

# California Earthquake Authority

## Seismic-Event Report to the Legislature on the December 20, 2022, Magnitude 6.4 Ferndale 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.<sup>1</sup>

This report is duly and respectfully submitted to the California Legislature and the Insurance Commissioner to describe the CEA’s response to the December 20, 2022, 6.4 magnitude earthquake near Ferndale, California, at 2:34:25 AM PST. This report includes information on claim payments made and anticipated, and the functioning of the Authority in response to these seismic events.

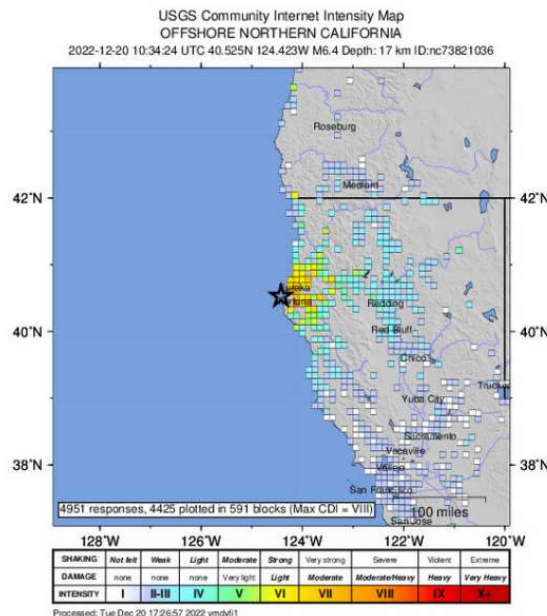
### **Earthquake Notification Refer to Shake Alert/ USGS**

Within minutes following the earthquake, CEA executives and Earthquake Response staff received automated notification of an earthquake and CEA’s response activities began. CEA used the USGS generated ShakeMap to evaluate the number of impacted CEA policyholders.

The USGS seismic network and other data from instruments placed around the state are critical to the CEA, CEA participating insurers, and emergency organizations who all must respond quickly to earthquakes.

### **Location and Impact**

The magnitude 6.4 earthquake struck three miles offshore at a depth of 9.9 miles (16 kilometers), 9.1 miles (14.6 kilometers) southwest of Ferndale, and 329.4 miles (530.1 kilometers) northwest of Sacramento. There were several aftershocks including a magnitude 5.4 aftershock on January 1, 2023. The torrential rain and windstorms sweeping through Northern California at the time hindered emergency services response efforts.



Source: USGS “Did You Feel It?” Map

CEA estimated there were 2,814 CEA policyholders in areas of potentially damaging ground shaking intensities of IV – VII on the USGS ShakeMap, with total coverage limits of \$1.26 billion. On February 24, 2023, the Humboldt County Office of Emergency Services reported that of 1,361 structures assessed, 91 were red tagged, and 365 were yellow tagged. Over 170 residents were displaced. Approximately 10% of homeowners in Humboldt County have earthquake insurance coverage.

<sup>1</sup> 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.

## **CEA Responds**

CEA's Catastrophe Response and Resiliency Office has responsibility for earthquake claims administration and organizational readiness and response. The Office was established in June 2020 and has led the development and implementation of a revamped organization-wide response structure.

The earthquakes of December 20, 2022, and January 1, 2023, that struck in Humboldt County, provided real-life activations of CEA's Incident Command System (ICS)-based organizational response structure and procedures. CEA's response to the Humboldt County earthquakes and highlights of our recent and upcoming activities are provided.

CEA's earthquake response "ShakeWatch" team immediately activated, and CEA's Earthquake Response team leaders and executive management were notified, and our situational assessment process was underway, within the hour. CEA issued an Abbreviated Event Notice to Participating Insurers (PIs), corresponding to a Level 2 response in our internal Earthquake Response Framework. CEA has five levels of response activation defined in its Earthquake Response Framework, and a Level 2 response is comparable to CEA's response following the 2019 Ridgecrest and 2014 South Napa earthquakes with a moderate number of claims, significant media coverage, but limited financial impact.

