

# **PREPARING FOR THE NEXT BIG EARTHQUAKE**

ECA Bay Area Regional Workshop

Glenn Pomeroy  
CEO, California Earthquake Authority

August 30, 2016



















# TOP **FIVE** THINGS TO KNOW

## about earthquake insurance

### **1** **RISK**

The risk is **REAL**.

Most Californians live within  
**30 MILES** of an active fault



Most Bay Area residents live  
less than **10 MILES** from a  
major fault

The **SAN ANDREAS FAULT**  
runs along the Sonoma Coast

The **HAYWARD FAULT** slices  
through the hillside on the  
east side of the SF Bay

Both can cause

**DAMAGING EARTHQUAKES**



**WHAT IF ... ?**

The 1906 San Francisco  
earthquake reoccurred ... **TODAY**

Strong shaking would be felt by more  
than **2 MILLION** single family  
households ....from Eureka to Salinas



250,000 households **DISPLACED**

Residential damage:

**\$175 BILLION**

Insured: \$15 Billion

Uninsured: \$160 Billion

Greater than **99%** chance of a 6.7M  
or larger earthquake sometime in  
the **next 30 years**



**51%** chance of a 7.0M or larger  
earthquake sometime in the **next**  
**30 years** in the Bay Area...

*3 times stronger than Northridge*

It's not a matter of **IF**, but **WHEN**

**90%** of Californians don't have  
earthquake insurance

# TOP FIVE THINGS TO KNOW about earthquake insurance

## 1 RISK

The risk is **REAL**.

## 2 BENEFIT

So is the benefit of **EARTHQUAKE INSURANCE**.

# **MYTHS ABOUT**

## earthquake insurance

myth:

"The **GOVERNMENT** will bail me out."

fact:

Government assistance, if available, is **LIMITED** to urgent health and safety needs.

Government loans must be **REPAID**.

# MYTHS ABOUT

## earthquake insurance

### myth:

Many think their **RESIDENTIAL POLICY** covers earthquakes.

### fact:

Earthquakes are **NOT COVERED** under a residential policy – a separate earthquake policy is required.

# MYTHS ABOUT

## earthquake insurance

### myth:

Earthquake insurance **COSTS TOO MUCH**, provides **TOO LITTLE COVERAGE** and the **DEDUCTIBLE IS TOO HIGH**.

### fact:

CEA has dramatically **LOWERED RATES**, and now offers a wide range of **COVERAGE CHOICES**, **DEDUCTIBLE OPTIONS**, and new **DISCOUNTS** for retrofitting older homes.



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## 3 CEA

CEA is a **NOT-FOR-PROFIT** residential earthquake insurer.



#CEA20

# CEA: ESTABLISHED IN THE WAKE OF NORTHRIDGE EARTHQUAKE

Los Angeles Times

**CIRCULATION:**  
1,320,353 DAILY / 1,521,197 SUNDAY

TUESDAY, JANUARY 18, 1994  
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DAILY 35  
DESIGNATED AREAS HIGH

TUESDAY, JANUARY 19, 1994  
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DAILY  
DESIGNATED AREAS HIGHER 35¢

# 33 Die, Many Hurt in 6.6 Quake

## L.A. Area Freeways Buckle, Buildings Topple

Sylmar Jolted  
by Ghost



## Sylmar Jolted by Ghosts of Horror Past

■ **History:** The city that crumpled under a 6.5 quake in 1971 remembers well the terror that came when the earth gave way. On Monday, it seemed like it was cursed.

By CRAIG TURNER  
and RICHARD E. MEYER  
TIMES STAFF WRITERS

Beate Heuss had nearly conquered her fear when she felt it again.

That's why it was so terrifying. It was happening again. She and her husband, David, were in bed, like the last time. In a mobile home, just like the last time. It was, in fact, the same mobile home, at the same trailer park.

