A Public Instrumentality of the State
Earthquake coverage is excluded from homeowners insurance policy. However, insurance companies are required to offer a separate earthquake insurance policy at time of homeowner policy sale.
CEA: ESTABLISHED IN THE WAKE OF NORTHRIDGE EQ
January 17, 1994
1994: NORTH RIDGE EARTHQUAKE

**Total Property Damage**
- $40 Billion
- Residential $20 Billion
- Insured Residential $10 Billion

**Aftermath**
Most insurance companies stopped writing Homeowners insurance
PUBLICLY MANAGED • PRIVATELY FINANCED
A not-for-profit provider of residential earthquake insurance

GOVERNING BOARD:
Governor
Insurance Commissioner
State Treasurer

Non Voting:
Assembly Speaker and Senate Rules Chair

PRIVATELY FINANCED:
1,046,000 Policyholders

MISSION:
Educate
Mitigate
Insure
EarthquakeBraceBolt.com

Earthquake Brace + Bolt
EBB surpasses 5,000 completed retrofits and the program is still growing!
Registration for EBB is currently closed. "Sign Up" for EBB updates to learn when the program will reopen.

6,200+ Homes Retrofitted since launch in 2014
EarthquakeBraceBolt.com

- Jointly managed by CEA and Cal OES
- Launched in 2014
- Reimburse up to $3,000
  - Pre-1979 houses
  - Code-compliant retrofit
  - Sill plate anchorage
  - Cripple wall bracing
  - Water heater bracing
- 6,200+ retrofits completed today
EarthquakeBraceBolt.com

6K+ RETROFITS
MINIMIZING EARTHQUAKE DAMAGE
ONE AT A TIME

EarthquakeBraceBolt.com
CEA BRACE+BOLT

- Mitigation Incentive Program for **CEA Policyholders**
  - Pre-1940 house
  - Three year policyholder
  - High-seismic ZIP codes
- Reimburse up to $3,000
- Will target **10,000+ CEA policyholders** in ZIP codes receiving a premium increase* of at least 15%
  - Mitigation discount increasing from 20% to 25%*

*pending approval by California Department of Insurance
A proposal to dramatically increase mitigation funding
RATING AGENCIES REQUIRE CEA TO PLAN FOR A 1 IN 400 YEAR EARTHQUAKE

Planning to a 1 in 400 level requires CEA to rely heavily on reinsurance (insurance for insurance companies).

SINCE CEA’S INCEPTION IN 1996:

CEA policyholder premium: $11.4B
CEA reinsurance premium: $4.5B
Reinsurance claims paid to CEA: $250,000
Most insurance companies that offer earthquake policies plan for a 1 in 250 year loss – losses so large there is only a .4% probability of their occurring.

Because these companies are “multi-line”, if an extremely unlikely earthquake were to occur that is larger than planned for, they have other backstop resources from which to draw – such as:

- Surplus
- Owner’s Equity
- Capital Markets
- Other affiliated companies
RATING AGENCIES REQUIRE CEA TO PLAN FOR A 1 IN 400 YEAR EARTHQUAKE

Planning to a 1 in 400 level requires CEA to purchase an additional $4 billion of reinsurance capacity.

In 2018, this additional reinsurance capacity will cost approximately $120M.

There is a .25% probability of a 1 in 400 year earthquake loss occurring.
CEA SUSTAINABILITY, EARTHQUAKE INSURANCE AFFORDABILITY AND A NATURAL DISASTER RESILIENCY FUND

Creating a sustainable CEA

2020

Authorize CEA Governing Board to establish – but ONLY if necessary following an unprecedented and catastrophic earthquake – a temporary assessment (maximum 2%) on property and casualty policies

This will reduce CEA’s reinsurance expenses by about $200M per year.

The savings will be used to:

➢ keep CEA rates affordable
➢ Increase capital to pay claims
➢ Increase funding for mitigation