

Do I Need Earthquake Insurance?

Earthquakes send tremors of fear through most of us. Impossible to predict, earthquakes can cause major damage to your home and personal property, not to mention the loss of human life that can occur in severe earthquakes. Earthquake insurance is one way to protect one of your most valuable assets: your home.

Key Points of Earthquake Coverage

The deductible is an important consideration in earthquake insurance. It is a percentage of the amount of insurance, or limit of liability, rather than a percentage of the amount of the loss. For example, a 5% deductible on a \$100,000 policy would mean a deductible of \$5,000 regardless of whether the loss

was \$20,000 or \$100,000. In most cases, the base deductible is 5%, 10% or 20%. Some insurers offer higher deductible percentages for a reduction in premium.

Another unique element of the earthquake deductible is that, in most cases, it applies to each coverage separately. For example, a 5% deductible on a \$100,000 policy would be applied as follows:

Coverage	Limit	Deductible
A – Dwelling	\$100,000	\$5,000
B – Other structures (10% of A)	\$10,000	\$500
C – Personal property (50% of A)	\$50,000	\$2,500
D – Loss of use (20% of A)	\$20,000	\$1,000

Why Deductibles Are So High

One reason for the high deductible is that insurers cannot spread earthquake risks across the nation, or even across an individual state, as they spread fire and other property risks. This is because the

exposure to earthquake is based on where you live, unlike the exposure to fire that can occur anywhere. As a result, only those who live in an area where the exposure for earthquake is high purchase it. This is also the reason for high premiums.

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When to Add Earthquake Coverage

Another unique element of earthquake insurance is that most insurers require a waiting period, usually from 10 to 30 days, before they will bind coverage for a new applicant. Furthermore, most insurers place a moratorium on writing new earthquake coverage when there has been a recent earthquake in the location in question. When there has been recent seismic activity, individuals rush to add

earthquake coverage. After the panic dies down, they cancel the coverage. The exposure to risk and the expense to insurers are usually greater than the premium earned, so insurers choose not to bind coverage in this circumstance.

In almost all cases, earthquake insurance is provided by means of an endorsement to a standard homeowner's insurance policy. Talk with your insurance provider for information about your situation.

For more information, see <https://insurance.utah.gov/consumer/auto-home/disaster-prep/earthquake>.

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