



COMMISSION ON INSURANCE

COUNTY OF LOS ANGELES

MINUTES OF HEARING

Meeting of October 15, 2001
James Monroe High School
9229 Haskell Avenue
North Hills, California

Scott J. Svonkin
Chairperson

Daniel Falcon
Vice-Chairperson

Barry R. Binder
Michael G. Cheung
Stephen Fluharty
Rickey Ivie
Don Lee
Curren D. Price, Jr.
Rose Reets
Patricia Torres

Commissioners Present: Michael Cheung, Daniel Falcon (Vice Chair), Rickey Ivie, Don Lee, Curren D. Price, Jr., and Scott Svonkin (Chair)

Commissioners Absent: Barry Binder, Stephen Fluharty, Rose Reets and Patricia Torres

CHAIRPERSON'S INTRODUCTION TO THE MEDIA

Chairperson Svonkin addressed the media at 6:40 p.m. He began by introducing himself and Commissioners. He then provided a brief description of the duties of the Commission and stated that the Commission's goal was to gather information regarding outstanding and unfiled claims stemming from the Northridge Earthquake and to advise the public of their rights regarding this particular matter and prepare a recommendation(s) to the Board of Supervisors as deemed appropriate.

The Chairperson then requested that everyone observe a moment of silence to honor the victims and heroes of the September 11, 2001 who perished in this attack.

After which, Chairperson Svonkin then continued by stating, "In 1994 Los Angeles County was hit by one of the largest quakes to hit a metropolitan area in recent history. The effects of that day are still impacting the lives of many who live in Los Angeles. Tonight's hearing goal is to provide information, educate, and empower the people of Los Angeles County . . . The most important fact that we will discuss tonight is the deadline for filing claims for damages. Based on legislation passed (S.B. 1899) the deadline to contest all claims related to the Northridge Earthquake has been extended to December 31st of this year."

Chairperson Svonkin proceeded by introducing Dale Washington, a practicing attorney who came to speak on behalf of Community Assisting Recovery (CARE). Mr. Washington has several cases involving unsettled claims resulting from the Northridge earthquake. As a result, he feels that he has developed a knowledge regarding the public's lack of awareness with regard to the remedies available to them in this matter. He brought Sandra Dolbeck with him, as an example of the type of people who need the protection and the information provided by California Code 340.9. She is legally blind, functional, she lives on her own with minimal assistance. Ms. Dolbeck is a resident of Pasadena who was impacted by the Northridge earthquake of 1994. She stated that she had insurance but was unaware of any

damage and was unable to file a claim within the proper time limit. She is happy that California Code 340.9 extended the filing date for individuals like her to pursue their claims. There was no way for her to find out or learn anything about [the] laws that were available . . . It was a fluke that she became aware of this. There was no notification via radio, [television] or written communication notifying her of the law or its extension. The media needs to be utilized in this matter to get the word out especially to visually disabled individuals.

Chair Svonkin reiterated the goal of this hearing is to inform the public, to hear from those affected and to hear from those involved. He stated that the second half of the meeting will involve what people can expect going forward from agencies and organizations that are established to assist and aid earthquake recovery in the future. He notified the media that while representative from 21st Century and State Farm were in attendance that Allstate Insurance had refused to participate and Farmers was unavailable to attend. He asked for questions from the media, hearing none, he then announced that the Commission would take a short break at this time.

CALL TO ORDER

Chairperson Svonkin convened the hearing at 7:02 p.m. He thanked all individuals, groups, agencies, media and organizations for participating in this hearing. He then outlined the directives of the Commission, introduced himself stating that Supervisor Zev Yaroslavsky had appointed him and that he works as an assistant to Assemblyman Paul Koretz. He then asked that Commissioners introduce themselves to the public. Vice Chairperson Daniel Falcon introduced himself, stating that Supervisor Gloria Molina appointed him and that he serves as a consultant to housing developers for affordable housing. Supervisor Yvonne B. Burke appointed Commissioner Rickey Ivie and he is an attorney practicing in Los Angeles. Supervisor Don Knabe appointed Commissioner Don Lee and he is a District Manager for the insurance industry. Supervisor Michael Antonovich appointed Commissioner Michael Cheung and he is an accountant.

ELECTED OFFICIALS

The Chairperson welcomed the following elected officials representatives to the hearing and offered them the option of making a statement: District Director representing Assemblyman Keith Richman, Alisa Katz, 3rd District Chief Deputy, Los Angeles County and Lori Wheeler, 3rd District Senior Field Deputy Los Angeles County.

