



Date of Notice: Monday, February 13, 2012

PUBLIC NOTICE

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

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

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

DATE: Thursday, February 23, 2012

TIME: 1:00 p.m.

AGENDA:

- Call to order and member roll call:
 - Governor
 - Treasurer
 - Insurance Commissioner
 - Speaker of the Assembly
 - Chair of the Senate Rules Committee

Establishment of a quorum

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



Audio



Video (with audio)

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

- Consideration and approval of the minutes of the December 8, 2011, Governing Board meeting.

3. Executive Report by Chief Executive Officer Glenn Pomeroy; assisted by CEA executive staff, Mr. Pomeroy's report will include an update for the Board on federal and state legislative activities of interest to the CEA.
4. Chief Financial Officer Tim Richison will present a financial report.
5. Assistant Chief Financial Officer Mark Dawson will seek Board authorization to set the CEA participating insurers' respective maximum-earthquake-loss funding-assessment levels, effective April 1, 2012.
6. CEA Advisory Panel Chair Wayne Coulon will summarize the proceedings at the January 19, 2012, Panel meeting.
7. Chief Communications Officer Chris Nance will provide the Board with an update on the CEA's Marketing Value Program (MVP).
8. Chief Mitigation Officer Janiele Maffei will update the Board on the CEA's mitigation programming, including its participation in the California Residential Mitigation Program.
9. Mr. Pomeroy will seek Board approval to ratify an agreement with CEA loss modeler EQECAT, to provide modeling support for structural-retrofit research.
10. Mr. Pomeroy will ask the Board to designate one of its members to conduct, on behalf of the Board, the annual performance appraisal of the Chief Executive Officer, including consideration of the terms of Mr. Pomeroy's employment contract.
11. The Board will meet in closed session to discuss personnel matters (see item 10) and litigation matters, as permitted by California Government Code section 11126, subdivisions (a) and (e), respectively.
12. Public comment on items that do not appear on this agenda and public requests that those matters be placed on a future agenda.
13. Adjournment.

For further information about this notice or its contents:

General Information:

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

Media Contact:

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

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

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

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



Draft Meeting Minutes are not available.

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

Governing Board Memorandum

February 23, 2012

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

Recommended Action: No action required – information only

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



FINANCIAL REPORT

**GOVERNING BOARD MEETING
THURSDAY, February 23, 2012
1:00 P.M.**

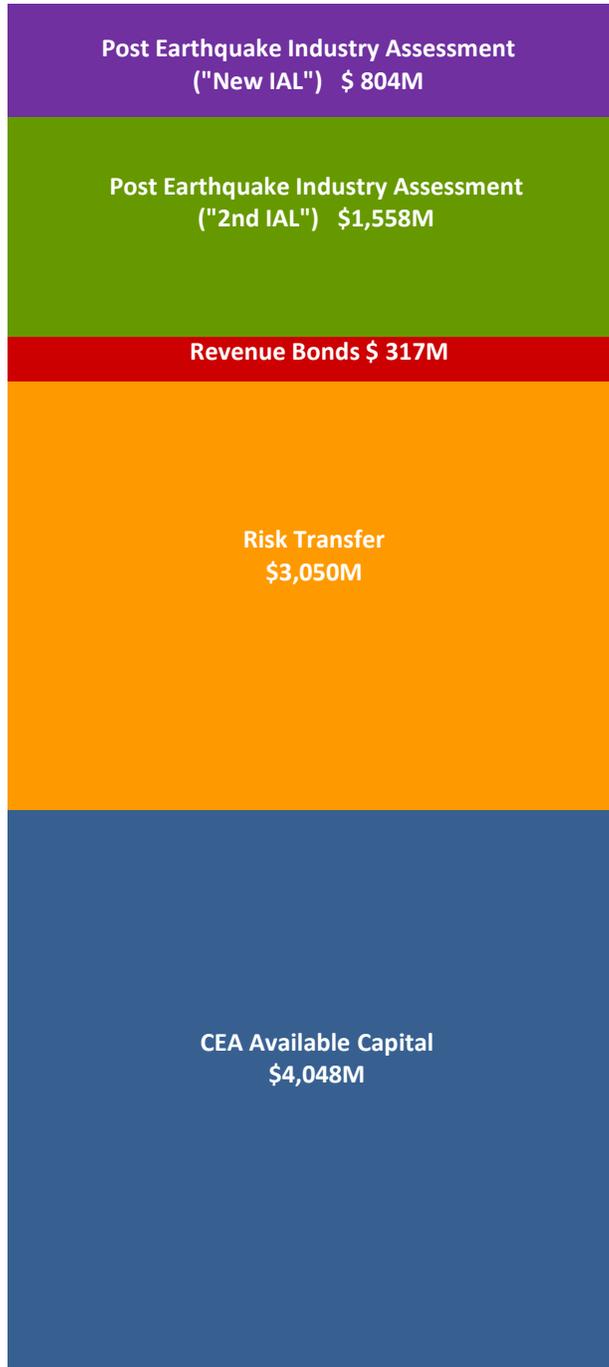
**California Earthquake Authority
Available Capital Report**

Capital as of December 31, 2011

Cash & Investments (includes capital contributions and premiums)	\$ 4,484,946,815 *
Investments from Revenue Bond Proceeds	(316,970,531)
Debt Service (Interest, Principal & Debt Service (Min. Bal.))	(25,590,837)
Interest Receivable	12,035,424
Securities Receivable	68,858,008
Premium Receivable	41,893,958
Risk Capital Surcharge Receivable	0
Capital Contributions Receivable	17,310,000
Other Cash-Related Assets	131,105
Unearned Premium Collected	(229,336,955)
Securities Payable	(871,423)
Accounts Payable & Accrued Expenses	(3,506,928)
CEA Available Capital	<u><u>\$ 4,048,898,637</u></u>

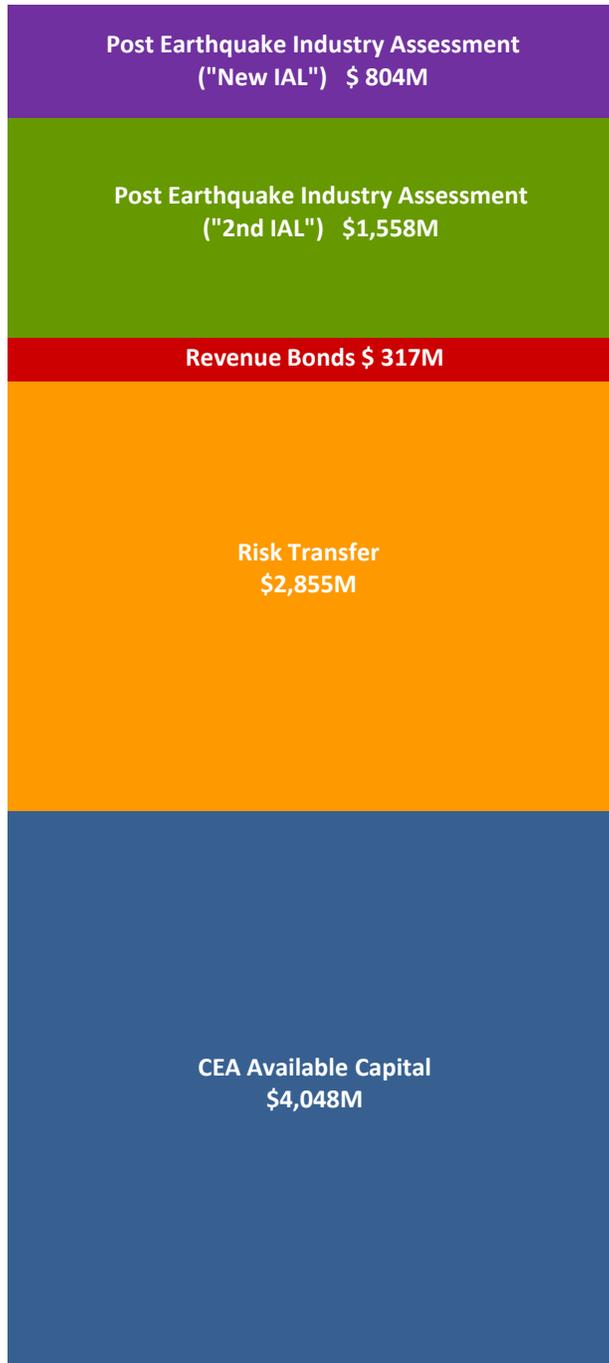
* Does not include mitigation cash and investments of \$23,977,588

**California Earthquake Authority
Claim-paying Capacity
as of December 31, 2011**



Total Capacity \$ 9,777M
1-in- 607 years Recurrence Interval

**California Earthquake Authority
Claim-paying Capacity
as of January 1, 2012**



Total Capacity \$9,582M
1-in- 471 years Recurrence Interval

**California Earthquake Authority
2012 Risk-Transfer Program**

Traditional Reinsurance Contracts	Contract Period	Reinsurance Limit	12-Month Rate-on-Line	12-Month Premium
Contract A	January 1, 2012 - December 31, 2012	655,220,000	7.00%	45,865,400
Contract A1	January 1, 2012 - December 31, 2012	400,000,000	7.30%	29,200,000
Contract A2	January 1, 2012 - December 31, 2012	200,000,000	7.15%	14,300,000
Contract A3	January 1, 2012 - December 31, 2012	250,000,000	7.20%	18,000,000
Contract 3	January 1, 2011 - March 31, 2012	500,000,000	6.20%	31,000,000
Contract 4	January 1, 2011 - March 31, 2012	650,000,000	5.50%	35,750,000
Contract 4a	April 1, 2011 - March 31, 2012	50,000,000	5.50%	2,750,000
Total Traditional Reinsurance January 1, 2012 - March 31, 2012		2,705,220,000		

Contract B	April 1, 2012 - March 31, 2013	1,251,464,950	6.20%	77,590,827
Total Traditional Reinsurance April 1, 2012 - December 31, 2012		2,756,684,950		

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

California Earthquake Authority
Balance Sheet
as of December 31, 2011

Assets

Cash and investments:

Cash and cash equivalents	111,091,346
Restricted cash & equivalents	49,569,488
Restricted investments	317,119,198
Investments	4,031,144,371

Total cash and investments 4,508,924,403

Premiums receivable, net of allowance for doubtful accounts of \$10,561,115	41,893,958
Capital contributions receivable	17,310,000
Risk capital surcharge receivable	-
Interest receivable	12,035,424
Securities receivable	68,858,008
Prepaid reinsurance premium	-
Transformer reinsurance premium deposit	5,029,836
Prepaid transformer maintenance premium	2,546,102
Equipment, net	499,468
Deferred policy acquisition costs	41,619,480
Other assets	131,105

Total assets \$ 4,698,847,784

Liabilities and Net Assets

Unearned premiums	\$ 309,899,331
Accounts payable and accrued expenses	3,506,928
Accrued reinsurance premium expense	1,676,612
Claim and claim expense reserves	-
Securities payable	871,423
Revenue bond payable	157,500,000
Revenue bond interest payable	4,858,088

Total liabilities 478,312,382

Net assets:

Restricted, expendable	205,889,564
Unrestricted *	4,014,645,838

Total net assets 4,220,535,402

Total liabilities and net assets \$ 4,698,847,784

* Includes Cumulative Participating Insurer Contributed Capital of \$777,384,796 and State of California Contributed Capital of \$169,050,078.

California Earthquake Authority
Statement of Revenues, Expenses and Changes in Net Assets
for the Year-to-Date Ended December 31, 2011

Underwriting income:	
Premiums written	\$ 612,830,953
Less premiums ceded - reinsurance	(200,622,675)
Less risk capital surcharge	-
Net premiums written	<u>412,208,278</u>
Change in unearned premiums	<u>(7,037,110)</u>
Net unearned premiums	<u>(7,037,110)</u>
Net premiums earned	<u>405,171,168</u>
Expenses:	
Claim and claims expense	31,538
Participating Insurer commissions	60,623,578
Participating Insurer operating costs	20,776,606
Reinsurance broker commissions	4,800,000
Pro forma premium taxes	14,446,598
Financing expenses, net	7,390,913
Mitigation Fund expenses	343,569
Other underwriting expenses	<u>21,763,427</u>
Total expenses	<u>130,176,229</u>
Underwriting profit	274,994,939
Net investment income	27,894,469
Other income	488,791
Participating Insurer Contributed Capital	20,772,000
State of California premium tax contribution	<u>14,446,598</u>
Increase in net assets	338,596,797
Net assets, beginning of year	<u>3,881,938,605</u>
Net assets, end of year	<u><u>\$ 4,220,535,402</u></u>

**California Earthquake Authority
Insurance Services
Budgeted Expenditures and Actual Expenditures
2011 Budget Year**

	(a)	(b)	(c)	(d)	(e)	(f)	(g)
				(d=a+b+c)		(f=d-e)	(g=e/d)
	<u>Approved 2011 Budget</u>	<u>Adjustments thru 12/31/2011</u>	<u>Augmentations thru 12/31/2011</u>	<u>2011 Budget after Augmentations and Adjustments</u>	<u>Actual Expenditures as of 12/31/11</u>	<u>Augmented & Adjusted Approved Budget (d) vs. Actual Expenses (e) at 12/31/11</u>	<u>Percentage used of Augmented & Adjusted Approved 2011 Budget</u>
Salaries & Benefits	\$ 8,383,706	-	-	\$ 8,383,706	\$ 8,033,915	\$ 349,791	95.83%
Rent	699,880	-	-	699,880	642,186	57,694	91.76%
Travel	381,152	-	-	381,152	357,755	23,397	93.86%
Non-paid Consultant Travel	842	7,225	-	8,067	7,566	501	93.79%
Telecommunications	191,986	47,856	-	239,842	239,842	-	100.00%
Training	122,923	39,000	-	161,923	161,248	675	99.58%
Insurance	126,362	17,000	-	143,362	143,078	284	99.80%
Board/Panel Services	19,015	6,351	-	25,366	25,366	-	100.00%
Administration & Office Stationery, Postage)	918,718	86,034	-	1,004,752	1,004,752	-	100.00%
Administrative Contracted Services							
Data Mgmt Services	778,096	(205,724)	-	572,372	430,440	141,932	75.20%
Services	40,208	2,258	-	42,466	42,466	-	100.00%
Furniture/Equipment	27,300	14,000	-	41,300	24,218	17,082	58.64%
EDP Hardware/Software	583,638	(14,000)	-	569,638	101,951	467,687	17.90%
Dept of Insurance Examination	55,000	-	-	55,000	33,771	21,229	61.40%
Total Operating Expenses	\$ 12,328,826	-	-	\$ 12,328,826	\$ 11,248,554	\$ 1,080,272	91.24%
Consulting Services							
Actuarial	25,000	-	-	25,000	-	25,000	0.00%
Administrative Consulting	-	825,060	-	825,060	825,060	-	-
Claims	10,000	-	-	10,000	-	-	0.00%
Information Technology	50,000	(32,721)	-	17,279	5,000	12,279	28.94%
Financial Consulting	175,000	125,615	-	300,615	247,784	52,831	82.43%
Other Consulting Services	1,387,000	(187,000)	-	1,200,000	1,199,508	492	99.96%
Total Consulting Services	\$ 1,647,000	\$ 730,954	-	\$ 2,377,954	\$ 2,277,352	\$ 90,602	95.77%

