



**MIKE CAUSEY**  
INSURANCE COMMISSIONER

August 14, 2020

Dear Agents and Adjusters:

As you are aware, 2020 has been a year that has brought unprecedented events. I would like to thank each of you for your response and for providing consumer assistance as you face challenges relating to natural disasters and the pandemic. The agents and adjusters in North Carolina are often the first people consumers contact as these events occur.

On August 9, 2020, a magnitude 5.1 earthquake struck North Carolina, about two miles southeast of Sparta, which could be felt across the state. This earthquake is reported to be the second-strongest earthquakes to occur in North Carolina since 1900. Add to that, the natural disasters (hurricane, tornadoes and fires) that occurred the week before and it is apparent, you have been busy serving your clients. For home and business owners across North Carolina, the question "Is this damage covered by my insurance?" was put to the test. Sadly, many in Western North Carolina found that answer is "no."

I toured Allegheny County on August 10 and spoke with many of the homeowners in the area to provide guidance on what coverage to have to be protected from natural disasters.

Here is some helpful information I relayed when it comes to earthquake coverage:

- **Homeowners policies** do not cover losses caused by earthquakes. However, direct loss by fire, explosion or theft resulting from earth movement is covered.
- **Dwelling policies** do not cover losses caused by earthquakes. However, if fire or explosion ensues, the policy will cover the ensuing loss.
- An **endorsement** may be purchased to cover earthquake damage on a **homeowners or dwelling policy**.
  - The endorsement provides coverage for direct loss to dwelling, other structures and personal property caused by an earthquake.
  - One or more earthquake shocks that occur within a 72-hour period constitutes a single earthquake.
  - The endorsement does not increase the limits of liability stated in the homeowners or dwelling policy.

**NORTH CAROLINA DEPARTMENT OF INSURANCE**

ALBEMARLE BUILDING • 325 N. SALISBURY STREET • SUITE 1100 • RALEIGH, NC 27603 • 919.807.6000

- There may be exclusions on the endorsement such as flood, filling land and exterior masonry veneer.
- Deductibles are the amount that the homeowner is responsible to pay on each claim. There may be separate deductibles for the dwelling, other structures, and personal contents.
- **Renters** policies exclude coverage for loss due to earth movement. However, direct loss by fire, explosion or theft resulting from the earth movement is covered.
- Some comprehensive **mobile home policies** cover earth movement.
  - An **MH C policy** provides coverage for loss due to earthquakes;
  - For an additional premium, an endorsement can be made to an **MH F policy** to provide coverage for loss due to earthquake to dwelling, other structures, and personal property.
- **Commercial property** policies will not pay for any damage caused by movement of the earth.
  - However, damage caused by a fire or explosion following an earthquake is covered.
  - Earthquake coverage may be provided by endorsement.
  - Most companies offer commercial earthquake coverage by adding the appropriate endorsement

A home or business is probably a person's biggest asset. To best protect it, it's important for clients to talk to their agent to ensure they have the right coverage. Of course, we are always available to assist clients who may have earthquake coverage claims and need additional help. Clients can reach us by calling 1.855.408.1212.

Additional consumer guidance can be found at:

[https://www.naic.org/documents/prod\\_sere\\_consumer\\_guide\\_earthquake.pdf](https://www.naic.org/documents/prod_sere_consumer_guide_earthquake.pdf).

Thank you for all that you do to serve your clients.

Sincerely,



Mike Causey  
N.C. Insurance Commissioner