



EARTHQUAKE

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INSURANCE

OKLAHOMA  
INSURANCE

DEPARTMENT



**Mission:** To educate Oklahomans  
and protect them from unfair claims practices  
and regulate insurance companies and prevent  
financial insolvency

# Why Earthquake Insurance?



- Earthquake damage is typically not covered by an unendorsed commercial property, homeowners or renters policy.
- To recover from a catastrophic loss

# Top 5 natural disasters of all time

## 1. Earthquake and tsunami, Japan (2011)

*Cost: \$235 billion (by the World Bank)*

## 2. Kobe earthquake, Japan (1995)

*Cost: \$100 billion (by the World Bank)*

## 3. Hurricane Katrina, U.S. (2005)

*Cost: \$81 billion total damage cost (by NOAA)*

## 4. Northridge earthquake, California, U.S. (1994)

*Cost: \$42 billion (by NOAA)*

## 5. Sichuan earthquake, China (2008)

*Cost: \$29 billion (by the World Bank)*

# Cost on average

- **Variable deductible from 2%-15%**
- **For residential property**
  - Average for 2% deductible and coverage for brick veneer = \$0.30/\$1,000 on insured home value
  - Premium: \$30.00 on \$100,000 home
  - Deductible: \$2,000



# Cost on average

- **For commercial property**
  - Rates depend on many factors – building type, deductible, contents in building, etc.
  - Example Commercial Rate on Stand Alone Policy in Oklahoma

## BUILDING - EARTHQUAKE RATES PER \$1,000.00 OF COVERAGE

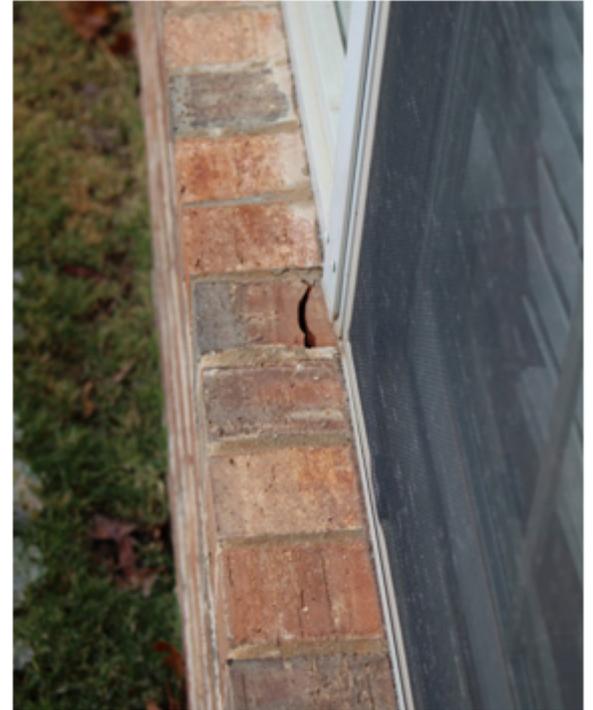
CONSTRUCTION CLASS	ATC BUILDING CLASS	RATE RANGE			DEDUCTIBLE
D Class (Wood Frame/Light Metal)	1,2	\$0.50	-	\$5.00	2%

# What earthquake insurance covers

- **Damage to the dwelling**
  - May also include other structures on property
- **Personal property damage**
- **May cover increased costs to meet current building codes or to stabilize the land under the home**
- **Debris removal**
- **Living expenses while home is rebuilt or repaired**

# Exclusions and moratoriums

- **Typical exclusions**
  - masonry (brick) veneer
  - damage to land or vehicles
  - pre-existing damage or external water damage
- **Possible moratorium varies from company to company - range from 72 hours to 60 days**



# Earthquake Insurers in Oklahoma

- **According to a recent OID survey of 92% of the Oklahoma Property & Casualty Market:**
  - 156 residential and commercial insurance companies write some form of earthquake coverage in OK
    - *109 cover earthquake damage resulting from oil and gas activities as defined by OID bulletin*
    - *31 have various coverage types and products lines*
    - *16 do not cover earthquake damage resulting from oil and gas activities as defined by OID bulletin*

