Business, Insurance, and Financial Implications
Glenn Pomeroy, California Earthquake Authority

January 16-17, 2014 - University of California, Los Angeles
January 17, 1994

57 Lives were lost
January 17, 1994

$40 Billion in property damage
Half of all damage was residential.

Half of residential damage was covered by insurance.
Insurance Played A Critical Role in Northridge Recovery

40% of the recovery dollars (*Federal, State and Insurance*) that rebuilt Northridge came from residential earthquake insurance.
CA earthquake insurance
Market was broken
1996

Coverage
The Legislature established “Mini policy” - reducing coverage by ½

Cost
Insurance rates soared and in some cases more than doubled

When these measures failed to fix the broken market...
CEA Was Established

CEA - California Earthquake Authority

The Strength to Rebuild®
Publicly Managed

CEA Governing Board

- Senate Rules Chair
- Insurance Commissioner
- Governor
- State Treasurer
- Assembly Speaker

- Voting members
- Non-Voting members
Today

840,000 Policies

2/3 of policies in California

Largest EQ writer in U.S.

1997 Capital

$630 M

2014 Capital

$4.5 B

2014 Claim Paying Capacity

$10.3 B
Today

CEA could pay all covered claims if Northridge x 2 occurred today
The Great California Disconnect

2/3 of U.S. earthquake risk
The Great California Disconnect

99.7% chance of a 6.7 magnitude or greater in next 30 years
More than 90% of California homes have no earthquake insurance
Insurance protection has fallen dramatically over the last two decades.
Why are so many Californians unprotected today?
CEA CALIFORNIA EARTHQUAKE AUTHORITY™

THE STRENGTH TO REBUILD®

Educate  Mitigate  Insure
Educate

Joining forces to send an urgent message: Get Prepared, California!

The Great California ShakeOut™
Mitigate earthquake brace and bolt funds to strengthen your foundation.
Mitigate

Developing additional guidelines for a broader range of homes

Developing a more meaningful mitigation discount
The Earthquake Insurance Affordability Act

More affordable, valuable insurance

More money for education and mitigation
Reform Mandatory Offer Law

Current notice is hard to read, inaccurate, boring... and 30 years old
Reform Mandatory Offer Law

Change how Californians learn about – and buy – earthquake insurance

YOUR POLICY DOES NOT PROVIDE EARTHQUAKE COVERAGE.

CALIFORNIA LAW REQUIRES THAT EARTHQUAKE COVERAGE BE OFFERED THROUGH COMMERCIAL INSURANCE POLICIES.

WARNING: THESE COVERAGE MAY DIFFER SUBSTANTIALLY FROM THE COVERAGE PROVIDED BY YOUR EXISTING HOMEOWNER'S POLICY.

YOUR POLICY DOES NOT PROVIDE EARTHQUAKE COVERAGE.

Dear Policyholder:

Did you know that your homeowners policy does not cover earthquake damage to your home or its contents?

For earthquake coverage, you need a separate earthquake insurance policy from the California Earthquake Authority (CEA).

[Company] has teamed up with the CEA to get you covered – so you can get your life back to normal after the next damaging earthquake. A CEA policy sold by [Company] combines the customer service we're proud of with the financial strength you can count on.

Protect yourself and your family for when an earthquake strikes. Call for your quote today!
Recommendations

1. Develop tools to help renters and homeowners understand and evaluate their risk of loss from damaging earthquake.

2. Continue to increase the awareness, affordability and value of earthquake insurance.

3. Develop mitigation opportunities for California homeowners, including structural and non-structural retrofits.