California Earthquake Authority

Financial Report
with Supplemental Information
December 31, 2020

Contents

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Independent Auditor's Report

To the Governing Board
California Earthquake Authority

Report on the Financial Statements

We have audited the accompanying financial statements of the enterprise fund and fiduciary fund of the California Earthquake Authority (CEA) as of and for the years ended December 31, 2020 and 2019 and the related notes to the financial statements, which collectively comprise the CEA's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these basic financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of basic financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these basic financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the basic financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the basic financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the basic financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the basic financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the basic financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the enterprise fund and fiduciary fund of the California Earthquake Authority as of December 31, 2020 and 2019 and the changes in its financial position and its cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

To the Governing Board
California Earthquake Authority

Other Matters

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of the CEA's proportionate share of the net pension liability, and the schedule of pension contributions be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the California Earthquake Authority's basic financial statements. The accompanying schedules of participating insurer capital contributions, participating insurer premiums written, participating insurer unearned premiums, participating insurer commissions, and participating insurer operating costs are presented for the purpose of additional analysis and are not a required part of the basic financial statements.

The schedules of participating insurer capital contributions, participating insurer premiums written, participating insurer unearned premiums, participating insurer commissions, and participating insurer operating costs are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedules of participating insurer capital contributions, participating insurer premiums written, participating insurer unearned premiums, participating insurer commissions, and participating insurer operating costs are fairly stated in all material respects in relation to the basic financial statements as a whole.

Plante & Moran, PLLC

June 1, 2021

History and Financing

This discussion provides an assessment by management of the financial position, revenue, expenses, changes in net position, cash flows and liquidity of the California Earthquake Authority (CEA). Readers are encouraged to consider the information presented in conjunction with the financial statements as a whole, which follow the management's discussion and analysis.

Following the unprecedented losses from the 1994 Northridge earthquake, many insurance companies either stopped or severely restricted selling new homeowners' insurance policies in California. The insurer response was largely due to state law that requires insurers to offer earthquake insurance when selling or renewing residential property insurance.

In September 1996, legislation to create the CEA was approved by the California State Legislature. On November 26, 1996, the State of California Insurance Commissioner certified that all statutory conditions necessary for the CEA to become operational had been met, and the CEA began writing earthquake policies on December 1, 1996. The CEA is overseen by a three-member governing board consisting of the governor, the treasurer, and the insurance commissioner or their designees. The speaker of the assembly and the chairperson of the Senate Rules Committee or their designees serve on the governing board as nonvoting members. The governing board establishes premium rates, subject to the prior approval of the insurance commissioner. The governing board is advised by an 11-member advisory panel, consisting of members of the public, consumers, and insurance industry representatives.

The CEA uses its available capital (net position) to leverage approximately $19 billion in claims-paying capacity at December 31, 2020. The CEA's claims-paying capacity is determined from the CEA's available capital, risk-transfer coverage, debt, and post-event prospective participating insurance company assessments. The CEA derives its capital from participating insurer capital contributions and from increases in net position generated from the sale of earthquake insurance policies. The CEA is exempt from federal income tax and from state insurance-premium tax. California Insurance Code Section 10089.44 provides, in pertinent part, that "… premiums collected by the authority shall be exempt from collection of the state's insurance premium tax, and the amount of tax foregone by the state shall be considered for all purposes a contribution by the state and its citizens to the capital and operating revenue of the authority."

The CEA had 1,136,983 policyholders at December 31, 2020, most of whom insure single-family dwellings through the CEA. The CEA offers a basic residential earthquake policy to homeowners, which includes coverage for the insured dwelling and limited coverage for contents and loss of use if the residence is uninhabitable due to an earthquake. The CEA also offers policies to condominium unit owners, mobile homeowners, and renters. For an additional premium, CEA policyholders can significantly increase insured limits on contents and for loss of use. The CEA policy deductible ranges from 5 percent to 25 percent, which is determined by the homeowner and will affect the premium amount paid.

The CEA employs contract employees, employees subject to civil-service provisions, and an extensive network of contract vendors to perform functions on behalf of the CEA. The CEA is continuing to transition to more employees subject to civil service provisions to handle these functions, which over time will reduce the number of contract vendors necessary to handle these internal functions.

Using This Report

While the CEA is an instrumentality of the state, the State of California's General Fund is not liable for CEA claims, losses, or other liabilities. However, the CEA meets the definition of a governmental organization, as defined by accounting principles generally accepted in the United States of America. The CEA's financial statements for the years ended December 31, 2020 and 2019 have been prepared using accounting standards applicable to governmental entities. This financial report consists of five financial statements with accompanying notes. The balance sheet, prepared on the accrual basis of accounting, includes all assets, liabilities, and net position of the CEA. The statement of revenue, expenses, and changes in net position, also prepared on the accrual basis, considers all revenue and expenses for the CEA regardless of when cash is received or paid. The statement of cash flows reflects the actual cash receipts and disbursements for a specified period. The statement of fiduciary net position and changes in fiduciary net position report the net position restricted for the California Wildfire Fund (CWF) and the increase in net position for the year. The net position of the CWF is not reflected as part of the CEA net position because the CWF resources are not available to support CEA operations, nor are CEA resources available to support CWF operations. Required information concerning the CWF can be found in Note 15.

Condensed Balance Sheet

The CEA's assets, deferred outflows, liabilities, deferred inflows, and net position as of December 31 are summarized as follows:

	2020	2019	2018
Assets			
Current assets:			
Cash and investments	$ 7,696,359,343	$ 7,017,586,206	$ 6,610,077,544
Premiums receivable - Net	81,457,207	73,539,876	69,456,437
Prepaid reinsurance premium	90,585,910	20,840,283	19,854,113
Other current assets	39,848,747	33,321,063	34,651,019
Total current assets	7,908,251,207	7,145,287,428	6,734,039,113
Noncurrent assets - Capital assets	107,269	152,485	208,044
Total assets	7,908,358,476	7,145,439,913	6,734,247,157
Deferred Outflows of Resources	3,595,417	3,170,535	4,462,640
Liabilities			
Current liabilities:			
Unearned premiums	448,496,910	423,593,078	417,448,201
Revenue bonds payable - Current portion	100,000,000	-	105,000,000
Other current liabilities	24,785,616	22,652,987	12,623,686
Total current liabilities	573,282,526	446,246,065	535,071,887
Noncurrent liabilities:			
Revenue bond payable - Noncurrent portion	200,000,000	-	-
Other noncurrent liabilities	12,806,006	11,067,316	12,745,149
Total noncurrent liabilities	212,806,006	11,067,316	12,745,149
Total liabilities	786,088,532	457,313,381	547,817,036
Deferred Inflows of Resources	370,083	386,030	103,316

	2020	2019	2018
Net Position			
Net investment in capital assets	$ 107,269	$ 152,485	$ 208,044
Restricted - Expendable	70,127,522	13,315,861	327,622,508
Unrestricted	7,055,260,487	6,677,442,691	5,862,958,893
Total net position	**$ 7,125,495,278**	**$ 6,690,911,037**	**$ 6,190,789,445**

Assets

Total assets increased $763 million (10.7 percent) in 2020. The increase was primarily due to cash and investments, which grew $679 million (9.7 percent). The remaining increase is associated with prepaid reinsurance premiums of $70 million (334.7 percent), premiums receivable of $8 million (10.8 percent), and other current assets of $7 million (19.6 percent).

In 2019, total assets increased $411 million (6.1 percent). The increase was primarily due to cash and investments, which grew $408 million (6.2 percent). The remaining increase is associated with premiums receivable of $4 million (5.9 percent).

Deferred Outflows of Resources/Deferred Inflows of Resources

Deferred outflows of resources had an increase of $0.4 million (13.4 percent) in 2020 and a decrease in 2019 of $1 million (29.0 percent). Deferred inflows of resources decreased by $15,947 (4.1 percent) and increased $282,714 (273.6 percent) in 2020 and 2019, respectively. These balances are associated with the recording of the CEA's proportionate share of net pension liability as reported to the CEA by the state controller in accordance with Governmental Accounting Standards Board (GASB) Statement No. 68. See Note 11 to the financial statements for further discussion of these balances.

Liabilities

Total liabilities increased $329 million (71.9 percent) in 2020, driven by an increase of $300 million (100 percent) in revenue bonds payable and $25 million (5.9 percent) of unearned premiums. See Note 5 in the notes to financial statements for further discussion of the revenue bonds.

Total liabilities decreased $91 million (16.5 percent) in 2019, driven by a decrease of $105 million (100 percent) in revenue bonds payable due to debt repayments. This decrease was offset by an increase in various other liability accounts, primarily unearned premiums, accounts payable, and loss and loss expense reserves.

Net Position

The CEA classifies its net position into three components; invested in capital assets, net of related debt; restricted - expendable; and unrestricted. Invested in capital assets, net of related debt consists of equipment and leasehold improvements, and there is no debt related to the purchase of these assets. Restricted net position includes the net position of the Earthquake Loss Mitigation Fund (the "Mitigation Fund"), unspent bond proceeds restricted for payment of claims as defined in the debt agreements offset by underlying debt, funds held for debt service by the revenue bond trustee, and investment income earned on the bond proceeds restricted as pledged revenue for debt service.

The Mitigation Fund was created by statute, and related funds must be used solely for the establishment and operation of earthquake loss mitigation programs. The remaining net position of the CEA is classified as unrestricted. The CEA's net position increased $435 million (6.5 percent) and $500 million (8.1 percent) in 2020 and 2019, respectively.

The 2020 increase was primarily composed of the underwriting profit of $214 million, premium tax contributions from the State of California of $20 million, and net investment income of $209 million. The 2019 increase was primarily composed of the underwriting profit of $238 million, premium tax contributions from the State of California of $19 million, and net investment income of $249 million.

Condensed Statement of Revenue, Expenses, and Changes in Net Position

The CEA's operating and nonoperating results for the current year compared to the prior years are presented in the following table:

	2020	2019	2018
Premiums Earned			
Premiums written	$ 845,164,654	$ 816,640,879	$ 778,340,984
Less premiums ceded - Reinsurance	(426,722,911)	(373,457,574)	(366,630,729)
Net premiums written	418,441,743	443,183,305	411,710,255
Change in net unearned premiums	(24,903,828)	(6,144,877)	(43,992,185)
Net premiums earned	393,537,915	437,038,428	367,718,070
Expenses			
Losses and loss adjustment (recoveries) expenses	(2,798,034)	4,875,685	148,833
Other underwriting expenses	182,778,540	194,155,788	185,518,102
Total expenses	179,980,506	199,031,473	185,666,935
Underwriting Profit	213,557,409	238,006,955	182,051,135
Nonoperating Income (Expenses)			
Net investment income	208,841,795	248,719,233	92,745,186
Other nonoperating income	32,168,913	20,426,997	18,774,366
Other nonoperating expense	(19,983,876)	(7,031,593)	(10,031,627)
Total nonoperating income	221,026,832	262,114,637	101,487,925
Income - Before capital contributions	434,584,241	500,121,592	283,539,060
Capital Contributions	-	-	13,272,000
Change in Net Position	**$ 434,584,241**	**$ 500,121,592**	**$ 296,811,060**

The increase in net position was $435 million in 2020, which resulted in a net profit margin of 51.4 percent, and was a $66 million (13.1 percent) decrease compared to 2019. The decrease in 2020 compared to 2019 was driven by net investment income decreasing $40 million (16.0 percent) and net premiums earned decreasing by $44 million (10.0 percent).

The investment income decrease was driven by a negative change in unrealized gains/losses of $28 million and a $15 million decrease in interest income. The net premiums earned decrease was primarily driven by an increase of ceded premiums of $53 million offset by an increase in premiums written of $29 million.

The increase in net position was $500 million in 2019, which resulted in a net profit margin of 61.2 percent, and was a $203 million (68.5 percent) increase compared to 2018. The increase in 2019 compared to 2018 was driven by net investment income increasing $156 million (168.2 percent) and net premiums earned increasing by $69 million (18.9 percent).