Over the next two weeks, the Earthquake Response team had regular briefings with executive management and provided email updates to CEA's Governing Board. CEA engaged with our participating insurers, the California Earthquake Clearinghouse, California Department of Insurance (CDI), and California Governor's Office of Emergency Services (Cal OES).

A magnitude 5.4 earthquake occurred on January 1, 2023, but CEA did not issue a new event notice since the aftershock fell within the 15-day (360-hour) "seismic event window" for the first earthquake as defined in all CEA earthquake insurance policies; that seismic event window closed on January 4, 2023.

Additionally, throughout CEA's activation window there was regular communication with participating insurers regarding their claim submissions - data management applications put in place in 2022 facilitated tracking and reporting.

### **Humboldt County Earthquake Outreach**

Coordinating with local officials, Cal OES established a Local Assistance Center (LAC) in Rio Dell December 30 and 31, 2022, and CEA was asked to participate. The LAC brought together organizations that provide assistance in the aftermath of a catastrophe including the Small Business Administration, CDI, city and county agencies, and social service agencies.



#### Other CEA Activities:

- Granted media interviews, published Op-Eds related to earthquake preparedness and retrofitting, active on social media (Twitter and Facebook)
- Participated in a virtual earthquake recovery town hall meeting organized by Senator McGuire’s office.
- CEA Info Desk call volume increased by 15% of normal daily volume.
- CEA Earthquake Authority website:
  - Daily visits up 334% of normal on December 20<sup>th</sup>
  - CEA Premium Calculator was the top page visited
  - Increased volume of adjusters registering for CEA’s online training on policy coverages and CEA’s Residential Earthquake Damage Assessment Guidelines.



A second reconnaissance team, headed by CEA’s Chief Mitigation Officer, Janiele Maffei, traveled to Humboldt County on January 23, 2023, to assess and document residential damage. Structural damage included broken windows, collapsed chimneys, fallen bricks, and a small number of buildings slid off their foundations. It was noted that post and pier foundations are very common in this area. The findings were presented during the Earthquake Engineering Research Institute’s webinar *Ferndale M6.4 Earthquake Reconnaissance Briefing* on February 9, 2023.

#### **Progress on CEA Claim Handling**

*Reported as of March 20, 2023 (90 days from event date):*

- Breakdown of the 44 claims received:
  - Total claims paid \$157,063 (12 total claims with payments)
  - Total outstanding reserves are \$289,431.
  - 32 closed files/12 open claims
- Breakdown of claims by CEA policy types:
  - 34 Homeowner claims
  - 7 Mobilehome claims
  - 3 Renters claims

#### **Financial Impact to the CEA**

The CEA’s claim-paying capacity is approximately \$19 billion and at present is composed of nearly six billion dollars in cash reserves to pay claims, with additional funds coming from reinsurance contracts, contingent assessments on participating insurers, bond proceeds, and policyholder assessments. The CEA has a financial-strength rating of *B++ (Good)* from *A.M. Best Co.*, the oldest and most authoritative insurance company rating agency in America. This earthquake has not had a material impact on the finances or financial strength of the CEA; there was a moderate number of claims, significant media coverage, but limited financial impact.

#### **Conclusion**

CEA formally deactivated its Earthquake Response team on January 10, 2023; however, some specific staff continue to monitor claims and make claim payments to CEA participating insurers, engage with the media, and conduct mitigation research and outreach activities for the Earthquake Brace + Bolt program.

CEA will continue to monitor, review, and approve payments for all CEA earthquake claims received following the Humboldt County earthquakes. However, the 44 total claims number has remained relatively unchanged, and few additional claims are expected. CEA will also continue to monitor the claims handling by our participating insurers to ensure all claims are handled promptly and fairly.