Date of Notice: Monday, October 15, 2012

PUBLIC NOTICE

A PUBLIC MEETING OF THE GOVERNING BOARD
OF THE CALIFORNIA EARTHQUAKE AUTHORITY

NOTICE IS HEREBY GIVEN that the Governing Board of the California Earthquake Authority ("CEA") will meet in West Sacramento, California. Pursuant to California Insurance Code §10089.7, subdivision (j), the Bagley-Keene Open Meeting Act applies generally to meetings of the Board, and the meeting is open to the public—public participation, comments, and questions will be welcome for each agenda item. All items are appropriate for action if the Governing Board wishes to take action. Agenda items may be taken out of order.

LOCATION: **CalSTRS Headquarters Building**
Boardroom – Lobby, E-124
100 Waterfront Place
West Sacramento, California

DATE: **Thursday, October 25, 2012**

TIME: **1:00 p.m.**

AGENDA:

1. Call to order and member roll call:

   Governor
   Treasurer
   Insurance Commissioner
   Speaker of the Assembly
   Chair of the Senate Rules Committee

   Establishment of a quorum

This CEA Governing Board meeting will be broadcast <u>live</u> on the Internet. Please wait until the official start time of the meeting before clicking on either icon:

Audio

Video (with audio)

If you are unable to log into the meeting please call the CEA at (916) 325-3800 for assistance.

2. Consideration and approval of the minutes of the August 23, 2012, Governing Board meeting.

3. Executive report by Chief Executive Officer Glenn Pomeroy; assisted by CEA executive staff, Mr. Pomeroy's report will include an update for the Board on federal and state legislative activities of interest to the CEA. Mr. Pomeroy will introduce Dr. Lucile Jones, Science Advisor for Risk Reduction, United States Geological Survey (USGS).

4. Chief Communications Officer Chris Nance will provide the Board with an update on the CEA's Marketing Value Program (MVP) and the fifth annual ShakeOut drill.

5. Chief Financial Officer Tim Richison will present the periodic CEA financial report.

6. Mr. Richison will present for Board approval the CEA's 2013 risk-transfer program, effective January 1, 2013.

7. Kapil Bhatia, Director of Public Finance, and Rick Patterson, Managing Director of Public Finance, Raymond James & Associates, Inc., the CEA's independent financial advisor, will present to the Board the annual report on the state of the economy.

8. Chief Mitigation Officer Janiele Maffei will update the Board on the CEA's mitigation programming, including its participation in the California Residential Mitigation Program.

9. Ms. Maffei will present to the Board a summary of the building-code related "Guidelines-Development Workshop," which the CEA co-hosted with the Federal Emergency Management Agency (FEMA), on September 17, 2012, in Millbrae, California.

10. Staff will present for Board consideration and approval a proposed 2013 Governing Board meeting calendar.

11. The Board will meet in closed session to discuss personnel matters and litigation matters, as permitted by California Government Code section 11126, subdivisions (a) and (e), respectively.

12. Public comment on items that do not appear on this agenda and public requests that those matters be placed on a future agenda.

13. Adjournment.

For further information about this notice or its contents:

General Information:
Susan Pitton
(916) 325-3800
Toll free (877) 797-4300

California Earthquake Authority
801 K Street, Suite 1000
Sacramento, CA 95814-3518
Toll free (877) 797-4300

Media Contact:
Chris Nance
Chief Communications Officer
(916) 325-3827 (Direct)
nancec@calquake.com

To view this notice on the CEA Web site or to learn more about the CEA, please visit www.EarthquakeAuthority.com

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Persons with disabilities may request special accommodations at this or any future Governing Board meeting or may request the accommodation necessary to receive agendas or materials the CEA prepares for its Board meetings.

Please contact Susan Pitton by telephone, toll free, at (877) 797-4300 or by email at pittons@calquake.com. We would appreciate hearing from you at least five days before the meeting date to best allow us to meet your needs.

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Draft Meeting Minutes are not available.

Please see CEA Governing Board Meeting Approved Minutes.

Governing Board Memorandum

October 25, 2012

Agenda Item 3:	Executive Report by Chief Executive Officer Glenn Pomeroy
Recommended Action:	No action required – information only

Chief Executive Officer Glenn Pomeroy will present his Executive Report to the Board; assisted by CEA executive staff, Mr. Pomeroy will update the Board on federal and state legislative activities of interest to the CEA.

Mr. Pomeroy will introduce Dr. Lucile Jones, Science Advisor for Risk Reduction, United States Geological Survey (USGS).

Governing Board Memorandum

October 25, 2012

Agenda Item 4:	Update on the CEA's Marketing Value Program (MVP) and the fifth annual ShakeOut™ drill
Recommended Action:	Information only

Background:

CEA's Marketing Value Program (MVP) will complete its second year of implementation in 2012. New to 2012 is the co-branding effort with American Red Cross (Red Cross). The CEA and Red Cross joined forces by combining programs, expertise, resources, and messages to help more people prepare to survive and recover from California's next damaging earthquake.

CEA programming was promoted through two different annual events. Joined-forces campaigns created in 2012 featured the first statewide *Get Prepared, California!* auction (which raised $180,000) to benefit Red Cross during Earthquake Preparedness Month in April, and the *Traveling Red Table*™ to promote the *Great California ShakeOut*™ in October.

Approximately 55 percent of the CEA's combined direct-mail and paid-media budget was dedicated to co-branding with Red Cross. Working under-budget, the CEA doubled its television-network participation, targeted two additional, designated market areas, and expanded its year-round online marketing, to deliver about 620 million impressions to consumers statewide.

This year's MVP offered two mailings of 200 free, postage-paid, co-branded postcards (see *Attachment A*) for 4,168 registered agent/producers to send to non-CEA policyholders, custom fulfilled in agent/company names, with an option to request additional direct mail (50–100) pieces in Spanish and Chinese. The first mailing featured the auction, and the second mailing promoted the ShakeOut™.

Additionally, through a pilot program targeting renters, 20,000 pieces of direct mail to non-CEA policyholders were distributed throughout the cities of San Francisco, Los Angeles, and San Diego by participating-insurer agents/producers with business addresses in those ZIP Codes.

Two mailings of similar, co-branded postcards were distributed by the CEA to its policyholders to encourage the renewal of CEA policies, while also promoting the auction and the ShakeOut™.

Finally, the 2012 MVP re-used television and radio advertising spots produced in 2011. Messages used in CEA's broadcast-media programming produced very high "Overall Reaction" and "Net Brand Gain" scores in independent television-advertising-performance research results.

And most important, under a budget of $9,239,714, the 2012 MVP was based solely on costs projected for increasing by 16,317 CEA homeowner policies-in-force.

Analysis:

CEA used social science, branding, and new-policyholder marketing and message research results to develop communications programming that seeks to make earthquake preparedness a part of California culture. With that goal in mind, the CEA worked closely with Red Cross through a joined-forces strategy to implement a statewide auction during Earthquake Preparedness Month, and the Traveling Red Table™ to promote the ShakeOut™.

Created *Get Prepared, California!* auction during Earthquake Preparedness Month:

- Worked with Clear Channel Media + Entertainment to promote cause
- Created Web site at www.GetPreparedCalifornia.org
- Identified numerous unique items to attract bidding and interest in Web site
- Promoted earthquake preparedness statewide for one month
- Raised more than $180,000 to benefit Red Cross
- Generated more than 104 million impressions

Created *Traveling Red Table™* to promote the *ShakeOut™* (see *Attachment B*):

- Worked with Clear Channel Media + Entertainment to promote cause
- Redirected www.GetPreparedCalifornia.org Web site to www.TravelingRedTable.org
- Identified numerous venues to attract celebrity participation including:
  - ✓ Mario Lopez – Actor, Host – "Extra" TV Series
  - ✓ Shamu and Friends – Orcas – SeaWorld, San Diego
  - ✓ Antonio Villaraigosa – Mayor – City of Los Angeles
- Promoted individual registration in ShakeOut™ for one month
- Total ShakeOut™ registration exceeded 9.3 million Californians
- Generated more than 54 million impressions

In a yet another area of MVP implementation, CEA used research results to support a year-round online marketing program focused exclusively on encouraging people considering earthquake insurance to contact their agents to buy CEA policies. Digital static, Flash, and rich-media ads were produced to support four different online campaigns (see *Attachment C*):

- "Blueprint"
- "Lifeline"
- "What Moves You"
- "House of Cards"

People seeking more information about CEA earthquake insurance clicked on one of the four ads to reach one of two CEA landing pages before clicking through to the Premium Calculator on CEA's Web site (see *Attachment D*):

- Homeowners
- Renters

CEA's online marketing program has exceeded expectations:

- Pacing ahead in message delivery, exceeding 317 million impressions to date
- CEA's Web-site traffic has more than quadrupled year-over-year from 81,000 visitors May–September 2011, to 373,000 visitors during the same period in 2012, producing 269,000 campaign visitors.
- The CEA-Web-site visitors produced by CEA's online-marketing programs are spending about two minutes per visit (2:04 for homebuyers/1:52 for renters).
- Click-through rates are up 14.5 percent and costs-per-click are down 15 percent since launch.
- Despite launching later in home-buying season, campaign traffic is not slowing down.
- CEA's Facebook™ program already has delivered 32 million impressions.
- Rich-media ads delivered the highest click-through rates.
- "Lifeline" rich-media units delivered the highest overall engagement.

Summary results for 2012 MVP thus far:

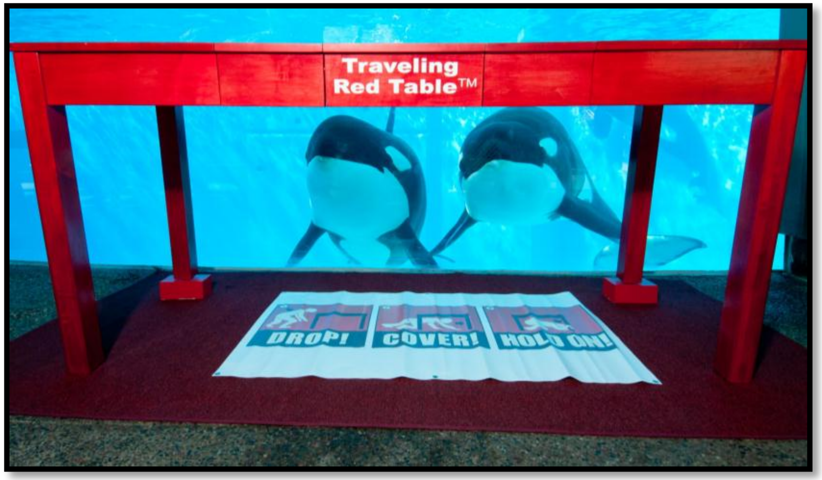
- More than 158 million impressions delivered through broadcast media.
- About 2.76 million pieces of direct mail delivered.
- Most important, for the first time in CEA history, there is more CEA Web-site traffic coming from consumers considering earthquake insurance than from agents using the premium calculator:
    - ✓ CEA's online marketing program has delivered a shift in Web-site traffic from 63 percent of traffic coming from returning visitors (agents using the premium calculator) to more than 65 percent coming from new visitors (consumers considering earthquake insurance).
    - ✓ After clicking through online static, Flash, and rich-media ads, consumers thus far have expended more than 500,000 minutes considering earthquake insurance information on CEA landing pages.

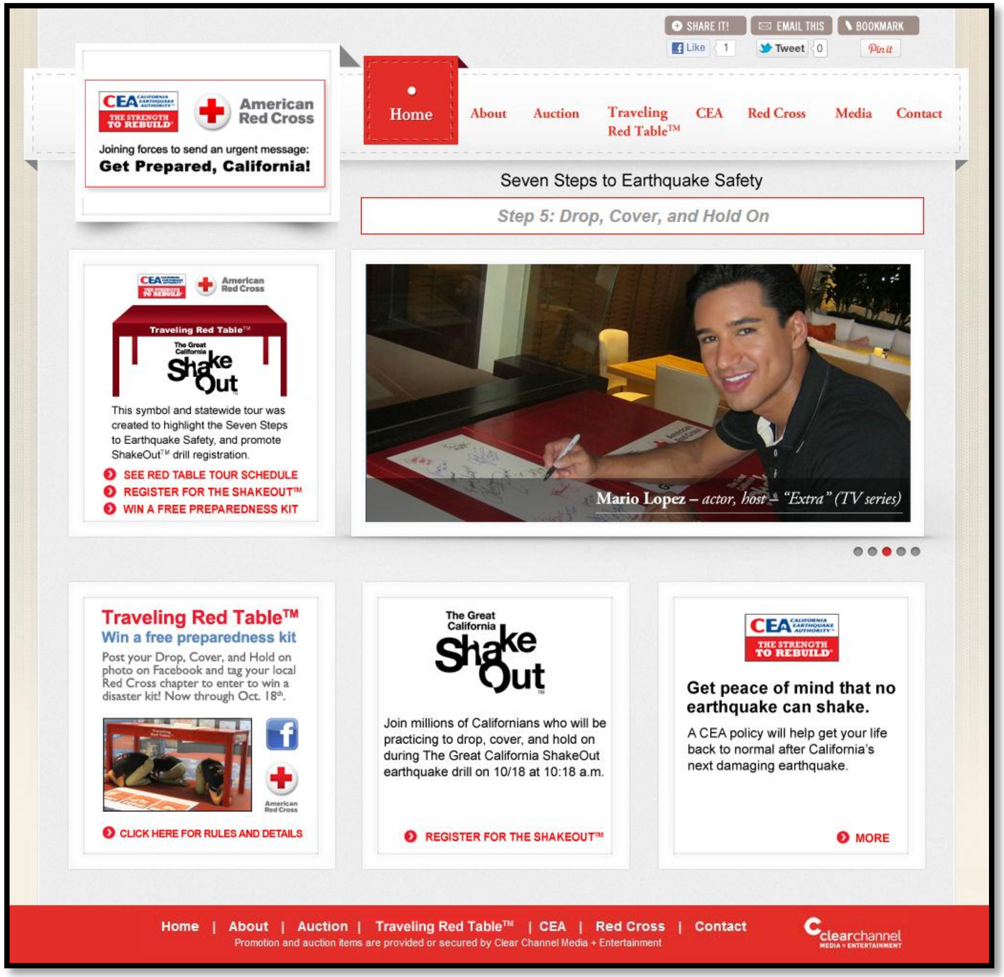
<u>Recommendation</u>:

No action required – information only.

Attachment A: Co-Branded Direct-Mail Pieces

Attachment B: Traveling Red Table™





"Shamu is helping the American Red Cross and the California Earthquake Authority get the word out for its upcoming "Great California ShakeOut." The Red Cross is taking its "Traveling Red Table" all over California to raise awareness about earthquake preparedness and spread the word for the annual statewide earthquake preparedness drill, the largest in the world that will take place this Thursday at 10:18 a.m. (10/18 at 10:18). Today the "Traveling Red Table" stopped by Shamu Close Up!! For more details, check it out - http://www.shakeout.org/'

SeaWorld San Diego Facebook page, October 15, 2012

Attachment C: Rich-Media Ads

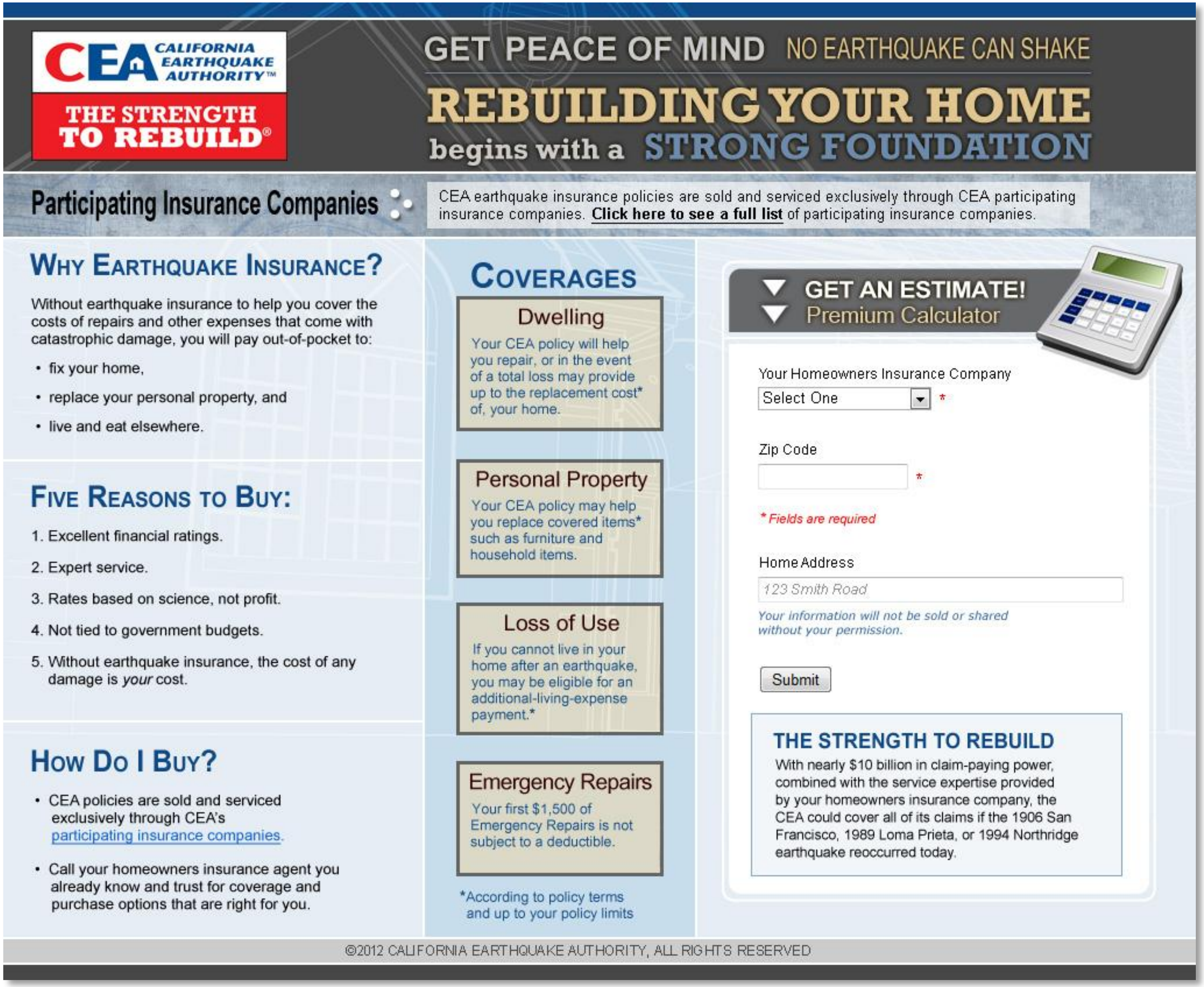
Blueprint

Lifeline

What Moves You

House of Cards

Attachment D: Homeowners Landing Page



CEA CALIFORNIA EARTHQUAKE AUTHORITY™
THE STRENGTH TO REBUILD®

GET PEACE OF MIND NO EARTHQUAKE CAN SHAKE
REBUILDING YOUR HOME begins with a STRONG FOUNDATION

Participating Insurance Companies

CEA earthquake insurance policies are sold and serviced exclusively through CEA participating insurance companies. **Click here to see a full list** of participating insurance companies.

Why Earthquake Insurance?

Without earthquake insurance to help you cover the costs of repairs and other expenses that come with catastrophic damage, you will pay out-of-pocket to:

- fix your home,
- replace your personal property, and
- live and eat elsewhere.

Five Reasons to Buy:

1. Excellent financial ratings.
2. Expert service.
3. Rates based on science, not profit.
4. Not tied to government budgets.
5. Without earthquake insurance, the cost of any damage is *your* cost.

How Do I Buy?

- CEA policies are sold and serviced exclusively through CEA's participating insurance companies.
- Call your homeowners insurance agent you already know and trust for coverage and purchase options that are right for you.

Coverages

Dwelling

Your CEA policy will help you repair, or in the event of a total loss may provide up to the replacement cost* of, your home.

Personal Property

Your CEA policy may help you replace covered items* such as furniture and household items.

Loss of Use

If you cannot live in your home after an earthquake, you may be eligible for an additional-living-expense payment.*

Emergency Repairs

Your first $1,500 of Emergency Repairs is not subject to a deductible.

*According to policy terms and up to your policy limits

GET AN ESTIMATE!

Premium Calculator

Your Homeowners Insurance Company

Select One *

Zip Code

*

* Fields are required

Home Address

123 Smith Road

Your information will not be sold or shared without your permission.

Submit

THE STRENGTH TO REBUILD

With nearly $10 billion in claim-paying power, combined with the service expertise provided by your homeowners insurance company, the CEA could cover all of its claims if the 1906 San Francisco, 1989 Loma Prieta, or 1994 Northridge earthquake reoccurred today.

FINANCIAL REPORT

GOVERNING BOARD MEETING
THURSDAY, October 25, 2012
1:00 P.M.

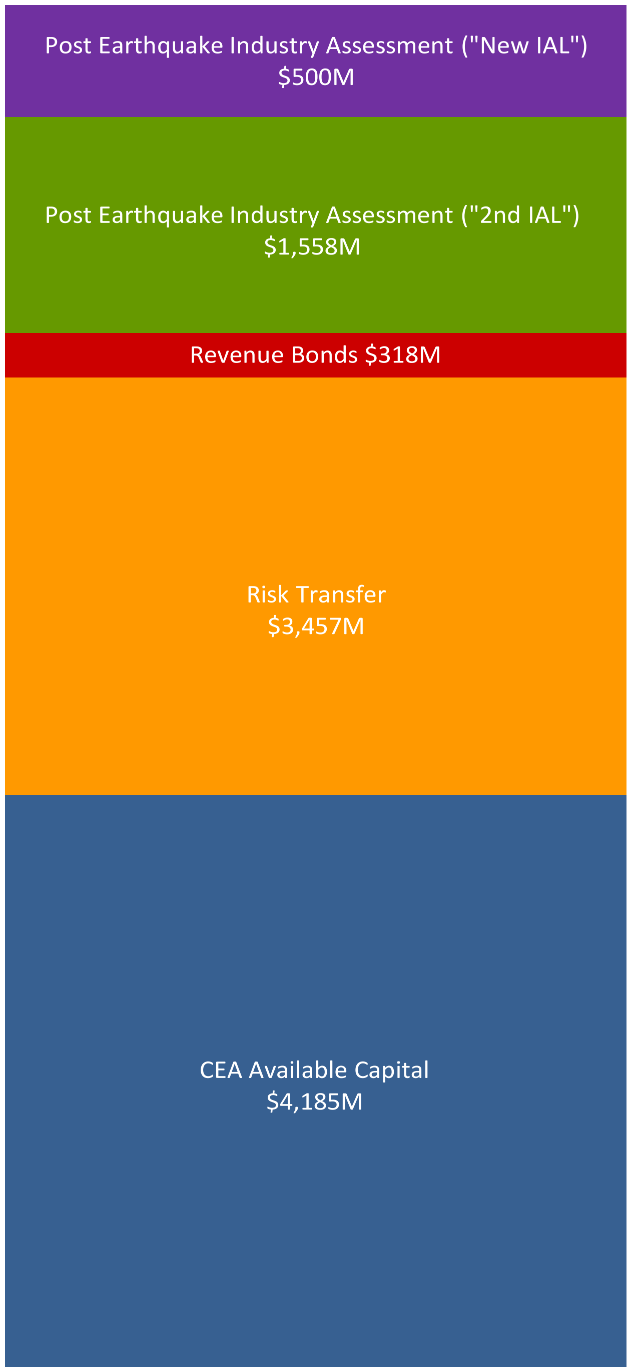
California Earthquake Authority
Available Capital Report

Capital as of September 30, 2012

Cash & Investments (includes capital contributions and premiums)	$ 4,703,109,950 *
Interest, Securities & Restricted Securities Receivable	44,327,234
Premium Receivable	38,483,785
Risk Capital Surcharge & Capital Contributions Receivable	1,731,000
Other Assets	515,015
Investments from Revenue Bond Proceeds	(306,606,335)
Debt Service (Interest, Principal & Debt Service (Min. Bal.))	(16,999,662)
Unearned Premium Collected	(214,809,418)
Accrued Reinsurance Premium Expense	(6,063,875)
Accounts and Securities Payable, and Accrued Expenses	(17,473,885)
CEA Available Capital	**$ 4,226,213,809**

** Does not include Earthquake Loss Mitigation Fund cash and investments of $24,872,850*

California Earthquake Authority
Claim-paying Capacity
as of August 31, 2012



Total Capacity $10,018M

California Earthquake Authority

2012 Risk-Transfer Program
as of August 31, 2012

Traditional Reinsurance Contracts	Contract Period	Reinsurance Limit	12-Month Rate-on-Line	12-Month Premium
Contract A	January 1, 2012 - December 31, 2012	655,220,000	7.00%	45,865,400
Contract A1	January 1, 2012 - December 31, 2012	400,000,000	7.30%	29,200,000
Contract A2	January 1, 2012 - December 31, 2012	200,000,000	7.15%	14,300,000
Contract A3	January 1, 2012 - December 31, 2012	250,000,000	7.20%	18,000,000
Subtotal Traditional Reinsurance January 1, 2012 - December 31, 2012		**1,505,220,000**		
Contract B	April 1, 2012 - March 31, 2013	1,251,464,950	6.20%	77,590,827
Contract C	May 1, 2012 - April 30, 2013	100,000,000	4.50%	4,500,000
Total Traditional Reinsurance		**2,856,684,950**		

Transformer Reinsurance Contracts	Contract Period	Reinsurance Limit	12-Month Rate-on-Line	12-Month Premium
Contract 1	August 2, 2011 – August 1, 2014	150,000,000	7.78%	11,670,000
Contract 2	February 7, 2012 – February 6, 2015	150,000,000	8.39%	12,585,000
Contract 3	August 1, 2012 – August 7, 2015	300,000,000	5.64%	16,923,000
Total Transformer Reinsurance		**600,000,000**		

