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Executive Director's Report: Our Name is Our Mission

This fall marks the sixth anniversary of the East Bay firestorm and **United Policyholders'** incorporation. Educating the public on insurance consumer issues and uniting policyholders is more important than ever. Insurers are aggressively re-writing policies to reduce coverage. An industry sponsored Insurance Commissioner remains in office and is likely to run for re-election. Insurance lobbyists and counsel are among the most powerful interests in Sacramento and in our courts. To remain effective, UP relies on support from those we helped in the past and those who will need our help in the future.

UP is working with the Red Cross, OES, and FEMA to prepare training materials based on our video; "Settling Your Insurance Claim...Ten Tips," The video, produced by fire survivors **Betty Ann Bruno** and **Craig Scheiner** is a great gift for friends and colleagues and can be purchased for \$19.95 by calling (510) 763-9740.

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Insurance Earthquake Update: Non-CEA Policies Are Available

Angered by the rip-off that is the California Earthquake Authority, Oakland resident **Marianne Perron** contacted UP this past spring and volunteered to help tackle the problem. Marianne is a survivor of the 1991 East Bay firestorm and a long-time UP supporter. When her insurance company announced it was dumping her into the CEA, she was not about to sit idly by while her premiums jumped sky high and her coverage dropped below sea level.

UP Task Force Formed

Marianne's call was timed perfectly. UP was being swamped with calls from others with the same story, and we were gearing up to do what we do best ... UNITE POLICYHOLDERS. The UP Earthquake Task Force now meets regularly at Marianne's rebuilt home. Our mission statement and an important survey are included in this newsletter. Please complete and return the survey with a donation to support our work.

Please join our efforts to remedy the EQ insurance problem in California. Task Force members to date include fire survivors **Perron, Janis Young, David Hyde and Robert Bruce**, Orinda resident **Barbara Ruffner**, Orinda businessman **Bill Hickman**, and UP Executive Director **Amy Bach**. If you are interested in participating on the task force, contact Task Force Chair Perron directly at (510) 652-2593.

Task Force Identifies Non-CEA Options

As of press time, the following carriers are reputedly selling earthquake insurance outside the CEA: **Amica Mutual, CIGNA, USF&G Speciality, Fireman's Fund, Indemnity Ins. Co. Of North America, Ins. Co. Of North America, Safeco, Pacific Employers Insurance, Unigard, Twin City Fire Insurance, The Hartford**. At least one of these carriers is "non-admitted" in California. For an explanation of what that means, see "Insurance Reassurance" on page 2 of this newsletter.

Cont'd. on Page 3, Col. 2



UP EQ Task Force members Janice Young, Marianne Perron and Amy Bach.

Executive Director's Report Cont'd. from Page 1, Col 1

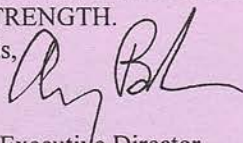
UP was just awarded our second major grant by the **California Consumer Protection Foundation**. The grant will fund a joint venture with **Consumer Action**, a well-established Bay Area consumer organization, to establish a centralized resource for consumers to get insurance information.

We are pleased to announce an addition to our Board of Directors: Prominent Montclair financial planner Larry Ginsburg, (See Photo). Larry volunteered his time after the 1991 firestorm to help Continental insureds get their claims settled and their finances in order. We welcome his dedication, experience, and business acumen.

We dedicated this issue to earthquake insurance, the pressing insurance problem of the day. Most of you have already gotten the bad news along with your renewal notice: Prices are up, coverage is down. The California Earthquake Insurance Authority, ("CEA"), is up and running and so are consumers. Running away. Californians are canceling their earthquake insurance in record numbers. We don't "fault" educated consumers for opting to drop their earthquake coverage rather than be ripped off through the CEA. Still, we're frightened at the economic prospect of mass numbers of uninsured claims after the next major quake. UP is working to solve the problem. Learn about our plan of action by reading "Earthquake Insurance Update" at page 1 of this issue.

Please help us continue our important work by providing the financial support we need. Remember -- UNITED POLICYHOLDERS, OUR NAME IS OUR MISSION AND THE SOURCE OF OUR STRENGTH.

Best Regards,



Amy Bach, Executive Director

Tip: Check out the Insurance News Network @ <http://www.insure.com>

INSURANCE REASSURANCE?

Consumers shopping for earthquake coverage need to learn some new terminology to make informed purchase decisions. The following will help.

What is an "admitted" versus a "non-admitted" insurance company?

An "admitted" insurer is licensed by the Dept. of Insurance to do business in CA. It must comply with financial and reporting requirements and participate in the California Insurance Guarantee Association (CIGA). "Non-admitted" companies are not licensed by the state, are not members of CIGA, and can do California business only through "surplus line brokers".

