



Is Earthquake Insurance Right For You?

Only about ten percent of insured homeowners in California have earthquake insurance. Many homeowners assume earthquake insurance is prohibitively expensive, but they also haven't crunched the numbers to see whether they could actually afford to repair/rebuild their home without this coverage.

Ask yourself the following questions to see if you need to reconsider buying earthquake insurance.

What is your risk profile? How close are you to a fault line? Do you have a slab or a post and pier foundation? Is the home wood frame construction? Is it a "soft story" home (living area built over a garage)? Are you on bedrock or fill? How much equity do you have in your home? Enter your address at www.abag.ca.gov to learn about the soil conditions and quake forecasts where you live. Read at least one of the articles by financial experts at www.uphelp.org on equity considerations.

Could you afford to pay out of pocket for repairs/rebuilding? What would you do if you couldn't? Quake damage often requires engineering fixes which can be very expensive – typically \$50k and up. Can you afford a policy with a 10 percent instead of a 15 percent deductible and if so – how much would the damage have to be before coverage would kick in?

At what level of loss would the repair/rebuild of your home be an unacceptable financial burden? Most insurance policies have a 10 or 15 percent deductible. The price and high deductibles for EQ policies have led many people to avoid buying the product, but remember: if you live in a quake-prone region, going "bare" with no insurance means you have a 100 percent deductible...you'll bear the entire risk yourself.

Can you afford not to have earthquake insurance? A generally accepted rule of thumb is that you should not risk more than **10 percent** of your liquid assets. A large earthquake could mean:

- 10 to 100 percent of your home's structure could be damaged or destroyed
- Up to 20 percent of your belongings could be damaged
- \$3,000 a month for temporary rent and relocation costs

For more information on buying earthquake insurance, read our publication entitled, *Earthquake Insurance Shopping Resources* and *Earthquake Insurance for Renters*

United Policyholders is a national 501(c) (3) non-profit organization serving insurance consumers since 1991. UP helps solve insurance problems and advocates for fairness in insurance transactions. The organization is funded by foundation grants and donations. Our work is divided into 3 program areas: Roadmap to Recovery™, Roadmap to Preparedness, and Advocacy and Action. We offer free tips, information and resources in print and online at <http://www.uphelp.org>.

The information presented in this publication is for general informational purposes, and should not be taken as legal advice. If you have a specific legal issue or problem, United Policyholders recommends that you consult with an attorney. Guidance on hiring professional help can be found in the "Find Help" section of <http://www.uphelp.org>. United Policyholders does not sell insurance or certify, endorse or warrant any of the insurance products, vendors or professionals identified at our website. United Policyholders respects and protects the privacy of all individuals who communicate with us. We do not sell or share our membership or mailing lists.

© 2009 United Policyholders, All rights reserved.

<http://www.uphelp.org> | 222 Columbus Avenue, Suite #412, San Francisco, CA. 94133
Tel.: (415) 393-9990 | Fax: (415) 677-4170 | Email: info@uphelp.org | Federal Tax ID: 94-3162024