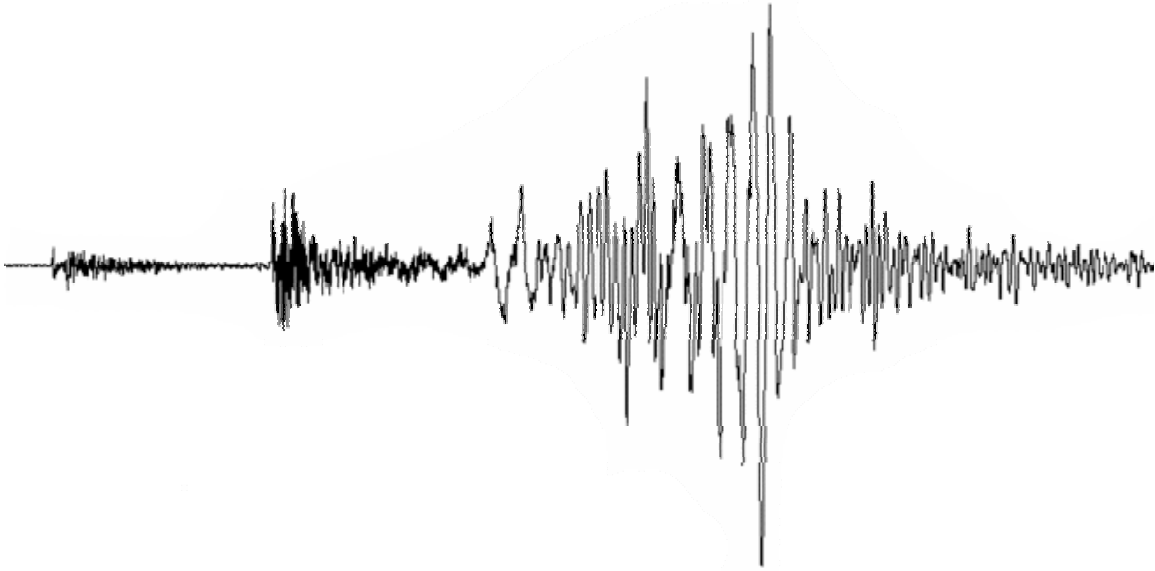


# **EARTHQUAKE INSURANCE**

## **Nevada Consumer's Guide**



**State of Nevada**  
**Department of Business and Industry**  
**DIVISION OF INSURANCE**

Brett J. Barratt, Commissioner

Jim Gibbons, Governor

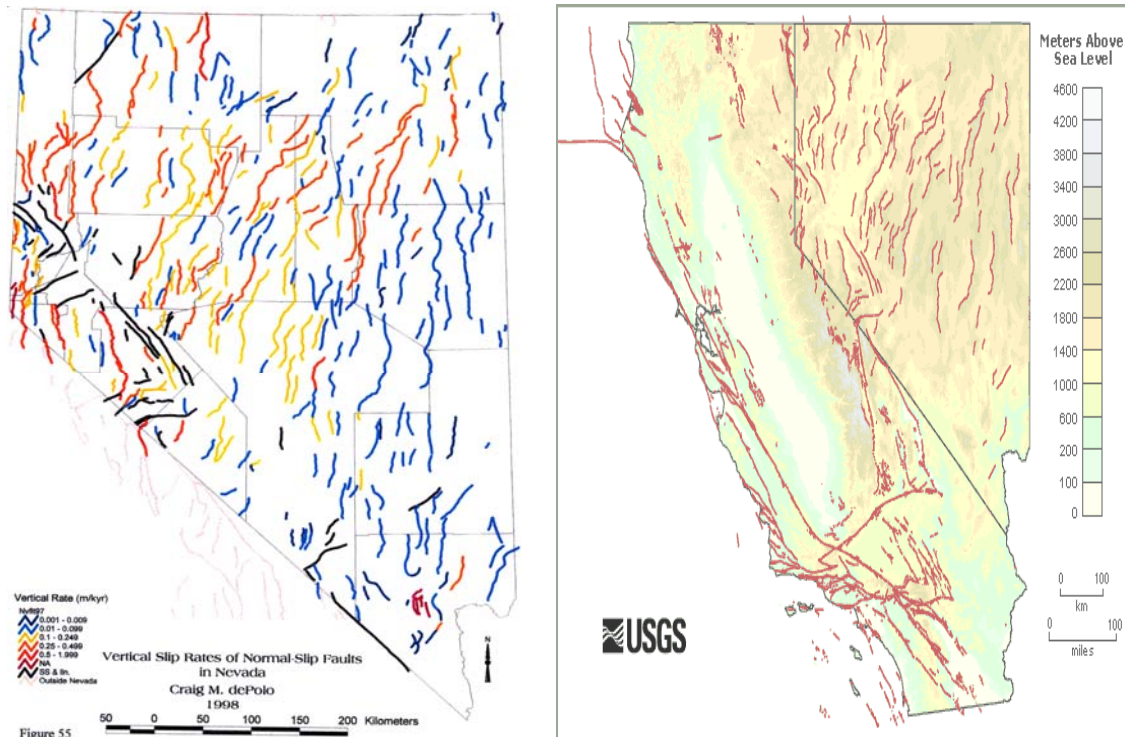
Dianne Cornwall, Director

# EARTHQUAKE INSURANCE

## NEVADA? EARTHQUAKE COUNTRY?

After Alaska and California, Nevada ranks third in the country for major earthquakes – those of magnitude 5.0 or higher. This makes Nevada one of the most active states for seismological activity.

The following maps display various faults that exist in Nevada. The first map<sup>1</sup> shows the slip rates of the faults in Nevada, while the second map<sup>2</sup> presents a comparison of active faults in Nevada and California.



Historical experience and seismic analyses strongly suggest that no area of Nevada is completely safe from earthquakes. United States Geological Survey estimates<sup>3</sup> show that within the next 50 years the probability of a major earthquake occurring within close vicinity of Las Vegas is 12 percent, Reno/Sparks is 67 percent, and Carson City is 70 percent.

<sup>1</sup> Source: Nevada Seismological Laboratory at the University of Nevada in Reno

<sup>2</sup> Source: United States Geological Survey (USGS)

<sup>3</sup> Earthquake risk probability data obtained from the "2002 Earthquake Probability Mapping" of the United States Geological Survey: <http://eqint.cr.usgs.gov/eqprob/2002/index.php>

Still, it is important to remember that probabilities are not certainties, and the next earthquake in Nevada may strike in any place at any time. Wells, which was given a nine percent probability of a major earthquake occurring within the next 50 years experienced a magnitude-6.3 earthquake in 2008.

In other words, it is essential for all Nevadans to be adequately prepared for a seismic event.

## ***WHY BUY EARTHQUAKE INSURANCE***

Most commercial and homeowners' policies – including condominium, manufactured home, dwelling, and renters' policies – **do not** cover damages resulting from earthquakes and earth movement. However, several insurers in Nevada offer earthquake coverage as a special endorsement to an underlying policy at the request of the policyholder. The decision to obtain earthquake insurance for one's property is an individual one and should be based on your understanding and tolerance of the risks associated with not having earthquake coverage.

