EARTHQUAKES

Big One to cost big bucks, insurers warn

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The next big earthquake to hit southwestern B.C. is expected to cause up to $30 billion in damage and destroy one-fifth of all buildings in the Greater Vancouver area.

And only about one-third of the costs would be covered by insurance if present purchasing patterns continue.

That warning was given Tuesday to provincial finance ministry officials by Canada's major general insurance companies.

They said there would be severe financial strain on both them and governments and urged a partnership arrangement to improve protection for the public.

In a presentation made by Brian Stanhope, regional vice-president of the Insurance Bureau of Canada, the companies called for stricter building codes and the setting up of a provincial reinsurance plan to kick in when a catastrophe happens.

Stanhope said later the officials, in the absence of Finance Minister Elizabeth Cull who is suffering from flu, promised to get back to the bureau in the New Year after studying its proposals.

QUAKE FACTS

- Up to $30 billion in damage would be caused in Greater Vancouver by a quake measuring 6.5 on the Richter scale.
- B.C. has had six quakes measuring between 6.7 and 8.1, all but one centred off the coast, since 1946.
- The recent Northridge quake in California measured 6.8. Insured damage alone there now totals more than $13 billion Canadian.
- While buildings constructed in the province since 1985 have been designed to withstand shaking by a considerable earthquake, only about half those built in the previous 25 years were designed to survive such an event.
- The city of Vancouver has identified 15,000 problem buildings.
- Half the schools in Vancouver need seismic upgrading, but the school board has had the money to do only two in the last three years.

The presentation, drawn up by senior industry leaders, said population and property values in B.C. and Quebec, Canada's two earthquake-danger areas, have increased significantly in the last 50 years.

Geological experts, it said, have warned it is now a question of when, not if, B.C.'s next major quake will hit, because of strains in tectonic plates off the west coast of Vancouver Island and beneath the mainland.

Concentrating mostly on damage to homes, the presentation said much of the country's building stock, as well as infrastructure such as roads, bridges and underground services, fail to meet current earthquake resistance standards.

About one-third of B.C. homeowners have earthquake insurance, it said. The remainder would not be covered for damage directly due to shaking, but could claim for fire damage after the quake under their normal household policies.

About half the damage is expected to be caused by fires started by such things as gas lines breaking.

The presentation said industry research estimates insurance claims in the region, including fire damage, could reach nearly $10 billion. Of this, $4.3 billion would be for homes.

It said the federal government, under present arrangements, would be liable for 90 per cent of losses for roads, bridges, and other things that cannot be insured.

The provincial government would have to meet the first $15 million of this damage, as well as the remaining 10 per cent. It would also have to help homeowners and others who did not have insurance coverage, it added.

It would also have to cover losses to organizations such as school boards and hospitals, the presentation said.

Total payouts the two governments are facing was not estimated.

Stanhope said the provincial reinsurance plan is proposed so tax-free reserves can be built up in advance, which is not permitted now.

Insurance companies, he said, cannot now buy enough reinsurance against catastrophes on the world market at a price policyholders can afford.

With such a provincial plan, he said, insurance protection could be offered to all residents in the vulnerable areas of the province who wished to purchase it.

Industry experts have said in the past that many companies have increased earthquake premiums this year, and are also insisting on higher deductibles. Some have started limiting the number of policies they will issue.