



Date of Notice: Monday, June 11, 2012

## PUBLIC NOTICE

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

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

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

**DATE: Thursday, June 21, 2012**

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

**AGENDA:**

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

*Establishment of a quorum*

**This CEA Governing Board meeting will be broadcast 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.**

2. Consideration and approval of the minutes of the April 26, 2012, Governing Board meeting.
3. Executive report by Chief Executive Officer Glenn Pomeroy; assisted by CEA executive staff, Mr. Pomeroy's report will include an update for the Board on federal and state legislative activities of interest to the CEA. Mr. Pomeroy will introduce Harold Brooks, CEO of the Bay Area Chapter of the American Red Cross.
4. Chief Communications Officer Chris Nance will present, and seek Board approval of, the 2013 CEA marketing budget.
5. Assistant Chief Financial Officer Mark Dawson will present a CEA financial report.
6. CEA Advisory Panel Vice-Chair Mark Simmonds will provide a summary of the proceedings at the May 17, 2012, Panel meeting.
7. Chief Mitigation Officer Janiele Maffei will present and seek Board approval for strategies and a 2012 budget for the CEA mitigation program, including approval of a proposed project to develop guidelines for seismic retrofits of certain existing, woodframe residential structures.
8. Insurance Director Mitch Ziemer will seek Board approval of newly revised Eligibility Standards for CEA earthquake-insurance-policies.
9. Mr. Ziemer will brief the Board on the development of revised participating insurer Inspection Guidelines for CEA dwelling-earthquake-policy submissions.
10. Mr. Pomeroy will request Board approval to extend the term of and modify Mr. Stewart's CEA employment contract.
11. The Board will meet in closed session to discuss personnel matters and litigation matters, as permitted by California Government Code section 11126, subdivisions (a) and (e), respectively.
12. Public comment on items that do not appear on this agenda and public requests that those matters be placed on a future agenda.
13. Adjournment.

For further information about this notice or its contents:

**General Information:**

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

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

Chris Nance  
Chief Communications Officer  
(916) 325-3827 (Direct)  
[nancec@calquake.com](mailto:nancec@calquake.com)

To view this notice on the CEA Web site or to learn more about the CEA, please visit [www.EarthquakeAuthority.com](http://www.EarthquakeAuthority.com)

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

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

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Draft Meeting Minutes are not available.

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

## Governing Board Memorandum

June 21, 2012

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

Recommended Action: No action required – information only

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

Mr. Pomeroy will introduce Harold Brooks, CEO of the Bay Area Chapter of the American Red Cross.

# Governing Board Memorandum

June 21, 2012

Agenda Item: 4                      Proposed 2013 Marketing Value Program (MVP) budget

Recommended Action:              Approve funds to support 2013 MVP implementation

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## Background:

CEA staff has worked since July 1, 2008, to earn Governing Board support for marketing recommendations, which have succeeded in reversing previous cyclical downturns in CEA earthquake-insurance sales:

*2008 to 2010* – CEA staff focused on completion of a comprehensive research plan; learned from co-branded marketing outreach with the Great California ShakeOut.

*2011* – CEA implemented its first-ever annualized marketing program based on research results and industry standards; introduced new CEA brand to marketplace; enhanced relationships with participating-insurer agents; communicated with existing policyholders; aligned with media partners; again co-branded with the ShakeOut.

*2012* – CEA increased media-partnership values; earned high marks for advertising performance; implemented online marketing strategy; and co-branded statewide preparedness programming with American Red Cross.

## Analysis:

For 2013, CEA will continue to focus on helping more Californians prepare to survive and recover from the next damaging earthquake through marketing programming featuring an annual statewide auction and earthquake preparedness drill. The CEA also will continue to share the same research-based preparedness messages with government agencies, preparedness organizations, and other stakeholders.

CEA staff remains committed to engaging its entire organization in planning and implementing its marketing plans. This commitment begins with awareness of the important role of an appropriate marketing mix:

Marketing-mix decisions involve four basic questions: What is the product? For how much will it be sold? How will it be promoted (advertised) to customers? How will it be distributed?

Advertising based on those decisions is a tool used to achieve specific marketing objectives, but it is not an end in itself—it's one element of the marketing mix.

There are no magic formulas for combining the various elements into an effective marketing mix.

The advertising function, therefore, is subordinate to the overall marketing plan and is influenced and affected by many environmental forces.

As a result, CEA has continually honed its marketing-mix effectiveness, despite significant "environmental" forces:

*Product* – CEA coordinated introduction to the California marketplace of its new Homeowners Choice policy through its 17 participating insurers; the new policy will be available July 1, 2012.

*Price* – CEA implemented a 12.5 percent (statewide-average) rate reduction in 2012. Passage of federal legislation still is required to further reduce earthquake insurance premiums—the current bill enjoys bipartisan sponsorship and support, and now awaits a hearing in Congress.

*Promotion* – Market-, policyholder-, branding-, social-science-, and message-research results used to develop direction, while advertising-performance research confirmed promotion effectiveness.

*Place* – Numerous factors, many outside CEA's control, could be affecting other programming in the CEA's marketing mix:

Mandatory-offer text is produced and provided to satisfy state law, not marketing strategy.

Just one-third of new CEA policies sold are associated with an insurance-agent recommendation.

CEA-policy sales bring expenses and exposure, not revenue, for participating insurers.

CEA policy is coupled by law to purchase/renewal of participating-insurer homeowners policy.

Promotion of CEA-earthquake-insurance policy by participating insurers competes with limited "shelf space" for their own (profitable) products.

### Conclusion:

In 2012, the Board approved CEA's proposed marketing program budget of \$7,715,000, plus a rollover from 2011 of \$1,779,266, for a final budget of \$9,494,266. This budget was based solely on costs projected for increasing CEA-homeowner policies-in-force by 16,317. (A projected increase of 40,000 homeowners policies-in-force for 2012, net of organic growth and policy cancellations, results in a 16,317 increase in policies in force.)

For 2013, CEA is proposing two differences from the 2012 marketing budget: 1) the 2013 budget projects costs for increasing all policies-in-force by 31,470, and 2) proposes a budget decrease of 7.85 percent, consistent with CEA revenue projections across all product lines. (The budget recommendation for next year is reduced, therefore, because the average written premium for all policies combined (homeowners, condominium owners, mobilehome owners, and renters) is less than the average written premium for homeowners policies only.)

Like CEA's marketing-budget estimates for 2011 and 2012, CEA staff's marketing-budget recommendation of \$7,108,203 for 2013 remains less than 1 percent of total premium revenue, is based on (industry-standard) policy acquisition and retention percentages, and produces a return-on-investment that increases CEA's capital. The budget amounts are:

\$5,004,403 for year-round paid-media and online marketing.

\$1,579,400 for two flights of direct mail to non-policyholders (April and October).

\$524,400 for two flights of direct mail to policyholders (April and October).

Recommendation:

Approve a 2013 MVP budget of up to \$7,108,203 to support a third year of strategic-marketing programming.



# **FINANCIAL REPORT**

**GOVERNING BOARD MEETING  
THURSDAY, June 21, 2012  
1:00 P.M.**

**California Earthquake Authority  
Available Capital Report**

**Capital as of March 31, 2012**

Cash & Investments (includes capital contributions and premiums)	\$ 4,576,287,328 *
Interest, Securities & Restricted Securities Receivable	37,470,411
Premium Receivable	34,828,528
Risk Capital Surcharge & Capital Contributions Receivable	12,117,000
Other Assets	15,693
Investments from Revenue Bond Proceeds	(316,828,583)
Debt Service (Interest, Principal & Debt Service (Min. Bal.))	(31,607,749)
Unearned Premium Collected	(209,961,372)
Accrued Reinsurance Premium Expense	(3,441,148)
Accounts and Securities Payable, and Accrued Expenses	(2,286,474)
CEA Available Capital	<u><u>\$ 4,096,593,635</u></u>

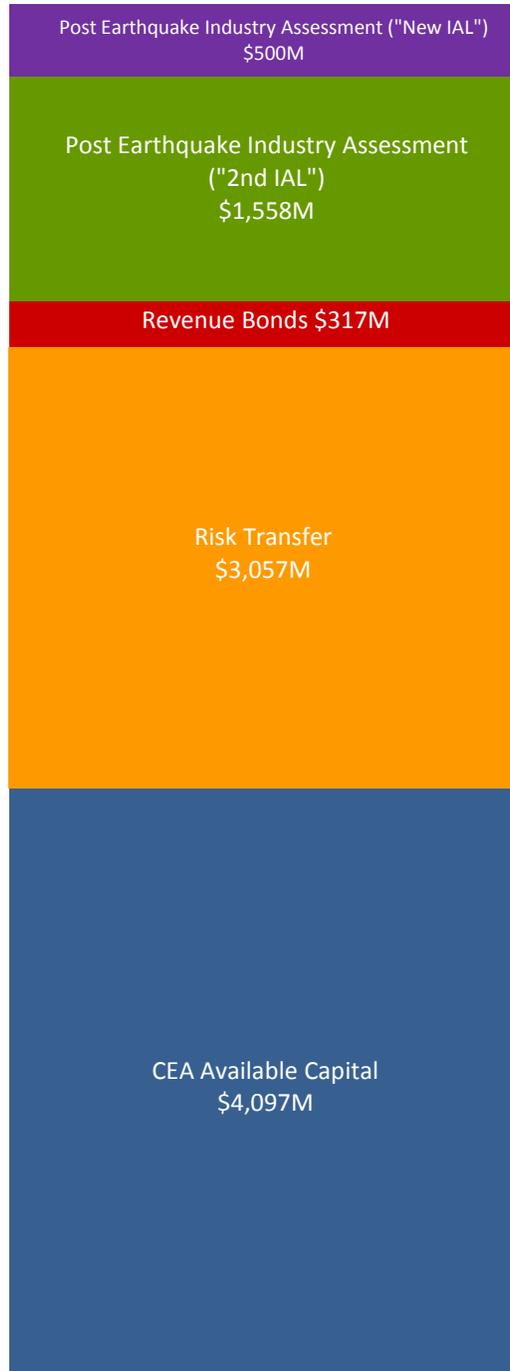
\* Does not include Earthquake Loss Mitigation Fund cash and investments of \$23,983,442

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



**Total Capacity \$9,780M**

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



**Total Capacity \$9,529M**

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

<b>Traditional Reinsurance Contracts</b>	<b>Contract Period</b>	<b>Reinsurance Limit</b>	<b>12-Month Rate-on-Line</b>	<b>12-Month Premium</b>
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
<b>Total Traditional Reinsurance January 1, 2012 - March 31, 2012</b>		<b>2,705,220,000</b>		
Contract B	April 1, 2012 - March 31, 2013	1,251,464,950	6.20%	77,590,827
<b>Total Traditional Reinsurance April 1, 2012 - December 31, 2012</b>		<b>2,756,684,950</b>		
Contract C	May 1, 2012 - April 30, 2013	100,000,000	4.50%	4,500,000
<b>Total Traditional Reinsurance May 1, 2012 - December 31, 2012</b>		<b>2,856,684,950</b>		
<b>Transformer Reinsurance Contracts</b>	<b>Contract Period</b>	<b>Reinsurance Limit</b>	<b>12-Month Rate-on-Line</b>	<b>12-Month Premium</b>
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
<b>Total Transformer Reinsurance</b>		<b>300,000,000</b>		

**California Earthquake Authority**  
**Balance Sheet**  
**As of March 31, 2012**

**Assets**

Cash and investments:	
Cash and cash equivalents	129,249,997
Restricted cash & equivalents	55,594,511
Restricted investments	310,540,934
Investments	4,104,885,328
Total cash and investments	4,600,270,770
Premiums receivable, net of allowance for	
doubtful accounts of \$12,282,537	34,828,528
Capital contributions receivable	12,117,000
Risk capital surcharge receivable	-
Interest receivable	14,201,104
Securities receivable	16,980,705
Restricted securities receivable	6,288,602
Prepaid reinsurance premium	-
Transformer reinsurance premium deposit	10,432,787
Prepaid transformer maintenance premium	4,941,944
Equipment, net	497,034
Deferred policy acquisition costs	38,090,006
Other assets	15,693
Total assets	\$ 4,738,664,173

**Liabilities and Net Assets**

Unearned premiums	\$ 283,618,802
Accounts payable and accrued expenses	1,569,830
Accrued reinsurance premium expense	3,441,148
Claim and claim expense reserves	-
Securities payable	716,645
Revenue bond payable	157,500,000
Revenue bond interest payable	2,429,044
Total liabilities	449,275,469
Net assets:	
Restricted, expendable	213,898,883
Unrestricted*	4,075,489,821
Total net assets	4,289,388,704
Total liabilities and net assets	\$ 4,738,664,173

\* Includes Cumulative Participating Insurer Contributed Capital of \$777,384,796  
and State of California Contributed Capital of \$171,982,578

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

Underwriting income:	
Premiums written	\$ 124,759,461
Less premiums ceded - reinsurance	(50,284,396)
Less risk capital surcharge	-
Net premiums written	<u>74,475,065</u>
Change in unearned premiums	<u>26,280,529</u>
Net unearned premiums	<u>26,280,529</u>
Net premiums earned	<u>100,755,594</u>
Expenses:	
Claim and claims expense	246
Participating Insurer commissions	15,108,123
Participating Insurer operating costs	4,757,467
Reinsurance broker commissions	1,200,000
Pro forma premium taxes	2,932,501
Financing expenses, net	1,522,084
Earthquake Loss Mitigation Fund expenses	143,785
Other underwriting expenses	<u>5,323,595</u>
Total expenses	<u>30,987,801</u>
Underwriting profit	69,767,793
Net investment income	(3,950,261)
Other income	103,268
Participating Insurer Contributed Capital	-
State of California premium tax contribution	<u>2,932,501</u>
Increase in net assets	68,853,301
Net assets, beginning of year	<u>4,220,535,403</u>
Net assets, end of year	<u><u>\$ 4,289,388,704</u></u>

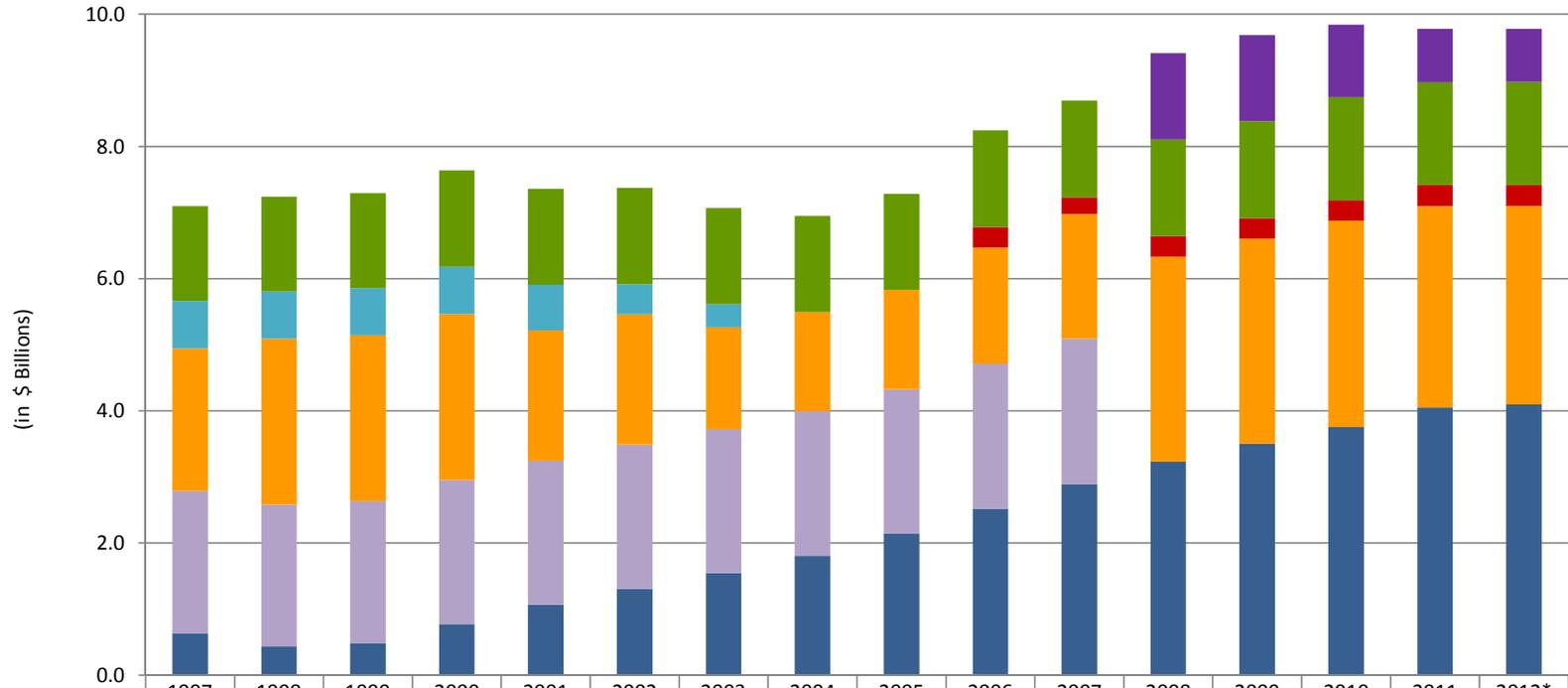
**California Earthquake Authority**  
**Insurance Services**  
**Budgeted Expenditures and Actual Expenditures**  
**2012 Budget Year**

