

Is Earthquake Insurance Right For You?

Only about twelve 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.temblor.net or <http://myhazards.calema.ca.gov> (California Only) to learn about the soil conditions and quake forecasts where you live. Read at least one of the articles by financial experts 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
- Thousands of dollars a month for temporary rent and relocation costs

Can you afford earthquake insurance?

Research your options before deciding. Depending on where you live and what kind of home you live in, options include:

- An add-on quake “rider” or “endorsement” from the same company that insures your home or rental unit for fire, theft, etc.
- A “stand-alone” policy from a company separate from the company that insures your home or rental unit for fire, theft, etc.
- 10 or 15% deductibles for dwelling and contents and choices for how the deductible(s) will be calculated and triggered
- A “stand-alone” deductible buyback policy that reduces your deductible to 5 or 10%
- A [parametric product](#), with payments linked to a formula and based on U.S. Geological Survey earthquake measurements.

For more information on buying earthquake insurance, check out:

- [Earthquake Insurance Shopping Resources](#)
- [What’s UP with Renter’s Insurance?](#)
- [Earthquake Insurance for Renters](#)