Earthquakes are an ever-present risk throughout Nevada and the Division of Insurance strongly encourages Nevadans to consider purchasing earthquake protection.

## ***WHEN TO BUY EARTHQUAKE INSURANCE***

Purchasing earthquake insurance before an earthquake happens is the best way to ensure that your structure and contents are adequately protected.

If a major earthquake results in significant losses, most insurance companies will declare a moratorium on issuing new earthquake insurance in the market affected by the seismic event. Typically, the duration of the moratorium is anywhere from 30 to 60 days. Such a moratorium often is lifted once the likelihood of damaging aftershocks has diminished.

## ***WHAT WILL EARTHQUAKE INSURANCE COVER?***

Most earthquake insurance policies define an earthquake as "shaking or trembling of the earth, caused by volcanic activity, tectonic processes or any other cause." Typically, an earthquake insurance policy or endorsement provides coverage for any earthquake related damages to the dwelling or personal property under this definition. Some policies also provide coverage for events directly related to earth movement and seismic shocks such as landslide,

settlement, mudflow and the rising, sinking and contracting of earth if the damage is undeniably attributable to an earthquake. Most earthquake insurance policies treat earthquakes occurring within one 72-hour period as a single seismic event.

An earthquake policy or endorsement will help pay for repairs to your home or business if it is destroyed. Check your home or commercial insurance policy to see if damages caused by earthquake or earth movement are covered or excluded. This information is typically found in your policy generally in sections titled "Losses Insured" and "Losses Not Insured." If such damages are excluded, contact your insurer or insurance agent and ask about how to obtain earthquake coverage.