	(a)	(b)	(c)	(d) (d=a+b+c)	(e)	(f) (f=d-e)	(g) (g=e/d)
	<u>Approved 2012 Budget</u>	<u>Adjustments thru 3/31/2012</u>	<u>Augmentations thru 3/31/2012</u>	<u>2012 Budget after Augmentations and Adjustments</u>	<u>Actual Expenditures as of 3/31/12</u>	<u>Augmented &amp; Adjusted Approved Budget (d) vs. Actual Expenses (e) at 3/31/12</u>	<u>Percentage used of Augmented &amp; Adjusted Approved 2012 Budget</u>
Salaries & Benefits	\$ 8,015,623	-	-	\$ 8,015,623	\$ 2,099,571	\$ 5,916,052	26.19%
Rent	635,593	-	-	\$ 635,593	181,818	453,775	28.61%
Travel	335,402	-	-	\$ 335,402	60,840	274,562	18.14%
Non-paid Consultant Travel	8,066	-	-	\$ 8,066	376	7,690	4.66%
Telecommunications	232,707	-	-	\$ 232,707	42,606	190,101	18.31%
Training	161,668	-	-	\$ 161,668	50,169	111,499	31.03%
Insurance	143,078	-	-	\$ 143,078	-	143,078	0.00%
Board/Panel Services	19,781	-	-	\$ 19,781	6,693	13,088	33.84%
Administration & Office (Software Maint & Support, Printing & Stationery, Postage)	1,037,706	-	-	\$ 1,037,706	163,663	874,043	15.77%
Administrative Contracted Services							
Data Mgmt Services	493,170	-	-	\$ 493,170	184,885	308,285	37.49%
Other Administrative Contracted Services	37,780	-	-	\$ 37,780	15,308	22,472	40.52%
Furniture/Equipment	41,005	-	-	\$ 41,005	8,271	32,734	20.17%
EDP Hardware/Software	215,671	-	-	\$ 215,671	85,153	130,518	39.48%
Dept of Insurance Examination	28,954	-	-	\$ 28,954	58	28,896	0.20%
<b>Total Operating Expenses</b>	<b>\$ 11,406,204</b>	<b>-</b>	<b>-</b>	<b>\$ 11,406,204</b>	<b>\$ 2,899,411</b>	<b>\$ 8,506,793</b>	<b>25.42%</b>
Consulting Services							
Actuarial	25,000	-	-	25,000	-	25,000	0.00%
Administrative Consulting	-	-	-	-	-	-	0.00%
Executive Recruiting	45,000	-	-	45,000.00	-	45,000	0.00%
Financial Consulting	300,615	-	-	300,615.00	60,859	239,756	20.24%
Government Relations	217,301	-	-	217,301.00	-	217,301	0.00%
Information Systems	1,642,708	-	-	1,642,708.00	-	1,642,708	0.00%
Information Technology	6,000	-	-	6,000.00	-	6,000	0.00%
Internal Audit	86,843	-	-	86,843.00	-	86,843	0.00%
Investment Compliance	20,000	-	-	20,000.00	-	20,000	0.00%
Legal Consulting	5,395	-	-	5,395.00	-	5,395	0.00%
Public Relations	200,000	-	-	200,000.00	-	200,000	0.00%
Other Consulting Services	296,859	-	-	296,859.00	143,474	153,385	48.33%
Total Consulting Services	\$ 2,845,721	\$ -	\$ -	\$ 2,845,721	\$ 204,333	\$ 2,641,388	7.18%

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

	(a)	(b)	(c)	(d) (d=a+b+c)	(e)	(f) (f=d-e)	(g) (g=e/d)
	<u>Approved 2012 Budget</u>	<u>Adjustments thru 3/31/2012</u>	<u>Augmentations thru 3/31/2012</u>	<u>2012 Budget after Augmentations and Adjustments</u>	<u>Actual Expenditures as of 3/31/12</u>	<u>Augmented &amp; Adjusted Approved Budget (d) vs. Actual Expenses (e) at 3/31/12</u>	<u>Percentage used of Augmented &amp; Adjusted Approved 2012 Budget</u>
Research	1,018,000	-	-	1,018,000	-	1,018,000	0.00%
Contracted Services							
Agent Services	-	-	-	-	-	-	0.00%
Audit Services	160,000	-	-	160,000	-	160,000	0.00%
Brochure/Information Products	175	-	-	175	-	175	0.00%
Consumer Services	-	-	-	-	35,968	(35,968)	0.00%
Contracted Marketing & Outreach	348,065	-	-	348,065	20,235	327,830	5.81%
Investment Compliance	-	-	-	-	-	-	0.00%
Legal Services-Claims Counsel	200,000	-	-	200,000	-	200,000	0.00%
Legal Services-Claims Counsel-PI	-	-	-	-	-	-	0.00%
Legal Service - Non-Claims	2,685,698	-	-	2,685,698	201,251	2,484,447	7.49%
Marketing Services	9,239,714	-	-	9,239,714	124,854	9,114,860	1.35%
Media Services	137,000	-	-	137,000	-	137,000	0.00%
Modeling Services	666,470	-	-	666,470	108,000	558,470	16.20%
Web Development/Maintenance	-	-	-	-	-	-	0.00%
Other Contracted Services	675,758	-	-	675,758	555	675,203	0.08%
Total Contracted Services	\$ 14,112,880	\$ -	\$ -	\$ 14,112,880	\$ 490,863	\$ 13,622,017	3.48%
Participating Insurer Operating Costs	68,573,084	-	-	68,573,084	12,480,070	56,093,014	18.20%
Participating Insurer Commissions	21,189,083	-	-	21,189,083	3,856,045	17,333,038	18.20%
Investment Expenses	2,077,067	-	-	2,077,067	494,751	1,582,316	23.82%
Financing Expenses	8,864,057	-	-	8,864,057	2,492,624	6,371,433	28.12%
Reinsurance	200,453,436	-	-	200,453,436	51,484,396	148,969,040	25.68%
<b>Total Expenditures</b>	<b>\$ 330,539,532</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 330,539,532</b>	<b>\$ 74,402,493</b>	<b>\$ 256,137,039</b>	<b>22.51%</b>

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

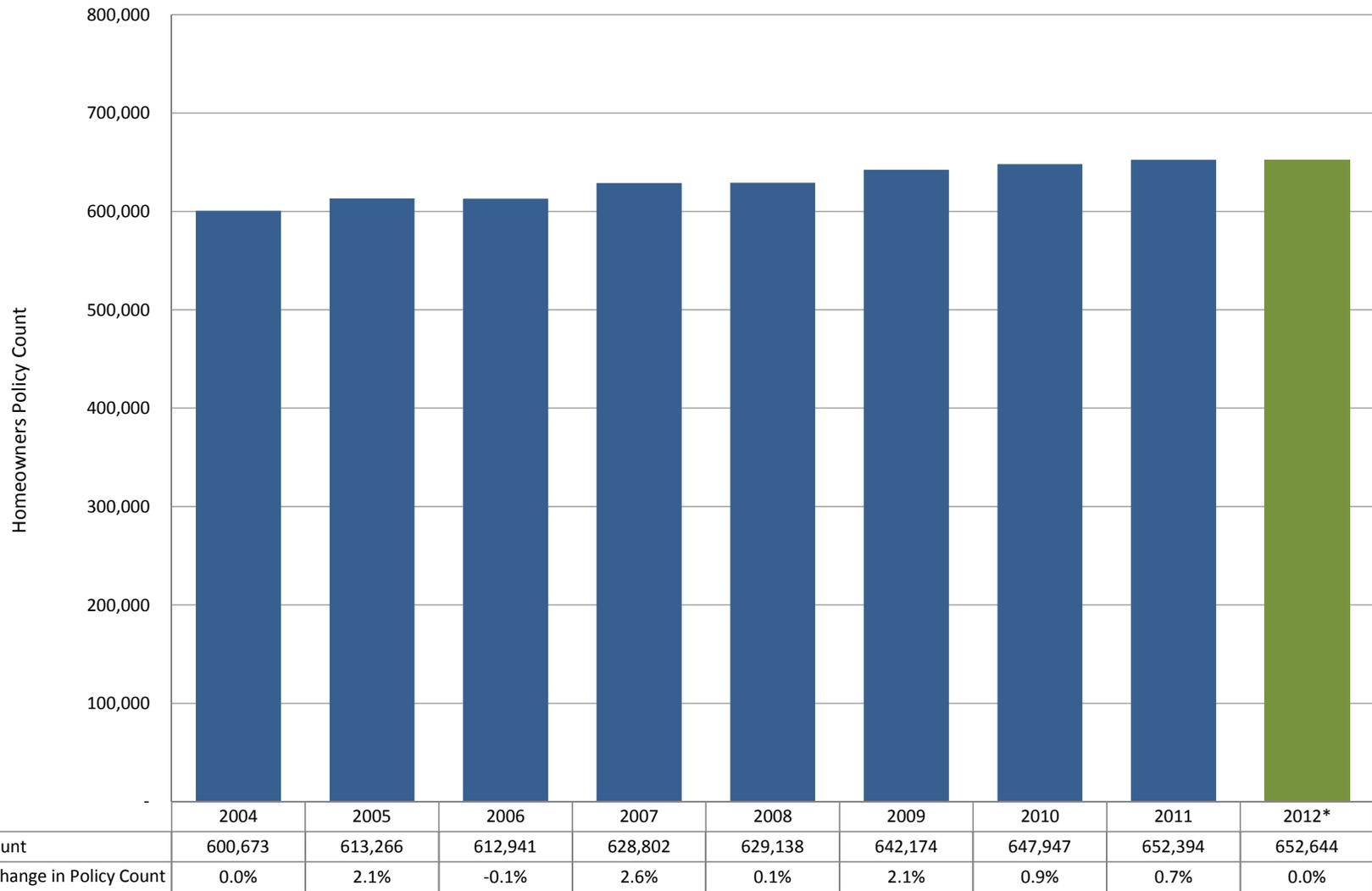


	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012*
Total CPC	\$7.095	\$7.240	\$7.293	\$7.635	\$7.360	\$7.373	\$7.069	\$6.948	\$7.284	\$8.244	\$8.695	\$9.411	\$9.685	\$9.840	\$9.777	\$9.780
New Industry Assessment	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	1.304	1.304	1.095	0.804	0.804
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	1.558
Revenue Bonds	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.311	0.254	0.311	0.311	0.311	0.317	0.317
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	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	3.005
1st Industry Assessment	2.150	2.150	2.150	2.183	2.183	2.183	2.183	2.183	2.183	2.197	2.197	0.000	0.000	0.000	0.000	0.000
CEA Available Capital	0.635	0.432	0.485	0.772	1.064	1.307	1.544	1.809	2.145	2.515	2.894	3.231	3.505	3.753	4.048	4.097