**California Earthquake Authority
Insurance Services
Budgeted Expenditures and Actual Expenditures
2011 Budget Year**

	(a)	(b)	(c)	(d) (d=a+b+c)	(e)	(f) (f=d-e)	(g) (g=e/d)
	<u>Approved 2011 Budget</u>	<u>Adjustments thru 12/31/2011</u>	<u>Augmentations thru 12/31/2011</u>	<u>2011 Budget after Augmentations and Adjustments</u>	<u>Actual Expenditures as of 12/31/11</u>	<u>Augmented & Adjusted Approved Budget (d) vs. Actual Expenses (e) at 12/31/11</u>	<u>Percentage used of Augmented & Adjusted Approved 2011 Budget</u>
Research	1,018,000	-	-	1,018,000	1,018,000	-	100.00%
Contracted Services							
Agent Services	50,000	(30,000)	-	20,000	-	20,000	0.00%
Audit Services	125,000	30,000	-	155,000	155,000	-	100.00%
Brochure/Information Products	25,000	-	-	25,000	8,263	16,737	33.05%
Communications	110,000	-	-	110,000	619	109,381	0.56%
Consumer Services	50,000	-	-	50,000	1,238	48,762	2.48%
Contracted Marketing & Outreach	390,000	-	-	390,000	348,065	41,935	89.25%
Dynamic Financial Analysis	-	-	-	-	-	-	0.00%
Investment Compliance	200,000	-	-	200,000	-	200,000	0.00%
Legal Services-Claims Counsel	200,000	(200,000)	-	-	-	-	0.00%
Legal Services-Claims Counsel-PI	-	268,353	-	268,353	268,353	-	100.00%
Legal Service - Non-Claims	2,707,690	-	-	2,707,690	2,356,759	350,931	87.04%
Modeling Services	1,451,000	(131,682)	-	1,319,318	804,007	515,311	60.94%
Marketing Services	5,288,360	-	-	5,288,360	3,639,257	1,649,103	68.82%
Web Development/Maintenance	30,975	-	-	30,975	-	30,975	0.00%
Other Contracted Services	999,900	(667,625)	-	332,275	331,939	336	99.90%
Total Contracted Services	\$ 11,627,925	\$ (730,954)	-	\$ 10,896,971	\$ 7,913,500	\$ 2,983,471	72.62%
Investment Expenses	2,455,000	(219,000)	-	2,236,000	1,884,362	351,638	84.27%
Financing Expenses	10,999,793	219,000	-	11,218,793	11,010,368	208,425	98.14%
Reinsurance	225,555,000	-	-	225,555,000	205,422,675	20,132,325	91.07%
Total Expenditures	\$ 265,631,544	\$ -	\$ -	\$ 265,631,544	\$ 240,774,811	\$ 24,846,733	90.64%

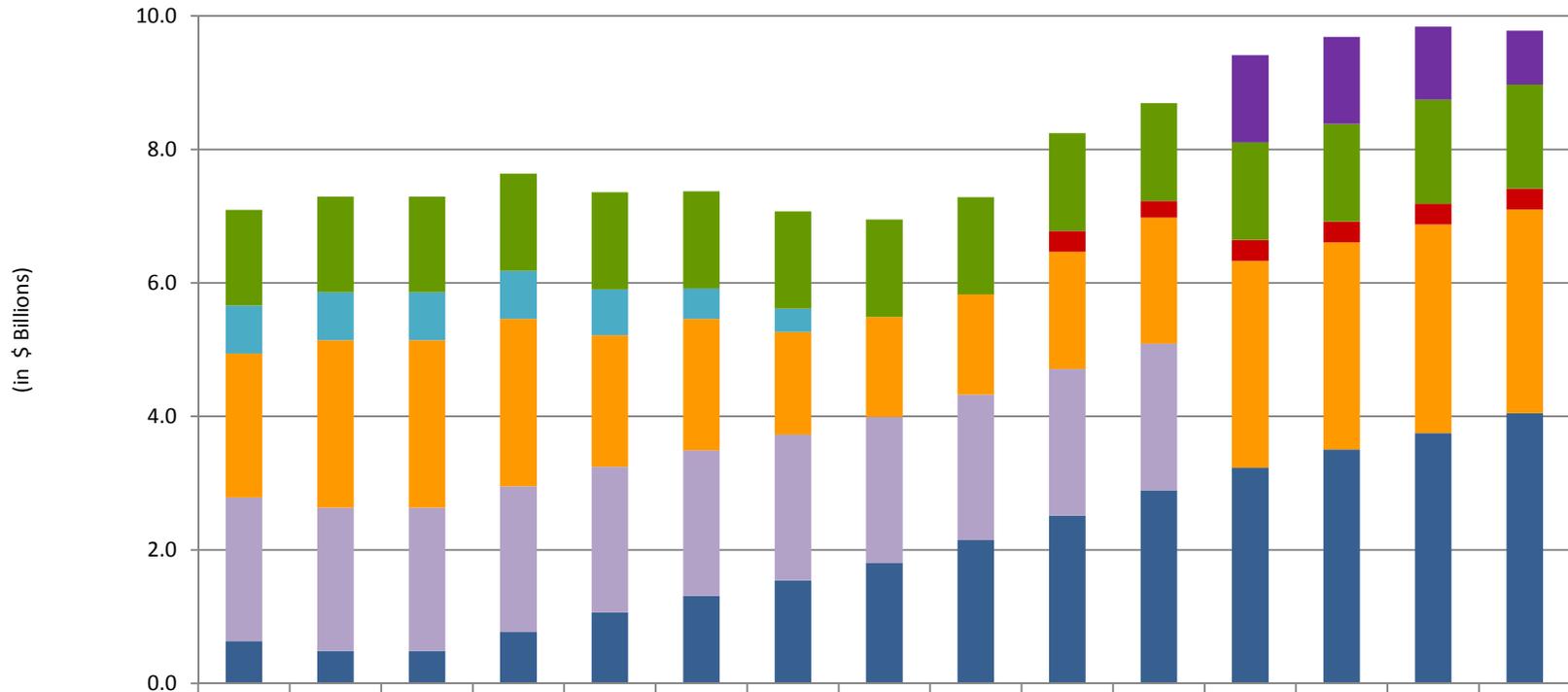
**California Earthquake Authority
Mitigation
Budgeted Expenditures and Actual Expenditures
2011 Budget Year**

	(a)	(b)	(c)	(d)
			(c=a-b)	(d=b/a)
	<u>2011 Budget As of 12/31/11</u>	<u>Actual Expenditures as of 12/31/11</u>	<u>2011 Budget (a) vs. Actual Expenses (b) at 12/31/11</u>	<u>Percentage used of Augmented & Adjusted Approved 2011 Budget</u>
Salaries & Benefits	\$ -	\$ 218,141	\$ (218,141)	100.00%
Rent	-	14,138	(14,138)	100.00%
Travel	-	19,085	(19,085)	100.00%
Non-paid Consultant Travel	-	-	-	0.00%
Telecommunications	-	3,550	(3,550)	100.00%
Training	-	1,192	(1,192)	100.00%
Insurance	-	-	-	0.00%
Board/Panel Services	-	-	-	0.00%
Administration & Office (Software Maint & Support, Printing & Stationery, Postage)	-	1,832	(1,832)	100.00%
Administrative Contracted Services				
Data Mgmt Services	-	-	-	0.00%
Other Administrative Contracted Services	-	-	-	0.00%
Furniture/Equipment	-	-	-	0.00%
EDP Hardware/Software	-	-	-	0.00%
Dept of Insurance Examination	-	-	-	0.00%
Total Operating Expenses	\$ -	\$ 257,938	\$ (257,938)	100.00%
Consulting Services				
Actuarial	-	-	-	0.00%
Administrative Consulting	-	-	-	0.00%
Claims	-	-	-	0.00%
Information Technology	-	-	-	0.00%
Financial Consulting	-	-	-	0.00%
Other Consulting Services	-	27,000	(27,000)	100.00%
Total Consulting Services	\$ -	\$ 27,000	\$ (27,000)	100.00%

**California Earthquake Authority
Mitigation
Budgeted Expenditures and Actual Expenditures
2011 Budget Year**

	(a)	(b)	(c) (c=a-b)	(d) (d=b/a)
	<u>2011 Budget As of 12/31/11</u>	<u>Actual Expenditures as of 12/31/11</u>	<u>2011 Budget (a) vs. Actual Expenses (b) at 12/31/11</u>	<u>Percentage used of Augmented & Adjusted Approved 2011 Budget</u>
Research	-	-	-	0.00%
Contracted Services				
Agent Services	-	-	-	0.00%
Audit Services	-	-	-	0.00%
Brochure/Information Products	-	-	-	0.00%
Communications	-	-	-	0.00%
Consumer Services	-	-	-	0.00%
Contracted Marketing & Outreach	-	-	-	0.00%
Dynamic Financial Analysis	-	-	-	0.00%
Investment Compliance	-	-	-	0.00%
Legal Services-Claims Counsel	-	-	-	0.00%
Legal Services-Claims Counsel-PI	-	-	-	0.00%
Legal Service - Non-Claims	-	-	-	0.00%
Modeling Services	-	-	-	0.00%
Marketing Services	-	60,667	(60,667)	100.00%
Web Development/Maintenance	-	-	-	0.00%
Other Contracted Services	-	-	-	0.00%
Total Contracted Services	\$ -	\$ 60,667	\$ (60,667)	100.00%
Investment Expenses	-	19,280	(19,280)	100.00%
Financing Expenses	-	-	-	0.00%
Reinsurance	-	-	-	0.00%
Total Expenditures	\$ -	\$ 364,885	\$ (364,885)	100.00%

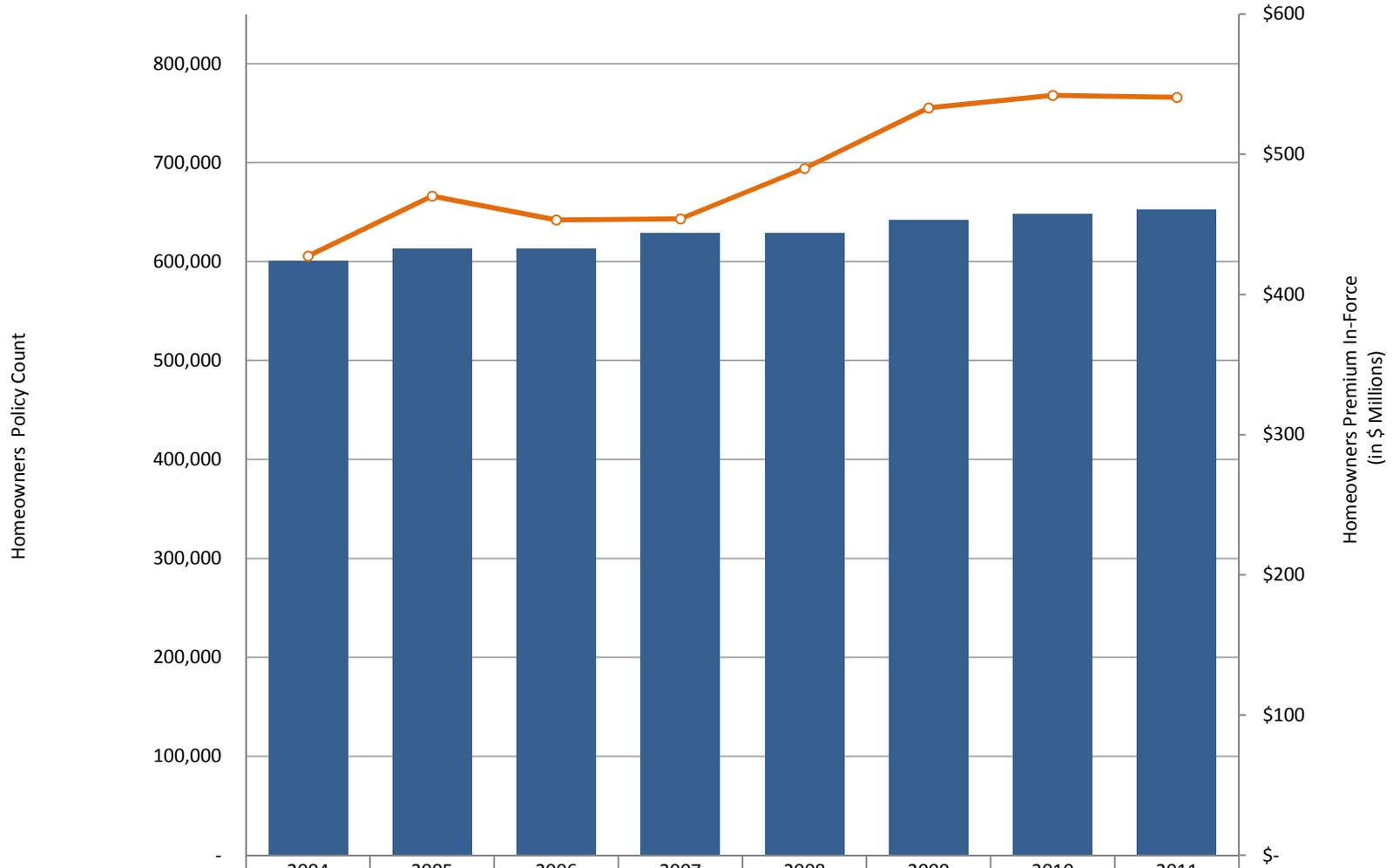
**California Earthquake Authority
Total Claim-paying Capacity (CPC)
as of December 31, 2011**



	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Total CPC	\$7.095	\$7.293	\$7.293	\$7.635	\$7.360	\$7.373	\$7.069	\$6.948	\$7.284	\$8.244	\$8.695	\$9.411	\$9.685	\$9.840	\$9.777
New Industry Assessment	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	1.304	1.304	1.095	0.804
2nd Industry Assessment	1.434	1.434	1.434	1.456	1.456	1.456	1.456	1.456	1.456	1.465	1.465	1.465	1.465	1.558	1.558
Revenue Bonds	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.311	0.254	0.311	0.311	0.311	0.317
Line of Credit	0.716	0.715	0.715	0.715	0.686	0.456	0.348	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Risk Transfer	2.160	2.509	2.509	2.509	1.971	1.971	1.538	1.500	1.500	1.756	1.885	3.100	3.100	3.123	3.050
1st Industry Assessment	2.150	2.150	2.150	2.183	2.183	2.183	2.183	2.183	2.183	2.197	2.197	0.000	0.000	0.000	0.000
CEA Available Capital	0.635	0.485	0.485	0.772	1.064	1.307	1.544	1.809	2.145	2.515	2.894	3.231	3.505	3.753	4.048

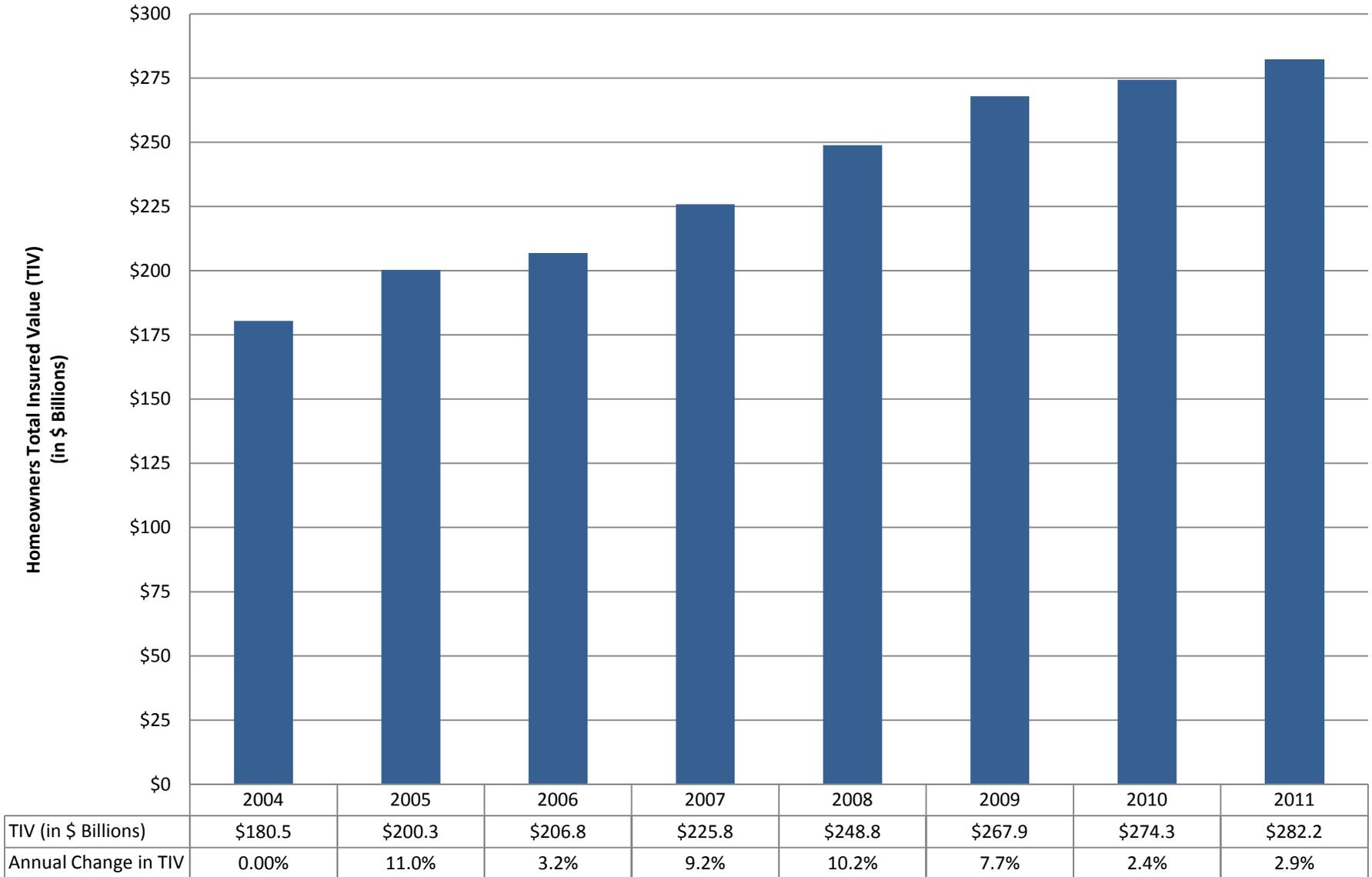
NOTE: In 2007 Revenue Bond proceeds were split between the Base and Supplement programs.

