

Rush of quake claims expected

SANTA ANA (AP) — Only about one in five California homeowners has earthquake insurance because of its high cost, but insurers today said they expect more than \$1 billion in claims from Northern California.

"The footage from television looks very serious. A quake like this could wipe out an insurance company," said David Crocker, area manager for Western Insurance Information Service in Tustin.

"I think it will be very bad," said Michael Hesketh, a director of the London investment firm Warburg Securities. "There are going to be some losses and certainly in excess of the \$1 billion figure we had suggested by the industry this morning."

Tuesday's quake cut a swath of devastation through the San Francisco Bay area, destroying buildings and bridges and sparking a fire that destroyed a square block in San Francisco. More than 270 people were

killed and hundreds more were injured.

The area is more densely populated than the Whittier area of Los Angeles County that suffered a quake in October 1987 that registered 5.9 on the Richter scale.

That means insurers will likely wind up with a bigger bill than the \$350 million paid out for that quake, Crocker said.

Insurance companies are required to offer quake coverage to customers buying comprehensive home coverage in San Francisco, but only about 20 percent of California homeowners have earthquake insurance, Crocker said.

Earthquake insurance is expensive and homeowners often face a 10 percent deductible.

Farmers Insurance Group charges \$2 per \$1,000 of value for earthquake coverage, meaning that to insure a \$100,000 home an owner would pay

\$200 a year, said company spokesman Jeffrey Beyer in Los Angeles.

The earthquake comes at a particularly bad time for insurers — just three weeks after Hurricane Hugo caused about \$4 billion in damage in South Carolina.

The twin disasters "will certainly have an impact on the industry," said Pat Mihm, senior vice president for claims at Transamerica Insurance Group. "I can't recall anything like this in the last 15 or 20 years."

Early indications were that the damage wouldn't be as bad as the damage caused by Hugo, said a spokesman for Lloyd's of London who requested anonymity. He said it would take weeks to assess the damage in California.

"Information suggests that the cost to insurers, quite serious as it is, might not be too bad," he said. "It's not the big quake that people have been predicting, but it's bad enough."