PRICEWATERHOUSECOOPERS

California Earthquake Authority

Report on Audits of Financial Statements

For the years ended December 31, 2007 and 2006

California Earthquake Authority
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PRICEWATERHOUSECOOPERS

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Report of Independent Auditors

The Governing Board
California Earthquake Authority:

In our opinion, the accompanying balance sheets and the related statements of revenues, expenses, and changes in net assets and of cash flows present fairly, in all material respects, the financial position of the California Earthquake Authority (the Authority) at December 31, 2007 and 2006, and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

The Management's Discussion and Analysis, presented on pages 2 through 10, is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures on the information, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying Schedule of Participating Insurer Capital Contributions from inception through December 31, 2007, Schedules of Participating Insurer Premiums Written for the years ended December 31, 2007 and 2006, Schedules of Participating Insurer Unearned Premiums as of December 31, 2007 and 2006, Schedules of Participating Insurer Commissions for the years ended December 31, 2007 and 2006 and Schedules of Participating Insurer Operating Costs for the years ended December 31, 2007 and 2006 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

PricewaterhouseCoopers LLP

October 8, 2008

HISTORY AND FINANCING

This discussion provides an assessment by management of the financial position, revenues, expenses, changes in net assets, 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 follows *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 1996, in response, the California Legislature created the CEA, an instrumentality of the State of California that sells earthquake insurance policies for residential property throughout California. CEA policies are sold to policyholders by participating insurance carriers of the CEA. Insurance companies admitted to write residential property insurance in California and who elected to become participating members of the CEA signed 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 underwriting, policy issuance, premium collection, and claims adjustment.

The CEA uses its capital (net assets) to leverage approximately $8.70 billion in claims-paying capacity at December 31, 2007. The CEA's claims-paying capacity is determined from the CEA's net assets, reinsurance coverage, available letters of credit, debt, and post event prospective participating insurance company assessments. The CEA derives its capital from participating insurer capital contributions and from increases in net assets 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 revenues of the authority."

A Governing Board composed of the State of California's Governor, Treasurer, and Insurance Commissioner oversees the CEA. The Speaker of the Assembly and the Chairperson of the Senate Rules Committee serve as non-voting Board members. An 11-member Advisory Panel advises the Board. The Governing Board establishes premium rates, subject to the prior approval of the Insurance Commissioner.

The CEA has approximately 775,464 policyholders at December 31, 2007, most of whom insure single-family dwellings through the CEA. The CEA offers a base residential earthquake policy to homeowners, which includes coverage for the insured dwelling and limited coverage for contents and loss-of-use if the home or mobile home is uninhabitable due to an earthquake. The CEA also offers policies to condominium unit owners and renters. For an additional premium, CEA policyholders can significantly increase insured limits on contents and for loss of use, and homeowners can lower their CEA policy deductible from 15 percent to 10 percent.

By law, the CEA staff is limited to three contract employees and 25 employees who are subject to civil service provisions. Because of its limited staff size, the CEA uses an extensive network of contract vendors to perform functions on behalf of the CEA.

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, 2007 and 2006 have been prepared using accounting standards applicable to governmental entities. This financial report consists of three financial statements with accompanying notes. The Balance Sheets, prepared on the accrual basis of accounting, include all assets, liabilities and net assets of the CEA. The Statements of Revenues, Expenses, and Changes in Net Assets, also prepared on the accrual basis, take into account all revenues and expenses for the CEA regardless of when cash is received or paid. The Statements of Cash Flows reflect the actual cash receipts and disbursements for a specified period of time.

CONDENSED BALANCE SHEETS

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

	2007	2006	2005
Assets			
Cash and investments	$ 3,375,302,116	$ 2,943,210,743	$ 2,369,027,129
Premiums receivable, net	27,816,455	26,129,153	32,358,981
Securities Receivable	-	122,377,500	-
Unearned ceded premiums	-	24,138,678	20,710,598
Deferred policy acquisition costs	35,010,913	33,279,534	33,648,134
Other assets	17,432,583	16,823,388	18,533,328
	$ 3,455,562,067	$ 3,165,958,996	$ 2,474,278,170
Liabilities and Net Assets			
Unearned premiums	$ 257,622,610	$ 244,882,493	$ 262,876,047
Revenue Bonds Payable	283,500,000	315,000,000	-
Supplemental reinsurance premiums payable	-	10,118,403	9,300,623
Other liabilities	10,402,212	15,882,058	14,718,056
Total liabilities	551,524,822	585,882,954	286,894,726
Net assets:			
Restricted, expendable	62,854,379	28,030,818	8,485,890
Unrestricted	2,841,182,866	2,552,045,224	2,178,897,554
Total net assets	2,904,037,245	2,580,076,042	2,187,383,444
Total liabilities and net assets	$ 3,455,562,067	$ 3,165,958,996	$ 2,474,278,170

Assets

Total assets grew $289.6 million (9%) in 2007 and $691.7 million (28%) in 2006. The 2007 increase is primarily due to an increase in net assets of $324.0 million. The 2006 increase is primarily due to an increase in net assets of $392.7 and the issuance of $315.0 million in revenue bonds. Cash and investment securities grew $432.1 million (15%) and $574.2 million (24%) for 2007 and 2006, respectively. Investment securities are managed by external managers under the guidance of the CEA. U.S. Treasuries, short-term investments and cash-equivalent securities comprise 100% of the CEA's investment portfolio.

Premium receivable balances increased $1.7 million (6%) and decreased $6.2 million (-19%) in 2007 and 2006, respectively. Gross receivables increased $4.1 million during 2007 primarily due to not receiving approximately $2.3 million of 2006 premiums from one insurer, offset by an increase in the allowance for uncollectible premium of $2.4 million in 2007. The decrease in 2006 was largely attributable to receiving the majority of participating insurer premium payments by year end. The allowance for uncollectible premium remained essentially the same at $1.3 million for 2006 as compared to 2005. The CEA does not anticipate any unusual collection problems with respect to the premium balances.