**California Earthquake Authority
Homeowners Policy Count and Premium In-Force
as of December 31, 2011**

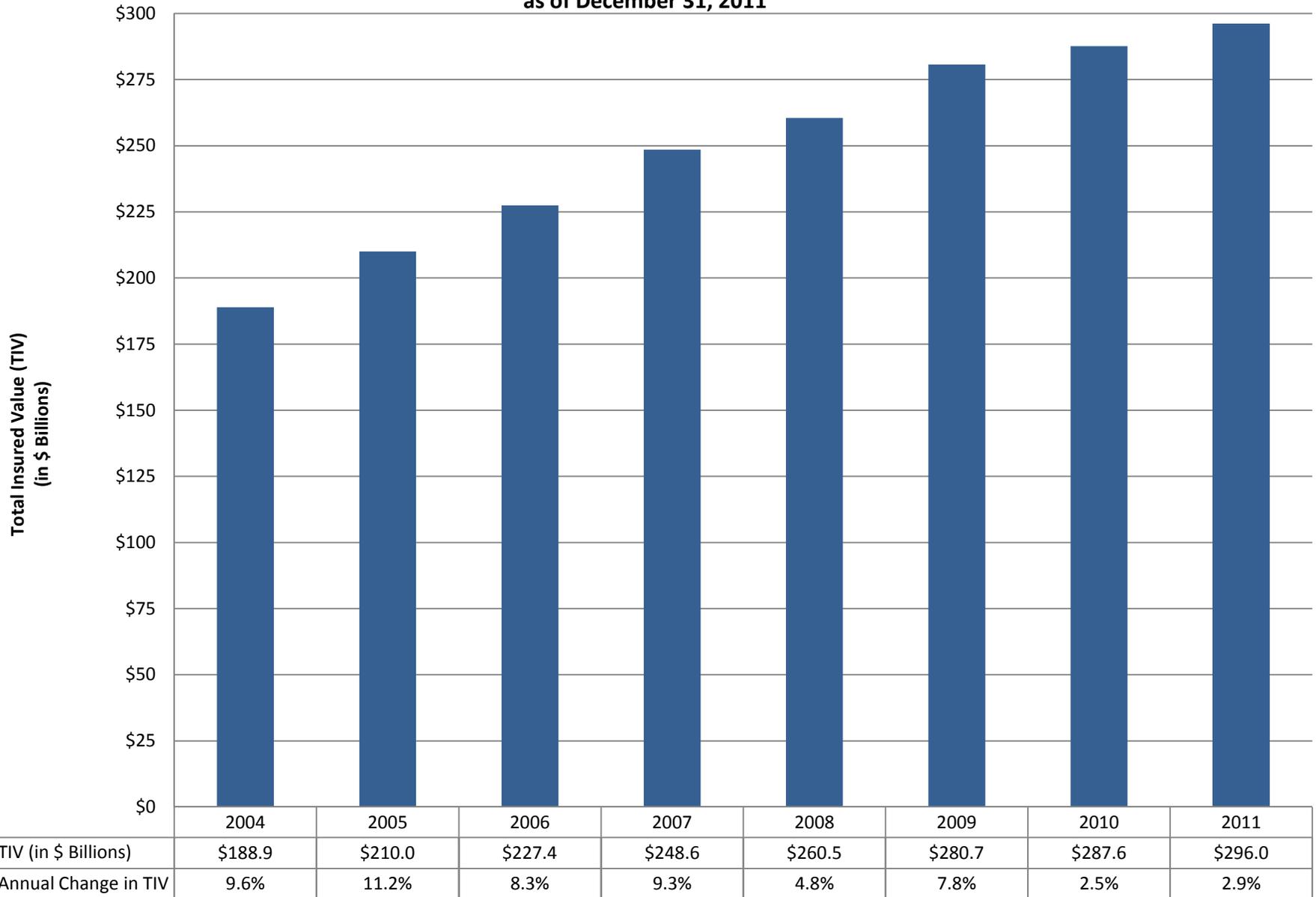


■ Policy Count	2004	2005	2006	2007	2008	2009	2010	2011
○ Total Premium In-Force (in \$ Millions)	600,673	613,266	612,941	628,802	629,138	642,174	647,947	652,394
Annual Change in Policy Count	0.0%	2.1%	-0.1%	2.6%	0.1%	2.1%	0.9%	0.7%
Annual Change in Premium	0.0%	10.0%	-3.6%	0.2%	7.9%	8.8%	1.7%	-0.3%

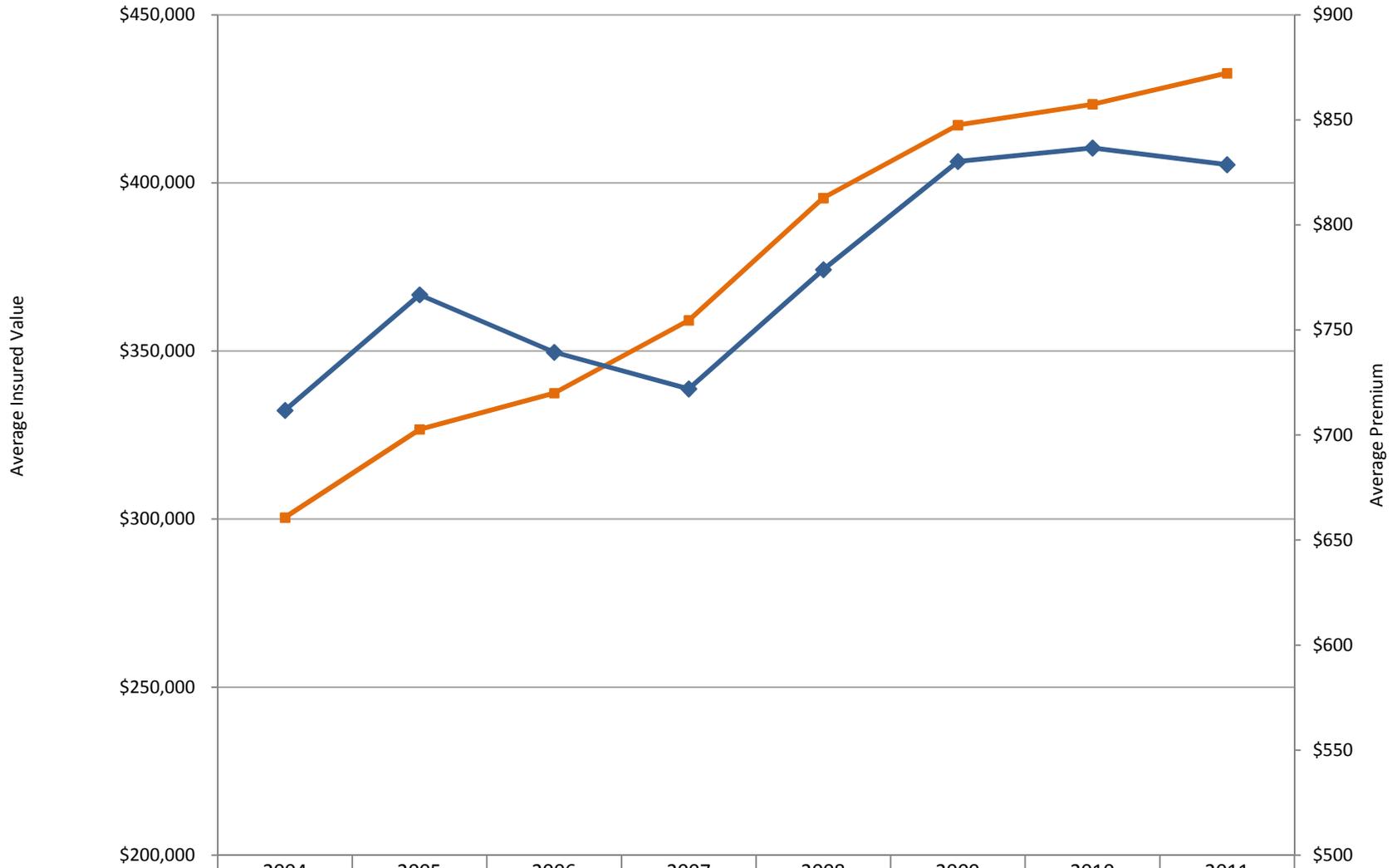
**California Earthquake Authority
Homeowners Policy Total Insured Value (TIV)
as of December 31, 2011**



