

[Insurers say EQ Insurance an affordable option in Ohio to cover fracking damage](https://www.ohioinsurance.org/ohio-insurance-institute-survey-finds-states-earth...)

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April 16, 2012 - Last year's uptick in the state's seismic activity may have some Ohioans rethinking about the overall risk for earthquakes and the need for earthquake (EQ) insurance coverage. The Ohio Department of Natural Resources Division of Geological Survey Ohio Seismic Network reports that Ohio sustained 18 tremors in 2011, twice as many as 2010 and four-and-a-half times the number recorded in 2009. When it comes to insurance protection, standard homeowners (HO) policies exclude earthquake coverage. But in a few instances EQ coverage is automatically included in a company's top-tier HO insurance policy. A recent survey by the Ohio Insurance Institute (OII) finds that most insurers continue to offer EQ coverage by endorsement to existing homeowners and renters insurance policies. At least one company offers coverage through a third party provider. "Fortunately for Ohioans, earthquake coverage remains reasonably priced and readily available," said OII President Dan Kelso. Coverage and cost EQ coverage premiums vary by such factors as location, insurer, type of construction, and selected deductible and coverage limits. General points regarding coverage and cost include:

- Earthquake insurance coverage provides protection to the building and its contents for damage due to shaking and cracking from earthquakes.
- Wood-frame structures typically cost less to insure than brick or masonry construction because they tend to withstand quake stresses better.
- The cost of EQ insurance is calculated on a "per \$1,000 of coverage" basis. Based on OII's survey findings from insurers representing over 73% of the Ohio homeowners insurance market, most indicated that they differentiate between brick and frame construction when pricing earthquake coverage. The average cost of Ohio earthquake coverage is about 47 cents per \$1,000 of coverage on a brick/masonry home and about 25 cents per \$1,000 on a frame structure. The OII survey found that costs ranged from 19 to 83 cents per \$1,000 of coverage for brick/masonry homes and 12 to 39 cents per \$1,000 on frame construction. Based on these findings, earthquake coverage for a \$200,000 home in Ohio averages about \$50 for frame and \$94 for brick/masonry constructed homes. In contrast, the Insurance Information Institute reports that a house in the Pacific Northwest might cost between \$1 to \$3 per \$1,000 of coverage (frame) and \$3 to \$15 per

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\$1,000 (masonry). • According to the U.S. Geological Survey, the top earthquake states are 1) Alaska 2) California 3) Hawaii 4) Nevada and 5) Washington. There are two general areas within Ohio where the majority of seismic activity occurs. According to the Ohio Seismic Network, these zones include Allen, Auglaize, Mercer and Shelby counties in western Ohio and Ashtabula, Cuyahoga, Geauga and Lake counties in northeastern Ohio. • EQ insurance carries a deductible, generally in the form of a percentage rather than a dollar amount. Deductibles typically range from 2 to 25 percent of the replacement value of the structure. This means that if it costs \$200,000 to rebuild a home with a 5 percent deductible, the homeowner would be responsible for the first \$10,000 of the loss. Based on OII's survey findings, Ohio's most common EQ deductible tends to be 5 percent. A couple of companies indicated that they offer dollar deductibles on their EQ endorsements at a higher premium. In contrast, insurers in more earthquake-prone states such as Alaska, Washington, Nevada and Utah may set deductibles starting at 10 percent. In California, the California Earthquake Authority policy comes with a 15 percent deductible. • EQ damage to vehicles is covered under the 'other than collision' (comprehensive) portion of an auto insurance policy. This is optional coverage that protects insured vehicles in situations other than a collision or overturn. Deductibles apply. Coverage from 'fracking' Hydraulic fracturing, commonly referred to as 'fracking', involves obtaining gas by injecting water into the earth. Wastewater is re-injected into the ground. Some suggest a link exists between hydraulic fracturing and an increase in earthquakes in the US. According to OII's survey, 64 percent (9 of 14 companies) indicated that the EQ endorsement would cover losses as a result of fracking, with 36 percent indicating it would be excluded. OII suggests checking with your insurance professional regarding EQ coverage and how it would apply if fracking is determined to be the cause of loss. Consumer behavior toward EQ coverage purchase With an increase in Ohio seismic activity and media attention to earthquakes, OII surveyed insurers about the level of consumer interest/inquiries into EQ insurance coverage. Findings showed: • 44 percent of the respondents saw an increase in inquiries regarding the coverage and • 75 percent (12 of the 16 companies) indicated no increase in the purchase of earthquake insurance coverage. Risk vs. rebuilding costs Insurers continually analyze loss exposure and risk associated with all types of natural disasters, including earthquakes. Although seismic risk in Ohio isn't as significant as in Alaska or California, related costs continue to increase. According to the US Department of Labor, Bureau of Labor Statistics, home construction costs increased nearly 37% between 2002-2011. "A home built in 2001 for \$200,000 would run about \$273,600 to rebuild in 2011," said Kelso. "So for some, the potential for a total loss may make earthquake coverage a worthwhile investment." For Ohioans, purchasing an EQ endorsement is a personal decision. Knowing if you live in a more earthquake-prone region of the state may be one of the

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factors to consider along with the cost of coverage. “Since earthquakes are difficult to predict, it comes down to an individual’s own comfort level as to whether investing in this coverage is worth the cost and possible peace of mind,” added Kelso. “Your insurance company or agent can provide key information that will help you reach a decision either way.” OII is a trade association representing insurance companies and agent groups for Ohio’s property/casualty industry. Its main objective is to increase understanding of insurance and related safety issues.