The investment income increase was driven by a positive change in unrealized gains/losses of $133 million and a $20 million increase in interest income. The net premiums earned increase was primarily driven by an increase in premiums written of $38.3 million and an increase in the change in unearned premiums of $37.8 million.

Condensed Statement of Cash Flows

Primary sources of cash included cash flows from operations and proceeds from maturities of investments. The primary uses of cash was for operating expenses, repayment of debt, and the purchase of short-term and long-term investment securities.

The cash flows of the CEA are summarized as follows:

	2020	2019	2018
Net cash provided by operating activities	$ 167,640,775	$ 254,637,641	$ 237,095,275
Net cash provided by (used in) noncapital financing activities	297,458,571	(104,313,814)	(104,756,546)
Net cash provided by capital and related financing activities	-	7,742,000	5,530,000
Net cash used in investing activities	(441,036,191)	(245,011,486)	(303,410,981)
Net increase (decrease) in cash and cash equivalents	**$ 24,063,155**	**$ (86,945,659)**	**$ (165,542,252)**

Cash from operating activities decreased $87 million (34.2 percent) and increased $18 million (7.4 percent) in 2020 and 2019, respectively. The 2020 decrease resulted primarily from an increase in cash received from premiums of $25 million, offset by an increase in payments for reinsurance of $119 million. The 2019 increase resulted primarily from an increase in cash received from premiums of $39 million, offset by an increase in payments for reinsurance of $12 million and an increase in payments for other operating expenses of $8 million.

For the remaining cash flow activities, the biggest change from 2020 compared to 2019 was net bond proceeds of $300 million and cash used in investing activities. Cash used in investing activities increased by $196 million in 2020 compared to 2019. This is mostly driven by timing of purchases and proceeds as most investments are held until maturity.

For 2019 compared to 2018, the biggest change was cash used in investing activities. Cash used in investing activities decreased by $58 million in 2019 compared to 2018. This was mostly driven by timing of purchases and proceeds as most investments are held until maturity.

Liquidity

The CEA maintains a liquid investment portfolio in order to be able to pay claims in the event of a large earthquake. As of December 31, 2020, 13.3 percent of the portfolio was scheduled to mature in 90 days or less, securities maturing between 91 days and one year accounted for 19.7 percent of the portfolio, and securities maturing between one to five years accounted for the remaining 67 percent of the portfolio, with a total portfolio modified duration of approximately two years. Based on earthquake modelers' results of analyzing the CEA's portfolio, management believes the CEA has sufficient liquidity to meet its obligations as they become due resulting from an earthquake or series of earthquakes. The CEA pays policyholder claims from its claims-paying capacity.

The following depicts the CEA's claims-paying capacity in effect as of December 31, 2020, in millions of dollars:

CEA capital available for claims	$ 5,945
Risk transfer financial products	9,146
Revenue bonds	1,449
Policyholders surcharge	1,000
Post-earthquake industry assessments (second layer)	1,663
Total	**$ 19,203**

Capital Assets

The CEA's investment in capital assets as of December 31, 2020 was $107,269 (net of accumulated depreciation). No major capital asset purchases were made in the current year.

Debt Administration

At December 31, 2020, the CEA had short-term debt obligations of $100 million and long-term debt obligations of $200 million associated with 2020 debt issuances. Additional information on the CEA's long-term debt can be found in Note 5 in the notes to the financial statements.

Current Economic Factors and Conditions

The California economy has experienced significant economic and financial turmoil due to the COVID-19 pandemic. The unemployment rate in California went from 3.9 percent at December 31, 2019 to 9.3 percent at December 31, 2020. California lost 2,615,800 nonfarm jobs due to the COVID-19 pandemic in March and April 2020. In the U.S., multiple federal stimulus packages were passed in an attempt to shore up economic conditions and mitigate the impacts of the pandemic on businesses and individuals. Real GDP decreased 3.5 percent in 2020, compared with an increase of 2.2 percent in 2019. Real GDP is projected to be 4.5 percent higher by the end of 2021 or close to $22 trillion or marginally above where the U.S. was at the end of 2019, making 2020 and at least the first half of 2021 lost time from an economic perspective.

The CEA continues to experience year-over-year growth in policy counts. As of December 31, 2020, CEA policyholders increased 2.28 percent from December 31, 2019. The growth in 2020 was most likely the result of several lifestyle changes brought on by the COVID-19 pandemic and renewed importance by many California homeowners' to safeguard their most valuable possession - their home.

Requests for Information

This financial report is designed to provide a general overview of the CEA's finances for all those interested. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to California Earthquake Authority, 801 K Street, Suite 1000, Sacramento, CA 95814.

Balance Sheet

December 31, 2020 and 2019

	2020	2019
Assets and Deferred Outflows of Resources		
Current assets:		
Cash and investments:		
Cash and cash equivalents	$ 94,506,738	$ 128,649,686
Restricted cash and cash equivalents	66,881,868	8,675,765
Restricted investments	299,715,540	-
Investments	7,235,255,197	6,880,260,755
Premiums receivable - Net of allowance for doubtful accounts of $5,956,168 and $6,156,102	81,457,207	73,539,876
Interest receivable	26,629,329	27,711,837
Prepaid reinsurance premium	90,585,910	20,840,283
Prepaid transformer maintenance premium	7,221,187	3,783,920
Other current assets	5,998,231	1,825,306
Total current assets	7,908,251,207	7,145,287,428
Noncurrent assets - Capital assets - Net	107,269	152,485
Total assets	7,908,358,476	7,145,439,913
Deferred Outflows of Resources - Related to pension	3,595,417	3,170,535
Liabilities and Deferred Inflows of Resources		
Current liabilities:		
Accounts payable and accrued expenses	11,842,150	15,006,680
Losses and loss adjustment expense reserves	864,862	3,815,000
Compensated absences - Current portion	982,524	546,259
Revenue bond interest payable	409,158	-
Securities payable	6,870,023	3,120,551
Unearned premiums	448,496,910	423,593,078
SB 84 loan payable - Current portion	-	164,497
Revenue bond payable - Current portion	100,000,000	-
Accrued reinsurance premium expenses	3,816,899	-
Total current liabilities	573,282,526	446,246,065
Noncurrent liabilities:		
SB 84 loan payable	-	926,503
Net pension liability	11,823,481	9,621,334
Revenue bond payable - Net of current portion	200,000,000	-
Compensated absences	982,525	519,479
Total liabilities	786,088,532	457,313,381
Deferred Inflows of Resources - Related to pension	370,083	386,030
Net Position		
Net investment in capital assets	107,269	152,485
Restricted - Expendable	70,127,522	13,315,861
Unrestricted	7,055,260,487	6,677,442,691
Total net position	**$ 7,125,495,278**	**$ 6,690,911,037**

See notes to financial statements.

Statement of Revenue, Expenses, and Changes in Net Position

Years Ended December 31, 2020 and 2019

	2020	2019
Premiums Earned		
Premiums written	$ 845,164,654	$ 816,640,879
Less premiums ceded - Reinsurance	(426,722,911)	(373,457,574)
Net premiums written	418,441,743	443,183,305
Change in unearned premiums	(24,903,828)	(6,144,877)
Net premiums earned	393,537,915	437,038,428
Operating Expenses		
Losses and loss adjustment (recoveries) expenses	(2,798,034)	4,875,685
Participating insurer commissions	84,528,163	81,673,616
Participating insurer operating costs	27,108,127	26,346,131
Reinsurance broker commissions	2,800,000	2,800,000
Premium taxes	19,872,473	19,202,293
Other underwriting expenses	48,469,777	64,133,748
Total operating expenses	179,980,506	199,031,473
Underwriting Profit	213,557,409	238,006,955
Nonoperating Income (Expenses)		
Net investment income	208,841,795	248,719,233
Investment income on bond proceeds - Net of related expenses	(2,451,709)	1,680,322
Other income	592,133	478,489
Grant revenue	11,704,307	746,215
Grant expenses	(11,704,307)	(746,215)
Mitigation Fund expenses	(1,827,860)	(1,665,700)
California Residential Mitigation Program contribution	(4,000,000)	(6,300,000)
State of California premium tax contribution	19,872,473	19,202,293
Total nonoperating income	221,026,832	262,114,637
Increase in Net Position	434,584,241	500,121,592
Net Position - Beginning of year	6,690,911,037	6,190,789,445
Net Position - End of year	**$ 7,125,495,278**	**$ 6,690,911,037**

See notes to financial statements.

Years Ended December 31, 2020 and 2019

	2020	2019
Cash Flows from Operating Activities		
Cash received from premiums	$ 837,247,323	$ 812,557,440
Cash payments for premiums ceded - Reinsurance	(496,088,906)	(376,959,541)
Cash payments for operating expenses	(143,516,080)	(152,319,873)
Cash payments to employees for services	(30,001,562)	(28,640,385)
Net cash provided by operating activities	167,640,775	254,637,641
Cash Flows from Noncapital Financing Activities		
Repayment of revenue bonds	(400,000,000)	(105,000,000)
Interest paid on revenue bonds	(2,275,620)	(3,035,513)
Interest income on revenue bond proceeds	233,068	3,243,210
Grant revenue	11,704,307	746,215
Grant expense	(11,704,307)	(746,215)
Other income	592,123	478,489
Proceeds from revenue bond issuances	700,000,000	-
Repayment of SB 84 loan	(1,091,000)	-
Net cash provided by (used in) noncapital financing activities	297,458,571	(104,313,814)
Cash Flows Provided by Financing Activities - Contributed capital receipts	-	7,742,000
Cash Flows from Investing Activities		
Proceeds from maturities of investments	3,606,789,459	1,717,474,394
Purchases of investments	(4,168,475,646)	(2,078,195,740)
Investment income	123,576,579	118,526,106
Investment expense	(2,926,583)	(2,816,246)
Net cash used in investing activities	(441,036,191)	(245,011,486)
Net Increase (Decrease) in Cash and Cash Equivalents	24,063,155	(86,945,659)
Cash and Cash Equivalents - Beginning of year	137,325,451	224,271,110
Cash and Cash Equivalents - End of year	**$ 161,388,606**	**$ 137,325,451**
Reconciliation to Balance Sheet		
Cash and investments	$ 94,506,738	$ 128,649,686
Restricted cash and cash equivalents	66,881,868	8,675,765
Total cash and cash equivalents	**$ 161,388,606**	**$ 137,325,451**

See notes to financial statements.

Statement of Cash Flows (Continued)

Years Ended December 31, 2020 and 2019

	2020	2019
Reconciliation of Underwriting Profit to Net Cash from Operating Activities		
Underwriting profit	$ 213,557,409	$ 238,006,955
Adjustments to reconcile underwriting profit to net cash from operating activities:		
Depreciation on equipment	45,216	55,560
Premium tax expense	19,872,473	19,202,293
Contribution to California Residential Mitigation Program	(4,000,000)	(6,300,000)
Mitigation Fund expenses	(1,827,860)	(1,665,700)
Net periodic pension expense	1,761,312	125,669
Changes in assets and liabilities:		
Premiums receivable	(7,917,331)	(4,083,439)
Unearned premiums	24,903,832	6,144,877
Other assets	(4,172,924)	(1,499,299)
Prepaid reinsurance premium	(69,745,627)	(986,170)
Prepaid transformer maintenance premium	(3,437,267)	(2,515,797)
Losses and loss adjustment expenses	(2,950,138)	3,699,886
Accounts payable and accrued expenses	(3,164,530)	4,585,931
Compensated absences payable	899,311	(133,125)
Accrued reinsurance premium expense	3,816,899	-
Net cash provided by operating activities	**$ 167,640,775**	**$ 254,637,641**

Noncash Investing, Capital, and Financing Activities - The change in the fair value of investments, which is included as a component of net investment income in the statement of revenue, expenses, and changes in net position, was an increase of $99.7 million in 2020 and an increase of $127.9 million in 2019. Premium tax contributed by the State of California and recognized as a component of expense in the statement of revenue, expenses, and changes in net position was $19.9 million and $19.2 million in 2020 and 2019, respectively.

