



California Earthquake Authority (CEA) Backgrounder

What is CEA?

CEA is the largest residential earthquake insurer.

Backed by [20 years of experience](#) selling earthquake insurance, CEA has more than 1 million policies in force, representing more than 76 percent of all residential earthquake insurance policies sold in California. As a not-for-profit that is privately funded and publicly managed, CEA is committed to getting more Californians financially protected against damaging earthquakes through education, mitigation and insurance.

CEA sells policies through participating insurance companies.

Homeowners, owners of manufactured homes (mobilehome owners), condo unit owners and renters who wish to purchase CEA insurance can do so only through CEA's [participating insurance companies](#). They are ACA Insurance (AAA); Allied Insurance, a Nationwide Company; Allstate; 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 [policies](#) for homeowners, mobilehome owners, condo unit owners and renters can help Californians repair or rebuild a damaged home, and replace valuable personal belongings after a damaging quake. And before an earthquake, a code-compliant seismic retrofit can lessen the potential for damage to older homes. CEA offers [policy premium discounts](#) to policyholders who retrofit their houses, and there are also [financial incentives](#) available to qualified homeowners to help pay for code-compliant Earthquake Brace + Bolt program retrofits.

Why was CEA formed?

CEA was created to resolve a market crisis.

In January 1994, a magnitude-6.7 earthquake struck California's San Fernando Valley. It was the costliest earthquake in U.S. history. By January 1995, insurers representing more than 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 to establish CEA in 1996.

Earthquake risk is real:

- It's not a matter of if, but when, the next earthquake will strike.
- Most Californians live within 30 miles of an active fault.
- Thousands of known faults crisscross California. Since scientists are still discovering new faults and will never discover them all, no home is safe from a potentially damaging quake.
- Some of the world's most devastating earthquakes have occurred on previously unknown faults.
- Scientists say there's more than a 99 percent chance of a magnitude-6.7 quake striking California in the next 30 years—with a 93 percent chance of a magnitude-6.7 or larger earthquake in Southern California.
- Even a moderate earthquake can severely damage an older home that has not been retrofitted to current building standards.

- Yet, according to a UCLA School of Public Health and Survey Research Center report in 2010, relatively few California households have acted to reduce losses and injuries from earthquakes.

How can Californians benefit from CEA?

CEA delivers financial strength.

With more than \$15 billion in [claim-paying ability](#), combined with the service expertise provided by its participating insurance companies, CEA can provide its policyholders The Strength to Rebuild®. Policy premiums, investment income, authority to assess its participating insurers, and reinsurance allow CEA to operate and pay claims. 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).

CEA rates are based on science, not profit.

By law, CEA rates must allow CEA to remain financially sound and able to pay its covered claims, and its rates must be based on the best available science for assessing earthquake risk.

CEA now offers lower rates, more policy options and bigger discounts for earthquake insurance.

Policy improvements CEA introduced in 2016 include:

- A 10 percent reduction in statewide average rates—with homeowners rates down 55 percent since CEA was created and renters rates down 38 percent for 2016.
- New deductible options—ranging from 5 percent to 25 percent.
- Doubled personal property coverage available—up to \$200,000.
- Quadrupled loss of use coverage (additional living expenses)—up to \$100,000.
- An increased retrofit discount for eligible homeowners—up to 20 percent of their premium.
- A new [online premium calculator](#) to simplify purchase decisions.

CEA serves all Californians through CEA-funded mitigation efforts:

- CEA offers up to \$3,000 through Earthquake Brace + Bolt programs to qualifying homeowners to encourage them to seismically retrofit their older houses that are more vulnerable to earthquake damage—whether they have a CEA policy or not.
- CEA also 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.