California Earthquake Authority
Balance Sheet
As of August 31, 2012

Assets		
Cash and investments:		
Cash and cash equivalents		152,720,583
Restricted cash & equivalents		38,247,142
Restricted investments		317,713,361
Investments		4,196,344,424
Total cash and investments		4,705,025,510
Premiums receivable, net of allowance for doubtful accounts of $12,282,537		38,949,364
Capital contributions receivable		3,462,000
Risk Capital Surcharge		-
Interest receivable		14,443,812
Securities receivable		-
Restricted securities receivable		-
Prepaid reinsurance premium		16,563,020
Transformer reinsurance premium deposit		14,634,112
Prepaid transformer maintenance premium		6,483,891
Equipment, net		816,846
Deferred policy acquisition costs		39,276,450
Other assets		515,015
Total assets	$	4,840,170,020
Liabilities and Net Assets		
Unearned premiums	$	292,453,092
Accounts payable and accrued expenses		3,378,663
Accrued Reinsurance Premium Expense		3,031,937
Claim and claim expense reserves		-
Securities payable		-
Revenue bond payable		126,000,000
Revenue bond interest payable		1,295,490
Total liabilities		426,159,182
Net assets:		
Restricted, expendable		228,985,433
Unrestricted*		4,185,025,405
Total net assets		4,414,010,838
Total liabilities and net assets	$	4,840,170,020

Unaudited

* Includes Cumulative Participating Insurer Contributed Captial of $777,384,796 and State of California Contributed Capital of $177,737,590

California Earthquake Authority
Statement of Revenues, Expenses and Changes in Net Assets
For the Year-to-Date Ended August 31, 2012

Underwriting income:	
Premiums written	$ 380,618,351
Less premiums ceded - reinsurance	(142,507,801)
Less Risk Capital Surcharge	-
Net premiums written	238,110,550
Change in unearned premiums	17,446,240
Net unearned premiums	17,446,240
Net premiums earned	255,556,790
Expenses:	
Loss and loss adjustment expenses	7,231
Participating insurer commissions	39,817,905
Participating insurer operating costs	12,355,820
Reinsurance broker commissions	3,200,000
Pro forma premium taxes	8,687,512
Financing expenses, net	3,422,296
Earthquake Loss Mitigation Fund expenses	342,284
Other underwriting expenses	18,171,335
Total expenses	86,004,383
Underwriting profit	169,552,407
Net investment income	14,956,448
Other income	279,068
Participating Insurer Contributed Capital	-
State of California premium tax contribution	8,687,512
Increase in net assets	193,475,435
Net assets, beginning of year	4,220,535,403
Net assets, end of year	$ 4,414,010,838

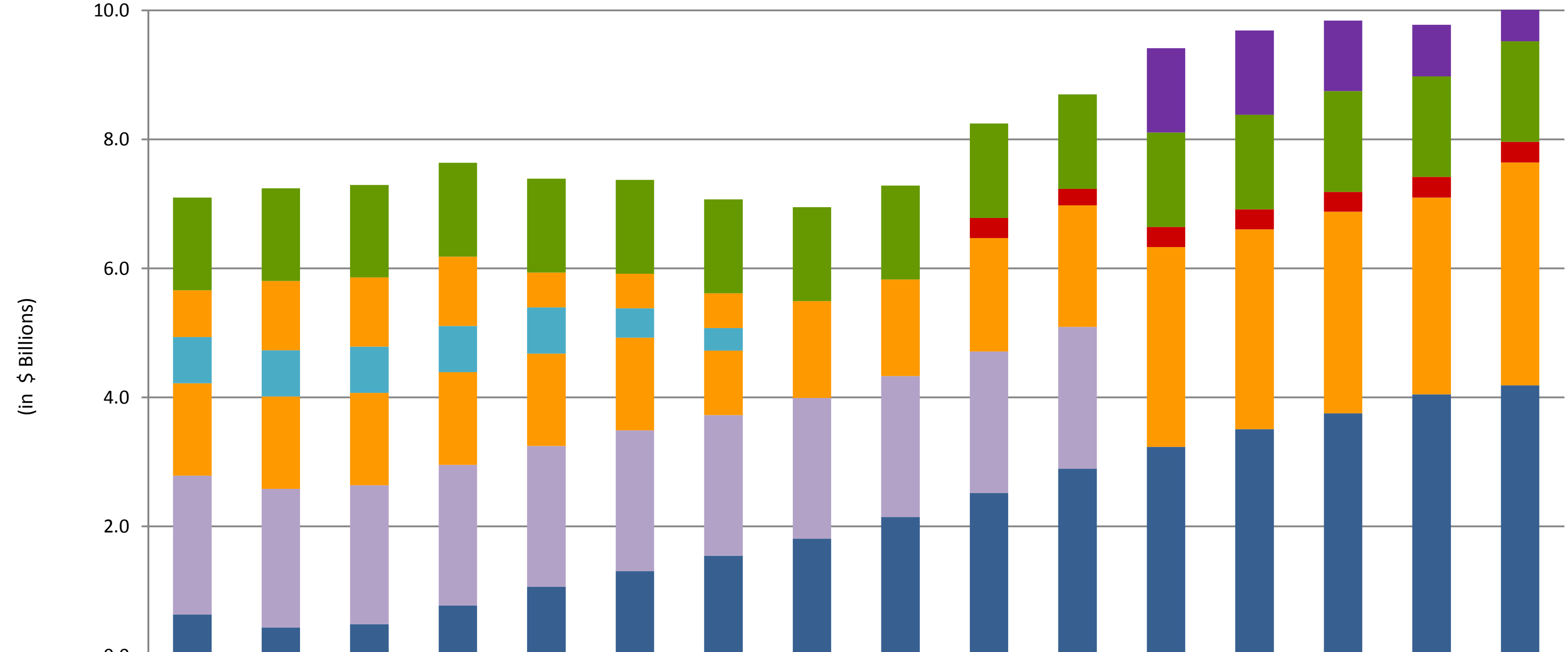
California Earthquake Authority
Insurance Services
Budgeted Expenditures and Actual Expenditures
2012 Budget Year

	(a)	(b)	(c)	(d) (d=a+b+c)	(e)	(f) (f=d-e)	(g) (g=e/d)
	Approved 2012 Budget	**Adjustments thru 8/31/2012**	**Augmentations thru 8/31/2012**	**2012 Budget after Augmentations and Adjustments**	**Actual Expenditures as of 8/31/12**	**Augmented & Adjusted Approved Budget (d) vs. Actual Expenses (e) at 8/31/12**	**Percentage used of Augmented & Adjusted Approved 2012 Budget**
Salaries & Benefits	$ 8,015,623	-	-	$ 8,015,623	$ 6,947,900	$ 1,067,723	86.68%
Rent	635,593	-	-	635,593	489,910	145,683	77.08%
Travel	335,402	-	-	335,402	218,688	116,714	65.20%
Non-paid Consultant Travel	8,066	-	-	8,066	1,387	6,679	17.20%
Telecommunications	232,707	-	-	232,707	137,911	94,796	59.26%
Training	161,668	-	-	161,668	125,583	36,085	77.68%
Insurance	143,078	-	-	143,078	133,520	9,558	93.32%
Board/Panel Services	19,781	-	-	19,781	17,233	2,548	87.12%
Administration & Office	1,037,706	-	-	1,037,706	603,508	434,198	58.16%
(Software Maint & Support, Printing & Stationery, Postage)							
Administrative Contracted Services							
Data Mgmt Services	493,170	-	-	493,170	366,789	126,381	74.37%
Other Administrative Contracted Services	37,780	-	-	37,780	32,582	5,198	86.24%
Furniture/Equipment	41,005	-	-	41,005	22,165	18,840	54.05%
EDP Hardware/Software	215,671	-	-	215,671	570,455	(354,784)	264.50%
Dept of Insurance Examination	28,954	-	-	28,954	(34,914)	63,868	-120.58%
Total Operating Expenses	**$ 11,406,204**	**-**	**-**	**$ 11,406,204**	**$ 9,632,717**	**$ 1,773,487**	**84.45%**
Consulting Services							
Actuarial	25,000	-	-	25,000	-	25,000	0.00%
Administrative Consulting	-	-	-	-	-	-	0.00%
Executive Recruiting	45,000	-	-	45,000	-	45,000	0.00%
Financial Consulting	300,615	-	-	300,615	184,513	116,102	61.38%
Government Relations	217,301	-	-	217,301	198,646	18,655	91.42%
Information Systems	1,642,708	-	-	1,642,708	375,072	1,267,636	22.83%
Information Technology	6,000	-	-	6,000	5,000	1,000	83.33%
Internal Audit	86,843	-	-	86,843	(13,483)	100,326	-15.53%
Investment Compliance	20,000	-	-	20,000	-	20,000	0.00%
Legal Consulting	5,395	-	-	5,395	-	5,395	0.00%
Public Relations	200,000	-	-	200,000	-	200,000	0.00%
Other Consulting Services	296,859	-	-	296,859	37,488	259,371	12.63%
Total Consulting Services	$ 2,845,721	$ -	$ -	$ 2,845,721	$ 787,236	$ 2,058,485	27.66%

California Earthquake Authority
Insurance Services
Budgeted Expenditures and Actual Expenditures
2012 Budget Year

	(a)	(b)	(c)	(d) (d=a+b+c)	(e)	(f) (f=d-e)	(g) (g=e/d)
	Approved 2012 Budget	**Adjustments thru 8/31/2012**	**Augmentations thru 8/31/2012**	**2012 Budget after Augmentations and Adjustments**	**Actual Expenditures as of 8/31/12**	**Augmented & Adjusted Approved Budget (d) vs. Actual Expenses (e) at 8/31/12**	**Percentage used of Augmented & Adjusted Approved 2012 Budget**
Research	$ 1,018,000	-	-	$ 1,018,000	$ 559,000	$ 459,000	54.91%
Contracted Services							
Agent Services	-	-	-	-	-	-	0.00%
Audit Services	160,000	-	-	160,000	-	160,000	0.00%
Brochure/Information Products	175	-	-	175	-	175	0.00%
Consumer Services	-	-	-	-	35,211	(35,211)	0.00%
Contracted Marketing & Outreach	348,065	-	-	348,065	20,435	327,630	5.87%
Investment Compliance	-	-	-	-	-	-	0.00%
Legal Services-Claims Counsel	200,000	-	-	200,000	-	200,000	0.00%
Legal Services-Claims Counsel-PI	-	-	-	-	-	-	0.00%
Legal Service - Non-Claims	2,685,698	-	-	2,685,698	1,731,758	953,940	64.48%
Marketing Services	9,239,714	-	-	9,239,714	3,184,967	6,054,747	34.47%
Media Services	137,000	-	-	137,000	502,107	(365,107)	366.50%
Modeling Services	666,470	-	-	666,470	518,248	148,222	77.76%
Web Development/Maintenance	-	-	-	-	-	-	0.00%
Other Contracted Services	675,758	-	-	675,758	42,367	633,391	6.27%
Total Contracted Services	$ 14,112,880	$ -	-	$ 14,112,880	$ 6,035,093	$ 8,077,787	42.76%
Participating Insurer Operating Costs	68,573,084	-	-	68,573,084	38,073,281	30,499,803	55.52%
Participating Insurer Commissions	21,189,083	-	-	21,189,083	11,757,414	9,431,669	55.49%
Investment Expenses	2,077,067	-	-	2,077,067	1,357,534	719,533	65.36%
Financing Expenses	8,864,057	-	-	8,864,057	6,393,326	2,470,731	72.13%
Reinsurance	200,453,436	-	-	200,453,436	145,707,801	54,745,635	72.69%
Total Expenditures	**$ 330,539,532**	**$ -**	**$ -**	**$ 330,539,532**	**$ 220,303,402**	**$ 110,236,130**	**66.65%**

California Earthquake Authority
Total Claim-Paying Capacity (CPC)
as of August 31, 2012

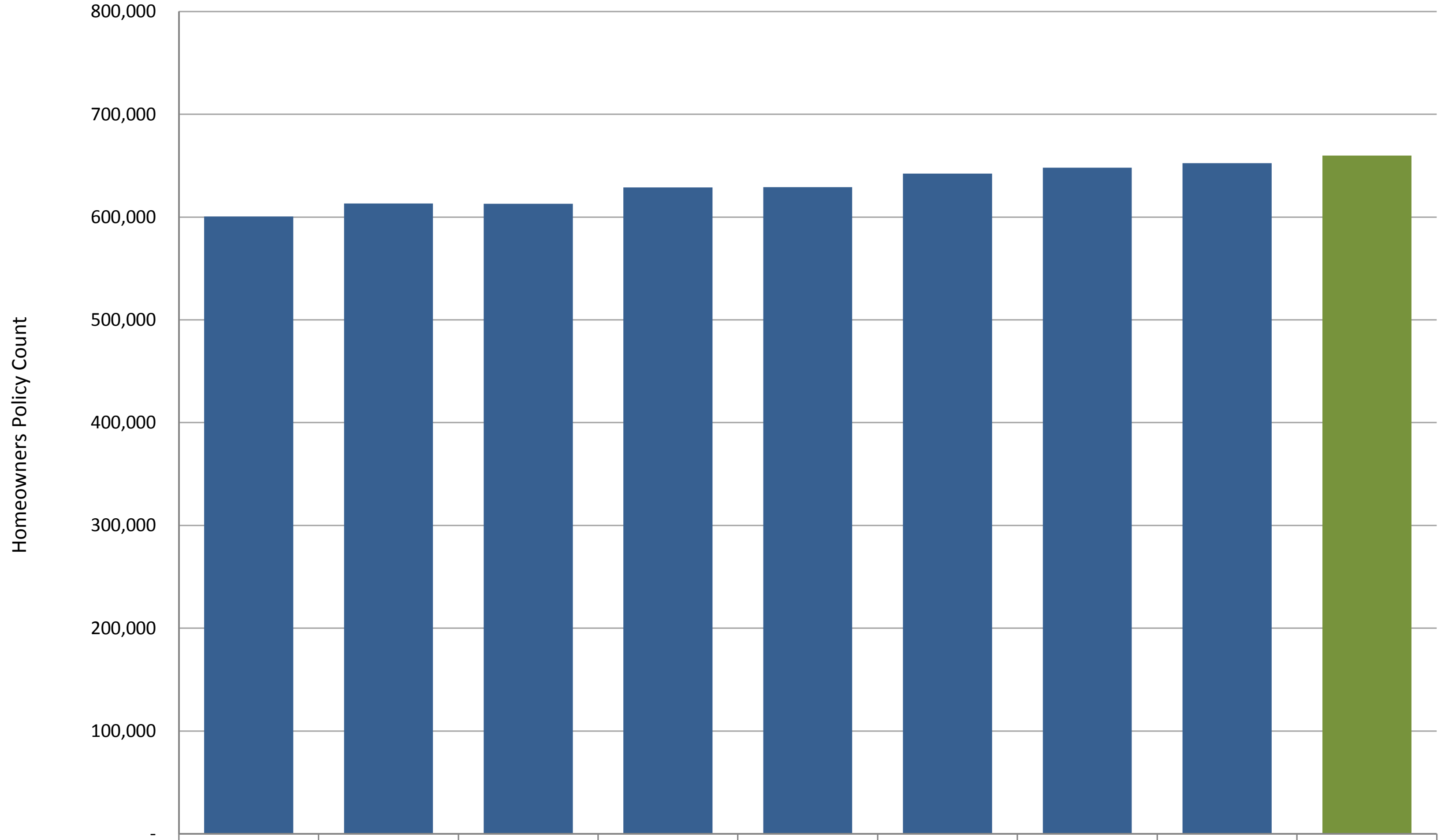


	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012*
Total CPC	$7.095	$7.240	$7.293	$7.635	$7.390	$7.373	$7.069	$6.948	$7.284	$8.244	$8.695	$9.411	$9.685	$9.840	$9.777	$10.018
New Industry Assessment	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	1.304	1.304	1.095	0.804	0.500
2nd Industry Assessment	1.434	1.434	1.434	1.456	1.456	1.456	1.456	1.456	1.456	1.465	1.465	1.465	1.465	1.558	1.558	1.558
Revenue Bonds	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.311	0.254	0.311	0.311	0.311	0.317	0.318
Risk Transfer, 2nd Layer	0.727	1.075	1.075	1.075	0.538	0.538	0.538	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Line of Credit	0.716	0.716	0.716	0.716	0.716	0.456	0.348	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Risk Transfer, 1st Layer	1.433	1.433	1.433	1.433	1.433	1.433	1.000	1.500	1.500	1.756	1.885	3.100	3.100	3.123	3.050	3.457
1st Industry Assessment	2.150	2.150	2.150	2.183	2.183	2.183	2.183	2.183	2.183	2.197	2.197	0.000	0.000	0.000	0.000	0.000
CEA Available Capital	0.635	0.432	0.485	0.772	1.064	1.307	1.544	1.809	2.145	2.515	2.894	3.231	3.505	3.753	4.048	4.185

NOTE: In 2007 Revenue Bond proceeds were split between the Base and Supplement programs.

*as of August 31, 2012

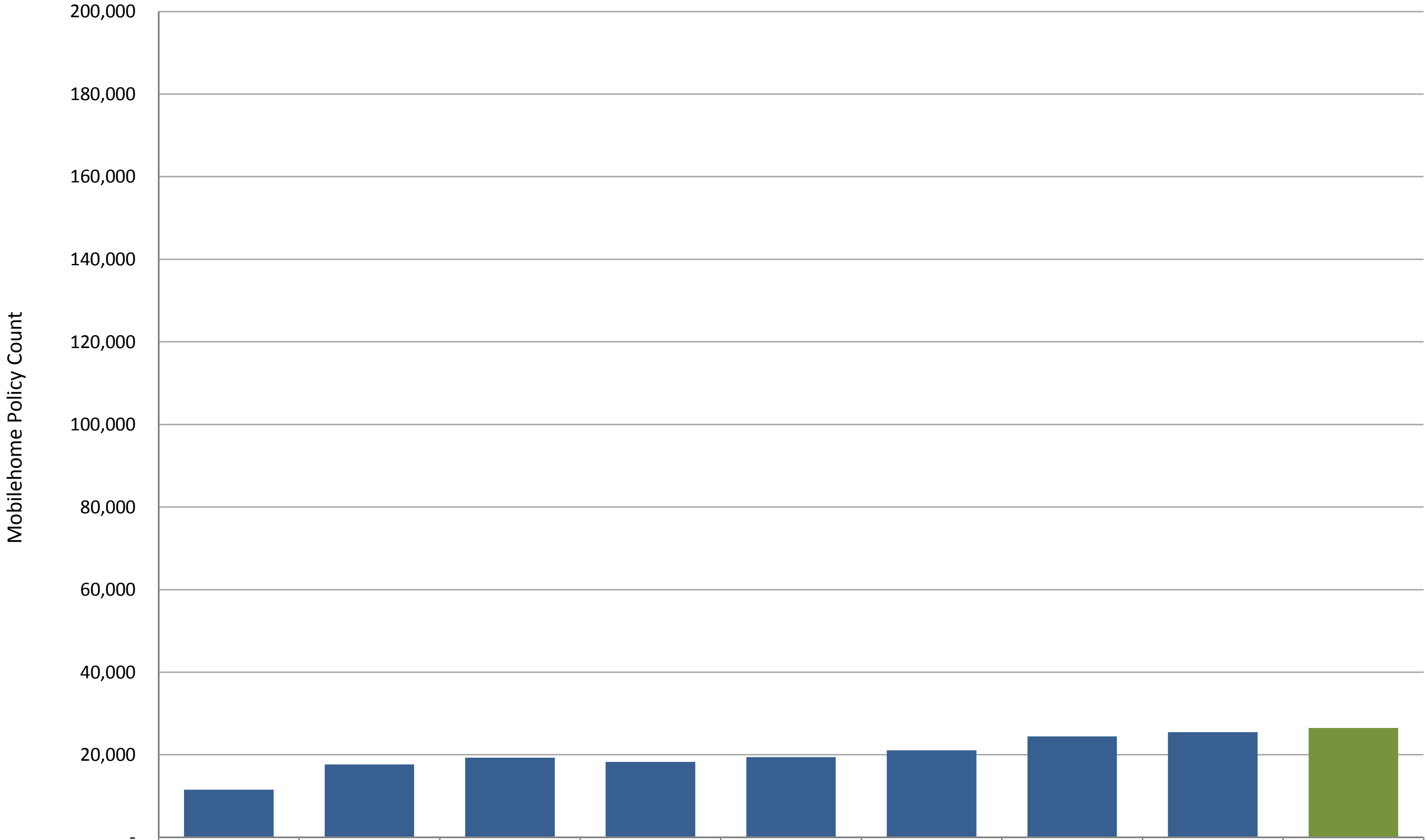
California Earthquake Authority
Homeowners Policy Count
as of August 31, 2012



	2004	2005	2006	2007	2008	2009	2010	2011	2012*
Policy Count	600,673	613,266	612,941	628,802	629,138	642,174	647,947	652,394	659,798
Annual Change in Policy Count	0.0%	2.1%	-0.1%	2.6%	0.1%	2.1%	0.9%	0.7%	1.1%

* as of August 31, 2012

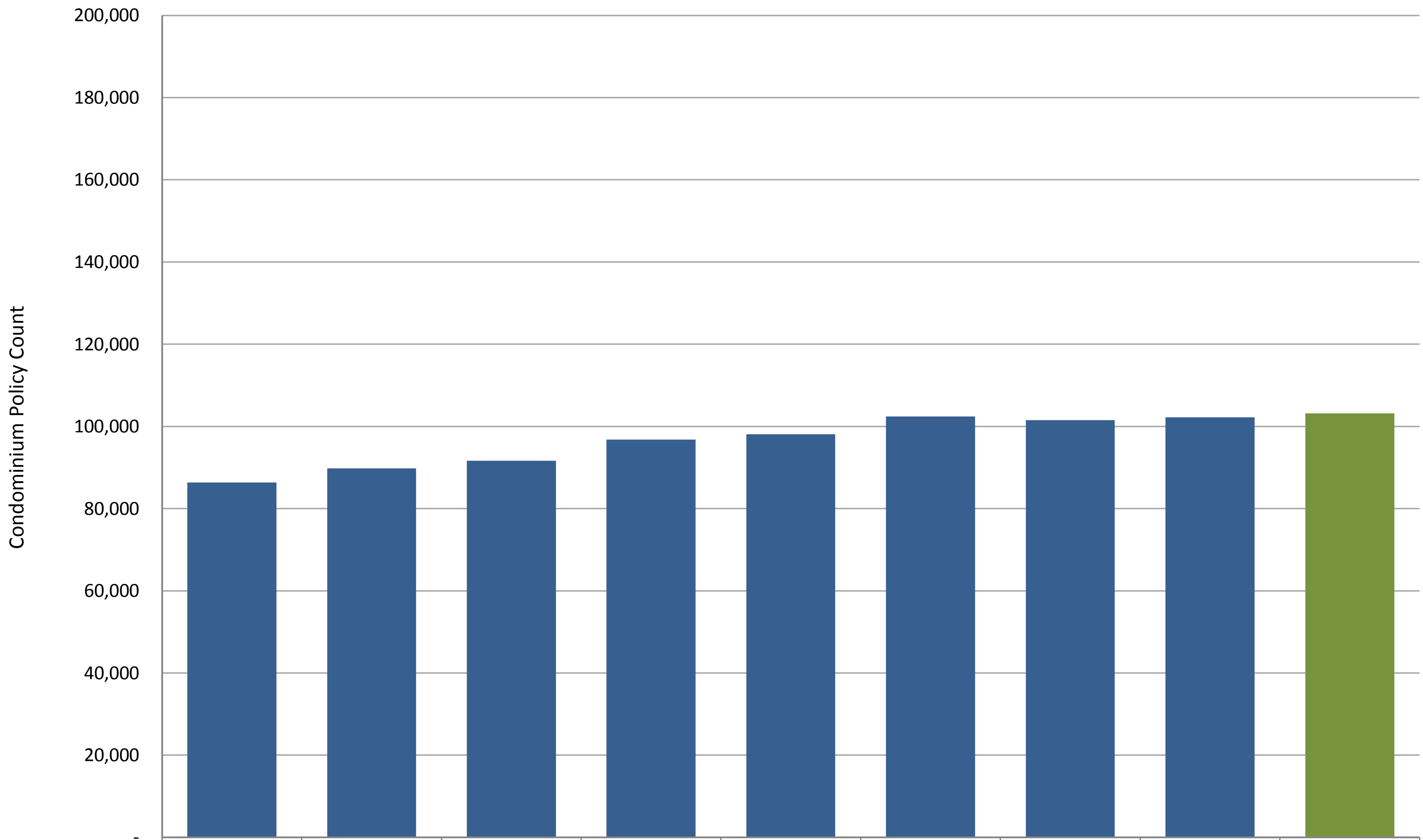
California Earthquake Authority
Mobilehome Policy Count
as of August 31, 2012



	2004	2005	2006	2007	2008	2009	2010	2011	2012*
Policy Count	11,585	17,631	19,289	18,257	19,437	21,118	24,423	25,518	26,419
Annual Change in Policy Count	0.0%	52.2%	9.4%	-5.4%	6.5%	8.6%	15.7%	4.5%	3.5%