**California Earthquake Authority
Total Insured Value (TIV)
as of December 31, 2011**

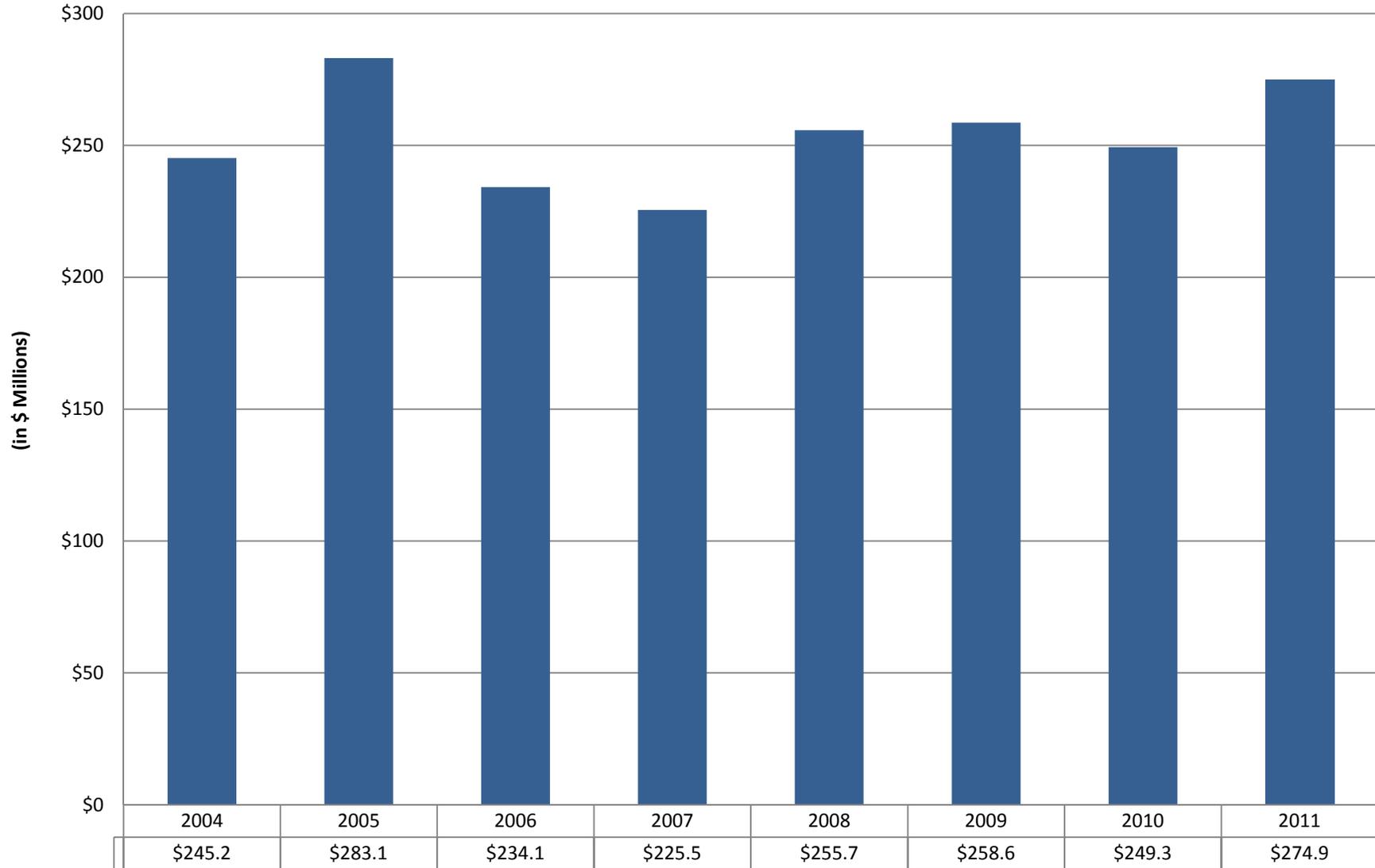


**California Earthquake Authority
Average Homeowners Policy Premium and Insured Value
as of December 31, 2011**



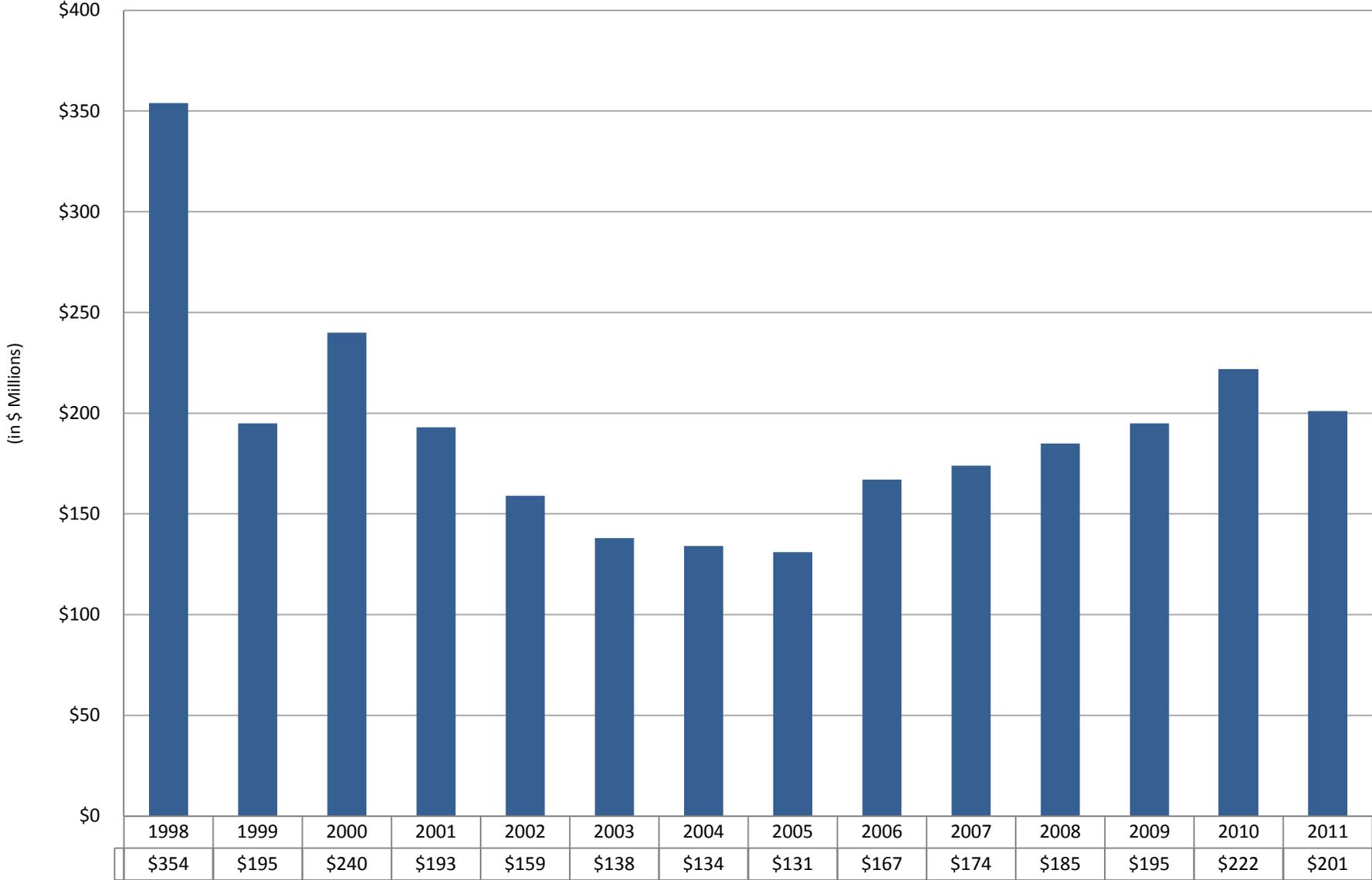
— Average Insured Value	\$300,458	\$326,668	\$337,455	\$359,110	\$395,483	\$417,206	\$423,414	\$432,633
— Average Premium	\$712	\$767	\$739	\$722	\$779	\$830	\$837	\$829

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

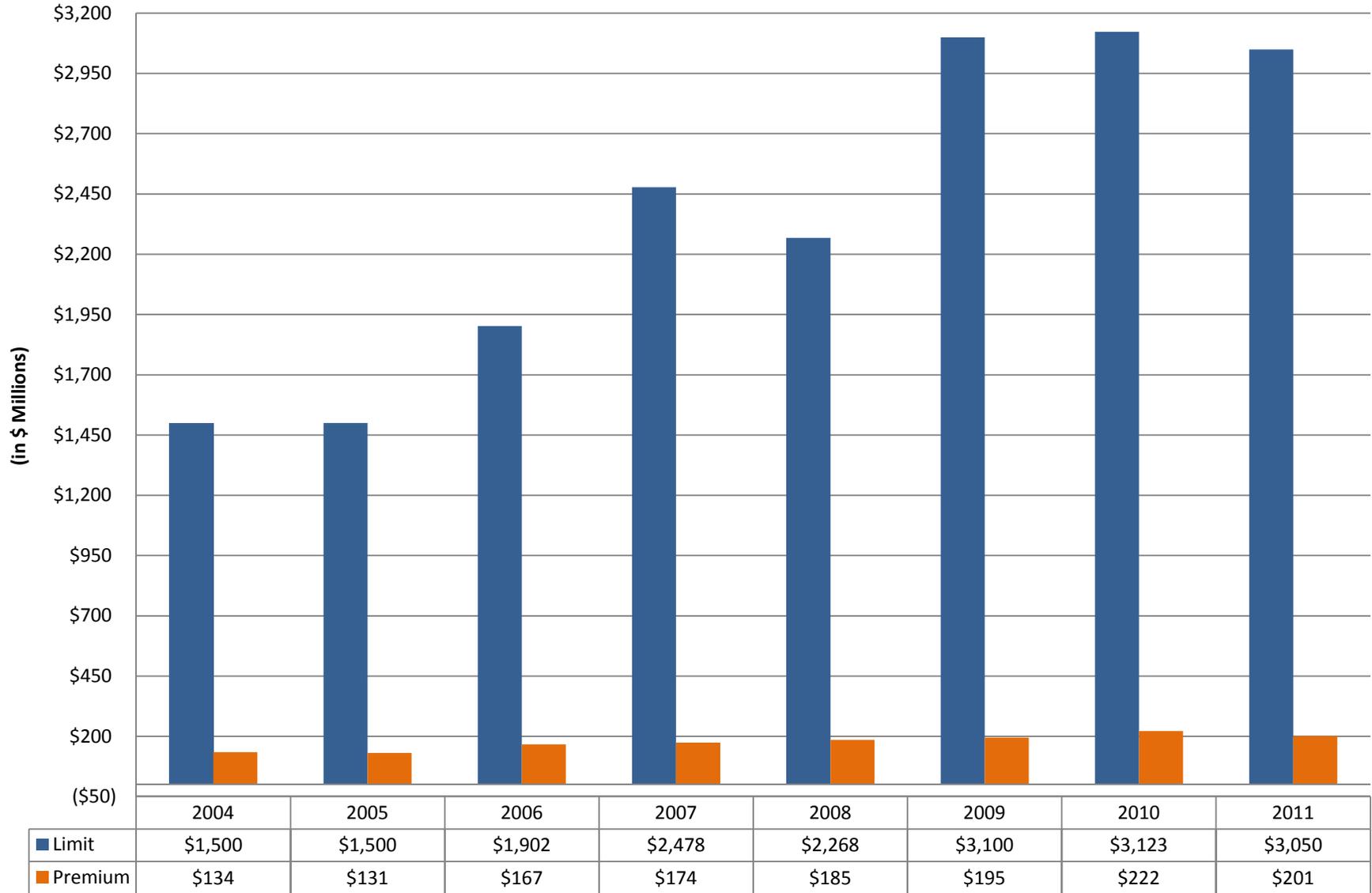


NOTE: From 2009 forward, figure is GASB underwriting profit. Prior to 2009, figure was FASB net premiums written minus total expenses.

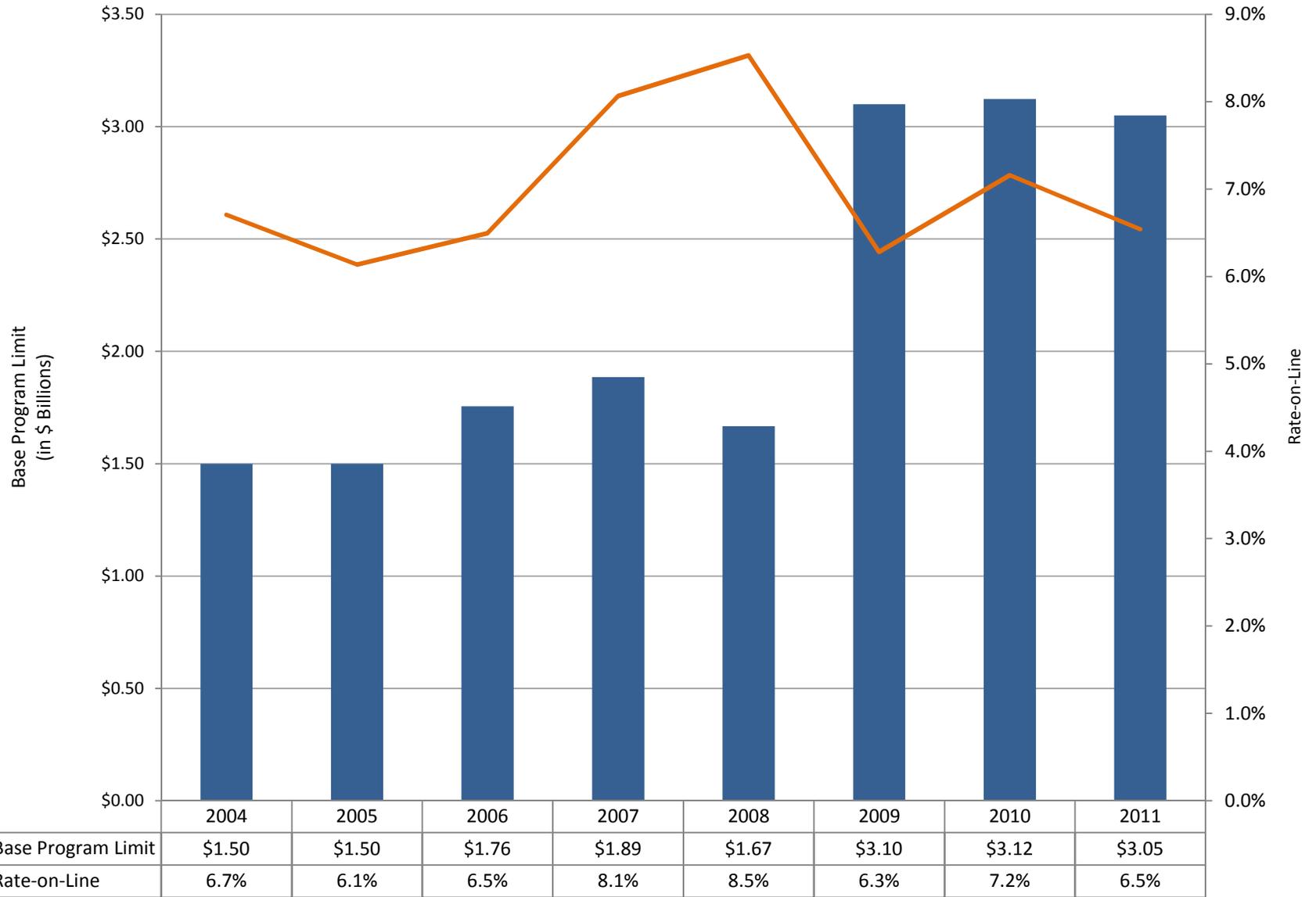
**California Earthquake Authority
Annual Risk Transfer Premium Expense**



California Earthquake Authority Annual Risk Transfer Premium and Limit

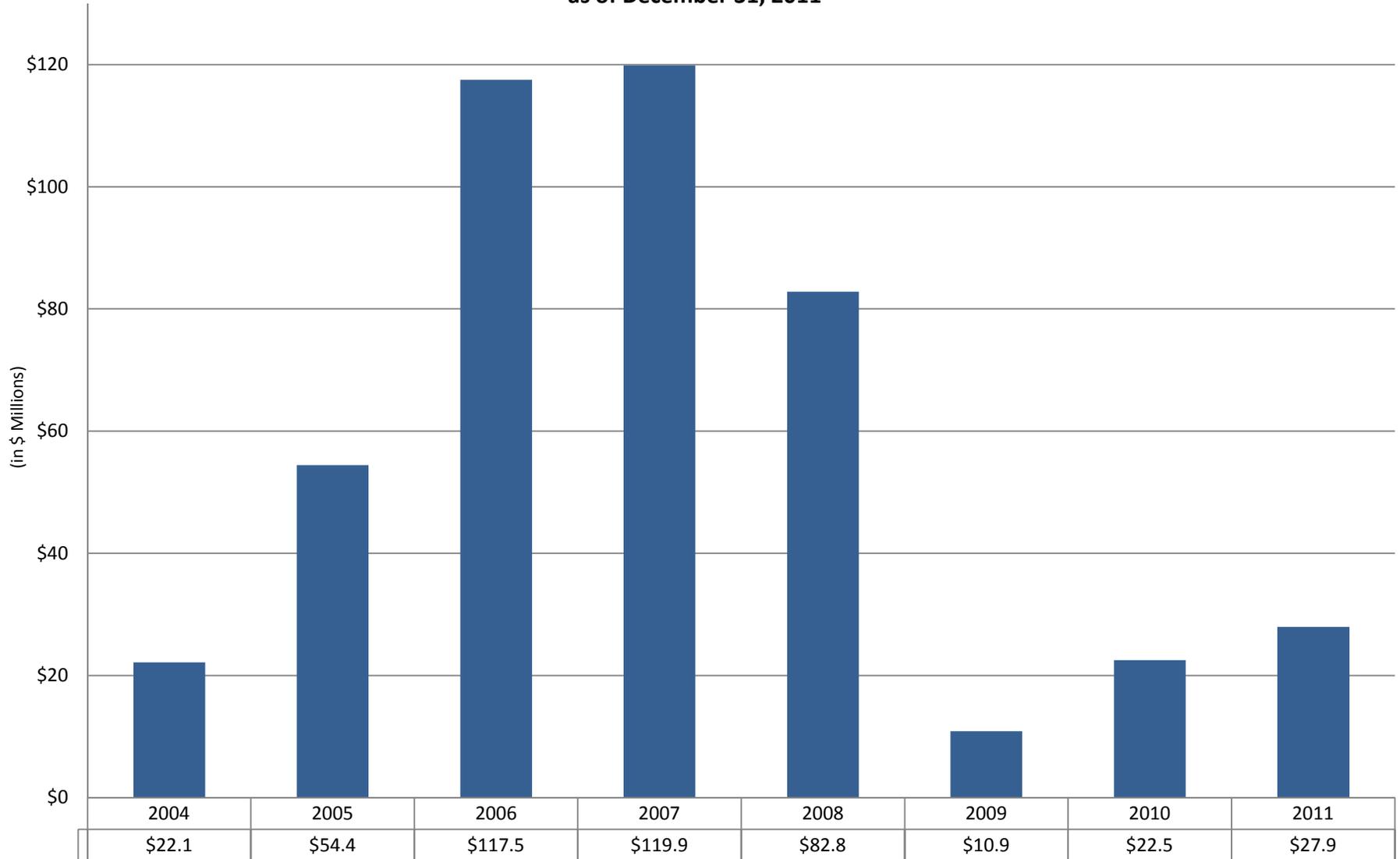


**California Earthquake Authority
Risk Transfer Base Program Limits and Rate-on-Line**



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

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



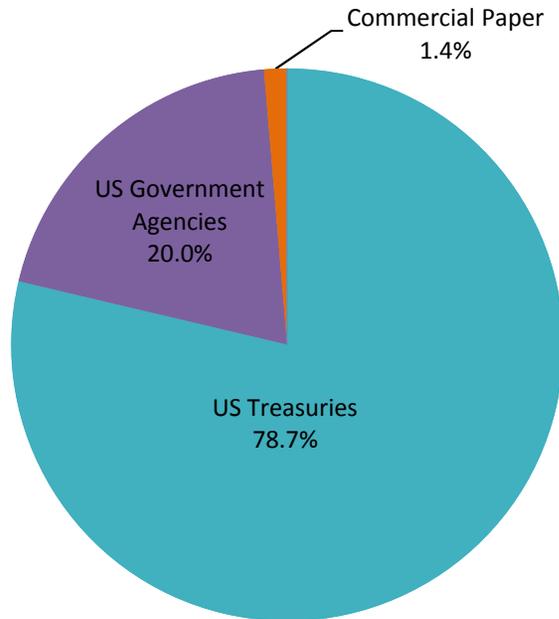
NOTE: Prior to 2009, investment income was reported from FASB financial statements which did not include unrealized gains or losses and were net of manager fees.

