



Date of Notice: Monday, May 13, 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: Thursday, May 23, 2013

TIME: 1:00 p.m.

AGENDA:

1. Call to order and member roll call:

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

Establishment of a quorum

2. Consideration and approval of the minutes of the February 28, 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, a process to develop an updated CEA Strategic Plan, and a hiring update on the new CEA Chief Information Officer.
4. Chief Financial Officer Tim Richison will present a financial report.
5. Mr. Richison will ask for Board approval of the purchase by the CEA of new software to provide the CEA with enhanced internal investment accounting and related compliance functions.
6. Chief Communications Officer Chris Nance will seek Board approval for an augmentation to the 2013 CEA budget (marketing services item), and present and seek Board approval of the 2014 CEA marketing budget.
7. CEA Advisory Panel Vice-Chair Henry Williams will provide a summary of the proceedings of the April 25, 2013, Panel meeting.
8. Chief Actuary Shawna Ackerman will seek Board approval for the first annual risk-capital surcharge to be imposed on Nationwide Mutual Insurance Company.
9. Chief Mitigation Officer Janiele Maffei will seek Board approval of the CEA's Mitigation Program Guidelines Project.
10. Ms. Maffei will update the Board on proposed programming and infrastructure for the California Residential Mitigation Program ("CRMP"), operated under a joint powers authority between the California Emergency Management Agency and the CEA.
11. Ms. Maffei will seek Board approval for a transfer of funds from the CEA Mitigation Fund to the CRMP.
12. Ms. Maffei will seek Board approval for an augmentation to the CEA's mitigation-program budget.
13. 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.
14. Public comment on items that do not appear on this agenda and public requests that those matters be placed on a future agenda.
15. Adjournment.

For further information about this notice or its contents:

General Information:

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(916) 325-3800
Toll free (877) 797-4300

Media Contact:

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

California Earthquake Authority 801 K Street, Suite 1000 Sacramento, CA 95814-3518 Toll free (877) 797-4300
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To view this notice on the CEA Web site or to learn more about the CEA, please visit www.EarthquakeAuthority.com

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.

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.



Draft Meeting Minutes are not available.

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

Governing Board Memorandum

May 23, 2013

Agenda Item 3: Executive Report by Chief Executive Officer Glenn Pomeroy

Recommended Action: No action required – information only

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, a process to develop an updated CEA Strategic Plan, and a hiring update on the new CEA Chief Information Officer.



FINANCIAL REPORT

**GOVERNING BOARD MEETING
THURSDAY, May 23, 2013
1:00 PM**

Financial Report Table of Contents

Chart Title	Page
Financial Statements & Budgets	
Balance Sheet	1
Statement of Revenues, Expenses and Changes in Net Assets	2
Insurance Services Budgeted Expenditures and Actual Expenditures	3
Insurance Services Budgeted Expenditures and Actual Expenditures	4
Mitigation Budgeted Expenditures and Actual Expenditures	5
Investments	
Annual Investment Income as of March 31, 2013	6
Investment Portfolio Distribution at Market Value as of March 31, 2013	7
Investment Portfolio Distribution at Market Value as of March 31, 2013	8
Annual 12-Month Rolling Investment Return as of December 31, 2012	9
Debt	
Schedule of Outstanding Debt as of March 31, 2013	10
Claim-Paying Capacity	
Available Capital Report	11
Claim-Paying Capacity as of March 31, 2013	12
Total Claim-Capacity as of March 31, 2013	13
Risk-Transfer Programs	
Risk-Transfer Program Summary as of March 31, 2013	14
Risk-Transfer Program Limits as of March 31, 2013	15
Annual Risk-Transfer Premium as of December 31, 2012	16
Annual Risk-Transfer Premium and Limit as of December 31, 2012	17
Annual Risk-Transfer Premium and Limit last 5 years as of December 31, 2012	18
Policy, Premiums, and Exposure	
Homeowners Policy Count as of March 31, 2013	19
Mobilehome Policy Count as of March 31, 2013	20
Condominium Policy Count as of March 31, 2013	21
Renters Policy Count as of March 31, 2013	22
Total Policies and Total Insured Value (TIV) as of March 31, 2013	23
Homeowners Total Insured Value (TIV) as of March 31, 2013	24
Mobilehome Total Insured Value (TIV) as of March 31, 2013	25
Condominium Total Insured Value (TIV) as of March 31, 2013	26
Renters Total Insured Value (TIV) as of March 31, 2013	27
Homeowners Average Policy Premium and Insured Value (TIV)	28
Mobilehome Average Policy Premium and Insured Value (TIV)	29
Condominium Average Policy Premium and Insured Value (TIV)	30
Renters Average Policy Premium and Insured Value (TIV)	31
Annual Capital Accumulated from Premium	32

Financial Statements & Budgets

California Earthquake Authority
Balance Sheet
As of March 31, 2013

Assets

Cash and investments:

Cash and cash equivalents	255,403,432
Restricted cash & equivalents	59,349,036
Restricted investments	309,555,597
Investments	<u>4,179,874,936</u>

Total cash and investments 4,804,183,001

Premiums receivable, net of allowance for doubtful accounts of \$6,801,039	37,128,222
Capital contributions receivable	-
Risk capital surcharge receivable	-
Interest receivable	14,856,250
Securities receivable	42,730,071
Restricted securities receivable	5,088,903
Prepaid reinsurance premium	1,325,001
Transformer reinsurance premium deposit	14,634,112
Prepaid transformer maintenance premium	1,684,758
Equipment, net	364,985
Deferred policy acquisition costs	36,224,329
Other assets	<u>509,957</u>

Total assets \$ 4,958,729,588

Liabilities and Net Assets

Unearned premiums	\$ 269,726,949
Accounts payable and accrued expenses	2,114,107
Accrued reinsurance premium expense	5,875,463
Claim and claim expense reserves	41,858
Securities payable	7,843,912
Revenue bond payable	126,000,000
Revenue bond interest payable	<u>1,943,235</u>

Total liabilities 413,545,524

Net assets:

Restricted, expendable	242,672,013
Unrestricted*	<u>4,302,512,052</u>

Total net assets 4,545,184,065

Total liabilities and net assets \$ 4,958,729,588

* Includes Cumulative Participating Insurer Contributed Capital of \$777,384,796 and State of California Contributed Capital of \$184,930,216

California Earthquake Authority
Statement of Revenues, Expenses and Changes in Net Assets
For the Year-to-Date Ended March 31, 2013

Underwriting income:	
Premiums written	\$ 117,452,225
Less premiums ceded - reinsurance	(62,129,471)
Less risk capital surcharge	<u>-</u>
Net premiums written	<u>55,322,754</u>
Change in unearned premiums	<u>20,905,340</u>
Net unearned premiums	<u>20,905,340</u>
Net premiums earned	<u>76,228,094</u>
Expenses:	
Claim and claims expense	253,949
Participating Insurer commissions	13,839,453
Participating Insurer operating costs	4,342,157
Reinsurance broker commissions	1,250,000
Pro forma premium taxes	2,760,127
Financing expenses, net	1,549,240
Earthquake Loss Mitigation Fund expenses	103,739
Other underwriting expenses	<u>3,479,281</u>
Total expenses	<u>27,577,946</u>
Underwriting profit	48,650,148
Net investment income	4,473,685
Other income	99,168
Participating Insurer Contributed Capital	-
State of California premium tax contribution	<u>2,760,127</u>
Increase in net assets	55,983,128
Net assets, beginning of year	<u>4,489,200,937</u>
Net assets, end of year	<u><u>\$ 4,545,184,065</u></u>

**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 3/31/2013</u>	<u>Augmentations thru 3/31/2013</u>	<u>2013 Budget after Augmentations and Adjustments</u>	<u>Actual Expenditures as of 3/31/13</u>	<u>Augmented & Adjusted Approved Budget (d) vs. Actual Expenses (e) as of 3/31/13</u>	<u>Percentage used of Augmented & Adjusted Approved 2013 Budget</u>
Salaries & Benefits	\$ 11,014,438	\$ -	\$ -	\$ 11,014,438	\$ 1,997,841	\$ 9,016,597	18.14%
Rent	749,475	-	-	749,475	189,445	560,030	25.28%
Travel	394,267	-	-	394,267	53,981	340,286	13.69%
Non-paid Consultant Travel	1,664	-	-	1,664	-	1,664	0.00%
Telecommunications	215,393	-	-	215,393	44,080	171,313	20.46%
Training	222,719	-	-	222,719	61,407	161,312	27.57%
Insurance	143,415	-	-	143,415	-	143,415	0.00%
Board/Panel Services	23,036	-	-	23,036	5,368	17,668	23.30%
Administration & Office	1,402,925	-	65,000	1,467,925	111,812	1,356,113	7.62%
(Software Maint & Support, Printing & Stationery, Postage)						-	
Administrative Contracted Services						-	
Data Mgmt Services	543,691	-	-	543,691	131,500	412,191	24.19%
Other Administrative Contracted Services	49,493	-	-	49,493	16,276	33,217	32.89%
Furniture/Equipment	33,418	-	-	33,418	-	33,418	0.00%
EDP Hardware/Software	349,215	-	-	349,215	13,032	336,183	3.73%
Dept of Insurance Examination	71	-	-	71	-	71	0.00%
Total Operating Expenses	\$ 15,143,220	\$ -	\$ 65,000	\$ 15,208,220	\$ 2,624,742	\$ 12,583,478	17.26%
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	-	100,000	0.00%
Financial Consulting	350,000	-	-	350,000	3,842	346,158	1.10%
Government Relations	117,650	-	-	117,650	66,466	51,184	56.49%
Human Resources	300,000	-	-	300,000	9,538	290,462	3.18%
Information Technology	128,750	-	-	128,750	-	128,750	0.00%
Internal Audit	100,000	-	-	100,000	-	100,000	0.00%
Investment Compliance	30,000	-	-	30,000	-	30,000	0.00%
Public Relations	100,000	-	-	100,000	-	100,000	0.00%
Other Consulting Services	160,500	-	-	160,500	98,213	62,287	61.19%
Total Consulting Services	\$ 1,421,900	\$ -	\$ -	\$ 1,421,900	\$ 178,059	\$ 1,243,841	12.52%

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

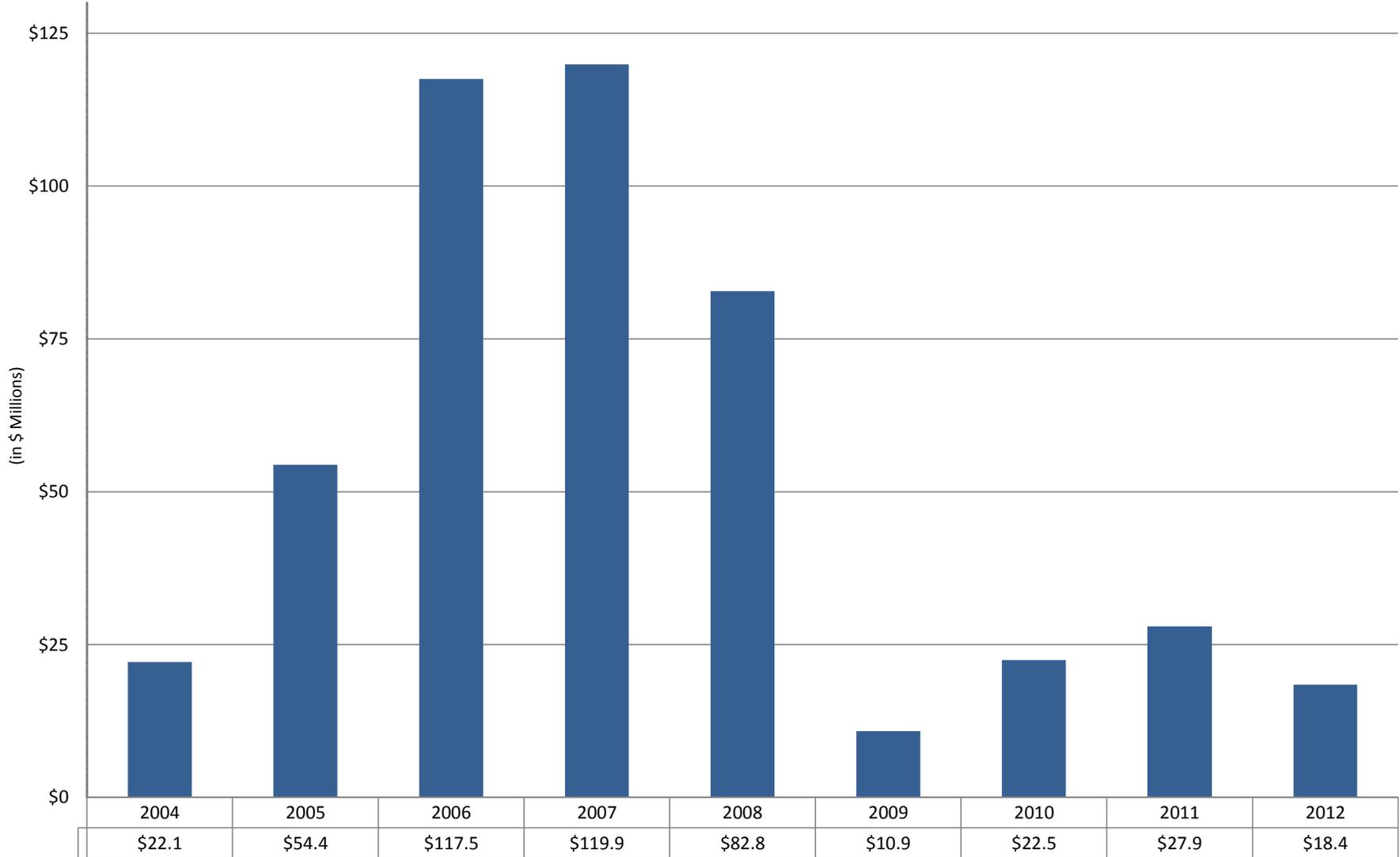
	(a)	(b)	(c)	(d) (d=a+b+c)	(e)	(f) (f=d-e)	(g) (g=e/d)
	<u>Approved 2013 Budget</u>	<u>Adjustments thru 3/31/2013</u>	<u>Augmentations thru 3/31/2013</u>	<u>2013 Budget after Augmentations and Adjustments</u>	<u>Actual Expenditures as of 3/31/13</u>	<u>Augmented & Adjusted Approved Budget (d) vs. Actual Expenses (e) as of 3/31/13</u>	<u>Percentage used of Augmented & Adjusted Approved 2013 Budget</u>
Research	\$ 280,000	\$ -	\$ -	\$ 280,000	\$ -	\$ 280,000	0.00%
Contracted Services							
Agent Services	100,000	-	-	100,000	-	100,000	0.00%
Audit Services	130,000	-	-	130,000	33,297	96,703	25.61%
Brochure/Information Products	285,000	-	-	285,000	1,655	283,345	0.58%
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	-	300,000	0.00%
Legal Service - Non-Claims	4,260,000	-	-	4,260,000	49,420	4,210,580	1.16%
Marketing Services	7,184,403	-	-	7,184,403	256,566	6,927,837	3.57%
Modeling Services	1,234,000	-	-	1,234,000	55,000	1,179,000	4.46%
Rating Agencies	200,000	-	-	200,000	-	200,000	0.00%
Staffing Services - Support and Admin	2,904,131	-	-	2,904,131	506,274	2,397,857	17.43%
Other Contracted Services	444,500	-	-	444,500	-	444,500	0.00%
Total Contracted Services	\$ 17,469,834	\$ -	\$ -	\$ 17,469,834	\$ 902,212	\$ 16,567,622	5.16%
Participating Insurer Commissions	59,133,038	-	-	59,133,038	11,748,919	47,384,119	19.87%
Participating Insurer Operating Costs	18,272,109	-	-	18,272,109	3,625,104	14,647,005	19.84%
Investment Expenses	2,488,981	-	-	2,488,981	536,541	1,952,440	21.56%
Financing Expenses	7,151,023	-	-	7,151,023	2,006,756	5,144,267	28.06%
Risk Transfer	230,195,428	-	-	230,195,428	63,379,471	166,815,957	27.53%
Risk Transfer - Exposure Adjustment	18,846,376	-	-	18,846,376	-	18,846,376	0.00%
Total Expenditures	\$ 370,401,909	\$ -	\$ 65,000	\$ 370,466,909	\$ 85,001,804	\$ 285,465,105	22.94%

**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>Adjustments thru 3/31/2013</u>	<u>Augmentations thru 3/31/2013</u>	<u>2013 Budget after Augmentations and Adjustments</u>	<u>Actual Expenditures as of 3/31/13</u>	<u>Augmented & Adjusted Approved Budget (d) vs. Actual Expenses (e) as of 3/31/13</u>	<u>Percentage used of Augmented & Adjusted Approved 2013 Budget</u>
Salaries & Benefits	\$ 241,962	\$ -	\$ -	\$ 241,962	\$ 61,578	\$ 180,384	25.45%
Rent	25,200	-	-	25,200	5,166	20,034	20.50%
Travel	34,000	-	-	34,000	4,208	29,792	12.38%
Non-paid Consultant Travel	1,000	-	-	1,000	-	1,000	0.00%
Telecommunications	7,250	-	-	7,250	784	6,466	10.81%
Training	15,250	-	-	15,250	5,380	9,870	35.28%
Insurance	5,000	-	-	5,000	-	5,000	0.00%
Board/Panel Services	-	-	-	-	-	-	0.00%
Administration & Office	122,850	-	-	122,850	17,864	104,986	14.54%
(Software Maint & Support, Printing & Stationery, Postage)							
Administrative Contracted Services							
Data Mgmt Services	-	-	-	-	-	-	0.00%
Other Administrative Contracted Services	-	-	-	-	-	-	0.00%
Furniture/Equipment	1,400	-	-	1,400	-	1,400	0.00%
EDP Hardware/Software	-	-	-	-	-	-	0.00%
Dept of Insurance Examination	-	-	-	-	-	-	0.00%
Total Operating Expenses	\$ 453,912	\$ -	\$ -	\$ 453,912	\$ 94,980	\$ 358,932	20.92%
Consulting Services							
Other Consulting Services	25,000	-	-	25,000	-	25,000	0.00%
Total Consulting Services	\$ 25,000	\$ -	\$ -	\$ 25,000	\$ -	\$ 25,000	0.00%
Contracted Services							
Mitigation Projects	325,000	-	-	325,000	-	325,000	0.00%
Staffing Services-Support and Admin	14,367	-	-	14,367	2,954	11,413	0.00%
Other Contracted Services	10,000	-	-	10,000	-	10,000	0.00%
Total Contracted Services	\$ 349,367	\$ -	\$ -	\$ 349,367	\$ 2,954	\$ 346,413	0.85%
Investment Expenses	25,000	-	-	25,000	5,026	19,974	20.10%
Total Expenditures	\$ 853,279	\$ -	\$ -	\$ 853,279	\$ 102,960	\$ 750,319	12.07%

Investments

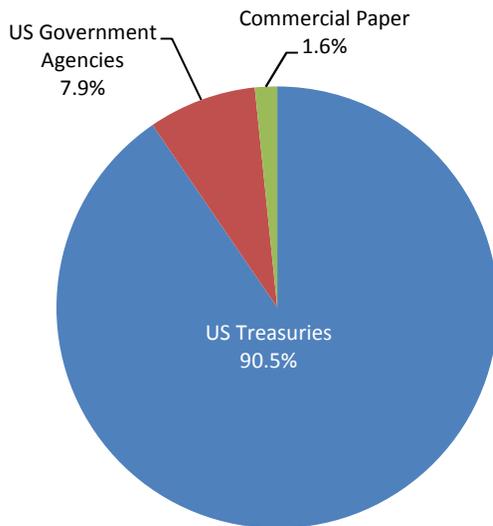
**California Earthquake Authority
Annual Investment Income
as of December 31, 2012**



