

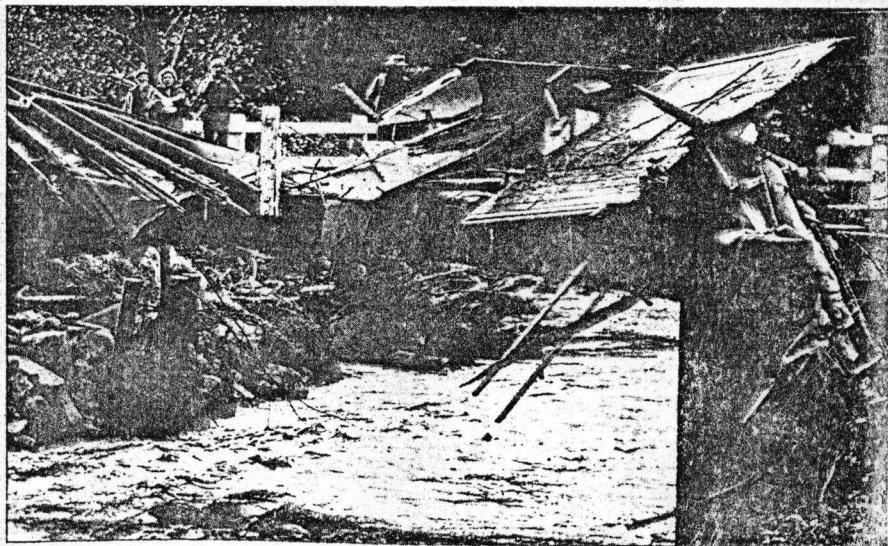
Wiped Out

Everything you wanted to know about flood insurance, but learned too late.

DISASTER STRIKES SUDDENLY. ONE minute, a family is in front of the television. An hour later, their home is nothing

more than crispy embers with only the chimney still standing. But all is not lost. Even before the firemen have finished rolling up the hoses, the insurance man arrives. Dashing through the crowd of onlookers, he scribbles out a check on the spot. It's only the first installment, the agent explains modestly. Tomorrow he will return with more to speed everyone back to a normal existence.

In the insurance commercials one sees on TV, it is always fire that has done the



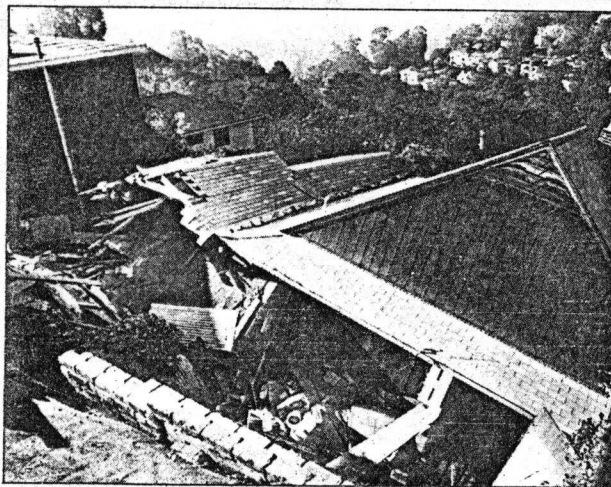
Après le déluge: What used to be a house rests atop a bridge over usually placid Aptos Creek.

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damage. One does not see a house smashed by a wall of mud, nor are there heartwarming shots of agents sloshing up in waders to bail out the victims of a flood. There's a reason for this, and the 10,000 Bay Area property owners victimized by this winter's storm know it all too well.

Standard policies do not include coverage for flood, landslide, or mud flow damage, and where this type of coverage is available it is quite expensive. Less than 15 percent of the homes, apartments, and businesses damaged or destroyed in the recent washout were covered by federally subsidized flood insurance, and very few property owners enjoyed special flood or landslide protection written by private companies. The bulk of the personal and commercial property damaged (estimated loss: \$172 million) was uninsured.

