



Date of Notice: Friday, December 6, 2013

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: Monday, December 16, 2013

TIME: 10:00 a.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

2. Consideration and approval of the minutes of the August 29, 2013, Governing Board meeting.

This CEA Governing Board meeting will be broadcast live 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 directly at (916) 325-3800 for further assistance.

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.
4. Mr. Pomeroy will present to the Board concepts to modernize legislatively the California law that requires an offer of residential earthquake insurance to be associated with the issuance of residential property insurance – the Board may consider, support, or sponsor related legislation.
5. Mr. Pomeroy will present and seek Board approval of the 2014–2016 CEA Strategic Plan.
6. Chief Financial Officer Tim Richison will present a financial report.
7. Chief Communications Officer Chris Nance will update the Board on the CEA's marketing campaigns.
8. CEA Advisory Panel Member Jonathan Leong will provide a summary of the proceedings of the October 24, 2013, Panel meeting.
9. Mr. Richison will present to the Board the results of a CEA competitive procurement and will recommend for Board approval the selection of Plante & Moran, PLLC, as the CEA's new independent financial auditor.
10. Mr. Richison will seek Board approval to contract with "small" asset managers, selected in a competitive procurement, and execute resulting, negotiated contracts with Miles Capital, Chandler Asset Management, and Smith Graham.
11. Mr. Richison will present to the Board the CEA's 2014 Risk-Transfer Strategy.
12. 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 Governing Board the annual report on the state of the economy.
13. Chief Mitigation Officer Janiele Maffei will update the Board on the CEA's Mitigation Program Guidelines Project and mitigation-related research.
14. Ms. Maffei will update the Board on the California Residential Mitigation Program (CRMP) incentive program, operated by a joint powers authority whose members are the California Office of Emergency Services and the CEA.
15. Chief Information Office Todd Coombes will seek Board approval for the 2014 CEA IT Initiatives and Project Portfolio.
16. Mr. Coombes will update the Board on the CEA's IT Infrastructure Managed Services RFP.
17. Mr. Coombes will present to the Board a proposal for CEA IT-project procurements and contracts.
18. Mr. Pomeroy and Mr. Richison will present the 2014 CEA insurance-services budget for Board consideration and approval.
19. Ms. Maffei and Mr. Richison will present the 2014 CEA Mitigation-Program budget for Board consideration and approval.

20. Mr. Pomeroy will present for Board consideration and approval the 2014 Governing Board meeting calendar.
21. 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.
22. Public comment on items that do not appear on this agenda and public requests that those matters be placed on a future agenda.
23. Adjournment.

For further information about this notice or its contents:

General Information:

Marc Keller
(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
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Media Contact:

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Chief Communications Officer
(916) 325-3827 (Direct)
nancec@calquake.com

<p>To view this notice on the CEA Web site or to learn more about the CEA, please visit www.EarthquakeAuthority.com</p>
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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 Marc Keller by telephone, toll free, at (877) 797-4300 or by email at Marc_Keller@calquake.com. We would appreciate hearing from you at least five days before the meeting date to best allow us to meet your needs.

<p>NOTE: You might have received this notice because your name, or that of your organization, appears on a public-notice list maintained by the California Earthquake Authority. If in the future you do not wish to receive public notices pertaining to the California Earthquake Authority, please send your request by email to Marc_Keller@calquake.com.</p>
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Draft Meeting Minutes are not available.

Please see CEA Governing Board Meeting
[Approved Minutes.](#)

Governing Board Memorandum

December 16, 2013

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.

Governing Board Memorandum

December 16, 2013

Agenda Item 4: Modernization of California law that requires an offer of residential earthquake insurance

Recommended Action: Governing Board consideration and support

Since the mid-1980s—before the Loma Prieta or Northridge earthquakes, before the era of the earthquake “mini-policy,” and well before the CEA opened its doors—insurers selling homeowners insurance have been required by law to offer their customers earthquake insurance.

But CEA-staff initiatives, including wide-ranging discussions/presentations with interested parties and preliminary research by CEA staff and numerous interested parties (all accomplished over the past few months) have revealed a developing consensus: California’s “mandatory-earthquake-insurance-offer” should be replaced and the law should be changed, to allow residential earthquake insurance to be marketed and sold in the same modern, multimedia manner as is homeowners or auto insurance.

Chief Executive Officer Glenn Pomeroy will present to the Governing Board a number of developments in these ideas, as well as thoughts on the evolving concepts and growing consensus to modernize legislatively the California law that requires an offer of residential earthquake insurance to be associated with the issuance of residential property insurance.

Governing Board Memorandum

December 16, 2013

Agenda Item 5: 2014– 2016 CEA Strategic Plan

Recommended Action: Approve CEA Strategic Plan for 2014–2016

Chief Executive Officer Glenn Pomeroy will present, and seek Board consideration and approval of, a newly drafted CEA Strategic Plan for 2014–2016.



FINANCIAL REPORT

**GOVERNING BOARD MEETING
MONDAY, DECEMBER 16, 2013
10:00 AM**

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Note: See Fact Sheets for Policies In Force, Written Premiums, and Exposures.

Financial Statements & Budgets

California Earthquake Authority
Balance Sheet
As of September 30, 2013

Assets

Cash and investments:	
Cash and cash equivalents	\$ 230,773,430
Restricted cash & equivalents	46,767,267
Restricted investments	314,383,190
Investments	<u>4,359,408,745</u>
Total cash and investments	4,951,332,632
Premiums receivable, net of allowance for doubtful accounts of \$5,873,204	50,917,623
Capital contributions receivable	-
Risk capital surcharge receivable	-
Interest receivable	15,824,966
Securities receivable	-
Restricted securities receivable	-
Prepaid reinsurance premium	5,367,911
Transformer reinsurance premium deposit	14,661,400
Prepaid transformer maintenance premium	551,389
Equipment, net	241,937
Deferred policy acquisition costs	41,104,167
Other assets	<u>12,744</u>
Total assets	<u>\$ 5,080,014,769</u>

Liabilities and Net Position

Unearned premiums	\$ 306,062,302
Accounts payable and accrued expenses	2,234,136
Payable to California Residential Mitigation Program	1,000,000
Accrued reinsurance premium expense	6,103,759
Claim and claim expense reserves	27,250
Securities payable	-
Revenue bond payable	94,500,000
Revenue bond interest payable	<u>1,457,426</u>
Total liabilities	<u>411,384,873</u>
Net position:	
Restricted, expendable	264,143,900
Unrestricted, participating insurer contributed capital	777,384,796
Unrestricted, State of California contributed capital	192,503,708
Unrestricted, all other remaining	<u>3,434,597,492</u>
Total net position	<u>4,668,629,896</u>
Total liabilities and net position	<u>\$ 5,080,014,769</u>

California Earthquake Authority
Statement of Revenues, Expenses and Changes in Net Position
For the Year-to-Date Ended September 30, 2013

Underwriting income:	
Premiums written	\$ 439,728,443
Less premiums ceded - reinsurance	(165,874,116)
Less risk capital surcharge	-
	<hr/>
Net premiums written	273,854,327
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Change in unearned premiums	(15,430,012)
	<hr/>
Net unearned premiums	(15,430,012)
	<hr/>
Net premiums earned	258,424,315
	<hr/>
Expenses:	
Claim and claims expense	361,048
Participating Insurer commissions	42,443,374
Participating Insurer operating costs	13,047,634
Reinsurance broker commissions	3,616,667
Pro forma premium taxes	10,333,618
Other underwriting expenses	15,857,216
	<hr/>
Total expenses	85,659,557
	<hr/>
Underwriting profit	172,764,758
	<hr/>
Net investment income	1,991,395
Other income	313,446
Financing expenses, net	(4,167,709)
Earthquake Loss Mitigation Fund expenses	(1,306,549)
Participating Insurer Contributed Capital	-
State of California premium tax contribution	10,333,618
	<hr/>
Increase in net position	179,928,959
	<hr/>
Net Position, beginning of year	4,488,700,937
	<hr/>
Net Position, end of year to date	\$ 4,668,629,896
	<hr/> <hr/>

**California Earthquake Authority
Insurance Services
Budgeted Expenditures and Actual Expenditures
2013 Budget Year**

	(a)	(b)	(c)	(d) (d=a+b+c)	(e)	(f) (f=d-e)	(g) (g=e/d)
	<u>Approved 2013 Budget</u>	<u>Adjustments thru 9/30/2013</u>	<u>Augmentations thru 9/30/2013</u>	<u>2013 Budget after Augmentations and Adjustments</u>	<u>Actual Expenditures as of 9/30/13</u>	<u>Augmented & Adjusted Approved Budget (d) vs. Actual Expenses (e) as of 9/30/13</u>	<u>Percentage used of Augmented & Adjusted Approved 2013 Budget</u>
Salaries & Benefits	\$ 11,014,438	\$ -	\$ -	\$ 11,014,438	\$ 6,699,906	\$ 4,314,532	60.83%
Rent	749,475	-	-	749,475	556,668	192,807	74.27%
Travel	394,267	-	-	394,267	158,022	236,245	40.08%
Non-paid Consultant Travel	1,664	-	-	1,664	-	1,664	0.00%
Telecommunications	215,393	-	-	215,393	152,671	62,722	70.88%
Training	222,719	-	-	222,719	126,518	96,201	56.81%
Insurance	143,415	-	-	143,415	146,201	(2,786)	101.94%
Board/Panel Services	23,036	-	-	23,036	15,830	7,206	68.72%
Administration & Office	1,402,925	-	65,000	1,467,925	873,203	594,722	59.49%
Data Management Services	543,691	-	-	543,691	287,394	256,297	52.86%
Other Administrative Services	49,493	-	-	49,493	40,552	8,941	81.93%
Furniture/Equipment	33,418	-	-	33,418	4,404	29,014	13.18%
EDP Hardware/Software	349,215	-	-	349,215	29,750	319,465	8.52%
Dept of Insurance Examination	71	-	-	71	-	71	0.00%
Total Operating Expenses	\$ 15,143,220	\$ -	\$ 65,000	\$ 15,208,220	\$ 9,091,119	\$ 6,117,101	59.78%
Consulting Services							
Actuarial	25,000	-	-	25,000	-	25,000	0.00%
Claims	10,000	-	-	10,000	-	10,000	0.00%
Compliance	100,000	-	-	100,000	6,750	93,250	0.00%
Financial Consulting	350,000	-	-	350,000	81,109	268,891	23.17%
Government Relations	117,650	-	-	117,650	139,466	(21,816)	118.54%
Human Resources	300,000	-	-	300,000	41,091	258,909	13.70%
Information Technology	128,750	-	-	128,750	150	128,600	0.12%
Internal Audit	100,000	-	-	100,000	-	100,000	0.00%
Investment Compliance	30,000	-	-	30,000	4,269	25,731	0.00%
Public Relations	100,000	-	-	100,000	-	100,000	0.00%
Other Consulting Services	160,500	-	-	160,500	117,428	43,072	73.16%
Total Consulting Services	\$ 1,421,900	\$ -	\$ -	\$ 1,421,900	\$ 390,263	\$ 1,031,637	27.45%

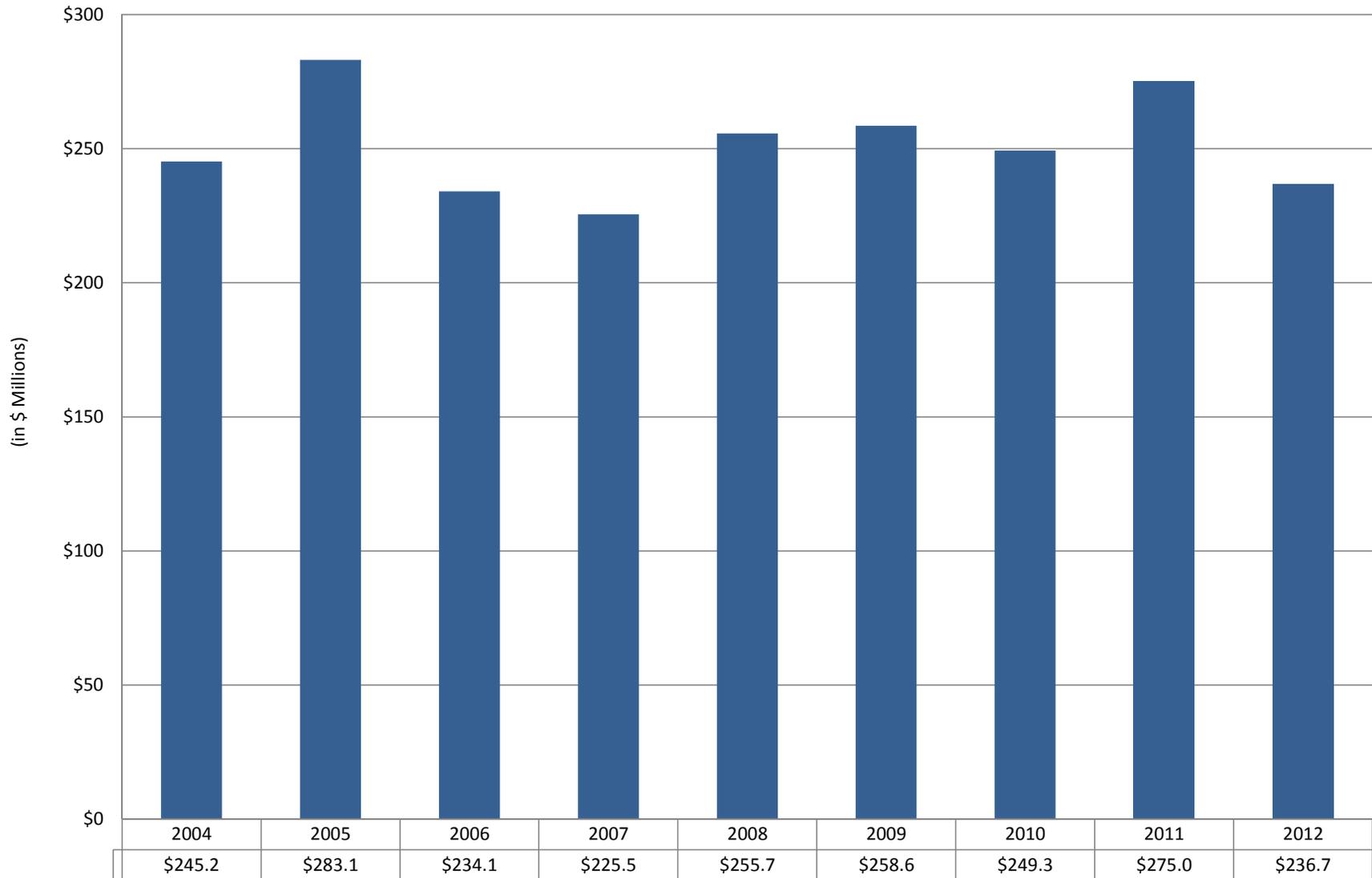
California Earthquake Authority
Insurance Services
Budgeted Expenditures and Actual Expenditures
2013 Budget Year

	(a)	(b)	(c)	(d)	(e)	(f)	(g)
				(d=a+b+c)		(f=d-e)	(g=e/d)
	<u>Approved 2013 Budget</u>	<u>Adjustments thru 9/30/2013</u>	<u>Augmentations thru 9/30/2013</u>	<u>2013 Budget after Augmentations and Adjustments</u>	<u>Actual Expenditures as of 9/30/13</u>	<u>Augmented & Adjusted Approved Budget (d) vs. Actual Expenses (e) as of 9/30/13</u>	<u>Percentage used of Augmented & Adjusted Approved 2013 Budget</u>
Research	\$ 280,000	\$ -	\$ -	\$ 280,000	\$ 295,270	\$ (15,270)	105.45%
Contracted Services							
Agent Services	100,000	-	-	100,000	-	100,000	0.00%
Audit Services	130,000	-	-	130,000	128,297	1,703	98.69%
Brochure/Information Products	285,000	-	-	285,000	5,955	279,045	2.09%
Communications	62,800	-	-	62,800	-	62,800	0.00%
Consumer Services	300,000	-	-	300,000	-	300,000	0.00%
Dynamic Financial Analysis	65,000	-	-	65,000	-	65,000	0.00%
Legal Services-Claims Counsel	300,000	-	-	300,000	121,707	178,293	40.57%
Legal Service - Non-Claims	4,260,000	-	-	4,260,000	1,507,423	2,752,577	35.39%
Marketing Services	7,184,403	-	624,000	7,808,403	2,889,241	4,919,162	37.00%
Modeling Services	1,234,000	-	-	1,234,000	367,478	866,522	29.78%
Rating Agencies	200,000	-	-	200,000	191,600	8,400	95.80%
Staffing Services - Support and Admin	2,904,131	-	-	2,904,131	1,665,020	1,239,111	57.33%
Other Contracted Services	444,500	-	-	444,500	23,440	421,060	5.27%
Total Contracted Services	\$ 17,469,834	\$ -	\$ 624,000	\$ 18,093,834	\$ 6,900,161	\$ 11,193,673	38.14%
Participating Insurer Commissions	59,133,038	-	-	59,133,038	43,986,375	15,146,663	74.39%
Participating Insurer Operating Costs	18,272,109	-	-	18,272,109	13,576,883	4,695,226	74.30%
Investment Expenses	2,488,981	-	-	2,488,981	1,638,980	850,001	65.85%
Financing Expenses	7,151,023	-	-	7,151,023	5,617,291	1,533,732	78.55%
Risk Transfer	230,195,428	-	-	230,195,428	169,490,783	60,704,645	73.63%
Risk Transfer - Exposure Adjustment	18,846,376	-	-	18,846,376	-	18,846,376	0.00%
Total Expenditures	\$ 370,401,909	\$ -	\$ 689,000	\$ 371,090,909	\$ 250,987,125	\$ 120,103,784	67.63%