"This one felt much worse," she said afterward, calm but able to remember every tremor, then the shaking, then the violence. "It was much harder, a hard jolt. The 71 one swayed a little." But this one did not sway. It simply slammed David and Beate Heuss and their community. Again.

Sylmar does not look cursed. It is just half an hour from the heart of Los Angeles, but rural enough for corrals.

But at 4:31 a.m. Monday, in the quiet darkness, ruin struck with thunder and vengeance—for a second time. It trampled Syllmar and its peace of mind, and when the shaking finally stopped, roads had crumbled, structures had

Please see SYLMAR, AZ

## To Our Readers

The Times today publishes a special report, "Coping With the Quake," a resources guide that includes information on construction and tells how to clean up, and how to guarantee your personal and financial health.

This material  
Section 2



The body of LAPD Officer Clarence W. Dean lies near his motorcycle which plunged off the Antelope Valley Freeway overpass that collapsed.

lapsed onto the Golden State Freeway during Monday's earthquake. The 6.6 temblor closed at least 11 major freeways or interchanges.

## Thrust Faults Pose Brutal Danger to Basin

By ROBERT LEE HOTZ  
and KENNETH REICH  
TIMES STAFF WRITERS

The earthquake that convulsed the San Fernando Valley early Monday demonstrated as brutally as possible the danger posed by a complex web of deeply buried thrust faults underlying the Los Angeles Basin.

# Commuters Will Face Nightmare for Months

■ **Transportation:** Several freeway sections are shut. Golden State, Santa Monica routes are heavily damaged.

and RALPH FRAMMOLINO  
TIMES STAFF WRITERS

The 10-second earthquake that rocked Southern California early Monday will create a commuting nightmare for months to come.

## Questions on Reinforcing of Freeways Raised

By VIRGINIA ELLIS  
and DAVID FERRELL  
TIMES STAFF WRITERS

With sobering force, the earthquake devastated Southern California's roadway system, and the region began to

to begin n

■ **Disaster:** Epicenter is in Northridge, where three-story apartment complex pancakes. Ruptured gas lines erupt in fire in strongest temblor in city's modern history.

By TRACEY KAPLAN  
and GREG KRIKORIAN  
TIMES STAFF WRITERS

A deadly magnitude 6.6 earthquake—the strongest in modern Los Angeles history—ripped through the pre-dawn darkness Monday, awakening Southern California with a violent convulsion that flattened freeways, sandwiche buildings, ruptured pipelines and left emergency crews searching desperately for bodies trapped under the rubble.

The 10-second tremor, which was not the long-dreaded Big One but erupted so fiercely that it initially seemed every bit as intense, was blamed for at least 33 deaths—nearly half of which occurred when a three-floor apartment complex near the epicenter in Northridge collapsed into two stories.

Triggered by a fault that squeezed the northern San Fernando Valley between two mountain ranges like a vise, the 4.31 a.m. earthquake swamped hospitals with hundreds of injured victims and left thousands more homeless as fires, floods and landslides dotted a landscape that has been visited by destruction with disturbing regularity.

The major developments:

- The death toll continued to grow throughout the day. Fifteen bodies were discovered under the rubble of what had been the Northridge Meadows apartments. Other victims of the quake included a Los Angeles police officer who drove his motorcycle off a sheared-off freeway.

resident who may have hurt himself out the sixth-floor window of a Downtown hotel and a Ranch Cucamonga mother who slipped on a toy as she raced to check on her son. See her head on the crib. **case see JOLT, A10**

