



California Earthquake Authority

## Research/Planning:

On January 17, 1994, the 6.7 magnitude Northridge earthquake not only caused deaths, injuries, and billions of dollars in damages—it also shook the foundation of the residential insurance industry. The industry had greatly underestimated the potentially huge costs associated with damage from even a moderate earthquake. Fearing that they wouldn't have enough money to pay damage claims to homeowners if another Northridge-like quake hit, many insurance companies vastly limited the number of homeowners policies they wrote.

As a response to this housing crisis, in 1996 the California Legislature created the California Earthquake Authority (CEA)—a not-for-profit, publicly managed, privately funded entity. Residential property insurers could offer their own earthquake insurance or become a CEA participating insurance company. CEA has worked with many well-known insurance companies and today, about 75 percent of California residential property insurance companies offer CEA earthquake policies. By selling our policies exclusively through these participating insurance companies, CEA has become one of the largest providers of residential earthquake insurance in the world.

In December 2016, the California Earthquake Authority (CEA) turned 20. We wanted to create a 20<sup>th</sup> Anniversary Report that:

- Charts the improvements in and enhancements of policy options and policy affordability over time;
- Recognizes the organizations and companies, and programs and research, that have helped CEA advance its mission to educate, mitigate and insure Californians;
- Can serve as a leave-behind, summary document for people to understand what CEA does and how CEA works, as many people still believe outdated myths and have general misunderstandings about CEA as an organization and earthquake insurance in general.

To achieve these goals, CEA Communications & External Affairs (Comms) staff conducted research for both the content and the design aspects. For content, we reviewed CEA annual reports from the past two decades and documented and organized all milestones, earthquake events, rate changes, policy enhancements and policy sales for easy consumption. CEA staff who helped create CEA from the ground up and remember the first few years were interviewed, and their input helped shape the narrative arc of the report. For design, Comms' creative services department first strategized and developed a 20<sup>th</sup> anniversary badge to include on the publication cover. Using CEA's branded colors and an overall sleek, professional approach, pertinent information was mixed with visually appealing charts and data. A colorful timeline of CEA's milestones over the past 20 years occupies a 2-page spread, and a carefully plotted map of notable earthquakes in CEA history adorns the back cover.

## Implementation:

With less than six weeks to draft, design, finalize, proof, print and distribute, Comms worked internally and with other departments to execute the 20<sup>th</sup> Anniversary Report. Mocked-up pages were edited and finalized between content and design services and the CEA's CEO Glenn Pomeroy and General Counsel Danny Marshall. A cover letter from Mr. Pomeroy, to be included in report mailings and specific distributions, was also drafted and finalized.



Preliminary meetings with our collaborative marketing vendor, ZOOM Cross-Media, were conducted as the design was being finalized. Paper samples were reviewed and discussed, foil applications and special finishes were introduced as options, and special UV overlays were used to emphasize important elements on the pages of the booklet. Art files were carefully prepared and delivered to Fruitridge Printing & Mailing, and press checks were scheduled for that same week to ensure perfection and timely distribution. The cover letter was created and printed by Comm's creative services department and ZOOM Cross-Media's mail services. 3,000 publications were printed and approximately 1,000 were mailed with a cover letter, using a budget of \$10,284.00 for printing, and \$2,339.20 for mailing.

The first unveiling of the report was at CEA's quarterly Governing Board meeting in mid-December. There, Mr. Pomeroy distributed the report to members of the California government, including appointees for Governor Jerry Brown and Insurance Commissioner Dave Jones.

After delivery to these stakeholders, the report was distributed to internal staff and posted on CEA's website as a PDF.

Additionally, Comms staff obtained mailing addresses from other CEA departments, and mailed the reports out to many stakeholder groups, including: participating insurers (operations and claims contacts), reinsurers, investment managers, members of the earthquake science community (such as the Southern California Earthquake Center), organizations CEA has ongoing relationships with (such as Earthquake Country Alliance and American Red Cross), California media and journalists, and CEA vendors.

Since December, Mr. Pomeroy has also distributed the report as he travels the state, speaking to local groups (such as rotary clubs and real estate agents) about the importance of earthquake insurance.

