the CalVet loan.



## Section 2. Property Indemnified

The property for which this contract provides indemnity is subject to any limiting language in this Indemnity Contract, the Military and Veterans Code or the California Code of Regulations Title 12.

### COVERAGE I: DWELLING

Subject to Section 3 - Property Not Indemnified, below, **we** cover **your dwelling** that includes:

- A. A residential building, not a condominium, designed for principal use as a **dwelling** place for no more than one family, including:
  - 1. Additions and extensions attached to and in contact with the **dwelling**; and
  - 2. Primary residences in the course of construction; and
  - 3. Materials and supplies to be used in constructing, altering or repairing the **dwelling**, while located on the described premises or adjacent thereto.
- B. Property Covered-Additions to Coverage

As a part of the "Coverage I: Dwelling," and subject to available limits, **we** will indemnify for the equipment and utility service structures for electric, telephone, natural or bottled gas, heating, oil, water, septic, and sanitary sewage systems that:

- (1) Are owned by the contract purchaser; and
- (2) Are located outside of the foundation or walls of the **dwelling**, but on the residence premises; and
- (3) Affect the habitability of the **dwelling**.

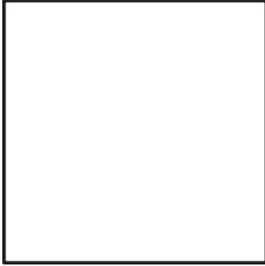
### COVERAGE II: PRIVATE STRUCTURES

The additions to coverage limits may increase the indemnification shown on CalVet's annual report of the certificate limit. Subject to the available limits, **we** will indemnify for **private structures**, including detached garages and carports located at the described premises. At **your** option **you** may apply an amount up to 20% (twenty percent) of the amount of certificate limit to repair or replace **your private structures**. This option may not be used to extend coverage to a **building** that is occupied, rented or leased in whole or in part for **dwelling** purposes (or held for such use); or is used in whole or in part for business or commercial purposes (or held for such uses).

**Extensions to Coverage - Property Indemnified**

Within the valuation limitations of and as an extension of coverage to Coverage II, **private structures, we** will provide indemnity for:

1. That portion of any bridge that is necessary for the safe and regular ingress to or egress from the **dwelling**. This indemnity will only apply when covered damage has caused an unsafe or hazardous condition. As described in SECTION 3 - PROPERTY NOT INDEMNIFIED, below, the cost of repairing, replacing or stabilizing the land under or around any bridge is not covered.
2. Piers, building foundations and retaining walls, on the residence premises that are integral to the stability of the **dwelling**. The cost of repairing, replacing or stabilizing the land under or around these devices necessary to repair damage due to a **named cause of loss** is subject to a \$50,000 sub limit.



## Section 3. Property Not Indemnified

We do not indemnify for any of the following:

A. Land

1. Land, including land underlying the **dwelling**, land value or water.
2. The cost of land stabilization, structures, apparatuses, or devices to stabilize the land, and engineering associated with land stabilization, except as provided under Coverage II, **Private Structures** “Extensions to Coverage, Property Indemnified.”

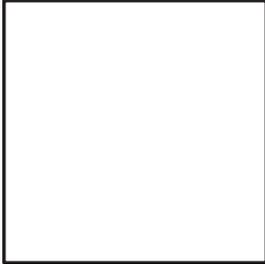
B. Personal Property of any description including, but not limited to:

1. Valuables and commercial property, meaning accounts, bills, currency, deeds, evidences of debt, money, coins, medals, postage stamps, securities, bullion, manuscripts, notes, records of accounts receivables, letters of credit, tickets or credit cards, blueprints, designs, other valuable papers or records, and personal property used in a business.
2. ALL personal property including that used in connection with any incidental commercial occupancy or use of the **building** including, but not limited to:
  - a. Animals, livestock, birds, reptiles, and fish.
  - b. Aircraft.
  - c. Automobiles, motor trucks, travel trailers, semi-trailers, motorcycles, motor scooters, and recreational vehicles of any type.
  - d. Watercraft including their furnishings and equipment.

C. Certain structures or parts of structures, including:

1. Exterior water supply systems including, but not limited to, irrigation systems, sprinkler systems, and water reclamation systems.
2. Underground structures including, but not limited to, underground pipes, cables, flues, drains, electrical supply systems and electrical lighting systems.
3. Walkways, driveways, patios, seawalls, docks, and bridges except as provided under Section 2-Property Indemnified “Coverage II -Extensions to Coverage, Property Indemnified,” Item 1.

4. Fences, bulkheads, piers, and outside walls, retaining walls, except as provided under Section 2-Property Indemnified "Coverage II Extensions to Coverage, Property Indemnified," Item 2.
5. Landscaping, trees, shrubs, lawns, plants, or growing crops, even if damaged by necessary repairs to covered property.
6. Above ground swimming pools, spas, and hot tubs including the tile or other material linking or attaching the pool, spa, or hot tub to a deck or to the **dwelling**.
7. Awnings, patio coverings, and their support structures.
8. Antennas and satellite dishes and any towers, brackets, or attachments that support or secure them unless permanently attached to the **dwelling**.
9. Any **cosmetic**, decorative, or artistic features of the property, including but not limited to works of art; items such as murals; chandeliers; mosaics; statuary or sculpture; carvings, inlays, and reliefs or bas reliefs; and fountains, aquariums, and their systems. If at the time of loss a decorative or artistic feature is serving a utilitarian purpose, the cost to repair or replace the decorative or artistic feature is not covered to the extent the cost of repair or replacement exceeds the cost of replacing it with a non-decorative, non-artistic functional replacement.
10. Exterior masonry veneer. For purposes of this exclusion, stucco and exterior chimney facings are not exterior masonry veneers.
11. Plaster, to the extent the cost to repair or replace exceeds the value of its replacement with sheetrock or drywall.