The CEA did not have a securities receivable for 2007. In 2006, the CEA had $122.4 million in securities receivable due to an investment that matured on December 31, 2006, which was a non-business day. The funds from the matured securities were received on January 2, 2007, the next business day.

Prior to 2007, CEA reinsured 100% of supplemental coverage through a quota-share contract. In 2007, CEA discontinued the quota-share contract and included supplemental coverages in the aggregate excess-of-loss reinsurance contracts previously used solely for base coverages. As a result, unearned ceded premiums is zero for 2007. During 2006 unearned ceded premiums increased by $3.4 million due to increased supplemental coverages.

Deferred policy acquisition costs, consisting of unearned participating insurer commissions and operating costs, are deferred and amortized ratably over the terms of the underlying policies. Deferred policy acquisition costs increased $1.7 million (5%) during 2007 and remained relatively flat during 2006. The increase in 2007 was impacted by a full year's impact of an increase in the operating cost reimbursement rate from 2.8% to 3.59%, which was effective July 1, 2006. In 2006, the effect of the increase in the operating cost reimbursement rate was offset by a decline in premiums written.

Liabilities

Unearned premiums represent the pro-rata portion of the premiums written related to the remaining terms of policies in force. Unearned premiums increased $12.7 million (5%) and decreased $18.0 million (-7%) in 2007 and 2006, respectively. The 2007 increase is primarily due to an increase in written premium from supplemental coverages caused by a rate increase, which became effective February 2007, and a 16% increase in the number of CEA policyholders selecting the supplemental coverages. The 2006 decrease was due to a rate decrease which took effect July 1, 2006 on the base residential earthquake policy.

Revenue bonds payable decreased by $31.5 million (-10%) in 2007 resulting from the annual 10% principal payment. The bonds were initially issued in June 2006, totaling $315 million. The revenue bonds bear interest at a fixed rate of 6.196% and mature in 2016 requiring annual 10% principal payments.

Supplemental reinsurance premiums payable is zero due to expiration of the Supplemental quota-share contract. Supplemental reinsurance premiums payable increased $0.8 million (9%) in 2006.

Other liabilities include claims and claims expense reserves, which are not significant since California has not suffered a major earthquake during the CEA's existence. Other liabilities decreased $5.5 million (-35%) in 2007 and increased $1.2 million (8%) in 2006. The 2007 decrease is due to a $4.1 million decrease in unearned supplemental commission income and a decrease in accounts payable and accrued expenses of $1.4 million. The 2006 increase was due to a $0.6 million increase in unearned supplemental commission income and the addition of interest payable of $8.7 million associated with the revenue bonds issued by the CEA. The addition of interest payable was mostly offset by the decrease in accounts payable and accrued expenses of $8.1 million, primarily due to a decrease in accrued reinsurance premium adjustment expenses of $7.6 million.

Net Assets

The CEA classifies its net assets into two components, restricted-expendable and unrestricted net assets. Restricted net assets include the net assets of the Earthquake Loss Mitigation Fund (Mitigation Fund) and 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. The Mitigation Fund was created by statute and related funds must be used solely for the establishment and operation of an earthquake mitigation program. The remaining net assets of the CEA are classified as unrestricted. The CEA's net assets grew $324.0 million (13%) and $392.7 million (18%) in 2007 and 2006, respectively. In 2007, the primary reasons for the increase were underwriting profit of $192.8 million, investment income of $119.9 million, premium tax contribution from the State of California of $10.9 million, and other income of $.4 million. In 2006, the primary reasons for the increase were underwriting profit of $263.1 million, investment income of $117.5 million, premium tax contribution from the State of California of $11.6 million, and other income of $0.4 million.

CONDENSED STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

The CEA's operating results are presented in the following table:

	2007		2006		2005	
Underwriting income:						
Premiums written	$ 499,286,834	100%	$ 501,215,680	100%	$ 502,962,824	100%
Less premiums ceded - reinsurance	(174,153,907)		(166,951,869)		(131,329,113)	
Net premiums written	325,132,927	65%	334,263,811	67%	371,633,711	74%
Change in net unearned premiums	(36,878,796)		21,421,634		(26,065,547)	
Net premiums earned	288,254,131	58%	355,685,445	71%	345,568,164	69%
Other underwriting Income:						
Supplemental commission income, net	4,144,682		7,589,627		6,375,197	
Expenses:						
Claims and claims expense	12,920		(25,403)		(6,564)	
Mitigation Fund expenses	1,593,569		1,144,722		818,328	
Other underwriting expenses	98,041,276		99,037,769		87,734,618	
Total expenses	99,647,765	20%	100,157,088	20%	88,546,382	18%
Underwriting profit	192,751,048	39%	263,117,984	52%	263,396,979	52%
Net investment income	119,884,374		117,524,144		54,410,384	
Other income	11,325,781		12,050,470		15,850,574	
Increase in net assets	323,961,203	65%	392,692,598	78%	333,657,937	66%
Net assets, beginning of year	2,580,076,042		2,187,383,444		1,853,725,507	
Net assets, end of year	$ 2,904,037,245		$ 2,580,076,042		$ 2,187,383,444	

The increase in net assets was $324.0 million in 2007, which resulted in a net profit margin of 65%, and $392.7 million in 2006, which resulted in a net profit margin of 78%. The CEA's net premiums written decreased $9.1 million in 2007 and increased $37.4 million in 2006, respectively. The 2007 decrease in net premiums written was largely due to $7.2 million increase in reinsurance costs. In addition, CEA's premiums written decreased by $1.9 million. The 2006 decrease in net premiums written was largely due to $35.6 million increase in reinsurance costs due to the affects that Hurricane Katrina had on the reinsurance marketplace.

