

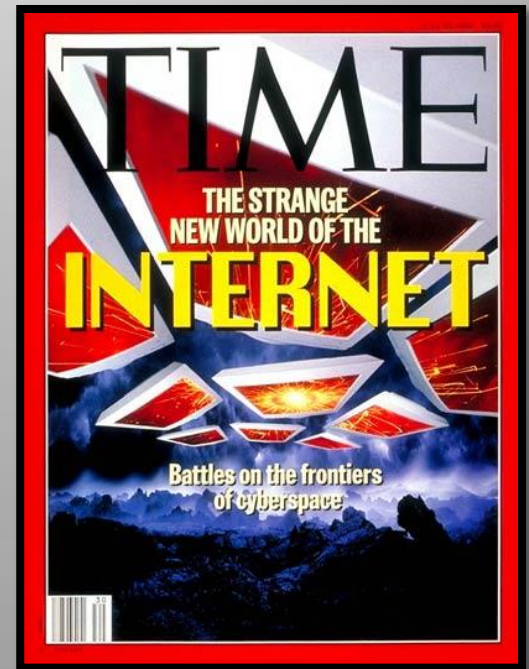
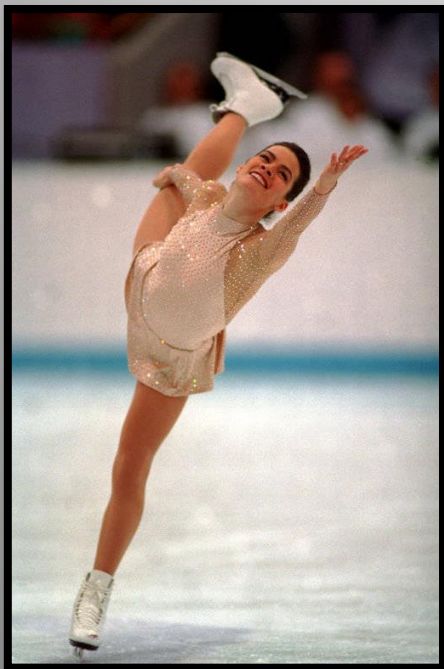


Business, Insurance, and Financial Implications

Glenn Pomeroy, California Earthquake Authority

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

1994



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.

1995



**CA earthquake insurance
Market was broken**

1996



Coverage

The Legislature established “Mini policy” - reducing coverage by 1/2

Cost

Insurance rates soared and in some cases more than doubled



When these measures failed to fix the broken market...

1996

CEA Was Established



Publicly Managed

CEA Governing Board

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graph TD; A[CEA Governing Board] --- B[Senate Rules Chair]; A --- C[Insurance Commissioner]; A --- D[Governor]; A --- E[State Treasurer]; A --- F[Assembly Speaker];
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The diagram illustrates the structure of the CEA Governing Board. At the top is the 'CEA Governing Board' box. Below it, a horizontal line connects to five boxes representing its members: 'Senate Rules Chair', 'Insurance Commissioner', 'Governor', 'State Treasurer', and 'Assembly Speaker'. The 'Senate Rules Chair' and 'Assembly Speaker' boxes are light blue, while the others are dark blue.


Senate Rules
Chair


Insurance
Commissioner

Governor

State Treasurer

Assembly
Speaker

 Voting members

 Non-Voting members

Privately Financed



Armed Forces Insurance
OUR MISSION IS YOU.®

 **Nationwide**
Insurance

**California
FAIR
Plan** PROPERTY
INSURANCE

 **Golden Eagle
Insurance**
Member of Liberty Mutual Group


Insurance

STATE FARM
Auto
Life Fire
INSURANCE

 **Liberty
Mutual**


USAA

 **FOREMOST**
INSURANCE GROUP

CEA CALIFORNIA
EARTHQUAKE
AUTHORITY™
**THE STRENGTH
TO REBUILD**®

 **Insurance**

 **MERCURY**
INSURANCE GROUP



FARMERS



Allstate
You're in good hands.

