



A Public Instrumentality of the State

August 20, 2018

PUBLICLY MANAGED • PRIVATELY FINANCED

A not-for-profit provider of residential earthquake insurance

GOVERNING BOARD: Governor
Insurance Commissioner
State Treasurer

Non Voting: Assembly Speaker and
Senate Rules Chair

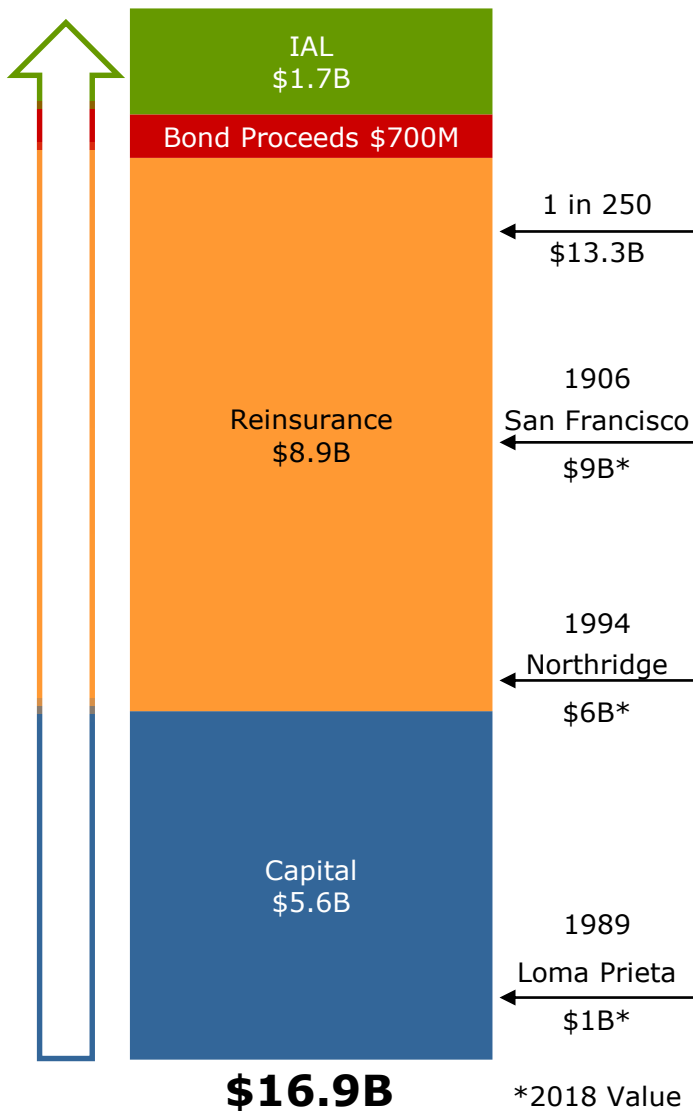
PRIVATELY FINANCED: 1,047,000 Policyholders

MISSION: Educate
Mitigate
Insure

Rating Agencies require CEA to plan for a 1 in 400 year earthquake

CEA/2018

1 in 400



CEA pays claims from the bottom up of the tower.

Planning to a 1 in 400 level requires CEA to rely heavily on reinsurance (insurance for insurance companies).

Since CEA's Inception in 1996:

CEA policyholder premium: **\$10.9B**

CEA reinsurance premium: **\$4.3B**

Reinsurance claims paid to CEA: **\$250,000**

Most private insurance companies plan for 1 in 250 year earthquake

Standard for private insurance companies

1 in 250

Claim-Paying Capacity

Most insurance companies that offer earthquake policies plan for a 1 in 250 year earthquake – an event so large there is only a **.4% probability** of it occurring.