The variance in the change in unearned premiums decreased $58.3 million in 2007 and increased $47.5 million in 2006. The 2007 decrease is due to a $30.7 million decrease in the change in unearned premiums attributable to a full year of the decrease in rates for base policies, and a $27.6 million decrease in the change in unearned premiums ceded as a result of the expiration of the supplemental quota-share reinsurance contract. The 2006 increase is due to a combination of an $18.0 million decrease in the 2006 unearned premiums balance due to a rate decrease which took effect July 1, 2006 on the base residential earthquake policy, and a $29.9 million increase in the prior year's unearned premiums balance due to an increase in written premiums.

Supplemental commission income decreased $3.4 million as CEA discontinued the supplemental quota-share reinsurance contract. The CEA has now purchased reinsurance related to supplemental coverages through an aggregate excess-of-loss reinsurance contract that covers supplemental losses in excess of $50 million for an additional $592.7 million of claims-paying capacity. As a result, the CEA no longer receives a related commission.

In 2007 and 2006, the CEA's claims and claims expenses were essentially zero due to California not experiencing any significant earthquakes.

In 2007, the decrease of $1.0 million in other underwriting expenses is primarily due to a $0.8 million decline in reinsurance broker commissions and pro forma premium taxes. During 2006, the increase of $11.3 million in other underwriting expenses was primarily due to $5.3 million in net expenses relating to the sale of revenue bonds and increases of $4.6 million and $1.2 million in participating insurer commissions and operating costs, respectively. The increase in operating costs was due to a change in the operating cost reimbursement rate from 2.8% to 3.59%, which was effective July 1, 2006.

In 2007, net investment income was 2% higher than in 2006, a difference of $2.4 million, due to rising interest rates on CEA's investment portfolio, offset by a loss of value on a commercial paper security. A component of net investment income, change in depreciation of the fair value of investments totaled $(23.2) million resulting from a $43.8 million net depreciation of fair value on the commercial paper security, off set by appreciation of the fair value on all other investments of $20.6 million. In 2006, net investment income was 116% higher than in 2005, a difference of $63.1 million, due to rising interest rates on CEA's investment portfolio. CEA was earning more interest by investing in short-term U.S. Treasuries as opposed to long-term U.S. Treasuries. The CEA's net change in the fail value on investments decreased $7.9 million in 2006 as a result of investing in shorter-termed securities with less fluctuation in market value.

The CEA intends to hold all investments to maturity unless there is an earthquake or series of earthquakes causing significant damage in California.

Other income remained relatively flat in 2007 and 2006.

CONDENSED STATEMENTS OF CASH FLOWS

Primary sources of cash included cash flows from operations, cash flow from the sale of bonds and cash provided from the sale or maturity of invested assets. The primary use of cash was for operating expenses and repayment of debt.

The cash flows of the CEA are summarized as follows:

	2007	2006	2005
Net cash provided by operating activities	$ 221,793,577	$ 262,097,760	$ 309,154,013
Net cash (used in) provided by noncapital financing activities	(31,098,789)	315,406,987	396,355
Net cash provided by capital and related financing activities	766,167	675,963	436,295
Net cash provided by investing activities	26,986,142	48,251,948	69,172,909
Net increase in cash and cash equivalents	218,447,097	626,432,658	379,159,572
Cash and cash equivalents, beginning of year	1,929,736,820	1,303,304,162	924,144,590
Cash and cash equivalents, end of year	$ 2,148,183,917	$ 1,929,736,820	$ 1,303,304,162

Cash from operating activities decreased $40.3 million (-15%) in 2007 and $47.1 million (-15%) in 2006. The 2007 decrease in cash provided by operating activities is due to a $18.1 million increase in premiums ceded for reinsurance and $4.1 million increase in payment for operating expenses. Additional decreases were related to a $9.8 million decrease in cash received from premiums and a $8.2 million decrease in supplemental commission income. The 2006 decrease in cash provided by operating activities was primarily due to the increase in premiums ceded for reinsurance of $36.9 million, and the $15.3 million increase in operating expenses paid.

Cash used in non-capital financing activities amounted to $31.1 million due to CEA making its first principal payment for its outstanding revenue bonds. During 2006 cash provided from non-capital financing activities increased due to the issuance of $315 million of fixed rate revenue bonds and the interest payable for those bonds.

The change in cash provided by capital and related financing activities increased by $0.1 million in 2007 and by $0.2 million in 2006. The 2007 increase was due to a decrease in the amount of fixed assets the CEA acquired. The 2006 increase was due to Foremost Insurance Company's making their capital contributions payments during 2006. Foremost Insurance Company is scheduled to finish making capital contribution payments in 2010.

Cash flows provided by investing activities decreased by $21.3 million in 2007 and decreased $20.9 million in 2006. The 2007 decrease is due to an increase of $842.1 million from proceeds from maturing investments, offset by an increase in securities purchased of $874.1 million, and an increase of $10.7 million in net investment income, due to increased returns in U.S. Treasuries. The 2006 decrease was due to the increase in investment income of $36.4 million, an increase in the proceeds from maturities of $618.6 million and an increase of $675.9 million from the purchase of securities. The increases relating to maturities and purchases were due to the CEA's acquiring shorter-termed securities that mature more frequently hence the increase in maturities and purchases.