What is CIGA?

CIGA is an involuntary, unincorporated association that is supposed to help settle claims against companies that have become insolvent. The extent to which policyholders are protected by CIGA is subject to limitations as to what is covered, how CIGA members are assessed, and available bond revenue.

Who offers CEA insurance?

"Admitted" companies who join the California Earthquake Authority (CEA) offer the basic CEA coverage. Primary funding for the CEA comes through assessment of participating companies and policyholder premiums. The CEA is not backed by CIGA or the general funds of the state.

What's a wrap-around policy?

Some companies sell "wrap-around" policies that supplement the basic CEA or non-CEA "mini" policies. "Wrap-around" policies sold by "admitted" companies are covered by CIGA.

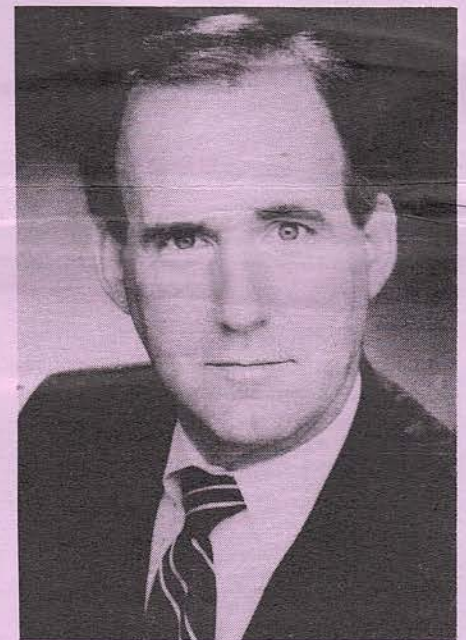
Are there other choices for EQ insurance?

"Admitted" companies, who have not joined the CEA can sell residential policies that include earthquake coverage. "Non-admitted" companies can offer stand alone earthquake policies through surplus line brokers.

Installment Option for CEA

The Governor recently signed into law AB331, (Assemblywoman Liz Figueroa D-Fremont). It requires the CEA (California Earthquake Authority) to give policyholders the option, for a minimal fee, to make installment payments on their annual earthquake insurance premium. Unfortunately, not all companies are computer ready to comply with this law.

Also, because current law says the company doesn't have to re-offer you earthquake insurance for another two years, if you dropped your earthquake insurance because you couldn't handle the one BIG payment, you may not be able to take advantage of the new installment law for two years unless the law is changed, you change companies, or your current insurer is more generous in offering coverage than the law requires. For more information, call the CEA directly at 916-492-4300.



UP Board Member Larry Ginsburg

VIDEO PRODUCTION OPPORTUNITY

UP is seeking a coordinator to produce our second educational video: "A Primer for Settling Your Earthquake Insurance Claim." If you or someone you know would like to participate in this project, please leave a message for Shirley Roberson (510) 763-9740. This is a great chance to work on an interesting project, get a screen credit, and benefit your friends, family and community.

The State of the EQ Marketplace: An Agent's Perspective:

David Shaffer
Independent Insurance Agent

The quality of earthquake insurance protection for California homeowners has undergone a dramatic change over the last two years. Due to legislation creating what has commonly been called the "mini-earthquake" policy and the California Earthquake Authority (CEA), has been virtually impossible for most California homeowners to find insurance that will truly protect them for a total earthquake loss to their home and contents. The reasons are:

First, you can not find a policy that offers "guaranteed" replacement on the dwelling for damage caused by an earthquake. Most policies will only pay up to the dwelling limit stated on the policy less a 15% deductible.

Second, state law now requires that a minimum of \$5,000 in limits be offered to cover the contents of your home damaged by an earthquake. Most carriers have made this "minimum" the maximum amount of coverage they offer for the contents damaged by an earthquake.

Third, the law now allows insurers to offer only \$1,500 for additional living expenses. This minimum has become the maximum companies are offering.

For those homeowners who are receiving offers from the CEA there are two options. First check with independent agents to see if you qualify for earthquake insurance from one of the companies offering non-CEA earthquake insurance. These may include Fireman's Fund, Civil Service Employees, Safeco, The Travelers, Unigard, California Capitol, Calfarm, General Accident, Chubb and TIG. Their policies in almost all cases will only provide minimal earthquake coverage, but at least these insurers should be in a stronger financial position than the CEA to pay your claim, and they should not be knocking on your door to collect a post-quake "assessment". However, most of these

companies are reluctant to take on new customers, particularly those with older homes, and you may have difficulty finding one willing to give you a quote. You will probably have to switch your homeowners insurance if you buy an earthquake policy from a new company.