Fiduciary Funds
Statement of Fiduciary Net Position - Fiduciary Fund of California Wildfire Fund

December 31, 2020 and 2019

	Custodial Funds	
	2020	2019
Assets		
Cash and investments:		
Cash and cash equivalents	$ 511,921,154	$ 170,912,277
Investments	9,583,274,855	4,599,954,544
Total assets	10,095,196,009	4,770,866,821
Liabilities - Securities payable	387,224	447,511
Net Position		
Restricted - Restricted for CWF	10,094,808,785	4,770,419,310
Total net position	**$ 10,094,808,785**	**$ 4,770,419,310**

See notes to financial statements.

Fiduciary Funds
Statement of Changes in Fiduciary Net Position - Fiduciary Funds of California Wildfire Fund

Years Ended December 31, 2020 and 2019

	Custodial Funds	
	2020	2019
Additions - Deposits from CWF	$ 5,470,764,833	$ 4,789,829,741
Deductions - Withdrawals by CWF	146,375,358	19,410,431
Net Increase in Fiduciary Net Position	5,324,389,475	4,770,419,310
Net Position - Beginning of year	4,770,419,310	-
Net Position - End of year	**$ 10,094,808,785**	**$ 4,770,419,310**

Note 1 - Reporting Entity

The California Earthquake Authority (CEA) is a privately financed, publicly managed authority that provides insurance coverage for earthquake damage to residential property owners, condominium owners, mobile homeowners, and renters in the state of California. In September 1996, legislation to create the CEA was approved by the California State Legislature. On November 26, 1996, the State of California insurance commissioner certified that all statutory conditions necessary for the CEA to become operational had been met, and the CEA began writing earthquake policies on December 1, 1996. The CEA is overseen by a three-member governing board consisting of the governor, the treasurer, and the insurance commissioner or their designees. The speaker of the assembly and the chairperson of the Senate Rules Committee or their designees serve on the governing board as nonvoting members. The Governing Board is advised by an 11-member advisory panel, consisting of members of the public, consumers, and insurance industry representatives.

CEA policies are sold to policyholders by participating insurers of the CEA. Insurance companies admitted to write residential property insurance in California and who elect to become participating members of the CEA sign Insurer Participation Agreements with the Insurance Commissioner and the CEA. Under these agreements, participating insurers act as independent contractor agents on behalf of the CEA by performing policy and claims services, which include policy issuance, premium collection, and claims adjustment. Under the agreements, the CEA reimburses participating insurers for non-claims-related costs incurred by these companies in servicing CEA policies. The operating cost reimbursement was 3.25 percent throughout 2018 and changed to 3.21 percent on July 1, 2019 as a result of the most recent form filing approved by the Department of Insurance. The producer commission is equal to 10 percent of written premium of all new and renewal CEA policies. Additionally, participating insurers receive reimbursement for expenses associated with servicing CEA claims equal to 9 perfect of paid claims. As of December 31, 2020, there are 25 participating insurers, of which 19 insurers are writing CEA policies. Four participating insurers account for 69 percent of CEA's written premiums.

The CEA has eligibility requirements that compel the CEA to issue and renew policies if the insured structure has no preexisting, noncosmetic earthquake damage and the policyholder has a companion policy of residential property insurance from a participating insurer.

In the event that a natural disaster program is enacted by Congress, the advisory panel is required to prepare a plan to dissolve the CEA or to conform the sections of the California Insurance Code regarding the CEA to the federal program and recommend an action plan to the CEA governing board and the California State Legislature.

Note 2 - Summary of Significant Accounting Policies

Basis of Accounting

While the CEA is an instrumentality of the state, the State of California's General Fund is not liable for CEA claims, losses, or other liabilities. However, the CEA meets the definition of a governmental organization, as defined by accounting principles generally accepted in the United States of America.

The CEA is accounted for as an enterprise fund and is financed and operated in a manner similar to that of a private business enterprise. The CEA uses the economic resources measurement focus and the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Under this method, revenue is recorded when earned, and expenses are recorded when incurred. In preparing the financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the balance sheet and revenue and expenses for the period, as well as the disclosure of contingent assets and liabilities. Actual results could differ from those estimates applied in the preparation of the accompanying financial statements.

Note 2 - Summary of Significant Accounting Policies (Continued)

The custodial fund accounts for the activities of the California Wildfire Fund (CWF). As a separate fiduciary fund, classified as a custodial fund for the asset holdings of the CWF, the custodial fund reports net position restricted for payment or reimbursement of eligible claims from a covered wildfire by a utility company that participates in the CWF. As a result, the funds are not available to support CEA operations. The reporting focus of the custodial fund is on net position and changes in net position and employs accounting principles similar to the CEA, as described above. As further described in Note 15, the financial statements of the custodial fund are reported using the economic resources measurement focus and the accrual basis of accounting.

Operating revenue is revenue that is generated from providing earthquake insurance policies. All other revenue is reported as nonoperating revenue. Operating expenses are those costs related to providing those earthquake insurance policies. All other expenses are reported as nonoperating expenses.

Revenue Recognition

Premiums are recognized as earned on a pro rata basis over the policy contract period. All premium rates charged by the CEA must be approved by the State of California insurance commissioner before use. Unearned premiums represent amounts written which relate to coverage in future periods.

Premiums paid or accrued by the CEA under reinsurance agreements are accounted for as a reduction in the related premium revenue earned and amortized over the remaining reinsurance contract period. Prepaid insurance premiums are the pro rata portion of premiums ceded applicable to the unexpired period of reinsurance coverage.

Use of Restricted/Unrestricted Net Position

When an expense is incurred for purposes for which both restricted and unrestricted net position is available, the CEA’s policy is to apply unrestricted net position before applying any restricted net position available.

CEA’s policy could change if California experiences a major earthquake event.

Cash and Cash Equivalents

For the purpose of the statement of cash flows, the CEA considers investments in certificates of deposit, U.S. Treasurys, commercial paper, corporate bonds, and bankers' acceptances with original maturities of three months or less, to be cash equivalents. Restricted cash and cash equivalents are composed of unspent bond proceeds, debt service sinking funds, and moneys transferred to the Earthquake Loss Mitigation Fund (the "Mitigation Fund").

Investments

Investments consist primarily of certificates of deposit, U.S. Treasurys, U.S. agencies, and commercial paper, as authorized by California Insurance Code (Code) Section 10089.6. All investments are reported at fair value in the balance sheet. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties and is determined from published data provided by the exchanges, computerized pricing sources, securities custodians, and other authoritative sources. The CEA is permitted to invest in securities eligible in California Government Code Section 16430. Restricted investments are composed of unspent bond proceeds and moneys transferred to the Mitigation Fund. The CEA intends to hold the majority of investments to maturity.

Note 2 - Summary of Significant Accounting Policies (Continued)

Capital Assets

Capital assets are stated at historical cost. The capitalization threshold for assets with a useful life beyond one year is $5,000. Depreciation is computed using the straight-line method over the useful lives as follows:

	Depreciable Life - Years
Leasehold improvements	Shorter of useful life or remaining lease term
Computer equipment and software	3
Furniture and other equipment	5
Capital leases	Shorter of useful life or remaining lease term

Risk-capital Surcharge

Under California Insurance Code Section 10089.16(d), effective July 1, 2008, the CEA Governing Board must calculate a risk-capital surcharge one year after the date that a new participating insurer first places or renews business into the CEA. The law provides that each annual risk-capital surcharge must equal the CEA's increased cost of providing or securing capacity to insure the new participant's excess earthquake insurance risk. Amica Mutual Insurance Company (Amica) joined the CEA and started transferring earthquake exposure to the CEA in August 2018 and, thus, has completed the transfer of its residential earthquake insurance exposure to the CEA.

CEA staff analyzed Amica’s earthquake insurance risk profile as of December 31, 2020 and determined that the addition of Amica’s business was more likely to produce losses for the CEA, or was likely to produce greater losses for the CEA, than would a book of existing CEA business of similar size. Therefore, the governing board required Amica to pay a first annual risk-capital surcharge in the amount of $112,000. The CEA recorded the risk-capital surcharge payment as other income for the year ended December 31, 2020.

Policy Acquisition Costs

Acquisition costs, consisting of participating insurer commissions and operating costs, vary with and are primarily related to the issuance of new and renewal insurance policies. These costs are expensed as incurred.

Losses and Loss Adjustment Expense Reserves

Reserves for insurance losses and loss adjustment expenses include the accumulation of case estimates for claims reported, claims incurred but not reported, and estimates of expenses for investigating and adjusting all incurred claims. The reserve is established at a level that management estimates to be sufficient to satisfy those claims. Estimates are revised as more information becomes available. Since the CEA’s inception, there has not been a major earthquake. The CEA had $864,862 and $3,815,000 in losses and loss adjustment expense reserves as of December 31, 2020 and 2019, respectively.

If the CEA's governing board determines that the CEA's net position, bond proceeds, additional participating insurer capital contributions and reinsurance proceeds are exhausted and that no source of additional funds is available to the CEA to pay policyholder claims, the governing board is required to develop a plan for approval by the State of California insurance commissioner to pay policyholder claims on a pro rata or installment basis. In such circumstances, the insurance code states that the commissioner shall order the CEA to cease renewing or accepting new earthquake insurance policies.

Note 2 - Summary of Significant Accounting Policies (Continued)

Participating Insurer Capital Contributions

Each insurer that elected to participate in the CEA during its first year of operations was required to contribute, as its share of the CEA's initial operating capital, an amount equal to $1,000,000,000 multiplied by the percentage representing that insurer's residential earthquake insurance market share as of January 1, 1994. Insurers that elect to participate in the CEA after December 1, 1996 are required to make an initial capital contribution calculated using their residential earthquake insurance market share as of January 1, 1994 or the latest date for which such market share information is available to the CEA, whichever contribution amount is greater. As of December 31, 2020, participating insurer capital contributions totaled $791 million and were 100 percent funded.

Participating Insurer Assessments

The California Insurance Code (the "Code") states that, subject to certain maximum limits as set forth in the Code, the CEA has the power to make additional assessments of participating insurers in the event of a major California earthquake, subject to the approval of the State of California Insurance Commissioner.

As of December 31, 2019, participating insurers have a cumulative residential property insurance market share of approximately 75.4 percent of the total residential property insurance market in California based on written premium. The market share as of December 31, 2020 was unavailable as of the date the financial statements were issued.

If participating insurers withdraw their participation in the CEA such that the cumulative residential property insurance market share is less than 65 percent, the insurance commissioner is required by law to make recommendations to the California Legislature for the continuation or termination of the CEA.

Net Position

The CEA classifies its net position into three components: net position invested in capital assets, net of related debt; restricted - expendable; and unrestricted net position. There is no debt related to capital assets, so the balance of net position invested in capital assets consists only of the capital assets balance. Restricted net position includes the net position of the Mitigation Fund, unspent bond proceeds restricted for payment of claims as defined in the debt agreements and funds held for debt service by the revenue bond trustee offset by underlying debt, and investment income earned on the bond proceeds restricted as pledged revenue for debt service.

Income Taxes

In a private letter ruling dated November 8, 1996, the Internal Revenue Service determined the CEA to be an integral part of the State of California for federal income tax purposes. As such, the CEA is exempt from federal income tax.

State of California Premium Tax

California Insurance Code Section 10089.44 provides that, "notwithstanding any other provision of law, premiums collected by the Authority shall be exempt from collection of the state's insurance premium tax, and the amount of tax foregone by the state shall be considered for all purposes a contribution by the state and its citizens to the capital and operating revenue of the authority." As a result, CEA is exempt from remitting state premium tax. Premium tax contributions from the State of California were $19,872,473 and $19,202,293 for the years ended December 31, 2020 and 2019, respectively, which offset the related operating expenses.

