Earthquakes Break Buildings

- Similar forces to hurricanes
- Similar forces to tornados
- Similar forces to flood
- Similar forces to sinkholes
- Similar forces to blasting
- Similar forces to any type of ground movement

The claim adjusters’ job is determine what is covered and price the repair.

Earthquake Myths

90% of earthquake damage is hidden and can only be discovered by highly trained experts

- Reality: WYSIWYG – Significant, legitimate earthquake damage is not subtle
- Hidden damage is rare and almost always accompanied by visible manifestation

Earthquake Myths

Earthquakes caused extensive damage to foundations and floor slabs

- Virtually all foundations and floor slabs are cracked before being shaken by an earthquake
- Earthquake induced cracking of concrete floor slabs and foundations is rare
- One can determine if cracks in floor slabs are recent
- How do you deal with claim of exacerbation of the width of a crack

Earthquake Myths

Epoxy is a cheap band-aid – “Bondo for buildings”

- Reality: Properly done, injection of epoxy into cracks is an effective repair method
- A floor slab or foundation repaired via epoxy injection is better than in-kind replacement
When to Use Epoxy Injection
In foundations or slabs, you can repair a crack of more than 1/16 up to 1/8 inch, no offset caused by or widened by an earthquake with epoxy injection.

Earthquake Claim Handling Guidelines
Good inspection checklists, When to replace or when to repair, Lots of pictures, When to use an engineer, Sample engineering report template

CUREE – Occupant Questionnaire
EDA-F1

Attic and Crawlspace Inspection Check Lists
...if they exist and if there is evidence of EQ damage. Use Checklist
Some Examples of Damage Found in an Attic

Crawlspace Inspection Checklist EDA-F3

Some Examples of Damage Found in a Crawlspace

CUREE Chapter 7 Fireplaces and Chimneys
- How earthquakes damage chimneys
- Non-earthquake sources of damage to chimneys
- Chimneys that go through the roof
- Chimneys that are attached to the outside of the structure
- Masonry vs non-masonry chimneys

Chimney is the Most Venerable
Mobile homes Can Be Fragile
T Cracks

NATURAL FORCES CAUSE THE MAJORITY OF CRACKS

THREE BASIC CAUSES OF CRACKS
- Differential Settlement
- Shrinkage
- Dimensional changes

RESULTS
- Most Cracks are superficial defects, caused by Natural Forces, and generally not Earthquake Damage

NATURAL FORCES CAUSE OF CRACKS

Drywall Cracks
Note: Doors & Windows are soft spots in the construction and are most vulnerable to settlements and shrinkage

NATURAL FORCES CAUSE OF CRACKS

4 Foundations and Slabs-On-Grade

1.1 Quick Guide

- What to Look For
  - Signs of fresh cracking in, or displacement of, concrete foundations and slabs (see Section 4.7.2 for guidance on determining whether a fracture is recent).
  - Signs of recent sloping, sagging, settlement, or displacement of floors, patios, decks, etc.

- Where to Look
  - The exposed surfaces of concrete footings or stem walls, to the extent that they are visible from outside the house or from inside an attached garage.
  - The edge of the concrete floor slab, to the extent that it is visible from outside.

NATURAL FORCES CAUSE OF CRACKS

Dirt and efflorescence indicates age of foundation wall crack (earthquake damage or expansion)
When looking at cracks...

If it looks **old** -
It probably is....

If it looks **fresh** –
It probably is ....

**CUREE Chapter 9**
*Working With Engineers*

• Be clear in your assignment
  – Only have the engineer evaluate that which you cannot
• Ask them to place new earthquake damage into three categories
  • Like Kind and Quality Repairs
  • Code upgrades
  • Voluntary upgrades

**Characteristics of Cracks & Clues to Age**

- Sharpness of the crack edge: Fresh cracks exhibit sharp edges free of weathering, rusting, or corrosion. Note that cracks in protected locations, such as within a crawlspace or beneath a floor covering will not “weather” and may look sharp and fresh for many years. Figure 4.21 shows a fresh crack in Portland cement concrete, while Figure 4.22 shows an older crack with worn and rounded edges.

