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Governor Signs New Legislation that Changes the Way Californians Learn About Home Earthquake Insurance

(SACRAMENTO) Gov. Jerry Brown signed Assembly Bill 2064 today, which will change the way Californians learn about earthquake insurance for their homes.

Under California law, insurers that sell residential property insurance also must offer earthquake coverage to their policyholders. The current notice – the only required offer of earthquake insurance that policyholders ever get – has not changed for 30 years.

AB 2064 makes essential updates and improvements to the wording and contents of the mandatory offer of earthquake insurance. The bill also will require insurance companies that offer earthquake coverage from the California Earthquake Authority (CEA) to send an additional communication every year that describes current CEA policy and coverage choices.

“Currently only 10 percent of Californians have earthquake insurance to protect their household from catastrophic earthquake damage,” said California Insurance Commissioner Dave Jones. “This bill should improve the low take-up rate by using clearer, more consumer-friendly language in mandatory notices. AB 2064 also expands CEA’s outreach efforts to educate people about the value of earthquake insurance before the next big quake hits.”

Assembly Member Ken Cooley, the bill’s author, said, “This bill passed both the Senate and the Assembly with unanimous support, proving how important it is to lawmakers to encourage more policyholders to consider purchasing earthquake insurance.”

Along with revising the mandatory notice, AB 2064 will allow the CEA – through its participating insurers, representing some 75 percent of California’s homeowners insurance market – to provide additional, up-to-date earthquake information to their policyholders, including the 8 million Californians without earthquake insurance.

“This additional communication will consistently help educate residents about earthquake risk and CEA product options,” said CEA CEO Glenn Pomeroy. “With AB 2064’s innovations, more people will get more information about earthquakes, seismic risk, and sensible options for earthquake insurance.”

The updated notice will replace outdated, confusing language, and will bring new opportunities for financial preparedness for earthquakes.

The Personal Insurance Federation of California (PIFC) supported the bill. PIFC President Rex Frazier said, “The current mandatory offer was last updated in the previous century and does not accurately reflect today’s earthquake insurance offerings, particularly certain products offered by the California Earthquake Authority.”

United Policyholders (UP), a nonprofit organization that educates and advocates for insurance consumers, also supported AB 2064. UP Executive Director Amy Bach said, “Rumors and outdated misinformation about earthquake insurance are all too common. People need to be more effectively reminded that they have options for insuring their homes against earthquakes and that their home insurance excludes earthquake coverage. This bill will help Californians stay alert to the risks of owning or renting in earthquake country and encourage them to protect their financial futures through informed buying decisions based on current, accurate information.”

The updated mandatory offer/notice and the annual CEA outreach message will come into effect in January 2016.

About the CEA:

The CEA is a publicly managed, privately funded, not-for-profit organization that provides catastrophe residential earthquake insurance and works to help encourage all Californians to take steps to reduce the risk of earthquake loss.

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