Note 2 - Summary of Significant Accounting Policies (Continued)

Compensated Absences

Employees accrue vacation, holiday, and sick leave benefits. However, unused sick leave is not included in compensated absences because they do not vest to employees. CEA contract employees are paid at the time of termination from CEA employment. CEA civil-service employees are paid at the time of termination only for employees who have left civil service employment. CEA civil-service employees who retain employment within civil service are removed as a liability for CEA, without a payout, as CEA is no longer responsible for the vested balance of these employees.

Pension Liability

All CEA civil-service employees participate in the California Public Employees' Retirement System (CalPERS), which is included in the State of California's Comprehensive Annual Financial Report as a fiduciary component unit. The portion of the present value of projected benefit payments to be provided to civil-service employees attributable to past periods of service less CEA's fiduciary net position is recorded as a liability. The CEA is using the measurement date as of June 30, 2019, which is the most recent information available.

Deferred Outflows and Inflows of Resources

In addition to assets and liabilities, the statement of net position/balance sheet will sometimes report a separate section for deferred outflows and inflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense) until a future period. Deferred inflows of resources represent an acquisition of net position that will be recognized as an inflow of resources (revenue) in a future period. Deferred outflows and inflows of resources as of December 31, 2020 related to pension results from the actuarially determined liability and pension contributions made after the measurement date.

Adoption of New Accounting Pronouncement

In March 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements.* This statement establishes criteria to improve the information that is disclosed in the notes to the government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The CEA adopted this standard during the year ended December 31, 2020, which requires footnote disclosures to classify all debt as either a direct borrowing or other borrowing.

Upcoming Accounting Pronouncement

In June 2017, the GASB issued Statement No. 87, *Leases*. This statement will increase the usefulness of governments' financial statements by requiring reporting of certain lease asset and liabilities that currently are not reported. It will enhance comparability of financial statements among governments by requiring lessees and lessors to report leases under a single model. This statement also will enhance the decision-usefulness of the information provided to financial statement users by requiring notes to financial statements related to the timing, significance, and purpose of a government's leasing arrangements. GASB Statement No. 87 is required to be adopted for years beginning after June 15, 2021 based on the extension from GASB Statement No. 95. The CEA does not expect this standard to have a significant impact on the financial statements.

Note 3 - Cash and Investments

As of December 31, 2020 the CEA had the following cash and investments:

	Investment Maturities (in Years)					
	Less Than 1	1-2	2-3	3-4	4-5	Total
U.S. Treasurys	$ 2,486,445,413	$ 1,559,085,379	$ 1,291,499,032	$ 997,273,169	$ 1,224,370,504	$ 7,558,673,497
Commercial paper	10,640,054	-	-	-	-	10,640,054
Cash	69,249,204	-	-	-	-	69,249,204
Money market	57,796,588	-	-	-	-	57,796,588
Total	$ 2,624,131,259	$ 1,559,085,379	$ 1,291,499,032	$ 997,273,169	$ 1,224,370,504	$ 7,696,359,343

As of December 31, 2019, the CEA had the following cash and investments:

	Investment Maturities (in Years)					
	Less Than 1	1-2	2-3	3-4	4-5	Total
U.S. Treasurys	$ 2,445,611,003	$ 1,438,164,392	$ 1,313,134,515	$ 1,036,455,402	$ 657,870,479	$ 6,891,235,791
U.S. agencies	68,818,185	-	-	-	-	68,818,185
Commercial paper	48,826,810	-	-	-	-	48,826,810
Cash	8,705,420	-	-	-	-	8,705,420
Total	$ 2,571,961,418	$ 1,438,164,392	$ 1,313,134,515	$ 1,036,455,402	$ 657,870,479	$ 7,017,586,206

The tables below identify the investment types that are authorized for the CEA by the California Government Code or CEA's investment policy, where more restrictive. The tables also identify certain provisions of the CEA's investment policy that address interest rate risk, credit risk, and concentration risk.

Liquidity Fund

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
U.S. Treasury securities	180 days	None	None
Federal agency securities	180 days	50%	25%
Bankers acceptances (BA)	180 days	25	5
Certificates of deposit	180 days	25	5
Commercial paper	180 days	25	5
Corporate bonds/notes	180 days	25	5

Primary Reserve Fund

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
U.S. Treasury securities	5 years	None	None
Federal agency securities	N/A	None	None
Bankers acceptances	N/A	None	None
Certificates of deposit	N/A	None	None
Commercial paper	N/A	None	None
Corporate bonds/notes	N/A	None	None

Note 3 - Cash and Investments (Continued)

Mitigation Fund

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
U.S. Treasury securities	90 days	None	None
Federal agency securities	90 days	50%	25%
Bankers acceptances	90 days	25	5
Certificates of deposit	90 days	25	5
Commercial paper	90 days	25	5
Corporate bonds/notes	90 days	25	5

Claims Paying Fund

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment In One Issuer
U.S. Treasury securities	5 years	None	None
Federal agency securities	180 days	50%	25%
Bankers acceptances	180 days	25	5
Certificates of deposit	180 days	25	5
Commercial paper	180 days	25	5
Corporate bonds/notes	180 days	25	5

Custodial Credit Risk of Bank Deposits

Custodial credit risk for deposits is the risk that, in the event of failure of a depository financial institution, the CEA will not be able to recover its deposits nor be able to recover collateral securities that are in the possession of an outside party. The CEA has no policy that would limit the exposure to custodial credit risk for deposits. At December 31, 2020 and 2019, approximately $69.4 million and $9.0 million, respectively, of CEA deposits were not covered by FDIC insurance.

Custodial Credit Risk of Investments

The CEA investment policy limits investments in banker’s acceptances and commercial paper to issuers with the highest rating category by all rating agencies that rate the issuer. The policy limits investments in corporate bonds to the top three ratings issued by nationally recognized rating services. As of December 31, 2020, 98 percent of the portfolio consisted of U.S. Treasurys, and, 2 percent of the portfolio consisted of commercial paper, money market funds, and cash.

The CEA's cash equivalents and investments are rated as follows:

Security Type	Moody's*	Standard & Poor's*
U.S. Treasury	Aaa	AA+
Commercial paper - Svenska Handelsbanken	Aa1	AA-

*Although U.S. Treasury is the only security type that can be held long term, the long-term rating is used as the short-term rating equivalent is too broad to show much difference between security type.

Interest Rate Risk

As a means of limiting its exposure to fair value losses resulting from rising interest rates, the CEA’s investment policy limits all securities purchased to a maximum maturity duration of 180 days, except for U.S. Treasurys. U.S. Treasurys are allowed to have maturities of up to five years as long as the CEA’s combined portfolio does not exceed a maximum modified duration of three years. As of December 31, 2020, the CEA’s combined portfolio had a maximum modified duration of two years.

Note 3 - Cash and Investments (Continued)

Concentration of Credit Risk

There is no concentration of investments in any one non-U.S. governmental issuer, which is not explicitly guaranteed, that represents 5 percent or more of total investments.

Fair Value Measurements

The CEA categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is divided into 3 levels with each level based on the source used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The asset's level within the hierarchy is based on the lowest level of input that is significant to the fair value measurement. The CEA's assessment of the significance of particular inputs to these fair value measurements requires judgement and considers factors specific to each asset or liability.

U.S. Treasury securities and U.S. agency securities classified in Level 1 are valued using prices quoted in active markets for those securities.

The fair value of commercial paper was determined to be amortized cost due to the short-term duration of the security.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The CEA's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

The CEA has the following recurring fair value measurements as of December 31, 2020 and 2019:

	Assets Measured at Carrying Value on a Recurring Basis at December 31, 2020			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at December 31, 2020
Bonds:				
U.S. Treasurys	$ 7,524,330,683	$ -	$ -	$ 7,524,330,683
Commercial paper	-	10,640,054	-	10,640,054
Subtotal	7,524,330,683	10,640,054	-	7,534,970,737
Cash and cash equivalents:				
U.S. Treasurys	34,342,814	-	-	34,342,814
Money market	57,796,588	-	-	57,796,588
Cash	69,249,204	-	-	69,249,204
Subtotal	161,388,606	-	-	161,388,606
Total	$ 7,685,719,289	$ 10,640,054	$ -	$ 7,696,359,343

Note 3 - Cash and Investments (Continued)

	Assets Measured at Carrying Value on a Recurring Basis at December 31, 2019			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at December 31, 2019
Bonds:				
U.S. Treasurys	$ 6,839,180,991	$ -	$ -	$ 6,839,180,991
Commercial paper	-	41,079,764	-	41,079,764
Subtotal	6,839,180,991	41,079,764	-	6,880,260,755
Cash and cash equivalents:				
U.S. Treasurys	52,054,800	-	-	52,054,800
U.S. agencies	68,818,185	-	-	68,818,185
Commercial paper	-	7,747,046	-	7,747,046
Cash	8,705,420	-	-	8,705,420
Subtotal	129,578,405	7,747,046	-	137,325,451
Total	$ 6,968,759,396	$ 48,826,810	$ -	$ 7,017,586,206

Fair Value of Other Financial Instruments

The recorded value of other receivables and payables, which are financial instruments, approximates fair value due to the short-term nature of these assets and liabilities.

Note 4 - Investment Income

Total investment income is composed of interest, realized gains and losses, and unrealized gains and losses due to changes in the fair value of investments held at year end. Investment income earned on unspent bond proceeds are offset against related interest expense and classified as investment income on bond proceeds, net of related expenses on the statement of revenue, expenses, and changes in net position.

Investment income for the years ended December 31, 2020 and 2019 are as follows:

	2020	2019
Interest income:		
U.S. agency securities	$ 636,304	$ 2,231,942
Commercial paper	293,201	1,330,213
U.S. Treasurys	111,365,967	123,303,259
Total interest income	112,295,472	126,865,414
Change in fair value of investments	99,705,988	127,913,166
Less investment expenses	(2,926,596)	(2,816,137)
Net investment income	$ 209,074,864	$ 251,962,443

	2020	2019
Investment income on bond proceeds	$ 233,069	$ 3,243,210
Net investment income	208,841,795	248,719,233
Total	$ 209,074,864	$ 251,962,443

Note 4 - Investment Income (Continued)

The change in fair value of investments for the years ended December 31, 2020 and 2019 are calculated as follows:

	2020	2019
Fair value of investments at the end of year	$ 7,534,970,737	$ 6,880,260,755
Add proceeds of investments matured	3,606,789,457	1,717,474,394
Add amortization of discounts/premium	10,989,278	(2,707,564)
Less realized gains/loss	(557,611)	9,139
Less cost of investments purchased	(4,168,475,646)	(2,078,195,740)
Less change in securities payable	(3,749,472)	(3,121,384)
Less fair value of investments at the beginning of year	(6,880,260,755)	(6,385,806,434)
Change in fair value of investments	$ 99,705,988	$ 127,913,166

Note 5 - Long-term Liabilities

The following is a summary of long-term liabilities, excluding the net pension liability (see Note 15) for the years ended December 31, 2020 and 2019:

2020	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Other borrowing - Revenue bonds	$ -	$ 700,000,000	$ (400,000,000)	$ 300,000,000	$ 100,000,000
Other borrowing - SB 84 loan	1,091,000	-	(1,091,000)	-	-
Compensated absences	1,065,738	1,881,836	(982,525)	1,965,049	982,524
Total	$ 2,156,738	$ 701,881,836	$ (402,073,525)	$ 301,965,049	$ 100,982,524

2019	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Other borrowing - Revenue bonds	$ 105,000,000	$ -	$ (105,000,000)	$ -	$ -
Other borrowing - SB 84 loan	1,091,000	-	-	1,091,000	164,497
Compensated absences	1,198,863	413,134	(546,259)	1,065,738	546,259
Total	$ 107,289,863	$ 413,134	$ (105,546,259)	$ 2,156,738	$ 710,756

Revenue Bonds

On November 6, 2014, CEA issued Series 2014 revenue bonds totaling $350,000,000, summarized as follows. The bonds were paid in full on July 1, 2019.