Because these companies are “multi-line”, if an extremely unlikely earthquake were to occur that is larger than planned for, they have other backstop resources from which to draw – such as:

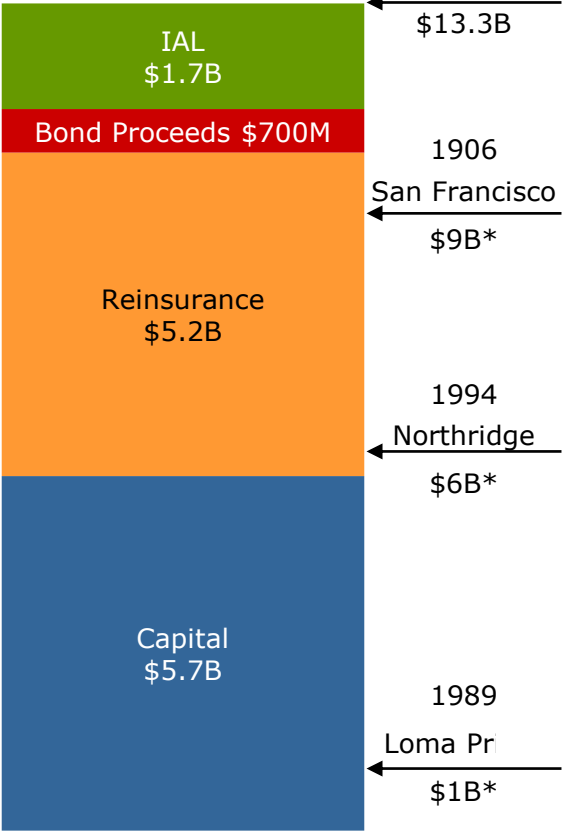
- Surplus
- Owner’s Equity
- Capital Markets
- Other affiliated companies

If CEA planned for a 1 in 250 year level – it would look like this:



