

## Coverage Corner

In the past month since I wrote the previous coverage corner the world has seen one of the greatest humanitarian tragedies of this generation. As I am sure you have guessed I am referring to all of the things that have and are still going on in Japan. First, I want to say my thoughts and prayers go out everyone affected by the events there. I am sure that most of us have looked at this sequence of events from many angles. The huge and tragic loss of life. The massive loss of property and finally, the damage to the economic stability of the country.

I would like to look at it with you from the insurance angle. This is the insurance tri-ecta or the perfect storm (in the worst way) from a loss and coverage perspective. Three things happened there:

1. Earthquake
2. Tsunami
3. Nuclear Meltdown

One of those things can be covered pretty well, one can be covered somewhat and one cannot be covered at all.

I will start with the one that cannot be covered at all, nuclear hazard. This is one of the main exclusions from all property insurance policies, both personal and commercial. This exclusion reads: *"Nuclear Hazard" means any nuclear reaction, radiation, or radioactive contamination, all whether controlled or uncontrolled or however caused, or any consequence of any of these.*

As you can see from that excerpt from a property insurance form there is no ambiguity with regard to coverage. If there was a meltdown for any reason we all would be without coverage.

Second, I will address the portion of the situation that might be covered if you had purchased the correct policy. That's the Tsunami. More than likely the Tsunami would be classified as a flood and if you had a flood policy then it should respond to the extent the policy would allow. We all saw the videos of the houses floating down the streets after the wave hit and unfortunately it is not the intent of a flood policy to replace your house when it washes away. All flood insurance is written through the Federal Government by insurance companies so it is really a government program of indemnity not an insurance policy. Without getting into too much detail most of the homes around here would only have coverage for the major systems of the home (furnace, hot water heater, washer, dryer etc.) not for the home itself if it was washed away. That is because most of the homes around here have a portion of the living area below grade, this disallows for

structure coverage and allows for only systems coverage. Flood is really an entire article on its own. Just remember the take away here is flood coverage is not what you think.

Third, is the Earthquake portion and I am relatively certain that I will surprise most of you by saying you do not have this coverage now but you can get it. Here is the exclusion that is in most all of our policies:

*Earthquake, including land shock waves or tremors before, during or after a volcanic eruption*

I have reviewed the endorsement offered by one of our carriers and the buyback for this coverage reads just like this exclusions reads:

*We insure for direct physical loss to property covered under Section 1 caused by earthquake, including land shock waves or tremors before, during or after a volcanic eruption.*

So as you can see an earthquake can be covered in full by most property policies with the correct endorsements.

This situation while tragic gives us a good opportunity to reflect on our own insurance and think about whether we would've been covered the way we would've expected to be or not.

Thank you for reading and participating and remember "don't be cornered by your coverage."

This column is strictly for general insurance information please consult your local agent for the specifics of your insurance program.



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