

## **Why You Should Vote No On Earthquake Insurance**

*By Francis Pastor, Hacienda Board Member*

The Natural Hazard Report by TerraCheck, disclosure specialists for California, shows that Hacienda Carmel is not in a Fault Rupture (earthquake) or Liquefaction Zone (Jell-O shaking effect) but is in a Special Flood Hazard and Dam Inundation area. This is why we need flood insurance and not earthquake insurance.

The information reported is last year's "Why You Should Vote Yes On Renewal of Earthquake Insurance" stated that areas along the Carmel River have the second highest earthquake vulnerability in the county. The information on which this was based, a letter from the Monterey County Office of Emergency Services, was misinterpreted. The report on which the letter was based is a report on earthquake shaking and not vulnerability and shows that the Carmel River is ranked 5<sup>th</sup> in nine shaking categories, not second. A subsequent communication from the author of the letter states: "I want to state that the maps that I provided to Mr. Balles are in no way, shape or form maps that depict earthquake probability. They simply show potential shaking based on soil type and underlying geology. The second map shows historical epicenters within Monterey County, none of which are in the Carmel Valley."

You often hear that earthquakes can occur anywhere, anytime in California. The truth is they can happen somewhere in California anytime. Refer to the last page of Section B of the Monterey County Herald to see that there are up to five or six earthquakes along the San Andreas Fault every day. Most are too small to be felt and help "the big one" from happening.

The last significant earthquake that occurred in our general was one of 4.3 magnitude located 10 miles south, southwest of Gilroy on July 2, 2007. It was one of those "did you feel the earthquake". Unless you were sitting very still you probably didn't feel it. In 1989 the 7.1 magnitude Loma Prieta earthquake rattled the area, did considerable damage in Santa Cruz, Moss Landing, Watsonville and San Francisco but "did not even break a tea cup at Hacienda Carmel".

Records kept since 1811 show 29 severe earthquakes in California resulting in severe property damage and/or loss of life. There is no record of an earthquake in Carmel Valley and the fault that runs roughly along the Carmel River has been inactive for over 700,000 years. The closest earthquake to our area was the Loma Prieta earthquake and it did not do any damage to Hacienda Carmel. The 1906 San Francisco earthquake, 9,000,000 times stronger than the Loma Prieta earthquake, caused significant damage, but gas-fueled fires fed by broken gas pipes caused the catastrophic damage in San Francisco. The Del Monte Hotel, a multistory wood structure in Monterey, was nearly destroyed by fire and four or five people were killed. The only damage reported in Carmel was a chimney falling on and killing a honeymoon couple in bed. Our Emergency Committee Chair, Mr. Milt Brody reports that 50% of fires following earthquakes are due to the ignition or exploding of natural gas. Why don't we install earthquake activated automatic shut-off valves on our gas lines?

Hacienda Carmel's neighbors, Quail Lodge, Del Mesa, Rancho Canada, and Carmel Valley Ranch do not carry earthquake insurance. What do they know that some of our leaders don't?

If Hacienda Carmel had purchased earthquake insurance every year since it opened 45 years ago at a cost of \$70,000 per year in 2008-dollar equivalents, the premium would have totaled \$3,150,000. That money could do lots of Repair and Remodeling at Hacienda Carmel or stay in your bank account. By not buying earthquake insurance this fiscal year we enriched our Repair and Remodeling fund by \$82,500.

The earthquake insurance policy likely to be offered by our insurance broker will be for \$20,000,000 coverage with an annual premium of \$70,000. This has a 0.035% risk factor or a 0.035% chance the insurance company calculates it will pay a claim. Or, you can look at it as your fear factor. A 0.035% fear factor will not generate enough adrenalin to help you get out of bed in the morning.

You will be told that you will not be assessed additional money for earthquake insurance this coming year. The fact is you have already paid for it in the maintenance fee you paid in this fiscal year, 2007/2008. If earthquake insurance is not approved by the membership the \$70,000 will likely again be transferred to our Repair and Renovation Fund, further enriching it and reducing future assessments. If earthquake insurance is approved by our members you may be assessed an additional amount if we want to keep our Repair and Renovation fund from going negative by 2018/2019.

Our cost to run Hacienda Carmel is \$0.18 more per square foot than the cost to run Del Mesa. Sure, we have bridge repair and insurance costs, and floor insurance costs that they don't have, but they pay \$170,000 more than we do for Cal-Am water costs and that is certainly more than our bridge and flood insurance costs. That \$0.18 difference included earthquake insurance when we carried it in 2006/2007 and part of that difference is earthquake insurance. Del Mesa does not carry it.

Proponents of earthquake insurance lead us to believe that an earthquake will level our little one-story buildings and that all that will be left is a little cloud of dust in the air. There will be severe earthquakes in California in the future. In the April 15<sup>th</sup> issue of The Monterey County Herald a front page headline read "State faces 99% chance of big quake by 2037" and it goes on to say that quake will be of 6.7 magnitude or larger with a 97% chance it will be located in Southern California versus a 93% chance in Northern California. Nineteen years ago we had "big" Loma Prieta 7.1 magnitude earthquake just northeast of Santa Cruz. We will have others and they could be "the bigger one" and we will get a lot of shaking and possibly some damage at Hacienda Carmel. But, because we are not in an earthquake epicenter zone and would not expect an earthquake much closer than Loma Prieta our damage, if any, would likely be below the earthquake policy deductible threshold and we would not collect a dime. The insurance carrier estimates there is a 1 in 287 chance they will pay anything and that confirms the above statements.

You probably need your money more than the insurance company does. Vote no again this year on earthquake insurance. We won last year. Make the margin even greater this year to let the proponents again know you want your voice heard and listened to. A simple majority does not seem to carry much weight at Hacienda Carmel.