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 March 31, 2013**

CEA Liquidity and Primary Fund: \$4,466,822,743
 Claim-paying Fund: \$314,299,403
 Mitigation Fund: \$24,485,403

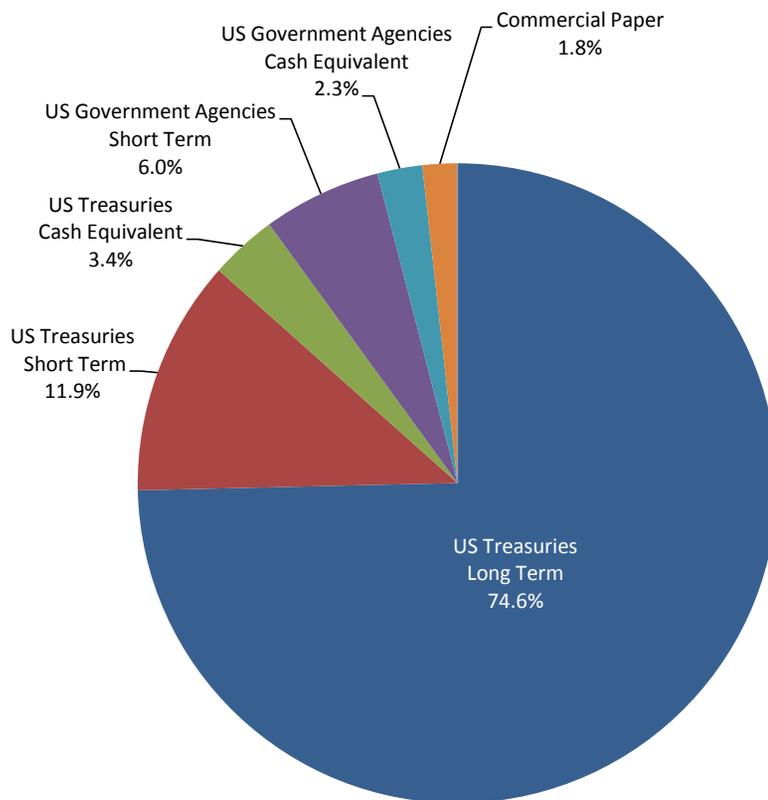


The asset allocation of the three funds are as follows:

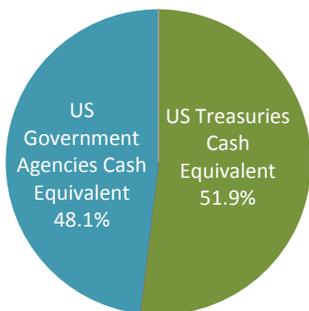
	CEA Liq. & Prim. Fund	Claim-paying Fund	Mitigation Fund
US Treasuries - Long Term	74.7%	100.0%	0.0%
US Treasuries - Short Term	11.9%	0.0%	0.0%
US Treasuries - Cash Equivalent	3.4%	0.0%	51.9%
US Government Agencies - Short Term	6.0%	0.0%	0.0%
US Government Agencies - Cash Equivalent	2.3%	0.0%	48.1%
Commercial Paper	1.8%	0.0%	0.0%
Commercial Paper Cash Equivalent	0.0%	0.0%	0.0%
Totals	100%	100%	100%

**California Earthquake Authority
Investment Portfolio Distribution at Market Value
as of March 31, 2013**

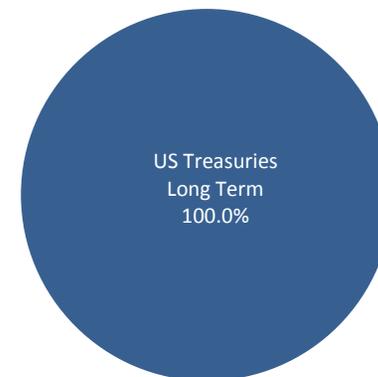
**CEA Liquidity & Primary Fund
\$4,467 Million**



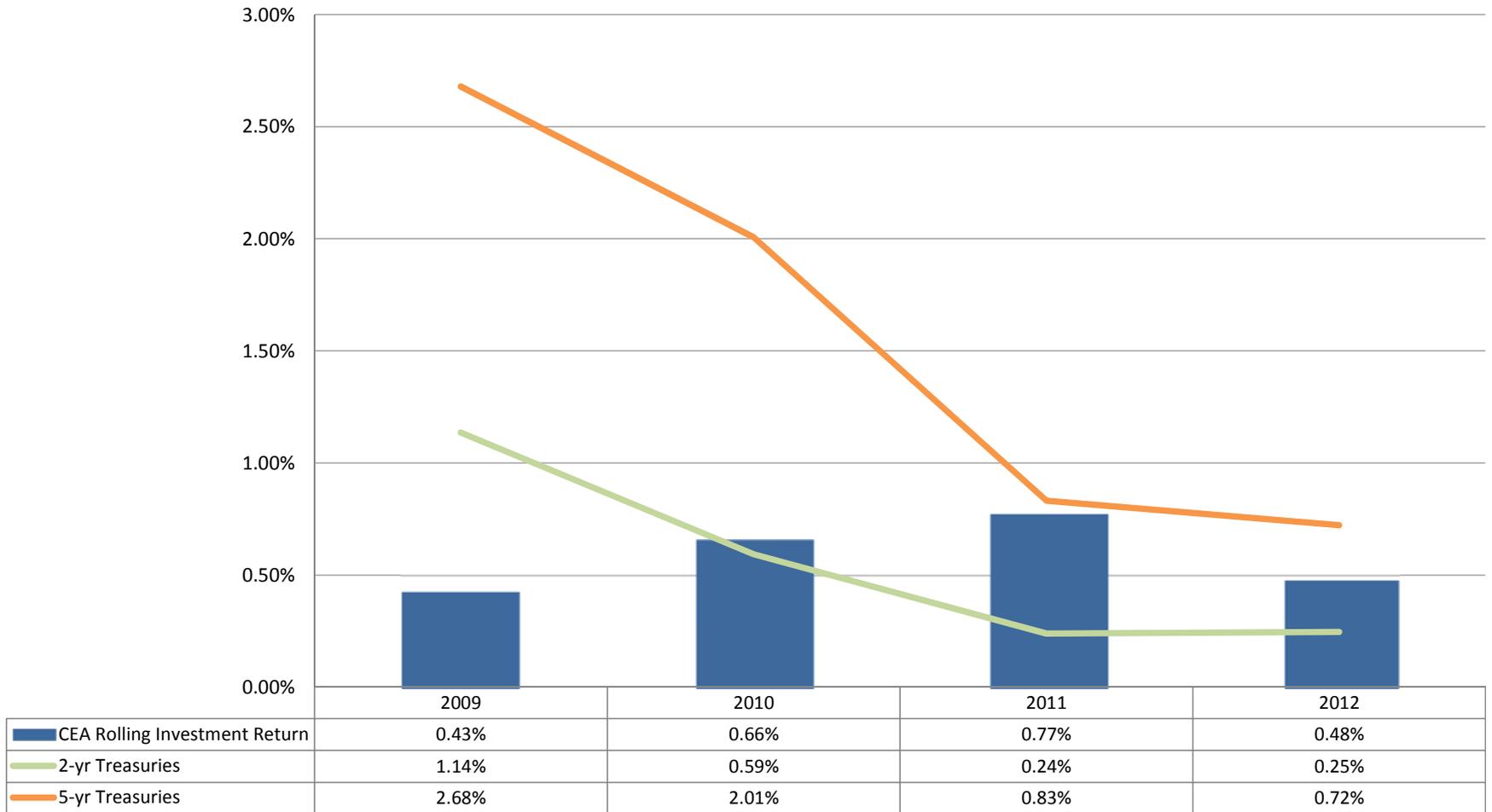
**Mitigation Fund
\$24 Million**



**Claim-Paying Fund
\$314 Million**



**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	\$ 126,000,000	31-Mar-2013	A3 Outlook Stable	A Outlook Stable

DEBT-SERVICE SCHEDULE

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

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

*Ratings of 'A3' and 'A' since 2006

Claim-Paying Capacity

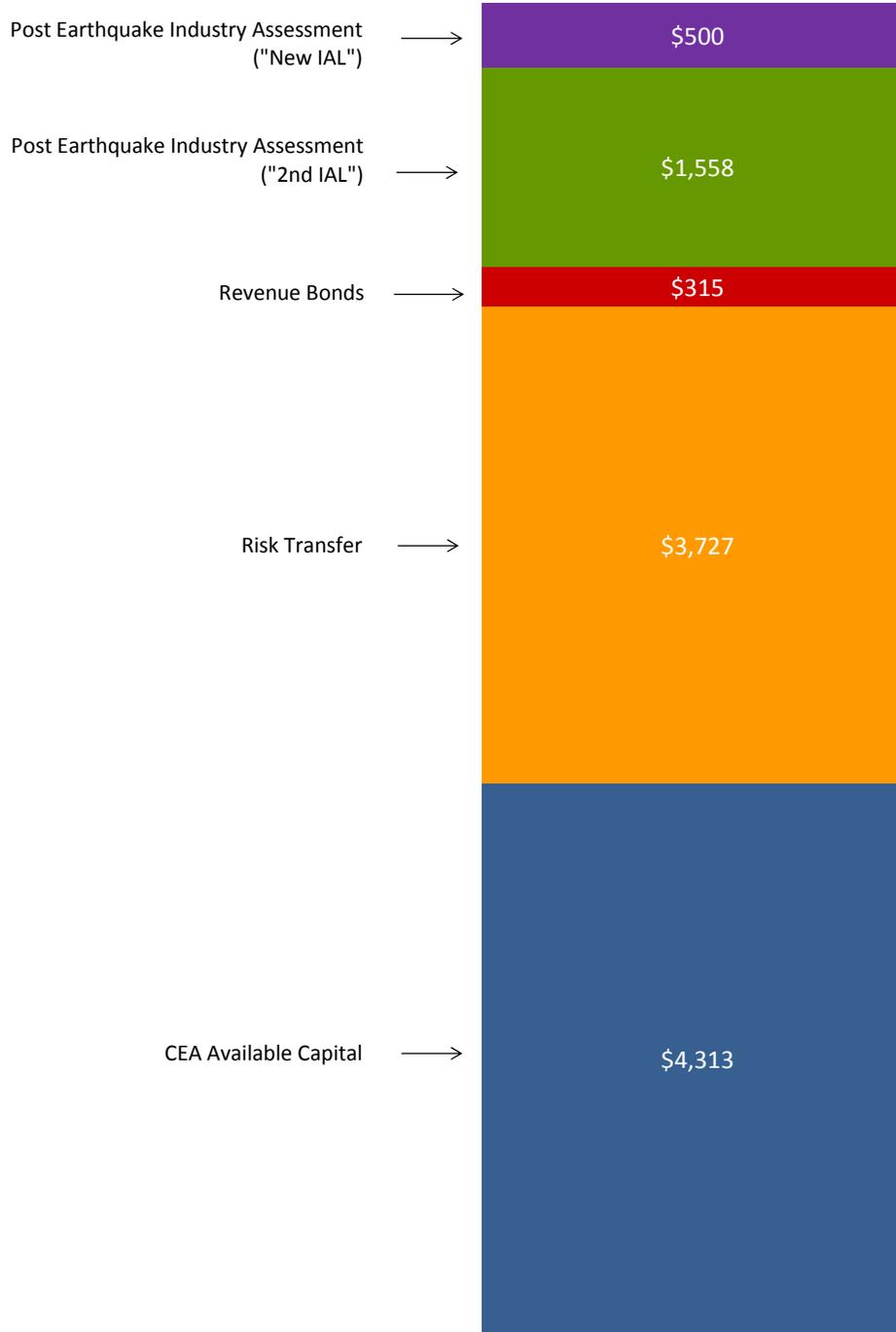
**California Earthquake Authority
Available Capital Report**

Capital as of March 31, 2013

Cash & Investments (includes capital contributions and premiums)	\$ 4,779,696,917 *
Interest, Securities & Restricted Securities Receivable	\$ 62,675,224
Premium Receivable	\$ 37,128,222
Risk Capital Surcharge & Capital Contributions Receivable	\$ -
Other Assets	\$ 9,957
Investments from Revenue Bond Proceeds	\$ (314,643,306)
Debt Service (Interest, Principal & Debt Service (Min. Bal.))	\$ (34,863,242)
Unearned Premium Collected	\$ (200,841,816)
Accrued Reinsurance Premium Expense	\$ (5,875,463)
Accounts and Securities Payable, and Accrued Expenses	\$ (9,958,019)
CEA Available Capital	<u>\$ 4,313,328,474</u>

* Does not include Earthquake Loss Mitigation Fund cash and investments of \$24,486,084

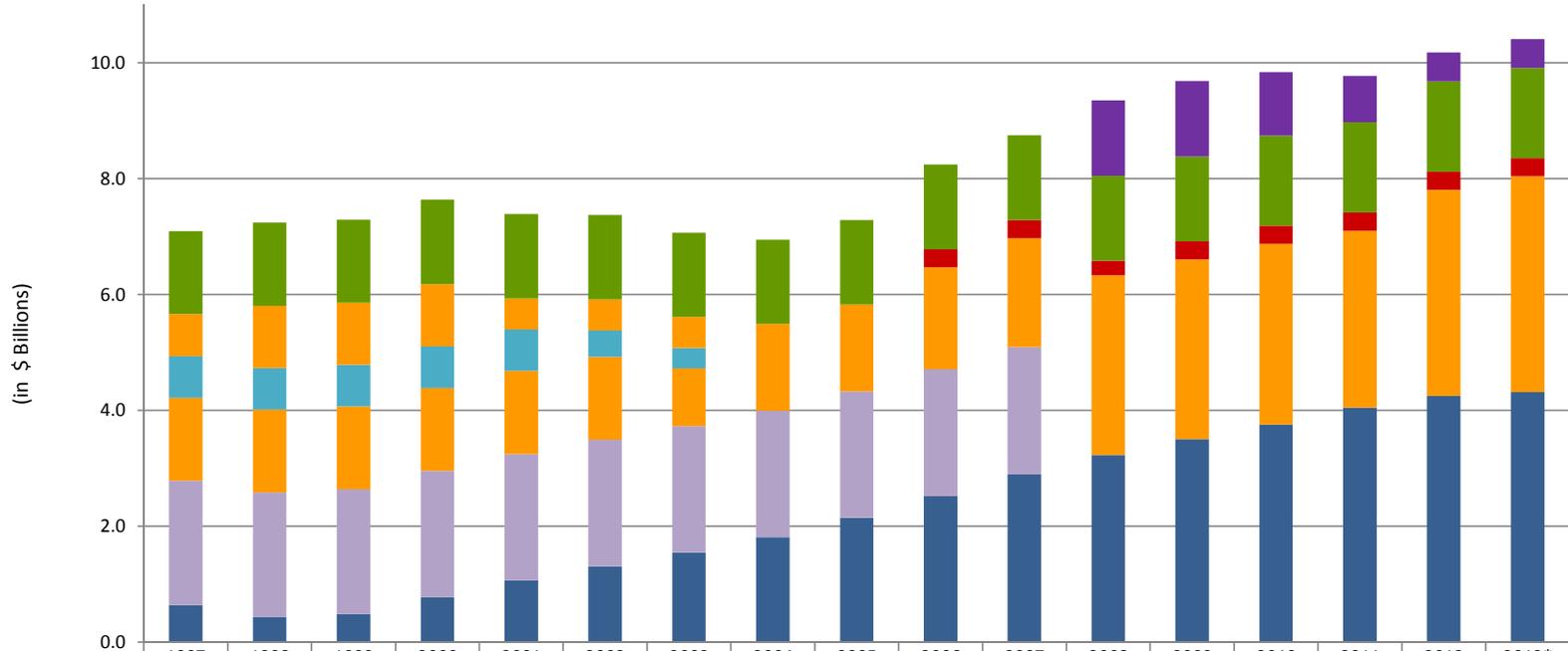
**California Earthquake Authority
Claim-paying Capacity
as of March 31, 2013**



Total Capacity \$10,413M

A.M. Best Rating 'A-' since 2002
Outlook Stable

**California Earthquake Authority
Total Claim-Paying Capacity (CPC)
as of March 31, 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	\$10.413
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	0.500
2nd Industry Assessment	1.434	1.434	1.434	1.456	1.456	1.456	1.456	1.456	1.456	1.465	1.465	1.465	1.465	1.558	1.558	1.558	1.558
Revenue Bonds	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.311	0.311	0.254	0.311	0.311	0.317	0.314	0.315
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	3.727
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	4.313

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

*as of March 31, 2013

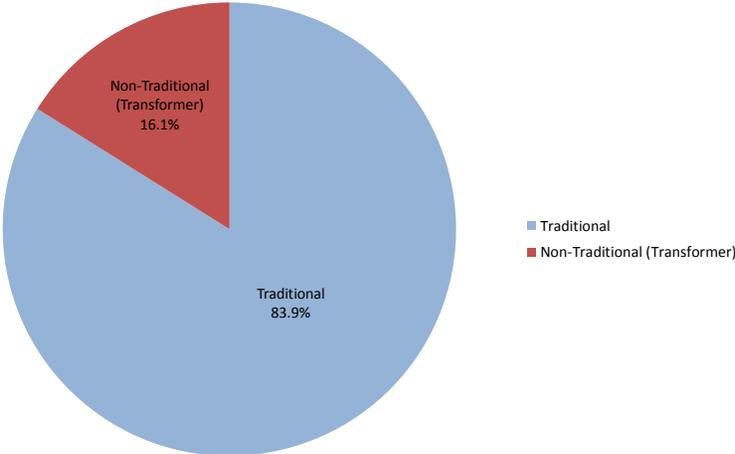
Risk-Transfer Programs

**California Earthquake Authority
Risk-Transfer Program Summary
as of March 31, 2013**

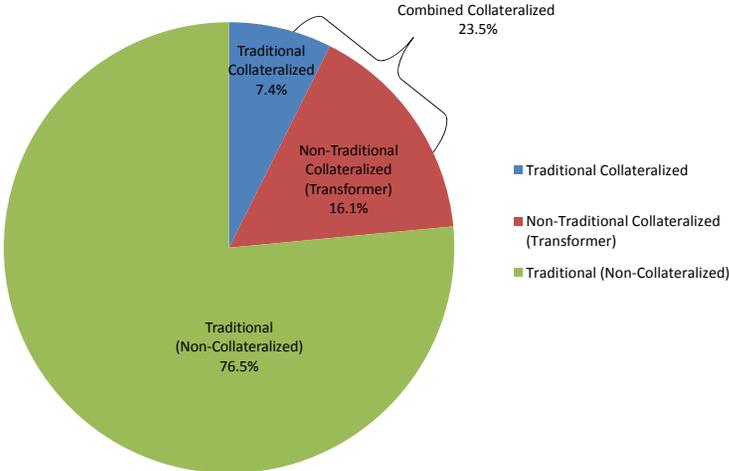
Traditional Reinsurance Contracts	Contract Period	Reinsurance Limit	12-Month Rate-on-Line	12-Month Premium
Contract B	April 1, 2012 - March 31, 2013	1,251,464,950	6.20%	77,590,827
Contract C	May 1, 2012 - April 30, 2013	100,000,000	4.50%	4,500,000
2013 August Program Contract 1	January 1, 2013 - July 31, 2013	500,000,000	7.20%	36,000,000
2013 August Program Contract 2	January 1, 2013 - July 31, 2013	200,000,000	7.15%	14,300,000
2013 August Program Contract 3	January 1, 2013 - July 31, 2013	250,000,000	7.20%	18,000,000
2013 January Contract	January 1, 2013 - December 31, 2013	725,595,310	6.90%	50,066,076
September Program Contract #1	September 1, 2012 - August 31, 2015	100,000,000	5.70%	5,700,000
Total Traditional Reinsurance		3,127,060,260		
Transformer Reinsurance Contracts	Contract Period	Reinsurance Limit	12-Month Rate-on-Line	12-Month Premium
Contract 1	August 2, 2011 – August 1, 2014	150,000,000	7.78%	11,670,000
Contract 2	February 7, 2012 – February 6, 2015	150,000,000	8.39%	12,585,000
Contract 3	August 1, 2012 – July 31, 2015	300,000,000	5.64%	16,923,000
Total Transformer Reinsurance		600,000,000		
Total Risk-Transfer		3,727,060,260		