California Earthquake Authority - Investment Portfolio Distribution as of December 31, 2011

The CEA has three different investment funds. The current market values of each fund are:

CEA Liquidity and Primary Fund:	\$4,204,633,122
Claim-paying Fund:	\$316,970,531
Mitigation Fund:	\$23,976,654

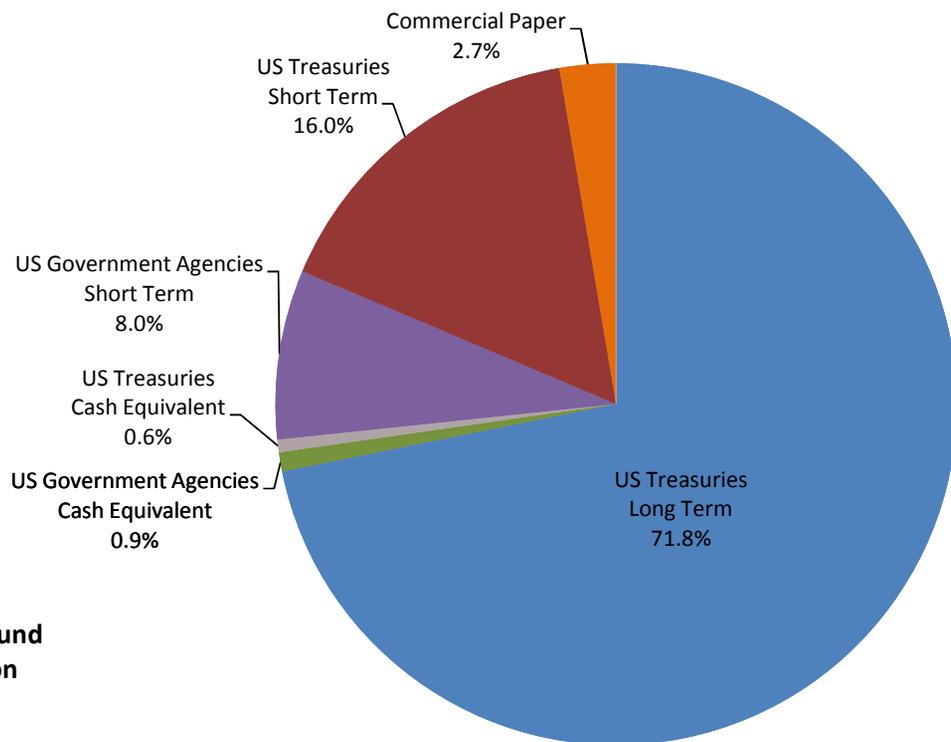
The asset allocation of the three funds are as follows:



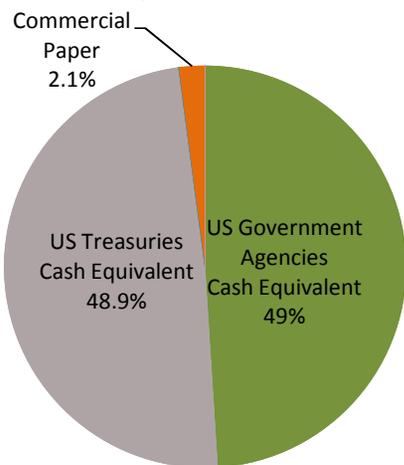
	CEA Liq. & Prim. Fund	Claim-paying Fund	Mitigation Fund
US Treasuries - Short Term	16.0%	9.7%	0.0%
US Treasuries - Long Term	71.8%	90.3%	0.0%
US Treasuries - Cash Equivalent	0.6%	0.0%	48.9%
US Government Agencies - Short Term	8.0%	0.0%	0.0%
US Government Agencies - Cash Equivalent	0.9%	0.0%	49.0%
Commercial Paper	2.7%	0.0%	2.1%
Cash	0.0%	0.0%	0.0%
Bankers Acceptance	0.0%	0.0%	0.0%
Totals	100%	100%	100%

**California Earthquake Authority - Investment Portfolio Distribution
as of December 31, 2011**

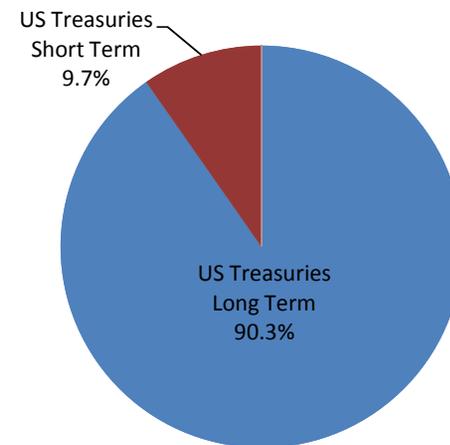
**CEA Liquidity & Primary Fund
\$ 4,205 Million**



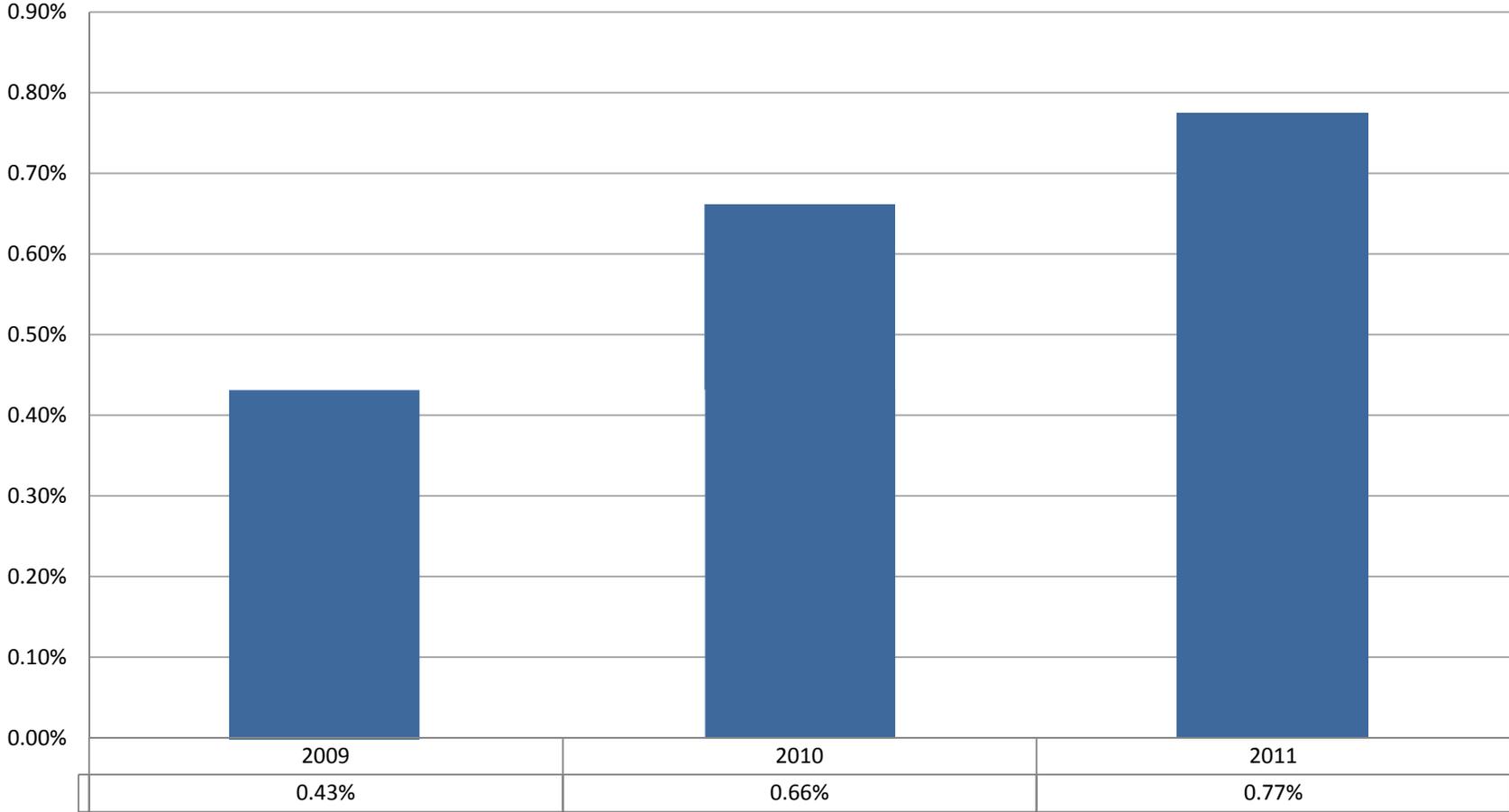
**Mitigation Fund
\$ 24 Million**



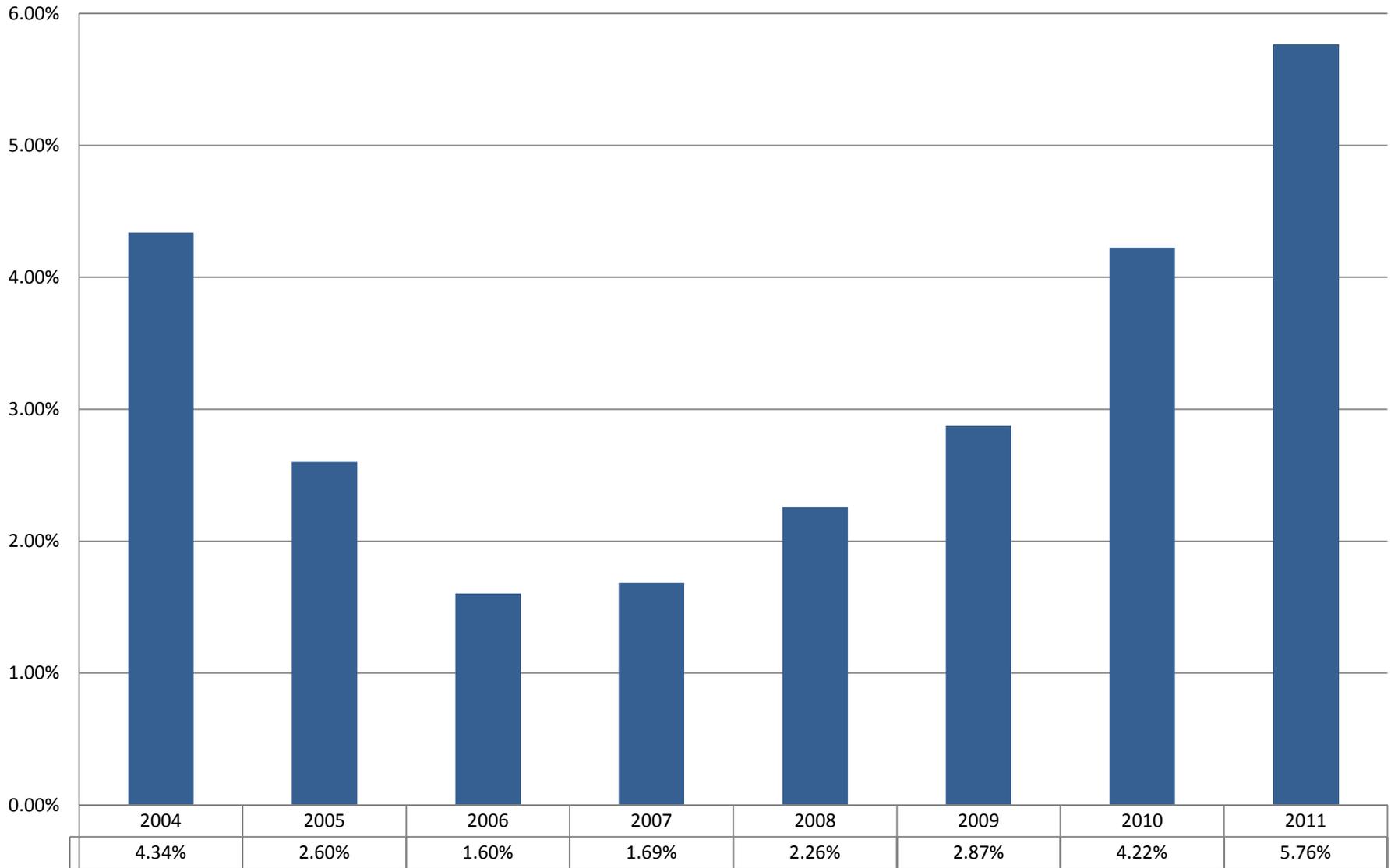
**Claim-Paying Fund
\$ 317 Million**



**California Earthquake Authority
12-Month Rolling Investment Return
as of December 31, 2011**



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



**California Earthquake Authority
Schedule of Outstanding Debt**

DEBT	ISSUANCE AMOUNT	INTEREST RATE	NET PROCEEDS	OUTSTANDING PRINCIPAL	AS OF DATE
Series 2006 Revenue Bonds	\$ 315,000,000	6.169%	\$ 310,829,067	\$ 157,500,000	31-Dec-2011

DEBT-SERVICE SCHEDULE

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

Period Ending	Outstanding Principal	Principal	Interest	Debt Service	Annual Debt Service
1-Jan-11	\$189,000,000		\$5,829,705	\$5,829,705	
1-Jul-11	\$157,500,000	\$31,500,000	\$5,829,705	\$37,329,705	
2011					\$43,159,410
1-Jan-12	\$157,500,000		\$4,858,088	\$4,858,088	
1-Jul-12	\$126,000,000	\$31,500,000	\$4,858,088	\$36,358,088	
2012					\$41,216,175
1-Jan-13	\$126,000,000		\$3,886,470	\$3,886,470	
1-Jul-13	\$94,500,000	\$31,500,000	\$3,886,470	\$35,386,470	
2013					\$39,272,940
1-Jan-14	\$94,500,000		\$2,914,853	\$2,914,853	
1-Jul-14	\$63,000,000	\$31,500,000	\$2,914,853	\$34,414,853	
2014					\$37,329,705
1-Jan-15	\$63,000,000		\$1,943,235	\$1,943,235	
1-Jul-15	\$31,500,000	\$31,500,000	\$1,943,235	\$33,443,235	
2015					\$35,386,470
1-Jan-16	\$31,500,000		\$971,618	\$971,618	
1-Jul-16		\$31,500,000	\$971,618	\$32,471,618	
2016					\$33,443,235

Governing Board Memorandum

February 23, 2012

Agenda Item 5: CEA Participating Insurers – Maximum Earthquake-Loss-Funding-Assessment Levels – Effective April 1, 2012

Recommended Action: Approve April 1, 2012, CEA Participating Insurer Maximum Earthquake-Loss-Funding-Assessment Levels

Background:

California Insurance Code section 10089.25 states,

“Beginning December 31, 1997, and annually thereafter on the 30th of April, the board shall notify each participating insurer of the maximum earthquake loss funding assessment level that it may be required to meet.”

Insurance Code sections 10089.30 and 10089.31 set forth the calculation for determining the maximum aggregate assessments for the so-called “Second Industry Assessment Layer” and “New Industry Assessment Layer” of the California Earthquake Authority (CEA) financial structure.

Analysis:

Taking legal effect on July 1, 2008, Senate Bill 430 established the CEA’s authority to assess its participating insurers through a vehicle commonly referred to as the New Industry Assessment Layer (“New IAL”).

This assessment authority was made available to the CEA on December 1, 2008, upon the sunset by law of the CEA’s authority to assess its participating insurers in the First Industry Assessment Layer (“1st IAL”). Unlike the 1st IAL, which the CEA could access once it had exhausted its available capital (but before the use of risk-transfer financing), the New IAL sits atop the Second Industry Assessment Layer (“2nd IAL”) in the CEA’s financial structure.

The 2nd IAL and the New IAL can only be drawn on to pay policyholder claims once CEA’s available capital, proceeds from debt financing actually available and under contract, and other funds actually available and under contract for risk transfer products have been exhausted. CEA participating insurers can be assessed in either or both of the remaining IALs in order to return the CEA’s available capital to the statutory minimum capital level of \$350 million (see California Insurance Code section 10089.31).

