Date of Notice: Friday, June 3, 2016

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 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: **California Department of Food and Agriculture***
Auditorium, Room 130
1220 N Street
Sacramento, California

DATE: **Wednesday, June 15, 2016**

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

*** Because of facility limitations at this location, this Governing Board meeting will not be available as audio or video on the Internet.**

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 March 16, 2016, CEA Governing Board meeting.

3. Executive Report by Chief Executive Officer Glenn Pomeroy, which will include an update for the Board on legislative activities of interest to the CEA.

4. Mr. Pomeroy will request the Board's support for new federal legislation, which would provide that receipt by homeowners of CEA/CRMP Earthquake Brace + Bolt grants, incentive payments, and related benefits are exempt from federal income tax.

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

6. Mr. Richison will propose, for Board approval, to negotiate and contract with the investment management firms competitively selected to manage the CEA Primary Fund.

7. Mr. Richison will propose to the Board a pre-event bond program, which would permit the CEA to organize, plan, and regularly issue pre-earthquake debt within the program structure.

8. Mr. Richison will recommend to the Board transferring money from the CEA's Earthquake Loss Mitigation Fund to the California Residential Mitigation Program ("CRMP"), a joint powers authority whose members are the California Governor's Office of Emergency Services and the CEA.

9. CEA independent financial auditor Plante & Moran, PLLC, will present to the Board the results of its most recent audit of the CEA, conducted pursuant to standards of the Governmental Accounting Standards Board (GASB).

10. Mr. Richison will seek the Board's approval for the annual set-aside of a statutory portion of CEA investment income for transfer into the CEA Earthquake Loss Mitigation Fund.

11. Mr. Pomeroy will propose for Board approval the creation of a Chief Risk Officer position as a member of the CEA executive team.

12. Chief Communications Officer Chris Nance will brief the Governing Board on advertising and marketing contract initiatives now underway, and seek Board ratification of certain interim 2016 advertising-related contracts.

13. Chief Mitigation Officer Janiele Maffei will update the Board on CEA-mitigation-program projects.

14. Ms. Maffei will update the Board on the CRMP's incentive program (called Earthquake Brace + Bolt).

15. Mr. Pomeroy will update the Board on progress of the "CEA Earthquake Brace + Bolt" initiative, formerly known as the risk-reduction program.

16. Chief Information Officer Todd Coombes will report to the Board regarding 2016 CEA information technology (IT) initiatives and the IT Project Portfolio.

17. Mr. Coombes will update the Board on progress toward centralizing processing of CEA insurance policies.

18. Mr. Pomeroy will present to the Board the creation of a CEA Stakeholders Outreach program.

19. Mr. Pomeroy will update the Board on progress in data collection and reporting that support the Metrics Project.

20. Mr. Pomeroy will update the Board on the CEA's office space, now under lease (on the floor immediately above the CEA's main office), which will accommodate CEA staff and operations.

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 matters that do not appear on this agenda and requests by the public that those matters be placed on a future agenda.

23. Adjournment.

For further information about this notice or its contents:

General Information:
Carlos Martinez
(916) 661-5549 (Direct)
Toll free: (877) 797-4300

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Sacramento, CA 95814
Toll free: (877) 797-4300

Media Contact:
Chris Nance
Chief Communications Officer
(916) 661-5521 (Direct)
cnance@calquake.com

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

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

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

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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 cmartinez@calquake.com.

Draft Meeting Minutes are not available.

Please see CEA Governing Board Meeting
Approved Minutes.

Governing Board Memorandum

June 15, 2016

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, which will include an update on legislative activities of interest to the CEA.

Governing Board Memorandum

June 15, 2016

Agenda Item 4:	Seeking sense of Governing Board in pursuing federal legislation exempting CEA mitigation grants from federal income tax
Recommended Action:	No action required—information only

Chief Executive Officer Glenn Pomeroy will request the sense of the CEA Governing Board in supporting the Authority's effort to seek federal legislation, which would exempt from federal income tax the receipt by homeowners (including both CEA policyholders and members of the general public who are CRMP customers) of CEA or CRMP Earthquake Brace + Bolt grants, incentive payments, and related benefits.

<u>Background</u>

Earthquake Brace + Bolt (EBB) was developed by the California Residential Mitigation Program, a joint powers authority whose participants are the CEA and the California Governor's Office of Emergency Services, to financially assist homeowners reduce the potential for damage to their houses from earthquake shaking.

A residential seismic retrofit strengthens an existing older house, making it more resistant to earthquake activity such as ground shaking and soil failure. Eligible homeowners in any of the present EBB programs receive grants of up to $3,000 to help pay the cost of a building-code-based retrofit of their houses.

These grants are currently considered income for purposes of federal income tax and are therefore taxed in the year of receipt.

Only certain mitigation grants—those funded by FEMA with Stafford Act funds—are already exempt from federal income tax, but that carve-out quite clearly indicates a basic structural consistency with the CEA's new initiative to exempt broader categories of very similarly purposed grants.

2015 California legislation—suggested and supported by CEA—already exempts such grant payments from California's state income tax.

This proposed federal legislation would provide a federal tax exemption for financial incentives provided by CEA and CEA-related grant programs to homeowners, for the purpose of natural-disaster-loss mitigation.

No legislation has yet been introduced in Congress, but initial discussions have been held and support for the concept is forming.

Recommendation

CEO Glenn Pomeroy will ask the Governing Board to express its unanimous sense that exempting mitigation grants from federal income taxation is in total harmony with the broad public policy that underlies both the CEA's mitigation efforts, and its joint efforts with Cal OES, in the various CEA and CRMP grant programs: Families, their homes, and their communities are best protected and made more resilient when seismic risks and vulnerabilities are effectively addressed through code-based retrofits, and the existing substantial federal income taxation of these mitigation grants cuts against that vital public policy and should be changed.

FINANCIAL REPORT

April 30, 2016

Financial Report Table of Contents

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

Financial Statements
&
Budgets

California Earthquake Authority
Balance Sheet
as of April 30, 2016

Assets	
Cash and investments:	
Cash and cash equivalents	$ 31,996,760
Restricted cash and equivalents	25,897,560
Restricted investments	383,121,937
Investments	5,614,815,191
Total cash and investments	6,055,831,448
Premiums receivable, net of allowance for doubtful accounts of $8,052,903	41,389,241
Capital contributions receivable	-
Risk capital surcharge receivable	-
Interest receivable	21,322,756
Securities receivable	22,387,911
Restricted securities receivable	5,615,009
Prepaid reinsurance premium	22,076,156
Transformer reinsurance premium deposit	-
Prepaid transformer maintenance premium	801,254
Equipment, net	204,585
Other assets	14,977
Total assets	$ 6,169,643,337
Liabilities and Net Position	
Unearned premiums	$ 287,459,842
Accounts payable and accrued expenses	4,784,005
Payable to California Residential Mitigation Program	-
Accrued reinsurance premium expense	-
Loss and loss adjustment expense reserves	574,544
Securities payable	6,347,478
Revenue bond payable	350,000,000
Revenue bond interest payable	2,861,500
Total liabilities	652,027,369
Net position:	
Restricted, expendable	58,039,891
Unrestricted, participating insurer contributed capital	777,384,796
Unrestricted, State of California contributed capital	229,044,720
Unrestricted, all other remaining	4,453,146,561
Total net position	5,517,615,968
Total liabilities and net position	$ 6,169,643,337

Unaudited

California Earthquake Authority
Statement of Revenues, Expenses and Changes in Net Position
Year-To-Date April 30, 2016

Unaudited

Underwriting income:	
Premiums written	$ 166,956,620
Less premiums ceded - reinsurance	(64,129,497)
Less risk capital surcharge	-
Net premiums written	102,827,123
Change in unearned premiums	39,253,087
Net premiums earned	142,080,210
Expenses:	
Losses and loss adjustment expenses	348,536
Participating Insurer commissions	16,695,995
Participating Insurer operating costs	5,416,562
Reinsurance broker commissions	1,301,921
Pro forma premium taxes equivalent	3,926,413
Other underwriting expenses	9,412,414
Total expenses	37,101,841
Underwriting profit	104,978,369
Net investment income	110,455,575
Other income	124,770
Grant revenue	-
Financing expenses, net	(1,797,521)
Earthquake Loss Mitigation Fund expenses	(496,508)
Participating Insurer Contributed Capital	-
State of California premium tax contribution equivalent	3,926,413
Increase in net position	217,191,098
Net position, beginning of year	5,300,424,870
Net position, end of year to date	$ 5,517,615,968

CALIFORNIA EARTHQUAKE AUTHORITY
Insurance Services
Budgeted and Actual Expenditures
2016 Budget Year
as of April 30, 2016

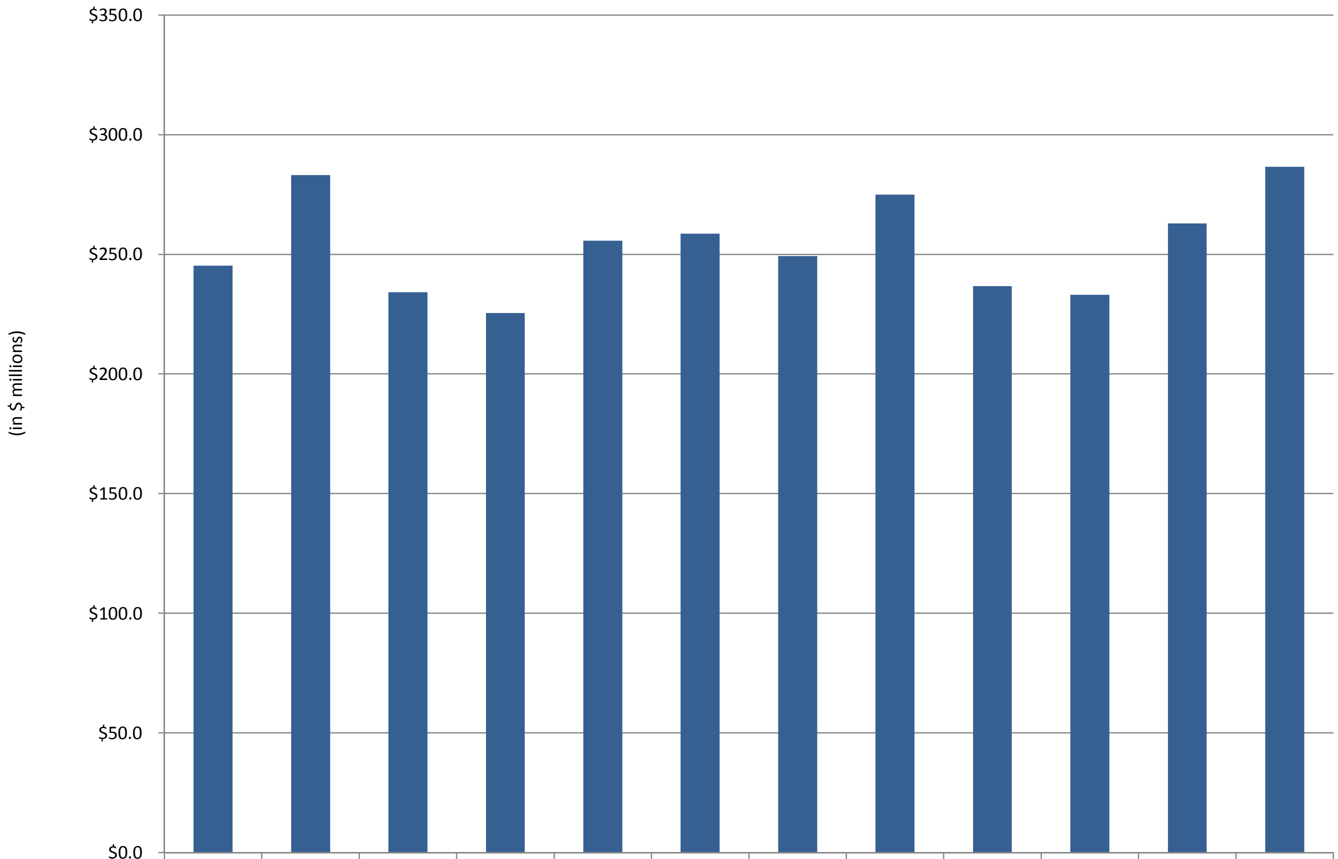
	Approved 2016 Budget 1/1/2016	Adjustments	Augmentations	2016 Budget after Augmentations and Adjustments	Actual Expenditures	Augmented & Adjusted Approved Budget (d) vs. Actual Expenditures (e)	Percentage used of Augmented & Adjusted Approved 2016 Budget
Human Resources:							
Compensation and Benefits	$ 21,323,212	$ -	$ -	$ 21,323,212	$ 4,552,928	$ 16,770,284	21.35%
Travel	623,466	-	-	623,466	59,290	564,176	9.51%
Other	953,620	-	-	953,620	141,898	811,722	14.88%
Board Meeting	24,100	-	-	24,100	1,619	22,481	6.72%
Administration & Office	1,325,506	-	-	1,325,506	101,125	1,224,381	7.63%
EDP Hardware	325,300	-	-	325,300	71,094	254,206	21.85%
EDP Software	1,260,516	-	-	1,260,516	486,143	774,373	38.57%
Information Technology	1,802,155	-	-	1,802,155	915,642	886,513	50.81%
Telecommunications	265,364	-	-	265,364	61,274	204,090	23.09%
Rent/Lease	1,288,700	-	-	1,288,700	358,667	930,033	27.83%
Compliance	115,000	-	-	115,000	6,883	108,117	5.99%
Government Affairs	126,000	-	-	126,000	12,000	114,000	9.52%
Insurance	160,000	-	-	160,000	-	160,000	0.00%
Internal Audit	120,000	-	-	120,000	-	120,000	0.00%
Intervener Fees	-	-	-	-	-	-	0.00%
Other	53,000	-	-	53,000	14,035	38,965	26.48%
Regulatory Expenses	110,000	-	-	110,000	55,024	54,976	50.02%
Total Statutory Expenditures	**$ 29,875,939**	**$ -**	**$ -**	**$ 29,875,939**	**$ 6,837,622**	**$ 23,038,317**	**22.89%**
Audit Services	112,500	-	-	112,500	10,000	102,500	8.89%
Capital Market	9,277,995	-	-	9,277,995	3,023,647	6,254,348	32.59%
Claims	337,000	-	-	337,000	42,974	294,026	12.75%
Loans	-	-	-	-	-	-	0.00%
Grants [1]	-	-	12,000,000	12,000,000	-	12,000,000	0.00%
Investment Services	3,078,493	-	-	3,078,493	1,112,512	1,965,981	36.14%
Legal Services	7,790,420	-	-	7,790,420	108,229	7,682,191	1.39%
Loss-Modeling	1,039,500	-	-	1,039,500	152,500	887,000	14.67%
Marketing Services	13,710,200	-	-	13,710,200	1,317,540	12,392,660	9.61%
Producer Compensation	66,040,000	-	-	66,040,000	16,695,241	49,344,759	25.28%
Participating Insurer Operating Costs	24,763,000	-	-	24,763,000	5,700,621	19,062,379	23.02%
Seismic Related Research	100,000	-	-	100,000	-	100,000	0.00%
Engineering Related Research	1,000,000	-	-	1,000,000	19,008	980,992	1.90%
Risk Transfer	193,464,800	-	-	193,464,800	65,431,418	128,033,382	33.82%
Total Non-Statutory Expenditures	**$ 320,713,908**	**$ -**	**$ 12,000,000**	**$ 332,713,908**	**$ 93,613,690**	**$ 239,100,218**	**28.14%**
Total Budget Expenditures	**$ 350,589,847**	**$ -**	**$ 12,000,000**	**$ 362,589,847**	**$ 100,451,312**	**$ 262,138,535**	**27.70%**

[1] Augmentation to fund development of the CEA (pilot) risk-reduction program from March 16, 2016 Governing Board Meeting Agenda Item 4.

