

Will Americans pay attention to earthquake insurance now?

<http://www.insure.com/articles/homeinsurance/earthquake-insurance-sales.html>

The advice can't get any simpler than this: "People who live near fault lines should have earthquake insurance," says Amy Bach, executive director of the United Policyholders consumer organization. Will the disaster in Japan be the crisis that compels Americans in quake-prone areas to pay more attention to earthquake insurance?

"I am hopeful this will cause some property owners to make the investment," says Bach. Standard business and home insurance policies do not cover earthquake damage. Without earthquake insurance, homeowners who experience quake damage must absorb the cost of repairs themselves; many are likely to simply walk away from their destroyed properties.

"We know the big one is coming," says Peter Moraga, spokesperson for the Insurance Information Network of California.

Earthquake insurance needs

There's particular need for earthquake insurance in California and states along the New Madrid Fault in the central United States.

The annual damage from earthquakes in the United States is considerable, according to "Earthquakes: Risk, Detection, Warning, and Research," a February report by the Congressional Research Service.

"The Federal Emergency Management Agency has estimated that earthquakes cost the United States, on average, over \$5 billion per year," the report says. "California, Oregon and Washington account for nearly \$4.1 billion ... of the U.S. total estimated average annualized loss."

While most people associate U.S. earthquakes with California, the Pacific Northwest and Alaska, close to 75 million people in 39 states face some risk, the report says. The potential for costly damage is increasing because of urban development in seismically active areas and the inability of older buildings to survive temblors. Even so, the majority of homeowners living under the threat of earthquakes do not buy earthquake insurance, says the Insurance Information Institute.

In California, less than 12 percent of residents and less than 10 percent of businesses have such

insurance, according to the Insurance Information Network of California. Between 12 and 15 percent of Washington state residents buy earthquake insurance, according to officials there. About 20 percent of Oregon's residents have earthquake coverage, says the state's Department of Consumer and Business Services.

Bach, whose group is based in San Francisco, says many people think earthquake insurance is too expensive. Others wrongly assume that the government will step in and cover the costs of home repairs following a damaging seismic event.

Earthquakes to the west?

While U.S. hazards are greatest in western states, danger also lurks in the Rocky Mountain region.

On the eastern seaboard, South Carolina is an earthquake hot spot.

In the central United States, the New Madrid seismic zone threatens structures throughout the Mississippi River Valley region.

"Damaging tremors are not as frequent as in California, but when they occur, the destruction covers more than 20 times the area because of underlying geology," reports the St. Charles County, Mo., Division of Emergency Management.

The threat of New Madrid

The New Madrid seismic zone is located in southeastern Missouri, northeastern Arkansas, western Tennessee, western Kentucky and southern Illinois. Even Southwestern Indiana and northwestern Mississippi are close enough to be affected by earthquake activity there. The zone was the site of massive temblors during the winter of 1811-1812.

According to a 2008 report from the Missouri Department of Insurance, the state is the largest U.S. market for insurance companies that sell earthquake insurance outside the West. In March 2006, the state estimated that 38 percent of Missouri households had added earthquake coverage to their homeowner insurance policies. In the New Madrid area of Missouri, the level of coverage was gauged at 53 percent.

However, many states do not track levels of earthquake insurance coverage. In South Carolina, for example, the department of insurance lacks the personnel to gather earthquake insurance trend data, explains spokesperson Ann Roberson. "We don't have the manpower," she says.

Insurance wake-up call

The Japanese earthquake and tsunami should be a wake-up call for all U.S. residents who live in seismic zones, says Moraga. He has observed a surge of interest in earthquake insurance in recent days, but he notes that past earthquakes have not resulted in long-term increases in earthquake insurance sales. In fact, the numbers reveal that Californians have grown complacent: The level of earthquake coverage in

California, now below 12 percent, was about 30 percent in 1996.

It will take several weeks to determine if the Japan disaster has an impact on U.S. earthquake insurance purchases, says Glenn Pomeroy, CEO of the California Earthquake Authority. "Events like these do cause people to stop and think about earthquakes. I would not be surprised if this horrific tragedy resulted in more policies being sold here."

Here are the basics of earthquake insurance.