

Fracked! Are you covered for manmade earthquakes?

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If a man-made earthquake damages your home, would your home insurance cover your losses? The answer lies in the details of your policy.

Standard homeowners and renters policies exclude damage from earthquakes, but you can typically purchase either an endorsement or a separate earthquake policy to add that protection. Earthquake insurance covers a building and its contents for damage from cracking and shaking caused by tremors.

However, earthquake coverage may exclude claims when human activity causes earth movements. Policy terms vary not only among states, but also among insurance companies in the same states. Check with your agent to find out what coverage you have and what additional insurance you may need.

Concern in the West

Earthquakes traditionally have been of highest concern in the western U.S., where Alaska, California, Hawaii, Nevada and Washington are the top states for natural earthquakes. However, scientists with the U.S. Geological Survey (USGS) say the number of earthquakes has been increasing since 2000 in the middle section of the country, in an area stretching from Alabama to Colorado to Ohio. The number of quakes in this part of the country has gone from an average of 21 annually between 1970 and 2000 to 50 in 2009, 87 in 2010 and 134 in 2011.

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An April 2012, the USGS study linked this more frequent seismic activity to increased hydraulic fracturing, or “fracking.” In fracking, water and other materials are injected beneath the surface of the earth to extract natural gas and oil from rock. Engineers say it’s not actually fracking that causes earthquakes. Rather, it’s the disposal of post-fracking wastewater into deep wells, which causes a seismic stress that leads to earthquakes.

Thus far, the quakes reported have been small and caused no damage. However, some residents of areas where fracking operations are becoming more common are wondering whether they should buy earthquake insurance

Tremors in Ohio

In northeastern Ohio, a dozen recent earthquakes have been tied to wastewater from natural gas operations. Ohio saw 18 tremors in 2011 — double the number of the preceding year.

More than half the wastewater being pumped underground is from other states, but Ohioans have to deal with the resulting quakes.

However, more seismic activity in Ohio and the resulting media coverage has not meant increased purchases of earthquake coverage, according to Mary Bonelli, senior vice president of the Ohio Insurance Institute (OII). A recent OII survey found 44 percent of insurance companies reported more inquiries about earthquake insurance, but 75 percent of the respondents had not seen higher sales.

The OII survey found that earthquake coverage varies widely — particularly for man-made losses such as fracking. “Some endorsements exclude or restrict these types of losses specifically; others do not,” Bonelli says.

As with all types of policies and endorsements, she adds, consumers need to know what is covered. “Ask your insurance agent or company representative about coverage exclusions up front so you know if this coverage fits your needs and expectations,” she says.

The California Earthquake Authority (CEA), a public-private partnership that provides earthquake insurance, has not seen policyholders report any loss that was claimed to be caused by fracking, according to spokesperson D’Anne Ousley. Such a claim “would be evaluated on its merits, based on a thorough consideration of all the circumstances of that claim, and applying CEA-policy terms in the fairest possible manner, in accordance with the law,” Ousley adds.

Living near fracking sites

Amy Bach, executive director of United Policyholders, says standard homeowners insurance policies contain “fairly broad exclusions” for damage due to earth movements, sinkholes and soil-related losses. United Policyholders is an information resource for insurance consumers.

Whether insurance covers man-made quakes is “new territory,” Bach adds. For that reason, “United Policyholders strongly suggests that if you are calling to get a quote, tell the agent or broker why — that you want to be sure that if there is a man-made quake in this area, this policy would protect me.”

She also suggests keeping notes on the conversation, in case there are disputes later about exactly what is covered.

While the risk of an earthquake in states like Ohio may seem pretty remote, Bonelli adds, “That’s not saying they don’t or won’t occur. Knowing that there’s a way to protect one of your biggest assets — your home — from earthquakes for less than \$100 annually may provide a missing layer of security for some, but it’s not necessarily for all.”