



**The Strength to Rebuild.<sup>SM</sup>**

**Daniel P. Marshall, III**  
General Counsel

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# The CEA – by the numbers

- Publicly managed, privately financed residential earthquake insurer
  - **Not part of—and not supported by—the sovereign.**
- More than 800,000 policies in force
  - Largest residential EQ provider in U.S.
  - 70% of residential EQ exposures in California
  - Only 10% of California households have earthquake coverage.
- \$9.658 billion in claim-paying capacity
  - \$3.05 billion in risk transfer, including \$150 million from new transformer cat bond (Embarcadero Re)
- Most recent, up-to-date and complete CEA Financial Report:  
[http://www.earthquakeauthority.com/UserFiles/File/10-27-2011\\_GB\\_Attachments/AI04.pdf](http://www.earthquakeauthority.com/UserFiles/File/10-27-2011_GB_Attachments/AI04.pdf)

# Privately funded

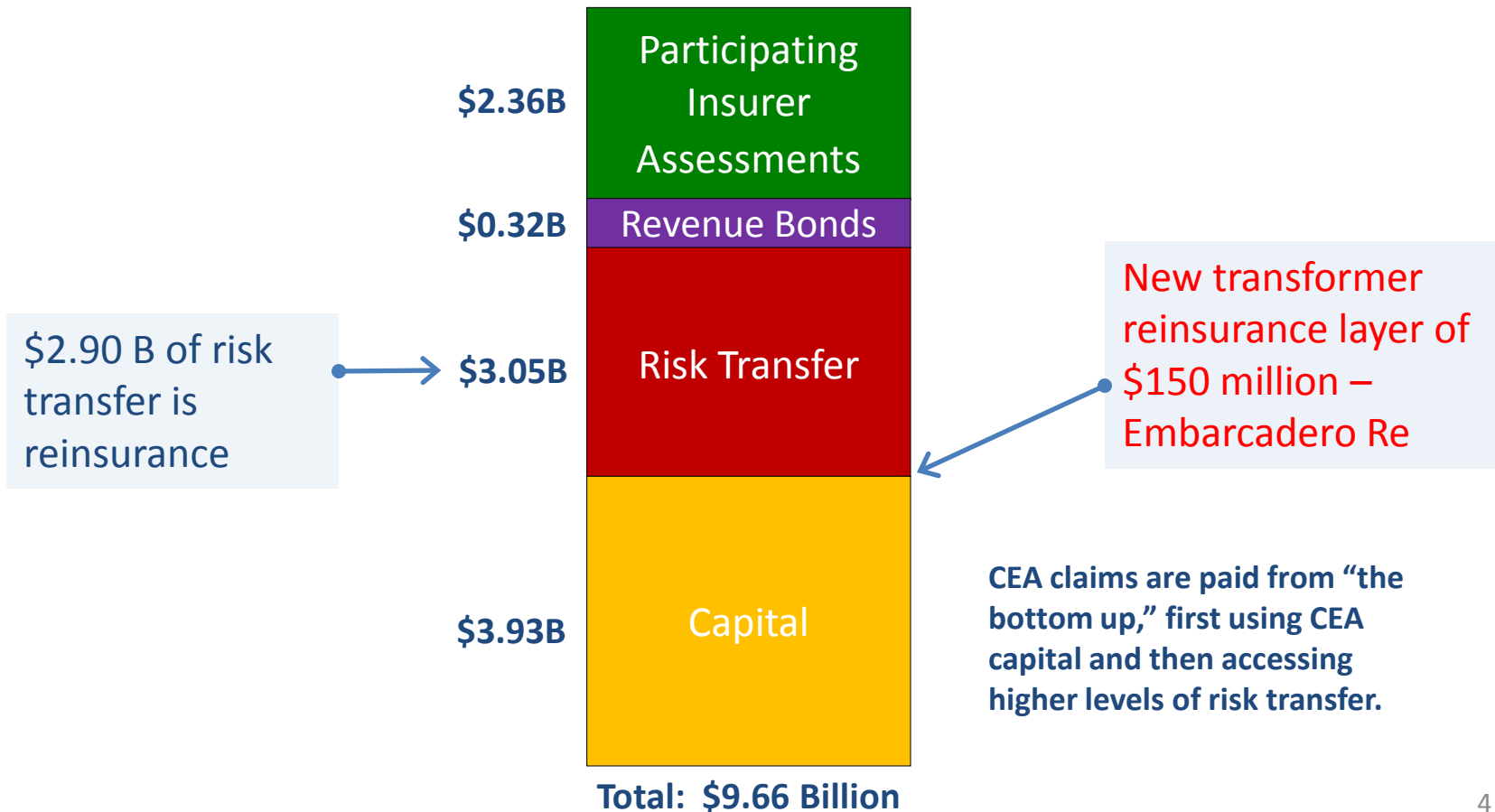


FARMERS



# CEA claim-paying capacity

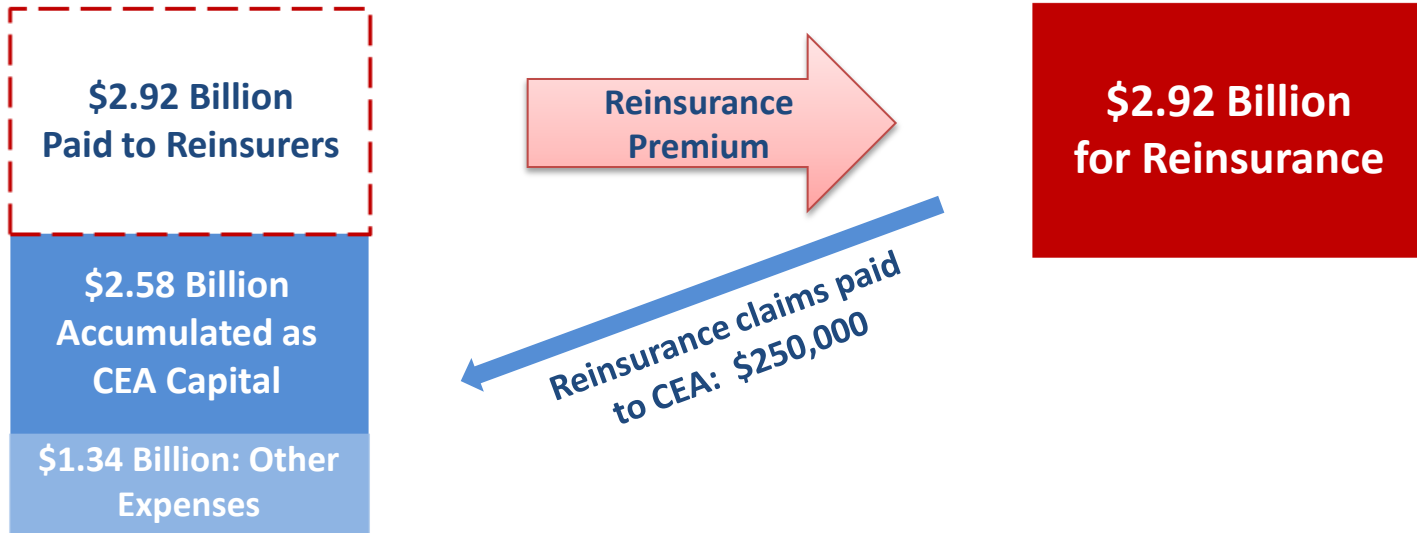
## 2011 Financial Structure 1-in-568 years (at 8-31-2011)



# 40% of CEA-policyholder premium goes to reinsurers

Premium Received: \$6.77B

Paid to Reinsurers: \$2.92B



The way forward for the CEA is to **diversify capital sources** with post-event, guaranteed debt.