Principal Amount	Interest Rate	Price or Yield	Maturity Date
$ 40,000,000	1.194%	1.194%	July 1, 2016
60,000,000	1.824	1.824	July 1, 2017
40,000,000	2.805	2.805	July 1, 2017
105,000,000	2.805	2.805	July 1, 2018
105,000,000	2.805	2.805	July 1, 2019

The bonds bore interest from their date of delivery at the rates shown above, payable semiannually on January 1 and July 1, commencing on January 1, 2015.

The Series 2014 revenue bonds were used to enhance claims paying capacity. The net proceeds from the revenue bonds were deposited into their respective claims paying account and were used to purchase investments according to the CEA's investment policy.

Note 5 - Long-term Liabilities (Continued)

Interest paid during 2019 was $2,945,250.

On March 17, 2020, the CEA issued Series 2020A revenue bonds totaling $400,000,000, summarized as follows:

Principal Amount	Interest Rate	Price or Yield	Maturity Date
$ 400,000,000	1.3%	1.3%	July 1, 2020

The CEA made a debt service deposit for the Series 2020A bonds that prefunded principal and interest payments due upon maturity and were invested in Treasury money market funds. The Series 2020A bonds were repaid in July 2020 by pledged revenue, which consisted of pledged policyholder premiums (defined as premiums for basic residential earthquake policies net of participating insurer costs) and interest and other income from investment of funds held by the trustee and debt service deposits. The proceeds of the revenue bonds were deposited in the 2020A claims paying account and the interest earnings helped to offset the interest costs on the 2020A revenue bonds.

On November 24, 2020, the CEA issued Series 2020B revenue bonds totaling $300,000,000, summarized as follows:

Principal Amount	Interest Rate	Price or Yield	Maturity Date
$ 50,000,000	1.127%	1.127%	January 1, 2021
50,000,000	1.227	1.227	July 1, 2021
100,000,000	1.327	1.327	July 1, 2022
100,000,000	1.477	1.477	July 1, 2023

The bonds bear interest from their date of delivery at the rates shown above, payable semiannually on January 1 and July 1, commencing on January 1, 2021. The Series 2020B bonds are not subject to optional redemption prior to maturity and are payable from future pledged policyholder premiums.

The Series 2020B revenue bonds are used to enhance claims paying capacity. The net proceeds from the revenue bonds were deposited into their respective claims paying account and were used to purchase investments according to the CEA's investment policy. The proceeds will only be used for future payments of earthquake policyholder claims and related loss adjustment expenses and may not be used to repay principal and interest of the debt. Revenue bond proceeds may be used for payment of claims after the CEA exhausts its capital available for claims and any capacity made available by reinsurance contracts. Repayment of debt does not affect the level of the claims paying account.

The table below is the future scheduled debt service payments for the CEA's long-term debt as follows as of December 31, 2020:

	Principal	Interest	Total
2021	$ 100,000,000	$ 2,117,908	$ 102,117,908
2022	100,000,000	2,804,000	102,804,000
2023	100,000,000	1,477,000	101,477,000
Total	$ 300,000,000	$ 6,398,908	$ 306,398,908

This schedule includes the mandatory sinking fund payments of $50 million due on January 1, 2021 and July 1, 2021 and $100 million due on July 1, 2022 and July 1, 2023. The sinking fund balance was $57.8 million as of December 31, 2020.

Note 5 - Long-term Liabilities (Continued)

With the issuance of the Series 2020B revenue bonds, the CEA was required to deposit $50,409,158 on November 25, 2020 in a trust account that was used to make the first principal and interest debt service payment on January 1, 2021. Starting on December 15, 2020, the CEA also was required to deposit one-twelfth of the annual principal and interest payment by the 15th of each month into a trust account. Such amounts are held in restricted cash, cash equivalents, and investments.

Interest paid during 2020 for the Series 2020 revenue bonds was $1,502,222.

SB 84 Loan

Senate Bill 84 (SB 84) authorized a one-time $6 billion supplemental pension payment in 2017-2018 to the California Public Employees' Retirement System, in addition to the actuarially determined annual contribution, which is to be apportioned to the five state retirement plans based on their share of the aggregate unfunded liability. The supplemental pension payment was funded through a cash loan from the Surplus Money Investment Fund and other state funds that accrue interest to the General Fund, which will be paid back by June 30, 2030 through the General Fund and other funds responsible for retirement contributions for the state's plans.

The CEA paid off the loan early, in September 2020, in order to reduce the total interest paid on the loan. The total amount paid was $1,142,750, which included principal of $1,091,000 and interest of $51,750.

Note 6 - Net Position

As described in Note 2, net position includes restricted and unrestricted portions. The following table details the components of net position as it relates to restricted and unrestricted:

	2020	2019
Restricted:		
Mitigation Fund	$ 12,515,657	$ 13,315,861
Claims paying account	57,611,865	-
Total restricted net position	$ 70,127,522	$ 13,315,861
Unrestricted:		
Contributed capital	$ 790,656,796	$ 790,656,796
Additional paid-in capital	313,667,933	293,795,461
Other unrestricted	5,950,935,758	5,592,990,434
Total unrestricted net position	$ 7,055,260,487	$ 6,677,442,691

Note 7 - Risk Transfer

The CEA cedes risk to reinsurers under catastrophe excess-of-loss reinsurance contracts for purposes of limiting its maximum exposure. All contracts provide coverage for losses, as well as allocated loss adjustment expenses. Although the ceding of risk does not discharge the CEA from its primary responsibility to its policyholders, the reinsurance company that assumes the coverage assumes responsibility to reimburse the CEA for the related liability. Management believes that its reinsurers are and will continue to be able to satisfy their obligations under the reinsurance agreements. To date, losses have been recovered only under the supplemental coverage reinsurance contracts. In the event that legislation is enacted by the State of California that has the effect of increasing a reinsurer's exposure to loss under the reinsurance contract, a reinsurer has the right to cancel the reinsurance contract.

Certain aggregate excess reinsurance contracts allowed for an adjustment of premium, based on the average aggregate insurance in force and the exposure adjustment limit, as defined in the contracts. As of December 31, 2020 and 2019, in accordance with these terms, CEA did not have a premium adjustment expense against the contracts.

Note 7 - Risk Transfer (Continued)

As of December 31, 2020, the CEA ceded premium to reinsurers under catastrophe excess-of-loss reinsurance contracts and provided maximum limits of $9.15 billion at varying attachment points, and 29 percent of the limit balance is fully collateralized.

In addition to single-year contracts, the CEA contracts with reinsurers on multiyear contracts with a single limit over a two-, three-, or five-year term. The first-year premium for the reinsurance limit is calculated on the full limit, while subsequent premiums would be calculated on the remaining limit, if there were a recoverable from the reinsurance contract. An annual adjustment to the retention is based on the contracted probability of loss. At the end of 2020, the CEA had $6.047 billion, or 66 percent, of the reinsurance limit in multiyear terms.

The CEA cedes risk to Bermuda-based special purpose reinsurers, Ursa Re Limited and Sutter Re Limited, under catastrophe excess-of-loss reinsurance contracts, which are backed by ILS contracts for purposes of limiting the CEA’s maximum exposure. The CEA is a sponsor of these transactions and not an issuer. As of December 31, 2020, the CEA has six contracts in effect for a two-year or three-year term totaling $1.35 billion.

Note 8 - Statutory Compliance

State of California Insurance Code limits the CEA’s operating expenses to a percentage of its premium income. In calculating this limitation, the CEA determined that its premium income is its reported premiums written.

Effective January 1, 2015, statutory provisions pertaining to CEA operating expenses were amended by legislation, and items to be excluded from CEA operating expenses were spelled out in the new law, which (in effect) changed certain items of operating expense inclusion when compared to past practices of the CEA. The operating-expense cap was moved to 6 percent as defined in California Insurance Code Section 10089.6, subdivisions (c) and (d), as amended by AB 2064. Operating expenses underneath this legislation totaled $35.9 million and $35.0 million for the years ended December 31, 2020 and 2019, respectively, and did not exceed 6 percent of premiums written in either year.

Note 9 - Commitments and Contingencies

The CEA is a defendant in various legal actions arising from the normal course of business. Management does not believe that the ultimate disposition of these actions will have a material adverse effect on CEA’s financial position or results of operations.

Operating Leases

The CEA leases office facilities and equipment under various noncancelable operating lease agreements that expire through June 2024. Rental expense associated with the lease agreements was $1,565,921 and $1,304,342 for the years ended December 31, 2020 and 2019, respectively. Future minimum rental payments under these agreements are as follows:

Years Ending	Amount
2021	$ 1,373,300
2022	1,417,278
2023	1,445,256
2024	793,367
Total	$ 5,029,201

Note 10 - Mitigation Fund

California Insurance Code Section 10089.37 created the Earthquake Loss Mitigation Fund as a subaccount of the CEA. According to statute, the Mitigation Fund must be used solely for the establishment and operation of an earthquake loss mitigation program. The Code requires the CEA to annually transfer an amount equal to the lesser of 5 percent of investment income or $5 million to the Mitigation Fund if deemed actuarially sound by a consulting actuary. The transfer and setting aside of those moneys into the Mitigation Fund subaccount have been formally approved by the CEA governing board. It is the opinion of the general counsel of the CEA and of the CEA's outside counsel that the moneys that reside in the Mitigation Fund subaccount within the CEA are by statute not available to pay policyholder or other claims against the CEA.

As of December 31, 2020 and 2019, the balance sheet includes expendable restricted net position related to the Mitigation Fund totaling $12,515,657 and $13,315,861, respectively. The expendable restricted net position of the Mitigation Fund as of December 31, 2020 includes the potential annual transfer amount of $5,000,000, which is subject to actuarial review and formal approval of the CEA's governing board, as discussed in the previous paragraph.

Note 11 - Defined Benefit Pension Plan

Plan Description

All CEA civil service employees participate in the California Public Employees' Retirement System, which is included in the State of California's (the "State") Comprehensive Annual Financial Report as a fiduciary component unit. CalPERS administers the Public Employees' Retirement Fund (PERF). PERF is an agent multiple-employer defined benefit pension plan. CEA participates in the State Miscellaneous Plan (the "Plan") in a cost-sharing arrangement in which all risks and costs are shared proportionately by participating state agencies.

CalPERS issues a publicly available comprehensive annual financial report that may be obtained by writing to the California Public Employees' Retirement System, Fiscal Services Division, P.O. Box 942703, Sacramento, California 94229 or by visiting the CalPERS website at www.CalPERS.ca.gov under Forms and Publications.

Benefits Provided

The PERF provides service retirement and disability benefits, survivor benefits, annual cost of living adjustments, and death benefits to plan members, who must be public employees and beneficiaries. CEA has civil service employees who are members of the following bargaining units: Professional Administrative, Financial and Staff Service (Bargaining Unit 1); Attorneys and Hearing Officer (Bargaining Unit 2) and Professional Scientific (Bargaining Unit 10); all of CEA's civil service employees are classified as members of the State Miscellaneous Plan. Vesting occurs after 5 years, or after 10 years for second-tier employees. The benefit provisions are established by the Public Employees' Retirement Law (PERL) and the Public Employees' Pension Reform Act of 2013 (PEPRA). Benefits are based on a formula using a member's years of service credit, age at retirement, and final compensation (average salary for a defined period of employment). Retirement formulas vary based on:

- Classification (e.g., miscellaneous, peace officers and firefighters, or judges)
- Membership category (pre-PEPRA and post-PEPRA)
- Specific provisions in employees' contracts

Note 11 - Defined Benefit Pension Plan (Continued)

The Plan's provisions and benefits in effect at December 31, 2020 and 2019 are summarized as follows:

	State Miscellaneous Tier 1			State Miscellaneous Tier 2	
Hire date	Prior to January 15, 2011	On or after January 15, 2011	On or after January 1, 2013	Prior to January 1, 2013	On or after January 1, 2013
Benefit formula	2% @ 55	2% @ 60	2% @ 62	1.25% @ 65	1.25% @ 67
Benefit vesting schedule	5 years of service	5 years of service	5 years of service	10 years of service	10 years of service
Benefit payments	Monthly for life	Monthly for life	Monthly for life	Monthly for life	Monthly for life
Retirement age	50-63	50-63	52-67	50-65	52-67
Monthly benefits, as a percent of eligible compensation	1.1% - 2.5%	1.09% - 2.42%	1.1% - 2.5%	0.5% - 1.25%	0.65% - 1.25%

Contributions

Section 20814(a) of the California Public Employees’ Retirement Law requires that employer contribution rates for all public employers to be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The CEA is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

The average active employee contribution rate and the employer's actuarially determined contribution rate, expressed as a percentage of payroll, for the measurement periods ended June 30, 2019 and 2018 were:

	June 30, 2019 (the Measurement Date)	
	Average Active Employee Contribution Rate	Employer Contribution Rate
State Miscellaneous Plan	6.90 %	29.37 %

	June 30, 2018 (the Measurement Date)	
	Average Active Employee Contribution Rate	Employer Contribution Rate
State Miscellaneous Plan	6.77 %	28.40 %

For the fiscal years ended December 31, 2020 and 2019, the contributions were $1,711,197 and $1,450,315, respectively.

