CALIFORNIA is home to TWO-THIRDS of the NATION’S EARTHQUAKE RISK

99.9% chance of a 6.7M or larger earthquake sometime in the next 30 years

Most Californians live within 30 MILES of an active fault

90% of Californians don’t have earthquake insurance

MANDATORY OFFER: CALIFORNIA LAW

1984

Earthquake coverage excluded from homeowners policy

However

Homeowners insurance companies were required to offer separate earthquake insurance policy - at time of homeowner policy sale, and every other year there after.
1994: NORTHRIDGE EARTHQUAKE

Property Damage: $40 Billion
Residential: $20 Billion

Aftermath: Most insurance companies stopped writing Homeowners Insurance

CEA: ESTABLISHED IN THE WAKE OF NORTHRIDGE EARTHQUAKE

Los Angeles Times

33 Die, Many Hurt in 6.6 Quake
L.A. Area Earthquake Sock, Buildings Tumble

January 17, 1994

PUBLICLY MANAGED · PRIVATELY FINANCED

GOVERNING BOARD:
- Governor
- Insurance Commissioner
- State Treasurer
- Non-Voting: Assembly Speaker and Senate Rules Chair

PRIVATELY FINANCED: 931,000 Policyholders

MISSION:
- Educate
- Mitigate
- Insure

A not-for-profit provider of residential earthquake insurance

OVER THE LAST 20 YEARS...

Housing reconstruction costs increased by 168%

+168%

CEA has lowered its rates by a combined 55%

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

11% '97
22% '06
12% '12
10% '16

1996 2016

1996 2016
### TODAY: A NEW CEA

Homeowner Policy Enhancements

<table>
<thead>
<tr>
<th>Structure</th>
<th>1996 Original Policy</th>
<th>New CEA Options</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Replacement cost</td>
<td>Replacement cost</td>
</tr>
<tr>
<td>Personal Property Coverage</td>
<td>$5,000</td>
<td>Up to $200,000</td>
</tr>
<tr>
<td>Deductible</td>
<td>15%</td>
<td>5%, 10%, 15%, 20%, 25%</td>
</tr>
<tr>
<td>Loss of Use Coverage additional living expenses</td>
<td>$1,500</td>
<td>Up to $100,000</td>
</tr>
<tr>
<td>Mitigation Discount</td>
<td>0%</td>
<td>Up to 20%</td>
</tr>
</tbody>
</table>

### NEW PREMIUM CALCULATOR

EarthquakeAuthority.com

**Premium:**

Deductible: 15%

### MORE CALIFORNIANS CHOOSING CEA

2006–2015 Average annual increase: 7,200

Excluding addition of new Participating Insurers

2006 Increase: 52,000

### FINANCIAL INCENTIVES TO RETROFIT OLDER HOMES

EarthquakeBraceBolt.com

**Cripple wall:** short stud wall that extends from the top of the perimeter foundation to carry the floor joists.

**Cripple wall failure**

EarthquakeBraceBolt.com

VULNERABILITY OF OLDER HOMES

2016 Increase: 52,000
A tale of two houses

Not retrofitted
Retrofitted

Napa EQ, 2014

Cripple wall: New framing clips and foundation plate

Cripple wall: New anchor bolts

Earthquake Brace Bolt.com

RETROFIT IN PROGRESS

RETROFIT IN PROGRESS

CEA FINANCIAL STRENGTH
rated as A+ (Excellent) by A.M. Best Co.

CEA Claim-Paying Capacity

New Lines
2nd AAL
$1.6B

Retirement
5%

1906 San Francisco
(1906)

Coastal
$5.3B

1994 Northridge
(1994)

1989 Loma Prieta
(1989)

Total: $14.1B

EarthquakeAuthority.com
Reinsurance costs
- $240M per year (approx.)
- 60% of overall expenses

Since Inception
- CEA has paid $4B in reinsurance premium while receiving $250,000 in claims.

CEA FINANCIAL STRENGTH
But Heavily Dependent on Reinsurance

Reinsurance costs
- $240M per year (approx.)
- 60% of overall expenses

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