KEY DECISIONS IN EARTHQUAKE INSURANCE

SCEC Annual Meeting September 2026

SETTING THE STAGE

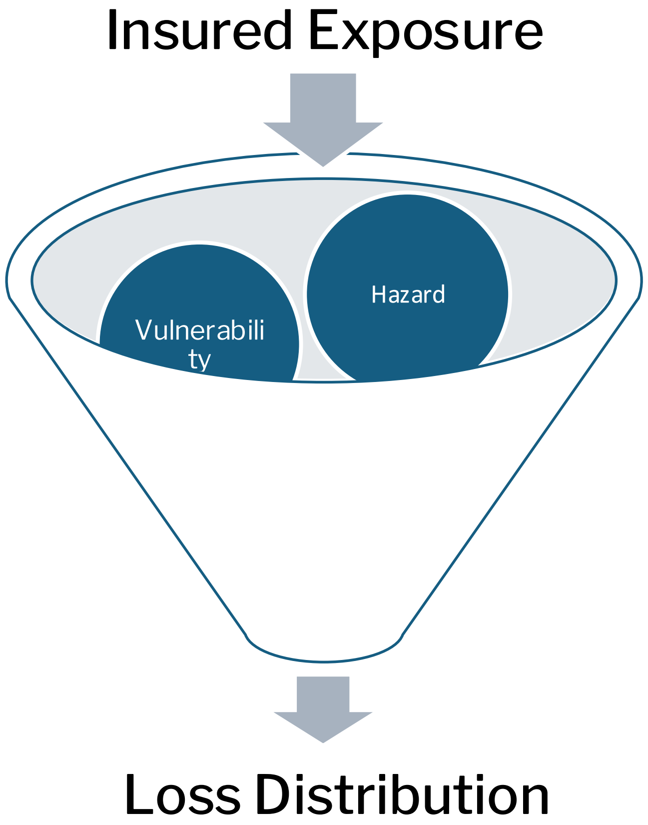
- USUAL DISCLAIMER: The statements and opinions expressed are mine and do not necessarily represent the statements or opinions of the California Earthquake Authority, the CEA Advisory Panel or the CEA Governing Board.
- Insurance is simply the exchange of a certain premium for an uncertain risk.
  - 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