

CALIFORNIA EARTHQUAKE INSURANCE FACT FILE

- The California Earthquake Authority (CEA) was established in 1996 by the California Legislature in the wake of the billions of dollars in insured losses caused by the Northridge earthquake of 1994. The 6.7-magnitude earthquake was the costliest in U.S. history.
- The CEA is a privately financed, publicly managed entity that helps California residents to protect themselves against earthquake loss. Today, the CEA is the world's largest residential earthquake insurer. Acting through its participating insurers, the CEA sells earthquake policies to homeowners, mobile home owners, condominium owners, and renters throughout the state.
- According to A.M. Best, direct premiums written for earthquake coverage in California, excluding the California Earthquake Authority (CEA), totaled \$1.06 billion in 2007, representing 68 percent of total U.S. earthquake premiums of \$1.56 billion. The CEA accounted for \$498.5 million of the total earthquake premiums in 2007, representing a 32 percent market share.
- The CEA currently has about 770,000 policyholders located throughout the state.
- CEA policies are sold only through participating insurance companies. Those insurers who choose not to participate must offer their own earthquake coverage to their residential property policyholders.
- The standard earthquake policy from the CEA is designed to provide basic protection against earthquake damage. The policy covers the home, subject to a deductible, but it excludes other structures such as swimming pools, fences, decks and detached garages.
- The standard deductible on home and contents is 15 percent (based on insured value) and is applied to the total loss, not separately for each coverage, but policyholders can select a 10 percent deductible.
- The policy pays up to \$5,000 to repair or replace personal property and provides \$1,500 for any additional, higher living expenses incurred if the home is uninhabitable while it is being repaired.
- Higher coverage limits are available to CEA policyholders. For an additional premium, up to \$100,000 in contents coverage and \$15,000 for loss of use are available.
- According to the CEA, average rates for earthquake coverage range from \$3.91 per \$1,000 of coverage, up to \$5.25 per \$1,000.
- The CEA currently has nearly \$9 billion in claims-paying capacity. No state funds and no public money are used to finance the CEA. The CEA is funded from: policyholder premiums; contributions from and assessments on participating insurance companies; borrowed funds; reinsurance (insurance for insurers); and return on invested funds.