

Q & A

1. Q. What is the difference between options: “A - Standard Package” and “B - Basic Coverage - Dwelling Only?”

A. “A - Standard Package” includes (1) the Dwelling Value (2) Personal Property at 30% of the Dwelling amount & (3) Loss of Use/Fair Rental Value at 10% of the Dwelling amount. Whereas “B - Basic Coverage” only includes the dwelling and if you live in a condo or townhouse \$50,000 for earthquake loss assessment. If you select option “B - Basic Coverage” you will pay less for insurance and but you will also pay of pocket for repair or replacement of your personal property and either the loss of rents if your property is a rental or your extra expense associated with living elsewhere while your home is repaired.

2. Q. What is the deductible and how is the dollar amount determined?

A. Individuals can choose either a 5% or a 10% deductible. The cost of insurance is the same for both options, however, coverage for masonry veneer differs. (See question #3)

The deductible clause in the policy reads:

The deductible percentage that applies to this policy is shown on the DECLARATIONS page. The deductible amount is a percentage of the combined single limit of insurance for “COVERAGE A: DWELLING” or “COVERAGE C: PERSONAL PROPERTY,” whichever is higher.

In nearly every case the “limit of insurance” for the DWELLING will be higher than the PERSONAL PROPERTY limit so the deductible, either 5% or 10%, will be calculated against “COVERAGE A: DWELLING.”

Example: If the limit of insurance is \$250,000 and you choose a 10% deductible, damage to your home from an earthquake must exceed \$25,000 before the policy will contribute to the cost of repair. **Important: Homes built of masonry construction, such as concrete or cinder block, are not eligible for this product.**

3. Q. If the cost for both a 5% or 10% deductible is the same why would I choose a 10% deductible over a 5% deductible?

A. Homes with a significant percentage of brick or stone, “exterior masonry,” should consider a 10% deductible. Homes without, should elect the lower 5% deductible. This is because the 5% deductible option EXCLUDES masonry veneer. With the 5% option, the cost to restore/repair “exterior masonry” does not apply to the deductible. The 10% deductible option INCLUDES “exterior masonry.”

If the home you are insuring is a CONDO or TOWNHOUSE *and* the association has responsibility for maintaining the exterior of the building, a 5% deductible option is likely the better value. A single family home, (non condo/townhouse,) with some “exterior masonry” might use the following formula to determine which deductible will be the best value:

Step #1) What is the “limit of insurance” for the dwelling?

Step #2) Based on the limit determine the dollar amount for a 5% deductible and a 10% deductible.

Step #3) Subtract the two amounts.

Step #4) If the subtracted total is less than the estimated cost to repair/replace the exterior masonry veneer of the dwelling, then the 5% deductible is likely the best value. If the amount is higher, a 10% deductible will likely result in a smaller out of pocket cost.

Example: Single family unattached home. Dwelling limit is \$300,000. The expected cost to replace the masonry veneer is \$50,000.

Step #1) Dwelling amount = \$300,000

Step #2) A 5% deductible is \$15,000 ($\$300,000 \times 5\% = \$15,000$) a 10% deductible is \$30,000, ($\$300,000 \times 10\% = \$30,000$)

Step #3) $\$30,000 - \$15,000 = \$15,000$

Step #4) Because the expected replacement cost for masonry veneer is *over* \$30,000 generally the better value will be the 10% deductible option. If the estimated replacement value for masonry veneer is *less* than \$30,000, a 5% deductible will generally be the better value.

Disclaimer: The insurance policy is subject to terms, conditions and exclusions not described in this Q&A. The policy contains the specific details of coverage, terms, conditions and exclusions and supersedes all other product information.

4. Q. If an earthquake destroys over 75% of townhouse/condominiums in the association, and the unit owners elect not to rebuild, how will the policy respond in this scenario? *(This question is only applicable to condos and townhouses)*

A. The following selection is language from the insurance contract pertaining to “Loss Settlement:”

Loss Settlement: Coverages A

Our liability for any loss to property insured under “COVERAGE A: DWELLING” will not exceed the smallest of the following:

- (i) the replacement cost at the time of loss;*
- (ii) if the damaged property has been actually repaired or replaced, the amount actually and necessarily spent to repair or replace the damaged property; or*
- (iii) the applicable limit of insurance or any applicable sublimit(s)*

This is a unique and favorable provision because even if you do not rebuild, the claim will be either the amount of insurance or the replacement value of your dwelling depending on which is smaller. Most earthquake policies will only pay “actual cash value,” which first subtracts depreciation if your Dwelling is not repaired/replaced.

5. Q. What is earthquake loss assessment coverage? *(This question is only applicable to condos and townhouses)*

A. Earthquake loss assessment responds when your association issues an assessment to cover costs related to damage caused by an earthquake. There are several scenarios that could trigger this coverage. A few examples: (1) The association has no earthquake coverage and issues an assessment to cover repair costs related to building damage. (2) The association has earthquake coverage but assesses each owner to cover the expense related to the deductible on the association’s policy.

Coverage can be purchased for limits between \$50,000 and \$250,000. See question #2 regarding how to determine the applicable deductible.

6. Q. If a major earthquake occurs, will the insurance company be able to financially handle the loss? Who will I contact?

A. A multi-billion dollar event could devastate even the largest insurance companies. The way companies handle this exposure is to purchase reinsurance. For example, on 9/11/2011 the World Trade Center was insured by several insurance companies sharing the risk. TOPA Insurance Company, rated A- VII (Excellent) by AM Best, is an “admitted” insurance carrier in the State of Utah. Like the World Trade Center example TOPA Insurance Company uses reinsurance to hedge against catastrophic losses.

In the event an earthquake occurs, and your home is damaged, we will be your first point of contact - 801.225.5000. Our responsibility will be to gather a brief description of the damage and secure the best contact information. This information will then be submitted to the insurance company. The claims department of United Insurance Group will then send one of their local claims adjusters to adjust the claim.

7. Q. What is CommunityQuake.com?

A. CommunityQuake.com is a resource to enable individuals to determine general eligibility and obtain an estimated cost of earthquake insurance for dwellings located in the State of Utah. *Final rates and acceptance of any risk are subject to underwriter approval. The site does not allow for payment. No coverage will be granted or bound as a result of submitting an application for earthquake coverage. Only upon receipt of payment and acceptance by the insurance company will coverage be effective.*

8. Q. How do I apply for coverage?

A. Enter the information on the “Start Now” button of the Welcome page. Confirm either your selection of “A. Standard Package” or “B. Basic Coverage.” At the bottom of the page select “Apply Now.” You will be asked to enter your location address. Choose deductible option of 5% or 10% and complete the other questions, Association Name, Management Company (if either of these questions are unknown state “unknown.”) When all information has been entered, a disclosure button will appear. Once you have read disclosure and if you desire to continue, click the button “I Agree.” A signature box will appear below. Type in your name and date to attest the information is correct and click submit. An application summary will appear and allow you to print. A SentryWest team member will then contact you via phone and/or email to complete the application process and facilitate payment.