



State of New Jersey

DEPARTMENT OF BANKING AND INSURANCE

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BULLETIN NO. 16-09

TO: ALL INSURERS AUTHORIZED TO TRANSACT THE BUSINESS OF HOMEOWNERS' OR COMMERCIAL FIRE AND EXTENDED COVERAGE INSURANCE IN NEW JERSEY

FROM: RICHARD J. BADALOTO, COMMISSIONER

RE: EARTHQUAKE DAMAGE ENDORSEMENT

The Department of Banking and Insurance ("Department") is issuing this Bulletin in accordance with N.J.S.A. 17:36-5.38 through 5.41. The purpose of this Bulletin is to remind all insurers authorized to transact the business of homeowners' insurance, or commercial fire and extended coverage insurance, in this State, and who offer coverage for earthquake damage by endorsement to those policies, of the requirements of N.J.S.A. 17:36-5.38 through 5.41. These provisions require insurers to inform insureds at the time of renewal of a homeowners' or commercial fire and extended coverage policy, and applicants at the time of application for either such policy, of the availability of an endorsement to the policy covering earthquake damage.

N.J.S.A. 17:36-5.41 requires the Commissioner to prepare a notice that insurers are required to provide to applicants for homeowners' or commercial fire and extended coverage, and to insureds under such policies at the time of renewal. Further, N.J.S.A. 17:36-5.41 requires that this notice set forth the ratio of earthquake damage claims to the premiums written for such coverage over the preceding five calendar years in New Jersey, and such other information as the Commissioner deems relevant. A copy of the required notice is attached to this bulletin. Insurers who write homeowners' or fire and extended coverage policies, or both, and who distribute the attached notice in accordance with the directives set forth above, either directly or through their agents, will be considered to have informed their insureds and applicants of the availability of an earthquake coverage endorsement as required by N.J.S.A. 17:36-5.38 through 5.41.

The Department will consider the requirement of N.J.S.A. 17:36-5.38 that the information be provided at the “time of application” to be fulfilled if the attached Notice is supplied by an agent to an applicant at the time an application form is provided by the agent to the applicant, or it is supplied by a company directly to an applicant at the time a new business policy is generated by the company, or at the time a quote for coverage is issued by the company.

Insurers may utilize the form as soon as is practical, but they must use it to notify all new applicants and insureds at the time of renewal effective on or after April 1, 2017, and until a superseding notice is provided by the Department. The attached notice may be included on the same page or pages with other notices, so long as all required notices are displayed in a clear and conspicuous manner.

The Department may impose penalties as provided by law for any violations resulting from the failure to provide the required notice.

NOTE: All text on the below notice that is located within brackets [thus] may be tailored by insurers to be consistent with their business model.



11/28/16
Date

Richard J. Badolato
Commissioner

NEW JERSEY EARTHQUAKE INSURANCE AVAILABILITY NOTICE

All insureds and applicants are cautioned that [homeowners'/commercial fire and extended coverage] insurance policies do not provide coverage for earthquake damage.

The definition of an *earthquake*:

- is a shaking or trembling of the earth that is geologic or tectonic in nature;
- includes shock waves or tremors before, during or after a volcanic eruption; and
- can also include after-shocks that occur within a seventy-two hour period following an *earthquake*.

A typical [homeowners' or commercial fire and extended coverage] insurance policy:

- **does not** cover the cost to replace or repair your damaged dwelling, premises or structures, such as garages, resulting from an *earthquake*;
- **does not** cover the cost to replace or repair the contents of your [home or business] if the damages result from an *earthquake*; and
- **does not** pay for any additional [living or business] expenses if your property is badly damaged or destroyed by an *earthquake*.

***Earthquake* insurance is available through an endorsement to your policy for an additional premium. The decision to purchase earthquake insurance is one that should be carefully considered based on individual circumstances.**

Historically, an earthquake in New Jersey is a rare event, although the possibility exists that it could happen. Over the five-year period from 2010 to 2015, for every \$1 of *earthquake* insurance premium, 1/10 of one cent has been paid out for losses.

Please contact [your agent/your independent agent/ the company at (the company's phone number)] if you have any questions or want additional information on how you can obtain *earthquake* insurance.

This notice is a general description of coverage and does not change, modify or invalidate any of the provisions, terms or conditions of your policy or endorsements.