* as of August 31, 2012

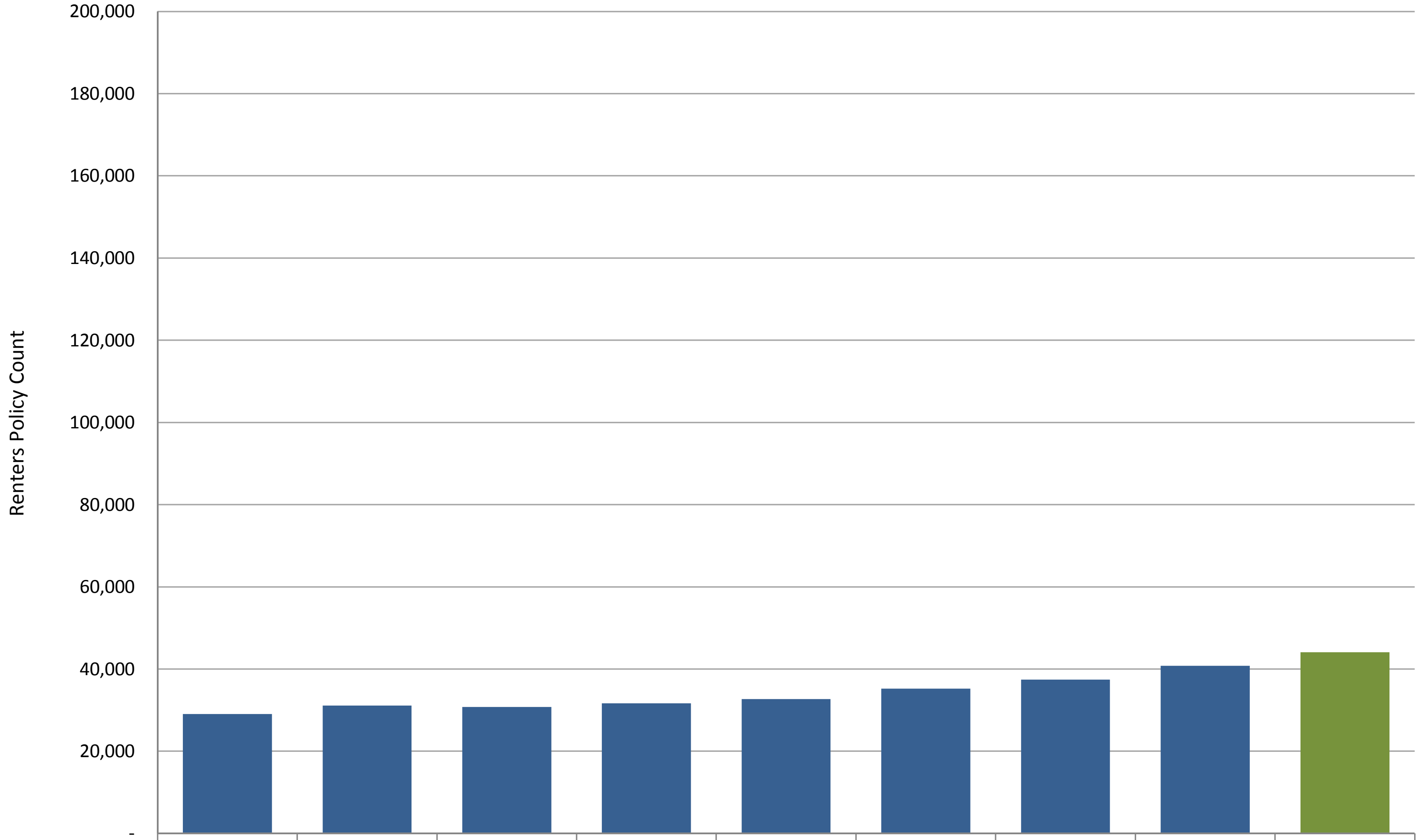
California Earthquake Authority
Condominium Policy Count
as of August 31, 2012



	2004	2005	2006	2007	2008	2009	2010	2011	2012*
Policy Count	86,359	89,758	91,643	96,758	98,106	102,391	101,553	102,197	103,191
Annual Change in Policy Count	0.0%	3.9%	2.1%	5.6%	1.4%	4.4%	-0.8%	0.6%	1.0%

* as of August 31, 2012

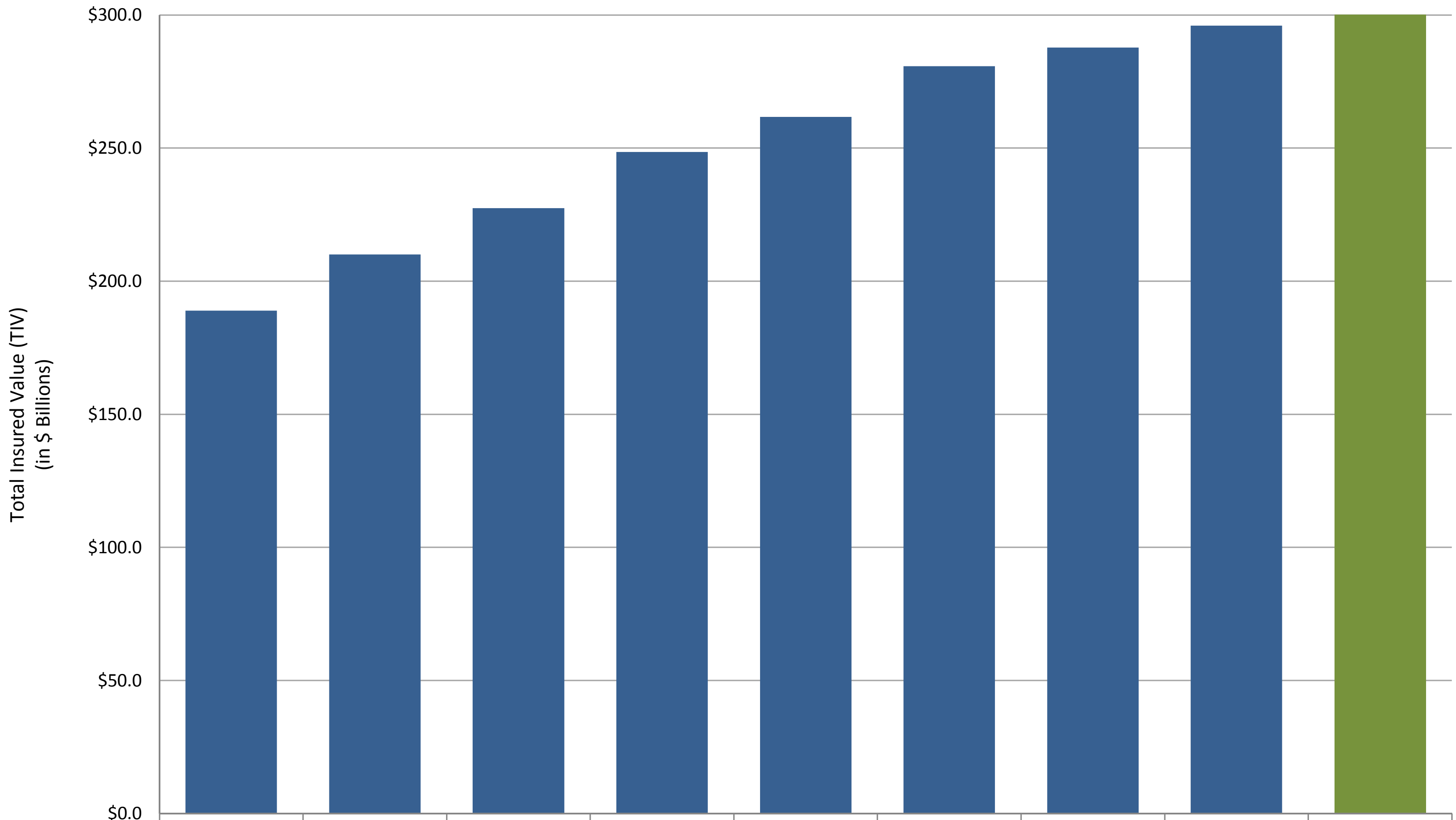
California Earthquake Authority
Renters Policy Count
as of August 31, 2012



	2004	2005	2006	2007	2008	2009	2010	2011	2012*
Policy Count	29,058	31,112	30,799	31,647	32,681	35,247	37,394	40,823	44,083
Annual Change in Policy Count	0.0%	7.1%	-1.0%	2.8%	3.3%	7.9%	6.1%	9.2%	8.0%

* as of August 31, 2012

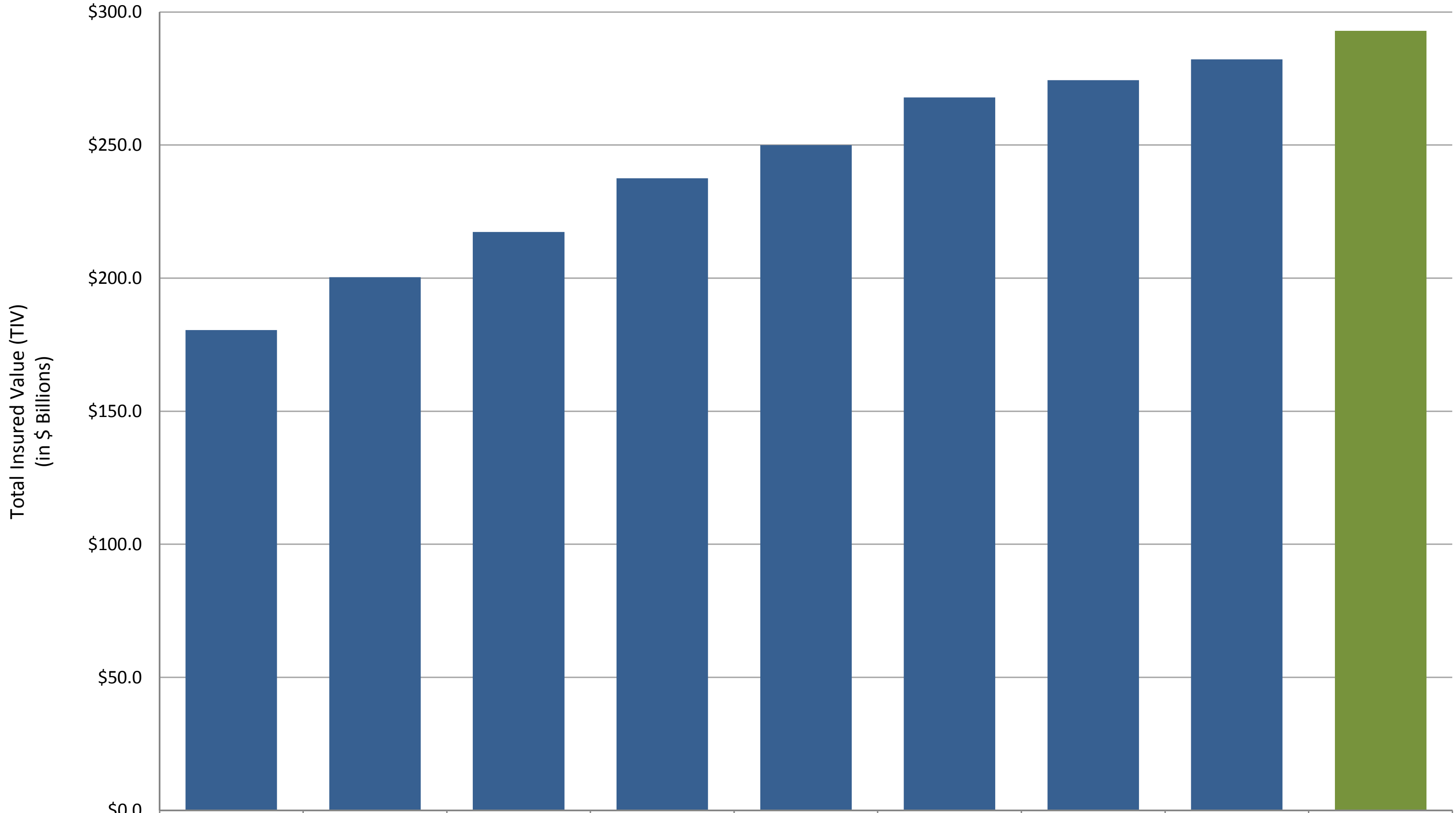
California Earthquake Authority
All Polices Total Insured Value (TIV)
as of August 31, 2012



	2004	2005	2006	2007	2008	2009	2010	2011	2012*
TIV (in $ Billions)	$188.9	$210.0	$227.4	$248.6	$261.7	$280.7	$287.7	$296.0	$307.2
Annual Change in TIV	9.6%	11.2%	8.3%	9.3%	5.3%	7.3%	2.5%	2.9%	3.8%

* as of August 31, 2012

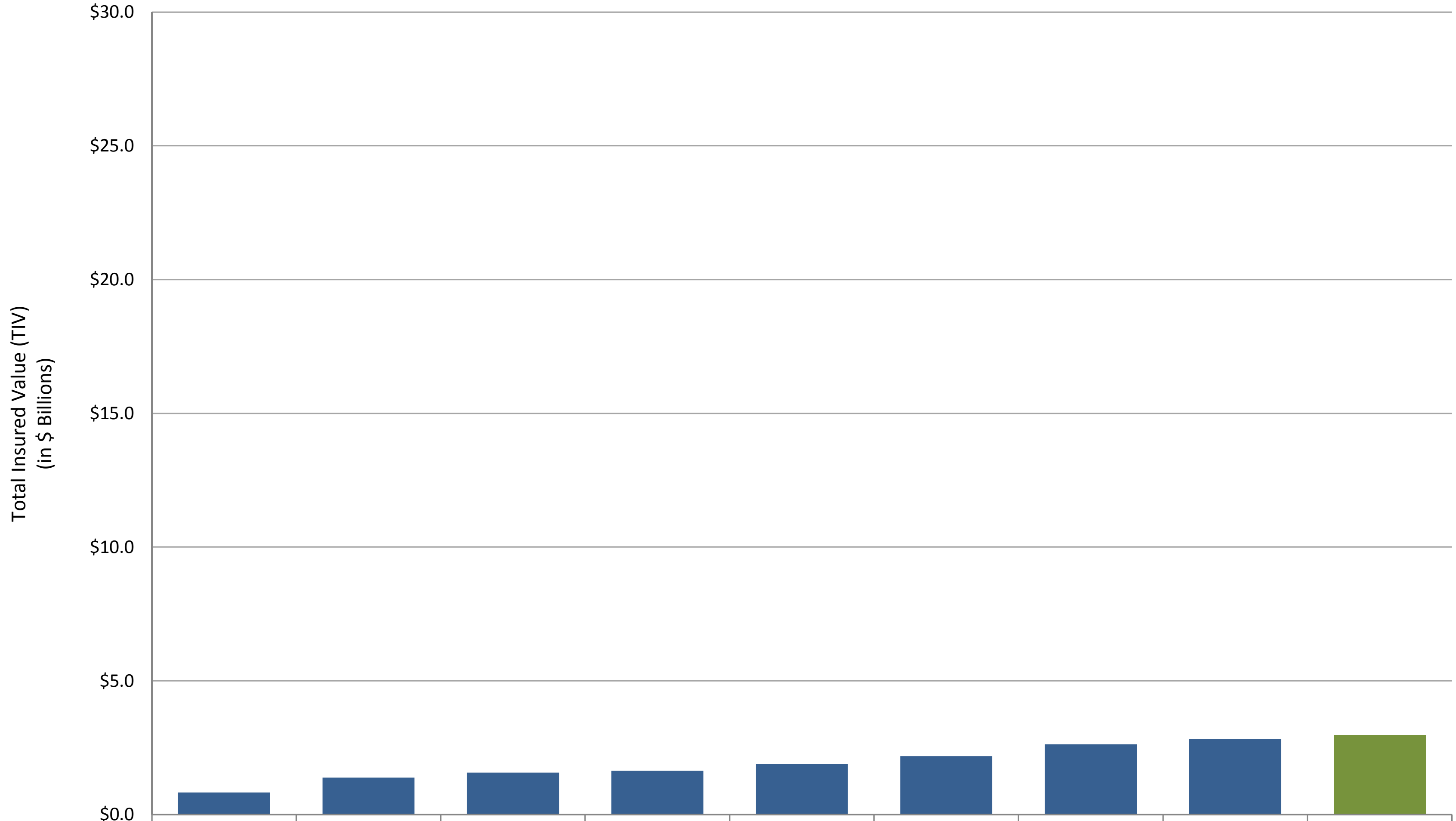
California Earthquake Authority
Homeowners Total Insured Value (TIV)
as of August 31, 2012



	2004	2005	2006	2007	2008	2009	2010	2011	2012*
TIV (in $ Billions)	$180.5	$200.3	$217.3	$237.5	$249.9	$267.9	$274.3	$282.2	$292.9
Annual Change in TIV	0.0%	11.0%	8.5%	9.3%	5.2%	7.2%	2.4%	2.9%	3.8%

* as of August 31, 2012

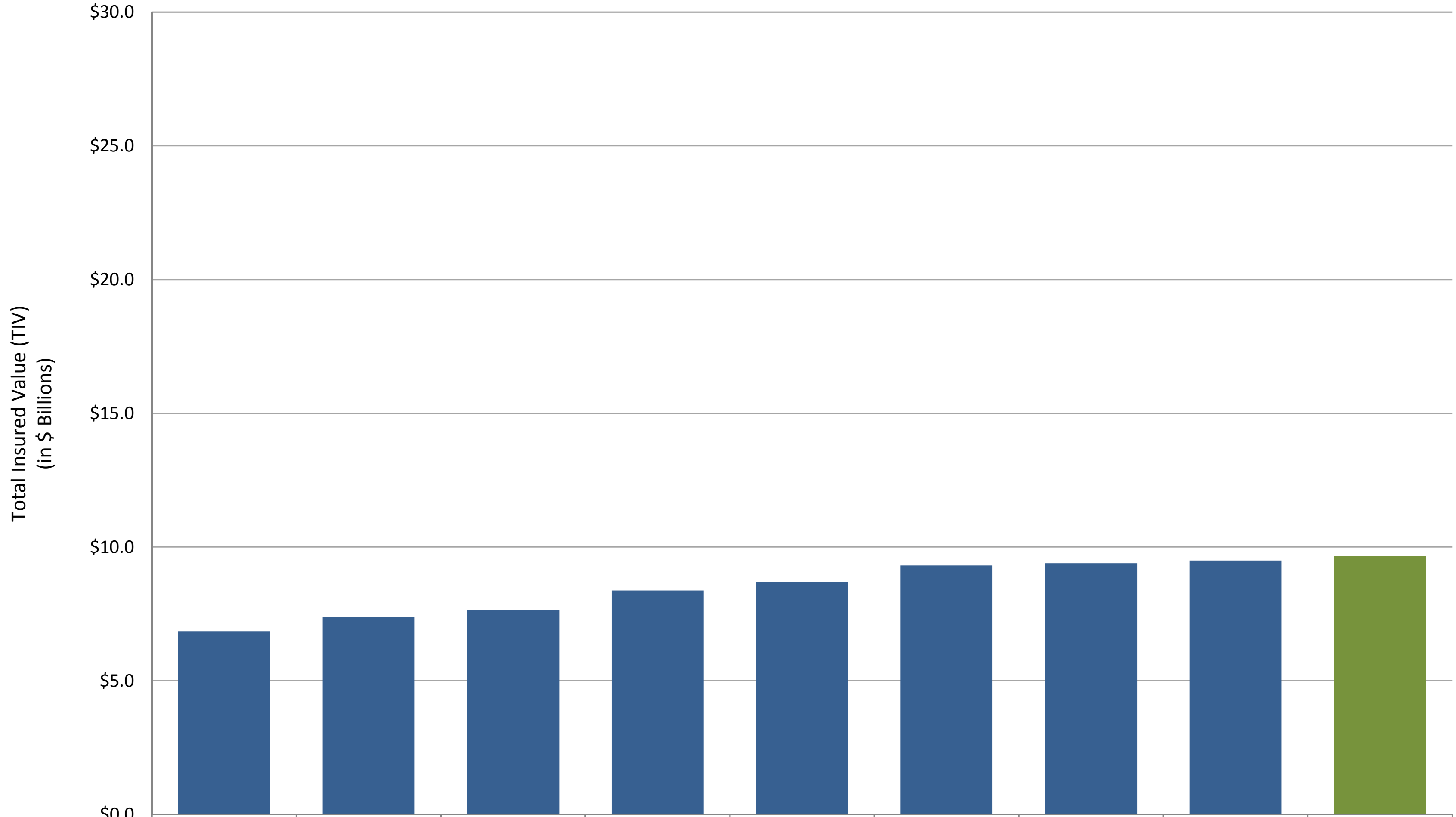
California Earthquake Authority
Mobilehome Total Insured Value (TIV)
as of August 31, 2012



	2004	2005	2006	2007	2008	2009	2010	2011	2012*
TIV (in $ Billions)	$0.8	$1.4	$1.6	$1.6	$1.9	$2.2	$2.6	$2.8	$3.0
Annual Change in TIV	0.0%	66.3%	13.4%	5.0%	15.6%	15.0%	20.2%	7.4%	5.3%

* as of August 31, 2012

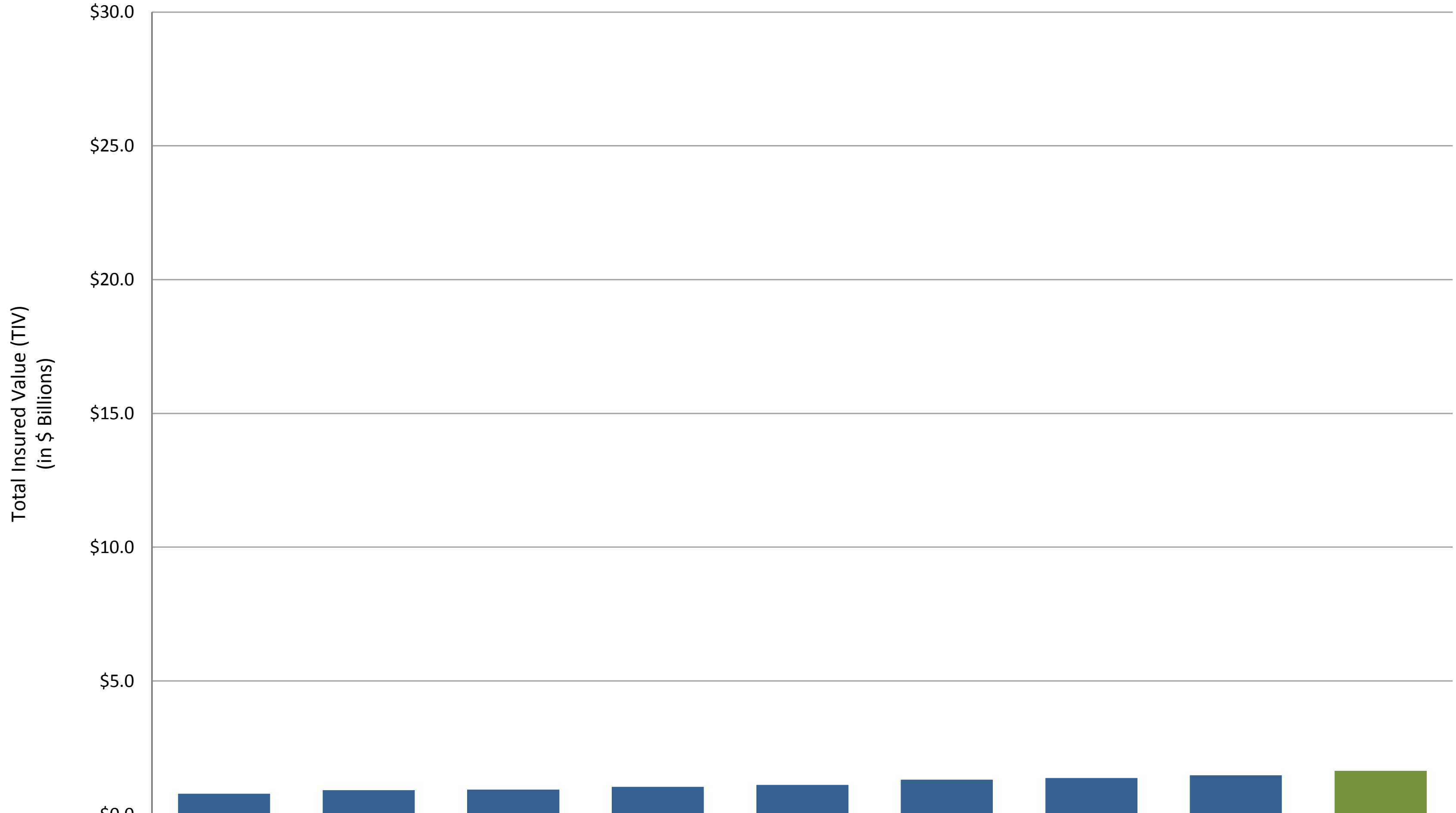
California Earthquake Authority
Condominium Total Insured Value (TIV)
as of August 31, 2012



	2004	2005	2006	2007	2008	2009	2010	2011	2012*
TIV (in $ Billions)	$6.8	$7.4	$7.6	$8.4	$8.7	$9.3	$9.4	$9.5	$9.7
Annual Change in TIV	0.0%	7.9%	3.3%	9.7%	3.9%	7.0%	0.9%	1.1%	1.7%

* as of August 31, 2012

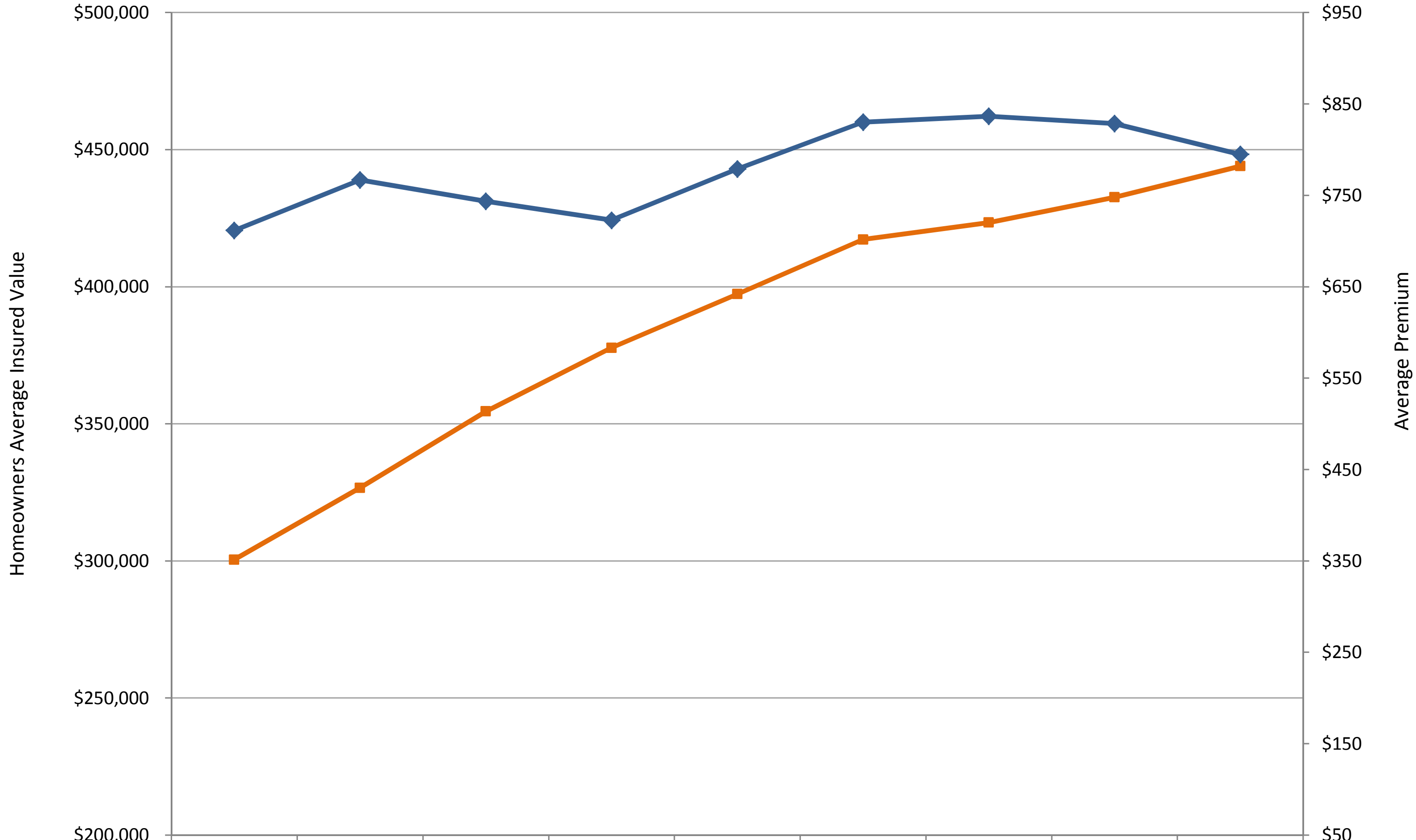
California Earthquake Authority
Rental Total Insured Value (TIV)
as of August 31, 2012



