

Free help with your insurance questions or complaints

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Homeowner policies and earthquakes

Most homeowner, mobile home, condominium, and renter insurance policies do not cover earthquake damage. About 20 percent of Oregonians have earthquake coverage, which must be purchased separately. Since many homeowners' biggest investment is their home, earthquake insurance may help protect that investment.

Earthquake risk in Oregon

Experts have recorded more than 6,000 earthquakes in Oregon, most too small to feel, since 1841. The greatest seismic activity in the past two decades occurred in the Portland metro area and the Klamath Falls area.

The Portland metropolitan region has been shaken by 17 earthquakes of an estimated magnitude of four and greater, with damaging earthquakes in 1877 (magnitude 5.3), 1962 (magnitude 5.2), and 1993 (a magnitude 5.6 earthquake that caused more than \$30 million in damage). Records also indicate that earthquakes in the Puget Sound region, such as the magnitude 7.1 event in 1949 near Olympia, Wash., and the magnitude 6.5 event in 1965 located between Seattle and Tacoma, caused damage in Portland.

Coverage

Earthquake insurance covers direct physical loss to property. Earthquake is normally defined in your policy as "shaking or trembling of the earth, caused by volcanic activity, tectonic processes, or any other cause." Most policies state that any shocks that occur within a 72-hour period constitute a single earthquake.

Earthquake insurance does **not** cover a loss caused by landslides, erosion, tsunami, or volcanic eruption, even if an earthquake causes them to happen. Coastal residents can get flood insurance through the National Flood Insurance Program that will protect against a tsunami. Visit www.floodsmart.gov.

Earthquake deductibles

A deductible is the amount you pay before your insurance kicks in. The earthquake insurance deductible typically is a percentage of the **insured amount**. In other words, the deductible is a percentage of the amount of coverage, not a percentage of the amount of loss. Most insurers in Oregon sell coverage with 10 percent or 15 percent deductibles. A higher deductible may qualify you for discounts.

Example:

- ▶ A homeowner with \$300,000 in dwelling coverage and a 10 percent deductible would pay \$30,000 before insurance pays.
- ▶ The same homeowner with \$150,000 in personal property coverage (contents) would have a separate deductible of \$15,000.

INSURANCE *Tips . . . continued*

Living expenses

If earthquake damage to your home is so severe that you must move out, coverage for additional living expenses is only available if you have earthquake coverage. Normally, this coverage is provided with no dollar limit and no deductible. Additional living expense normally extends for up to one year after a loss to pay extra expenses for moving and renting other space while your home is repaired. Check with your agent when purchasing earthquake coverage to make sure that the additional living expense coverage extends to earthquake damage.

Cost of earthquake insurance

Costs vary widely based on the type of house, its age, the nature of the soil, and the proximity to known fault lines. Older homes cost more to insure than newer homes. In some cases, older homes may have to be retrofitted to qualify for coverage. Coverage for wood-frame homes costs less than coverage for brick homes, as wood-frame homes “flex” and are subject to less damage in case of an earthquake.

A 2009 survey of the Portland market indicated that earthquake coverage for a wood-frame home insured for \$300,000 with \$150,000 in personal property coverage could be purchased for \$200 to \$300 annually. The cost for similar coverage on a brick or masonry home would be higher.

When to buy

Most insurers place a moratorium on selling earthquake coverage for a period of time after any significant seismic event. So, buy earthquake insurance before an earthquake.

More information

Oregon Department of Geology and Mineral Industries (DOGAMI):
<http://www.oregongeology.org/sub/earthquakes/earthquakehome.htm>

DOGAMI map of earthquakes in Oregon since 1841:
<http://www.oregongeology.org/sub/earthquakes/EqEpicentermmap.htm>

Federal Emergency Management Agency:
<http://www.fema.gov/earthquake>

U.S. Geological Survey (historical earthquakes, interesting facts):
<http://earthquake.usgs.gov/learning/faq.php>

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