**California Earthquake Authority
Mitigation
Budgeted Expenditures and Actual Expenditures
2013 Budget Year**

	(a)	(b)	(c)	(d) (d=a+b+c)	(e)	(f) (f=d-e)	(g) (g=e/d)
	<u>Approved 2013 Budget</u>	<u>Proposed Adjustments thru 12/31/2013</u>	<u>Augmentations thru 9/30/2013</u>	<u>2013 Budget after Proposed Augmentations and Adjustments</u>	<u>Actual Expenditures as of 9/30/13</u>	<u>Augmented & Adjusted Approved Budget (d) vs. Actual Expenses (e) as of 9/30/13</u>	<u>Percentage used of Augmented & Adjusted Approved 2013 Budget</u>
Salaries & Benefits	\$ 241,962	\$ -	\$ 23,000	\$ 264,962	\$ 179,294	\$ 85,668	67.67%
Rent	25,200	-	-	25,200	14,536	10,664	57.68%
Travel	34,000	-	-	34,000	9,597	24,403	28.23%
Non-paid Consultant Travel	1,000	4,000	-	5,000	-	5,000	0.00%
Telecommunications	7,250	-	-	7,250	3,231	4,019	44.57%
Training	15,250	-	-	15,250	6,222	9,028	40.80%
Insurance	5,000	-	-	5,000	-	5,000	0.00%
Board/Panel Services	-	-	-	-	-	-	0.00%
Administration & Office	122,850	4,250	-	127,100	19,513	107,587	15.35%
Data Management Services	-	-	-	-	-	-	0.00%
Other Administrative Services	-	-	-	-	-	-	0.00%
Furniture/Equipment	1,400	-	600	2,000	158	1,842	7.90%
EDP Hardware/Software	-	-	2,500	2,500	-	2,500	0.00%
Total Operating Expenses	\$ 453,912	\$ 8,250	\$ 26,100	\$ 488,262	\$ 232,551	\$ 255,711	47.63%
Consulting Services							
Other Consulting Services	25,000	(8,250)	-	16,750	-	16,750	0.00%
Total Consulting Services	\$ 25,000	\$ (8,250)	\$ -	\$ 16,750	\$ -	\$ 16,750	0.00%
Contracted Services							
Mitigation Projects	325,000	-	-	325,000	58,433	266,567	17.98%
Staffing Services-Support and Admin	14,367	-	12,000	26,367	14,366	12,001	0.00%
Other Contracted Services	10,000	-	-	10,000	-	10,000	0.00%
Total Contracted Services	\$ 349,367	\$ -	\$ 12,000	\$ 361,367	\$ 72,799	\$ 288,568	20.15%
CRMP Contribution	-	-	1,000,000	1,000,000	1,000,000	-	100.00%
Investment Expenses	25,000	-	-	25,000	15,597	9,403	62.39%
Total Expenditures	\$ 853,279	\$ -	\$ 1,038,100	\$ 1,891,379	\$ 1,320,947	\$ 570,432	69.84%

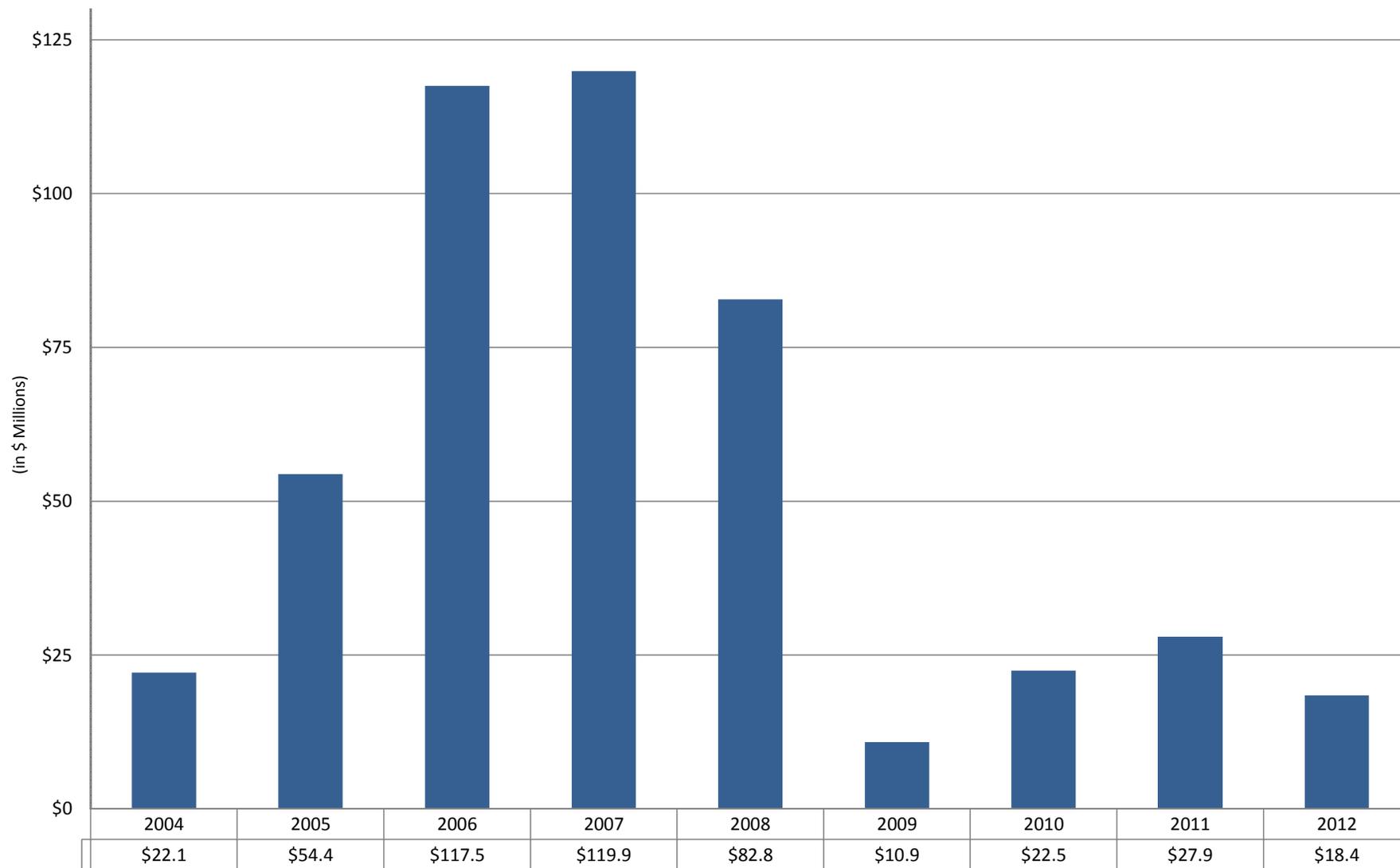
**California Earthquake Authority
Annual Capital Accumulated from Premium
as of December 31, 2012**



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

Investments

**California Earthquake Authority
Annual Investment Income
as of December 31, 2012**

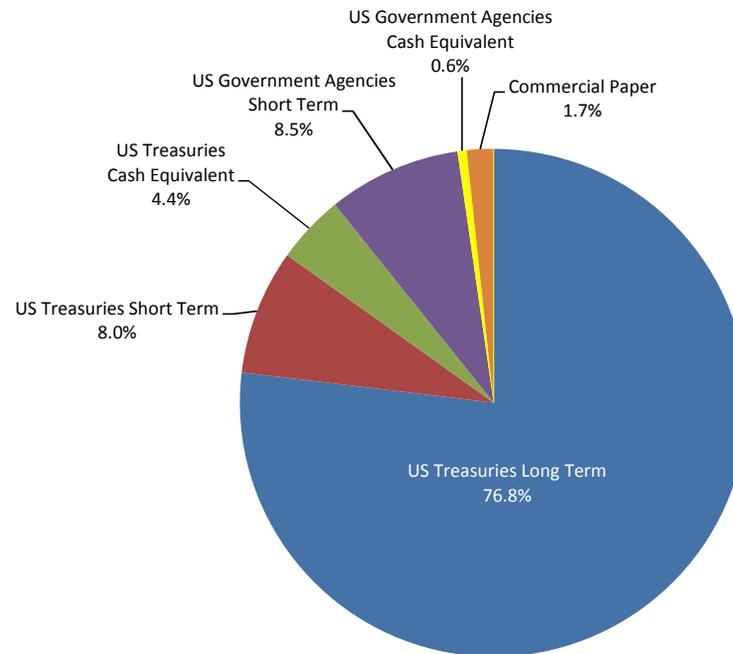


NOTE: Prior to 2009, investment income was reported from FASB financial statements which did not include unrealized gains or losses and were net of manager fees.

**California Earthquake Authority
Investment Portfolio Distribution at Market Value
as of September 30, 2013**

CEA Liquidity & Primary Fund:	\$4,586,424,471
US Treasuries Long Term	76.8%
US Treasuries Short Term	8.0%
US Treasuries Cash Equivalent	4.4%
US Government Agencies Short Term	8.5%
US Government Agencies Cash Equivalent	0.6%
Commercial Paper	1.7%
Commercial Paper Cash Equivalent	0.0%
Total:	100.0%

CEA Liquidity & Primary Fund

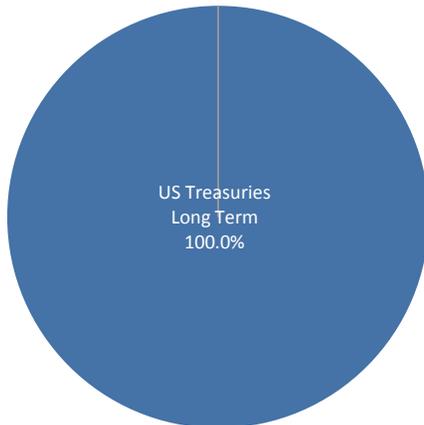


**California Earthquake Authority
Investment Portfolio Distribution at Market Value
as of September 30, 2013**

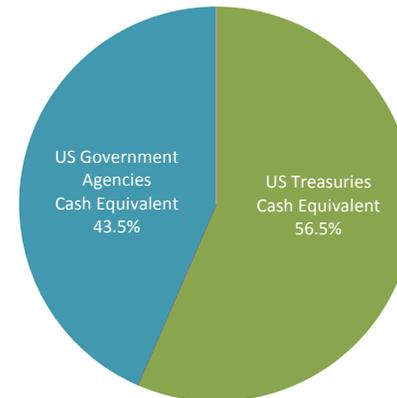
Claim-Paying Fund	\$314,383,023
US Treasuries Long Term	100.0%
US Treasuries Short Term	0.0%
US Treasuries Cash Equivalent	0.0%
US Government Agencies Short Term	0.0%
US Government Agencies Cash Equivalent	0.0%
Commercial Paper	0.0%
Commercial Paper Cash Equivalent	0.0%
Total:	100.0%

Mitigation:	\$25,538,941
US Treasuries Long Term	0.0%
US Treasuries Short Term	0.0%
US Treasuries Cash Equivalent	56.5%
US Government Agencies Short Term	0.0%
US Government Agencies Cash Equivalent	43.5%
Commercial Paper	0.0%
Commercial Paper Cash Equivalent	0.0%
Total:	100.0%

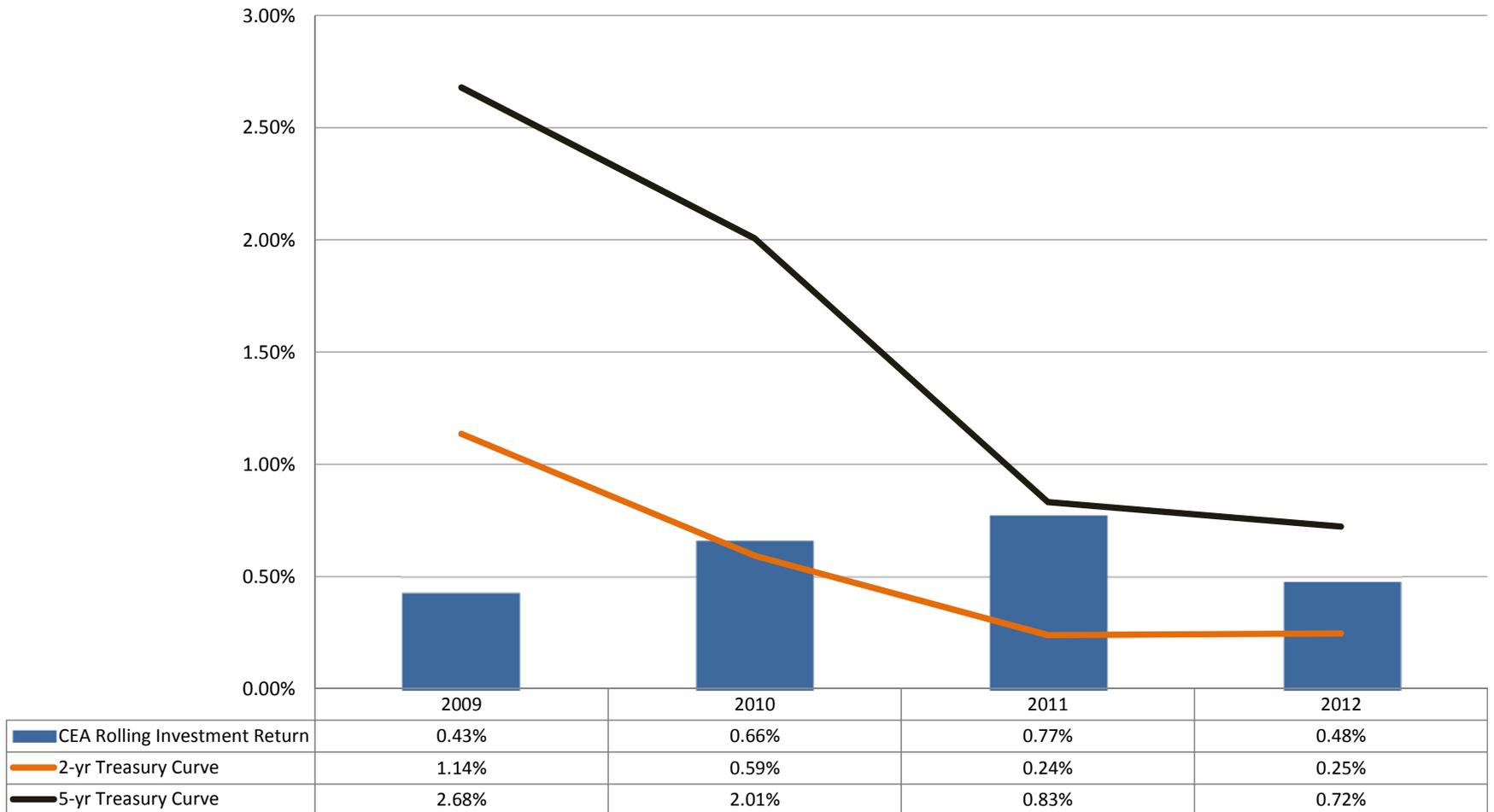
Claim-Paying Fund



Mitigation Fund



**California Earthquake Authority
Annual 12-Month Rolling Investment Return
as of December 31, 2012**



NOTE: Gross of Investment Manager Fees

Debt

**California Earthquake Authority
Schedule of Outstanding Debt**

DEBT	ISSUANCE AMOUNT	INTEREST RATE	NET PROCEEDS	OUTSTANDING PRINCIPAL	AS OF DATE	MOODY'S RATING*	FITCH RATING*
Series 2006 Revenue Bonds	\$ 315,000,000	6.169%	\$ 310,829,067	\$ 94,500,000	30-Sep-2013	A3 Outlook Stable	A Outlook Stable

DEBT-SERVICE SCHEDULE

The table below shows the current year and future 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

*Ratings of 'A3' and 'A' since 2006 (These ratings were reaffirmed in 2013)

Claim-Paying Capacity

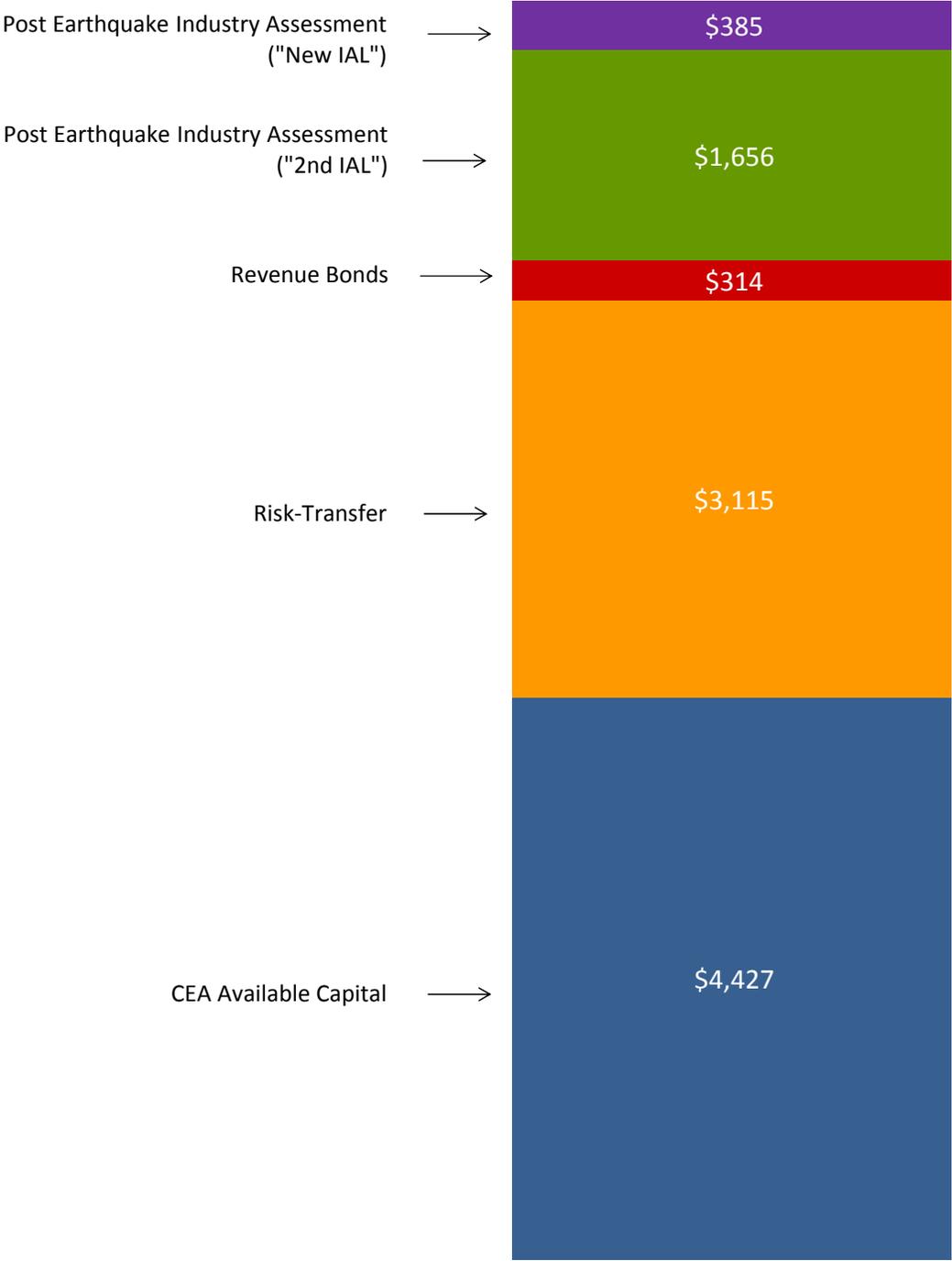
**California Earthquake Authority
Available Capital Report**

Available Capital as of September 30, 2013

Cash & Investments (includes capital contributions and premiums)	\$ 4,925,792,511 *
Interest, Securities & Restricted Securities Receivable	\$ 15,824,966
Premium Receivable	\$ 50,917,623
Risk Capital Surcharge & Capital Contributions Receivable	\$ -
Other Assets	\$ 12,744
Revenue Bonds	\$ (314,383,023)
Debt Service (Interest, Principal & Debt Service (Min. Bal.))	\$ (21,226,772)
Unearned Premium Collected	\$ (221,443,335)
Accrued Reinsurance Premium Expense	\$ (6,103,759)
Accounts and Securities Payable, and Accrued Expenses	\$ (2,234,136)
CEA Available Capital	<u><u>\$ 4,427,156,820</u></u>