CALIFORNIA EARTHQUAKE AUTHORITY
Mitigation
Budgeted Expenditures and Actual Expenditures
2016 Budget Year
as of April 30, 2016

	(a) Approved 2016 Budget 1/1/2016	(b) Adjustments	(c) Augmentations	(d) (d=a+b+c) 2016 Budget after Augmentations and Adjustments	(e) Actual Expenditures	(f) (f=d-e) Augmented & Adjusted Approved Budget (d) vs. Actual Expenditures (e)	(g) (g=e/d) Percentage used of Augmented & Adjusted Approved 2016 Budget
Human Resources:							
Compensation and Benefits	$ 1,039,631	$ -	$ -	$ 1,039,631	$ 310,012	$ 729,619	29.82%
Travel	47,900	-	-	47,900	6,464	41,436	13.49%
Other	29,850	-	-	29,850	2,750	27,100	9.21%
Administration & Office	102,100	-	-	102,100	14,249	87,851	13.96%
Information Technology	700	-	-	700	120	580	17.14%
Telecommunications	14,000	-	-	14,000	2,842	11,158	20.30%
Rent/Lease	77,700	-	-	77,700	21,543	56,157	27.73%
Total Operating Expenditures	**$ 1,311,881**	**$ -**	**$ -**	**$ 1,311,881**	**$ 357,980**	**$ 953,901**	**27.29%**
Investment Services	11,400	-	-	11,400	2,734	8,666	23.98%
Legal Services	10,000	-	-	10,000	-	10,000	0.00%
Marketing	575,000	-	-	575,000	22,948	552,052	3.99%
Seismic - Related	-	-	-	-	-	-	0.00%
Engineering - Related	1,500,000	-	-	1,500,000	115,580	1,384,420	7.71%
Total Other Expenditures	**$ 2,096,400**	**$ -**	**$ -**	**$ 2,096,400**	**$ 141,262**	**$ 1,955,138**	**6.74%**
Total Expenditures	**$ 3,408,281**	**$ -**	**$ -**	**$ 3,408,281**	**$ 499,242**	**$ 2,909,039**	**14.65%**

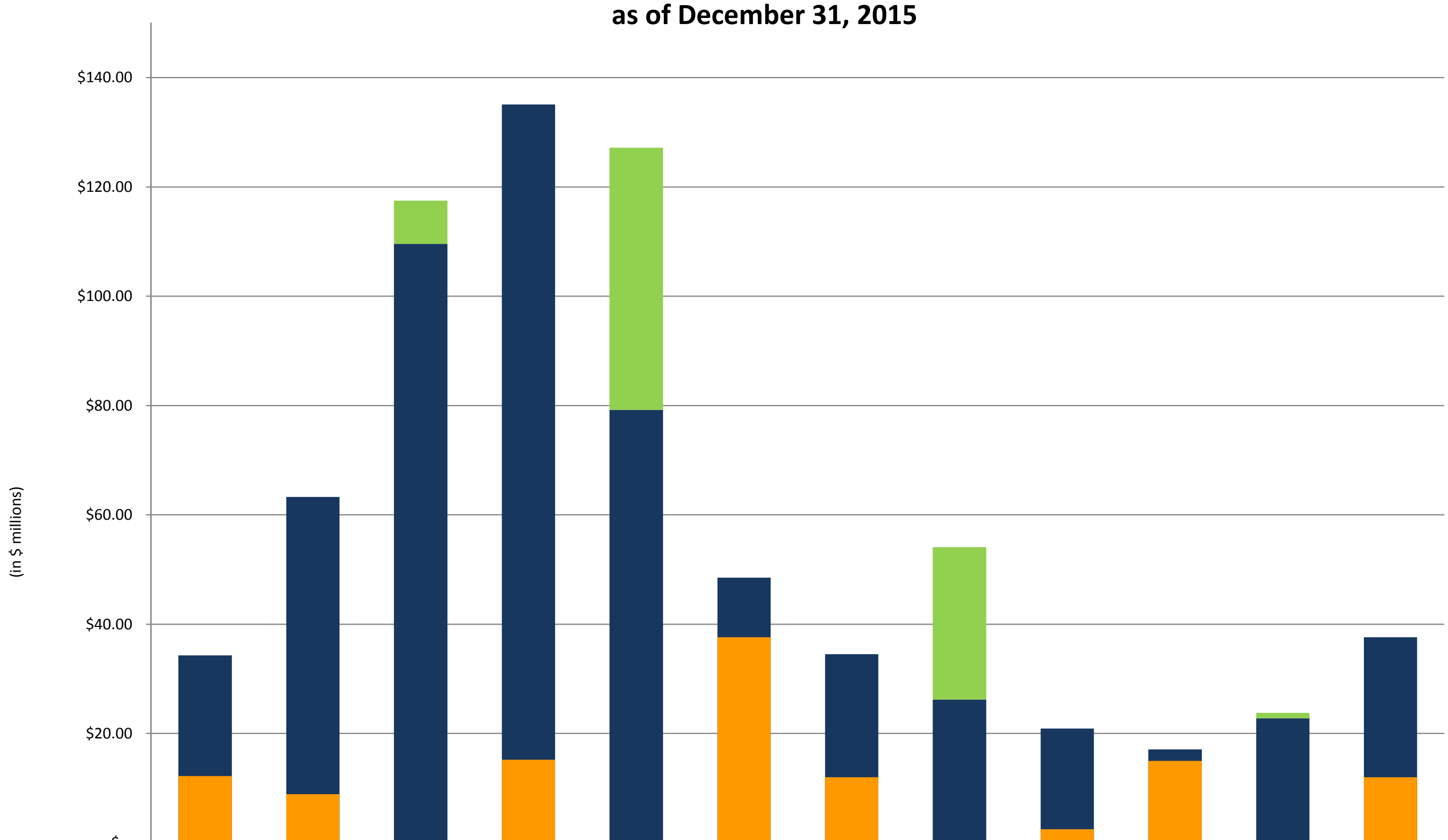
California Earthquake Authority
Annual Capital Accumulated from Premium
as of December 31, 2015



	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Capital Accumulated from Premium	$245.2	$283.1	$234.1	$225.5	$255.7	$258.6	$249.3	$275.0	$236.7	$233.1	$263.0	$286.6

Investments

California Earthquake Authority
Annual Investment Income
as of December 31, 2015

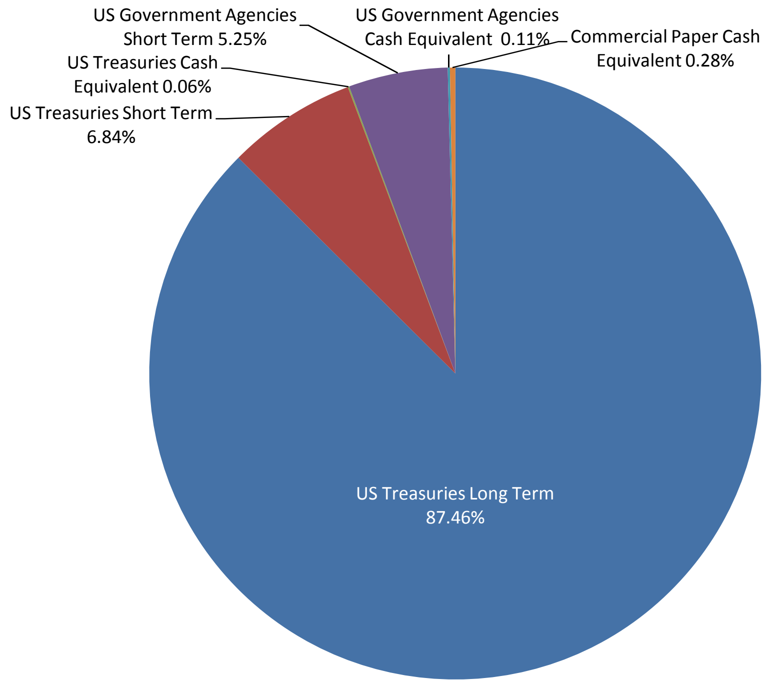


	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Net Investment Income*	$22.10	$54.40	$117.50	$119.90	$127.20	$10.90	$22.50	$54.10	$18.40	$2.10	$23.80	$25.60
Change Unrealized Gain	$-	$-	$7.90	$-	$48.00	$-	$-	$27.90	$-	$-	$1.00	$-
Investment Income	$34.30	$63.30	$109.60	$135.10	$79.20	$48.50	$34.50	$26.20	$20.90	$17.10	$22.80	$37.60
Change Unrealized Loss	$12.20	$8.90	$-	$15.22	$-	$37.60	$12.00	$-	$2.50	$15.00	$-	$12.00

*Net Investment Income is investment income net of unrealized gain or unrealized loss and ties to the financial statements.

California Earthquake Authority
Investment Portfolio Distribution at Market Value
as of April 30, 2016

CEA Liquidity & Primary Funds:	**$5,336,746,744**
US Treasuries Long Term	87.46%
US Treasuries Short Term	6.84%
US Treasuries Cash Equivalent	0.06%
US Government Agencies Short Term	5.25%
US Government Agencies Cash Equivalent	0.11%
Commercial Paper Cash Equivalent	0.28%
Total:	**100.0%**

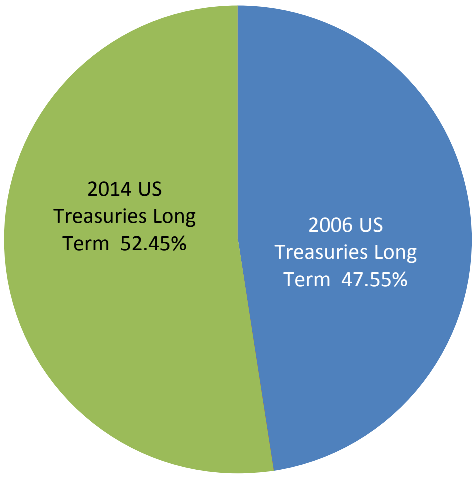


California Earthquake Authority
Investment Portfolio Distribution at Market Value
as of April 30, 2016

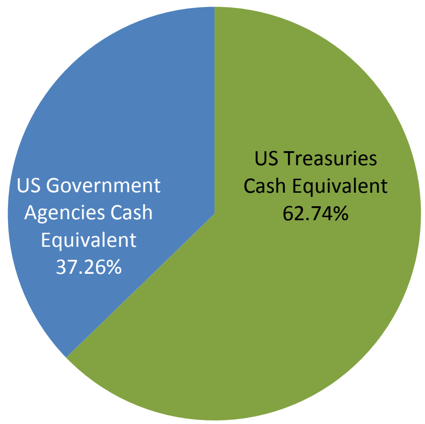
Claim(s)-Paying Funds:	**$675,589,034**
2006 US Treasuries Long Term	47.55%
2014 US Treasuries Long Term	52.45%
Total:	**100.00%**

Mitigation Fund:	**$20,794,853**
US Treasuries Cash Equivalent	62.74%
US Government Agencies Cash Equivalent	37.26%
Total:	**100.00%**

Claim(s)-Paying Funds



Mitigation Fund



Debt

California Earthquake Authority
Schedule of Outstanding Debt - Defeased

DEBT	ISSUANCE AMOUNT	INTEREST RATE	NET PROCEEDS	OUTSTANDING PRINCIPAL	AS OF DATE	MOODY'S RATING*	FITCH RATING**
Series 2006 Revenue Bonds[1]	**$ 315,000,000**	**6.169%**	**$ 310,829,067**	**$ 31,500,000**	**30-Apr-2016**	**A3**	**A**
						Outlook Stable	**Outlook Stable**

[1]As of November 6, 2014, interest and principal are fully funded in escrow for remaining interest and principal payments.

DEBT-SERVICE SCHEDULE

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

Payment Date	Outstanding Principal	Principal	Interest	Debt Service	Annual Debt Service
1-Jan-16	$31,500,000	$0	$971,618	$971,618	
1-Jul-16	$0	$ 31,500,000	$971,618	$32,471,618	
2016					$33,443,236

*Moody's rating since May 2015.

**Fitch rating affirmed October 2015.

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 2014 Revenue Bonds	**$ 40,000,000**	**1.194%**	**$ 39,665,642**	**$ 40,000,000**	**30-Apr-2016**	**A3**	**A**
2 year bond CUSIP 13017HAC0						**Outlook Stable**	**Outlook Stable**

DEBT-SERVICE SCHEDULE

The table below shows the annual-debt-service requirements for the Series 2014 Bonds.

Payment Date	Outstanding Principal	Principal	Interest	Debt Service	Annual Debt Service
1-Jan-16	$40,000,000	$0	$238,800	$238,800	
1-Jul-16	$0	$40,000,000	$238,800	$40,238,800	
2016					$40,477,600

*Moody's rating since May 2015.

**Fitch rating affirmed October 2015.

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 2014 Revenue Bonds	**$ 60,000,000**	**1.824%**	**$ 59,498,463**	**$ 60,000,000**	**30-Apr-2016**	**A3**	**A**
3 year bond CUSIP 13017HAD8						**Outlook Stable**	**Outlook Stable**

DEBT-SERVICE SCHEDULE

The table below shows the annual-debt-service requirements for the Series 2014 Bonds.

Payment Date	Outstanding Principal	Principal	Interest	Debt Service	Annual Debt Service
1-Jan-16	$60,000,000	$0	$547,200	$547,200	
1-Jul-16	$60,000,000	$0	$547,200	$547,200	
2016					$1,094,400
1-Jan-17	$60,000,000	$0	$547,200	$547,200	
1-Jul-17	$0	$60,000,000	$547,200	$60,547,200	
2017					$61,094,400

*Moody's rating since May 2015.

**Fitch rating affirmed October 2015.

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 2014 Revenue Bonds	**$ 250,000,000**	**2.805%**	**$ 247,910,261**	**$ 250,000,000**	**30-Apr-2016**	**A3**	**A**
5 year bond CUSIP 13017HAE6						**Outlook Stable**	**Outlook Stable**

DEBT-SERVICE SCHEDULE

The table below shows the annual-debt-service requirements for the Series 2014 Bonds.

Payment Date	Outstanding Principal	Principal	Interest	Debt Service	Annual Debt Service
1-Jan-16	$250,000,000	$0	$3,506,250	$3,506,250	
1-Jul-16	$250,000,000	$0	$3,506,250	$3,506,250	
2016					$7,012,500
1-Jan-17	$250,000,000	$0	$3,506,250	$3,506,250	
1-Jul-17	$210,000,000	$40,000,000	$3,506,250	$43,506,250	
2017					$47,012,500
1-Jan-18	$210,000,000	$0	$2,945,250	$2,945,250	
1-Jul-18	$105,000,000	$105,000,000	$2,945,250	$107,945,250	
2018					$110,890,500
1-Jan-19	$105,000,000	$0	$1,472,625	$1,472,625	
1-Jul-19	$0	$105,000,000	$1,472,625	$106,472,625	
2019					$107,945,250

*Moody's rating since May 2015.

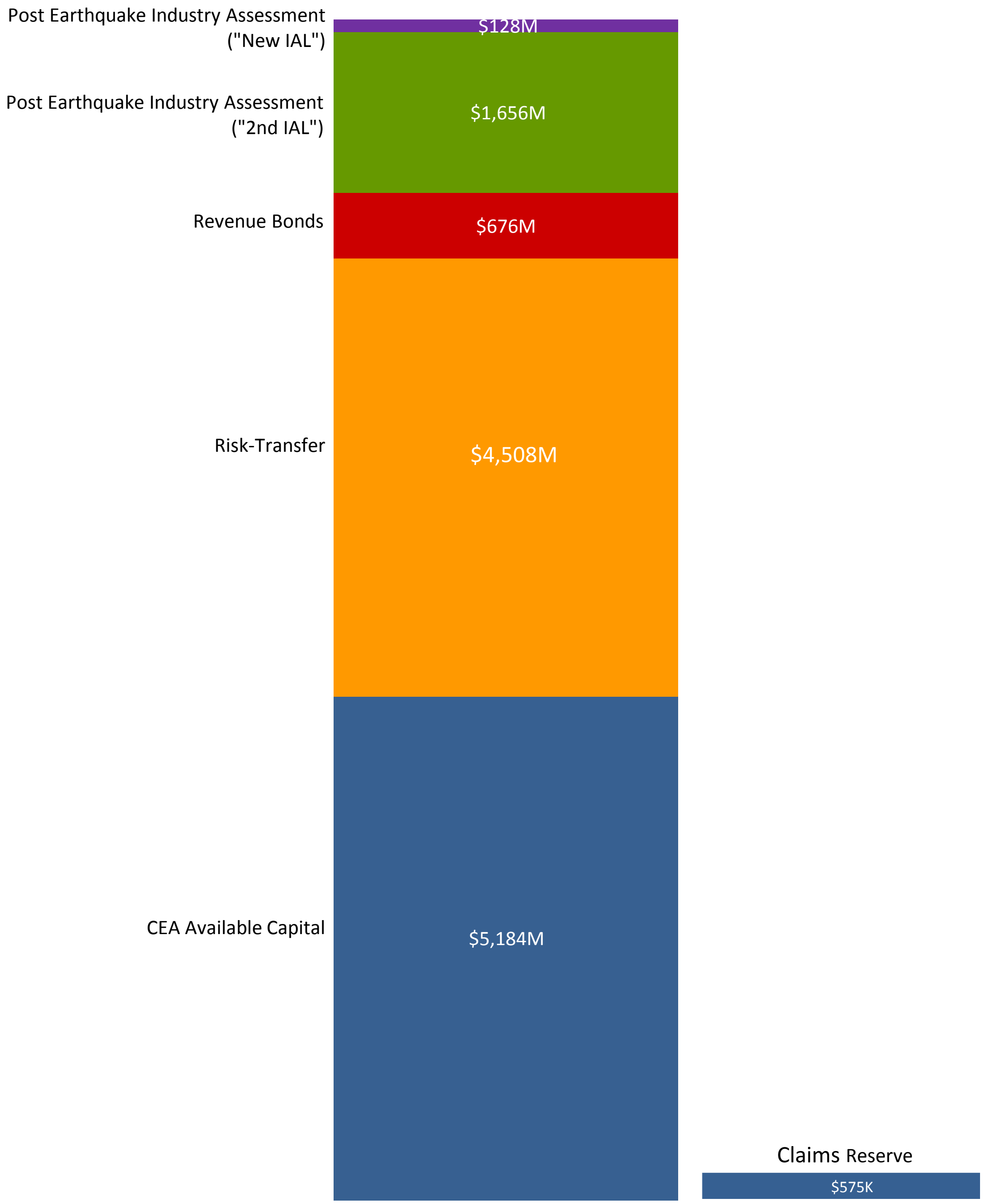
**Fitch rating affirmed October 2015.

