San Diego Could Face $40B In Earthquake Damage. So Why Are So Few People Insured?

KPBS

San Diego got an eye-opening report last week about its earthquake risk. The Earthquake Engineering Research Institute reported that San Diego's Rose Canyon fault could trigger a 6.9 magnitude quake, resulting in up to 2,000 fatalities and $40 billion in property damage.

The study underscored the ever-present risk of a major earthquake in Southern California. But despite that risk, only 12 percent of Californians with home insurance or rental insurance have earthquake protection.

Unlike floods, there is no national, government-backed program to insure people against earthquake damage. And there are no requirements from mortgage lenders to get it.

More people used to buy earthquake insurance before the 1994 Northridge quake, when companies that offered home insurance were required to sell earthquake protection too. But after paying out $12.5 billion in claims, many companies cut back on home insurance entirely.

The California legislature eventually created the California Earthquake Authority, a state-run non-profit, that creates earthquake insurance policies which are sold by private insurance companies. Until last year, CEA only had plans with 10 percent and 15 percent deductibles. Now, they offer plans with deductibles of 5 percent, 20 percent and 25 percent. Higher deductible plans have lower premiums.

Before that change, the average annual earthquake insurance premium was about $800. Consumer advocacy group United Policyholders said homeowners with 15 percent deductible plans were not likely to see a payout unless a truly catastrophic earthquake hit.

California Earthquake Authority's chief mitigation officer, Janiele Maffei, joins KPBS Midday Edition Thursday to discuss how earthquake insurance differs from federal disaster aid and how that Rose Canyon study could affect San Diego insurance rates.