Senate Bill 84, approved by the governor on July 10, 2017, directed the State to contribute an additional $6 billion to the state plans during fiscal year 2017-2018 to pay down the unfunded accrued liability. Payments were made in three equal installments on or around October 31, 2017; January 16, 2018; and April 17, 2018. These payments are in addition to the actuarially required contributions for fiscal year 2018-2019.

The CEA’s portion of the $6 billion was $1,273,000 at December 31, 2019, which included principal of $1,091,000 and interest of $182,000. The interest rate was valued at the quarter-to-date yield at the two-year constant maturity U.S. Treasury rate and was payable in July of each year starting in 2020 through 2025. The California Department of Finance allowed the CEA to pay off its entire SB 84 loan liability in fiscal year 2020. In September 2020, the CEA made a principal payment of $1,091,000 along with an interest payment of $51,750.

Note 11 - Defined Benefit Pension Plan (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions

As of December 31, 2020 and 2019, CEA reported net pension liabilities for its proportionate share of the Plan's net pension liabilities in the amount of $11,823,481 and $9,621,334, respectively.

The CEA's net pension liability is measured as the proportionate share of the net pension liability of the Plan. The net pension liabilities of the Plan as of December 31, 2020 are measured as of June 30, 2019, and the total pension liabilities for the Plan used to calculate the net pension liabilities were determined by an actuarial valuation as of June 30, 2018 rolled forward to June 30, 2019 using standard update procedures. The net pension liabilities of the Plan as of December 31, 2019 are measured as of June 30, 2018, and the total pension liabilities for the Plan used to calculate the net pension liabilities were determined by an actuarial valuation as of June 30, 2017 rolled forward to June 30, 2018 using standard update procedures. The CEA's proportionate share of the net pension liability of the Plan was based on the state controller's office (SCO) projection for the CEA based on its pensionable compensation (covered payroll). The SCO calculated and provided the CEA with its allocated pensionable compensation percentages by Plan. The CEA's proportionate share of the net pension liabilities for the Plan as of June 30, 2019 and 2018 was 0.035152 and 0.030627 percent, respectively.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the years ended December 31, 2020 and 2019, the CEA recognized pension expense of $3,472,515 and $1,575,984, respectively.

At December 31, 2020 and 2019, the CEA reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2020		2019	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
The CEA's contributions to the plan subsequent to the measurement date	$ 2,476,903	$ -	$ 2,100,020	$ -
Changes in assumptions	498,066	248,024	867,898	318,999
Net differences between expected and actual experience	620,448	34,012	103,221	67,031
Difference between projected and actual earnings on pension plan investments	-	88,047	99,396	-
Total	$ 3,595,417	$ 370,083	$ 3,170,535	$ 386,030

Note 11 - Defined Benefit Pension Plan (Continued)

The amounts reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in future periods. Other amounts reported as deferred inflows of resources related to pensions will be amortized into pension expense in future years.

Actuarial Assumptions

For the measurement period ended June 30, 2019 (measurement date), the total pension liability was determined by rolling forward the June 30, 2018 total pension liability using standard update procedures. The June 30, 2018 and the June 30, 2019 total pension liabilities of all plans were based on the following actuarial method and assumptions:

	State Miscellaneous Plan
Actuarial cost method	Entry age normal
Actuarial assumptions:	
Discount rate	7.15 percent
Inflation	2.50 percent
Salary inflation	Varies by entry age and service
Mortality rate table	Derived using CalPERS' membership data for all funds
Postretirement benefit increase	The lesser of Contract COLA or 2.50 percent until Purchasing Power Protection allowance floor on purchasing power applies, 2.50 percent thereafter

The mortality table used was developed based on CalPERS’ specific data. The table includes 15 years of mortality improvements using the Society of Actuaries 90 percent of Scale MP-2016. For more details on this table, please refer to the 2017 CalPERS Experience Study and Review of Actuarial Assumptions report (the "Experience Study").

All other actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from 1997 to 2015, including updates to salary increase, mortality and retirement rates. The Experience Study report is available at www.CalPERS.ca.gov.

For the measurement period ended June 30, 2018 (measurement date), the total pension liability was determined by rolling forward the June 30, 2017 total pension liability using standard update procedures. The June 30, 2017 and the June 30, 2018 total pension liabilities of all plans were based on the following actuarial method and assumptions:

	State Miscellaneous Plan
Actuarial cost method	Entry age normal
Actuarial assumptions:	
Discount rate	7.15 percent
Inflation	2.75 percent
Salary inflation	Varies by entry age and service
Mortality rate table	Derived using CalPERS' membership data for all funds
Postretirement benefit increase	Contract COLA up to 2.00 percent until Purchasing Power Protection Allowance, Floor on Purchasing Power applies, 2.50 percent thereafter

The mortality table used was developed based on CalPERS’ specific data. The table includes 15 years of mortality improvements using the Society of Actuaries 90 percent of Scale MP-2016. For more details on this table, please refer to the 2017 CalPERS Experience Study and Review of Actuarial Assumptions report.

Note 11 - Defined Benefit Pension Plan (Continued)

All other actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from 1997 to 2015, including updates to salary increase, mortality and retirement rates. The Experience Study report is available at www.CalPERS.ca.gov.

Discount Rate

The discount rate used to measure the total pension liability was 7.15 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from plan members will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability. CalPERS' approach for the cash flow projections are presented in the GASB 67 and 68 Crossover Testing Report, which may be obtained from the CalPERS' website.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations, as well as the expected pension fund cash flows. Using historical returns of all of the funds' asset classes, expected compound (geometric) returns were calculated over the short term (first 10 years) and the long term (11+ years) using a building-block approach. Using the expected nominal returns for both short term and long term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

Investment Rate of Return

For the measurement periods ended June 30, 2019 and 2018 (measurement date), the table below reflects long-term expected real rate of return by asset class. The real return years 1-10 used an expected inflation rate of 2.00 percent for this period. The real return years 11+ used an expected inflation rate of 2.92 percent for this period.

Asset Class	Current Target Allocation	Real Return Years 1-10*	Real Return Years 11+**
Global equity	50.00 %	4.80 %	5.98 %
Fixed income	28.00	1.00	2.62
Inflation assets	-	0.77	1.81
Private equity	8.00	6.30	7.23
Real estate	13.00	3.75	4.93
Liquidity	1.00	-	(0.92)

* An expected inflation of 2.0 percent used for this period.
** An expected inflation of 2.92 percent used for this period.

Note 11 - Defined Benefit Pension Plan (Continued)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the CEA's proportionate share of the net pension liabilities of the Plan as of June 30, 2019 (measurement date), calculated using the discount rate of 7.15 percent, as well as what the CEA's proportionate share of the net pension liabilities would be if it were calculated using a discount rate 1 percentage point lower (6.15 percent) or 1 percentage point higher (8.15 percent) than the current discount rate:

	State Miscellaneous Plan		
	1 Percentage Point Decrease (6.15%)	Current Discount Rate (7.15%)	1 Percentage Point Increase (8.15%)
The CEA's proportionate share of plan's net pension liability	$ 16,950,391	$ 11,823,481	$ 7,527,037

The following presents the CEA's proportionate share of the net pension liabilities of the Plan as of June 30, 2018 (measurement date), calculated using the discount rate of 7.15 percent, as well as what the CEA's proportionate share of the net pension liabilities would be if it were calculated using a discount rate 1 percentage point lower (6.15 percent) or 1 percentage point higher (8.15 percent) that the current discount rate:

	State Miscellaneous Plan		
	1 Percentage Point Decrease (6.15%)	Current Discount Rate (7.15%)	1 Percentage Point Increase (8.15%)
The CEA's proportionate share of plan's net pension liability	$ 13,793,409	$ 9,621,334	$ 6,125,139

Pension Plan Fiduciary Net Position

Detailed information about the State of California Miscellaneous Plan's fiduciary net position is available in the separately issued CalPERS financial reports.

Note 12 - Defined Contribution Plan

The CEA sponsors the California Earthquake Authority Retirement Plan (the "Plan"), a 401(A) defined contribution savings plan for contract employees. The Plan is administered by UBS Financial Services. Employees contribute 5 percent of base compensation. The CEA contributes 12.71 percent of the employee's base compensation. The maximum base compensation for 2020 and 2019 was $285,000 and $280,000, respectively. The contributions are funded semiannually and allocated to the CEA based on employee contributions.

Employees are fully vested in their account from the beginning of their employment. The CEA has no legal obligation for benefits under the Plan. Only the CEA board has the authority to amend the plan provisions. Employee contributions in 2020 and 2019 were $111,993 and $99,961, respectively. The CEA's contributions in 2020 and 2019 were $284,932 and $254,319, respectively.

Note 13 - Risk Management

The CEA is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The CEA has insurance policies with private insurance companies for the following policies:

Policy Type	Policy Limits
Workers' compensation	$1,000,000
Financial institution bond	$1,500,000 per incident, $3,000,000 aggregate
Business liability	$5,000,000
Director and officer liability	$5,000,000 per incident, $10,000,000 aggregate

Management believes such coverage is sufficient to preclude any significant uninsured losses to the CEA. Claim amounts have not exceeded policy limits in the last three years.

Note 14 - California Residential Mitigation Program

On August 16, 2011, the CEA entered into a Joint Powers Agreement (JPA) with the California Emergency Management Agency (Cal EMA) to create the California Residential Mitigation Program (CRMP) for the purpose of supplying grants, loans, and loan guarantees (and related assistance and incentives) to owners of dwellings in California. Since the inception of the agreement, CalEMA, the name of the organization, has changed to California Emergency Office of Emergency Services (Cal OES). The CRMP governing board is composed of two representatives of each the CEA and Cal OES. Transfers approved by the CEA governing board from the CEA Mitigation Fund to the CRMP totaled $4,000,000 and $6,300,000 in 2020 and 2019, respectively.

In addition to the CEA governing board approved transfers, in 2020, the CEA Mitigation Fund transferred to CRMP $9,146,204 in Federal Emergency Management Agency (FEMA) funds for the CRMP Earthquake Brace + Bolt program (CRMP EBB), which offers up to $3,000 for homeowners to seismically retrofit their houses. In 2019, the Mitigation Fund transferred $62,980 to CRMP in FEMA funds for the CRMP EBB.

Requests for CRMP financial information should be addressed to California Residential Mitigation Program, 801 K Street, Suite 1000, Sacramento, CA 95814.

Note 15 - Custodial Funds

In July 2019, the California Legislature passed, and the governor signed AB 1054 and AB 111. The 2019 Wildfire Legislation enacted a broad set of reforms and programs related to utility-caused wildfires in California. The 2019 Wildfire Legislation, which took immediate effect upon the governor’s signature, established the California Wildfire Fund. The purpose of the CWF is to provide a source of money to pay or reimburse eligible claims arising from a covered wildfire caused by a utility company that participates in the CWF by assisting in capitalizing the CWF, and undertaking certain other obligations specified in the law.