Homesite
HOME INSURANCE

 **Encompass**
Creating protection around you

Commerce West
INSURANCE

 **Allied**
Insurance
a Nationwide Insurance® company

 **MAPFRE**
INSURANCE

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**

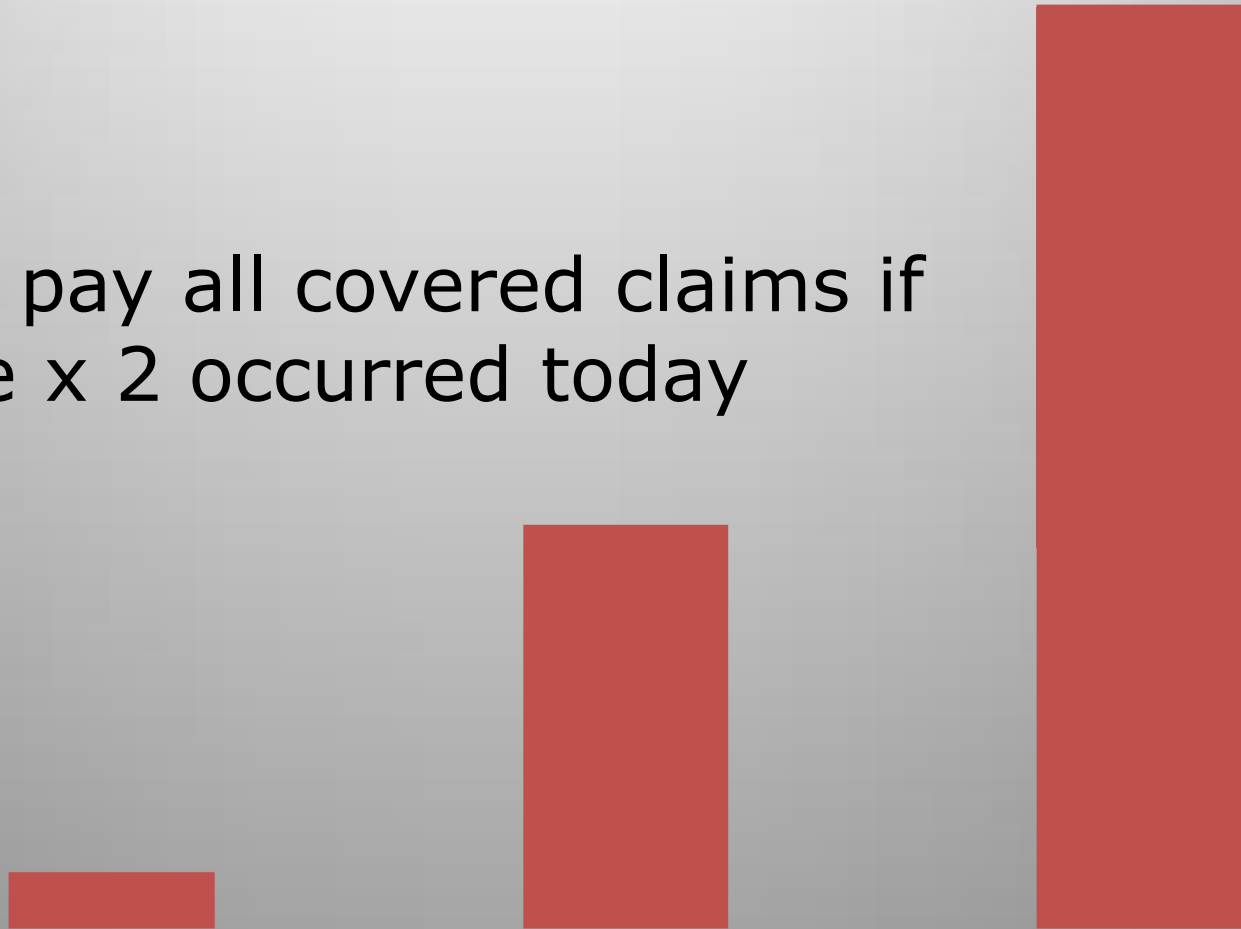


\$10.3 B

Today

**2014 Claim
Paying
Capacity**

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**

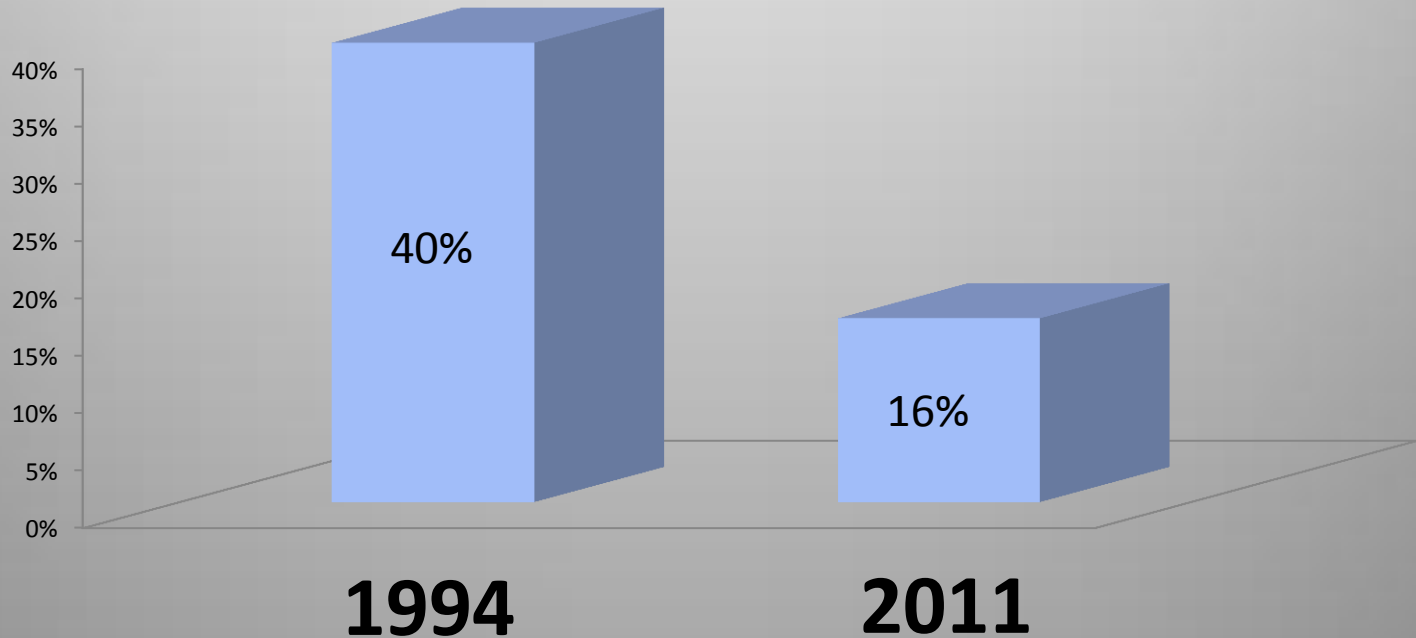
The Great California Disconnect

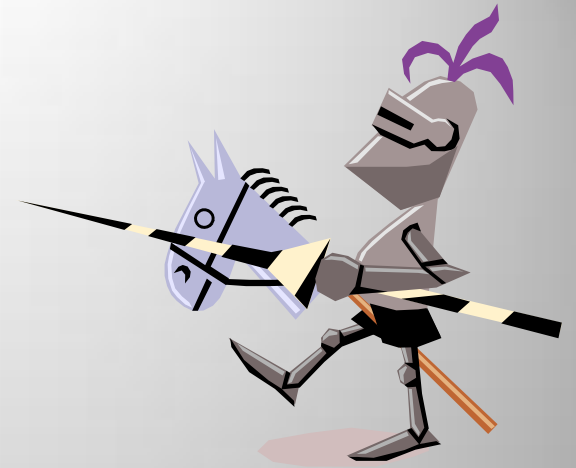