Risk -Transfer Program Limits as of March 31, 2013

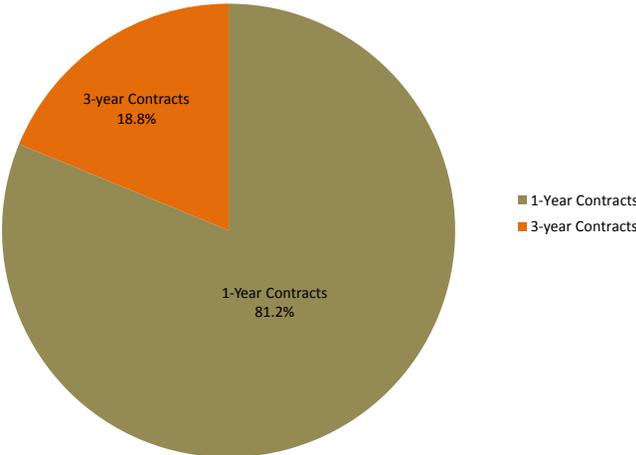
Traditional and Non-Traditional Program Limits



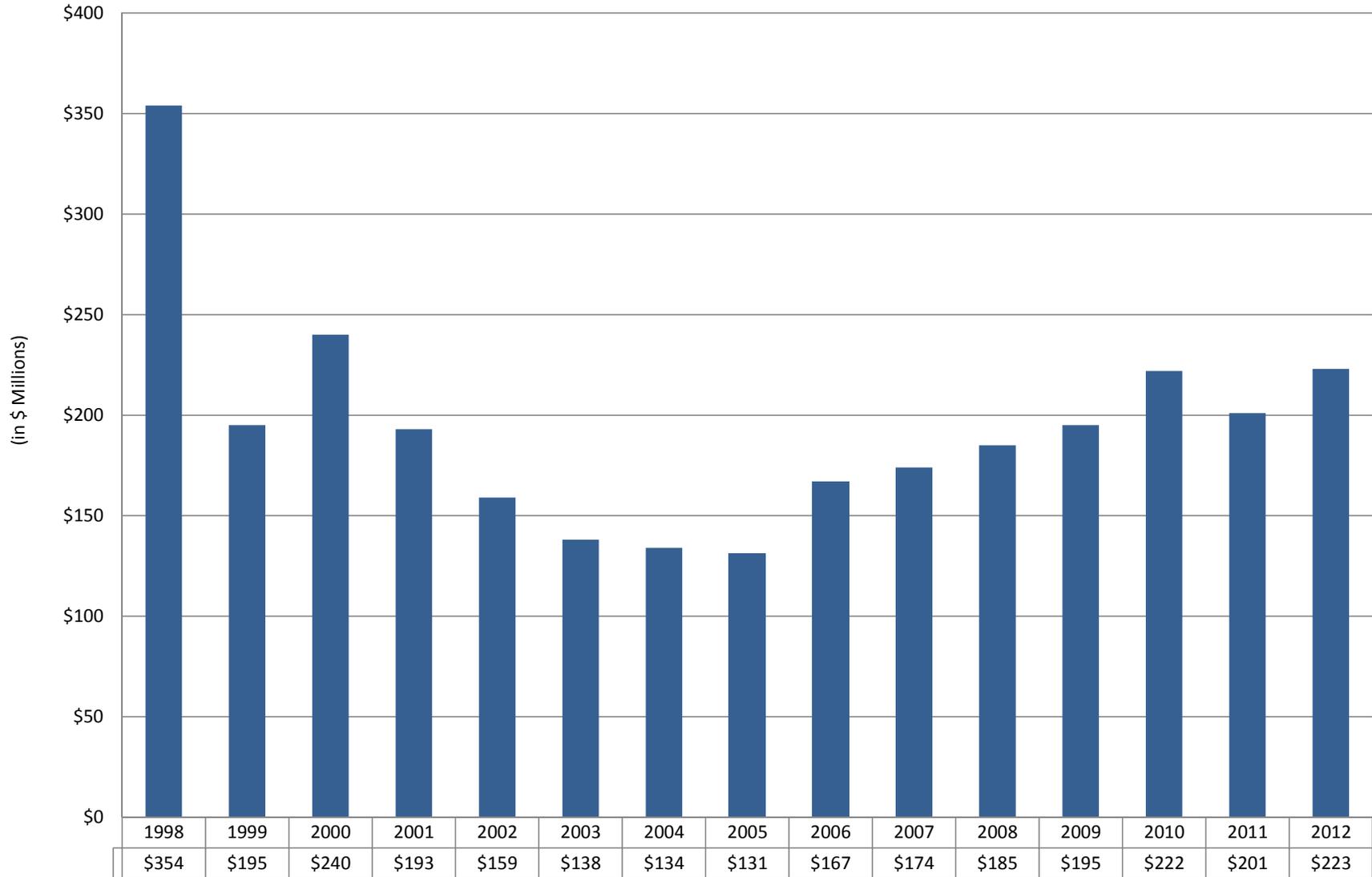
Non-Collateralized vs. Collateralized



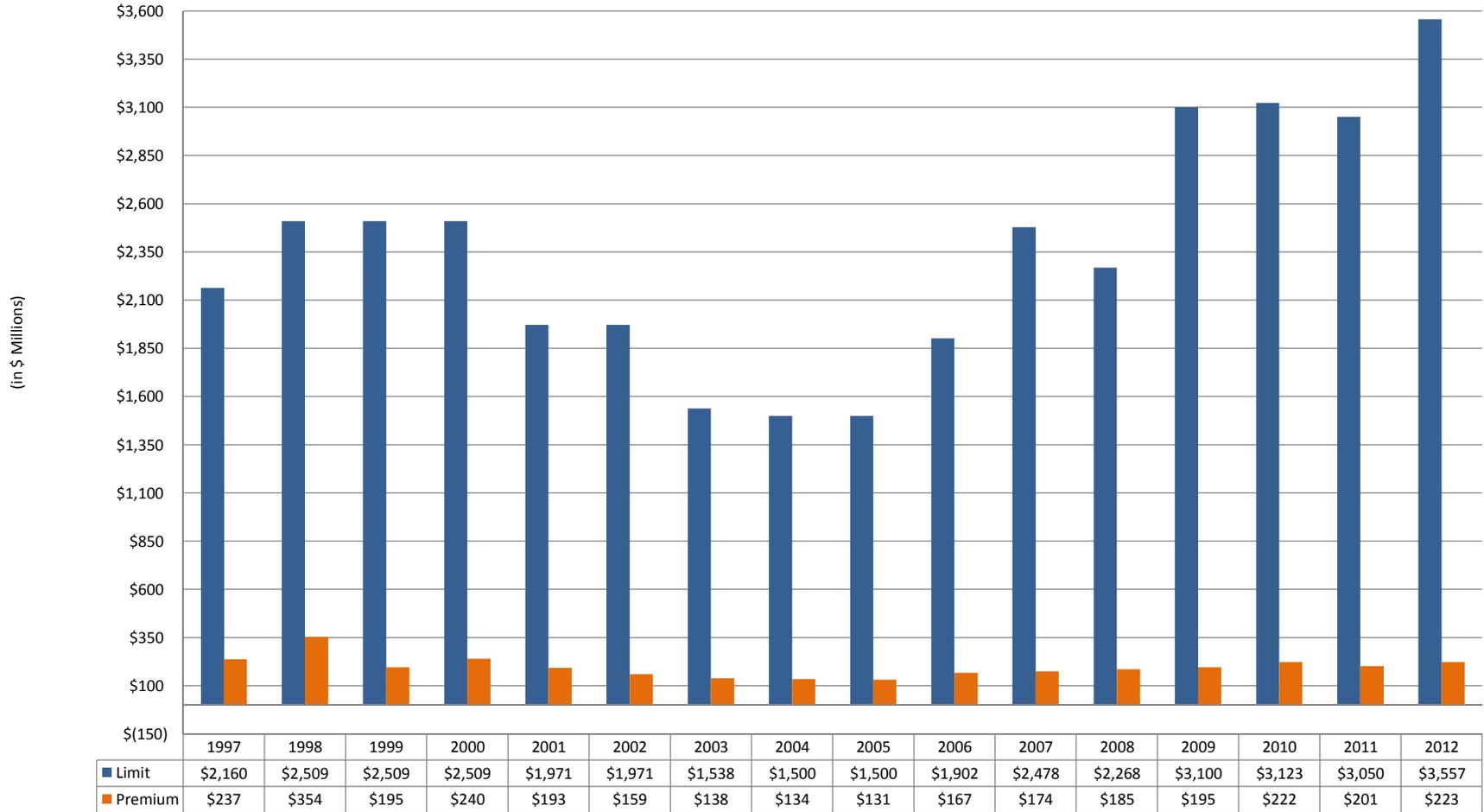
1-Year and 3-Year Contract Program Limits



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

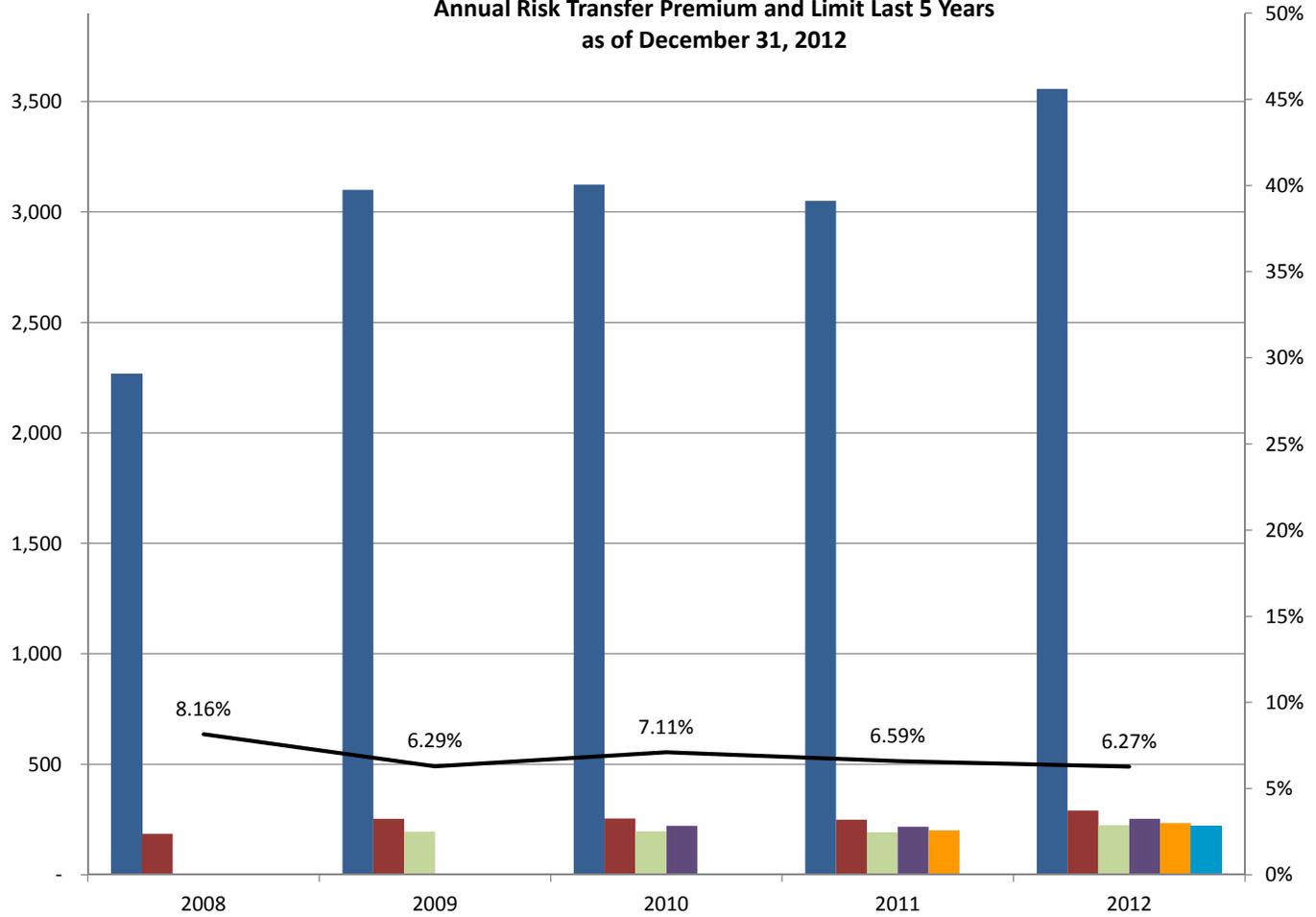


**California Earthquake Authority
Annual Risk Transfer Premium and Limit
as of December 31, 2012**



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

**California Earthquake Authority
Annual Risk Transfer Premium and Limit Last 5 Years
as of December 31, 2012**



Limit (in \$ millions)	
Annual limit increase/decrease	
2008 ROL Premium (in \$ millions)	
2009 ROL Premium (in \$ millions)	
2010 ROL Premium (in \$ millions)	
2011 ROL Premium (in \$ millions)	
2012 ROL Premium (in \$ millions)	
Average Rate-on-Line	

Limit (in \$ millions)	2,268
Annual limit increase/decrease	-8.5%
2008 ROL Premium (in \$ millions)	185
2009 ROL Premium (in \$ millions)	-
2010 ROL Premium (in \$ millions)	-
2011 ROL Premium (in \$ millions)	-
2012 ROL Premium (in \$ millions)	-
Average Rate-on-Line	8.16%

Limit (in \$ millions)	3,100
Annual limit increase/decrease	36.7%
2008 ROL Premium (in \$ millions)	253
2009 ROL Premium (in \$ millions)	195
2010 ROL Premium (in \$ millions)	-
2011 ROL Premium (in \$ millions)	-
2012 ROL Premium (in \$ millions)	-
Average Rate-on-Line	6.29%

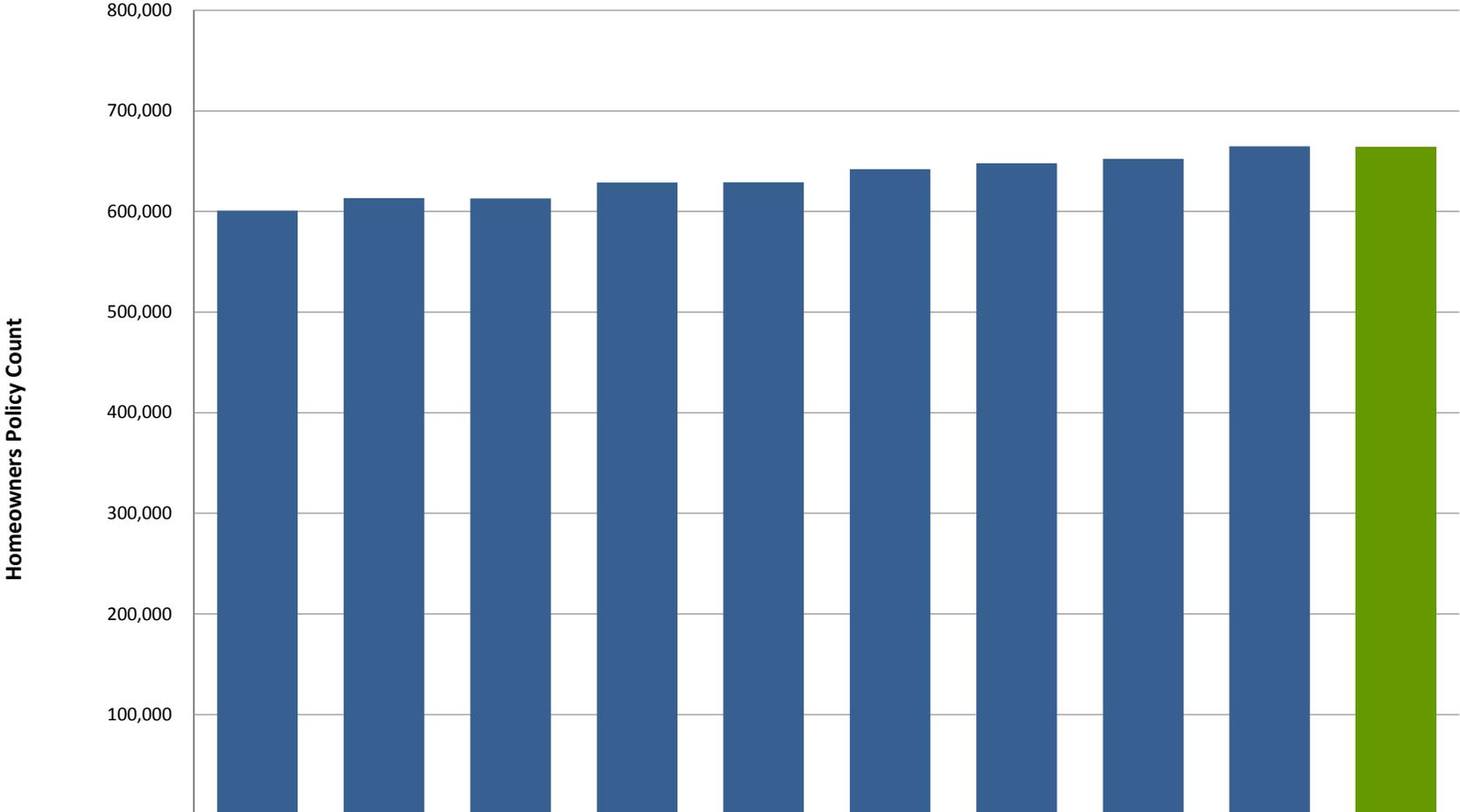
Limit (in \$ millions)	3,123
Annual limit increase/decrease	0.7%
2008 ROL Premium (in \$ millions)	255
2009 ROL Premium (in \$ millions)	196
2010 ROL Premium (in \$ millions)	222
2011 ROL Premium (in \$ millions)	-
2012 ROL Premium (in \$ millions)	-
Average Rate-on-Line	7.11%

Limit (in \$ millions)	3,050
Annual limit increase/decrease	-2.3%
2008 ROL Premium (in \$ millions)	249
2009 ROL Premium (in \$ millions)	192
2010 ROL Premium (in \$ millions)	217
2011 ROL Premium (in \$ millions)	201
2012 ROL Premium (in \$ millions)	-
Average Rate-on-Line	6.59%

Limit (in \$ millions)	3,557
Annual limit increase/decrease	16.6%
2008 ROL Premium (in \$ millions)	290
2009 ROL Premium (in \$ millions)	224
2010 ROL Premium (in \$ millions)	253
2011 ROL Premium (in \$ millions)	234
2012 ROL Premium (in \$ millions)	223
Average Rate-on-Line	6.27%