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

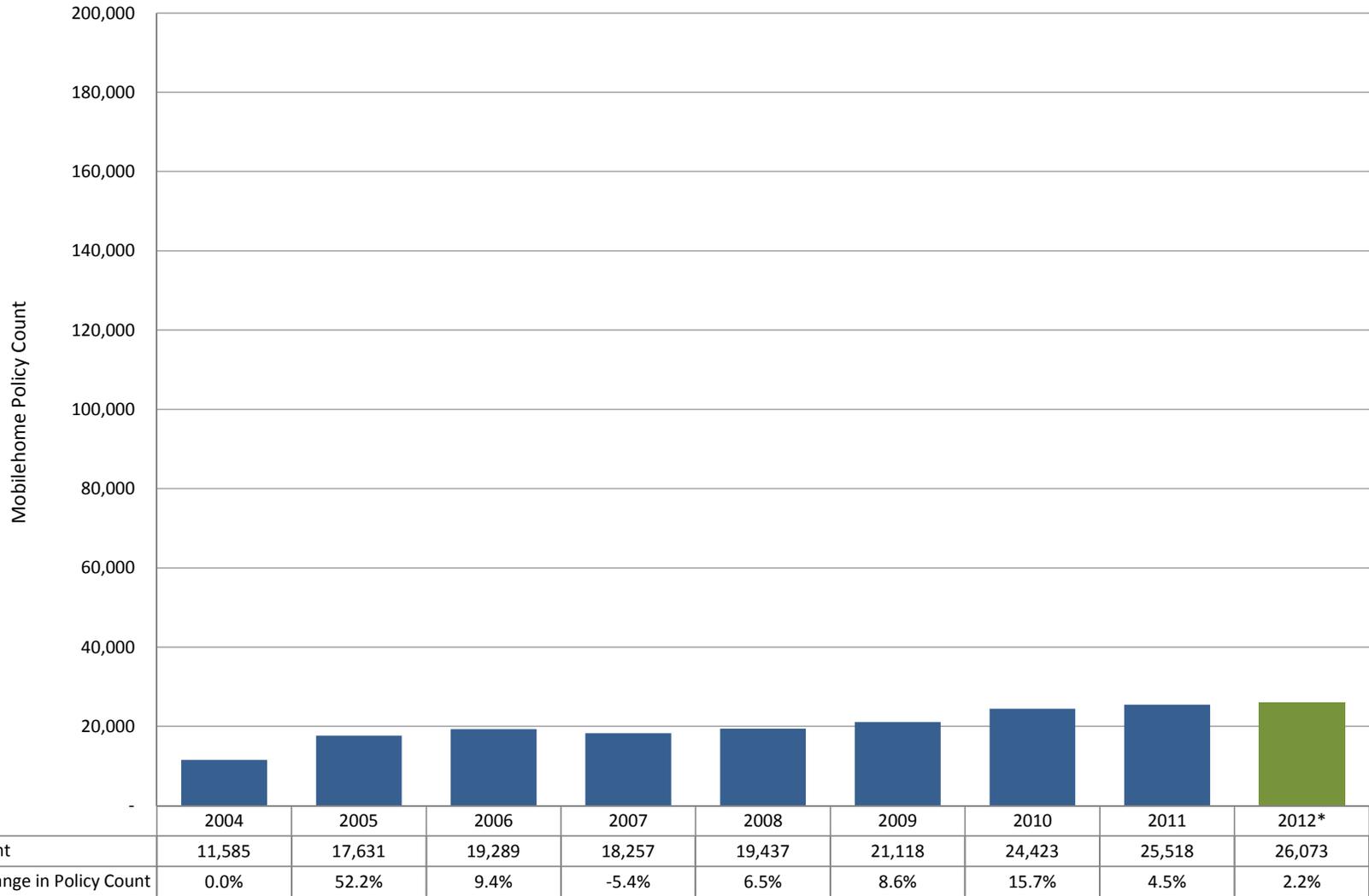
\*as of March 31, 2012

**California Earthquake Authority  
Homeowners Policy Count  
as of March 31, 2012**



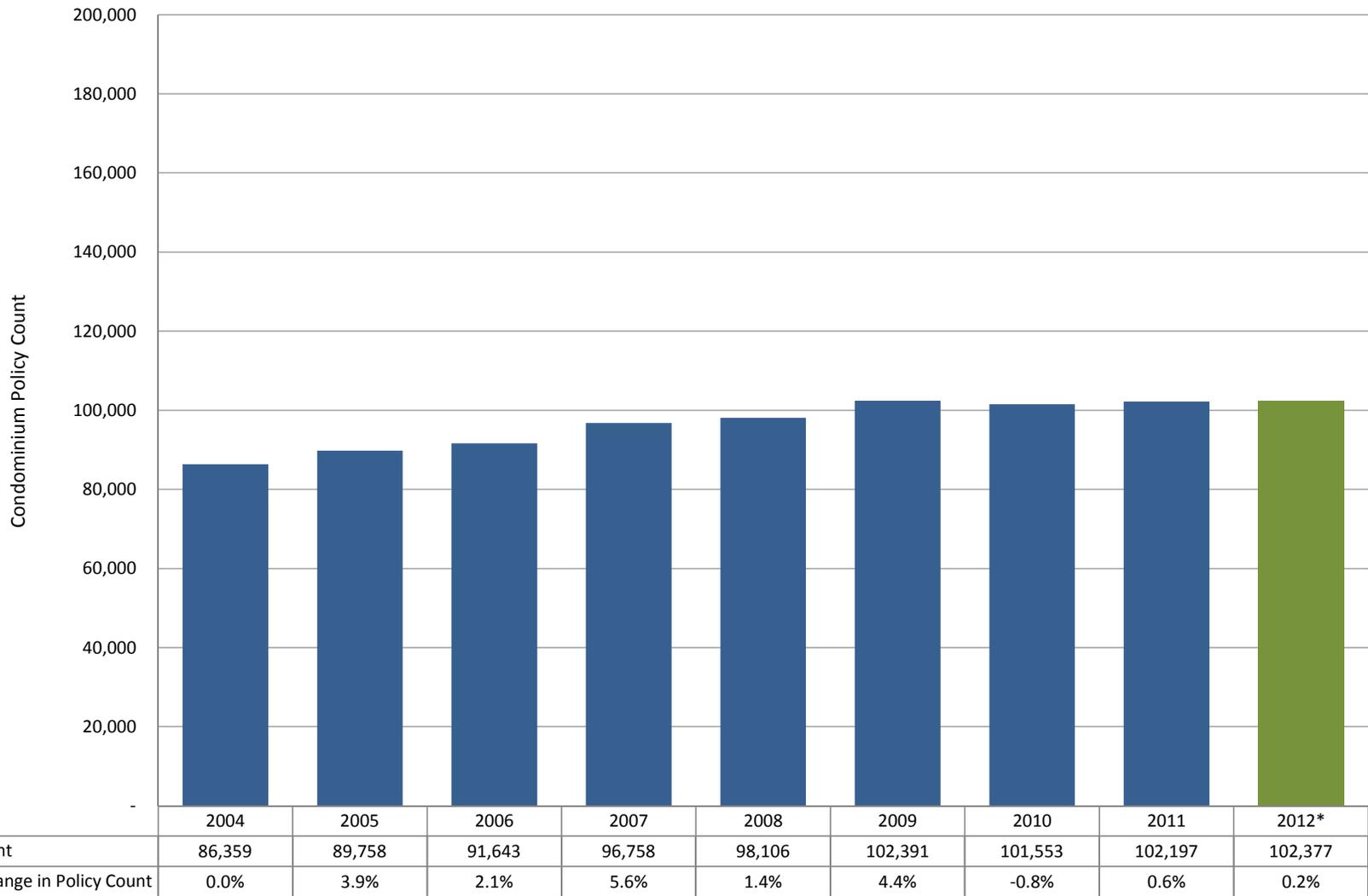
\* as of March 31, 2012

**California Earthquake Authority  
Mobilehome Policy Count  
as of March 31, 2012**



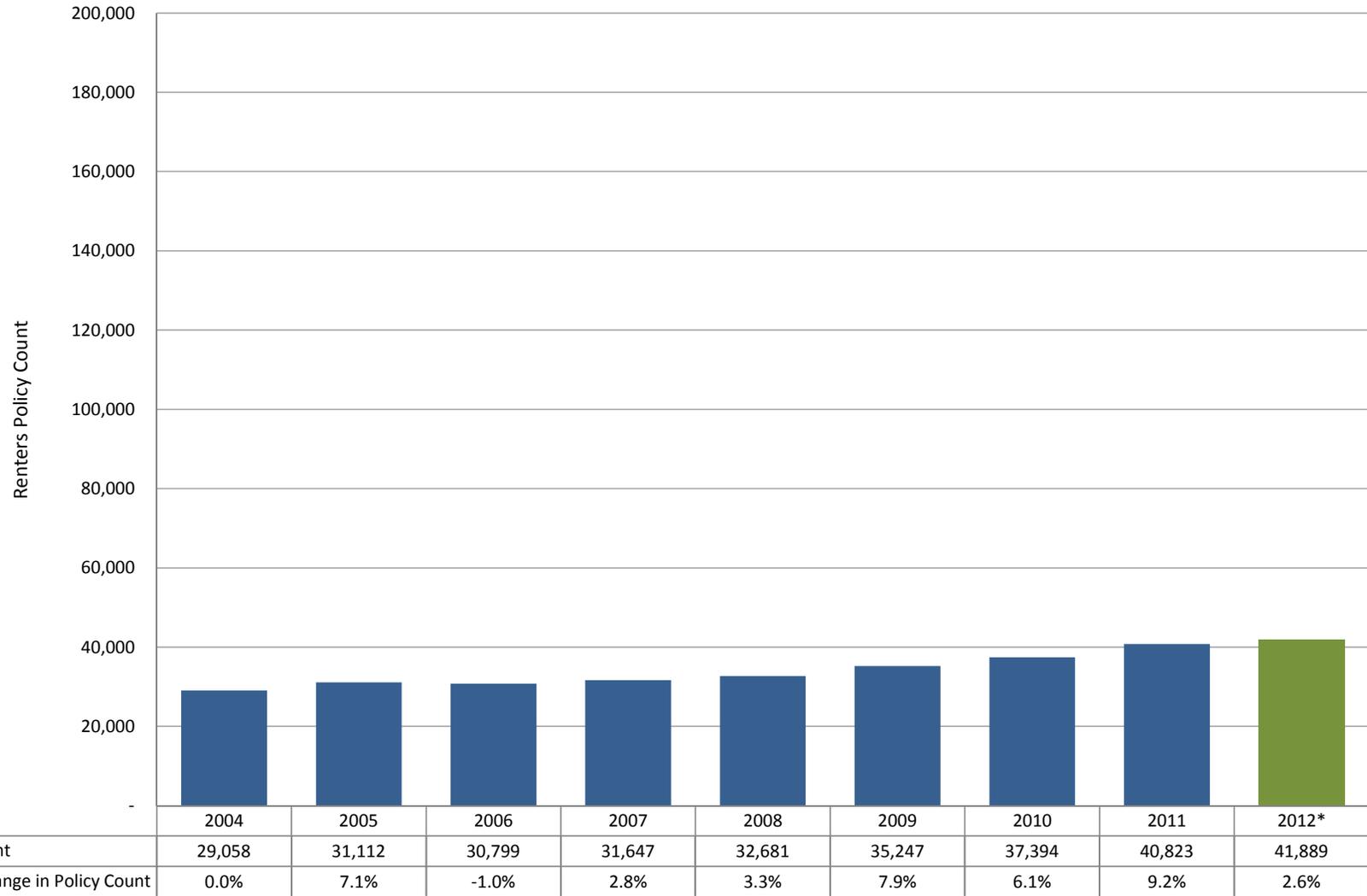
\* as of March 31, 2012

**California Earthquake Authority  
Condominium Policy Count  
as of March 31, 2012**



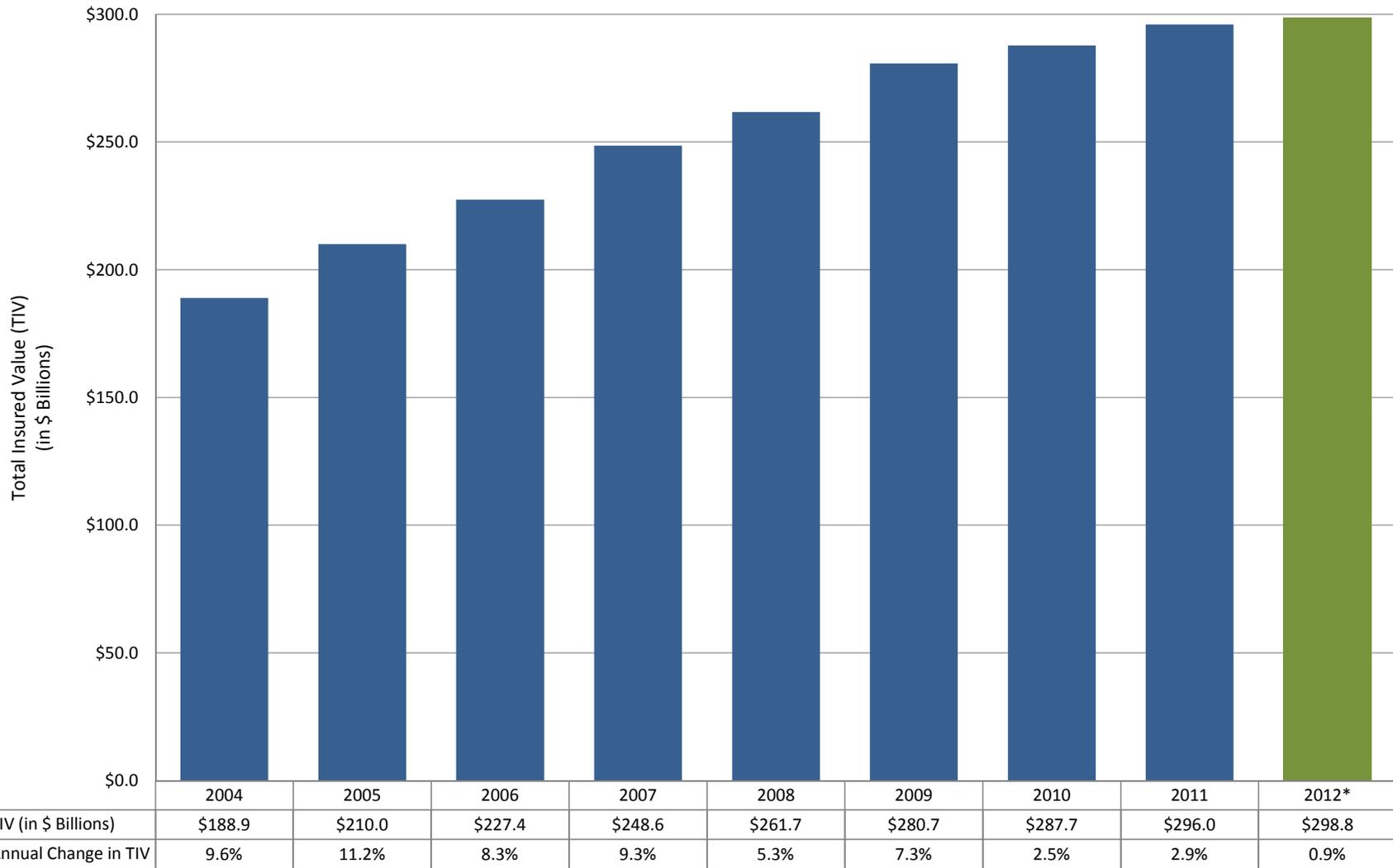
\* as of March 31, 2012

**California Earthquake Authority  
Renters Policy Count  
as of March 31, 2012**



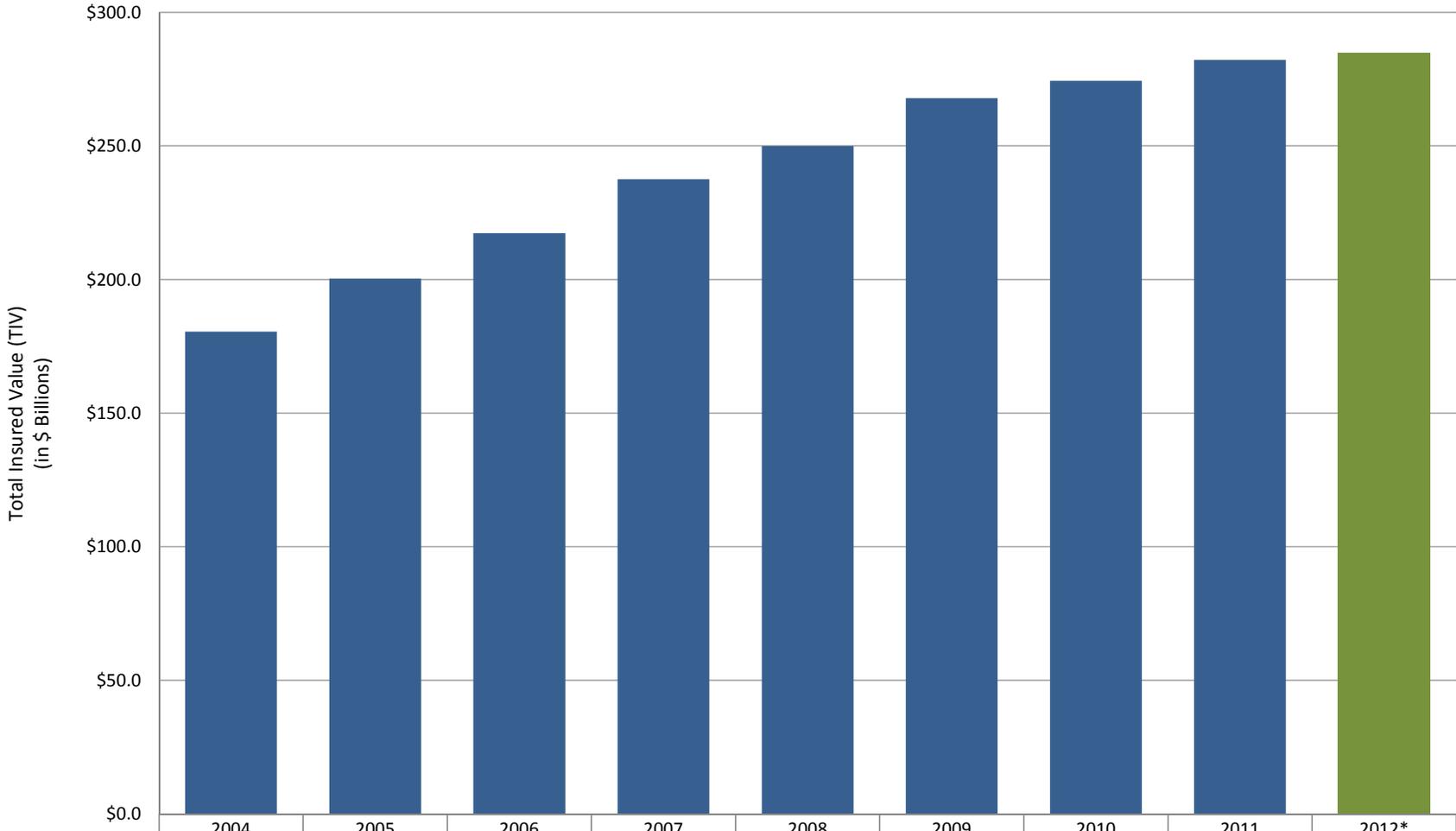
\* as of March 31, 2012

**California Earthquake Authority  
All Policies Total Insured Value (TIV)  
as of March 31, 2012**



\* as of March 31, 2012

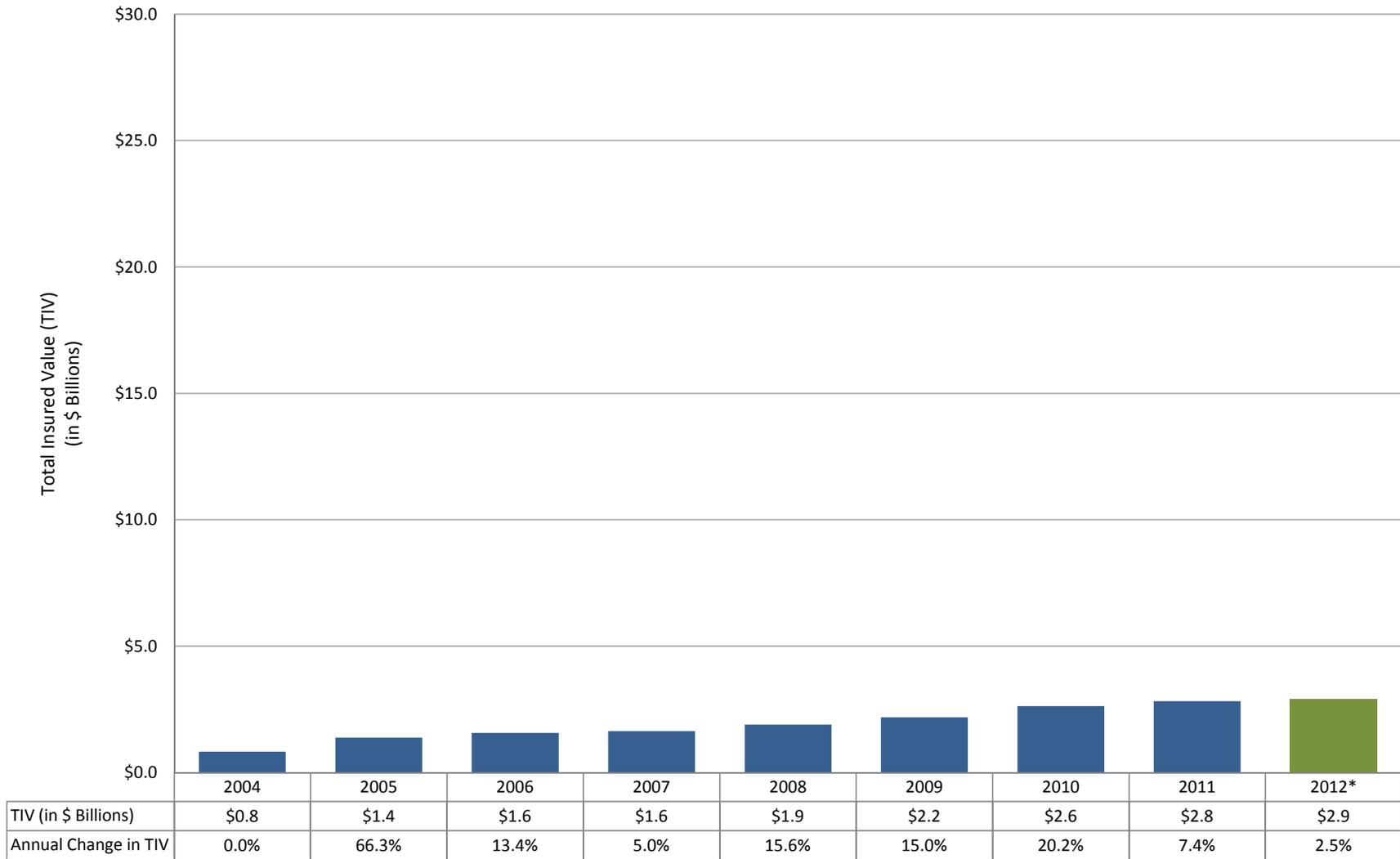
**California Earthquake Authority  
Homeowners Total Insured Value (TIV)  
as of March 31, 2012**



	2004	2005	2006	2007	2008	2009	2010	2011	2012*
TIV (in \$ Billions)	\$180.5	\$200.3	\$217.3	\$237.5	\$249.9	\$267.9	\$274.3	\$282.2	\$284.9
Annual Change in TIV	0.0%	11.0%	8.5%	9.3%	5.2%	7.2%	2.4%	2.9%	0.9%