Consistent with gradually decreasing the CEA’s dependence on its participating insurers for its claim-paying capacity, CEA’s maximum assessment capability under the New IAL is subject to annual reductions. Under California Insurance Code section 10089.33 (b) (1)—effective April 1,

2010, and on each April 1st thereafter—the maximum aggregate assessment under the New IAL is subject to a 5% annual reduction and a separate reduction, in an amount equal to the “retained earnings differential.” As defined in California Insurance Code section 10089.33(b)(7), the retained earnings differential is calculated as:

“...the positive dollar-amount difference between: (A) the authority's positive one-year retained-earnings growth for the preceding calendar year, minus (B) the authority's capacity growth for the preceding calendar year, both calculated as of December 31. As used in this paragraph, "one-year retained-earnings growth" means the difference between the authority's cumulative retained earnings at December 31 of the preceding calendar year and the authority's cumulative retained earnings at December 31 of the year before the preceding calendar year, calculated in accordance with generally accepted accounting principles as of the preceding December 31. As used in this paragraph, the term "capacity growth" is the one-year amount of purchased risk transfer, such as reinsurance, or borrowed risk transfer such as bonds, put in place in the authority's financial structure to account for the authority's aggregate exposure growth over the preceding year ending December 31. The board shall be authorized and entitled, in its sole discretion, to make all final decisions regarding the authority's level of financial strength and security and the authority's choice and use of financing and risk-transfer mechanisms.”

Attachment A is the calculation of the annual reduction, commonly referred to as the “roll-off”, of the New IAL effective April 1, 2012, as well as the resulting New IAL aggregate assessment amount.

Staff has calculated each CEA participating insurer’s respective CEA earthquake market-share percentage, based on the insurer’s written CEA premiums—from this calculation, the CEA determines each insurer’s maximum earthquake loss funding assessment level for 2012.

Attachment B shows, for each participating insurer, the maximum earthquake loss funding assessment level it may be required to meet, upon appropriate assessment by the CEA.

Recommendations:

Staff recommends that:

- The Governing Board adopt the New IAL aggregate assessment amount in *Attachment A*, effective April 1, 2012.
- The Board adopt the CEA market-share percentages shown in *Attachment B*, which are to be used to determine the maximum earthquake loss funding assessment levels for CEA participating insurers, effective April 30, 2012.
- The Board authorize CEA staff to notify each participating insurer of its respective April 30, 2012, maximum earthquake-loss-funding-assessment level responsibility.

Calculation of New Industry Assessment Layer Worksheet

5% of Initial Maximum Aggregate Assessment(1.780 billion x 5.0%)			\$89,000,000
Retained Earnings Growth		+	301,667,543
Capacity Growth:			
1/1/2012 - New Risk Transfer capacity	\$2,855,220,000		
2006 Revenue Bond Proceeds	+	\$310,829,067	
12/31/2011 - Previous Year Risk Transfer capacity	-	\$3,050,000,000	
2006 Revenue Bond Proceeds	-	\$310,829,067	
Capacity Growth Previous Year	=	\$0	-
			\$0
April 1, 2012 Aggregate Assessment Reduction		=	\$390,667,543
Prior Year Modified Aggregate Assessment Calculation			\$1,032,676,261
April 1, 2012 Aggregate Assessment Reduction		-	\$390,667,543
Modified Aggregate Assessment as of April 1, 2012		=	\$642,008,718
Residential Homeowner Market Share calculated at the time each Participating Insurer joined the CEA		X	77.892%
New IAL Assessment Capacity as of April 1, 2012		=	\$500,073,431

CEA Participating Insurers
2012 Maximum Earthquake-Loss-Funding-Assessment Levels - Effective April 1, 2012
(Based on CEA Written-Premium Market Share as of December 31, 2011)

<u>Company Name</u>	<u>CEA Market Share</u>	<u>CA Residential Market Share*</u>	<u>Max Assessment 2nd Layer</u>	<u>Max Assessment New Layer</u>	<u>Total Max Assessments</u>	<u>Written Premium</u>
State Farm Group	35.837532%	18.59637%	\$ 558,291,415	\$ 179,213,979	\$ 737,505,394	\$ 219,132,203
Allstate Group ¹	15.795540%	7.75864%	\$ 246,069,241	\$ 78,989,299	\$ 325,058,540	\$ 96,583,421
Farmers	12.319762%	15.17828%	\$ 191,922,183	\$ 61,607,857	\$ 253,530,040	\$ 75,330,427
USAA ³	13.364769%	4.42113%	\$ 208,201,713	\$ 66,833,658	\$ 275,035,371	\$ 81,720,225
Inter-Ins. Exchange	6.535503%	4.32474%	\$ 101,812,681	\$ 32,682,314	\$ 134,494,995	\$ 39,961,992
Safeco	5.283576%	2.22863%	\$ 82,309,661	\$ 26,421,760	\$ 108,731,421	\$ 32,306,958
CSAA ²	4.465502%	5.81910%	\$ 69,565,374	\$ 22,330,788	\$ 91,896,162	\$ 27,304,761
Liberty Mutual	2.462524%	3.13680%	\$ 38,362,181	\$ 12,314,427	\$ 50,676,608	\$ 15,057,350
Mercury	2.535917%	2.68579%	\$ 39,505,529	\$ 12,681,447	\$ 52,186,976	\$ 15,506,120
FAIR Plan	0.771251%	0.69188%	\$ 12,014,862	\$ 3,856,823	\$ 15,871,685	\$ 4,715,894
Foremost	0.412160%	1.37225%	\$ 6,420,786	\$ 2,061,100	\$ 8,481,886	\$ 2,520,191
Armed Forces	0.119640%	0.05916%	\$ 1,863,805	\$ 598,290	\$ 2,462,095	\$ 731,553
Homesite	0.085282%	0.24593%	\$ 1,328,556	\$ 426,472	\$ 1,755,028	\$ 521,465
Golden Eagle	0.006786%	0.00306%	\$ 105,716	\$ 33,935	\$ 139,651	\$ 41,494
Commerce West	0.004256%	0.00000%	\$ 66,297	\$ 21,282	\$ 87,579	\$ 26,022
TOTAL	100.00000%	66.52176%	\$ 1,557,840,000	\$ 500,073,431	\$ 2,057,913,431	\$ 611,460,076

* Based on California Department of Insurance 2010 California Market-Share Report. The 2011 California Market-Share Report will not be publicly available until May 2012.

¹ Allstate-Encompass was combined with Allstate Group

² ACA was combined with CSAA

³ Garrison was combined with USAA

Governing Board Memorandum

February 23, 2012

Agenda Item 6: CEA Advisory Panel update—Wayne Coulon

Recommended Action: No action required - information only

CEA Advisory Panel Chair Wayne Coulon will provide a summary of the proceedings from the January 19, 2012, Advisory Panel meeting.

Governing Board Memorandum

February 23, 2012

Agenda Item: 7 Update on CEA's Marketing Value Program (MVP)

Recommended Action: No action required – information only

Background:

2011 was an extraordinary year for damaging earthquakes, globally and throughout the U.S.:

- Christchurch, New Zealand, was devastated by its second damaging earthquake in February.
- Japan was overwhelmed by an earthquake and resulting tsunami in March.
- Virginia's damaging earthquake in August was felt throughout Georgia, Illinois, New York.
- Additional quakes were felt in Colorado in August and in Texas in October.
- Oklahoma's damaging earthquake in November also was felt in Kansas, Missouri, Arkansas.

Recent earthquakes are prompting more residents to ask questions about earthquake damage, so residential insurance agents now get opportunities to market themselves as experts with answers:

- According to USGS, earthquakes pose significant risks to 75 million Americans in 39 states.
- Two-thirds of America's risk for earthquake damage is in California.

Analysis:

CEA is working to join forces with the American Red Cross (ARC) to help more Californians prepare to survive and recover from California's next damaging earthquake by:

1. Combining programs, expertise, resources, and messages:
 - Integrating CEA's statewide media campaign with ARC's community-resilience programs.
 - Combining CEA's expertise on residential earthquake insurance and mitigation with ARC's expertise on preparing a kit, making a family disaster plan, and being informed.
 - CEA is bringing the financial resources to support the statewide media campaign; ARC is bringing the local organization and outreach.
 - Working together to fulfill social scientists' recommendation to share preparedness messages that combine *what to do* with *why to do it* – “get prepared to survive and recover so California residents can get back to normal after the next damaging earthquake.”
2. Inviting CEA participating insurer agents/producers to become earthquake preparedness leaders; to develop their own proprietary books-of-business as resilient communities:
 - Expanding traditional ARC outreach to include MVP agents who may see value in promoting general earthquake preparedness activities throughout their books-of-business,

creating opportunities to discuss earthquake insurance as part of overall earthquake-preparedness actions.

- Participating insurer agents/producers may earn opportunities to market themselves as earthquake preparedness experts through completion of CEA training to sell earthquake insurance; they may combine ARC training for themselves and their policyholders to become recognized as “Red Cross Ready.”
- CEA 2012 MVP will offer free direct-mail support (\$500 value) for participating-insurer agents/producers to promote earthquake preparedness throughout their books-of-business:
 - ✓ Two mailings of 200 free, postage-paid co-branded postcards may be available for each registered agent/producer, custom-fulfilled in individual/company names – this includes option of additional (50–100) pieces of direct mail in Spanish and Chinese:
 - CEA budgeted for registration of up to 5,000 agents for each mailing.
 - First mailing will be open to all appointed/employed agents/producers.
 - Participation in second mailing will require completion of CEA training within past four years.
 - Individual/company completion of “ARC Ready” training may be optional.
 - ✓ An optional direct mail (pilot) program targeted at renters’ insurance needs will be available in the cities of San Francisco, Los Angeles, and San Diego, for those agents/producers with business addresses within those ZIP codes:
 - Provides (50-100) pieces of direct mail (available only in English).
 - CEA budgeted for availability of 20,000 pieces for each flight.
 - ✓ First 5,000 agents to register will receive a free earthquake-preparedness starter kit.
 - ✓ First 15,000 new CEA policyholders reported also may receive a free co-branded earthquake-preparedness starter kit fulfilled in agent’s/producer’s name:
 - New CEA policy effective dates 2/17/2012 to 11/23/2012.
 - New CEA policies must be reported by 12/2/2012.
 - ✓ Other dates important to CEA MVP registration and implementation:
 - First mailing coordinated with potential ARC On-Air Auction:*
 - Agent/producer online registration opened on 2/17/2012.
 - Last day to register for first mailing will be 3/8/2012.
 - First mailing materials delivered to agents by 4/9/2012.
 - Agents/producers affix mailing labels and drop in mailboxes by 4/16/2012.
 - TV/radio advertising scheduled to run during the first three weeks of April 2012.
 - Second mailing coordinated with Great California ShakeOut Drill:*
 - Last day to register for second mailing will be 9/6/2012.
 - Second mailing materials delivered to agents by 10/1/2012.
 - Agents/producers affix mailing labels and drop in mail boxes by 10/8/2012.
 - TV/radio advertising to run during the last three weeks in October 2012.

3. Creating opportunities to expand broadcast-media partnerships:

- Potential CEA sponsorship of 1st Annual ARC auction during Earthquake Preparedness Month in April:
 - ✓ ARC Auction statewide management responsibilities would be owned by Clear Channel Radio.

- ✓ Direct mail to promote CEA policies, ARC auction, and enrollment in ARC readiness training programs.
- ✓ TV news stations in four major markets similarly to promote CEA/ARC programs.
- CEA-promotion of 5th Annual Great California ShakeOut Earthquake Drill in October:
 - ✓ Advertising and direct mail tactics similar to previous years.
 - ✓ Portions of advertising and direct mail also may promote ARC.

First-year results from 2011 CEA MVP:

- Agent training increased by 128 percent (compared to 2010).
- 95.5 percent of agents surveyed said they would again participate in CEA’s MVP:
 - ✓ 92.5 percent would recommend MVP participation to co-workers and colleagues.
 - ✓ 71 percent said earthquake preparedness kits were a good sales tool.
 - ✓ 43.3 percent of respondents reported an increase in CEA policy quotes and sales.

Budget rollover from 2011 CEA MVP (added with Board consent to 2012 MVP budget):

- While agent participation increased by 73 percent for the 2011 CEA MVP compared to the 2010 ShakeOut promotion, 2011 MVP registration dropped for the second and third mailings due to training and new-CEA-policy sales requirements for eligibility:
 - ✓ Mailing 1 – 64% (appointed/employed)
 - ✓ Mailing 2 – 36% (trained by CEA)
 - ✓ Mailing 3 – 15% (sold three new CEA policies)
- As a result, 2011 budgets planned for direct mail were not fully used in each of the three mailings, resulting in a rollover amount of \$1,779,226.
- Therefore, 2012 budgets will distribute the 2011 rollover funds according to the (approved) rollover and total funds in the table below:

2012 MVP	Approved	Rollover	Total
Direct Mail	\$2,940,000	\$ 285,630	\$3,225,630
Paid Media	\$4,775,000	\$1,418,636	\$6,193,636
Allocated Rollover		\$ 75,000	\$ 75,000
Total	\$7,715,000	\$1,779,266	\$9,494,266

Recommendation:

No action required – information only.

Governing Board Memorandum

February 23, 2012

Agenda Item 8: Update on CEA's mitigation programming, including its participation in the California Residential Mitigation Program

Recommended Action: Information only – no action required

Background and analysis:

Update on development of CEA's mitigation programming

1. Updating ATC 50 as ATC 71-3:

The Applied Technology Council (ATC), which is a nonprofit, tax-exempt corporation established in 1973 by the Structural Engineers Association of California, produced a document in 2002 titled *ATC 50 Seismic Grading System for the detached wood-framed, single-family residence* for use within the City and County of Los Angeles. ATC now is working to update that document. CEA's Chief Mitigation Officer currently serves as an ex officio member of the advisory committee focused on this effort. This update, titled ATC 71-3, will be expanded to include statewide and national seismic grading systems for detached, wood-framed single-family dwellings. CEA staff is investigating possible uses for the updated ATC 71-3 grading systems to inform future CEA mitigation programming.

2. Liquefaction mapping considerations:

Observations of damage to residential construction resulting from recent earthquakes in Christchurch, New Zealand highlight the need for additional information about potential earthquake damage to California dwellings. Damage to single-family dwellings due to liquefaction and lateral spreading in Christchurch were extensive in some areas. In California, however, current mapping to identify liquefaction potential does not cover the entire state. Nor does this current mapping contain sufficient gradation to adequately predict where residential dwellings might be at particular risk. As a result, additional mapping and models for potential damage may be needed to better understand these vulnerabilities to California homeowners. CEA staff is investigating potential opportunities for development of additional liquefaction mapping.

Update on CEA participation in the California Residential Mitigation Program

Since CEA and Cal EMA recently signed a Joint Powers of Agreement (JPA), through which the California Residential Mitigation Program (CRMP) could be managed independently, JPA staff has worked to address a number of back-office administrative details including:

1. Managing contract negotiations with an organization selected through a Request for Qualifications (RFQ) to fulfill the role of a statewide administrator of residential retrofit incentive funding;
2. Drafting of a Request for Proposals from organizations qualified to broker appropriate insurance policies; and
3. Establishing appropriate protocols to manage CRMP finances.

In addition to addressing the JPA's back-office details, JPA staff is working to finalize details necessary to support a near-term pilot-program rollout. These details generally include:

Pilot programming: The pilot program, which tentatively is scheduled for introduction during the summer months of 2012, will be available to test CRMP experiences from a limited number of homeowners in select northern and southern California communities.

Online interface: A Web portal (interactive Web page) will be used to qualify homeowners who apply for participation in the residential retrofit program, as well as to track completion of their retrofit projects according to local government requirements. It also will be used to help consumers identify contractors who have completed independently created educational modules.