LIQUIDITY

The CEA maintains a highly liquid investment portfolio in order to be able to quickly pay claims in the event of a large earthquake. As of December 31, 2007, 70.2% of the portfolio was scheduled to mature in 90 days or less. Securities maturing between 91 days and one year accounted for 4.2% of the portfolio, while securities maturing between one to five years accounted for the remaining 25.6% of the portfolio. 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 probability of an earthquake or series of earthquakes occurring that would deplete CEA's liquidity and the associated claims-paying capacity is estimated to be .174% in any one year. The CEA pays policyholder claims from its claims-paying capacity. The following depicts the CEA's base policy claims-paying capacity in effect as of December 31, 2007, in millions of dollars:

CEA capital available for claims	$	2,876
First layer assessments on Participating Insurers		2,197
Risk transfer financial products (reinsurance only at December 31, 2007)		1,885
Revenue bond proceeds		261
Second layer sssessments on Participating Insurers		1,465
Total	$	8,684

Under California's Insurance Code, the CEA has the ability to assess the participating insurers on a post-event basis if claims reach certain levels, as defined. Additionally, the CEA is able to claim amounts under reinsurance contracts when claims reach certain levels, as defined.

California Earthquake Authority
Balance Sheets
December 31, 2007 and 2006

	2007	2006
Assets		
Cash and investments:		
Cash and cash equivalents	$ 1,801,878,207	$ 1,582,480,516
Restricted cash	346,305,710	347,256,304
Investments	1,227,118,199	1,013,473,923
Total cash and investments	3,375,302,116	2,943,210,743
Premiums receivable, net of allowance for doubtful accounts of $3,743,214, and $1,367,887	27,816,455	26,129,153
Assessments receivable	2,190,507	3,128,751
Interest receivable	15,052,142	13,431,118
Securities receivable	-	122,377,500
Unearned ceded premiums	-	24,138,678
Deferred policy acquisition costs	35,010,913	33,279,534
Other assets	189,934	263,519
Total assets	$ 3,455,562,067	$ 3,165,958,996
Liabilities and Net Assets		
Unearned premiums	$ 257,622,610	$ 244,882,493
Unearned supplemental commission income	-	4,144,682
Claim and claim expense reserves	23,928	11,008
Supplemental reinsurance premiums payable	-	10,118,403
Revenue bond payable	283,500,000	315,000,000
Revenue bond interest payable	8,744,559	8,690,579
Accounts payable and accrued expenses	1,633,725	3,035,789
Total liabilities	551,524,822	585,882,954
Net assets:		
Restricted, expendable	62,854,379	28,030,818
Unrestricted	2,841,182,866	2,552,045,224
Total net assets	2,904,037,245	2,580,076,042
Total liabilities and net assets	$ 3,455,562,067	$ 3,165,958,996

The accompanying notes are an integral part of these financial statements.

California Earthquake Authority
Statements of Revenues, Expenses and Changes in Net Assets
For the Years Ended December 31, 2007 and 2006

	2007	2006
Underwriting income:		
Premiums written	$ 499,286,834	$ 501,215,680
Less premiums ceded - reinsurance	(174,153,907)	(166,951,869)
Net premiums written	325,132,927	334,263,811
Change in unearned premiums	(12,740,118)	17,993,555
Change in unearned premiums ceded - reinsurance	(24,138,678)	3,428,079
Net unearned premiums	(36,878,796)	21,421,634
Net premiums earned	288,254,131	355,685,445
Other operating income:		
Supplemental commission income, net	4,144,682	7,589,627
Total revenues	292,398,813	363,275,072
Expenses:		
Claim and claims expense	12,920	(25,403)
Participating insurer commissions	48,693,448	51,966,854
Participating insurer operating costs	17,474,376	14,454,099
Reinsurance broker commissions	5,785,043	5,898,980
Pro forma premium taxes	10,924,570	11,633,051
Financing expenses, net	2,364,582	5,275,534
Mitigation Fund expenses	1,593,569	1,144,722
Other underwriting expenses	12,799,257	9,809,251
Total expenses	99,647,765	100,157,088
Underwriting profit	192,751,048	263,117,984
Net investment income	119,884,374	117,524,144
Other income	401,211	417,419
State of California premium tax contribution	10,924,570	11,633,051
Increase in net assets	323,961,203	392,692,598
Net assets, beginning of year	2,580,076,042	2,187,383,444
Net assets, end of year	$ 2,904,037,245	$ 2,580,076,042

The accompanying notes are an integral part of these financial statements.

California Earthquake Authority
Statements of Cash Flows
For the Years Ended December 31, 2007 and 2006

	2007	2006
Cash flows from operating activities:		
Cash received from premiums	$ 497,599,531	$ 507,445,508
Cash payments for premiums ceded - reinsurance	(184,272,310)	(166,134,089)
Cash payments for operating expenses	(88,724,947)	(84,646,740)
Cash from supplemental commission income	-	8,177,366
Cash payments to employees for services	(2,808,697)	(2,744,285)
Net cash provided by operating activities	221,793,577	262,097,760
Cash flows from noncapital financing activities:		
Repayment of revenue bonds	(31,500,000)	-
Revenue bond proceeds	-	315,000,000
Other income	401,211	406,987
Net cash (used in) provided by noncapital financing activities	(31,098,789)	315,406,987
Cash flows from capital and related financing activities:		
Assessments received from participating insurers	938,244	938,244
Acquisition of equipment	(172,077)	(262,281)
Net cash provided by capital and related financing activities	766,167	675,963
Cash flows from investing activities:		
Proceeds from maturities of investments	1,637,952,500	795,832,500
Purchases of investments	(1,735,931,341)	(861,879,319)
Net investment income	124,964,983	114,298,767
Net cash provided by investing activities	26,986,142	48,251,948
Net increase in cash and cash equivalents	218,447,097	626,432,658
Cash and cash equivalents, beginning of year	1,929,736,820	1,303,304,162
Cash and cash equivalents, end of year	$ 2,148,183,917	$ 1,929,736,820
Reconciliation to balance sheet:		
Cash and cash equivalents	$ 1,801,878,207	$ 1,582,480,516
Restricted cash	346,305,710	347,256,304
	$ 2,148,183,917	$ 1,929,736,820

The accompanying notes are an integral part of these financial statements.