case see **JOLT, AIG**

# January 17, 1994

# 1994: NORTHRIDGE EARTHQUAKE



**Property Damage: \$40 Billion**

**Residential: \$20 Billion**

**AFTERMATH:** Most insurance companies stopped writing Homeowners insurance



# 1996

**CEA** CALIFORNIA  
EARTHQUAKE  
AUTHORITY™

# 2016

**THE STRENGTH  
TO REBUILD®**



# **PUBLICLY MANAGED**

GOVERNING  
BOARD

**Governor**

**Insurance  
Commissioner**

**State Treasurer**

Assembly Speaker

Senate Rules Chair

# **PRIVATELY FINANCED**

CEA  
POLICYHOLDERS



**905,000**



# **A NOT-FOR-PROFIT PROVIDER OF RESIDENTIAL EARTHQUAKE INSURANCE**

**PUBLIC MISSION**

**Educate**

**Mitigate**

**Insure**

# TOP FIVE THINGS TO KNOW about earthquake insurance

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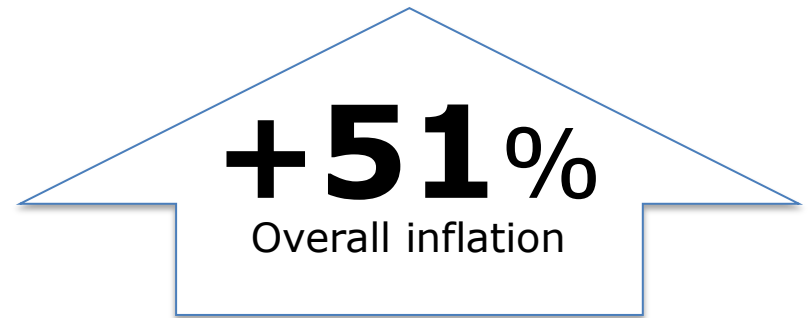
CEA is a **NOT-FOR-PROFIT** residential earthquake insurer.

## 4 2016

CEA has dramatically **LOWERED RATES**, and now offers a wide range of **COVERAGE CHOICES**, **DEDUCTIBLE OPTIONS** and new **DISCOUNTS** for retrofitting older homes.

# OVER THE LAST 20 YEARS...

Overall inflation is up 51%



1996

2016

# OVER THE LAST 20 YEARS...

Housing reconstruction costs increased by 168%

**+168%**

Reconstruction  
Costs

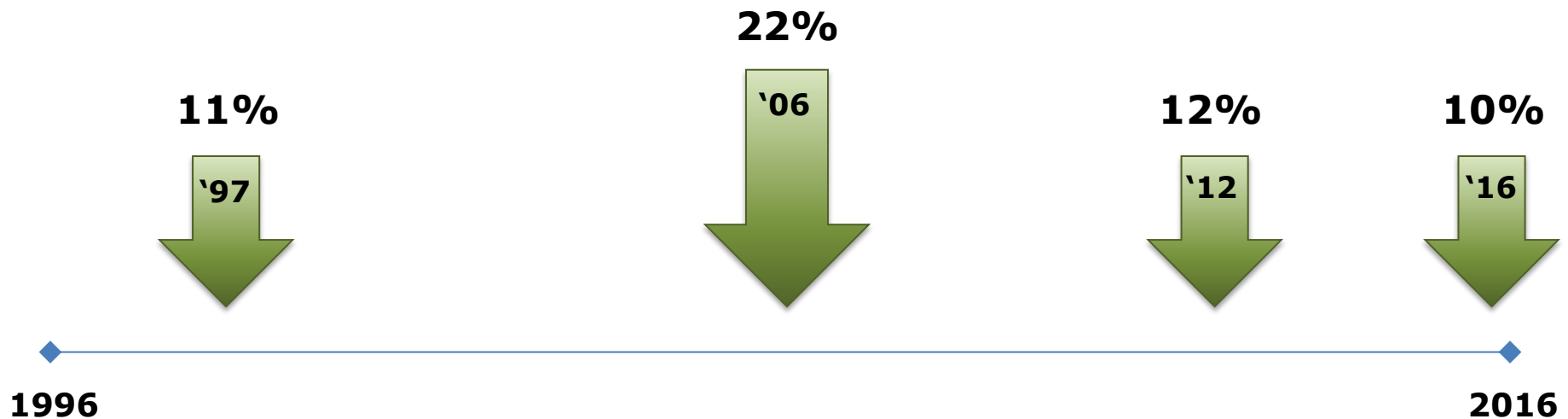


1996

2016

# OVER THE LAST 20 YEARS...

Without these rate reductions, the average CEA premium today would be more than twice as high