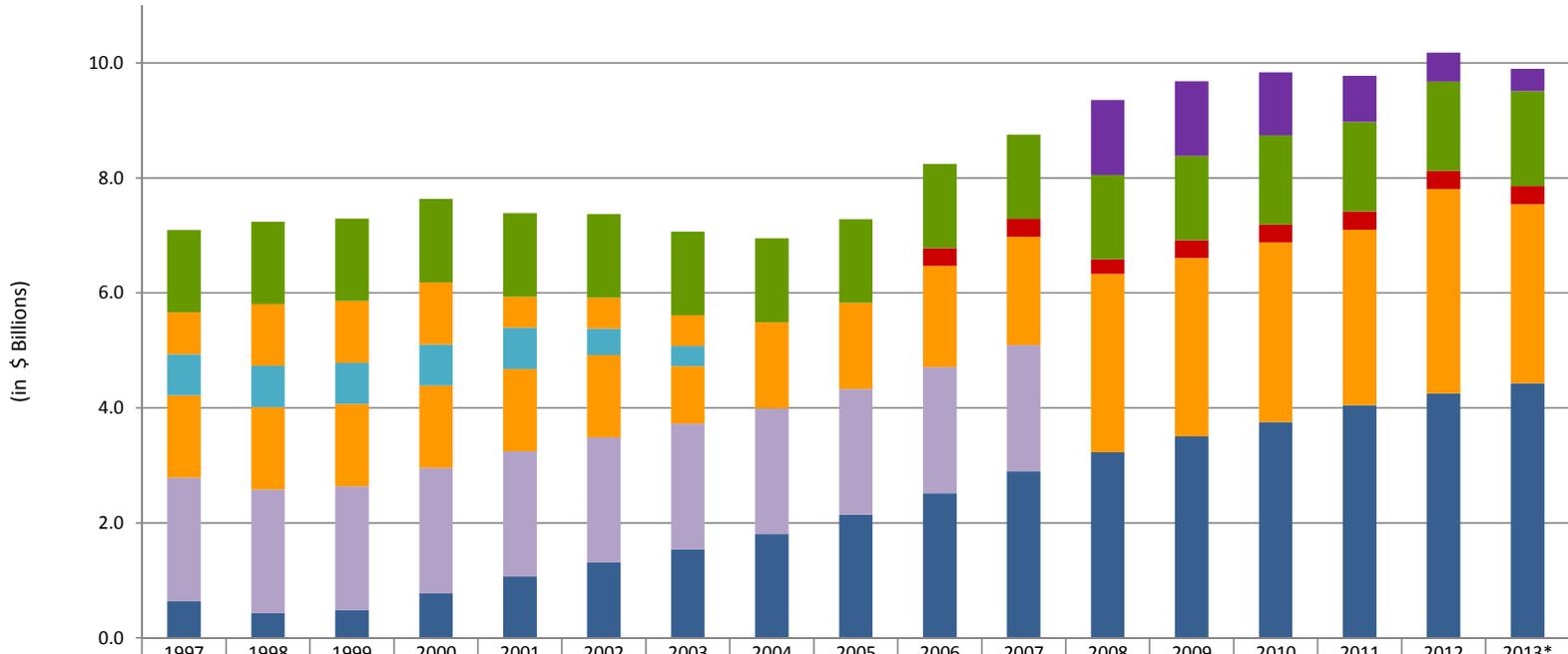
* Does not include Earthquake Loss Mitigation Fund cash and investments of \$25,540,121

**California Earthquake Authority
Claim-paying Capacity
as of September 30, 2013**



Total Capacity \$9,898M

**California Earthquake Authority
Total Claim-Paying Capacity (CPC)
as of September 30, 2013**



	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013*
Total CPC	\$7.095	\$7.240	\$7.293	\$7.635	\$7.390	\$7.373	\$7.069	\$6.948	\$7.284	\$8.244	\$8.752	\$9.354	\$9.685	\$9.840	\$9.777	\$10.179	\$9.898
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	0.385
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	1.656
Revenue Bonds	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.311	0.311	0.254	0.311	0.311	0.317	0.314	0.314
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	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	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	3.557	3.115
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	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	4.250	4.427

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

*as of September 30, 2013

Risk-Transfer Programs

**California Earthquake Authority
Risk-Transfer Program Summary
as of September 30, 2013**

Traditional Reinsurance Contracts	Contract Period	Reinsurance Limit	12-Month Rate-on-Line	12-Month Premium
2013 January Program	January 1, 2013 - December 31, 2013	715,595,320	6.90%	50,066,076
2013-2014 April Program Contract 1	April 1, 2013 - March 31, 2014	759,900,000	5.30%	40,545,000
2013-2015 April Program Contract 2	April 1, 2013 - March 31, 2015	84,999,960	5.30%	4,504,998
2013-2016 May Program	May 1, 2013 - April 30, 2016	100,000,000	5.60%	5,600,000
2013-2015 June Program	June 1, 2013 - May 31, 2015	50,000,000	5.65%	2,825,000
2013-2014 August Program Contract 1	August 1, 2013 - July 31, 2014	299,999,920	5.90%	17,699,995
2013-2014 August Program Contract 2	August 1, 2013 - July 31, 2014	130,000,000	5.80%	7,540,000
2013-2015 August Program Contract 3	August 1, 2013 - July 31, 2015	250,000,000	5.90%	14,750,000
2013-2014 August Program Contract 4	August 1, 2013 - July 31, 2014	24,999,000	7.10%	1,774,929
2012-2015 September Program	September 1, 2012 - August 31, 2015	100,000,000	5.70%	5,700,000
Total Traditional Reinsurance		2,515,494,200		

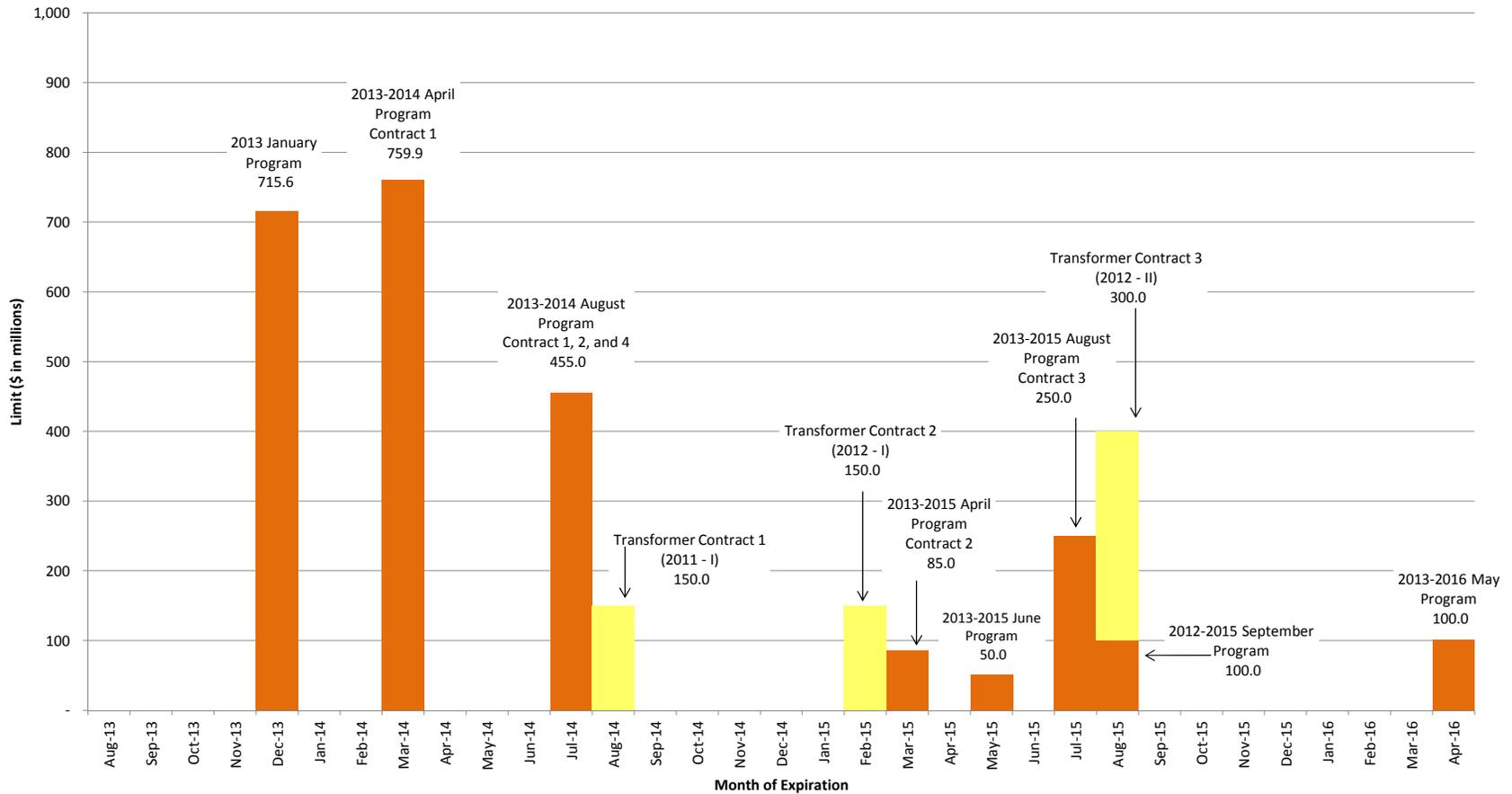
Transformer Reinsurance Contracts	Contract Period	Reinsurance Limit	12-Month Rate-on-Line	12-Month Premium
Transformer Contract 1 (2011 - I)	August 2, 2011 – August 1, 2014	150,000,000	7.78%	11,670,000
Transformer Contract 2 (2012 - I)	February 7, 2012 – February 6, 2015	150,000,000	8.39%	12,585,000
Transformer Contract 3 (2012 - II)	August 1, 2012 – July 31, 2015	300,000,000	5.64%	16,923,000
Total Transformer Reinsurance		600,000,000		

Total Risk-Transfer Program		3,115,494,200		
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**California Earthquake Authority
2013 Risk-Transfer Program Premium Summary**

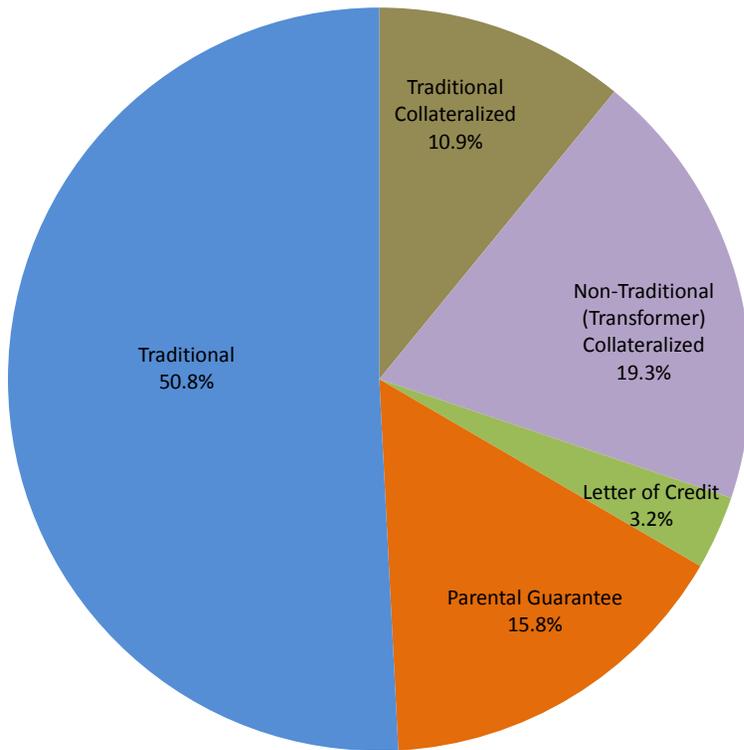
Traditional Reinsurance Contracts	Contract Period	2013 Premium
Program B	April 1, 2012 - March 31, 2013	19,397,706.73
Program C	May 1, 2012 - April 30, 2013	1,500,000.00
2013 August Program Contract 1	January 1, 2013 - July 31, 2013	21,000,000.00
2013 August Program Contract 2	January 1, 2013 - July 31, 2013	8,341,666.67
2013 August Program Contract 3	January 1, 2013 - July 31, 2013	10,500,000.00
2013 January Program	January 1, 2013 - December 31, 2013	49,376,077.08
2013-2014 April Program Contract 1	April 1, 2013 - March 31, 2014	30,206,025.00
2013-2014 August Program Contract 1	August 1, 2013 - July 31, 2014	7,374,998.03
2013-2014 August Program Contract 2	August 1, 2013 - July 31, 2014	3,141,666.67
2013-2014 August Program Contract 4	August 1, 2013 - July 31, 2014	739,553.75
2013-2015 April Program Contract 2	April 1, 2013 - March 31, 2015	3,378,748.41
2013-2015 June Program	June 1, 2013 - May 31, 2015	1,647,916.67
2013-2015 August Program Contract 3	August 1, 2013 - July 31, 2015	6,145,833.33
2012 September Program	September 1, 2012 - August 31, 2015	5,700,000.00
2013-2016 May Program	May 1, 2013 - April 30, 2016	3,733,333.33
Total Traditional Reinsurance		172,183,526
Transformer Contract 1 (2011 - I)	August 2, 2011 - August 8, 2014	11,504,915.66
Transformer Contract 2 (2012 - I)	February 7, 2012 - February 13, 2015	12,474,218.29
Transformer Contract 3 (2012 - II)	August 1, 2012 - August 7, 2015	16,770,005.72
Total Transformer Reinsurance		40,749,140
Total Risk-Transfer Program		212,932,665

**California Earthquake Authority
Risk-Transfer Program Contract Limits by Expiration
as of September 30, 2013**

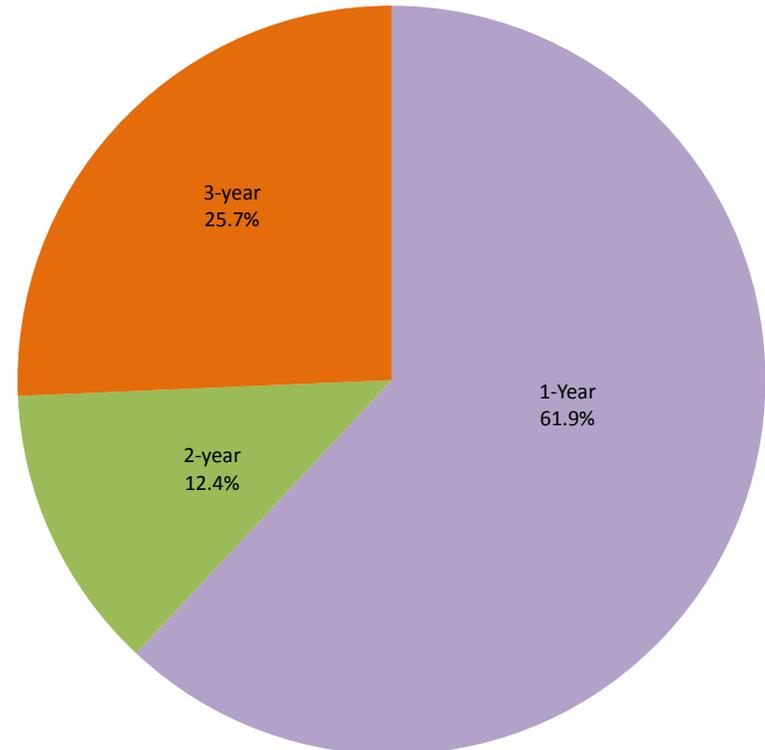


California Earthquake Authority
Risk-Transfer Program by Credit Enhancements & Contract Limits
as of September 30, 2013