Policy, Premium, and Exposure

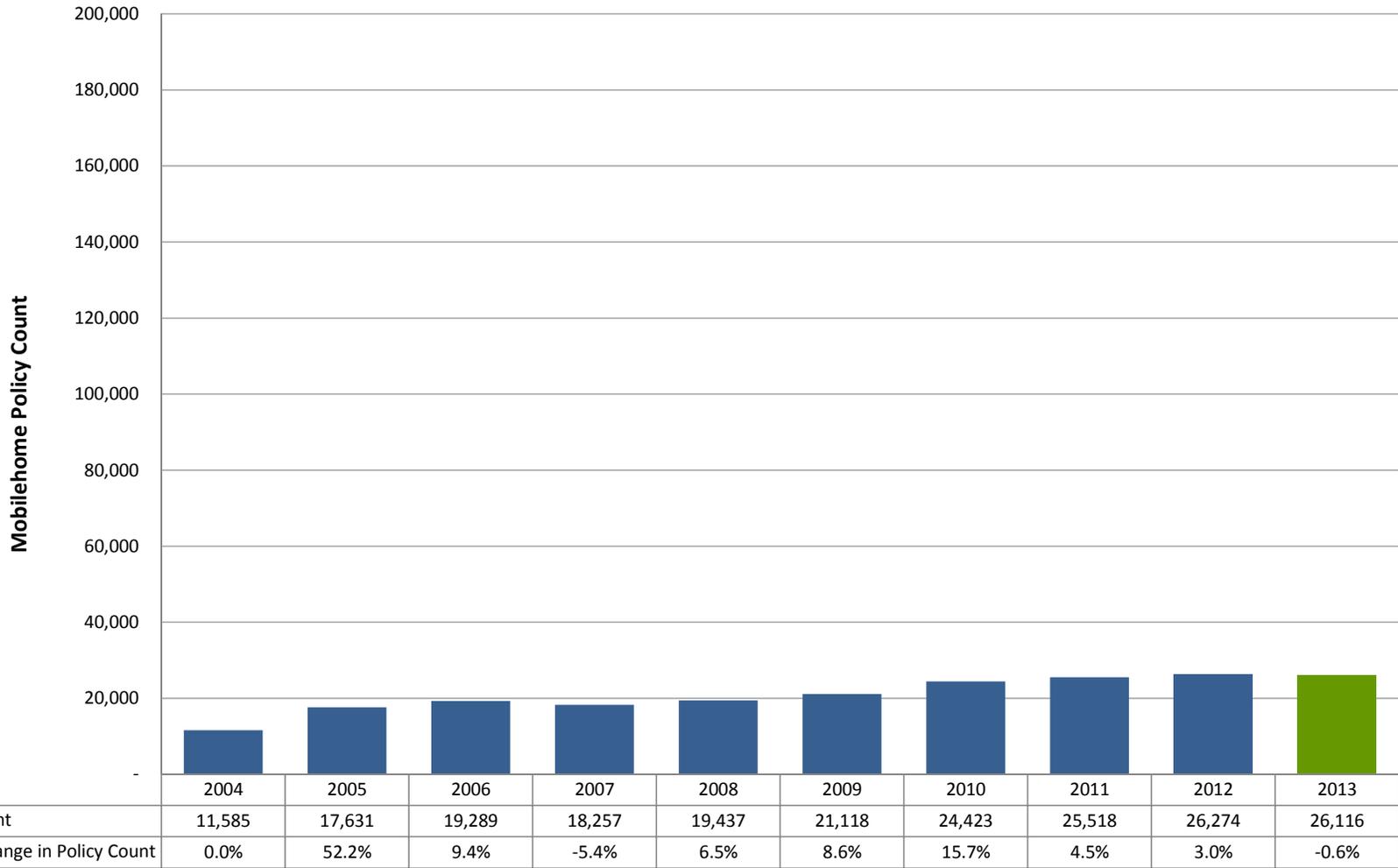
**California Earthquake Authority
Homeowners Policy Count
as of March 31, 2013**



	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013*
Policy Count	600,673	613,266	612,941	628,802	629,138	642,174	647,947	652,387	664,875	664,080
Annual Change in Policy Count	0.0%	2.1%	-0.1%	2.6%	0.1%	2.1%	0.9%	0.7%	1.9%	-0.1%

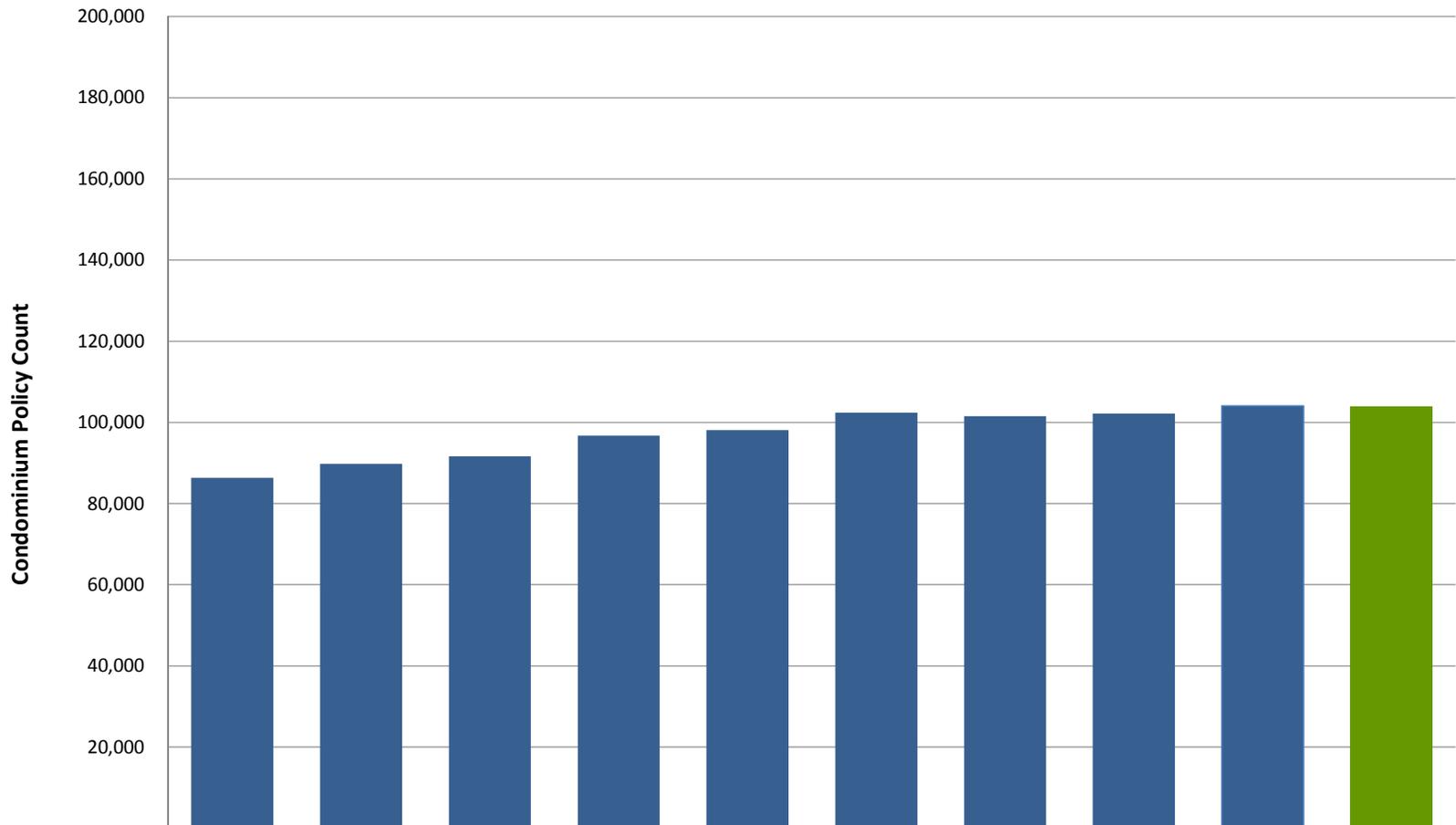
*as of March 31, 2013

**California Earthquake Authority
Mobilehome Policy Count
as of March 31, 2013**



*as of March 31, 2013

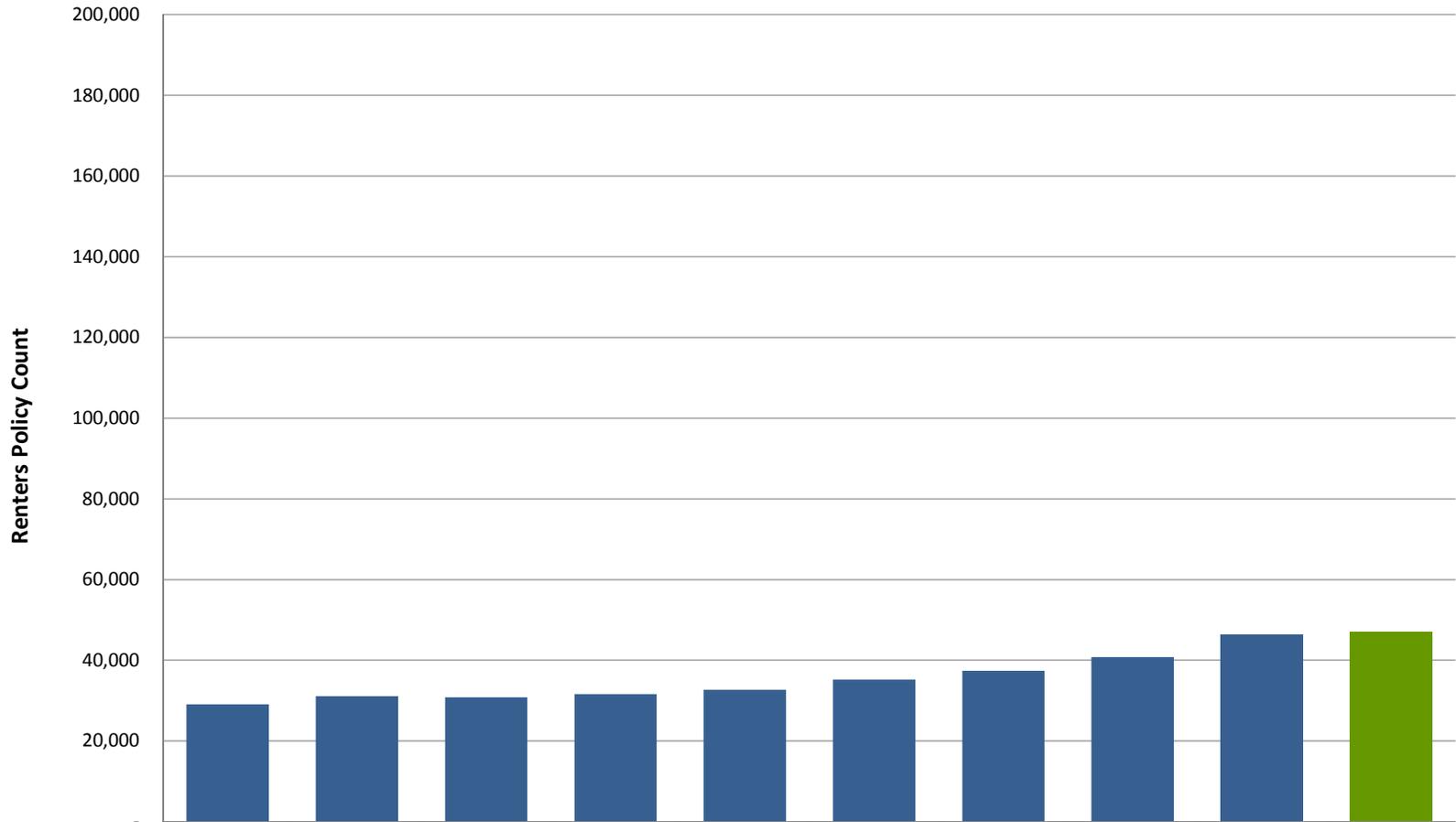
**California Earthquake Authority
Condominium Policy Count
as of March 31, 2013**



	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Policy Count	86,359	89,758	91,643	96,758	98,106	102,391	101,553	102,197	104,070	103,976
Annual Change in Policy Count	0.0%	3.9%	2.1%	5.6%	1.4%	4.4%	-0.8%	0.6%	1.8%	-0.1%

*as of March 31, 2013

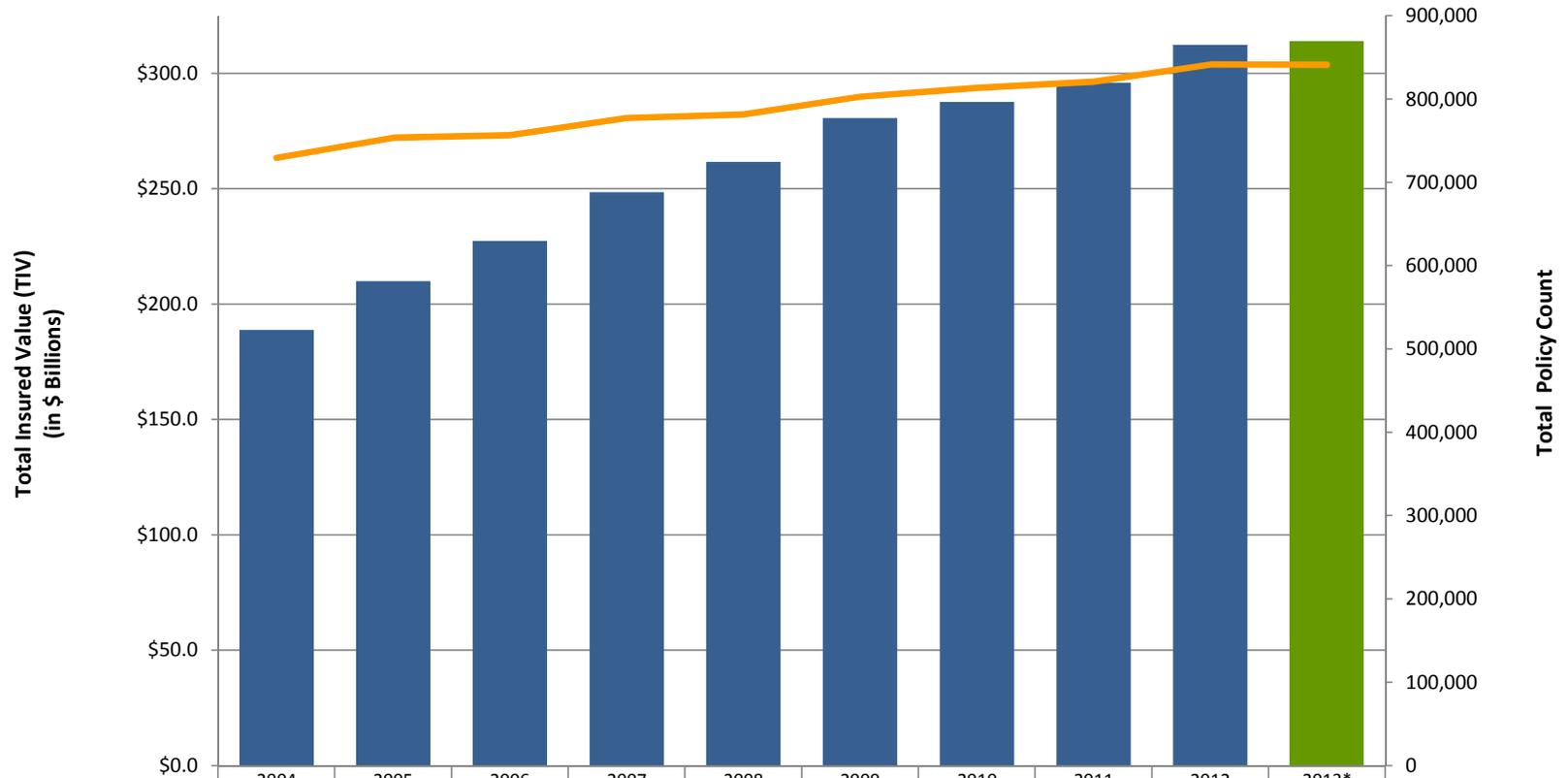
**California Earthquake Authority
Renters Policy Count
as of March 31, 2013**



	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Policy Count	29,058	31,112	30,799	31,647	32,681	35,247	37,394	40,822	46,284	47,156
Annual Change in Policy Count	0.0%	7.1%	-1.0%	2.8%	3.3%	7.9%	6.1%	9.2%	13.4%	1.9%

*as of March 31, 2013

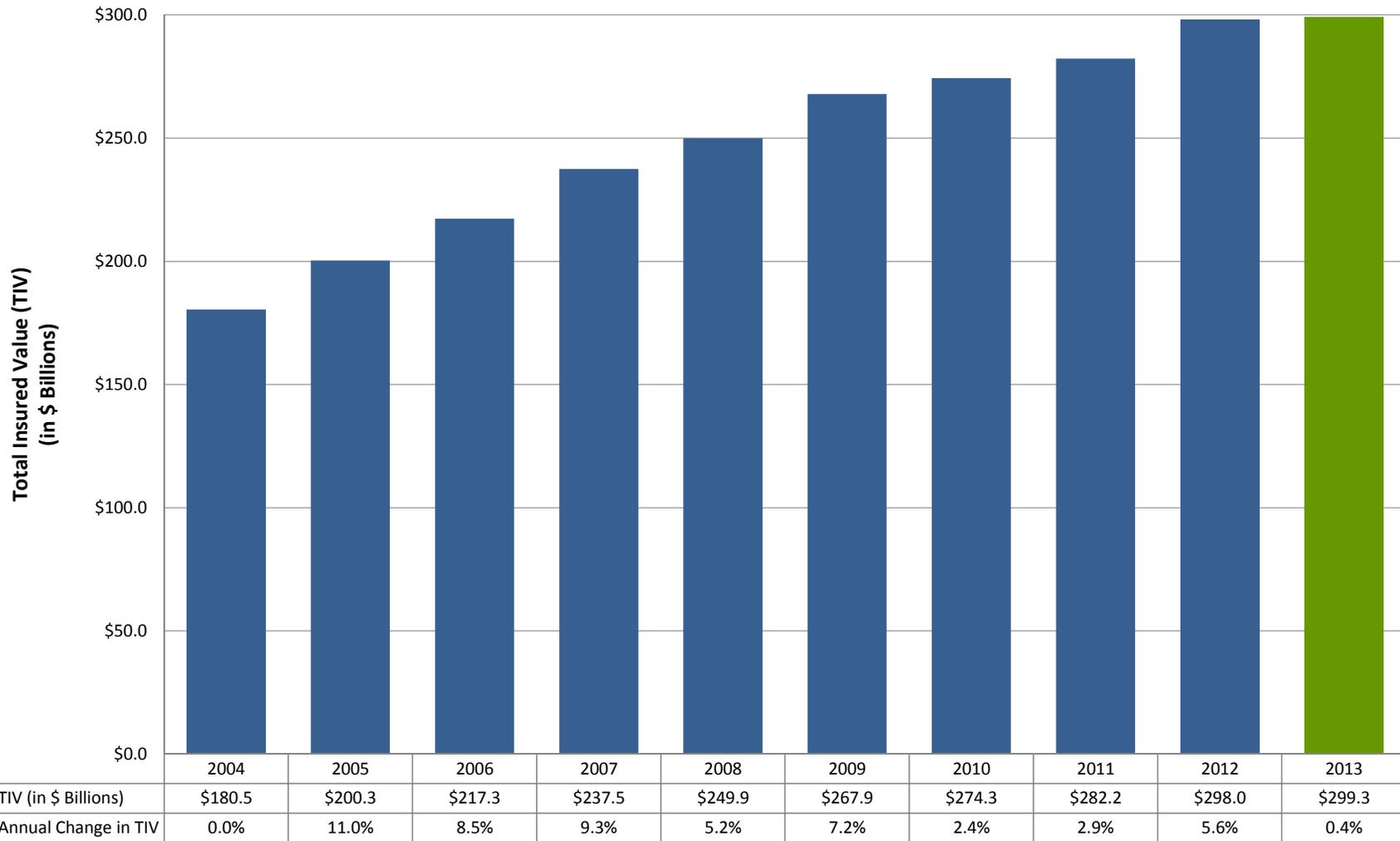
**California Earthquake Authority
Total Policies and Total Insured Value (TIV)
as of March 31, 2013**



TIV (in \$ Billions)	\$188.9	\$210.0	\$227.4	\$248.6	\$261.7	\$280.7	\$287.7	\$296.0	\$312.5	\$313.8
Annual Change in TIV	9.6%	11.2%	8.3%	9.3%	5.3%	7.3%	2.5%	2.9%	5.6%	0.4%
Total Policy Count	729,679	753,772	756,678	777,471	781,370	802,939	813,327	820,924	841,503	841,328
Annual Change in Policy Count	0.0%	3.3%	0.4%	2.7%	0.5%	2.8%	1.3%	0.9%	2.5%	-0.02%

