

Few Homes Have Insurance Coverage for Earthquake or Tsunami, Although the U.S. Is At Risk for Both

March 23, 2011

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NEW YORK, March 23, 2011 — The tragic earthquake and tsunami that struck Japan on Friday, March 11, have raised questions regarding insurance coverage and provide a stark reminder that the U.S. is also vulnerable to these natural disasters, 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 for their specific situation,” 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](#) of their personal possessions and an [evacuation plan](#), as well as taking reasonable steps to protect their homes and businesses from any disasters that pose a risk to their personal safety and property.”

The potential cost of earthquakes in the U.S. has been growing because of increased urban development in seismically active areas and the vulnerability of older structures, which in some

cities may not have been built or upgraded to current building codes. Unlike other natural disasters such as hurricanes, there are no specific seasons for earthquakes

Since 1900, earthquakes have occurred in 39 states and caused damage in all 50. Even within the past few months, a series of minor quakes has struck Arkansas. A 4.7 magnitude quake—the most severe in that state in 35 years—took place on Sunday, February 27. There has not been a significant quake on the U.S. mainland, however, since the 6.7 magnitude Northridge, California, earthquake in January 1994.

The Northridge quake and the 1989 6.9 magnitude Loma Prieta quake, which struck northern California, were the two most costly earthquakes in U.S. history as defined by insured losses. Northridge caused \$15.3 billion in insured losses when it occurred 17 years ago, a sum equal to \$22.5 billion in 2010 dollars, according to the I.I.I.'s calculations. Loma Prieta caused \$960 million in insured losses in 1989, a figure equal to about \$1.7 billion in today's dollars.

One of the worst catastrophes in U.S. history, the San Francisco Earthquake of 1906, would have caused insured losses of \$96 billion, were the quake to hit under current economic and demographic conditions, according to AIR Worldwide.

EARTHQUAKES AND INSURANCE

Standard homeowners, renters and business insurance policies do not cover damage from earthquakes. Coverage is available either in the form of an endorsement or as a separate policy. 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 home and renters insurance policies.

Earthquake coverage is available from private insurance companies. In California, homeowners can also get coverage from the [California Earthquake Authority](#) (CEA), a privately funded, publicly managed organization. Only about 12 percent of California residents currently have earthquake coverage, down from about 30 percent in 1996, two years after the Northridge, California, earthquake. Nationwide 86 percent to 90 percent of U.S. homeowners lack earthquake coverage, according to A.M. Best. [Here](#) is a chart of direct written premiums for earthquake insurance by state in the U.S.

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 replacement value of the insured structure. 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.

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.

Cars and other vehicles are covered for earthquake damage under the optional comprehensive portion of an auto insurance policy.

TSUNAMIS

Traditionally preceded by strong earthquakes, tsunamis send huge ocean waves hurtling toward coastal communities. Hours after the Japanese earthquake, the tsunami had moved across the Pacific Ocean, hitting Hawaii and generating warnings throughout the area, as far away as South America, Canada, Alaska and the entire U.S. West Coast. The U.S. did not go unscathed: Parts of Hawaii and California suffered flooding as well as extensive damage to boats and piers estimated in the millions of dollars.

Last year there were similar tsunami-related losses. Hours after the Chilean quake hit on Saturday, February 27, 2010, a tsunami was triggered and warnings were issued in 53 countries, including the U.S. where waves from the Pacific Ocean caused minor damage in San Diego, California.

U.S. coastal areas are vulnerable to tsunamis. Alaska has been hit repeatedly, as has Hawaii. In fact the tallest tsunami ever recorded hit Alaska in 1964; it was 220 feet high. The March 28, 1964, event was brought on by an earthquake—the Great Alaskan Earthquake in Prince William Sound—measuring 9.2 magnitude on the Richter scale. The tsunami hit the southwest part of the state and claimed 107 lives. It also hit Crescent City, California, a town on the California/Oregon border which caused 11 fatalities.

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 83 from 11 over the past six-plus years. Alaska, California, Oregon and Washington are home to the most Tsunami Ready communities in the U.S.

TSUNAMIS AND INSURANCE

Flood damage from a tsunami is not covered under most standard homeowners, renters and business insurance policies. Flood insurance, however, is available from the federal government's [National Flood Insurance Program](#) (NFIP), and some private insurance companies. It can generally be purchased through the same agents and brokers who provide home and renters insurance.

The NFIP provides coverage for up to \$250,000 for the structure of the home and \$100,000 for personal possessions. Private flood insurance is available for those who need additional insurance protection, known as excess coverage, over and above the basic policy or for people whose communities do not participate in the NFIP. Some insurers have introduced special policies for high-value properties. These policies may cover homes in noncoastal areas and/or provide enhancements to traditional flood coverage. The comprehensive portion of an auto insurance policy includes flood damage.

A 2010 poll by the Insurance Information Institute found that 10 percent of Americans had a flood insurance policy, down from 13 percent in 2009 and 17 percent in 2008. Although the percentage of residents with flood insurance was highest in the South, at 14 percent, even that area was down from 19 percent in 2009. Nine percent of people in the Northeast and the West had a flood insurance policy in 2010 and 6 percent in the Midwest. A separate poll showed that 37 percent of Louisiana residents and 14 percent of Mississippi residents, those most affected by Hurricane Katrina in 2005, had flood insurance policies. The FEMA website provides a [state by state listing of communities](#) that participate in the NFIP. The list also identifies communities that do not participate.

For more information, the I.I.I. has a [Japan Earthquake and Tsunami resource page](#), as well as additional resources on disasters and insurance including:

- [Catastrophes: Insurance Issues](#)
- [Earthquake Preparedness Video](#)
- [Earthquakes: Risk and Insurance Issues](#)
- [Facts and Statistics: Earthquakes and Tsunamis](#)
- [Flood Insurance](#)
- Free [Home](#) and [Business Inventory Software](#)

For additional information on protecting your family and your home against earthquakes and other disasters, go to the [Insurance Institute for Business & Home Safety](#), [Insurance Information Network of California](#) and the [Federal Alliance for Safe Homes \(FLASH\)](#).

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