

Press Release: United Policyholders Urges Homeowners to Reconsider Earthquake Insurance After 7.2 Temblor Shakes Mexico and San Diego

United Policyholders

Consumer Group Supports Federal Legislation to Lower Cost of EQ Insurance

For Immediate Release: SAN DIEGO – April 6, 2010- Sunday’s magnitude 7.2 earthquake, just 40 miles south of the USA-Mexico border, is a reminder to all Californians that the next big quake could happen any time. If you own a home, San Francisco-based insurance consumer rights organization United Policyholders (“UP”) says now is the time to reconsider whether earthquake insurance is right for you.

Today UP called on Congress to enact SB 886 or HR 4014, either of which would make earthquake insurance more affordable so more Californians will have the funds to repair and rebuild. According to UP, 88 percent of California property owners do not have insurance to cover quake damage.

“We have been in the post-disaster trenches for 19 years and can say for sure that FEMA and other government aid programs simply will not cover the cost of repairing or rebuilding after a major quake. People without insurance will largely be on their own,” says Amy Bach, Executive Director of United Policyholders.

Despite the recent slump in housing values, most homeowners in California have gained equity especially if they have been in their homes for a number of years. United Policyholders reminds consumers that opting to “go bare” – i.e., forgoing insurance for quake damage — is a decision that anyone with equity in

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their home should not make without getting a few quotes and doing the math.

“Most homeowners assume earthquake insurance is not worth buying, so they don’t take the time to weigh their individual risk factors against actual cost estimates,” said Bach. “Don’t assume you can’t afford it or that it’s not worth it until you’ve researched the likelihood and potential dollar amount of damage to your particular home. If you live in a quake-prone area and you can afford it, the best way to protect your home is to retrofit, buy earthquake insurance **and** set aside funds to pay for repairs below your deductible.”

Earthquake insurance won’t pay for small cosmetic repairs, but it is a safety net for the kind of catastrophic property damage we saw in California after the Northridge and Loma Prieta quakes and in Haiti. . The “Buying Tips - Earthquake” section of www.uphelp.org offers tips, articles and links to help consumers make the right individual decision about EQ insurance. Among the factors to consider:

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 <http://myhazards.calema.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.

At what level of loss would the repair/rebuild of your home be an unacceptable financial burden? 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? 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. Get at least two quotes for earthquake insurance, preferably with a 10 percent deductible.

Do the math...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

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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

Because UP recognizes that earthquake insurance is too expensive for many homeowners, the organization is working to help bring down the cost. UP supports Senate bill 866 and House Bill 4014 — concurrent bills that would reduce the cost of the EQ insurance sold by the California Earthquake Authority. The *Catastrophe Obligation Guarantee Act* allows the CEA to substitute a portion of its high-cost reinsurance with an ability to borrow money in the private debt markets – *after an event*, and *backed by a federal guarantee* – allowing the CEA to:

- Lower the cost of policies by approximately 35 percent – saving consumers nearly \$1 billion over the next 5 years, and;
- Lower deductibles by at least 50 percent – making the insurance far more likely to cover claims that will arise from the earthquakes experts say are inevitable.

UP is calling on Congress to make earthquake insurance more affordable so Californians will have the money to repair and rebuild. UP urges all Californians to support these bills by writing their elected officials.

For more information to help you decide if earthquake insurance is right for you visit www.uphelp.org and read UP’s buying tips to see what your options are, and what factors to take into consideration when shopping for the right earthquake policy.

About United Policyholders

United Policyholders is a national not-for-profit organization dedicated to integrity in the insurance system and to educating the public on insurance issues and consumer rights. For a complete listing of services and to access UP’s extensive library of buying and claim tips for consumers, please visit www.uphelp.org. UP is the publisher of the *Disaster Recovery Handbook and Household Inventory Guide*,

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known as the “Little Yellow Book” that has guided thousands of disaster victims on the road to recovery.

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