### **Results/Evaluation:**

By February 2017, the 20<sup>th</sup> Anniversary Report was distributed to 143 stakeholders across California and the United States. Distributions continue to California legislators and other CEA partners, and an additional 500 are expected to be distributed by Q2.

In addition, by creating this report in a fashion far different from a typical annual public report, the report itself will continue to be relevant. For example:

- Mr. Pomeroy will continue to distribute it as a leave-behind during his talks throughout 2017;
- Comms Media Relations Managers can direct media and journalists to the PDF of the report on the CEA website for a quick digestion of CEA information;
- CEA's Consumer & Agent Services will use the report with B2B channels (participating insurers and their agents) to enhance agent talking points when communicating the value of CEA and earthquake insurance with their clients and potential CEA policyholders; and
- The content and graphics within the report have been broken up into chunk-able pieces for CEA's editorial calendar for use on social media channels in 2017 to help B2C, B2B and media audiences understand aspects of CEA that they may have not previously understood or about which they had been misinformed.

The total budget for the 20<sup>th</sup> Anniversary Report was \$13,000, which includes printing and mailing costs.



# 20 YEARS

## California Earthquake Authority



### CALIFORNIA EARTHQUAKE AUTHORITY: One of the world's largest providers of residential earthquake insurance.

CEA was created 20 years ago to respond to California's unique challenges of California homeowners insurance market after the 1994 Northridge earthquake.

CEA quickly responded to that goal and over time has worked hard to do a more ambitious one—providing valuable and affordable residential earthquake insurance to Californians.

#### FIVE THINGS TO KNOW ABOUT California Earthquake Authority

- PUBLIC MISSION**  
We exist to serve you. CEA is a not-for-profit, publicly traded, privately financed insurance enterprise. We operate for the benefit of California residents and provide them with the financial ability to recover.
- MORE AFFORDABLE RATES**  
Over 100,000 Californians have received a 20% premium discount for a major earthquake.
- FINANCIALLY STRONG**  
Over \$13 billion in qualifying capacity.
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### OVER \$13 BILLION OF PROTECTION

At the close of CEA's 20th anniversary, we have qualified over \$13 billion in new capacity. In the past 20 years, we have qualified over \$13 billion in new capacity. In the past 20 years, we have qualified over \$13 billion in new capacity.

CEA addresses its full meaning responsibility for providing qualified residential coverage from the public marketplace and market structure.

Under the California law that created a CEA, we have qualified over \$13 billion in new capacity. In the past 20 years, we have qualified over \$13 billion in new capacity.

CEA is financially strong. About \$13 billion of CEA's revenue are allocated to providing a healthy cover capacity. About 10% of CEA's revenue are allocated to providing a healthy cover capacity. About 10% of CEA's revenue are allocated to providing a healthy cover capacity.

### CEA'S COMMITMENT TO LOWER RATES

CEA has lowered its rates for a covered CEA. Without these rate reductions, the average CEA premium today would be more than twice as high.

Year	Rate Reduction
1997	11%
2006	22%
2003	12%
2004	10%

**Our Mission**  
Educate Mitigate Insure

### MILESTONES IN CEA HISTORY

- 1994** Northridge Earthquake
- 1996** CEA is created by the California State Legislature.
- 1997** CEA begins operations.
- 1998** CEA issues its first policy.
- 1999** CEA's first program begins providing financial protection to homeowners.
- 2000** CEA's first public offering.
- 2001** CEA's first program begins providing financial protection to homeowners.
- 2002** CEA's first program begins providing financial protection to homeowners.
- 2003** CEA's first program begins providing financial protection to homeowners.
- 2004** CEA's first program begins providing financial protection to homeowners.
- 2006** CEA's first program begins providing financial protection to homeowners.
- 2008** CEA's first program begins providing financial protection to homeowners.
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- 2014** CEA's first program begins providing financial protection to homeowners.
- 2015** CEA's first program begins providing financial protection to homeowners.
- 2016** CEA's first program begins providing financial protection to homeowners.