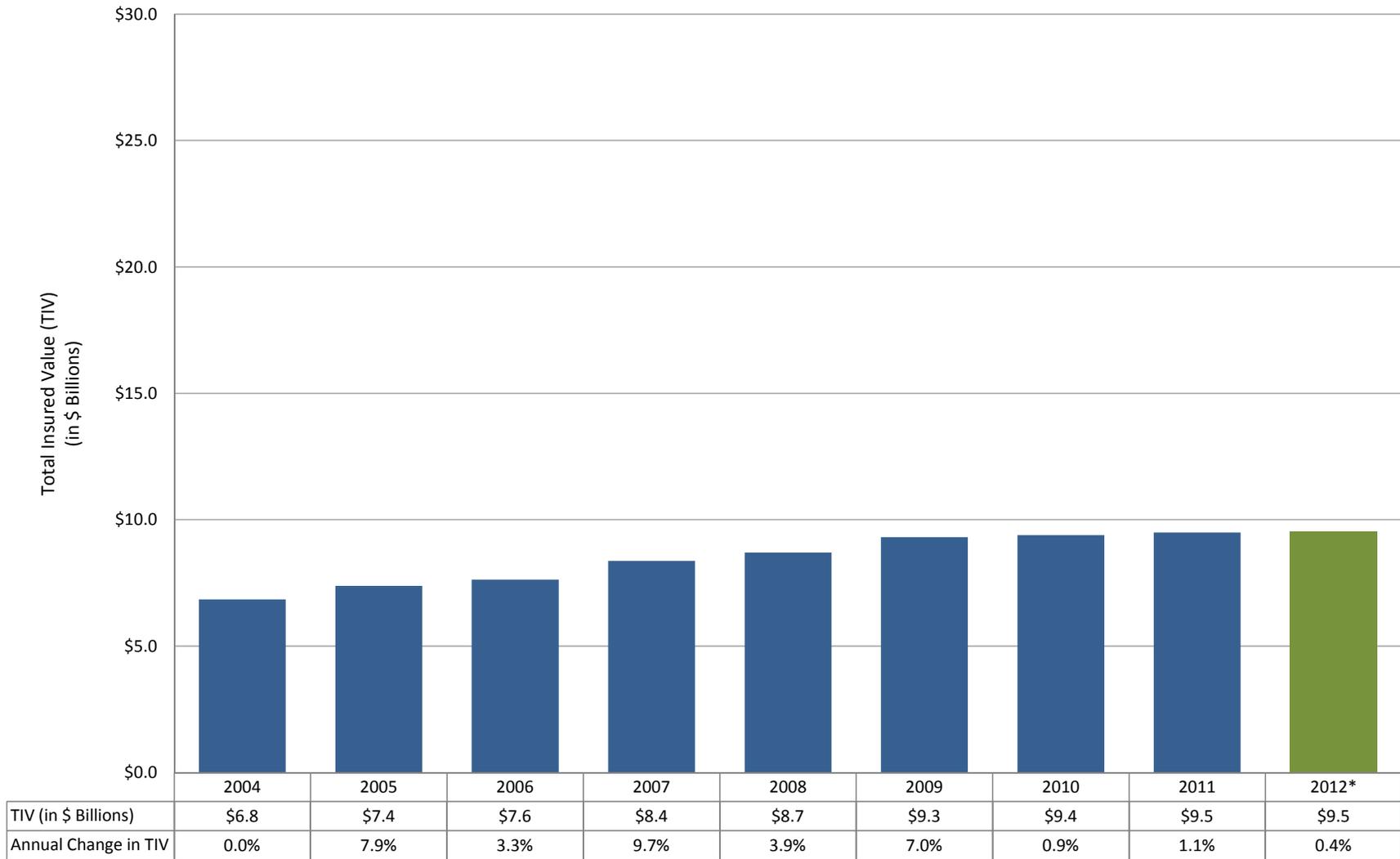
\* as of March 31, 2012

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



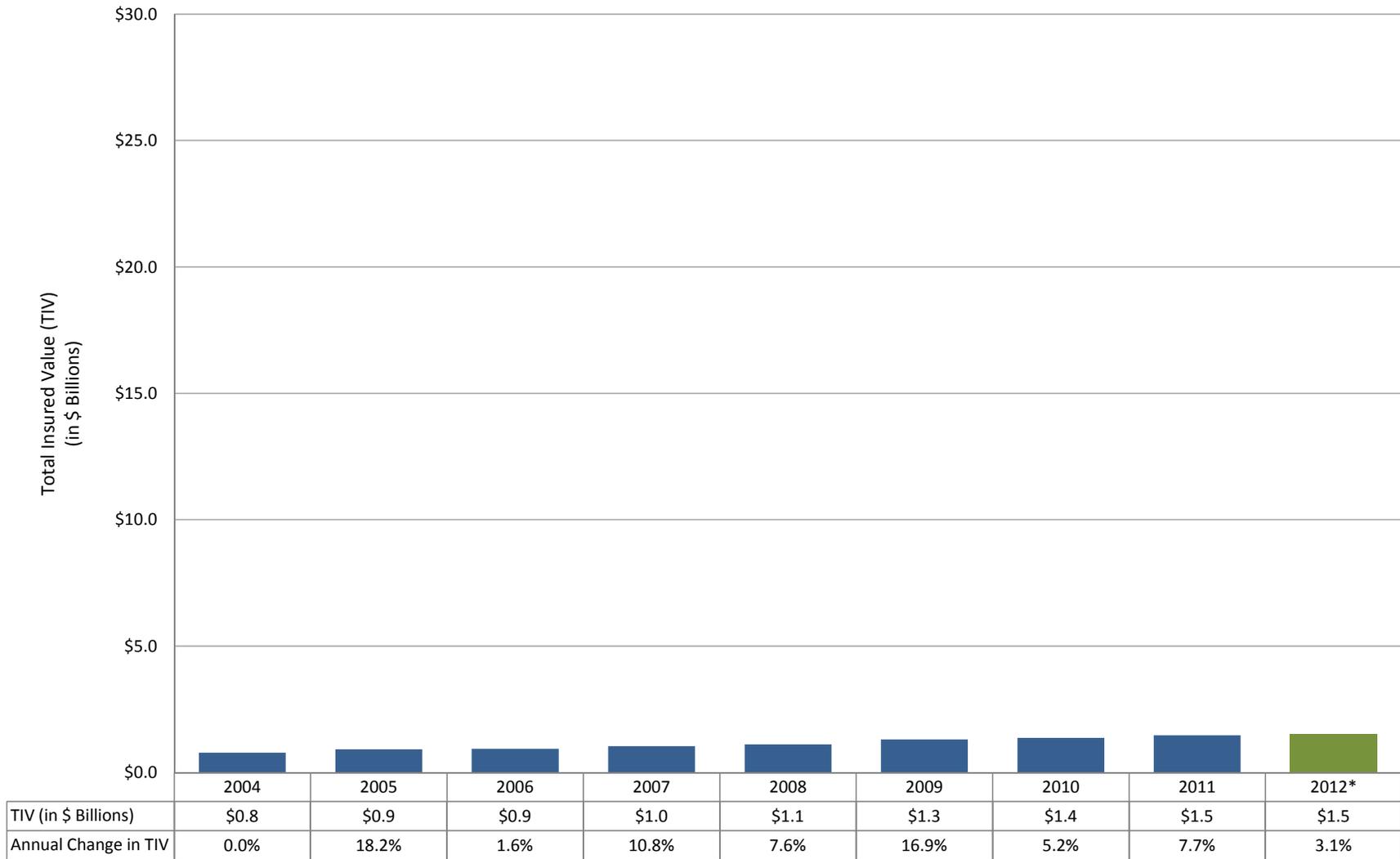
\* as of March 31, 2012

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



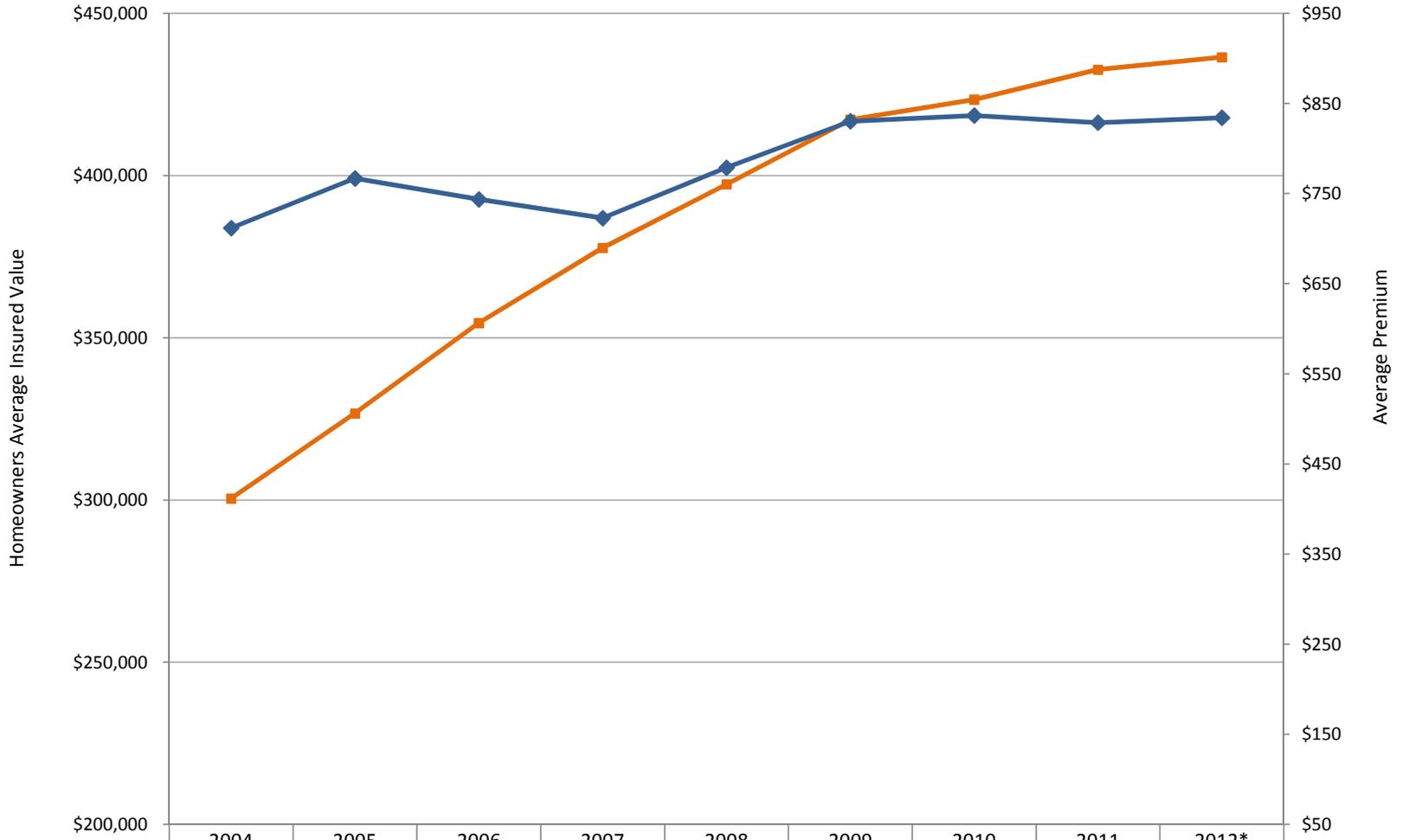
\* as of March 31, 2012

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



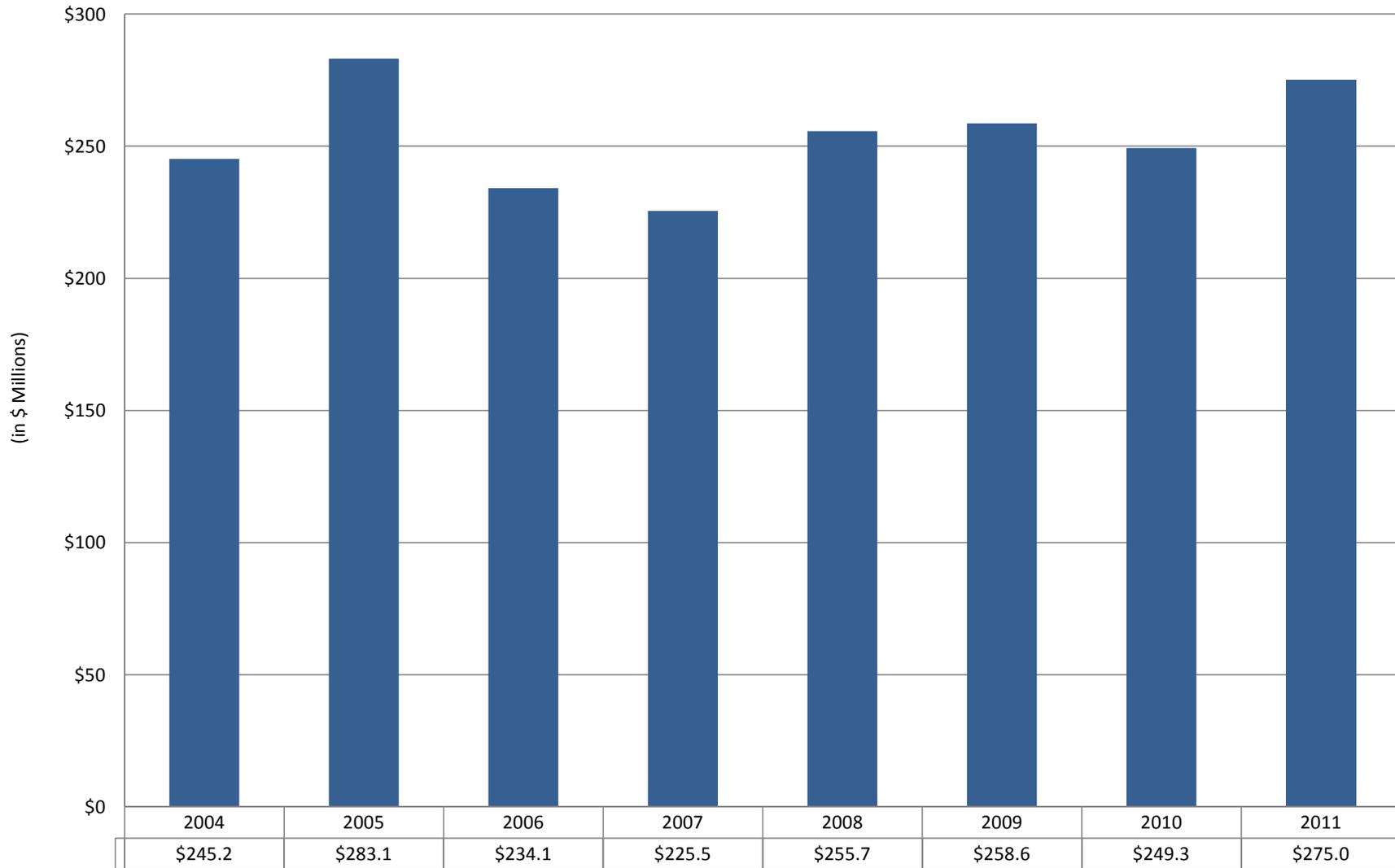
\* as of March 31, 2012

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



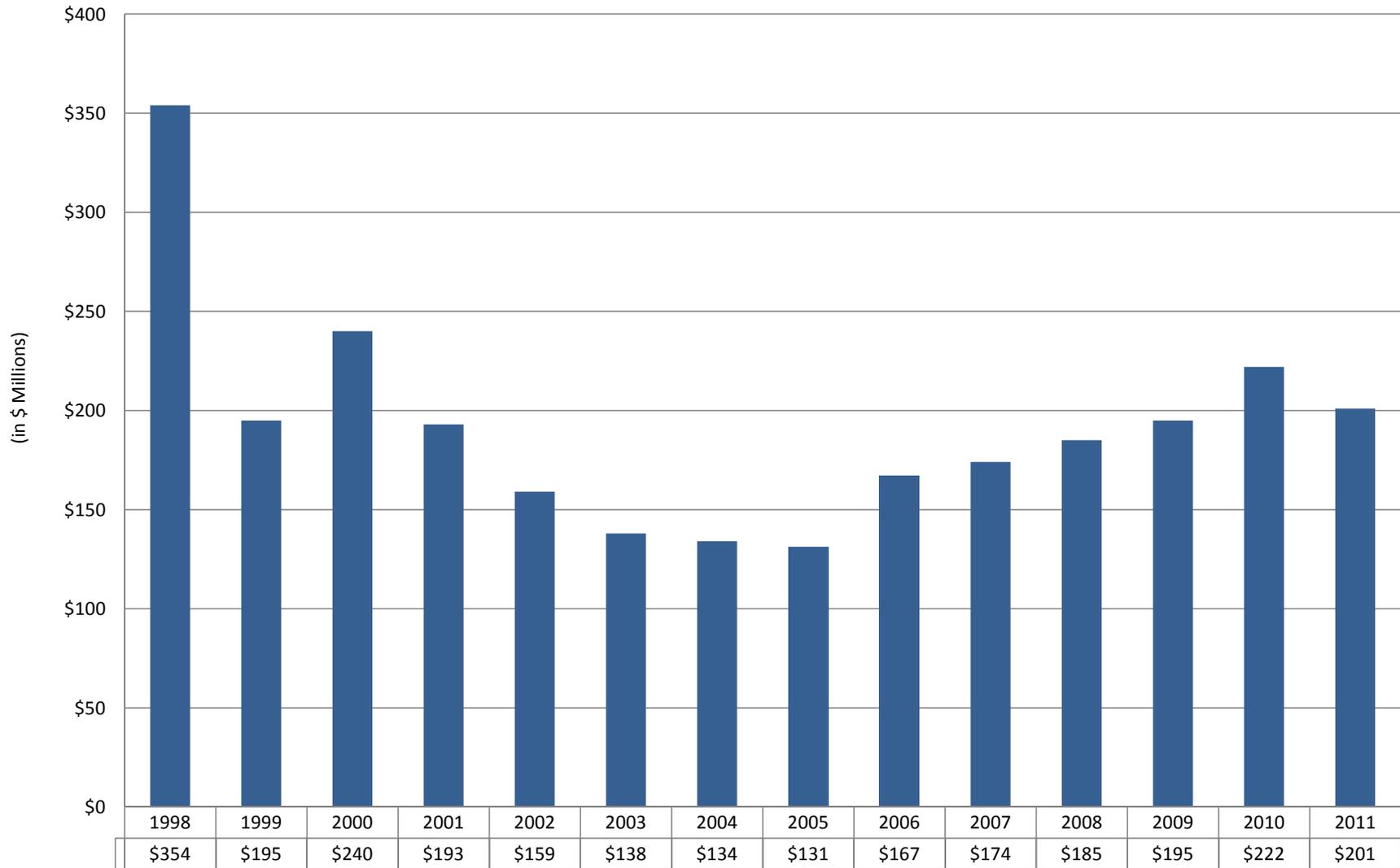
\*as of March 31, 2012

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

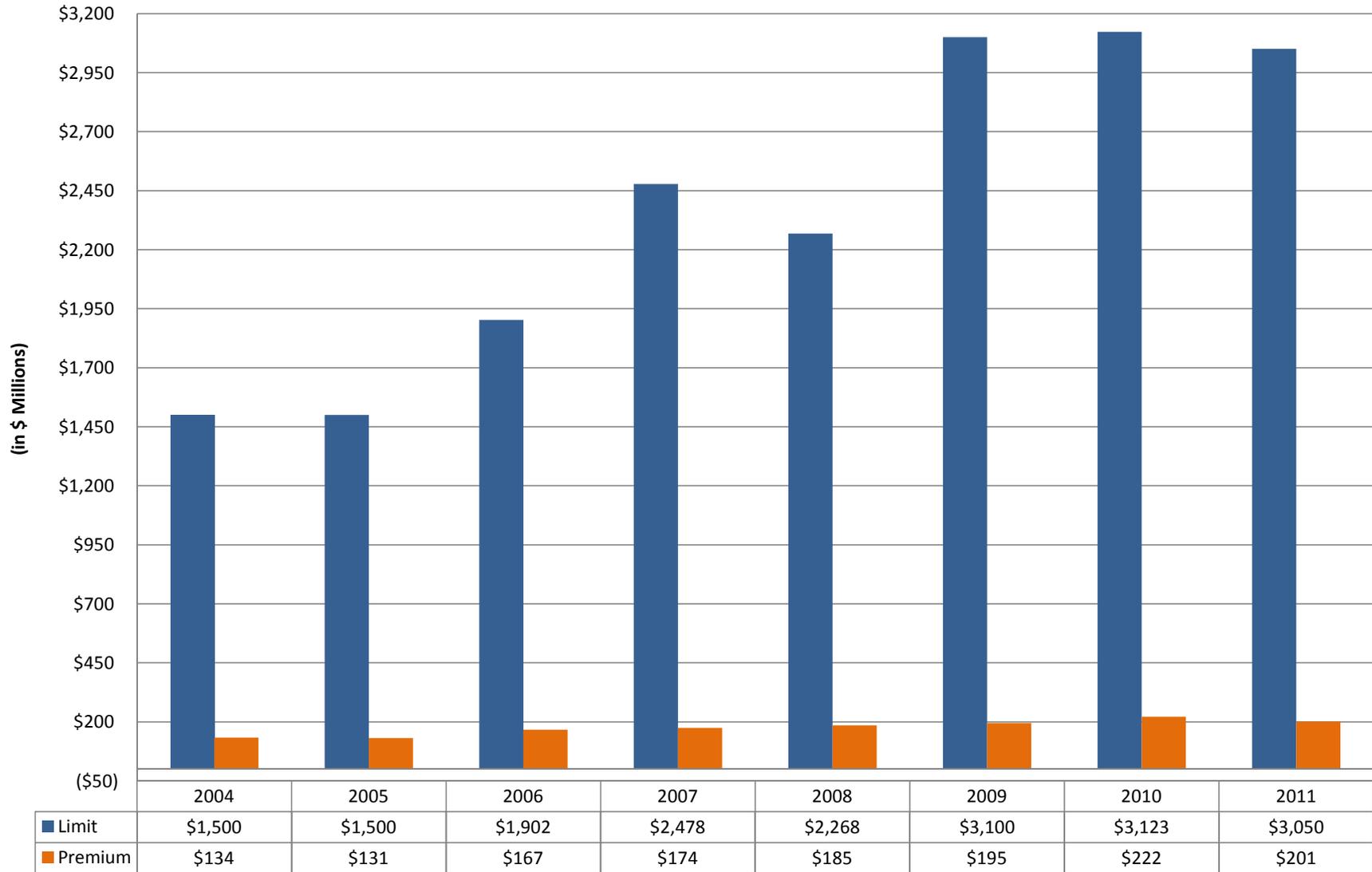


NOTE: From 2009 forward, figure is GASB underwriting profit. Prior to 2009, figure was FASB net premiums written minus total expenses.

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

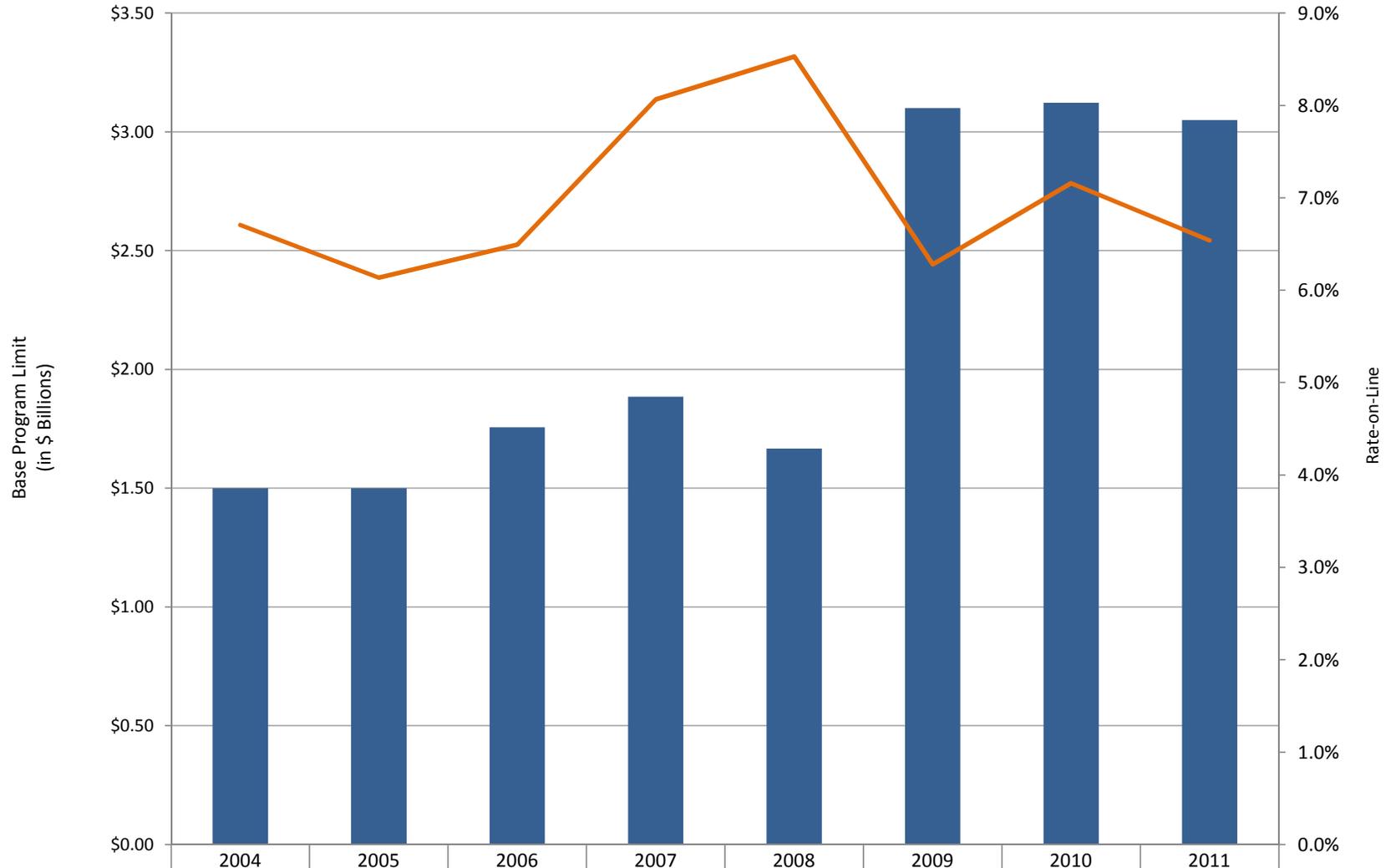


**California Earthquake Authority  
Annual Risk Transfer Premium and Limit  
as of December 31, 2011**



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

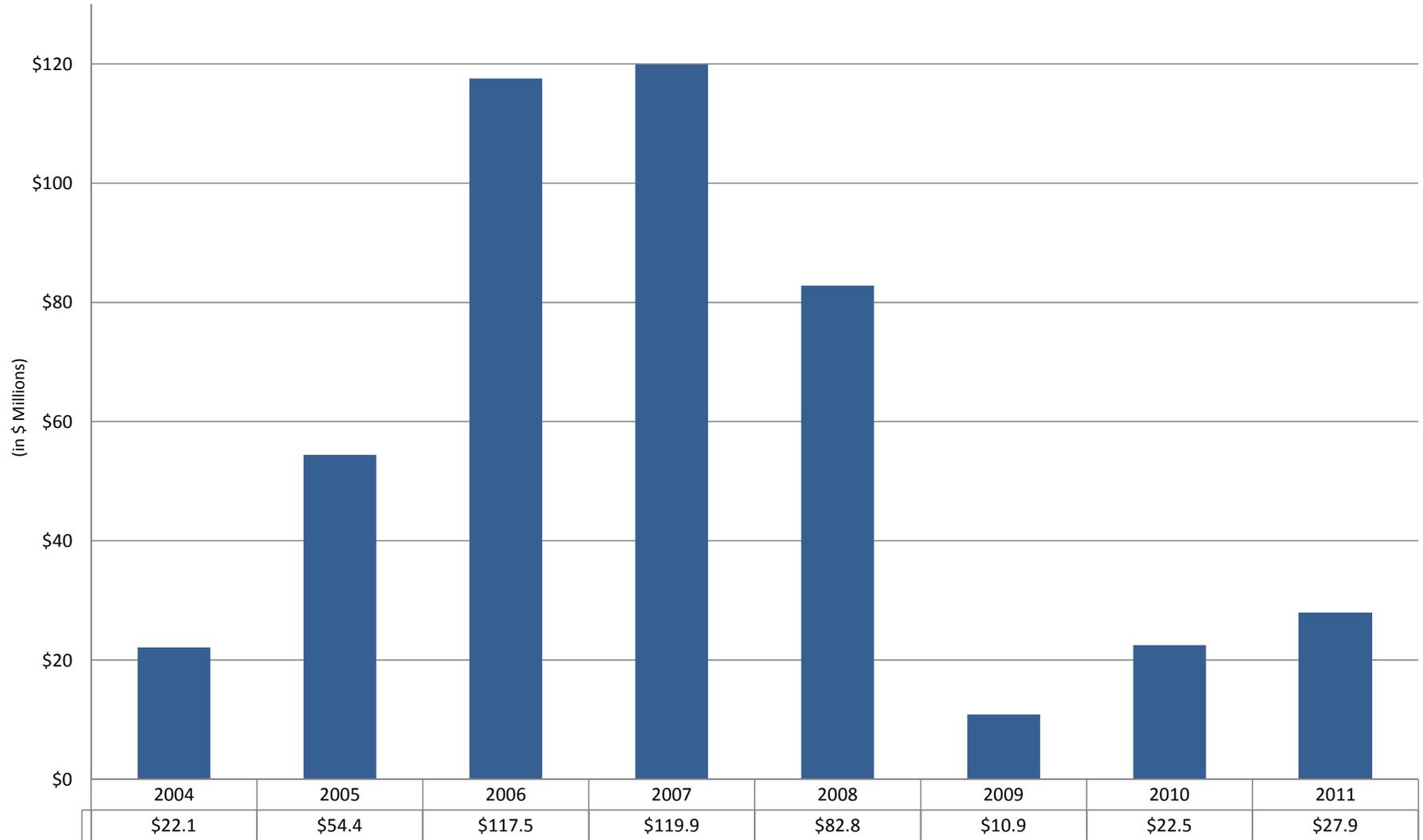
**California Earthquake Authority  
Annual Risk Transfer Base Program Limits and Rate-on-Line  
as of December 31, 2011**



Base Program Limit	\$1.50	\$1.50	\$1.76	\$1.89	\$1.67	\$3.10	\$3.12	\$3.05
