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:

$175 \text{ BILLION}$

Insured: $15 \text{ Billion}$

Uninsured: $160 \text{ Billion}$
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.
CEA: ESTABLISHED IN THE WAKE OF
NORTH RIDGE EARTHQUAKE

Los Angeles Times

33 Die, Many Hurt in 6.6 Quake
L.A. Area Freeways Buckle, Buildings Topple

Sylmar Jolted by Ghosts of Horror Past

By KENNY: The city that
recently experienced a 6.2
quake in 1971 now has
all the terror that came
when the earth gave way.
On Monday, it seemed like
it was the end.

By DORIS LEWIS
and ANNEMarie MEYER

When the 6.2 quake hit,
people ran for cover as
they did in 1971.

They fainted, cried,
and screamed.

The Rockaways, a
neighborhood of
100,000 people, was
left in tears.

The waves of terror
were again here.

Disaster: Episodic
in Northridge.

By FRANCISCO S.

San Francisco

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1994: NORTH RIDGE EARTHQUAKE

Property Damage: $40 Billion
Residential: $20 Billion

AFTERMATH: Most insurance companies stopped writing Homeowners insurance
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

1 RISK The risk is REAL.

2 BENEFIT So is the benefit of EARTHQUAKE INSURANCE.

3 CEA 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%
OVER THE LAST 20 YEARS…

Housing reconstruction costs increased by 168%
CEA has lowered its rates by a combined 55% 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

<table>
<thead>
<tr>
<th>Structure</th>
<th>1996 Original Policy</th>
<th>2016 New CEA Options</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personal Property Coverage</td>
<td>$5,000</td>
<td></td>
</tr>
<tr>
<td>Deductible</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loss of Use Coverage</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mitigation Discount</td>
<td>0%</td>
<td></td>
</tr>
</tbody>
</table>

- **Homeowner Policies:** $1,500 emergency repairs with no deductible
- **Policyholders are not required to pay the deductible to receive their claim payment.**
- **Loss of Use never has a deductible**
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2. **BENEFIT**  
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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.

5. **CHOICE**  
Now Californians can choose the earthquake policies that meet their **NEEDS** and **BUDGET**.
2016: A NEW CEA
Empowered Consumers
Premium Calculator

CEA earthquake insurance policies provide protection and choices for California homeowners, mobilehome owners, condo owners and renters. Estimate your monthly/annual earthquake insurance premium by selecting coverage options below.
2016: A NEW CEA
Empowered Consumers

Homeowners

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

Expected Policy Start
2016

Choose Your Insurance Company
123xxx

Address 2
94102

Are you an insurance professional?
No

Get Started

Yes

Get Started
2016: A NEW CEA
Empowered Consumers

Deductible: 15%

Premium
2016: A NEW CEA
Empowered Consumers

Deductible: 5%
2016: A NEW CEA
Empowered Consumers

- Building Code Upgrade
- Masonry veneer
- Personal property
- Separate deductible
- Breakables
- Loss of use

Deductible: 25%

Premium: $46.75

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5 CHOICE  Now Californians can choose the earthquake policies that meet their NEEDS and BUDGET.
2016: A NEW CEA
Financial Strength

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**