Earthquake Insurance in California: What It Costs, How It Works, and How to Decide

The honest breakdown: high deductibles, real costs, and how to think it through

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Why This Guide Exists

I want to be upfront about something before we get into this: earthquake insurance is one of the few topics in insurance where I genuinely think the right answer is different for different people. Most of the time I'm helping Bay Area clients make sure they have what they need. With earthquake, I'm often helping them think through whether it makes sense at all — and then, if it does, making sure they understand what they're actually buying.

That's not me being cynical about the product. It's me respecting the math.

This guide walks you through how earthquake insurance works, where it came from, what it actually costs, and how to make the decision for your situation. No pressure. Just the information you need to think it through clearly.

— Zach Nadler, Nadler Insurance

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Why Does the California Earthquake Authority (CEA) Exist?

The CEA was created in 1996 after the Northridge earthquake caused insurers to stop writing homeowners policies in California.

In January 1994, a 6.7 magnitude earthquake hit Northridge in the San Fernando Valley — about 20 miles northwest of downtown Los Angeles. It struck at 4:30 in the morning and caused an estimated $20 billion in residential damage alone. About half of that was insured.

The insurance industry was caught badly off guard. Companies had dramatically underestimated what a moderately-sized California earthquake could do to a dense urban residential area. And because California law at the time required any insurer selling homeowners policies to also offer earthquake coverage, the insurance industry faced a choice: keep writing homeowners policies and stay exposed to catastrophic earthquake risk, or exit the California market entirely.

By 1995, companies representing nearly 95% of California's residential insurance market had either stopped writing new homeowners policies or severely restricted them. Homeowners couldn't get coverage. People couldn't get mortgages. The California housing market was in freefall.

So in 1996, the California Legislature created the California Earthquake Authority (CEA) — a publicly managed, privately funded nonprofit that would take on the earthquake risk so that private insurers could get back to writing homeowners policies. It's now one of the largest residential earthquake insurers in the world.

> **Key Point:** This history explains why earthquake insurance has high deductibles and significant premiums — the CEA was designed to be financially sustainable after a catastrophic event, not to be cheap.

How Much Does Earthquake Insurance Cost — And What's the Deductible?

Earthquake insurance premiums in the Bay Area can range from a few hundred to over $2,000 annually. The standard CEA deductible is 15% of your dwelling coverage limit.

Earthquake insurance is not a small add-on. In many parts of the Bay Area — especially older homes near fault lines — the annual premium for an earthquake policy can run close to what you're already paying for your standard homeowners policy. You're potentially doubling your insurance spend for one additional coverage.

That's not a reason not to buy it. But it's a number worth knowing before you assume it's a $200-a-year decision.

> **Key Point:** The standard CEA earthquake deductible is 15% of your dwelling coverage limit, not a flat dollar amount. For a Bay Area home insured at $1 million, that's a $150,000 deductible before your earthquake policy pays anything.

Understanding the 15% Deductible

This is the one that I spend the most time explaining to Bay Area clients, because it's genuinely different from how every other deductible works.

Let's use easy math: if your home is insured for $1,000,000 — which is completely common for a Bay Area homeowner — your earthquake deductible is $150,000.

Not $2,500. Not $1,000. A hundred and fifty thousand dollars out of pocket before your earthquake policy pays a cent.

Here's why that matters practically: in both the 1989 Loma Prieta earthquake and the 1994 Northridge earthquake, the majority of damaged homes sustained what you'd call moderate damage — real, painful, expensive damage, but not catastrophic total losses. Based on what we saw from those events, a significant portion of earthquake damage claims fell at or below that 15% threshold. Which means many policyholders who had earthquake insurance and suffered real earthquake damage collected nothing, because their loss didn't clear their own deductible.

Earthquake insurance is primarily protecting you against the catastrophic scenario, not the moderately bad one. That doesn't make it wrong to buy. It makes it important to understand what you're buying.

Can I Lower My Earthquake Insurance Deductible?

Yes. Some carriers let you buy down to a 10% or 5% deductible for a higher premium.

Here's something a lot of Bay Area homeowners don't know: some carriers will let you buy down the deductible — typically to 10% or even 5% of dwelling coverage — for a higher premium.

Whether that math works depends on your situation. I walked through this calculation with a client a few years ago that I think about often. They had a large house, kids in middle and high school, and a clear plan: in about 10 years, when their youngest left for college, they were going to sell and downsize. Their home was their biggest financial asset and they were going to hold it for a defined period.

They came to me and said: Zach, we want to look at earthquake coverage over a 10-year window. What does the math look like?

We ran the numbers. By buying down to a 5% deductible, they were paying meaningfully more each year — but over 10 years, the total additional premium they'd spend was less than the difference in deductible exposure if a significant earthquake hit. The breakeven made sense for their timeline and the size of the asset they were protecting.

They bought the policy with the lower deductible. That's the kind of thinking exercise that's worth doing.

> **Key Point:** Calculate the 10-year premium difference against the deductible exposure difference. Sometimes the math is obvious.

