



Personal Risk Management Earthquake Insurance

While the beauty of the Bay Area consistently reminds us of our fortune, its history warns us of our risks. The great San Francisco earthquake of April 18, 1906 and the tremblers since caution us in our living in “earthquake country.”

The United States geological survey in Palo Alto reports that there will be a major earthquake in the Bay Area in the next 30 years; chances of that happening in San Francisco and on the Peninsula are 25% in 30 years and 1% in the next three years.

The threat is real, and as a Homeowner or building owner, you need to assess your risk.

Evaluating Your Home’s or Building’s Risk

Different types of construction greatly affect home and building exposures. For example, wooden and metal frame structures tend to hold up well during earth movement because these materials allow for “give.” On the contrary, masonry and concrete buildings are brittle and thus crack apart easily.

Earthquake retrofitting might help reduce risk factors. Meaningful retrofits include foundation bolting, as well as cripple and shear walls. Interior risk reduction is also suggested – strapping your water heater, attaching fine arts to walls and shelves, and utilizing permanent fixed systems.

How Your Property is Assessed by Insurance Underwriters

Our claims files show that it is impossible to predict severe losses in a specific location, as damage depends on the severity of the quake. In addition, it appears that severe damage really depends on the angle at which quake energy hits a given structure.

That said, our insurance underwriters tell us that there are particular areas of high risk. They specifically note those that are close to active fault zones (which can be easily identified on UGS maps), built on areas of landfill, and those subject to liquefaction (which are those closest to bay waters).

Underwriters do give credits for the age of certain structures, thus recognizing better protection due to building code upgrades on newer properties.

The Cost of Earthquake Insurance

Earthquake insurance is a unique coverage for two main reasons: 1) the deductible is substantial, and 2) realistically, the policy helps the most in the event of a severe loss.

For example, earthquake deductibles are generally around 15%. In the event of an earthquake loss on a property insured for \$1 million, therefore, you must pay the first \$150,000 before your insurance policy will respond. As you can see, you suffer substantial damages before you are afforded financial help.

At this point, however, the insurance carrier becomes your partner in indemnifying you against your loss and restoring your property. While earthquake insurance does require a substantial deductible for large claims, our portfolio of products will deliver in your most dire time of need.

Making an Informed Decision

Preparedness is the best line of defense, and most importantly, having adequate emergency supplies is essential to successfully weathering an earthquake emergency.

When it comes to earthquake insurance, the decision to insure or self insure is very personal. MacCorkle Insurance Service has access to nearly the entire earthquake market, and we can help you understand your different options. We can write coverage in conjunction with Homeowners policies, as well as stand-alone personal and commercial coverages.

With over 35 years of earthquake insurance experience, we will explain the advantages and pitfalls of coverage to help you make an informed decision. Contact MacCorkle Insurance Service at 650-349-2364.