I.I.I. Provides Overview of Insurance Coverage for Earthquakes and Tsunamis in U.S.

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NEW YORK, March 1, 2010 ? The powerful earthquake that struck Chile on February 27, killing over 700 people, and the tsunami that soon thereafter devastated coastal Chilean communities, such as Pellehue, provide a stark reminder that the U.S. also faces risks from both earthquakes and tsunamis, according to the Insurance Information Institute (I.I.I.).

?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 Jeanne M. Salvatore, senior vice president of Public Affairs and consumer spokesperson for the I.I.I. ?All Americans also need to have an up-to-date home inventory; an evacuation plan; and to protect their home from the disasters that pose a risk to their personal safety and property.?

U.S. Earthquake History

The New Madrid earthquake of December 1811, one of the largest in U.S. history, had its epicenter in Missouri, and ended up ringing church bells in Boston, more than 1,000 miles away. The New Madrid Fault zone lies within the central Mississippi valley extending from northeastern Arkansas through southeastern Missouri, western Tennessee, Kentucky and southern Illinois. Indeed, four small quakes in mid-December 2009 were felt in Arkansas, Missouri, Tennessee and Kentucky, even though the highest magnitude was only a 3.1, versus the 8.8 temblor which hit Chile. No injuries or property damage were reported in the U.S. from December 2009?s seismic activity.

Since 1900, earthquakes have occurred in 39 U.S. states. Minor earthquakes, for instance, struck states such as Illinois and Nevada in 2008. There has not been a major quake on the U.S. mainland, however, since the 6.7 magnitude Northridge, California event in January 1994.

Nonetheless, California remains the U.S. state most at risk of a major earthquake. A huge quake is more likely in Southern California than in Northern California over the next 30 years, according to a 2008 study compiled by experts from the <u>U.S. Geological Survey</u>, USC's <u>Southern California Earthquake Center</u> and the <u>California Geological Survey</u>. The study also predicted, in looking at the 30-year probability of one or more events greater than or equal to the magnitude of the Northridge quake hitting California, that there is a 99 percent chance that at least one earthquake meeting that criterion will occur.

The 1994 Northridge earthquake and the 1989 6.9 magnitude Loma Prieta quake that struck the Oakland-San Francisco area during that year?s World Series are two of the three most costly earthquakes in U.S. history as defined by insured losses. In 2009 dollars, Northridge caused an estimated \$22.2 billion in insured losses, placing it first on the list, while the Oakland-San Francisco quake resulted in insured losses totaling a little over \$1.6 billion, ranking third in that category. The San Francisco earthquake of 1906 ranks as the second costliest in U.S. history, causing insured losses equal to \$3.9 billion in 2009 dollars. Yet, more than 16 years after 1994?s Northridge, California earthquake, only about one in eight California residents have their homes or businesses insured for earthquake-caused property losses.

Earthquakes and Insurance

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. Standard homeowners and business insurance policies may, however, cover losses from a fire following an earthquake, which would include additional living expenses and business interruption coverage. Cars and other vehicles are covered for earthquake damage under the optional comprehensive portion of an auto insurance policy.

Earthquake insurance policies often carry 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 structure's replacement value. This means that if it costs \$100,000 to rebuild a home and the policy had a 2 percent deductible, the policyholder would be responsible for paying the first \$2,000.

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.

Earthquake insurance premium rates are determined differently by each insurance company and can vary widely depending on several factors, such as the location of the building and the construction materials used in its construction in the event of a quake, the Insurance Information Network of California (IINC) estimates.

U.S Tsunami History

Traditionally preceded by strong earthquakes, tsunamis send huge ocean waves hurtling toward coastal communities. Within hours of the Chilean quake, the National Oceanic and Atmospheric Administration?s (NOAA)Pacific Tsunami Warning Center issued a bulletin applying to ?areas within and bordering the Pacific Ocean and adjacent seas,? which included Hawaii but excluded Alaska, California, Oregon, and Washington. The warning was canceled on Sunday, February 28.

Although relatively infrequent, Americans need look back no farther than September 2009 to find a tsunami that impacted a U.S. territory. American Samoa, situated in the Pacific Ocean, was hit almost three months ago by a tsunami that caused 34 deaths. The disaster was triggered by an 8.0 magnitude earthquake centered about 120 miles south of the Samoan Islands.

Forty-six years ago this month, in March 1964, a tsunami hit Crescent City, California, a town on the U.S. mainland near California?s border with Oregon. The event caused 11 fatalities and had its origins in a major earthquake that struck Alaska, subsequently roiling the waters of the Pacific Ocean off the West Coast. Unlike other natural disasters, such as hurricanes, there are no seasons or warnings for earthquakes and tsunamis. They can happen almost anywhere at anytime.

NOAA has bolstered its tsunami warning system since the December 2004 Indonesian tsunami, increasing to 39 from six the number of tsunami detection stations it has installed worldwide, stretching from the western Pacific Ocean to the eastern Atlantic Ocean. Moreover, the number of U.S. communities NOAA recognizes through the National Weather Service?s Tsunami Ready program has grown to 72 from 11 over the past five-plus years. Sixty-two of the 72 TsunamiReady communities are situated in 10 states: Alaska (7 communities), California (19; Crescent City being one of them), Florida (2), Georgia (1), Hawaii (4), North Carolina (5), Oregon (9), South Carolina (6), Virginia (1) and Washington (8). The others are in the U.S. territories of Guam, the Northern Mariana Islands and Puerto Rico.

Tsunamis and Insurance

Flood damage is *not* covered under most standard homeowners insurance policies. Tsunamis cause flood damage and are therefore only covered by a flood policy. Flood policies are available from the federal government?s National Flood Insurance Program (NFIP), and some private insurance companies, and can generally be purchased through the same agents and brokers who provide homeowners and renters insurance. Additional information on flood insurance can be found on the FloodSmart.gov Web site or by calling 888-379-9531.

For coverage over and above the \$250,000 for property and \$100,000 for contents provided by the NFIP, excess flood insurance is also available from private insurance companies.

The NFIP had 5.65 million flood policies in-force nationwide as of 2007, a 14 percent increase over the number of NFIP policies in-force in 2005 (4.96 million), according to the Federal Emergency Management Agency (FEMA).

The I.I.I. has online content on Earthquakes, broken down into Consumer Basics and Research and Background Papers.

For more information on protecting your family and your home against earthquakes and other disasters, go to the Institute for Business and Home Safety. The Insurance Information Network of California also has an Earthquake Page. For more about protecting your property from natural disasters and other hazards, go to the Federal Alliance for Safe Homes (FLASH).

The I.I.I. is a nonprofit, communications organization supported by the insurance industry.