Governance of the CWF is the responsibility of the newly created California Catastrophe Response Council (the "Council"). The Council has nine members, consisting of (1) the governor, (2) the insurance commissioner, (3) the treasurer, (4) the secretary of natural resources, (5 and 6) two members appointed by the Senate and the Assembly, and (7, 8, and 9) three members of the public appointed by the governor. The Council is charged with appointing a permanent administrator for the CWF. Until such time as the permanent administrator is appointed, the legislation provides for the CEA to act as the interim administrator. In April 2020, the CEA was named the permanent administrator.

Note 15 - Custodial Funds (Continued)

The 2019 Wildfire Legislation created a capitalization structure that will result in a total of $21 billion flowing into the CWF to provide claim-paying capacity after utility-caused wildfires. The $21 billion in funding is split between Wildfire Nonbypassable Charges (NBCs) collected from utility ratepayers and contributions from the three large investor-owned utility companies in California. The legislation also required that the CWF be initially capitalized in the form of a short-term $2 billion loan from the treasurer's Surplus Money Investment Fund (SMIF), a fund within the State's Pooled Money Investment Account. The Department of Water Resources (DWR) is required to at least annually allocate or cause to be allocated the Wildfire NBCs for specified priority purposes, including, but not limited to, repayment of the SMIF loan, before transferring the remaining Wildfire NBCs to the CWF. In consultation with the State Treasurer's Office (STO), the Department of Finance (DOF), and CEA, DWR has determined to delay the issuance of DWR revenue bonds secured by the Wildfire NBCs, and instead will allocate the collected Wildfire NBCs to the repayment of the SMIF loan pursuant to an amortization schedule negotiated among CEA, STO, and DOF, with monthly principal payments of $70 million, which began on December 29, 2020 and will end in April 2023.

In December 2020, the CEA executed a SMIF Loan Repayment Agreement with the DWR. The CEA agreed to and established a SMIF Payment Account with one of its investment managers to receive NBC funds from the DWR Charge Fund and take reasonable steps to ensure that funds in the SMIF Payment Account are (a) segregated from the CWF general account from which eligible claims against the CWF are paid and (b) are applied for the sole and exclusive purpose of holding funds allocated to the repayment of principal and interest on the SMIF loan until the SMIF loan is paid in full. Once the $2 billion SMIF loan is repaid, the NBCs will flow directly into the CWF to provide claim paying capacity.

During 2019, the CWF received $2,792,400,000 in contributions from two of the investor-owned utility companies. During 2020, the CWF received $5,307,600,000 in contributions from three of the investor-owned utility companies.

The 2019 Wildfire Legislation also requires that all costs and expenses related to the administration and operation of the Wildfire Fund be paid from the assets of the Wildfire Fund. Because CEA is now obligated to administer two separate and segregated funds - the Earthquake Authority Fund and the Wildfire Fund - and is using its operating assets and employees for the benefit of both funds, CEA is required to develop and implement a cost allocation methodology to ensure that each of the funds bear their own expenses. The CEA developed a methodology and systems to accomplish a fair and reasonable allocation of expenses between the two funds which was submitted and approved by the governing board in 2020.

Under GASB 84, because the CEA is custodian of the CWF's cash and investments, the holding of these assets is considered a fiduciary activity. This requires the CEA to report these held assets as a custodial fund in CEA's separate stand-alone financial statements. The CWF does not issue a stand-alone financial report.

Summary of Significant Accounting Policies

The financial statements of the Custodial Fund are prepared using the accrual basis of accounting.

Cash and Investments

As of December 31, 2020 and 2019, the CWF had the following cash and investments:

	2020						
	Less Than 1	1-2	2-3	3-4	4-5	5+	Total
U.S. Treasurys	$ 1,774,278,074	$ 869,070,616	$ 1,143,685,926	$ 565,279,740	$ 259,868,522	$ 1,278,323,963	$ 5,890,506,841
U.S. agencies	30,025,500	104,455,837	839,230,573	-	-	-	973,711,910
Corporate bond	17,725,773	226,343,337	485,755,248	490,817,985	660,873,323	1,211,707,942	3,093,223,608
Certificate of deposit	51,507,450	-	-	-	-	-	51,507,450
Cash	40,527	-	-	-	-	-	40,527
Money market	86,205,673	-	-	-	-	-	86,205,673
Total	$ 1,959,782,997	$ 1,199,869,790	$ 2,468,671,747	$ 1,056,097,725	$ 920,741,845	$ 2,490,031,905	$ 10,095,196,009

Note 15 - Custodial Funds (Continued)

	2019					
	Less Than 1	1 - 2	2 - 3	3 - 4	4 - 5	Total
U.S. Treasurys	$ 1,304,146,493	$ 838,393,289	$ 765,632,851	$ 867,923,802	$ 785,557,836	$ 4,561,654,271
Commercial paper	79,276,869	-	-	-	-	79,276,869
Corporate bond	93,156,006	-	-	-	-	93,156,006
Certificate of deposit	10,002,500	-	-	-	-	10,002,500
Cash	15,296,278	-	-	-	-	15,296,278
Money market	11,480,897	-	-	-	-	11,480,897
Total	$ 1,513,359,043	$ 838,393,289	$ 765,632,851	$ 867,923,802	$ 785,557,836	$ 4,770,866,821

The table below identifies the investment types that are authorized for the CWF by the California Government Code or CWF's investment policy, where more restrictive. The table also identifies certain provisions of the CWF's investment policy that address interest rate risk, credit risk, and concentration risk.

Claims Paying Fund

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
U.S. Treasury securities	12 years	None	None
Federal agency securities	12 years	20%	5%
Bankers acceptances	270 days	40	2
Certificates of deposit	360 days	40	2
Commercial paper	270 days	40	2
Corporate bonds/notes	12 years	40	2

In 2020, all funds were converted to claims paying funds; therefore, as of December 31, 2020, there are no primary funds.

Interest Rate Risk

U.S. Treasurys are allowed to have maturities of up to 12 years as long as the CWF's combined portfolio does not exceed a maximum modified duration of 7 years. As of December 31, 2020, the CWF's combined portfolio had a maximum modified duration of 7.0 years. As of December 31, 2019, the CWF's combined portfolio had a maximum modified duration of 2.1 years.

Credit Risk

The CWF's investment policy limits investments in corporate bonds to the top three ratings issued by nationally recognized rating services. As of December 31, 2020, 58 percent of the portfolio consisted of U.S. Treasurys, and 42 percent of the portfolio consisted of commercial paper, corporate bond, certificate of deposit, cash, and money market funds. As of December 31, 2019, 96 percent of the portfolio consisted of U.S. Treasurys and 4 percent of the portfolio consisted of commercial paper, corporate bond, certificate of deposit, cash, and money market funds.

Note 15 - Custodial Funds (Continued)

CWF's cash equivalents and investments are rated as follows:

Security Rating - Moody's	Amount	Security Rating - S&P 500	Amount
A1	$ 692,228,740	A	$ 717,123,863
A2	957,331,934	A-	672,356,785
A3	506,642,684	A+	699,380,840
AA1	110,785,211	AA	196,317,364
AA2	238,088,174	AA-	391,272,108
AA3	335,080,798	AA+	1,044,262,991
AAA	5,807,421,399	AAA	238,028,425
BAA2*	16,459,200	BBB+*	5,107,500
Not rated	1,431,117,342	Not rated	6,131,305,606
Total	$ 10,095,155,482		$ 10,095,155,482

*BAA2 and BBB+ refer to down-graded securities reported by Interactive Data Corporation.

Concentration of Credit Risk

Corporate bonds/notes with maximum maturities of up to 12 years and no more than 25 percent of maximum corporate allocation may have maturities greater than 10 years but less than 12 years.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of failure of a depository financial institution, the CWF will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The CWF has no policy that would limit the exposure to custodial credit risk for deposits. At December 31, 2020, all CWF deposits were covered by FDIC insurance. At December 31, 2019, approximately $15 million of CWF deposits were not covered by FDIC insurance.

Investment Income

Total investment income is comprised of interest, realized gains and losses, and unrealized gains and losses due to changes in the fair value of investments held at year end.

Investment income for the years ended December 31, 2020 and 2019 is as follows:

	2020	2019
Interest income	$ 85,785,422	$ 25,843,996
Change in fair value of investments	104,136,204	(9,809,764)
Less investment expenses	(2,822,255)	(670,355)
Net investment income	$ 187,099,371	$ 15,363,877

Note 15 - Custodial Funds (Continued)

Fair Value Measurement

The CWF categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is divided into three levels with each level based on the source used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are significant other observable inputs, and Level 3 inputs are significant unobservable inputs. The asset's level within the hierarchy is based on the lowest level of input that is significant to the fair value measurement. The CWF's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset.

U.S. Treasury securities and corporate bonds classified as Level 1 measurements are valued using prices quoted in active markets for those securities.

The fair value of commercial paper was determined to be amortized cost due to the short-term duration of the security and is classified in Level 2 measurement. Certificates of deposit are valued at amortized cost, which approximates fair value, and is classified in Level 2 measurement.

The CEA has the following recurring fair value measurements as of December 31, 2020:

	Assets Measured at Fair Value on a Recurring Basis at December 31, 2020			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at December 31, 2020
Bonds:				
U.S. Treasurys	$ 5,472,334,094	$ -	$ -	$ 5,472,334,094
U.S. agencies	973,711,910	-	-	973,711,910
Corporate bond	3,093,223,607	-	-	3,093,223,607
Certificate of deposit	-	44,006,900	-	44,006,900
Subtotal	9,539,269,611	44,006,900	-	9,583,276,511
Cash and cash equivalents:				
U.S. treasuries	418,172,748	-	-	418,172,748
Certificate of deposit	-	7,500,550	-	7,500,550
Cash	40,527	-	-	40,527
Money market	86,205,673	-	-	86,205,673
Subtotal	504,418,948	7,500,550	-	511,919,498
Total	$ 10,043,688,559	$ 51,507,450	$ -	$ 10,095,196,009

Note 15 - Custodial Funds (Continued)

The CEA has the following recurring fair value measurements as of December 31, 2019:

	Assets Measured at Fair Value on a Recurring Basis at December 31, 2019			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at December 31, 2019
Bonds:				
U.S. Treasurys	$ 4,423,061,492	$ -	$ -	$ 4,423,061,492
Commercial paper	-	73,734,546	-	73,734,546
Corporate bond	93,156,006	-	-	93,156,006
Certificate of deposit	-	10,002,500	-	10,002,500
Subtotal	4,516,217,498	83,737,046	-	4,599,954,544
Cash and cash equivalents:				
U.S. treasury	138,592,779	-	-	138,592,779
Commercial paper	-	5,542,323	-	5,542,323
Cash	15,296,278	-	-	15,296,278
Money market	11,480,897	-	-	11,480,897
Subtotal	165,369,954	5,542,323	-	170,912,277
Total	$ 4,681,587,452	$ 89,279,369	$ -	$ 4,770,866,821

Note 16 - Subsequent Events

Management has evaluated subsequent events up through and including June 1, 2021, which is the date the financial statements were made available to be issued. No events have occurred subsequent to December 31, 2020 requiring recording or disclosure in these financial statements.

Required Supplemental Information

Required Supplemental Information
Schedule of the CEA's Proportionate Share of the Net Pension Liability
State Miscellaneous Plan

Last Three Plan Years

Plan Years Ended December 31

	2020*	2019**	2018***
CEA's proportion of the net pension liability	0.03515 %	0.03063 %	0.03030 %
CEA's proportionate share of the net pension liability	$ 11,823,481	$ 9,621,334	$ 11,070,484
CEA's covered payroll	$ 4,539,247	$ 3,753,177	$ 3,512,318
CEA's proportionate share of the net pension liability as a percentage of its covered payroll	260.47 %	256.35 %	315.19 %
Plan fiduciary net position as a percentage of total pension liability	71.34 %	71.83 %	66.42 %

Notes to Schedule

2018 was the first year of implementation of GASB 68; therefore, only three years are presented.