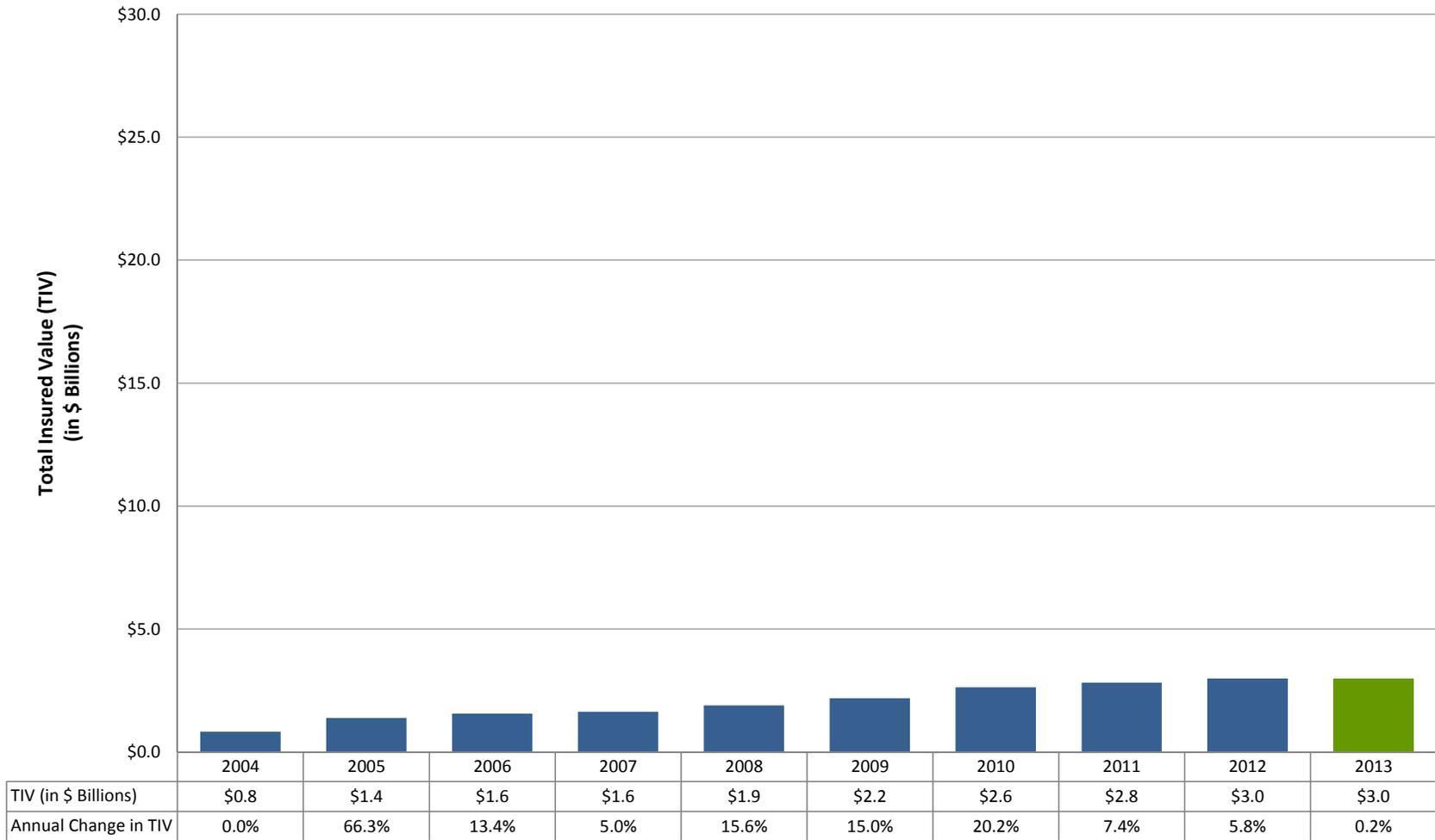
*as of March 31, 2013

**California Earthquake Authority
Homeowners Total Insured Value (TIV)
as of March 31, 2013**



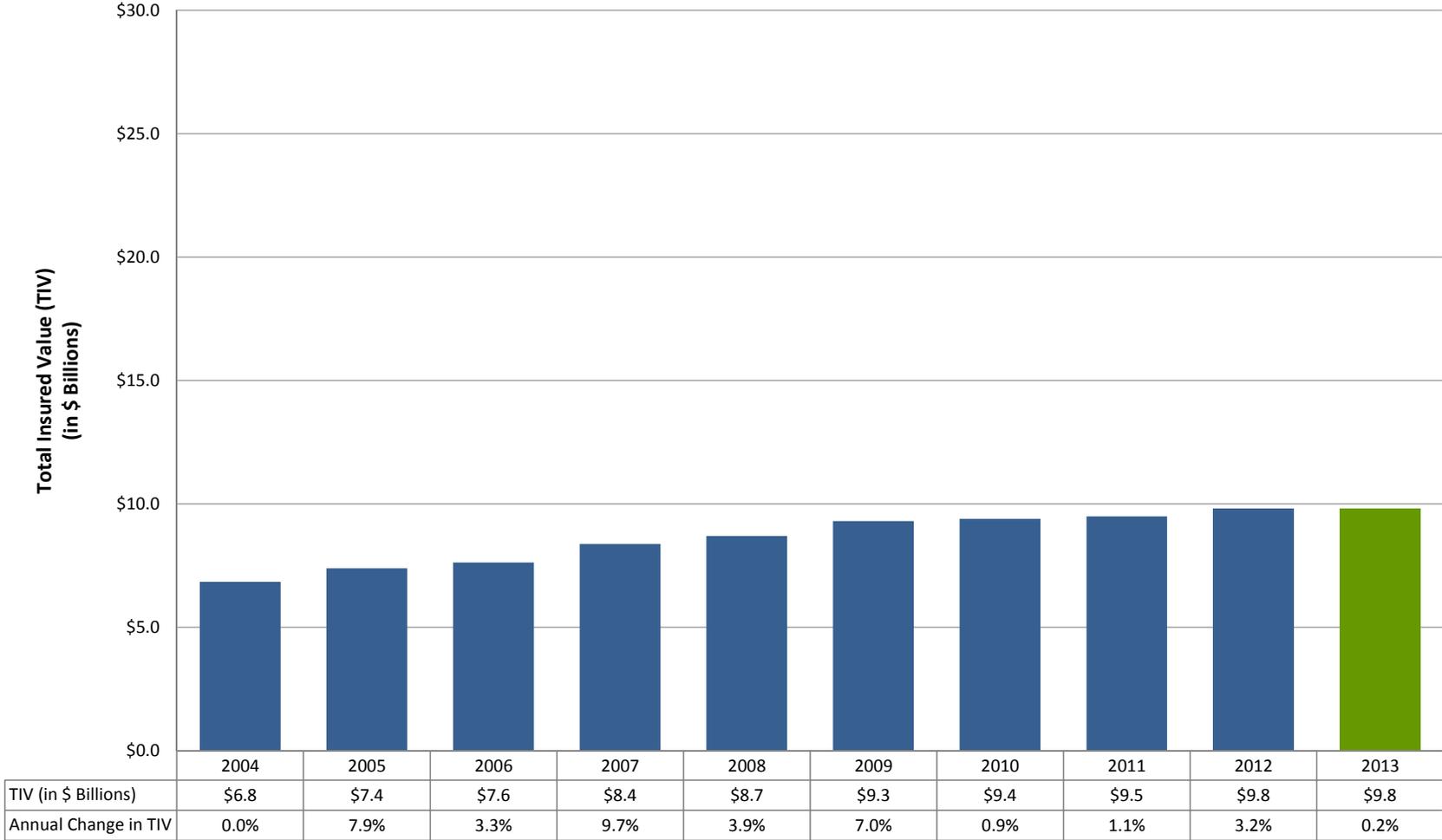
*as of March 31, 2013

**California Earthquake Authority
Mobilehome Total Insured Value (TIV)
as of March 31, 2013**



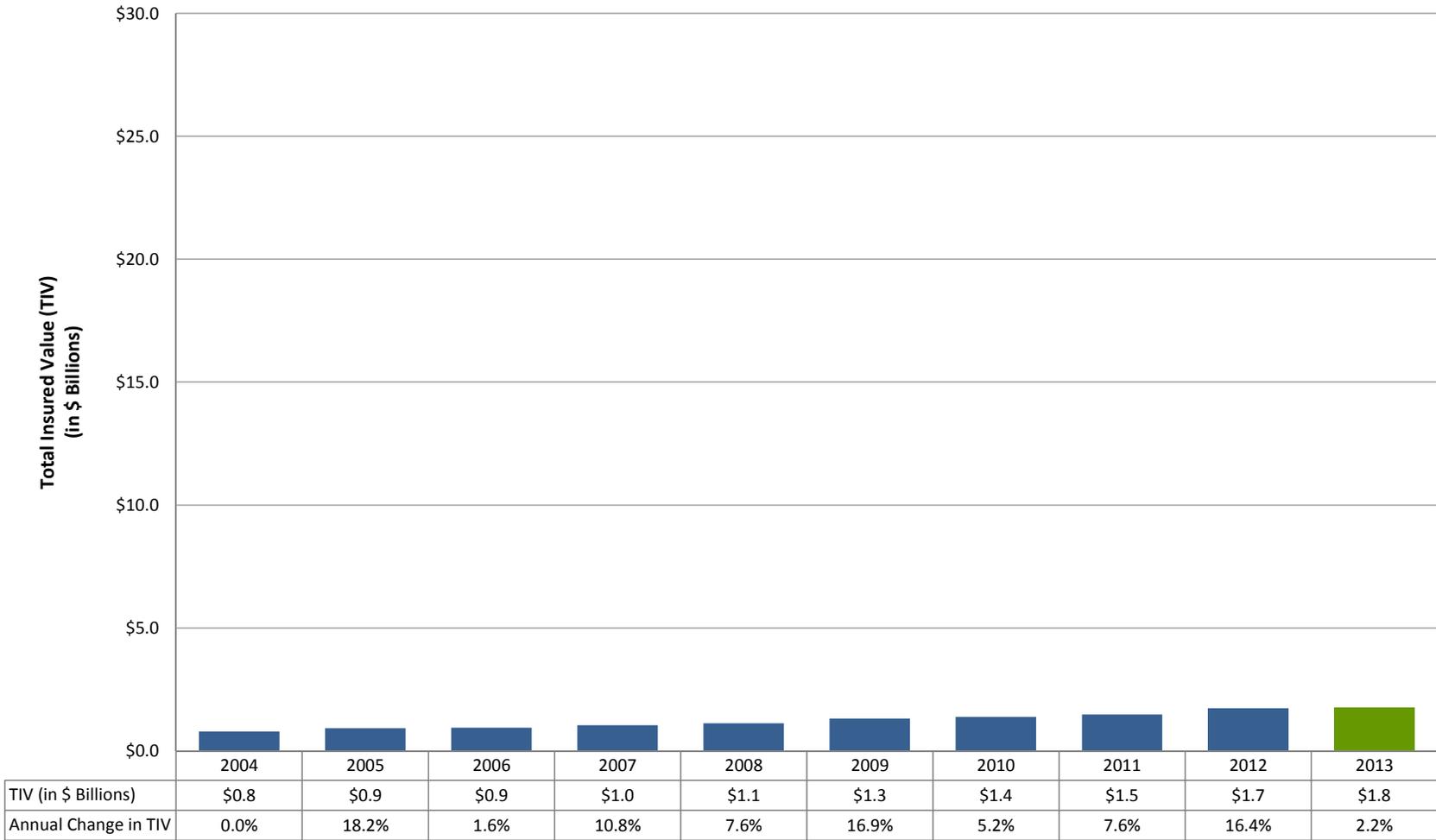
*as of March 31, 2013

**California Earthquake Authority
 Condominium Total Insured Value (TIV)
 as of March 31, 2013**



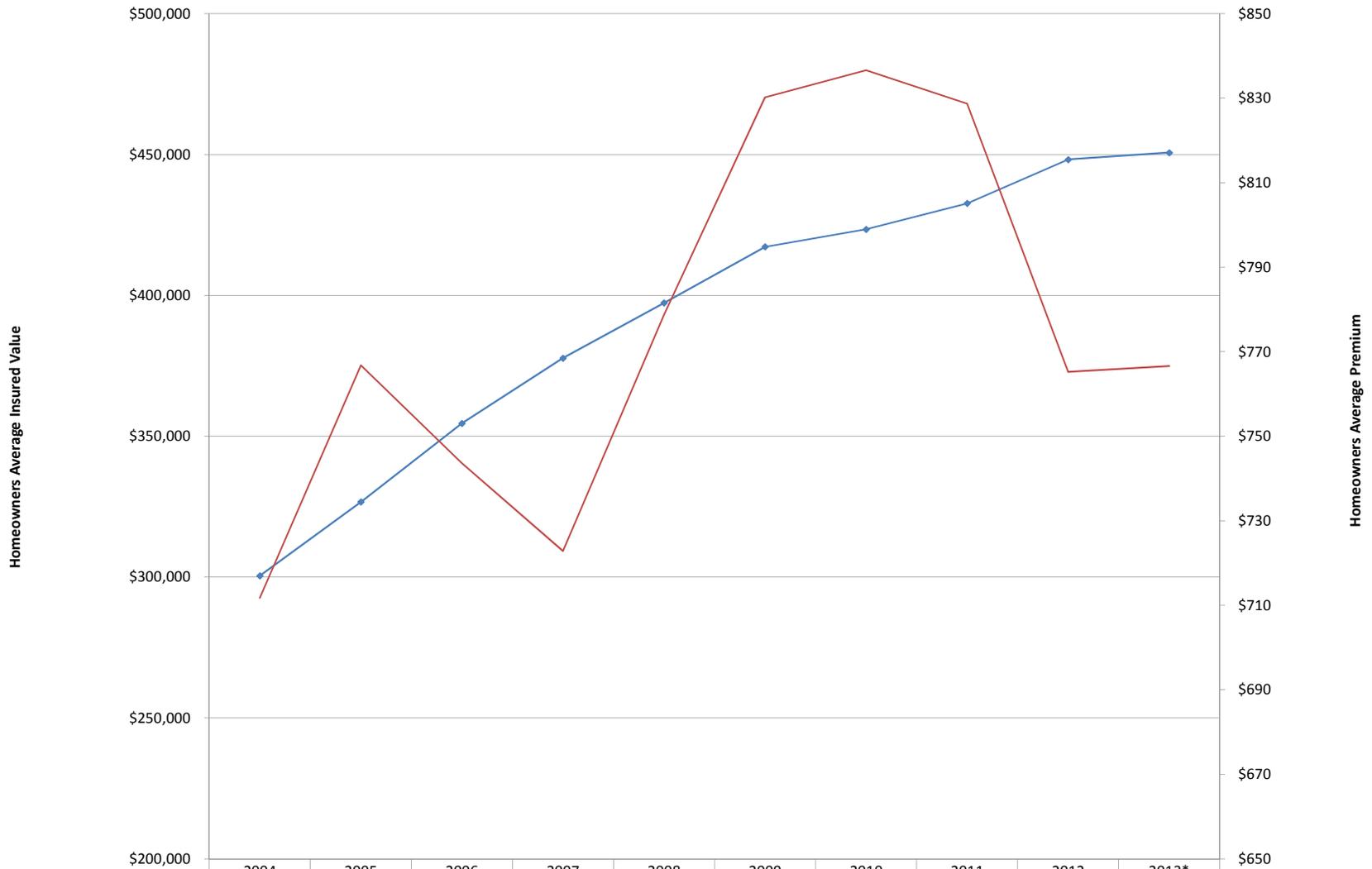
*as of March 31, 2013

**California Earthquake Authority
Rental Total Insured Value (TIV)
as of March 31, 2013**



*as of March 31, 2013

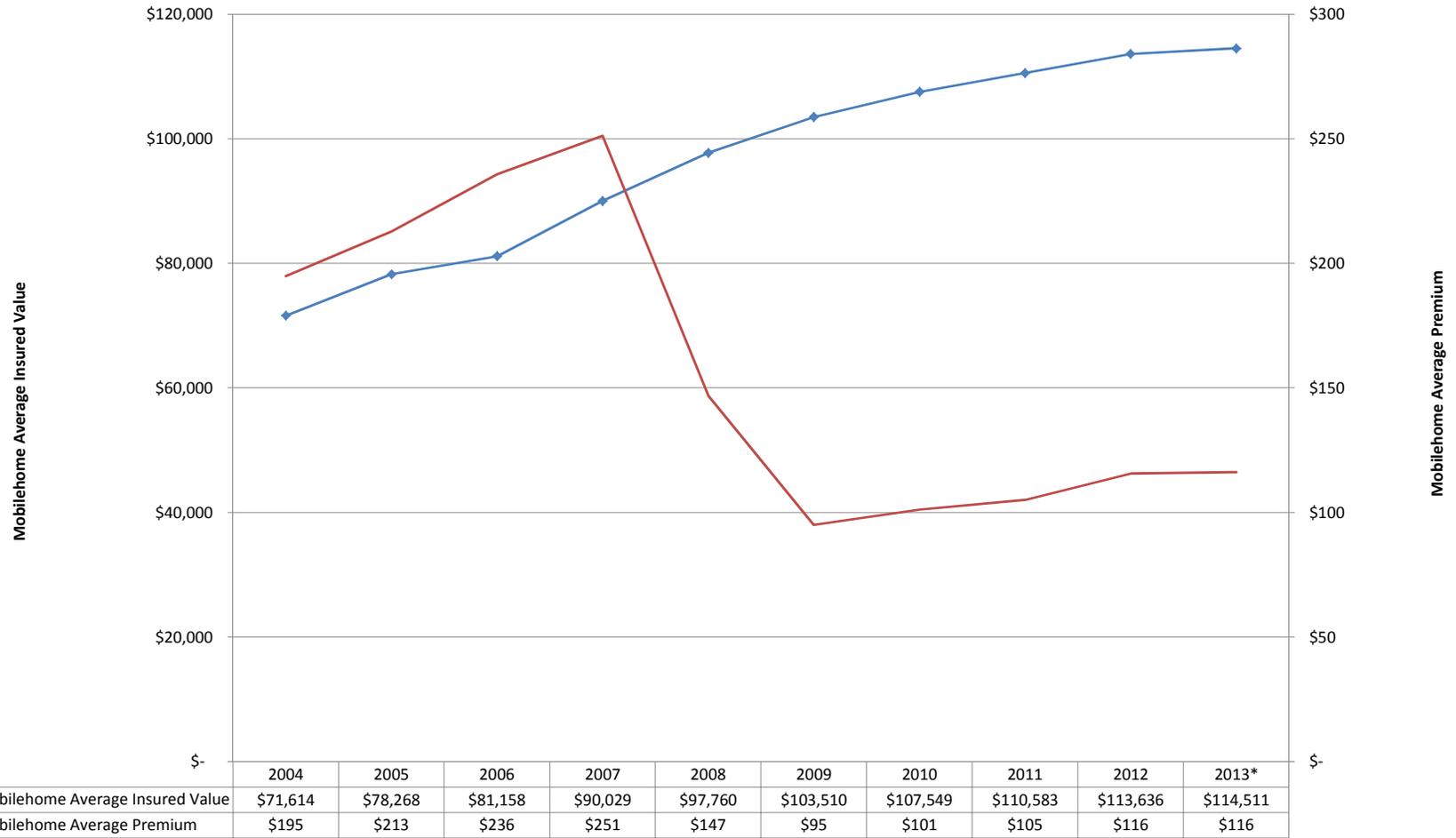
**California Earthquake Authority
Homeowners Average Policy Premium and Insured Value (TIV)
as of March 31, 2013**



Homeowners Average Insured Value	\$300,458	\$326,668	\$354,539	\$377,701	\$397,284	\$417,206	\$423,414	\$432,634	\$448,195	\$450,635
Homeowners Average Premium	\$712	\$767	\$744	\$723	\$779	\$830	\$837	\$829	\$765	\$767