It is important to note that any damage to personal or commercial vehicles caused by an earthquake -- even if the vehicles are parked in a garage -- is **not** covered under a homeowners' or commercial building policy. The comprehensive coverage provision of your automobile policy, also listed as the "other than collision" provision in some contracts of insurance, generally provides coverage for damage to vehicles caused by earthquakes, subject to any applicable deductible.

### ***HOW MUCH WILL EARTHQUAKE INSURANCE COST?***

Earthquake insurance commonly carries a high deductible which is in the form of a percentage rather than a dollar value. The deductible may range from 5 to 25 percent of the structure's policy limit and is higher for locations that are considered a higher than average risk of earthquakes. The insurer is responsible for payment only for damages that exceed the deductible.

As an example, if a home is insured for \$100,000 (Coverage A -- Dwelling) with an earthquake policy deductible of 10 percent, the homeowner will be responsible for the first \$10,000 of damages with the insurance coverage paying for damages in excess of \$10,000.

Not all policies are alike and the deductible may apply separately to the loss of contents, structure or unattached structures. The premiums for earthquake insurance can differ by location, likelihood of earthquakes, the insurance company, type of covered structure and the amount of deductible. Older homes are normally charged more for earthquake coverage than newer homes under the assumption that older homes tend to be built from less seismically resistant materials.

## ***AFTER AN EARTHQUAKE***

If your home, apartment or business has suffered damage from an earthquake, call the insurance company or agent who handles your earthquake insurance policy right away to file a claim. Even if you do not have earthquake insurance, file a claim with your homeowners' or commercial insurance company or agent right away. Additional living expenses or certain damages from fire and water due to burst gas and water pipes may be covered under the standard homeowners' or commercial insurance policies.

If an affected area is declared a federal major disaster, consumers may need written documentation of claim denials to receive certain kinds of assistance from state and federal agencies. However, in the event a claim that was originally denied is changed to an accepted claim at a later date, homeowners or business-owners are generally required to reimburse the financial assistance or funding received from the Federal Emergency Management Agency (FEMA) not to exceed their claim settlement.

## ***SOME TIPS TO FACILITATE EARTHQUAKE CLAIMS SETTLEMENTS***

- ✚ Before any disaster occurs, make sure to prepare a detailed inventory of your property. Take pictures and make video recordings where possible and try to save receipts of major items for documentation purposes. Having thorough written and visual records of your property in its pre-loss condition is likely to make it easier to demonstrate to your insurance company the nature and extent of the damage.
- ✚ If your property has been damaged as a result of an earthquake, do whatever is necessary to prevent further damage, including boarding up your home to prevent looting.
- ✚ Obtain estimates covering repairs to structural damage. Prepare an inventory of damaged personal items. Include a description of each item and its value. Attach bills, receipts and other documentation that substantiates your figures. In addition, keep careful records of any additional living expenses you incur if you have to find other accommodations while your house is being repaired.
- ✚ Once your insurance company has determined that your loss was covered, it probably will assign an adjuster to verify your claim and determine the amount of the loss. Most claims are settled promptly, but some may require investigation, often because of the extent of the loss or because the cause of loss is unclear.
- ✚ As with all types of insurance, the best advice is to understand your policy and be sure you have the proper coverage before an accident or disaster occurs. If you need help understanding what your policy covers, contact the Division of Insurance Consumer Services Section at (775) 687-4270 in Carson City or at (702) 486-4009 in Las Vegas.

## ***QUICK LINKS***

- ✚ Division of Insurance  
[doi.nv.gov](http://doi.nv.gov)
- ✚ Nevada Earthquake Safety Council  
[www.unr.edu/earthquake/index.html](http://www.unr.edu/earthquake/index.html)
- ✚ FEMA Earthquake Information Page  
[www.fema.gov/hazard/earthquake/index.shtm](http://www.fema.gov/hazard/earthquake/index.shtm)

## WHO OFFERS EARTHQUAKE INSURANCE?

Many companies offer earthquake coverage in Nevada. The companies provided in the list below are admitted carriers that wrote at least \$10,000 of premiums in 2008. An admitted carrier is an insurance company that has received a Certificate of Authority from the Commissioner of Insurance to write specific lines of insurance and is subject to the Division's regulatory oversight. Contact information for these companies is available on the Division's Web site, [doi.nv.gov](http://doi.nv.gov), by clicking on the License Look-up Tool and entering the company name when prompted.

