

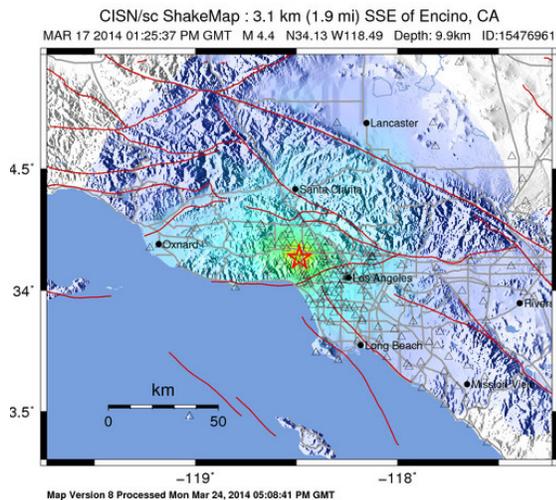
California Earthquake Authority

Seismic-Event Report to the Legislature

- March 17, 2014 4.4 Encino Earthquake
- March 29, 2014 5.1 La Habra Earthquake

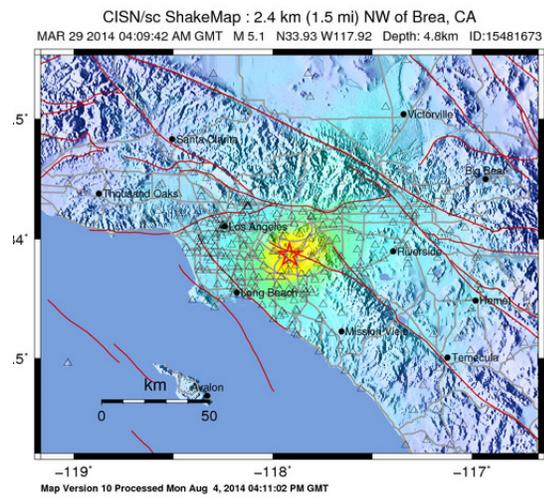
California Insurance Code section 10089.13, subdivision (e), requires the California Earthquake Authority (“CEA” or the “Authority”) to submit a report to the Legislature after any seismic event that results in the Authority’s payment of claims.¹

This report is duly and respectfully submitted to the California Legislature and the Insurance Commissioner to describe the CEA’s response to the March 17, 2014, 4.4 Richter magnitude earthquake near Encino California and the March 28, 2014, 5.1 Richter magnitude earthquake near La Habra and Brea California. This report includes information on claim payments made and the functioning of the Authority in response to these seismic events.



PERCEIVED SHAKING	Not felt	Weak	Light	Moderate	Strong	Very strong	Severe	Violent	Extreme
POTENTIAL DAMAGE	none	none	none	Very light	Light	Moderate	Mod./Heavy	Heavy	Very Heavy
PEAK ACC.(%g)	<0.1	0.5	2.4	6.7	13	24	44	83	>156
PEAK VEL.(cm/s)	<0.07	0.4	1.9	5.8	11	22	43	83	>160
INSTRUMENTAL INTENSITY	I	II-III	IV	V	VI	VII	VIII	IX	X+

Scale based upon Wald, et al., 1999



PERCEIVED SHAKING	Not felt	Weak	Light	Moderate	Strong	Very strong	Severe	Violent	Extreme
POTENTIAL DAMAGE	none	none	none	Very light	Light	Moderate	Mod./Heavy	Heavy	Very Heavy
PEAK ACC.(%g)	<0.1	0.5	2.4	6.7	13	24	44	83	>156
PEAK VEL.(cm/s)	<0.07	0.4	1.9	5.8	11	22	43	83	>160
INSTRUMENTAL INTENSITY	I	II-III	IV	V	VI	VII	VIII	IX	X+

Scale based upon Wald, et al., 1999

¹ **10089.13(e):** *The authority shall, within 120 days following a seismic event that results in the payment of claims by the authority, and within one year of a major seismic event that results in the payment of claims by the authority, submit to the President pro Tempore of the Senate, the Speaker of the Assembly, the Chairpersons of the Senate and Assembly Insurance Committees, and the Chairperson of the Senate Committee on Judiciary, and the commissioner a concise written report of program operations related to that seismic event. The reports shall include, but not be limited to, progress on payment of claims, claims payments made and anticipated, and the functioning of the authority in response to the seismic event. Copies of this report shall also be made available to the public.*