California Earthquake Authority
Statements of Cash Flows, Continued
For the Years Ended December 31, 2007 and 2006

	2007	2006
Reconciliation of operating income to net cash provided by operating activities:		
Underwriting profit	$ 192,751,048	$ 263,117,984
Adjustments to reconcile underwriting profit to net cash provided by operating activities:		
Depreciation on equipment	182,509	159,579
Pro forma premium tax expense	10,924,570	11,633,051
Changes in operating assets and liabilities:		
Premiums receivable	(1,687,302)	6,229,828
Unearned premiums	12,740,117	(17,993,554)
Deferred policy acquisition costs	(1,731,379)	368,600
Other assets	73,585	28,570
Supplemental reinsurance premiums payable	(10,118,403)	817,780
Unearned ceded premiums	24,138,678	(3,428,080)
Claim and claim expense reserves	12,920	(25,403)
Unearned supplemental commission income	(4,144,682)	587,739
Revenue bond interest payable	53,980	8,690,579
Accounts payable and accrued expenses	(1,402,064)	(8,088,913)
Net cash provided by operating activities	$ 221,793,577	$ 262,097,760

Non-cash Investing, Capital and Financing Activities

The CEA holds investments that experience changes in fair value from year to year. Net (depreciation) appreciation in the fair value of investments, which is included as a component of net investment income in the Statements of Revenues, Expenses, and Changes in Net Assets, was $(15.3) million and $7.9 million in 2007 and 2006, respectively.

The accompanying notes are an integral part of these financial statements.

1. Reporting Entity and Summary of Significant Accounting Policies

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. The CEA also provides supplemental insurance coverage for earthquake damage.

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 elected to become participating members of the CEA signed 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 is 3.59% of written premium (2.8% through June 30, 2006). The producer commission is equal to 10.0% of written premium of all CEA new and renewal policies. Additionally, participating insurers receive reimbursement for expenses associated with servicing CEA claims equal to 9.0% of paid claims. As of December 31, 2007, 23 participating insurers sell the CEA policy, 4 of which service 83% of CEA policies. However, as of December 31, 2007, only 18 participating insurers were writing policies.

The CEA has eligibility requirements that compel the CEA to issue and renew policies if the insured structure has no pre-existing, non-cosmetic 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.

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, revenues are recorded when earned and expenses are recorded at the time liabilities are 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.

In accordance with governmental accounting standards, the CEA applies all applicable statements issued by the Governmental Accounting Standards Board (GASB). The CEA applies all of the following pronouncements issued on or before November 30, 1989: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins, unless those pronouncements conflict with or contradict GASB pronouncements. In addition, the CEA has elected to apply statements and related interpretations issued by the Financial Accounting Standards Board after November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

Revenue recognition
Premiums are recognized as earned on a pro rata basis over the contract period. All premium rates charged by the CEA must be approved by the State of California Insurance Commissioner before use. The CEA's base-policy rates were reduced by a statewide weighted average of 22.1% which went into effect July 1, 2006. However, supplemental coverage rates increased by 30.2% under a two-year phase in plan, with a 15% increase in February 2007. The second phase of the increase occurred February 2008 and the increase was 15.2%. The CEA submitted a plan to the insurance commissioner to combine the base policy with the supplemental coverages. This plan has been approved and went into effect May 2008.

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 are amortized over the remaining reinsurance contract period. Unearned ceded premium is the pro rata portion of premiums ceded applicable to the unexpired period of reinsurance coverage.

Cash and cash equivalents
For purposes of the statement of cash flows, the CEA considers investments in certificates of deposit, U.S. treasuries, U.S. government money market accounts, commercial paper, corporate bonds, bankers' acceptances, and repurchase agreements with original maturities of three months or less, to be cash equivalents. Restricted cash is comprised of unspent bond proceeds, debt service sinking funds and monies transferred to the Earthquake Loss Mitigation Fund (Mitigation Fund).

Investments
Investments consist primarily of certificates of deposit, U.S. treasuries, U.S. government money market accounts, commercial paper, repurchase agreements, corporate bonds, and bankers' acceptances, as authorized by the 1996 legislation creating the CEA. All investments are reported at fair value in the balance sheets. 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.

Deferred policy acquisition costs
Acquisition costs, consisting of participating insurer commissions and operating costs, are deferred and amortized ratably over the terms of the underlying policies. Deferred acquisition costs are limited to the estimated recoverable value of such costs. The determination of

estimated recoverable value gives effect to the premium to be earned, losses and loss adjustment expenses incurred, investment income to be earned, and certain other costs expected to be incurred as the premium is earned.

Claims and claim expense reserves

Reserves for insurance claims and claim 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. If a major California earthquake were to occur, there would be a significant increase in the reserve for claims and claim adjustment expenses. The CEA has a minimal reserve for unpaid claims reported before December 31, 2007. The negative claims expenses for the year ended December 31, 2006 was a result of reducing the claims reserve to reflect losses less than were projected at the previous year-end.

If the CEA's Governing Board determines that the CEA's net assets, 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 circumstance, the insurance code states that the commissioner shall order the CEA to cease renewing or accepting new earthquake insurance policies.

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 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, 2007, participating insurer capital contributions totaled $704.6 million and were 99% funded.

The California Insurance Code (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. The CEA's ability to make certain additional assessments for the 1st industry assessment layer pertaining to the participating insurers expires December 1, 2008. However, during 2007 CEA worked with the state legislature and participating insurers to establish a new industry assessment layer, which commences on December 1, 2008, with a maximum assessment of $1.3 billion.

