

Natural Disaster Insurance: Do You Need It?

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With the news media filled with stories lately about natural disasters like earthquakes, hurricanes and wildfires, many consumers may be wondering when to purchase additional insurance to protect their homes from Mother Nature. My husband and I certainly have been concerned with the topic since moving to California this year. Here's a look at how to determine if your home needs extra insurance protection.

Earthquakes: Standard homeowner's and rental insurance policies don't cover damage from earthquakes. Instead, such coverage needs to be purchased separately from companies working with the California Earthquake Authority or private insurers. But because the policies can be expensive and generally come with deductibles of 10 to 15 percent, they are not always worth the extra cost. To figure out if the insurance is worth it, homeowners living in areas prone to earthquakes should first determine what kind of damage their home is likely to sustain in an earthquake. California residents, enter your address or locale at this site and this one to find out.)

Factors to consider include whether your home sits on bedrock or fill, what kind of foundation it has, whether it's on or close to a fault line and if the house is made of sturdy material. Then call the authority and insurers for some quotes and calculate whether the amount of likely damage is worth the additional insurance expense, taking into account out-of-pocket costs and how much risk you're willing to bear.

According to United Policyholders, a nonprofit group focused on educating consumers about insurance, only about 10 percent of insured homeowners in California currently have earthquake insurance. For

renters, the policies are often much cheaper because they don't cover the actual structure. Still, renters need to make sure glass and other valuables are covered by a given policy, said Amy Bach, executive director of United Policyholders.

Floods: Standard homeowner's and renter's policies

similarly don't cover damage from flood-related ground water.

Determining whether to get the additional flood coverage available from the National Flood Insurance Program or private insurers and how much to buy generally involves a similar calculation of expected damage versus expected insurance cost.

While mortgage lenders often require that homeowners living in flood plains have some sort of flood insurance, even in flood-prone regions, not all homes face the same risk and thus, don't need the same amount of protection. A home on a hill, for instance, may sustain less damage than one right next to a stream.

To determine how at risk your home is from flood damage, J. Robert Hunter, director of insurance at the Consumer Federation of America, suggested checking local flood insurance rate maps, which provide indications of the flood risk for a particular address and details about what can happen in a 100-year flood. A local city hall or building commission will probably have a copy of the map or know where to get it, Mr. Hunter said. Entering your address at FloodSmart.gov can help you figure out your home's flood risks, too.)

"If your home is in a high-hazard area but is not at an elevation at risk of a flood, you might not consider buying flood insurance" or at least not as much, he said.

Hurricanes: Covering wind damage has generally been part of standard homeowner's policies, but that's no longer always the case in areas prone to hurricanes, according to Mr. Hunter and Ms. Bach.

As a result, if you live in such an area, you'll need to find out whether wind damage is covered in your standard policy and if it's not, consider purchasing coverage for both wind and flood damage.

As for renters, Jeff Reinig, a senior vice president at Farmers

Insurance responsible for homeowner products, said it was rare that a rental insurance policy would exclude wind damage. “In general, wind coverage is going to be included in the renter’s policy because there’s a lot less risk of damage to personal property from wind” compared with the risk of damage to the building structure, he said.

Fires: Damage from fires is generally covered under traditional homeowner’s and rental policies. Still, the amount of coverage may not be enough to cover a total loss, Ms. Bach said. She suggested that homeowners check the details of their policy and look into buying enough coverage for rebuilding a home if it’s destroyed by fire.