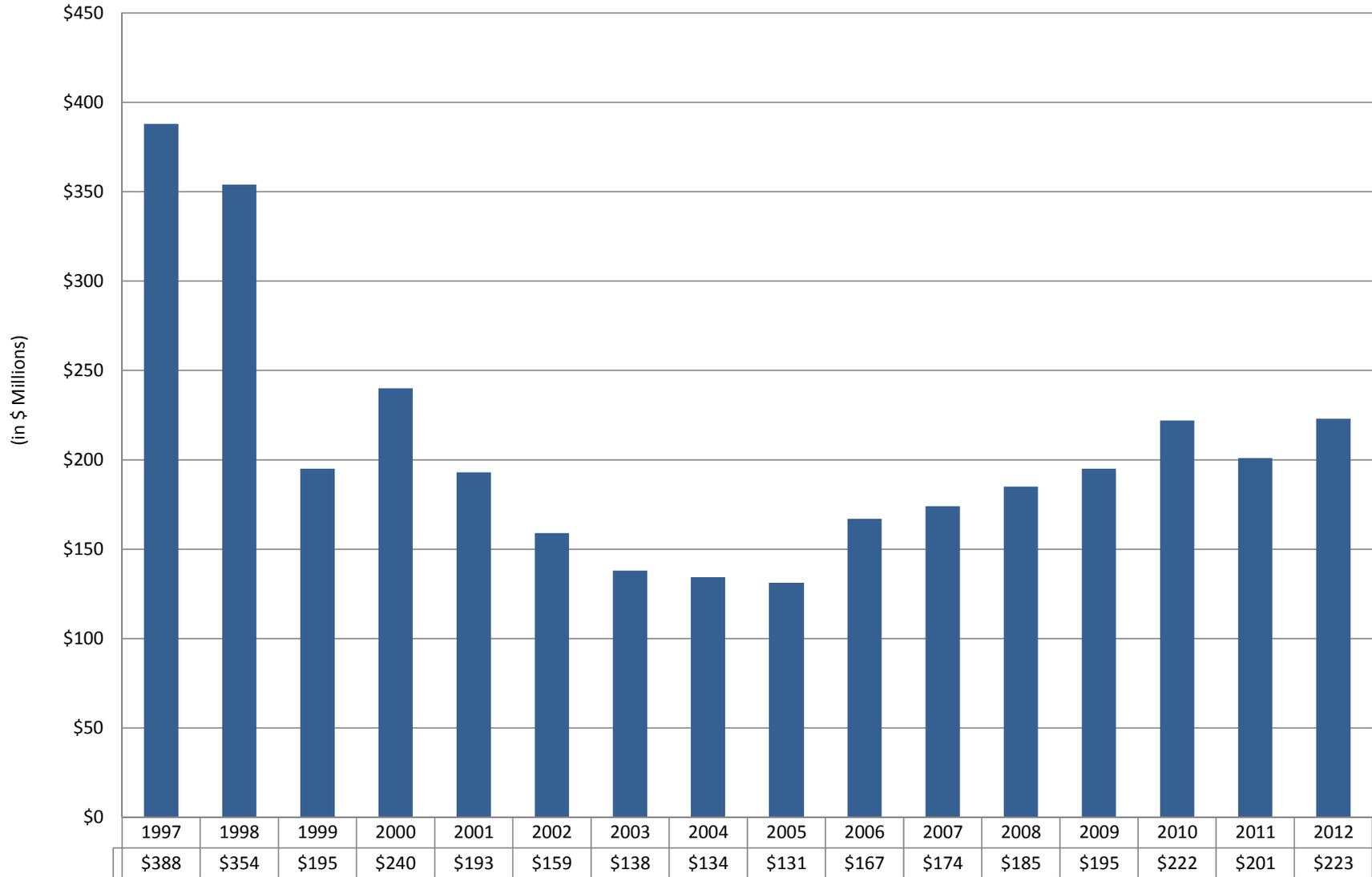
Credit Enhancements



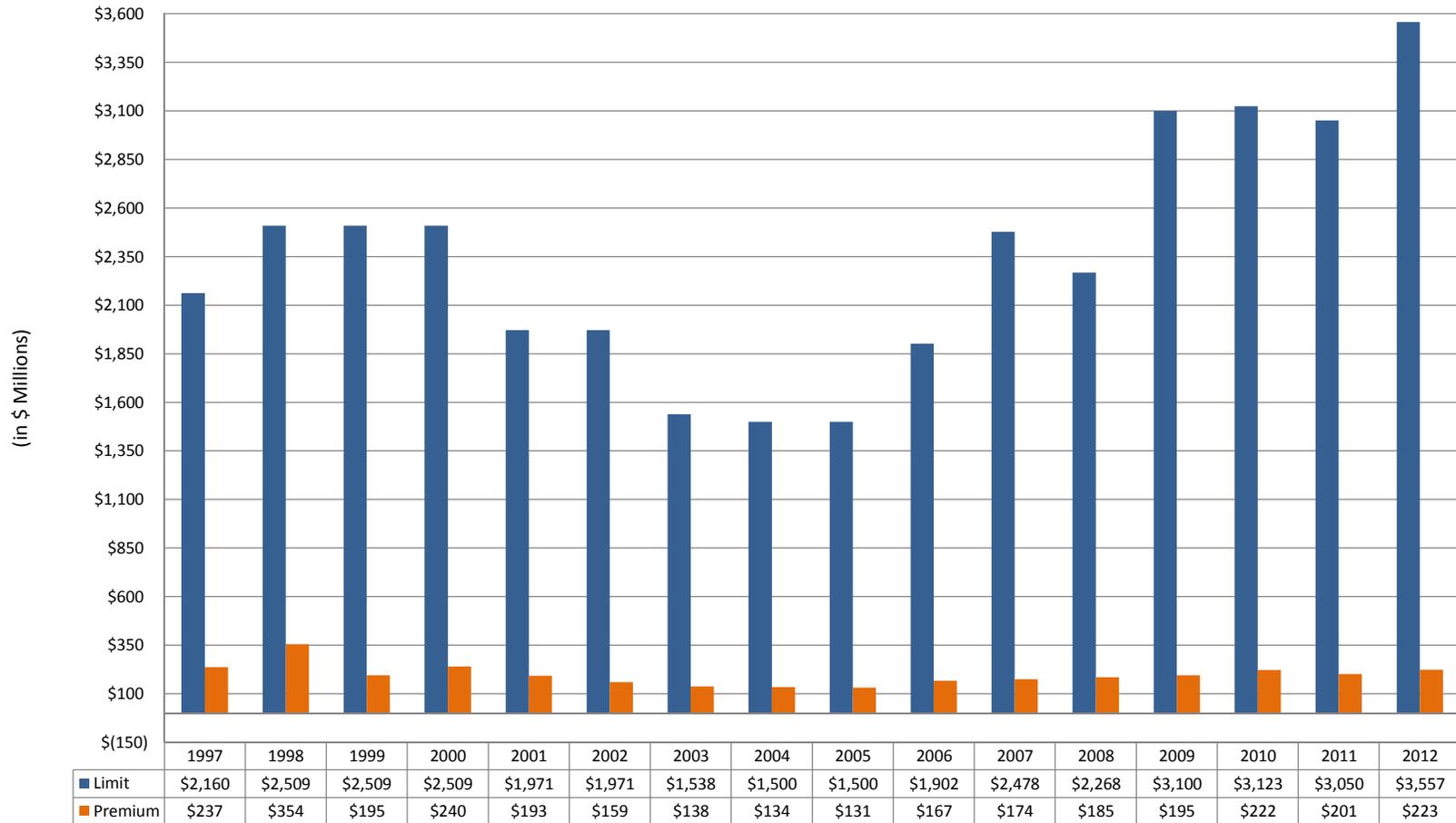
1-Year, 2-Years, and 3-Years
Contract Limits



**California Earthquake Authority
Annual Risk-Transfer Premium
as of December 31, 2012**

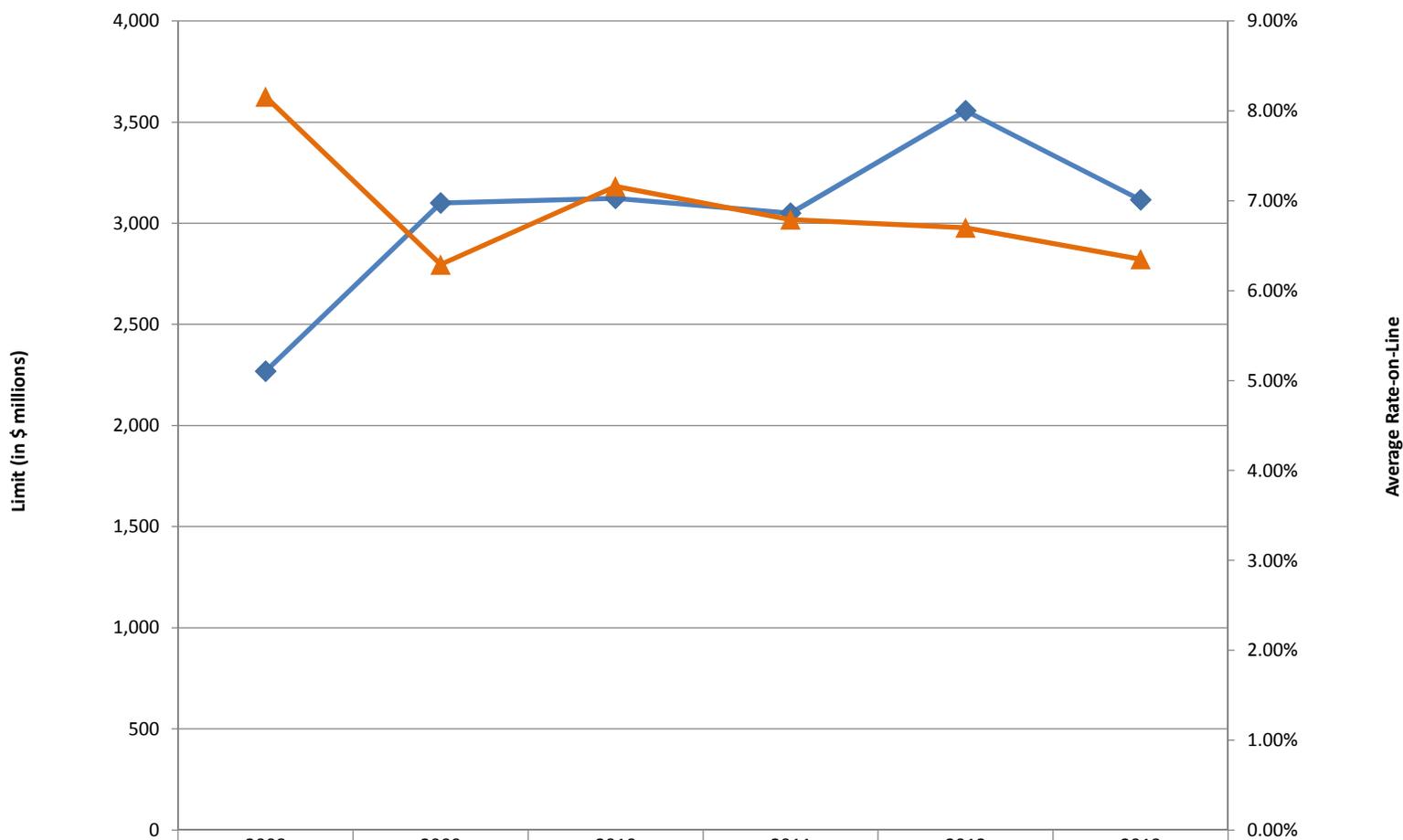


**California Earthquake Authority
Annual Risk-Transfer Premium and Limit
as of December 31, 2012**



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

**California Earthquake Authority
Annual Risk-Transfer Limit and Average Rate-on-Line
as of December 31, 2013**



◆ Limit (in \$ millions)	2,268	3,100	3,123	3,050	3,557	3,115
▲ Annual limit increase/decrease	-8.5%	36.7%	0.7%	-2.3%	16.6%	-12.4%
▲ Average Rate-on-Line	8.16%	6.29%	7.16%	6.79%	6.70%	6.35%

Governing Board Memorandum

December 16, 2013

Agenda Item 7: Update on CEA's 2013 marketing efforts and 2014 campaigns

Recommended Action: Information only

Background:

CEA's Marketing Value Program (MVP) completed its third year of implementation in 2013. It was aligned with CEA's existing "Blueprint" campaign, which consisted of broadcast, direct mail, and online advertising. Ongoing marketing strategy focused on introducing the CEA brand, generating awareness for CEA among consumers, renewing existing CEA policies, and engaging participating-insurer agents and producers in selling new CEA policies.

Numerous CEA research studies supported the MVP creative concepts used through 2013 (and those research results will serve CEA for many years to come). After concluding a successful run, supporting all broadcast, direct-mail, and online advertising for three years, however, CEA will replace the Blueprint campaign in 2014 with an expanded strategy and new creative concept.

In addition, "Joined Forces" programming with the American Red Cross completed its second year in 2013. Designed to help consumers prepare to survive and recover from California's next damaging earthquake, through integration with MVP broadcast advertising and direct mail, the CEA and Red Cross worked together to promote the annual statewide auction in April and the Great California ShakeOut in October.

Analysis:

CEA marketing and communications is working to respond effectively to the needs of a large majority of California consumers, who have said they want more information about earthquake risk and earthquake insurance. According to a statewide survey recently commissioned by the CEA:

- Misinformation or lack of clarity about coverage of earthquake damage is pronounced, with about a fourth of respondents saying they believe government assistance will pay for earthquake damage or that their homeowners or renters policy will cover earthquake damage.
- Many more respondents believe homeowners and renters should be getting more information about earthquake insurance, while only slightly fewer people believe they are at low risk of damaging earthquakes when actually they are in high- or medium-risk areas.
- About a third of Californians say they have received a recommendation for earthquake insurance from an insurance company or agent, among those without earthquake insurance, too few say they know something about CEA.

CEA marketing in 2013 produced results that address these recent statewide survey findings (and previous social science, branding, new-policyholder, marketing, message, and economic studies conducted since 2008) to better understand how to motivate people to prepare for earthquakes and to buy earthquake insurance.

The 2013 MVP delivered television advertising through six markets, 21 stations, and 19 different news or weather reporters to produce a 95.6 percent increase over 2012 impressions.

2011-13 Television Advertising			
	2011	2012	2013
Impressions (in millions)	59.59	49.74	97.30*

**Note: 2012 was a political year, so rates for TV advertising were nearly double. Also in 2012, CEA pursued a 25-54 adult demographic, which is expensive.*

Corresponding 2013 MVP radio advertising was delivered through nine markets, 52 stations, and two celebrities to produce a 35.6 percent increase over 2012 impressions.

2011-13 Radio Advertising			
	2011	2012	2013
Impressions (in millions)	44.23	298.40	404.70

2013 MVP online advertising was placed in static formats for 99 newspapers; and was combined with static, flash and rich formats delivered through display, search and retargeting strategies. The number of 2013 impressions decreased from 2012 because the CEA online budget was reduced by 31 percent.

2011-13 Online Advertising			
	2011	2012	2013*
Impressions (in millions)	n/a	541	343.07

**Note: 2013 impressions are through October 2013 only.*

CEA again advertised in 42 ethnic print and online publications.

2011-13 Ethnic Advertising			
	2011	2012	2013
Impressions (in millions)	3.2	3.4	3.2

CEA’s 2013 direct mail through agents and producers offered two rounds of up to 500 pieces of direct mail in three languages to produce an eight percent increase in direct mail distributed compared to 2012, despite a 30 percent decrease in agents trained compared to 2012.

2011-13 MVP Summary			
	2011	2012	2013
Agents Trained	3,193	2,295	1,589*
Direct-mail Pieces (in millions)	2.50	2.76	2.98

**Note: CEA’s agent-training personnel decreased from two to one in 2013 due to workforce planning. In addition, MVP participants who were required to take the new Choice training in 2012 in order to receive additional materials were unlikely to seek training opportunities again in 2013 because of two-year CDI Continuing Education credit eligibility constraints.*

“Joined Forces” 2013 programming, which promoted Red Cross auction participation and ShakeOut registration through www.GetPreparedCalifornia.org, produced an 11 percent decrease in auction funds raised but contributed to a 2.1 percent increase in ShakeOut participants registered.

2011-13 Auction and ShakeOut Results			
	2011	2012	2013
Joined Forces Auction: Funds Raised	n/a	\$ 180,000	\$160,000
ShakeOut Participants (in millions)	8.6	9.4	9.6

At the same time CEA was implementing the MVP successfully through its Blueprint campaign for the third and final year in 2013, CEA was working to expand its marketing strategy and to produce a new marketing concept for implementation beginning in 2014.

The Cooperative Marketing Venture (CMV) concept—which for the first time will allow CEA to digitally link consumers considering earthquake insurance with participating insurers that transact the sale—was approved by the Governing Board in February 2013. To date, 7 of 19 participating insurers have expressed interest in joining this new program.

Those participating insurers that within CEA deadlines formally commit to the CMV program will have an opportunity to take advantage of CEA’s new creative campaign planned for 2014.

CEA’s new *California Rocks* campaign will feature a double entendre – California Rocks as a cool place to live, yet California Rocks with earthquakes, too – to help deliver a persuasive and positive message to encourage the purchase of residential earthquake insurance.

Concept testing of four separate campaigns recently was completed in four markets. Among the four concepts, the California Rocks campaign was found to have the most effective messaging –

that earthquakes are a fact of life in beautiful California, so it just makes good sense to purchase earthquake insurance.

Beginning in April 2014, the *California Rocks* campaign will be rolled out in television, radio, and online advertising within the budget the Governing Board approved in May 2013.

Finally, CEA recently released a Request for Qualifications (RFQ 10-13) for a Strategic Communications and Marketing firm. The firm selected will serve as the lead contractor for strategic marketing communications and in addition may engage a variety of subcontractors to complete a wide spectrum of work. The new contract will be in effect January 1, 2014, to December 31, 2016.

Recommendation:

No action required – information only.

Governing Board Memorandum

December 16, 2013

Agenda Item 8: CEA Advisory Panel update—Jonathan Leong

Recommended Action: No action required - information only

CEA Advisory Panel Member Jonathan Leong will provide a summary of the proceedings from the October 24, 2013, Advisory Panel meeting.

Governing Board Memorandum

December 16, 2013

Agenda Item 9: Selection of a new independent financial auditor for the CEA

Recommended Action: Approve selection of the firm Plante & Moran, PLLC, to conduct the annual CEA financial audit for 2013–2017

Background:

The CEA’s financial statements are required by law to be audited annually by a qualified independent auditor. The CEA’s contract with the independent accounting firm, JLK Rosenberger LLP, has expired.

Analysis:

The RFP Process

The CEA issued a Request for Proposals (“RFP”) in July 2013 and solicited qualified candidates through an advertisement in the AICPA Daily Newsletter and on the Contracting & Employment Opportunities page of the CEA’s website.

The CEA considered only certified public accounting firms, from which the CEA received a total of nine proposals.

Evaluation and Rating

The RFP selection panel consisted of:

- Tim Richison, CEA CFO
- Trudi Miller, CEA Accounting Manager
- Rick Contreras, CEA Senior Management Auditor
- Anthony Tassone, Financial Reporting Lead, CEA

After reviewing and assigning preliminary scores to the proposals, the selection panel interviewed the five firms with the highest scores.

Selection

The firm of Plante & Moran, PLLC, received the highest scores of the five finalist firms.

Anticipated Annual Fees and Costs

Plante & Moran’s fees for regularly recurring audit services, including out-of-pocket expenses, for each audit year through December 31, 2017:

2013	2014	2015	2016	2017
\$109,000	\$109,000	\$112,500	\$116,000	\$119,500

Consistent with California Insurance Code section 10089.13, the proposed selection was presented to the Insurance Commissioner; he granted approval.

After receipt of the Insurance Commissioner’s approval, the proposed selection was presented to the Department of Finance, also under California Insurance Code section 10089.13; it has granted approval.

Recommendation:

1. Staff recommends the Board approve the selection of Plante & Moran, PLLC, to conduct the legally required independent annual audit of CEA’s GASB and statutory financial statements for each of the years 2013 through 2017.
2. If the Board approves the staff recommendation, the CEA staff will proceed to negotiate a contract with the firm. Assuming the negotiation is successful and a contract is executed, staff will notify the Board that the audit engagement has been successfully finalized by contract.

Governing Board Memorandum

December 16, 2013

Agenda Item 10: Contracting for services of additional investment managers (RFQ#01-13)

Recommended Action: Approve staff recommendation to hire additional investment managers for the CEA Primary Fund

Background:

In September 2013, the CEA began the process of seeking additional Primary Fund investment managers. CEA also sought smaller investment management firms, those with \$10 billion or less of assets under management.

This memorandum describes the CEA's process for seeking Primary Fund small investment management services and the results of the process.

Analysis:

CEA staff identified the need from a best-practices standpoint to replace or to retain Primary Fund small investment managers to invest funds in CEA's growing investment portfolio.

On September 3, 2013, the CEA issued a Request for Qualifications ("RFQ") seeking small investment manager services. As a minimum qualification, the RFQ sought investment managers having less than \$10 billion in assets under management. The CEA intended to allow the selected small investment managers to invest on behalf of the CEA up to \$250 million of the CEA's Primary Fund.

The RFQ was advertised on the websites of the following media:

The Wall Street Journal
The Bond Buyer

The CEA received proposals from five investment-management firms.

The RFQ proposals were evaluated by a panel consisting of:

Tim Richison: CEA CFO
Trudi Miller: CEA Accounting Manager
Jeff Appel: CEA Associate Accounting Analyst
Paolo Gonzalez: CEA Investment Analyst

Kapil Bhatia: Raymond James & Associates, Inc. (CEA's independent financial advisor)

The selection panel ranked the firms that responded to the RFQ based on their proposals and then conducted site visits of those firms receiving the highest scores.

Site visits were conducted by the CEA's CFO, Accounting Manager, and Investment Analyst to the following firms:

- Miles Capital (West Des Moines, Iowa)
- LM Capital Group (San Diego, California)
- Chandler Asset Management (San Diego, California)

The site visits indicated that two of the three firms displayed particularly satisfactory systems for trading, compliance, reporting, and recovery and would meet the CEA's stringent requirements, as set forth in the RFQ. In addition, the RFQ panel was comfortable with the expertise, performance, and depth of the team members who would be assigned to the CEA's account.¹

After the site visits, the selection panel prepared final rankings of the firms based on their proposals and the site visits, identifying the top firms: Smith Graham, Miles Capital, and Chandler Asset Management. Those three firms are now recommended by staff to the Board; if the Board approves the recommendation, each firm will be invited to negotiate a contract with the CEA.