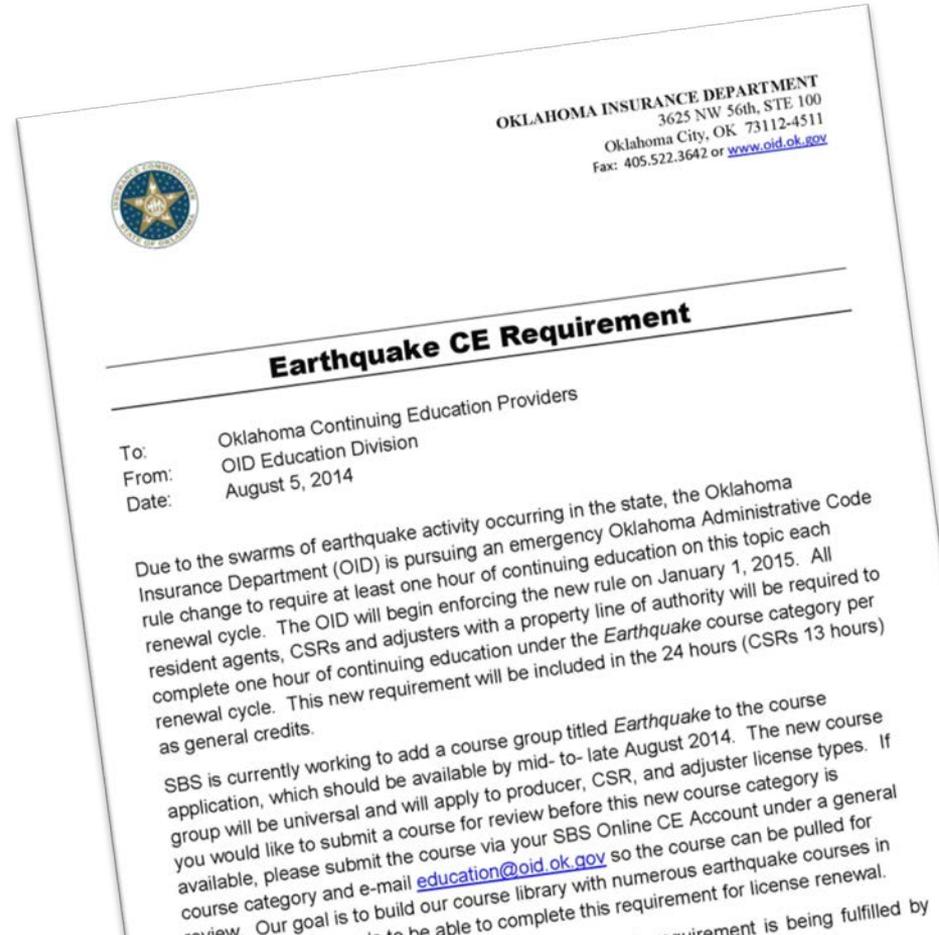
# OID's role

- **Consumer Education and Resources**
  - PSA
  - Monitoring Complaint Activity
  - EAGLE Mediation



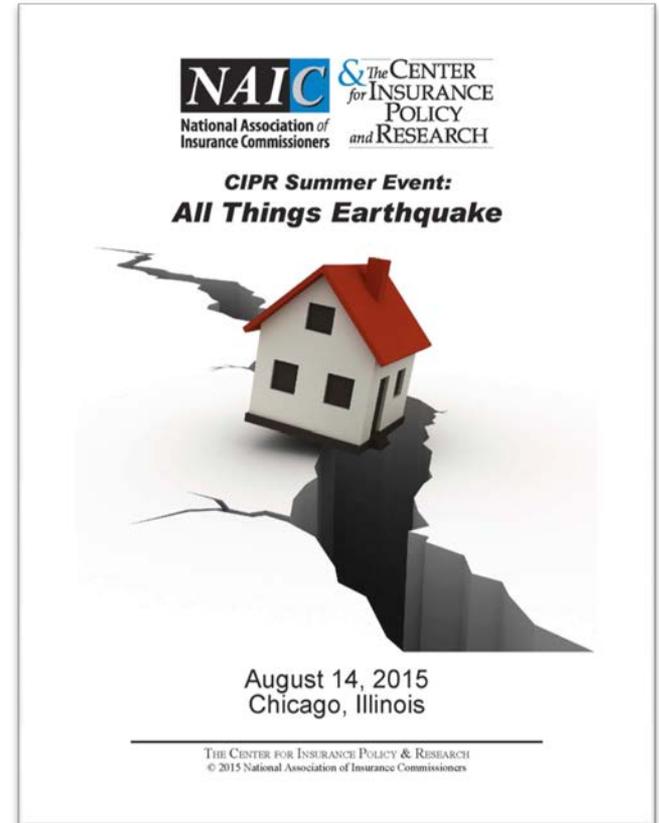
# OID's role

- **Agent Education**
  - Since Aug. 2014, producers and adjusters required to have 1 hour of Earthquake Education
  - 8,701 licensees have completed an Earthquake course as of Nov. 2015



# OID's role

- **National Leadership**
  - Aug. 2015 - Center for Insurance Policy and Research Forum “All Things Earthquake”
  - NAIC's Earthquake Study Group



# OID's role

- **Industry Leadership**

- Issue Bulletins to Insurance Companies

- *March 2, 2015 – “Earthquake Insurance, Excluded Loss, Inspection of Insured Property and Adjuster Training”*

- *Aug. 5, 2015 – “Earthquake Insurance, Water Disposal Wells and Fracking”*

- *Oct. 20, 2015 – “Earthquake Insurance”*

# OID's role

*Oct. 20, 2015 – “Earthquake Insurance”*

In an effort to provide consumers with clarity regarding the coverage provided for quakes resulting from, or arguably resulting from Fracking, all companies which provide insurance coverage for earthquakes are hereby required to furnish a “clarifying notice” to Oklahoma policyholders and any licensed producers authorized by the company to sell such coverage. Such notice must be provided as soon as reasonably possible, but in any event within 45 days following the date of this Bulletin.

# OKLAHOMA INSURANCE DEPARTMENT

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