

[Earthquake authority offers new insurance options, rebates](#)

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The California Earthquake Authority is offering new insurance policy options this year, including deductibles ranging from 5 to 25 percent, higher coverage limits for personal property and additional living expenses, and a bigger discount for homeowners who submit verified proof of retrofitting. Starting Jan. 20, it will also expand a residential mitigation program that provides up to \$3,000 to owners of eligible homes for seismic upgrades. Homeowners don't have to be authority policyholders to participate in this program, called Earthquake Brace & Bolt.

Less than 10 percent of homes in California have earthquake insurance, said Glenn Pomeroy, the authority's chief executive officer. "About 75 percent of those policies are sold by us," he said. They must be purchased through participating insurance companies along with a homeowners policy.

The authority — a publicly managed, privately funded state entity set up after the 1994 Northridge quake — sold about 878,000 policies last year. That is up by about 100,000 policies since 2008, but "still abysmal," Pomeroy said.

Most people who spurn coverage said the premiums or deductibles are too high. The new options "allow them to build a policy to fit their budget," he said.

This year, homeowners can choose a 5, 10, 15, 20 or 25 percent deductible. Last year, the only options were 10 and 15 percent. The lower the deductible, the higher the premium.

A home insured for \$400,000 with a 10 percent deductible would have to sustain \$40,000 in structural damage before the policy would start paying off. With a 5 percent deductible, the policy would pay for any damage over \$20,000, up to the policy limit of \$400,000. A separate deductible applies to contents. "It's still pretty expensive, but sadly, the higher deductibles will make it easier for people to purchase the coverage," said Harvey Rosenfield, founder of Consumer Watchdog. The sad part is that "in the event of a disaster, people could be required to put up hundreds of thousands of dollars before they get any coverage. It's like what is happening in the health care system."

This year, the authority is offering coverage for up to \$200,000 in personal property, which is double last

year's limit, and up to \$100,000 in additional living expenses, which is four times the previous maximum. But that coverage will cost more. The authority will offer added coverage for breakable items such as dishes and ceramics and masonry veneer.

To price combinations of options, there is a new premium calculator at <http://bit.ly/1Ux3Nzb>.

The authority has a new rate schedule this year that will result in 10 percent lower premiums overall. However, rates will go down for some customers and up for others — mainly those living in older homes that have not been seismically retrofitted.

Before this year, the authority offered a 5 percent premium discount on older homes that had been retrofitted, but did not require proof that the work had been done. It still offers that discount, but will offer a larger one if a licensed contractor or engineer verifies the seismic improvements.

The discount is only for homes on raised foundations and is 10 percent for homes built between 1960 and 1978 and 20 percent for pre-1960 homes. Newer homes, and homes on slabs, are not eligible for the discount because their premiums are already lower.

If a home has already been retrofitted, it might cost “a couple hundred dollars” to have it verified by an engineer, said Janiele Maffei, the authority's chief mitigation officer.

The cost to do the work varies widely depending on the size of the basement or crawl space, condition of the foundation and other factors. It averages \$4,000 to \$5,000, but can be less than \$3,000 for do-it-yourselfers, said Sheri Aguirre, managing director of Brace & Bolt.

To help pay for the work, the authority is expanding the Brace & Bolt program, which is a joint venture with the state Office of Emergency Services. Eligible homeowners can get up to \$3,000 for certain improvements.

Last year, there was funding for 600 homes in six cities. This year, it will be available for 1,600 homes in more cities including San Francisco, Albany, Berkeley, Emeryville, Oakland, San Leandro, Millbrae, Hillsborough and Woodside. These are areas with high geological risk and a large number of pre-1940 homes, Maffei said. The Federal Emergency Management Agency is providing funds for 100 homes in Napa.

To qualify, the home must be detached and on a raised foundation. Homeowners must submit an application between Jan. 20 and Feb. 20. The program will randomly select winners and establish a waiting list in case the winners don't carry through. For more information, go to www.earthquakebracebolt.com

Amy Bach, executive director of consumer group United Policyholders, said home and business owners should “take a close look at the earthquake authority's) new deductible and coverage options. The 5 percent deductible option and coverage for exterior masonry veneer confirm that the authority) has

heard consumers loud and clear. People won't pay for a policy that only provides repair funds in a worst case scenario."

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