Are you insured for the Big One?

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Just 12% of homes in the state with fire insurance also have earthquake coverage, according to the California Earthquake Authority. Here's what consumers shopping for coverage need to know.
Reporting from Sacramento— The massive earthquake and tsunami that struck Japan will cost insurance companies billions of dollars.
In seismically active California, though, just 12% of homes with fire insurance also have earthquake coverage, according to the California Earthquake Authority. The authority, an independent government agency created by the state Legislature in 1996, is the largest of a handful of insurers that sell earthquake coverage in the Golden State.
Here's a look at some key facts about earthquake insurance.
What kinds of structures can be covered?
Earthquake insurance is available for single-family residences, multifamily residences of up to four units, condominiums, mobile homes and rental units.
Who sells earthquake insurance?
Homeowners can buy policies from the California Earthquake Authority only if they have basic homeowners policies from one of its 25 participating private insurers, such as State Farm, Allstate and Farmers.
A few companies that do not participate in the CEA, such as Fireman's Fund, Safeco and Chubb, offer their own supplementary earthquake policies.
Several other companies, including Arrowhead and GeoVera, offer stand-alone policies.
How much does earthquake insurance cost?
It is expensive. The high premiums are a principal reason so few Californians buy earthquake coverage. Rates are based on where a property is, its age, style of construction and soil conditions, to name a few factors. An annual premium can reach $3,000 for a home of about 2,000 square feet in a relatively earthquake-prone neighborhood.
Does it cover all costs?
Earthquake policies come with a deductible of 10% to 15% of the value of the total damage. That means

the homeowner could face out-of-pocket costs of tens of thousands of dollars if the residence is severely damaged.

“It is an expensive product for what you get,” said Amy Bach, executive director of United Policyholders, a nonprofit organization that advocates for insurance consumers. “But a 15% deductible is a lot less painful than the 100% deductible you’ll have if you have no earthquake insurance at all.”

Does the CEA have enough financial strength to cover damages in a major earthquake?

The company has an A-minus, or excellent, rating for financial strength from A.M. Best Co., an insurance industry rating service.

The CEA has more than $9 billion in claims-paying capacity to protect its 800,000 policyholders. That’s enough to handle all claims from earthquakes similar to the ones that rocked San Francisco in 1906 and 1989 and Northridge in 1994.

Where can consumers get more information?

Contact the California Earthquake Authority at 877) 797-4300 or via http://www.earthquakeauthority.com

United Policyholders can be reached at 415) 393-9990 or http://www.uphelp.org