**More than 90% of
California homes have
no earthquake insurance**

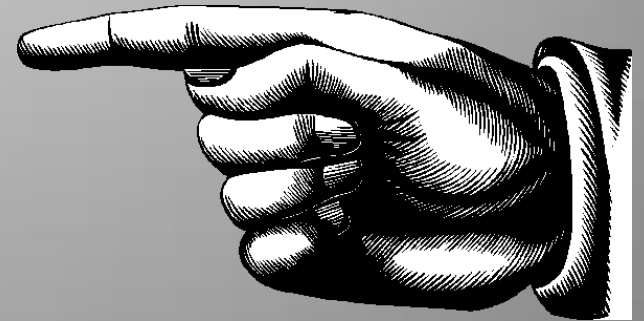
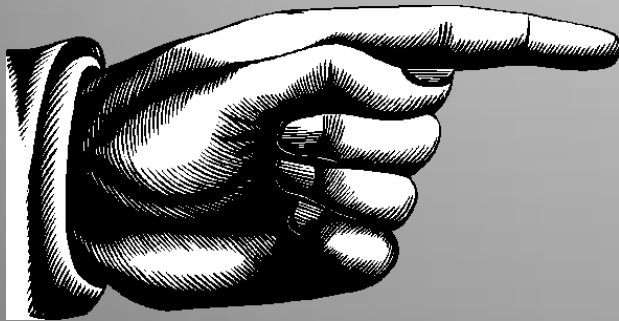
Insurance protection has fallen dramatically over the last two decades

Northridge Take-Up Rate





Why are so many Californians unprotected today?





**THE STRENGTH
TO REBUILD®**

Educate

Mitigate

Insure

Educate



**American
Red Cross**

Joining forces to send an urgent message:

Get Prepared, California!