	2004	2005	2006	2007	2008	2009	2010	2011	2012*
TIV (in $ Billions)	$0.8	$0.9	$0.9	$1.0	$1.1	$1.3	$1.4	$1.5	$1.6
Annual Change in TIV	0.0%	18.2%	1.6%	10.8%	7.6%	16.9%	5.2%	7.7%	9.8%

* as of August 31, 2012

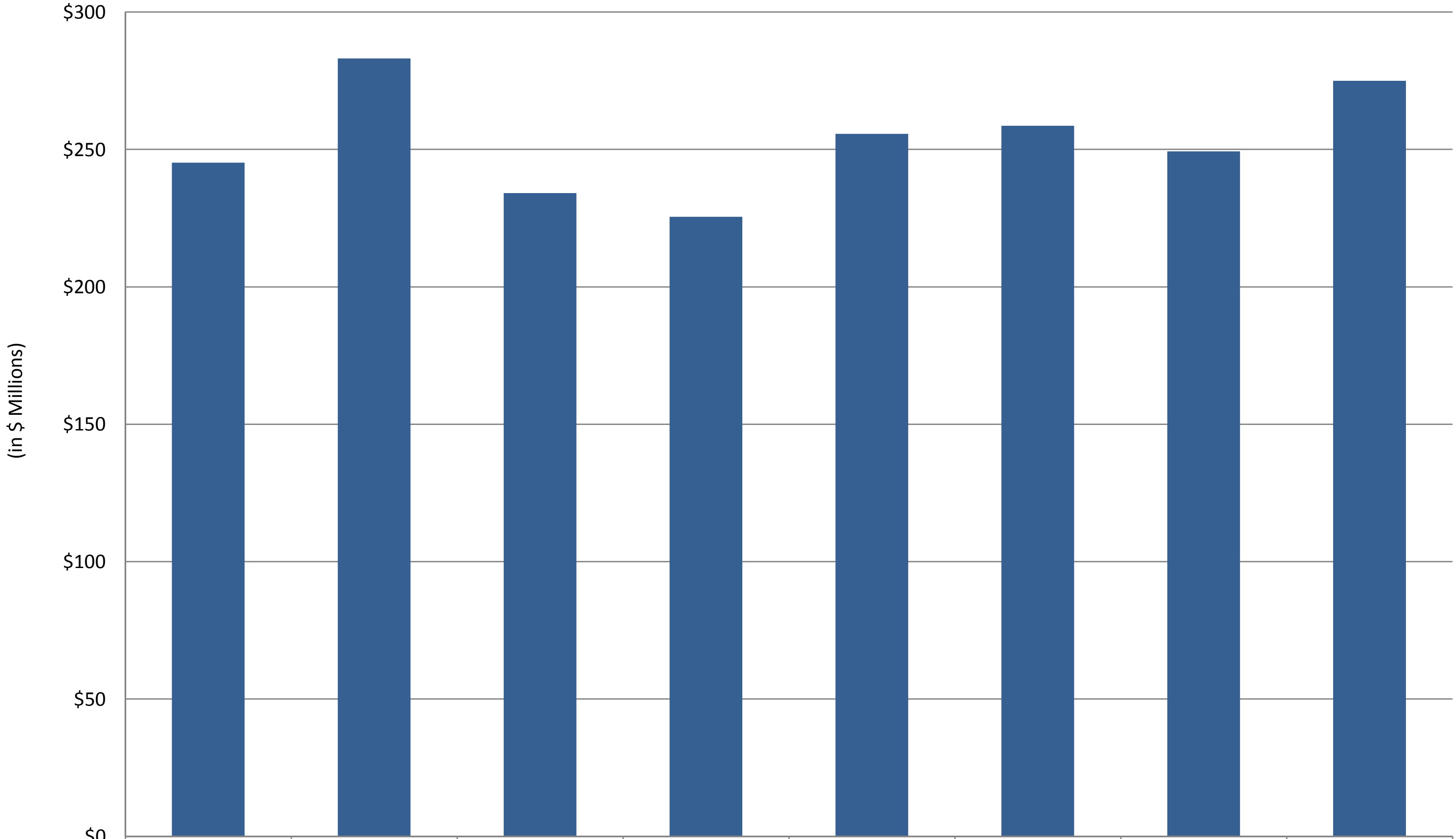
California Earthquake Authority
Average Homeowners Policy Premium and Insured Value
as of August 31, 2012



	2004	2005	2006	2007	2008	2009	2010	2011	2012*
Average Insured Value	$300,458	$326,668	$354,539	$377,701	$397,284	$417,206	$423,414	$432,633	$443,993
Average Premium	$712	$767	$744	$723	$779	$830	$837	$829	$795

* as of August 31, 2012

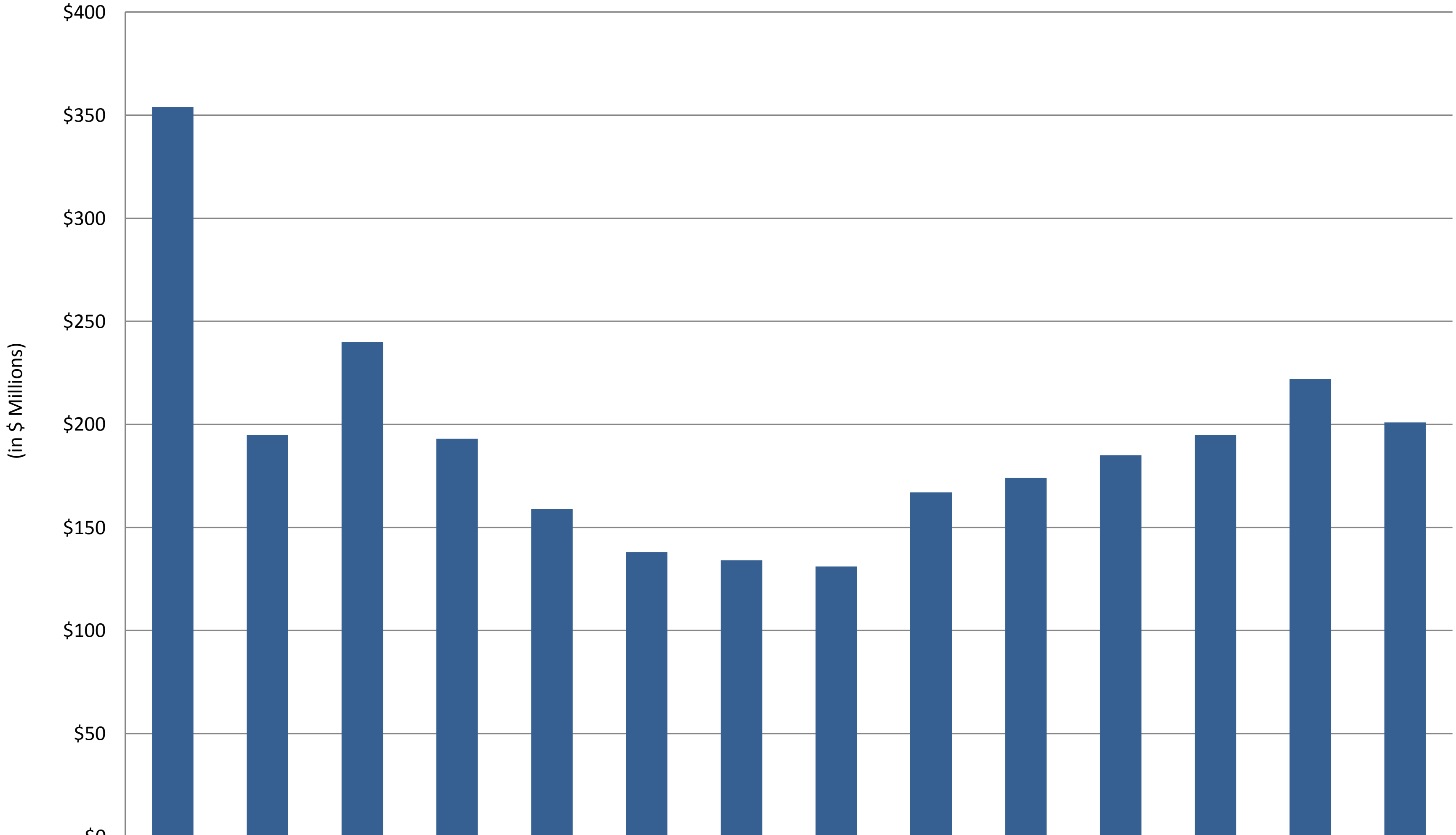
California Earthquake Authority
Annual Capital Accumulated from Premium
as of December 31, 2011



2004	2005	2006	2007	2008	2009	2010	2011
$245.2	$283.1	$234.1	$225.5	$255.7	$258.6	$249.3	$275.0

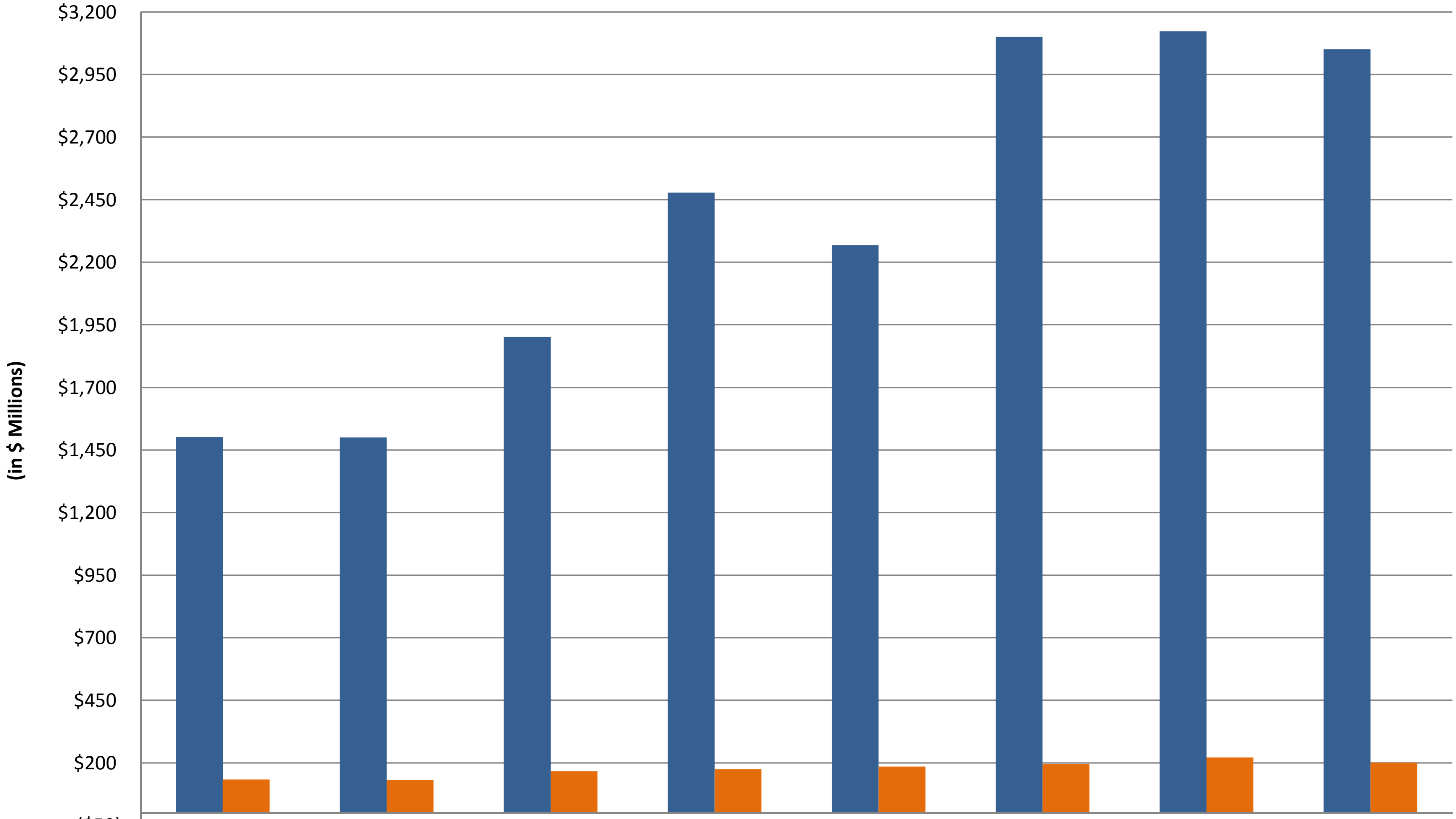
NOTE: From 2009 forward, figure is GASB underwriting profit. Prior to 2009, figure was FASB net premiums written minus total expenses.

California Earthquake Authority
Annual Risk Transfer Premium
as of December 31, 2011



1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
$354	$195	$240	$193	$159	$138	$134	$131	$167	$174	$185	$195	$222	$201

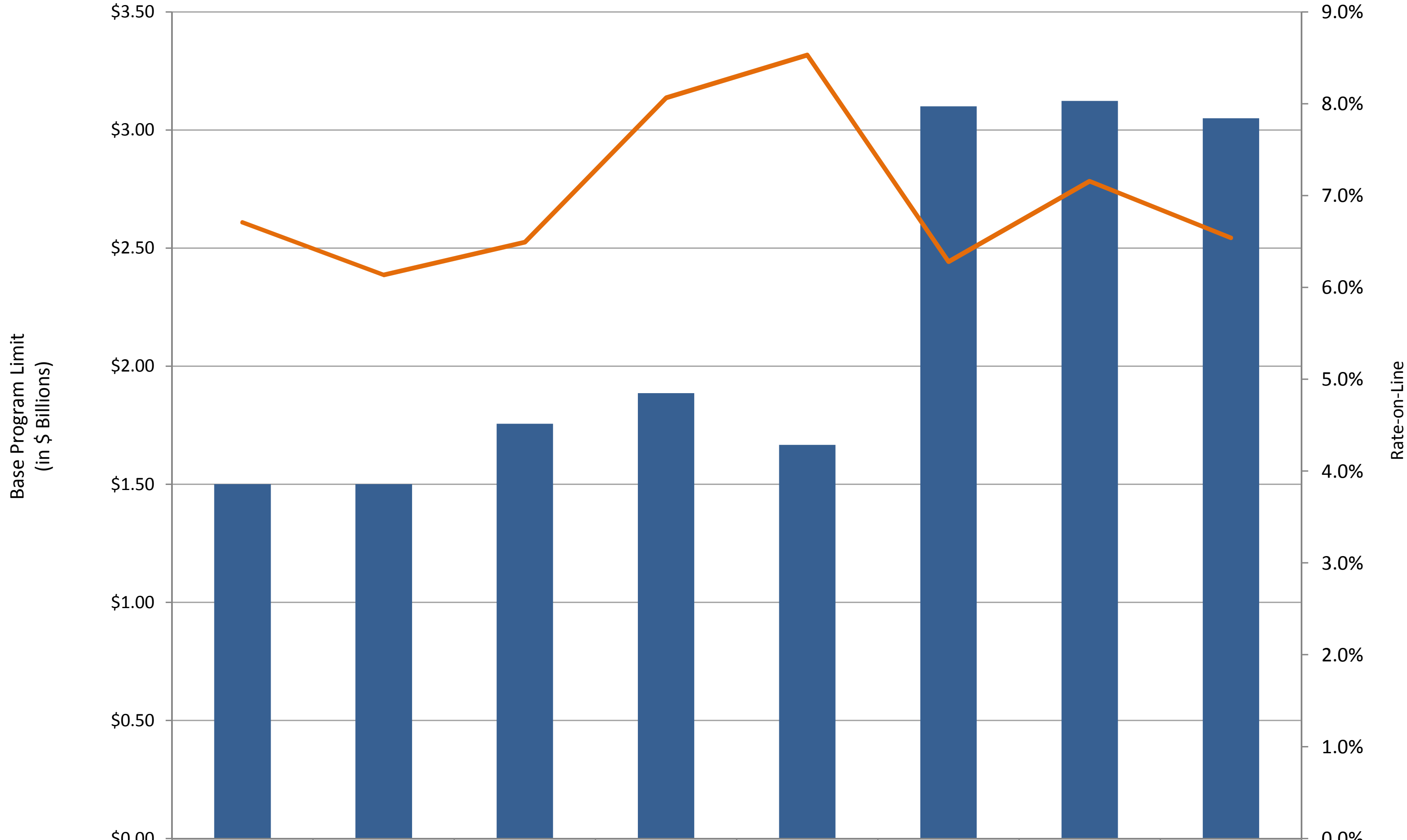
California Earthquake Authority
Annual Risk Transfer Premium and Limit
as of December 31, 2011



	2004	2005	2006	2007	2008	2009	2010	2011
Limit	$1,500	$1,500	$1,902	$2,478	$2,268	$3,100	$3,123	$3,050
Premium	$134	$131	$167	$174	$185	$195	$222	$201

NOTE: Limits through 2005 do not include supplemental coverage while 2006 forward include supplemental coverage.

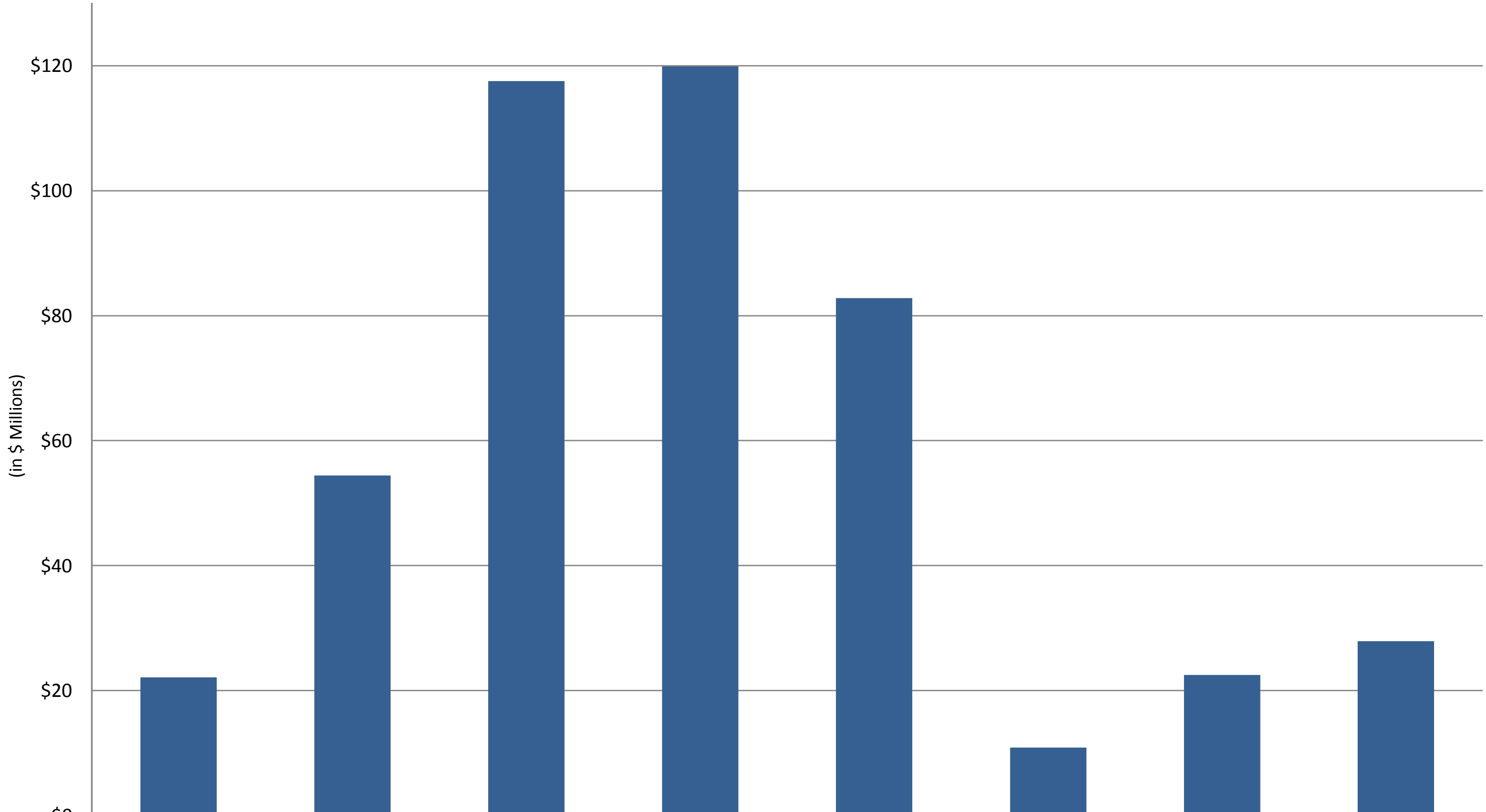
California Earthquake Authority
Annual Risk Transfer Base Program Limits and Rate-on-Line
as of December 31, 2011



	2004	2005	2006	2007	2008	2009	2010	2011
Base Program Limit	$1.50	$1.50	$1.76	$1.89	$1.67	$3.10	$3.12	$3.05
Rate-on-Line	6.7%	6.1%	6.5%	8.1%	8.5%	6.3%	7.2%	6.5%

NOTE: The Rate on Line is an annual weighted average of the individual layers and their respective rates.

California Earthquake Authority
Annual Investment Income
as of December 31, 2011

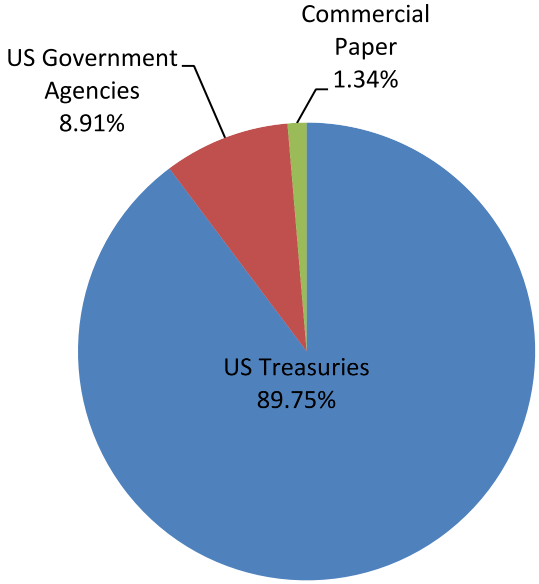


2004	2005	2006	2007	2008	2009	2010	2011
$22.1	$54.4	$117.5	$119.9	$82.8	$10.9	$22.5	$27.9

NOTE: Prior to 2009, investment income was reported from FASB financial statements which did not include unrealized gains or losses and were net of manager fees.