Rate-on-Line	6.7%	6.1%	6.5%	8.1%	8.5%	6.3%	7.2%	6.5%

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

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



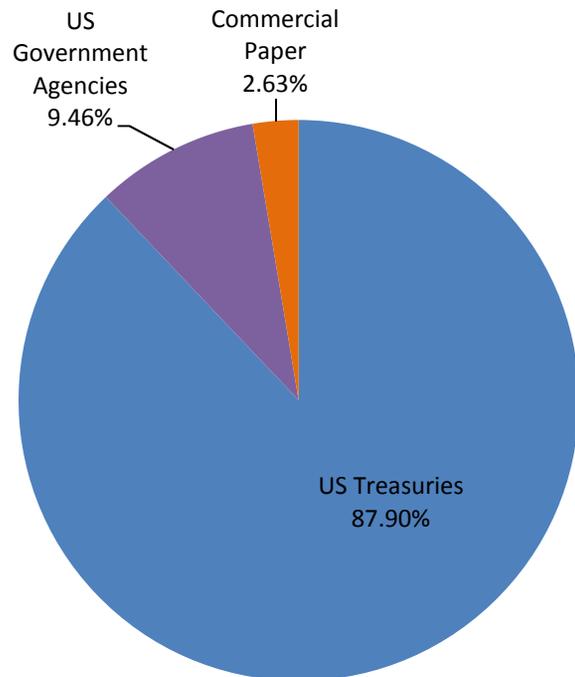
NOTE: Prior to 2009, investment income was reported from FASB financial statements which did not include unrealized gains or losses and were net of manager fees.

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

The CEA has three different investment funds. The current market value of each fund is:

CEA Liquidity and Primary Fund:	\$4,245,359,181
Claim-paying Fund:	\$316,553,981
Mitigation Fund:	\$23,982,748

The asset allocation of the three funds are as follows:

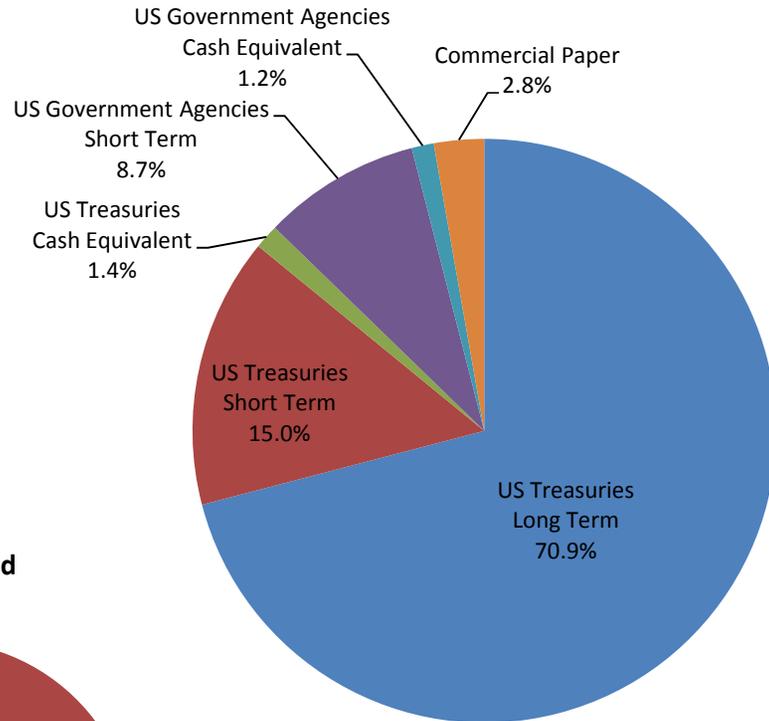


US Treasuries - Long Term
US Treasuries - Short Term
US Treasuries - Cash Equivalent
US Government Agencies - Short Term
US Government Agencies - Cash Equivalent
Commercial Paper
<b>Totals</b>

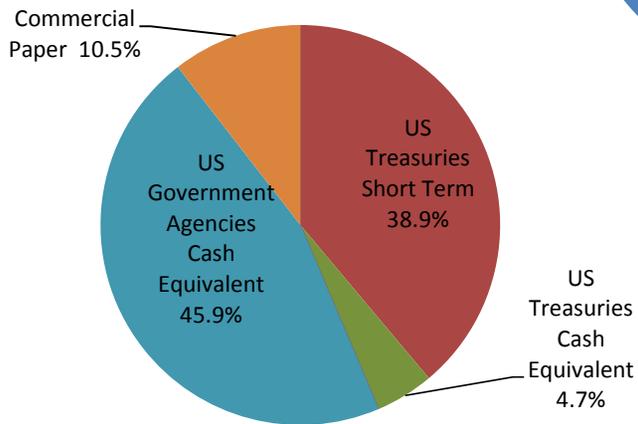
CEA Liq. & Prim. Fund	Claim-paying Fund	Mitigation Fund
70.9%	95.1%	0.0%
15.0%	4.9%	38.9%
1.4%	0.0%	4.7%
8.7%	0.0%	0.0%
1.2%	0.0%	45.9%
2.8%	0.0%	10.5%
<b>100%</b>	<b>100%</b>	<b>100%</b>

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

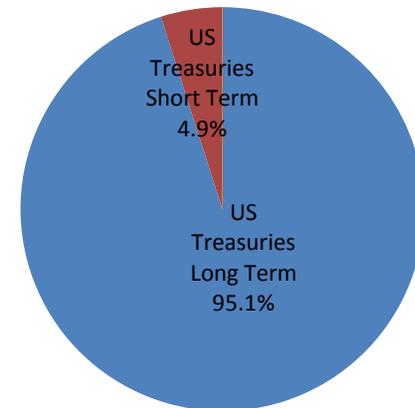
**CEA Liquidity & Primary Fund  
\$4,245 Million**



