

## BEVERLYWOOD WEST HOA

January 19, 2007

Dear Homeowners,

The Board at BWW is facing a critical decision regarding the continuation of earthquake insurance coverage for the association because of the recent major escalation of the cost of this insurance. Largely as a result of recent losses related to hurricanes in other parts of the country, the insurance industry has re-evaluated its risks related to earthquakes and has greatly increased the cost to us for earthquake insurance coverage.

Last year the association paid \$52,693 for earthquake insurance or \$338 per unit or \$28 per unit per month. The insurance purchased last year provided \$10,000,000 of coverage with a 15% deductible. The Board budgeted \$75,000 for coverage this year or \$481 per unit or \$40 per month. Insurance quotes for coverage in 2007 are currently priced at \$50,000 per million dollars of coverage with a 5% deductible. This would result in only \$1,500,000 of coverage for our budgeted \$75,000, but with a reduced deductible. If the association were to accept responsibility for the first \$2,500,000 of damages caused by an earthquake, we could get \$2,500,000 coverage rather than \$1,500,000 for the same price. With this coverage each homeowner would be responsible for damages up to \$16,025 or more if some owners were unable to pay their assessments. More insurance could be purchased, but monthly dues would have to be increased to pay for it.

Insurance rates are currently based on a 1% chance per year of an earthquake which would result in \$5,000,000 in damage to our association. (However, this is only a guideline. Seismologists are still unable to predict with any certainty when, where, or with what magnitude an earthquake may occur.) At current rates coverage for such an event would cost \$250,000 per year or well over \$1500 per unit. At the December 2006 meeting the Board decided to wait until the end of the year before deciding about renewal of earthquake insurance to see if market conditions would improve as expected after the first of the year. The only change to date is a reduction of the deductible from 25% to 5%. At this moment we have no earthquake insurance coverage.

We are not alone in this situation. Other homeowner associations have decided to go without earthquake insurance because of the unfavorable market conditions, There is still limited hope that the market may stabilize and prices would come down. Other associations are also polling their membership to determine whether to continue their insurance coverage regardless of the cost. The Board needs a response within 10 days to the attached survey questionnaire about your feelings regarding continuation of earthquake insurance coverage.

Regardless of how you feel regarding earthquake insurance for the entire association, the Board continues to strongly recommend that individual homeowners purchase Earthquake Loss Assessment Insurance available from the California Earthquake Authority. This may be purchased through your primary insurance carrier for \$86 per year if the association has an earthquake insurance policy or \$195 per year if we don't. This provides \$50,000 of coverage with a \$7,500 deductible against assessments made by the board to repair damage caused by an earthquake. For further information go to [www.earthquakeauthority.com](http://www.earthquakeauthority.com).

For The Board of Directors

Thank you,  
Kathleen Norman

# BEVERLYWOOD WEST HOMEOWNERS ASSOCIATION

This Opinion Poll is extremely important and we ask for your cooperation in providing your opinion. Your responses will give us insight into providing earthquake insurance and will form the basis for a future decision. Please be assured your responses will be kept confidential. **Please return your opinion to Classic Property Management in the enclosed envelope by January 30, 2007.**

Thank you very much.

BWW Board of Directors

Please place an "X" in the box that best qualifies your feelings for the following questions:

	No opinion	Strongly Agree	Agree	Disagree	Strongly Disagree
I would like to continue earthquake insurance for the association at the current cost of \$50,000 per million dollars of coverage.					
I would like earthquake insurance for the association based on current budget levels of \$75,000 per year.					
I would like earthquake insurance for the association at higher levels of coverage than currently budgeted, increasing monthly dues					
I would like earthquake insurance for the association only if costs decrease to lower levels					
I don't want earthquake insurance for the association at this time.					

Please provide comments regarding earthquake insurance for the BWW Homeowners Association.


Contact Information:

Name: \_\_\_\_\_

Address: \_\_\_\_\_

Phone Number: \_\_\_\_\_

E-mail: \_\_\_\_\_