California Earthquake Authority - Investment Portfolio Distribution
as of August 31, 2012

CEA Liquidity and Primary Fund:	$4,343,985,298
Claim-paying Fund:	$317,712,794
Mitigation Fund:	$24,872,119

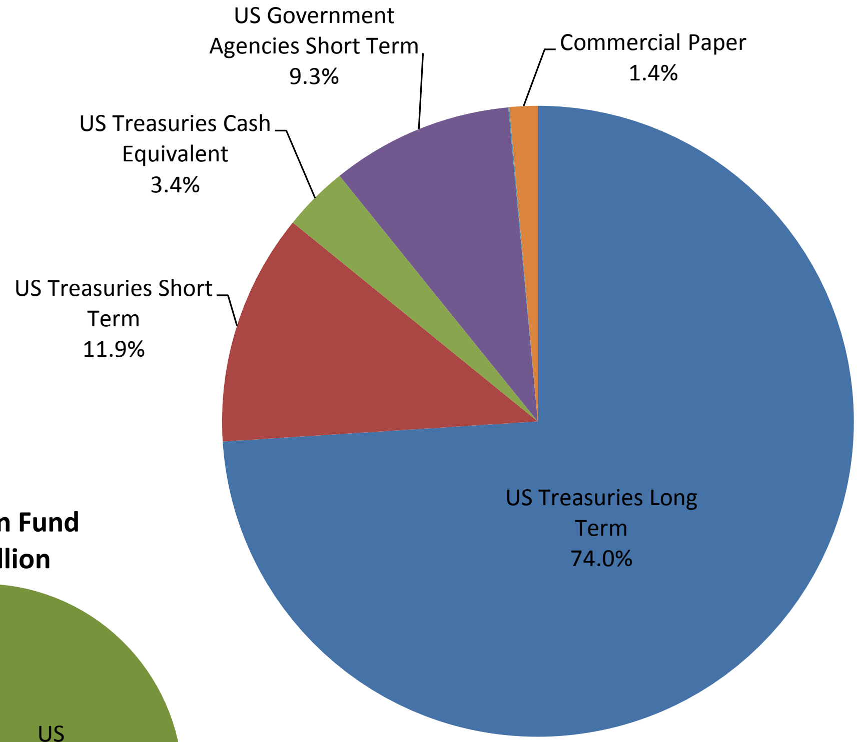


The asset allocation of the three funds are as follows:

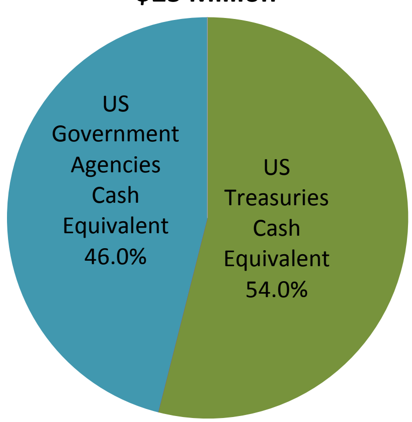
	CEA Liq. & Prim. Fund	Claim-paying Fund	Mitigation Fund
US Treasuries - Long Term	74.0%	99.8%	0.0%
US Treasuries - Short Term	11.9%	0.2%	0.0%
US Treasuries - Cash Equivalent	3.4%	0.0%	54.0%
US Government Agencies - Short Term	9.3%	0.0%	0.0%
US Government Agencies - Cash Equivalent	0.0%	0.0%	46.0%
Commercial Paper	1.4%	0.0%	0.0%
Commercial Paper Cash Equivalent	0.0%	0.0%	0.0%
Totals	**100%**	**100%**	**100%**

California Earthquake Authority - Investment Portfolio Distribution
as of August 31, 2012

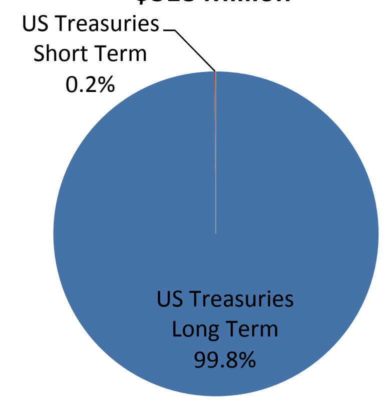
CEA Liquidity & Primary Fund
$4,344 Million



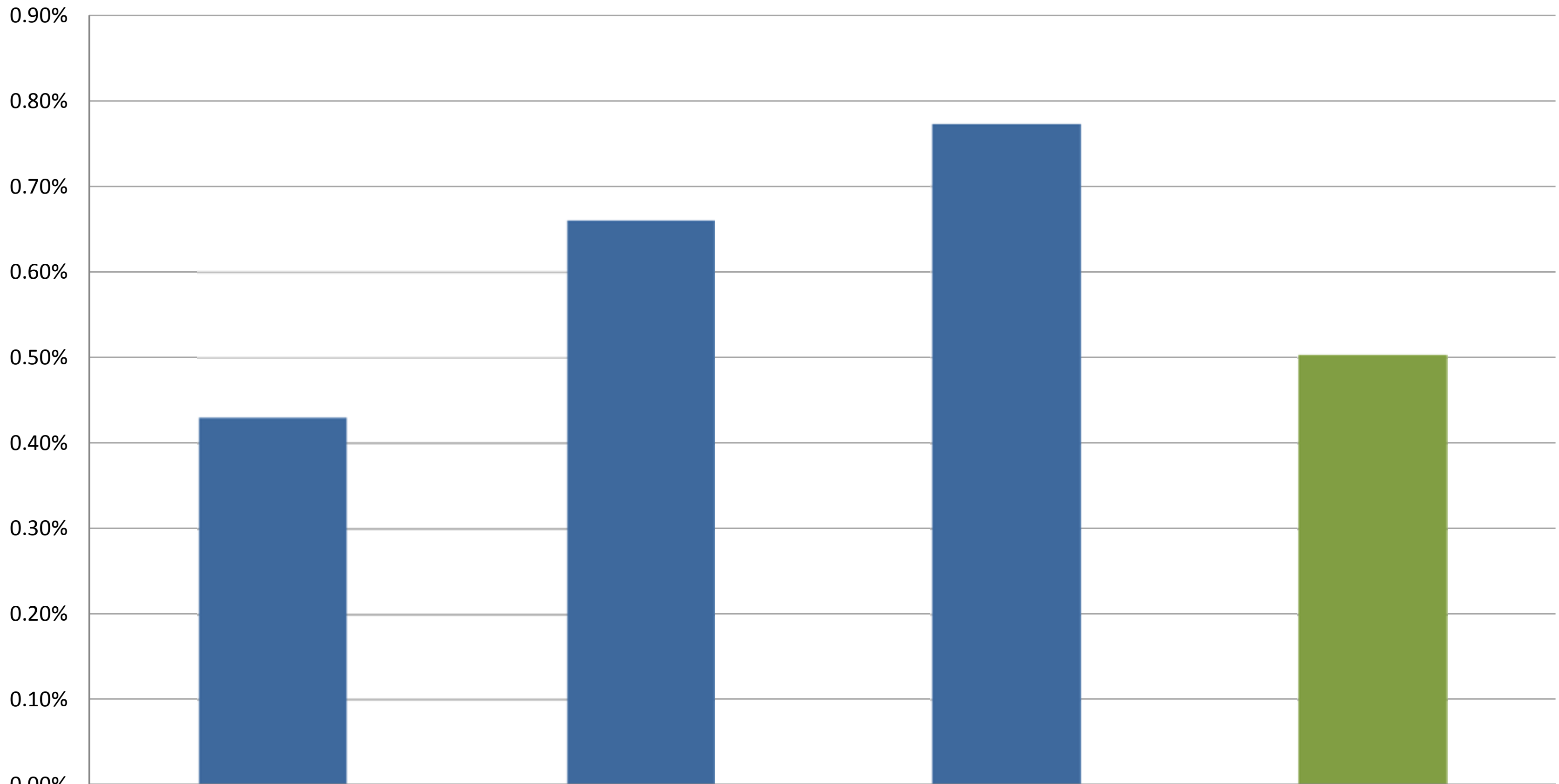
Mitigation Fund
$25 Million



Claim-Paying Fund
$318 Million



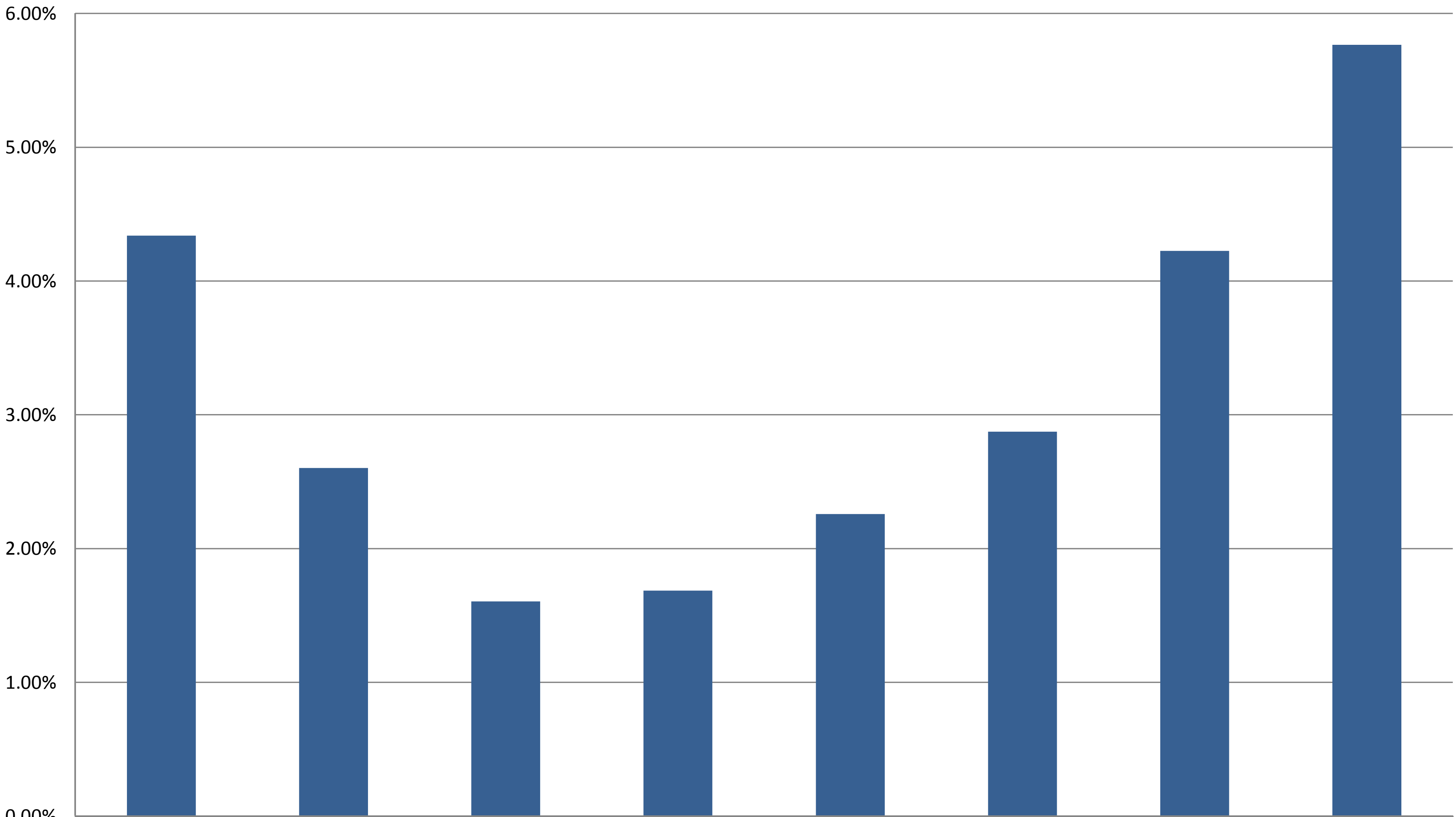
California Earthquake Authority
12-Month Rolling Investment Return
as of August 31, 2012



2009	2010	2011	2012*
0.43%	0.66%	0.77%	0.50%

* as of August 31, 2012
NOTE: Gross of Investment Manager Fees

California Earthquake Authority
Annual Investment Manager Fees as a Percentage of Investment Income
as of December 31, 2011



2004	2005	2006	2007	2008	2009	2010	2011
4.34%	2.60%	1.60%	1.69%	2.26%	2.87%	4.22%	5.76%

California Eathquake Authority

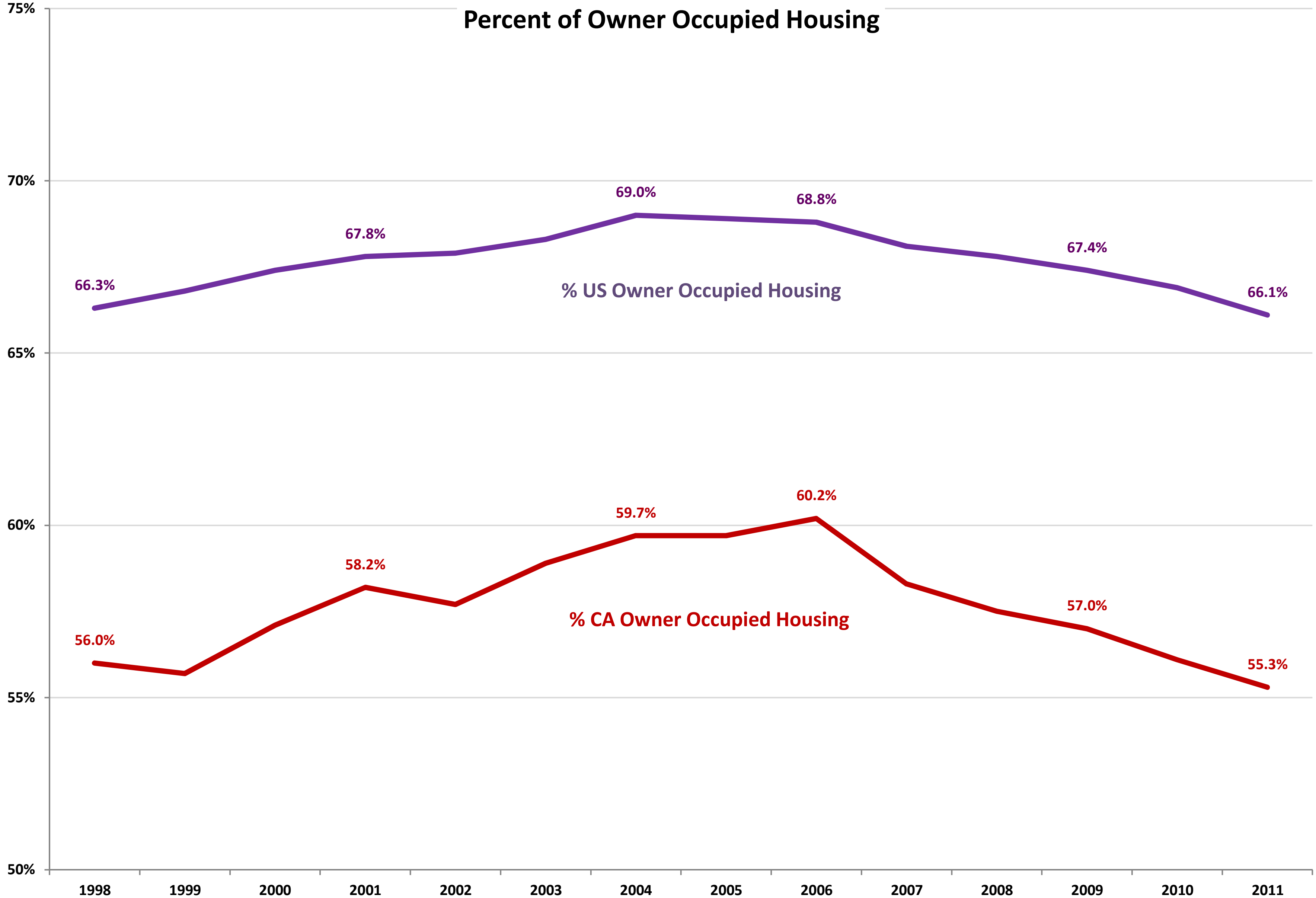
Schedule of Outstanding Debt

DEBT	ISSUANCE AMOUNT	INTEREST RATE	NET PROCEEDS	OUTSTANDING PRINCIPAL	AS OF DATE
Series 2006 Revenue Bonds	**$ 315,000,000**	**6.169%**	**$ 310,829,067**	**$ 126,000,000**	**31-Aug-2012**

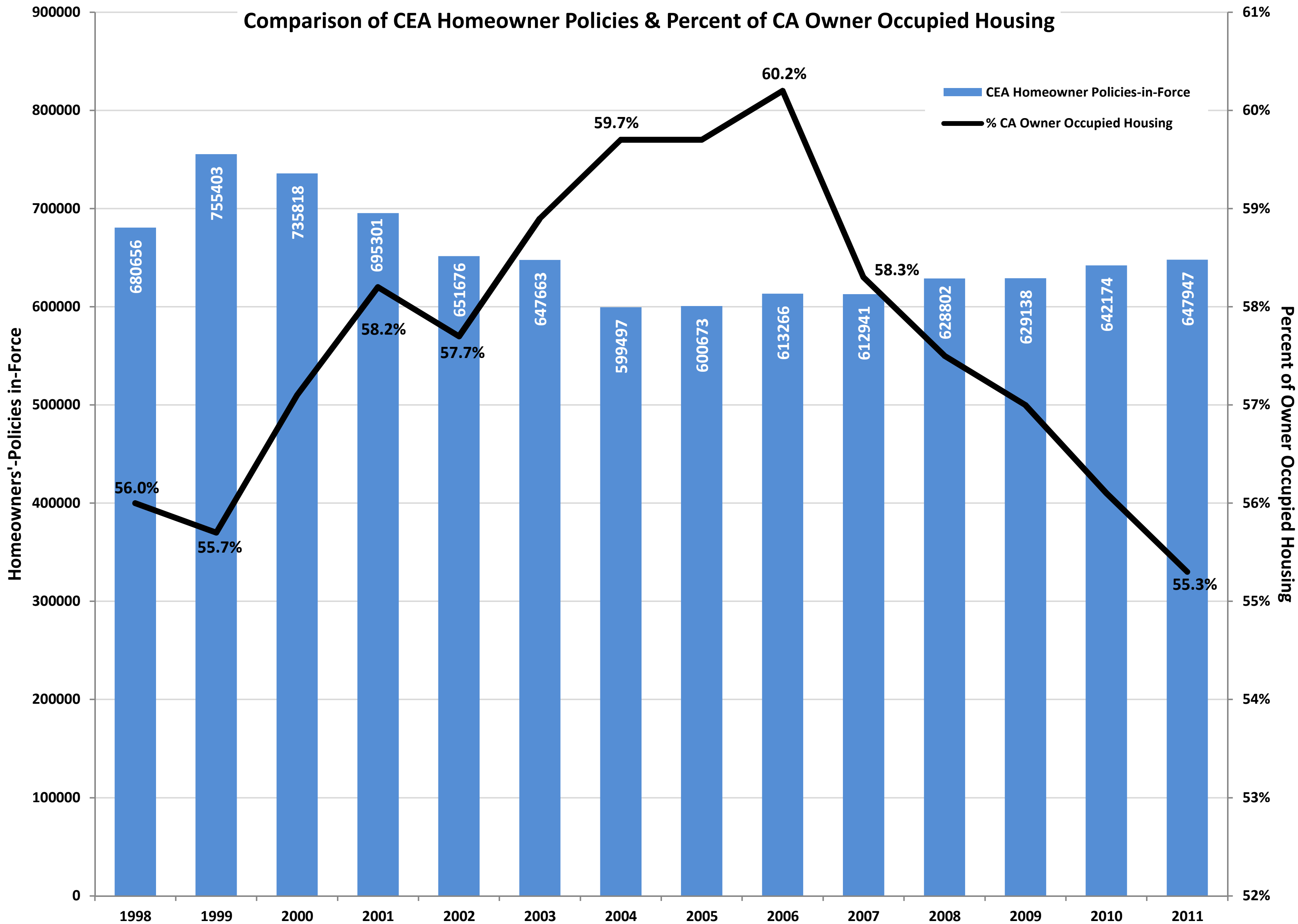
DEBT-SERVICE SCHEDULE

The table below shows the remaining annual-debt-service requirements for the Series 2006 Bonds.

Period Ending	Outstanding Principal	Principal	Interest	Debt Service	Annual Debt Service
1-Jan-13	$126,000,000		$3,886,470	$3,886,470	
1-Jul-13	$94,500,000	$31,500,000	$3,886,470	$35,386,470	
2013					$39,272,940
1-Jan-14	$94,500,000		$2,914,853	$2,914,853	
1-Jul-14	$63,000,000	$31,500,000	$2,914,853	$34,414,853	
2014					$37,329,705
1-Jan-15	$63,000,000		$1,943,235	$1,943,235	
1-Jul-15	$31,500,000	$31,500,000	$1,943,235	$33,443,235	
2015					$35,386,470
1-Jan-16	$31,500,000		$971,618	$971,618	
1-Jul-16		$31,500,000	$971,618	$32,471,618	
2016					$33,443,235



Sources: U.S. Census Bureau, "Residential Vacancies & Homeownership Annual Statistics," data as of January 1st



Sources: U.S. Census Bureau, "Residential Vacancies & Homeownership Annual Statistics," data as of January 1st & CEA Policies-in-Force, data prior year-end

Governing Board Memorandum

October 25, 2012

Agenda Item 6:	2013 CEA Risk-Transfer Program
Recommended Actions:	Approve resolution to authorize reinsurance commitments for the 2013 CEA traditional reinsurance “January Program” and “August Program” effective January 1, 2013

Background:

At the August 23, 2012, Governing Board meeting, CEA staff proposed to the Board a 2013 CEA financial structure, based on modeled losses to the CEA’s book of business as of December 31, 2011.

The Board directed staff to accomplish the proposed 2013 risk-transfer program, made up of both traditional and transformer reinsurance, consistent with the staff-recommended structure.

Analysis:

Contents of Memorandum

This memorandum and its attachments document the following:

- Proposed CEA financial structure for 2013
- Summary of proposed 2013 CEA risk-transfer program
- Process for achieving the 2013 CEA risk-transfer program
- Summary of reinsurers’ written commitments, by contract
- Contract terms and conditions common to all proposed traditional-reinsurance contracts for January Program and August Program
- Conclusion

Proposed Financial Structure for 2013

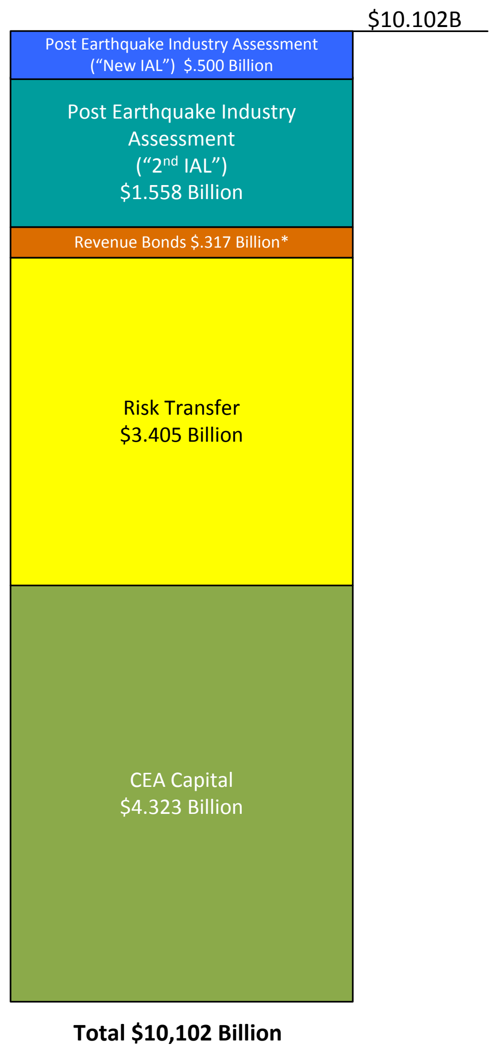
Staff proposed the following 2013 CEA financial structure at the August 2012 Board meeting—that proposal included a layer of risk transfer (traditional and transformer), which, added to other financial layers, provides a total claim-paying capacity of, at minimum, a 1-in-500-year level.

To provide a claim-paying capacity of 1-in-500 years at January 1, 2013, the proposed 2013 CEA risk-transfer program must provide $3.405 billion in capacity.

Below is the calculation of the CEA's 1-in-500-year claim-paying capacity level for the proposed 2013 CEA financial structure.

Modeled losses at a 1-in-500-year level[1]	$ 6,984,248,516
Exposure adjustment	$ 396,524,377
Demand-surge adjustment	$ 1,845,193,223
Loss-adjustment-expense adjustment	$ 876,466,781
Claim-paying capacity at a 1-in-500-year level	**$ 10,102,432,897**

CEA Claim-Paying Capacity
Projected – January 1, 2013



*based on market value

[1] This figure is provided without demand surge or adjustments for loss-adjustment expense and exposure growth.

Summary of Proposed 2013 CEA Risk-Transfer Program

Splitting the CEA risk-transfer program into multiple periods, each with separate contract-inception dates, will allow CEA to purchase reinsurance in stages, reducing the potentially negative effects that worldwide catastrophic events and market swings have on reinsurance capacity and pricing. In keeping with the Board's consistent direction, CEA staff is continuously seeking out risk-transfer means that meet CEA requirements of the highest-quality financial products, at the best terms, and at the lowest possible cost.

During the first eight-months of 2012, CEA increased its exposure more than initially projected. CEA staff has determined that additional risk-transfer is needed to preserve CEA's capacity at or above the required level of 1-in-500-years.

2013 Risk Transfer Program effective January 1, 2013	Effective Date	Expiration Date	Reinsurance Limit
Proposed Traditional Reinsurance – August Program Contract #1	1/1/2013	7/31/2013	$500,000,000
Proposed Traditional Reinsurance – August Program Contract #2	1/1/2013	7/31/2013	$250,000,000
Proposed Traditional Reinsurance – August Program Contract #3	1/1/2013	7/31/2013	$200,000,000
Proposed Traditional Reinsurance – January Program	1/1/2013	12/31/2013	$725,595,000
Total Risk-Transfer Program			**$1,675,595,000**

Process for 2013 CEA Risk-Transfer Program

The CEA's reinsurance-intermediary team—Aon Benfield, Guy Carpenter & Co., and Willis Re—assisted staff in providing technical product development and marketing of the 2013 CEA traditional reinsurance program.

CEA approached this year as it did last year and adjusted pricing to reflect market conditions.

During the marketing and reinsurer negotiations for the 2013 CEA traditional-reinsurance program, the reinsurance-intermediary team contacted 169 reinsurers in 25 countries, as listed in *Attachment A*.

- Each reinsurer contacted met the criteria in CEA's *Guidelines for Sources of Claim-Paying Capacity* (the "Guidelines") (*Attachment B*).
- Of the 169 reinsurers contacted, 39 authorized capacity for the January Program and the August Program of the 2013 CEA risk-transfer program.

The main reasons given by reinsurers that declined to authorize capacity were:

- Aggressive pricing required by the CEA
- Reinsurer's declining to write earthquake/catastrophe business

The CEA's claim-paying capacity is subject to claims arising from one or more earthquakes; therefore, the CEA contracts for reinsurance capacity on an *aggregate* basis. In other words, as the CEA pays losses and claims against its reinsurance contracts, those loss payments reduce the remaining claim-paying capacity available through those reinsurance contracts.

CEA claim-paying capacity is "layered," and claims are paid from the lowest available layer in the financial structure. The probability of loss to a given layer directly influences the cost of obtaining reinsurance for that layer. As the CEA pays policyholder claims and claims against its reinsurance contracts, total reinsurance cover diminishes and the probability of loss to remaining, higher layers of reinsurance increases, resulting in increased future costs for the reinsurance coverage in those layers.

Summary of Traditional Reinsurers' Written Commitments (by Contract)

The following table shows the CEA's 2013 traditional reinsurance program:

- reinsurers' written commitments effective January 1, 2013, through December 31, 2013;
- 12-month-contract premium and12-month rate-on-line;
- commitments effective January 1, 2013, through July 31, 2013; and
- seven-month-contract premium and rate-on-line.

2013 Risk Transfer Program effective January 1, 2013	Reinsurance Limit	Rate-on-Line	Contract Premium	Contract Duration
Proposed Traditional Reinsurance – August Program Contract #1	$500,000,000	7.20%	$27,000,000	7 months
Proposed Traditional Reinsurance – August Program Contract #2	$250,000,000	7.20%	$13,500,000	7 months
Proposed Traditional Reinsurance – August Program Contract #3	$200,000,000	7.15%	$10,725,000	7 months
Proposed Traditional Reinsurance – January Program	$725,595,000	6.90%	$50,066,055	1 year
Traditional Reinsurance – January Program and August Program	**$1,675,595,000**		**$101,291,055**	

Attachment C shows each proposed reinsurer, its policyholder surplus, and its allocated line.