Marketing programming: CEA and CalEMA will be working together to integrate the CRMP into its existing marketing and communication outreach programming, as well as to develop new plans that appropriately engage local stakeholders and homeowners alike.

Recommendation:

Information only – no action required.

Governing Board Memorandum

February 23, 2012

Agenda Item 9: Staff seeks Governing Board ratification of new arrangement for loss-modeling support by CEA contractor EQECAT – to assist CEA-supported retrofitting research by Applied Technology Council (ATC)

Recommended Action: Governing Board ratification of changes to existing CEA-EQECAT contract for loss modeling to support new version of ATC-50 project with wider application – ratification of a supporting, related 2012 CEA mitigation-budget augmentation

Background:

CEA and EQECAT, Inc., entered into a written agreement, effective July 21, 2011, under which EQECAT would continue to provide CEA with CEA-specified earthquake loss-modeling services and related consulting services. That agreement accommodates—on a work-order basis—CEA-requested projects.

In connection with CEA’s support of certain research and reports issued by the Applied Technology Council (ATC), CEA has arranged with EQECAT, under the agreement noted above, to analyze expected-earthquake-loss impacts to single family residences that present specific design features and seismic hazard.

The arrangement has been proposed, negotiated, and reduced to contract terms, and the resulting document has been executed by the CEA for EQECAT to perform the modeling for \$100,000., the result is now presented to the Board for ratification. In addition, the proposed ATC contract, not yet finalized and signed, is presented to the Board because while it is under \$100,000 (the ATC contract is just over \$30,000) it is part of the project with EQECAT which will total just over \$130,000.

In addition, staff recommends that the Board approve augmenting CEA’s 2012 mitigation budget in the amount of \$130,589, to support the project.

Analysis:

CEA has on ongoing interest in supporting research to encourage earthquake-loss mitigation and develop effective and supportable earthquake-insurance premium incentives.

As noted in the previous agenda item, ATC is a nonprofit entity established in 1973, whose mission is to develop state-of-the-art, user-friendly engineering resources and applications for use in mitigating the effects of natural and other hazards on the built environment.

After the devastating losses from the 1994 Northridge earthquake, the City of Los Angeles began an initiative which ultimately resulted in the ATC-50 project which was funded by the City of Los Angeles' Department of Building and Safety and the California Governor's Office of Emergency Services through a FEMA Hazard Mitigation Grant. The project was designed to provide inspection procedures and a seismic performance grading system for single-family wood-frame dwellings that reflected expected economic losses from damaging earthquakes based on a review of the structural elements of the specific dwelling and the hazard to which it is subject based on its location.

The project resulted in three reports, one of which developed a simplified, standardized four page assessment form that could be completed by a trained inspector which would calculate a home's "grade" or performance in resisting earthquake damage. The overall goal was to make it easier for homeowners to determine if retrofitting was indicated for their house, and if so, what specific actions were necessary. The rating system would also reflect the home's grade both pre and post retrofit. The letter grades went from A to D with each grade have an average expected damage ratio. Finally, with a grant from the U.S. Department of Housing and Urban Development, fifty homes were retrofitted and were then re-evaluated and re-graded.

However, ATC-50 was developed for Los Angeles County only. The Council is in the process of developing an updated report, ATC-71-3, which revises the grading system to work state and nationwide. Additionally, while the mean damage ratio for each grade was developed which reflected average expected economic losses for that grade, validation by modeling such as that which EQECAT could provide has not been done. ATC is seeking participation from the CEA in the form of modeling support for estimating the average earthquake damage in California for single-family dwellings at specific assigned grades or scores, based on the combination of a structural score and a seismic hazard score which they would then incorporate in to their updated report which could be used throughout California.

While the results of this project will not be able to be directly used to apply a mitigation discount (because it will reflect a multitude of various combinations of dwelling structure attributes for a specific level of seismic risk), for the CEA they are an important step towards that goal and will help validate any such final retrofit discount that is developed.

CEA has a basic, ongoing interest in supporting such research, and CEA's loss modeler, EQECAT, can perform the needed analysis under a modification of the existing CEA-EQECAT contract.

Recommendation:

CEA staff recommends that the Governing Board (1) ratify the CEA-EQECAT agreement modification executed by CEO Glenn Pomeroy and (2) approve a related CEA 2012 budget augmentation to support the project (both the ATC and EQECAT contract) under the CEA mitigation budget in the amount of \$130,589.

Governing Board Memorandum

February 23, 2012

Agenda Item 10: Planning for evaluation of CEO Glenn Pomeroy under the CEA's *Executive Performance Management Plan*; consideration of process for employment-contract renewal

Recommended Actions: Designate a Governing Board member to conduct the annual appraisal of the CEO's performance and report recommendations to the Board; consider and determine process of employment-contract renewal

Background:

Under the CEA's *Executive Performance Management Plan* (PMP) the Governing Board adopted in 2002, the chief executive officer's performance is reviewed by the Board each year. The CEA's PMP appraisal process allows a full assessment of the CEO's accomplishments in the previous year and provides for feedback to the executive employee and guidance to enhance future performance.

Analysis:

Glenn Pomeroy joined the CEA as its Chief Executive Officer in the spring of 2008 under a four-year employment contract. It is time for the Board to delegate to one of its members the groundwork of appraising Mr. Pomeroy's previous-year performance under the PMP, with the proviso that the resulting findings, appraisal, and any recommendations be brought to the Board for action. And in addition, the Board will be taking under advisement whether and on what terms to extend or renew Mr. Pomeroy's expiring employment contract.

Recommendation:

To initiate the PMP process for Mr. Pomeroy for the current evaluation period, the Board should designate one of its members to conduct the CEO evaluation, with the proviso that the reviewer's findings, appraisal, and recommendations, including compensation recommendations, be brought to the Board for consideration and action. The Board should consider and adopt a process to determine whether to extend or renew Mr. Pomeroy's employment contract.

California Earthquake Authority

Losses & Loss Adjustment Expenses (LAE) Paid - Cumulative to December 31, 2011

Event Code	Event Name	Date of Event	Magnitude	Location	# of Paid Claims	Losses Paid	LAE Paid	Total Paid Losses & LAE
98010	Chino	1/5/1998	4.3	3 mi. W of Chino	1	\$1,385.72	\$124.71	\$1,510.43
98050	San Juan Bautista	8/12/1998	5.3	7 mi. SSE of San Juan Bautista	1	161,204.93	13,643.13	\$174,848.06
98070	Redding	11/26/1998	5.2	3 mi. NNW of Redding	1	4,029.72	362.67	\$4,392.39
	1998 Minor Quakes				2	4,199.20	377.93	\$4,577.13
99050	Hector Mine	11/16/1999	7.0	28 mi. N of Joshua Tree (near Palm Springs)	25	137,361.81	12,362.47	\$149,724.28
	1999 Minor Quakes				1	4,037.26	363.35	\$4,400.61
00030	Napa	9/3/2000	5.2	17 mi. ESE of Santa Rosa; 6 mi. NNE of Sonoma; 3 mi. WSW of Yountville	15	278,130.07	25,031.71	\$303,161.78
01010	Ferndale	1/13/2001	5.4	53 mi. WNW of Ferndale	1	34,764.54	3,128.79	\$37,893.33
	2001 Minor Quakes				1	52,896.82	4,760.70	\$57,657.52
01040	West Hollywood	9/9/2001	4.2	West Hollywood	10	67,044.15	6,033.94	\$73,078.09
	2002 Minor Quakes				1	8,361.24	752.51	\$9,113.75
03090	San Simeon	12/22/2003	6.4	7 mi. NE of San Simeon	84	2,692,628.02	242,339.74	\$2,934,967.76
04120	Parkfield	9/28/2004	6.0	7 mi SSE of Parkfield	1	7,032.59	632.93	\$7,665.52
07240	Chatsworth	8/9/2007	4.5	4 mi NNW of Chatsworth	1	7,813.88	703.24	\$8,517.12
07250	Alum Rock	10/30/2007	5.6	5 mi NNE of Alum Rock	1	6,149.20	553.42	\$6,702.62
08280	Chino Hills	7/29/2008	5.4	5.5 mi SE of Diamond Bar	8	156,781.38	14,110.29	\$170,891.67
09320	Calexico	12/30/2009	5.9	22.7 mi SE of Calexico	1	275.88	24.83	\$300.71
	2009 Minor Quakes				1	4,839.51	435.56	\$5,275.07
10330	Ferndale	1/9/2010	6.5	27 mi W of Ferndale	2	22,153.62	1,993.83	\$24,147.45
10360	Baja California Mexico	4/4/2010	7.2	16 mi SW from Guadalupe Victoria, Mexico	16	74,392.57	6,695.34	\$81,087.91
	Total				174	\$3,725,482.11	\$334,431.09	\$4,059,913.20

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 1/23/2012 - Policies in Force on: 12/31/2011

TOTALS	Policies In Force	% Total	Exposure	% Total	Written Premium	% Total	Avg Written Premium
Homeowner							
15% Total	591,421	72.0 %	253,467,721,564	85.6 %	478,352,078	81.0 %	809
10% Total	60,973	7.4 %	28,779,365,024	9.7 %	62,263,790	10.5 %	1,021
Homeowner Total	652,394	79.5 %	282,247,086,588	95.3 %	540,615,868	91.6 %	829
Manufactured Homes (Mobilehomes)							
15% Total	21,463	2.6 %	2,226,114,125	0.8 %	2,157,716	0.4 %	101
10% Total	4,055	0.5 %	595,750,041	0.2 %	522,839	0.1 %	129
Manufactured Homes (Mobilehomes) Total	25,518	3.1 %	2,821,864,166	1.0 %	2,680,555	0.5 %	105
Condo Total	102,197	12.4 %	9,495,991,500	3.2 %	39,986,751	6.8 %	391
Renter Total	40,823	5.0 %	1,480,840,000	0.5 %	6,960,744	1.2 %	171
Grand Total	820,932	100.0 %	296,045,782,254	100.0 %	590,243,919	100.0 %	719

California Earthquake Authority

Operations - Governing Board Report

All Companies - As Of 1/23/2012 - Policies in Force on: 12/31/2011

HOMEOWNER	Policies In Force	% Total	Exposure	% Total	Written Premium	% Total	Avg Written Premium
Deductible - 15%							
CovA/C5k/D1.5k/BCU10k	591,421	90.7 %	246,013,291,064	87.2 %	442,051,791	81.8 %	747
BCU 20k	62,214	9.5 %	622,140,000	0.2 %	1,648,004	0.3 %	26
Coverage C 25k	30,857	4.7 %	617,140,000	0.2 %	5,235,964	1.0 %	170
Coverage C 50k	21,052	3.2 %	947,340,000	0.3 %	5,134,293	0.9 %	244
Coverage C 75k	10,193	1.6 %	713,510,000	0.3 %	3,121,176	0.6 %	306
Coverage C 100k	33,125	5.1 %	3,146,875,000	1.1 %	12,911,350	2.4 %	390
Coverage D 10k	38,851	6.0 %	330,233,500	0.1 %	1,949,650	0.4 %	50
Coverage D 15k	79,792	12.2 %	1,077,192,000	0.4 %	6,299,850	1.2 %	79
15% Total	591,421	90.7 %	253,467,721,564	89.8 %	478,352,078	88.5 %	809
Deductible - 10%							
CovA/C5k/D1.5k/BCU10k	60,973	9.3 %	25,703,936,024	9.1 %	49,887,543	9.2 %	818
BCU 20k	13,422	2.1 %	134,220,000	0.0 %	328,090	0.1 %	24
Coverage C 25k	9,911	1.5 %	198,220,000	0.1 %	1,585,535	0.3 %	160
Coverage C 50k	7,431	1.1 %	334,395,000	0.1 %	1,510,164	0.3 %	203
Coverage C 75k	4,229	0.6 %	296,030,000	0.1 %	1,027,995	0.2 %	243
Coverage C 100k	17,016	2.6 %	1,616,520,000	0.6 %	5,745,458	1.1 %	338
Coverage D 10k	13,365	2.0 %	113,602,500	0.0 %	512,955	0.1 %	38
Coverage D 15k	28,329	4.3 %	382,441,500	0.1 %	1,666,051	0.3 %	59
10% Total	60,973	9.3 %	28,779,365,024	10.2 %	62,263,790	11.5 %	1,021
Homeowner Total	652,394	100.0 %	282,247,086,588	100.0 %	540,615,868	100.0 %	829

California Earthquake Authority

Operations - Governing Board Report

All Companies - As Of 1/23/2012 - Policies in Force on: 12/31/2011

MANUFACTURED HOMES (MOBILEHOMES)	Policies In Force	% Total	Exposure	% Total	Written Premium	% Total	Avg Written Premium
Deductible - 15%							
CovA/C5k/D1.5k/BCU10k	21,463	84.1 %	2,033,346,125	72.1 %	2,043,868	76.2 %	95
Coverage C 25k	1,683	6.6 %	33,660,000	1.2 %	22,652	0.8 %	13
Coverage C 50k	1,140	4.5 %	51,300,000	1.8 %	18,804	0.7 %	16
Coverage C 75k	342	1.3 %	23,940,000	0.8 %	6,698	0.2 %	20
Coverage C 100k	483	1.9 %	45,885,000	1.6 %	11,264	0.4 %	23
Coverage D 10k	1,767	6.9 %	15,019,500	0.5 %	23,522	0.9 %	13
Coverage D 15k	1,701	6.7 %	22,963,500	0.8 %	30,909	1.2 %	18
15% Total	21,463	84.1 %	2,226,114,125	78.9 %	2,157,716	80.5 %	101
Deductible - 10%							
CovA/C5k/D1.5k/BCU10k	4,055	15.9 %	428,781,541	15.2 %	453,618	16.9 %	112
Coverage C 25k	1,231	4.8 %	24,620,000	0.9 %	12,387	0.5 %	10
Coverage C 50k	1,002	3.9 %	45,090,000	1.6 %	12,726	0.5 %	13
Coverage C 75k	333	1.3 %	23,310,000	0.8 %	4,645	0.2 %	14
Coverage C 100k	431	1.7 %	40,945,000	1.5 %	7,356	0.3 %	17
Coverage D 10k	1,286	5.0 %	10,931,000	0.4 %	11,489	0.4 %	9
Coverage D 15k	1,635	6.4 %	22,072,500	0.8 %	20,617	0.8 %	13
10% Total	4,055	15.9 %	595,750,041	21.1 %	522,839	19.5 %	129
Manufactured Homes (Mobilehomes) Total	25,518	100.0 %	2,821,864,166	100.0 %	2,680,555	100.0 %	105

California Earthquake Authority

Operations - Governing Board Report

All Companies - As Of 1/23/2012 - Policies in Force on: 12/31/2011

CONDO	Policies In Force	% Total	Exposure	% Total	Written Premium	% Total	Avg Written Premium
Coverage A/BCU 10k	72,297	70.7 %	2,530,395,000	26.6 %	6,226,631	15.6 %	86
Coverage C 5k/D 1.5k	36,008	35.2 %	234,052,000	2.5 %	3,168,531	7.9 %	88
Coverage C 5k ¹	7,961	7.8 %	39,805,000	0.4 %	737,322	1.8 %	93
Coverage C 25k	13,840	13.5 %	346,000,000	3.6 %	2,644,273	6.6 %	191
Coverage C 50k	11,964	11.7 %	598,200,000	6.3 %	2,595,840	6.5 %	217
Coverage C 75k	5,834	5.7 %	437,550,000	4.6 %	1,393,467	3.5 %	239
Coverage C 100k	11,489	11.2 %	1,148,900,000	12.1 %	2,838,576	7.1 %	247
Coverage D 1.5k ²	7,273	7.1 %	10,909,500	0.1 %	24	0.0 %	0
Coverage D 10k	14,804	14.5 %	148,040,000	1.6 %	190,218	0.5 %	13
Coverage D 15k	29,011	28.4 %	435,165,000	4.6 %	452,229	1.1 %	16
Coverage E 25k	2,967	2.9 %	74,175,000	0.8 %	700,211	1.8 %	236
Coverage E 50k	61,720	60.4 %	3,086,000,000	32.5 %	16,996,561	42.5 %	275
Coverage E 75k	5,424	5.3 %	406,800,000	4.3 %	2,042,870	5.1 %	377
Condo Total	102,197	100.0 %	9,495,991,500	100.0 %	39,986,751	100.0 %	391