As of December 31, 2007, participating insurers have a cumulative residential property insurance market share of approximately 72.1% of the total residential property insurance market in California. If participating insurers withdraw their participation in the CEA such that the cumulative residential property insurance market share is less than 65%, the Insurance Commissioner is required by law to make recommendations to the California Legislature for the continuation or termination of the CEA.

Net assets
The CEA classifies its net assets into two components, restricted-expendable and unrestricted net assets. Restricted net assets include the net assets 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. The remaining net assets of the CEA are classified as unrestricted.

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 contributions
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 revenues of the authority." As a result, the amounts that the state would otherwise impose on the CEA as premium tax are collected by the CEA as premium and retained by the CEA as a contribution by the state; as premium is earned, the portion attributable to the premium-tax exemption is included in the CEA's net assets. State premium-tax-exemption contributions were $10,924,570 and $11,633,051 for the years ended December 31, 2007 and 2006, respectively. Since inception of the CEA to December 31, 2007, state premium-tax contributions total $104,397,651.

Supplemental commission income
The CEA's supplemental quota-share reinsurance contract expired December 31, 2006 and the CEA no longer receives a related commission. The CEA has purchased reinsurance related to supplemental coverages through an aggregate excess-of-loss reinsurance contract that covers supplemental losses in excess of $50 million for an additional $592.7 million of claims-paying capacity.

2. Cash and Investments

As of December 31, 2007 and 2006, the CEA had the following cash and investments:

	December 31, 2007 Investment Maturities (in Years)					Total
	< 1	<2	<3	<4	<5	
U. S. Treasuries	$ 38,658,539	$ 121,504,987	$ 241,108,711	$ 249,852,613	$ 558,166,859	$ 1,209,291,709
U. S. agencies	51,002,039					51,002,039
U.S. Government money market funds	88,776,786					88,776,786
Commercial paper	470,238,069					470,238,069
Corporate bonds	179,270,894					179,270,894
Banker's acceptances	24,087,069					24,087,069
Negotiable certificates of deposit	479,885,550					479,885,550
Repurchase agreements	872,750,000					872,750,000
Total	$ 2,204,668,946	$ 121,504,987	$ 241,108,711	$ 249,852,613	$ 558,166,859	$ 3,375,302,116
Reconciliation to statement of net assets:						
Cash equivalent items included above						$ 2,147,242,407
Investments						1,227,118,199
Total investments						3,374,360,606
Cash items not included above						941,510
Total cash and investments						$ 3,375,302,116

	December 31, 2006 Investment Maturities (in Years)					Total
	< 1	<2	<3	<4	<5	
U. S. Treasuries	$ 448,707,575	$ 43,678,562	$ 63,051,651	$ 17,525,977	$ 440,510,158	$ 1,013,473,923
U. S. agencies	14,687,480					14,687,480
U.S. Government money market funds	56,505,033					56,505,033
Commercial paper	458,451,874					458,451,874
Corporate bonds	126,798,888					126,798,888
Banker's acceptances	14,993,452					14,993,452
Negotiable certificates of deposit	452,300,093					452,300,093
Repurchase agreements	806,000,000					806,000,000
Total	$ 2,378,444,395	$ 43,678,562	$ 63,051,651	$ 17,525,977	$ 440,510,158	$ 2,943,210,743
Reconciliation to statement of net assets:						
Cash equivalent items included above						$ 1,929,736,820
Investments						1,013,473,923
Total investments						2,943,210,743
Cash items not included above						-
Total cash and investments						$ 2,943,210,743

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 U.S. Treasuries purchased for short-term purposes to securities with maximum maturities of 181 days. For long-term purposes, Treasuries are allowed to have maturities of up to 5 years as long as the total CEA portfolio does not exceed a combined maximum modified duration of 1.75 years.

Credit Risk
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, 2007 the CEA's investments in banker's acceptances and commercial paper were rated A-1 by Standard & Poor's and P-1 by Moody's Investors Service. The CEA's investments in corporate bonds were rated AAA by Standard & Poor's and Aaa by Moody's Investors Service. In order to reduce counterparty exposure, the CEA maintains collateral of 105% on repurchase agreements. On August 8, 2007, the CEA purchased commercial paper, which was then rated A1+ by Standard & Poors (S&P) and P1 by Moody's Investor Service. The security was downgraded to A3 (from superior to adequate) by S&P without prior notice on August 21, 2007. As of December 31, 2007, the security was no longer rated. During the year ended December 31, 2007, the CEA recorded a $44 million loss on the commercial paper security, representing 70% of original cost. On September 18, 2008, the assets underlying the commercial paper security were sold at auction. As a result, the CEA received 24% of its original investment, which resulted in an additional loss of $3.4 million to be recognized in 2008.

Concentration of Credit Risk
There is no concentration of investments in any one non-U. S. governmental issuer that represents 5% or more of total investments.

Investment Income
Total investment income is comprised of interest and net appreciation or depreciation 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 financing expenses, net on the statement of revenues, expenses, and changes in net assets.

Investment income for the years ended December 31, 2007 and 2006 is as follows:

	2007	2006
Certificates of deposit	$ 24,728,006	$ 18,490,467
U.S. agency securities and government money market accounts	4,509,669	2,676,806
Repurchase agreements	42,725,060	35,365,906
Corporate bonds	7,107,533	3,769,813
U.S. Treasuries	48,464,454	39,460,162
Other short-term investments	25,991,046	19,362,933
Interest income	153,525,768	119,126,087
Change in fair value of investments	(15,257,041)	7,924,268
Less investment expenses	(2,252,651)	(1,942,233)
Net investment income	$ 136,016,076	$ 125,108,122
Reconciliation to Statements of Revenues, Expenses, and Changes in Net Assets:		
Investment income included in financing expenses	$ 16,131,702	$ 7,583,978
Net investment income	119,884,374	117,524,144
	$ 136,016,076	$ 125,108,122

The change in fair value of investments for the years ended December 31, 2007 and 2006 is calculated as follows:

	2007	2006
Fair value of investments at the end of year	$ 1,227,118,199	$ 1,013,473,923
Add: Proceeds of investments matured	1,515,575,000	918,210,000
Add: Amortization of discounts/premium	(8,544,976)	3,842,631
Less: Cost of investments purchased	(1,735,931,341)	(861,879,319)
Less: fair value of investments at the beginning of year	(1,013,473,923)	(1,065,722,967)
Change in fair value of investments	$ (15,257,041)	$ 7,924,268

Fair Value of 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.