COMMUNITY ASSISTING RECOVERY (CARE)

CARE is a community organization, formed after the earthquake in order to assist residents of the affected area in resolving their earthquake issues. Dale Washington, an attorney representing CARE, expressed the concern of the organization that certain individuals are not being advised regarding the laws and their rights following the 1994 quake. Disabled individuals and the immigrant communities where there is a language

barrier and/or no notification such as ethnic community publications, are not being informed. The organization has been around for seven years attempting to advise the public of its rights. At this point in time the primary function of CARE is to get the message out to the public to get their homes checked and file your claim, if you haven't done it yet, and contact your insurance agent if your claim wasn't adjusted correctly. He stressed the fact that the public needs to know that this law will expire soon and that they need to act swiftly. He then introduced Sandra Dolbeck who stated that she was not aware that she had earthquake damage to her home and when the insurance adjuster arrived to inspect her home he was sent from Louisiana and had no knowledge of the requirements for California, and claimed that she had flood damage. She thought that this was strange since she has never had water problems in the past. She requested another adjuster to review her damage and the second adjuster did verify that she had earthquake damage. She has repeatedly attempted to call the insurance company to file a claim and each time the company has sent another adjuster to inspect the property. Eventually the insurance company denied her claim. She stated that California Code 390.4 provided her with a method of recourse to have her case reexamined. She then urged the Commission to provide the necessary notification through all forms of media to the public. Carl Shiff then spoke stating that two of the major issues that CARE is involved with deal with California Code 390.4. The first issues is getting people to write letters to have their cases reexamined versus what the statute language says that all claims are re-opened. The publicity to get this information out is restrictive and CARE needs any help that it can get to accomplish this. There are a lot of home that still have existing damage and it's not if but when another earthquake will hit and cause further damage to these homes that is the question. These homeowners will lose any recourse by January 2002 if their claim has not been resolved or a lawsuit filed by 12/31/01. CARE is hoping that the insurance industry will voluntarily extend the statute to people who have at least contacted them to request their claim be reopened and be resolved without a lawsuit. Mr. Shiff concluded by stating that CARE still holds Wednesday night classes from 7 p.m. to 9 p.m. in Canoga Park on Sherman Way near Topanga Canyon.

CALIFORNIA DEPARTMENT OF INSURANCE (CDol)

Chair Svonkin asked the members of CDol to introduce themselves prior to giving testimony and based on the agenda to discuss how current law defines the deadline for filing claims/lawsuits related to the Northridge Earthquake. Joel Laucher, Chief of the Consumer Services Division, stated that because of this law the CDol has received 64 additional complaints, 18 of which are still open. When a complaint is received, CDol requests any relevant documentation to support the complaint and they contact the insurer to receive pertinent documents relating to the company's claim handling practices. If the CDol takes issue with a payment made by the insurer they mediate on the consumer's behalf to get a reasonable adjustment of the claim. The CDol identifies violations of claim handling laws that may apply. If a violation is noted then it is up to the courts not the CDol to interpret the contract and determine the adjustment amount. CDol is a mediation and regulatory service and cannot adjudicate a claim. It does, however, have a formalized

earthquake mediation program where all parties involved meet face to face under the guidance of a professional mediator paid for by the insurer to sort out the settlement. SB1899 (Burton) provides the consumer, if barred by the statute of limitations or the one-year suit clause that most homeowners and fire policies contain, it gives you another chance in this calendar year to pursue your claim and file your suit. Jerry Whitfield, Assistant Chief Counsel Legal Division, stated that the most important factor is that consumers have until December 31, 2001 in which to file suit against their insurers. If consumers do not do this, their claims will be barred by the passage of time. Then he advised the public 'not to become a test case on any theory other than the theory presented by the statute itself, file your suit by December 31, 2001'. Hal Adelman, Compliance Officer Earthquake Claims from the CDol, was also in attendance.

(Commissioner Curren Price, Jr., appointed by Supervisor Burke, Los Angeles County 2nd District and Bob Haueter, Los Angeles County 5th District Deputy, joined the hearing.)

INSURANCE COMPANIES

Jim Robie, counsel for State Farm Insurance, expressed State Farm's cooperation on all past matters and the current one before the Commission in this hearing. He stated that 'State Farm is the largest carrier in the state of California for the simple fact of its commitment to policyholder service'. He continued by stating that twelve months after the earthquake the company had processed 115,000 claims and the company did not start applying the one-year suit limitation until eighteen months after the quake and on a case-by-case investigation. An estimated ninety-nine percent of their claims had already been reported and were unaffected by the one-year suit provision. Furthermore, he continued, State Farm sent a letter to all of its residential homeowners (34,000 of them) in August 1999 stating that their claim office was still open and is still open today and has a full staff to handle Northridge earthquake claims. He stated that less than one percent responded to the letter. After SB1899 (Burton), the company went back and contacted the claims that were denied to reevaluate so as to comply with the law and resolved every one of the claims. Finally, he stated that State Farm was never a part of the suit filed by CARE.