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

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

California Earthquake Authority

Operations - Governing Board Report

All Companies - As Of 1/23/2012 - Policies in Force on: 12/31/2011

RENTER	Policies In Force	% Total	Exposure	% Total	Written Premium	% Total	Avg Written Premium
Coverage C 5k/D 1.5k	15,898	38.9 %	103,337,000	7.0 %	1,468,935	21.1 %	92
Coverage C 5k ¹	3,356	8.2 %	16,780,000	1.1 %	329,442	4.7 %	98
Coverage C 25k	9,373	23.0 %	234,325,000	15.8 %	1,916,195	27.5 %	204
Coverage C 50k	6,347	15.5 %	317,350,000	21.4 %	1,459,272	21.0 %	230
Coverage C 75k	2,038	5.0 %	152,850,000	10.3 %	522,691	7.5 %	256
Coverage C 100k	3,811	9.3 %	381,100,000	25.7 %	951,912	13.7 %	250
Coverage D 1.5k ²	4,732	11.6 %	7,098,000	0.5 %	0	0.0 %	0
Coverage D 10k	6,979	17.1 %	69,790,000	4.7 %	97,753	1.4 %	14
Coverage D 15k	13,214	32.4 %	198,210,000	13.4 %	214,544	3.1 %	16
Renter Total	40,823	100.0 %	1,480,840,000	100.0 %	6,960,744	100.0 %	171

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

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

California Earthquake Authority

Historical Risk-Transfer Costs

Risk-Transfer Limits

Contract Year	Contract	Limit	Retention	Rate On Line (ROL)	Premium	
Traditional Reinsurance						
2011	Contract #1 (1/1/2011 - 12/31/2011)	\$200,000,000	xs	\$3,300,000,000	8.1500%	\$16,300,000
	Contract #2 (1/1/2011 - 12/31/2011)	\$1,300,000,000	xs	\$3,500,000,000	7.5000%	\$97,500,000
	Contract #3 (1/1/2011 - 3/31/2012)	\$500,000,000	xs	\$4,500,000,000	6.2000%	\$31,000,000
	Contract #3a (1/1/2011 - 12/31/2011)	\$200,000,000	xs	\$4,500,000,000	6.0000%	\$12,000,000
	Contract #4 (65% placed) (1/1/2011 - 3/31/2012)	\$650,000,000	xs	\$5,000,000,000	5.5000%	\$35,750,000
	Contract #4a (5% placed) (4/1/2011 - 3/31/2012)	\$50,000,000	xs	\$5,000,000,000	5.5000%	\$2,062,500
	Total		\$2,900,000,000	xs	\$3,300,000,000	6.7108%
Percent Change from Previous Year		-7.13%		-6.24%	-12.92%	
Transformer Reinsurance						
	Contract #1 (8/2/2011 - 8/8/2014)	\$150,000,000	xs	\$3,287,000,000	7.783%**	\$5,987,394 *
2010	Contract #1	\$202,500,000	xs	\$3,300,000,000	9.2500%	\$18,731,250
	Contract #2	\$1,000,000,000	xs	\$3,500,000,000	8.5500%	\$85,500,000
	Contract #3	\$275,000,000	xs	\$4,250,000,000	7.7000%	\$21,175,000
	Contract #4	\$300,000,000	xs	\$4,500,000,000	6.8000%	\$20,400,000
	Contract #5 (97.10% placed)	\$200,000,000	xs	\$4,800,000,000	6.5000%	\$12,623,000
	Contract #6 (94.05% placed)	\$250,000,000	xs	\$5,000,000,000	6.2500%	\$14,695,313
	Contract #7 (79.62619% placed)	\$1,150,000,000	xs	\$5,250,000,000	5.5000%	\$50,363,565
	Total		\$3,122,526,185	xs	\$3,300,000,000	7.1573%
Percent Change from Previous Year		0.73%		13.96%	14.79%	
2009	Contract #1	\$500,000,000	xs	\$3,500,000,000	7.7500%	\$38,749,846
	Contract #2	\$500,000,000	xs	\$4,000,000,000	6.9999%	\$34,999,384
	Contract #3	\$200,000,000	xs	\$4,500,000,000	5.9600%	\$11,920,000
	Contract #4	\$100,000,000	xs	\$4,700,000,000	5.8000%	\$5,800,000
	Contract #5	\$200,000,000	xs	\$4,800,000,000	5.5400%	\$11,080,000
	Contract #6	\$200,000,000	xs	\$5,000,000,000	5.3100%	\$10,620,000
	Contract #7 Backup Reinsurance for Transformer	\$250,000,000	xs	\$5,160,000,000	6.9900%	\$17,475,000
	Contract #8	\$650,000,000	xs	\$5,410,000,000	4.9938%	\$32,460,000
	Contract #9 Backup Reinsurance for Transformer	\$400,000,000	xs	\$6,000,000,000	6.6500%	\$26,600,000
	Contract #10	\$100,000,000	xs	\$6,060,000,000	4.9938%	\$4,993,846
	Total		\$3,100,000,000	xs	\$3,500,000,000	6.2806%
Percent Change from Previous Year		85.96%		-26.36%	5.71%	

(Combined base & Supplemental)

* 2011 premium is amortized for five months of 2011.

** Annualized rate-on-line for the 3-year period of the contract.

Contract Year	Contract	Limit	Retention	Rate On Line (ROL)	Premium
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Base-Limits

2008	Combined Reinsurance Contract #1	\$300,000,000	xs	\$3,600,000,000	9.8000%	\$29,400,000	
	Combined Reinsurance Contract #2	\$1,367,000,000	xs	\$3,900,000,000	8.2500%	\$112,777,500	
Total		\$1,667,000,000	xs	\$3,600,000,000	8.5289%	\$142,177,500	
Percent Change from Previous Year		-11.58%			5.77%	-6.48%	
2007	Collateralized Reinsurance Contract (2006-2007)	\$350,000,000	xs	\$3,600,000,000	6.9500%	\$24,325,000	
	Reinsurance Layer 1	\$150,000,000	xs	\$3,950,000,000	15.0000%	\$22,500,000	
	Reinsurance Layer 2	\$50,000,000	xs	\$4,100,000,000	12.5000%	\$6,250,000	
	Collateralized Reinsurance Contract (2007)	\$125,000,000	xs	\$4,150,000,000	11.5000%	\$14,375,000	
	Reinsurance Layer 3	\$20,000,000	xs	\$4,275,000,000	11.0000%	\$2,200,000	
	Reinsurance Layer 4 (79.45953% placed)	\$1,200,000,000	xs	\$4,300,000,000	7.1000%	\$0	
	Reinsurance Layer 5 (79.47738% placed)	\$298,000,000	xs	\$5,500,000,000	6.2000%	\$0	
Total		\$1,885,356,952	xs	\$3,600,000,000	8.0639%	\$152,033,760	
Percent Change from Previous Year		7.37%			24.19%	33.33%	
2006	Collateralized Reinsurance Contract (2005-2006)	\$300,000,000	xs	\$3,300,000,000	7.0000%	\$21,000,000	
	Collateralized Reinsurance Contract (2006-2007)	\$350,000,000	xs	\$3,600,000,000	6.9500%	\$24,325,000	
	Collateralized Reinsurance Contract	\$30,000,000	xs	\$3,950,000,000	6.8000%	\$2,040,000	
			\$680,000,000	xs	\$3,300,000,000	6.9654%	\$47,365,000
	Base-Limit Coverage Reinsurance Contract Insurance In Force Adjustment	\$1,076,000,000	xs	\$4,006,000,000	6.0000%	\$64,560,000 \$2,100,000	
Total		\$1,756,000,000	xs	\$3,300,000,000	6.4935%	\$114,025,000	
Percent Change from Previous Year		17.07%			5.83%	23.89%	

Contract Year	Contract	Limit	Retention	Rate On Line (ROL)	Premium		
2005	Collateralized Reinsurance Contract (2005-2006)	\$300,000,000	xs	\$3,300,000,000	7.0000%	\$21,000,000	
	First Transformer Layer (2004-2005)	\$150,000,000	xs	\$3,600,000,000	7.2500%	\$10,875,000	
	MLCRC First Reinsurance Layer	\$550,000,000	xs	\$3,750,000,000	5.7500%	\$31,625,000	
		\$1,000,000,000	xs	\$3,300,000,000	6.3500%	\$63,500,000	
	Second Transformer Layer (2004-2005)	\$200,000,000	xs	\$4,617,000,000	5.5000%	\$11,000,000	
	MLCRC Second Reinsurance Layer	\$300,000,000	xs	\$4,817,000,000	4.3500%	\$13,050,000	
		\$500,000,000	xs	\$4,617,000,000	4.8100%	\$24,050,000	
	Insurance In Force Adjustment ¹					\$4,484,662	
	Total		\$1,500,000,000	xs	\$3,300,000,000	6.1356%	\$92,034,662
	Percent Change from Previous Year		0.00%		-8.51%	-8.51%	
2004	MLCRC First Reinsurance Layer	\$700,000,000	xs	\$2,900,000,000	7.8500%	\$54,950,000	
	First Transformer Layer (2004-2005)	\$150,000,000	xs	\$3,600,000,000	7.2500%	\$10,875,000	
	MLCRC Second Reinsurance Layer	\$150,000,000	xs	\$3,750,000,000	6.3500%	\$9,525,000	
		\$1,000,000,000	xs	\$2,900,000,000	7.5350%	\$75,350,000	
	Second Transformer Layer (2004-2005)	\$200,000,000	xs	\$4,617,000,000	5.5000%	\$11,000,000	
	MLCRC Third Reinsurance Layer	\$300,000,000	xs	\$4,817,000,000	4.7500%	\$14,250,000	
		\$500,000,000	xs	\$4,617,000,000	5.0500%	\$25,250,000	
	Total		\$1,500,000,000	xs	\$2,900,000,000	6.7067%	\$100,600,000
	Percent Change from Previous Year		-2.47%		-6.40%	-8.72%	
	2003	MLCRC Coverage A	\$600,000,000	xs	\$2,900,000,000	8.8000%	\$52,800,000
MLCRC Coverage B		\$400,000,000	xs	\$3,500,000,000	7.2500%	\$29,000,000	
		\$1,000,000,000	xs	\$2,900,000,000	8.1800%	\$81,800,000	
Transformer Layer		\$200,000,000	xs	\$4,617,000,000	5.5000%	\$11,000,000	
MLCRC Coverage C		\$338,000,000	xs	\$4,817,000,000	5.1500%	\$17,407,000	
		\$538,000,000	xs	\$4,617,000,000	5.2801%	\$28,407,000	
Total			\$1,538,000,000	xs	\$2,900,000,000	7.1656%	\$110,207,000
Percent Change from Previous Year			-21.98%		6.99%	-16.53%	

Contract Year	Contract	Limit	Retention	Rate On Line (ROL)	Premium
2002	First Aggregate	\$1,433,620,000	xs \$3,436,000,000	7.2500%	\$82,187,450
	First Aggregate (\$200M part of)	\$1,433,620,000	xs \$3,436,000,000	7.1400%	\$14,280,000
	First Aggregate (\$100M part of)	\$1,433,620,000	xs \$3,436,000,000	5.9900%	\$5,990,000
		\$1,433,620,000	xs \$3,436,000,000	7.1468%	\$102,457,450
	Second Aggregate	\$537,607,500	xs \$5,326,000,000	5.5000%	\$29,568,413
	Total	\$1,971,227,500	xs \$3,436,000,000	6.6976%	\$132,025,863
Percent Change from Previous Year		0.00%		-13.69%	-13.69%
2001	First Aggregate	\$1,433,620,000	xs \$3,130,000,000	8.5000%	\$96,357,700
	First Aggregate (\$200M part of)	\$1,433,620,000	xs \$3,130,000,000	7.5000%	\$15,000,000
	First Aggregate (\$100M part of)	\$1,433,620,000	xs \$3,130,000,000	5.9900%	\$5,990,000
		\$1,433,620,000	xs \$3,130,000,000	8.1854%	\$117,347,700
	Second Aggregate	\$537,607,500	xs \$5,281,000,000	6.6250%	\$35,616,497
	Total	\$1,971,227,500	xs \$3,130,000,000	7.7598%	\$152,964,197
Percent Change from Previous Year		-21.43%		-17.31%	-35.03%
2000	First Aggregate	\$1,433,620,000	xs \$2,843,000,000	8.5000%	\$104,857,697
	First Aggregate (\$200M part of)	\$1,433,620,000	xs \$2,843,000,000	7.5000%	\$15,000,002
		\$1,433,620,000	xs \$2,843,000,000	8.3605%	\$119,857,699
	Second Aggregate	\$1,075,215,000	xs \$4,993,000,000	10.7500%	\$115,585,613
		Total	\$2,508,835,000	xs \$2,843,000,000	9.3846%
Percent Change from Previous Year		0.00%		3.02%	3.02%
1999	First Aggregate	\$1,433,620,000	xs \$2,602,000,000	11.0000%	\$157,698,200
	No Claims Bonus Paid to CEA				(\$28,970,456)
	Exposure Adjustment				(\$15,769,820)
	Revised ROL and Premium	\$1,433,620,000	xs \$2,602,000,000	7.8792%	\$112,957,924
	Second Aggregate	\$1,075,215,000	xs \$4,753,000,000	10.7500%	\$115,585,613
	Total	\$2,508,835,000	xs \$2,602,000,000	9.1095%	\$228,543,537
Percent Change from Previous Year		0.00%		-23.56%	-23.56%

Contract Year	Contract	Limit	Retention	Rate On Line (ROL)	Premium	
1998	First Aggregate	\$1,433,620,000	xs	\$2,726,000,000	14.3750%	\$206,082,875
	No Claims Bonus Paid to CEA					(\$22,687,734)
	Revised ROL and Premium	\$1,433,620,000	xs	\$2,726,000,000	12.7925%	\$183,395,141
	Second Aggregate	\$1,075,215,000	xs	\$4,877,000,000	10.7500%	\$115,585,613
	Total	\$2,508,835,000	xs	\$2,726,000,000	11.9171%	\$298,980,754
Percent Change from Previous Year		16.13%		-4.19%	11.27%	
1997	First Aggregate	\$1,433,620,000	xs	\$2,850,000,000	14.3750%	\$206,082,875
	No Claims Bonus Paid to CEA					(\$14,430,600)
	Revised ROL and Premium	\$1,433,620,000	xs	\$2,850,000,000	13.3684%	\$191,652,275
	Second Aggregate (1/1/98 - 3/31/98)	\$1,075,215,000	xs	\$4,877,000,000	10.7500%	\$28,896,403
	Second Aggregate (7/1/97 - 12/31/97)	\$716,810,000	xs	\$4,815,000,000	10.7500%	\$38,528,538
	Second Aggregate (4/1/97 - 6/30/97)	\$358,405,000	xs	\$5,001,000,000	10.7500%	\$9,632,134
	Total	\$2,160,430,000	³xs	\$2,850,000,000	12.4378%	\$268,709,350

¹ Based on IIF of \$198,926,424,765 at 12/31/05

² Twelve month annualized amount

³ Includes average limit for Second Aggregate of \$716.810M

Note: Retentions based on CEA Capital and retained earnings calculated at the beginning of the calendar year
Retentions were variable between 1997 - 2002

California Earthquake Authority Historical Risk-Transfer Costs

Supplemental-Limits

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

¹ 2006 included quota share limit of \$450M

Supplemental Quota Share

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