

GARDEN HOMES MAINTENANCE ASSOCIATION

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Dear Garden Homes Maintenance Association Unit Owners;

Your Board of Directors has asked me to provide you with some information and background regarding the Association's potential purchase of Earthquake Insurance. I hope the items provided here are easy to understand. If you are confused, or have further questions, please do not hesitate to contact my office at your convenience.

First off, and slightly off the subject, I am told that your zip code has recently changed from 92612 to 92603. Some of the owners in the Association have reported a reduction in auto and other condo insurance premiums since the new zip code change. You may want to contact your personal lines insurance agent to see if this reduction also applies to you.

As a condo unit owner, you are required to maintain the space you occupy, and the Association maintains the structure and common areas of the complex. To insure these items, the Association carries a Property and General Liability policy with a \$5,000 deductible. On this policy, damage to interior floor coverings (carpet, hardwood, etc.), wall coverings (wall paper, paint, etc.) and ceiling coverings (paint, popcorn, murals, etc.) **is excluded**. You can purchase individual condo coverage from your personal lines agent. If you have a condo unit owner's policy already in force, you have at the least a minimal amount of coverage for these items. You should contact your agent to increase the limit. If you do not have a condo owner's policy, I suggest you contact an agent and obtain a quote. The significant cost is not in the insurance premium, but in what you pay after a loss for which you were not insured.

Along with coverage for interior property and personal property, you can elect to add at a very minimal charge coverage for Loss Assessment from the Association. This is not Special Assessment coverage, like those assessments for repaving streets or re-roofing buildings. Those are maintenance items and cannot be insured. The Loss Assessment coverage is provided to protect you should the Association sustain a loss and the Association's insurance policy coverage is not sufficient to pay for all the repairs. Please note, Loss Assessment does not typically apply to the Association Master Policy deductible.

With all of that, it is important to note, in the event of an earthquake, none of the insurance coverage discussed above applies. Earthquake loss is explicitly excluded on the Association Master Policy and any condo unit owner's policy you have in force or may put in force. However, there are ways for you to protect yourself in the event of a loss due to an earthquake. Because your home is a condo, and you don't own the structure (the Association owns the structure), the Association is the only one who can purchase primary insurance for the buildings. Earthquake policies are available for the Association and proposals have been presented to the Board of Directors for review.

You can purchase individual earthquake personal property coverage and Earthquake Loss Assessment coverage through the California Earthquake Authority (CEA) or another

organization or insurer. Earthquake Loss Assessment coverage applies to any assessments you would receive from the Association as a result of an Earthquake loss. With the CEA, the coverage limit for the Earthquake Loss Assessment portion of the policy is a maximum of \$50,000 with a \$7,500 deductible. Premiums for earthquake coverage can range from \$150-\$300+ depending on the levels of additional coverage you purchase (i.e. personal property, interior property, etc.). The California Earthquake Authority has a premium calculator at www.earthquakeauthority.com. If the Association does not maintain an Earthquake policy, premium estimates may be higher.

I hope this information helps in your understanding some of the finer points of condo ownership and insurance.

Regards,
Michael Berg
Agent
Berg Insurance Agency, Inc.