

# Earthquake Insurance for Individual Condominium Unit Owners has us “all shook up”...

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If individual unit owners are concerned about earthquake coverage (and who in Southern California isn't), buying individual unit owner earthquake coverage is imperative. Most residences in the State of California will be provided earthquake coverage from the State-run program called the California Earthquake Authority (See [www.earthquakeauthority.com](http://www.earthquakeauthority.com) for details). Whether you buy the coverage from the State or a private carrier, there are four basic coverage offered to condominium residents:

- **Earthquake Loss Assessment Coverage** - The normal loss assessment coverage under most individual owner policies specifically excludes a special assessment by the Board of Directors that may occur due to damage caused by earthquake. As a result, it's important that you contact your agent or broker and have this special coverage included as part of your earthquake policy.

For example, if the deductible on the Master Policy is ten percent (10%) of the buildings value, it's likely that the Board of Directors would have no other alternative but to levy a special assessment against all of the unit owners in the building to cover that deductible.

This is true even though some units may not be affected by the earthquake. Those unit owners will still be called upon to pay for their proportionate share of earthquake damage elsewhere in the project.

NOTE: In order to determine approximately how much Earthquake Loss Assessment Coverage you'll need, you can estimate the approximate "worse case" special assessment by multiplying the total amount of building coverage maintained by the Association times the percentage deductible stated on the declarations page of the Association policy and dividing the outcome by the number of units in the project.

- **Earthquake coverage on Personal Property** - This portion of the individual unit owner's earthquake policy would protect the contents within your condominium unit, such as clothes and furniture against loss due to earthquake.

- **Earthquake "Loss of Use" Coverage** – If there is a large earthquake loss, the unit may become uninhabitable. This portion of the individual unit owner's earthquake policy would pay for necessary extra expenses (hotel, restaurants, etc.) while the condominium unit is being restored due to damage from a covered earthquake. Most policies limit this coverage to 12 months.

- **Earthquake - Real Property Coverage** – Designed to compensate an individual unit owner for those earthquake-damaged structural elements of the unit – specifically those items not insured by the Master policy.

Considering the changes that have likely occurred on the Master Policy protecting the Association -- whether a full-time resident or a seasonal occupant of your home --maintaining the proper individual

unit owner coverage has never been more important. There are several dozen carriers offering individual unit owner coverage in your area of California.

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**About the Author:** Tim Cline, CIRMS, is President of Timothy Cline Insurance Agency, Inc. of Santa Monica. Tim is a past President of the Greater Los Angeles Chapter of Community Associations Institute, a former Chair of the CAI National Insurance and Risk Manager Professionals Networking Committee and currently on the Board of Directors of the Los Angeles Chapter of the Insurance Brokers and Agents Association of the West.

This letter contains only a general description of coverage and is not a statement of contract. For a more detailed description of the policy conditions and exclusions, please consult the policy itself.

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