Hypothetical

1 in 250



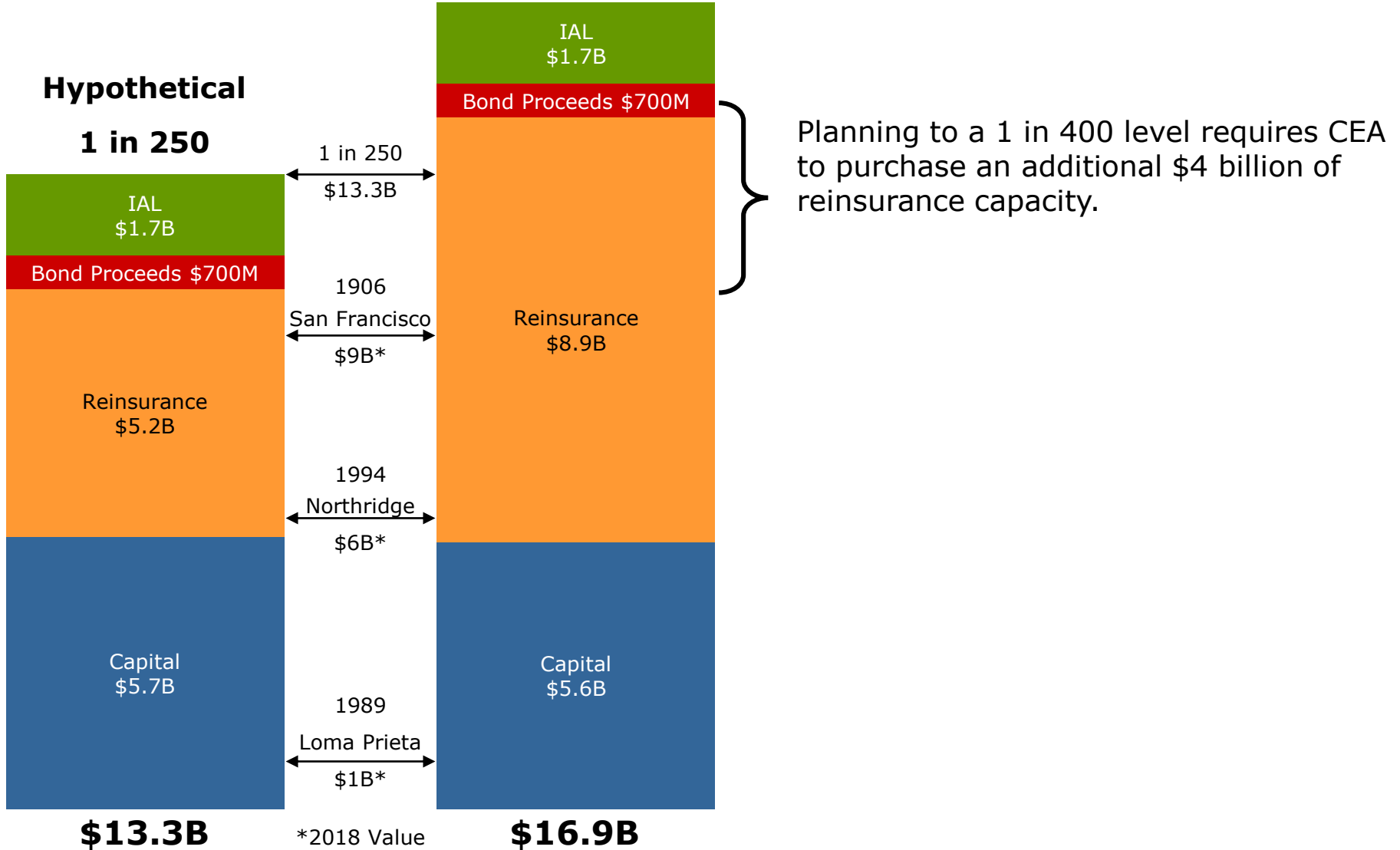
\$13.3B

*2018 Value

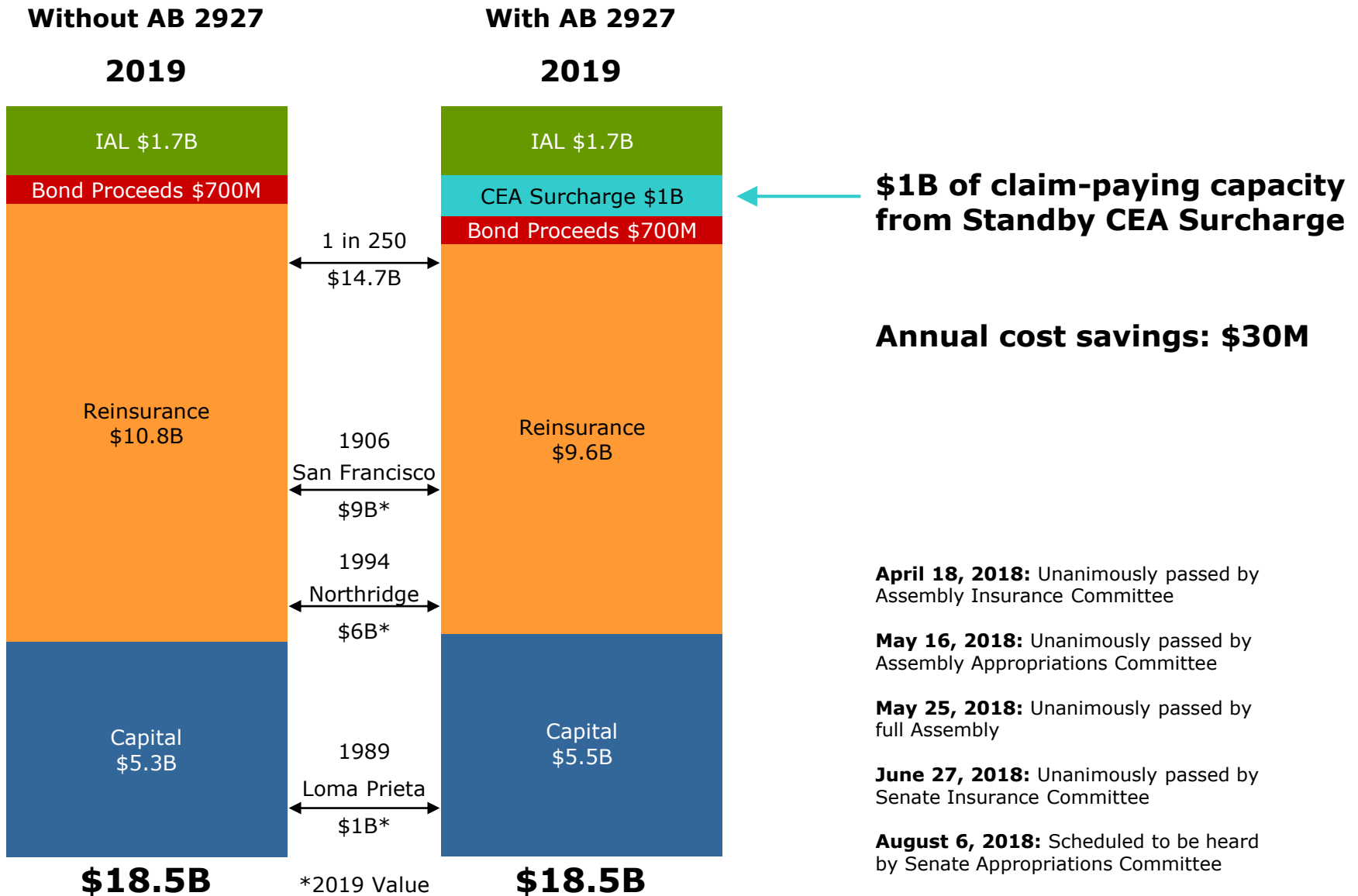
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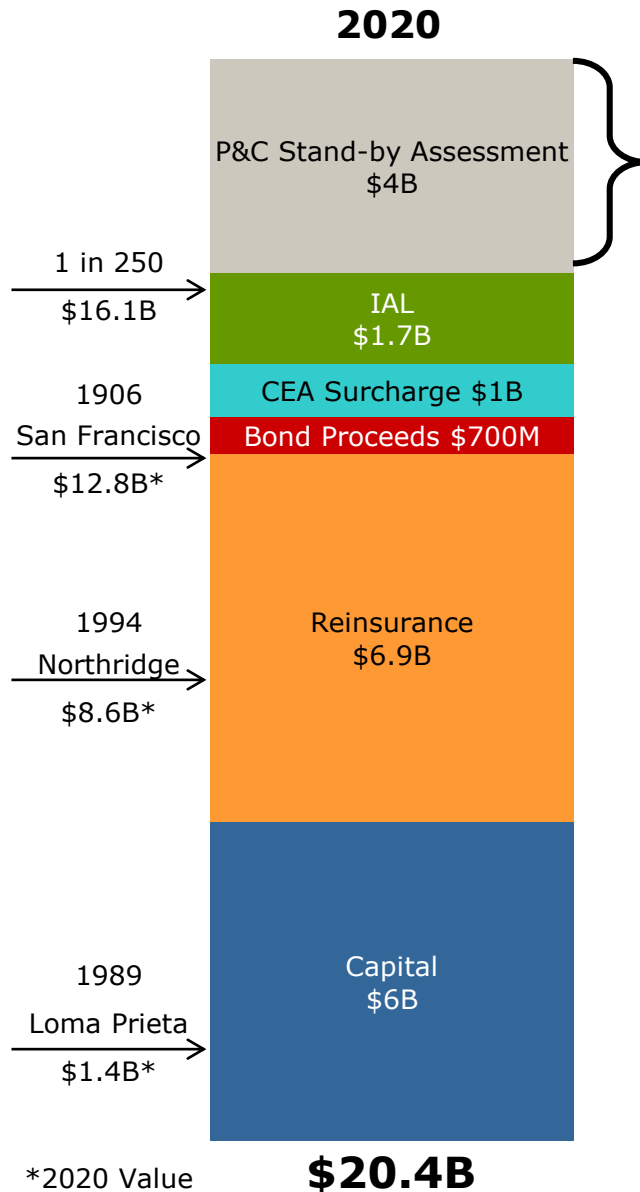
1 in 400



AB 2927: Pending in California Senate



Concept



Establish a 2% Stand-by Assessment Capability on property & casualty policies (excluding worker's comp)

Affordable Earthquake Insurance and a Natural Disaster Resiliency Fund

Every year... CEA's reinsurance expenses would be reduced by approximately \$200M per year.

- 50% of the savings would be used to keep **CEA rates affordable** and **increase capital** to pay claims.
- The other 50% would fund the **Natural Disaster Resiliency Fund**.