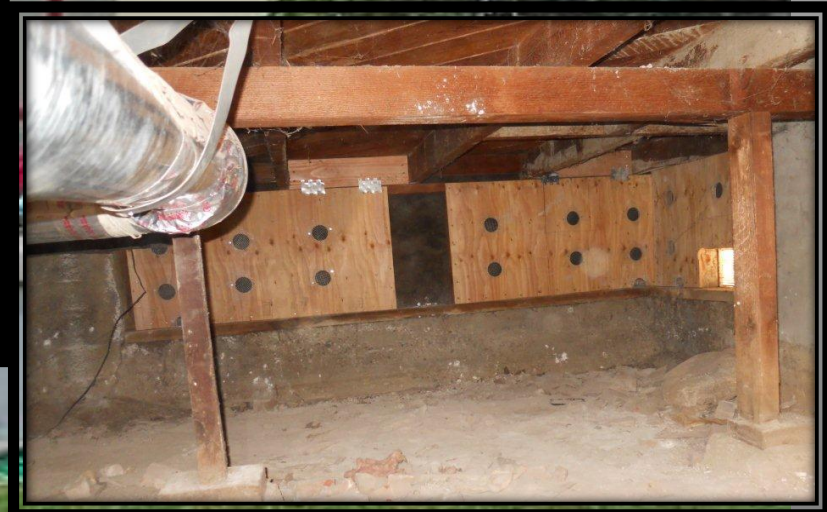
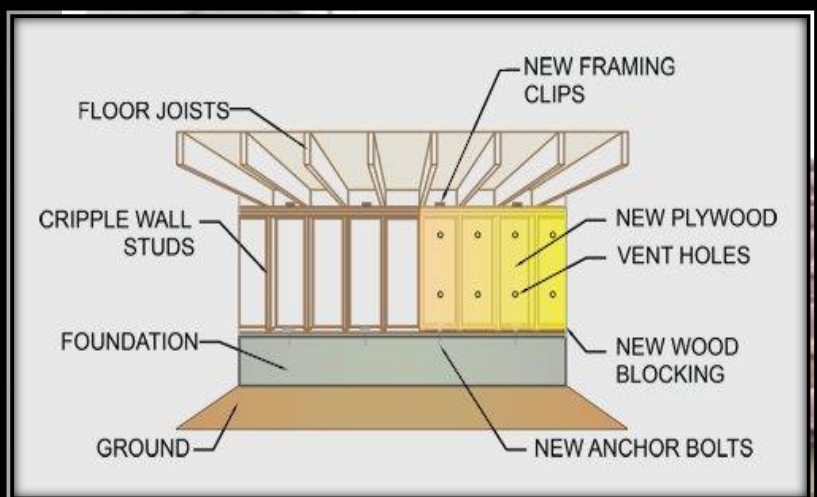
The Great
California
**Shake
Out**
TM

Mitigate



EARTHQUAKE
BRACE + BOLT
Funds to strengthen your foundation.







Mitigate



Developing additional guidelines for a broader range of homes

Developing a more meaningful mitigation discount



Insure

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

YOUR POLICY DOES NOT PROVIDE COVERAGE AGAINST THE PERIL OF EARTHQUAKE.

CALIFORNIA LAW REQUIRES THAT EARTHQUAKE COVERAGE BE OFFERED TO YOU AT YOUR OPTION.

WARNING: THESE COVERAGES MAY DIFFER SUBSTANTIALLY FROM AND PROVIDE LESS PROTECTION THAN THE COVERAGE PROVIDED BY YOUR HOMEOWNERS' INSURANCE POLICY. THERE ARE EXCLUSIONS AND LIMITATIONS SUCH AS OUTBUILDINGS, SWIMMING POOLS, MASONRY FENCES, AND MASONRY CHIMNEYS. THIS DISCLOSURE FORM CONTAINS ONLY A GENERAL DESCRIPTION OF COVERAGES AND IS NOT PART OF YOUR EARTHQUAKE INSURANCE POLICY. ONLY THE SPECIFIC PROVISIONS OF YOUR POLICY WILL DETERMINE WHETHER A PARTICULAR LOSS IS COVERED AND, IF SO, THE AMOUNT PAYABLE.

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 AS AN ADDITIONAL
OPTION.

WARNING: THESE COVERAGES MAY DIFFER SUBSTANTIALLY FROM THE EARTHQUAKE COVERAGE PROVIDED BY YOUR CURRENT POLICY. THERE ARE EXCLUSIONS AND LIMITATIONS SUCH AS MASONRY FENCES, AND MASONRY CHIMNEYS. THIS IS A GENERAL DESCRIPTION OF COVERAGES AND IS NOT A POLICY. ONLY THE SPECIFIC PROVISIONS OF YOUR POLICY PARTICULAR LOSS IS COVERED AND, IF SO, THE AMOUNT OF COVERAGE IS LIMITED.

Residential Insurance Company Logo



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!



SAMSUNG



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.