

Another Northern California Quake Underlines Importance of Having Earthquake Insurance

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California Press Office: (707) 490-9365, janetr@iii.org

NEW YORK, January 29, 2015 ? While the 5.7 earthquake that shook the coast of Northern California on Wednesday caused no major damage or injuries, it did serve as a vivid reminder that people in many parts of the U.S. face risks from earthquakes and should consider purchasing earthquake insurance coverage, according to the Insurance Information Institute (I.I.I.).

Earthquakes are *not* covered under standard U.S. homeowners or business insurance policies. Coverage is usually available for earthquake damage in the form of a supplemental policy to homeowners or business insurance.

Earthquake insurance provides protection from the shaking and cracking that can destroy buildings and personal possessions. Coverage for other kinds of damage that may result from earthquakes, such as fire and water damage due to burst gas and water pipes, is generally provided by standard homeowners and renters insurance policies. Earthquake coverage is available from private insurance companies. In California, coverage is also available from the California Earthquake Authority (CEA), a privately funded, publicly managed organization.

Earthquake insurance carries a deductible, generally in the form of a percentage rather than a dollar amount. Deductibles can range anywhere from 2 percent to 20 percent of the replacement value of the structure. This means that if it costs \$100,000 to rebuild a home and there was a 2 percent deductible, the owner would be responsible for the first \$2,000 dollars. Insurers in states with a higher than average risk of earthquakes, such as Washington, Nevada and Utah, often set minimum deductibles at around 10 percent. In most cases, consumers can get even higher deductibles to save money on earthquake premiums. Cars and other vehicles are covered for earthquake damage under the optional comprehensive portion of an auto insurance policy.

In California, homeowners can also secure coverage from the California Earthquake Authority (CEA), a privately funded, publicly managed organization. The CEA offers homeowners dwelling coverage deductibles of either 10 or 15 percent. The CEA coverage limit is the insured value of the home as stated on

the companion homeowners insurance policy.

“Everyone, no matter where they live, should contact their agent or company representative to make sure that they have the right type and amount of insurance,” said Janet Ruiz, California representative for the I.I.I. “All Americans also need to have an up-to-date home inventory; an evacuation plan; and should protect their home from the disasters that pose a risk to their personal safety and property.”

Unfortunately, a 2014 I.I.I. survey reveals that only 7 percent of homeowners nationwide report having earthquake coverage, down from 10 percent last year. In the West, 10 percent have earthquake coverage, down from 22 percent in 2013. Seven percent have coverage in the Midwest, and in the South the proportion of homeowners with earthquake coverage stood firm at 6 percent. Only 2 percent of homeowners in the Northeast had coverage.

Even in California—where nine of the most costly earthquakes in the last century occurred—only 10 percent of residents purchased coverage. This is down from 30 percent in 1996, two years after the 1994 Northridge, California, earthquake—the most costly in U.S. history. It caused an estimated \$44 billion in total property damage, including \$15.3 billion in insured losses (\$24.1 billion in 2013 dollars). The Northridge earthquake is the fifth most costly insured U.S. disaster.

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Insurance Information Institute, 110 William Street, New York, NY 10038; (212) 346-5500; www.iii.org

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