# 2016: A NEW CEA

## Product Enhancements

2016  
New CEA  
Options

1996 Original Policy	
Structure	Homeowner Policies: \$1,500 emergency repairs with no deductible
Personal Property Coverage	\$5,000
Deductible	Policyholders are not required to pay the deductible to receive their claim payment
Loss of Use Coverage additional living expenses	Loss of Use never has a deductible
Mitigation Discount	0%



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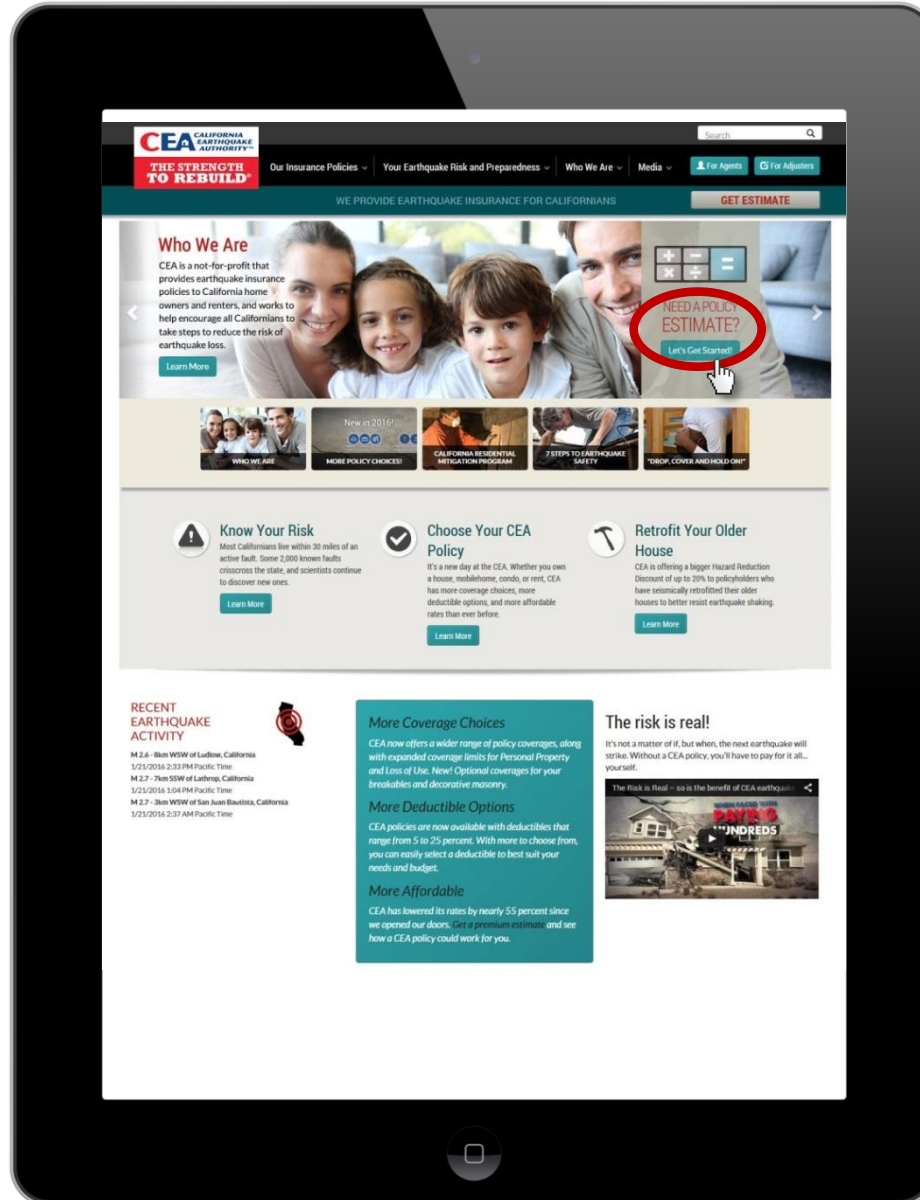
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## 5 CHOICE

Now Californians can choose the earthquake policies that meet their **NEEDS** and **BUDGET**.

