

Shaken But Not Broke: The Value of Earthquake Insurance

By John D. "Okie" Doak, Oklahoma Insurance Commissioner

Parts of Oklahoma are at moderate risk for earthquakes. Oklahoma Emergency Management notes that 2010 and 2011 have seen an increase in earthquake activity in the state. Earthquakes can cause a great deal of damage that won't be covered under your typical homeowners or renters policy. Are you sufficiently insured?

Earthquake insurance can be purchased either separately and independent of your homeowners insurance, or acquired as an "endorsement" of additional coverage under your existing homeowners policy.

Who needs earthquake insurance?

The National Association of Insurance Commissioners notes that about 90 percent of Americans live in areas that experience at least occasional tremors. And, some of the most violent earthquakes in U.S. history have been recorded in the central states.

Consider how you would manage the costs of recovering from an earthquake. Without insurance, could you afford to repair or rebuild your home? How would you cover the cost of temporary housing during such repairs? How many house payments do you have remaining, because mortgages and home equity loans will not be repaid by your typical homeowners policy in the event of an earthquake.

Finally, how likely is it that your home will be seriously damaged? Brick homes, wood frame homes with crawl spaces and multi-story homes are the most likely to suffer serious damage from an earthquake. A qualified contractor or engineer can assess your home's risk.

What earthquake insurance covers

An earthquake insurance policy covers home repairs needed due to earthquake damage. It may also cover other structures not attached to your house, like a garage, and will cover personal property from damages directly caused by an earthquake. It might cover increased costs of repair to meet current building codes, and costs to stabilize the land beneath your home. It pays extra living expenses while your home is under repair, and covers the cost of debris removal.

Earthquake insurance doesn't protect your home against fire, even if the blaze was caused by the earthquake. Your standard homeowners policy covers that. An earthquake policy typically does not



cover damage to your lot or land, such as sinkholes, though if the policy includes “Engineering Costs” coverage it could pay at least part of the cost of stabilizing the land that supports your home. Earthquake insurance also does not protect your vehicles, even if damaged by your garage’s collapse (though your auto insurance policy might protect you); it doesn’t cover the cost of external water damage (you’ll need flood insurance for that); and some insurance companies do not cover the replacement of masonry veneer – brick, rock or stone that covers the outside of your home.

If you have or are considering an earthquake insurance policy, ask your agent to very clearly explain what will and won’t be covered.

How much coverage do you need?

The right coverage values for your policy will depend on your situation – including how much of the repair and replacement costs you could pay out-of-pocket in a disaster – but be aware that insurance policies have “limits of coverage,” and within these limits can be sub-limits on specific items. For instance, your policy might have a \$50,000 limit on personal property replacement, with a \$5,000 sub-limit on computers and peripherals.

Also consider that insuring your home for just its appraisal or loan value likely means that in the event of catastrophe, you’ll only have enough coverage to repay your mortgage lender and not enough to repair the home. Review your dwelling coverage from time to time to be sure it doesn’t drop below the cost of replacing your home, both in the case of your homeowners policy and your earthquake insurance, if any.

Other earthquake insurance facts

- Earthquake insurance premium are determined by factors including your home’s location, age and construction, the estimated cost to rebuild the house and replace its contents, and the value of the deductible you agree to pay in the event that you file a claim.
- Earthquake insurance deductibles work differently than those of standard homeowners policies. You might have separate deductibles for the home, outside structures such as a detached garage or a fence, and for personal contents. Ask your agent to clarify all the deductibles you might face if disaster strikes.
- It sounds simplistic, but the time to buy earthquake insurance is before an earthquake occurs. Obviously you can’t buy insurance to repair the home after it has already been damaged. But even if a small earthquake only shakes you into purchasing a policy to protect against a bigger one that might occur in the future, be aware that many companies won’t sell new earthquake insurance policies for 30 to 60 days after a quake, due to the expectation of aftershocks.

The Oklahoma Insurance Department will join Oklahoma Emergency Management on April 28 in The Great Central U.S. ShakeOut, a regional exercise billed as “the largest earthquake drill in central U.S. history.” I urge Oklahomans to visit www.shakeout.org to learn more about the event and how to protect themselves and their property in the event of an earthquake. You can also learn more about earthquake insurance at the National Association of Insurance Commissioners’ Web site, www.naic.org.

For insurance information specific to Oklahoma, to find a licensed agent, or to file a complaint about your insurance policy or coverage, contact the Oklahoma Insurance Department’s Consumer Assistance Team toll-free at (800) 522-0071 or online at www.oid.ok.gov.