Claim-Paying Capacity

California Earthquake Authority
Available Capital Report
as of April 30, 2016

Cash & Investments (includes capital contributions and premiums)	$	6,055,831,448
Earthquake Loss Mitigation Fund Cash and Investments	$	(23,851,608)
Interest, Securities & Restricted Securities Receivable	$	43,710,667
Premium Receivable	$	41,389,241
Risk Capital Surcharge & Capital Contributions Receivable	$	-
Other Assets	$	14,977
Revenue Bonds	$	(675,589,034)
Debt Service (Interest, Principal & Debt Service (Min. Bal.))	$	(36,194,833)
Unearned Premium Collected	$	(209,276,958)
Accrued Reinsurance Premium Expense	$	-
Accounts and Securities Payable, and Accrued Expenses	$	(11,131,483)
Loss Reserves	$	(574,544)
CEA Available Capital	**$**	**5,184,327,872**

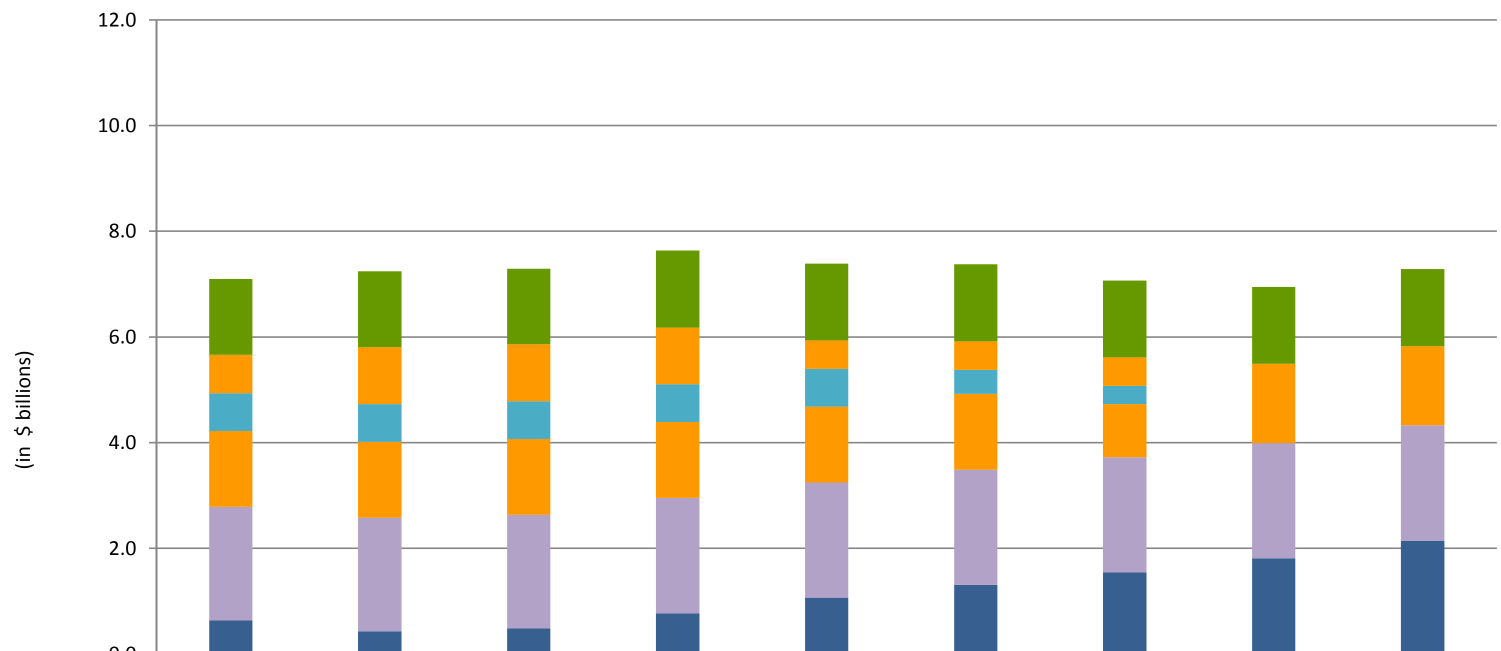
California Earthquake Authority
Claim-Paying Capacity
as of April 30, 2016



Total Capacity $12,152M

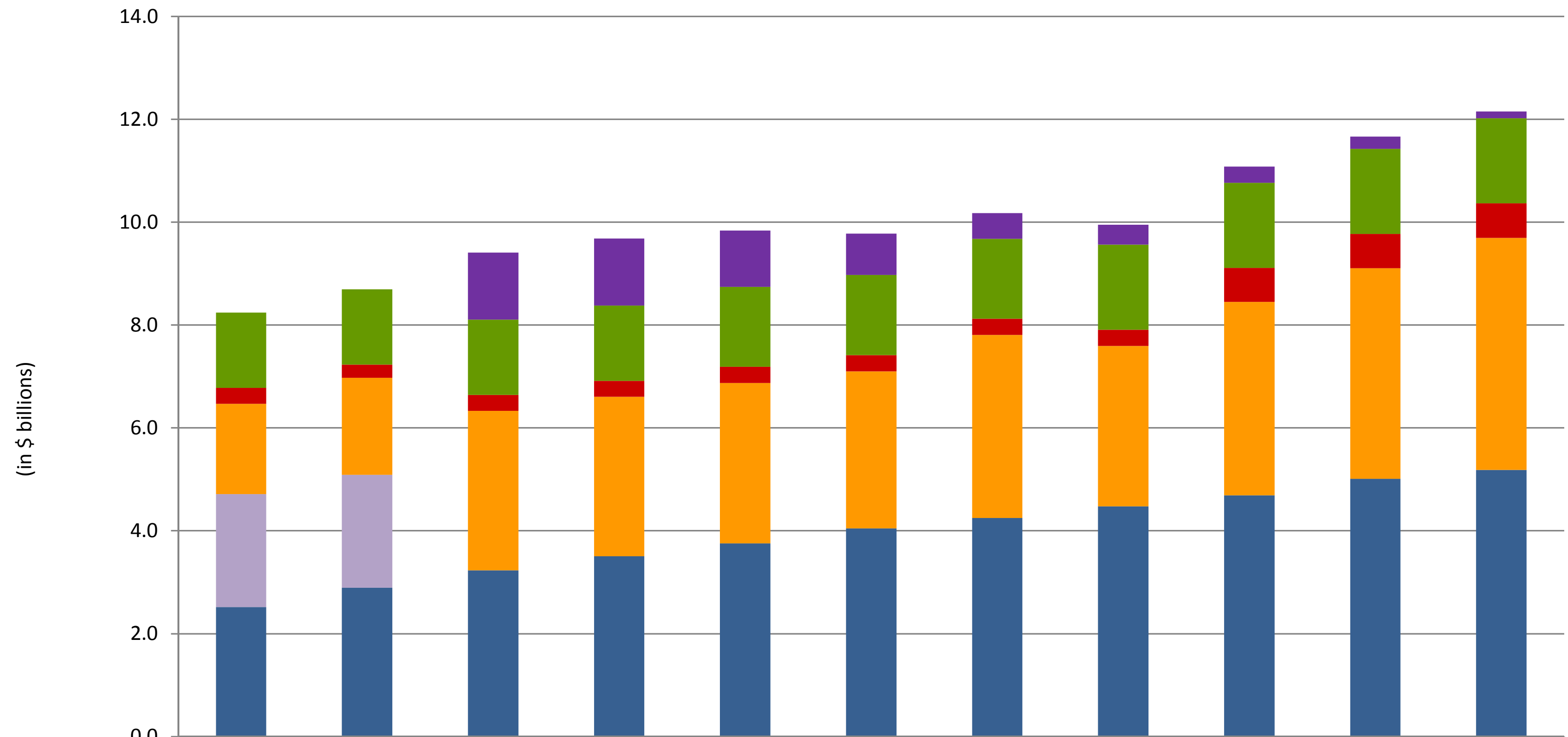
Note: Not drawn to scale

California Earthquake Authority
Historical Claim-Paying Capacity (CPC)
December 31, 1997 through December 31, 2005



	1997	1998	1999	2000	2001	2002	2003	2004	2005
Total CPC	$7.095	$7.240	$7.293	$7.635	$7.390	$7.373	$7.069	$6.948	$7.284
New Industry Assessment	$-	$-	$-	$-	$-	$-	$-	$-	$-
2nd Industry Assessment	$1.434	$1.434	$1.434	$1.456	$1.456	$1.456	$1.456	$1.456	$1.456
Revenue Bonds	$-	$-	$-	$-	$-	$-	$-	$-	$-
Risk-Transfer, 2nd Layer	$0.727	$1.075	$1.075	$1.075	$0.538	$0.538	$0.538	$-	$-
Line of Credit	$0.716	$0.716	$0.716	$0.716	$0.716	$0.456	$0.348	$-	$-
Risk Transfer, 1st Layer	$1.433	$1.433	$1.433	$1.433	$1.433	$1.433	$1.000	$1.500	$1.500
1st Industry Assessment	$2.150	$2.150	$2.150	$2.183	$2.183	$2.183	$2.183	$2.183	$2.183
CEA Available Capital	$0.635	$0.432	$0.485	$0.772	$1.064	$1.307	$1.544	$1.809	$2.145

California Earthquake Authority
Historical Claim-Paying Capacity (CPC)
December 31, 2006 through April 30, 2016



	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016*
Total CPC	$8.244	$8.695	$9.411	$9.685	$9.840	$9.777	$10.179	$9.949	$11.081	$11.667	$12.152
New Industry Assessment	$-	$-	$1.304	$1.304	$1.095	$0.804	$0.500	$0.385	$0.312	$0.238	$0.128
2nd Industry Assessment	$1.465	$1.465	$1.465	$1.465	$1.558	$1.558	$1.558	$1.656	$1.656	$1.656	$1.656
Revenue Bonds	$0.311	$0.254	$0.311	$0.311	$0.311	$0.317	$0.314	$0.314	$0.664	$0.668	$0.676
Risk-Transfer, 2nd Layer	$-	$-	$-	$-	$-	$-	$-	$-	$-	$-	$-
Line of Credit	$-	$-	$-	$-	$-	$-	$-	$-	$-	$-	$-
Risk Transfer, 1st Layer	$1.756	$1.885	$3.100	$3.100	$3.123	$3.050	$3.557	$3.115	$3.759	$4.091	$4.508
1st Industry Assessment	$2.197	$2.197	$-	$-	$-	$-	$-	$-	$-	$-	$-
CEA Available Capital	$2.515	$2.894	$3.231	$3.505	$3.753	$4.048	$4.250	$4.478	$4.689	$5.014	$5.184

*as of April 30, 2016

Risk-Transfer Programs

California Earthquake Authority
Risk-Transfer Program Summary
as of April 30, 2016

Traditional Reinsurance Contracts	Contract Period	Reinsurance Limit	12-Month Rate-on-Line	12-Month Premium
2016 January Program Contract 1	January 1, 2016 - December 31, 2016	641,212,680	4.30%	27,572,145
2016 January Program Contract 2	January 1, 2016 - December 31, 2016	60,200,000	5.60%	3,371,200
2015-2016 January Program Contract 1	January 1, 2015 - December 31, 2016	156,431,990	4.55%	7,117,656
2015-2016 January Program Contract 2	January 1, 2015 - December 31, 2016	146,871,900	3.30%	4,846,773
2015-2016 January Program Contract 3	January 1, 2015 - December 31, 2016	24,999,990	5.40%	1,349,999
2016-2017 January Program Contract 1	January 1, 2016 - December 31, 2017	472,799,040	4.40%	20,803,158
2016-2017 January Program Contract 2	January 1, 2016 - December 31, 2017	99,999,970	5.70%	5,699,998
2016-2017 January Program Contract 3	January 1, 2016 - December 31, 2017	49,999,995	5.00%	2,500,000
2016-2017 January Program Contract 4	January 1, 2016 - December 31, 2017	50,000,000	2.60%	1,300,000
2016-2017 April Program Contract 1	April 1, 2016 - March 31, 2017	757,031,100	3.00%	22,710,933
2016-2018 April Program Contract 1	April 1, 2016 - March 31, 2018	259,876,500	3.10%	8,056,172
2016-2019 April Program Contract 1	April 1, 2016 - March 31, 2019	124,999,920	3.25%	4,062,497
2015-2017 August Program Contract 2	August 1, 2015 - July 31, 2017	200,000,000	4.50%	9,000,000
2015-2020 August Program Contract 1	August 1, 2015 - July 31, 2020	139,000,000	4.20%	5,838,000
2015-2016 June Program	June 1, 2015 - May 31, 2016	25,000,000	3.60%	900,000
2013-2016 May Program	May 1, 2013 - April 30, 2016	100,000,000	5.60%	5,600,000
2015-2016 August Program Contract 1	August 1, 2015 - July 31, 2016	187,500,000	5.50%	10,312,500
2015-2017 August Program Contract 1	August 1, 2015 - July 31, 2017	93,750,000	5.60%	5,250,000
2015-2017 December Program Contract 1	December 1, 2015 - November 30, 2017	124,999,980	5.50%	6,874,999
2015-2017 December Program Contract 2	December 1, 2015 - November 30, 2017	49,999,950	5.60%	2,799,997
2015-2018 August Program Contract 1	August 1, 2015 - July 31, 2018	93,750,000	5.80%	5,437,500
Total Traditional Reinsurance		**3,858,423,015**		

Transformer Reinsurance Contracts	Contract Period	Reinsurance Limit	12-Month Rate-on-Line	12-Month Premium
2014 - 2017 Transformer Reinsurance Contract 1	December 1, 2014 - November 30, 2017	200,000,000	5.05%	10,126,970
2014 - 2017 Transformer Reinsurance Contract 2	December 1, 2014 - November 30, 2017	200,000,000	3.54%	7,230,177
2015 - 2018 Transformer Reinsurance Contract 1	September 16, 2015 - September 15, 2018	250,000,000	5.05%	12,712,517
Total Transformer Reinsurance		**650,000,000**		

Total Risk-Transfer Program		**$ 4,508,423,015**

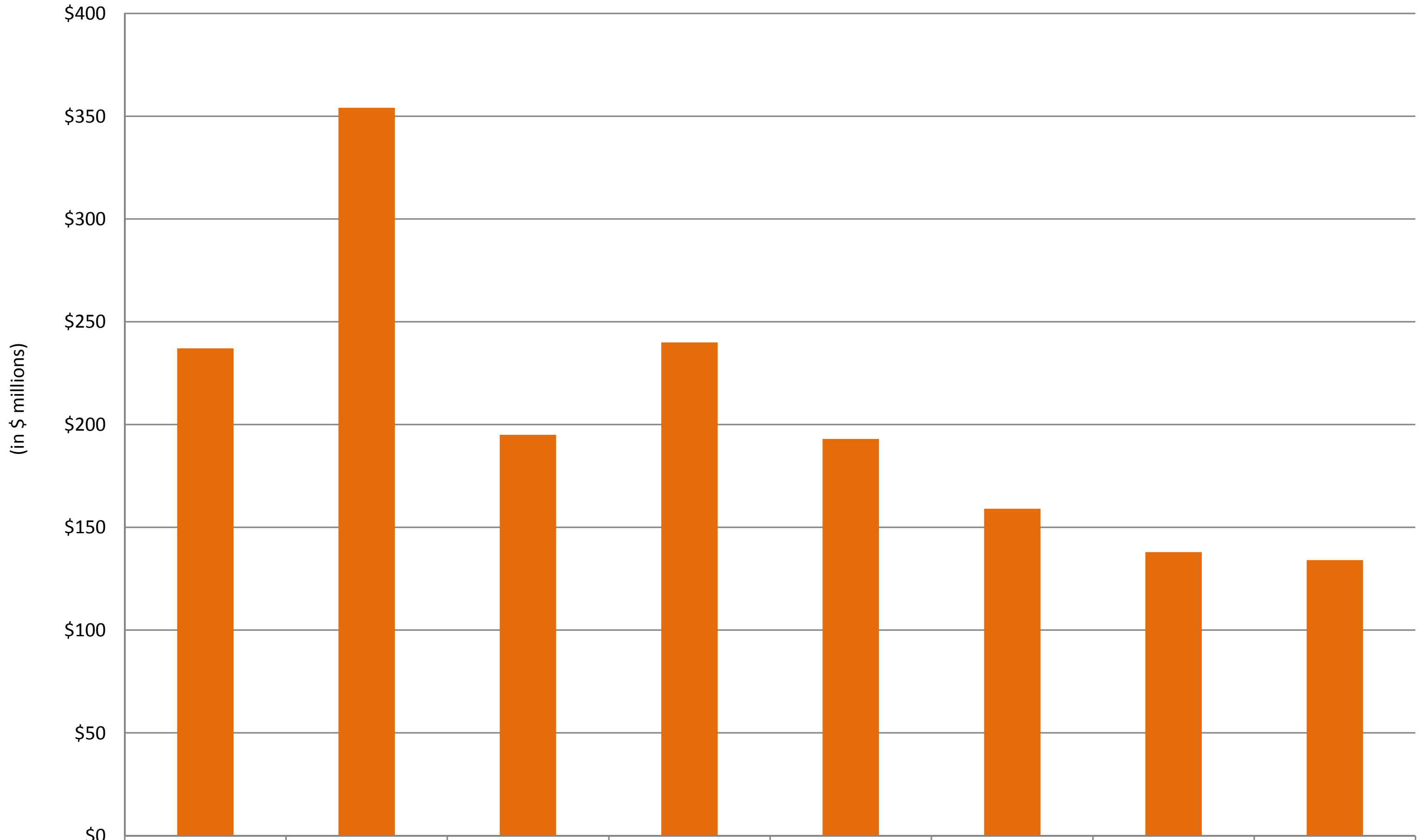
California Earthquake Authority
2016 Total Premium Risk-Transfer Program
as of April 30, 2016

Traditional Reinsurance Contracts	Contract Period	Reinsurance Limit	12-Month Rate-on-Line	2016 Premium
2016 January Program Contract 1	January 1, 2016 - December 31, 2016	641,212,680	4.30%	27,572,145
2016 January Program Contract 2	January 1, 2016 - December 31, 2016	60,200,000	5.60%	3,371,200
2015-2016 January Program Contract 1	January 1, 2015 - December 31, 2016	156,431,990	4.55%	7,117,656
2015-2016 January Program Contract 2	January 1, 2015 - December 31, 2016	146,871,900	3.30%	4,846,773
2015-2016 January Program Contract 3	January 1, 2015 - December 31, 2016	24,999,990	5.40%	1,349,999
2016-2017 January Program Contract 1	January 1, 2016 - December 31, 2017	472,799,040	4.40%	20,803,158
2016-2017 January Program Contract 2	January 1, 2016 - December 31, 2017	99,999,970	5.70%	5,699,998
2016-2017 January Program Contract 3	January 1, 2016 - December 31, 2017	49,999,995	5.00%	2,500,000
2016-2017 January Program Contract 4	January 1, 2016 - December 31, 2017	50,000,000	2.60%	1,300,000
2015-2016 April Program Contract 1	April 1, 2015 - March 31, 2016	624,992,490	3.00%	4,687,444
2014-2016 April Program Contract 1	April 1, 2014 - March 31, 2016	253,099,320	3.85%	2,436,081
2014-2016 April Program Contract 2	April 1, 2014 - March 31, 2016	122,499,960	3.75%	1,148,437
2016-2017 April Program Contract 1	April 1, 2016 - March 31, 2017	757,031,100	3.00%	17,033,200
2016-2018 April Program Contract 1	April 1, 2016 - March 31, 2018	259,876,500	3.10%	6,042,129
2016-2019 April Program Contract 1	April 1, 2016 - March 31, 2019	124,999,920	3.25%	3,046,873
2015-2017 August Program Contract 2	August 1, 2015 - July 31, 2017	200,000,000	4.50%	9,000,000
2015-2020 August Program Contract 1	August 1, 2015 - July 31, 2020	139,000,000	4.20%	5,838,000
2015-2016 June Program	June 1, 2015 - May 31, 2016	25,000,000	3.60%	375,000
2013-2016 May Program	May 1, 2013 - April 30, 2016	100,000,000	5.60%	1,866,667
2015-2016 August Program Contract 1	August 1, 2015 - July 31, 2016	187,500,000	5.50%	6,015,625
2015-2017 August Program Contract 1	August 1, 2015 - July 31, 2017	93,750,000	5.60%	5,250,000
2015-2017 December Program Contract 1	December 1, 2015 - November 30, 2017	124,999,980	5.50%	6,874,999
2015-2017 December Program Contract 2	December 1, 2015 - November 30, 2017	49,999,950	5.60%	2,799,997
2015-2018 August Program Contract 1	August 1, 2015 - July 31, 2018	93,750,000	5.80%	5,437,500
Total Traditional Reinsurance Premium				**152,412,881**

