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California Earthquake Authority (CEA) Backgrounder

What is CEA?

CEA is the largest residential earthquake insurer in the United States.

Backed by more than [two decades of experience](#) selling earthquake insurance, CEA has more than 1 million insurance policies in force and issues approximately two-thirds of the residential earthquake insurance policies sold in California. As a not-for-profit entity that is privately funded and publicly managed, CEA is committed to getting more Californians financially protected against damaging earthquakes.

CEA sells earthquake insurance policies solely through participating residential insurance companies.

Homeowners, mobilehome owners, condo-unit owners and renters who wish to purchase CEA earthquake insurance can do so only through CEA's [participating residential insurance companies](#). They are: ACA Insurance (AAA); Allstate; Amica Mutual Insurance Company; American Strategic Insurance (ASI); Armed Forces Insurance Exchange; Automobile Club of Southern California (AAA); California FAIR Plan; Commerce West; CSAA-AAA Northern California; Encompass; Farmers Insurance Group; Foremost; Homesite; Hyundai Marine & Fire Insurance Policy; Liberty Mutual Group Business Insurance-Agriculture/Farm; Liberty Mutual Insurance; MAPFRE; Mercury; Nationwide Insurance; Nationwide Private Client; Progressive; Safeco; State Farm Insurance; and USAA.

CEA encourages Californians to reduce their risk of earthquake loss and damage through education, mitigation and insurance.

CEA insurance [policies](#) for homeowners, mobilehome owners, condo unit owners and renters can help Californians repair or rebuild their damaged home and replace their valuable personal belongings after a damaging quake. And before an earthquake, a code-compliant seismic retrofit can lessen the potential for damage to [older houses](#). CEA offers [policy premium discounts](#) to eligible policyholders who retrofit their houses, and CEA funds financial incentives for qualified homeowners to help pay for code-compliant [Earthquake Brace + Bolt](#) (EBB) or [CEA Brace + Bolt](#) program retrofits.

Why was CEA formed?

CEA was created by the California Legislature to resolve a market crisis.

In January 1994, the magnitude 6.7 Northridge earthquake struck California's San Fernando Valley. It was the costliest earthquake in U.S. history. By January 1995, insurers representing about 93 percent of the homeowners insurance market in California severely restricted—or refused to write altogether—new homeowners policies. This triggered a crisis that, by mid-1996, seriously threatened the vitality of

the state's housing market, prompting California's Legislature to establish CEA as a public instrumentality of the state in 1996.

A damaging earthquake could happen today:

- It's not a matter of if, but when, the next earthquake will strike.
- Thousands of known faults crisscross California. Because scientists are still discovering new faults and may never discover them all, every home in California is at risk of harm from a potentially damaging quake.
- Some of the world's most devastating earthquakes have occurred on previously unknown faults.
- Scientists say that [damaging earthquakes are inevitable for California](#) and that earthquakes are not confined to separate, individual faults, but occasionally can rupture multiple faults simultaneously.
- Even a moderate earthquake can cause damage—particularly for older homes that have not been retrofitted to current building standards.

How can CEA help Californians prepare before, survive during and recover after a damaging earthquake?

CEA delivers financial strength.

With more than \$17 billion in [claim-paying capacity](#), combined with the claims and service expertise provided by its participating insurance companies, CEA enables its policyholders to financially recover from a damaging earthquake. A.M. Best Co., the world's oldest and most authoritative rating agency of insurance companies, has rated CEA's financial strength at A- (Excellent) since 2002.

CEA's rates are based on science, not profit.

By law, CEA's rates must allow it to remain financially sound and able to pay its covered claims, and those rates also must be based on the best available science for assessing earthquake risk. Premium calculations for CEA earthquake insurance policies are based on the age, location and type of structure being covered.

CEA offers flexible and affordable earthquake insurance policy options, enabling Californians to purchase a policy that meets their needs and budget:

- Deductible options ranging from 5 percent to 25 percent.
- Personal property coverage limits up to \$200,000.
- Loss of use coverage (additional living expenses) limits up to \$100,000.

CEA also offers a [retrofit discount](#) for eligible older single-family homes (up to 25 percent of their premium) and for mobilehomes (21 percent of their premium). And the [CEA Premium Calculator](#) can help to simplify purchase decisions.