Below is a summary of key investment-manager duties:

- Contract term: Five years, with an option by CEA to extend for an additional two years.
- Services to be performed:
 - Invest funds in U.S. Treasury securities in accordance with California Government Code section 16430 and CEA's investment policies and guidelines.
 - Conduct thorough investment analysis and provide advice on market conditions, including positive and negative trends.
 - Analyze the fixed-income financial markets.
 - Monitor the performance of investments in the relevant CEA portfolio.
 - Provide a Daily Holdings Report to the CEA.
 - Retain in their systems sufficient electronic data to allow the CEA to verify historical investment transactions and balances, and to measure historical portfolio performance.

¹ Existing small fund manager Smith Graham required no additional on-site visit because the results of that firm's most recent site visit by the CEA (September 24, 2013) were satisfactory.

- The maximum annual compensation identified in the RFQ was six basis points of CEA investments under management, and the recommended firms proposed fees ranging from 4.5 to 6.0 basis points.

Recommendation:

Staff recommends that the Board:

1. Approve staff's recommendation to negotiate for investment-management services with the following firms: Miles Capital, Chandler Asset Management, and Smith Graham.
2. Authorize CEO Glenn Pomeroy to execute final negotiated contracts on behalf of the CEA.

Governing Board Memorandum

December 16, 2013

Agenda Item 11: Proposed 12-month CEA Risk-Transfer Strategy

Recommended Action: Approve proposed 12-month CEA Risk-Transfer Strategy

Background:

At the December 13, 2012, Governing Board meeting, CEA staff proposed to the Board new guidelines for procuring risk transfer and claim-paying capacity, including traditional reinsurance and alternative risk-transfer methods. The Board also approved a resolution adopting the *Guidelines for Securing Risk Transfer: Traditional Reinsurance and Alternative Risk Transfer* (“Guidelines”).

In accordance with the Guidelines, CEA staff is to provide the Board for its review and approval, on at least an annual basis, a comprehensive risk-transfer strategy that sets forth the CEA’s basic risk-transfer goals and benchmarks for the ensuing year.

In its search for optimal sources of claim-paying capacity, staff has balanced the following objectives:

1. The CEA must remain financially sound, by securing and maintaining claim-paying capacity sufficient for policyholder claims in the event of an earthquake while retaining essential financial-strength and credit ratings.
2. The CEA must honor its value proposition with its customers, by establishing a financial structure that makes CEA insurance as affordable as possible and while supporting the claim-paying capacity necessary to provide earthquake coverage to more Californians.
3. Generate stability and longevity for the Authority, through a financial structure that ensures the CEA’s continuation and enhances its ability to serve policyholders after a significant earthquake or series of earthquakes.

The staff analysis and recommendations focus on these priorities.

Analysis:

Historically, the CEA has relied on reinsurance—predominantly, traditional reinsurance—for about a third of its claim-paying capacity. With three highly successful transformer-reinsurance transactions completed in 2011 and 2012, the CEA established access to the capital markets for risk-transfer, which means the CEA has good access to additional, strong sources of claim-paying capacity and risk-transfer, going forward.

The cost of CEA's risk-transfer purchases (both traditional and transformer reinsurance) that are required to meet the CEA's capacity needs is, and has been for years, a significant recurring expense that compels high premium rates for CEA policyholders—but at the same time most of the CEA's risk-transfer premiums pass directly to offshore reinsurers.

And yet risk-transfer itself (whether traditional or transformer (or other) reinsurance) is not without uncertainty. Available capacity and price are subject to wide swings on account of market conditions, global catastrophes, and other factors beyond CEA's control. During 2013, reinsurance capacity has increased, resulting in market pressure for lower pricing. Multi-year reinsurance contracts (such as provided by the CEA's transformer-reinsurance transactions) relieve CEA of some year-to-year uncertainty, but there remain significant risks. While staff believes the risk-transfer limits CEA is likely to require for the next 12 months should be obtainable on acceptable terms, there is no guarantee that the capacity the CEA requires in the future will be available at CEA's desired pricing and on CEA's desired terms.

Because CEA has a fairly rigid financial structure that depends heavily on risk-transfer, any potential limits on traditional and transformer reinsurance-market capacity will affect, and may constrain, the overall claim-paying capacity of the CEA—and that can hinder CEA's ability to provide affordable earthquake coverage to Californians.

As has been discussed frequently and at length with the Board in connection with its approvals of past risk-transfer proposals and transactions, the risk-transfer market is dynamic: Coordinating CEA's risk-transfer needs with current market conditions is crucial, meaning the CEA must be positioned to execute risk-transfer transactions efficiently and effectively, when market conditions in the reinsurance and capital markets are, in the judgment of CEA financial staff and CEA's retained professional financial, legal, reinsurance, and risk-transfer experts, likely to be receptive to the CEA's participation and unique requirements.

The Board has recognized these needs and in recent actions: On December 13, 2012, it authorized CEA staff to accomplish these ends in a flexible yet prudent manner, to allow CEA to act quickly when market conditions are favorable to meet the tight time limits and deadlines inherent in highly time-sensitive risk-transfer transactions, in amounts and at pricing according to the staff's discretion while in full compliance with the Guidelines and under documented conditions.

Results of the 2013 Risk-Transfer Strategy

During 2013 the CEA was able to obtain the desired capacity to maintain the approved minimum claim-paying capacity of a 1-in-450-year level. In obtaining the desired capacity level, CEA was able to reduce pricing for its risk-transfer program.

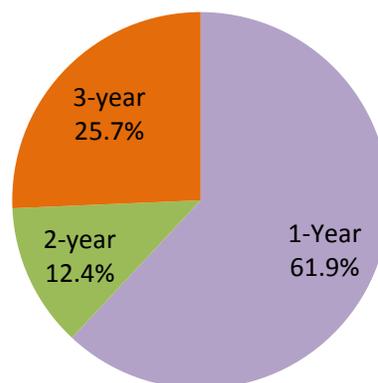
The 2013 programs are listed below, with the pricing CEA was able to obtain for the programs.

Traditional Reinsurance Contracts	Contract Period	Reinsurance Limit	12-Month Rate-on-Line	2013 Premium
2013 January Program	January 1, 2013 - December 31, 2013	715,595,320	6.90%	49,376,077.08
2013 August Program Contract 1	January 1, 2013 - July 31, 2013	500,000,000	7.20%	21,000,000.00
2013 August Program Contract 2	January 1, 2013 - July 31, 2013	200,000,000	7.15%	8,341,666.67
2013 August Program Contract 3	January 1, 2013 - July 31, 2013	250,000,000	7.20%	10,500,000.00
2013-2014 April Program Contract 1	April 1, 2013 - March 31, 2014	759,900,000	5.30%	30,206,025.00
2013-2015 April Program Contract 2	April 1, 2013 - March 31, 2015	84,999,960	5.30%	3,378,748.41
2013-2016 May Program	May 1, 2013 - April 30, 2016	100,000,000	5.60%	3,733,333.33
2013-2015 June Program	June 1, 2013 - May 31, 2015	50,000,000	5.65%	1,647,916.67
2013-2014 August Program Contract 1	August 1, 2013 - July 31, 2014	299,999,920	5.90%	7,374,998.03
2013-2014 August Program Contract 2	August 1, 2013 - July 31, 2014	130,000,000	5.80%	3,141,666.67
2013-2015 August Program Contract 3	August 1, 2013 - July 31, 2015	250,000,000	5.90%	6,145,833.33
2013-2014 August Program Contract 4	August 1, 2013 - July 31, 2014	24,999,000	7.10%	739,553.75
Total Risk-Transfer Program		3,365,494,200		

The table above shows the CEA's buying risk-transfer throughout the year, which minimizes the risk of adverse economic conditions having a negative effect on pricing. And by buying throughout the year, the CEA can better match its need for risk-transfer to changes in exposures.

In 2013, the CEA continued to diversify its risk-transfer program by executing several **multi-year** reinsurance contracts, with the same annual pricing adjustments the CEA has negotiated in its transformer reinsurance contracts, providing CEA with long-term financing at lower prices. Multi-year contracts reduce the risk of a single year's market conditions' preventing the CEA from obtaining risk-transfer capacity at suitable pricing, on favorable terms.

**1-Year, 2-Year, and 3-Year
Contract Limits
Based on Contracts in Effect on December 31, 2013**



12-Month Risk-Transfer Strategy

Staff proposes a 12-month risk-transfer strategy that will include risk-transfer programs of both traditional and transformer reinsurance and a total claim-paying capacity of (at a minimum) a 1-in-450-year level and (at a maximum) a 1-in-550-year level.

CEA staff will strive in all transactions to obtain lower pricing and multi-year contracts with world-wide reinsurers and risk-transfer-capital markets. Staff will report the details of all transactions to the Board at the first Board meeting following the effective date of each transaction.

Recommendations:

Staff recommends the Board approve the 12-month Risk-Transfer Strategy outlined above.

Governing Board Memorandum

December 16, 2013

Agenda Item 12: 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 Governing Board the annual report on the state of the economy.

Governing Board Memorandum

December 16, 2013

Agenda Item 13: CEA Mitigation-Guidelines and Research Projects

Recommended Action: No action required – information only

Background and Analysis:

Mitigation-Guidelines Program: The mitigation-guidelines-development project will create statewide retrofit standards that can be used to reduce earthquake damage in single family dwellings.

The guidelines will extend Appendix Chapter A3 of the International Building Code, the limited standards for retrofit of cripple wall dwellings currently adopted (by reference) into the California Building Code. In addition to providing uniform standards for homeowners, contractors, and engineers, the new guidelines will establish and expand (1) an incentive program to encourage seismic retrofits, such as that of the California Residential Mitigation Program (“CRMP”), and (2) improve CEA’s ability to develop mitigation-related premium discounts for insured homeowners.

The CEA and the Federal Emergency Management Agency (“FEMA”) developed a scope of work for guidelines development—the Applied Technology Council (“ATC”) will manage the work under an existing FEMA contract with ATC. The program will be co-managed by Janiele Maffei, CEA Chief Mitigation Officer, and Mike Mahoney of FEMA.

The CEA-ATC contract has been finalized, and the project’s technical and project-steering committees have been selected. The project’s technical director, Colin Blaney, is a structural engineer from ZFA with extensive experience with the Structural Engineers Association of California (SEAOC) Existing Building Committee. He was instrumental in developing the SEAOC commentary for Chapter A3. With assistance from ATC, Mr. Blaney will create a 2014 program schedule.

Mitigation Research Program: The CEA mitigation-research project will permit the CEA to calculate appropriate mitigation-related earthquake-insurance-premium discounts, to support the seismic building code-related guideline-development process, and inform other strategic mitigation endeavors by both the CEA and the CRMP (operated by the CEA/CalOES joint powers authority).

CEA staff is finalizing that scope of work and related RFQ for the mitigation-research project.

The RFQ will be publicly advertised, and submissions will be reviewed and evaluated.

Recommendation:

No action required – information only.

Governing Board Memorandum

December 16, 2013

Agenda Item 14: Update: California Residential Mitigation Program

Recommended Action: No action required – information only

Background and Analysis:



The California Residential Mitigation Program (CRMP) incentive pilot program was officially launched in September 2013. The program is called the Earthquake Brace + Bolt seismic retrofit incentive program (EBB).

The pilot launched in two ZIP Codes in the Rockridge/Temescal area of Oakland as well as in two ZIP Codes in the Eagle Rock/Highland Park community in Los

Angeles. Homeowners in those four ZIP Codes were directed to the Web site www.earthquakebracebolt.com. Program enrollment was open for 30 days, from September 30 through October 30, 2013.

Minimum EBB-program qualifications were self-identified by homeowners. The qualifications relate directly to *California Existing Building Code, Title 24, Appendix Chapter A3 (as adopted)*, which specifies how to seismically retrofit houses with raised floors and cripple walls less than four feet high. Applications for those houses that met minimum program qualifications were subject to a lottery process for actual program participation. Ten Oakland houses and ten Los Angeles houses were selected.

Each pilot house was inspected by a CRMP-contracted special inspector to verify minimum qualifications and to test whether the homeowner self-identification process is workable.

Most houses selected in the lottery were found to qualify. A few did not, however, which meant that some homeowners who had been placed on an alternate list during the lottery process were notified that they should schedule a special inspection. Notification to these alternate homeowners was completed by November 30.

Homeowners who passed the special inspection were contacted and instructed to proceed with (1) a building-permit application and (2) (by and through a homeowner-selected contractor) the retrofit work.

As a general rule, homeowners are permitted up to 90 days to complete the retrofit work. That 90-day window commences with the building-permit-issuance date, as entered by the homeowner on their online profile on the EBB website.

EBB will check in periodically with program participants by email, reminding them of due dates for special inspections and required documentation, and providing resource links.

Applicants who did not follow through on initial selection and those not selected initially will be notified they may have an opportunity to participate in the statewide program without having to re-apply.

The EBB-program pilot phase ends in April 2014. A CRMP-contracted program evaluator will review all program components; interview program applicants/participants, contractors, and community stakeholders; and furnish a detailed report on the EBB program.

The run-up to an eventual statewide program rollout will commence after the evaluation report has been fully reviewed, analyzed, and accepted by the CRMP board, and any recommended and advisable program modifications have been made. The CRMP will then make decisions on next steps, and further pilot activity may precede fully statewide program operation.

Recommendation: No action – information only

Governing Board Memorandum

December 16, 2013

Agenda Item 15: 2014 IT Initiatives and Project Portfolio

Recommended Action: Approve funding of the 2014 CEA IT Initiatives and Project Portfolio, not to exceed \$1,512,980

Background:

The updated CEA strategic plan includes “technology” as one of the three fundamental common threads designed to achieve the strategic goals of Educate, Mitigate, and Insure. With this in mind, the CEA IT Project Management Office (“PMO”) met with CEA department leaders and staff to identify and prioritize technology initiatives for 2014.

A total of 45 candidate projects were identified in this process. And after capacity-planning and prioritization, 27 projects were selected for the 2014 IT Project Portfolio.

The PMO prepared labor estimates and corresponding resource and delivery schedules for each of the 27 Portfolio projects.

- Forty percent of existing CEA IT internal-development capacity will be allocated to Portfolio work efforts—the remaining 60% will go to maintaining and supporting existing CEA systems.
- In order to accomplish fully the 27 Portfolio projects, the PMO determined that additional IT-development labor must come from external contractors. The estimated (below-the-line) 2014 Portfolio expense for this external contract labor is \$1,512,980.

Analysis:

The PMO established the work estimates for each Portfolio project by projecting scope and effort for each required internal and external resource. Planned schedules are based on a combination of (1) business needs and (2) resource availability and fit, including both IT resources and business/subject-matter experts.

For budgeting and approval purposes, 2014 external cost estimates are based on planned external contractor hours and projected market rates. Some 2014 Portfolio projects are continuations of projects started in 2013, and other 2014 projects will continue into 2015—those that continue into 2015 will be in the 2015 Project Portfolio.

To complete the 2014 Project Portfolio as planned, the CEA will require external contract labor. Without approval of the expense for external contract labor, the PMO will work with CEA leadership and staff to reduce and reprioritize the Portfolio to fit solely within the CEA’s available internal capacity. The PMO estimates this action would eliminate at least half of the 2014 Portfolio projects.

Recommendation:

Approve funding for below-the-line, external contract labor to support successful completion of the 2014 CEA IT Initiatives and Project Portfolio, in accordance with the 2014 budget, in an amount not to exceed \$1,512,980.

Governing Board Memorandum

December 16, 2013

Agenda Item 16: CEA IT: Infrastructure Managed Services RFP

Recommended Action: No action required – information only

Background:

As the CEA relies increasingly on technology to perform its business functions, IT infrastructure upgrades are essential to meet growing demand and expectations. The goal is a functional and resilient computing environment that will meet not only current CEA requirements, but also establish a flexible platform for future needs.

Functionally, the CEA IT infrastructure must provide effective and secure production, testing, and development computing environments, as well as disaster-recovery capabilities.

- The infrastructure consists of network, server, data-storage, and other equipment and related software located at CEA’s Sacramento headquarters and off-site data centers in Dallas and Chicago.
- The CEA telephone system and personal computing equipment are not included—they are already being upgraded separately.

The CEA faces challenges with the existing in-scope infrastructure:

- difficulty coordinating among three locations,
- lack of data center facilities at CEA headquarters,
- the age and condition of equipment, and
- incompatibility of computing environments.

All of these are resulting in performance, reliability, and consistency issues. They also impose limitations that restrict improvements in disaster-recovery point and recovery-time objectives.

The proposed solution is an IT “infrastructure-managed-services” provider, to be procured using the RFP/competitive-bid process, and replacing current CEA infrastructure with consolidated, secure, reliable, and high-performing computing environments.

Analysis:

The CEA would seek a multi-year contract with an infrastructure-managed-services provider who can furnish an “SSAE-16 level 2 reporting” data center in the Sacramento area and a similar, secondary facility in an area with low risks of floods and earthquakes.

The infrastructure-managed-services provider would house the CEA production and development environments in the Sacramento area primary data center, while the testing and backup environments would reside in the secondary facility. A high-speed data connection would link each of the two sites to the CEA.

The CEA would curtail its use of the existing Dallas and Chicago data centers. Current CEA-owned equipment would be removed from CEA headquarters, to become part of the development environment collocated at the new primary data center.

The managed services provider's production and testing environments would be configured identically, based on CEA specifications and solely for CEA use. The CEA would use computing environments in both data-centers on a daily basis and will be supported by both CEA staff and the managed services provider.

Primary-facility production data would be securely transported by a high-speed data connection to the secondary facility, where it would be stored locally and backed-up for off-site storage.

In the event of a primary-data-center shutdown, the most current production data at the secondary facility, together with testing environment equipment (identical to production), would create a usable temporary production environment until the primary facility is restored.

The use by the CEA of infrastructure-managed-services provider certified data centers; high-performing, compatible, and reliable computing environments; and a strong disaster-recovery capability will ensure business-technology infrastructure needs will be met now and in the future.

The RFP is out for bids, and CEA staff expects to select an infrastructure-managed-services provider by the end of December 2013, with contract negotiations and final pricing to occur in January 2014.

A follow-up Governing Board request for a supporting 2014 Budget augmentation for this third-party-contract, below-the-line funding will be on the agenda for the first 2014 Governing Board meeting.

Recommendation: No action required – information only.

Governing Board Memorandum

December 16, 2013

Agenda Item 17: Proposal for future CEA IT Project procurements and contracts

Recommended Action: Approve changes to allow use of GSA-approved contractors for competitive procurements of CEA IT projects not exceeding \$300,000 and CEA approval authorization of IT project contracts not exceeding \$300,000

Background:

The CEA is focusing considerable additional attention and resources on technology to assist in achieving its important strategic goals throughout the organization—in fact, the CEA 2014 Project Portfolio includes some 27 technology projects, with an estimated total external contractor expense of \$1,512,980.

The present approach to IT-project procurement and contracting uses the CEA's default RFP/RFQ competitive-bid process and Governing Board approval of contracts exceeding \$100,000.

