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California Earthquake Authority Media Backgrounder

What is the California Earthquake Authority (CEA)?

CEA, a public instrumentality of the State of California, is a not-for-profit entity that is publicly managed and privately financed. We help Californians reduce their risk of earthquake loss by providing education, mitigation, and insurance. The CEA Governing Board provides independent oversight of CEA's operations. The Board's meetings are open to the public, and the Board is made up of three elected officials, the Governor, State Treasurer, and Insurance Commissioner, and two non-voting members, the Speaker of the Assembly, and the Chair of the Senate Rules Committee.

CEA is the largest residential earthquake insurer in the United States, with about 1.1 million policyholders. Backed by more than [25 years of experience](#) offering earthquake insurance, CEA issues approximately two-thirds of the residential earthquake insurance policies sold in California.

Simply put, CEA helps Californians better prepare for, and recover from, damaging earthquakes.

Education: A damaging earthquake could happen in California at any time. Still, many Californians are unprepared—possibly for reasons rooted in myths or misunderstandings.

For example, owners of older houses might not understand their home's particular vulnerabilities or realize there are steps they can take to reduce those vulnerabilities. They may believe their homeowners insurance policy covers earthquake damage or that the government will pay to repair their homes after a damaging earthquake. These are common misconceptions. In California, a typical homeowners insurance policy will not cover earthquake damage, and government assistance for repairs, if available, is extremely limited.

In 2021, CEA and the California Governor's Office of Emergency Services (CalOES) formed a partnership called the California Residential Mitigation Program (CRMP) to manage and promote a statewide seismic retrofit program. Through this partnership (known as a Joint Powers Authority), CEA helps California communities prepare for and recover from damaging earthquakes. In addition, CEA participates in community events and delivers presentations to groups across the state. As part of the [Earthquake Country Alliance](#), a network of organizations that advocates for earthquake preparedness in California, CEA promotes the [Great California ShakeOut](#) earthquake drill each year.

CEA maintains three public websites:

- [StrengthenMyHouse.com](https://www.strengthenmyhouse.com) – This site, part of the CRMP program, is an A-Z website that provides Californians with comprehensive information about strengthening older houses with a seismic retrofit to make them less vulnerable to earthquake damage. This website describes different types of California homes and their seismic vulnerabilities and gives information on how to [finance a seismic retrofit](#). It also features a [blog](#), [earthquake safety preparedness tips](#), and other useful [resources](#).
- [EarthquakeBraceBolt.com \(EBB\)](https://www.earthquakebracebolt.com) – Also part of the CRMP program, the Earthquake Brace + Bolt (EBB) program website provides Californians with information about grant funds to help them strengthen their homes. The site also contains useful resources such as a list of the ZIP codes eligible for the grant program, contractors familiar with the EBB program, and information about permits and building departments. Through our partnership with Cal OES, we have provided grants for seismic retrofitting to tens of thousands of homes, with more underway.
- [EarthquakeAuthority.com](https://www.earthquakeauthority.com) – This California Earthquake Authority (CEA) website is primarily about [residential earthquake insurance](#) available to Californians. It contains, among other things, a list of the insurance companies that participate with CEA, an online premium calculator, a list of earthquake risks by county, and information about policy changes. This website also offers [personal preparedness](#) tips and information about [structural risks to older homes](#), as well as resources for [journalists](#), [communities](#), CEA [policyholders](#), and [insurance professionals](#).
- Through social media, including [Facebook](#), [Instagram](#), [LinkedIn](#), [Twitter](#), and [YouTube](#), CEA shares news about earthquake risks and reminders of what to do when the ground shakes in California. CEA also occasionally runs informational advertising to help Californians prepare for and recover from damaging earthquakes.

Mitigation: There are steps Californians can take to mitigate—or reduce the severity of—earthquake damage. For example, California’s older houses (those built before 1980) might be more vulnerable to earthquake damage because they were built before modern seismic building codes were implemented statewide. These homes can be [strengthened](#) with a seismic retrofit. Some California communities have a large number of vulnerable older homes that need to be strengthened so they are less likely to slide off their foundations or sustain other costly damage when an earthquake occurs.

Although seismic retrofitting does not guarantee a house will survive an earthquake undamaged, it can help to improve the house’s performance and make the house safer for its residents. Also, a seismic retrofit increases the odds that residents will be able to shelter in place after an earthquake strikes rather than being displaced.

[StrengthenMyHouse.com](https://www.strengthenmyhouse.com) has information on the typical vulnerabilities of a variety of home types and ways to strengthen them. For instance, you can learn how to retrofit garage spaces to make a home less vulnerable to earthquake damage.

Our grants through the [Earthquake Brace + Bolt](#) program help offset the cost of a seismic retrofit. This includes a grant [specifically for low-income homeowners](#) (annual income up to \$72,080 per household). We have provided grants to seismically retrofit tens of thousands of homes, with more underway.

- **Insurance:** CEA offers [residential earthquake insurance](#) for homeowners, renters, mobilehome owners, and condo-unit owners in California, to help them repair or rebuild their damaged homes, pay for alternative dwelling while their homes are being repaired, and replace valuable personal belongings after an earthquake.

CEA offers residential earthquake insurance policies solely through [participating insurance companies](#) (PIs). Californians who wish to purchase CEA earthquake insurance can only do so through these PIs, which also service CEA policies and adjust any claims following an earthquake.

CEA offers policy premium [discounts](#) to eligible policyholders who strengthen their older houses with a code-compliant seismic retrofit.