## Section 4. Losses Indemnified

A. We provide indemnity for **each loss** caused by or resulting from a **named cause of loss**.

### B. ADDITIONAL INDEMNIFICATIONS

The provisions of the following additional coverage clauses are subject to all of the terms and conditions of this **contract**, and are included within the limits of the **contract** and do not increase the certificate limits of liability but may increase the **guaranteed replacement cost coverage** limit as specified or provided for elsewhere in this **contract**. The total of the loss paid under these additional areas of coverage is limited by the “Additional Indemnification” sub-limits as well. These additional areas of indemnification include a) debris removal, b) limited building code upgrade ordinance or law coverage, c) loss mitigation coverage and in certain circumstances, d) loss assessment.

### C. ADDITIONAL INDEMNIFICATION: DEBRIS REMOVAL

**You** may apply up to 5 % (five percent) of the amount of the certificate limit as an additional amount of indemnification at the time of loss to remove debris. Within the limits of **your** coverage, **we** cover any expense **you** incur, as a result of removing debris of, on or from the property so long as the debris problem was directly caused by **direct physical loss** caused by or resulting from a loss due to a **named cause of loss** to the property. Under these provisions coverage extends to:

1. Non-owned debris from beyond the boundaries of the described premises that was physically placed on the property by loss due to a **named cause of loss**;
2. Parts of the covered property that is anywhere on the described premises; and
3. On property beyond the boundaries of the described premises as a direct result of the loss due to a **named cause of loss**.

This additional indemnification does not apply to pollutants and contaminants, or their clean up and removal costs.

### D. ADDITIONAL INDEMNIFICATION: LIMITED BUILDING CODE UPGRADE

You may apply up to 5% (five percent) of the certificate limit, at the time of loss, to complete limited code upgrade required by any ordinance or law. This means the enforcement of any ordinance or law promulgated subsequent to the original construction regulating the new construction, repair or demolition to such **dwelling**. This coverage is in addition to the limit available for the **dwelling** and will apply to repairs to the **dwelling** only.

**E. ADDITIONAL INDEMNIFICATION: LOSS MITIGATION**

Reasonable expenses incurred by you to prevent covered damage to the dwelling are also indemnified in an aggregate amount not to exceed \$2,000. In order for reimbursement under this ADDITIONAL INDEMNIFICATION to apply, the **dwelling** must be in imminent danger of covered loss and the threat of covered damage must be of such imminence as to lead a person of common prudence to apprehend damage. The provisions of the ADDITIONAL INDEMNIFICATION clauses above are subject otherwise to all of the terms and conditions of this **contract**. They do not increase the certificate limits of liability but may be added to the **guaranteed replacement cost coverage** limits.

**F. ADDITIONAL INDEMNIFICATION: SPECIAL CATASTROPHE**

This **contract** is extended to cover the indemnitee's monthly mortgage payment (principal, interest, insurance and taxes) of the indemnified mortgagor when the principal dwelling structure has suffered physical damage of the type indemnified against by this contract such that the principal dwelling structure has been rendered untenable. The period of restoration shall be from the time physical damage renders the building untenable to the time when with due diligence and dispatch the damaged building could be repaired or replaced. This period does not include any additional time required for making changes to the building with the exception of covered code upgrades.

**G. ADDITIONAL INDEMNIFICATION: LOSS ASSESSMENT FOR PUD**

We provide the following indemnification, subject to all of the terms and conditions of this **contract**, and subject to the **application** of the deductible for "ADDITIONAL INDEMNIFICATION: LOSS ASSESSMENT." The sub-limit of coverage referred below for "ADDITIONAL INDEMNIFICATION: LOSS ASSESSMENT" is the most **we** will pay under this indemnification for all claims arising out of any one covered event, regardless of the number of assessments that are assessed against **you** or the number or amount of claims **you** make under this coverage.

Assessment By **Association** of Owners: **We** will indemnify **your** share of any assessment charged by the **Association** of owners against all property owners in the common interest development, if all of the following three requirements are satisfied:

- a. Requirement One: **You** have a legal obligation to pay the amounts assessed against **you** by the **Association** of owners, and the assessment is properly and legally made as a result of a loss that is directly caused by a **named cause of loss**;
- b. Requirement Two: The assessment is not made as a result of a loss specified in "SECTION 5 - LOSSES NOT INDEMNIFIED," or loss to property not covered as specified in "SECTION 3 - PROPERTY NOT INDEMNIFIED;" and
- c. Requirement Three: The assessment is made as a result of a loss that is to property owned by one or any combination of the following three categories: (i) all members of the **Association** of owners collectively, (ii) the **Association** of owners, or (iii) **you**.