CEA serves Californians through CEA-funded mitigation efforts:

- CEA provides funding for seismic-retrofit-grant programs, such as the [EBB program](#) that offers up to \$3,000 to qualifying homeowners—whether they have a CEA policy or not—to encourage them to strengthen their older houses, which are more vulnerable to earthquake damage.
- CEA also has a retrofit-grant program specifically for eligible policyholders, which was [expanded in 2019](#), called [CEA Brace + Bolt](#).
- CEA funds a variety of related [research studies](#), which include determining how retrofitted and non-retrofitted houses perform differently during earthquakes.
- CEA is leading and funding efforts to help Californians reduce costs for seismically strengthening more types of houses.

CEA provides educational information about preparedness, as well as recovery resources. CEA's website, EarthquakeAuthority.com, has information about:

- [Earthquake risk in California](#), for each region of the state.
- [How to prepare your house](#) and mitigate its structural risks.
- [Personal preparedness](#), such as the [Seven Steps to Earthquake Safety](#).
- [Other resources and organizations](#) that can help with earthquake preparedness and recovery.

The CEA website also offers information about earthquake insurance in [Chinese](#) and [Spanish](#).

What happens after a damaging earthquake?

CEA will offer disaster-recovery information for those affected by the quake.

In the event of a damaging earthquake in California, CEA's website, EarthquakeAuthority.com, will provide disaster-recovery information and links to helpful resources—not just for CEA policyholders, but for all those affected by the earthquake.

CEA is ready to help its policyholders recover financially.

If an earthquake has damaged a policyholder's home or belongings, or displaced them from their home, we're here to help them recover. 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. CEA provides [resources for claims adjusters](#) to help ensure that every CEA claim is handled in a prompt, fair and consistent manner, and all claims adjusters must be trained in evaluating damage caused by earthquakes in accordance with California Department of Insurance regulations.

CEA recommends that policyholders take pictures of any earthquake damage to their home or its contents, to help document their claim. Policyholders 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 encourages its policyholders to read and understand their policy and 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. Where deductibles do apply, it's important for policyholders to understand how they work: The deductible is the amount of damage deducted from a covered claim. In other words, in order for a policyholder to receive a claim payment, their covered damages must exceed the amount of their policy deductible, and CEA will then pay the policyholder the full amount of loss in excess of the deductible amount (up to the applicable limit of insurance). Policyholders do not have to "pay" a deductible to CEA.

CEA earthquake policies are meant to only cover personal property and, except for renter's policies, the primary residential structure, and are priced accordingly, so some types of damage are not covered. Additionally, 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 at an earthquake-damaged property. Also, CEA policies cover only damage directly caused by earthquake shaking, and do not cover damaged caused by other perils. For example, CEA

policies do not cover damage from a tsunami or flooding or damage from a volcanic eruption, and 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 the following coverage types:

- [Homeowners](#) coverage.
- [Condo-unit owners](#) coverage.
- [Renters](#) coverage.
- [Mobilehome owners](#) coverage.

Please see the actual language of the CEA policies for a full description of the coverages, deductible calculation, limits, sublimits, exclusions, and policyholder rights and duties.

CEA and other organizations share information with the public that might be of interest to media.

As soon as possible, CEA will release information such as the estimated number of CEA policyholders affected, estimates of residential property damage, and general information about the anticipated amount of incurred claims.

The California Governor's Office of Emergency Services and the California Department of Insurance also may make announcements about earthquake damage. Other organizations, such as the U.S. Geological Survey, will have the best scientific information available about the earthquake.

California law requires CEA to submit a report to the California Legislature within 120 days following a seismic event that results in CEA claim payments. Such reports are made available on [CEA's website](#).

CEA respects its policyholders' privacy and does not comment on individual claims.

Neither CEA nor any CEA participating residential insurance company is authorized or permitted by law to offer public comment on any aspect of a specific earthquake insurance claim. As a general rule, CEA and the participating residential insurance company can discuss a claim only with the CEA policyholder who is the claimant. This protects policyholders from unwarranted release of information—not only because CEA respects and wishes to protect the policyholder's privacy, but also because California's insurance-privacy laws prohibit insurance providers from publicly discussing details about a policyholder or their claim.

What are some of the barriers to more people getting prepared for earthquakes?

Many Californians remain unprepared for damaging earthquakes, possibly for reasons rooted in myths or misunderstanding:

- People mistakenly don't perceive risk from high-consequence, low-probability events.
- People mistakenly believe the government will pay to repair earthquake damage to their homes. This is a false hope: Government assistance, if available, is extremely limited.
- Many Californians mistakenly believe earthquake damage is covered by their home-insurance policy. But, in accordance with California law, residential property insurers have excluded earthquake shake damage from home insurance policies for over 30 years. A separate earthquake insurance policy is needed.