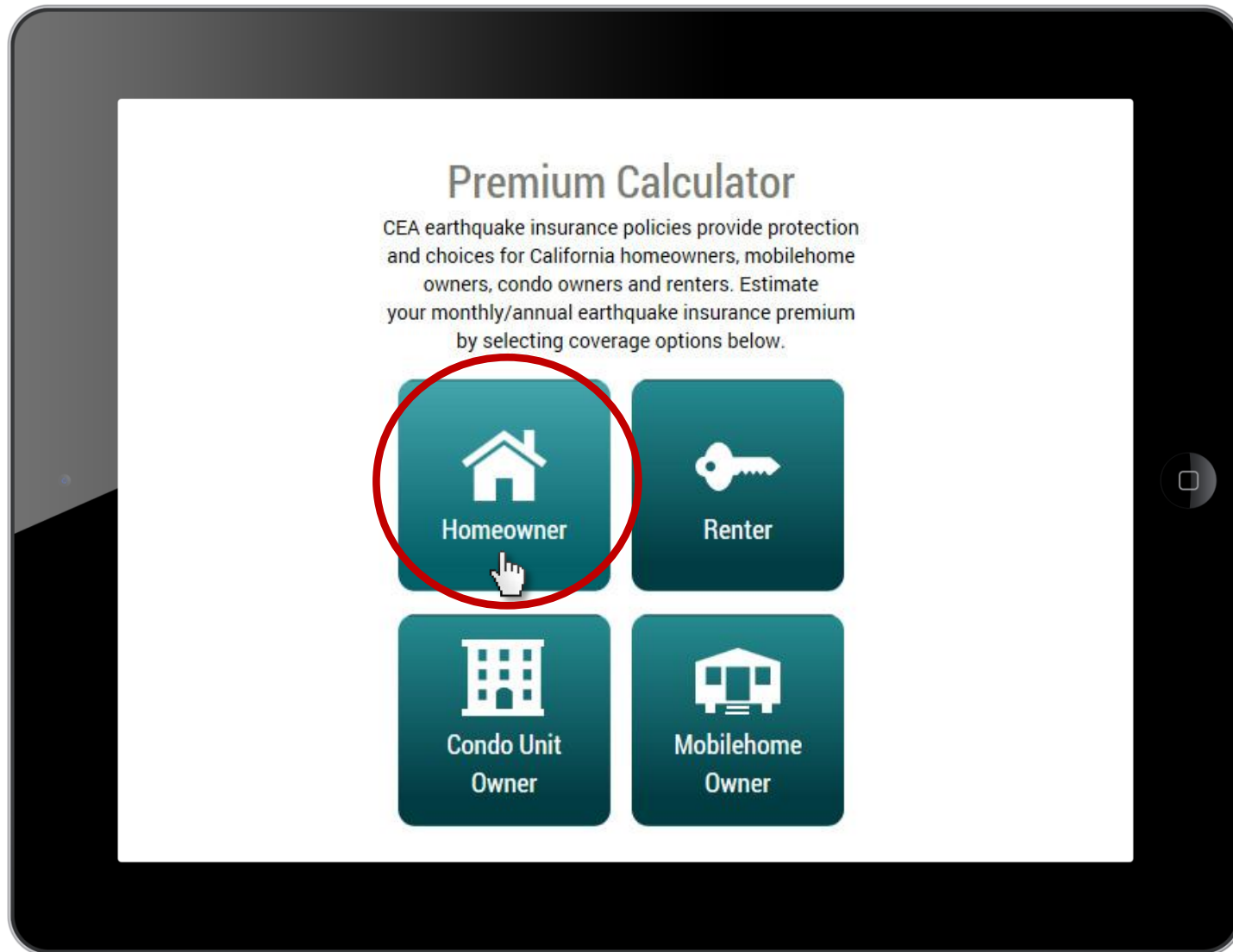
# 2016: A NEW CEA

## Empowered Consumers



# 2016: A NEW CEA

## Empowered Consumers





# 2016: A NEW CEA


## Empowered Consumers

**Homeowners**

CEA earthquake insurance helps you repair or rebuild when your home suffers earthquake damage




Expected Policy Start   \*

Choose Your Insurance Company   \*

\*

\*

Are you an insurance professional? ☒ No ☐ Yes 

**Get Started**

# 2016: A NEW CEA

## Empowered Consumers

Deductible:  
15%

A tablet displaying a homeowners insurance quote interface. The interface has a dark teal header with a house icon, the word 'Homeowners', ZIP Code: 94102, Effective Policy Start: 2016, and a semi-circular gauge showing \$69.00. Below the header, there are several sections for selecting coverage options, each with a slider and a text input field. The first section is 'Select your dwelling deductible' with a slider from 5% to 25% and a text input field set to 15%. A red circle highlights the 15% selection on the slider. The second section is 'Would you like to increase your building code upgrade coverage?' with a slider from \$10K to \$30K and a text input field set to \$10,000. The third section is 'Would you like to add masonry veneer coverage?' with radio buttons for No (selected) and Yes. The fourth section is 'How much personal property coverage would you like?' with a slider from None to \$200K and a text input field set to \$5,000. The fifth section is 'Would you like a separate personal property deductible?' with a slider from No to 25% and a text input field set to No. The sixth section is 'Would you like to add coverage for breakable items?' with radio buttons for No (selected) and Yes. The seventh section is 'How much loss-of-use coverage would you like?' with a slider from \$1.5K to \$100K and a text input field set to \$1,500. At the bottom, there are four buttons: Save, Compare & Send, Start New, and Find an Agent.