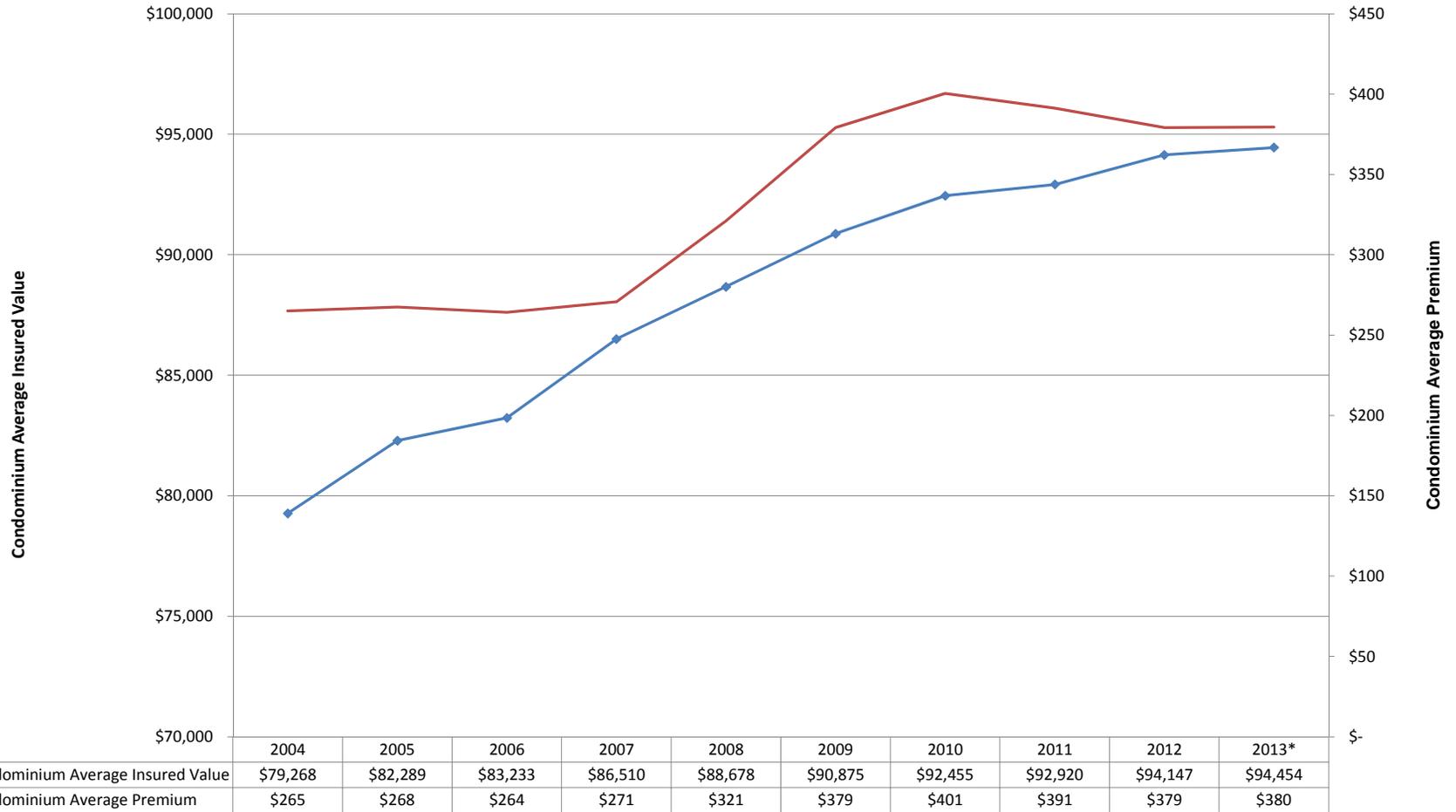
*as of March 31, 2013

**California Earthquake Authority
Mobilehome Average Policy Premium and Insured Value (TIV)
as of March 31, 2013**



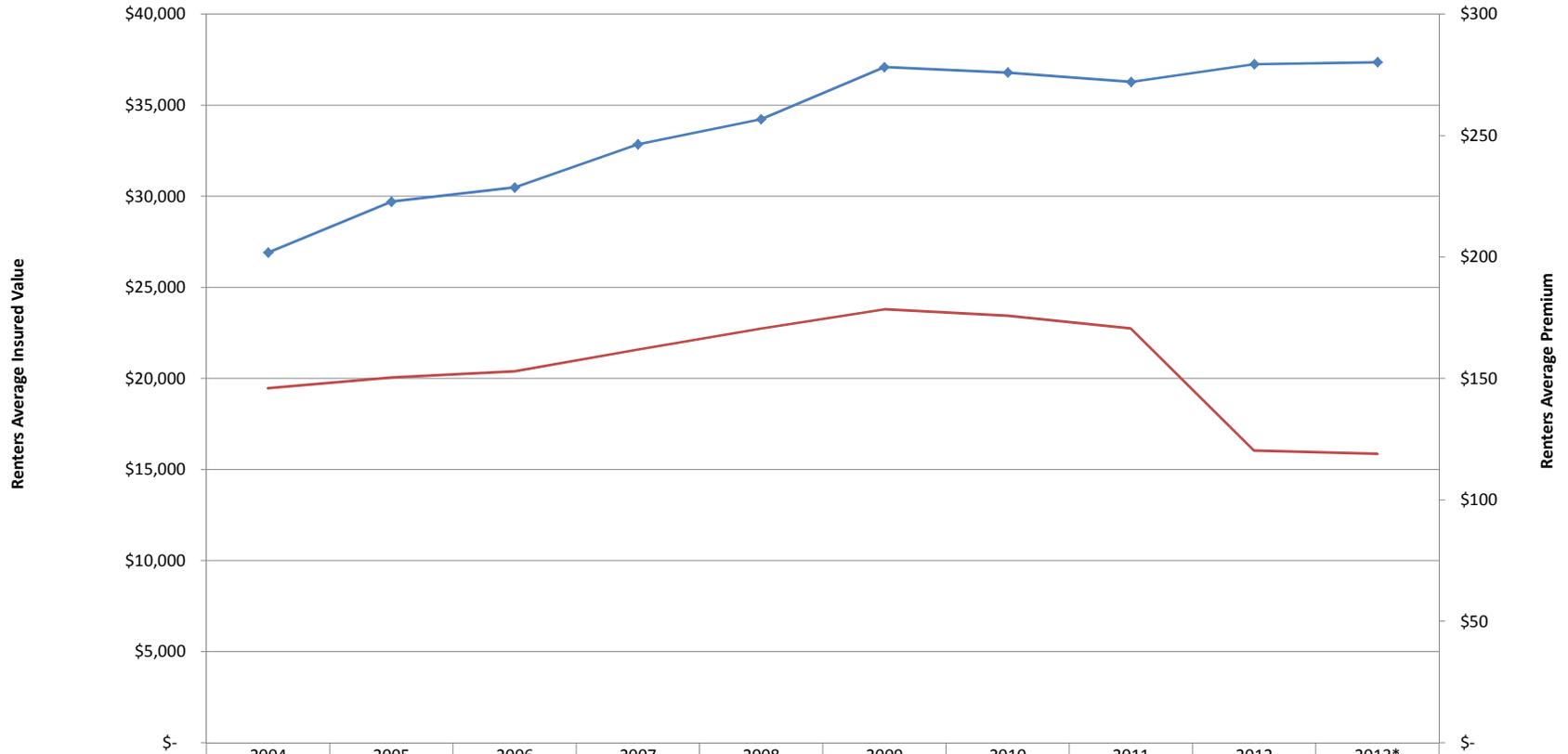
*as of March 31, 2013

**California Earthquake Authority
 Condominium Average Policy Premium and Insured Value (TIV)
 as of March 31, 2013**



*as of March 31, 2013

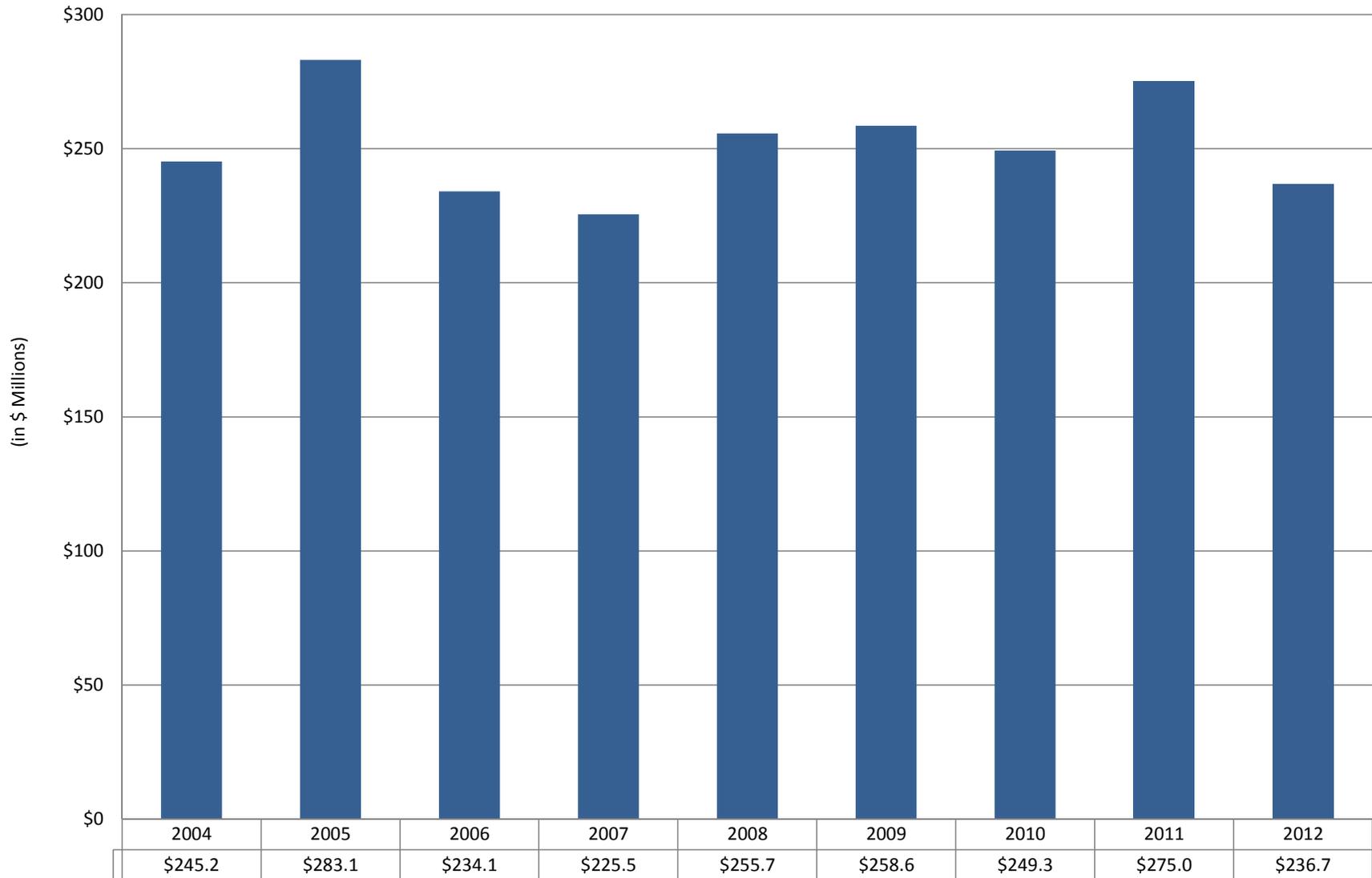
**California Earthquake Authority
Renters Average Policy Premium and Insured Value (TIV)
as of March 31, 2013**



◆ Renters Average Insured Value	\$26,910	\$29,704	\$30,479	\$32,856	\$34,230	\$37,093	\$36,786	\$36,275	\$37,254	\$37,357
— Renters Average Premium	\$146	\$150	\$153	\$162	\$171	\$179	\$176	\$171	\$120	\$119

*as of March 31, 2013

**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.

Governing Board Memorandum

May 23, 2013

Agenda Item 5: Report on competitive procurement and recommendation to select a new solution for CEA Investment Accounting, including related analytics and compliance

Recommended Action: Approve staff recommendation to negotiate and execute a contract with SunGard iWorks, LLP

Background:

The CEA currently uses two independent solutions to record investment-accounting transactions and perform investment compliance and related analytics: Sungard iWorks and BondEdge, respectively.

The CEA determined that there were products in the market that could perform these functions within a single solution—using a single solution would enhance CEA staff efficiency and accuracy, which will in turn allow staff to enhance CEA investment-accounting processes.

The Procurement Process

Staff issued a Request for Proposal (RFP) in October 2012.

The CEA solicited single solutions for a combination of investment accounting, analytics, and compliance through advertisements in the National edition of *The Wall Street Journal*, *The Wall Street Journal–Global Technology Online*, and *BobsGuide* (a respected online financial-technology resource), and also posted a solicitation for RFPs on the CEA’s Web site.

The CEA received four proposals from software firms.

Evaluation and Rating

The RFP selection panel consisted of:

- Tim Richison, CFO of the CEA
- Mark Dawson, (then) Assistant CFO of the CEA
- Trudi Miller, CEA Accounting Supervisor
- Jeff Zhang, CEA Investment Analyst
- Kapil Bhatia, of Raymond James and Associates, Inc. (the CEA’s independent financial advisor)

Lydia Willet, CEA Financial Analyst, reviewed proposals for compliance with RFP requirements—format, submission, required attachments, and minimum qualifications. All four proposals complied with those requirements.

After reviewing and assigning preliminary scores to the proposals, CEA determined that one proposer was unable to provide all of the required services; that proposer was disqualified.

The selection panel then contacted the remaining three proposers to ask whether each could meet the CEA's budget constraint of \$250,000 per year for the contract years following the implementation year.

Based on the proposals submitted (and the response received regarding subsequent-year pricing), the panel finalized the scoring.

The panel selected the best qualified proposer that met all of the RFP's qualifications and requirements, including pricing, and asked it to provide a demonstration of its proposed solution and submit to an in-person interview with the panel. CEA provided a demonstration script that the selection panel believed would allow it to confirm whether the solution met all RFP requirements.

After the demonstration and interview, the CEA performed reference checks on the firm and provided the results to the selection panel. The reference checks of the vendor were satisfactory.

Selection

The software firm SunGard iWorks, LLC, received the highest score of all proposers, clearly met all RFP qualifications and requirements, and successfully confirmed subsequent-year pricing.

The firm has represented that the costs for the Investment Accounting, Analytics, and Compliance solution are as follows:

One-Time License	\$ 20,000
Implementation Cost	\$ 42,000
Annual Fees (Various)	<u>\$ 201,623</u>
Total 1 st Year Cost	\$ 263,623
Ongoing Annual Cost	\$201,623 plus a stated inflation adjustment (approximately 7% annually)

The annual combined cost for the two solutions that CEA is currently using are:

SunGard iWorks, LLP - Investment Accounting	\$140,000 plus inflation adjustment
BondEdge – Compliance and Analytics	<u>\$ 68,000</u>
Total Annual Cost	\$208,000

Conclusion: The CEA would enjoy a small but not insignificant cost-saving by moving from two independent solutions to a single, integrated solution.

Recommendation:

1. Staff recommends the Board approve the selection of SunGard iWorks, LLP, to provide the integrated Investment Accounting, Analytic, and Compliance solution to the CEA.

2. Authorize staff to negotiate the contract with SunGard iWorks, LLP, consistent with the basic terms outlined above, with the advice and counsel of the CEA General Counsel, and authorize CEO Glenn Pomeroy to execute the negotiated contract on behalf of the CEA.

Governing Board Memorandum

May 23, 2013

Agenda Item: 6 Proposed 2014 CEA Marketing Budget

Recommended Action: Approve proposed funds to implement 2014 CEA marketing program; approve augmentation of 2013 CEA budget for marketing services to finalize 2014 planning details

Background:

- 2010: CEA integrated comprehensive research and analysis to support long-term, annualized marketing program considerations and decisions:
- Independent social-science analyses of low levels of earthquake preparedness;
 - CEA branding research to identify a (marketing) “story” or “promise”;
 - CEA policyholder research to identify bases for sales after damaging earthquakes;
 - CEA market research to simulate purchase decisions according to levels of risk; and
 - CEA/Cal EMA research to identify a common message to be used by all stakeholders.
- 2011: CEA implemented its first annualized marketing program to increase all policies-in-force, based on research and industry standards for acquisition and retention but without availability of CEA’s new and renewal policy data. *Approved budget for \$5 million.**
- 2012: CEA refined its marketing program with CEA’s new-business and renewal-business policy data to increase *homeowners* policies-in-force (average premium \$836) based on industry standards for acquisition and retention; also introduced online and renters marketing programs. *Approved budget for \$7,715,000 plus a rollover of \$1,779,226 from 2011 MVP budget.**
- 2013: CEA further refined its marketing program to increase *all* policies-in-force (average premium \$715) based on industry standards for acquisition and retention. *Approved budget for \$7,108,203.**

** CEA’s approved annualized marketing-program budgets for 2011, 2012, and 2013, respectively, were less than 1.66 percent of total premium revenue.*

Analysis:

Beginning in 2014, due to the unique purchasing process for the CEA policy, and because the CEA does not currently link with participating insurers’ own policy sales effort, the CEA is proposing to refine how future CEA marketing budgets are developed: Staff proposes to combine P&C industry standards for advertising budgets, expressed as a percent of premium, with applicable standards for acquisition and retention.

The insurance-industry standards for business acquisition and retention that the CEA previously was seeking to replicate were associated with residential homeowner policies that are *required* for homes purchased with a mortgage. CEA policies, by comparison, are offered to residents who must already have a homeowners or renters policy in place with one of CEA's participating insurers, before they can be motivated to *voluntarily* purchase a CEA policy.

Marketing residential homeowners insurance policies, which are *required* to be purchased, and marketing residential insurance policies that are *voluntarily* purchased are significantly different processes. Compared to the required purchase of homeowners policies, CEA policies require a notable additional marketing step: establishing necessary *awareness* of California's earthquake risks and necessary *education* about CEA's earthquake-insurance coverages.

The additional awareness/education step becomes exceptionally challenging when reviewing result highlights of independent and CEA research studies completed in 2008, 2009, and 2010:

- Most people don't perceive risk even to high-consequence, low-probability events;
- People perceive their personal safety as mostly unaffected by natural disasters;
- Messages urging earthquake preparedness have low market penetration;
- Consumers are not aware of the CEA, and they question how CEA can pay its claims;
- More than half of first-time CEA buyers have no awareness of the CEA;
- Agents have no relationship with the CEA and are not motivated to sell its policies; and
- Only about one-third of CEA policies are purchased with an agent recommendation.

Due to the unique process associated with the voluntary purchase of a CEA policy, the lack of a CEA link to participating-insurer policy sales, and challenges highlighted by independent and CEA research results, the CEA staff proposes that future CEA marketing budgets be based on industry standards that "separate" awareness and education from policy acquisition and retention.

Awareness and Education

CEA proposes to deliver consumer awareness of California's earthquake risk, and consumer education about CEA's policy coverages, through broadcast advertising.

The highly respected Ostrow Model of Effective (Media) Frequency was a key driver for the CEA in determining an appropriate level of broadcast advertising:

- *Market factors* recognize that the CEA policies are associated with a new brand, low brand share, low brand loyalty, a long purchase cycle, less frequent usage, and low share of voice, and target older demographics;
- *Message factors* include high message complexity, high message uniqueness, a new campaign, image-focused messages, moderate message variety, low wearout, and small advertising units; and
- *Media factors* include high clutter, neutral editorial settings, low audience attentiveness, pulse or flight scheduling, more media vehicles, and low repeat exposure media.

