

PROPOSITION 26: Earthquake Agency Pursuing Legislation to Implement Hidden Tax on Residential Insurance Policyholders

The California Earthquake Authority (CEA) said December 17 that it will move forward to draft legislation to impose an “assessment” on residential insurance policyholders – in clear violation of Proposition 26 - with the goal of raising funds to prepare the state for the next big quake.

CEA Chief Executive Office Glenn Pomeroy said the “assessment” would provide a “societal good.” He added that the “assessment” would provide a “savings” to the agency that could be used to reduce CEA’s earthquake insurance rates, mitigate future earthquake damage, and establish an early-warning earthquake system.

Currently, residential policyholders have the option to purchase earthquake coverage through the CEA. Mr. Pomeroy said this coverage could be reduced by a mandatory “assessment” imposed on residential policyholders. Also, he said the “assessment” could help fund an early warning earthquake system, which he said has been in the “dreams of so many.”

According to Mr. Pomeroy’s presentation, the charge would be imposed at a rate of 1 percent on residential premiums, which he said would be about \$10 annually for most policyholders.

As described, the “assessment” would be a tax under Proposition 26, and would require a two-thirds vote in the Legislature. Under the proposed “assessment,” some payors could receive a direct service, while other payors would not.

During the December 17 meeting, Mr. Pomeroy noted that CEA has not yet determined which member of the Legislature will carry the proposal.

No public testimony about the proposal was accepted at the meeting. Mr. Pomeroy said the agency will hold a board meeting in January or February to obtain formal approval from the CEA, explaining that he wanted to give incoming State Treasurer John Chiang an opportunity to review the proposal.