3. Long-Term Debt

The CEA issued its first long-term debt, $315 million in fixed rate revenue bonds on July 20, 2006 to enhance claims-paying capacity. The following reflects activity in the long-term debt accounts during the years ended December 31, 2007 and 2006, respectively:

Balance, January 1, 2006	$ -
Issuance of debt	315,000,000
Payments	-
Balance, December 31, 2006	315,000,000
Payments	(31,500,000)
Balance, December 31, 2007	$ 283,500,000

The net proceeds from the revenue bonds were deposited into the Claims-Paying Account and were used to purchase investments according to CEA's investment policy and procedures. The proceeds will only be used for future payments of earthquake claims and related loss adjustment expenses. Revenue bond proceeds may be used for payment of claims after the CEA exhausts CEA capital available for claims and the first industry assessment on participating insurers. Repayment of debt does not affect the level of the Claims-Paying Account.

The bonds are payable from future pledged policyholder premiums. The bonds bear interest at 6.169% and are federally taxable. Interest is payable semi-annually, beginning January 1, 2007. The bonds are due July 1, 2016, but are subject to annual mandatory sinking-fund payments as indicated below. The bonds are subject to optional redemptions at any time prior to maturity, in whole or in part, at the option of the CEA. The CEA is subject to certain bond covenants, the most restrictive of which requires a debt service coverage ratio, as defined, of 3:1.

Future scheduled debt service payments, including mandatory sinking fund payments, for the CEA's long-term debt are as follows as of December 31, 2007:

	Principal	Interest	Total
2008	$ 31,500,000	$ 16,517,498	$ 48,017,498
2009	31,500,000	14,575,263	46,075,263
2010	31,500,000	12,631,028	44,131,028
2011	31,500,000	10,687,793	42,187,793
2012	31,500,000	8,744,557	40,244,557
2013-2016	126,000,000	15,545,881	141,545,881
Total requirements	$ 283,500,000	$ 78,702,020	$ 362,202,020

Fair Value

The estimated fair value of the CEA's long-term debt, based on quoted market prices for the same or similar issues at December 31, 2007 is as follows:

Carrying amount	$ 283,500,000
Fair value	$ 278,530,777

4. Reinsurance

The CEA cedes risk to reinsurers under catastrophe excess-of-loss reinsurance contracts and a supplemental coverages reinsurance contract, 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 insurance 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 coverages 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.

The 2007 and 2006 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, 2007 in accordance with these terms, the CEA did not have a premium adjustment expense against the contract. As of December 31, 2006 the CEA's adjustment expense was $2.1 million against the contract.

In 2007 and 2006, the CEA continued to cede insurance to reinsurers under catastrophe excess-of-loss reinsurance contracts. Effective January 1, 2007, the CEA has entered into contracts to continue to cede insurance to reinsurers under catastrophe excess-of-loss reinsurance contracts, of which three are collateralized, extending through December 31, 2007. For 2006, 2007, and 2008, the reinsurance contracts provide maximum coverages of $1.9 billion, $2.5 billion, and $2.3 billion, respectively, at varying attachment points.

During 2006, the CEA reinsured its supplemental coverages through a quota-share reinsurance contract, that expired December 31, 2006 and was not renewed. Beginning January 1, 2007, supplemental coverages are reinsured through the excess-of-loss program described above. During 2006, under the quota-share contract, the reinsurance limit was $450 million and the commission paid to CEA amounted to 17.5%, before payments to the participating insurers of 10% for commissions and 3.59% (2.8% prior to July 1, 2006) for operating costs.

5. Statutory Compliance

The State of California Insurance Code limits CEA's "operating expenses" to 3% of its "premium income". In calculating this limitation, the CEA has determined that its premium income is its reported premiums written and that its operating expenses do not include certain start-up expenses and certain credits and payments, including payments to reinsurers, payments to investment managers and advisors, payments to participating insurers, or payments of agent commissions. Operating expenses, as determined by the CEA, totaled $7.7 million and $7.8 million for the years ended December 31, 2007 and 2006, respectively, and did not exceed 3% of premiums written.

6. Mitigation Fund

California Insurance Code Section 10089.37 created the Earthquake Loss Mitigation Fund (Mitigation Fund) as a "sub-account 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 Insurance Code requires the CEA annually transfer an amount equal to the lesser of 5% 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 monies into the Mitigation Fund sub-account 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 monies that reside in the Mitigation Fund sub-account within the CEA are by statute not available to pay policyholder or other claims against the CEA.

As of December 31, 2007 and 2006, the balance sheets include expendable restricted net assets related to the Mitigation Fund totaling $16,432,137 and $12,702,339, respectively.