Premium

# 2016: A NEW CEA

## Empowered Consumers

Deductible:  
5%

A screenshot of a Homeowners insurance quote interface displayed on a tablet. The interface has a dark teal header with a house icon, the word 'Homeowners', ZIP Code '94102', and 'Effective Policy Start: 2016'. On the right, a semi-circular gauge shows '\$123.75' for the 'Estimated Monthly Premium' and '\$1485.00' for the 'Annual Premium'. Below the header, there are several configuration sections: 'Select your dwelling deductible' with a slider set to 5% (highlighted with a red circle and a hand cursor); 'Would you like to raise your building code upgrade coverage?' with a slider set to \$10,000; 'Would you like to add masonry veneer coverage?' with 'No' selected; 'How much personal property coverage would you like?' with a slider set to \$5,000; 'Would you like a separate personal property deductible?' with 'No' selected; 'Would you like to add coverage for breakable items?' with 'No' selected; and 'How much loss-of-use coverage would you like?' with a slider set to \$1,500. At the bottom are four buttons: 'Save', 'Compare & Send', 'Start New', and 'Find an Agent'.

Premium





# 2016: A NEW CEA

## Empowered Consumers

**Deductible:**  
**25%**

Building Code Upgrade

Masonry veneer

Personal property

Separate deductible

Breakables

Loss of use

**Premium**

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**THE STRENGTH  
TO REBUILD®**

[EarthquakeAuthority.com](http://EarthquakeAuthority.com)

# 2016: A NEW CEA

## Financial Strength

2016



CEA's financial strength is rated as **A– (Excellent)** by **A.M. Best Co.**, the world's most authoritative rating agency of insurance companies.

Claim-paying capacity: **\$12 Billion**