Rick Hill, consultant for 21st Century Insurance, reiterated Mr. Whitfield's request that if you have a claim/suit file it now and it is the best advice possible. Twenty-first Century had roughly two to two-and-a-half percent of its total earthquake claims as applicable to the new law and the company voluntarily sent letters to these people advising them of the new law and the potential to file new claims. The company started to receive the claims prior to the law taking effect and started to process them as early as October 2000.

Chairperson Svonkin asked if either of the representatives had a number of the request that their companies had received to reopen claims? Jim Robie responded that after SB1899 (Burton), State Farm received 1561 claims of which 886 have been closed, 675 are still pending of which 640 are reopens or request to reconsider benefits. Rick Hill stated that 21st Century had received 850 claims and resolved 30% of those. Chairperson Svonkin asked

that both companies agreed to reopen all claims based on the request of a policyholder? Both replied that if a policyholder requested a review it has been granted. Commissioner Lee inquired who notified their claimants and could the representatives explain the process of their companies. Rick Hill stated that 21st Century Insurance had some court cases that involved that issue and the company did not have a duty to notify. Commissioner Ivie asked what the dollar amount of the claims prior to SB1899 (Burton)? Jim Robie stated that he did not have a specific number. Rick Hill said that 21st Century had in excess 46,400 claims after the quake and has paid out \$1.1 billion dollars. Vice Chairperson Falcon asked how 21st Century Insurance came about in their assembly of estimates of the advertisements. Mr. Hill replied some came from customers with the majority from the monitoring of the newspapers, which was one of his assignments. Vice Chairperson Falcon expressed concern over the fact that he did not see any advertisements for multi-lingual individuals that lived in the affected areas. Chair Svonkin read excerpts of letters from two companies that could not attend the hearing. Wayne Wilson of Farmers Insurance was willing to engage in a dialogue and work with the Commission but was unable to attend the meeting. He did, however, state that of the 25,000 claims from which Farmers Insurance sought feedback, only four-hundredths of a percent requested additional compensation. Allstate stated that the Los Angeles County Commission had no jurisdiction and because the company respects the privacy of their customers and personal information and due to legal considerations they are unable to discuss claims under investigation. Chairperson Svonkin stated that on three previous occasion Allstate refused to participate as well. Chairperson suggested that one of the motions Commissioners may consider suggesting to the Board of Supervisors is to divest from any company that refused to participate with the Board or its Commissions.

CALIFORNIA EARTHQUAKE AUTHORITY (CEA)

Stan Deveraux, Public Affairs Director for CEA, and Dan Diais, CEA Disaster Response Manager, were in attendance to represent the CEA. The CEA is a privately financed, publicly managed entity that offers basic earthquake insurance to homeowners, condominium, mobile homes and renters. It is the largest provider of earthquake insurance in the world and two-thirds of the California market participates with CEA. A governing board that consists of the Governor, the State Insurance Commissioner, and the State Treasurer governs the body. It also has two nonvoting members representing the Assembly Speaker and the Senate Pro Tem. Mr. Deveraux stated that the Northridge earthquake showed insurers were at greater exposure for this type of disaster and state law required insurers who sold homeowners insurance to also provide earthquake insurance. As a result, many insurers thought that in order to reduce their earthquake exposure they would need to seriously restrict the sale of new homeowner's policies or stop writing them entirely. At the height of the earthquake insurance availability crisis in 1995 and 1996 insurers representing ninety-three percent of the homeowners market had severely restricted the sale of new policies or stopped writing them all together. In addition, many insurers planned to not renew thousands of existing policies. The legislature responded by taking action on a number of measures. The first was AB1366 (Reduced Coverage Catastrophic Earthquake Insurance Policy). The legislature set up this policy prior to CEA inception. The legislature authored the

CEA policy to use the mini base limits policy that had been adopted the year before.

The CEA policy adopted base limits of 15% deductible, \$5,000 in content coverage, and \$1,500 in additional living expenses. Since June 1999, the CEA has offered additional supplemental policies that reduce the deductible or increase the coverage. The CEA currently has 825,000 base limits policies. The CEA has crossed over that \$100,000 supplemental limit. One in eight policyholders are reducing their deductible or increasing their coverage through the supplemental policy. Mr. Daisis briefly discussed what the CEA does after an earthquake and how the claims are handled and what avenues of notification are used for that end.

CALIFORNIA FAIR PLAN ASSOCIATION (FAIR Plan)

Mike Harris, Public Affairs Vice-President with the FAIR Plan, stated that the FAIR Plan provide basic property insurance for residential and commercial properties. It is a private syndicated association made up of all companies licensed to provide property insurance in California. The FAIR Plan is utilized as a provider of last resort, to secure insurance and it is a member of CEA. Finally, he stated that the FAIR Plan had only 3700 claims from the Northridge quake and paid out \$166 million dollars.

