



Overcoming Objections to Earthquake Insurance

The following objections and responses are designed to assist insurance producers in selling Arrowhead's California Stand-Alone Residential Earthquake policy. For more information about the earthquake policies and rates, please log in to ArrowheadExchange.com or call us at 877.233.9722.

Objection

Response

"Earthquake insurance is too expensive."

The rates for earthquake insurance went up substantially following the 1994 Northridge earthquake, which caused \$14 billion of insured damage. However, several insurance companies have introduced stand-alone or monoline earthquake policies since the Northridge earthquake. Depending on several factors, such as location of your house and the year it was built, the rates might be very competitive. We have access to one of those companies and I could provide you a no-obligation quote to see if the rates are competitive for your house. (In many cases, the Arrowhead rates are lower than the California Earthquake Authority (CEA) – as well as the private carriers required to make the mandatory earthquake offer).

"The deductibles are too high."

Yes, earthquake deductibles are high, but so are the potential losses from an earthquake. Earthquakes, like hurricanes, are likely to cause significant damage to your house. There were many total losses from the Northridge earthquake where people lost their entire home and most everything in it. In fact, over 7,000 homes were significantly damaged (red tagged by the City of Los Angeles Building Dept.) in the Northridge earthquake.

It's true the vast majority of earthquake policies come with a 15% deductible, which means the deductible is 15% of the limit of insurance, not 15% of the loss. However, we have access to an insurance program through Arrowhead that offers a 10% deductible and in some cases, even a 5% deductible. Let's see if your house qualifies for a lower deductible.

"I've lived here all my life and never experienced an earthquake."

As you know, it just takes one earthquake to change everything. If we check the USGS quake map (<http://www.data.scec.org/recenteqs/>), we will see that there are earthquakes occurring in California every day. It has been estimated that an earthquake of a 6.5 or greater magnitude can be expected in California at least once every 10 years.

Maybe the rates are very low in your area. May I at least provide you a quote for earthquake coverage?



Objection

Response

“The coverage provided by the earthquake policy isn’t very good. Why should I buy a policy that doesn’t cover me?”

We have access to earthquake insurance products that provide superior coverage. It's true that the vast majority of earthquake carriers offer only a “mini-earthquake policy” but we have access to a program that offers coverage for your dwelling, other structures, contents and loss of use. This type of a product is superior to the typical earthquake policies offered by most companies in California.

Examples:

Coverage	Arrowhead’s Superior EQ Policy	Typical “mini” or basic Policy
Dwelling	100% dwelling limit	100% dwelling limit
Other structures	10% of dwelling limit included	No coverage
Contents	50% of dwelling limit included	\$5,000 maximum
Loss of Use	20% of dwelling limit included, \$25,000 max. with option to increase to \$100,000 max	\$1500 maximum
Deductible	Choice of 10% or 15% (or 5%, if qualifies)	15%

“How do I know the insurance company will be around to pay the claims after a big earthquake hits?”

It is important to check the financial ratings of any insurance company. The insurance companies that underwrite this program are “A” rated by A.M. Best Company. An “A” rating means they are “Excellent” in terms of claims paying ability.

Additionally, insurance companies are regulated by the various state’s department of insurance offices. Part of this regulation involves financial oversight and solvency. To maintain their licenses they have to meet certain standards.

“If I decide to purchase this earthquake coverage, do I need to send you a check right away to get coverage?”

You do not need to send us a check right now. The company will send you a premium invoice along with the earthquake policy. You can pay them directly. They do have payment options available and you can pay by check, credit card or e-check.

“Even if I have earthquake damage, the government will bail me out.”

The government did not bail people out after the Northridge earthquake. In some cases, people received low interest FEMA loans for a portion of their damage. These loans cap at \$200,000 and need to be paid back just like a bank loan. In other cases, people received very small grants of a couple thousand dollars. The government did not come in and rebuild entire homes or replace damaged personal property.