

Earthquake Insurance Disclosure - California

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EARTHQUAKE INSURANCE DISCLOSURE

Form Number: EQ-INFO-CA State: California Disclosure Date: January 1, 2024 IMPORTANT NOTICE REGARDING EARTHQUAKE COVERAGE California law requires that we offer you earthquake insurance coverage on your homeowners policy. This disclosure provides information about earthquake insurance and your options for coverage.

WHAT IS EARTHQUAKE INSURANCE?

Earthquake insurance is a separate coverage that protects your home and personal property from damage caused by earthquakes and related perils such as: - Ground shaking - Surface rupture - Landslide or mudflow resulting from earthquake - Fire following earthquake (may be covered under standard homeowners policy) - Tsunami or seiche following earthquake Standard homeowners insurance policies exclude earthquake damage. To be protected against earthquake losses, you must purchase separate earthquake coverage.

WHY CALIFORNIA REQUIRES THIS DISCLOSURE

California is located in an earthquake-prone region. Major earthquakes can cause catastrophic damage to homes and personal property. The California Earthquake Authority (CEA) and private insurers offer earthquake insurance to help homeowners protect their investment. According to the California Department of Insurance: - California has a 99.7% chance of experiencing a magnitude 6.7 or larger earthquake in the next 30 years - The average cost to repair earthquake damage to a home is \$50,000 to \$150,000 - Only 10-13% of California homeowners have earthquake insurance

YOUR EARTHQUAKE INSURANCE OPTIONS

Option 1: California Earthquake Authority (CEA) Coverage The CEA is a publicly managed, privately funded organization that provides earthquake insurance to California homeowners. CEA policies offer:

- Coverage for dwelling, personal property, and additional living expenses
- Deductibles: 5%, 10%, 15%, 20%, or 25% of Coverage A (dwelling amount)
- Lower premiums than many private market options
- Backed by a combination of premium revenue, reinsurance, and financial reserves

Option 2: Private Market Earthquake Coverage Some insurance companies offer earthquake coverage through the private market. These policies may offer:

- Lower deductibles (some as low as 2.5%)
- Higher coverage limits
- More flexible policy terms
- Potentially higher premiums

Option 3: Decline Earthquake Coverage You may choose to decline earthquake coverage. If you decline, you will not have insurance protection for earthquake damage to your home or personal property. You would be responsible for all repair costs if your home is damaged in an earthquake.

EARTHQUAKE INSURANCE COSTS

The cost of earthquake insurance varies based on several factors:

1. Location - Homes closer to fault lines typically have higher premiums
2. Construction Type - Wood frame homes usually cost less to insure than unreinforced masonry homes
3. Age of Home - Older homes may have higher premiums
4. Foundation Type - Homes with bolted foundations may qualify for discounts
5. Deductible Amount - Higher deductibles result in lower premiums
6. Coverage Amount - Based on your dwelling coverage (Coverage A) Sample Annual Premium Estimates (Coverage A: \$500,000):
 - 5% Deductible: \$1,200 - \$2,000
 - 10% Deductible: \$800 - \$1,200
 - 15% Deductible: \$600 - \$900
 - 20% Deductible: \$500 - \$700

Note: These are estimates only. Actual premiums vary by location and other factors.

IMPORTANT CONSIDERATIONS

Before deciding on earthquake coverage, consider:

1. Your Financial Ability to Rebuild Can you afford to repair or rebuild your home without insurance if a major earthquake occurs? Consider your savings, emergency fund, and other assets.
2. Your Mortgage Requirement Some mortgage lenders may require earthquake insurance, especially for homes in high-risk areas. Check with your lender.
3. Deductible Amount Earthquake deductibles are percentage-based, not flat amounts. A 10% deductible on a \$500,000 home means you pay the first \$50,000 of damage. Choose a deductible you can afford.
4. Coverage Limitations Review what is and isn't covered under earthquake policies. Some items may have sub-limits or exclusions.
5. Waiting Period Most earthquake policies have a 10-30 day waiting period before coverage begins. You cannot purchase coverage after an earthquake has occurred.

HOW TO OBTAIN EARTHQUAKE COVERAGE

To add earthquake coverage to your homeowners policy: 1. Contact your insurance agent or company 2. Request a quote for CEA or private market earthquake coverage 3. Review the coverage details, deductibles, and premium 4. Complete and sign the earthquake insurance application 5. Pay the additional premium If you decline earthquake coverage, you must complete and sign a written waiver stating that you understand the risks and choose not to purchase coverage. For more information: - California Earthquake Authority: www.earthquakeauthority.com or 1-877-797-4300 - California Department of Insurance: www.insurance.ca.gov or 1-800-927-4357

POLICYHOLDER ACKNOWLEDGMENT

I acknowledge that I have been offered earthquake insurance coverage and have received this disclosure document. I understand that: - Standard homeowners insurance does not cover earthquake damage - Earthquake insurance is available through the California Earthquake Authority or private insurance companies - I have the option to purchase or decline earthquake coverage - If I decline coverage, I will not have insurance protection for earthquake damage to my home or personal property By signing below, I indicate my choice regarding earthquake insurance: [] I wish to purchase CEA earthquake coverage [] I wish to purchase private market earthquake coverage [] I decline earthquake coverage at this time _____ Policyholder Name Policyholder Signature Date