If an assessment is made as a result of a combination of (a) losses that are not indemnified,<sup>1</sup> and (b) damage to property not indemnified<sup>2</sup> and (c) loss to property that is covered, then under this additional coverage, **we** will pay only that pro rata portion of **your** share of the assessment equal to that percentage of the entire assessment that is based on covered loss that

is not excluded by the **contract**. However, with respect to common area property, within the valuation limitations of and as an extension of coverage to Coverage I: **Dwellings**, we will indemnify for an **Association** assessment for loss not covered by any policy of insurance (or within the deductible provisions of the applicable policies of insurance) for repair of:

- a. That portion of any bridge that is necessary for the safe and regular ingress to or egress from the **dwelling**. This **contract** will only apply when covered damage has caused an unsafe or hazardous condition, then only for the cost to remedy the unsafe or hazardous condition.
- b. Piers, building foundations and retaining walls, on the residence premises that are integral to the stability of the building that houses the **dwelling**. The cost of repairing, replacing or stabilizing the land under or around these devices necessary to repair damage due to a **named cause of loss** is subject to a \$50,000 sub limit.

This **contract** will pay up to the certificate limit or a total of \$50,000, whichever is less in any one occurrence for Planned Unit Development (PUD) Owner's Loss Assessment sustained by a **contract** holder and charged by a PUD **Association** arising out of the ownership of a home in the PUD. This limit includes payment for any loss assessment sustained by a contract holder for his proportionate share due to emergency repairs, code upgrades to the common areas of the property and the **application** of the deductible in any insurance policy issued in the name of the PUD and insuring a loss additionally covered by this **contract**. Additional descriptions of the sub-limits for LOSS ASSESSMENT: EMERGENCY REPAIRS, LOSS ASSESSMENT: CODE UPGRADES, and LOSS ASSESSMENT: DEBRIS REMOVAL follow below.

#### H. **ADDITIONAL INDEMNIFICATION: LOSS ASSESSMENT EMERGENCY REPAIRS**

If covered damage occurs to property covered under "COVERAGE: **DWELLING**," we will pay the cost **you** incur for reasonable and necessary emergency measures you take to protect against further damage to that property and therefore reduce loss that otherwise would necessarily be indemnified by this contract.

1. This emergency repairs coverage provides coverage up to a sub-limit of 5% of the certificate limit of coverage for an **Association** loss assessment for emergency repairs for "COVERAGE: **DWELLING**." The applicable total limit of available coverage for the "COVERAGE: **DWELLING**" will be reduced by any amount we pay for this coverage.
2. **Your** taking reasonable and necessary emergency measures to protect covered property from further damage doesn't relieve **you** of **your** responsibilities outlined in "**Your** Duties After a Loss" (CONDITIONS item no. 3).

Any amount **we** pay for losses that are subject to this sub-limit will also reduce the applicable total available limit of available coverage for "ADDITIONAL COVERAGE: LOSS ASSESSMENT."

#### I. **ADDITIONAL INDEMNIFICATION: LOSS ASSESSMENT BUILDING CODE UPGRADES**

To the extent that limits remain available for **building** code upgrades under "ADDITIONAL INDEMNIFICATION: LIMITED **BUILDING** CODE UPGRADE ORDINANCE OR LAW COVERAGE," **you** may apply the remaining amounts (up to 5% (five percent) of the certifi-

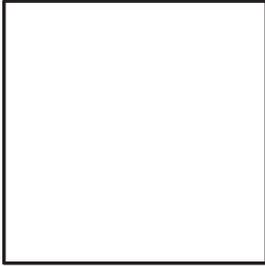
cate limit) under this coverage for **your** share of any portion of an assessment resulting from the cost of reconstruction to bring the property up to local residential **building** code standards in effect on the date of the **named cause of loss** that caused the damage, as required as part of the approval of the reconstruction permit process for repair of the covered property. Any amount **we** pay for losses that are subject to this sub-limit will reduce the applicable total remaining limit of indemnity for “ADDITIONAL INDEMNIFICATION: LOSS ASSESSMENT” as well as the overall limit with respect to the “Additional Indemnification: Limited Building Code Upgrade.”

**J. ADDITIONAL INDEMNIFICATION: LOSS ASSESSMENT DEBRIS REMOVAL**

To the extent that limits remain available for debris removal under “ADDITIONAL INDEMNIFICATION: DEBRIS REMOVAL,” **you** may apply the remaining amounts (up to 5% (five percent) of the certificate limit) under this coverage for **your** share of any portion of an assessment resulting from the cost of debris removal as described above. Any amount **we** pay for losses that are subject to this sub-limit will reduce the applicable remaining total limit of indemnity for “ADDITIONAL INDEMNIFICATION: LOSS ASSESSMENT” as well as the overall limit with respect to the “Additional Indemnification: DEBRIS REMOVAL.”

The provisions of the ADDITIONAL INDEMNIFICATION clauses above may increase the **guaranteed replacement cost** coverage limits. The provisions of the ADDITIONAL INDEMNIFICATION clauses above are otherwise subject to all of the terms and conditions of this policy. They do not increase the certificate limits of liability, or amounts recoverable as specified or provided for elsewhere in this **contract**.

