

California Earthquake Authority

Glenn Pomeroy, CEO

November 2008

37 million people live in California.

Produces 1/3 of nation's food supply

World's 8th largest economy

13% of United States GDP

That makes California home to 1 in 8 Americans.

Los Angeles County population alone exceeds that of 42 states

Significant California Earthquakes of the Past 30 Years

Significant California Earthquakes of the Past 150 Years



1978-2008

131 dead
13,500+ injured
\$67 billion in
property damage

1858-2008

3,400+ dead
250,000+ injured
Countless millions in
property damage

$M \geq 6.5$ or caused loss of life

$M > 6.5$, caused loss of life or more than \$2 million in damage (in 2007 dollars)

1999 – M7.1

Hector Mine

Minimal injuries and damage (sparse population in affected area)

1987 – M6.0

Whittier Narrows

8 dead
\$645 m

1992 – M7.3

Landers

1 dead
402 injured
\$1.45 b

1992 – M7.2

Petrolia

356 injured
\$70.6 m

1989 – M6.9

Loma Prieta

63 dead
3,737 injured
\$9.91 b

2003 – M6.5

San Simeon

2 dead
47 injured
\$2.3 million in claims paid by CEA

1979 – M6.5

Imperial Valley

9 injured
\$84.6 m

1994 – M6.7

Northridge

57 dead
9,000+ injured
\$55.3 b

Geologic time includes **now**



1994 Northridge Earthquake



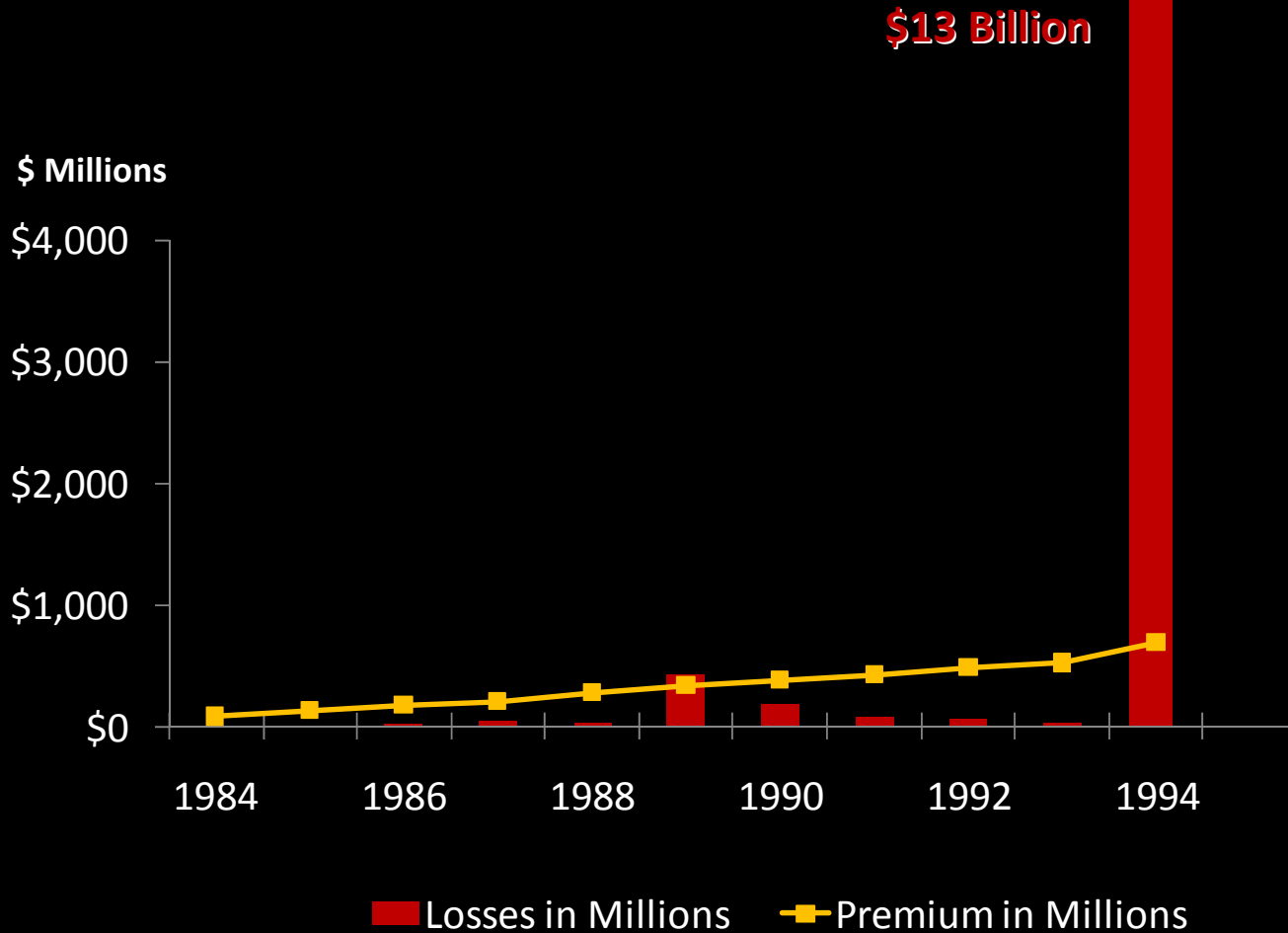
Magnitude 6.7

\$40 billion in total losses*

\$13 billion in residential losses *

*in 1994 dollars

Historical Earthquake Premium Growth and Losses



1994-95: A Residential Insurance Crisis

Mandatory Offer – Since mid-80s, insurers in California required to offer earthquake insurance.

California faced an **economic meltdown**
Spike in earthquake insurance take-up, post-Northridge

By mid-1995, 95% of the market severely restricted or stopped writing residential property coverage.

1996: Legislature Creates the CEA

Regulator/Industry “Manhattan Project”

Bi-partisan cooperation

Federal tax exemption obtained

Unprecedented amount of reinsurance purchased

70% sign-up by “Participating Insurers”