- Reduce policyholders costs
- Increase CEA's ability to offer more coverage options
- Improve long-term stability of the CEA
- More households with EQ insurance, less cost to federal/state treasuries
- Faster and more complete community economic recovery post-event

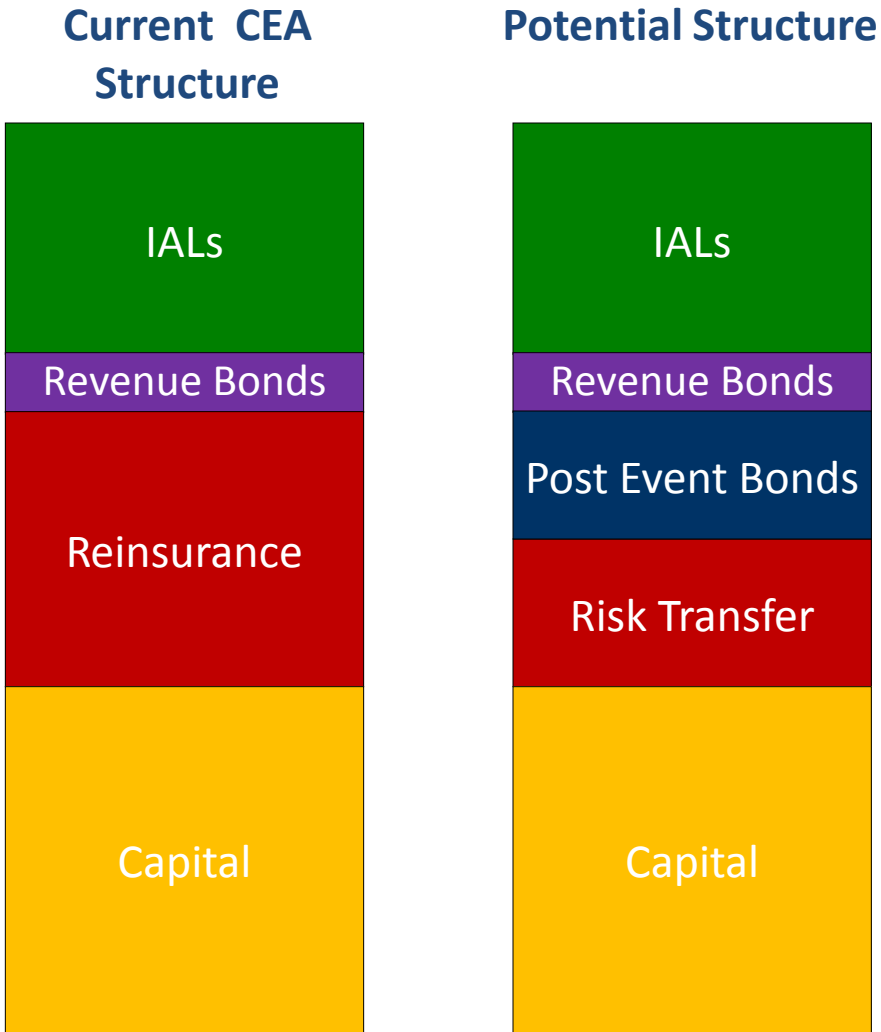
# Diversifying by legislation: Senate Bill 637 and House of Representatives Bill 3125



## The Earthquake Insurance Affordability Act

- US Congress considering legislation authorizing U.S. Treasury to create a committed federal guarantee for post-event bonds issued by eligible state programs.
- Total program = \$5 billion.
- Allows other US states to create EQ programs, **working with private markets.**

# Risk-transfer diversification: lower costs, increased financial strength



- Limited post-event bonds will replace **some** reinsurance.
- Probability of borrowing less than 2%.
- More flexible capital-management strategies (cat bonds, etc.) will make CEA cover more affordable and **strengthen CEA for subsequent events.**