1. *Including but not limited to losses specified in “SECTION 5-LOSSES NOT COVERED.”*
2. *Specified in “SECTION 3-PROPERTY NOT INDEMNIFIED”*



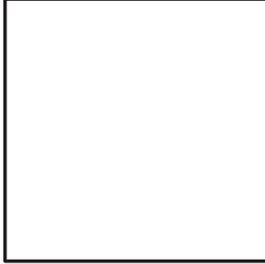
## Section 5. Losses Not Indemnified

We only provide indemnity for **specified direct physical loss** caused by or resulting from loss due to a **named cause of loss** to the indemnified property. This means **we do not** cover:

- A. Compensation, reimbursement, or allowance for:
1. Loss of use of the **designated dwelling** or premises.
  2. Loss of access to the **designated dwelling** or premises.
  3. Loss of profits derived from the **designated dwelling** or premises.
  4. Loss resulting from interruption of business, profession, or manufacture derived from the **designated dwelling** or premises.
  5. Your additional living expenses incurred while the **designated dwelling** is being repaired or is uninhabitable for any reason.
  6. Any loss or damage to any personal property.
  7. Any economic loss.
  8. Cost of defense or indemnity for any liability actions.
- B. Loss caused by, resulting from, contributed to or aggravated by any of the following:
1. Fire or lightning, windstorm or hail, smoke, explosion, riot, riot attending a strike or civil commotion, aircraft, vehicles, vandalism and malicious mischief and all other causes of loss that would be indemnified under the CalVet Form A or Form B.
- C. Losses of the following nature:
1. A loss which is already in progress as of 12:01 A.M. of the first day of the contract term, or, as to any increase in the limits of coverage which is requested by **you**, a loss which is already in progress as of 12:01 A.M. on the date when the additional coverage becomes effective.
  2. A loss caused by **your** modification or modification at **your** direction to the property or **dwelling** which materially increases the risk of a cause of loss.
  3. A loss caused intentionally by **you** or any member of **your** household.

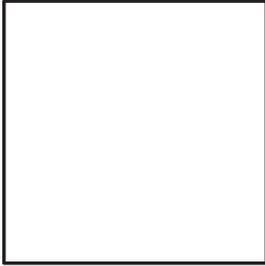
4. A loss caused by or resulting from power, heating or cooling failure, unless such failure results from physical damage to power, heating or cooling equipment situated in the **dwelling**, caused by a **named cause of loss**.
- D. This Form D contract will not indemnify against loss caused directly or indirectly by any of the following. Such loss is excluded regardless of any other cause or event contributing concurrently or in any sequences to the loss:
1. Hostile or warlike action in time of peace or war, including action in hindering, combating or defending against an actual, impending or expected attack: a) by any government or sovereign power (de jure or de facto), or by any authority maintaining or using military, naval or air forces, or b) by military, naval or air forces, any weapon of war employing atomic fission or radioactive force, whether in time of peace or war, insurrection, rebellion, revolution, civil war, usurped power, or action taken by governmental authority in hindering, combating or defending against such an occurrence, seizure or destruction under quarantine or Custom's regulations, confiscation by order of any government or public authority, or risks of contraband or illegal transportation or trade.
  2. Nuclear reaction or nuclear radiation or radioactive contamination, all whether controlled or uncontrolled, and whether such loss be direct or indirect, proximate or remote, or be in whole or in part cause by, contributed to, or aggravated by a **named cause of loss** indemnified against by this **contract**.
  3. Acts or decisions, including the failure to act or decide, of any person, organization or governmental body.
  4. Faulty, inadequate or defective planning, zoning, development, surveying, siting, design, specifications, workmanship, repair, construction, renovation, remodeling, grading, compaction, materials used in repair, construction, renovation or remodeling, maintenance, of part or all of any property on or off the described premises.
  5. Water below the surface of the ground, including that which exerts pressure on or flows, seeps or leaks through sidewalks, driveways, foundations, walls, basement or other floors or through windows, or other openings in such sidewalks, driveways, foundations, walls or floors.
- E. This contract will not indemnify against loss caused by, resulting from, contributed to or aggravated by any of the following:
1. Any electrical injury or disturbance to electrical appliances, devices, fixtures or wiring caused by electrical currents artificially generated.
  2. Mechanical breakdown, including rupture or bursting of rotating parts or machinery caused by centrifugal force.
  3. Wear and tear, mold, gradual deterioration, inherent vice, latent defect, moths, vermin or insects.
  4. Settling, cracking, shrinking or expansion of foundations, walls, floors, ceilings or roofs unless caused by a loss due to a **named cause of loss** for which indemnification is available hereunder.

5. Extremes or change in temperature, change in humidity, dampness of atmosphere or dryness of atmosphere, rust or corrosion, change in color, texture, finish or flavor, settling, cracking, shrinking or expansion, evaporation, loss of weight or leakage of contents.
  6. Infidelity or any dishonest act committed, alone or in collusion with others, by any person that may be indemnified by the contract, or by a person or persons to whom the property may be entrusted.
  7. Any unexplained loss, mysterious disappearance of property, or shortage of property disclosed in taking inventory.
  8. As respects structures in the course of construction, this contract does not cover:
    - (a) Penalties for non-completion of or delay in completion of contract or non-compliance with contract conditions.
    - (b) Cost of making good faulty or defective workmanship, material, construction or design, but this exclusion shall not apply to damage resulting from such faulty or defective workmanship, material, construction or design provided such resulting loss is proximately caused by a **named cause of loss**.
    - (c) Testing except for mechanical, aerostatic, hydrostatic and pneumatic testing.
- F. In the absence, cancellation or expiration of the CalVet Form A, this **contract** will continue to exclude all causes of loss that would have been indemnified under the Form A



## Section 6. Deductibles

- A. **Each loss to your designated dwelling** or premises is subject to a deductible provision under which **you** bear a portion of the loss before payment is made under the **contract**.
- B. The loss deductible shall apply separately to **each loss occurrence** including, within the aggregate loss, any damage to **private structures** and debris removal expense.
- C. The amount of the deductible for all covered losses shall be the greater of 5 percent (of the cost of repair) or \$500 for all loss due to **earthquake**.
- D. The amount of the deductible for **flood** shall be \$500.



