

For Individual Condominium Owners

California Earthquake Authority Offers Earthquake Insurance



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Just because you live in a condominium complex does not mean that you do not have to worry about earthquakes – or earthquake insurance. Most, if not all, CC&Rs require individual unit owners to carry property insurance for individual condominium elements, such as interior fixtures and unit contents. This requirement may or may not expressly prescribe insurance against losses specifically occasioned by an earthquake. Oftentimes, the CC&Rs fail even to mention earthquake insurance, so an owner must make his or her own fiscally prudent decision about including earthquake insurance as part of their property damage insurance coverage. Earthquake insurance is available to individual condominium unit owners through the California Earthquake Authority, or CEA. (Note: this article does not address the earthquake insurance options available to your association to cover losses to common area elements, such as bearing walls and roofs.)

Earthquake insurance is property insurance with benefits triggered by the specified event of an earthquake. It became especially popular after the devastating Northridge Earthquake in 1994. Created following that natural and economic disaster, the CEA is a privately financed public entity that offers basic earthquake insurance for California homeowners, renters, condominium owners, and mobilehome owners, allowing them to protect themselves, their homes, and their loved ones from earthquake losses.

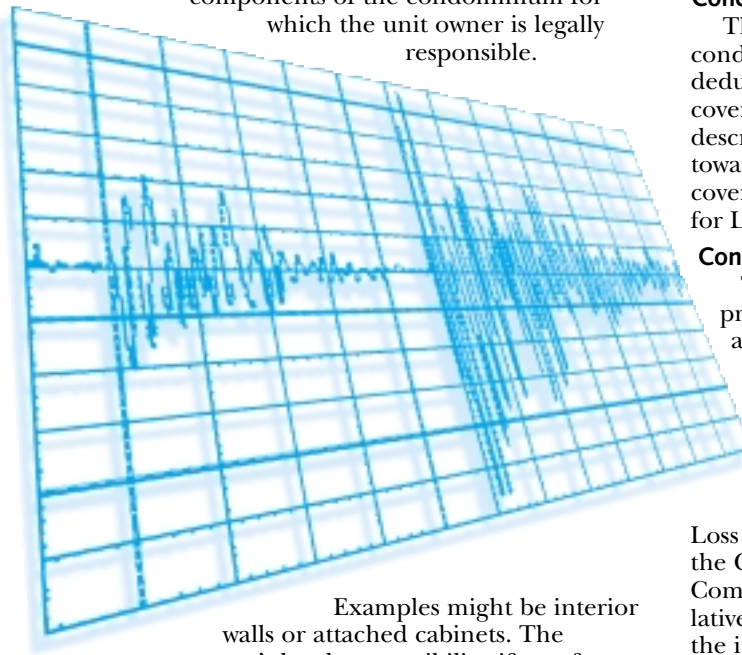
A CEA earthquake policy provides a number of important benefits including money to rebuild the damaged building

and replace damaged contents, to make emergency repairs, to bring the home into compliance with newer building codes during rebuilding, and to cover emergency living expenses. However, as with any other property insurance policy, the CEA's earthquake policy contains a number of limits and exclusions which are too numerous and detailed to discuss here.

Available Coverages

For condominium owners, the CEA offers the following coverages:

Real Property coverage, providing up to \$25,000 to repair or replace structural components of the condominium for which the unit owner is legally responsible.



Examples might be interior walls or attached cabinets. The owner's legal responsibility, if any, for these sorts of items would generally be found in the CC&Rs. Building Code Upgrade coverage is also included when the Real Property coverage is purchased.

Contents coverage, providing up to \$5,000 to repair or replace items of personal property such as furniture and housewares, as identified in the policy. **Loss of Use coverage** is also included when the Contents coverage is

purchased. An owner must purchase Supplemental coverage for higher limits.

Loss Assessment coverage pays for certain earthquake damage assessments made against the individual homeowner by the homeowners association. Amount of coverage available depends on market value of the condominium.

Condominium owners can customize their CEA policy by choosing from among the available basic and supplemental coverages, and there is no requirement that all coverages be purchased as a package.

Deductibles for CEA Condominium Policies

There is a 15% deductible on a CEA condominium owners policy. The deductible is determined coverage-by-coverage – meaning only damage described under a given coverage counts toward meeting the deductible for that coverage (except there is no deductible for Loss of Use).

Conclusion

There are a number of CEA policy providers, including companies such as State Farm, Allstate and USAA. Different insurance companies offer different options at different prices. It pays to shop wisely through an experienced insurance agent.

Finally, it is interesting to note that Loss Assessment coverage was added to the CEA's menu of options after the Community Associations Institute's legislative action committee worked to push the item through the legislature over the objections of the insurance commissioner and sponsors of the original bill. Today, the CEA is currently reviewing its coverages for condominium owners, so keep your eyes open. You can check the CEA's website at <http://www.earthquakeauthority.com> for more information, including information on earthquake preparedness for you, your family and your property. ■