

Improving Earthquake Insurance Coverage for a Very Large Condo Association Board

An Alera Group company based in Southern California was asked by the board of directors of a 400-unit condominium building to provide a bid for its earthquake insurance coverage. The condo association had recently been required to issue a claim payout that was prohibitively expensive and learned through that process that its coverage was far more extensive and costly than it had realized. The board of directors approached Alera Group because of its expertise as a leading provider of insurance to condo associations.

Process

Alera Group began by reviewing the existing policies, noting that the condo association's current coverage had a 20 percent deductible – which meant that if an earthquake happened, the individual condo unit owners would have to collectively come up with a massive amount of money to pay that deductible. Alera Group began pricing other options, including different types of coverage, in order to reduce the deductible amount (and, ultimately, the financial burden to the individual unit owners), while maintaining comprehensive “bare walls” earthquake coverage.

Challenges

It's extremely expensive to provide earthquake coverage to condo associations, and very few companies can do so. If a property limit is valued at more than \$75 million, only three insurance carriers have the ability and willingness to take on that challenge, which requires the carrier to purchase intricate and expensive reinsurance. Because this condo complex had an \$80 million property limit, there were very few carriers willing to engage with them.

Alera Group utilized its strong relationships with the few carriers that can reach the high property limit and presented a better option for the board of directors to consider.

Results

Because of Alera Group's diligence and expertise as a leader in condo association insurance, the association has realized the following benefits:

- A more favorable earthquake policy with “bare walls” coverage
- Placement with a preferred insurance carrier that has the know-how and sophistication to serve a large complex
- Policy premium savings of \$120,000 (since 2014)

The board of directors has since given Alera Group several referrals and continues to turn to Alera Group for its earthquake insurance needs.