

1-800-927-4357

[www.insurance.ca.gov](http://www.insurance.ca.gov)



# Earthquake Insurance



California Department of Insurance



# Table of Contents

Page	
2	Before You Buy Earthquake Insurance...
4	Basic Earthquake Insurance
6	What Earthquake Insurance Does Not Cover
8	Earthquake Retrofitting
10	How to File a Claim for Earthquake Damage
12	Should I Buy Earthquake Insurance?
14	Common Terms
15	For More Information
16	Talk to the Department of Insurance

## Earthquakes Are a Fact of Life in California

Earthquakes will happen, but we do not know exactly when. We do know that they can cause a lot of damage to your home and your belongings. You may even have to move out of your home while it is repaired or rebuilt.

Homeowners, renters, and condominium insurance policies do not cover damage from natural disasters such as earthquakes, floods, and landslides.

Earthquake insurance can help pay for some of your losses. This brochure will tell you about earthquake insurance.

# Before You Buy Earthquake Insurance...

Earthquake insurance covers some of the losses and damage that earthquakes can cause to your home, belongings, and other buildings on your property.

If you have a mortgage, you must have homeowners insurance. But you do not have to buy earthquake insurance.

- Your homeowners insurance does not cover earthquake damage (except fire—see page 7).

## I have homeowners insurance. How can I get earthquake insurance?

If you have homeowners insurance in California, your company must offer to sell you earthquake insurance. It must offer this every other year.

- The offer must be in writing. It must tell you the amounts it covers (the limits), the deductible, and the premium.
- You have 30 days to accept the offer. The 30-day period starts the date the company mails the offer to you. If you do not reply, you are rejecting the offer.

## Does earthquake insurance cover all damage from earthquakes?

No. There are limits on what earthquake insurance pays. The purpose of earthquake insurance is to help put a roof back over your head. It does not replace everything you lost.

## What if I rent?

You can buy earthquake insurance to cover damage to your belongings and to pay for living somewhere else while your rented home is being repaired.



## What if I have a condo?

You can buy earthquake insurance to cover damage to your belongings. It can also pay for living somewhere else while your condo is being repaired. You may also need insurance to help pay for your condo association assessment to repair your building. Talk to your condo association.

## What if I have a mobile home?

You can buy earthquake insurance to cover damage to your home and belongings. It can also pay for living somewhere else while your mobile home is being repaired.

## The California Earthquake Authority (CEA)

The California Earthquake Authority (CEA) provides most earthquake insurance in California. The CEA offers several basic policies, including a new Homeowners Choice policy. You cannot buy earthquake insurance directly from the CEA. But you can buy it from insurance companies that are members of CEA.

Most companies in California that sell homeowners or renters insurance are members of CEA. A CEA company can only offer CEA policies.

- You must have homeowners or renters insurance to get CEA earthquake insurance.
- For more information on the CEA, visit [www.earthquakeauthority.com](http://www.earthquakeauthority.com).

# Basic Earthquake Insurance

This page explains the 3 main parts of the basic earthquake coverage offered by the California Earthquake Authority (CEA).

**Part 1: Your dwelling coverage.** This covers your home up to a certain amount, called the *limit*.

- The limit on your earthquake insurance is the same as the limit on your homeowners insurance (dwelling coverage).
- The deductible is your part of the loss. It is usually 15% of the limit. You can buy a 10% deductible for a higher cost.
- Usually, the insurance does not cover landscaping, pools, fences, masonry, and separate buildings.
- If you rent or own a condo, you do not need this coverage.

**Part 2: Your personal property coverage.** This covers things in your home, like furniture, TVs, and computers.

- The limit is usually low—such as \$5,000 or 10% of the limit on the dwelling. You can increase the limit up to \$100,000.
- Things like china and crystal are usually NOT covered.

**Part 3: Additional living expenses (ALE) or loss of use.** This only covers temporary and extra costs to live somewhere else while your area is evacuated or your home is repaired.

- It can cover temporary rental of a home, apartment, or hotel room; restaurant meals; a temporary telephone line; moving and storage; furniture rental; and laundry.
- It is limited to a reasonable time needed to repair the home, or for you to move to another permanent home.
- The limit can be from \$1,500 to \$25,000.
- You do not need this if you don't live in the insured dwelling.