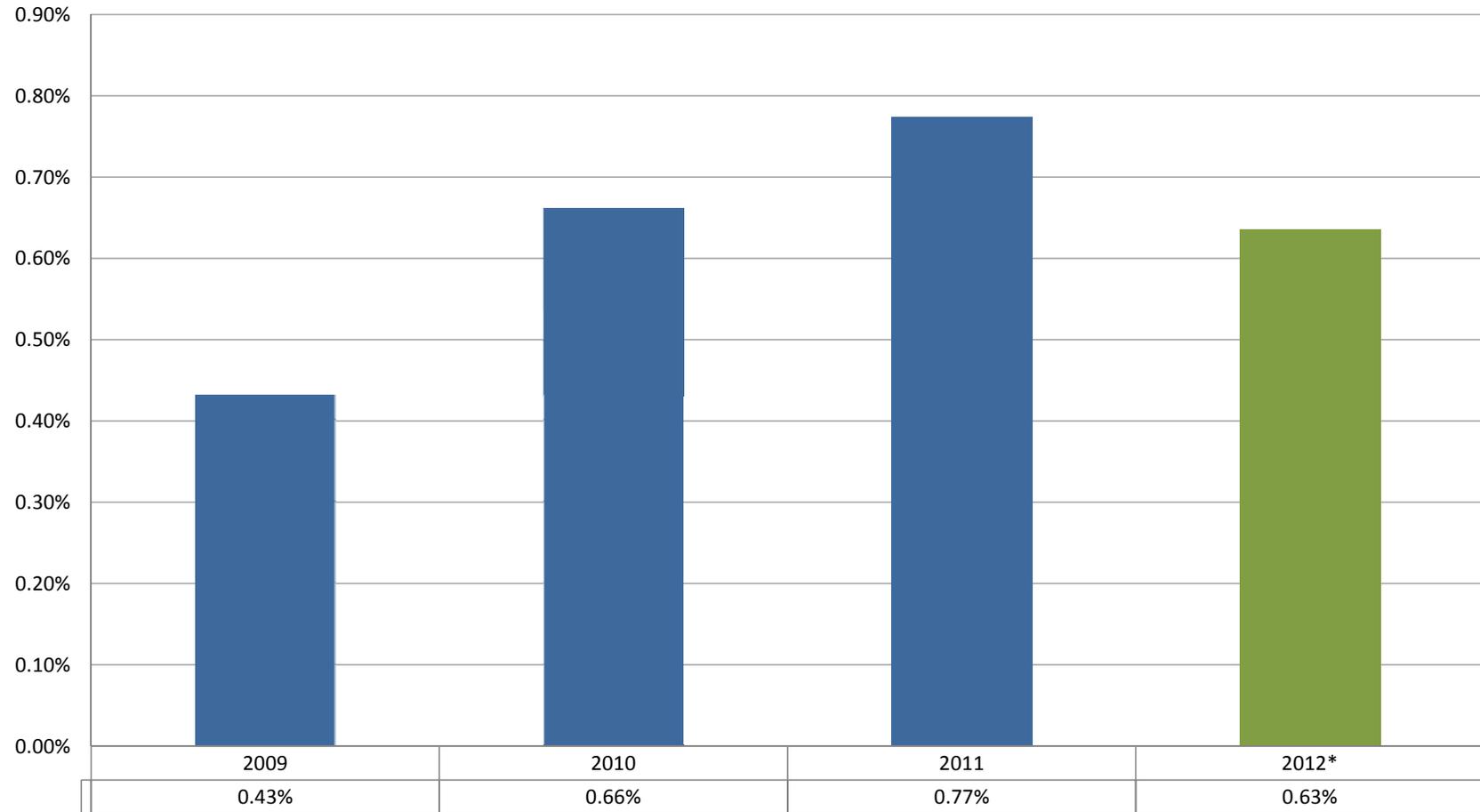
**Mitigation Fund  
\$24 Million**



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



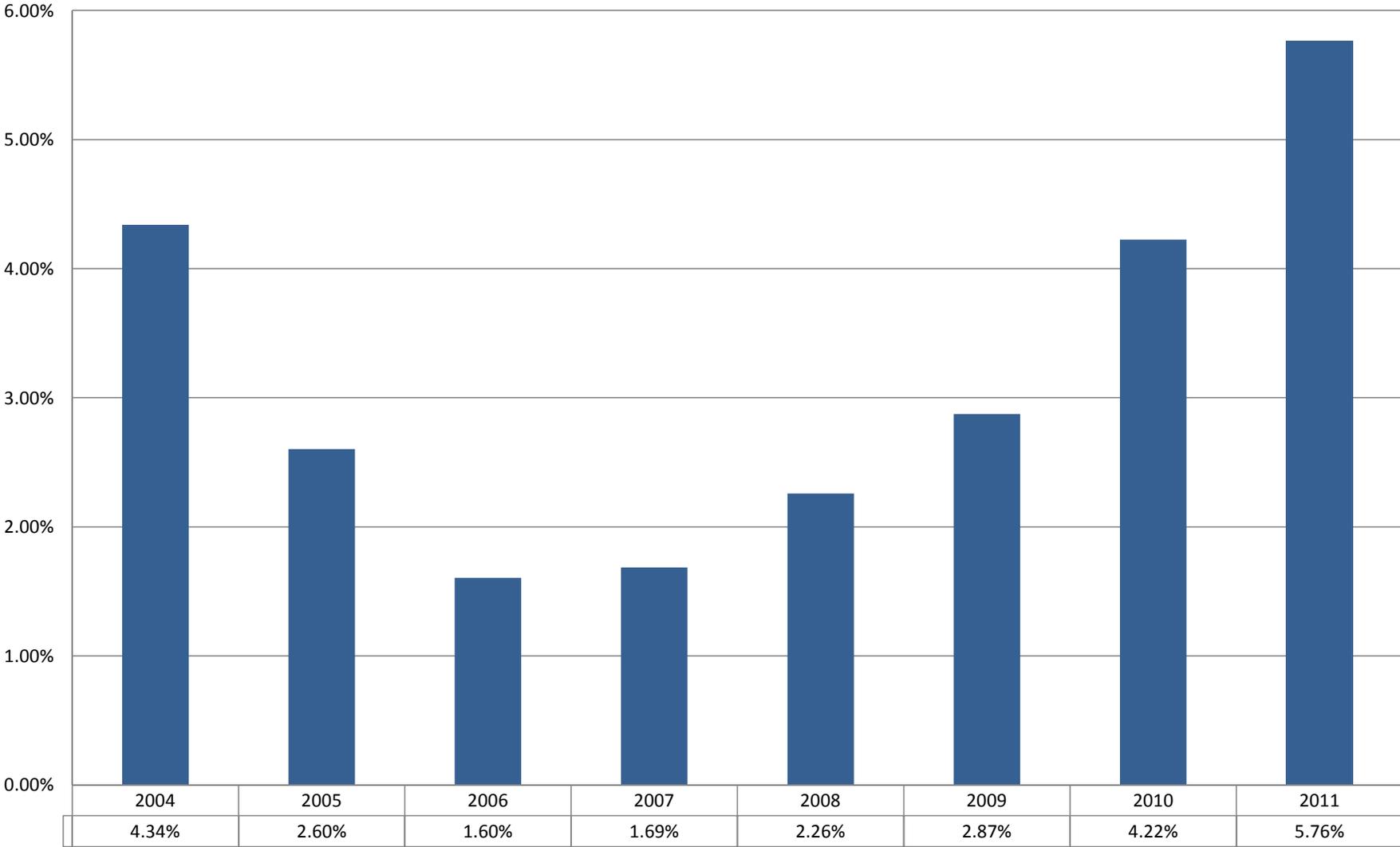
**California Earthquake Authority  
12-Month Rolling Investment Return  
as of March 31, 2012**



\*as of March 31, 2012

NOTE: Gross of Investment Manager Fees

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



**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-Mar-2012

**DEBT-SERVICE SCHEDULE**

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

Period Ending	Outstanding Principal	Principal	Interest	Debt Service	Annual Debt Service
1-Jan-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**

June 21, 2012

Agenda Item 6: CEA Advisory Panel update—Mark Simmonds

Recommended Action: No action required - information only

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CEA Advisory Panel Vice Chair Mark Simmonds will provide a summary of the proceedings of the May 17, 2012, Panel meeting.

# Governing Board Memorandum

June 21, 2012

Agenda Item 7: CEA Mitigation Budget for 2012 and mitigations strategies, including establishing statewide standards for seismic retrofits, mitigation discounts, and research

Recommended Action: Approve

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## Background:

At the CEA Governing Board's April 26, 2012, meeting, Chief Mitigation Officer Janiele Maffei told the Board she would lay out the strategy for the CEA's mitigation program at the June 2012 Board meeting.

## Analysis:

Four strategies are presented to the Board for approval:

1. Establishing statewide standards for retrofit work. Mitigation of loss to homeowners begins with seismic retrofit of woodframe residential structures. In order to successfully establish and expand an incentive program to encourage seismic retrofits, such as that currently being coordinated under the California Residential Mitigation Program, or a program currently under development to provide mitigation-related premium discounts for CEA insureds, additional statewide standards to guide retrofits must be developed.

The Board may recall that in August 2010, through the efforts of the CEA and its partners, the State of California adopted the first-ever building code provision for residential retrofits. While important, that change to the California Building Code ("CBC") covers only woodframe dwellings constructed with a cripple-wall height of four feet or less. Vulnerable dwellings that do not fit that CBC criterion have no available code to guide homeowners, engineers, or contractors in retrofits to mitigate seismic risk—additional standards are needed.

The Federal Emergency Management Agency ("FEMA") and leaders in the mitigation community have expressed interest in working together with CEA to develop those additional standards, with CEA taking the lead. The CEA Mitigation Department proposes:

- Hosting a conference in September, inviting engineers, geologists, building officials, contractors, and community representatives. The conference will begin a discussion of developing retrofit guidelines for structures other than those with a four-foot cripple wall.

- Using the conference recommendations, the CEA would partner with FEMA to develop comprehensive statewide guidelines for the seismic rehabilitation of *existing* single-family, woodframe dwellings.
  - The project, from commencement to code adoption, is expected to take up to five years.
  - The CEA mitigation program would fund the project. The first-year (2012) expenses are expected to be \$48,500 for the conference and workshop to fully scope the work to be accomplished. Future work according to the scoping session would be done under two contracts over approximately five years: the first contract would have a term of approximately four years with FEMA, commencing in 2013, to develop guidelines, followed by a contract with a different entity (to be determined) to take the guidelines and lead the effort to create (from the guidelines) appropriate standards and codes.
2. Mitigation discounts. In collaboration with other members/departments of the CEA (including operations, legal, and finance) the Mitigation Department seeks to gather research, conduct studies, and identify appropriate science- and engineering-based savings for specified retrofits that will be used to determine appropriate mitigation-related premium discounts for CEA insureds. The CEA will work with its participating insurers on this project.

Initial efforts will quantify the structural-vulnerability savings that result from bolted foundations with braced cripple walls. It is anticipated that this will be a multi-year project, and further updates will be provided to the Board as the project progresses.

3. California Residential Mitigation Program. The CRMP governing board has accepted the CRMP Executive Director's recommendation to cease negotiations for a contracted program administrator for the seismic-retrofit incentive, in favor of conducting program administration in-house, by the CEA's Mitigation Department. Outside vendors will be sought competitively to develop the mitigation Web site, an online education module for contractors, pilot-site inspections, and marketing. Bringing this work (largely) in-house will better permit the CEA to track the program progress and follow up after an earthquake occurs. The CEA anticipates program cost savings.
4. Research Symposium. In collaboration with the CEA's research director, the CEA will host a one- to two-day symposium in fall 2012 in San Francisco, to (a) present best practices in mitigation and personal preparedness and (b) identify current research gaps in the mitigation fields. The symposium will solicit input from across all relevant disciplines: engineering and social sciences, including economics, among other fields.

Recommendation:

Staff recommends that the Board:

- a. Approve the 2012 CEA mitigation budget. (Attachment A)

- b. Accept and approve in principle and intent the long-term project with FEMA to establish statewide retrofit standards, as described. (The remainder of this project will be subject to future procurement and contracting, full documentation and description of which will be presented to the Board at a future meeting once the contracting has been determined, in anticipation of the long-term-project work slated to commence in 2013.)
- c. Approve the long-term project to develop a mitigation discount in collaboration with other CEA departments. The first project will be to develop a mitigation discount for houses that are bolted and braced, and staff will present major contracts to the Board before proceeding with those program expenditures.
- d. In collaboration with the CEA's research director and in conjunction with appropriate budget augmentation(s), support a research symposium in fall 2012, with total expenditures to be allocated one-half to the CEA Mitigation Department budget and one-half to the budget of the CEA research director.

**CALIFORNIA EARTHQUAKE AUTHORITY**  
**Mitigation**  
**Proposed 2012 Budget**

Salaries & Benefits	271,500
Rent	21,000
Travel	30,000
Non-paid Consultant Travel	-
Telecommunications	7,000
Training	15,000
Insurance	5,000
Board/Panel Services	-
Administration & Office	32,000
(Software Maint & Support, Printing & Stationery, Postage)	
Administrative Contracted Services	
Data Mgmt Services	-
Other Administrative Contracted Services	-
Furniture/Equipment	900
EDP Hardware/Software	-
Dept of Insurance Examination	-
	<hr/>
Total Operating Expenses	382,400
Consulting Services	
Other Consulting Services	50,000
Total Consulting Services	<hr/> 50,000
Research	-
Contracted Services	
Other Contracted Services	100,000
Total Contracted Services	<hr/> 100,000
Investment Expenses	<hr/> 25,000
Total Expenditures	<hr/> <u>\$ 557,400</u>

## **Governing Board Memorandum**

June 21, 2012

Agenda Item 8: Proposed CEA Eligibility Standards

Recommended Action: Approve proposed CEA Eligibility Standards

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### Background:

The original CEA Eligibility Standards were published in 1999 and are out of date.

### Analysis:

CEA staff is updating the CEA Eligibility Standards (*please see attachment A – “California Earthquake Authority - Eligibility Standards”*) to more clearly explain the original standards applicable to new business submitted to the CEA, establish and put in place standards for renewal business, and add appropriate reference to the CEA’s new Homeowners Choice product. These revisions, in their revised format, bring the document in line with industry standards.

Given the nature of these updates, the California Department of Insurance has told the CEA staff that these revisions to the CEA Eligibility Standards do not have to be filed for approval with the Department.

### Recommended action:

CEA staff recommends that the Governing Board approve the new CEA Eligibility Standards.

# California Earthquake Authority Eligibility Standards

## 1. CEA policies can be written only on residence premises located in California.

## 2. Companion-Policy Requirement

- a) A CEA policy may be issued only to an applicant who has secured a companion policy of residential property insurance (sometimes referred to simply as a "companion policy") from a CEA participating insurer; policy of residential property insurance is defined in California Insurance Code section 10087, subdivision (a), which states that, "[a] policy that does not include any of the perils insured against in a standard fire policy shall not be included in the definition of 'policy of residential property insurance.'"
- b) For risks insured under a "CEA Basic Earthquake Insurance Policy – Homeowners" or a "CEA Basic Earthquake Insurance Policy – Homeowners Choice," the Combined Single Limit for the Coverage A – Dwelling & Coverage B – Extensions to Dwelling must be identical to the Coverage A – Dwelling limit listed on the declarations page of the participating insurer's companion policy of residential property insurance.
- c) The expiration dates of the CEA policy and the participating insurer's companion policy of residential property insurance must be the same.
- d) A CEA policy will provide no coverage in the event there is no companion policy of residential property insurance in effect at the time of loss.
- e) The participating insurer must cancel a CEA policy when the companion policy of residential property insurance is cancelled.
- f) The participating insurer must cancel a CEA policy if it discovers that the insured property is no longer eligible for a policy of residential property insurance from the participating insurer or otherwise no longer meets these Eligibility Standards.

## 3. Prior Earthquake Structural Damage

All prior earthquake structural damage must be repaired before submission by the participating insurer of the application for CEA coverage. Before it can issue a CEA policy on a dwelling with existing earthquake structural damage, the participating insurer must inspect the dwelling and determine, in its underwriting judgment, that the existing earthquake structural damage is cosmetic only and does not impair the structural integrity of the dwelling.

## 4. Available Policy Forms

The participating insurer's companion policy written as a Homeowners (HO1, 2, 3, 5, 8, or equivalent), Dwelling Fire (building), Landlord (building), or Manufactured Home (Mobilehome) policy will be eligible for issuance of a "CEA Basic Earthquake Insurance Policy – Homeowners" or a "CEA Basic Earthquake Insurance Policy – Homeowners Choice"; the CEA participating insurer's companion policy written as a Renters/Tenants (HO-4 or equivalent), Manufactured Home/Mobilehome (tenant policy), Dwelling Fire (contents only), or Landlord (contents only) policy will be restricted to issuance of a "CEA Basic Earthquake Insurance Policy – Renters"; the CEA participating insurer's companion policy written as a Condominium Unit Owners (HO-6 or equivalent) policy will be restricted to issuance of a "CEA Basic Earthquake Insurance Policy – Common Interest Development."

## Governing Board Memorandum

June 21, 2012

Agenda Item 9: Proposed CEA Inspection Guidelines

Recommended Action: No action required - informational only

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### Background:

The original CEA Inspection Guidelines were published in 1999. The CEA's participating insurers have often asked for clarification of, and revisions to, the current guidelines.

### Analysis:

CEA Operations Department staff is updating the Inspection Guidelines (*please see attachment A – "California Earthquake Authority - Inspection Guidelines"*) to more clearly support and guide new policy submissions to the CEA, describe acceptable inspection types, and define the CEA's Hazard Reduction Discount qualification and verification requirements.

The revisions will bring the Inspection Guidelines in line with insurance-industry standards. The Guidelines are not required to be filed for approval with the California Department of Insurance.

### Recommended Action:

No action required – informational only

# California Earthquake Authority Inspection Guidelines

## A. Inspection Requirements – CEA Homeowners Policies

Participating insurers must inspect any dwelling or manufactured home (mobilehome) for which it may issue a CEA Homeowners Policy if the applicant or insured discloses the existence of earthquake damage; therefore, a participating insurer's property-inspection guidelines must incorporate CEA **Eligibility Standards** to ensure earthquake-risk information is on file should the applicant or policyholder elect to purchase CEA coverage.

In order to issue a CEA **policy of residential property insurance** on a residential dwelling with existing earthquake damage, the participating insurer must have first inspected the dwelling and determined, in its underwriting judgment, that any existing structural damage is cosmetic only and does not impair the structural integrity of the dwelling. All existing, non-cosmetic earthquake structural damage must be repaired before an application for CEA coverage is accepted and processed.

