

# **\*\*NEWS RELEASE\*\***

**FOR RELEASE: AT WILL**

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## **"EARTHQUAKE INSURANCE: WHAT MISSOURIANS NEED TO KNOW"**

The insurance industry urges Missouri homeowners to be prepared for the possibility of an earthquake and assess their insurance needs for this type of disaster.

"Most Missourians are aware that they live in an area where an earthquake can occur, but not everyone knows whether or not they have insurance protection against losses caused by an earthquake," according to Brent Butler, government affairs director of the Missouri Insurance Information Service.

The Missouri Department of Insurance reports there are over 200 insurance companies authorized to write earthquake insurance in the state and the amount of insurance provided has gone up significantly during the past few years.

"In fact, Missouri ranks third in the nation behind California and Washington in the amount of earthquake coverage purchased," Butler said.

"Even with such high purchase levels, some Missourians are unaware that similar to flood insurance, earthquake insurance is not provided in a standard homeowners' policy and must be purchased as separate coverage." Missouri consumers with questions about their earthquake coverage should contact their local agent.

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“There are a wide variety of specialty policies that typically include earthquake coverage – such as the numerous floater policies that are frequently used to insure items such as jewelry, silverware, cameras, and works of fine art. Even if no earthquake endorsements have been sold, insurers will pay numerous claims after a major earthquake, “ added Butler.

"It is difficult for insurers to price earthquake insurance, particularly in Missouri. Serious quakes are rare, so there is limited claim experience to indicate their costs," he continued.

"Depending on their location, not every home or business faces a risk from earthquakes. If the cost of the coverage were built into all policies, many would be paying for insurance they don't need."

"The use of special policy endorsements allows an insurer some control over the level of earthquake risk it assumes. If an insurer had too many quake policies in a given region, a single quake could cause financial disaster for the company. In addition, since not everyone lives where earthquakes can happen, the endorsement can be sold just to those who need it," said Butler.

"Mobile homes as well as permanent homes can be damaged by earthquakes. Consequently, they can also be insured against earthquakes. Some companies offer a variant of the homeowner's policy for mobile homes, with earthquake coverage as an option. Other companies insure mobile homes as if they were vehicles, which includes earthquake coverage automatically," he continued.

"Earthquakes commonly cause scattered fires, as gas lines rupture and boilers overturn. Such fire loss is covered under the standard homeowner's and business owner's policies."

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**Quake Policies Carry "Percentage" Deductible**

Deductibles are as important to earthquake insurance as they are to other property coverages for the cost-conscious buyer.

Unlike the homeowners or auto policy deductible which are stated as a dollar amount or flat deductible, typically \$100, \$250, etc., the earthquake deductible is a percentage of the total insurance limit.

For example, a five percent deductible earthquake insurance policy means that a \$3,000 deductible would apply on a Missouri home insured for \$60,000. In other words, if the total covered loss was \$60,000 the insurance company would pay \$57,000. Using this same example, if the loss were less than \$3,000, the deductible would not be reached and the policyholder would pay for his/her own damages.

A lower deductible might make an earthquake policy a mere maintenance contract. Every building is subject to settling and cracking, and this often is impossible to distinguish from the sudden damage done by an earthquake. Using the earthquake policy to repair slow damage that has occurred over time would make the coverage too expensive.

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**\*\*EARTHQUAKE AWARENESS WEEK IN MISSOURI IS FEBRUARY 2-5, 2004.\*\***