* Information is as of the June 30, 2019 measurement date.
** Information is as of the June 30, 2018 measurement date.
*** Information is as of June 30, 2017 measurement date.

Required Supplemental Information
Schedule of Pension Contributions
State Miscellaneous Plan

Last Three Fiscal Years

Years Ended December 31

	2020	2019	2018
Contractually required contribution	$ 1,711,197	$ 1,450,315	$ 1,219,273
Contributions in relation to the contractually required contribution	1,711,197	1,450,315	1,219,273
Contribution Excess	**$ -**	**$ -**	**$ -**
CEA's Covered-employee Payroll	$ 4,539,247	$ 3,753,177	$ 3,512,318
Contributions as a Percentage of Covered-employee Payroll	37.70 %	38.64 %	34.71 %

Other Supplemental Information

Schedule of Participating Insurer Capital Contributions
From Inception Through December 31, 2020

1	State Farm General Insurance Company	$ 254,658,275
2	Allstate Insurance Company	145,612,517
3	The Fire Insurance Exchange (Farmers)	143,280,000
4	United Services Automobile Association[1]	58,992,512
5	Safeco Insurance Company of America[3]	46,500,000
6	California State Automobile Association Inter-Insurance Bureau[2]	39,013,494
7	Nationwide Insurance Company[7]	20,772,000
8	California FAIR Plan Association	15,029,487
9	Interinsurance Exchange of the Automobile Club	14,443,651
10	CNA/Continental[4,6,12]	13,924,611
11	Amica[11]	13,272,000
12	Prudential[4]	11,531,455
13	Liberty Mutual Fire Insurance Company[5]	6,699,434
14	Foremost Property and Casualty Insurance Company	4,614,304
15	Mercury Casualty Company	1,406,238
16	Armed Forces Insurance Exchange	783,685
17	GuideOne (formerly Preferred Risk)[4]	123,133
18	Homesite Insurance Company of California	-
19	Pacific National Insurance[4]	-
20	Encompass Insurance Company	-
21	Glen Falls Insurance Company[4]	-
22	Commerce West Insurance Company[8]	-
23	Hyundai[9]	-
24	Progressive[10]	-
25	Toggle[13]	-
	Total	$ 790,656,796

[1] Includes Garrison Insurance Company
[2] Includes ACA Insurance Company
[3] Joined the CEA as of December 1, 2008
[4] Not currently writing residential property insurance in California
[5] Includes Golden Eagle Insurance Company
[6] Withdrew from the CEA as of May 2011
[7] Joined the CEA as of November 2011
[8] Includes MAPFRE Insurance Company
[9] Joined the CEA as of August 2014
[10] Joined the CEA as of May 2015
[11] Joined the CEA as of August 2018
[12] Allstate bought CAN in 1999 and is writing underneath Encompass.
[13] Joined the CEA as of December 2019

Schedule of Participating Insurer Premiums Written
For the Years Ended December 31, 2020 and 2019

	2020	2019
1 State Farm General Insurance Company	$ 288,116,669	$ 271,105,855
2 Allstate Insurance Company	69,569,744	72,353,065
3 The Fire Insurance Exchange (Farmers)	109,834,327	108,605,541
4 United Services Automobile Association[1]	115,757,944	107,237,607
5 Safeco Insurance Company of America[3]	48,581,248	48,428,142
6 California State Automobile Association Inter-Insurance Bureau[2]	50,091,672	45,627,380
7 Nationwide Insurance Company[7]	19,530,108	20,049,270
8 California FAIR Plan Association	4,153,107	3,938,343
9 Interinsurance Exchange of the Automobile Club	56,058,503	57,329,894
10 CNA/Continental[4,6,12]	-	-
11 Amica[11]	10,847,708	10,423,677
12 Prudential[4]	-	-
13 Liberty Mutual Fire Insurance Company[5]	16,660,425	17,817,693
14 Foremost Property and Casualty Insurance Company	6,575,136	5,870,418
15 Mercury Casualty Company	39,168,388	38,288,704
16 Armed Forces Insurance Exchange	493,036	523,642
17 GuideOne (formerly Preferred Risk)[4]	-	-
18 Homesite Insurance Company of California	3,795,721	3,503,397
19 Pacific National Insurance[4]	-	-
20 Encompass Insurance Company	3,588,101	3,844,775
21 Glen Falls Insurance Company[4]	-	-
22 Commerce West Insurance Company[8]	169,943	140,640
23 Hyundai[9]	-	105
24 Progressive[10]	2,172,292	1,552,731
25 Toggle[13]	582	-
Total	$ 845,164,654	$ 816,640,879

[1] Includes Garrison Insurance Company

[2] Includes ACA Insurance Company

[3] Joined the CEA as of December 1, 2008

[4] Not currently writing residential property insurance in California

[5] Includes Golden Eagle Insurance Company

[6] Withdrew from the CEA as of May 2011

[7] Joined the CEA as of November 2011

[8] Includes MAPFRE Insurance Company

[9] Joined the CEA as of August 2014

[10] Joined the CEA as of May 2015

[11] Joined the CEA as of August 2018

[12] Allstate bought CNA in 1999 and is writing underneath Encompass.

[13] Joined the CEA as of December 2019

Schedule of Participating Unearned Premium
For the Years Ended December 31, 2020 and 2019

	2020	2019
1 State Farm General Insurance Company	$ 143,747,271	$ 132,712,656
2 Allstate Insurance Company	35,708,036	36,233,691
3 The Fire Insurance Exchange (Farmers)	55,723,110	53,119,222
4 United Services Automobile Association[1]	73,719,674	67,163,549
5 Safeco Insurance Company of America[3]	30,346,831	29,705,422
6 California State Automobile Association Inter-Insurance Bureau[2]	26,237,006	23,949,350
7 Nationwide Insurance Company[7]	9,998,732	10,093,054
8 California FAIR Plan Association	2,052,390	1,884,092
9 Interinsurance Exchange of the Automobile Club	27,008,142	26,809,779
10 CNA/Continental[4,6,12]	-	-
11 Amica[11]	5,598,828	5,259,394
12 Prudential[4]	-	-
13 Liberty Mutual Fire Insurance Company[5]	10,227,264	10,592,193
14 Foremost Property and Casualty Insurance Company	3,444,111	2,983,535
15 Mercury Casualty Company	19,332,514	18,225,554
16 Armed Forces Insurance Exchange	267,503	270,286
17 GuideOne (formerly Preferred Risk)[4]	-	-
18 Homesite Insurance Company of California	1,910,141	1,735,488
19 Pacific National Insurance[4]	-	-
20 Encompass Insurance Company	1,744,936	1,848,217
21 Glen Falls Insurance Company[4]	-	-
22 Commerce West Insurance Company[8]	88,599	66,163
23 Hyundai[9]	-	24
24 Progressive[10]	1,341,472	941,409
25 Toggle[13]	350	-
Total	$ 448,496,910	$ 423,593,078

[1] Includes Garrison Insurance Company

[2] Includes ACA Insurance Company

[3] Joined the CEA as of December 1, 2008

[4] Not currently writing residential property insurance in California

[5] Includes Golden Eagle Insurance Company

[6] Withdrew from the CEA as of May 2011

[7] Joined the CEA as of November 2011

[8] Includes MAPFRE Insurance Company

[9] Joined the CEA as of August 2014

[10] Joined the CEA as of May 2015

[11] Joined the CEA as of August 2018

[12] Allstate bought CNA in 1999 and is writing underneath Encompass.

[13] Joined the CEA as of December 2019

Schedule of Participating Insurer Commissions
For the Years Ended December 31, 2020 and 2019

	2020	2019
1 State Farm General Insurance Company	$ 28,812,879	$ 27,110,724
2 Allstate Insurance Company	6,957,574	7,235,561
3 The Fire Insurance Exchange (Farmers)	10,983,390	10,860,967
4 United Services Automobile Association[1]	11,576,253	10,724,040
5 Safeco Insurance Company of America[3]	4,859,506	4,844,130
6 California State Automobile Association Inter-Insurance Bureau[2]	5,009,349	4,562,937
7 Nationwide Insurance Company[7]	1,956,790	2,005,005
8 California FAIR Plan Association	415,343	393,855
9 Interinsurance Exchange of the Automobile Club	5,613,477	5,740,084
10 CNA/Continental[4,6,12]	-	-
11 Amica[11]	1,085,044	1,042,550
12 Prudential[4]	-	-
13 Liberty Mutual Fire Insurance Company[5]	1,666,940	1,782,812
14 Foremost Property and Casualty Insurance Company	655,330	585,192
15 Mercury Casualty Company	3,917,147	3,828,792
16 Armed Forces Insurance Exchange	49,303	52,365
17 GuideOne (formerly Preferred Risk)[4]	-	-
18 Homesite Insurance Company of California	380,145	350,748
19 Pacific National Insurance[4]	-	-
20 Encompass Insurance Company	358,802	384,491
21 Glen Falls Insurance Company[4]	-	-
22 Commerce West Insurance Company[8]	17,002	14,073
23 Hyundai[9]	-	11
24 Progressive[10]	217,261	155,279
25 Toggle[13]	58	-
Total	$ 84,531,593	$ 81,673,616

[1] Includes Garrison Insurance Company

[2] Includes ACA Insurance Company

[3] Joined the CEA as of December 1, 2008

[4] Not currently writing residential property insurance in California

[5] Includes Golden Eagle Insurance Company

[6] Withdrew from the CEA as of May 2011

[7] Joined the CEA as of November 2011

[8] Includes MAPFRE Insurance Company

[9] Joined the CEA as of August 2014

[10] Joined the CEA as of May 2015

[11] Joined the CEA as of August 2018

[12] Allstate bought CNA in 1999 and is writing underneath Encompass.

[13] Joined the CEA as of December 2019

Schedule of Participating Insurer Operating Costs
For the Years Ended December 31, 2020 and 2019

	2020	2019
1 State Farm General Insurance Company	$ 9,244,982	$ 8,752,116
2 Allstate Insurance Company	2,231,271	2,335,189
3 The Fire Insurance Exchange (Farmers)	3,522,577	3,504,780
4 United Services Automobile Association[1]	3,713,364	3,455,617
5 Safeco Insurance Company of America[3]	1,558,259	1,560,561
6 California State Automobile Association Inter-Insurance Bureau[2]	1,607,678	1,471,930
7 Nationwide Insurance Company[7]	626,065	646,832
8 California FAIR Plan Association	133,283	127,166
9 Interinsurance Exchange of the Automobile Club	1,795,348	1,849,026
10 CNA/Continental[4,6,12]	-	-
11 Amica[11]	348,029	336,370
12 Prudential[4]	-	-
13 Liberty Mutual Fire Insurance Company[5]	533,953	573,951
14 Foremost Property and Casualty Insurance Company	209,094	187,846
15 Mercury Casualty Company	1,256,500	1,236,159
16 Armed Forces Insurance Exchange	15,801	16,889
17 GuideOne (formerly Preferred Risk)[4]	-	-
18 Homesite Insurance Company of California	121,641	112,933
19 Pacific National Insurance[4]	-	-
20 Encompass Insurance Company	115,125	124,196
21 Glen Falls Insurance Company[4]	-	-
22 Commerce West Insurance Company[8]	5,441	4,526
23 Hyundai[9]	-	4
24 Progressive[10]	69,696	50,040
25 Toggle[13]	20	-
Total	$ 27,108,127	$ 26,346,131

[1] Includes Garrison Insurance Company

[2] Includes ACA Insurance Company

[3] Joined the CEA as of December 1, 2008

[4] Not currently writing residential property insurance in California

[5] Includes Golden Eagle Insurance Company

[6] Withdrew from the CEA as of May 2011

[7] Joined the CEA as of November 2011

[8] Includes MAPFRE Insurance Company

[9] Joined the CEA as of August 2014

[10] Joined the CEA as of May 2015

[11] Joined the CEA as of August 2018

[12] Allstate bought CNA in 1999 and is writing underneath Encompass.

[13] Joined as of December 2019.