Transformer Reinsurance Contracts	Contract Period	Reinsurance Limit	12-Month Rate-on-Line	2016 Premium
2014 - 2017 Transformer Reinsurance Contract 1	December 1, 2014 - November 30, 2017	200,000,000	5.05%	10,126,970
2014 - 2017 Transformer Reinsurance Contract 2	December 1, 2014 - November 30, 2017	200,000,000	3.54%	7,230,177
2015 - 2018 Transformer Reinsurance Contract 1	September 16, 2015 - September 15, 2018	250,000,000	5.05%	12,712,517
Total Transformer Reinsurance Premium				**30,069,664**
Total Risk-Transfer Program Premium				**182,482,545**

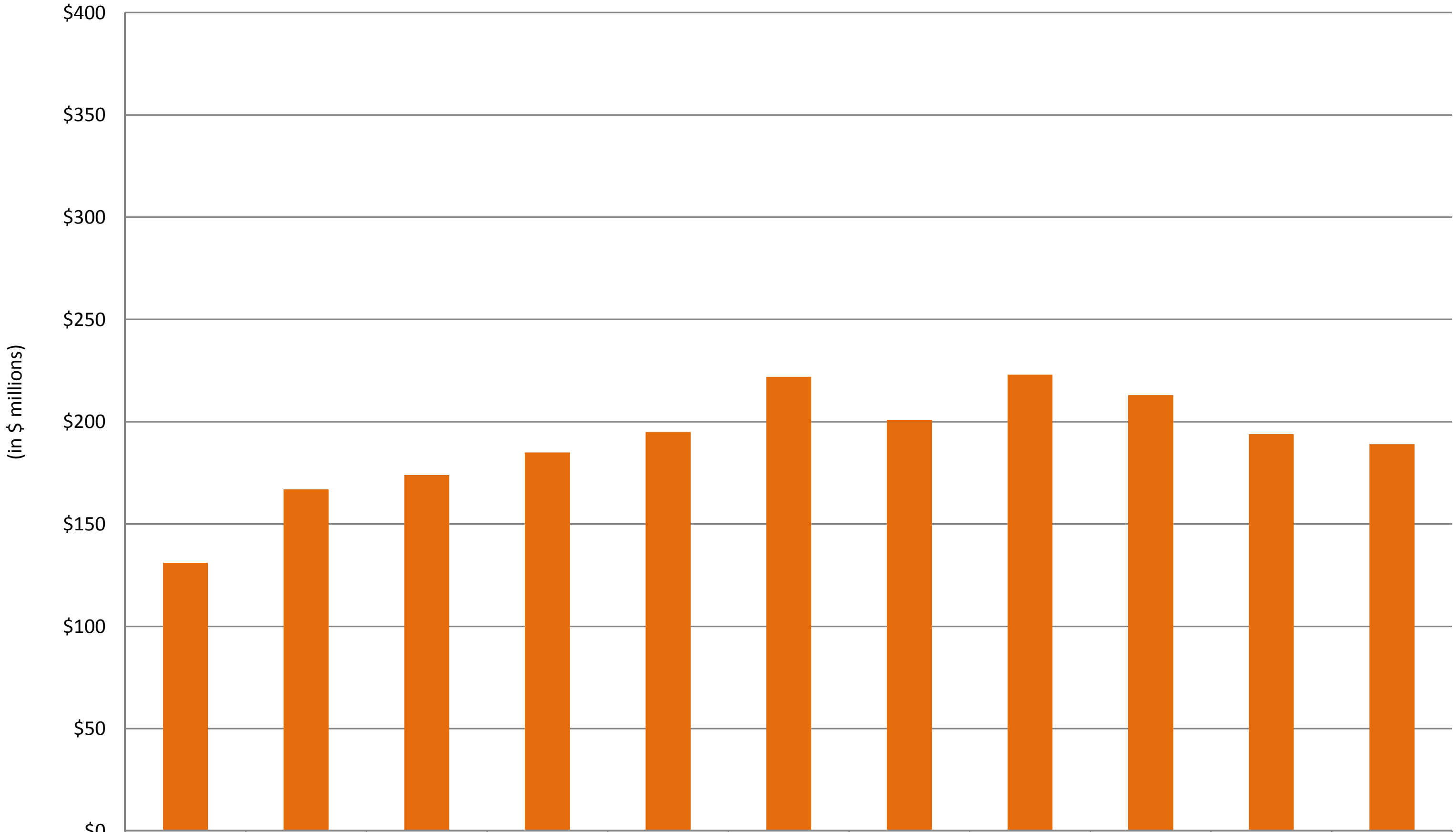
Note: Additional risk-transfer program contracts expected in 2016

California Earthquake Authority
Annual Risk-Transfer Premium
December 31, 1997 - December 31, 2004



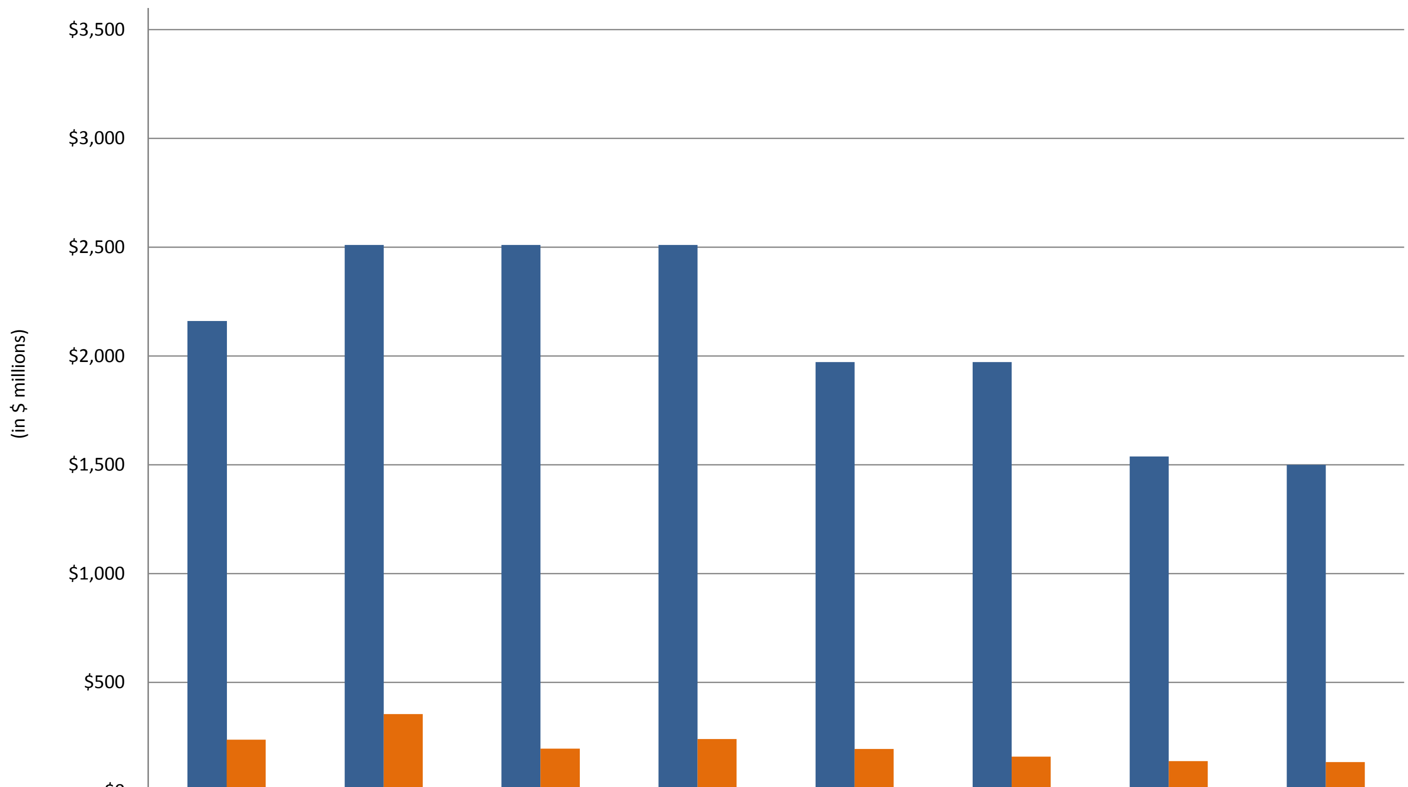
	1997	1998	1999	2000	2001	2002	2003	2004
Premium	$237	$354	$195	$240	$193	$159	$138	$134

California Earthquake Authority
Annual Risk-Transfer Premium
December 31, 2005 -December 31, 2015



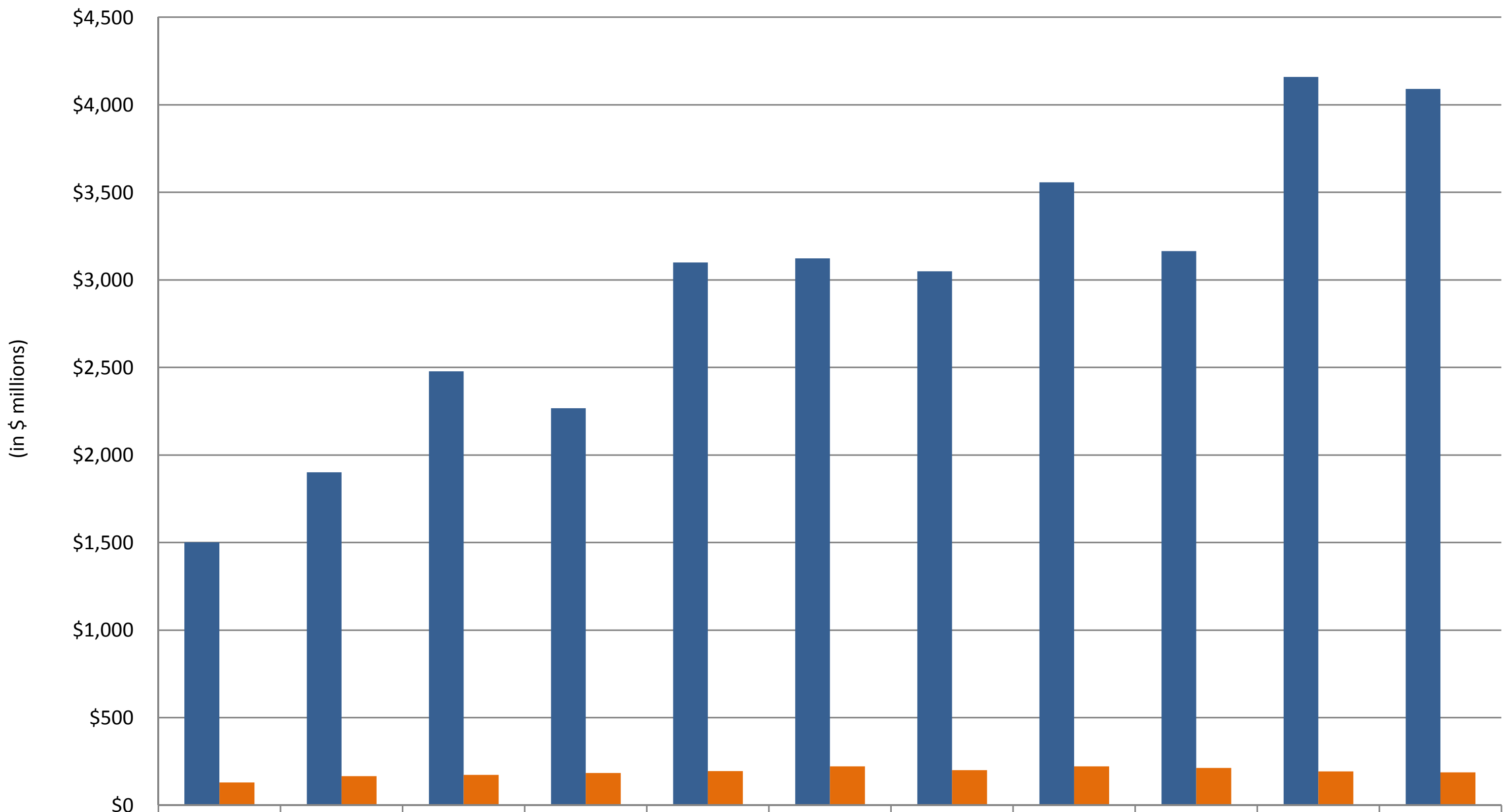
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Premium	$131	$167	$174	$185	$195	$222	$201	$223	$213	$194	$189

California Earthquake Authority
Annual Risk-Transfer Premium and Limit
December 31, 1997 - December 31, 2004



	1997	1998	1999	2000	2001	2002	2003	2004
Limit	$2,160	$2,509	$2,509	$2,509	$1,971	$1,971	$1,538	$1,500
Premium	$237	$354	$195	$240	$193	$159	$138	$134

California Earthquake Authority
Annual Risk-Transfer Premium and Limit
December 31, 2005 - December 31, 2015



	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Limit	$1,500	$1,902	$2,478	$2,268	$3,100	$3,123	$3,050	$3,557	$3,165	$4,159	$4,091
Premium	$131	$167	$174	$185	$195	$222	$201	$223	$213	$194	$189

Governing Board Memorandum

June 15, 2016

Agenda Item 6:	Contract for services of additional investment managers (CEA procurement: RFQ #08-15)
Recommended Action:	Approve staff recommendation to hire additional investment managers for the CEA Primary Fund

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Background:

In February 2016, the CEA began a formal process of seeking Primary Fund investment managers as two of the existing managers contracts expire later this year. This memorandum describes those processes, as well as the decisions and results.

Analysis:

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

On February 8, 2016 the CEA issued a Request for Qualifications ("RFQ") seeking Primary Fund investment-manager services.

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

The Wall Street Journal
Pensions & Investments

The CEA received responses from thirteen investment manager firms.

The RFQ responses were evaluated by a selection panel consisting of:

Tim Richison:	CEA Chief Financial Officer
Trudi Miller:	CEA Accounting Manager
Kyle Nebeker:	CEA Financial 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 those firms receiving the highest scores are as follows:

- Income Research + Management
- Payden & Rygel Investment Management
- PFM Asset Management LLP
- Smith Graham & Co. Investment Advisors, L.P.

The top four respondents are existing Primary Fund investment managers. Evaluating these four firms did not require site visits as CEA staff had recently visited all of them as part of the CEA's periodic quality-assurance program, and the results of those site visits were satisfactory. Two of the managers, Income Research + Management and Smith Graham & Co. Investment Advisors, are currently small investment managers with the CEA and are seeking to be reclassified to large investment managers.

In addition to the top four respondents, members of the selection panel will visit the other top scoring respondent to the Primary Fund RFQ in the summer of 2016, as they are not currently a CEA investment manager. Any resulting recommendations for the firm will be brought to the Board for consideration at its September 2016 meeting.

Through the proposals and quality-assurance site visits, staff was able to confirm that all of the top four firms would meet the CEA's stringent requirements set forth in the RFQ, displaying particularly satisfactory systems for trading, compliance, reporting, and recovery. In addition, the RFQ panel was comfortable with the demonstrable expertise and depth of experience of the team members from those four firms who would be assigned to the CEA's account.

The staff now recommends these four firms to the Board. If the Board approves the staff recommendation, each firm will be invited to negotiate a contract with the CEA.

Investment Managers: Duties and Compensation

Below is a summary of key investment-manager duties, under contract:

- Contract term: Five years, with an option by CEA to extend for two additional years.
- Services to be performed:
  - Invest funds according to law, in a manner compliant with California Government Code section 16430 and CEA's investment policies and guidelines as they may exist from time to time.
  - Conduct thorough investment analysis and provide advice on market conditions, including both 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*.

  - Retain in their systems sufficient data in appropriate electronic format(s) to allow the CEA to verify historical investment transactions and balances and to measure historical portfolio performance.
- The maximum annual contractual compensation for each manager, as stipulated in the RFQ, was four basis points of CEA investments under management. The recommended firms all proposed fees at four basis points.

Recommendation:

Staff recommends that the Board:

Authorize CEA staff to:

1. Negotiate for investment-management services with:
   - Income Research + Management
   - Payden & Rygel Investment Management
   - PFM Asset Management LLP
   - Smith Graham & Co. Investment Advisors, L.P.
2. Authorize CEO Glenn Pomeroy to execute the resulting contracts on behalf of the CEA.

Governing Board Memorandum

June 15, 2016

Agenda Item 7: Proposed pre-event bond program

Recommended Action: No action required—information only

Background:

The CEA law provides express authority for the Authority to use debt to structure its finances and meet its claim-payment-related needs, and the authorized debt may be incurred either before or after the occurrence of an earthquake, or both.