Through evaluation of these and other factors, the CEA marketing staff has determined that an effective television and radio media plan should be based on reaching 75 percent of its target (adults aged 35-64) once a week for eight weeks, to achieve 600 Gross Rating Points (GRPs).

Policy Acquisition and Retention

CEA staff proposes to design broadcast advertising for awareness and education that will complement online marketing and help facilitate the acquisition of a CEA policy through a Cooperative Marketing Venture (CMV). The CMV is intended to help the CEA Web site establish a “digital handshake” with participating insurer Web sites, and through the Marketing Value Program (MVP), feature trade advertising and distribution of co-branded CEA direct mail by participating-insurer agents

CEA’s CMV pilot program proposed for 2014, with participating insurers delivering more than 70 percent of CEA’s book-of-business already committed, will build on CEA’s 2012 online strategy that successfully earned nearly 600,000 minutes from consumers considering earthquake insurance, and for the first time attracted more consumers than agents to the CEA Web site, by:

- Creating new-policy leads for both CEA and participating insurer products;
- Co-branding CEA with participating insurer programming; and
- Converting CEA and participating insurer new-policy prospects into sales.

And CEA’s MVP proposed for 2014, which will continue an emphasis on strengthening relationships with agents through trade advertising and direct mail, will build on CEA’s 2013 budget that successfully identified appropriate levels and formats of direct mail including:

- Offering more materials to agents trained by the CEA to sell earthquake insurance;
- Creating different materials appealing to homeowners, condo owners, and renters;
- Translating English materials into Spanish and Chinese; and
- Producing point-of-sale materials for use by trained agents in their offices.

Finally, CEA’s proposed MVP for 2014 will distribute two rounds of direct mail that highlights claim-paying information and other policy features, to help reinforce retention of existing CEA policyholders.

The CEA has determined that its overall advertising budget for 2014, which combines awareness and education with policy acquisition and retention, should not exceed the P&C industry standard for advertising at 3.4 percent (participating insurers are at 2.24 percent) of premium:

- According to the P&C industry standard for advertising for companies such as the CEA’s participating insurers, and based on CEA’s projected premium revenue, CEA’s proposed budget to support its 2014 marketing programming should not exceed \$13.2 million; and
- Based on the P&C industry standard for acquisition and retention, and CEA’s actual 2012 new-policy sales, CEA’s proposed budget to support 2014 marketing programming should not exceed \$9.58 million.

Yet annualized, long-term marketing programming for the CEA is still in its infancy. And the CMV is proposed for first-time implementation in 2014.

Moreover, additional programming capabilities, such as a social-media strategy, have yet to take hold within CEA’s marketing program. A social media strategy, which will drive additional costs and provide additional benefit, may not be ready for full implementation until 2015.

While the MVP has succeeded thus far in building relationships with agents, the CMV offers potential for the CEA to coordinate more closely with marketing plans executed by CEA’s participating insurance companies. Establishing a digital handshake through the CMV will enable people considering earthquake insurance, for the first time, to move from CEA’s premium calculator directly to “finding an agent” on Web sites maintained by CEA’s participating insurers. Establishing this “digital handshake” in 2014 will greatly enhance the effectiveness of future CEA marketing programs.

After refining CEA’s marketing program to align with its unique policy-purchase process and marketing challenges, and combining a conservative expansion of its current programming capabilities, the CEA proposes to limit the 2014 budget to about 1.34 percent of premium:

Awareness and Education:

- Television Advertising. \$ 2,200,000
- Radio Advertising. \$ 1,800,000

Policy Acquisition and Retention:

- Trade Advertising. \$ 230,000
- Online Advertising. \$ 1,900,000
- Direct Mail \$ 1,800,000

TOTAL BUDGET \$ 7,930,000

In addition, the CEA proposes an augmentation of the 2013 budget for marketing services to finalize 2014 marketing program planning details by July 31, 2013, including:

- CMV protocol definition and documentation: Develop internal- and external-facing documentation that describes the CMV, soliciting input from CEA’s participating insurers. Includes final forms, legal considerations, and draft creative templates.
- Finalize media planning, soliciting input from participating insurers.
- Finalize technical aspects of digital handshake between CEA and participating insurers.

TOTAL BUDGET \$ 144,000

NOTE: At the August 2013 Governing Board meeting, staff plans to propose an additional 2013-marketing-services-budget augmentation in order to support finalizing the 2014 marketing program production of 2014 television, radio, trade, and online advertising.

Recommendation:

1. Approve proposed up to \$7,930,000 to implement the CEA’s 2014 marketing program.
2. Approve proposed augmentation of CEA’s 2013 marketing-services budget for up to \$144,000 to support finalizing 2014 marketing-program details.

Governing Board Memorandum

May 23, 2013

Agenda Item 7: CEA Advisory Panel update—Henry Williams

Recommended Action: No action required - information only

CEA Advisory Panel Vice-Chair Henry Williams will provide a summary of the proceedings from the April 25, 2013, Advisory Panel meeting.

Governing Board Memorandum

May 23, 2013

Agenda Item 8: First annual Risk-Capital Surcharge for
Nationwide Mutual Insurance Company

Recommended Action: Relieve Nationwide Mutual Insurance Company of
obligation to pay risk-capital surcharges

Background:

Nationwide Mutual Insurance Company (“Nationwide”) and its affiliates is a participating insurer of the California Earthquake Authority that began offering CEA earthquake-insurance coverage for policies effective on or after November 15, 2011.

As part of the CEA participating-insurer application process, and as required by law, Nationwide submitted to the CEA policy data for its earthquake-insurance book of business. The data was modeled (using EQECAT) to permit CEA staff to complete an “earthquake-insurance risk profile.” That profile indicates the current likelihood and magnitude of additional CEA losses on account of insuring Nationwide’s CEA book of business during its first full year of CEA participation.

Based on Nationwide’s earthquake-insurance risk profile and resulting staff recommendation, the Governing Board on April 29, 2010, unanimously approved Nationwide’s participation application, conditioned on Nationwide’s paying up to five annual risk-capital surcharges in addition to its required capital contribution¹ and any required loss assessments.²

On December 9, 2010, the Governing Board unanimously approved the method for calculating the annual risk-capital surcharge for new participating insurers.

Analysis:

Under the law, the Board must calculate the first risk-capital surcharge one year after the date the new participating insurer first placed or renewed business into the CEA; in addition, the Board must recalculate the risk-capital surcharge for each of up to four years after the first calculation and, for each such year, impose the resulting recalculated surcharge.

¹ As required by Insurance Code sec. 10089.15

² As required by Insurance Code secs. 10089.30 and 10089.31

Once the insurer's earthquake insurance risk profile becomes substantially similar to the CEA's average risk profile for a CEA book of business of similar size, the Board must relieve the insurer of further obligation to pay a risk-capital surcharge.

The law also provides that each annual risk-capital surcharge must equal the CEA's increased cost of providing or securing capacity to insure the new participant's excess earthquake-insurance risk.

The law requires full payment of a noticed risk-capital surcharge within 30 days.

CEA staff analyzed Nationwide's earthquake-insurance risk profile as of December 31, 2012, and determined that—as of that date—Nationwide's earthquake insurance risk profile was substantially similar to the CEA's average risk profile for a CEA book of business of similar size. CEA staff therefore recommends that the Board relieve Nationwide of further obligation to pay annual risk-capital surcharges.

Attachment A shows the first annual risk-capital-surcharge calculation for Nationwide.

Recommendation:

Consistent with the written resolution presented to the Board at this meeting, (1) based on the calculation of Nationwide's first annual risk-capital surcharge, relieve Nationwide of further obligation to pay annual risk-capital surcharges, and (2) direct CEA staff to take any and all steps it deems necessary to accomplish the relief action.

FIRST ANNUAL RISK-CAPITAL SURCHARGE CALCULATION

	(A)	(B)
	With Nationwide	Without Nationwide
(1) .20% Exceedence Level	9,698,192,492	9,684,379,415
(2) Reinsurance Limit for PML500	3,556,684,950	3,563,643,873
(3) Reinsurance E(L)	46,267,230	46,824,145
(4) E(L) / Limit	1.30%	1.31%
(5) SD(Loss) / Limit	10.95%	11.01%
(6) Capital Multiplier	2.17	2.17
(7) Capital Charge	23.73%	23.86%
(8) Reinsurer Target ROE	20.0%	20.0%
(9) Reinsurer Non-Brokerage Expense	9%	9%
(10) Technical Price	6.64%	6.69%
(11) Reinsurance Cost	236,334,227	238,294,789
(12) Risk Capital Surcharge		-

Notes:

- (A) Values in column (A) are based on the 12/31/2012 CEA portfolio as modeled by EQECAT which includes Nationwide
- (B) Values in column (B) are based on the 12/31/2012 CEA portfolio excluding Nationwide policies as modeled by EQECAT, adjusted for an increase in exposure equal to the exposure increase from Nationwide of 2.80% (see Exhibit 2)
- (1) .20% Exceedence level (PML500), representing CEA target capacity for 2012
- (2) Col. A is the actual 2012 reinsurance limit. Col. B is the limit needed to reach the target capacity level. Col. (B) is adjusted for Nationwide's addition to the CEA's total Claims Paying Capacity
- (3) Estimated expected loss to reinsurers based on modeled loss exceedence curves
- (4) (3) / (2)
- (5) Standard deviation of loss to reinsurers expressed as a percentage of the limit
- (6) Selection, calibrated to actual price for 2012 Reinsurance shown in Column (A), line (10)
- (7) (5) x (6)
- (8) Selection, calibrated to actual price in Column (A), line (10)
- (9) Selection, based on review of historical reinsurer expense levels
- (10) [(7) x (8) + (4)] / [1.0 - (9)]
- (11) (2) x (10)
- (12) (A-11) - (B-11); Zero, if negative

NATIONWIDE IMPACT ON EXPOSURE

Policy Type	Dec 2012 EXCLUDING Nationwide policies		Dec 2012 INCLUDING Nationwide Policies		COMPARISON	
	(1) Number of Policies	(2) Exposure (\$Thousands)	(3) Number of Policies	(4) Exposure (\$Thousands)	(5) Percentage Change (including/excluding) Policies	(6) Exposure
Homeowners	648,365	289,720,579	664,875	297,993,739	2.55%	2.86%
Mobilehomes	26,274	2,985,683	26,274	2,985,683	0.00%	0.00%
Renters	45,710	1,705,480.00	46,284	1,724,245	1.26%	1.10%
Condominiums	101,226	9,571,418	104,070	9,797,914	2.81%	2.37%
Total	821,575	303,983,160	841,503	312,501,580	2.43%	2.80%

Notes:

- (1) Dec 2012 portfolio excluding Nationwide policies
- (2) Coverage A-F amounts for HO, MH, Condos; Coverage C and D amounts for Renters - excluding Nationwide policies
- (3) Dec 2012 portfolio including Nationwide policies
- (4) Coverage A-F amounts for HO, MH, Condos; Coverage C and D amounts for Renters - including Nationwide policies
- (5) (3) / (1) - 1.0
- (6) (4) / (2) - 1.0

Governing Board Memorandum

May 23, 2013

Agenda Item 9: CEA Mitigation Program Guidelines Project

Recommended Action: Board approval of contract negotiations with the Applied Technology Council (“ATC”) to secure a contract to support management by ATC of the comprehensive single family dwelling seismic retrofit guidelines project

Background:

The purpose of the Earthquake Guideline Development Project is to create statewide retrofit standards that can be used to reduce earthquake damage in single family dwellings.

The Guidelines will be an extension of Chapter A3 of the International Building Code, the current, 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 guidelines will establish and expand (1) an incentive program to encourage seismic retrofits, such as that currently being coordinated under the California Residential Mitigation Program, and (2) improve the ability of the CEA to develop and provide appropriate mitigation-related premium discounts for its insured homeowners.

The CEA, in cooperation with the Federal Emergency Management Agency (“FEMA”), invited industry leaders—engineers, geologists, building officials, contractors, and community representatives—to a conference in September 2012 to discuss the proposed development of Guideline Documents for the Evaluation and Seismic Retrofit of Single-Family Dwellings. The lessons learned from that conference have been incorporated into a scope of work for Guidelines development created jointly by Janiele Maffei, CEA Chief Mitigation Officer, and Mike Mahoney, Geophysicist with FEMA.

The contractor chosen by CEA to manage the Guidelines Project is the Applied Technology Council (“ATC”). The work will be provided in connection with and according to the terms of an existing FEMA IDIQ contract with ATC, designated HSFE60-12-C-0242—this is a “Firm Fixed Price (FFP) Architect/Engineer IDIQ Contract.” It is anticipated that one task-order per year for each of the next four years will be required in order to complete the work.

The CEA will provide funding for the project, and Ms. Maffei will manage the project jointly with Mr. Mahoney of FEMA.

The 2013 CEA mitigation budget includes \$225,000 for this guidelines-development project.

The budget for each of the remaining three years of the guidelines project is estimated to be \$250,000.

Analysis:

FEMA's mission statement identifies its mission as: "To support our citizens and first responders to ensure that as a nation we work together to build, sustain, and improve our capability to prepare for, protect against, respond to, recover from, and mitigate all hazards." The Federal Insurance and Mitigation Administration ("FIMA") Risk Reduction Division, is a department within FEMA that has funded, managed, and promoted building-code development, including critical earthquake-retrofit guidelines and standards.

As described on its website, ATC is a nonprofit, tax-exempt corporation established in 1973 through the efforts of the Structural Engineers Association of California. ATC's mission is to develop and promote state-of-the-art, user-friendly engineering resources and applications for use in mitigating the effects of natural and other hazards on the built environment. ATC also identifies and encourages needed research and develops consensus opinions on structural engineering issues in a nonproprietary format. ATC thereby fulfills a unique role in "funded information transfer."

FEMA and ATC have jointly created numerous model seismic codes and standards, and are both well qualified and uniquely suited to work together. Some of the seismic evaluation and retrofit guidelines developed jointly by FEMA and ATC are:

- *ATC 28: Development of Guidelines for Seismic Rehabilitation of Buildings, Phase I (FEMA 237)*
- *ATC 40: Seismic Evaluation and Retrofit of Concrete Buildings*
- *FEMA P 420: Engineering Guideline for Incremental Seismic Rehabilitation*
- *FEMA 274: NEHRP Commentary on the Guidelines for the Seismic Rehabilitation of Buildings*
- *FEMA 276: Example Applications of the NEHRP Guidelines for the Seismic Rehabilitation of Buildings*
- *FEMA 356: Prestandard and Commentary for the Seismic Rehabilitation of Buildings*

For almost four decades, these joint ATC-FEMA projects have set the standard for seismic-code development.

Basis for contracting:

Under CEA's rules and protocols for procurements/contracting with a single source, without formal public competition, one of the CEA's established, written sole-source criteria must be clearly established, and the CEA's general counsel must support—and the chief executive officer must approve—the sole-source process and procurement/contracting recommendation.

In this case, the showing of “unique qualifications” was sufficiently made, and the general counsel and CEO have formally recommended and approved, respectively, this sole-source procurement.

Recommendation:

CEA staff recommends that, under the framework laid out above, the Governing Board authorize CEA mitigation and legal/compliance staff to negotiate with the Applied Technology Council to secure a suitable contract that would support ATC’s management of the CEA/FEMA comprehensive single family dwelling seismic retrofit guidelines development project.

Governing Board Memorandum

May 23, 2013

Agenda Item 10: Update on the CEA Mitigation Program

Recommended Action: No action required

Background and Analysis:

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

Critical to the CRMP schedule were solicitations for web-site designers, an independent financial auditor, insurance services, inspection services, quality-control services, and marketing services.

Request for qualifications were issued in late 2012 and early 2013 for these services. Evaluations and interviews were held in early 2013.

The CRMP board of directors, established by a joint exercise of powers agreement between the CEA and CalEMA, authorized contract negotiations with the web-site designer, auditor, and insurance services vendors at the March 19, 2013, CRMP board meeting. The CRMP board authorized contract negotiations with the inspection services vendor at its May 9, 2013, meeting.

Contract negotiations with the program evaluator and marketing vendors, however, were not approved, and the May 9, 2013, meeting was continued to June 3, 2013.

Recommendation:

No action – information only.

Governing Board Memorandum

May 23, 2013

Agenda Item 11: Proposed (CEA-provided) California Residential Mitigation Program funding

Recommended Action: Approve proposed (CEA-provided) California Residential Mitigation Program funding

Background:

At the December 9, 2010, CEA Governing Board meeting, the Board approved initial CEA-provided funding of the California Residential Mitigation Program (CRMP) at a level of \$500,000, intended to cover the following startup activities:

- Creating an accounting system
- Opening bank accounts and purchasing liability insurance
- Developing and testing an interactive Web portal
- Producing an online training/educational course and tracking system for qualified contractors
- Producing an online application to front the process of providing/securing available financial incentives to retrofit qualified homes
- Developing a system to verify building permits and building-inspection documents
- Establishing quality-assurance and customer-service protocols and systems
- Defining risk-management processes
- Planning and developing marketing and collateral concepts

Attachment A shows the CRMP funds balance as of March 31, 2013.

Analysis:

CRMP is continuing to develop and expand its seismic-retrofit programming. *Attachment B* depicts the currently approved CRMP budget for completing the pilot phase and a start of the statewide program. Below are a few of the key developments:

Staffing. Two customer care representatives will provide the first point of contact by phone and email for homeowners and contractors seeking information on the CRMP incentive program and the program Web site. The representatives will also review applications for completeness and eligibility, submit applications for final program review, and ultimately, submit documentation in support of payment approval.

Incentive Payments. Within the pilot phase of the incentive program, CRMP anticipates providing \$60,000 in incentive payments to participating homeowners (\$3,000 per incentive [X] 20 retrofitted homes). For the statewide program rollout, the number of houses qualifying for and participating in the incentive program is not presently known. As an opening allocation, consequently, the budget for this item would cover the cost of assisting 146 homeowners within the statewide program—it is the judgment of program management that this funding level, together with information and experience developed as the program moves forward, will provide a suitable guide for determining annual program funding.

Contracted Services. CRMP staff has been working to procure services necessary to develop, implement, and manage and administer the incentive program, including:

Independent Financial Auditor.

Reporting to the CRMP governing board, the auditor will work with staff to develop protocols and procedures for records-development and both application- and payment-processing. (Under contract.)

Insurance Consultant

Expert insurance-consulting services, and the resulting insurance coverages obtained at appropriate limits, will provide the CRMP board and staff (and the program itself, as well as its sponsors) with requisite insurance coverages to support and protect the planned business activities of the CRMP. (Under contract.)

Web site

The Web-site-development contractor will design the Web site, the database that supports the processing of program applications and supporting documentation, payments to program participants, and the educational material for the contractors and building officials. (Under contract.)

Marketing and Public Relations

Marketing and public relations will develop the look and feel of the program, including a logo and related materials, as well as assist staff and CRMP governing board in planning for outreach and publicity—the last item would include media relations, public participation, inclusion of state and local public officials, and promotion of non-governmental partnerships, which in turn provide addition support for and promotion of the program. (Procurement and proposed services under consideration by CRMP governing board.)

“Special Inspections”

Contracting with firms to secure “special inspections” will enable CRMP to verify that participating dwellings meet program requirements to qualify for the pilot, obtain a direct sense of the quality of the retrofit work performed by contractors, and ultimately, support and assess the inspections performed by local building officials. (Procurement ongoing.)

Program Evaluation

The program evaluator’s primary task is to evaluate all aspects of the pilot process, in order to determine the operational, marketing, and administrative features of the program—this information will, in turn, assist management and governing board assessments of overall program performance. (Procurement ongoing.)

Legal

Legal services provide the guidance necessary to address contracting and governance issues, privacy requirements and other matters key to customer relationships, and the legal suitability of all aspects of the CRMP’s intended programming. (Under contract through CEA.)

Recommendations:

Staff recommends the CEA Governing Board approve a transfer of funds to CRMP in the amount of \$1 million, as proposed and explained above and during the Board meeting, to be used in connection with completing the CRMP’s pilot-phase retrofit programming and commencing the program’s statewide rollout.

