

Should you buy earthquake insurance?

Consumer Reports

Last weekend's magnitude 6.0 earthquake in Napa, Calif., may be easy to dismiss if you live outside the West Coast, but it should prompt homeowners coast-to-coast to check their risk to determine whether earthquake insurance is warranted, because the threat may be greater than you think, in the wake of recent updates in government seismic risk maps.

That's a potential money problem for consumers: While earthquakes can occur in every state, standard homeowners insurance generally excludes this peril. So if your home is damaged by a quake or other earth movement, you're probably not covered unless you've purchased a separate earthquake policy or rider.

The Napa quake, which was nowhere near "the big one" that Californians face with an odd combination of fear, fatalism, and complacency, caused an estimated \$1 billion in damage. More than a hundred people were injured, six mobile homes burned to the ground, and about a hundred buildings were damaged sufficiently as to be unfit to enter.

Many more homeowners suffered apparently minor damage to their homes but had the contents of their homes seriously jumbled up. "There was a tremendous shaking, and the electricity and lights went out when the earthquake hit," says Consumer Reports reader Nuala Baerman, who was up watching TV at 3:20 a.m. when the ground rumbled. "Over 150 compact discs came flying down off their shelves in a shower all over me, and I was worried that something bigger might hit me on the head. That was very scary," she says.

While all states have some level of earthquake risk, the U.S. Geological Survey has identified 42 states that have a reasonable chance of experiencing damaging ground shaking from an earthquake over a 50-year period and 16 states that have a relatively high likelihood plus a history of earthquakes of magnitude 6 or greater, including California, Hawaii, Missouri, Oregon, South Carolina, Tennessee, and Washington.

Earlier this summer, the USGS updated its seismic risk maps based on the latest understanding and research on these phenomena, and found potential for bigger and more damaging quakes than previously believed on the East Coast particularly near Charleston, S.C.), in the New Madrid, Mo., area,

and on the already highly active West Coast. See map.)

Earthquake, hurricane, tornado, wild fire—whatever befalls your family and home, protect yourself in advance with our guide to Disaster preparedness.

You can protect yourself with earthquake insurance, but it's not a great product, says Amy Bach, executive director of United Policyholders, a San Francisco-based consumer advocacy group specializing in insurance. "We encourage people to buy earthquake insurance, if they can afford it, but keep your expectations low," says Bach.

Here's the key advice and information you need to assess your need and shop wisely for earthquake insurance:

1. Size up your risk. Use the USGS map above to check how prone your region is to earthquakes. If you're in a higher risk area, what sort of ground is your house built on? Bedrock is more stable than sandy soil or fill. The quality and type of structure also plays a part in your risk. Brick, for example, is more likely to shake apart than a more flexible wood frame structure.

2. Assess the cost. The higher your risk, the more expensive the insurance. Earthquake insurance on a wood frame home built in Napa after 1990 with an insured dwelling value of \$400,000 would cost \$1,191 in premiums per year, while the same home built of brick or other material would cost \$3,232 per year, according to the California Earthquake Authority, a publicly managed and privately funded provider of earthquake insurance. In both cases, the deductible is a steep 10 percent or \$40,000, which is the amount eligible claimants must pay out-of-pocket.

In other, less seismically active areas of the country, earthquake insurance is more affordable, says Bach. The deductibles are lower too, 1 to 5 percent vs. 10 to 15 percent in the Golden State.

3. Shop around. You can usually buy earthquake insurance from your current carrier as an add-on to your existing policy. Get a quote, but also shop at competing insurers to find the best price.

4. Consider mitigation. You can take steps to strengthen your house against earthquake by, for example, bolting the frame of the building to its foundation. The State of California offers mitigation assistance. By reducing the likelihood of structural damage, mitigation can reduce your premium.

5. Read the fine print. Most policies cover damage to the contents of the home, but typically not if the dwelling itself isn't damaged or if you haven't yet met your deductible. To protect yourself, never assume you don't have sufficient damage to exceed your deductible; serious structural damage can be hidden behind walls, in the attic, and in crawl spaces and the foundation.

After a quake, get a thorough structural inspection by your insurance company adjuster. Insurers have an

obligation to conduct a thorough and timely inspection. However, “in the past, we’ve seen people have problems with their insurer failing to inspect thoroughly and only finding cosmetic damage, resulting in no payment, because damages were below the deductible,” says Bach. So if you suspect foul play, get a second opinion from an independent engineer.

At the same time, be aware that a house fire that follows an earthquake, maybe caused by ruptured gas lines, is covered by your standard homeowner’s policy, not the earthquake insurance.

-Jeff Blyskal