***Please note: there are insurance companies that offer non-CEA earthquake insurance policies in California, and CEA encourages consumers to shop around for the policy that suits them best.**

CEA has about [\\$19 billion in claim-paying capacity](#)—enough to cover all claims from the most significant recorded earthquakes, like the Great 1906 San Francisco Earthquake or the 1994 Northridge earthquake, if they reoccurred today.

Why was CEA formed?

The California Legislature created CEA in 1996 to resolve a market crisis. Since the 1980s, California law has mandated that companies selling homeowners insurance must also offer earthquake insurance. But after the magnitude 6.7 Northridge earthquake struck in 1994, the costliest earthquake in U.S. history, it was clear that California’s residential insurers had greatly underestimated the potential costs of damage from earthquakes. Fearing they wouldn’t have enough money to pay damage claims to homeowners if *another* Northridge-like earthquake hit, many insurance companies began greatly limiting the number of homeowners policies they wrote. By January 1995, insurers representing about 93 percent of the homeowners insurance market in California had severely restricted—or refused to write altogether—new homeowners policies. This triggered a crisis that seriously threatened the vitality of the state’s housing market.

The crisis prompted California’s Legislature in 1996 to establish CEA as a public instrumentality of the state. Residential property insurers in California can offer their own earthquake insurance or offer a CEA earthquake insurance policy if they become a CEA participating insurance company.

What is CEA's primary role in California after a damaging earthquake?

CEA's primary responsibility is to help its residential earthquake insurance policyholders recover financially when an earthquake has damaged their home or belongings or displaced them from their home.

CEA policyholders with earthquake damage should contact the [residential insurer](#) that sold them their CEA policy to [file a claim](#). (CEA's participating residential insurance companies process all policy applications, renewals, payments, and claims.) Policyholders should take pictures of any earthquake damage to their home or its contents to help support their claim. They also should keep notes about any insurance-related communications and keep receipts for any earthquake-related expenses they wish to include in their claim.

CEA provides [resources for claim adjusters](#) to help ensure that every CEA claim is handled promptly, fairly, and consistently. All claim adjusters must be trained in evaluating damage caused by earthquakes in accordance with California Department of Insurance regulations.

CEA encourages its policyholders to read and understand their policy, the types of damage it covers, and to review the coverage amounts and deductibles they chose when purchasing their earthquake coverage. Familiarity with policy details can help policyholders know what to expect from the claim process. For example, with some CEA policies the first \$1,500 in emergency repairs does not have a deductible, and "loss of use" coverage never has a deductible in any CEA policy. These are important coverages to be aware of when recovering from a disaster.

When deductibles do apply, policyholders should understand how they work. Policyholders do not have to "pay" a deductible to CEA. Instead, the deductible is the amount of the repair cost deducted from what we pay policyholders for a covered claim. So, if a policyholder has a deductible of \$10,000, CEA will pay the policyholder the full amount of loss (up to the applicable limit of their insurance) minus the first \$10,000.

Familiarity with policy details also can help policyholders understand what types of damage are not covered. For example, CEA policies do not cover earthquake damage to swimming pools, most walkways and driveways, landscaping, fences, awnings, pets, automobiles, aircraft, and a variety of other items that may be located on their property. CEA policies do not cover damage from a tsunami, flooding, fire following an earthquake or damage from a volcanic eruption. Landslide damage is covered only if the landslide was seismically induced and directly caused by an earthquake that began during the policy period.

Sample CEA policies are available on CEA's website for [homeowners](#), [condo-unit owners](#), [renters](#), and [mobilehome owners](#). Policyholders should review their actual CEA policy for a full description of the coverages, deductible calculations, limits, sub-limits, exclusions, and policyholder rights and duties.

Media covering earthquake insurance topics should understand that although CEA may share certain information with the public, such as an estimated number of CEA policyholders potentially affected by an earthquake, CEA respects its policyholders' privacy and will not comment on individual claims when speaking with the media or members of the public. In fact, by law CEA is not authorized or permitted to offer public comment on any aspect of a specific earthquake insurance claim. As a

general rule, CEA can discuss a claim only with the CEA policyholder who is the claimant. This protects policyholders' privacy.

In addition to any public information CEA shares immediately following an earthquake, California law requires CEA to submit a report to the California Legislature within 120 days following a seismic event resulting in CEA claim payments. Such reports are made available on [CEA's website](#).

CEA is not a first-responder organization, but in the event of a damaging earthquake in California, CEA may assist in providing disaster-recovery information on its website and through social media, as well as information intended to help Californians be better prepared for future earthquakes.

The following organizations are also valuable resources in the event of a significant California earthquake:

- [The California Governor's Office of Emergency Services](#)
- [The California Department of Insurance](#)
- [The U.S. Geological Survey](#)
- [The California Geological Survey](#)
- [The Federal Emergency Management Agency](#)
- [The American Red Cross](#)
- [The Earthquake Country Alliance](#)
- [The Southern California Earthquake Center](#)

The California Wildfire Fund.

CEA has an additional role beyond earthquake education, mitigation and insurance: Since 2019, CEA has administered the [California Wildfire Fund](#). This catastrophe fund exists as a mechanism for certain utility companies to recover some costs and expenses arising from covered wildfires after it has been determined that the participating utility caused the fire. The fund was capitalized by those utility companies and their ratepayers. By statute, the Wildfire Fund is only authorized to distribute funds directly to the utility companies after they have paid or settled eligible claims arising from a covered wildfire.

The California Wildfire Fund was established under Assembly Bill (AB) 1054 (which was subsequently amended by AB 1513 (Holden)) and AB 111, known as the "2019 Wildfire Legislation." It was signed into law by Governor Gavin Newsom on July 12, 2019.