The large increase in the number of IT projects—and the corresponding increased demand for procurements and contracting—will seriously challenge the current process and inhibit IT project scheduling and delivery.

An equally safe—but more efficient—approach to IT-project procurement and contracting is needed. The suggested approach would continue to ensure broad access to qualified contractor pools, seek and obtain fair and competitive bids, and allow appropriate oversight and approvals.

Analysis:

Although the CEA is not a state agency operating within the state budget, we are aware that many state agencies procure those IT projects below a specified expense threshold using a competitive analysis of contractors approved by the U.S. General Services Administration (“GSA”).

A similarly acceptable and effective competitive procurement approach, also using the GSA pool, would benefit the CEA for those IT project contracts that do not exceed \$300,000.

- The majority of IT project contracts do not exceed this threshold.
- IT procurements that exceed \$300,000 would still require an individual RFP/RFQ process.

Since 1998, Governing Board approval has been required for CEA contracts that exceed \$100,000 in annual expense. But the Board has acted recently to create—and provide substantial

safeguards for—risk-transfer agreements, all of which far exceed the \$100,000 threshold. That approval process, instead of involving Board action, requires (1) the unanimous agreement of the CEO, the CFO, and the General Counsel and (2) documentation and reporting.

- A similar and highly useful approach for approval of IT contracts would be to establish a new approval threshold of \$300,000 annually, with the required, express, unanimous agreement of the CEO, the CIO, and the General Counsel.
- IT-project contracts in excess of \$300,000 per year would still require Board approval.

The CEA IT Portfolio is quite full for 2014, but it can be accomplished responsibly and successfully. But continuing to use the current procurement process for IT projects that don't exceed \$300,000 will create project-schedule delays due to the time and resources to run the RFP/RFQ process for so many projects. As well, scheduling Board meetings and approvals for all IT project contracts exceeding \$100,000 will also challenge project delivery, not only from the number of approvals required but also the frequency and scheduling of Board meetings.

Recommendation:

In accord with the resolution provided to the Board, (1) authorize use of a CEA-selected pool of GSA-approved contractors for competitive procurements of each CEA IT project contract not exceeding \$300,000 annually and (2) authorize the CEO to approve each such CEA IT project contract not exceeding \$300,000 and so conducted, so long as (3) that approval is accomplished with the unanimous agreement of the CIO and the General Counsel.

Governing Board Memorandum

December 16, 2013

Agenda Item 18: 2014 CEA Budget: Insurance Services

Recommended Action: Approve 2014 Insurance Services Budget

Background:

The CEA staff prepares and submits to the Governing Board an annual budget, based on all anticipated expenses for the next calendar year.¹ This year, the annual budget is presented in association with the proposed new CEA Strategic Plan: 2014–2016.

Analysis:

2014 Insurance Services Budget

Staff has prepared four attachments to assist the Board in comparing and analyzing the 2013 and 2014 budgets for insurance services.

- **Attachment A: Budgeted Expenditures and Actual Expenditures – 2013 Budget Year**
 - This attachment shows:
 - a. The December (2013) Board-approved Budget for 2013;
 - b. 2013 budget adjustments throughout the year;
 - c. 2013 budget augmentations throughout the year;
 - d. augmented/adjusted approved 2013 budget;
 - e. actual expenses through September 30, 2013;
 - f. projected expenses for the months of October through December 2013;
 - g. actual and projected expenses at December 31, 2013;
 - h. comparison of augmented, adjusted, approved budget to actual and projected expenses at December 31, 2013; and
 - i. percentage of used augmented and adjusted approved 2013 budget.
- **Attachment B: Proposed 2014 Insurance Services Budget**
 - This attachment shows the proposed 2014 insurance services budget, constructed as necessary to support the CEA’s 2014–2016 Strategic Plan.
- **Attachment C: 2013 Actual and Projected Expenses Compared to Proposed 2014 Budget**

¹ The CEA fiscal year is the calendar year.

- This attachment shows the actual and projected expenses for 2013 and compares them to the proposed 2014 budget.
- **Attachment C-1: 2014 Insurance Services Budget Analysis**
 - This attachment analyzes differences between the actual and projected expenses for 2013 and the proposed 2014 budget.

Operating Expenses: Comparison of projected expense to statutory cap²

The operating-expense portion of the proposed 2014 budget is \$15,551,175, which is less than the 3% of (projected) premium income cap, as detailed below:

Projected 2014 written premium:	\$ 567,596,854
Statutory operating-expense cap (percentage)	3%
Statutory operating-expense dollar cap for 2014	\$ 17,027,905
Proposed 2014 operating expense budget	\$ 15,551,175
Amount by which cap exceeds proposed budget	\$ 1,476,730

Recommendation:

Staff recommends that the Board take the following actions:

- Approve the proposed 2014 Insurance Services budget; and
- direct staff to operate CEA business operations within the total approved budget amounts.

² California Insurance Code section 10089.2, subdivision (c): CEA operating-expenses are limited to 3% of premium income received.

CALIFORNIA EARTHQUAKE AUTHORITY
Insurance Services
Budgeted Expenditures and Actual Expenditures
2013 Budget Year

	(a)	(b)	(c)	(d) (d=a+b+c)	(e)	(f)	(g) (g=e+f)	(h) (h=d-g)	(i) (i=g/d)
							Augmented & Adjusted Approved Budget (d) vs.		
							Actual & Projected Expenses (g)		Percentage used of Augmented & Adjusted Approved 2013 Budget
	Approved 2013 Budget 1/1/2013	Adjustments thru 12/31/2013	Augmentations thru 12/31/2013	2013 Budget after Augmentations and Adjustments	Actual Expenditures as of 9/30/13	Projected Expenditures 10/1/2013 to 12/31/2013	Actual and Projected Expenses at 12/31/13		
Salaries & Benefits	\$ 11,014,438	\$ (641,294)	\$ -	\$ 10,373,144	\$ 6,699,906	\$ 2,886,537	\$ 9,586,443	\$ 786,701	92.42%
Rent	749,475	-	-	749,475	556,668	183,510	740,178	9,297	98.76%
Travel	394,267	-	-	394,267	158,022	128,085	286,107	108,160	72.57%
Non-paid Consultant Travel	1,664	-	-	1,664	-	-	-	1,664	0.00%
Telecommunications	215,393	6,436	-	221,829	152,671	69,158	221,829	-	100.00%
Training	222,719	-	-	222,719	126,518	71,087	197,605	25,114	88.72%
Insurance	143,415	2,786	-	146,201	146,201	-	146,201	-	100.00%
Board/Panel Services	23,036	198	-	23,234	15,830	7,404	23,234	-	100.00%
Administration & Office ¹ (Software Maint & Support, Printing & Stationery, Postage)	1,402,925	411,149	65,000	1,879,074	873,203	1,005,871	1,879,074	-	100.00%
Data Management Services	543,691	(168,459)	-	375,232	287,394	87,838	375,232	-	100.00%
Other Administrative Services	49,493	-	-	49,493	40,552	10,172	50,724	-	102.49%
Furniture/Equipment	33,418	16,066	-	49,484	4,404	45,080	49,484	-	100.00%
EDP Hardware/Software	349,215	373,118	-	722,333	29,750	692,583	722,333	-	100.00%
Dept of Insurance Examination	71	-	-	71	-	-	-	71	0.00%
Total Operating Expenses	\$ 15,143,220	\$ -	\$ 65,000	\$ 15,208,220	\$ 9,091,119	\$ 5,187,325	\$ 14,278,444	\$ 931,007	93.89%
Consulting Services									
Actuarial	25,000	-	-	25,000	-	-	-	25,000	0.00%
Claims	10,000	-	-	10,000	-	10,000	10,000	-	100.00%
Compliance	100,000	-	-	100,000	6,750	50,000	56,750	43,250	56.75%
Financial Consulting	350,000	(225,000)	-	125,000	81,109	42,500	123,609	1,391	98.89%
Government Relations	117,650	55,000	-	172,650	139,466	31,500	170,966	1,684	99.02%
Human Resources	300,000	-	-	300,000	41,091	200,000	241,091	58,909	80.36%
Information Systems	128,750	-	-	128,750	150	98,850	99,000	29,750	76.89%
Internal Audit	100,000	-	-	100,000	-	-	-	100,000	0.00%
Investment Compliance	30,000	-	-	30,000	4,269	25,731	30,000	-	100.00%
Public Relations	100,000	-	-	100,000	-	100,000	100,000	-	100.00%
Other Consulting Services	160,500	170,000	-	330,500	117,428	210,115	327,543	2,957	99.11%
Total Consulting Services	\$ 1,421,900	\$ -	\$ -	\$ 1,421,900	\$ 390,263	\$ 768,696	\$ 1,158,959	\$ 262,941	81.51%

¹ Feb. 28, 2013 board meeting augmentation to provide for the cost of printing CEA product brochures.

CALIFORNIA EARTHQUAKE AUTHORITY
Insurance Services
Budgeted Expenditures and Actual Expenditures
2013 Budget Year

	(a)	(b)	(c)	(d) (d=a+b+c)	(e)	(f)	(g) (g=e+f)	(h) (h=d-g)	(i) (i=g/d)
	Augmented & Adjusted Approved Budget (d) vs.							Actual & Projected Expenses (g)	Percentage used of Augmented & Adjusted Approved 2013 Budget
	Approved 2013 Budget	Adjustments thru 12/31/2013	Augmentations thru 12/31/2013	2013 Budget after Augmentations and Adjustments	Actual Expenditures as of 9/30/13	Projected Expenditures 10/1/2013 to 12/31/2013	Actual and Projected Expenses at 12/31/13	Actual & Projected Expenses (g) at 12/31/13	Percentage used of Augmented & Adjusted Approved 2013 Budget
Research	280,000	22,020	-	302,020	295,270	6,750	302,020	-	100.00%
Contracted Services									
Agent Services	100,000	-	-	100,000	-	100,000	100,000	-	100.00%
Audit Services	130,000	-	-	130,000	128,297	-	128,297	1,703	98.69%
Brochure/Information Products	285,000	-	-	285,000	5,955	149,284	155,239	129,761	54.47%
Communications	62,800	-	-	62,800	-	50,000	50,000	12,800	79.62%
Consumer Services	300,000	-	-	300,000	-	-	-	300,000	0.00%
Dynamic Financial Analysis	65,000	-	-	65,000	-	-	-	65,000	0.00%
Legal Services-Claims Counsel	300,000	-	-	300,000	121,707	30,000	151,707	148,293	50.57%
Legal Service - Non-Claims	4,260,000	-	-	4,260,000	1,507,423	2,752,577	4,260,000	-	100.00%
Marketing Services ²	7,184,403	-	624,000	7,808,403	2,889,241	4,700,162	7,589,403	219,000	97.20%
Modeling Services	1,234,000	-	-	1,234,000	367,478	425,000	792,478	441,522	64.22%
Rating Agencies	200,000	-	-	200,000	191,600	-	191,600	8,400	95.80%
Staffing Services - Support and Admin	2,904,131	-	-	2,904,131	1,665,020	975,038	2,640,058	264,073	90.91%
Other Contracted Services	444,500	(22,020)	-	422,480	23,440	214,750	238,190	184,290	56.38%
Total Contracted Services	\$ 17,469,834	\$ (22,020)	\$ 624,000	\$ 18,071,814	\$ 6,900,161	\$ 9,396,811	\$ 16,296,972	\$ 1,774,842	90.18%
Participating Insurer Commissions	59,133,038	-	-	59,133,038	43,986,375	13,157,615	57,143,990	1,989,048	96.64%
Participating Insurer Operating Costs	18,272,109	-	-	18,272,109	13,576,883	4,065,703	17,642,586	629,523	96.55%
Investment Expenses	2,488,981	-	-	2,488,981	1,638,980	568,000	2,206,980	282,001	88.67%
Financing Expenses	7,151,023	-	-	7,151,023	5,617,291	1,523,300	7,140,591	10,432	99.85%
Risk Transfer	230,195,428	-	-	230,195,428	169,490,783	48,050,927	217,541,710	12,653,718	94.50%
Risk Transfer - Exposure Adjustment	18,846,376	-	-	18,846,376	-	-	-	18,846,376	0.00%
Total Expenditures	\$ 370,401,909	\$ -	\$ 689,000	\$ 371,090,909	\$ 250,987,125	\$ 82,725,127	\$ 333,712,252	\$ 37,379,888	89.93%

² May 23, 2013 board meeting augmentation to support finalizing 2014 marketing-program details and August 29, 2013 board meeting augmentation to cover the costs of producing 2014 television, radio, trade and online advertising.

CALIFORNIA EARTHQUAKE AUTHORITY
Insurance Services
Proposed 2014 Budget

	2014 Insurance Services Budget
Salaries & Benefits	\$ 11,679,999
Rent	753,615
Travel	405,987
Non-paid Consultant Travel	2,000
Telecommunications	181,140
Training	285,719
Insurance	167,500
Board/Panel Services	35,000
Administration & Office (Leasehold Improvements, Printing, Office Supplies, Advertising Admin., Postage, etc.)	1,268,015
Data Mgmt Services	-
Other Administrative Services	34,885
Furniture/Equipment	47,600
EDP Hardware/Software	689,665
Dept of Insurance Examination	50
Total Operating Expenses	\$ 15,551,175
Consulting Services	
Actuarial	-
Claims	10,000
Compliance	150,000
Executive Recruiting	75,000
Financial Consulting	260,000
Government Relations	190,000
Human Resources	395,000
Information Systems	145,000
Internal Audit	50,000
Investment Compliance	40,000
Public Relations	100,000
Other Consulting Services	190,000
Total Consulting Services	\$ 1,605,000
Research	200,000
Contracted Services	
Agent Services	70,000
Audit Services	109,000
Brochure/Information Products	-
Communications	-
** IT Services	2,591,005
Legal Services-Claims Counsel	300,000
Legal Service - Non-Claims	7,355,000
Marketing Services	8,878,000
Modeling Services	711,000
Rating Agency Fees	197,350
Staffing Services - Support and Admin	3,106,214
Other Contracted Services	50,000
Total Contracted Services	\$ 23,367,569
Commissions	56,742,287
PI Operating Costs	17,533,367
Investment Expenses	2,422,156
Financing Expenses	5,079,788
Risk Transfer	222,221,550
Risk Transfer - Exposure Adjustment	-
Total Expenditures	\$ 344,722,892

** New budget category for 2014

CALIFORNIA EARTHQUAKE AUTHORITY

Insurance Services

Budget Comparison

2013 Actual and Projected Expenses to Proposed 2014 Budget

	(a)	(b)	(c)	(d)
			(c=b-a)	(d=c/a)
	Actual and Projected Expenses at 12/31/13	Proposed 2014	Difference	% Change
Salaries & Benefits	\$ 9,586,443	\$ 11,679,999	\$ 2,093,556	22%
Rent	740,178	753,615	13,437	2%
Travel	286,107	405,987	119,880	42%
Non-paid Consultant Travel	-	2,000	2,000	100%
Telecommunications	221,829	181,140	(40,689)	(18%)
Training	197,605	285,719	88,114	45%
Insurance	146,201	167,500	21,299	15%
Board/Panel Services	23,234	35,000	11,766	51%
Administration & Office (Leasehold Improvements, Printing, Office Supplies, Advertising Administration, Postage, etc.)	1,879,074	1,268,015	(611,059)	(33%)
Data Mgmt Services	375,232	-	(375,232)	(100%)
Other Administrative Services	50,724	34,885	(15,839)	(31%)
Furniture/Equipment	49,484	47,600	(1,884)	(4%)
EDP Hardware/Software	722,333	689,665	(32,668)	(5%)
Dept of Insurance Examination	-	50	50	100%
Total Operating Expenses	\$ 14,278,444	\$ 15,551,175	\$ 1,272,731	9%
Consulting Services				
Actuarial	-	-	-	0%
Claims	10,000	10,000	-	0%
Compliance	56,750	150,000	93,250	164%
Executive Recruiting	-	75,000	75,000	100%
Financial Consulting	123,609	260,000	136,391	110%
Government Relations	170,966	190,000	19,034	11%
Human Resources	241,091	395,000	153,909	64%
Information Systems	99,000	145,000	46,000	46%
Internal Audit	-	50,000	50,000	100%
Investment Compliance	30,000	40,000	10,000	33%
Public Relations	100,000	100,000	-	0%
Other Consulting Services	327,543	190,000	(137,543)	(42%)
Total Consulting Services	\$ 1,158,959	\$ 1,605,000	\$ 446,041	38%
Research	302,020	200,000	(102,020)	(34%)
Contracted Services				
Agent services	100,000	70,000	(30,000)	(30%)
Audit Services	128,297	109,000	(19,297)	(15%)
Brochure/Information Products	155,239	-	(155,239)	(100%)
Communications	50,000	-	(50,000)	(100%)
** IT Services	-	2,591,005	2,591,005	NA
Legal Services-Claims Counsel	151,707	300,000	148,293	98%
Legal Service-Non-Claims	4,260,000	7,355,000	3,095,000	73%
Marketing Services	7,589,403	8,878,000	1,288,597	17%
Modeling Services	792,478	711,000	(81,478)	(10%)
Rating Agency Fees	191,600	197,350	5,750	3%
Staffing Services - Support and Admin	2,640,058	3,106,214	466,156	18%
Other Contracted Services	238,190	50,000	(188,190)	(79%)
Total Contracted Services	\$ 16,296,972	\$ 23,367,569	\$ 7,070,597	43%
Commissions	57,143,990	56,742,287	(401,703)	(1%)
PI Operating Costs	17,642,586	17,533,367	(109,219)	(1%)
Investment Expenses	2,206,980	2,422,156	215,176	10%
Financing Expenses	7,140,591	5,079,788	(2,060,803)	(29%)
Risk Transfer	217,541,710	222,221,550	4,679,840	2%
Risk Transfer - Exposure Adjustment	-	-	-	0%
Total Expenditures	\$ 333,712,252	\$ 344,722,892	\$ 11,010,640	3%

** New budget category for 2014

California Earthquake Authority
Insurance Services
Proposed 2014 Budget

The 2014 Insurance Services budget proposes a total spending level of \$344,722,892, which represents an increase of \$11,010,640 (3%) from the total of 2013 actual and projected expenses.

That projected 2014 budget increase (\$11,010,640) comprises increases (Risk Transfer of \$4.7 million, Legal Services–Non-Claims of \$3.1 million, IT Services of \$2.6 million (a new budget category), Salaries and Benefits of \$2.1 million, and Marketing Services of \$1.3 million) and a decrease (Financing Expenses decrease of \$ 2.1 million), as well as adjustments to other miscellaneous categories, explained below.

The only new budget category is “IT Services”; all other categories are consistent with the 2013 Insurance Services Budget.

The following are explanations of changes in the budget categories for 2014 (numbers in parentheses () indicate an expenditure *decrease* in the 2014 budget as compared to the 2013 actual and projected expenses):

Salaries and Benefits: \$2,093,556

New hiring of staff during 2013 was limited due to the workforce project in progress during the year. Additional staff will be hired in 2014, however, with the July 2013 legislative lifting of the civil service employee cap and the need to hire additional personnel to complete organizational objectives.