SUPPLEMENTARY INFORMATION

California Earthquake Authority
Schedule of Participating Insurer Capital Contributions
From inception through December 31, 2007

State Farm Insurance Company	$	249,188,275
Allstate Insurance Company		145,612,517
Farmers Insurance Company		143,280,000
United Services Automobile Association		58,992,512
California State Automobile Association		39,013,494
California Fair Plan		15,029,487
Automobile Insurance Exchange of Southern California		14,443,651
CNA/Continental		13,924,611
Prudential Insurance Company		11,531,455
Liberty Mutual Insurance Company		6,699,434
Foremost Insurance Company		4,614,304
Mercury Insurance Company		1,406,238
Armed Forces		783,685
GuideOne (formerly Preferred Risk)		123,133
Merastar		-
Golden Eagle		-
Homesite Insurance		-
Workmen's Auto Insurance		-
Pacific National Insurance		-
Encompass Insurance		-
Glen Falls Insurance Company		-
ACA Insurance Company		-
Commerce West Insurance		-
Total	$	704,642,796

California Earthquake Authority
Schedules of Participating Insurer Premiums Written
For the years ended December 31, 2007 and 2006

	2007	2006
State Farm Insurance Company	$ 187,870,527	$ 187,894,498
Allstate Insurance Company	94,950,621	101,289,576
Farmers Insurance Company	65,227,628	60,759,670
United Services Automobile Association	65,352,670	65,450,012
California State Automobile Association	17,478,711	16,176,680
California Fair Plan	4,526,266	5,452,305
Automobile Insurance Exchange of Southern California	32,253,039	32,693,218
CNA/Continental	-	-
Prudential Insurance Company	-	-
Liberty Mutual Insurance Company	12,416,920	12,261,743
Foremost Insurance Company	2,981,583	2,891,076
Mercury Insurance Company	9,869,010	9,809,583
Armed Forces	719,003	781,258
GuideOne (formerly Preferred Risk)	-	-
Merastar	70,970	72,103
Golden Eagle	25,693	37,014
Homesite Insurance	332,667	366,406
Workmen's Auto Insurance	119	25,502
Pacific National Insurance	-	-
Encompass Insurance	4,587,004	4,815,071
Glen Falls Insurance Company	-	-
ACA Insurance Company	623,942	439,965
Commerce West Insurance	461	-
Total	$ 499,286,834	$ 501,215,680

California Earthquake Authority
Schedules of Participating Insurer Unearned Premiums
December 31, 2007 and 2006

	2007	2006
State Farm Insurance Company	$ 95,929,605	$ 91,121,096
Allstate Insurance Company	49,230,336	49,892,135
Farmers Insurance Company	34,612,650	30,939,852
United Services Automobile Association	33,688,629	32,352,609
California State Automobile Association	9,329,654	7,530,096
California Fair Plan	2,428,967	2,656,349
Automobile Insurance Exchange of Southern California	16,411,274	15,746,066
CNA/Continental	-	-
Prudential Insurance Company	-	-
Liberty Mutual Insurance Company	6,402,223	5,711,285
Foremost Insurance Company	1,582,650	1,416,647
Mercury Insurance Company	4,894,268	4,415,776
Armed Forces	362,449	379,971
GuideOne (formerly Preferred Risk)	-	-
Merastar	43,088	43,434
Golden Eagle	12,319	14,606
Homesite Insurance	181,090	159,173
Workmen's Auto Insurance	-	8,447
Pacific National Insurance	-	-
Encompass Insurance	2,193,699	2,279,101
Glen Falls Insurance Company	-	-
ACA Insurance Company	319,366	215,850
Commerce West Insurance	343	-
Total	$ 257,622,610	$ 244,882,493

California Earthquake Authority
Schedules of Participating Insurer Commissions
For the years ended December 31, 2007 and 2006

	2007	2006
State Farm Insurance Company	$ 18,320,511	$ 19,472,103
Allstate Insurance Company	9,568,773	10,757,876
Farmers Insurance Company	6,161,992	6,228,987
United Services Automobile Association	6,405,102	6,715,371
California State Automobile Association	1,568,988	1,698,700
California Fair Plan	475,641	636,485
Automobile Insurance Exchange of Southern California	3,161,509	3,285,088
CNA/Continental	-	-
Prudential Insurance Company	-	-
Liberty Mutual Insurance Company	1,173,921	1,285,256
Foremost Insurance Company	282,131	255,567
Mercury Insurance Company	939,670	959,470
Armed Forces	73,697	82,522
GuideOne (formerly Preferred Risk)	-	-
Merastar	7,140	8,040
Golden Eagle	2,802	3,874
Homesite Insurance	31,113	42,322
Workmen's Auto Insurance	857	3,581
Pacific National Insurance	-	-
Encompass Insurance	467,481	494,710
Glen Falls Insurance Company	-	-
ACA Insurance Company	52,089	36,902
Commerce West Insurance	31	-
Total	$ 48,693,448	$ 51,966,854

California Earthquake Authority
Schedules of Participating Insurer Operating Costs
For the years ended December 31, 2007 and 2006

	2007	2006
State Farm Insurance Company	$ 6,574,643	$ 5,399,622
Allstate Insurance Company	3,435,123	2,997,915
Farmers Insurance Company	2,208,355	1,739,213
United Services Automobile Association	2,299,115	1,870,611
California State Automobile Association	563,219	472,821
California Fair Plan	170,826	176,285
Automobile Insurance Exchange of Southern California	1,135,077	915,999
CNA/Continental	-	-
Prudential Insurance Company	-	-
Liberty Mutual Insurance Company	421,764	356,668
Foremost Insurance Company	101,166	71,875
Mercury Insurance Company	337,569	266,623
Armed Forces	26,450	23,064
GuideOne (formerly Preferred Risk)	-	-
Merastar	2,584	2,245
Golden Eagle	1,004	1,095
Homesite Insurance	11,170	11,815
Workmen's Auto Insurance	307	977
Pacific National Insurance	-	-
Encompass Insurance	167,313	136,770
Glen Falls Insurance Company	-	-
ACA Insurance Company	18,686	10,501
Commerce West Insurance	5	-
	$ 17,474,376	$ 14,454,099