- Relative color of crack surfaces and exposed surface of the element: A fresh crack surface concrete will typically be a different shade than the exposed, weathered surface as shown in Figure 4.23.

- Condition of crack fillings: Fresh cracks exhibit clean fracture surfaces. Older cracks may exhibit contamination with paint (Figure 4.34), oil, grease, floor covering, adhesive (Figure 4.25 and Figure 4.34), saw dust, drywall joint compound (Figure 4.27), or other foreign matter that may have accumulated since the crack initially developed.

- Grout, caulk, or other patching or repair material in the crack as shown in Figure 4.28 through Figure 4.30.

- Leveling material adjacent to or spanning the crack as shown in Figure 4.31.

- Dirt, dust, debris, or vegetation in the crack as shown in Figure 4.32 through Figure 4.34.

**Do you need an engineer?**

Chapter 9 - CUREE Guidelines
Cripple Walls are Especially Venerable

Consider a Cripple Wall Retrofit

• https://youtu.be/iSDwQXztTt8

Individual Assistance Programs

The policy deductible may be an uninsured loss and may be eligible for State and Federal assistance programs.
FEMA & SBA

- FEMA gives grants homeowners of around $30,000 after inspecting the home
- SBA gives low interest loans up to $240,000
- Insureds may need documentation from insurance company

The deductible may be an uninsured loss
Coach insureds to use Disaster Recovery Centers

5 Things to Note in a Commercial EQ Policy

1. Definition of earthquake
2. Earthquake coverage limit per location
3. Specific earthquake deductibles
4. Definition of seismic event
5. Are man made earthquakes covered?

Earthquake Exclusion on the Commercial Property Form

Example of Commercial Policy Showing Earth Movement Coverage.

Earthquake is Always Defined

D. Earth Movement, which means any natural or manmade:
   a. Earthquake, including any earth sinking, rising or shifting related to such event;
   b. Landslide, including any earth sinking, rising or shifting related to such event;
   c. Mine subsidence, meaning subsidence of a manmade mine, whether or not mining activity has ceased;
   d. Earth sinking, rising or shifting, including soil conditions which cause settling, cracking or other disarrangement of foundations or other parts of real or personal property. Soil conditions include, but are not limited to, contraction, expansion, freezing, thawing, erosion, improperly compacted soil and the action of water under the ground surface; or
   e. Shocks, tremors, mudslide, mud flow, rock falls, volcanic eruption, sinkhole collapse, or subsidence.

Earth Movement includes tsunami.
Example of how a Commercial Property Form deals with deductible

G. Deductible: Each claim for loss or damage under this Policy shall be subject to a per occurrence deductible amount of $< FILL IN >, unless A specific deductible shown below applies:

For Example, Earthquake is Defined as:

D. Earth Movement which means any natural or manmade:

a. Earthquake, including any earth sinking, rising or shifting related to such event;
b. Landslide, including any earth sinking, rising or shifting related to such event;
c. Mine subsidence, meaning subsidence of a manmade mine, whether or not mining activity has ceased;
d. Earth sinking, rising or shifting, including soil conditions which cause settling, cracking or other disarrangement of foundations or other parts of real or personal property. Soil conditions include, but are not limited to, contraction, expansion, freezing, thawing, erosion, improperly compacted soil and the action of water under the ground surface; or
e. Shocks, tremors, mudslide, mud flow, rock falls, volcanic eruption, sinkhole collapse, or subsidence. Earth Movement includes tsunami.

If You Need a California Earthquake Claim Handling Accreditation Certificate

www.valetrainingsolutions.com

Remember...

There is no such thing as earthquake weather...

