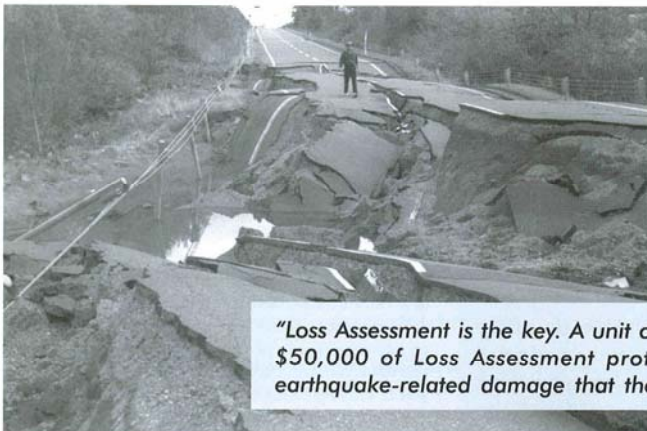


Earthquake Insurance for Condominium Owners

The California Earthquake Authority

by Matthew Lawton



"Loss Assessment is the key. A unit owner can purchase a CEA policy with \$50,000 of Loss Assessment protection which can be used for most earthquake-related damage that the association assesses."

If you are a condominium owner your CEA policy would help you replace damaged contents, make emergency repairs to your condo, cover emergency living expenses, and more. The policy would not help you rebuild the structure, since you do not "own" the entire building. An individual unit owner cannot get earthquake insurance to cover the exterior structures, buildings or common areas, only the association can. So whether your association has earthquake coverage or not, here is how the coverage works on a California Earthquake Authority policy, as it relates to condominiums:

Regular insurance policies do not generally cover earthquake damage. Whether you are a homeowners association, a condominium owner, or a renter—you need to get a separate earthquake policy. Over the past two years, community managers have been seeing dramatic changes in the earthquake insurance policies for homeowners associations. However, many managers get asked about earthquake coverage for the individual unit owner. The association's earthquake policy would take care of the buildings and common areas, but what about the unit owner's personal belongings? How would those get taken care of in an earthquake? The answer is the California Earthquake Authority (CEA).

The CEA is a privately financed, publicly managed entity that offers residential earthquake insurance to California homeowners, renters, condominium owners, and mobilehome owners through its participating insurance companies. In order for a homeowner to get a CEA policy, they must go through an insurance agent who can offer a CEA policy. Companies such as the Automobile Club, Mercury Insurance, Prudential, Farmers and others can offer their insureds a CEA policy.

Real Property: Up to \$25,000 to repair structure components such as interior upgrades, interior walls, cabinetry, plumbing, electrical fixtures and more. A deductible of 15% applies.

Personal Property: Up to \$100,000 in coverage for personal belongings such as furniture, clothing, electronics and more. A deductible of \$750 applies.

Loss Of Use: Up to \$15,000 to pick up the cost of alternative housing and extra expenses following a claim. There is no deductible for Loss of Use.

Loss Assessment: Up to \$50,000 in protection for the unit owner to cover assessments for the homeowners association – (read more below). A deductible of 15% applies.

Deductibles: As always, deductibles are not required to be paid before a policy pays out. The deductible is simply deducted from your claim check.

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TWO KEY POINTS:

1. A CEA policy will not replace the association's master earthquake policy. Remember, the association's master earthquake policy will take care of the buildings and common areas. The maximum coverage a unit owner may purchase for real property is limited to \$25,000. There is a clear line in the sand as to the association's and the unit owner's responsibility.
2. Loss Assessment is the key. A unit owner can purchase a CEA policy with \$50,000 of Loss Assessment protection which can be used for most earthquake-related damage that the association assesses. For example, it can be used to cover an uninsured loss to the association or it can be used to cover the association's earthquake deductible. Let's say you have a 100-unit association. If every unit owner purchased Loss Assessment coverage on their own CEA policies, this coverage would turn into \$5,000,000 of earthquake coverage. The best part about Loss Assessment on a CEA policy is that it is extremely affordable.

So, that's basically how a California Earthquake Authority policy for a condominium owner works. Should you get a CEA policy? It's a personal choice, but many folks say that if you can afford it, then you should get it. The cost of a CEA policy varies based on the county, coverage and whether the association carries a master earthquake policy. Generally, the premium is quite reasonable and it's a great value if you really think about it. How much is a hotel room for two weeks? How does the idea of replacing all of your belongings on your own sound? What if your HOA does not have earthquake coverage and they assess each unit owner to rebuild the property? The \$50,000 of Loss Assessment coverage would be very helpful. A well thought out policy can provide a valuable benefit in a time of need.

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For further information on the California Earthquake Authority, contact your personal insurance agent or visit: www.EarthquakeAuthority.com.