California Integrated Seismic Network (CISN)

Within minutes following any earthquake, CEA leadership and staff receive a notice to their cell phones about the earthquake. This notice starts a defined CEA earthquake-response process. The first step determines the number of CEA policyholders who might feel the earthquake's impacts. The CEA does this with a system that uses the CISN-generated ShakeMaps (examples displayed on the previous page) and the portfolio of CEA insured properties in the affected areas.

Location and Impact

Encino

The March 17, 2014, earthquake in Encino, California was a Richter magnitude 4.4 event. The CEA generally does not receive many claims from a moderate 4.4 earthquake, but this one occurred in a heavily populated area and did generate claims. The statistics:

- The epicenter was 1.9 miles SSE of Encino.
- CISN measured 4.4 Richter magnitude shaking at the epicenter.
- The rupture was 9.9 km (6 miles) deep.
- There are approximately 25,000 CEA policyholders in the general area.
- The USGS ShakeMap showed that shaking intensity and damage potential was “very light.”
- The CEA received 80 claims and, after the adjustment process, made payment on six of the claims.
- CEA claim payments totaled \$67,990.

La Habra

The March 28, 2014, earthquake in La Habra, California, was a Richter magnitude 5.1 event and occurred at a relatively shallow depth of 2.9 miles—that depth represents a hypocenter much shallower than the Encino earthquake. The statistics are:

- The epicenter was 1.5 miles NW of Brea, California.
- CISN measured 5.1 Richter magnitude shaking at the epicenter.
- The rupture was 4.8 km (2.9 miles) deep (shallow earthquakes cause more damage).
- There are approximately 71,000 CEA policyholders who likely felt this earthquake and about 25,000 who felt MMI (Modified Mercalli Intensity) shaking of 5.5, which according to authorities would ordinarily indicate “light damage”).
- The CEA received 454 claims.
- Payments were made on 82 claims.
- Most payments were made under the CEA's emergency repairs coverage, although there were several older hillside homes that needed extensive repair.
- CEA claim payments totaled \$334,985.

The Authority's Response

In both cases, CEA participating insurers immediately began receiving and handling the CEA claims. Neither event was a catastrophic earthquake, and the participating insurers were able to effectively handle the claims with existing staff.

The CEA's public-information team issued notices to the media, asking them to inform CEA policyholders to file a claim if they detected any new earthquake damage from the (then) recent events. CEA staff fielded a number of calls from media representatives and responded to requests for information about the CEA.

As can be seen from the final claim-payment numbers, most damage did not exceed the policyholders' deductibles. (The CEA policy is a catastrophe policy, designed to help get a policyholder back in their homes after a large earthquake. Neither of these two earthquakes rose to the level of a catastrophic event—for that reason, few claims were generated.)

A new and often used feature of the CEA homeowners policy is that it provides for payment of up to \$1,500 for emergency repairs that are made to protect insured property against further earthquake or weather damage. Typical payments for emergency repairs include removing broken glass from the residence and replacing windows broken or damaged by the earthquake. There is no deductible applied to the first \$1,500 of emergency-repair expenses. Many of the payments the CEA made after these two earthquakes were for emergency repairs.

Financial Impact to the CEA

The CEA's claim-paying capacity is approximately \$10.5 billion and at present is composed of over four billion in cash reserves, capacity secured through reinsurance contracts, and the ability to levy contingent assessments on participating insurers. The CEA has a financial-strength rating of "A-minus (*Excellent*)" from *A.M. Best Co.*, the oldest and most authoritative insurance company rating agency in America.

Neither of these two earthquakes had a material impact on the finances or the financial strength of the CEA.

Conclusion

The CEA's primary goal following an earthquake is to provide customer service to policyholders and assist those who experience earthquake damage through a claims process that is *fair, prompt, and consistent*.

Feedback confirms that these goals were accomplished during the claim-assessment and claim-handling phase of the CEA response following these two earthquakes.