PIs satisfy mandate by offering CEA policy

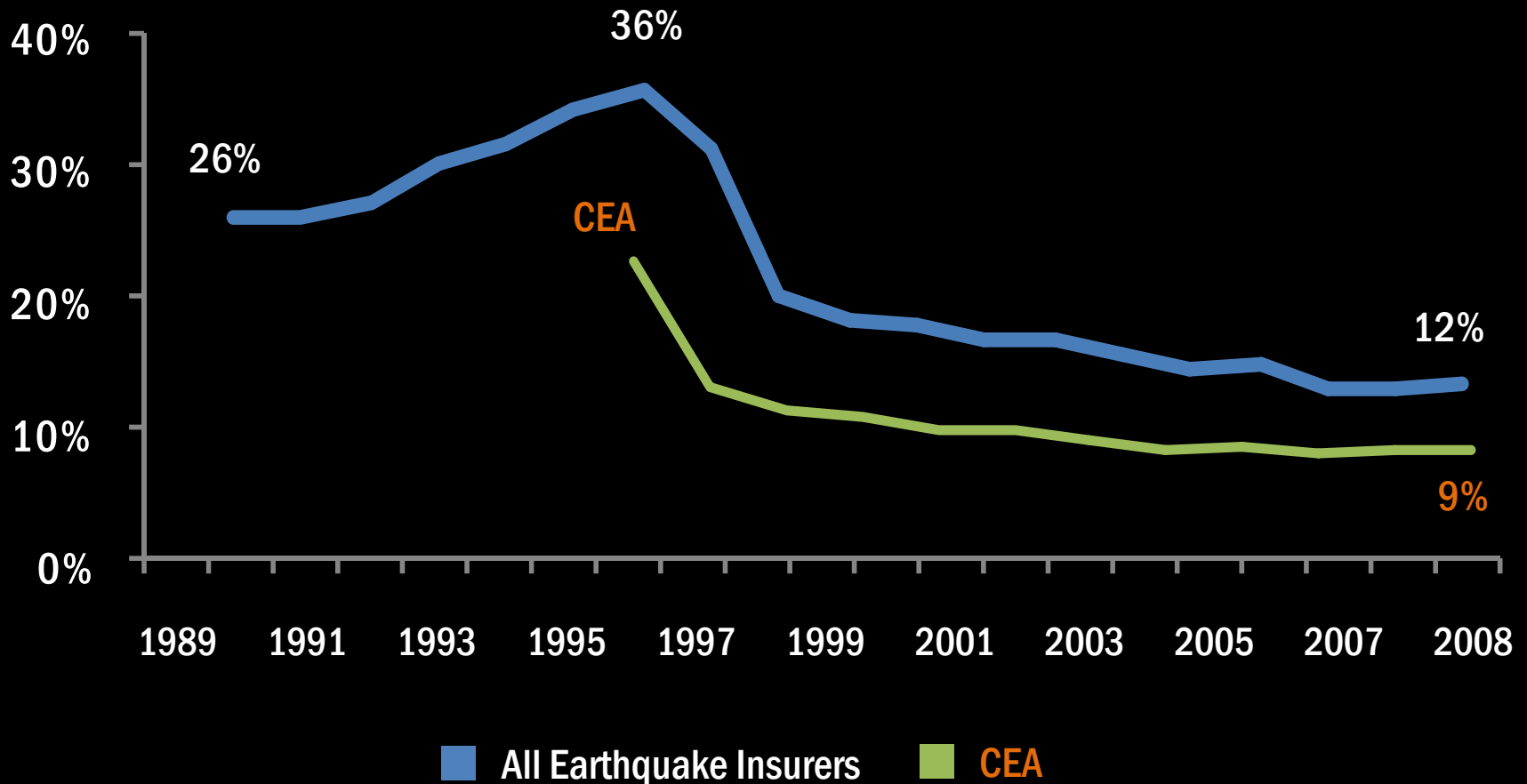
CEA Today...