### 20 YEARS OF PRODUCT ENHANCEMENTS

Year	Product	Enhancement
1994	Homeowner	Basic coverage
1996	Homeowner	Expanded coverage
1998	Homeowner	Expanded coverage
2000	Homeowner	Expanded coverage
2002	Homeowner	Expanded coverage
2004	Homeowner	Expanded coverage
2006	Homeowner	Expanded coverage
2008	Homeowner	Expanded coverage
2010	Homeowner	Expanded coverage
2012	Homeowner	Expanded coverage
2014	Homeowner	Expanded coverage
2016	Homeowner	Expanded coverage

### PREMIUM CALCULATOR

CEA has made our online premium calculator free and accessible to any visitor to the website. This tool allows you to compare your current policy to a new policy and see how much you could save. It also allows you to see how much you could save by switching to a new policy.

### PARTICIPATING INSURERS

CEA does not sell or service policies or adjust claims itself. To provide the best customer service, while maintaining financial efficiency and keeping premiums as low as possible, CEA works through participating insurance companies. These companies are members of the California Earthquake Authority and are licensed to sell and service policies in California.

### NOTABLE EARTHQUAKES IN CEA HISTORY

- 1907** Mendocino Earthquake (M 7.1)
- 1909** San Francisco Earthquake (M 7.9)
- 1917** San Simeon Earthquake (M 7.8)
- 1925** San Jacinto Earthquake (M 6.5)
- 1933** Long Beach Earthquake (M 6.3)
- 1940** Imperial Valley Earthquake (M 7.1)
- 1952** Hayward Earthquake (M 6.9)
- 1967** San Francisco Earthquake (M 6.7)
- 1970** San Jacinto Earthquake (M 6.5)
- 1975** San Jacinto Earthquake (M 6.5)
- 1980** San Jacinto Earthquake (M 6.5)
- 1989** Loma Prieta Earthquake (M 6.9)
- 1992** San Jacinto Earthquake (M 6.5)
- 1994** Northridge Earthquake (M 6.7)
- 1999** San Jacinto Earthquake (M 6.5)
- 2004** San Jacinto Earthquake (M 6.5)
- 2008** San Jacinto Earthquake (M 6.5)
- 2010** San Jacinto Earthquake (M 6.5)
- 2014** San Jacinto Earthquake (M 6.5)

20 YEARS

**CEA** CALIFORNIA EARTHQUAKE AUTHORITY™ **THE STRENGTH TO REBUILD®**

## CALIFORNIA EARTHQUAKE AUTHORITY:

*One of the world's largest providers of residential earthquake insurance*

CEA was created 20 years ago to respond to a crisis—the virtual collapse of the California homeowners insurance market after the 1994 Northridge earthquake.

CEA quickly succeeded in that goal and ever since has worked hard on a far more ambitious one—providing valuable and affordable residential earthquake insurance to Californians.



## FIVE THINGS TO KNOW ABOUT California Earthquake Authority

### 1 PUBLIC MISSION

**We exist to serve you**

CEA is a not-for-profit, publicly managed, privately funded insurance enterprise. We operate to help Californians reduce their risk of earthquake loss and empower them with the financial ability to recover.

### 2 MORE AFFORDABLE RATES

**We've lowered rates by more than 55%**

From day one, CEA has strived to make earthquake insurance as affordable as possible, while charging a price that accurately reflects the risk we assume with a policy issued.

### 3 FLEXIBLE POLICY OPTIONS

**Now the policyholder is in the driver's seat**

With a wide range of coverage and deductible options to choose from, you can customize your policy with features to best meet your own needs and budget.

### 4 FINANCIALLY STRONG

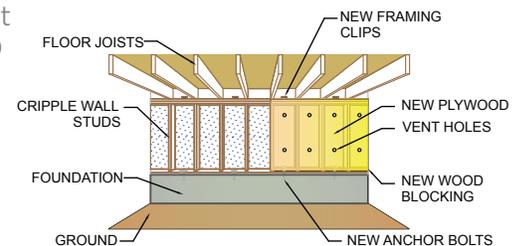
**Over \$13 billion in claim-paying capacity**

CEA is financially sound and consistently receives excellent financial ratings. Our commitment to you is that we are ready to provide you with the Strength to Rebuild® after a major earthquake.

