

August 24 Napa Earthquake Rivalled Intensity of California's 1989 And 1994 Quakes

I.I.I. Spokesperson Arrives in Northern California to address media inquiries about insurance implications

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New York, NY, August 25, 2014—While eight of the 10 costliest earthquakes in U.S. history have occurred in California, it is too soon to determine whether yesterday's 6.0 magnitude temblor was one for the record books, according to the Insurance Information Institute (I.I.I.).

The January 1994 Northridge, California quake registered a 6.7 magnitude on the Richter scale, and caused \$24 billion in insured losses, in 2013 dollars, said Dr. Robert Hartwig, economist and president of the I.I.I.. As such, Northridge is the costliest quake, in terms of insured claim payouts, in U.S. history while the October 1989 Loma Prieta earthquake, a 6.9 magnitude event, is third on that same list, generating \$1.8 billion in insured losses, also in 2013 dollars.

Despite the vast difference in the insured dollar claim payouts, both of those California earthquakes resulted in about the same number of property/casualty (e.g., auto, home, and business insurance) claims, with 199,478 claims filed in 1994 and another 198,920 submitted to insurers in the aftermath of 1989's quake, according to Verisk Analytics' Property Claim Services (PCS).

The August 24 earthquake near Napa will result in far fewer claims than either of these events, with insured and economic losses both materially lower as well. Early estimates put insured losses well under \$1 billion, Dr. Hartwig added.

The I.I.I.'s Lynne McChristian is available in Sacramento for media interviews. She can be reached via email at lynnem@iii.org, and her cell phone number is 813-480-6446.

The California Earthquake Authority (CEA) reported yesterday that the percentage of homeowners and renters who have earthquake coverage in Napa is less than six percent. In Sonoma, the percentage is less than 10 percent, the CEA added. About 10 percent of Californians have a residential earthquake insurance policy, according to the CEA, a publicly managed, privately funded, not-for-profit organization that provides catastrophe residential earthquake insurance.

The CEA wrote more than one out of every three residential earthquake policies through its participating insurance companies in the state last year, according to California Fire Foundation, an I.I.I. fact sheet on the state's p/c insurance markets.

Property damage caused by fire following an earthquake is covered under a standard homeowners insurance policy.

"The bottom line is that the industry is, and will remain, extremely well capitalized and financially prepared to pay very large scale losses in 2014 and beyond," Dr. Hartwig stated, in his analysis of U.S. p/c insurers' first quarter 2014 financial results.

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