## Section 7. General Conditions and Provisions

- A. **LOSS SETTLEMENT PROVISION:** Indemnified property losses are settled as follows:
1. Damage to **dwelling(s)** will be indemnified at **guaranteed replacement cost** without deduction for **depreciation**, subject to the lesser of the following options:
    - a. The amount actually and necessarily expended to repair or rebuild the **dwelling** for equivalent construction and use on the same site; or
    - b. For no greater cost than option a, **you** elect to build a **dwelling** at another location; or
    - c. In the event of a total loss to a dwelling for which **you** do not elect either option a or b and elect a cash settlement, **we** will pay the loss in the fair market value of the damaged and/or destroyed **dwelling** based upon the difference in the measure of its fair market value immediately prior to the loss, and that subsequent to the loss, but in no case more than the lesser amount required to repair or replace the damaged property; or
    - d. **You** may elect to disregard **guaranteed replacement** cost in making claim hereunder, but such election shall not prejudice **your** right to make further claim within 180 days after loss for any additional liability brought about by these provisions.
  2. Damage to **Private Structures**, (or any other covered structure that is not a **building**), is calculated based upon the cost to repair or replace that part of the structure damaged or destroyed with material of like kind and quality less allowance for physical deterioration and **depreciation** and is subject to the applicable limits.
- B. **ALLOCATION OF INDEMNITY FUNDS:** All contracts providing indemnity for loss against property damage or other loss to the **dwelling or private structures** shall be written with any loss payable to **us** and to **you**, as **our** interest may appear, and shall be in such amount or amounts, with such companies, and under such terms and conditions as may be specified by **us**. All such policies and renewals thereof shall be reported to and deposited with **us**, and in case of indemnified loss due to damage caused by a loss due to a **named cause of loss**, the proceeds of any and all such policies shall be applied to the unpaid balance of the CalVet loan contract or shall be disbursed to allow **you** to reconstruct the damaged property, all as **we** may determine.

- C. **CERTIFICATE LIMITS:** We will require and fix an initial minimum amount of indemnity limits as necessary to maintain and protect **our** interests in the collateral and increase those limits where the law requires **guaranteed replacement cost coverage** for the **dwelling** under this Contract.
1. We may modify the amount of the required indemnity at **our** own discretion. **You** shall be solely responsible for requesting in writing and maintaining such amounts of contractual coverage as may be necessary to protect **your** interest (or additional interests) in the property, and shall bear the risk of any loss in excess of the amount of indemnity or outside the scope of the indemnity in force at the time of such loss.
  2. Modifications of the required amount by **us** do not relieve **you** of **your** responsibility of notifying **us** of the need for additional amounts of contractual coverage in excess of the amount of indemnity or outside the scope of this contract in force at the time of such loss.
- D. **CONCEALMENT OR FRAUD:** We will not cover **your** interests under this **contract**, which, with respect to **your** interests, shall be void, nor can this **contract** be renewed or any new disaster indemnity contract be issued to **you** if:
1. **You** have sworn falsely, or willfully concealed or misrepresented any material fact; or
  2. **You** have done any fraudulent act concerning this coverage; or
  3. **You** have willfully concealed or misrepresented any fact on the application which causes **us** to issue a contract to **you** based on a premium amount which is less than the premium amount which would have been payable by **you** were it not for the misstatement of fact.
- In the event this **contract** is voided as a result of **your** act of concealment or fraud and CalVet has applied the proceeds of the **contract** in payment of the CalVet loan balance (under the **B. Allocation of Indemnity Funds** provision), CalVet will retain their right of recovery against you for funds expended.
- E. **SUBROGATION:** This contract shall not be invalidated should **you** waive in writing prior to a loss any or all right of recovery against any party for loss occurring to the described property. Whenever **we** make a payment for a loss under this contract, **we** are subrogated to **your** right to recover for that loss from any other person. That means that **your** right to recover for a loss that was partly or totally caused by someone else is automatically transferred to **us**, to the extent that **we** have paid **you** for the loss. **We** may require **you** to acknowledge this transfer in writing. After the loss, **you** may not give up **our** right to recover this money or do anything that would prevent **us** from recovering it. If **you** make any claim against any person who caused **your** loss and recover any money, **you** must pay **us** back first before **you** may keep any of the money recovered.
- F. **SUIT AGAINST CalVet:** No suit or action on this Form D for the recovery of any claim shall be sustainable in any court of law unless **you** have fully complied with all the requirements of this Form D, all administrative procedures required by law and not unless commenced within 12 months after the date of the loss. If **you** disagree with the decision of the third party administrator (currently CARL WARREN & COMPANY), **you** must appeal to the Chief of the Division of Farm & Home Purchases of CDVA before filing suit. If **you** disagree with the decision of the Division Chief, **you** must appeal to the Deputy Secretary of the Division of Farm & Home Purchases of CALVET before filing suit. If **you** disagree with the decision of the California Veterans Board, **you** must file a claim with the California Board of

Control before filing suit against CalVet.