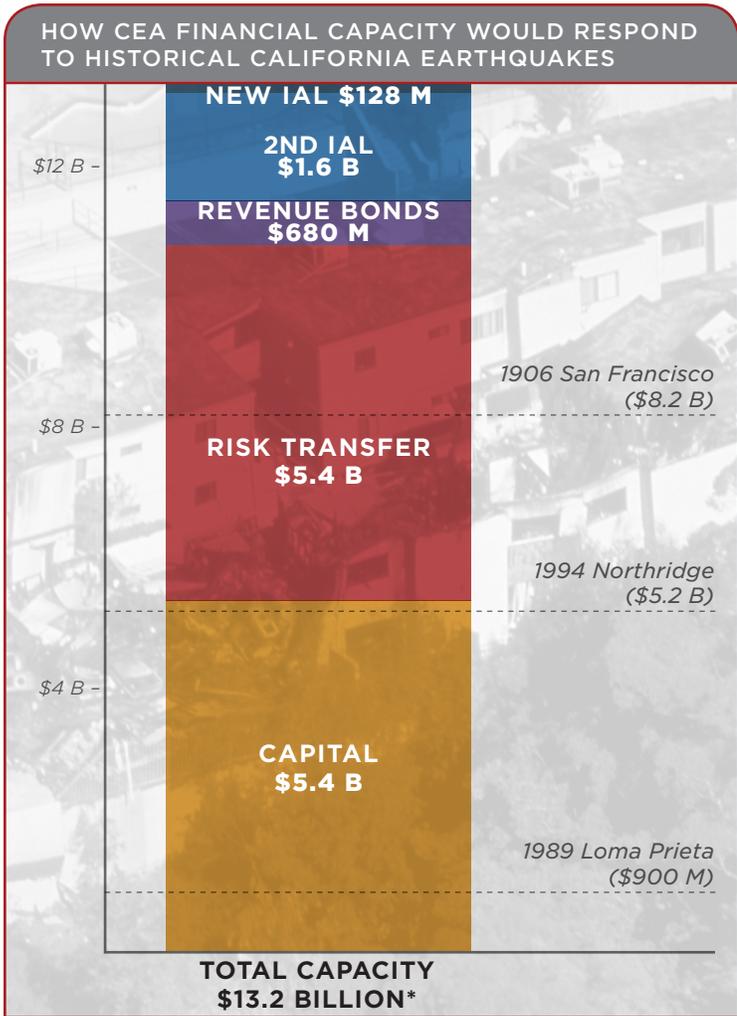
### 5 MAKING OLDER HOUSES SAFER

**Designing programs to incentivize Californians**

CEA Earthquake Brace + Bolt programs offer up to \$3,000 to eligible Californians to help them seismically retrofit their qualifying older house against shake damage. And we offer up to a 20% premium discount for policyholders who have retrofitted their older house.



**A simple retrofit to make a house safer**



\*as of 12/1/2016

## OVER \$13 BILLION OF PROTECTION

At the core of CEA's financial strength is our capital—from \$700 million when CEA opened for business 20 years ago, to more than \$5 billion today, with CEA benefiting from consistently positive retained earnings.

CEA achieves its full insuring capacity by securing catastrophe risk-transfer products from the global reinsurance and capital markets.

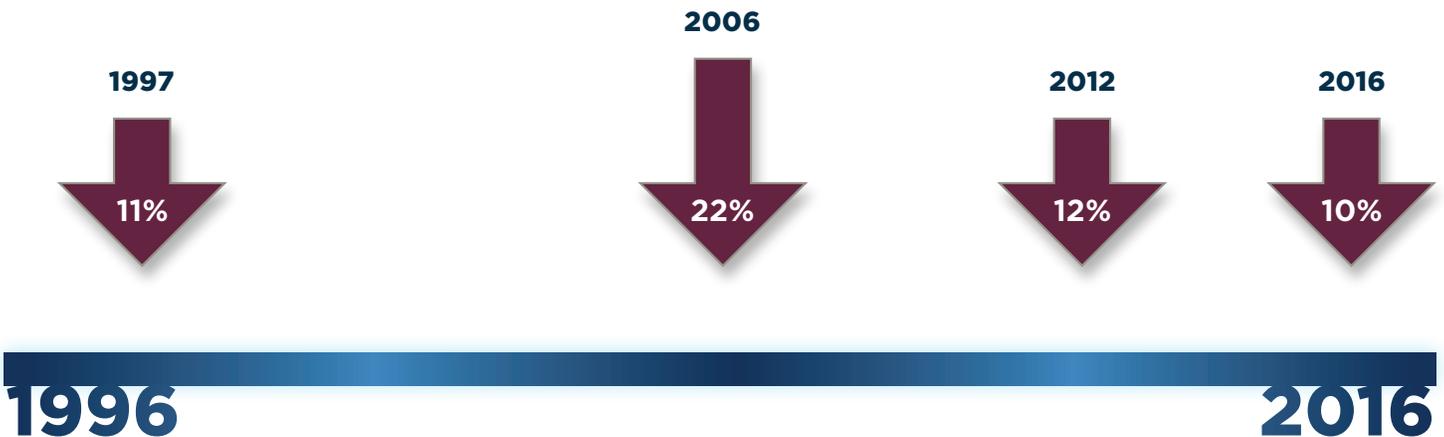
Under the California law that created it, CEA rates must allow CEA to remain financially sound and able to pay its covered claims. That means its rates must be set in an actuarially sound manner, based on the best available science. CEA projects its claim-paying-capacity needs by applying results from the three leading commercial catastrophe-loss-modeling firms: CoreLogic, RMS and AIR-Worldwide.

