

## The Big One and the Big Question: Earthquake Insurance: To Buy or Not to Buy...?

- 1. If you live in a quake-prone area and you can afford it, the best way to protect your investment in your home is to "retrofit" (take steps to make your home more damage-resistant), buy earthquake insurance, and set aside funds to pay for repairs below your deductible.
- 2. The decision whether or not to buy EQ insurance is an individual, financial decision. Key factors to research and consider are:
  - The financial strength of the companies that will sell it to you
  - The features and pricing of their policies
  - The amount of equity you have in your home
  - Your proximity to a fault zone
  - The age and style of construction of your home and foundation
- 3. If you decide to buy EQ insurance, aim for a policy that will be adequate to fully replace your property, engineering costs, required improvements to comply with building codes, temporary living expenses, outbuildings, etc. Read and follow our <u>Buying Tips</u>.
- 4. Policies with 10% as opposed to the standard 15% deductible are now available but of course they're more expensive. The price and high deductibles for EQ policies has 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% deductible...you'll bear the entire risk yourself.
- 5. Don't assume that FEMA, the SBA and/or private charities will bail you out with funds to rebuild after a major disaster. FEMA has very limited funds and strict eligibility criteria. SBA loans are modest and must be repaid. Private charities are being severely stretched by an ever-increasing demand for their services.

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