



## California Earthquake Authority rate change on January 1, 2012 is a mixed bag for Common Interest Developments.

The official word from the California Earthquake Authority (CEA): Earthquake rates in California are going down. Well, sort of. If you own a single family home, you'll be seeing a rate decrease when your CEA homeowners insurance renews. But that may not be true for many owners in common interest developments.



In our opinion, for condominium residents the rate changes, which become effective on January 1, 2012, are both good and bad. The two most critical coverages offered by the CEA for condominium dwellers are **Earthquake Loss Assessment** coverage (protection against a special assessment levied by the Board to cover the deductible, or uninsured earthquake damage to the Common Area) and **Real Property** coverage (for those built-in cabinets, electrical and plumbing fixtures not covered by the Association). The rates for both these coverages are going up:

- The premiums charged for **Real Property** coverage will be going up an average of 20.9%; and
- The premiums charged for **Earthquake Loss Assessment** coverage will be going up an average of 5.9%.

To offset these higher rates, the cost of coverage for **Personal Property (Contents)** and **Loss of Use** coverage will be going down an average of 31.5%. If a condominium unit owner maintains all four coverages, they should see an overall net decrease in premium. It's been our experience, however, that many condominium residents only buy the coverages that are, in their opinion, the most critical. They can replace their furniture and contents at some future date, but the special assessment the Board will levy to cover the Master earthquake policy (or any shortfall) will be due and payable once levied.

Since these new rates don't become effective until January 1, 2012 there is a window of opportunity to lock-in the lower rate --- that is, if you contact your personal lines insurance agent/broker early. Remember that the CEA coverage is only available if you have an underlying **Condominium Unit Owner Policy** (HO6) with a participating carrier. There are currently 19 companies who write their earthquake coverage via the State-run program, including the larger personal lines carriers in California – State Farm, Farmers, Allstate and Auto Club.

Here are some other important changes impacting condominium owners which take place on January 1, 2012:

- For the first time, the CEA will be offering higher limits for **Loss of Use coverage**. This coverage is designed to protect an individual unit owner for those additional living expenses incurred should the unit

be rendered uninhabitable after a covered earthquake event. Previously, the CEA only offered \$15,000 of protection – as of January 1st, the owner can purchase up to \$25,000 of Loss of Use coverage.

- The CEA will expand its options of **Earthquake Loss Assessment** Coverage from formerly two different choices to three. Now, in addition to the existing \$50,000 and \$75,000 limits for Loss Assessment coverage, the CEA is offering a lower \$25,000 option.

<b>\$50,000 Earthquake Loss Assessment Coverage</b>		
	<b>Old Rate</b>	<b>New Rate (1/1/2012)</b>
<b>San Francisco 94108</b>	\$450	<i>\$496</i>
<b>Los Angeles 90025</b>	\$300	<i>\$325</i>
<b>San Diego 92120</b>	\$116	<i>\$103</i>
<b>Tarzana 90802</b>	\$450	<i>\$496</i>
<b>Sacramento 95826</b>	\$116	<i>\$103</i>



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