CEA is efficiently managed. About 83 percent of CEA's revenues are dedicated to providing or funding claim-paying capacity. About 14 percent of revenues go to agent commissions and participating insurer fees. And less than 6 percent is devoted to CEA operating expenses. None of the premium CEA receives goes to profit.

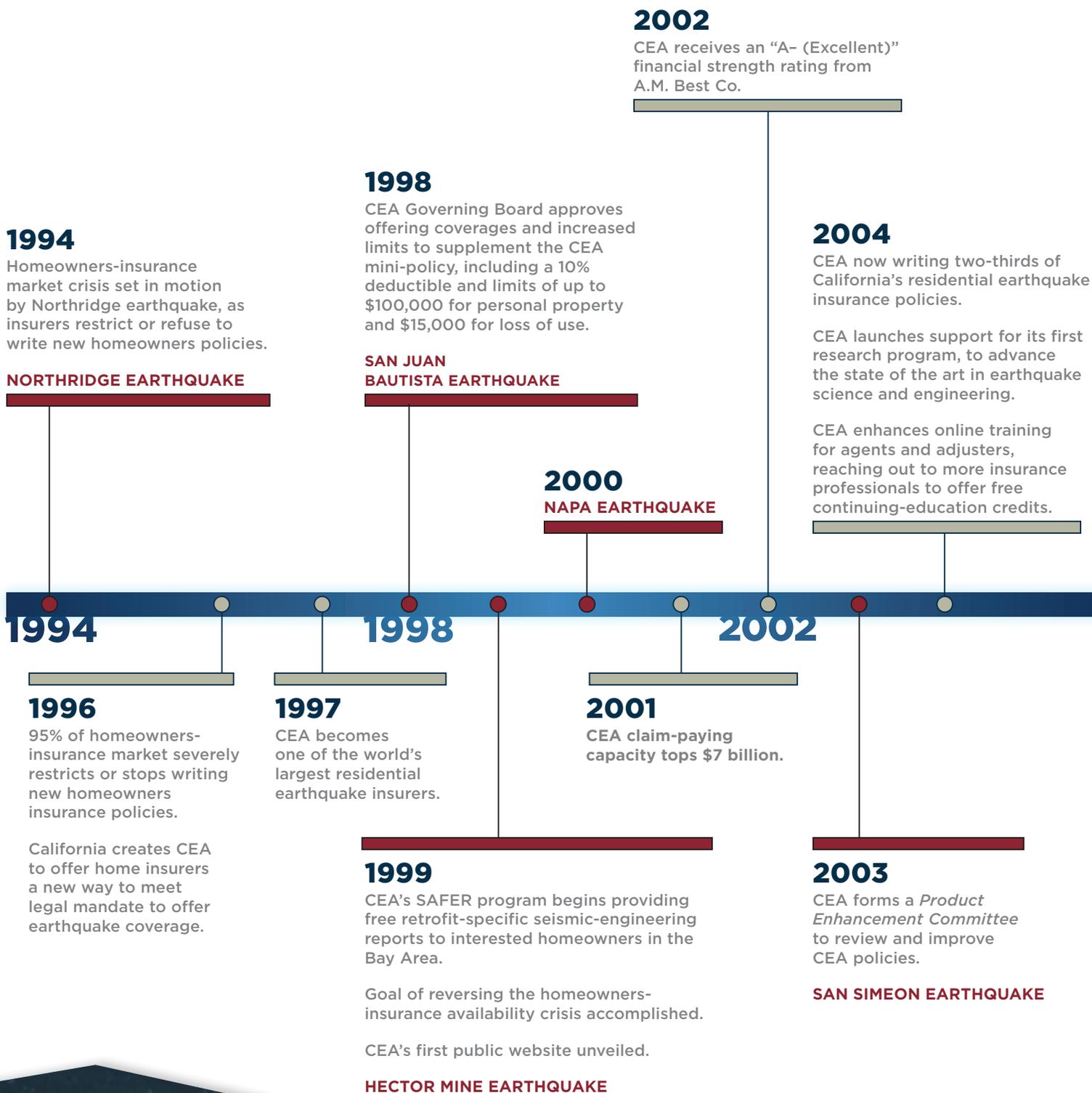
## CEA'S COMMITMENT TO LOWER RATES

CEA has lowered its rates by a combined 55%. Without these rate reductions, the average CEA premium today would be more than twice as high.

**> Our Mission**  
Educate Mitigate Insure



# MILESTONES IN CEA HISTORY



## 2006

85% of CEA policyholders experience a rate reduction after CEA proposes and receives approval for a statewide-average rate decrease of 22%.

CEA supports and sponsors the expanded reach of the earthquake-information brochure *Putting Down Roots in Earthquake Country*, including new translations into Spanish and Asian languages.

## 2008

CEA sponsors and participates in the first Great Southern California ShakeOut, the largest earthquake drill in U.S. history.

### CHINO HILLS EARTHQUAKE

## 2010

CEA facilitates adoption of the first-ever California Building Code to guide seismic retrofits of *existing* woodframe houses.

## 2008

## 2009

CEA supports and funds new research projects UCERF3 and NGA-West 2, representing CEA's ongoing commitment to advancing the evolution of earthquake science and engineering.

## 2011

CEA and CalOES combine to create CRMP—the California Residential Mitigation Program—a homeowner seismic-retrofit-grant program.

CEA gives ample support to developing FEMA P-50: an evaluation and grading tool for home inspectors when evaluating a house for seismic and structural vulnerabilities. Incorporating guidance from USGS, CalOES and FEMA P-50-1, the tool also recommends loss-mitigation steps to improve the house's seismic-performance grade.