The CEA has not incurred post-event debt (e.g., a bond issuance following an earthquake for the express purpose of paying claims and claim expenses arising from that earthquake).

But $315 million in pre-event revenue bonds that the CEA issued in July 2006 and the more recent November 2014 debt issuance of $350 million have for a number of years provided an important and highly flexible component of the Authority's financial structure. Those bonds have helped assure CEA's claim-paying capacity for major earthquakes and as important, have helped the CEA as an organization prepare to survive a major earthquake so the CEA can continue providing post-earthquake financial security for Californians.

As the CEA has developed into a mature risk-bearing and risk-management entity, CEA plans to access the debt-capital markets more consistently and develop a programmatic issuance strategy, to achieve several goals. The primary goals are:

- Financial Strength
  - Revenue bonds allow for a longer claim-paying timeframe before accessing the capital markets for any potential post-event financing, which could be significantly more expensive after an event.
- Sustainability
  - Revenue bonds provide an additional source of funds to the CEA's capital structure and help mitigate the market and timing risks of post-event financing, while providing additional funds for claim payments and reducing need for risk-transfer purchase.
- Efficiency
  - As seen above in the analysis of using risk-transfer or revenue bonds, revenue bonds can provide a more efficient source of claim-paying capacity.

Secondary goals of the CEA revenue bond program would be:

- Increased investor access and broader investor base:
  - By becoming a more regular bond issuer, CEA will enhance its bond investors' familiarity with the CEA credit and CEA's investor base would be broadened, as the CEA issues more frequently and with longer-dated maturities. A broader investor base would help lower CEA's cost of capital (ongoing costs) and will increase its market access after an earthquake.
- Laddered bond-maturity structure with maximum final maturity of seven years:
  - By laddering its bond-maturity, under the CEA law the Authority will enhance permanence and sustainability in its capital structure and provide long-term liquidity for its financial capacity. A revenue-bond program will also reduce the CEA's need for and reliance on its risk-transfer program.

The proposed debt program is an important step in outlining CEA's strategy for issuing debt, whether pre-event debt or post-event debt. And it would serve to continue to protect bondholders with a number of inherent and covenanted CEA credit features:

- Robust claim-paying capacity
- Legal covenants
- Stable revenue base
- Proven, sound financial management

Analysis:

Benefits of a Debt Program

Attachment A is a full analysis of the benefits of the proposed debt program.

The CEA can establish its revenue bond program to increase its claim-paying capacity and provide liquidity, stability and flexibility for the CEA's capital structure.

While risk-transfer is a key component of the CEA's capital structure, the cost is comparatively higher than the equivalent cost of revenue bonds and does not provide the sustainability of revenue bonds for the CEA's capital structure.

A revenue bond program established with laddered maturities from 2 to 7 years would take advantage of current, historically low interest rates and increased investor demand in the 5-7 year maturity range.

Optimally, the CEA's revenue bond program could total approximately $500 million and feature rolling bond maturities. This will allow CEA to issue $50 million to $250 million of revenue bonds every two to three years, in order to maintain a robust presence in the capital marketplace while flexibly increasing its claim-paying capacity.

An example of issuance plans for 2016 is part of *Exhibit A.*

Proposed Debt-Program (Revenue Bond) Structure

The finance team for a revenue bonds issued as a result of the debt program would consist of the California State Treasurer's Office, STO-retained bond counsel, CEA-retained bond counsel, a pricing advisor, and the bond underwriter. Below is a summary of a proposed revenue bond team and structure that would meet CEA's goals:

Borrower	California Earthquake Authority
Agent for Sale	California State Treasurer's Office
Estimated Par Amount	Amount that would not exceed the total outstanding CEA debt amount of $500 million
Maturity	Date(s) would depend on each debt issuance
Type of Bonds	Fixed rate
Expected Closing	Depends on timeline of debt sale

Anticipated principal, interest and optional bond redemptions will be calculated as follows:

	Fixed Rate Bonds
Interest Payment Dates	January 1 and July 1
Interest Calculation Method	30/360
Interest Reset Date	Not applicable
Interest Determination Date	Fixed rate would be determined at pricing
Principal Payment Date	Annually, beginning with July 1 of the year of maturity
Final Maturity	Date would depend on each issuance

Purpose of the Issue:	• The CEA would issue revenue bonds to strengthen its claim-paying capacity. The sale of revenue bonds is expected to increase the CEA's financial flexibility by continuing access to the bond market. • Net proceeds would be deposited in the CEA's Claim-Paying Account and be held for payment of policyholder claims and related loss adjustment expenses on account of CEA residential-earthquake-insurance-policy coverages. • Issuance of revenue bonds by CEA is expressly authorized by California law. The issuance would be exempt from registration under the Securities Act of 1933.

Flow of Funds

Revenue bonds will be financed from pledged revenues consisting of CEA's policyholder premiums, less agent commissions and participating-insurer operating costs retained by the

CEA's participating insurers. All pledged revenues would be deposited with the trustee bank, likely U.S. Bank, for the bond transaction, which would fund trustee accounts created specifically for repayment of bond principal and interest.

For a more detailed depiction of the flow of funds and the trust accounts, see the flow-of-funds chart in *Attachment B*.

Revenue Bond Proceeds

The revenue bond <u>sale proceeds</u> would be deposited into an existing claim-paying account at the CEA's custody bank, State Street Bank—not into a trust account at the trustee bank. Appointed, external CEA investment managers would invest the proceeds on behalf of the CEA.

The funds in the claim-paying account will be invested, as described in *Attachment C (Claim-Paying Account Investment Policy and Guidelines*, in either U.S. Treasuries (per investment policies and guidelines for CEA's Primary Fund) or in short-term securities (per investment policies and guidelines for CEA's Liquidity Fund). Since the claim-paying account may be used to pay CEA insurance claims before bonds mature, using these investment policies ensures that the claim-paying account will contain only readily marketable high-quality securities.

The bond proceeds in the claim-paying account are represented in the graphical depiction of CEA's financial structure as proceeds from "Revenue Bonds."

Revenue Bond Documents

CEA will continue to provide the revenue bond documents described below:

<u>Indenture of Trust</u>. The bond indenture is an agreement between the CEA (borrower) and the trustee (U.S. Bank) and presents the *general* structure of the bond transactions and the duties and obligations of both the borrower and the trustee.

<u>Supplemental Indenture(s) of Trust</u>. A supplemental indenture of trust is an agreement between the borrower and the trustee and presents the *specific* structure of each bond series in the transaction and the respective duties and obligations of the borrower and the trustee for each bond series.

<u>Preliminary Official Statement</u>. The preliminary official statement is the bond-transaction prospectus given to potential investors. It presents the history, background, and financial results of the borrower, a summary of the bond transaction, including inherent risk factors.

<u>Bond Purchase Contract</u> – The bond purchase contract is an agreement among the borrower, the underwriter, and the agent for sale (California State Treasurer's Office) that describes the terms and conditions of the bond sale.

Conclusion:

With the advice and assistance of the CEA's independent financial advisor, staff has concluded that proceeding with a debt program will provide the CEA with a clear means to achieve several goals.

1. Becoming a consistent issuer will gain further market recognition and enable CEA to readily access the capital markets in both pre-event and post-event circumstances.
2. The CEA would expand awareness of its revenue-bond credit to the capital markets.
3. The CEA claim-paying capacity would benefit by the use of debt instruments in the persistent low interest-rate climate.

Staff proposes to draft guidelines similar to the current guidelines for purchasing risk-transfer, which have worked well. The debt-program guidelines would provide clear process for issuing debt, with any issuance to be approved by the Board. But having guidelines and process approved and established in advance would permit CEA to issue debt when market conditions are right, providing more efficient access to goals stated above.

<u>Recommendation:</u>

No specific action requested.

The discussion at the Board meeting, however, will provide staff with direction on the future of a debt program and associated guidelines.

California Earthquake Authority Pre-Event Debt Plan

Preamble
The California Earthquake Authority ("CEA") has worked with its independent financial advisor, Raymond James, to establish a pre-event debt plan.

The CEA's objective in using pre-event bonds is to provide liquidity and stability for the CEA's capital structure. Pre-event bonding also provides a type of liquidity under the CEA law that enhances the CEA's ability to plan for and pay earthquake-insurance claims and related expenses.

In addition, even without an earthquake giving rise to claims, a permanent pre-event bond-financing program can contribute to a CEA capital structure with enhanced liquidity, directly benefitting sustainability.

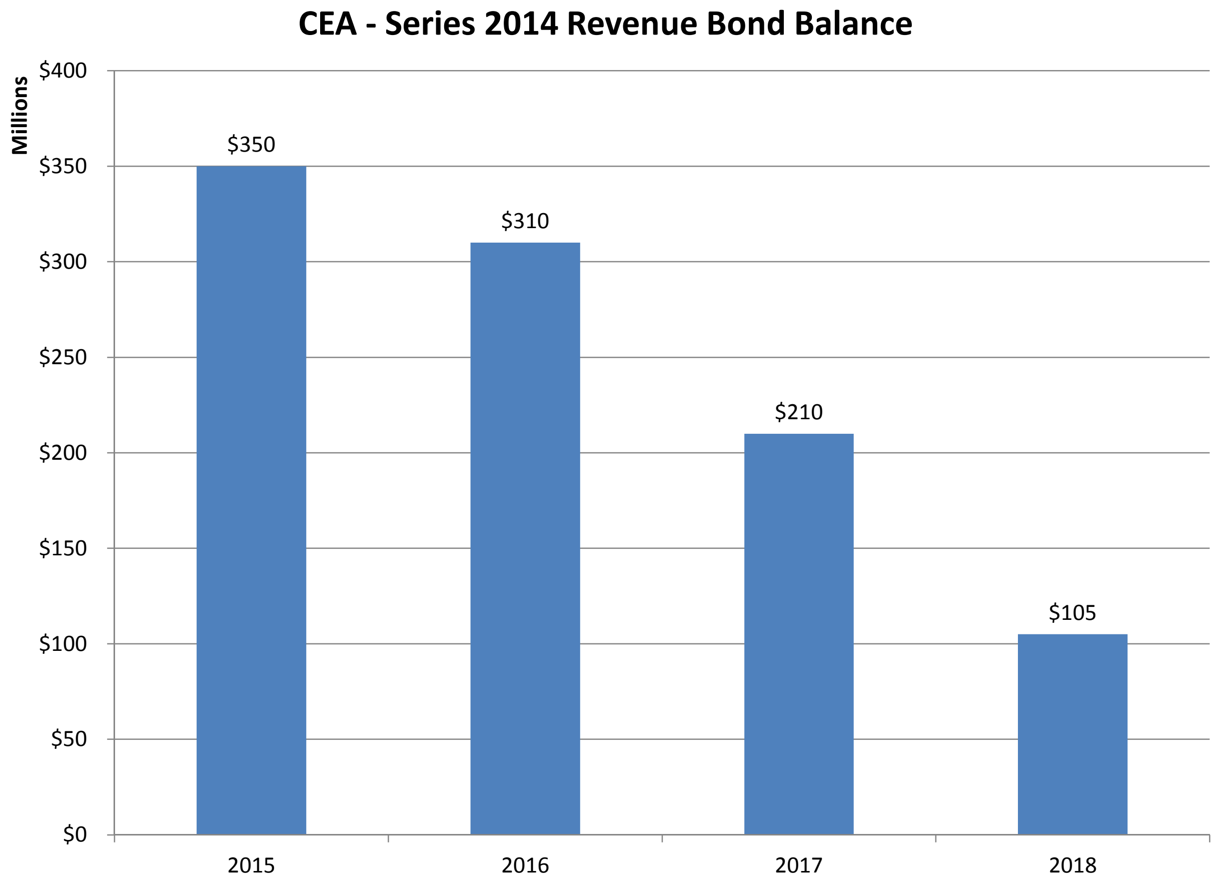
Current Revenue Bonds
To date, the CEA has issued $665 million of taxable bonds to fund part of its liquidity needs and provide a continuing capital source to its capital structure.

- In 2006, the CEA issued $315 million of 10-year bonds, with $31.5 million of annual sinking fund payments at an interest rate of 6.169% (1.109% above the 10-year Treasury at the time of issuance). In 2014, the CEA issued $350 million, with maturities ranging from two to five years at a weighted average yield of 2.453% (1.063% above the respective Treasury rates for each maturity at the time of issuance). The table below details the CEA's 2014 revenue-bond issuance, which included 2, 3, and 5-year maturities:

Issuer	California Earthquake Authority							
Series	2014							
Tax Status	Federally Taxable							
Par Amount	$350,000,000							
Ratings	A3/A (Moody's/Fitch)							
Dated Date	11/6/2014							
Year from Issuance	Maturity Date (7/1)	Principal	Yield	TSY Benchmark	TSY Rate (11/5)	Spread to TSY	Interest	Debt Service
1	2015						$5,603,771	$5,603,771
2	2016	$40,000,000	1.194%	2-Yr	0.520%	0.674%	$8,584,500	$48,584,500
3	2017*	$60,000,000	1.824%	3-Yr	0.970%	0.854%	$4,628,700	$64,628,700
4	2017*	$40,000,000	2.805%	5-Yr	1.630%	1.175%	$3,478,200	$43,478,200
4	2018	$105,000,000	2.805%	5-Yr	1.630%	1.175%	$5,890,500	$110,890,500
5	2019	$105,000,000	2.805%	5-Yr	1.630%	1.175%	$2,945,250	$107,945,250
Total/Avg		**$350,000,000**	**2.453%**			**1.063%**	**$31,130,921**	**$381,130,921**
Average Life (Years)	*3.44*							
Optional Redemption Provisions	*None*							

** July 1, 2017 maturity includes $60 million of principal spread to the 3-year Treasury and $40 million of principal spread to the 5-year Treasury.*

The Series 2006 bonds were economically defeased before their final maturity of $31.5 million on July 1, 2016. As a result, the CEA now has only $350 million of its Series 2014 bonds outstanding. Based on the maturity structure of the Series 2014 bonds, the CEA will have $310 million of revenue bonds outstanding after the July 1, 2016, maturity of $40 million.



Risk-Transfer versus Revenue Bonds

The risk-transfer market has experienced significantly reduced pricing from increased investor demand and capital available in the risk-transfer marketplace. Because interest rates are near historically low levels, investors are searching for additional yield and investing in catastrophe bonds or reinsurance programs, or both, which provide uncorrelated investment returns compared to other alternative capital market products.

Although the cost of reinsurance is higher than issuing revenue bonds, reinsurance provides an important tool for transferring risk to the private market and also builds the base of a risk-transfer program.

But revenue bonds provide an efficient economic alternative to maximize liquidity and create capital permanence in the capital structure. Revenue bonds also reduce the need for incremental risk-transfer, allowing the CEA to maximize benefits from its financial resources.

For example, the following table shows the cost difference between issuing $100 million of a 2-year revenue bond and purchasing $100 million of risk-transfer.

- Risk-transfer costs are assumed, based on average CEA risk-transfer purchases during 2015.

California Earthquake Authority Pre-Event Debt Plan

- Bond costs are based on CEA's 2014 issuance costs and ongoing bond costs: the spread between the bond coupon and interest income on invested bond-proceeds.

No bonds issued

Year	Revenue bonds Issued	Bond spread (cost)	Annual cost of bonds	Reinsurance purchased	Rate pd. for risk-transfer	Annual cost of risk-transfer	Total cost of claim-paying capacity	**Cost savings**
2016	$ 0	1.0%	$ 0	$ 4.3 billion	4.4%	$ 189.2 million	$ 189.2 million	**$ 0**
2017	$ 0	1.0%	$ 0	$ 4.6 billion	4.4%	$ 202.4 million	$ 202.4 million	**$ 0**
2018	$ 0	1.0%	$ 0	$ 4.9 billion	4.4%	$ 215.6 million	$ 215.6 million	**$ 0**

Issue $100 million in bonds with repayment of bond at $50 million a year

Year	Revenue bonds issued	Bond spread (cost)	Annual cost of bonds	Reinsurance purchased	Rate pd. for risk-transfer	Cost of risk-transfer	Total cost of claim-paying capacity	**Cost savings**
2016	$ 100 million	1.0%	$ 1.3 million	$ 4.2 billion	4.4%	$ 184.8 million	$ 186.1 million	**$ 3.1 million**
2017	$ 0	1.0%	$ 1.0 million	$ 4.5 billion	4.4%	$ 198.0 million	$ 199 million	**$ 3.4 million**
2018	$ 0	1.0%	$ 1.0 million	$ 4.8 billion	4.4%	$ 211.2 million	$ 212.2 million	**$ 3.4 million**

The cost savings shown in the second table, above, are similar whether newly issued bonds are repaid in 2, 3, 5, or 7 years.

In today's interest-rate environment, bonds are more cost-effective and provide a better economic alternative to purchasing risk-transfer, even though current risk-transfer costs are low. When interest rates start to rise, so will risk-transfer costs—but risk-transfer costs will rise *more rapidly* than interest rates. That means that, while the cost-savings comparison here (at least $3.1 million per year) reflects current market conditions, the savings will *increase* as interest rates and risk-transfer rates rise as described.

Debt Plan

Optimally, the CEA would benefit from having about $500 million of revenue bonds consistently outstanding in any year, with a maximum maturity of 7 years. Depending on market conditions at issuance and with rolling maturities between 2 and 7 years, new revenue bond financings would phase in periodically.

Each bond issuance would be $50 to $250 million, allowing CEA to have a consistent volume of revenue bonds outstanding and be a regular, frequent issuer, allowing CEA to become a more familiar name in the marketplace with each issuance.

As a result, the CEA would broaden its investor base, which would increase investor demand and put downward pressure on its interest-rate spreads for future bond-issuances.

