



Oregon's largest insurance provider of condominium and association insurance.

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INDUSTRY NEWS, TIPS, TRICKS, & RESOURCES

Earthquake Options for Unit Owners

While most community associations' governing documents do not require the association to purchase earthquake insurance, many associations in Oregon and Washington choose to carry an earthquake policy and share the cost among the unit owners. Typically, it is more cost-effective to carry earthquake insurance at the association level rather than having each unit owner insure for earthquake damage individually.

Unit owners can purchase standalone earthquake policies to cover damage to their unit. However, the maximum limit available in the current marketplace is \$100,000 of earthquake coverage on a unit owner's policy. This will leave a shortfall of coverage for the replacement cost of the entire unit. These policies also may limit other necessary coverages.

If your association carries earthquake coverage, there will be a percentage deductible (often 5% or 10%) that must be met in the event of a loss. This percentage is calculated from the replacement value of any buildings damaged in an earthquake event. Regardless of which units are damaged, the association will look to all unit owners to pay their share of the percentage deductible based on percentage of ownership. Unit owners can self-insure their share of the deductible, or they can purchase an earthquake policy with earthquake loss assessment coverage to cover their portion.

Some associations do not or cannot carry an earthquake policy at the full building value and instead carry an earthquake limit that covers only part of the association's replacement cost. In these cases, the remaining exposure is transferred to the unit owners in the form of a special assessment. Often, the exposure is much higher than the amount of earthquake loss assessment coverage a unit owner can purchase. In the current

market, \$100,000 is the maximum available for unit owner earthquake policies with loss assessment coverage.

Example: Alex is a unit owner at ABC Condominium Association, a high-rise building consisting of 125 units. The replacement value of the building is \$105,000,000. The association has an earthquake policy that does not cover the full building value. The policy has a limit of \$30,000,000 with a 5% deductible.

The building is damaged in an earthquake, and it is determined that the entire building must be rebuilt. The deductible amount of the association's earthquake *Continued on next page.*

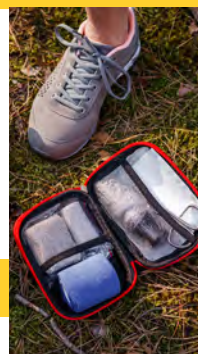


Be Prepared

September is

National Preparedness Month

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policy is calculated at \$5,250,000 (5% of \$105,000,000). Each of the 125 unit owners is responsible for a share of the deductible based on their percentage of ownership. At Alex's association, all owners share an equal percentage of ownership, and each owner is assessed \$42,000 to cover the association's deductible (\$5,250,000 divided by 125 units). Alex has a unit owner earthquake policy with loss assessment coverage at a limit of \$50,000, and the policy covers the \$42,000 that Alex owes towards the association's deductible.

However, after the association's deductible is met, the \$30,000,000 earthquake limit is then exhausted. The remaining \$75,000,000 of building value becomes the responsibility of the unit owners via special assessment.

Each unit owner is assessed \$600,000 (\$75,000,000 divided by 125 units) in addition to the \$42,000 towards the association's deductible. Alex owes an additional \$600,000 that Alex's earthquake policy does not cover.

For associations that do not carry an earthquake policy at the full building value, there are association-specific, opt-in programs available that are tailored to the association. These programs allow unit owners the option to purchase significantly higher levels of assessment coverage and are structured to complement any earthquake insurance carried at the association level. It is important to note that not all associations are eligible for these opt-in programs, and each association has unique circumstances to consider.

Unit owners should consider purchasing an earthquake loss assessment policy designed to fit their needs and complement the association's earthquake coverage. Associations that do not carry the full building value on their earthquake policy should consider taking advantage of an opt-in program (if available) to allow unit owners a way to cover their additional exposure.



meet team member
Emily Goldt

senior account manager

Where were you born?

Kansas City, Missouri

How did you come to ABI Insurance?

I joined ABI's Community Association Team in August 2021 after working four years in personal and commercial lines for American Family Insurance.

Describe your role at ABI Insurance.

I am the team's senior account manager and wear many hats in my current role. I help ensure that our associations' renewals are completed. I answer coverage questions and attend calls for community managers and board members, monitor claims and loss control, and train team members.

Tell us about your family.

I currently live in Hillsboro with my partner of three years, Joshua.

Do you have any pets?

We have two cats, Bojack and Fig.

What was your first job?

I worked at the Hallmark store at the local mall in my hometown.



Get to know our team. In upcoming newsletters, we will introduce you to members of ABI's Community Association Team. As Oregon's largest provider of condominium and association insurance, we are a full-service agency ready to help you with your insurance needs.

To learn more about Emily visit: <https://tinyurl.com/mbhfk9un>



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