

California Earthquake Authority PREMIUM CHANGES

Learn why your CEA earthquake insurance premium may have changed



New and renewal CEA earthquake insurance policies on or after July 1, 2019, include important changes. Learn more about what this may mean for you and your CEA premium.

CEA is a not-for-profit enterprise

When the California Legislature created the not-for-profit CEA in the wake of the devastating Northridge earthquake, legislators mandated that:

- We are:
 - **Publicly managed** by a governing board, which includes the Governor, Treasurer and Insurance Commissioner.
 - **Privately financed**
 - In part by our participating residential insurers when they join our organization, whose **agents sell and service our policies**, and
 - Most importantly, by premiums we receive from our policyholders. This creates a firm commitment for us to be careful stewards of our policyholder funds—we ensure pricing is fair to all policyholders and is tied to your specific earthquake risk.
- We offer residential earthquake insurance to Californians.
 - We've expanded our goals to not only insure, but to also educate and mitigate.
- Our rates are **actuarially sound**.
 - We currently have more than \$17 billion in claim-paying capacity.
- We use the **best available scientific information** to set our rates.
 - We receive detailed earthquake risk and forecast information from sources that include the Working Group on California Earthquake Probabilities and multiple catastrophe modelers. The newest data shows an increase in the risk of larger damaging earthquakes, along with quakes having the ability to "jump" faults to cause multifault ruptures. Our rates must reflect this increased risk exposure.
- CEA rates and rate changes are reviewed and approved.
 - The California insurance commissioner must approve all earthquake insurance products and rates in the state, including CEA's.

These requirements allow us to remain financially strong. We could cover all claims if the 1906 San Francisco, 1989 Loma Prieta, or 1994 Northridge earthquake reoccurred today.

What do CEA's latest rate changes look like?

With the changes in rates that were approved in 2018 and went into effect beginning July 2019:

- About 60% of our policyholders will see a premium decrease of more than 10%.
- About 15% of our policyholders will have premiums that remain stable or have a slight decrease (of 10% or less).
- About 10% of our policyholders will see a slight increase (of 10% or less).
- About 15% of our policyholders will see an increase of more than 10%

Why are some CEA policyholders experiencing a premium increase?

If your premium has gone up, it may be due to *one or more* of the following factors:

- **New science** that showed increased earthquake risk in certain locations.
- A **change in rating territories** to reflect the increased risk associated with those locations, as determined by new information on fault system locations.
- Updates to include **roof type** as a rating factor for homeowners, because roof weight impacts the damageability of a house during an earthquake.
- **Modifications to foundation-type** definitions to recognize combination (or “other” type) foundations are more damageable but can be retrofitted and receive a hazard reduction discount.
- **Removal of CEA’s self-verified 5% hazard reduction discount:** You must now have a contractor or structural engineer verify your retrofit.
 - The good news is that once your verification form is signed and turned in to your participating residential insurer, your discount will now be between 10% and 25%!
- **Refinement in year-of-construction categories.**
 - Categories are now:
 - 2005 or later
 - 1990-2004
 - 1980-1989
 - 1960-1979
 - 1940-1959
 - 1939 or earlier
 - This refinement recognizes improvements in construction beginning in 2005 that are reflective of updated construction techniques (due to code changes)—newer construction has a reduced earthquake risk.

And of course, if the reconstruction cost of your house has increased (as indicated by the insured value on your residential policy), your CEA earthquake insurance premium will also increase.

What can I do to reduce my premium?

Check with your insurance agent to see if these strategies to lower your CEA earthquake insurance premium are appropriate for you:

- **Choose a higher deductible** (up to 25%) to pay a lower yearly premium cost.
- **Adjust the amount of coverage you buy:**
 - Reevaluate your **coverage limit** for coverages like personal property, in case it is higher than the value of your items.
 - Select Homeowners Choice, which allows you to **separate your coverages**, or **just cover the dwelling itself**, which will keep your premium cost down.
- Use our free Premium Calculator tool to run through the flexible coverage and deductible options, to see how changes in coverage affect your premium cost.
- See if you qualify for the Earthquake Brace + Bolt (EBB) or CEA BB programs to receive up to **\$3,000** toward a **seismic retrofit** on your older house, which could then qualify you for a premium discount of up to 25% from CEA.
- Even if you don’t qualify for a grant, consider retrofitting your older house out of pocket to receive a premium discount from CEA—although this does cost money up front, in the long term it makes your house safer and strengthens it against damaging earthquakes.

If none of these options works for your needs, you may wish to consider other insurers that offer earthquake insurance policies. While CEA is the only not-for-profit earthquake insurance organization in the state, there may be other options available to you, and it never hurts to shop around.

Although we’d love to retain your business, what we care most about is that you are protected against earthquake damage and prepared for your future.

Wishing you the best,
CEA