Acceptable types of inspection are:

1. A property inspection completed by an inspection company contracted by the participating insurer. Inspections must include photographs of the front and rear of the insured property and, if applicable, of any existing cosmetic earthquake damage or other existing damage; or
2. Written confirmation to the policyholder's file certifying the property meets CEA **Eligibility Standards** based on an on-site visit to the property by a participating insurer's agent or company representative. Written confirmation must be accompanied by photographs of the front and rear of the insured property and, if applicable, of any existing cosmetic earthquake damage or other existing, non-cosmetic earthquake damage.

## B. Hazard Reduction Discount: Verification

For all Dwelling risks that are rated with the Hazard Reduction Discount, the inspection must verify that all of the following qualification criteria are met (Dwelling risks with slab foundations do not qualify for the Hazard Reduction Discount):

1. Dwelling was built before 1979.
2. Dwelling is tied or braced to the foundation using approved anchor bolts installed according to approved building code standards.
3. Cripple walls are braced with plywood, or its equivalent, installed according to approved building code standards.
4. Water heater is secured to the building frame according to approved building code standards.

## C. File Documentation

Participating Insurers must retain property inspections in policyholder files for review by CEA personnel, including auditors.

## Governing Board Memorandum

June 21, 2012

Agenda Item 10: CEA Operations Officer Bob Stewart:  
Extension of (Modified) Employment Contract

Recommended Actions: Approve Extension of (Modified) Employment Contract

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### Background:

As authorized by the Governing Board, CEO Glenn Pomeroy (to whom CEA Chief Operations Officer Bob Stewart reports) has conducted and completed an annual appraisal of Mr. Stewart's performance, in accordance with the criteria established in Mr. Stewart's Performance-Management Plan, which itself was approved by the Board. The annual appraisal is called for by Mr. Stewart's employment contract, which unless extended is due to expire on June 30, 2012—extension is recommended by Mr. Pomeroy.

### Analysis:

Mr. Stewart has been employed by the CEA since 2004, and as with all CEA contract executives, is employed by the CEA under a written employment contract. As the law permits, the contracting parties are the CEA Governing Board and Mr. Stewart. The contract anniversary date is July 1<sup>st</sup>.

Under its express terms, and following a satisfactory appraisal of the employee, the Stewart employment contract provides an annual salary cost-of-living adjustment ("COLA") and permits an annual salary merit increase, which according to Board authority would be awarded in the discretion of the Chief Executive Officer.

The formal result of this year's appraisal of Mr. Stewart's performance is "satisfactory," and of the highest caliber.

On that basis, Mr. Pomeroy proposes the following for the 12-month employment-contract period beginning July 1, 2012:

Under the contract, any COLA amount is derived by calculating the change in the "Consumer Price Index—All Urban Consumers—California" furnished by the Division of Labor Statistics and Research, California Department of Industrial Relations, for the most recent 12-month period, i.e., using the latest data presently available compared to 12 months earlier. Those data indicate an increase of 1.6987% in the relevant Index in the relevant period, and therefore a COLA is indicated.

Mr. Pomeroy has observed that Mr. Stewart's performance and service to the CEA have been of the highest caliber. On that basis, Mr. Pomeroy may make a recommendation for a merit salary increase.

In addition, Mr. Stewart's present contract is expiring, and it is the desire of Mr. Pomeroy and Mr. Stewart that its term be extended and its provisions appropriately modernized.

Mr. Stewart has been employed by the CEA since July 1, 2004; Mr. Pomeroy notes that his evaluations of Mr. Stewart have consistently noted exemplary service.

The present Stewart contract is due to expire on July 1, 2012. Mr. Pomeroy, after conferring with Mr. Stewart, recommends that the Stewart contract be extended by five years to July 1, 2017.

Mr. Pomeroy recommends that, other than the provisions described above, several other parts and provisions of the CEA-Stewart employment contract be changed to create parity with other, recent CEA-executive-services contracts. Those changes would not significantly alter the CEA's financial responsibilities or Mr. Stewart's duties.

The Board has been provided with a proposed contract amendment. Once signed on behalf of the Board by Mr. Pomeroy, and by Mr. Stewart, the agreement would become the Stewart employment contract, superseding the contract presently in place.

Recommendation:

Approve the execution by Mr. Pomeroy on behalf of the Board of a new, superseding employment contract that embodies certain modifications, as described.

**California Earthquake Authority**

**Losses & Loss Adjustment Expenses (LAE) Paid - Cumulative to March 31, 2012**

Event Code	Event Name	Date of Event	Magnitude	Location	# of Paid Claims	Losses Paid	LAE Paid	Total Paid Losses & LAE
98010	Chino	1/5/1998	4.3	3 mi. W of Chino	1	\$1,385.72	\$124.71	\$1,510.43
98050	San Juan Bautista	8/12/1998	5.3	7 mi. SSE of San Juan Bautista	1	161,204.93	13,643.13	\$174,848.06
98070	Redding	11/26/1998	5.2	3 mi. NNW of Redding	1	4,029.72	362.67	\$4,392.39
	1998 Minor Quakes				2	4,199.20	377.93	\$4,577.13
99050	Hector Mine	11/16/1999	7.0	28 mi. N of Joshua Tree (near Palm Springs)	25	137,361.81	12,362.47	\$149,724.28
	1999 Minor Quakes				1	4,037.26	363.35	\$4,400.61
00030	Napa	9/3/2000	5.2	17 mi. ESE of Santa Rosa; 6 mi. NNE of Sonoma; 3 mi. WSW of Yountville	15	278,130.07	25,031.71	\$303,161.78
01010	Ferndale	1/13/2001	5.4	53 mi. WNW of Ferndale	1	34,764.54	3,128.79	\$37,893.33
	2001 Minor Quakes				1	52,896.82	4,760.70	\$57,657.52
01040	West Hollywood	9/9/2001	4.2	West Hollywood	10	67,044.15	6,033.94	\$73,078.09
	2002 Minor Quakes				1	8,361.24	752.51	\$9,113.75
03090	San Simeon	12/22/2003	6.4	7 mi. NE of San Simeon	84	2,692,628.02	242,339.74	\$2,934,967.76
04120	Parkfield	9/28/2004	6.0	7 mi SSE of Parkfield	1	7,032.59	632.93	\$7,665.52
07240	Chatsworth	8/9/2007	4.5	4 mi NNW of Chatsworth	1	7,813.88	703.24	\$8,517.12
07250	Alum Rock	10/30/2007	5.6	5 mi NNE of Alum Rock	1	6,149.20	553.42	\$6,702.62
08280	Chino Hills	7/29/2008	5.4	5.5 mi SE of Diamond Bar	8	156,781.38	14,110.29	\$170,891.67
09320	Calexico	12/30/2009	5.9	22.7 mi SE of Calexico	1	275.88	24.83	\$300.71
	2009 Minor Quakes				1	4,839.51	435.56	\$5,275.07
10330	Ferndale	1/9/2010	6.5	27 mi W of Ferndale	2	22,379.08	2,014.12	\$24,393.20
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
	<b>Total</b>				<b>174</b>	<b>\$3,725,707.57</b>	<b>\$334,451.38</b>	<b>\$4,060,158.95</b>

## 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 5/23/2012 - Policies in Force on: 4/30/2012

TOTALS	Policies In Force	% Total	Exposure	% Total	Written Premium	% Total	Avg Written Premium
<b>Homeowner-Basic</b>							
15% Total	590,444	71.69%	256,303,682,270	85.43%	478,370,601	81.21%	810
10% Total	62,540	7.59%	29,718,392,909	9.91%	61,107,296	10.37%	977
<b>Homeowner-Basic Total</b>	<b>652,984</b>	<b>79.28%</b>	<b>286,022,075,179</b>	<b>95.34%</b>	<b>539,477,897</b>	<b>91.58%</b>	<b>826</b>
<b>Manufactured Homes (Mobilehomes)-Basic</b>							
15% Total	22,053	2.68%	2,300,379,544	0.77%	2,290,485	0.39%	104
10% Total	4,155	0.5%	611,749,573	0.2%	537,491	0.09%	129
<b>Manufactured Homes (Mobilehomes)-Basic Total</b>	<b>26,208</b>	<b>3.18%</b>	<b>2,912,129,117</b>	<b>0.97%</b>	<b>2,827,975</b>	<b>0.48%</b>	<b>108</b>
<b>Condo Total</b>	<b>102,335</b>	<b>12.42%</b>	<b>9,534,576,000</b>	<b>3.18%</b>	<b>40,288,494</b>	<b>6.84%</b>	<b>394</b>
<b>Renters Total</b>	<b>42,135</b>	<b>5.12%</b>	<b>1,544,579,000</b>	<b>0.51%</b>	<b>6,476,566</b>	<b>1.1%</b>	<b>154</b>
<b>Grand Total</b>	<b>823,662</b>	<b>100.0%</b>	<b>300,013,359,296</b>	<b>100.0%</b>	<b>589,070,933</b>	<b>100.0%</b>	<b>715</b>

# California Earthquake Authority

## Operations - Governing Board Report

All Companies - As Of 5/23/2012 - Policies in Force on: 4/30/2012

HOMEOWNER-BASIC	Policies In Force	% Total	Exposure	% Total	Written Premium	% Total	Avg Written Premium
<b>Deductible - 15%</b>							
CovA/C5k/D1.5k/BCU10k	590,444	90.42%	248,740,860,770	86.97%	443,598,909	82.23%	751
BCU 20k	63,595	9.74%	635,950,000	0.22%	1,537,972	0.29%	24
Coverage C 25k	31,311	4.8%	626,220,000	0.22%	5,081,703	0.94%	162
Coverage C 50k	21,164	3.24%	952,380,000	0.33%	5,120,343	0.95%	242
Coverage C 75k	10,060	1.54%	704,200,000	0.25%	3,087,484	0.57%	307
Coverage C 100k	33,439	5.12%	3,176,705,000	1.11%	12,773,106	2.37%	382
Coverage D 10k	38,779	5.94%	329,621,500	0.12%	1,701,026	0.32%	44
Coverage D 15k	78,338	12.0%	1,057,563,000	0.37%	5,334,440	0.99%	68
Coverage D 25k	3,412	0.52%	80,182,000	0.03%	135,619	0.03%	40
<b>15% Total</b>	<b>590,444</b>	<b>90.42%</b>	<b>256,303,682,270</b>	<b>89.61%</b>	<b>478,370,601</b>	<b>88.67%</b>	<b>810</b>
<b>Deductible - 10%</b>							
CovA/C5k/D1.5k/BCU10k	62,540	9.58%	26,573,689,409	9.29%	48,927,172	9.07%	782
BCU 20k	14,391	2.2%	143,910,000	0.05%	303,316	0.06%	21
Coverage C 25k	10,062	1.54%	201,240,000	0.07%	1,605,255	0.3%	160
Coverage C 50k	7,548	1.16%	339,660,000	0.12%	1,540,966	0.29%	204
Coverage C 75k	4,161	0.64%	291,270,000	0.1%	1,045,021	0.19%	251
Coverage C 100k	17,289	2.65%	1,642,455,000	0.57%	5,797,179	1.07%	335
Coverage D 10k	13,300	2.04%	113,050,000	0.04%	445,313	0.08%	33
Coverage D 15k	27,616	4.23%	372,816,000	0.13%	1,395,438	0.26%	51
Coverage D 25k	1,715	0.26%	40,302,500	0.01%	47,635	0.01%	28
<b>10% Total</b>	<b>62,540</b>	<b>9.58%</b>	<b>29,718,392,909</b>	<b>10.39%</b>	<b>61,107,296</b>	<b>11.33%</b>	<b>977</b>
<b>Homeowner-Basic Total</b>	<b>652,984</b>	<b>100.0%</b>	<b>286,022,075,179</b>	<b>100.0%</b>	<b>539,477,897</b>	<b>100.0%</b>	<b>826</b>

# California Earthquake Authority

## Operations - Governing Board Report

All Companies - As Of 5/23/2012 - Policies in Force on: 4/30/2012

MANUFACTURED HOMES (MOBILEHOMES)-BASIC	Policies In Force	% Total	Exposure	% Total	Written Premium	% Total	Avg Written Premium
<b>Deductible - 15%</b>							
CovA/C5k/D1.5k/BCU10k	22,053	84.15%	2,105,925,044	72.32%	2,174,389	76.89%	99
Coverage C 25k	1,685	6.43%	33,700,000	1.16%	26,888	0.95%	16
Coverage C 50k	1,141	4.35%	51,345,000	1.76%	24,373	0.86%	21
Coverage C 75k	345	1.32%	24,150,000	0.83%	8,984	0.32%	26
Coverage C 100k	485	1.85%	46,075,000	1.58%	13,888	0.49%	29
Coverage D 10k	1,737	6.63%	14,764,500	0.51%	18,017	0.64%	10
Coverage D 15k	1,647	6.28%	22,234,500	0.76%	23,441	0.83%	14
Coverage D 25k	93	0.35%	2,185,500	0.08%	505	0.02%	5
<b>15% Total</b>	<b>22,053</b>	<b>84.15%</b>	<b>2,300,379,544</b>	<b>78.99%</b>	<b>2,290,485</b>	<b>80.99%</b>	<b>104</b>
<b>Deductible - 10%</b>							
CovA/C5k/D1.5k/BCU10k	4,155	15.85%	439,902,573	15.11%	464,081	16.41%	112
Coverage C 25k	1,270	4.85%	25,400,000	0.87%	15,085	0.53%	12
Coverage C 50k	1,018	3.88%	45,810,000	1.57%	15,671	0.55%	15
Coverage C 75k	335	1.28%	23,450,000	0.81%	6,256	0.22%	19
Coverage C 100k	444	1.69%	42,180,000	1.45%	10,283	0.36%	23
Coverage D 10k	1,304	4.98%	11,084,000	0.38%	9,077	0.32%	7
Coverage D 15k	1,598	6.1%	21,573,000	0.74%	16,679	0.59%	10
Coverage D 25k	100	0.38%	2,350,000	0.08%	358	0.01%	4
<b>10% Total</b>	<b>4,155</b>	<b>15.85%</b>	<b>611,749,573</b>	<b>21.01%</b>	<b>537,491</b>	<b>19.01%</b>	<b>129</b>
<b>Manufactured Homes (Mobilehomes)-Basic Total</b>	<b>26,208</b>	<b>100.0%</b>	<b>2,912,129,117</b>	<b>100.0%</b>	<b>2,827,975</b>	<b>100.0%</b>	<b>108</b>

# California Earthquake Authority

## Operations - Governing Board Report

All Companies - As Of 5/23/2012 - Policies in Force on: 4/30/2012

CONDO	Policies In Force	% Total	Exposure	% Total	Written Premium	% Total	Avg Written Premium
Coverage A/BCU 10k	72,969	71.3%	2,553,915,000	26.79%	6,886,292	17.09%	94
Coverage C 5k/D 1.5k	35,910	35.09%	233,415,000	2.45%	3,023,143	7.5%	84
Coverage C 5k <sup>1</sup>	8,328	8.14%	41,640,000	0.44%	686,947	1.71%	82
Coverage C 25k	14,018	13.7%	350,450,000	3.68%	2,356,111	5.85%	168
Coverage C 50k	11,991	11.72%	599,550,000	6.29%	2,277,237	5.65%	190
Coverage C 75k	5,753	5.62%	431,475,000	4.53%	1,203,719	2.99%	209
Coverage C 100k	11,482	11.22%	1,148,200,000	12.04%	2,468,139	6.13%	215
Coverage D 1.5k <sup>2</sup>	7,234	7.07%	10,851,000	0.11%	31,134	0.08%	4
Coverage D 10k	14,694	14.36%	146,940,000	1.54%	252,307	0.63%	17
Coverage D 15k	28,306	27.66%	424,590,000	4.45%	554,274	1.38%	20
Coverage D 25k	1,338	1.31%	33,450,000	0.35%	35,032	0.09%	26
Coverage E 25k	3,013	2.94%	75,325,000	0.79%	711,125	1.77%	236
Coverage E 50k	60,904	59.51%	3,045,200,000	31.94%	17,541,070	43.54%	288
Coverage E 75k	5,861	5.73%	439,575,000	4.61%	2,261,963	5.61%	386
<b>Condo Total</b>	<b>102,335</b>	<b>100.0%</b>	<b>9,534,576,000</b>	<b>100.0%</b>	<b>40,288,494</b>	<b>100.0%</b>	<b>394</b>

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

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

# California Earthquake Authority

## Operations - Governing Board Report

All Companies - As Of 5/23/2012 - Policies in Force on: 4/30/2012

RENTERS	Policies In Force	% Total	Exposure	% Total	Written Premium	% Total	Avg Written Premium
Coverage C 5k/D 1.5k	16,183	38.41%	105,189,500	6.81%	1,431,391	22.1%	88
Coverage C 5k <sup>1</sup>	3,454	8.2%	17,270,000	1.12%	303,091	4.68%	88
Coverage C 25k	10,023	23.79%	250,575,000	16.22%	1,731,637	26.74%	173
Coverage C 50k	6,510	15.45%	325,500,000	21.07%	1,274,940	19.69%	196
Coverage C 75k	2,050	4.87%	153,750,000	9.95%	446,131	6.89%	218
Coverage C 100k	3,915	9.29%	391,500,000	25.35%	833,436	12.87%	213
Coverage D 1.5k <sup>2</sup>	4,893	11.61%	7,339,500	0.48%	24,671	0.38%	5
Coverage D 10k	7,254	17.22%	72,540,000	4.7%	141,066	2.18%	19
Coverage D 15k	12,421	29.48%	186,315,000	12.06%	252,600	3.9%	20
Coverage D 25k	1,384	3.28%	34,600,000	2.24%	37,603	0.58%	27
<b>Renters Total</b>	<b>42,135</b>	<b>100.0%</b>	<b>1,544,579,000</b>	<b>100.0%</b>	<b>6,476,566</b>	<b>100.0%</b>	<b>154</b>