**California Residential Mitigation Program
Balance Sheet
As of March 31, 2013**

Assets

Cash and cash equivalents	\$ 266,785
	<hr/>
Total assets	\$ 266,785
	<hr/> <hr/>

Liabilities and Fund Balance

Fund Balance:	
Unassigned	266,785
	<hr/>
Total fund balance	266,785
	<hr/>
Total liabilities and fund balance	\$ 266,785
	<hr/> <hr/>

**California Residential Mitigation Program
Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year-to-Date Ended March 31, 2013**

Expenditures:	
Legal Services	\$ 30,645
Advertising Administration	18,553
Administration and Office Expenses	320
	<hr/>
Total expenditures	49,518
	<hr/>
Net change in fund balance	(49,518)
Fund balance, beginning of year	316,303
	<hr/>
Fund balance, end of year to date	<u>\$ 266,785</u>

Governing Board Memorandum

May 23, 2013

Agenda Item 12: Proposed Mitigation-Budget augmentation

Recommended Action: Approve Proposed Mitigation-Budget augmentation

Background:

At the December 13, 2012, Governing Board meeting, CEA staff proposed—and the Board accepted and approved—the 2013 CEA Mitigation Budget.

Analysis:

The 2013 Mitigation Budget requires augmentation to accommodate several items that are new for 2013. The augmentation would increase the categories of Salaries and Benefits, Furniture/Equipment, EDP Hardware/Software, and Staffing Services – Support and Administration.

The following are the proposed budget augmentations, by category:

Salaries and Benefits: \$23,000

The increase is related to adding temporary staff to provide administrative support to the CRMP program manager and executive director.¹

Furniture/Equipment: \$600

This increase supports purchase of a suitable ergonomic chair for staff.

EDP Hardware/Software: \$2500

This increase supports purchasing a laptop computer, and related support and equipment, for use by a research intern.

Staffing Services – Support and Administration: \$12,000

This increase supports additional administrative and overhead costs for temporary services.

Attachment A shows the proposed (augmented) 2013 Mitigation Budget.

Recommendation: Staff recommends the Board approve the proposed Mitigation Budget augmentation.

¹ The CRMP executive director is Janiele Maffei, the CEA's Chief Mitigation Officer.

**California Earthquake Authority
Mitigation
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 3/31/2013</u>	<u>Proposed Augmentations May</u>	<u>2013 Budget after Proposed Augmentations and Adjustments</u>	<u>Actual Expenditures as of 3/31/13</u>	<u>Augmented & Adjusted Approved Budget (d) vs. Actual Expenses (e)</u>	<u>Percentage used of Augmented & Adjusted Approved 2013 Budget</u>
Salaries & Benefits	\$ 241,962	\$ -	\$ 23,000	\$ 264,962	\$ 61,578	\$ 203,384	23.24%
Rent	25,200	-	-	25,200	5,166	20,034	20.50%
Travel	34,000	-	-	34,000	4,208	29,792	12.38%
Non-paid Consultant Travel	1,000	-	-	1,000	-	1,000	0.00%
Telecommunications	7,250	-	-	7,250	784	6,466	10.81%
Training	15,250	-	-	15,250	5,380	9,870	35.28%
Insurance	5,000	-	-	5,000	-	5,000	0.00%
Board/Panel Services	-	-	-	-	-	-	0.00%
Administration & Office	122,850	-	-	122,850	17,864	104,986	14.54%
(Software Maint & Support, Printing & Stationery, Postage)							
Administrative Contracted Services							
Data Mgmt Services	-	-	-	-	-	-	0.00%
Other Administrative Contracted Services	-	-	-	-	-	-	0.00%
Furniture/Equipment	1,400	-	600	2,000	-	2,000	0.00%
EDP Hardware/Software	-	-	-	-	-	-	0.00%
Dept of Insurance Examination	-	-	-	-	-	-	0.00%
Total Operating Expenses	\$ 453,912	\$ -	\$ 23,600	\$ 477,512	\$ 94,980	\$ 382,532	19.89%
Consulting Services							
Other Consulting Services	25,000	-	-	25,000	-	25,000	0.00%
Total Consulting Services	\$ 25,000	\$ -	\$ -	\$ 25,000	\$ -	\$ 25,000	0.00%
Contracted Services							
Mitigation Projects	325,000	-	-	325,000	-	325,000	0.00%
Staffing Services-Support and Admin	14,367	-	12,000	26,367	2,954	23,413	0.00%
Other Contracted Services	10,000	-	-	10,000	-	10,000	0.00%
Total Contracted Services	\$ 349,367	\$ -	\$ 12,000	\$ 361,367	\$ 2,954	\$ 358,413	0.82%
Investment Expenses	25,000	-	-	25,000	5,026	19,974	20.10%
Total Expenditures	\$ 853,279	\$ -	\$ 35,600	\$ 888,879	\$ 102,960	\$ 785,919	11.58%

California Earthquake Authority

Losses & Loss Adjustment Expenses (LAE) Paid - Cumulative to March 31, 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
12410	Brawley		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				179	\$3,769,344.49	\$338,378.70	\$4,107,723.19

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 4/23/2013 - Policies in Force on: 03/31/2013

TOTALS	Policies In Force	% Total	Exposure	% Total	Written Premium	% Total	Avg Written Premium
Homeowners							
15% Total	588,151	69.9 %	261,890,961,077	83.4 %	447,263,420	80.1 %	760
10% Total	67,951	8.1 %	32,844,962,415	10.5 %	55,765,029	10.0 %	821
Homeowners Total	656,102	78.0 %	294,735,923,492	93.9 %	503,028,449	90.1 %	767
Homeowners Choice							
15% Total	4,817	0.6 %	2,717,621,502	0.9 %	4,605,726	0.8 %	956
10% Total	3,161	0.4 %	1,804,070,104	0.6 %	2,760,907	0.5 %	873
Homeowners Choice Total	7,978	0.9 %	4,521,691,606	1.4 %	7,366,633	1.3 %	923
Manufactured Homes (Mobilehomes)- Homeowners							
15% Total	21,575	2.6 %	2,309,195,062	0.7 %	2,415,496	0.4 %	112
10% Total	4,341	0.5 %	648,419,659	0.2 %	580,188	0.1 %	134
Manufactured Homes (Mobilehomes)- Homeowners Total	25,916	3.1 %	2,957,614,721	0.9 %	2,995,684	0.5 %	116
Manufactured Homes (Mobilehomes)- Homeowners Choice							
15% Total	91	0.0 %	14,040,217	0.0 %	15,725	0.0 %	173
10% Total	109	0.0 %	18,916,389	0.0 %	13,629	0.0 %	125
Manufactured Homes (Mobilehomes)- Homeowners Choice Total	200	0.0 %	32,956,606	0.0 %	29,354	0.0 %	147
Condo Total	103,976	12.4 %	9,820,970,500	3.1 %	39,397,820	7.1 %	379
Renters Total	47,156	5.6 %	1,761,584,500	0.6 %	5,665,432	1.0 %	120
Grand Total	841,328	100.0 %	313,830,741,425	100.0 %	558,483,373	100.0 %	664

California Earthquake Authority

Operations - Governing Board Report

All Companies - As Of 4/23/2013 - Policies in Force on: 03/31/2013

HOMEOWNERS	Policies In Force	% Total	Exposure	% Total	Written Premium	% Total	Avg Written Premium
Deductible - 15%							
CovA/C5k/D1.5k/BCU10k	588,151	89.6 %	254,117,397,077	86.2 %	418,674,602	83.2 %	712
BCU 20k	67,416	10.3 %	674,160,000	0.2 %	1,126,164	0.2 %	17
Coverage C 25k	32,285	4.9 %	645,700,000	0.2 %	4,320,895	0.9 %	134
Coverage C 50k	21,114	3.2 %	950,130,000	0.3 %	4,646,149	0.9 %	220
Coverage C 75k	9,651	1.5 %	675,570,000	0.2 %	2,692,283	0.5 %	279
Coverage C 100k	33,720	5.1 %	3,203,400,000	1.1 %	11,578,269	2.3 %	343
Coverage D 10k	38,526	5.9 %	327,471,000	0.1 %	960,064	0.2 %	25
Coverage D 15k	72,335	11.0 %	976,522,500	0.3 %	2,673,184	0.5 %	37
Coverage D 25k	13,643	2.1 %	320,610,500	0.1 %	591,812	0.1 %	43
15% Total	588,151	89.6 %	261,890,961,077	88.9 %	447,263,420	88.9 %	760
Deductible - 10%							
CovA/C5k/D1.5k/BCU10k	67,951	10.4 %	29,411,758,415	10.0 %	44,688,263	8.9 %	658
BCU 20k	17,668	2.7 %	176,680,000	0.1 %	247,446	0.0 %	14
Coverage C 25k	10,950	1.7 %	219,000,000	0.1 %	1,561,823	0.3 %	143
Coverage C 50k	8,013	1.2 %	360,585,000	0.1 %	1,527,843	0.3 %	191
Coverage C 75k	4,116	0.6 %	288,120,000	0.1 %	986,364	0.2 %	240
Coverage C 100k	18,494	2.8 %	1,756,930,000	0.6 %	5,621,439	1.1 %	304
Coverage D 10k	13,587	2.1 %	115,489,500	0.0 %	245,938	0.0 %	18
Coverage D 15k	25,668	3.9 %	346,518,000	0.1 %	678,960	0.1 %	26
Coverage D 25k	7,229	1.1 %	169,881,500	0.1 %	206,953	0.0 %	29
10% Total	67,951	10.4 %	32,844,962,415	11.1 %	55,765,029	11.1 %	821
Homeowners Total	656,102	100.0 %	294,735,923,492	100.0 %	503,028,449	100.0 %	767

California Earthquake Authority

Operations - Governing Board Report

All Companies - As Of 4/23/2013 - Policies in Force on: 03/31/2013

HOMEOWNERS CHOICE	Policies In Force	% Total	Exposure	% Total	Written Premium	% Total	Avg Written Premium
Deductible - 15%							
CovA/C5k/D1.5k/BCU10k ¹	4,817	60.4 %	2,551,440,002	56.4 %	3,903,176	53.0 %	810
BCU 20k	1,539	19.3 %	15,390,000	0.3 %	26,497	0.4 %	17
Coverage C 25k	609	7.6 %	12,180,000	0.3 %	128,288	1.7 %	211
Coverage C 50k	497	6.2 %	22,365,000	0.5 %	129,386	1.8 %	260
Coverage C 75k	180	2.3 %	12,600,000	0.3 %	52,116	0.7 %	290
Coverage C 100k	623	7.8 %	59,185,000	1.3 %	231,003	3.1 %	371
Coverage D 10k	594	7.4 %	5,049,000	0.1 %	24,301	0.3 %	41
Coverage D 15k	371	4.7 %	5,008,500	0.1 %	18,902	0.3 %	51
Coverage D 25k	1,464	18.4 %	34,404,000	0.8 %	92,055	1.2 %	63
15% Total	4,817	60.4 %	2,717,621,502	60.1 %	4,605,726	62.5 %	956
Deductible - 10%							
CovA/C5k/D1.5k/BCU10k ¹	3,161	39.6 %	1,629,812,104	36.0 %	2,165,092	29.4 %	685
BCU 20k	1,291	16.2 %	12,910,000	0.3 %	18,694	0.3 %	14
Coverage C 25k	625	7.8 %	12,500,000	0.3 %	107,560	1.5 %	172
Coverage C 50k	480	6.0 %	21,600,000	0.5 %	101,035	1.4 %	210
Coverage C 75k	196	2.5 %	13,720,000	0.3 %	49,199	0.7 %	251
Coverage C 100k	774	9.7 %	73,530,000	1.6 %	234,848	3.2 %	303
Coverage D 10k	552	6.9 %	4,692,000	0.1 %	15,088	0.2 %	27
Coverage D 15k	314	3.9 %	4,239,000	0.1 %	11,420	0.2 %	36
Coverage D 25k	1,322	16.6 %	31,067,000	0.7 %	57,971	0.8 %	44
10% Total	3,161	39.6 %	1,804,070,104	39.9 %	2,760,907	37.5 %	873
Homeowners Choice Total	7,978	100.0 %	4,521,691,606	100.0 %	7,366,633	100.0 %	923

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

California Earthquake Authority

Operations - Governing Board Report

All Companies - As Of 4/23/2013 - Policies in Force on: 03/31/2013

MANUFACTURED HOMES (MOBILEHOMES)- HOMEOWNERS	Policies In Force	% Total	Exposure	% Total	Written Premium	% Total	Avg Written Premium
Deductible - 15%							
CovA/C5k/D1.5k/BCU10k	21,575	83.2 %	2,113,030,562	71.4 %	2,293,302	76.6 %	106
Coverage C 25k	1,661	6.4 %	33,220,000	1.1 %	35,853	1.2 %	22
Coverage C 50k	1,115	4.3 %	50,175,000	1.7 %	36,969	1.2 %	33
Coverage C 75k	344	1.3 %	24,080,000	0.8 %	13,088	0.4 %	38
Coverage C 100k	493	1.9 %	46,835,000	1.6 %	21,459	0.7 %	44
Coverage D 10k	1,648	6.4 %	14,008,000	0.5 %	6,056	0.2 %	4
Coverage D 15k	1,490	5.7 %	20,115,000	0.7 %	6,962	0.2 %	5
Coverage D 25k	329	1.3 %	7,731,500	0.3 %	1,808	0.1 %	5
15% Total	21,575	83.2 %	2,309,195,062	78.1 %	2,415,496	80.6 %	112
Deductible - 10%							
CovA/C5k/D1.5k/BCU10k	4,341	16.8 %	464,904,659	15.7 %	499,552	16.7 %	115
Coverage C 25k	1,363	5.3 %	27,260,000	0.9 %	21,516	0.7 %	16
Coverage C 50k	1,053	4.1 %	47,385,000	1.6 %	24,364	0.8 %	23
Coverage C 75k	331	1.3 %	23,170,000	0.8 %	9,272	0.3 %	28
Coverage C 100k	474	1.8 %	45,030,000	1.5 %	14,981	0.5 %	32
Coverage D 10k	1,322	5.1 %	11,237,000	0.4 %	3,170	0.1 %	2
Coverage D 15k	1,470	5.7 %	19,845,000	0.7 %	5,653	0.2 %	4
Coverage D 25k	408	1.6 %	9,588,000	0.3 %	1,680	0.1 %	4
10% Total	4,341	16.8 %	648,419,659	21.9 %	580,188	19.4 %	134
Manufactured Homes (Mobilehomes)-Homeowners Total	25,916	100.0 %	2,957,614,721	100.0 %	2,995,684	100.0 %	116

California Earthquake Authority

Operations - Governing Board Report

All Companies - As Of 4/23/2013 - Policies in Force on: 03/31/2013

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	91	45.5 %	11,088,717	33.6 %	13,142	44.8 %	144
Coverage C 25k	22	11.0 %	440,000	1.3 %	759	2.6 %	35
Coverage C 50k	15	7.5 %	675,000	2.0 %	728	2.5 %	49
Coverage C 75k	2	1.0 %	140,000	0.4 %	100	0.3 %	50
Coverage C 100k	8	4.0 %	760,000	2.3 %	457	1.6 %	57
Coverage D 10k	9	4.5 %	76,500	0.2 %	93	0.3 %	10
Coverage D 15k	8	4.0 %	108,000	0.3 %	73	0.2 %	9
Coverage D 25k	32	16.0 %	752,000	2.3 %	374	1.3 %	12
15% Total	91	45.5 %	14,040,217	42.6 %	15,725	53.6 %	173
Deductible - 10%							
CovA/C5k/D1.5k/BCU10k ¹	109	54.5 %	12,677,389	38.5 %	10,654	36.3 %	98
Coverage C 25k	39	19.5 %	780,000	2.4 %	863	2.9 %	22
Coverage C 50k	27	13.5 %	1,215,000	3.7 %	734	2.5 %	27
Coverage C 75k	17	8.5 %	1,190,000	3.6 %	358	1.2 %	21
Coverage C 100k	14	7.0 %	1,330,000	4.0 %	410	1.4 %	29
Coverage D 10k	23	11.5 %	195,500	0.6 %	160	0.5 %	7
Coverage D 15k	14	7.0 %	189,000	0.6 %	92	0.3 %	7
Coverage D 25k	57	28.5 %	1,339,500	4.1 %	357	1.2 %	6
10% Total	109	54.5 %	18,916,389	57.4 %	13,629	46.4 %	125
Manufactured Homes (Mobilehomes)-Homeowners Choice Total	200	100.0 %	32,956,606	100.0 %	29,354	100.0 %	147

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

California Earthquake Authority

Operations - Governing Board Report

All Companies - As Of 4/23/2013 - Policies in Force on: 03/31/2013

CONDO	Policies In Force	% Total	Exposure	% Total	Written Premium	% Total	Avg Written Premium
Coverage A/BCU 10k	75,907	73.0 %	2,656,745,000	27.1 %	8,031,376	20.4 %	106
Coverage C 5k/D 1.5k	35,429	34.1 %	230,288,500	2.3 %	2,533,778	6.4 %	72
Coverage C 5k ¹	9,362	9.0 %	46,810,000	0.5 %	581,902	1.5 %	62
Coverage C 25k	14,731	14.2 %	368,275,000	3.7 %	1,670,057	4.2 %	113
Coverage C 50k	12,294	11.8 %	614,700,000	6.3 %	1,534,855	3.9 %	125
Coverage C 75k	5,692	5.5 %	426,900,000	4.3 %	766,538	1.9 %	135
Coverage C 100k	11,765	11.3 %	1,176,500,000	12.0 %	1,631,510	4.1 %	139
Coverage D 1.5k ²	7,258	7.0 %	10,887,000	0.1 %	95,185	0.2 %	13
Coverage D 10k	14,524	14.0 %	145,240,000	1.5 %	371,827	0.9 %	26
Coverage D 15k	25,870	24.9 %	388,050,000	4.0 %	708,444	1.8 %	27
Coverage D 25k	6,192	6.0 %	154,800,000	1.6 %	166,267	0.4 %	27
Coverage E 25k	3,201	3.1 %	80,025,000	0.8 %	714,661	1.8 %	223
Coverage E 50k	59,920	57.6 %	2,996,000,000	30.5 %	17,923,232	45.5 %	299
Coverage E 75k	7,010	6.7 %	525,750,000	5.4 %	2,668,190	6.8 %	381
Condo Total	103,976	100.0 %	9,820,970,500	100.0 %	39,397,820	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 4/23/2013 - Policies in Force on: 03/31/2013

RENTERS	Policies In Force	% Total	Exposure	% Total	Written Premium	% Total	Avg Written Premium
Coverage C 5k/D 1.5k	18,213	38.6 %	118,384,500	6.7 %	1,367,604	24.1 %	75
Coverage C 5k ¹	3,640	7.7 %	18,200,000	1.0 %	246,316	4.3 %	68
Coverage C 25k	11,608	24.6 %	290,200,000	16.5 %	1,424,645	25.1 %	123
Coverage C 50k	7,170	15.2 %	358,500,000	20.4 %	956,828	16.9 %	133
Coverage C 75k	2,138	4.5 %	160,350,000	9.1 %	307,246	5.4 %	144
Coverage C 100k	4,387	9.3 %	438,700,000	24.9 %	615,428	10.9 %	140
Coverage D 1.5k ²	5,220	11.1 %	7,830,000	0.4 %	70,713	1.2 %	14
Coverage D 10k	7,921	16.8 %	79,210,000	4.5 %	221,310	3.9 %	28
Coverage D 15k	10,484	22.2 %	157,260,000	8.9 %	303,537	5.4 %	29
Coverage D 25k	5,318	11.3 %	132,950,000	7.5 %	151,805	2.7 %	29
Renters Total	47,156	100.0 %	1,761,584,500	100.0 %	5,665,432	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