Attachment D shows the financial strength of the reinsurers proposed for the 2013 CEA reinsurance January Program and August Program.

Contract Terms and Conditions Common to All Proposed Traditional-Reinsurance Contracts.

The following terms and conditions are the same for all of the proposed reinsurance contracts.

1. Upon binding the reinsurance (but not until), the contract retention may be eroded by losses occurring on and after the date of binding (proposed as October 26, 2012) through December 31, 2012, for the January Program and the August Program.

2. The CEA will become obligated to pay the 2013 reinsurance premiums upon binding these commitments, according to the premium-payment schedule stated in the contracts.

3. As in CEA reinsurance contracts for the past several years, reinsurer commitments and proposed reinsurance contracts do not provide for mandatory "reinstatement" of coverage or require of the CEA a corresponding reinstatement premium. (If a reinsurance contract has a reinstatement clause, when reinsurance coverage under a contract is reduced by loss from one occurrence, the reinsurance limit is *automatically* "reinstated." The reinstatement term usually incepts at the date of the last loss and runs only through the end of the original coverage period. An additional reinsurance premium is required for reinstating the reinsurance coverage that was reduced by reinsurance loss payment.)

4. The contracts would provide that the reinsurance premium payable by CEA can adjust upward or downward by no more than 10%, based on stated, average, total CEA exposures of $309,596,539,168 from January 1, 2013, through December 31, 2013, and $307,642,481,330 from January 1, 2013, through July 31, 2013.

5. When a reinsurer does not meet CEA's *Guidelines for Sources of Claim-Paying Capacity* but nonetheless wishes to participate in CEA's reinsurance program (and CEA is willing to accept that participation), that reinsurer must provide collateral and agree to use and sign CEA's "Collateral Account Control Agreement." In conjunction with signing that Agreement, the reinsurer must deposit collateral (*in an amount equal to 100% of the reinsurance limit*) in the collateral account, held at a U.S. bank.

Conclusion

Below is a summary of the 2013 Risk-Transfer Program, composed of traditional reinsurance (the January Program and the August Program) in the amount of $1,675,595,000. Staff will present to the Board at its February 2013 meeting a proposed traditional-reinsurance "April Program" in an estimated total amount of $1,200,000,000 to replace Program B, which expires March 31, 2013.

2013 Risk Transfer Program	Effective Date	Expiration Date	Reinsurance Limit
Traditional Reinsurance – Program B	4/1/2012	3/31/2013	$1,251,464,950
Traditional Reinsurance – Program C	5/1/2012	4/30/2013	$100,000,000
Proposed Traditional Reinsurance – August Program Contract #1	1/1/2013	7/31/2013	$500,000,000
Proposed Traditional Reinsurance – August Program Contract #2	1/1/2013	7/31/2013	$250,000,000
Proposed Traditional Reinsurance – August Program Contract #3	1/1/2013	7/31/2013	$200,000,000
Proposed Traditional Reinsurance – January Program	1/1/2013	12/31/2013	$725,595,000
Transformer Reinsurance – Contract 1 (2011-1)	8/2/2011	8/1/2014	$150,000,000
Transformer Reinsurance – Contract 2 (2012-1)	2/7/2012	2/6/2015	$150,000,000
Transformer Reinsurance – Contract 3 (2012-2)	8/1/2012	7/31/2015	$300,000,000
Traditional Reinsurance – September Program	9/1/2012	8/31/2015	$100,000,000
Total Risk-Transfer Program			**$3,727,059,950**

Recommendation:

The proposed option for the 2013 CEA reinsurance “January Program” and “August Program” fully reflects the Board’s consistent direction to seek the highest-quality financial products, at the best terms, and at the lowest possible cost.

Staff recommends that the Board:

1. Approve staff’s proposal for the 2013 CEA reinsurance “January Program” and “August Program,” effective January 1, 2013, for the January Program Contract and for August Program Contracts #1, #2 and #3, for a total limit of $1,675,595,000, on the terms and conditions stated above for the respective contracts and elaborated on in the written resolution presented to the Board on this date.

2. Authorize staff to act immediately to bind the corresponding reinsurance commitments from the reinsurers on *Attachment C,* on the terms and conditions described above and elaborated on in the resolution presented to the Board on this date.

3. Bring to the Board at its February 2013 meeting a program recommendation for additional CEA 2013 risk-transfer.

California Earthquake Authority

2013 Reinsurance Program
January & August Program
Marketing List

Legal Name	Domiciled Country
Ace Tempest Reinsurance Ltd.	Bermuda
Alterra Bermuda Limited	Bermuda
American Agricultural Insurance Company	United States
American Standard of WI	United States
Amlin AG	Bermuda
Aspen Insurance Limited	United Kingdom
AXIS Specialty Limited	Bermuda
Catlin Insurance Company Ltd.	Bermuda
DaVinci Reins thru Renaissance U/W Mgrs	Bermuda
Employers Mutual Casualty Company	United States
Endurance Specialty Insurance Limited	Bermuda
Flagstone Réassurance Suisse SA - Bermuda Branch, Hamilton	Bermuda
Hannover Re (Bermuda) Limited	Bermuda
Hiscox Insurance Company (Bermuda) Limited	Bermuda
Houston Casualty Company (via UK Branch Office)	United States
Korean Reinsurance Company	Korea, Republic of
Lancashire Insurance Company Limited	Bermuda
Lansforsakringar Sak Forsakringsaktiebolag	Sweden
Liberty Mutual Insurance Company	United States
Lloyd's Synd. #0033 (Hiscox)	United Kingdom
Lloyd's Synd. #0382 (Hardy)	United Kingdom
Lloyd's Synd. #0510 (Kiln)	United Kingdom
Lloyd's Synd. #0609 (Atrium)	United Kingdom
Lloyd's Synd. #0623 (Beazley)	United Kingdom
Lloyd's Synd. #0780 (Advent)	United Kingdom
Lloyd's Synd. #1084 (Chaucer)	United Kingdom
Lloyd's Synd. #1183 (Talbot)	United Kingdom
Lloyd's Synd. #1225 (Aegis)	United Kingdom
Lloyd's Synd. #1274 (Antares)	United Kingdom
Lloyd's Synd. #1414 (Ascot)	United Kingdom
Lloyd's Synd. #1458 (Ren Re)	United Kingdom
Lloyd's Synd. #1880 (Tokio Marine / Kiln)	United Kingdom
Lloyd's Synd. #1910 (Ariel)	United Kingdom
Lloyd's Synd. #1955 (Barbican)	United Kingdom
Lloyd's Synd. #2001 (Amlin)	United Kingdom
Lloyd's Synd. #2003 (Catlin)	United Kingdom
Lloyd's Synd. #2007 (Novae)	United Kingdom
Lloyd's Synd. #2010 (Cathedral)	United Kingdom
Lloyd's Synd. #2623 (Beazley)	United Kingdom
Lloyd's Synd. #2791 (MAP)	United Kingdom
Lloyd's Synd. #3902 (ARK)	United Kingdom
Lloyd's Synd. #4020 (ARK)	United Kingdom
Lloyd's Synd. #4472 (Liberty Paris)	United Kingdom
Mapfre Re Compania de Reaseguros SA	Spain
Montpelier Reinsurance Ltd	Bermuda
MS Frontier Reinsurance Limited	Bermuda
Munchener Ruckversicherungs-Gesellschaft AG	Germany
Munich Re America, Inc.	United States

January & August Program
Marketing List

Legal Name	Domiciled Country
Odyssey America Reinsurance Corporation	United States
Partner Reinsurance Company Ltd.	Bermuda
Platinum Underwriters Bermuda Limited	Bermuda
Qatar Insurance Co	Qatar
QBE Reinsurance Corporation	United States
R+V Versicherung AG	Germany
Renaissance Reinsurance Ltd.	Bermuda
SCOR Global P&C	France
Shelter Mutual Insurance Company	United States
Sompo Japan Insurance Inc.	Japan
Swiss Re America	United States
Taiping Reinsurance Company Limited	Hong Kong
Tokio Millennium Reinsurance Limited	Bermuda
Transatlantic Reinsurance Company	United States
Validus Reinsurance, Ltd.	Bermuda
XL Re Ltd	Bermuda
Allianz SE	Germany
Allied World Assurance Company Limited	Bermuda
American Strategic Insurance Corp.	United States
Arch Reinsurance Ltd	Bermuda
Argo Re Limited	Bermuda
Ariel Re Bermuda Limited / Lloyd's Syndicate 1910	Bermuda
Asia Insurance Company Limited	Hong Kong
Assurant	United States
Berkley Insurance Company	United States
Berkshire Hathaway / National Indemnity	United States
Caisse Centrale de Reassurance	France
Canopius Underwriting Bermuda Ltd / Lloyd's Syndicate 4444	Bermuda
Central Reinsurance Corporation	Taiwan
China Reinsurance (Group) Corporation	China
DEVK Ruckversicherungs- und Beteiligungs-Aktiengesellschaft	Germany
Dorinco Reinsurance Company	United States
Factory Mutual Insurance Company	United States
Farm Bureau Mutual Insurance Company of Michigan	United States
Farmers Mutual Hail Insurance Company of Iowa	United States
Frankenmuth Insurance Company	United States
General Insurance Corporation of India	India
Greenlight Reinsurance Limited	Cayman Islands
Hallmark Insurance Company	United States
Hardy Bermuda Ltd / Lloyd's Syndicate 382	Bermuda
Helvetia Schweizerische Versicherungsgesellschaft AG	Switzerland
Insurance Company of the West	United States
Ironshore Insurance Ltd	Bermuda
Kentucky Farm Bureau Mutual Insurance Company	United States
Kuwait Reinsurance Company KSCC	Kuwait
Labuan Reinsurance (L) Ltd	Malaysia
Lancashire Insurance Company (UK)	Bermuda
Lexington Insurance Company, Pembroke	Bermuda
Malaysian Reinsurance Berhad	Malaysia
Manulife Reinsurance Corporation (U.S.A.)	United States

Attachment A

January & August Program
Marketing List

Legal Name	Domiciled Country
Motors Insurance Corporation	United States
Navigators Insurance Company	United States
New India Assurance Company Ltd	India
Oman Insurance Company PSC	United Arab Emirates
PaCRe, Ltd.	Bermuda
Protective Insurance Company	United States
Quincy Mutual Fire Insurance Company	United States
Reinsurance Company Sava Limited	Slovenia
RLI	United States
S.A.C. Re Ltd	Bermuda
Safety National Casualty Corporation	United States
Samsung Fire & Marine Ins Co Ltd	Korea, Republic of
Secura NV	Belgium
Singapore Reinsurance Corporation Ltd	Singapore
Sirius International Insurance Corporation	Bermuda
Sirius International Insurance Corporation (publ), Hamilton	Bermuda
Swiss Re Zurich	Switzerland
The Toa Reinsurance Company of America	United States
Third Point Reinsurance Company Ltd.	Bermuda
Universal North America Insurance Company	United States
Versicherungskammer Bayern Konzern-Ruck AG	Germany
White Mountains Reinsurance Company of America	United States
Wiener Stadtische Versicherung AG Vienna Insurance Group	Austria
Wind River Reinsurance Company Ltd	Bermuda
Wuerttembergische Versicherung AG	Germany
Zurich Insurance Company Limited	Switzerland
Lloyd's Syndicates	
Lloyd's Synd. #0435 (Faraday)	United Kingdom
Lloyd's Synd. #0626 (Hiscox)	United Kingdom
Lloyd's Synd. #0727 (Meacock)	United Kingdom
Lloyd's Synd. #0807 (Mathers)	United Kingdom
Lloyd's Synd. #0958 (Omega Christensen)	United Kingdom
Lloyd's Synd. #1400 (Alterra)	United Kingdom
Lloyd's Synd. #1969 (Apollo)	United Kingdom
Lloyd's Synd. #2121 (Argenta)	United Kingdom
Lloyd's Synd. #2987(Brit)	United Kingdom
Lloyd's Synd. #2999 (QBE)	United Kingdom
Lloyd's Synd. #3000 (Markel)	United Kingdom
Lloyd's Synd. #4000 (Pembroke)	United Kingdom
Lloyd's Synd. #4444 (Canopius)	United Kingdom

California Earthquake Authority

Guidelines for Sources of Claim-Paying Capacity:
Providers and Products

Adopted: May 1999
1st Revision: April 2001
2nd Revision: March 2002
3rd Revision: December 2002 (expatriate paragraph approved by the Board 12/19/02)
4th Revision: April 2004
5th Revision: June 2005 (updated to make technical changes)
6th Revision: March 2007
7th Revision: June 2009
8th Revision: August 2009
9th Revision: June 2010

<u>Introduction</u>

These *Guidelines for Sources of Claim-Paying Capacity: Providers and Products* (Guidelines) were first issued in 1999 and have been modified and updated periodically. The Guidelines are recommendations of the best reinsurance-related business practices for the CEA. They describe how the CEA evaluates reinsurers and reinsurance products and also provide minimum standards that reinsurance providers should meet to qualify as suitable for the CEA.

The Guidelines are updated periodically to respond to changing reinsurance-market conditions and reinsurance products, encompass other financial tools from other segments of the financial community (e.g., capital-markets products), and to adjust to economic changes (e.g., inflation).

<u>Goals</u>

These Guidelines accomplish four key goals, presented in order of priority:

1. <u>Financial Strength</u>: To minimize the risk to the CEA that a provider might fail to pay claims under a reinsurance contract because of the provider's financial insolvency.
2. <u>Stability</u>: To permit CEA to secure claim-paying capacity from providers and use products that, together, can endure all market conditions.
3. <u>Efficiency</u>: To permit CEA to select the most efficient claim-paying capacity.
4. <u>Flexibility</u>: To provide for reasonable flexibility by allowing for alternative products and stable sources of claim-paying capacity that are more cost-effective.

Reinsurance Providers

The Guidelines in this section apply to all providers of reinsurance and all reinsurance contracts to which the CEA is a party.

The CEA will not contract for reinsurance capacity with a reinsurer that meets the criteria as an "expatriate company." As used in these Guidelines an expatriate company is a U.S. corporation that relocates, on paper, to an offshore tax-haven location. If the CEA is unable to secure the desired or necessary reinsurance capacity without contracting with an expatriate company, the CEA staff will present to the CEA Governing Board the reasons that the CEA should contract with the expatriate company and ask for the Governing Board's approval to execute the contract.

Financial Strength

The reinsurer's financial strength and its ability to fulfill its claim-paying obligations are the priority considerations in determining whether a reinsurer qualifies to do business with the CEA. A reinsurer's failure to make timely payment to the CEA is the functional equivalent of a failed promise to a CEA policyholder, because reinsurance recoveries are a primary source of the CEA's ability to pay claims.

To qualify, a reinsurer must meet both of the following standards (all amounts in US dollars):

- Policyholders' surplus (PHS) of at least $150 million; and
- An A.M. Best rating of at least A- or a Standard & Poor's (S&P) rating of at least A-.

1. The CEA should use the following criteria to allocate lines of reinsurance to reinsurers:

   a. The rating agencies A.M. Best and S&P assign ratings to reinsurers that signify a reinsurer's financial strength. Each rating agency analyzes key financial ratios to measure leverage, liquidity, asset quality, and other balance-sheet and income-statement indicators of financial strength. They also assess management qualifications and take into account a reinsurer's exposure to natural disasters. It is therefore appropriate that the rating A.M. Best or S&P assigns a reinsurer should influence the size of that reinsurer's participation in CEA reinsurance contracts.

   b. "Economic mass" – a company's policyholders' surplus – is an indicator of financial staying power and should directly influence the CEA participation allocation. No reinsurer should be allocated combined participating shares in CEA reinsurance contracts for a given contract period that would generate total liabilities (not including exposures to reinstated limits, if any) greater than 10% of that reinsurer's PHS.

   c. To properly scale a reinsurer's CEA participation level to its rating and PHS, the following guidelines will be used when allocating lines of reinsurance contracts:

Table 1

(For reinsurers with PHS between $150 & $300 million)

Maximum Line (% of PHS)	**A.M. Best Rating***	**Standard & Poor's Rating***
0% – 1 .5%	A-	A-
1.51% – 3.0%	A	A or A+
3.01% – 6.0%	A+ or A++	AA- to AAA

Table 2

(For reinsurers with PHS greater than $300 million)

Maximum Line (% of PHS)	**A.M. Best Rating***	**Standard & Poor's Rating***
0% – 3.0%	A-	A-
3.01% – 5.5%	A	A or A+
5.6% – 8.0%	A+	AA- to AA+
8.01% – 10.0%	A++	AAA

* For a company that is rated by both A.M. Best and S&P, the lower of the two ratings will apply in applying these guidelines.

The maximum line allocation is calculated as follows:

- The sum of all the Reinsurer's authorized lines on all CEA reinsurance contracts that are or will be effective for the same period is compared to the maximum permitted line from Table 1 or Table 2.

d. <u>Flexibility</u>. In the sole judgment and discretion of the Governing Board, acting with the advice of staff and experts, the CEA may waive or modify any allocation guideline if to do so would bring substantial benefit to the CEA without compromising the basic goals of financial strength, stability, and efficiency. In deciding to waive or modify any guideline, the CEA would consider the following points:

(i) A reinsurer that has exceptionally strong capitalization, or a company that is affiliated with a strongly capitalized parent which is willing to provide, and does provide, a parental guarantee, may be acceptable even if it fails to meet the criteria in the above allocation guidelines.

(a) A subsidiary of a quality parent typically enjoys superior liquidity and access to capital.

(b) A strong parent would likely not abandon a failed subsidiary and would fulfill the subsidiary's obligations because of the damage that abandonment would inflict on the parent's reputation. Parent companies that are not insurers, however, should be carefully examined for appropriate risk appetite and other desirable, relevant attributes.

(ii) This guideline, which permits the CEA Governing Board certain flexibility in waiving or modifying allocation guidelines, as set forth above in this section (d), is not intended to reserve or grant, and does not reserve or grant, any rights whatsoever to any person or entity other than the CEA and its Governing Board.

e. The CEA, at its sole discretion, may accept certain credit-enhancement tools in support of reinsurance-line allocations for reinsurers that fail to meet the above criteria and would therefore ordinarily fall outside the Guidelines:

(i) Collateralization, in a form acceptable to the CEA, of the contract obligation to support an allocation of reinsurance limit outside the Guidelines, or

(ii) a letter of credit, in a form acceptable to the CEA, to support an allocation of reinsurance limit outside the Guidelines.

f. The CEA, at its sole discretion, may enable the development of alternative financial products, which may bring greater efficiency and stability to the CEA's claim-paying structure or diversify the CEA's sources of claim-paying capacity, in order to:

(i) attract capacity if the reinsurance market or capital markets are experiencing market difficulty or crisis;

(ii) attract capacity at more efficient terms; or

(iii) enable the development of alternative markets or alternative financial products, which may bring greater efficiency and stability to the CEA's claim-paying structure or diversify the CEA's sources of claim-paying capacity.

2. The CEA buys reinsurance from the global reinsurance community. Many of the CEA's reinsurers are not domiciled in the United States, and many of those reinsurers provide financial reports based on currencies other than U.S. dollars. Exchange rates fluctuate daily, and an exchange rate moving downward in relation to the U.S. dollar means diminished financial security for the CEA. To manage this risk, the CEA will employ the following procedure:

a. In assigning reinsurance-contract participations, the CEA will calculate a non-U.S.-domiciled reinsurer's PHS based on its domicile's exchange rate against the U.S. dollar not more than 30 days before the date of binding that reinsurer's participation in a reinsurance contract. This is called the "Base Exchange Rate."

b. If during the term of a reinsurance contract a reinsurer domicile's exchange rate falls below the Base Exchange Rate, the CEA will reevaluate compliance with the Guidelines for any reinsurer based in that domicile.

3. **Lloyd's of London Syndicates**. The financial statements of syndicates at Lloyd's do not state a policyholders' surplus; therefore, unlike with non-Lloyd's reinsurers, policyholders' surplus cannot be used as an allocation criterion for Lloyd's. The CEA must instead use a

"policyholders' surplus equivalent" in lieu of using policyholders' surplus. The CEA will use one or more of the following, as specified in this paragraph, as policyholders' surplus equivalents:

- The syndicate's premium receipts plus its reserves. This is commonly referred to as "Syndicate Level Assets."
- Any additional capital dedicated by a syndicate's member(s) for the syndicate's liabilities by a deposit of funds into any of three trust funds in which members' assets may be held—the Lloyd's deposit fund, the special reserve fund, or the personal reserve fund—each of which is available to meet cash calls made on the member with respect to syndicate needs. This is commonly referred to as "Members' Funds at Lloyd's."
- The syndicate's volume of business measured in gross written premiums net of acquisition costs underwritten by a syndicate's business plan accepted by Lloyd's (Lloyd's requires syndicates to have a stated amount of capital to support the amount of gross written premiums in the business plan). This is commonly referred to as the syndicate's "stamp capacity."

For purposes of determining a syndicate's maximum line allocation, the CEA will calculate the policyholders' surplus equivalent as follows:

- If the syndicate has disclosed to the CEA both its Syndicate Level Assets <u>and</u> its dedicated Members' Funds at Lloyd's, the combination of Syndicate Level Assets and dedicated Members' Funds at Lloyd's will be used as the policyholders' surplus equivalent.
- If the syndicate has disclosed to the CEA its Syndicate Level Assets but not its dedicated Members' Funds at Lloyd's, the Syndicate Level Assets will be used as the policyholders' surplus equivalent.
- If the syndicate has not disclosed to the CEA its Syndicate Level Assets, the syndicate's stamp capacity will be used as the policyholders' surplus equivalent.

The exchange rate for Syndicate Level Assets, dedicated Members' Funds at Lloyd's, and stamp capacity will be the market exchange rate, Pounds Sterling to U.S. Dollar, in effect on the date CEA commences marketing the reinsurance program.

If a syndicate has an A.M. Best rating, Table 1 or Table 2, above, will be used to calculate the syndicate's maximum line allocation, based on the syndicate's appropriate policyholders' surplus equivalent, converted to reflect the market exchange rate, and its A.M. Best rating. If a syndicate does not have an A.M. Best rating, that syndicate's appropriate policyholders' surplus equivalent, converted to reflect the market exchange rate, will be calculated using Table 3, below.

Table 3
Lloyd's of London: Non-Rated Syndicates
Policyholders' Surplus Equivalent (Syndicate Level Assets, Members' Funds at Lloyd's, or Stamp Capacity) Conversion to Maximum Line Allocation

Policyholders' Surplus Equivalent (millions)	Maximum Line (% of Policyholders' Surplus Equivalent)
< $150	2%
≥ $150	3%

4. The CEA requires that all its reinsurance contracts grant the CEA the right (but not the obligation) to reduce or terminate a reinsurer's participation share, before contract expiration, if the reinsurer's financial strength weakens, causing the reinsurer's existing participation allocation to exceed what the Guidelines would permit.

Stability

Unlike a private insurance company, the CEA cannot go without claim-paying capacity if reinsurance market capacity diminishes or demand for reinsurance capacity exceeds supply—recoveries from sources of external capacity are a direct source of the CEA's financial ability to pay its policyholders' claims. If risk capital (reinsurance capacity) becomes unavailable, the CEA's claim-paying capacity will shrink and it could be forced to curtail or cease operations. To provide uninterrupted availability of earthquake coverage for California's residential property insurance policyholders, the CEA must endeavor to buy from providers that can endure all market conditions.

To most effectively accomplish this goal, the CEA will consistently consider the following steps:

1. Enter into multi-year agreements when cost-effective and advantageous under the existing economic environment.

2. Take steps to ensure that future markets are available to which CEA risk can be transferred.

3. Transact directly with entities that are the primary bearers of the ultimate risk (the "primary risk bearers").

4. Distinguish clearly between primary and secondary market capacity.

   a. Primary market capacity offers direct contact between the CEA and the primary risk bearer and is therefore more stable than secondary capacity. Direct contact permits a thorough and effective exchange of knowledge between the CEA and the primary risk bearer—this direct collaboration can mature into a long-term relationship that enhances uninterrupted access to risk capital, which is crucial to the CEA's mission.

b. Secondary market capacity means the entity executing the transaction with the CEA is not the primary risk bearer—instead, it is a fronting entity that is a conduit of risk and premium to a retrocessionnaire or bondholder (in secondary markets). In such a case, it is the secondary market that has accepted the ultimate risk of CEA loss.

The traditional reinsurance market is primary-market capacity, and the capital markets (accessed, for example, through a transformer reinsurance transaction, defined below) and retrocessional reinsurance markets are secondary market capacity. The CEA should carefully weigh the relative advantages of each of the two markets, including significant factors intrinsic to each.

c. <u>Retrocessional reinsurance</u>. In one form of retrocessional reinsurance, a reinsurer fronts a reinsurance participation, intending to lay off its risk into the retrocessional reinsurance market. Besides compromising the CEA's policy goal of a direct contractual relationship with the primary risk bearer, there may be other consequences:

(i) The reinsurer's capacity may be falsely portrayed if retrocessional reinsurance is used to gross up a reinsurer's line beyond its financial ability or appetite to retain risk.

(ii) Retrocessional capacity is fragile and historically has evaporated when tested by even moderate losses—such an occurrence would destabilize the CEA's claim-paying capacity.

(iii) Retrocessional reinsurance can also interfere with the CEA's access to the reinsurance market. For example, if a U.S. reinsurer retrocedes CEA risk into the European reinsurance market while the CEA is pursuing a direct relationship with that same market, the CEA's capacity needs may be displaced.

For these reasons, CEA prohibits any <u>specific retrocession</u> of CEA risk without the advance written permission of the CEA.

The CEA has relied on its lead reinsurance intermediary to help CEA evaluate the economic environment at the time of securing reinsurer participations, and to consider reinsurers that might occasionally (with CEA permission) use retrocessional reinsurance to manage risk and disfavor reinsurers that merely front risk for the secondary retrocessional market. The CEA will seek to avoid as a primary risk-transfer method accepting participations that are <u>intended</u> to be secondary, retrocessional-market transactions.

d. The CEA supports the recent emergence of catastrophe-reinsurance specialists that facilitate secondary-market transactions into the capital or retrocessional reinsurance markets ("transformers").

e. The CEA cannot depend entirely on a few entities to provide all its claim-paying capacity—an inordinately large allocation to one reinsurer could disadvantage the

CEA. The CEA at its sole discretion may moderate this guideline in response to compelling and appropriate circumstances.