During the winter rainstorm, Berkeley native Earl Buchanan's \$350,000 hillside home on Alvarado Road tipped over when a layer of earth 30 feet under the 3,500-square-foot dwelling liquefied and slid. Redwood timbers literally exploded in the disaster that destroyed not only the home but most of the Buchanan family's belongings. "No insurance agent has even called on me," says Buchanan. "My insurance policy was written so that the company would not have to pay for a disaster like this one. Years ago I tried to buy flood insurance, but the cost was prohibitive. To



BILL CROUCH/OAKLAND TRIBUNE

An uninsured disaster: Earl Buchanan's \$350,000 home in Berkeley.

get adequate insurance for my home, even under the federally subsidized program, was more than I could afford."

Buchanan now lives with his wife in a small in-law apartment. He has applied for a Small Business Administration (SBA) loan but does not think he can afford the terms. "For \$50,000, they want \$8,000 a year interest. That is out of the question. And \$50,000 probably won't even cover getting the lot back into shape. The Red Cross called right away, but it was four weeks before I heard from any government agency. So far, the only person

to come see what's left of my house is my assemblyman, Tom Bates."

Disaster relief programs are providing minimal help to the recent storm's victims. The federal government will cover housing costs for as much as a year, and the state and federal governments will make grants of as much as \$5,000 for victims' other unmet needs. SBA offices can loan as much as \$10,000 to renters, \$55,000 to homeowners, and \$500,000 to businesses, but, as Earl Bu-

chanan found out, the interest rates (8 to 16 percent) can be prohibitive. The San Francisco Foundation is providing catastrophic damage grants of as much as \$15,000 for those who don't qualify for loans. Deferred payment loans of as much as \$5,000 are available to fix retaining walls or to do other work that will prevent further damage. This money does not have to be repaid until the property is sold. In addition, the foundation will make grants to help victims qualify for bank loans and will subsidize bank or SBA loans to bring down the interest rates. The foundation

trying to plump up the crowd for his son:

has also made \$5.5 million available for public works in affected counties.

All of this is small comfort to people who lost \$350,000 homes, as many did in the scenic but slide-prone hills of Berkeley, Sausalito, Pacifica, and Santa Cruz. The lack of insurance protection appears all the more foolhardy in light of what experts now know about these so-called "once in a century" events. Says Dale Peterson of the Federal Emergency Management Agency, "We think this kind of storm could occur once every 25 years. This means that over the life of a 30-year mortgage, there's a strong chance of another flood like the one we just went through."

San Francisco geologist Richard Ely believes that much of today's planning overlooks the likelihood of random events like the January deluge: "Engineers think planning ahead 30 years is a big deal. But they are working with records that when measured against geologic history cover a comparatively brief time span. When builders say the probability of a random event like the Mount Saint Helens eruption is rare, they are overlooking the fact that 90 percent of our geologic development has been caused by these catastrophic events."

It makes sense for anyone in a high-risk flood area to buy special insurance coverage. You can find out your prospects by

like a Democrat on the subject of big gov-

contacting your local planning office or county flood control district. Any licensed agent or broker can sell federally subsidized flood insurance. Dwelling coverage runs \$.40 per \$100 up to \$35,000. Contents protection, available to both owners and renters, costs \$.50 per \$100 up to \$10,000. There's also a \$20 underwriting fee for the broker. If you were to buy \$35,000 worth of dwelling coverage for your home, it would cost \$160 a year. In most Bay Area cities (excluding San Francisco), additional property and contents coverage is available at reasonable rates. For homeowners the limit is \$185,000 on property and \$60,000 on contents. Small businesses can get as much as \$250,000 on property and \$300,000 on contents. If your broker is not aware of the federal program, he or she may call the National Flood Insurance office in Washington, D.C., toll free at (800) 638-6620.

Buying coverage outside of these government programs is difficult. Some insurers have offered combination flood, mud slide, and earthquake policies in the past. One, written for a "nonemergency" area, provided coverage of \$200,000 for a \$1,000 premium. But you'll have to put your name on the waiting list for this deal. As one Oakland broker explains, "The company offering that coverage has decided to suspend Bay Area sales until the rainy season is over." —Roger Rapoport