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# Business Thursday

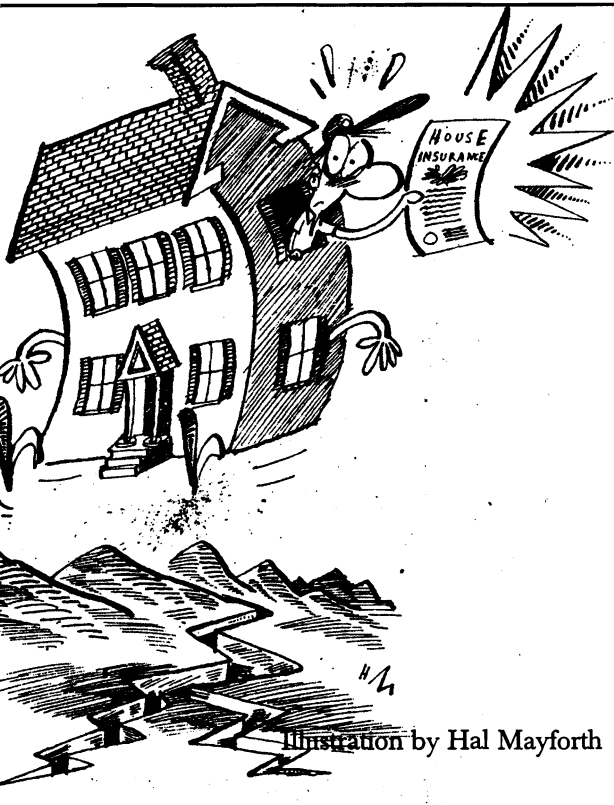


Illustration by Hal Mayforth

## Staying on solid ground

### Got earthquake insurance? It's something to think about

By Ricka McNaughton

The official scientific term for April '02 in Vermont was: Berserk. Mud Season spanned a mere weekend. We had drought warnings interspersed with flood warnings. Then came a string of glittering, impossibly summer-like days with record temperatures in the 80s and 90s. Then an arctic chill abruptly descended, showering snow on the heads of confused daffodils and sparsely clad persons hanging stoically outside a Montpelier cone shop.

Between the extreme weather shifts we had an earthquake with a respectable magnitude of

5.1.

Even among Vermonters used to quirky fits of nature, the quake managed to inspire a short-lived burst of awe. The damage from this one was mercifully slight. So, after checking for cracks in their chimneys and foundations, and comparing notes with people who had lived in California any length of time, most people took the ride in stride. A lot of Vermonters probably believed that if their homes had been damaged by the quake, they were covered under their homeowner's insurance. Chances are, they were wrong.

Most standard homeowner's

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policies exclude earthquake coverage. To have that protection, you must purchase it as an endorsement or rider. The cost of coverage depends on several things: which of Vermont's two

designated earthquake zones you live in, what your house is made of, the amount you insure your house for, and how well you shopped around for your coverage.

Vermont's earthquake zones are: Essex County, and everywhere else. This was decided at one time by experts who evaluate earthquake risk. Insurance policies are still, so far, priced accordingly. One agent's post-quake quote for a frame house was 32 cents per \$1,000 of coverage for houses in Essex County, and 63 cents per \$1,000 for houses in all other counties in Vermont. Using the

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# Earthquake

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63-cent quote, a person insuring a home for \$120,000 would pay an extra \$75.60 for earthquake coverage.

Unfortunately, people who own brick houses may pay up to 600 percent more for earthquake coverage, since masonry structures don't flex well when the ground moves under them.

Different companies charge different rates, and can sometimes tailor coverage in different ways, so it pays to comparison shop. A point to note is that earthquake coverage usually comes with a higher than standard deductible. It can range from 5 - 20percent of the coverage limit set on your home. To evaluate the situation, one company selling insurance in Vermont has placed a 30-day moratorium on any new earthquake business, driving home the point that the time to get coverage is before you actually need it, not afterward.

Is earthquake coverage worth the cost? That calls for reliable speculation, about which you must further speculate.

Scientific inquiry has yet to produce a sure means of pinpointing the time and place of the next major rumble, so we rely on well informed people to make good guesses. Here are some predictions of record. In February of 1994, Vermont's Public Safety Commissioner cited a report obtained from the New England States Earthquake Consortium stating that our region stood a 50 percent chance of seeing a quake

registering 5 or more on the Richter scale within the next 50 years. Does that mean we now have nothing to fear for the next 49? Well, another group of experts came up with a different call. They wagered that in any given year, the chances of such a quake in the region were 1 in 20. That source was given as "the Massachusetts Civil Defense Agency and Office of Emergency Preparedness, Boston College and the Massachusetts Institute of Technology." You may pick one of these prophecies or consult an oracle of your choice.

It comes down to your own sense of risk. Do what you can afford to do, given the peace of mind you need, based on the what sort of peril you believe you are in. If you're like many people, your home may be your single largest financial investment. Just don't make the mistake of assuming you have coverage for every natural catastrophe.

On the subject of natural perils, make a note that homeowner's policies do not cover flooding either. In recent years, many people with homes and businesses in low risk areas of Vermont sustained flood damage. In fact, they account for about 25 percent of flood claims. But many don't have insurance because they didn't

think they were at risk, or didn't realize they had no coverage under their regular homeowner's policy. Your agent can obtain coverage for you through the National Flood Insurance Program if your town participates. (If you live in a town that doesn't participate in the federal program, you cannot purchase flood insurance.)

If you want more information on the broader subject of insuring your home, you can request a free copy of a consumer guide called *What You Should Know about Homeowner's Insurance*. It's available from the Vermont Insurance Division, a state agency. Call 1-800-964-1784 to request a printed copy. Or, to read it on line, go to the home page of the Department of Banking, Insurance, Securities & Health Care Administration: [www.bishca.state.vt.us](http://www.bishca.state.vt.us), and click on Consumer Publications, then Insurance Publications.

*Ricka McNaughton is Chief of Information Programs Vermont Department of Banking, Insurance, Securities & Health Care Administration*

## Verizon

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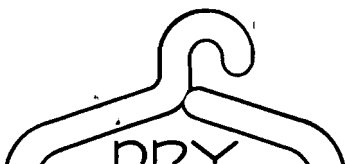
competition rates "without gimmicks," no monthly charges on most pricing plans and can offer consumers one phone bill for both local and long distance calls, according to the release.

Verizon Vermont customers who subscribe to the in-state "local package" can add long distance for 8 cents a minute. The local package is \$42.95 a month and includes the local line, unlimited local calling and four or more "value added" services.

Other plans include calls from 5 cents a minute to 12 cents a minute.

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