ACA Insurance Company	Horace Mann Property & Casualty Insurance Company
Allianz Global Risks US Insurance Company	Insurance Company of the West
Allied Property and Casualty Insurance Company	Liberty Mutual Fire Insurance Company
Amco Insurance Company	Maryland Casualty Company
American Automobile Insurance Company	Metropolitan Property & Casualty Insurance Company
American Casualty Company of Reading Pennsylvania	National Surety Corporation
American Family Mutual Insurance Company	Nationwide Insurance Company of America
American Guarantee & Liability Insurance Company	Nevada Capital Insurance Company
American Hardware Mutual Insurance Company	Oregon Mutual Insurance Company
American Insurance Company	Pacific Indemnity Company
American International Insurance Company	Pacific Specialty Insurance Company
American National Property and Casualty Company	Property and Casualty Insurance Company of Hartford
American Zurich Insurance Company	Safeco Insurance Company of America
Amica Mutual Insurance Company	Sentinel Insurance Company Ltd
Arch Insurance Company	Standard Fire Insurance Company
Automobile Insurance Company of Hartford Connecticut	State Farm Fire & Casualty Company
Axis Insurance Company	Travelers Home and Marine Insurance Company (The)
Century National Insurance Company	Travelers Indemnity Company
Colorado Casualty Insurance Company	Travelers Property Casualty Company of America
Farmers Insurance Exchange	Twin City Fire Insurance Company
Federal Insurance Company	United Services Automobile Association
Federated Service Insurance Company	United States Fire Insurance Company
Fidelity & Deposit Company of Maryland	USAA Casualty Insurance Company
Fire Insurance Exchange Fire Underwriters Association	Vigilant Insurance Company
Firemans Fund Insurance Company	Wausau Business Insurance Company
Garrison Property and Casualty	Western Mutual Property Insurance Company (DBA)
Harco National Insurance Company	Westport Insurance Corporation
Hartford Casualty Insurance Company	XI Insurance America Inc
Hartford Underwriters Insurance Company	Zurich American Insurance Company
Horace Mann Insurance Company	

Several Surplus Lines companies also offer earthquake coverage. These companies -- which are used when a risk is too unique to be placed with an admitted carrier -- must receive a Certificate of Eligibility to transact business in Nevada, but are not subject to the Division's regulatory oversight. The surplus lines companies provided in the list below all wrote at least \$10,000 of premiums in 2008. Contact information for these companies is available on the Division's Web site, [doi.nv.gov](http://doi.nv.gov), by clicking on the License Look-up Tool and entering the company name when prompted.

Arch Specialty Insurance Company
Axis Surplus Insurance Company
Endurance American Specialty Insurance Company
Essex Insurance Company
Homeland Insurance Company of New York
Houston Casualty Company
Illinois Union Insurance Company
Lexington Insurance Company
Maiden Specialty Insurance Company
Max Specialty Insurance Company
Mt Hawley Insurance Company
Princeton Excess & Surplus Lines Insurance Company
Rockhill Insurance Company
Steadfast Insurance Company
Westchester Surplus Lines Insurance Company

## **CONTACT INFORMATION**

As the ultimate consumer protection agency on insurance issues, the Nevada Division of Insurance exists to serve you. We can be a source of unbiased information and assistance to you.

While most insurers have policyholder service officers to handle your policy related questions, consumers interested in further information on earthquake insurance coverage or who need help understanding what their insurance policy covers are encouraged to contact the Division of Insurance:

### **Northern Nevada**

State of Nevada  
Department of Business & Industry  
Division of Insurance  
788 Fairview Drive, Suite 300  
Carson City, Nevada 89701-5491  
(775) 687-4270

Toll Free in Nevada:  
(800) 992-0900

E-mail: [csc@doi.state.nv.us](mailto:csc@doi.state.nv.us)

### **Southern Nevada**

State of Nevada  
Department of Business & Industry  
Division of Insurance  
2501 East Sahara Ave., Room 302  
Las Vegas, Nevada 89104  
(702) 486-4009

Toll Free in Nevada:  
(800) 992-0900

E-mail: [cnsmsv@doi.state.nv.us](mailto:cnsmsv@doi.state.nv.us)

### **Division of Insurance on the Web**

[doi.nv.gov](http://doi.nv.gov)