
Shamrock Shake: St. Patrick's Day Earthquake in Los Angeles Is a Reminder to Check Your Property Insurance Policy

By Robert L. Wallan, Kimberly L. Buffington and Alyson R. Parker

Los Angeles residents didn't need to go to McDonald's for their "Shamrock Shake" on St. Patrick's Day 2014. At 6:25 a.m., a 4.4-magnitude earthquake shook L.A. County out of bed. Monday's shake serves as a reminder to be informed about your current and future residential or commercial earthquake insurance coverage.

Residential Property Earthquake Insurance

Most California homeowners' policies expressly exclude earthquake coverage. While all California homeowners' insurers have an obligation to offer their policyholders earthquake insurance every other year, the *Los Angeles Times* reports that five out of six homeowners currently have no coverage for losses resulting from a quake. Loss to uncovered homeowners could be devastating if predictions of a "big one" come to fruition. The California Earthquake Authority (the "CEA"), a publicly managed organization of most private homeowners' insurers, provides a standard residential earthquake insurance policy. While coverage will ultimately depend on the specific characteristics of the property, and the exact form purchased, the CEA policy usually covers:

1. Damage to the property up to the limit on the homeowner's residential policy with a 10% or 15% deductible for the structure;
2. Loss of most personal property up to \$100,000, with a 10% or 15% deductible that may be waived depending on the amount of the total loss.
3. Living expenses or loss of use costs, like replacement housing, restaurant meals, and laundry expenses or the expense of moving to another permanent home (up to \$25,000 without deductible); and
4. Some coverage for building code upgrades and emergency repairs.

There can be overlaps between earthquake coverage and homeowners' coverage. For example, some homeowners' policies cover direct loss from explosions or breaking glass caused by an earthquake. Also, homeowners' policies cover loss due to fire, and in the past, some California earthquakes have been followed by fire.

Commercial Property Earthquake Insurance

Like residential policies, most general commercial property insurance policies in California do not cover loss resulting from an earthquake. Accordingly, business owners should consider supplementing their property insurance with named-peril earthquake insurance. A commercial earthquake insurance policy typically covers damage to buildings and business property, loss of business income, sprinkler leakage, and betterment or repairs required by local ordinance or law caused by an earthquake.

Earthquake insurance can be costly, but earthquake damage to property can be catastrophic. Business owners as well as home owners should consider consulting with a professional to understand their current coverage and to assess future needs.

If you have any questions about the content of this alert, please contact the Pillsbury attorney with whom you regularly work, or the authors below.

Robert L. Wallan **(bio)**
Los Angeles
+1.213.488.7163
robert.wallan@pillsburylaw.com

Kimberly L. Buffington **(bio)**
Los Angeles
+1.213.488.7169
kbuffington@pillsburylaw.com

Alyson R. Parker **(bio)**
Los Angeles
+1.213.488.7172
alyson.parker@pillsburylaw.com

This publication is issued periodically to keep Pillsbury Winthrop Shaw Pittman LLP clients and other interested parties informed of current legal developments that may affect or otherwise be of interest to them. The comments contained herein do not constitute legal opinion and should not be regarded as a substitute for legal advice.

© 2014 Pillsbury Winthrop Shaw Pittman LLP. All Rights Reserved.