## Homeowners Choice Policies

Beginning July 1, 2012, the new CEA Homeowners Choice policy offers several coverage options. You can choose separate coverage for dwellings and personal property, with different deductibles. You also have different choices for loss of use limits. The policy includes \$1,500 for emergency repairs, with no deductible. For more information, go to [www.earthquakeauthority.com](http://www.earthquakeauthority.com).

### Additional Coverage

You may be able to buy building code upgrade coverage (see page 9). You may also be able to buy additional coverage for limited debris removal, land restoration, and emergency repairs. The CEA Homeowners Choice policy includes \$1,500 for emergency repairs, with no deductible.

### Stand-alone or Monoline Policies

These are not CEA policies. A few companies offer these policies. They are policies that you can buy without buying homeowners insurance from the same company.

### How do earthquake insurance premiums vary?

Your premium depends on many things, including: the age of your home, the location, the kind of soil, the cost to rebuild, and the deductible. It also depends on the construction of your home, such as the building material, the number of stories, and the amount of retrofitting (see pages 8–9).

# What Earthquake Insurance Does Not Cover

All insurance policies have exclusions. These are the things the policy does not cover. Read your policy to learn about your *exclusions*.

## Common Earthquake Insurance Exclusions

Common exclusions in earthquake insurance policies include:

### Fire

Earthquake insurance usually does not cover anything that your homeowners policy already covers. For example, your homeowners policy covers fire damage, even if an earthquake causes the fire. Therefore, your earthquake policy does not cover fire damage.

### Land

Usually, earthquake insurance does not cover damage to your land, such as sinkholes from erosion or other hidden openings under your land. You may be able to buy limited additional coverage to restore or stabilize land.

### Vehicles

Earthquake insurance does not cover damage to your vehicles. Check your auto insurance policy to find out if it covers that damage.

### Flood

Earthquake insurance does not cover water damage from outside your home, such as sewer or drain back-up, flood, or tsunamis. For example, if you live near a lake that floods your home after an earthquake, earthquake insurance will not pay to repair the damage. A flood insurance policy will cover you.

## Does my homeowners or renters insurance cover any earthquake damage?

In general, your homeowners or renters insurance does not protect your house from the damage an earthquake causes, even if the damage is indirect.

- The main exception is fire. See below.
- In some cases your homeowners or renters insurance may specifically cover direct loss due to explosion, theft, or breaking glass caused by an earthquake, even if you do not have earthquake insurance. Ask your insurance agent.
- Read your homeowners policy and contact your insurance company whenever an earthquake damages your property. Do not assume that the damage is not covered.



### Homeowners Insurance Covers Fire Damage

California law says that both homeowners and renters insurance must cover fire damage that is caused by or follows an earthquake.

This means that the fire damage is covered, whether or not you have earthquake insurance.



# Earthquake Retrofitting

Retrofitting is making changes to increase the safety and strength of your home. This can help you save money on insurance and repairs.

The cost of earthquake insurance is based on a number of things, such as the way the home is made and the kind of soil under it. The cost is usually higher for:

- Older homes.
- Homes built of brick or masonry.
- Homes that have more than one story.
- Homes that are on sandy soil instead of clay or rock.
- Homes that are not up to code.

## What if my home is not up to code?

Your insurance company must offer you earthquake insurance even if your property does not meet current Building Code and Health and Safety Code rules about bolting foundations and anchoring water heaters. But you may be charged a higher premium and/or deductible.

## You may get a discount if you retrofit.

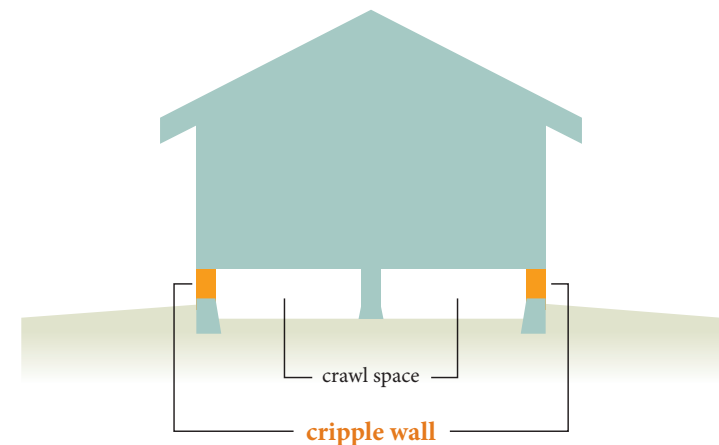
You may be able to reduce your premium or deductible by retrofitting to make your home safer and stronger. Your insurance company must tell you in writing about these discounts. Retrofitting can:

