



What You Need to Know About Earthquake Insurance

Western Kentucky lies in one of our country's major fault areas. Many Kentuckians have become concerned about the potential loss of property since the earth tremor that occurred in the summer of 1987. Standard homeowner's insurance policies specifically exclude coverage for damage to property that is a result of any movement of the earth, including earthquakes. Many companies will allow you to purchase a rider to your existing basic policy. Below are the answers to some of the most commonly asked questions about earthquake insurance.

How do I know if I need earthquake insurance?

The answer to this will depend, in part, on your home. If your home is built on solid, flat ground, and it meets building codes, it may not sustain losses above the standard earthquake deductible. If your home is built on the side of a hill or in a landfill and/or does not meet building code standards, it is much more likely to sustain damage above the deductible.

When the damage exceeds the deductible, the insurance company pays the difference, although there may be limits on the maximum paid out.

In the 1971 San Fernando Valley earthquake, only twenty-five percent of the 1,200 wood-framed houses in the area hardest hit reported losses greater than five percent. The average repair cost for the 12,000 homes was only 6.6 percent.

It is true that there may be building codes that minimize damage to homes in the San Fernando Valley. Those same codes may not be present in your area, or your home may not meet those

codes. If your home is built in a manner and location that is likely to result in relatively small loss, you may want to consider whether you could afford to sustain a somewhat larger loss.

How are rates determined?

Two main factors determine the way the rates are determined: Where you live, and the type of home you have. The closer you live to a known fault, the higher your insurance premiums will be. In Kentucky, the rates for houses in Zones 1 and 2 may be twice as high as the rates for similar houses in any other part of the state.

Below is a list of counties by zone:

ZONE 1: Ballard, Caldwell, Calloway, Carlisle, Christian, Crittendon, Fulton, Graves, Henderson, Hickman, Hopkins, Livingston, Lyon, Marshall, McCracken, Trigg, Union, Webster.

ZONE 2: Boone, Campbell, Kenton.

ZONE 3: All remaining counties in the state.

If you have a home that has any masonry, it will be more expensive to insure than a frame house. There may be no difference between solid masonry or masonry veneer for purposes of determining rates. However, this could differ between insurance companies. Even if the only masonry is a chimney, you may wish to have your home listed as a masonry structure in order to be covered for damage that may result from an earthquake,

depending on the cost to replace the chimney and your deductible.

It is not unusual to see rates like the following for each *thousand dollars* of coverage:

	ZONE 1	ZONE 2	ZONE 3
Brick home	\$.85-\$1.00	\$.50-\$.76	\$.30-\$.48
with personal property	\$.40-\$.55	\$.25-\$.40	\$.10-\$.30
with other structures	\$.75	\$.40-\$.55	\$.30-\$.40
Wood home	\$.50-\$.76	\$.30-\$.48	\$.15-\$.24
with personal property	\$.30-\$.40	\$.25-\$.30	\$.10-\$.15
with other structures	\$.40-\$.55	\$.30-\$.40	\$.15-\$.20

NOTE: These rates are for illustrative purposes only. Other rates may be available.

What kind of deductible can I expect?

Although standard deductibles range from two to five percent of the coverage purchased, deductibles may be stated as a percentage of the loss, as a fixed dollar amount, or both.

It is not unusual to see a policy that has a percent deductible, combined with a minimum and/or maximum dollar amount that would be spent by the policyholder. You might find, for example, a policy with a two percent deductible that also specifies a minimum deductible of \$250 and a maximum deductible of \$500.

Deductibles may be applied separately to your home, personal property, and other insured buildings on your property. Suppose you have an earthquake policy with the deductibles described above, and a home with detached garage. You could pay a minimum of \$750 and a maximum of \$1,500 in deductibles because the deductible would be applied separately to any losses to the two buildings and to personal property.

If an earthquake causes something (other than the quake) to damage my home, will I be covered?

If you have earthquake insurance, probably you will be covered. If you do not have earthquake insurance, perhaps you will be covered. Suppose, for example, that an earthquake causes a natural gas line to break. The break causes an explosion in your home. The loss caused by the explosion may be covered. Check your homeowner's policy or ask your agent.

What if I need more specific technical advice?

You should contact your insurance agent, or the Kentucky Insurance Commissioner, Property and Casualty Division (502) 564-3630.

The decision is yours.

The final decision is always yours. If you decide to buy earthquake insurance, shop for the best coverage for the best price. Studies show that prices vary by as much as three hundred percent from company to company for exactly the same homeowner's insurance coverage. This means that you could be paying three times as much as your neighbor, whose house and insurance coverage are the same. These findings probably hold true for earthquake insurance as well.

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Revised 1997

FAM-RHF.109

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