

Date of Hearing: April 15, 2026

ASSEMBLY COMMITTEE ON INSURANCE
Lisa Calderon, Chair
AB 1554 (Calderon) – As Amended March 2, 2026

SUBJECT: California Earthquake Authority

SUMMARY: Requires the California Earthquake Authority (CEA) to provide the annual report to the Senate Committee on Insurance and the Assembly Committee on Insurance. Specifically, **this bill:**

- 1) Requires CEA to post on the CEA's website the certified examination and verification report.

EXISTING LAW:

- 1) Establishes the CEA as a quasi-public insurance company that provides earthquake insurance to policyholders of "participating insurers." (Insurance (Ins.) Code, Section 10089.6)
- 2) Requires the CEA to annually report to the Legislature and the Insurance Commissioner (IC) on the CEA program operations, including the financial condition of the CEA, a description of rates and rating plans approved, an evaluation of CEA efforts toward making residential property insurance and residential earthquake insurance more available, and other specified requirements. This report is due by August 1 of each year. (Ins. Code, Section 10089.13)
- 3) Specifies that in verifying the matters contained in the annual report, the Department of Finance shall approve independent qualified auditors selected by the IC to examine the books and accounts regarding all matters of the financial and program operations of the CEA. (Ins. Code, Section 10089.13)
- 4) Provides that the CEA is governed by a Board comprised of the Governor, the IC, and the State Treasurer as voting members, with a Senate and an Assembly appointee as non-voting members. (Ins. Code, Section 10089.7)

FISCAL EFFECT: Unknown

COMMENTS:

- 1) *Purpose of the bill:* This measure provides greater transparency to the Legislature and the public by clarifying that the annual report must be submitted to the relevant policy committees, and additional information posted to the CEA internet website.
- 2) *Background:* As a publicly managed entity organized to provide earthquake insurance to Californians, the operations of the CEA are important to its customers and potential customers. The CEA is the largest provider of residential earthquake insurance in the United States. At present, although California public policy strongly favors the public to consider purchases of earthquake insurance, and a mandatory offer of earthquake insurance is required by law when a person purchases a homeowner's policy and every two years thereafter, nonetheless, only about 12% of California homeowners buy earthquake insurance. CEA ended 2024 with 1,000,249 policies in force.

Providing for broader dissemination of the CEA Annual Report may tend to support greater visibility of the availability in California of earthquake insurance and is consistent with transparency in government.

- 3) *CEA*: CEA was formed through legislation in 1995 and 1996 to primarily address a homeowners-insurance availability crisis that followed the 1994 Northridge earthquake. After that earthquake, many homeowners found it difficult, and in some cases impossible, to find basic homeowners' insurance. Many others were faced with the prospect of having their homeowners insurance non-renewed as insurance companies tried to shed their exposure to earthquake risk. Because state law required insurers to offer earthquake insurance biennially to both residential policy applicants and current residential policyholders, the insurers' retreat from the California market resulted in an availability crisis for homeowner's earthquake insurance. The California Department of Insurance (CDI) reported in summer 1996, at the height of the crisis, that 95 percent of the homeowners-insurance market had either stopped or severely restricted sales of new homeowners' policies. Today, CEA continues in its role as the largest residential earthquake insurer in California with slightly over 62% of the residential earthquake insurance market. CEA participating insurers are responsible for 70% of California's residential property insurance

CEA operates as essentially a "take-all-comers" insurer for personal residential earthquake insurance coverage. Any consumer that has a personal residential property insurance policy with a CEA participating insurer is eligible to buy a CEA policy provided there is no unrepaired structural earthquake damage at the insured location.

REGISTERED SUPPORT / OPPOSITION:

Support

None on file.

Opposition

None on file.

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