The primary goals for the CEA's revenue-bond program are:

- Financial strength
    - The capital provided by revenue bonds allow more time for claim-paying before accessing the capital market for any post-event financing, which could cost significantly more after an event.
- Sustainability
    - Revenue bonds proceeds represent a source of flexible funds in the CEA's capital structure. Those funds also help mitigate the market and timing risks of post-event financing, while providing funds for claim payments and reduced need for risk-transfer purchased post-event.
- Efficiency
    - As shown by the analysis above of risk-transfer versus revenue bonds, bonds can provide more efficient claim-paying capacity.

Secondary goals of the CEA's revenue bond program are:

- Increased investor access and a broader investor base
    - By being a more regular bond issuer, CEA allows investors to become more familiar with the CEA credit, and its investor base would broaden as CEA issues more frequently and with longer-dated maturities. A broader investor base will help lower CEA's cost of capital (ongoing costs) and will enhance its post-event market access.
- Laddered bond-maturity structure, with a maximum final maturity of 7 years
    - By laddering its bond-maturity structure, CEA will institute greater permanence and sustainability in its capital structure and provide long-term liquidity. A revenue-bond program will also reduce CEA's reliance on its risk-transfer program.

Conclusion

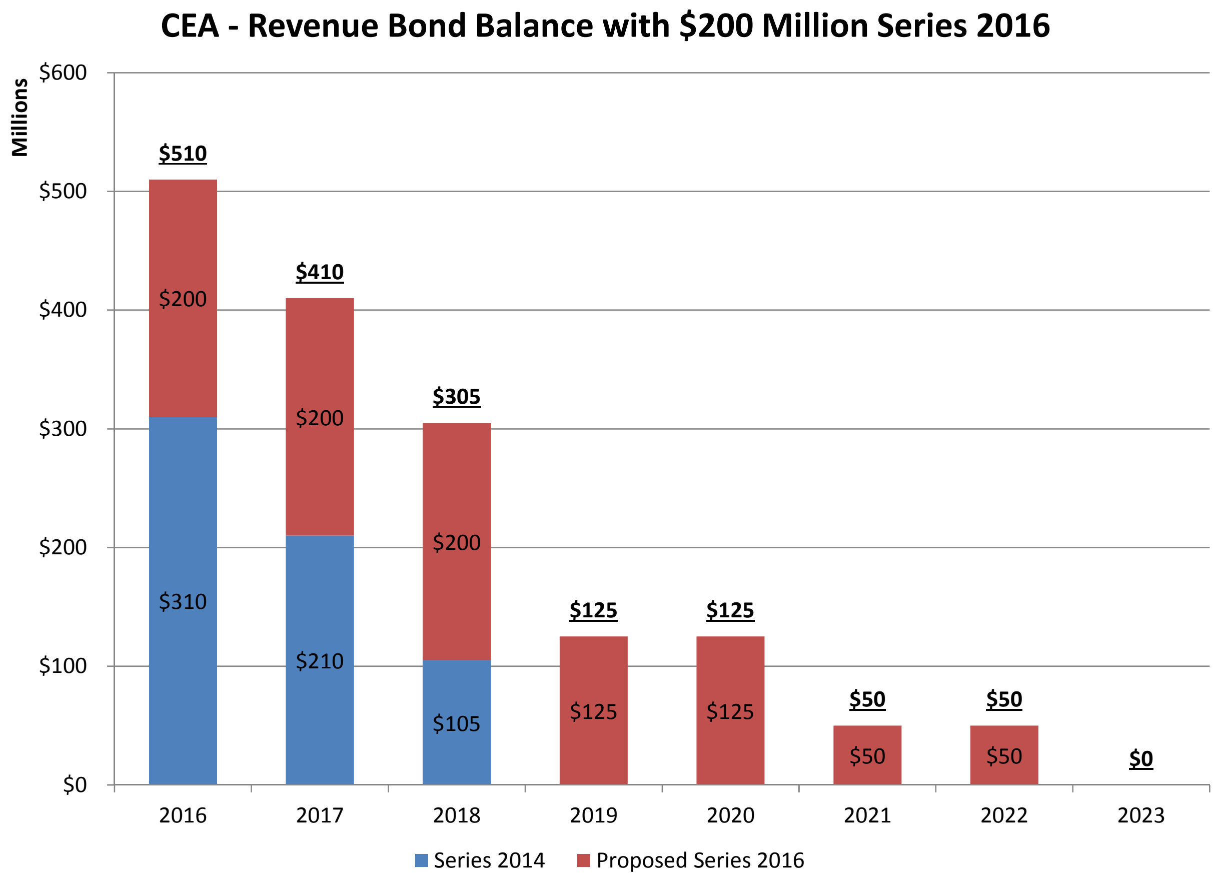
- CEA can establish its revenue-bond program to increase its claim-paying capacity and provide liquidity, stability, and flexibility for CEA's capital structure.
- Risk-transfer is an important part of CEA's capacity, but it is more costly than revenue bonds and it does not provide the same sustainability for CEA's capital structure.
- A revenue bond program with maturities laddered from 2 to 7 years would take advantage of today's historically low interest rates and increased investor demand in the 5-7 year maturity range.
- Optimally, CEA's revenue bond program could be about $500 million, with rolling bond-maturities. This would allow CEA to issue $50 to $250 million of revenue bonds every 2 or 3 years, to maintain a capital-marketplace presence and increase claim-paying capacity.
- An example of issuance plans for 2016 is in Exhibit A.

Exhibit A

2016 Plan – Example

Given the debt plan described above, a 2016 bond issuance might comprise $200 million of revenue bonds issued in the 4th quarter 2016, with 2 to 7-year maturities—this would lock in historically low interest rates and extend the final maturity of the CEA's existing revenue-bond program.

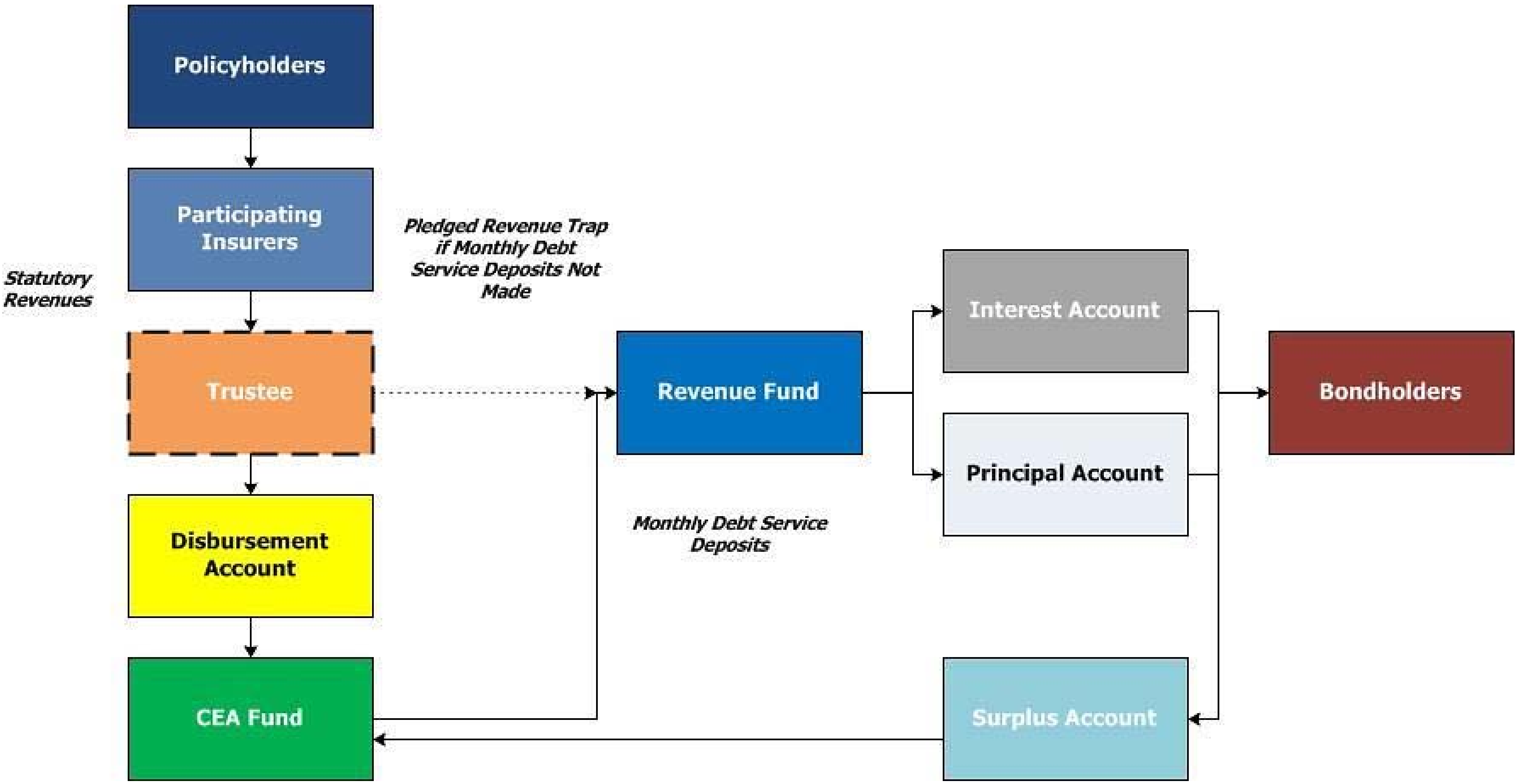
In addition, this Series 2016 issuance would afford CEA the opportunity to meet with its rating agencies and emphasize its improving claim-paying situation, which would provide positive pressure toward an improved ratings outlook or an upgrade to existing ratings (A3 by Moody's, A by Fitch).



California Earthquake Authority - Series 2014 and Proposed Series 2016 Bonds Outstanding at Year-End								
($ in Millions)	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**
Outstanding Series 2014 Bonds	$310	$210	$105	$0	$0	$0	$0	$0
Proposed Series 2016 Bonds	$200	$200	$200	$125	$125	$50	$50	$0
Total Proposed Outstanding Bonds	***$510***	***$410***	***$305***	***$125***	***$125***	***$50***	***$50***	***$0***

The CEA can continue its debt plan by accessing capital markets every 2 or 3 years, depending on market conditions.

Flow of Funds



[Proposed additions to] CEA Investment Policies and Guidelines[1]

Claim-Paying Fund and Claims-Paying Fund Investment Guidelines

Permitted Investments

1. Permitted investments are to be made solely from those securities eligible under California Government Code section 16430, made applicable to the CEA by operation of California Insurance Code section 10089.6, subdivision (b), as may be more narrowly specified in these Guidelines.

2. The full text of Government Code section 16430 is:

   "Eligible securities for the investment of surplus moneys shall be any of the following:

   (a) Bonds or interest-bearing notes or obligations of the United States, or those for which the faith and credit of the United States are pledged for the payment of principal and interest.

   (b) Bonds or interest-bearing notes on obligations that are guaranteed as to principal and interest by a federal agency of the United States.

   (c) Bonds and notes of this state, or those for which the faith and credit of this state are pledged for the payment of principal and interest.

   (d) Bonds or warrants, including, but not limited to, revenue warrants, of any county, city, metropolitan water district, California water district, California water storage district, irrigation district in the state, municipal utility district, or school district of this state.

   (e) Bonds, consolidated bonds, collateral trust debentures, consolidated debentures, or other obligations issued by federal land banks or federal intermediate credit banks established under the Federal Farm Loan Act, as amended, in debentures and consolidated debentures issued by the Central Bank for Cooperatives and banks for cooperatives established under the Farm Credit Act

[1] ***This section would be added to existing CEA Investment Policies and Guidelines***

of l933, as amended, in bonds or debentures of the Federal Home Loan Bank Board established under the Federal Home Loan Bank Act, in stock, bonds, debentures and other obligations of the Federal National Mortgage Association established under the National Housing Act as amended, and in the bonds of any federal home loan bank established under the act, obligations of the Federal Home Loan Mortgage Corporation, in bonds, notes, and other obligations issued by the Tennessee Valley Authority under the Tennessee Valley Authority Act as amended, and bonds, notes, and other obligations guaranteed by the Commodity Credit Corporation for the export of California agricultural products under the Commodity Credit Corporation Charter Act as amended.

(f)(1) Commercial paper of "prime" quality as defined by a nationally recognized organization that rates these securities. Eligible paper is further limited to issuing corporations, trusts, or limited liability companies approved by the Pooled Money Investment Board that meet the conditions in either subparagraph (A) or subparagraph (B):

(A) Both of the following:

(i) Organized and operating within the United States.

(ii) Having total assets in excess of five hundred million dollars ($500,000,000).

(B) Both of the following:

(i) Organized within the United States as a special purpose corporation, trust, or limited liability company.

(ii) Having program wide credit enhancements including, but not limited to, overcollateralization, letters of credit, or surety bond.

(2) Purchases of eligible commercial paper may not exceed 180 days' maturity, represent more than 10 percent of the outstanding paper of an issuing corporation, trust, or limited liability company, and not exceed 30 percent of the resources of an investment program. At the request of the Pooled Money Investment Board, this investment shall be secured by the issuer by depositing with the Treasurer securities authorized by Section 53651 of a market value at least 10 percent in excess of the amount of the state's investment.

(g) Bills of exchange or time drafts drawn on and accepted by a commercial bank, otherwise known as bankers' acceptances, which are eligible for purchase by the Federal Reserve System.

(h) Negotiable certificates of deposits issued by a federally or state-chartered bank or savings and loan association, a state-licensed branch of a foreign bank, or a federally or state-chartered credit union. For the purposes of this section, negotiable certificates of deposits do not come within the provisions of Chapter 4 (commencing with Section 16500) and Chapter 4.5 (commencing with Section 16600).

(i) The portion of bank loans and obligations guaranteed by the United States Small Business Administration or the United States Farmers Home Administration.

(j) Bank loans and obligations guaranteed by the Export-Import Bank of the United States.

(k) Student loan notes insured under the Guaranteed Student Loan Program established pursuant to the Higher Education Act of l965, as amended (20 U.S.C. Sec. 1001 and following) and eligible for resale to the Student Loan Marketing Association established pursuant to Section 133 of the Education Amendments of 1972, as amended (20 U.S.C. Sec. 1087-2).

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Claim-Paying Fund and Claim-Paying Fund Portfolio: Permitted Investments

Investment	US Treasury Securities	Federal Agency Securities	Bankers Acceptances (BA)	Certificates of Deposit (CDs)	Commercial Paper (CP)	Corporate Bonds and Notes
Maximum maturity	5 years	181 days	181 days	181 days	180 days	180 days
Maximum par value, total portfolio	None	50%	25%	25%	25%	5%
Maximum par value per name	None	25%	5%	5%	5%	5%
Maximum par value per maturity	None	None	None	None	None	None
Credit	Full faith and credit of the US Government	Credit analysis of certain issuing agencies	Rated in the highest rating category by all rating agencies	Rated in the highest rating category by all rating agencies	Rated within the US and rated A1/P1 or equivalent quality with total assets in excess of $500MM. Must also be on California Pooled Money Investment Board's approved list of CP issuers.	

Governing Board Memorandum

June 15, 2016

Agenda Item 8:	Recommendation to transfer money from the CEA's Earthquake Loss Mitigation Fund to the California Residential Mitigation Program
Recommended Action:	Approve recommended transfer of money

<u>Background</u>**:**

To date, transfers of the following funding amounts have been approved by the CEA Governing Board, and corresponding funds transfers to the California Residential Mitigation Program (CRMP) to fund the Earthquake Brace + Bolt (EBB) program have been completed:

- December 2010 — $500,000 in initial funding
- May 2013 — $1,000,000 to complete EBB pilot program and begin expansion
- December 2014 — $3,000,000 to expand EBB in 2015

<u>Analysis</u>**:**

Materials prepared for Governing Board Agenda Item 14 detail EBB accomplishments in 2015 and outline the goals CRMP has established for the program for 2016. [*Attachment A* is the CRMP budget analysis for 2016 as of April 30, 2016, as presented to and accepted by the CRMP governing board.]

In 2016, CRMP plans to complete 1,700 retrofits.

- The CRMP fund holds $702,256 as of April 30, 2016.
- Budgeted funds for use by CRMP 2016 include $3 million received as a grant from the Department of Insurance through an appropriation (to the Department) by the State of California. The CDI-grant funds are held by CRMP in a separate account and are to be used solely for retrofit-incentive grants.
- The 2016 CRMP budget also includes $300,000 in funds anticipated to be received by CEA through FEMA's Hazard Mitigation Grant Program—those funds are to be provided by CEA to CRMP, which will use the money in its Napa EBB programming.
- In addition to grant payments to homeowners, EBB expenses include ongoing administrative and operational costs, including marketing, call-center services, and third-party-evaluation services.

By continuing agreement with Cal OES, the CEA remains, as between those two partner entities, the sole funder of CRMP. In order for CRMP to execute its planned EBB program for 2016, CRMP will require additional CEA mitigation funds in the amount of $ 1 million.

Recommendation:

Staff recommends the Governing Board approve a transfer to CRMP of funds from the CEA Earthquake Loss Mitigation Fund in the amount of $1 million to fund and expand the CRMP EBB program in 2016, as described.

Attachment A

California Residential Mitigation Program
2016 Budget Analysis Detail Report CRMP
For the Four Months Ending April 30, 2016

	Annual Budget 2016	Used Budget $	Remaining Budget $	Remaining Budget %
CRMP Administrative Expenses				
Human Resources				
Travel	$26,500	$6,978	$19,522	73.7%
Total Human Resources	**26,500**	**6,978**	**19,522**	**73.7%**
General Office				
Board Services	3,900	667	3,233	82.9%
Administration & Office	17,000	3,291	13,709	80.6%
Insurance	55,065		55,065	100.0%
Financial Audit	50,000		50,000	100.0%
Legal Services	200,000	31,275	168,725	84.4%
Public Relations for CRMP	20,000		20,000	100.0%
Total General Office	**345,965**	**35,233**	**310,732**	**89.8%**
EBB Program Expenses				
Software/Information Technology	23,120	6,869	16,251	70.3%
Call Center Support	64,800	10,383	54,417	84.0%
Progam Evaluations - Customer Service Satisfaction	50,000		50,000	100.0%
Home Inspection Services	87,300		87,300	100.0%
EBB Marketing	300,000	135,175	164,825	54.9%
EBB Program Education	40,000		40,000	100.0%
Grants to Homeowners (Consumer Incentives)	5,400,000	356,034	5,043,966	93.4%
Total EBB Program Expenses	**5,965,220**	**508,461**	**5,456,759**	**91.5%**
Total Budget Expenditures	**6,337,685**	**550,672**	**5,787,013**	**91.3%**

Governing Board Memorandum

June 15, 2016

Agenda Item 9:	Report of Audit on CEA Annual Financial Statements (2015)
Recommended Action:	No action required—information only

Background:

Plante Moran, the California Earthquake Authority's independent financial auditor, performed an audit of CEA's financial statements, which were prepared in accordance with generally accepted accounting principles (GAAP) in the United States of America, for the year ended December 31, 2015, pursuant to standards of the Governmental Accounting Standards Board (GASB).