Largest provider of residential earthquake insurance in the United States

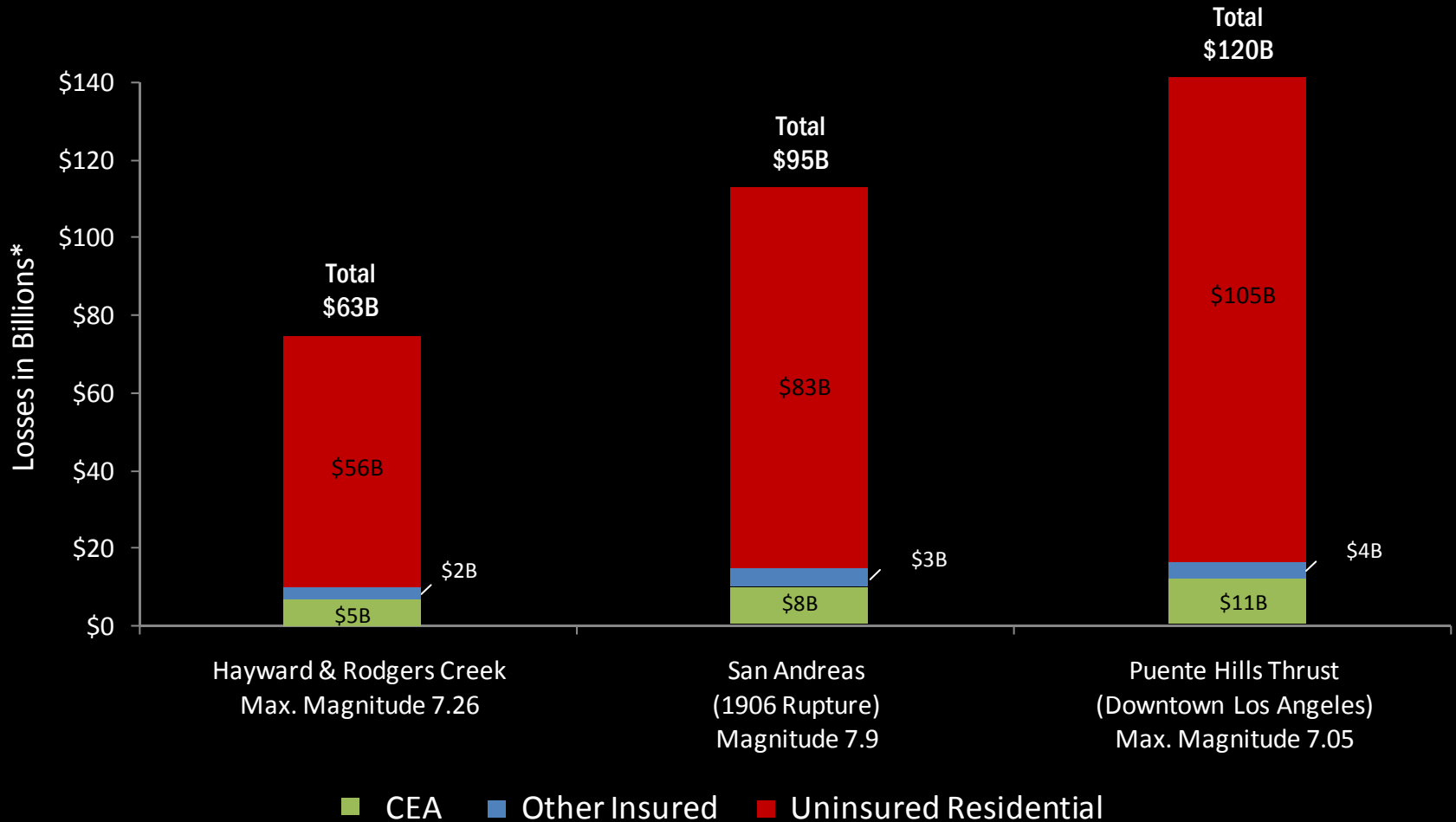
More than 770,000 policies in force

Writes 70% of all California residential earthquake insurance policies

Only 12% of California Households Have Earthquake Insurance.



When only 12% of California households have
88% of California Households Are Uninsured
 Earthquake insurance...



*Based on data as of Feb. 2006

Identified Barriers to Policy Purchase

How do Californians view **earthquake insurance?**

Costs too much

Coverage too restrictive

Cost Barrier

CEA vs. Homeowners

Premium – selected
homeowners policies

Sacramento: \$224

\$1,752

San Francisco: \$956

\$1,158

Assume CEA base policy:

Two stories/built in 1996

Dwelling limit: \$400,000

Deductible: 15% (\$60,000)

Los Angeles: \$688

\$1,353

Cost Barrier

Components of Premium

Losses

Promote mitigation

+ Profit

+ Expenses

Gain congressional approval
for a **federal backstop**

Premium

Flexible Policy Options

Restrictive Coverage Barrier

Allow consumers to choose type and amount of coverage and deductible

For example

OPTION	TYPE OF COVERAGE	AMOUNT OF COVERAGE	DEDUCTIBLE
Option 1	Structure	50%	10%, 15% or 20%*
Option 2	Contents	\$25K, \$50K, 75K or \$100K	10%, 15% or 20%**
Option 3	Loss-of-Use	\$10K or \$15K	No deductible

*Applied to 50% coverage

**Applied to amount of content coverage

What this does: Allow consumers to choose coverage that fits their needs.

Learning from the Past—Preparing for the Future

Lower cost of **policy**

Increase **coverage** options

Promote greater **understanding** of risk and
need for **action**