And every day is earthquake season!
CEA Participating Insurance Companies

- ACA Insurance
- Allstate
- Armed Forces
- AAA – North & South
- All
- California Fair Plan
- Commerce West MAPFRE
- Encamp
- Farmers Group
- Foremost
- Golden Eagle
- HomeLife
- Hyundai Marine & Fire
- Liberty Mutual
- MAPFRE
- Mercury
- Nationwide / Allied
- Progressive
- Safeco
- State Farm
- USAA

The CEA does not have adjusters
CEA has no rate or independent adjuster fee schedule

Participating Insurers Role

- Before an earthquake
  - Underwrite policy
  - Issue policy
  - Collect premiums and remit to CEA
- After an earthquake
  - Policyholder reports claim to carrier
  - Adjust claims - quick, consistent & fair
  - Disburse claims payments
  - CEA reimburses them 100% + handling fee

The CEA does not have adjusters

CEA Financial Strength

- Insures 76 percent of residential earthquake policies sold in California.
- More than 920,000 policies force.
- Rated as A– (Excellent) by A.M. Best Co.
- More than $13 billion in claim-paying capacity

The CEA Writes Three Policies

- The homeowners policy / Mobile home
- Renters policy
- Condominium unit owner – or Common Interest Development policy

Copies of policies at www.earthquakeauthority.com

CEA HO 1/2016 Policy Dec Sheet

Review the policy declarations sheet
- Dwelling limit same as companion policy A
- Code upgrade of $10,000 or $30,000
- Personal property $5,000 to $200,000
- Loss of use $1,500 to $100,000
- Deductible can be 5, 10, 15, 20, 25%

2016 CEA policy endorsements

- Endorsement 03A – Coverage for exterior masonry veneer
- Endorsement 04A – Coverage for Breakables
The deductible is an uninsured loss! Coach insureds to use Disaster Recovery Centers

- Read the definition of replacement cost
- No ACV holdback!

Homeowners Cov. A

Read special limits on insurance
- $10,000 most we will pay for all chimneys

Read the definition of chimney

Chimney Defined

1. Flue or vent
2. Building code required structure that surrounds the flue or vent
3. Exterior chimney facings
4. From the fire box to the outside of that structure near the roof line
5. Hearth
6. Mantel
7. Fire box
8. Floor

Covered in dwelling limit

Homeowners Coverage B

Extensions to dwelling / Other structures
It is covered if:
1. On the list in the policy
2. On the insured premises
3. Owned by insured
4. Affects habitability
If it does not meet this criteria, it is not covered!

Walkways, Driveways, Decks or Patios

Subject to combined single limit for A & B

2. That portion of any walkway, deck, driveway, patio necessary for pedestrian ingress or egress
   - Portion means part of – use building codes
   - Any means all
   - Pedestrian rules out vehicles
   - Goal is pedestrian passage to the street
A & B - Property Not Covered

1. & 2. Land (10,000 for stabilization)
3. Awnings, patio covers
4. Antennas, satellite dishes, towers & brackets

Homeowners Coverage C

Property Not Covered

- Personal property not covered:
  1-6 Pets, vehicles, valuable papers
  7. Artwork, sculpture, photos, tapestries, pottery, ceramics
  8. Breakable items like glassware, crystal, china, ceramic, pottery, figurines, glass marble...

Homeowners Other Coverages

1. Emergency repairs - sublimit is 5% of A
   - Can pay up to $1,500 before deductible met
2. Debris removal - will pay up to 5% of A as additional insurance
3. $10, $20, or $30,000 for building code upgrades
   - Additional insurance
   - For codes in effect on the date of the earthquake

HO Coverage D - ALE

- Loss of use / additional living expense
  - Never has a deductible
  - Base limit of $1,500 up to $100,000
  - Must be incurred –
- Fair rental value
- Will pay if civil authority keeps you out

Energy Efficiency...

- Energy star replacement
- Environmental safety upgrades
- Interior finish materials upgrades
- Elimination of ozone-depleting substances
- Flush out of reconstructed space

Up to $25,000 additional, subject to policy limit.
Limited to 200% of original cost.
Must actually undertake to repair or replace.
5. Earth movement must be caused by earthquake and must show up within one year.

CEA Homeowners Choice Policy

- Coverage A and Coverage B are required
  - Has 5% to 25% deductible
- Coverage C - Personal Property is optional
  - Has its own 5% to 25% deductible
  - Deductible will be waived if covered damage to Coverage A and B meets or exceeds dwelling deductible
- Coverage D – Loss of Use is optional, no deductible