Rent: \$13,437

This increase is scheduled in the lease agreement CEA has in place for the current office location.

Travel: \$119,880

Increase is due to hiring of additional professional staff, substantially increased audit activity by the CEA’s auditors, and an increase in travel across the organization closely associated with 2014 objectives.

Non-paid Consultant Travel: \$2,000

This category was not used in 2013 but is likely needed in 2014.

Telecommunications: (\$40,689)

The source of savings in Telecommunications was (1) reducing cell-phone plans (originally changed in 2013) and (2) savings from going to a new telecommunications provider, starting in 2014.

Training: \$88,114

There are some increases in all business and support departments of the CEA, but most of the increase relates to increased technical training for new Information Technology staff.

Insurance: \$21,299

The CEA's business-related insurance policies renew on an annual basis, and the premiums are anticipated to increase in 2014 by this amount.

Governing Board/Advisory Panel Services: \$11,766

The increase is related to increased Advisory Panel members' travel expenses, as more are now located outside of the Sacramento area.

Administration & Office: (\$611,059)

The substantial decrease is related to a change in classifying expenses that in 2013 had been recorded in the subcategory "Software Maintenance and Support," and which will no longer be used after 2013. The first change is in expenses paid to a 3rd-party vendor for Web-based software maintenance and is now in the new budget category, IT Services. Other software licenses and license renewals will be part of an existing budget subcategory, "EDP Hardware/Software."

Data Management Services: (\$375,232)

The equivalent expense for 2014 is consistent with the 2013 spending level for the same services, but the expense is now part of the new budget category, "IT Services."

Other Administrative Services: (\$15,839)

The equivalent expense for 2014 is consistent with the 2013 spending level for the same services, but some of those expenses are now part of the new budget category, "IT Services."

Furniture/Equipment: (\$1,884)

The need for furniture and equipment was reduced from 2013.

EDP Hardware/Software: (\$32,668)

A reduction in purchases needed for 2014 is anticipated compared to 2013.

Department of Insurance Examination: \$50

The category was not used in 2013 but will likely be needed in 2014.

Consulting Services: \$446,041

The consulting services budget will increase for the following reasons:

Compliance: \$93,250

CEA's compliance program was ramped up in 2013; these expenses are related to necessary consulting services to support parts of CEA's overall compliance program.

Executive Recruiting: \$75,000

This category was not used in 2013 but will likely be used in 2014, in conjunction with implementing a new CEA staffing plan.

Financial Consulting: \$136,391

The increase in financial consulting is related to additional risk-transfer capital markets transactions and the issuance by CEA of debt (revenue bonds) during 2014.

Government Relations: \$19,034

The CEA used services in this category in 2013 but anticipates the need for these services to be greater in 2014.

Human Resources: \$153,909

This category was created for the 2013 budget and relates to professional consultation related to human resources and workforce development. As CEA continues to develop a new and comprehensive CEA staffing plan, there will be a greater need for similar services in 2014.

Information Systems: \$46,000

The increase comes from consulting costs to support the upgrade of the CEA's accounting software.

Internal Audit: \$50,000

This category was not used in 2013 but will be used in 2014 for anticipated consulting for CEA's Internal Audit functions (audit-program structure, risk assessments).

Investment Compliance: \$10,000

The increase relates to an increased 2014 need for the CEA's investment compliance consultants.

Other Consulting Services: (\$137,543)

There is a limited need for a number of consulting services not identified in the subcategories above.

Research: (\$102,020)

The cost of and related expenditure for CEA-sponsored or CEA-supported research projects in progress vary from year to year, with 2014 expected to come in lower than 2013. Additional projects, however, may be identified in 2014.

Contracted Services: \$7,070,597

The contracted services budget will increase for the following reasons:

Agent Services: (\$30,000)

In 2013, for the first time, CEA provided a sales-support package to agents who took a training course after May 29, 2012, and enrolled in the CEA-sponsored MVP program. The package included information on the CEA's new Choice product. Costs associated with this package are expected to be less in 2014.

Audit Services: (\$19,297)

CEA recently completed the RFQ process, and the proposed audit fees are projected to be less in 2014 than in 2013.

Brochure/Information Products: (\$155,239)

Starting in 2014, this budget amount will be part of Marketing Services.

Communications: (\$50,000)

In 2013 CEA worked to develop a website-support product that includes applications for agents and participating insurers to put on their own websites. In 2013 CEA began providing funds to support the printing of the booklet version of *Putting Down Roots in Earthquake Country*, as CEA has provided in years past. These expenses are not anticipated for 2014.

IT Services: \$2,591,005

This category was created new for 2014, to record IT-related services performed by third-party contractors. The expenditures in this category will improve IT services by augmenting and reorganizing staff to fill gaps in preparation for moving to a contracted “infrastructure managed services” system in second quarter 2014. The expenditure in this category will be fully addressed by the CEA’s Chief Information Officer.

Legal Services-Claims Counsel: \$148,293

Information about this category and the reasons related to the increase are attorney-client privileged, and for that reason details related to the increase are not disclosed.

Legal Services, Non-Claims: \$3,095,000

Information about this category and the reasons related to the increase are attorney-client privileged, and for that reason details related to the increase are not disclosed.

Marketing Services: \$1,288,597

Increase supports improvements in the MVP program, establishment for the CEA of a first-ever social-media presence, and support for the CMV program.

Earthquake-Loss-Modeling Services: (\$81,478)

The decrease for this category relates to CEA’s ability to reduce modeler-provided services as we plan the development of future earthquake-insurance products. The CEA has developed the capability to run one model in-house (the EQECAT model was purchased in 2013), and for this reason the expense of paying modelers to run their models can be reduced.

Rating Agency Fees: \$5,750

A fee increase is expected for the mandatory reviews conducted by rating agencies.

Staffing Services – Support and Admin: \$466,156

An increase in 2014 is anticipated, relating to higher contract-based costs associated with the staffing-agencies’ fees charged for providing staff to the CEA.

Other Contracted Services: (\$188,190)

Projects originally in this category were moved to their appropriate budget categories.

Commissions: (\$401,703)

Because the CEA projects a slight decrease in its written premium for 2014, and the commission expense (paid to participating insurers) is directly associated with written premium, expenditures in this category should decrease.

PI Operating Costs: (\$109,219)

Because the CEA projects a slight decrease in its written premium for 2014, and the operating-cost expense (paid to participating insurers) is directly associated with written premium, expenditures in this category should decrease.

Investment Expenditures: \$215,176

The CEA projects that it will pay additional fees to manage additional income the CEA will earn during 2014.

Financing Expenses: (\$2,060,803)

The CEA anticipates decreased interest expense in 2014 for the 2006 revenue bonds.

Risk Transfer: \$4,679,840

The CEA will increase its total limit of risk-transfer in 2014 to accommodate increases in insured exposures.

Governing Board Memorandum

December 16, 2013

Agenda Item 19: 2014 CEA Mitigation Budget

Recommended Action: Approve 2014 Mitigation Budget

Background:

The CEA staff has prepared and now submits to the Governing Board the annual CEA mitigation budget, based on all anticipated mitigation-related expenses for the 2014 calendar year¹—the document is associated with the proposed new CEA Strategic Plan: 2014–2016.

Analysis:

2014 Mitigation Budget

Staff has prepared three attachments to assist the Board in analyzing the 2014 mitigation budget and comparing it to the 2013 mitigation budget:

- **Attachment A: Budgeted Expenditures and Actual Expenditures – 2013 Budget Year**
 - This attachment shows:
 - a. the December 2013 Board-approved Budget for calendar year 2013;
 - b. 2013-budget adjustments during the year;
 - c. 2013-budget augmentations during the year;
 - d. the 2013 mitigation budget, as adjusted and approved;
 - e. actual mitigation expenses (through September 30, 2013);
 - f. projected expenses for October through December 2013;
 - g. total actual and projected expenses at December 31, 2013;
 - h. comparison of augmented, adjusted approved budget to actual and projected expenses at December 31, 2013; and
 - i. percentages of augmented, adjusted approved 2013 budget spent.
- **Attachment B: Proposed 2014 Mitigation Budget**
 - This attachment shows the proposed 2014 mitigation budget, constructed as necessary to fulfill mitigation-related business responsibilities and operations.
- **Attachment C: 2013 Actual and Projected Mitigation-Budget Expenses Compared to Proposed 2014 Mitigation Budget**

¹ The CEA fiscal year is the calendar year.

- This attachment shows the actual and projected expenses for 2013 and compares them to the proposed 2014 budget.
- **Attachment C-1: 2014 Mitigation Budget Analysis**
 - This attachment analyzes differences between actual and projected mitigation-related expenses for 2013 and the proposed 2014 mitigation budget.

Recommendation:

Staff recommends that the Board take the following actions:

- Approve the proposed 2014 mitigation budget, and
- direct staff to operate the CEA's mitigation-related business activities within the approved budget amounts.

CALIFORNIA EARTHQUAKE AUTHORITY
Mitigation
Budgeted Expenditures and Actual Expenditures
2013 Budget Year

	(a)	(b)	(c)	(d) (d=a+b+c)	(e)	(f)	(g) (g=e+f)	(h) (h=d-g)	(i) (i=g/d)
	Approved 2013 Budget 1/1/2013	Adjustments thru 12/31/2013	Augmentations thru 12/31/2013	2013 Budget after Augmentations and Adjustments	Actual Expenditures as of 9/30/13	Projected Expenditures 10/1/2013 to 12/31/2013	Actual and Projected Expenditures at 12/31/13	Augmented & Adjusted Approved Budget (d) vs. Actual & Projected Expenses (g)	Percentage used of Augmented & Adjusted Approved 2013 Budget
Salaries & Benefits	\$ 241,962	\$ -	\$ 23,000	\$ 264,962	\$ 179,294	\$ 68,608	\$ 247,902	\$ 17,060	93.56%
Rent	25,200	-	-	25,200	14,536	4,830	19,366	5,834	76.85%
Travel	34,000	-	-	34,000	9,597	14,652	24,249	9,751	71.32%
Non-paid Consultant Travel	1,000	4,000	-	5,000	-	5,000	5,000	-	100.00%
Telecommunications	7,250	-	-	7,250	3,231	1,700	4,931	2,319	68.01%
Training	15,250	-	-	15,250	6,222	2,065	8,287	6,963	54.34%
Insurance	5,000	-	-	5,000	-	-	-	5,000	0.00%
Board/Panel Services	-	-	-	-	-	-	-	-	0.00%
Administration & Office (Software Maint & Support, Printing & Stationery, Postage)	122,850	4,250	-	127,100	19,513	107,587	127,100	-	100.00%
Furniture/Equipment	1,400	-	600	2,000	158	1,842	2,000	-	100.00%
EDP Hardware/Software	-	-	2,500	2,500	-	500	500	2,000	0.00%
Total Operating Expenses	\$ 453,912	\$ 8,250	\$ 26,100	\$ 488,262	\$ 232,551	\$ 206,784	\$ 439,335	\$ 48,927	89.98%
Consulting Services									
Other Consulting Services	25,000	(8,250)	-	16,750	-	16,750	16,750	-	100.00%
Total Consulting Services	\$ 25,000	\$ (8,250)	\$ -	\$ 16,750	\$ -	\$ 16,750	\$ 16,750	\$ -	100.00%
Contracted Services									
Mitigation Projects	325,000	-	-	325,000	58,433	266,567	325,000	-	100.00%
Staffing Services - Support and Admin	14,367	-	12,000	26,367	14,366	8,887	23,253	3,114	88.19%
Other Contracted Services	10,000	-	-	10,000	-	-	-	10,000	0.00%
Total Contracted Services	\$ 349,367	\$ -	\$ 12,000	\$ 361,367	\$ 72,799	\$ 275,454	\$ 348,253	\$ 13,114	96.37%
CRMP Contribution	-	-	1,000,000	1,000,000	1,000,000	-	1,000,000	-	100.00%
Investment Expenses	25,000	-	-	25,000	15,597	5,199	20,796	4,204	83.18%
Total Expenditures	\$ 853,279	\$ -	\$ 1,038,100	\$ 1,891,379	\$ 1,320,947	\$ 504,187	\$ 1,825,134	\$ 66,245	96.50%

CALIFORNIA EARTHQUAKE AUTHORITY
Mitigation
Proposed 2014 Budget

		2014 Mitigation Budget
Salaries & Benefits	\$	647,379
Rent		33,120
Travel		50,000
Non-paid Consultant Travel		5,000
Telecommunications		10,800
Training		22,880
Insurance		-
Board/Panel Services		-
Administration & Office (Meetings & Events, Printing & Stationery, Postage, Sponsorships, etc.)		113,600
Furniture/Equipment		1,000
EDP Hardware/Software		-
Total Operating Expenses	\$	883,779
Consulting Services		
Other Consulting Services		100,000
Total Consulting Services	\$	100,000
Contracted Services		
Mitigation Projects		850,000
** Other Legal Services		50,000
Staffing Services-Support and Admin		222,436
Other Contracted Services		50,000
Total Contracted Services	\$	1,172,436
Investment Expenses		16,800
Total Expenditures	\$	2,173,015

**New budget category for 2014

CALIFORNIA EARTHQUAKE AUTHORITY
Mitigation
Budget Comparison
2013 Actual and Projected Expenses to 2014 Budget

Attachment C

	(a)	(b)	(c)	(d)
			(c=b-a)	(d=c/a)
	Actual and Projected Expenses at 12/31/13	Proposed 2014	Difference	% Change
Salaries & Benefits	\$ 247,902	\$ 647,379	\$ 399,477	161%
Rent	19,366	33,120	13,754	71%
Travel	24,249	50,000	25,751	106%
Non-paid Consultant Travel	5,000	5,000	-	0%
Telecommunications	4,931	10,800	5,869	119%
Training	8,287	22,880	14,593	176%
Insurance	-	-	-	0%
Board/Panel Services	-	-	-	0%
Administration & Office (Sponsorships, Meetings, Printing & Stationery, Postage)	127,100	113,600	(13,500)	(11%)
Furniture/Equipment	2,000	1,000	(1,000)	(50%)
EDP Hardware/Software	500	-	(500)	(100%)
Total Operating Expenses	\$ 439,335	\$ 883,779	\$ 444,444	101%
Consulting Services				
Other Consulting Services	16,750	100,000	83,250	497%
Total Consulting Services	\$ 16,750	\$ 100,000	\$ 83,250	497%
Contracted Services				
Mitigation Projects	325,000	850,000	525,000	162%
** Other Legal Services	-	50,000	50,000	NA
Staffing Services-Support and Admin	23,253	222,436	199,183	857%
Other Contracted Services	-	50,000	50,000	NA
Total Contracted Services	\$ 348,253	\$ 1,172,436	\$ 824,183	237%
CRMP Contribution	1,000,000	-	(1,000,000)	-100%
Investment Expenses	20,796	16,800	(3,996)	-19%
Total Expenditures	\$ 1,825,134	\$ 2,173,015	\$ 347,881	19%

**New budget category for 2014

California Earthquake Authority
Mitigation Services
Proposed 2014 Budget

The 2014 Mitigation Services budget proposes a spending level of \$2,173,015, which represents an increase of \$347,881 (19%) from 2013 actual and projected expenses.

The 2014 budget increase of \$347,881 is composed of increases in these categories: Additional Mitigation Projects - \$525,000; Salaries and Benefits - \$399,477; Staffing Services–Support and Admin - \$199,183; and a reduced CRMP Contribution - \$1,000,000. These items and other changes within budget categories are explained below.

A new subcategory was added for 2014: “Other Legal Services.” All other categories remain consistent with 2013 Mitigation Services Budget categories.

The following notes explain changes to budget categories for the 2014 mitigation budget (positive numbers in parentheses () indicate a 2014 expenditure decrease from 2013’s actual and projected expenses):

Salaries and Benefits: \$399,477

Increase on account of hiring additional personnel to meet mitigation-program objectives, as part of CEA’s support of the California Residential Mitigation Program.

Rent: \$13,754

The mitigation budget supports rent expenditure for its office space, as part of the CEA’s lease agreement for its office location; the increased expenditure is a scheduled annual rent increase that is part of the existing lease agreement.

Travel: \$25,751

The increase is due to additional travel that will be required for mitigation staff (both current staff and new hires) during 2014.

Telecommunications: \$5,869

The increase reflects additional costs associated with increased personnel.

Training: \$14,593

The increase provides for additional training for existing staff and new personnel.

Administration & Office: (\$13,500)

The decrease is driven by a cost reduction to mitigation meetings and workshops.

Furniture/Equipment: (\$1,000)

The need for additional furniture and equipment for 2014 is less than in 2013.

EDP Hardware/Software: (\$500)

There is no anticipated need for EDP Hardware/Software for 2014.

Consulting Services: \$83,250

This budget item supports expert consultation on mitigation-research projects.

Contracted Services: \$824,183

The contracted services budget will increase for the following reasons:

Mitigation Projects: \$525,000

An anticipated increase in costs associated with projects spearheaded by the CEA Mitigation Program, which include the collaborative project with FEMA in seismic retrofit guidelines, modeling, and supplemental-guideline projects.

Other Legal Services: \$50,000

This category and increase is client-attorney privileged, and for that reason the details related to the increase are not disclosed.

Staffing Services – Support and Admin: \$199,183

Additional personnel are anticipated to be hired in 2014.

Other Contracted Services: \$50,000

Although not used in 2013, this category will be used in 2014 to provide additional, needed support services.

CRMP Contributions: (\$1,000,000)

Although it is likely that CEA will make additional contributions to the California Residential Mitigation Program in 2014, a reliable contribution level for budget purposes cannot be determined at this point.

Investment Expenditures: (\$3,996)

With contributions to CRMP and increased expenditures in mitigation-related activities, it is anticipated that asset-management fees will decrease in 2014, to account for managing a slightly smaller investment portfolio.

