

California Earthquake Authority PREMIUM CHANGES

Learn why your CEA earthquake insurance premium may have changed



CEA is required to base our insurance rates on the best available science. The most recent study was published in 2015 by the U.S. Geological Survey. As a result, we had to change our rates to reflect the new science.

The California Department of Insurance approved a CEA rate and form filing in 2018 that went into effect July 1, 2019, directing CEA to phase-in the new rates over three consecutive years, on:

- July 1, 2019
- July 1, 2020
- July 1, 2021

Learn more about what this may mean for you and your CEA premium.

What do CEA'S latest rate changes look like?

With the changes in rates, the majority of our policyholders will see no change, or a decrease, to their premiums. However, in 2020, about 15% will see an increase.

For policyholders with multiple risk factors, their premiums may be significantly more than they were previously.

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, 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.
- **Expanded foundation-type** differentiation to recognize combination (or *other* type) foundations are more damageable.
- **Increased Hazard Reduction Discounts:**
 - *Other* foundation types can now receive a discount of up to 15%.
 - *Raised* foundations can now receive a discount of up to 25%.
 - To receive the discount, you must have a contractor or structural engineer verify the retrofit by signing your CEA Earthquake Insurance Dwelling Retrofit Verification Form (DRV form) for you to turn in to your participating residential insurer.
- **Refinement in year-of-construction categories**, which recognize that construction techniques and building codes have improved over time. Newer construction is expected to perform better in an earthquake.
 - Categories are:
 - 2005 or later
 - 1990-2004
 - 1980-1989
 - 1960-1979
 - 1940-1959
 - 1939 or earlier



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.
- Consider retrofitting your older house to receive a premium discount of up to 25% from CEA—although this does cost money up front, in the long term it makes your house safer and strengthens it against damaging earthquakes.
 - You may qualify for our Brace + Bolt programs to receive up to **\$3,000** toward a **seismic retrofit**.

If none of these options works for your needs, you may wish to consider other insurers that offer earthquake insurance policies. 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.

OUR BACKGROUND: 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 \$18 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 due to a vast, interconnected fault system. 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.