Efficiency

The CEA must gain access to the entire global reinsurance market to meet its capacity needs, but the CEA will endeavor to buy reinsurance only from highly respected reinsurers whose financial strength is of the highest quality.

Because a competitive market environment benefits the CEA when it negotiates terms for reinsurance, the CEA should:

1. Work to place cost-effective alternatives to traditional reinsurance (e.g., by making the reinsurance marketplace aware that a viable capital market is a credible alternative to traditional reinsurance);

2. Provide reinsurers detailed underwriting information through its lead and associate intermediaries; and

3. Require its lead reinsurers to quote terms independent of each other and then negotiate to achieve consensus from the leads on price and terms that tend toward the lower end of the range of quotes.

Historically, the reinsurance market is a “lead-follow” marketplace; to alter this practice unilaterally could result in significant negative consequences. For example, the CEA is most benefited by contracting with multiple reinsurers that combine to offer coverage on uniform terms. If different reinsurers only offered different terms, and if in a search for the best price the CEA insisted on that as a general practice, the resulting inconsistent or non-concurrent market terms could eventually result in broad marketplace unwillingness to offer capacity to the CEA. It continues to be the CEA’s view that the current practice of negotiating to the lower end of the quote range provides superior stability at a low overall cost.

Appropriate use of secondary capital market transactions can supplement traditional reinsurance capacity. Certain negative attributes of some secondary capital market products (instability, inflexibility, and lack of claim-paying track record) may be overcome by achieving the desirable attributes of lower cost, encouragement of competition among reinsurers, and diversification of sources of claim-paying capacity.

Flexibility

The Governing Board, acting with the advice of CEA staff and experts, may determine in its sole judgment to waive or modify the application of any allocation guideline if to do so would bring substantial benefit to the CEA without compromising the basic goals of financial strength, stability, and efficiency.

Line of Credit – Providers

Financial Strength

A credit provider's failure to make payment to the CEA may result in the CEA's inability to keep its promises to its policyholders—credit contracts are primary sources of the CEA's ability to pay its policyholders. For this reason, a provider of a line of credit must demonstrate a high level of financial strength and a strong ability to fulfill its obligations to the CEA before it may be selected to do business with the CEA.

To qualify as financially strong, a provider of a line of credit must possess an A.M. Best rating of at least A- or a Standard & Poor's rating of at least A-. In addition (and regardless of a provider's rating(s)), the CEA should allocate no more than 20% of its credit-contract position to any one provider on the contract.

Stability

If capital is not available, whether from reinsurance providers, capital markets, or banks, the CEA's claim-paying capacity will suffer. Therefore, the CEA must use credit providers that can provide uninterrupted availability of capital through all market conditions. The CEA can most effectively accomplish this goal by:

1. Entering into multi-year agreements when cost-effective and advantageous under the existing economic environment.

2. Taking steps to ensure that ready credit markets remain available.

3. Contract with credit providers that are primary risk bearers.

Efficiency

The CEA should use highly respected credit providers whose financial strength is unquestioned.

Flexibility

The Governing Board, acting with the advice of CEA staff and experts, may determine in its sole judgment and at its sole discretion to waive or modify the application of any allocation guideline regarding a provider of a line of credit if to do so would bring substantial benefit to the CEA without compromising the basic goals of financial strength, stability, and efficiency. This guideline, which permits the CEA Governing Board certain flexibility in waiving or modifying allocation guidelines for a provider of a line of credit, as set forth in this section, is not intended to reserve or grant, and does not reserve or grant, any rights whatsoever to any person or entity other than the CEA and its Governing Board.

Attachment C

California Earthquake Authority
January 1, 2013 Reinsurance Program
January & August Program
Potential Final Lines

Reinsurer	Policyholders' Surplus	Potential Final
Ace Tempest Reinsurance Limited	$ 8,087,000,000	$ 60,000,000
Allianz Global Risks US Insurance Company	$ 3,816,340,365	$ 72,000,000
Allied World Assurance Company	$ 3,283,900,000	$ 10,000,000
Alpha Cat Reinsurance Ltd.[1]	$ 120,000	$ 10,000,000
Alterra Bermuda Limited	$ 2,288,000,000	$ 8,000,000
American Standard Insurance Company of Wisconsin	$ 5,700,000,000	$ 10,000,000
Ariel Capital Reinsurance Company Limited[1]	LOC	$ 45,075,000
AXIS Specialty Limited	$ 4,688,675,000	$ 35,000,000
DaVinci Reinsurance Ltd.	$ 1,349,000,000	$ 72,000,000
Employers Mutual Casualty Company	$ 911,640,671	$ 1,120,000
Endurance Specialty Insurance Limited	$ 2,750,000,000	$ 8,800,000
Hannover Rueckversicherung AG	$ 7,967,836,223	$ 27,200,000
Hannover Rueckversicherung AG	$ 9,009,000,000	$ 5,000,000
Hiscox Insurance Company (Bermuda) Limited	$ 845,600,000	$ 8,000,000
Horseshoe Re Limited	Collateral	$ 33,000,000
Kane SAC Limited[1]	LOC	$ 15,000,000
Korean Re	$ 1,094,926,000	$ 5,000,000
Lancashire Insurance Company Limited	$ 1,548,700,000	$ 10,000,000
Liberty Mutual Insurance Company	$ 18,415,000,000	$ 5,500,000
Lloyd's Syndicate #0033 (Hiscox)	$ 1,533,300,000	$ 5,000,000
Lloyd's Syndicate #1225 (Aegis)	$ 500,340,000	$ 3,500,000
Lloyd's Syndicate #1910 (Ariel)[1]	$ 169,470,000	$ 12,100,000
Montpelier Reinsurance Limited	$ 1,952,000,000	$ 14,400,000
Munich Reinsurance, Munich	$ 36,548,180,000	$ 125,000,000
Munich Reinsurance America	$ 4,245,500,000	$ 125,000,000
PaCRe, Ltd.	$ 481,100,000	$ 10,000,000
Partner Reinsurance Company, Ltd.	$ 3,754,073,000	$ 27,500,000
Platinum Uunderwriters Bermuda Limited	$ 1,721,827,000	$ 22,000,000
Poseidon Re, Ltd.[1]	Collateral	$ 65,000,000
QBE Reinsurance America	$ 1,072,030,061	$ 6,400,000
Renaissance Reinsurance, Ltd.	$ 1,600,000,000	$ 128,000,000
S.A.C. Re, Ltd	$ 514,000,000	$ 10,000,000
SCOR Global P&C SE, Paris, Zurich Branch	$ 2,252,855,482	$ 35,000,000
Solidum Re Eiger IC Limited[1]	Collateral	$ 52,500,000
Swiss Reinsurance America Corporation	$ 5,048,700,000	$ 500,000,000
Tokio Millenium Re Ltd.	$ 1,086,000,000	$ 9,000,000
Transatlantic Reinsurance	$ 3,941,000,000	$ 27,500,000
Validus Reinsurance, Ltd.	$ 3,477,834,000	$ 25,000,000
XL Re Limited	$ 4,296,400,000	$ 32,000,000
TOTALS		**$ 1,675,595,000**

Footnotes:

[1] Have agreed to provide LOC or collateral agreement.

California Earthquake Authority

2013 Reinsurance Program

January & August Program

Reinsurer Participations by Rating

	NR	A-	A	A+	Total
A.M. Best	**1,170,575,000**	**21,120,000**	**283,200,000**	**200,700,000**	**1,675,595,000**
% of Total	69.86%	1.26%	16.90%	11.98%	100.00%

	NR	A- to A+	AA- to AA+	AAA	Total
Standard & Poor's	**1,194,695,000**	**307,700,000**	**173,200,000**	**0**	**1,675,595,000**
% of Total	71.30%	18.36%	10.34%	0.00%	100.00%

Governing Board Memorandum

October 25, 2012

Agenda Item 7:	Annual Report on the State of the Economy – Raymond James & Associates, Inc.
Recommended Action:	No Action Required – Information Only

Kapil Bhatia, Director of Public Finance, and Rick Patterson, Managing Director of Public Finance—both of Raymond James & Associates, Inc., the CEA's independent financial advisor—will present to the Board the annual report on the state of the economy.

Governing Board Memorandum

October 25, 2012

Agenda Item 8: Update on the California Residential Mitigation Program

Recommended Action: No action required – information only

CRMP Pilot Program:

The California Residential Mitigation Program (CRMP) pilot project is scheduled to roll out in early 2013. Homeowners in a Northern California community and a Southern California community will use a Web portal to submit applications for the retrofit program.

Requests for Qualifications for CRMP contractors are being finalized and will be issued within the next few weeks, including solicitations for Web-site designers, an auditor, insurance services, inspection services, and evaluation services.

Recommendation:

No action – information only.

Governing Board Memorandum

October 25, 2012

Agenda Item 9: Update on the CEA Mitigation Program

Recommended Action: No action required – information only

<u>Background and Analysis</u>:

At the Governing Board's June 21, 2012, meeting, Chief Mitigation Officer Janiele Maffei outlined proposed strategies for the CEA Mitigation Program, which together aimed at reducing the risk of earthquake damage to California homes. Progress on the strategies includes the following:

<u>Establishing statewide standards</u>:

To successfully establish and expand (1) an incentive program to encourage seismic retrofits, such as that currently being coordinated under the California Residential Mitigation Program, or (2) the ability for the CEA to develop and provide mitigation discounts for insured homeowners, additional statewide residential retrofit standards must be developed.

The CEA, in cooperation with the Federal Emergency Management Agency (FEMA), invited industry leaders—engineers, geologists, building officials, contractors, and community representatives—to a conference the CEA convened on September 17, 2012, to discuss the proposed development of Guideline Documents ("Guidelines") for the Evaluation and Seismic Retrofit of Single-Family Dwellings..

Over 70 attendees, including Board designee Dietrich Stroeh, listened to presentations by four moderators who are leaders in the field of earthquake engineering. The presentations were intended to update conference attendees on the pertinent work completed to date that might inform the Guidelines development. The presentations included the following topics:

- Common Seismic Vulnerabilities in Residential Wood Framed Buildings
- FEMA P-50 Project - Simplified Seismic Assessment Procedures for Detached, Single-Family, Light-Frame Dwellings for Nationwide Use
- Documents, Guidelines and Codes Completed to Date
- Performance Based Guidelines

Following the presentations the conference was divided into four discussion groups that were led by the conference moderators. The topic of the first break-out session was "What should be included in the Guidelines Document?" Each group participated in a lively discussion on expectations, contents, and format of the Guidelines as well as further research required. Highlights from the four break-out session created the following recommendations:

- Provide information on the cost-benefit of completing various retrofit schemes, possibly using FEMA P-50
- Provide information on the expected earthquake performance for structures with various levels of retrofit for the benefit of homeowner decision making
- Provide prescriptive plan sets and details, where possible, that can be used by contractors and homeowners without the involvement of a design professional (architect or engineer)
- Provide plans, details, schedules and other information that has been pre-engineered for use by design professionals to aid in cost-effective solutions for seismic retrofit of dwellings
- Provide additional prescriptive code language for use by engineers in the evaluation and retrofit of unique and complex structures.

The invitees broke into four different groups for a second break-out session also led by the four moderators. The topics of the second session were as follows:

- How do we adequately consider Construction/Permitting Issues?
- What should the Performance Objectives be?
- What can be pre-engineered?
- How can we set displacement (drift) limits?

Thoughtful and useful information was obtained in each of the four sessions. The interaction of the multi-disciplinary group was particularly beneficial in creating a broad perspective of what purpose the Guidelines would serve for the various stakeholders. Representatives from the CEA, FEMA and the four moderators met the following day to summarize the discussions and provide a framework for the development of a Guidelines program process.

In partnership with FEMA, the CEA will use the information gained at the September conference to outline a scope of work and a work schedule for the development of comprehensive guidelines for the seismic rehabilitation of existing single-family, wood-frame dwellings. A program process, preliminary schedule and fees for the Guidelines development will be presented at the December, 2012 CEA Board of Directors Meeting.

<u>Recommendation</u>:

No action – information only.

Governing Board Memorandum

October 25, 2012

Agenda Item 10: 2013 Governing Board (Proposed) Meeting Schedule

Recommended Action: Approve 2013 Board Meeting Schedule as Proposed

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Staff recommends approval of the following dates for the CEA Governing Board's 2013 regular business meetings:

CEA Governing Board Meeting Dates – 2013

All meetings are on a Thursday and begin at 1:00 p.m.

2013 MEETING DATES
February 14
April 25
June 27
August 29
October 24
December 12

2013

January

		1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30	31		

February

					1	2
3	4	5	6	7	8	9
10	11	12	13	**14**	15	16
17	18	19	20	21	22	23
24	25	26	27	28		

March

					1	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21	22	23
24	25	26	27	28	29	30

April

	1	2	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	**25**	26	27
28	29	30				

May

			1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30	31	

June

						1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	**27**	28	29

July

	1	2	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30	31			

August

				1	2	3
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28	**29**	30	31

September

1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30					

October

		1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	**24**	25	26
27	28	29	30	31		

November

					1	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21	22	23
24	25	26	27	28	29	30

December

1	2	3	4	5	6	7
8	9	10	11	**12**	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30	31				

California Earthquake Authority

Losses & Loss Adjustment Expenses (LAE) Paid - Cumulative to September 30, 2012

Event Code	Event Name	Date of Event	Magnitude	Location	# of Paid Claims	Losses Paid	LAE Paid	Total Paid Losses & LAE
98010	Chino	1/5/1998	4.3	3 mi. W of Chino	1	$1,385.72	$124.71	$1,510.43
98050	San Juan Bautista	8/12/1998	5.3	7 mi. SSE of San Juan Bautista	1	161,204.93	13,643.13	$174,848.06
98070	Redding	11/26/1998	5.2	3 mi. NNW of Redding	1	4,029.72	362.67	$4,392.39
	1998 Minor Quakes				2	4,199.20	377.93	$4,577.13
99050	Hector Mine	11/16/1999	7.0	28 mi. N of Joshua Tree (near Palm Springs)	25	137,361.81	12,362.47	$149,724.28
	1999 Minor Quakes				1	4,037.26	363.35	$4,400.61
00030	Napa	9/3/2000	5.2	17 mi. ESE of Santa Rosa; 6 mi. NNE of Sonoma; 3 mi. WSW of Yountville	15	278,130.07	25,031.71	$303,161.78
01010	Ferndale	1/13/2001	5.4	53 mi. WNW of Ferndale	1	34,764.54	3,128.79	$37,893.33
	2001 Minor Quakes				1	52,896.82	4,760.70	$57,657.52
01040	West Hollywood	9/9/2001	4.2	West Hollywood	10	67,044.15	6,033.94	$73,078.09
	2002 Minor Quakes				1	8,361.24	752.51	$9,113.75
03090	San Simeon	12/22/2003	6.4	7 mi. NE of San Simeon	84	2,692,628.02	242,339.74	$2,934,967.76
04120	Parkfield	9/28/2004	6.0	7 mi SSE of Parkfield	1	7,032.59	632.93	$7,665.52
07240	Chatsworth	8/9/2007	4.5	4 mi NNW of Chatsworth	1	7,813.88	703.24	$8,517.12
07250	Alum Rock	10/30/2007	5.6	5 mi NNE of Alum Rock	1	6,149.20	553.42	$6,702.62
08280	Chino Hills	7/29/2008	5.4	5.5 mi SE of Diamond Bar	8	156,781.38	14,110.29	$170,891.67
09320	Calexico	12/30/2009	5.9	22.7 mi SE of Calexico	1	275.88	24.83	$300.71
	2009 Minor Quakes				1	4,839.51	435.56	$5,275.07
10330	Ferndale	1/9/2010	6.5	27 mi W of Ferndale	2	23,787.67	20,140.89	$43,928.56
10360	Baja California Mexico	4/4/2010	7.2	16 mi SW from Guadalupe Victoria, Mexico	17	79,392.57	7,145.34	$86,537.91
				Total	**175**	**$3,732,116.16**	**$353,028.15**	**$4,085,144.31**

Claims History Report Glossary

Event Code: A 5 digit code that the CEA assigns to all earthquakes expected to produce paid losses. This code is used to track statistics for a particular earthquake.

Event Name: This is generally the name given to the earthquake by the USGS (United States Geological Survey).

Date of Event: Date that the earthquake occurred.

Magnitude: Richter scale magnitude assigned by USGS.

Location: This is assigned by USGS and is usually a city close to the earthquake.

# of Paid Claims: A numeric count of the claims that received a payment for damage caused by a particular earthquake.

Losses Paid: Total dollar amount of all claims paid to the policyholders for a particular earthquake.

LAE Paid: "LAE" stands for Loss Adjustment Expense which is always 9% of paid losses. This is the amount paid to the Participating Insurers for handling the claim.

Total Paid Losses and ALE: The sum of Losses Paid and LAE Paid.

Minor Quakes: Losses paid for damage from minor earthquakes that were initially not expected to generate a claim and therefore were not issued a CEA event code.

California Earthquake Authority

Operations - Governing Board Report

All Companies - As Of 9/23/2012 - Policies in Force on: 8/31/2012

TOTALS	Policies In Force	% Total	Exposure	% Total	Written Premium	% Total	Avg Written Premium
Homeowners							
15% Total	592,741	71.1 %	260,664,667,826	84.8 %	464,053,552	81.1 %	783
10% Total	65,151	7.8 %	31,236,786,695	10.2 %	58,118,048	10.2 %	892
Homeowners Total	657,892	78.9 %	291,901,454,521	95.0 %	522,171,600	91.2 %	794
Homeowners Choice							
15% Total	1,216	0.1 %	677,493,876	0.2 %	1,061,958	0.2 %	873
10% Total	722	0.1 %	383,170,321	0.1 %	553,525	0.1 %	767
Homeowners Choice Total	1,938	0.2 %	1,060,664,197	0.3 %	1,615,483	0.3 %	834
Manufactured Homes (Mobilehomes)-Homeowners							
15% Total	22,124	2.7 %	2,335,935,500	0.8 %	2,373,963	0.4 %	107
10% Total	4,262	0.5 %	630,249,193	0.2 %	553,369	0.1 %	130
Manufactured Homes (Mobilehomes)-Homeowners Total	26,386	3.2 %	2,966,184,693	1.0 %	2,927,333	0.5 %	111
Manufactured Homes (Mobilehomes)-Homeowners Choice							
15% Total	13	0.0 %	2,095,017	0.0 %	2,110	0.0 %	162
10% Total	19	0.0 %	3,663,912	0.0 %	2,577	0.0 %	136
Manufactured Homes (Mobilehomes)-Homeowners Choice Total	32	0.0 %	5,758,929	0.0 %	4,687	0.0 %	146
Condo Total	103,195	12.4 %	9,661,347,000	3.1 %	39,793,371	7.0 %	386
Renters Total	44,084	5.3 %	1,626,419,000	0.5 %	5,914,472	1.0 %	134
Grand Total	833,527	100.0 %	307,221,828,340	100.0 %	572,426,945	100.0 %	687

California Earthquake Authority

Operations - Governing Board Report

All Companies - As Of 9/23/2012 - Policies in Force on: 8/31/2012

HOMEOWNERS	Policies In Force	% Total	Exposure	% Total	Written Premium	% Total	Avg Written Premium
Deductible - 15%							
CovA/C5k/D1.5k/BCU10k	592,741	90.1 %	252,987,257,326	86.7 %	432,540,451	82.8 %	730
BCU 20k	65,169	9.9 %	651,690,000	0.2 %	1,317,431	0.3 %	20
Coverage C 25k	31,825	4.8 %	636,500,000	0.2 %	4,682,789	0.9 %	147
Coverage C 50k	21,239	3.2 %	955,755,000	0.3 %	4,892,973	0.9 %	230
Coverage C 75k	9,908	1.5 %	693,560,000	0.2 %	2,883,347	0.6 %	291
Coverage C 100k	33,736	5.1 %	3,204,920,000	1.1 %	12,169,315	2.3 %	361
Coverage D 10k	38,859	5.9 %	330,301,500	0.1 %	1,311,376	0.3 %	34
Coverage D 15k	76,001	11.6 %	1,026,013,500	0.4 %	3,931,515	0.8 %	52
Coverage D 25k	7,603	1.2 %	178,670,500	0.1 %	324,355	0.1 %	43
15% Total	**592,741**	**90.1 %**	**260,664,667,826**	**89.3 %**	**464,053,552**	**88.9 %**	**783**
Deductible - 10%							
CovA/C5k/D1.5k/BCU10k	65,151	9.9 %	27,953,594,695	9.6 %	46,491,695	8.9 %	714
BCU 20k	15,745	2.4 %	157,450,000	0.1 %	269,047	0.1 %	17
Coverage C 25k	10,498	1.6 %	209,960,000	0.1 %	1,580,202	0.3 %	151
Coverage C 50k	7,758	1.2 %	349,110,000	0.1 %	1,544,735	0.3 %	199
Coverage C 75k	4,207	0.6 %	294,490,000	0.1 %	1,034,432	0.2 %	246
Coverage C 100k	17,888	2.7 %	1,699,360,000	0.6 %	5,721,639	1.1 %	320
Coverage D 10k	13,503	2.1 %	114,775,500	0.0 %	337,941	0.1 %	25
Coverage D 15k	26,996	4.1 %	364,446,000	0.1 %	1,025,784	0.2 %	38
Coverage D 25k	3,983	0.6 %	93,600,500	0.0 %	112,573	0.0 %	28
10% Total	**65,151**	**9.9 %**	**31,236,786,695**	**10.7 %**	**58,118,048**	**11.1 %**	**892**
Homeowners Total	**657,892**	**100.0 %**	**291,901,454,521**	**100.0 %**	**522,171,600**	**100.0 %**	**794**

California Earthquake Authority

Operations - Governing Board Report

All Companies - As Of 9/23/2012 - Policies in Force on: 8/31/2012

HOMEOWNERS CHOICE	Policies In Force	% Total	Exposure	% Total	Written Premium	% Total	Avg Written Premium
Deductible - 15%							
CovA/C5k/D1.5k/BCU10k	1,216	62.7 %	636,387,376	60.0 %	893,274	55.3 %	735
BCU 20k	344	17.8 %	3,440,000	0.3 %	5,341	0.3 %	16
Coverage C 25k	162	8.4 %	3,240,000	0.3 %	32,728	2.0 %	202
Coverage C 50k	128	6.6 %	5,760,000	0.5 %	32,013	2.0 %	250
Coverage C 75k	46	2.4 %	3,220,000	0.3 %	14,322	0.9 %	311
Coverage C 100k	158	8.2 %	15,010,000	1.4 %	54,370	3.4 %	344
Coverage D 10k	157	8.1 %	1,334,500	0.1 %	5,992	0.4 %	38
Coverage D 15k	105	5.4 %	1,417,500	0.1 %	5,560	0.3 %	53
Coverage D 25k	327	16.9 %	7,684,500	0.7 %	18,357	1.1 %	56
15% Total	**1,216**	**62.7 %**	**677,493,876**	**63.9 %**	**1,061,958**	**65.7 %**	**873**
Deductible - 10%							
CovA/C5k/D1.5k/BCU10k	722	37.3 %	346,571,321	32.7 %	436,607	27.0 %	605
BCU 20k	265	13.7 %	2,650,000	0.2 %	3,325	0.2 %	13
Coverage C 25k	156	8.0 %	3,120,000	0.3 %	25,885	1.6 %	166
Coverage C 50k	106	5.5 %	4,770,000	0.4 %	20,151	1.2 %	190
Coverage C 75k	42	2.2 %	2,940,000	0.3 %	10,217	0.6 %	243
Coverage C 100k	156	8.0 %	14,820,000	1.4 %	41,655	2.6 %	267
Coverage D 10k	123	6.3 %	1,045,500	0.1 %	3,132	0.2 %	25
Coverage D 15k	76	3.9 %	1,026,000	0.1 %	2,453	0.2 %	32
Coverage D 25k	265	13.7 %	6,227,500	0.6 %	10,101	0.6 %	38
10% Total	**722**	**37.3 %**	**383,170,321**	**36.1 %**	**553,525**	**34.3 %**	**767**
Homeowners Choice Total	**1,938**	**100.0 %**	**1,060,664,197**	**100.0 %**	**1,615,483**	**100.0 %**	**834**

California Earthquake Authority

Operations - Governing Board Report

All Companies - As Of 9/23/2012 - Policies in Force on: 8/31/2012

MANUFACTURED HOMES (MOBILEHOMES)-HOMEOWNERS	Policies In Force	% Total	Exposure	% Total	Written Premium	% Total	Avg Written Premium
Deductible - 15%							
CovA/C5k/D1.5k/BCU10k	22,124	83.8 %	2,139,582,000	72.1 %	2,253,812	77.0 %	102
Coverage C 25k	1,687	6.4 %	33,740,000	1.1 %	32,174	1.1 %	19
Coverage C 50k	1,121	4.2 %	50,445,000	1.7 %	31,096	1.1 %	28
Coverage C 75k	352	1.3 %	24,640,000	0.8 %	11,500	0.4 %	33
Coverage C 100k	495	1.9 %	47,025,000	1.6 %	17,926	0.6 %	36
Coverage D 10k	1,698	6.4 %	14,433,000	0.5 %	11,668	0.4 %	7
Coverage D 15k	1,583	6.0 %	21,370,500	0.7 %	14,732	0.5 %	9
Coverage D 25k	200	0.8 %	4,700,000	0.2 %	1,056	0.0 %	5
15% Total	**22,124**	**83.8 %**	**2,335,935,500**	**78.8 %**	**2,373,963**	**81.1 %**	**107**
Deductible - 10%							
CovA/C5k/D1.5k/BCU10k	4,262	16.2 %	452,331,193	15.2 %	476,689	16.3 %	112
Coverage C 25k	1,326	5.0 %	26,520,000	0.9 %	18,582	0.6 %	14
Coverage C 50k	1,035	3.9 %	46,575,000	1.6 %	20,344	0.7 %	20
Coverage C 75k	339	1.3 %	23,730,000	0.8 %	7,919	0.3 %	23
Coverage C 100k	456	1.7 %	43,320,000	1.5 %	12,142	0.4 %	27
Coverage D 10k	1,317	5.0 %	11,194,500	0.4 %	5,968	0.2 %	5
Coverage D 15k	1,551	5.9 %	20,938,500	0.7 %	10,770	0.4 %	7
Coverage D 25k	240	0.9 %	5,640,000	0.2 %	956	0.0 %	4
10% Total	**4,262**	**16.2 %**	**630,249,193**	**21.2 %**	**553,369**	**18.9 %**	**130**
Manufactured Homes (Mobilehomes)-Homeowners Total	**26,386**	**100.0 %**	**2,966,184,693**	**100.0 %**	**2,927,333**	**100.0 %**	**111**