## California Earthquake Authority

### Historical Risk-Transfer Costs

#### Risk-Transfer Limits

Contract Year	Contract	Limit	Rate On Line (ROL)	Premium	
<b>May 1, 2012</b>	<b>Traditional Reinsurance</b>				
	Contract #A (1/1/2012 - 12/31/2012)	\$655,220,000	7.0000%	\$45,865,400	
	Contract #A1 (1/1/2012 - 12/31/2012)	\$400,000,000	7.3000%	\$29,200,000	
	Contract #A2 (1/1/2012 - 12/31/2012)	\$200,000,000	7.1500%	\$14,300,000	
	Contract #A3 (1/1/2012 - 12/31/2012)	\$250,000,000	7.2000%	\$18,000,000	
	Contract #B (4/1/2012 - 3/31/2013) <sup>3</sup>	\$1,251,464,950	6.2000%	\$77,590,827	
	Contract #C (5/1/2012 - 4/30/2013) <sup>3</sup>	\$100,000,000	4.5000%	\$4,500,000	
	<b>Total Traditional Reinsurance</b>	<b>\$2,856,684,950</b>	<b>6.6320%</b>	<b>\$189,456,227</b>	
	Traditional Reinsurance Percent Change from Previous Year	-1.49%	-1.52%	-2.99%	
		<b>Transformer Reinsurance</b>			
	Contract #1 (8/2/2011 - 8/8/2014) <sup>2</sup>	\$150,000,000	7.7800%	\$11,670,000	
	Contract #2 (2/7/2011 - 2/15/2015) <sup>2</sup>	\$150,000,000	8.3880%	\$12,582,000	
	<b>Total Transformer Reinsurance</b>	<b>\$300,000,000</b>		<b>\$24,252,000</b>	
	<b>Total Risk-Transfer<sup>3</sup></b>	<b>\$3,156,684,950</b>		<b>\$213,708,227</b>	
<b>April 1, 2012</b>	<b>Traditional Reinsurance</b>				
	Contract #A (1/1/2012 - 12/31/2012)	\$655,220,000	7.0000%	\$45,865,400	
	Contract #A1 (1/1/2012 - 12/31/2012)	\$400,000,000	7.3000%	\$29,200,000	
	Contract #A2 (1/1/2012 - 12/31/2012)	\$200,000,000	7.1500%	\$14,300,000	
	Contract #A3 (1/1/2012 - 12/31/2012)	\$250,000,000	7.2000%	\$18,000,000	
	Contract #B (4/1/2012 - 3/31/2013) <sup>3</sup>	\$1,251,464,950	6.2000%	\$77,590,827	
	<b>Total Traditional Reinsurance</b>	<b>\$2,756,684,950</b>	<b>6.7094%</b>	<b>\$184,956,227</b>	
	Traditional Reinsurance Percent Change from Previous Year	-4.94%	-0.37%	-5.30%	
		<b>Transformer Reinsurance</b>			
		Contract #1 (8/2/2011 - 8/8/2014) <sup>2</sup>	\$150,000,000	7.7800%	\$11,670,000
	Contract #2 (2/7/2011 - 2/15/2015) <sup>2</sup>	\$150,000,000	8.3880%	\$11,533,500	
	<b>Total Transformer Reinsurance</b>	<b>\$300,000,000</b>		<b>\$23,203,500</b>	
	<b>Total Risk-Transfer<sup>3</sup></b>	<b>\$3,056,684,950</b>		<b>\$208,159,727</b>	
<b>January 1, 2012</b>	<b>Traditional Reinsurance</b>				
	Contract #3 (1/1/2011 - 3/31/2012)	\$500,000,000	6.2000%	\$31,000,000	
	Contract #4 (65% placed) (1/1/2011 - 3/31/2012)	\$650,000,000	5.5000%	\$35,750,000	
	Contract #4a (5% placed) (4/1/2011 - 3/31/2012)	\$50,000,000	5.5000%	\$2,750,000	
	Contract #A (1/1/2012 - 12/31/2012)	\$655,220,000	7.0000%	\$45,865,400	
	Contract #A1 (1/1/2012 - 12/31/2012)	\$400,000,000	7.3000%	\$29,200,000	
	Contract #A2 (1/1/2012 - 12/31/2012)	\$200,000,000	7.1500%	\$14,300,000	
	Contract #A3 (1/1/2012 - 12/31/2012)	\$250,000,000	7.2000%	\$18,000,000	
	<b>Total Traditional Reinsurance</b>	<b>\$2,705,220,000</b>	<b>6.5379%</b>	<b>\$176,865,400</b>	
	Traditional Reinsurance Percent Change from Previous Year	-6.72%	-2.92%	-9.44%	
	<b>Transformer Reinsurance</b>				
	Contract #1 (8/2/2011 - 8/8/2014) <sup>2</sup>	\$150,000,000	7.7800%	\$11,670,000	
	<b>Total Risk-Transfer</b>	<b>\$2,855,220,000</b>		<b>\$188,535,400</b>	

Contract Year	Contract	Limit	Rate On Line (ROL)	Premium
<b>2011</b>				
<b>Traditional Reinsurance</b>				
	Contract #1 (1/1/2011 - 12/31/2011)	\$200,000,000	8.1500%	\$16,300,000
	Contract #2 (1/1/2011 - 12/31/2011)	\$1,300,000,000	7.5000%	\$97,500,000
	Contract #3 (1/1/2011 - 3/31/2012)	\$500,000,000	6.2000%	\$31,000,000
	Contract #3a (1/1/2011 - 12/31/2011)	\$200,000,000	6.0000%	\$12,000,000
	Contract #4 (65% placed) (1/1/2011 - 3/31/2012)	\$650,000,000	5.5000%	\$35,750,000
	Contract #4a (5% placed) (4/1/2011 - 3/31/2012)	\$50,000,000	5.5000%	\$2,750,000
	<b>Total</b>	<b>\$2,900,000,000</b>	<b>6.7345%</b>	<b>\$195,300,000</b>
	Traditional Reinsurance Percent Change from Previous Year	-7.13%	-5.91%	-12.61%
<b>Transformer Reinsurance</b>				
	Contract #1 (8/2/2011 - 8/8/2014) <sup>2</sup>	\$150,000,000	7.7800%	\$11,670,000
	<b>Total Risk-Transfer</b>	<b>\$3,050,000,000</b>		<b>\$206,970,000</b>
<b>2010</b>				
	Contract #1	\$202,500,000	9.2500%	\$18,731,250
	Contract #2	\$1,000,000,000	8.5500%	\$85,500,000
	Contract #3	\$275,000,000	7.7000%	\$21,175,000
	Contract #4	\$300,000,000	6.8000%	\$20,400,000
	Contract #5 (97.10% placed)	\$200,000,000	6.5000%	\$12,623,000
	Contract #6 (94.05% placed)	\$250,000,000	6.2500%	\$14,695,313
	Contract #7 (79.62619% placed)	\$1,150,000,000	5.5000%	\$50,363,565
	<b>Total</b>	<b>\$3,122,526,185</b>	<b>7.1573%</b>	<b>\$223,488,128</b>
	Percent Change from Previous Year	0.73%	13.96%	14.79%
<b>2009</b>				
	Contract #1	\$500,000,000	7.7500%	\$38,749,846
	Contract #2	\$500,000,000	6.9999%	\$34,999,384
	Contract #3	\$200,000,000	5.9600%	\$11,920,000
	Contract #4	\$100,000,000	5.8000%	\$5,800,000
	Contract #5	\$200,000,000	5.5400%	\$11,080,000
	Contract #6	\$200,000,000	5.3100%	\$10,620,000
	Contract #7 Backup Reinsurance for Transformer	\$250,000,000	6.9900%	\$17,475,000
	Contract #8	\$650,000,000	4.9938%	\$32,460,000
	Contract #9 Backup Reinsurance for Transformer	\$400,000,000	6.6500%	\$26,600,000
	Contract #10	\$100,000,000	4.9938%	\$4,993,846
	<b>Total</b>	<b>\$3,100,000,000</b>	<b>6.2806%</b>	<b>\$194,698,076</b>
	Percent Change from Previous Year	85.96%	-26.36%	5.71%

(Combined base & Supplemental)

Contract Year	Contract	Limit	Rate On Line (ROL)	Premium
<b>Base-Limits</b>				
<b>2008</b>	Combined Reinsurance Contract #1	\$300,000,000	9.8000%	\$29,400,000
	Combined Reinsurance Contract #2	\$1,367,000,000	8.2500%	\$112,777,500
	<b>Total</b>	<b>\$1,667,000,000</b>	<b>8.5289%</b>	<b>\$142,177,500</b>
Percent Change from Previous Year		-11.58%	5.77%	-6.48%
<b>2007</b>	Collateralized Reinsurance Contract (2006-2007)	\$350,000,000	6.9500%	\$24,325,000
	Reinsurance Layer 1	\$150,000,000	15.0000%	\$22,500,000
	Reinsurance Layer 2	\$50,000,000	12.5000%	\$6,250,000
	Collateralized Reinsurance Contract (2007)	\$125,000,000	11.5000%	\$14,375,000
	Reinsurance Layer 3	\$20,000,000	11.0000%	\$2,200,000
	Reinsurance Layer 4 (79.45953% placed)	\$1,200,000,000	7.1000%	\$0
	Reinsurance Layer 5 (79.47738% placed)	\$298,000,000	6.2000%	\$0
<b>Total</b>	<b>\$1,885,356,952</b>	<b>8.0639%</b>	<b>\$152,033,760</b>	
Percent Change from Previous Year		7.37%	24.19%	33.33%
<b>2006</b>	Collateralized Reinsurance Contract (2005-2006)	\$300,000,000	7.0000%	\$21,000,000
	Collateralized Reinsurance Contract (2006-2007)	\$350,000,000	6.9500%	\$24,325,000
	Collateralized Reinsurance Contract	\$30,000,000	6.8000%	\$2,040,000
	<b>Total</b>	<b>\$680,000,000</b>	<b>6.9654%</b>	<b>\$47,365,000</b>
	Base-Limit Coverage Reinsurance Contract Insurance In Force Adjustment	\$1,076,000,000	6.0000%	\$64,560,000 \$2,100,000
<b>Total</b>	<b>\$1,756,000,000</b>	<b>6.4935%</b>	<b>\$114,025,000</b>	
Percent Change from Previous Year		17.07%	5.83%	23.89%
<b>2005</b>	Collateralized Reinsurance Contract (2005-2006)	\$300,000,000	7.0000%	\$21,000,000
	First Transformer Layer (2004-2005)	\$150,000,000	7.2500%	\$10,875,000
	MLCRC First Reinsurance Layer	\$550,000,000	5.7500%	\$31,625,000
	<b>Total</b>	<b>\$1,000,000,000</b>	<b>6.3500%</b>	<b>\$63,500,000</b>
	Second Transformer Layer (2004-2005)	\$200,000,000	5.5000%	\$11,000,000
	MLCRC Second Reinsurance Layer	\$300,000,000	4.3500%	\$13,050,000
	<b>Total</b>	<b>\$500,000,000</b>	<b>4.8100%</b>	<b>\$24,050,000</b>
	Insurance In Force Adjustment <sup>1</sup>			\$4,484,662
	<b>Total</b>	<b>\$1,500,000,000</b>	<b>6.1356%</b>	<b>\$92,034,662</b>
	Percent Change from Previous Year		0.00%	-8.51%

Contract Year	Contract	Limit	Rate On Line (ROL)	Premium
<b>2004</b>	MLCRC First Reinsurance Layer	\$700,000,000	7.8500%	\$54,950,000
	First Transformer Layer (2004-2005)	\$150,000,000	7.2500%	\$10,875,000
	MLCRC Second Reinsurance Layer	\$150,000,000	6.3500%	\$9,525,000
		<b>\$1,000,000,000</b>	<b>7.5350%</b>	<b>\$75,350,000</b>
	Second Transformer Layer (2004-2005)	\$200,000,000	5.5000%	\$11,000,000
	MLCRC Third Reinsurance Layer	\$300,000,000	4.7500%	\$14,250,000
	<b>\$500,000,000</b>	<b>5.0500%</b>	<b>\$25,250,000</b>	
	<b>Total</b>	<b>\$1,500,000,000</b>	<b>6.7067%</b>	<b>\$100,600,000</b>
	Percent Change from Previous Year	-2.47%	-6.40%	-8.72%
<b>2003</b>	MLCRC Coverage A	\$600,000,000	8.8000%	\$52,800,000
	MLCRC Coverage B	\$400,000,000	7.2500%	\$29,000,000
		<b>\$1,000,000,000</b>	<b>8.1800%</b>	<b>\$81,800,000</b>
	Transformer Layer	\$200,000,000	5.5000%	\$11,000,000
	MLCRC Coverage C	\$338,000,000	5.1500%	\$17,407,000
		<b>\$538,000,000</b>	<b>5.2801%</b>	<b>\$28,407,000</b>
	<b>Total</b>	<b>\$1,538,000,000</b>	<b>7.1656%</b>	<b>\$110,207,000</b>
	Percent Change from Previous Year	-21.98%	6.99%	-16.53%
<b>2002</b>	First Aggregate	\$1,433,620,000	7.2500%	\$82,187,450
	First Aggregate (\$200M part of)	\$1,433,620,000	7.1400%	\$14,280,000
	First Aggregate (\$100M part of)	\$1,433,620,000	5.9900%	\$5,990,000
		<b>\$1,433,620,000</b>	<b>7.1468%</b>	<b>\$102,457,450</b>
	Second Aggregate <sup>4</sup>	\$537,607,500	5.5000%	\$29,568,413
		<b>\$1,971,227,500</b>	<b>6.6976%</b>	<b>\$132,025,863</b>
	Percent Change from Previous Year	0.00%	-13.69%	-13.69%
<b>2001</b>	First Aggregate	\$1,433,620,000	8.5000%	\$96,357,700
	First Aggregate (\$200M part of)	\$1,433,620,000	7.5000%	\$15,000,000
	First Aggregate (\$100M part of)	\$1,433,620,000	5.9900%	\$5,990,000
		<b>\$1,433,620,000</b>	<b>8.1854%</b>	<b>\$117,347,700</b>
	Second Aggregate	\$537,607,500	6.6250%	\$35,616,497
		<b>\$1,971,227,500</b>	<b>7.7598%</b>	<b>\$152,964,197</b>
	Percent Change from Previous Year	-21.43%	-17.31%	-35.03%

Contract Year	Contract	Limit	Rate On Line (ROL)	Premium
<b>2000</b>	First Aggregate	\$1,433,620,000	8.5000%	\$104,857,697
	First Aggregate (\$200M part of)	\$1,433,620,000	7.5000%	\$15,000,002
		<b>\$1,433,620,000</b>	<b>8.3605%</b>	<b>\$119,857,699</b>
	Second Aggregate	\$1,075,215,000	10.7500%	\$115,585,613
	<b>Total</b>	<b>\$2,508,835,000</b>	<b>9.3846%</b>	<b>\$235,443,311</b>
Percent Change from Previous Year		0.00%	3.02%	3.02%
<b>1999</b>	First Aggregate	\$1,433,620,000	11.0000%	\$157,698,200
	No Claims Bonus Paid to CEA			(\$28,970,456)
	Exposure Adjustment			(\$15,769,820)
	Revised ROL and Premium	\$1,433,620,000	7.8792%	\$112,957,924
	Second Aggregate	\$1,075,215,000	10.7500%	\$115,585,613
<b>Total</b>	<b>\$2,508,835,000</b>	<b>9.1095%</b>	<b>\$228,543,537</b>	
Percent Change from Previous Year		0.00%	-23.56%	-23.56%
<b>1998</b>	First Aggregate	\$1,433,620,000	14.3750%	\$206,082,875
	No Claims Bonus Paid to CEA			(\$22,687,734)
	Revised ROL and Premium	\$1,433,620,000	12.7925%	\$183,395,141
	Second Aggregate	\$1,075,215,000	10.7500%	\$115,585,613
	<b>Total</b>	<b>\$2,508,835,000</b>	<b>11.9171%</b>	<b>\$298,980,754</b>
Percent Change from Previous Year		16.13%	-4.19%	11.27%
<b>1997</b>	First Aggregate	\$1,433,620,000	14.3750%	\$206,082,875
	No Claims Bonus Paid to CEA			(\$14,430,600)
	Revised ROL and Premium	\$1,433,620,000	13.3684%	\$191,652,275
	Second Aggregate (1/1/98 - 3/31/98)	\$1,075,215,000	10.7500%	\$28,896,403
	Second Aggregate (7/1/97 - 12/31/97)	\$716,810,000	10.7500%	\$38,528,538
	Second Aggregate (4/1/97 - 6/30/97)	\$358,405,000	10.7500%	\$9,632,134
			<b>10.7500%</b>	<b>\$77,057,075</b>
	<b>Total</b>	<b>\$2,160,430,000</b>	<b>12.4378%</b>	<b>\$268,709,350</b>

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

<sup>2</sup> Twelve month annualized premium over 3 years

<sup>3</sup> Includes average limit for Second Aggregate of \$716.810M

<sup>4</sup> Premium is based on 12-month premium

## California Earthquake Authority Historical Risk-Transfer Costs

### Supplemental-Limits

Contract Year	Contract	Limit	Retention	Rate On Line (ROL)	Premium
<b>2008</b>	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
	<b>Total</b>	<b>\$601,300,000 xs</b>	<b>\$50,000,000</b>	<b>6.9849%</b>	<b>\$42,000,000</b>
Percent Change from Previous Year		1.45%		-1.43%	0.00%
<b>2007</b>	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
	<b>Total</b>	<b>\$592,715,221 xs</b>	<b>\$50,000,000</b>	<b>7.0860%</b>	<b>\$42,000,000</b>
Percent Change from Previous Year		306.36%		66.73%	577.53%
<b>2006</b> <sup>1</sup>	Supplemental-Limits Excess	\$145,858,362 xs	\$450,000,000	4.2500%	\$6,198,980
	<b>Total</b>	<b>\$145,858,362 xs</b>	<b>\$450,000,000</b>	<b>4.2500%</b>	<b>\$6,198,980</b>

<sup>1</sup> 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	