Governing Board Memorandum

December 16, 2013

Agenda Item 20: (Proposed) 2014 Quarterly Governing Board Meeting Schedule

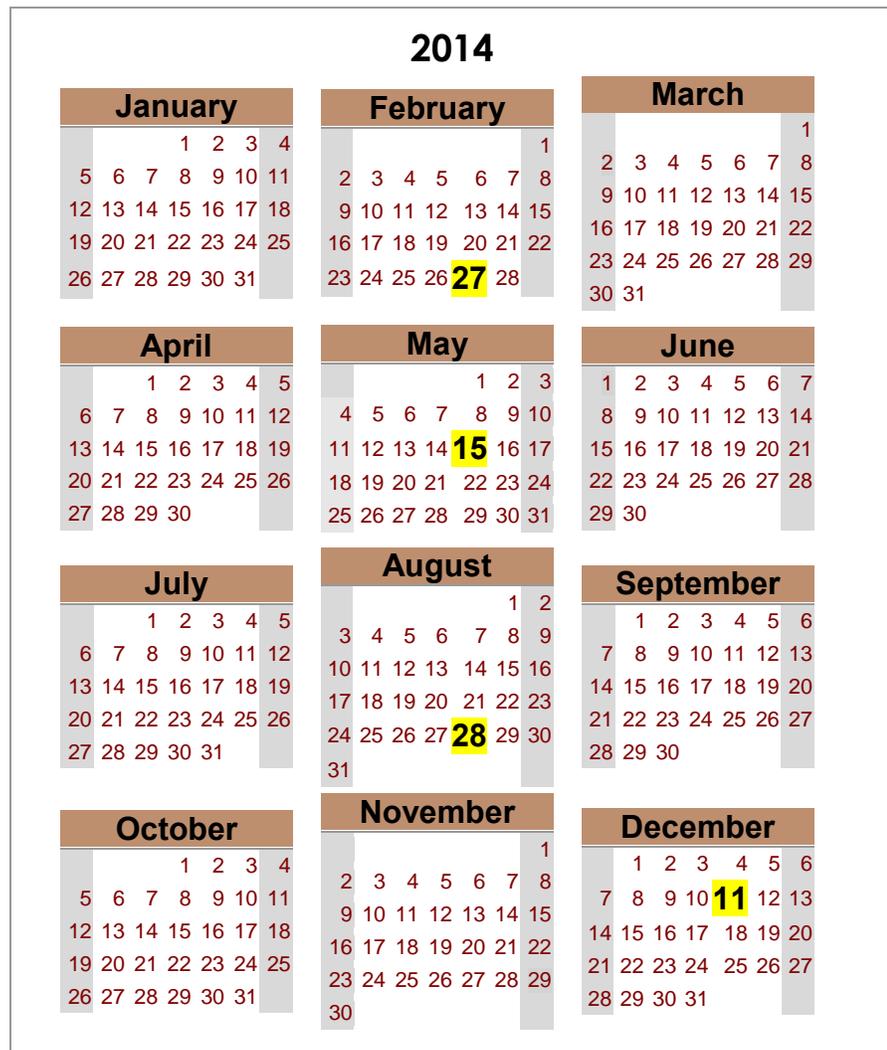
Recommended Action: Approve 2014 Quarterly Board Meeting Schedule

Staff recommends approval of the following dates for the CEA Governing Board’s 2014 regular business meetings:

(Potential) 2014 Quarterly Meeting Dates

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

2014 MEETING DATES
February 27
May 15
August 28
December 11



California Earthquake Authority

Losses & Loss Adjustment Expenses (LAE) Paid - Cumulative to September 30, 2013

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				2	8,627.67	776.49	\$9,404.16
10330	Ferndale	1/9/2010	6.5	27 mi W of Ferndale	3	23,901.50	2,151.13	\$26,052.63
10360	Baja California Mexico	4/4/2010	7.2	16 mi SW from Guadalupe Victoria, Mexico	17	81,066.58	7,296.00	\$88,362.58
	2010 Minor Quakes				1	225,000.00	0.00	\$225,000.00
12410	Brawley	8/26/2012	5.3	4 mi North of Brawley, CA	2	23,833.24	2,145.00	\$25,978.24
	2012 Minor Quakes				2	7,819.09	703.72	\$8,522.81
Total					182	\$3,994,344.49	\$338,378.70	\$4,332,723.19

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 11/23/2013 - Policies in Force on: 10/31/2013

TOTALS	Policies In Force	% Total	Exposure	% Total	Written Premium	% Total	Avg Written Premium
Homeowners							
15% Total	579,368	68.9 %	261,967,328,735	82.1 %	447,803,917	79.0 %	773
10% Total	70,113	8.3 %	34,192,130,600	10.7 %	57,399,382	10.1 %	819
Homeowners Total	649,481	77.2 %	296,159,459,335	92.8 %	505,203,299	89.1 %	778
Homeowners Choice							
15% Total	8,335	1.0 %	4,890,649,822	1.5 %	8,459,399	1.5 %	1,015
10% Total	5,575	0.7 %	3,164,891,580	1.0 %	4,886,016	0.9 %	876
Homeowners Choice Total	13,910	1.7 %	8,055,541,402	2.5 %	13,345,415	2.4 %	959
Manufactured Homes (Mobilehomes)-Homeowners							
15% Total	21,666	2.6 %	2,348,003,254	0.7 %	2,457,237	0.4 %	113
10% Total	4,486	0.5 %	679,203,176	0.2 %	610,544	0.1 %	136
Manufactured Homes (Mobilehomes)-Homeowners Total	26,152	3.1 %	3,027,206,430	0.9 %	3,067,781	0.5 %	117
Manufactured Homes (Mobilehomes)-Homeowners Choice							
15% Total	164	0.0 %	24,411,037	0.0 %	27,503	0.0 %	168
10% Total	187	0.0 %	31,909,456	0.0 %	23,778	0.0 %	127
Manufactured Homes (Mobilehomes)-Homeowners Choice Total	351	0.0 %	56,320,493	0.0 %	51,281	0.0 %	146
Condo Total	103,525	12.3 %	9,866,822,500	3.1 %	39,270,087	6.9 %	379
Renters Total	47,952	5.7 %	1,829,991,500	0.6 %	5,775,980	1.0 %	120
Grand Total	841,371	100.0 %	318,995,341,660	100.0 %	566,713,843	100.0 %	674

California Earthquake Authority

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All Companies - As Of 11/23/2013 - Policies in Force on: 10/31/2013

HOMEOWNERS	Policies In Force	% Total	Exposure	% Total	Written Premium	% Total	Avg Written Premium
Deductible - 15%							
CovA/C5k/D1.5k/BCU10k	579,368	89.2 %	254,069,753,235	85.8 %	418,804,019	82.9 %	723
BCU 20k	70,187	10.8 %	701,870,000	0.2 %	1,165,428	0.2 %	17
Coverage C 25k	32,533	5.0 %	650,660,000	0.2 %	4,425,451	0.9 %	136
Coverage C 50k	21,057	3.2 %	947,565,000	0.3 %	4,704,234	0.9 %	223
Coverage C 75k	9,384	1.4 %	656,880,000	0.2 %	2,656,314	0.5 %	283
Coverage C 100k	33,897	5.2 %	3,220,215,000	1.1 %	11,684,212	2.3 %	345
Coverage D 10k	38,178	5.9 %	324,513,000	0.1 %	951,316	0.2 %	25
Coverage D 15k	68,846	10.6 %	929,421,000	0.3 %	2,546,568	0.5 %	37
Coverage D 25k	19,849	3.1 %	466,451,500	0.2 %	866,376	0.2 %	44
15% Total	579,368	89.2 %	261,967,328,735	88.5 %	447,803,917	88.6 %	773
Deductible - 10%							
CovA/C5k/D1.5k/BCU10k	70,113	10.8 %	30,639,860,100	10.3 %	46,118,817	9.1 %	658
BCU 20k	19,465	3.0 %	194,650,000	0.1 %	267,635	0.1 %	14
Coverage C 25k	11,157	1.7 %	223,140,000	0.1 %	1,597,148	0.3 %	143
Coverage C 50k	8,125	1.3 %	365,625,000	0.1 %	1,552,702	0.3 %	191
Coverage C 75k	4,050	0.6 %	283,500,000	0.1 %	973,966	0.2 %	240
Coverage C 100k	18,981	2.9 %	1,803,195,000	0.6 %	5,717,284	1.1 %	301
Coverage D 10k	13,508	2.1 %	114,818,000	0.0 %	242,920	0.0 %	18
Coverage D 15k	24,329	3.7 %	328,441,500	0.1 %	641,344	0.1 %	26
Coverage D 25k	10,166	1.6 %	238,901,000	0.1 %	287,565	0.1 %	28
10% Total	70,113	10.8 %	34,192,130,600	11.5 %	57,399,382	11.4 %	819
Homeowners Total	649,481	100.0 %	296,159,459,335	100.0 %	505,203,299	100.0 %	778

California Earthquake Authority

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All Companies - As Of 11/23/2013 - Policies in Force on: 10/31/2013

HOMEOWNERS CHOICE	Policies In Force	% Total	Exposure	% Total	Written Premium	% Total	Avg Written Premium
Deductible - 15%							
CovA/C5k/D1.5k/BCU10k ¹	8,335	59.9 %	4,594,112,822	57.0 %	7,194,973	53.9 %	863
BCU 20k	2,810	20.2 %	28,100,000	0.3 %	50,224	0.4 %	18
Coverage C 25k	1,078	7.7 %	21,560,000	0.3 %	227,545	1.7 %	211
Coverage C 50k	832	6.0 %	37,440,000	0.5 %	222,013	1.7 %	267
Coverage C 75k	297	2.1 %	20,790,000	0.3 %	87,935	0.7 %	296
Coverage C 100k	1,136	8.2 %	107,920,000	1.3 %	425,495	3.2 %	375
Coverage D 10k	990	7.1 %	8,415,000	0.1 %	40,474	0.3 %	41
Coverage D 15k	646	4.6 %	8,721,000	0.1 %	33,808	0.3 %	52
Coverage D 25k	2,706	19.5 %	63,591,000	0.8 %	176,932	1.3 %	65
15% Total	8,335	59.9 %	4,890,649,822	60.7 %	8,459,399	63.4 %	1,015
Deductible - 10%							
CovA/C5k/D1.5k/BCU10k ¹	5,575	40.1 %	2,854,317,080	35.4 %	3,826,435	28.7 %	686
BCU 20k	2,388	17.2 %	23,880,000	0.3 %	34,573	0.3 %	14
Coverage C 25k	1,070	7.7 %	21,400,000	0.3 %	185,251	1.4 %	173
Coverage C 50k	885	6.4 %	39,825,000	0.5 %	189,796	1.4 %	214
Coverage C 75k	327	2.4 %	22,890,000	0.3 %	75,208	0.6 %	230
Coverage C 100k	1,367	9.8 %	129,865,000	1.6 %	421,054	3.2 %	308
Coverage D 10k	950	6.8 %	8,075,000	0.1 %	26,025	0.2 %	27
Coverage D 15k	532	3.8 %	7,182,000	0.1 %	18,726	0.1 %	35
Coverage D 25k	2,445	17.6 %	57,457,500	0.7 %	108,949	0.8 %	45
10% Total	5,575	40.1 %	3,164,891,580	39.3 %	4,886,016	36.6 %	876
Homeowners Choice Total	13,910	100.0 %	8,055,541,402	100.0 %	13,345,415	100.0 %	959

¹Includes policies with Coverage A, C and D, Coverage A and C, Coverage A and D, and Coverage A only

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All Companies - As Of 11/23/2013 - Policies in Force on: 10/31/2013

MANUFACTURED HOMES (MOBILEHOMES)- HOMEOWNERS	Policies In Force	% Total	Exposure	% Total	Written Premium	% Total	Avg Written Premium
Deductible - 15%							
CovA/C5k/D1.5k/BCU10k	21,666	82.8 %	2,151,990,254	71.1 %	2,335,106	76.1 %	108
Coverage C 25k	1,636	6.3 %	32,720,000	1.1 %	36,417	1.2 %	22
Coverage C 50k	1,108	4.2 %	49,860,000	1.6 %	36,376	1.2 %	33
Coverage C 75k	348	1.3 %	24,360,000	0.8 %	13,328	0.4 %	38
Coverage C 100k	485	1.9 %	46,075,000	1.5 %	21,097	0.7 %	43
Coverage D 10k	1,587	6.1 %	13,489,500	0.4 %	5,904	0.2 %	4
Coverage D 15k	1,399	5.3 %	18,886,500	0.6 %	6,528	0.2 %	5
Coverage D 25k	452	1.7 %	10,622,000	0.4 %	2,481	0.1 %	5
15% Total	21,666	82.8 %	2,348,003,254	77.6 %	2,457,237	80.1 %	113
Deductible - 10%							
CovA/C5k/D1.5k/BCU10k	4,486	17.2 %	485,790,176	16.0 %	526,339	17.2 %	117
Coverage C 25k	1,438	5.5 %	28,760,000	1.0 %	23,499	0.8 %	16
Coverage C 50k	1,077	4.1 %	48,465,000	1.6 %	24,147	0.8 %	22
Coverage C 75k	337	1.3 %	23,590,000	0.8 %	9,512	0.3 %	28
Coverage C 100k	507	1.9 %	48,165,000	1.6 %	16,546	0.5 %	33
Coverage D 10k	1,333	5.1 %	11,330,500	0.4 %	3,282	0.1 %	2
Coverage D 15k	1,378	5.3 %	18,603,000	0.6 %	4,659	0.2 %	3
Coverage D 25k	617	2.4 %	14,499,500	0.5 %	2,560	0.1 %	4
10% Total	4,486	17.2 %	679,203,176	22.4 %	610,544	19.9 %	136
Manufactured Homes (Mobilehomes)-Homeowners Total	26,152	100.0 %	3,027,206,430	100.0 %	3,067,781	100.0 %	117

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All Companies - As Of 11/23/2013 - Policies in Force on: 10/31/2013

MANUFACTURED HOMES (MOBILEHOMES)- HOMEOWNERS CHOICE	Policies In Force	% Total	Exposure	% Total	Written Premium	% Total	Avg Written Premium
Deductible - 15%							
CovA/C5k/D1.5k/BCU10k ¹	164	46.7 %	18,975,537	33.7 %	22,664	44.2 %	138
Coverage C 25k	41	11.7 %	820,000	1.5 %	1,407	2.7 %	34
Coverage C 50k	26	7.4 %	1,170,000	2.1 %	1,348	2.6 %	52
Coverage C 75k	10	2.8 %	700,000	1.2 %	546	1.1 %	55
Coverage C 100k	11	3.1 %	1,045,000	1.9 %	521	1.0 %	47
Coverage D 10k	23	6.6 %	195,500	0.3 %	209	0.4 %	9
Coverage D 15k	14	4.0 %	189,000	0.3 %	158	0.3 %	11
Coverage D 25k	56	16.0 %	1,316,000	2.3 %	651	1.3 %	12
15% Total	164	46.7 %	24,411,037	43.3 %	27,503	53.6 %	168
Deductible - 10%							
CovA/C5k/D1.5k/BCU10k ¹	187	53.3 %	21,910,456	38.9 %	18,674	36.4 %	100
Coverage C 25k	69	19.7 %	1,380,000	2.5 %	1,453	2.8 %	21
Coverage C 50k	48	13.7 %	2,160,000	3.8 %	1,351	2.6 %	28
Coverage C 75k	22	6.3 %	1,540,000	2.7 %	533	1.0 %	24
Coverage C 100k	21	6.0 %	1,995,000	3.5 %	735	1.4 %	35
Coverage D 10k	33	9.4 %	280,500	0.5 %	216	0.4 %	7
Coverage D 15k	20	5.7 %	270,000	0.5 %	135	0.3 %	7
Coverage D 25k	101	28.8 %	2,373,500	4.2 %	679	1.3 %	7
10% Total	187	53.3 %	31,909,456	56.7 %	23,778	46.4 %	127
Manufactured Homes (Mobilehomes)-Homeowners Choice Total	351	100.0 %	56,320,493	100.0 %	51,281	100.0 %	146

¹Includes policies with Coverage A, C and D, Coverage A and C, Coverage A and D, and Coverage A only

California Earthquake Authority

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All Companies - As Of 11/23/2013 - Policies in Force on: 10/31/2013

CONDO	Policies In Force	% Total	Exposure	% Total	Written Premium	% Total	Avg Written Premium
Coverage A/BCU 10k	76,086	73.5 %	2,663,010,000	27.0 %	8,028,296	20.4 %	106
Coverage C 5k/D 1.5k	34,413	33.2 %	223,684,500	2.3 %	2,455,825	6.3 %	71
Coverage C 5k ¹	9,970	9.6 %	49,850,000	0.5 %	615,771	1.6 %	62
Coverage C 25k	14,966	14.5 %	374,150,000	3.8 %	1,693,492	4.3 %	113
Coverage C 50k	12,297	11.9 %	614,850,000	6.2 %	1,536,122	3.9 %	125
Coverage C 75k	5,558	5.4 %	416,850,000	4.2 %	744,540	1.9 %	134
Coverage C 100k	11,837	11.4 %	1,183,700,000	12.0 %	1,640,885	4.2 %	139
Coverage D 1.5k ²	7,162	6.9 %	10,743,000	0.1 %	93,599	0.2 %	13
Coverage D 10k	14,200	13.7 %	142,000,000	1.4 %	363,048	0.9 %	26
Coverage D 15k	24,239	23.4 %	363,585,000	3.7 %	662,635	1.7 %	27
Coverage D 25k	9,027	8.7 %	225,675,000	2.3 %	246,111	0.6 %	27
Coverage E 25k	3,234	3.1 %	80,850,000	0.8 %	719,721	1.8 %	223
Coverage E 50k	58,851	56.8 %	2,942,550,000	29.8 %	17,558,709	44.7 %	298
Coverage E 75k	7,671	7.4 %	575,325,000	5.8 %	2,911,333	7.4 %	380
Condo Total	103,525	100.0 %	9,866,822,500	100.0 %	39,270,087	100.0 %	379

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

²Policies 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 11/23/2013 - Policies in Force on: 10/31/2013

RENTERS	Policies In Force	% Total	Exposure	% Total	Written Premium	% Total	Avg Written Premium
Coverage C 5k/D 1.5k	18,243	38.0 %	118,579,500	6.5 %	1,352,897	23.4 %	74
Coverage C 5k ¹	3,694	7.7 %	18,470,000	1.0 %	251,561	4.4 %	68
Coverage C 25k	11,953	24.9 %	298,825,000	16.3 %	1,466,817	25.4 %	123
Coverage C 50k	7,272	15.2 %	363,600,000	19.9 %	976,582	16.9 %	134
Coverage C 75k	2,189	4.6 %	164,175,000	9.0 %	312,271	5.4 %	143
Coverage C 100k	4,601	9.6 %	460,100,000	25.1 %	643,109	11.1 %	140
Coverage D 1.5k ²	5,208	10.9 %	7,812,000	0.4 %	70,454	1.2 %	14
Coverage D 10k	8,029	16.7 %	80,290,000	4.4 %	224,776	3.9 %	28
Coverage D 15k	9,366	19.5 %	140,490,000	7.7 %	271,337	4.7 %	29
Coverage D 25k	7,106	14.8 %	177,650,000	9.7 %	206,176	3.6 %	29
Renters Total	47,952	100.0 %	1,829,991,500	100.0 %	5,775,980	100.0 %	120

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

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



CEA GOVERNING BOARD MEETING DATES FOR - 2013

~~January 17, 2013 – Thursday~~ **Added - Cancelled**

February 28, 2013 – Thursday

May 23, 2013 – Thursday

August 29, 2013 – Thursday

~~November 14, 2013 – Thursday~~ – **Rescheduled** for ~~December 12, 2013 -~~
Thursday

~~December 12, 2013 – Thursday~~ – **Rescheduled** for ~~December 16, 2013 –~~
Monday

CEA ADVISORY PANEL MEETING DATES FOR - 2013

January 17, 2013 – Thursday

April 25, 2013 – Thursday

July 25, 2013 – Thursday

October 24, 2013 – Thursday

[IMPORTANT NOTE: *This schedule is for future meetings that have been proposed and approved by the respective bodies named. Meeting dates, times, and locations are subject to change. The final dates, times, and locations will be announced on official Public Notice, issued by the CEA 10 or more days before the date of the meeting. Public Notices are also posted on the CEA Web site www.EarthquakeAuthority.com]*