

The background of the slide is a complex, abstract network diagram. It features a dense web of thin, light gray lines connecting various circular nodes. The nodes vary in size and color, including dark blue, light blue, and gray. Some nodes are highlighted with larger, concentric circles. The overall aesthetic is modern and technological, suggesting a global or interconnected theme.

KEY DECISIONS IN EARTHQUAKE INSURANCE

SCEC Annual Meeting September 2026

SETTING THE STAGE

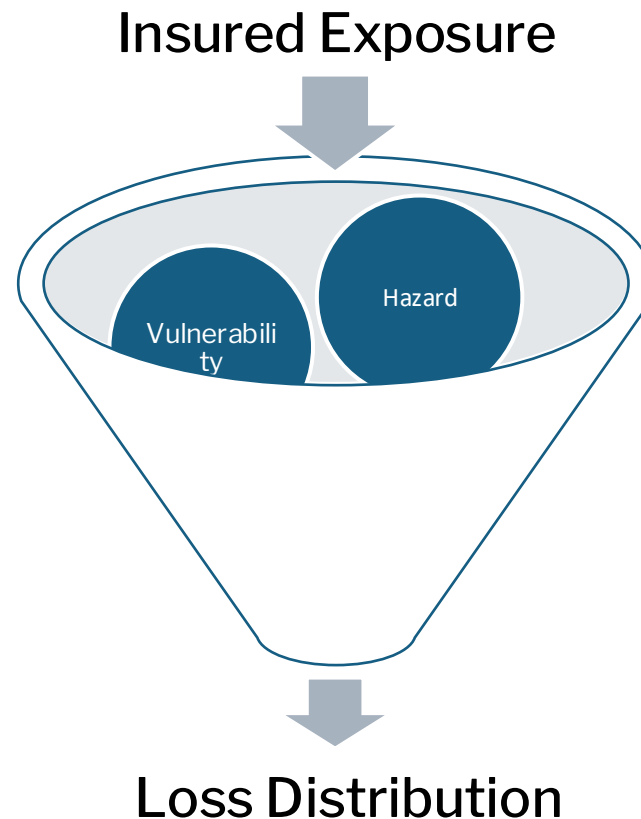
- USUAL DISCLAIMER: The statements and opinions expressed are mine and do not necessarily represent the statements or opinions of the California Earthquake Authority, the CEA Advisory Panel or the CEA Governing Board.
- Insurance is simply the exchange of a certain premium for an uncertain risk.
 - Without uncertainty there is no need for insurance.
 - The greater the uncertainty the greater the cost.

SETTING THE STAGE

- In California every residential insurer must offer earthquake coverage to its policyholders - - Mandatory offer law
- In California residential EQ insurance is primary written by the California Earthquake Authority (CEA). Numerous additional admitted and non-admitted insurers provide coverage.
- CEA is a quasi-governmental instrumentality of the State of California
 - Not a state agency and is not funded through the state budget.
 - Voluntary for insurers – 71% of residential insurance market opted in initially
 - Guaranteed source of residential earthquake insurance for member insurer policyholders
 - Publicly managed / Privately funded

ESTIMATED LOSSES

- To estimate earthquake losses, all insurers use catastrophe-loss models.



KEY DECISIONS

HOW MUCH MONEY DO
WE NEED TO HAVE
AVAILABLE TO PAY
CLAIMS?

HOW MUCH TO CHARGE
A POLICYHOLDER TO
FAIRLY REFLECT THEIR
RISK?

WHAT FAULTS ARE
DRIVING THE RISK?





LOCATION, LOCATION,
LOCATION