

Buildings demolished and for which the Consorcio de Compensación de Seguros paid compensations after the 2011 Lorca Earthquake

Alfonso Manrique Ruiz

Deputy Director for Assessments
Consorcio de Compensación de Seguros



The *Consorcio de Compensación de Seguros* received more than 32,000 claims for compensation from the insured affected by the earthquake and, to assess the insurable losses, it assigned somewhat more than 200 insurance experts and technical advisers.

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Two 4.5- and 5.1-magnitude earthquakes struck on 11 May 2011 in the Region of Murcia, causing serious damage to buildings in the city of Lorca.

The majority of the buildings were affected to some degree, although at the time of the earthquake there was only a partial collapse of a single building called Puertas de Lorca.

The *Consorcio de Compensación de Seguros* (hereinafter, Consorcio) received more than 32,000 claims for compensation from the insured affected by the earthquake and, to assess the insurable losses, it assigned somewhat more than 200 insurance experts and technical advisers. Taken overall, the amount of compensation paid by the Consorcio totalled 485 million euros.

The technicians of the Town Council of Lorca inspected the condition of the buildings immediately and classified them on four levels/colours according to the degree of damage detected and their level of safety for allowing occupancy or not. The safety measures considered appropriate in each case were implemented both by Civil Protection as well as by the Military Emergency Unit (UME).

Later, and on the basis of the reports drawn up by the municipal technicians, the Town Council proceeded to condemn the buildings with the most extensive structural damage, which were demolished as technically unreparable under a public intervention procedure.

On 18 May 2011, seven days after the earthquake, the Town Council of Lorca commenced the demolition of the first building, called Residencial Princesa, a community formed by the buildings at numbers 57, 59 and 61 on the Granada Road.

In addition to these buildings condemned as technically unrepairable, in 2012 the Town Council condemned others for economic reasons. In these cases of economically unrepairable buildings, and in contrast to the technical condemnations, the municipal orders for the demolition of the buildings were not based on their structural collapse, but rather on the uneconomical costs of the repairs to be made by the condominium owners' association in relation to the real value of the building itself. However, in cases where there was an insurance policy covering the damage to a building condemned for economic reasons, the high and uneconomical cost of the repair of the damages is the responsibility of the insurer (in this case of an earthquake, the Consorcio) and is not to be met by using the assets of the owners of the building. This is why, in these cases, the Consorcio maintained the criterion –set out in writing in a document submitted to the Town Council– that the amount to be paid under the insurance contract was not an amount equivalent to the cost of a new building as if it had been a total loss, but rather the amount involved in the repair of the building, up to the limit of the amount insured under the insurance policy or the value of its reconstruction.

With respect to the calculation of the compensation payments for damage to the structure of the buildings demolished, the Consorcio applied the same method of assessment in all cases. The method was based on new construction unit modules and, in addition to considering all of the expenses inherent to the reconstruction process, the Consorcio also considered the cost derived from compliance with the building codes in force for new constructions on the date of the loss.

Finally, the number of buildings demolished and for which compensation was paid by the Consorcio totalled 135. For this calculation, a building is considered to be a structural unit which has a single cadastral land reference, even though it may have several stairways. Of the buildings razed, 50 were single-family homes; one was a church, the Cristo Rey Parish; another one was a secondary school; 3 were commercial buildings and the rest, 80, were multi-family buildings totalling 146 stairways. The San Fernando neighbourhood complex, with 9 structures and a total of 15 stairways, has been accounted for in this context as 9 buildings.



The buildings demolished translate into the following:

- In terms of number and surface area, 1,240 dwellings, 149 business premises and 335 parking spaces in garages were demolished, with surface areas of 134,960 m², 18,708 m² and 11,124 m², respectively, totalling 164,792 m² demolished and for which compensation was paid.
- In terms of the cost involved, the total compensation paid by the Consorcio for the buildings demolished amounted to 135,132,872 euros, which represented 27.8% of the total amount of compensation paid as a result of the earthquake. Property damage accounted for 128,699,775 euros, while 6,433,097 euros referred to costs due to inhabitability, loss of rent and other loss-of-profit coverage.
- The 128,699,775 euros for property losses are broken down as 118,665,884 euros for damage to the buildings, representing 91.8%, of the total material damages, 10,612,333 euros in relation to the contents, discounting 578,443 euros as deductible in the case of business premises (there is no deductible to be paid by the insured in the case of homeowners or condominium owners' associations).
- A total of 1,806 case files were opened, 1,066 of which referred to property damage and 741 to business interruption; of the latter 64 and 53, respectively, referred to cases of condominium owners' associations¹, while the rest were co-owners.

These case files represent 5.7% of the total number of cases recorded while, as we have seen, they account for 27.8% of the compensation paid.

The highest amount paid by the Consorcio for a demolished building was close to 13 million euros.

The buildings demolished can be viewed by using a geographic viewer through the following link:

<https://consorsegueros.maps.arcgis.com/apps/webappviewer/index.html?id=e669fc3b4b794d8ab09fa5ebbc4cbc51>

(1) The compensation payments for the damages to co-owners lacking an individual insurance policy were included in the case files of the owners' associations.