



## **DIFFERENCE IN CONDITIONS COVERAGE: EARTHQUAKE, FLOOD & LANDSLIDE**

As a homeowner, it's important to know what your insurance does and doesn't cover. Unpredictable, catastrophic losses that affect a wide swath of homes within a concentrated area at one time, such as earthquake, flood, and landslide are beyond the scope of the standard homeowner policy and are specifically excluded.

### **A Primer on Earthquake, Flood, and Landslide**

Insurers define earth movement and flood in their homeowner policies and use those definitions to determine if coverage is excluded. Definitions below are general guidelines, subject to your policy contract.

Earth Movement is a broad term that includes four types of movement—earthquake, landslide, mudflow, and mudslide:

**Earthquake Definition:** Earth movement as a result of seismic activity.

Many of our high net-worth carriers offer earthquake coverage as an endorsement to the homeowner policy, although older homes will require proof of retrofitting. If coverage is not available on the homeowner policy, we can arrange coverage through a separate earthquake policy.

**Landslide Definition:** Movement of destabilized land down a coastal bluff or hillside, caused by gradual erosion with heavy rainfall, snow melt, or faulty drainage. Risk factors include the degree of slope and soil composition. Coverage is available through a difference in conditions (DIC) policy.

**Mudflow Definition:** River of mud, primarily water mixed with land, caused by gradual erosion with heavy rainfall, snow melt, or faulty drainage. Because mudflow is primarily water, it is usually included with flood coverage.

**Mudslide Definition:** Land (earth and rocks) mixed with some liquid that moves downhill by gravity. Since mudslide is primarily land instead of water, it is not considered flood. Generally, coverage is not available for mudslide.

Flood is a broad term that includes more than overflow of water in high risk areas:

**Flood Definition:** Overflow of inland or coastal waters, and rapid accumulation or runoff of surface water from any source.

The homeowner policy excludes coverage for water losses originating outside of the home (heavy rains, snow melt, and broken water mains). Clients in low risk flood zones often consider flood coverage in order to fill the coverage gap on their homeowner policy.

Consider flood coverage if you live in a high risk flood zone, close to bodies of water subject to overflow.

Many of our high-net worth carriers can offer flood coverage as an endorsement to the homeowner policy or as a separate policy. For clients in a high risk flood zone, we can arrange coverage through the National Flood Insurance Plan (NFIP) administered by FEMA.

### **Coordinating Coverage for Earthquake, Flood, and Landslide**

A difference in conditions (DIC) policy coordinates with a homeowner policy to provide additional property coverage. Essentially, “difference in conditions” means “difference in exclusions.” Although a DIC policy includes some exclusions, it is designed to primarily provide coverage for the big three homeowner exclusions—earthquake, flood, and landslide.

When crafting an insurance program for clients, we include earthquake and flood coverage on the homeowner policy whenever possible. Alternatively, those coverage(s) can be written on separate policies with an admitted insurer. If a home is at risk of landslide, we recommend purchasing a DIC policy through the surplus line market. Although a DIC policy includes all three coverages (earthquake, flood, and landslide), it will be more expensive.

DIC policies are only available through the surplus line market; Lloyd’s of London is one of the more well-known DIC insurers. Surplus line policies are not covered by state guaranty funds, which means that claim payments are not guaranteed in the event of insurer insolvency. Surplus line policies are usually more costly than non-surplus line policies, too.

If you are concerned about your exposures or have any questions regarding these coverages, please contact your Account Manager. We can answer questions, explain your options, and obtain quotations for your consideration.