Based upon the age and location of your home, USF & G, a non-admitted company, is offering an earthquake policy that will provide more coverage for the contents and additional living expenses than the mini earthquake coverage outlined above. Check with your agent to see if they offer this product and if your home qualifies.

Since the quality of earthquake coverage has dramatically deteriorated, it is more important than ever that homeowners protect their homes and contents from earthquake damage. Do:

1. Have a licensed structural engineer check your house to see if it can benefit from retrofitting
2. Find out what type of soil your home sits on. If the soil is subject to lots of ground shaking, such as land fill, consider selling your home and moving to a better location. (Check the USGS website on the internet or in the Bay Area, contact the Association of Bay Area Governments).
3. Make sure the contents of your home are secured. Put latches on kitchen cabinets; attach shelves, bookcases, and armoires to walls with "L" brackets.
4. Make sure your water heater is securely fastened to the wall.

By: David Shaffer

EQ Insurance Update: Cont'd from Page 1, Col. 2

What's so bad about the CEA?

CEA premiums are double and more what most consumers had been paying for earthquake insurance, yet CEA policies only provide a maximum of \$1,500 in total Additional Living Expense coverage, no matter how long you are out of your home due to the damage. CEA policies only provide \$5,000 worth of contents coverage,

regardless of the value of your possessions. The deductible is 15% of your total limit, which for most people means they have to come up with a minimum of \$30,000 before their coverage even kicks in. CEA policyholders can be "assessed", (that means billed), up to 20% more above their premium if the authority needs more money after a big quake.

What can you do?

☞ If you can find non-CEA earthquake insurance through a financially sound company, **BUY IT!!!!** Earthquakes are a fact of life in this state, and it is risky to "go bare" if you live in a fault zone.

☞ If you find a company that is selling non-CEA policies but that is not listed in this newsletter, please let UP know (510) 763-9740 so we can add them to our list.

☞ Complete and return the registration and survey form for the UP Earthquake Task Force and make a financial contribution. The first \$5.00 of each contribution accompanying a completed survey form will go directly to support the work of the Task Force.

☞ Send a letter of protest to Commissioner Quackenbush about the CEA, with a copy to your local newspaper editor.

☞ As a last resort, buy a CEA policy, but do your best to supplement it with separate "wrap-around" policies that increase your coverage.

UP vigorously opposed the CEA and worked hard with other consumer groups to promote better solutions. The combined power of the insurance industry and Commissioner Quackenbush propelled the CEA through over our opposition. Because the CEA is such a bad deal for consumers, providing so little coverage for so much money, UP is continuing to press for alternatives. For the past six months, UP has been seeking out reputable, financially sound companies who did not join the CEA, and is encouraging our members to patronize them instead of the CEA.

Cont'd on Page 4, Col. 1

EQ Insurance Update

Cont'd from Page 3, Col. 2

UP's plan is free-market based, has three advantages and addresses the current problem **and** its root cause:

1) If consumers switch to non-CEA companies, smaller insurers will increase their market share. This will lessen the top five carrier's stranglehold and widen consumer choices.

2) Pressure will be put on the CEA, through competition, to lower rates and increase the quality of CEA policies.

3) Policyholders will send a message that both the industry and the Department of Insurance have a responsibility to deliver us a good product - not an expensive hoax.

JOIN UP TODAY

Internet Tip: <http://www.fema.gov>

El Nino and Flood Insurance

Don't let El Nino catch you low and wet with no resources to rebuild your home.

Documentation before and after a disaster is the key to help settle any insurance and tax claims. Get out the camcorder, camera and notepad and record your home and possessions. Be sure you record all damage before you begin cleaning up after a disaster.

Examine your policy to see how it covers damage from wind and wind-driven rain. Homeowner's insurance policies often don't cover damage from mudslides or landslides.

Under the Flood Disaster Act of 1973, flood insurance is mandatory if your home is in a federally designated high risk zone and (1) you apply for a federally insured mortgage or

(2) you want to be eligible for certain types of federal assistance if the President declares your area a disaster.

You can purchase flood insurance even if you are not in a high risk zone. If you cannot find private flood insurance, find out if your community participates in the National Flood Insurance Program. Request info from any agent. The maximum benefit is \$250,000 per single-family home for structural damage and \$100,000 for contents. Flood insurance covers damage from mudslides, but **not** landslides.

United Policyholders Information

Correspondence should be sent to:
110 Pacific Ave., #262,
San Francisco, CA, 94111.
Messages can be left at: (510) 763-9740.

United Policyholders is a non-profit, 501(c)(3) charitable, educational organization. All donations are tax-deductible as permitted by law.



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