Should I Retrofit My Home Instead of Buying Earthquake Insurance?

Many Bay Area homeowners invest in seismic retrofits — foundation bolting, cripple wall bracing, or soft-story upgrades — to reduce earthquake risk. Retrofits can reduce damage risk, increase property value, and lower earthquake insurance premiums. Some do both retrofit and insurance.

The most common approaches:

- Cripple wall / foundation bolting — Older homes (pre-1980, roughly) often sit on an unbolted wood frame above the foundation. Bolting the house to the foundation is one of the most cost-effective ways to reduce earthquake damage risk. Cost typically runs a few thousand dollars, and the CEA's Earthquake Brace + Bolt program offers grants to help cover it.
- Soft-story retrofits — Very common in San Francisco multi-unit buildings. The classic soft-story building has ground-floor parking or commercial space below residential units, with insufficient shear walls. San Francisco has actually mandated these retrofits for qualifying buildings.
- Full seismic upgrades — For older masonry or unreinforced buildings, more extensive structural upgrades may be relevant.

The retrofit approach has three compounding benefits: it reduces your actual risk of damage, it can increase your property value, and it can reduce your earthquake insurance premium.

How Do I Decide If I Need Earthquake Insurance?

Calculate your deductible in actual dollars (dwelling limit × 0.15). Ask yourself if you could absorb that cost.

Here's the framework I walk Bay Area clients through:

- ▯ **Step 1: Know your deductible in dollars, not percent**
  Take your dwelling limit and multiply by 0.15. That's your out-of-pocket number before coverage kicks in. Does that number feel like a manageable setback or a life-altering one?
- ▯ **Step 2: Understand your exposure**
  Are you near a major fault? On soft soil (liquefaction risk is higher near the Bay)? In an older pre-1980 home? These factors affect both your probability of a significant loss and your premium.
- ▯ **Step 3: Think about your time horizon**
  How long are you planning to hold this property? If you're in a 30-year home, the probability math looks different than a 5-year hold.
- ▯ **Step 4: Ask about the buydown**
  Get quotes at 15%, 10%, and 5% deductibles and compare the 10-year premium difference against the deductible exposure difference. Sometimes the math is obvious.
- ▯ **Step 5: Ask about retrofit options**
  Before or alongside getting earthquake quotes, ask what a foundation bolt or soft-story assessment would cost. It may change the conversation.

People Also Ask About Earthquake Insurance

- ▯ **Is earthquake insurance included in homeowners insurance in California?**
  No. Earthquake is always excluded from standard homeowners policies. You need a separate earthquake policy through the CEA or a private carrier.
- ▯ **What percentage of California homeowners have earthquake insurance?**
  Only about 13% of California homeowners with residential insurance also carry earthquake coverage.
- ▯ **Does earthquake insurance cover my foundation?**
  Yes, if the damage was caused by earthquake. But remember your deductible — if foundation repairs cost $80,000 and your deductible is $150,000, you're paying out of pocket.
- ▯ **What is the Earthquake Brace + Bolt program?**
  A CEA grant program that provides up to $3,000 toward foundation bolting and cripple wall bracing for qualifying older homes. Bay Area homeowners should check eligibility at earthquakebracebolt.com.

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Growing Up Covered Insight

A note from Zach

I grew up having earthquake conversations at the dinner table like other families talk about sports. My dad, Paul, has been navigating this market since before the CEA existed — he remembers what it was like when Northridge hit and the insurance market essentially collapsed. The CEA was created because the alternative was worse, and understanding that history helps explain why the product is structured the way it is. It's not designed to cover every crack in your drywall. It's designed so that if the Big One hits and your house is genuinely gone, you're not starting from zero.

The client I mentioned who bought the buydown — that conversation stuck with me because they came in having already done the thinking. They knew their timeline. They knew their asset. They just needed the numbers. Most people haven't thought about it that way. If you're sitting on a Bay Area home worth $1M+ and you've never modeled out what a 15% deductible actually means for you specifically, that's worth 20 minutes.

Read more at GrowingUpCovered.com

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Quick Earthquake Insurance Facts

- CEA standard deductible: 15% of dwelling limit
- Buydown options: 10% or 5% available through some carriers
- Only about 13% of California homeowners with residential insurance also carry earthquake coverage
- The CEA was created in 1996 after Northridge caused insurers to exit the California market
- Earthquake Brace + Bolt program: CEA grants available for qualifying foundation retrofit projects
- Earthquake is always a separate policy — it is never included in a standard homeowners policy

What to Do Next

If you've never gotten a real earthquake quote — with the premium, the deductible in actual dollars, and the buydown options laid out side by side — that's the starting point. It takes about 15 minutes and at minimum you leave knowing what the decision actually costs.

No pressure. Just clarity.

Ready to see the numbers?

Send over your homeowners dec page and we'll build out the earthquake quote with all the options side by side. Book time at nadlerinsurance.com or call (650) 508-8000.

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Ready to see what earthquake coverage would actually cost?

Book time at **nadlerinsurance.com** or reach out directly.

Book a Free Review

Or call us: (650) 508-8000

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