

Earthquake Insurance: Should I buy it????

The reality of it is that fires, storms and floods are not the only perils that can damage or destroy your home. And it doesn't matter where you live. A few thousand earthquakes occur each year in the United States, according to the Geological Survey's National Earthquake Information Center. However, the vast majority of earthquakes are low-magnitude and do not cause damage.

So, should I purchase the earthquake endorsement, or not?

The most important thing to note is that earthquake coverage is *not* included in a standard homeowners policy. While there is little question that you should insure against the risk of fire, deciding whether or not to buy earthquake coverage is a tougher decision.

These are some of the things to consider:

Deductible: the deductible for earthquake is separate from the deductible in your homeowner's policy for other perils. The deductible for earthquake is based on a percentage of your overall policy limit. Usually, these percentages range from 2% - 15%.

Exclusions: the typical earthquake policy does not cover the loss of landscaping, pools, fences and separate structures (including garages). Also, it is likely to exclude claims for broken chandeliers, crystal and china.

Loss of Use: a standard homeowner's policy will pay to put you up in alternate lodgings if you are forced to move because your home has been damaged in an insured disaster. Earthquake coverage is far more restrictive and usually the loss of use coverage is set at a dollar limit that can be as low as \$1,500.

With all of that said, total loss claims from fires are common, but they are rare with earthquakes. Homeowners are far more likely to lose unreinforced masonry, such as chimneys, brick walls and stone or brick fascia.

So...should I buy it?

Years ago, I was presenting a commercial insurance proposal to the Pastor of a local church with a property value of \$2,000,000. The conversation came to earthquake coverage with a 10% deductible of the property value. Typically, churches are looking to cut their insurance costs and many do not purchase earthquake coverage. I was ready to gloss over the earthquake coverage and move on when the Pastor made the following statement: it will be far easier to raise \$200,000 (the 10% deductible) in a capital campaign than it would be to raise the full property value of \$2,000,000 to rebuild our church...

The answer is that you should consult with the insurance professionals at Business Benefits Insurance Solutions to provide you with the proper guidance regarding all of your insurance needs.

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