## 2012

American Red Cross and CEA join forces, to promote ShakeOut and the *Get Prepared, California!* Auction, which raises over \$180,000 to benefit Red Cross preparedness efforts in California.

CEA mitigation programming re-focuses efforts on three areas: guidelines development, mitigation research, and an incentive program.

## 2013

CRMP Earthquake Brace + Bolt pilot retrofit program launched.

The Western States Seismic Policy Council recognizes CEA with its *Award in Excellence for Educational Outreach*.

## 2012

## 2014

CEA joins forces with United Policyholders to promote earthquake insurance for renters in San Francisco and Oakland.

### LA HABRA EARTHQUAKE

### NAPA EARTHQUAKE

## 2015

State of California appropriates \$3 million to Department of Insurance, then granted to CEA to fund CRMP retrofit grants.

## 2016

CEA introduces more coverage choices and more deductible options, and again lowers rates.

CRMP Earthquake Brace + Bolt targets 1,600 retrofits in 18 cities.

## 2016

## 20 YEARS OF PRODUCT ENHANCEMENTS

CEA COVERAGE	1996	1999	2012	2016
	Original CEA Policy	First Expansion	Homeowners Choice	More Options, More Affordable
Structure	Full	Full	Full	Full
Deductible	15%	10% & 15%	10% & 15%	5%, 10%, 15%, 20% & 25%
Personal Property	\$5,000	Up to \$100,000	Up to \$100,000	Up to \$200,000
Loss of Use No deductible	\$1,500	\$1,500	Up to \$25,000	Up to \$100,000
Emergency Repairs	5% of covered property, deductible applies	5% of covered property, deductible applies	5% of covered property, no deductible on first \$1,500	5% of covered property, no deductible on first \$1,500
Mitigation Discount	None	5% since CEA Inception	5%	Up to 20%

When it launched in 1996, CEA offered only a mini policy—the minimum-coverage policy authorized in 1995. But CEA has worked hard to offer a broader range of insurance options: In 2012 we introduced Homeowners Choice policies, to permit policyholders to make their earthquake coverage more flexible, with meaningful personal property and loss of use coverage limits.