FEDERAL EMERGENCY MANAGEMENT AGENCY (FEMA)

The representatives from FEMA introduced themselves as follows: Josie Arcurio, FEMA Pasadena; Laurie Sanchez, Public Assistance; and Brent Haunser, Public Affairs Officer. Ms. Arcurio began by stating that the Northridge earthquake was FEMA's biggest disaster in history. She then gave a little background on the agency. FEMA is an independent agency that reports directly to the President. It was started in 1979 and it includes the Federal Fire Administration and the Federal Insurance Administration. Its mission is to reduce the loss of life, property and protect our institutions from all hazards. FEMA is in charge of disaster response and recovery for the nation. FEMA has developed a mitigation program that further reduces the risk in the threat of future disasters. FEMA also provides preparedness training and education programs. The agency conducts exercises throughout the country and it comes to the assistance of state and local governments when their resources are exhausted. FEMA also provides assistance to individuals, to communities, and states for recovery. FEMA has 2100 permanent employees and 4000 on-call disaster reservists. The agency is currently monitoring the situation with the local insurance companies who are considering refunds to applicants to determine if those refunds somehow duplicated assistance provide by FEMA. FEMA supplements the underinsured and the noninsured. FEMA provides seventy-five percent of the funding for the Individual and Family Grant program (a state program). FEMA is the overall disaster response agency and it has an AT&T line that when you call and register for assistance can be provided with 1 of 140 languages.

PUBLIC COMMENT

Walter Perfect, General Contractor, talked about being “burned” on certain earthquake repairs due to the ten percent deductible and that the remaining money was given directly to the homeowner. He suggested that an escrow account should be set up so that the control is not strictly with the homeowner.

Sara Bacon stated how sorry she was that more of the community residents did not attend this meeting. She expressed concern for the four to six thousand claims that were reported being mishandled and that the claims handled by 21st Century Insurance and State Farm Insurance were only a small percentage of the claims filed. She continued by stating that she discovered eighteen structural cracks in her house foundation that if are not repaired will lead to a collapse of her house in the next earthquake. She was concerned about what this may mean to other homeowners who may not be aware of any damages to their home.

MOTION

Chairperson Svonkin suggested possibilities for Commissioners consideration regarding a motion to the Board of Supervisors that will include the Commission working with the Board of Supervisors to inform the public via a comprehensive outreach plan that will include media (radio, television and print as well as the Internet) be initiated by the Supervisors, through the Commission, or with the participation of the Commission. Or that a letter from the Commission funded by the Board or by the Supervisors themselves be sent to all of the residents of their districts in the affected areas addressing SB1899 (Burton) and the impending deadline. Vice Chairperson Falcon suggested that the Board work with other public agencies that have cable network channels and provide them with information about the upcoming sunset date. Based upon the bylaws of the Commission a special meeting will be called to discuss these recommendations. Commissioner Lee asked the Chair if he would notify all the homeowner associations that are known to the various governmental agencies. Chair responded that the Commission did and will continue to do so. Chairperson Svonkin concluded by stating that he will put a single agenda item at the earliest available time for the discussion of the Commission’s findings and recommendations to the Board.

ADJOURNMENT

The meeting was adjourned at 9:10 p.m.

ATTENDANCE

Staff

Betty Gobst, Executive Office, Board of Supervisors
Martha Littlefield, Executive Office, Board of Supervisors
Nyla Barnes, Executive Office, Board of Supervisors

Guests

Hal Adelman	California Department of Insurance
Josie Arkuro	Federal Emergency Management Agency
Sarah Bacon	Community Assisting Recovery (CARE)
Isabel Barajas	California Department of Insurance
Larry Boyd	California Department of Insurance
Stan Deveraux	California Earthquake Authority
Scott Edelen	California Department of Insurance
Brett Hansord	Federal Emergency Management Agency
Mike Harris	California FAIR Plan Association
Rick Hill	21 st Century Insurance
Joel Laucher	California Department of Insurance
Mark Leonard	California Earthquake Authority
N. Keith Newman	California Department of Insurance
Gladstone O'Rane	Federal Emergency Management Agency
Leo Pardo	Federal Emergency Management Agency
James Robie	State Farm Insurance
Laurie Sanchez	Federal Emergency Management Agency
Dale Washington	Attorney
Jerry Whitfield	California Department of Insurance
Craig Witt	California Department of Insurance
Alisa Katz	Los Angeles County, 3 rd District
Bob Haueter	Los Angeles County, 5 th District