Analysis:

Report of Audit for GAAP financial statements are found in *Attachment A* and consist of:

- Independent Auditor's Report
- Management's Discussion and Analysis
- Audited Financial Statements and accompanying notes
- Supplementary Information

According to the Independent Auditor's Reports, CEA's 2015 audited GAAP financial statements present fairly, in all material respects, the financial position of CEA, in conformity with accounting principles generally accepted in the United States of America.

As is customary, a representative of Plante Moran will appear to address the CEA Governing Board.

Recommended Action: No action required—information only.

Governing Board Memorandum

June 15, 2016

Agenda Item 10: Annual Set-Aside for the CEA Earthquake Loss Mitigation Fund

Recommended Action: Approve the Annual Set-Aside for the CEA Earthquake Loss Mitigation Fund

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Background:

California Insurance Code section 10089.37 states, in pertinent part:

> *The board shall set aside in each calendar year an amount equal to 5 percent of investment income accruing on the authority's invested funds, or five million dollars ($5,000,000), whichever is less, if deemed actuarially sound by a consulting actuary employed or hired by the authority, to be maintained as a subaccount in the California Earthquake Authority Fund. The authority shall use those funds to fund the establishment and operation of an Earthquake Loss Mitigation Fund.*

The Governing Board last approved set-aside funding for the CEA Earthquake Loss Mitigation Fund in August 2015, in the recommended amount of $1,268,767.

Analysis:

The CEA Earthquake Loss Mitigation Fund is established by law to hold the money to be used for the CEA mitigation activities' operational and program-related expenses. The Board, however, must approve mitigation programs and activities for which CEA Loss mitigation Fund money would be expended.

The Insurance Code also requires that the set-aside of monies for the CEA Earthquake Loss Mitigation Fund be reviewed "by a consulting actuary employed or hired by the authority" to determine if that set-aside may impair the CEA's actuarial soundness. The CEA's Chief Actuary has reviewed the staff proposal to set aside and transfer funds, and she has determined that the set-aside will not impair the CEA's actuarial soundness (see *Attachment A*).

Staff requests Board authorization and approval to set aside $2,140,441 into the CEA Earthquake Loss Mitigation Fund, as calculated and shown on *Attachment B*.

Recommendation:

Staff recommends the Board authorize a set-aside of $2,140,441, to be transferred to the CEA Earthquake Loss Mitigation Fund.

MEMORANDUM

DATE: June 14, 2016

TO: Tim Richison, Chief Financial Officer

FROM: Shawna Ackerman, Chief Actuary

RE: 2015 Earthquake Loss Mitigation Fund

Pursuant to California Insurance Code §10089.37, the California Earthquake Authority (CEA) shall set aside in each calendar year an amount equal to the lesser of 5% of its annual investment income or $5,000,000 for the Earthquake Loss Mitigation Fund, if deemed actuarially sound. The amount under review for calendar year 2015 is $2,140,441.

The term “actuarially sound” is often applied to rates. When used in this context “actuarially sound” means that the rate covers the expected future costs for the transfer of risk. In this context, the current rate structure considers and provides for a sufficient provision for the mitigation fund.

In the context of the statute for the mitigation fund, the term may also apply to the CEA’s solvency. I have reviewed the financial data provided to me including the provision for the mitigation fund. The CEA available capital at December 31, 2015 is $5.014 billion and the total claims paying capacity is $11.667 billion. The mitigation funds available to set aside are approximately 0.04% of the CEA’s available capital and 0.02% of the CEA’s total claims paying capacity. Because the mitigation fund represents a small percentage of the CEA’s total claims paying capacity, the absence of the funds for claims paying will not impair the CEA’s solvency. Additionally, the mitigation funds can increase the CEA’s ability to pay 100% of claims liabilities to the extent that the funds are used to support activities that reduce the CEA’s losses in the event of a damaging earthquake. Therefore, I conclude that the mitigation fund amount as proposed is actuarially sound as contemplated in the statute.

California Earthquake Authority
Calculation of Available Set-Aside Amount for Loss Mitigation Fund
For the Years Ended December 31

			A	B	C	(A + B + C)
Year	**Investment Income**	**5% of Investment Income**	**Beginning-of-Year Remaining Funds Available for Set Aside**	**Lesser of 5% of Investment Income or $5 million ****	**Funds Set Aside by the Governing Board**	**End-of-Year Remaining Funds Available for Set Aside**
Balance as of December 31, 2000						**$ -**
2001	$ 44,184,990.04	$ 2,209,249.50	$ -	$ 2,209,249.50	$ (309,275.55)	$ 1,899,973.95
2002	$ 24,782,830.64	$ 1,239,141.53	$ 1,899,973.95	$ 1,239,141.53	$ (2,509,232.25)	$ 629,883.23
2003	$ 25,562,896.69	$ 1,278,144.83	$ 629,883.23	$ 1,278,144.83	$ -	$ 1,908,028.07
2004	$ 35,851,094.85	$ 1,792,554.74	$ 1,908,028.07	$ 1,792,554.74	$ -	$ 3,700,582.81
2005	$ 64,786,415.96	$ 3,239,320.80	$ 3,700,582.81	$ 3,239,320.80	$ (3,700,582.81)	$ 3,239,320.80
2006	$ 118,647,844.32	$ 5,932,392.22	$ 3,239,320.80	$ 5,000,000.00	$ (3,239,320.80)	$ 5,000,000.00
2007	$ 125,616,215.18	$ 6,280,810.76	$ 5,000,000.00	$ 5,000,000.00	$ (5,000,000.00)	$ 5,000,000.00
2008	$ 84,700,308.00	$ 4,235,015.40	$ 5,000,000.00	$ 4,235,015.40	$ (5,000,000.00)	$ 4,235,015.40
2009	$ 55,449,955.00	$ 2,772,497.75	$ 4,235,015.40	$ 2,772,497.75	$ (4,235,015.40)	$ 2,772,497.75
2010	$ 40,385,063.00	$ 2,019,253.15	$ 2,772,497.75	$ 2,019,253.15	$ (2,772,497.75)	$ 2,019,253.15
2011	$ 31,693,442.00	$ 1,584,672.10	$ 2,019,253.15	$ 1,584,672.10	$ (2,019,253.15)	$ 1,584,672.10
2012	$ 24,766,000.00	$ 1,238,300.00	$ 1,584,672.10	$ 1,238,300.00	$ (1,584,672.10)	$ 1,238,300.00
2013	$ 21,291,499	$ 1,064,574.96	$ 1,238,300.00	$ 1,064,574.96	$ (1,238,300.00)	$ 1,064,574.96
2014	$ 25,375,330	$ 1,268,766.51	$ 1,064,574.96	$ 1,268,766.51	$ (1,064,574.96)	$ 1,268,766.51
2015	$ 42,808,825	$ 2,140,441.25	$ 1,268,766.51	$ 2,140,441.25	$ -	$ 3,409,207.76 *
Balance as of December 31, 2015						**$ 3,409,207.76**

***Note: The 2014 set-aside amount $1,268,766.51 was transferred March 2016.**

**By law, "(t)he board shall set aside in each calendar year an amount equal to 5 percent of investment income accruing on the authority's invested funds, or five million dollars ($5,000,000), whichever is less…" *Insurance Code section 10089.37.*

Governing Board Memorandum

June 15, 2016

Agenda Item 11:	Creation of a Chief Risk Officer position
Recommended Action:	Approve creation of a Chief Risk Officer position

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Chief Executive Officer Glenn Pomeroy will propose for Board approval the creation of a Chief Risk Officer position as a member of the CEA executive team.

CEA Governing Board Memorandum

June 15, 2016

Agenda Item 12:	Update on advertising and marketing contract initiatives now underway
Recommended Action:	Ratify certain interim 2016 advertising-related contracts

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Background:

On October 31, 2013, CEA issued a request for qualifications (RFQ #10-13) to identify and qualify a contractor to serve, beginning in 2014, as the lead firm to assist CEA in facilitating, developing, and preparing sales, marketing, and post-earthquake campaigns, materials, and communications.

On February 10, 2014, the Governing Board approved a competitively procured agreement to support communications and marketing services by the selected contractor, then called "AdEase," which later changed its name to "Civilian."

After two years of services the Civilian relationship is ending, but CEA staff has opted to retain the services of key Civilian subcontractors and vendors, among them a new principal contractor, through interim, direct-contract relationships.

Analysis:

While CEA's 2016 Board-approved advertising and marketing-programming budgets will not change, CEA has moved to establish a number of direct, interim contracts for services previously provided by or through Civilian, and updated its agreement with a previous Civilian subcontractor:

1. *Former Civilian Creative Director Ben Fruehauf:*

   Mr. Fruehauf created CEA's current "Your Risk is Real" advertising campaign, which launched fall 2015. CEA requires his services (a) to update advertising assets, as appropriate, to extend the campaign into 2017, (b) update the related 2016 mandatory marketing document for 2017, and (c) assist in producing an internal training video for CEA's participating insurers. Mr. Fruehauf's contract is valid through December 2016—CEA retains an option to extend it through 2017. In July, CEA will release a request for proposals (RFP) for a new advertising agency, with services to begin in 2017, and will report on outcomes at the September Board meeting.

2. *U.S. International Media (USIM):*

   CEA requires an external entity to place and process paid-media, both for independent media-buying recommendations and to help ensure lowest possible rates for CEA advertising. Though USIM is new to CEA, the firm is staffed by industry veterans and was recommended by highly regarded independent references. USIM will work within CEA's Board-approved budget for the remainder of 2016 and will need to compete successfully in CEA's RFP to permit CEA to extend this contract beyond 2016—in July, CEA will release an RFP for a "media-planning and buying firm," with services to begin in 2017, and will report on outcomes at the September Board meeting.

3. *New America Media (NAM):*

   CEA always has directly managed its ethnic-media relationships through NAM, which is a national, one-of-a-kind organization based in the Bay Area. But CEA previously procured all ethnic-media buys through its former advertising agency. For the remainder of 2016 and forward, CEA plans to contract directly through NAM for ongoing ethnic-media buys.

4. *ZOOM Cross-Media (ZOOM):*

   CEA has worked with ZOOM since 2011, initially through Ogilvy Public Relations and most recently through Civilian. Most work has focused on printing and fulfilling Marketing Value Program (MVP) direct mail and earthquake-preparedness starter kits, CEA Hazard Reduction Discount (HRD) direct mail, and the mandatory marketing document (MMD).

   CEA will continue this relationship through a contract with Zoom through 2016. In July, CEA will release an RFP for MMD printing and fulfillment beginning 2017, and will report outcomes at the September Board meeting. Other printing, including the MVP and CEA HRD, will be managed through CEA's new advertising agency.

5. *Burson-Marsteller (Burson):*

   Civilian and Burson joined forces to compete successfully in CEA's 2013 RFP for advertising and marketing services. Now, two years later and as Civilian's contract performance winds down, CEA staff has opted to update that master agreement to comprise only the communication services provided by Burson. CEA will continue its relationship with Burson accordingly under its existing Board-approved budget.

As noted, many necessary services from vendors described above flowed through the Civilian contract, with Civilian providing both selection and contract management services. With Civilian now moving out of the picture, CEA has created and taken on contracts made directly with those parties, generally through a sole-source procurement based on urgent circumstances: the services were vital, ongoing, and had to continue uninterrupted. But that arrangement will obtain only through 2016—various appropriate competitive procurements will be conducted starting shortly to allow full examination of eligible candidates.

Recommendation:

Ratify contracts through 2016 for creative services from Ben Fruehauf, general media-buying from U.S. International Media, and printing services from ZOOM Cross-Media, as well as direct contracting for ethnic-media buying through New American Media.

Governing Board Memorandum

June 15, 2016

Agenda Item 13: CEA Mitigation Program: Projects

Recommended Actions: No action required—information only

Background and Analysis:

The CEA Mitigation Department currently manages multiple projects focused on expanding mitigation resources to homeowners and technical professionals, as well as collecting data to further broad mitigation efforts.

Guidelines Development

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

When complete and adopted, the guidelines will extend to additional structures the provisions of Chapter A3 of the International Building Code, currently adopted (by reference) into the California Building Code, which provide the current limited standards for retrofitting cripple-wall dwellings.

In addition to uniform standards for homeowners, contractors, and engineers, the new guidelines will help the CEA and others establish and expand (1) incentive programs to encourage seismic retrofits, such as that of the California Residential Mitigation Program, and (2) enhance the CEA's ability to develop and provide suitable mitigation discounts for CEA-insured homeowners.

The CEA is funding the project, and CEA chief mitigation officer Janiele Maffei and Mike Mahoney of FEMA are managing the project jointly.

The entity chosen to contract to manage the guidelines project is the Applied Technology Council ("ATC"). The program technical committee, managed by ATC, is charged with guiding the schedule and budget for the project's second year.

The ATC 110 project technical team consists of three groups, simultaneously working on these three seismic vulnerabilities:

- Houses with unbraced and unbolted cripple walls
- Houses with living space or rooms over a garage
- Hillside houses

The groups have identified sample dwelling types, established computer-analysis protocols and target hazard and performance goals, and selected those retrofit solutions to be analyzed.

FEMA P-50 and P-50-1

The focus of this "Verification Project" is expanding the use of FEMA's *Simplified Seismic Assessment Form for Detached, Single-Family, Wood-Framed Dwellings* (FEMA P-50). FEMA P-50 is a simple, standard assessment form used to record an evaluation of a house's resistance to earthquake damage, based on:

- Structural attributes
- How close a house is to earthquake hazards

The Assessment Form, and the accompanying FEMA P-50-1, helps a homeowner identify how to:

- Strengthen their house
- Lower their risks from earthquakes

The CEA is a contributing funder to developing FEMA P-50. But while the tool has been available for use by inspectors, it has (so far) not been widely distributed or used.

Education

CEA is taking the initiative to bring the evaluation tool—and related training—to California home inspectors, for three reasons:

1. To help homeowners interested in retrofits to learn associated risks and vulnerabilities
2. To provide home-buyers information at time of sale regarding potential seismic risks in light of structure vulnerabilities
3. To provide additional inspection resources in support of CEA's impending Hazard Reduction Discount program

In 2015 CEA coordinated six FEMA P-50 and P-50-1 training sessions for 214 participants. In 2016, five more training sessions been scheduled, working with the California Real Estate Inspection Association (CREIA), the American Society of Home Inspectors (ASHI), FEMA, ATC, Simpson Strong-Tie, and CalOES. CEA is coordinating sessions in San Diego, Pleasanton, Norwalk, San Jose, and Los Angeles/Burbank.

The goal is to create a statewide resource of 200 trained home inspectors by year-end 2016.

Mobile Application

CEA is also developing a mobile-device app, based on FEMA P50, for use by home inspectors. The app will collect data, calculate the vulnerability score, and generate a report describing the inspected house's seismic vulnerabilities—the app will also suggest options to retrofit the structure and otherwise mitigate the vulnerabilities, where that could improve the vulnerability score. The app could also include creation and use of the CEA Hazard Reduction Discount form.

South Napa After-Event Study

On August 24, 2014, at 3:20 a.m., a magnitude 6.0 earthquake struck in the American Canyon area, just South of Napa—it was the largest to hit California since the 1994 Northridge earthquake. According to *The Press Democrat* (Santa Rosa), the quake killed one person and injured 200, including a young man gravely injured by falling bricks from his home's fireplace.

CEA embarked on a research project to compile data on how single-family dwellings performed during that earthquake—no data now exists that would identify seismically retrofitted and non-retrofitted dwelling performance in Napa.

CEA collaborated with a qualified research consultant in developing the project plan. The consultant developed the survey tool, managed data collection, provided preliminary data analysis, and conducted one-on-one interviews with select homeowners in order to learn their personal experiences and evaluate house performance during and after the earthquake.

The study is in two Phases.

Phase I:
An online survey offered February 22–March 15, 2015, to homeowners in the 94558 and 94559 ZIP Codes—primarily the city (and county) of Napa:

Available in English and Spanish, homeowners learned of the survey through door hangers and local media. The mayor of Napa recorded a public service announcement for local radio, and the City of Napa and the County of Napa advertised the survey on their websites and through social media.

Participation was good, with over 633 survey respondents, with 200 qualifying for Phase II.

Phase II:
Phase II involved interviews with 39 homeowners and inspections of their houses—these houses had been identified by respondents as having been seismically retrofitted before the August 2014 earthquake.

California Real Estate Inspection Association (CREIA)-affiliated home inspectors who have completed training in FEMA P-50 *Simplified Seismic Assessment Form for Detached, Single-Family, Wood-Frame Dwellings* conducted the inspections in March 2016.

The data from the interviews and the inspections is under analysis, with anticipation of a report in September to the CEA Governing Board.

Staff intends to develop an After-Event Study template, with the goal of being able to quickly implement similar studies after future earthquakes.

End-to-End Mitigation

Despite successful Earthquake Brace & Bolt program operations and public outreach by the CEA Mitigation Department, it became clear that a gap exists in bringing earthquake-hazard, mitigation, and preparedness information to California homeowners. While some organizations and websites inform on geological hazards, structural vulnerabilities, and insurance options, the sources are not readily available through a single source that homeowners can access.

