

[Napa earthquake insured losses estimated at \\$2.1B, with wineries taking the biggest hit](#)

Property Casualty 360

BY MICHAEL B. MAROIS, BLOOMBERG, ZACHARY TRACER, BLOOMBERG, DAN HART, BLOOMBERG The earthquake that struck northern California yesterday will lead to economic losses of as much as \$4 billion, fueled by damaged wineries and shuttered businesses that rely on tourists. Insurers will probably cover about \$2.1 billion, according to an estimate from Kinetic Analysis Corp., which projected total losses of about twice that sum. Costs borne by the industry may be limited because many homeowners don't have earthquake coverage, according to the Insurance Information Institute. "The main source of claims could well be commercial claims, those coming from wineries and vineyards and other commercial interests," Robert Hartwig, the institute's president, said in an interview today. "It will take a while for the business owners to sort this out." The temblor, the strongest in Northern California in 25 years, hit the Napa region north of San Francisco at about 3:20 a.m. local time yesterday, crumpling historic buildings, cracking roads and injuring more than 200 people. The quake left many in the region without power and water, and California Governor Jerry Brown declared the zone a disaster area. In Napa, debris and broken glass littered the sidewalks in front of restaurants, wine stores, and antique shops. The city updated the number of buildings "red-tagged" as being uninhabitable to 33, including the Napa Senior Center. PG&E Corp. crews checked about 100 reports of gas leaks and odor and determined that there are no more leaks, according to an update posted to the city's website late yesterday. Earthquake hits California's Napa Valley: Here's what it looks like on the ground The strongest earthquake to hit Northern California in 25 years rattled residents of Napa Valley this weekend. Boutique Hotels Catastrophe-modeler Eqecat estimated there would be \$1 billion of insured losses, with as much as half that figure coming from residential claims. The cost for the industry could climb because of coverage that protects commercial policyholders from lost revenue, Eqecat said. Such losses have fueled higher-than-expected claims from other recent catastrophes including superstorm Sandy in 2012. The Napa region "is dotted with upscale and luxury boutique hotels, spas and inns," Eqecat said. "Business interruption losses are a major concern." The upcoming three-day weekend, which includes the Labor Day holiday on Monday Sept. 1, is

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a major travel period in the U.S. About 34.7 million Americans will take a trip at least 50 miles (80 kilometers) from home next weekend, the highest figure for the holiday since 2008, according to a projection from AAA. 'Completely Unknowable' "I don't know how interrupted the winery tourism season is going to be," Meyer Shields, an analyst at Keefe, Bruyette & Woods, said by phone. For an insurer dealing with a commercial customer, "the question is, 'how interrupted are your operations,' and that's completely unknowable at this point." The Napa-Sonoma area is home to one of California's best-known wine-growing regions. Napa County has 789 licensed wineries which had sales of \$5.5 billion in 2011, according to the Napa Valley Vintners Association, a trade group. "It was a significant earthquake" city manager Mike Parness said in an interview. "Given the magnitude and the reports of damage, this is going to take some time to get back from." Landmarks Damaged The facade on the 113-year-old Goodman Library building, home to the city's historical society and landmarks commission, collapsed during the quake, sending chunks of concrete onto the sidewalk below. The local post office had a 12-foot crack torn into the corner of the building. PG&E said about 150 customers were without power, down from an earlier total of 70,000. Napa said 90 water lines need repair, up from an earlier count of 60, and advised that customers who lost service for any time should boil tap water before drinking or using it for cooking. In California, where most of the costliest U.S. earthquakes occurred, just 12% of residents are protected against that risk, which is excluded from a standard homeowners' policy, according to III, an industry group. The figure is about half that in the Napa area, Hartwig said. Residential earthquake coverage provides protection from losses tied to shaking and cracking, while costs tied to fires and water damage from a temblor would be covered under a standard policy. The publicly managed, privately funded California Earthquake Authority is the main provider of the policies in California. Hurricane Season The KBW Insurance Index rose 0.8% at 12:39 p.m. in New York. Zurich Insurance Group AG, American International Group Inc. and Ace Ltd. are among the companies that sell the most coverage in the region, according to data compiled by KBW's Shields. Matt Gallagher, an AIG spokesman, said it's too early to discuss the New York-based insurer's costs from the quake. "AIG is focused on assessing the situation and working with our customers in the affected area," he said by email. Even after the quake, insured catastrophe losses are running below normal for this time of year, Hartwig said. Through the end of June, U.S. catastrophe costs were about \$9.1 billion. Still, claims are often higher in the third quarter, which is the peak of hurricane season. "It was the most powerful earthquake I've ever felt," said Dianne Cameron, a 45-year-old Napa resident. "It was lifting the bed off the floor so much that I had to hold onto the mattress so I wouldn't fall off. It was as if someone picked up the house and started shaking it." -With assistance from Nancy Moran and Mary Childs in New York and Alison Vekshin in Napa.

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