California Earthquake Authority

Operations - Governing Board Report

All Companies - As Of 9/23/2012 - Policies in Force on: 8/31/2012

MANUFACTURED HOMES (MOBILEHOMES)-HOMEOWNERS CHOICE	Policies In Force	% Total	Exposure	% Total	Written Premium	% Total	Avg Written Premium
Deductible - 15%							
CovA/C5k/D1.5k/BCU10k	13	40.6 %	1,695,517	29.4 %	1,782	38.0 %	137
Coverage C 25k	3	9.4 %	60,000	1.0 %	124	2.6 %	41
Coverage C 50k	0	0.0 %	0	0.0 %	0	0.0 %	N/A
Coverage C 75k	0	0.0 %	0	0.0 %	0	0.0 %	N/A
Coverage C 100k	2	6.3 %	190,000	3.3 %	132	2.8 %	66
Coverage D 10k	1	3.1 %	8,500	0.1 %	14	0.3 %	14
Coverage D 15k	0	0.0 %	0	0.0 %	0	0.0 %	N/A
Coverage D 25k	6	18.8 %	141,000	2.4 %	58	1.2 %	10
15% Total	**13**	**40.6 %**	**2,095,017**	**36.4 %**	**2,110**	**45.0 %**	**162**
Deductible - 10%							
CovA/C5k/D1.5k/BCU10k	19	59.4 %	2,347,412	40.8 %	2,015	43.0 %	106
Coverage C 25k	6	18.8 %	120,000	2.1 %	99	2.1 %	16
Coverage C 50k	5	15.6 %	225,000	3.9 %	170	3.6 %	34
Coverage C 75k	2	6.3 %	140,000	2.4 %	22	0.5 %	11
Coverage C 100k	5	15.6 %	475,000	8.2 %	142	3.0 %	28
Coverage D 10k	4	12.5 %	34,000	0.6 %	19	0.4 %	5
Coverage D 15k	3	9.4 %	40,500	0.7 %	15	0.3 %	5
Coverage D 25k	12	37.5 %	282,000	4.9 %	95	2.0 %	8
10% Total	**19**	**59.4 %**	**3,663,912**	**63.6 %**	**2,577**	**55.0 %**	**136**
Manufactured Homes (Mobilehomes)-Homeowners Choice Total	**32**	**100.0 %**	**5,758,929**	**100.0 %**	**4,687**	**100.0 %**	**146**

California Earthquake Authority

Operations - Governing Board Report

All Companies - As Of 9/23/2012 - Policies in Force on: 8/31/2012

CONDO	Policies In Force	% Total	Exposure	% Total	Written Premium	% Total	Avg Written Premium
Coverage A/BCU 10k	74,412	72.1 %	2,604,420,000	27.0 %	7,499,999	18.8 %	101
Coverage C 5k/D 1.5k	35,786	34.7 %	232,609,000	2.4 %	2,770,546	7.0 %	77
Coverage C 5k[1]	8,730	8.5 %	43,650,000	0.5 %	621,327	1.6 %	71
Coverage C 25k	14,333	13.9 %	358,325,000	3.7 %	1,982,101	5.0 %	138
Coverage C 50k	12,110	11.7 %	605,500,000	6.3 %	1,868,490	4.7 %	154
Coverage C 75k	5,747	5.6 %	431,025,000	4.5 %	975,838	2.5 %	170
Coverage C 100k	11,593	11.2 %	1,159,300,000	12.0 %	2,009,604	5.1 %	173
Coverage D 1.5k[2]	7,252	7.0 %	10,878,000	0.1 %	65,369	0.2 %	9
Coverage D 10k	14,702	14.2 %	147,020,000	1.5 %	318,131	0.8 %	22
Coverage D 15k	27,373	26.5 %	410,595,000	4.2 %	648,109	1.6 %	24
Coverage D 25k	3,186	3.1 %	79,650,000	0.8 %	84,699	0.2 %	27
Coverage E 25k	3,087	3.0 %	77,175,000	0.8 %	710,528	1.8 %	230
Coverage E 50k	60,523	58.6 %	3,026,150,000	31.3 %	17,812,865	44.8 %	294
Coverage E 75k	6,334	6.1 %	475,050,000	4.9 %	2,425,764	6.1 %	383
Condo Total	**103,195**	**100.0 %**	**9,661,347,000**	**100.0 %**	**39,793,371**	**100.0 %**	**386**

[1]Policies that have a Coverage C limit of 5k and a Coverage D limit >1.5k

[2]Policies that have a Coverage D limit of 1.5k and a Coverage C limit >5k

California Earthquake Authority

Operations - Governing Board Report

All Companies - As Of 9/23/2012 - Policies in Force on: 8/31/2012

RENTERS	Policies In Force	% Total	Exposure	% Total	Written Premium	% Total	Avg Written Premium
Coverage C 5k/D 1.5k	17,035	38.6 %	110,727,500	6.8 %	1,380,678	23.3 %	81
Coverage C 5k[1]	3,477	7.9 %	17,385,000	1.1 %	264,722	4.5 %	76
Coverage C 25k	10,648	24.2 %	266,200,000	16.4 %	1,520,766	25.7 %	143
Coverage C 50k	6,761	15.3 %	338,050,000	20.8 %	1,089,349	18.4 %	161
Coverage C 75k	2,071	4.7 %	155,325,000	9.6 %	365,232	6.2 %	176
Coverage C 100k	4,092	9.3 %	409,200,000	25.2 %	697,169	11.8 %	170
Coverage D 1.5k[2]	5,031	11.4 %	7,546,500	0.5 %	48,845	0.8 %	10
Coverage D 10k	7,531	17.1 %	75,310,000	4.6 %	180,184	3.0 %	24
Coverage D 15k	11,550	26.2 %	173,250,000	10.7 %	286,276	4.8 %	25
Coverage D 25k	2,937	6.7 %	73,425,000	4.5 %	81,252	1.4 %	28
Renters Total	**44,084**	**100.0 %**	**1,626,419,000**	**100.0 %**	**5,914,472**	**100.0 %**	**134**

California Earthquake Authority
Historical Risk-Transfer Costs

Risk-Transfer Limits

Contract Year	Contract	Limit	Rate On Line (ROL)	Premium
September 1, 2012	**Traditional Reinsurance**			
	Contract #A (1/1/2012 - 12/31/2012)	$655,220,000	7.0000%	$45,865,400
	Contract #A1 (1/1/2012 - 12/31/2012)	$400,000,000	7.3000%	$29,200,000
	Contract #A2 (1/1/2012 - 12/31/2012)	$200,000,000	7.1500%	$14,300,000
	Contract #A3 (1/1/2012 - 12/31/2012)	$250,000,000	7.2000%	$18,000,000
	Contract #B (4/1/2012 - 3/31/2013) [3]	$1,251,464,950	6.2000%	$77,590,827
	Contract #C (5/1/2012 - 4/30/2013) [3]	$100,000,000	4.5000%	$4,500,000
	September Program Contact #1 (9/1/2012 - 8/31/2015) [3]	$100,000,000	5.7000%	$5,700,000
	Total Traditional Reinsurance	$2,956,684,950	6.6005%	$195,156,227
Traditional Reinsurance Percent Change from Previous Year		1.95%	-1.99%	-0.07%
	Transformer Reinsurance			
	Contract #1 (8/2/2011 - 8/8/2014) [2]	$150,000,000	7.7800%	$11,670,000
	Contract #2 (2/7/2012 - 2/15/2015) [2]	$150,000,000	8.3880%	$12,582,000
	Contract #3 (8/1/2012 - 8/7/2015) [2]	$300,000,000	5.6410%	$16,923,000
	Total Transformer Reinsurance	$600,000,000	6.8625%	$41,175,000
	Total Risk-Transfer[3]	**$3,556,684,950**		**$236,331,227**
August 1, 2012	**Traditional Reinsurance**			
	Contract #A (1/1/2012 - 12/31/2012)	$655,220,000	7.0000%	$45,865,400
	Contract #A1 (1/1/2012 - 12/31/2012)	$400,000,000	7.3000%	$29,200,000
	Contract #A2 (1/1/2012 - 12/31/2012)	$200,000,000	7.1500%	$14,300,000
	Contract #A3 (1/1/2012 - 12/31/2012)	$250,000,000	7.2000%	$18,000,000
	Contract #B (4/1/2012 - 3/31/2013) [3]	$1,251,464,950	6.2000%	$77,590,827
	Contract #C (5/1/2012 - 4/30/2013) [3]	$100,000,000	4.5000%	$4,500,000
	Total Traditional Reinsurance	$2,856,684,950	6.6320%	$189,456,227
Traditional Reinsurance Percent Change from Previous Year		-1.49%	-1.52%	-2.99%
	Transformer Reinsurance			
	Contract #1 (8/2/2011 - 8/8/2014) [2]	$150,000,000	7.7800%	$11,670,000
	Contract #2 (2/7/2012 - 2/15/2015) [2]	$150,000,000	8.3880%	$12,582,000
	Contract #3 (8/1/2012 - 8/7/2015) [2]	$300,000,000	5.6410%	$16,923,000
	Total Transformer Reinsurance	$600,000,000	6.8625%	$41,175,000
	Total Risk-Transfer[3]	**$3,456,684,950**		**$230,631,227**
May 1, 2012	**Traditional Reinsurance**			
	Contract #A (1/1/2012 - 12/31/2012)	$655,220,000	7.0000%	$45,865,400
	Contract #A1 (1/1/2012 - 12/31/2012)	$400,000,000	7.3000%	$29,200,000
	Contract #A2 (1/1/2012 - 12/31/2012)	$200,000,000	7.1500%	$14,300,000
	Contract #A3 (1/1/2012 - 12/31/2012)	$250,000,000	7.2000%	$18,000,000
	Contract #B (4/1/2012 - 3/31/2013) [3]	$1,251,464,950	6.2000%	$77,590,827
	Contract #C (5/1/2012 - 4/30/2013) [3]	$100,000,000	4.5000%	$4,500,000
	Total Traditional Reinsurance	$2,856,684,950	6.6320%	$189,456,227

Contract Year	Contract	Limit	Rate On Line (ROL)	Premium
Traditional Reinsurance Percent Change from Previous Year		-1.49%	-1.52%	-2.99%
	Transformer Reinsurance			
	Contract #1 (8/2/2011 - 8/8/2014) [2]	$150,000,000	7.7800%	$11,670,000
	Contract #2 (2/7/2012 - 2/15/2015) [2]	$150,000,000	8.3880%	$12,582,000
	Total Transformer Reinsurance	$300,000,000	8.0840%	$24,252,000
	Total Risk-Transfer[3]	**$3,156,684,950**		**$213,708,227**
April 1, 2012	**Traditional Reinsurance**			
	Contract #A (1/1/2012 - 12/31/2012)	$655,220,000	7.0000%	$45,865,400
	Contract #A1 (1/1/2012 - 12/31/2012)	$400,000,000	7.3000%	$29,200,000
	Contract #A2 (1/1/2012 - 12/31/2012)	$200,000,000	7.1500%	$14,300,000
	Contract #A3 (1/1/2012 - 12/31/2012)	$250,000,000	7.2000%	$18,000,000
	Contract #B (4/1/2012 - 3/31/2013) [3]	$1,251,464,950	6.2000%	$77,590,827
	Total Traditional Reinsurance	$2,756,684,950	6.7094%	$184,956,227
Traditional Reinsurance Percent Change from Previous Year		-4.94%	-0.37%	-5.30%
	Transformer Reinsurance			
	Contract #1 (8/2/2011 - 8/8/2014) [2]	$150,000,000	7.7800%	$11,670,000
	Contract #2 (2/7/2012 - 2/15/2015) [2]	$150,000,000	8.3880%	$11,533,500
	Total Transformer Reinsurance	$300,000,000		$23,203,500
	Total Risk-Transfer[3]	**$3,056,684,950**		**$208,159,727**
January 1, 2012	**Traditional Reinsurance**			
	Contract #3 (1/1/2011 - 3/31/2012)	$500,000,000	6.2000%	$31,000,000
	Contract #4 (65% placed) (1/1/2011 - 3/31/2012)	$650,000,000	5.5000%	$35,750,000
	Contract #4a (5% placed) (4/1/2011 - 3/31/2012)	$50,000,000	5.5000%	$2,750,000
	Contract #A (1/1/2012 - 12/31/2012)	$655,220,000	7.0000%	$45,865,400
	Contract #A1 (1/1/2012 - 12/31/2012)	$400,000,000	7.3000%	$29,200,000
	Contract #A2 (1/1/2012 - 12/31/2012)	$200,000,000	7.1500%	$14,300,000
	Contract #A3 (1/1/2012 - 12/31/2012)	$250,000,000	7.2000%	$18,000,000
	Total Traditional Reinsurance	$2,705,220,000	6.5379%	$176,865,400
Traditional Reinsurance Percent Change from Previous Year		-6.72%	-2.92%	-9.44%
	Transformer Reinsurance			
	Contract #1 (8/2/2011 - 8/8/2014) [2]	$150,000,000	7.7800%	$11,670,000
	Total Risk-Transfer	**$2,855,220,000**		**$188,535,400**
2011	**Traditional Reinsurance**			
	Contract #1 (1/1/2011 - 12/31/2011)	$200,000,000	8.1500%	$16,300,000
	Contract #2 (1/1/2011 - 12/31/2011)	$1,300,000,000	7.5000%	$97,500,000
	Contract #3 (1/1/2011 - 3/31/2012)	$500,000,000	6.2000%	$31,000,000
	Contract #3a (1/1/2011 - 12/31/2011)	$200,000,000	6.0000%	$12,000,000
	Contract #4 (65% placed) (1/1/2011 - 3/31/2012)	$650,000,000	5.5000%	$35,750,000
	Contract #4a (5% placed) (4/1/2011 - 3/31/2012)	$50,000,000	5.5000%	$2,750,000
	Total	$2,900,000,000	6.7345%	$195,300,000
Traditional Reinsurance Percent Change from Previous Year		-7.13%	-5.91%	-12.61%
	Transformer Reinsurance			
	Contract #1 (8/2/2011 - 8/8/2014) [2]	$150,000,000	7.7800%	$11,670,000
	Total Risk-Transfer	**$3,050,000,000**		**$206,970,000**

Contract Year	Contract	Limit	Rate On Line (ROL)	Premium
2010	Contract #1	$202,500,000	9.2500%	$18,731,250
	Contract #2	$1,000,000,000	8.5500%	$85,500,000
	Contract #3	$275,000,000	7.7000%	$21,175,000
	Contract #4	$300,000,000	6.8000%	$20,400,000
	Contract #5 (97.10% placed)	$200,000,000	6.5000%	$12,623,000
	Contract #6 (94.05% placed)	$250,000,000	6.2500%	$14,695,313
	Contract #7 (79.62619% placed)	$1,150,000,000	5.5000%	$50,363,565
	Total	**$3,122,526,185**	**7.1573%**	**$223,488,128**
Percent Change from Previous Year		0.73%	13.96%	14.79%
2009	Contract #1	$500,000,000	7.7500%	$38,749,846
	Contract #2	$500,000,000	6.9999%	$34,999,384
	Contract #3	$200,000,000	5.9600%	$11,920,000
	Contract #4	$100,000,000	5.8000%	$5,800,000
	Contract #5	$200,000,000	5.5400%	$11,080,000
	Contract #6	$200,000,000	5.3100%	$10,620,000
	Contract #7 Backup Reinsurance for Transformer	$250,000,000	6.9900%	$17,475,000
	Contract #8	$650,000,000	4.9938%	$32,460,000
	Contract #9 Backup Reinsurance for Transformer	$400,000,000	6.6500%	$26,600,000
	Contract #10	$100,000,000	4.9938%	$4,993,846
	Total	**$3,100,000,000**	**6.2806%**	**$194,698,076**
Percent Change from Previous Year		85.96%	-26.36%	5.71% (Combined base & Supplemental)

Base-Limits

Contract Year	Contract	Limit	Rate On Line (ROL)	Premium
2008	Combined Reinsurance Contract #1	$300,000,000	9.8000%	$29,400,000
	Combined Reinsurance Contract #2	$1,367,000,000	8.2500%	$112,777,500
	Total	**$1,667,000,000**	**8.5289%**	**$142,177,500**
Percent Change from Previous Year		-11.58%	5.77%	-6.48%
2007	Collateralized Reinsurance Contract (2006-2007)	$350,000,000	6.9500%	$24,325,000
	Reinsurance Layer 1	$150,000,000	15.0000%	$22,500,000
	Reinsurance Layer 2	$50,000,000	12.5000%	$6,250,000
	Collateralized Reinsurance Contract (2007)	$125,000,000	11.5000%	$14,375,000
	Reinsurance Layer 3	$20,000,000	11.0000%	$2,200,000
	Reinsurance Layer 4 (79.45953% placed)	$1,200,000,000	7.1000%	$0
	Reinsurance Layer 5 (79.47738% placed)	$298,000,000	6.2000%	$0
	Total	**$1,885,356,952**	**8.0639%**	**$152,033,760**
Percent Change from Previous Year		7.37%	24.19%	33.33%

Contract Year	Contract	Limit	Rate On Line (ROL)	Premium
2006	Collateralized Reinsurance Contract (2005-2006)	$300,000,000	7.0000%	$21,000,000
	Collateralized Reinsurance Contract (2006-2007)	$350,000,000	6.9500%	$24,325,000
	Collateralized Reinsurance Contract	$30,000,000	6.8000%	$2,040,000
		$680,000,000	**6.9654%**	**$47,365,000**
	Base-Limit Coverage Reinsurance Contract	$1,076,000,000	6.0000%	$64,560,000
	Insurance In Force Adjustment			$2,100,000
	Total	**$1,756,000,000**	**6.4935%**	**$114,025,000**
Percent Change from Previous Year		17.07%	5.83%	23.89%
2005	Collateralized Reinsurance Contract (2005-2006)	$300,000,000	7.0000%	$21,000,000
	First Transformer Layer (2004-2005)	$150,000,000	7.2500%	$10,875,000
	MLCRC First Reinsurance Layer	$550,000,000	5.7500%	$31,625,000
		$1,000,000,000	**6.3500%**	**$63,500,000**
	Second Transformer Layer (2004-2005)	$200,000,000	5.5000%	$11,000,000
	MLCRC Second Reinsurance Layer	$300,000,000	4.3500%	$13,050,000
		$500,000,000	**4.8100%**	**$24,050,000**
	Insurance In Force Adjustment [1]			$4,484,662
	Total	**$1,500,000,000**	**6.1356%**	**$92,034,662**
Percent Change from Previous Year		0.00%	-8.51%	-8.51%
2004	MLCRC First Reinsurance Layer	$700,000,000	7.8500%	$54,950,000
	First Transformer Layer (2004-2005)	$150,000,000	7.2500%	$10,875,000
	MLCRC Second Reinsurance Layer	$150,000,000	6.3500%	$9,525,000
		$1,000,000,000	**7.5350%**	**$75,350,000**
	Second Transformer Layer (2004-2005)	$200,000,000	5.5000%	$11,000,000
	MLCRC Third Reinsurance Layer	$300,000,000	4.7500%	$14,250,000
		$500,000,000	**5.0500%**	**$25,250,000**
	Total	**$1,500,000,000**	**6.7067%**	**$100,600,000**
Percent Change from Previous Year		-2.47%	-6.40%	-8.72%
2003	MLCRC Coverage A	$600,000,000	8.8000%	$52,800,000
	MLCRC Coverage B	$400,000,000	7.2500%	$29,000,000
		$1,000,000,000	**8.1800%**	**$81,800,000**
	Transformer Layer	$200,000,000	5.5000%	$11,000,000
	MLCRC Coverage C	$338,000,000	5.1500%	$17,407,000
		$538,000,000	**5.2801%**	**$28,407,000**
	Total	**$1,538,000,000**	**7.1656%**	**$110,207,000**
Percent Change from Previous Year		-21.98%	6.99%	-16.53%

Contract Year	Contract	Limit	Rate On Line (ROL)	Premium
2002	First Aggregate	$1,433,620,000	7.2500%	$82,187,450
	First Aggregate ($200M part of)	$1,433,620,000	7.1400%	$14,280,000
	First Aggregate ($100M part of)	$1,433,620,000	5.9900%	$5,990,000
		$1,433,620,000	**7.1468%**	**$102,457,450**
	Second Aggregate	$537,607,500	5.5000%	$29,568,413
	Total	**$1,971,227,500**	**6.6976%**	**$132,025,863**
Percent Change from Previous Year		0.00%	-13.69%	-13.69%
2001	First Aggregate	$1,433,620,000	8.5000%	$96,357,700
	First Aggregate ($200M part of)	$1,433,620,000	7.5000%	$15,000,000
	First Aggregate ($100M part of)	$1,433,620,000	5.9900%	$5,990,000
		$1,433,620,000	**8.1854%**	**$117,347,700**
	Second Aggregate	$537,607,500	6.6250%	$35,616,497
	Total	**$1,971,227,500**	**7.7598%**	**$152,964,197**
Percent Change from Previous Year		-21.43%	-17.31%	-35.03%
2000	First Aggregate	$1,433,620,000	8.5000%	$104,857,697
	First Aggregate ($200M part of)	$1,433,620,000	7.5000%	$15,000,002
		$1,433,620,000	**8.3605%**	**$119,857,699**
	Second Aggregate	$1,075,215,000	10.7500%	$115,585,613
	Total	**$2,508,835,000**	**9.3846%**	**$235,443,311**
Percent Change from Previous Year		0.00%	3.02%	3.02%
1999	First Aggregate	$1,433,620,000	11.0000%	$157,698,200
	No Claims Bonus Paid to CEA			($28,970,456)
	Exposure Adjustment			($15,769,820)
	Revised ROL and Premium	$1,433,620,000	7.8792%	$112,957,924
	Second Aggregate	$1,075,215,000	10.7500%	$115,585,613
	Total	**$2,508,835,000**	**9.1095%**	**$228,543,537**
Percent Change from Previous Year		0.00%	-23.56%	-23.56%
1998	First Aggregate	$1,433,620,000	14.3750%	$206,082,875
	No Claims Bonus Paid to CEA			($22,687,734)
	Revised ROL and Premium	$1,433,620,000	12.7925%	$183,395,141
	Second Aggregate	$1,075,215,000	10.7500%	$115,585,613
	Total	**$2,508,835,000**	**11.9171%**	**$298,980,754**
Percent Change from Previous Year		16.13%	-4.19%	11.27%

Contract Year	Contract	Limit	Rate On Line (ROL)	Premium
1997	First Aggregate	$1,433,620,000	14.3750%	$206,082,875
	No Claims Bonus Paid to CEA			($14,430,600)
	Revised ROL and Premium	$1,433,620,000	13.3684%	$191,652,275
	Second Aggregate (1/1/98 - 3/31/98)	$1,075,215,000	10.7500%	$28,896,403
	Second Aggregate (7/1/97 - 12/31/97)	$716,810,000	10.7500%	$38,528,538
	Second Aggregate (4/1/97 - 6/30/97)	$358,405,000	10.7500%	$9,632,134
			10.7500%	**$77,057,075**
	Total	**$2,160,430,000**	**12.4378%**	**$268,709,350**

[1] Based on IIF of $198,926,424,765 at 12/31/05
[2] Twelve month annualized premium over 3 years
[3] Premium is based on 12-month premium
Note: Retentions based on CEA Capital and retained earnings calculated at the beginning of the calendar year
Retentions were variable between 1997 - 2002

California Earthquake Authority
Historical Risk-Transfer Costs

Supplemental-Limits

Contract Year	Contract	Limit		Retention	Rate On Line (ROL)	Premium
2008	Combined Reinsurance Contract #1	$150,000,000	xs	$50,000,000	10.8500%	$16,275,000
	Combined Reinsurance Contract #2	$451,300,000	xs	$200,000,000	5.7000%	$25,725,000
	Total	**$601,300,000**	**xs**	**$50,000,000**	**6.9849%**	**$42,000,000**
Percent Change from Previous Year		1.45%			-1.43%	0.00%
2007	Supplemental-Limits Excess (1st Layer)	$50,000,000	xs	$50,000,000	14.2500%	$7,125,000
	Supplemental-Limits Excess (2nd Layer)	$200,000,000	xs	$100,000,000	8.7375%	$17,475,000
	Supplemental-Limits Excess (3rd Layer)	$342,715,221	xs	$300,000,000	5.0771%	$17,400,000
	Total	**$592,715,221**	**xs**	**$50,000,000**	**7.0860%**	**$42,000,000**
Percent Change from Previous Year		306.36%			66.73%	577.53%
2006 [1]	Supplemental-Limits Excess	$145,858,362	xs	$450,000,000	4.2500%	$6,198,980
	Total	**$145,858,362**	**xs**	**$450,000,000**	**4.2500%**	**$6,198,980**

[1] 2006 included quota share limit of $450M

Supplemental Quota Share

Begin	End	Written Premium	Ceding Commission		Losses
7/1/2006	12/31/2006	$26,177,940	$4,581,141		$0
7/1/2005	6/30/2006	$42,241,492	$7,391,498		$0
7/1/2004	6/30/2005	$34,970,758	$5,856,545		$0
7/1/2003	6/30/2004	$31,458,876	$5,033,420	$5,847,750	$267,457
7/1/2002	6/30/2003	$26,454,750	$4,858,622	$5,190,607	$0
7/1/2001	6/30/2002	$24,280,490	$4,856,098		$0
7/1/2000	6/30/2001	$18,453,214	$3,690,643		$0
7/1/1999	6/30/2000	$12,017,218	$2,403,444		$0
Unearned Premium Returned			$19,914,409		