- Reduce earthquake damage.
- Reduce insurance costs.
- Bring your home up to code.

## How can I retrofit?

Here are a few ways to retrofit. To learn more about retrofitting, go to [www.daretoprepare.org](http://www.daretoprepare.org).

- Bolt your house to the foundation.
- Brace the chimney.
- Brace the water heater to a wall.
- Put in automatic gas shut-off valves.
- Use plywood to strengthen cripple walls. See the picture below.



## Building Code Upgrade Coverage

You can buy \$10,000 additional insurance, called building code upgrade coverage. The coverage pays only for the building code upgrades you need to get a reconstruction permit.

# How to File a Claim for Earthquake Damage

If you notice damage or just suspect it, report it to your insurance company as soon as possible:

1. You can report claims by telephone.
2. Your insurance company must open a claim when it gets your report of a claim.
3. If your insurance company refuses to open a claim, call the California Department of Insurance immediately.
4. Insist that the company assign a claim adjuster to your case. This person is trained to assess the damage to your property.
5. Set a time as soon as possible for the claim adjuster to come out and inspect the damage.
  - Show the claim adjuster all the damage you found.
  - Make sure they inspect the hidden areas of your property such as basements, crawl spaces, slabs, and raised foundations.
6. If you find more damage after the first inspection, report it and ask the claims adjuster to make another inspection.

## The inspection is important.

It can be hard to know exactly how much earthquake damage you have. Some types of damage are hard to find at first. You and the claims inspector need to look long and carefully. Make sure that all the damage you can see is listed in your claim, as well as all the possible hidden damage.



## Telephone Tips

Take notes on every phone call to your insurance company. Write down:

- The name and title of the person you talked to.
- The date and time you called.
- What you talked about.
- What the person said would happen next.

## Do not delay reporting your claim!

An insurance company can deny claims that are not reported within one year. The year starts with a date called the *inception of the loss*. This is when you first:

- Noticed property damage, or
- Should have noticed it, if you had looked carefully for all possible earthquake damage to your home.

## Your Claims Payment

If your claim is larger than your deductible, the insurance company will subtract the deductible from their payment. You do not need to spend anything before you can get payment.

## Contact California Department of Insurance (CDI).

- Call CDI now if your insurance company refuses to open a claim. Call **1-800-927-4357**.
- Download CDI's *Residential Property Claims Guide* at **[www.insurance.ca.gov](http://www.insurance.ca.gov)** or order it by phone.

# Should I Buy Earthquake Insurance?

The questions below can help you decide whether or not to buy earthquake insurance for you and your family.

## Can I afford earthquake insurance?

Use the Premium Calculator at [www.earthquakeauthority.com](http://www.earthquakeauthority.com) to estimate your premium.

## Do I live where earthquakes are common?

You may need to do some research about nearby fault lines and the type of soil in your area. Search for fault lines on the U.S. Geological Survey website at [www.earthquake.USGS.gov](http://www.earthquake.USGS.gov).

## Do I have a high-risk house?

A house is likely to have more damage if it is older, or built of brick or masonry, or has more than one story.

## Can I afford NOT to have earthquake insurance?

After a big earthquake, could you afford to repair or rebuild your home? Can you afford to keep paying your mortgage and taxes while you rebuild?

## Won't the government help me after a big earthquake?

Maybe. The main form of federal disaster relief is the low-interest loan. You must show that you can repay the loan. Grants from the Federal Emergency Management Agency (FEMA) for emergency home repairs and temporary rent assistance are only for those who do not qualify for loans.