- G. **CANCELLATION:** The California Department of Veterans Affairs may cancel this Form D by giving forty-five (45) days prior written notice of such cancellation.
- H. **APPRAISAL:** If **you** and the third party administrator (currently CARL WARREN & COMPANY) 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 appraiser within 60 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, the Certificate Holder or the third party administrator (currently CARL WARREN & COMPANY) may request that a judge of a court of record in the state where the property is located make the choice. The appraisers will separately set the amount of loss. If the appraisers submit a written report of an agreement to the third party administrator (currently CARL WARREN & COMPANY), the amount agreed upon will be the amount of the loss. If they fail to agree, they will submit their differences to the umpire. A decision agreed to by any two determines the amount of loss.

Each party will:

1. Pay their appraiser;
2. Bear the other expenses of the appraisal and umpire equally; and
3. Pay its attorneys fees, if any.

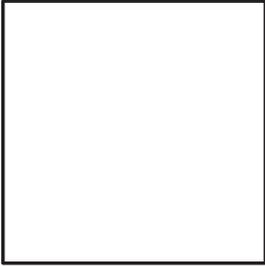
- I. **THIRD PARTY LIABILITY OR INSURANCE COVERAGE:** *This contract is an indemnity contract and is not insurance.* This contract of indemnity is intended to protect the homes financed under the CalVet Farm and Home Loan Program. If a loss covered by this disaster indemnity **contract** is also covered by insurance, **we** will pay only that part of the loss that is not covered under any policies of insurance. In the event of any disputes, **we** will take an assignment of the proceeds of the insurance contract, measure and make payment under this indemnity **contract** (subject in all other ways to the terms of the contract) and proceed in the recovery in **your** name as the named insured under that other coverage or manner of recovery. The Military and Veterans Code section 987.89 details the methodology and allocation of the recoveries. Otherwise, loss covered by policies of insurance will be treated as loss that will not be indemnified under the terms of this contract.

If there is insurance in **your** name covering the same property as indemnified by this **contract**, the indemnity provided by this **contract** shall be excess over that insurance. Where coverage exists under a National Flood Insurance Program (NFIP) policy, it will constitute insurance coverage and this **contract** will, again, only pay excess of the amount of loss paid by the NFIP policy or for loss covered by this indemnity **contract** that is excluded under the NFIP program.

- J. **AMENDMENTS. WAIVERS. ASSIGNMENT:** This **contract** cannot be amended nor can any of its provisions be waived without the express written consent of the California Department of Veteran Affairs. No action **we** take under the terms of this **contract** can constitute a waiver of any of **our** rights. No assignment of this **contract** is allowed without written permission from the California Department of Veteran Affairs.
- K. **OUR OPTIONS AFTER A LOSS:** If the California Department of Veterans Affairs gives **you** written notice within 30 days after the third party administrator (currently CARL WAR-

REN & COMPANY) receives the signed sworn proof of loss, California Department of Veterans Affairs may repair or replace any part of the damaged property with equivalent construction. **We** may, in **our** sole discretion, exercise other options after loss including the following:

1. Evidence of Loss: If **we** specifically request it, in writing, **you** may be required to furnish **us** with a complete inventory of the destroyed, damaged and undamaged property, including, within 60 days after the loss, send **us** a proof of loss, which is **your** statement as to the amount **you** are claiming under the contract signed and sworn to by **you** and furnish **us** with the details as to quantities, costs, **actual cash values** or replacement cost (whichever is appropriate), amounts of loss claimed, and any plans and/or specifications for repair of the damaged property which **you** can make reasonably available to **us**.
  2. Examination Under Oath and access to indemnified property ownership records: **We** may require **you** to:
    - a. Show **us**, or **our** designee, the damaged property, to be examined under oath by **our** designee and to sign any transcripts of such examinations; and
    - b. At such reasonable times and places as **we** may designate, permit **us**, or **our** designee, to examine and make extracts and copies of any policies of property insurance insuring **you** against loss; and the deed establishing **your** ownership of the insured real property; and the documents including the Declarations of the Planned Urban Development, its Articles of Association or Incorporation, Bylaws, rules and regulations, and other development documents if **you** are a unit owner in a planned unit development; and all books of accounts, bills, invoices and other vouchers, or certified copies thereof if the originals are lost, pertaining to the damaged property.
- L. **WHEN LOSS PAYABLE:** Loss is payable 60 days after **you** file **your** proof of loss (or within 90 days after the third party administrator files an adjuster's report signed and sworn to by **you** in lieu of a proof of loss) and ascertainment of the loss is made either by agreement between **us** and **you** expressed in writing or by the filing with **us** of an award as provided in the appraisal provision of the contract.
- If **we** reject **your** proof of loss in whole or in part, **you** may accept such denial of **your** claim, or exercise **your** rights under this **contract**, or file an amended proof of loss as long as it is filed within 60 days of the date of the loss or any extension of time allowed by the third party administrator (currently CARL WARREN & COMPANY).
- M. **ABANDONMENT:** **You** may not abandon damaged or undamaged property to **us**.
- However, **we** may permit **you** to keep damaged, covered property ("salvage") after a loss and **we** will reduce the amount of the loss proceeds payable to **you** under the contract by the value of the salvage.
- N. **LOSS CLAUSE:** If we indemnify you for damage to property sustained in a covered loss, you are still eligible, during the terms of the contract, to collect for subsequent loss due to a named cause of loss. Of course, all loss arising out of a single, continuous flood of long duration shall be adjusted as one flood loss.



