

## Earthquake 101

### Does my Homeowners Policy cover Earthquakes?

Probably not. Standard homeowners, mobile home owners, condominium, and renters insurance policies do not cover earthquake damage. Similar to flood insurance, earthquake insurance must be purchased separately.

### Do I need Earthquake Insurance?

Many people assume their homeowners policy fully protects them, but if an earthquake strikes tomorrow and you have no earthquake coverage, will you have the financial resources to pay for damage to your home, contents, and additional living expenses if you need to move? Government disaster-relief programs are available yet can be extremely limited. When you consider your resources, ask yourself how much of your investment in your home you are willing to put at risk. Nearly every mortgage (if not all) will require you to continue making your mortgage payments if your home is damaged or destroyed.

### How much Earthquake Insurance should I have?

Like the basic question of whether earthquake insurance is right for you, how much coverage is right for you also depends on individual circumstances. The following questions may help you decide:

- Can you afford to replace your household possessions (such as sofas, beds, TVs, furniture, refrigerators, and clothing) if they were destroyed in an earthquake? How much would they cost?
- If you have to find temporary accommodations because you cannot live in your home as the result of an earthquake, how much will you need to pay for those additional living expenses?
- If you own your home, how much home equity do you have? Can you afford to risk losing that equity if an earthquake damages or destroys the home?
- How much would it cost to rebuild your home? Do you have assets available to repair or even rebuild your home after an earthquake?
- Do you have a mortgage, second mortgage, or line of credit on your home? Can you afford to continue repaying those loans while also paying to rebuild or replace your home?
- What is the deductible on the policy? How catastrophic a loss would need to occur for the loss to exceed the deductible?

Since earthquake and homeowners policies are written with the same dwelling limits; if you are potentially underinsured on your homeowners policy, you are potentially underinsured on your earthquake policy, too.

### Won't the Government be there to help me?

In addition to creating an [Emergency Preparedness Kit](#), you should also analyze your finances and develop a plan for long-term financial recovery. The [Federal Emergency Management Agency \(FEMA\)](#) and the [Governor's Office of Emergency Services \(OES\)](#) in California respond to, plan for, and help mitigate effects of natural disasters. FEMA will provide government-assisted grants or low-interest loans depending on the individual homeowner's / renter's credit history and financial circumstances.

Disaster-relief programs are designed to give partial assistance, however they are not insurance vehicles. Often the form of federal disaster relief is the low-interest loan — and as a loan, it must be repaid and some people will not qualify. FEMA grants for post-disaster emergency home repairs and temporary rent assistance are only available to individuals and households who do not qualify for loans.

### Doesn't California have an Earthquake Insurance Product?

Yes. [The California Earthquake Authority \(CEA\)](#) is a publicly managed, largely privately funded organization that provides catastrophic residential earthquake insurance and encourages California residents to reduce their risk of earthquake loss.

### How can I purchase earthquake insurance with the CEA?

CEA policies are available through a variety of participating insurance companies. Provided that your homeowners insurance carrier participates in the CEA program, you can purchase earthquake insurance from them too. They will also handle all administrative elements including: processing all CEA policy applications, policy renewals, invoices, and payments, and subsequently they will handle all CEA claims.

### Are there any alternatives to the CEA Earthquake Insurance?

Yes. You can obtain earthquake insurance through GeoVera, an independent earthquake insurance company. The coverage they offer is more comprehensive, including greater limits on loss of use and contents. In some areas the cost of this coverage is actually less expensive than the CEA. Another option is to insure your home with a private insurance company like: AIG, Chubb, Fireman's Fund, Allied, Travelers or others. These companies underwrite their own earthquake insurance as a supplemental coverage to homeowners insurance. The advantage of private insurance is that at claim time, your loss will be among a much smaller pool of claimants. Alternatively, the disadvantage is that the coverage is often more expensive.