## I can't afford earthquake insurance. Are there other ways I can protect my home?

Yes. There are many things you can do to protect your home and reduce the damage caused by earthquakes. Whether you buy earthquake insurance or not, you should do what you can to protect your home, your belongings, and your family.

- Retrofit as much as you can. See page 8.
- Secure breakable items with museum putty.
- Put latches on china cabinets.
- Bolt tall furniture, like bookcases and armoires, to the studs in the walls.
- Tie down computers and TVs.
- Look in your local hardware store for latches, putty, computer straps, and other devices to help you protect your belongings.
- For more tips on protecting your home, go to [www.earthquakeauthority.com](http://www.earthquakeauthority.com) and [www.daretoprepare.org](http://www.daretoprepare.org).

## Do not wait until after the earthquake.

Waiting until after an earthquake to buy insurance is not a good idea. It doesn't protect you from the damage you have already had. Also, after an earthquake, insurance companies often do not sell earthquake coverage for a certain period. And when they start to sell it again, the premiums may be higher.



## Common Terms

**Additional living expenses (ALE)**—Your extra costs when you have to live somewhere else while your area is evacuated or your home is repaired.

**Agent**—A person who is paid by an insurance company to sell their insurance. The CDI licenses agents.

**Broker**—A person who is paid by you to find insurance. The CDI licenses brokers.

**Claim**—Your request to your insurance company to cover specific loss or damage.

**Claim adjuster**—A person who works at your insurance company and is trained to examine your home for damage and loss and to estimate costs.

**Deductible**—The part of your insured damages that you pay, before your insurance pays anything. See pages 4–5.

**Dwelling limit**—The most your insurance will pay (minus the deductible) to repair or rebuild your dwelling.

**Premium**—The yearly cost of buying earthquake insurance.

**Retrofitting**—Changing your home to make it stronger and safer in an earthquake. See pages 8–9.

## For More Information

For information about the Department of Insurance, see page 16.

### California Earthquake Authority

[www.earthquakeauthority.com](http://www.earthquakeauthority.com)

- Learn more about earthquake insurance.
- Estimate your premium.
- Print free earthquake preparedness handbooks.

### Earthquake Country

[www.daretoprepare.org](http://www.daretoprepare.org)

- Find information on retrofitting.
- Learn how to prevent injuries and make a disaster plan.
- Learn about risks from fault lines and soil types.

### National Flood Insurance Program

[www.floodsmart.gov](http://www.floodsmart.gov)

- Find information on buying flood insurance.

### Seismic Safety Commission

[www.seismic.ca.gov](http://www.seismic.ca.gov)

- Learn about earthquake safety in California.

### U.S. Geological Survey

[www.earthquake.USGS.gov](http://www.earthquake.USGS.gov)

- Search for fault lines.

# Talk to the Department of Insurance

We are the state agency that regulates the insurance industry.  
We also work to protect the rights of insurance consumers.

Contact the California Department of Insurance (CDI):

- If you feel that an insurance agent, broker, or company has treated you unfairly.
- If you have questions or concerns about insurance.
- If you want to order CDI brochures.
- If you want to file a request for assistance against your agent, broker, or insurance company.
- If you are having difficulty filing a claim with your insurance company.
- To check the license of an agent, broker, or insurance company.



## Call:

Consumer Hotline **1-800-927-4357**

TDD **1-800-482-4833**

8:00 AM to 5:00 PM, Monday to Friday, except holidays



## Visit us on the Web at:

**[www.insurance.ca.gov](http://www.insurance.ca.gov)**



## Write:

California Department of Insurance

300 South Spring St., South Tower, Los Angeles, CA 90013



## Visit us in person:

300 South Spring St., South Tower, 9<sup>th</sup> Floor, Los Angeles, CA 90013

8:00 AM to 5:00 PM, Monday to Friday, except holidays

## **The California Department of Insurance**

Consumer Education and Outreach Bureau

300 South Spring Street, South Tower, Los Angeles, CA 90013

**1-800-927-4357**

**1-800-482-4833** (TDD)

**[www.insurance.ca.gov](http://www.insurance.ca.gov)**



This brochure is a joint project of the California Department of Insurance and Health Research for Action, School of Public Health, University of California, Berkeley.

Form 425 / Earthquake Insurance  
October 2012 – OSP