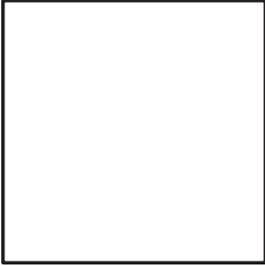
## Section 8. Your Duties in the Event of Loss

### Duties after Loss:

In the event **you** determine a covered loss or damage to covered property may have occurred, **you** must do the following:

- A. Give notice to the third party administrator (currently CARL WARREN & COMPANY) no later than 30 days from the date of discovery of such loss or damage.
- B. Protect the property from further damage.
- C. Make reasonable and necessary repairs to protect the property;
- D. Keep an accurate record of repair expenses.
- E. As often as reasonable required:
  1. Exhibit to any person designated by the third party administrator (currently CARL WARREN & COMPANY) all that remains of any property; and
  2. Submit to examinations under oath by any person named by the third party administrator (currently CARL WARREN & COMPANY), and subscribe the same; and
  3. As often as may be reasonably required, produce for examination all books of account, bills, invoices and other vouchers, or certified copies thereof if originals be lost, at such reasonable time and place as may be designated by the third party administrator or its representative, and permit extracts and copies thereof to be made.
- F. File with the third party administrator (currently CARL WARREN & COMPANY) a detailed sworn Proof of Loss within 60 days of receipt of the Proof of Loss from the third party administrator (currently CARL WARREN & COMPANY) with the following information:
  1. The date and time of the loss;
  2. A brief explanation of how the loss happened;
  3. Your interest in the property damaged (for example, “owner”) and the interest, if any, of others in the damaged property;

4. The **actual cash value** or replacement cost, whichever is appropriate, of each damaged item of covered property and the amount of damages sustained;
  5. Names of mortgagees or anyone else having a lien, charge or claim against the covered property;
  6. Details as to any contracts of insurance covering the property, whether valid or not;
  7. Details of any changes in ownership, use, occupancy, location or possession of the covered property since the contract was issued; and
  8. Details as to who occupied any covered **building** at the time of loss and for what purpose; and the amount **you** claim is due under this **contract** to cover the loss, including statements concerning:
    - a. The limits of coverage stated in the contract; and
    - b. The cost to repair or replace the damaged property (whichever costs less).
- G. Cooperate with **us** and **our** adjuster or other representative in the investigation of the claim.
- H. Document the loss with all bills, receipts, and related documents for the amount being claimed.
- I. The third party administrator (currently CARL WARREN & COMPANY) may furnish **you** with a proof of loss form, and she or he may help **you** to complete it. However, this is a matter of courtesy only, and **you** must still send **us** a proof of loss within 60 days after the loss even if the adjuster does not furnish the form or help **you** complete it. In completing the proof of loss, **you** must use **your** own judgment concerning the amount of loss and the justification for that amount. The adjuster is not authorized to approve or disapprove claims or tell **you** whether **we** will approve **your** claim.
- J. Cooperate with **us** and the third party administrator (currently CARL WARREN & COMPANY) in the adjustment and settlement of the loss.
- K. Notice to the third party administrator (currently CARL WARREN & COMPANY) shall be the same as notice to CalVet. Call CARL WARREN & COMPANY at 1-800-626-1613.
- L. **We** may, at **our** option, waive the requirement for the completion and filing of a proof of loss in certain cases, in which event **you** will be required to sign and, at **our** option, swear to an adjuster's report of the loss which includes information about **your** loss and the damages sustained, which is needed by **us** in order to adjust **your** claim.
- M. Any false statements made in the course of presenting a claim under this **contract** may be punishable by fine or imprisonment under the applicable state or federal laws.
- N. Conditions Suspending or Restricting Coverage: Unless otherwise provided in writing added hereto, **we** shall not be liable for loss occurring while the hazard is increased by any means within **your** control or knowledge.
- O. Alterations and Repairs: **You** may, at any time and at **your** own expense, make alterations, additions and repairs to the covered **dwelling or private structures** and complete work in the course of construction. However, **guaranteed replacement cost coverage** shall not apply to any alterations and/or additions to the dwelling in excess of \$10,000 unless reported in writing to the California Department of Veterans Affairs upon completion.



## **Section 9. What Law Governs**

The Military and Veterans Code, California Code of Regulations Title 12 and California common law govern this **contract**.



## Section 10. Definitions

### AS USED IN THIS CONTRACT:

1. “**Act**” means the Military and Veterans Code section 989.4 establishing the Disaster Indemnity Fund, and any acts amendatory thereof.
2. “**Actual Cash Value**” means the amount of loss will be calculated based upon the cost to repair or replace that part of the structure damaged or destroyed with material of like kind and quality less allowance as **depreciation** for physical deterioration or obsolescence.
3. “**Application**” means the statements made and signed by you or your loan agent, and giving information on the basis of which we determine the acceptability of the loan and the risk, the contract to be issued and the correct premium payment. The correct premium payment must accompany the application for the contract to be issued. The application is a part of this **named causes of loss indemnity contract**.
4. “**Association**” means the group of homeowners which manages the subdivision or planned urban development **building** in which **you**, as the equitable owner, maintain **your** residence.
5. “**Building**” means a walled and roofed structure, other than a gas or liquid storage tank, that is principally above ground and affixed to a permanent site.
6. “**Cancellation**” means that ending of the contract coverage provided by this contract prior to the expiration date.
7. “**Contract**” means the entire written contract between **you** and **us**; it includes this printed form, the application, any regulations in the California Code of Regulations Title 12 or Military and Veterans Code statutes which may be issued and any renewal certificates indicating that coverage has been instituted for a new contract and contract term. Only one **dwelling**, specifically described by you in the application, may be designated under this contract, unless application to cover more than one dwelling is made on a form or in a format approved for that purpose by the CalVet Farm and Home Loan Program.
8. “**Cosmetic**” means that damage which is decorative or superficial rather than functional and implies damage that does not affect the habitability or structural integrity of the **dwelling**. It is covered only if in conjunction with **structural** repairs.
9. “**Depreciation**” means the decrease in value of property through wear, deterioration or obsolescence.