Our 20th year has seen the most expansive product offerings in CEA history, including new options for deductibles and additional coverages and limits. CEA also again reduced rates and increased premium discounts for houses with code-compliant retrofits.

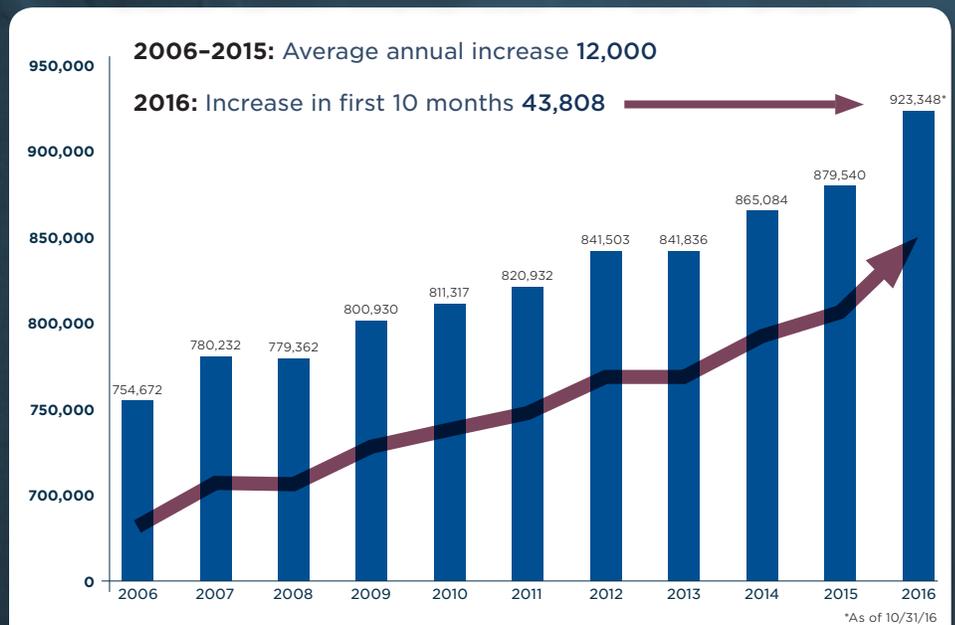
### MORE CALIFORNIANS

*choosing a CEA policy that meets their needs and budget.*

It's a matter of when, not if, California's next damaging earthquake will strike. Scientists say there's over a 99-percent chance a magnitude-6.7 quake will hit California in the next 30 years. CEA never stops working to help Californians get ready for that day.

And more Californians are getting prepared for the next big one, getting a CEA policy and taking an active role in planning their earthquake recovery. From 2010 through 2016, take-up of CEA policies increased, but in 2016, CEA policy sales have increased dramatically—we expect that trend to continue into 2017.

### SIGNIFICANT INCREASES IN POLICY SALES



# PREMIUM CALCULATOR

CEA has made our online premium calculator—free and accessible to any visitor to the website—more streamlined and more user-friendly, with sliders and an estimated premium that changes with each policy-feature change. Now agents and customers alike can easily choose the policy most aligned to needs and budgets.



Use CEA's new premium calculator at  
*EarthquakeAuthority.com*  
**Earthquake Insurance You Can Afford**

# PARTICIPATING INSURERS

From the start, CEA was designed for efficiency. Rather than create a new and costly network of agents and claim adjusters, CEA relies on the agents and adjusters of our participating insurers.

CEA doesn't sell or service policies or adjust claims itself. To provide the best customer service, while maintaining financial efficiency and keeping premiums as low as possible, CEA works through participating insurance companies, whose thousands of professional agents sell CEA policies, and whose experienced adjusters adjust claims on CEA's behalf.



# NOTABLE EARTHQUAKES IN CEA HISTORY