CEA is now identifying both existing and missing resources, to outline the gap and incorporate information and links on various issues on a single "E2E" (end to end) website:

1. Hazard Identification and Dwelling Vulnerability. *"What Hazards Threaten My House?"* (For example, liquefaction, landslide, earthquake rupture zones, and faults.) Resources now exist to identify this information.

2. Identify Dwelling Vulnerability. *"How is my house vulnerable to damage from these hazards? What are my risks?"* (Information regarding home inspectors, FEMA P-50 inspections, contractors, and engineers.)

3. Mitigation/retrofit Solution. *"What type of retrofit do I need, prescriptive or engineered?"* (Resources might be Chapter A3, Plan Set A, Los Angeles Standard Plan Set No. 1, an engineered solution, costs, timetables, cost-benefit analysis.)

4. Professional Resources. Contractors, engineers, home inspectors, financial planners, real estate personnel, financial institutions

5. Financial Resources. *"Now that I know what I need to do and who to hire to do it, how do I pay for it? Is there financial assistance?"* Possible solutions would include the CEA Hazard Reduction Discount, EBB, banks and other financial institutions, and other CEA programming.

6. Insurance. "Mitigate your known vulnerabilities and insure the unknown.

This project is managed and funds made available through the IT Project Portfolio.

CEA Governing Board Memorandum

June 15, 2016

Agenda Item 14: *Earthquake Brace + Bolt* update

Recommended Action: No action required—information only

Background:

Homeowners in the *Earthquake Brace + Bolt* (EBB) program ZIP Codes are eligible for an incentive payment of up to $3,000 to help pay costs associated with seismically retrofitting their houses. EBB is operated by the California Residential Mitigation Program, a joint powers authority whose members are the CEA and California Governor's Office of Emergency Services.

Analysis:

2015 EBB

In 2015, EBB was available in 28 ZIP Codes in seven cities: Oakland, San Francisco, San Leandro, Los Angeles, Pasadena, Santa Monica, and Napa. While the program goal was to complete 600 retrofits, 530 were completed—for a variety of reasons, some homeowners withdrew from the program after they had received a building permit.

2016 EBB

Funds provided by CEA from its Earthquake Loss Mitigation Fund will provide for 600 retrofits in 2016.

In addition, the Legislature and Governor included in the 2015–2016 state budget an appropriation of $3,000,000 to the California Department of Insurance, with direction that the Department grant that money to the CEA, for CRMP's EBB program. These funds will provide for approximately 1,000 additional retrofits for California homeowners in 2016.

Homeowner registration for the 2016 EBB program opened in January in 18 cities and more than 100 ZIP Codes. Approximately 4,400 homeowners registered for the program.

On March 15, approximately 3,200 applicants were accepted into EBB, and 1,200 were placed on a waitlist. As of June 10, the status of 2016 EBB-program participants is:

- 265 retrofits completed
- 661 building permits received
- 725 homeowners have been granted EBB-deadline extensions to obtain building permits

Additional 2016 Funding: FEMA Hazard Mitigation Grant Program

FEMA approved the CEA's Hazard Mitigation Grant Program application, which sought funds made available by FEMA in the aftermath of the damaging August 2014 earthquake that affected Napa. The funds, supported by a partial EBB-funding match by the CEA, will provide EBB retrofit grants for 100 houses.

Registration for the 2016 *Napa Earthquake Brace + Bolt* ("Napa EBB") program was open for 30 days beginning February 22. More than 250 homeowners registered for the Napa EBB program, and of those, 100 homeowners were accepted into EBB and the remainder were placed on a waitlist.

Homeowners accepted had eight weeks to find a contractor and get a building permit. As of June 10, 2016, two retrofits had been completed.

Future Funding

We continue to look for additional EBB funding beyond CEA's Earthquake Loss Mitigation Fund, to expand availability of incentive payments for more homeowners. The number of houses that need retrofits far exceeds the level of funding now available or yet identified.

CEA is submitting another application for additional FEMA Hazard Mitigation Grant Program funding, and we hope the State of California will continue its support (through the Department of Insurance) for 2016–2017.

Recommendation:

No action recommended—information only.

CEA Governing Board Memorandum

June 15, 2016

Agenda Item 15:	Update on "CEA Brace + Bolt" initiative
Recommended Action:	No action required—information only

Background:

CEA will pilot a new program in fall 2016, "CEA Brace + Bolt," to encourage select CEA policyholders to seismically retrofit their older houses by providing up to $3,000 toward the retrofit. Once the brace and bolt retrofit is complete, these policyholders will qualify for CEA's new 20 percent verified hazard reduction discount on their earthquake-insurance premium.

This initiative has a sound financial basis: retrofitting sufficient numbers of older, more vulnerable houses located in seismically active areas can reduce the CEA's need for, and therefore its cost of, risk-transfer, long term.

The CEA Brace + Bolt program is modeled after the CRMP's Earthquake Brace + Bolt (EBB) program, currently operating in 18 California cities.

Operating within specific program rules, CEA will offer up to $3,000 toward a seismic retrofit to policyholders who:

- Have insured their owner-occupied house with CEA for at least three years;
- own a pre-1940 house in one of the 10 selected ZIP Codes; and
- whose house characteristics qualify for a code-based brace-and-bolt retrofit.

This pilot program includes 10 ZIP Codes—five each in Northern and Southern California:

Northern California	**Southern California**
94501	90027
94602	90048
94611	91030
94705	91104
94707	91108

Analysis:

CEA Brace + Bolt: Next Steps

CEA is working with its participating insurers to inform them about the program opportunity and to determine just how involved they would like to be in the initial outreach to the policyholders invited to participate.

CEA is also developing the new CEA Brace + Bolt website and drafting the CEA-specific Program Rules, and is working to negotiate an agreement between CRMP and CEA. These items and documents should be completed and available for the Board in September.

CEA plans to begin this pilot program roll-out this fall.

Recommendation:

No action recommended—information only.

Email to all Operations Liaisons:

We are pleased to let you know the CEA Governing Board recently approved a pilot of the risk-reduction program, CEA Brace + Bolt. The new CEA pilot will encourage select policyholders to seismically retrofit their older houses by providing up to $3,000 toward the retrofit. Our goal is to roll out this exciting new program in the fall.

Program Background

As you know, there are numerous benefits to retrofitting. Strengthening a house to better withstand earthquake shaking, can reduce damage and insured losses as well as improve safety for its residents.

As part of this program, policyholders who complete the brace and bolt retrofit will qualify for CEA's new verified Hazard Reduction Discount and become eligible to receive a 20 percent discount on their earthquake premium. Through the program, policyholders will be provided the Dwelling Retrofit Form they'll need to submit to you in order to process the increased credit.

This initiative has a sound financial basis—retrofitting sufficient numbers of houses can reduce the CEA's need for, and therefore its cost of, risk-transfer long term.

The Risk Reduction Program is modeled after the Earthquake Brace + Bolt (EBB) program currently in 18 cities. Like EBB, we will offer up to $3,000 toward a seismic retrofit but to policyholders who:

* Have been with the CEA for at least three years;

* Own pre-1940 houses in the selected 10 ZIP Codes; and

* Whose house characteristics qualify for a brace and bolt retrofit.

This pilot program includes 10 ZIP codes—five in both Northern and Southern California.

Northern California Southern California

94501 90027

94602 90048

94611 91030

94705 91104

94707 91108

Attachment A

Next Steps

We want to determine how involved your company would like to be in outreach to your eligible policyholders. In the next couple weeks, I'll work with the appropriate key contact(s) from your company to discuss your preferred involvement.

We have developed a couple options to consider--

1. Would you like to co-brand the policyholder invitation letter?

· We'll have a draft of this letter by late-May for your review with the intent to distribute to policyholders September 1.

2. Would your company like to make an initial phone call to the policyholder alerting them to this unique opportunity?

· Phone calls would be made soon after distribution of the invitation letter.

· The CEA will follow-up with a more technical phone call outlining the program specifics.

If you are not the best person for us to contact about this new CEA program, please provide the name and contact information of the person you would prefer we work with. Otherwise I look forward to hearing from you by Friday, May 13, to determine your preferred level of involvement.

Please feel free to call me with any questions or suggestions.

Thank you for your support and we look forward to hearing from you.

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California Earthquake Authority
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Cell 916.798.5394
Fax 916.327.8270

Governing Board Memorandum

June 15, 2016

Agenda Item 16:	Progress Report on the 2016 CEA IT Project Portfolio
Recommended Action:	No action required—information only

Chief Information Officer Todd Coombes will present an update on the 2016 CEA IT Project Portfolio, including progress, changes, and expenditures.

Governing Board Memorandum

June 15, 2016

Agenda Item 17: Centralized Policy Processing Update

Recommended Action: No action required—information only

Chief Information Officer Todd Coombes will present an update on the Centralized Policy Processing (CPP) initiative.

Governing Board Memorandum

June 15, 2016

Agenda Item 18:	Creation of CEA Stakeholders Outreach program
Recommended Action:	No action required—information only

Chief Executive Officer Glenn Pomeroy will present to the Board the creation of a CEA Stakeholders Outreach program.

Governing Board Memorandum

June 15, 2016

Agenda Item 19:	Update on data collection and reporting that support the Metrics Project
Recommended Action:	No action required—information only

Chief Executive Officer Glenn Pomeroy will update the Board on the established CEA Metrics Project.

Governing Board Memorandum

March 16, 2016

Agenda Item 20:	Update on additional office space, accommodating CEA staff and operations
Recommended Action:	No action required—information only

Chief Executive Officer Glenn Pomeroy will update the Board on the planned build-out of the additional office space the CEA has leased on the floor immediately above the CEA's main office, and which will accommodate CEA staff and operations.

California Earthquake Authority

Losses & Loss Adjustment Expenses (LAE) Paid - Cumulative to May 31, 2016

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	145,967.19	13,089.08	$159,056.27
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

California Earthquake Authority

Losses & Loss Adjustment Expenses (LAE) Paid - Cumulative to May 31, 2016 (continued)

Event Code	Event Name	Date of Event	Magnitude	Location	# of Paid Claims	Losses Paid	LAE Paid	Total Paid Losses & LAE
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				3	146,471.18	13,182.41	$159,653.59
13430	Greenville	5/23/2013	5.7	7 mi WNW of Greenville, CA	1	1,500.00	135.00	$1,635.00
14460	Westwood	3/17/2014	4.4	6mi NNW of Westwood, CA	6	67,989.89	6,119.09	$74,108.98
14470	La Habra	3/28/2014	5.1	1mi S of La Habra, CA	83	457,980.16	41,218.22	$499,198.38
14480	American Canyon	8/24/2014	6.0	4mi NW of American Canyon, CA	194	3,392,289.37	305,306.03	$3,697,595.40
	2014 Minor Quakes				3	18,709.35	1,683.84	$20,393.19
	2015 Minor Quakes				2	5,877.69	529.00	$6,406.69
				Total	**470**	**$8,060,651.16**	**$704,298.36**	**$8,764,949.52**

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 5/23/2016 - Policies in Force on: 04/30/2016

TOTALS	Policies In Force	%Total	Exposure	%Total	Written Premium	% Total	Avg Written Premium
Homeowners	644,078	73.4 %	316,149,874,643	88.0 %	514,029,661	83.8 %	798
Homeowners Choice	45,740	5.2 %	27,136,203,419	7.6 %	45,416,923	7.4 %	993
All Homeowners Total	689,818	78.6 %	343,286,078,062	95.5 %	559,446,584	91.2 %	811
Manufactured Homes (Mobilehomes) - Homeowners	24,313	2.8 %	3,005,849,627	0.8 %	3,029,063	0.5 %	125
Manufactured Homes (Mobilehomes) - Homeowners Choice	937	0.1 %	160,556,535	0.0 %	174,111	0.0 %	186
All Manufactured Homes (Mobilehomes) - Homeowners Total	25,250	2.9 %	3,166,406,162	0.9 %	3,203,174	0.5 %	127
Condo	105,360	12.0 %	10,732,214,500	3.0 %	43,858,754	7.2 %	416
Renters	57,582	6.6 %	2,224,713,000	0.6 %	6,779,357	1.1 %	118
Grand Total	878,010	100.0 %	359,409,411,724	100.0 %	613,287,869	100.0 %	698

California Earthquake Authority

Operations - Governing Board Report

All Companies - As Of 5/23/2016 - Policies in Force on: 04/30/2016

TOTALS	Policies In Force	% Total	Exposure	% Total	Written Premium	% Total	Avg Written Premium
Homeowners - by Cov A Ded							
25% Total	508	0.1 %	289,172,298	0.1 %	337,040	0.1 %	663
20% Total	432	0.0 %	238,653,584	0.1 %	333,400	0.1 %	772
15% Total	555,834	63.3 %	270,908,722,606	75.4 %	444,412,684	72.5 %	800
10% Total	83,681	9.5 %	42,788,703,712	11.9 %	66,333,349	10.8 %	793
5% Total	3,623	0.4 %	1,924,622,443	0.5 %	2,613,188	0.4 %	721
Homeowners Total	644,078	73.4 %	316,149,874,643	88.0 %	514,029,661	83.8 %	798
Homeowners Choice - by Cov A Ded							
25% Total	410	0.0 %	254,486,957	0.1 %	342,242	0.1 %	835
20% Total	250	0.0 %	154,032,302	0.0 %	270,755	0.0 %	1,083
15% Total	25,565	2.9 %	15,597,073,219	4.3 %	27,276,051	4.4 %	1,067
10% Total	17,670	2.0 %	10,096,728,000	2.8 %	15,873,042	2.6 %	898
5% Total	1,845	0.2 %	1,033,882,941	0.3 %	1,654,833	0.3 %	897
Homeowners Choice Total	45,740	5.2 %	27,136,203,419	7.6 %	45,416,923	7.4 %	993
All Homeowners Total	689,818	78.6 %	343,286,078,062	95.5 %	559,446,584	91.2 %	811

California Earthquake Authority

Operations - Governing Board Report

All Companies - As Of 5/23/2016 - Policies in Force on: 04/30/2016

TOTALS	Policies In Force	% Total	Exposure	% Total	Written Premium	% Total	Avg Written Premium
Manufactured Homes (Mobilehomes) - Homeowners - by Cov A Ded							
25% Total	1	0.0 %	81,500	0.0 %	119	0.0 %	119
20% Total	1	0.0 %	186,500	0.0 %	65	0.0 %	65
15% Total	19,512	2.2 %	2,235,855,471	0.6 %	2,328,116	0.4 %	119
10% Total	4,725	0.5 %	758,115,138	0.2 %	686,168	0.1 %	145
5% Total	74	0.0 %	11,611,018	0.0 %	14,595	0.0 %	197
Manufactured Homes (Mobilehomes) - Homeowners Total	24,313	2.8 %	3,005,849,627	0.8 %	3,029,063	0.5 %	125
Manufactured Homes (Mobilehomes) - Homeowners Choice - by Cov A Ded							
25% Total	2	0.0 %	345,914	0.0 %	147	0.0 %	74
20% Total	0	N/A	0	0.0 %	0	0.0 %	N/A
15% Total	396	0.0 %	64,737,173	0.0 %	77,867	0.0 %	197
10% Total	494	0.1 %	87,952,675	0.0 %	87,671	0.0 %	177
5% Total	45	0.0 %	7,520,773	0.0 %	8,426	0.0 %	187
Manufactured Homes (Mobilehomes) - Homeowners Choice Total	937	0.1 %	160,556,535	0.0 %	174,111	0.0 %	186
All Manufactured Homes (Mobilehomes) - Homeowners Total	25,250	2.9 %	3,166,406,162	0.9 %	3,203,174	0.5 %	127

California Earthquake Authority

Operations - Governing Board Report

All Companies - As Of 5/23/2016 - Policies in Force on: 04/30/2016

TOTALS	Policies In Force	% Total	Exposure	% Total	Written Premium	% Total	Avg Written Premium
Condo - by Cov A Ded							
25% Total	160	0.0 %	23,166,000	0.0 %	87,307	0.0 %	546
20% Total	102	0.0 %	15,132,500	0.0 %	61,153	0.0 %	600
15% Total	78,876	9.0 %	9,143,062,000	2.5 %	35,385,062	5.8 %	449
10% Total	827	0.1 %	133,575,500	0.0 %	460,437	0.1 %	557
5% Total	1,344	0.2 %	199,288,500	0.1 %	739,125	0.1 %	550
No Cov A	24,051	2.7 %	1,217,990,000	0.3 %	7,125,670	1.2 %	296
Condo Total	105,360	12.0 %	10,732,214,500	3.0 %	43,858,754	7.2 %	416

California Earthquake Authority

Operations - Governing Board Report

All Companies - As Of 5/23/2016 - Policies in Force on: 04/30/2016

TOTALS	Policies In Force	% Total	Exposure	% Total	Written Premium	% Total	Avg Written Premium
Renters - by Cov C Ded							
$750 Total	36,200	4.1 %	1,440,407,500	0.4 %	4,455,213	0.7 %	123
25% Total	232	0.0 %	3,522,500	0.0 %	9,492	0.0 %	41
20% Total	117	0.0 %	2,484,000	0.0 %	5,904	0.0 %	50
15% Total	5,473	0.6 %	147,805,500	0.0 %	337,917	0.1 %	62
10% Total	902	0.1 %	45,072,500	0.0 %	104,698	0.0 %	116
5% Total	14,658	1.7 %	585,421,000	0.2 %	1,866,134	0.3 %	127
Renters Total	57,582	6.6 %	2,224,713,000	0.6 %	6,779,357	1.1 %	118
Grand Total	878,010	100.0 %	359,409,411,724	100.0 %	613,287,869	100.0 %	698

CEA GOVERNING BOARD MEETING DATES FOR - 2016

March 16, 2016 – Wednesday

June 15, 2016 – Wednesday

September 14, 2016 – Wednesday

December 14, 2016 – Wednesday

CEA ADVISORY PANEL MEETING DATES FOR - 2016

July 28, 2016 – Thursday - Added

[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***]

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