10. **“Designated”** means the **dwelling** located on the land as identified in the property description in the CDVA loan contract.
11. **“Direct Physical Loss”** means actual loss of or physical damage, evidenced by physical changes to the **designated dwelling**.
12. **“Dwelling”** refers specifically to your individual unit in a residential structure located within the common interest development at the location specified in the CalVet loan contract.
13. **“Each Loss”** means as a single loss, all the structural loss or damage to covered property arising at the same time (within a 72 hour period) as a proximate result of a single **named cause of loss** or all the structural damage to covered property proximately ensuing from a single **named cause of loss** (within a 72 hour period). Of course, all loss arising out of a single, continuous **flood** of long duration shall be adjusted as one **flood** loss. **We** may elect the moment at which the seventy-two (72) hour period shall be deemed to have commenced.
14. **“Earthquake”** means a vibration-generating rupture event caused by displacement within the earth’s crust through release of strain associated with **tectonic processes** and includes effects such as ground shaking, liquefaction, and damaging amplification of ground motion.
15. **“Fair Market Value”** means what a willing buyer would pay and a willing seller would accept.
16. **“Flood”** means a general and temporary condition of partial or complete inundation of normally dry land area from surface water, waves, tidal water, tidal wave, overflow of streams or other bodies of water, spray from any of the foregoing, whether wind driven or not, and water that backs up through sewers or drains. **Flood** does not mean **seepage or leakage**.
17. **“Guaranteed Replacement Cost Coverage”** means the cost to actually repair or replace the damaged improvements with construction of like kind and quality at the time immediately prior to the loss without deduction for **depreciation** or physical wear and tear. This coverage shall be applicable only to a **dwelling(s)**. This extension shall not apply to alterations and/or additions in excess of \$10,000 unless reported in writing to the California Department of Veterans Affairs upon completion. If the **improvements to your dwelling** are damaged or destroyed by a **named cause of loss**, and the coverage limit on the certificate is less than the cost of repairs, we will increase the coverage limit to equal the current replacement cost of the **improvements to your dwelling** subject to the following: Payment under this provision shall be limited to the amount necessarily and actually spent to repair or replace the damaged **improvements**.
18. **“Improvements”** means the finishes, alterations, or additions comprising a part of the interior of the **designated dwelling** and meet the requirements detailed under **COVERAGE: DWELLING**. As is more fully detailed in the **contract** indemnity coverage, indemnity is extended to include alterations, appliances, and fixtures that are a permanent part of the **building** contained within the condominium unit; items of real property which pertain exclusively to the financed unit as indicated above, property which is the contract holder’s insurance responsibility as a unit owner under a corporation or Association of property owner’s agreement; or structures owned solely by you (other than the condominium unit) and located at the same premises.
19. **“Landslide”** means the sliding of a mass of loosened rocks or earth down a hillside or slope.

20. **“Manufactured home”** means a **building** transportable in one or more sections, which is built on a permanent chassis and designed to be used with or without a permanent foundation when connected to the required utilities. The term “manufactured home” does not include park trailers, and other similar vehicles.
21. **“Mobile home”** means a manufactured home.
22. **“Mudslide”** means a slow, viscous mudflow down a gradual slope.
23. **“Named cause of loss”** means **earthquake, volcanic eruption, mudslide, landslide** and/or **flood**.
24. **“Private structures”** means one or more enclosed, roofed **buildings** (other than the described **dwelling**), including secondary residences, appertaining to the described premises and located thereon, but not structures used in whole or in part for commercial, or manufacturing purposes nor any structure (except structures used principally for private garage purposes and residences) which are wholly rented or leased to other than a tenant (assuming written permission from the department) of the **dwelling** covered hereunder. Private structures do include farm buildings and outbuildings located on a farm.
25. **“Seepage or leakage”** means continuous or repeated **seepage or leakage** of water or steam over a period of time from within a plumbing, heating or air conditioning system or from within a household appliance.
26. **“Specified”** means **structural** loss or damage to covered property arising at the same time as a proximate result of a single **named cause of loss** or all structural damage **improvements to your dwelling** with construction of like kind and quality at the time immediately prior to the loss without deduction for depreciation or physical wear and tear. This extension of coverage shall be applicable only to the **improvements to your dwelling**. This extension shall not apply to alterations and/or additions in excess of \$10,000 unless reported in writing to the California Department of Veterans Affairs upon completion.
27. **“Structural”** means damage that markedly diminishes the structural integrity and/or habitability of the **dwelling**. This implies damage that is markedly distinct from that which could be categorized as decorative or superficial. (See **“cosmetic”** as a contrast.)
28. **“Tectonic Processes”** means natural adjustments of the earth’s crust that are wholly in response to regional stress conditions caused by natural dynamic forces within the earth’s interior and not initiated, in whole or in any part, by any human activity.
29. **“Volcanic Eruption”** means a bursting forth or out of ash or lava from a volcano.