

POLICY REVIEW MAY BE IN ORDER HOME INSURANCE MAY NEED UPGRADE.

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Even though Hurricane Katrina plowed a path that was more than a thousand miles from Los Angeles, the lessons learned hit close.

For many Southern Californians, that begins with revisiting insurance policies.

“California lives on the edge and we ought to be as responsible as possible to prepare ourselves for the reality of a natural disaster,” said John Garamendi, insurance commissioner of California.

Like gasoline, California has its own blend of insurance coverage to protect against natural disasters ranging from earthquakes to floods. But only 13 percent of homeowners in the state have earthquake insurance. And as more time passes between earthquakes, the fewer the homeowners who actually purchase the coverage, according to the Insurance Information Network of Southern California, a trade group that represents insurance companies.

“It's been more than 10 years since the Northridge Earthquake and many people feel like it's not going to happen again,” said Pete Moraga, spokesman for the network, who noted that 50 percent of California homes are also in the “top tiers” of danger when it comes to wildfires.

Most homeowners insurance policies protect against wildfires. But that's not the case for earthquakes and floods, forcing many homeowners to purchase separate policies through their insurance agent.

When purchasing homeowners insurance, it's important to distinguish between a cash value policy and a replacement cost policy. As a rule, cash value policies will factor depreciation into the value of insured items, while replacement cost policies replace the structure and contents of a home without factoring depreciation.

“People need to know what the average price per square foot of home is in their area if they ever have to replace it,” said George Kehrer, a consumer advocate with Community Assisting Recovery Inc., a Northridge-based nonprofit organization that helps property owners rebuild homes after a natural disaster. “And if a house is underinsured, it's always good to ask the agent ‘can I get more personal property coverage?’”

But homeowners are often reluctant to purchase extra coverage because of the associated costs. The only way around paying more for insurance is to ask a provider to raise the deductible to the highest limit. “The insurance company will go for it because a higher deductible means you're not going to file a small claim,” said Kehrer, who lost his home and two businesses during the

Oakland fire in 1991.

Businesses are far from immune to natural disasters. That's why many of them should have risk management plans should catastrophe strike. For example, when an oil platform is dislodged by a hurricane, its owner must anticipate the scenario before it even happens.

``A company that is well managed has to take a look at the biggest losses they can face," said Regis Coccia, editor of Business Insurance, a trade publication that covers the commercial insurance industry. ``Then the company needs to have a plan and communicate that throughout the organization."

Same with homeowners. That could be as simple as taking an inventory of valuable items and finding a safe place to store insurance policies.

``And in the end, don't sign anything with an insurance company ... until you are satisfied with what you are getting," Kehrer said.

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