

CALIFORNIA EARTHQUAKE AUTHORITY

Financial Statements
December 31, 2014 and 2013

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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 California Earthquake Authority ("CEA"), as of and for the years ended December 31, 2014 and 2013 and the related notes to the financial statements, which collectively comprise the CEA's basic financial statements.

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 opinions.

Opinions

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the California Earthquake Authority as of December 31, 2014 and 2013 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 Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis 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 supplementary 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 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 audits 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 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.

Plant & Moran, PLLC

August 24, 2015

CALIFORNIA EARTHQUAKE AUTHORITY

Management's Discussion and Analysis

History and Financing

This discussion provides an assessment by management of the financial position, revenues, 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 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 \$11.5 billion in claims-paying capacity at December 31, 2014. The CEA's claims-paying capacity is determined from the CEA's available capital, risk-transfer 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 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 revenues of the authority.*"

The CEA had 865,084 policyholders at December 31, 2014, 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 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.

The CEA employs contract employees and employees subject to civil-service provisions. On June 28, 2013, legislation was passed that removed the staffing cap of a maximum 25 CEA employees subject to civil service provisions. Historically, because of its limited staff size, the CEA has used an extensive network of contract vendors to perform functions on behalf of the CEA. The use of contract vendors will continue while the CEA transitions to a staff size that will be able to handle these functions.

CALIFORNIA EARTHQUAKE AUTHORITY

Management's Discussion and Analysis (Continued)

Using the 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, 2014 and 2013 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 position of the CEA. The statements of revenues, expenses, and changes in net position, 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 position as of December 31 are summarized as follows:

	2014	2013	2012
Assets			
Current			
Cash and investments	\$ 5,573,429,592	\$ 5,018,527,573	\$ 4,804,687,807
Premiums receivable, net	44,659,498	45,192,923	42,878,950
Prepaid reinsurance premium	8,107,146	5,367,911	1,325,001
Deferred policy acquisition costs	-	-	39,031,916
Transformer reinsurance premium deposit	9,631,456	5,029,944	-
Other current assets	18,680,000	14,816,634	18,285,153
Total current assets	5,654,507,692	5,088,934,985	4,906,208,827
Noncurrent			
Transformer reinsurance premium deposit	-	9,631,456	14,634,112
Capital assets	617,882	1,017,092	458,543
Total assets	\$ 5,655,125,574	\$ 5,099,583,533	\$ 4,921,301,482
Liabilities and Net Assets			
Current			
Unearned premiums	\$ 310,845,890	\$ 296,410,225	\$ 290,632,289
Other current liabilities	16,469,634	48,514,115	47,571,589
Total current liabilities	327,315,524	344,924,340	338,203,878
Noncurrent			
Revenue bonds payable, noncurrent portion	350,000,000	63,000,000	94,500,000
Compensated absences	600,785	551,684	559,767
Total liabilities	677,916,309	408,476,024	433,263,645
Net position:			
Net investment in capital assets	617,882	1,017,092	458,543
Restricted, expendable	22,877,158	274,488,211	237,918,554
Unrestricted	4,953,714,225	4,415,602,206	4,249,660,740
Total net position	4,977,209,265	4,691,107,509	4,488,037,837
Total liabilities and net position	\$ 5,655,125,574	\$ 5,099,583,533	\$ 4,921,301,482

CALIFORNIA EARTHQUAKE AUTHORITY

Management's Discussion and Analysis (Continued)

Condensed Balance Sheets (Continued)

Assets

Total assets grew \$555.5 million (11%) in 2014 and \$178.3 million (4%) in 2013. The 2014 and 2013 increases were primarily due to an increase in net position of \$286.1 million and \$203.1 million, respectively. Cash and investments grew \$554.9 million (11%) and \$213.8 million (4%), in 2014 and 2013, respectively. Investments 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 decreased \$0.5 million (1%) and increased \$2.3 million (5%) in 2014 and 2013, respectively. The 2013 increase in premium receivables was largely due to timing with a few participating insurers having significantly larger balances at the end of 2013 compared to 2012.

Deferred policy acquisition costs, consisting of unearned participating insurer commissions and operating costs, were deferred and amortized ratably over the terms of the underlying policies during 2012. In 2013, the CEA adopted new accounting guidance for policy acquisition costs. As a result, deferred policy acquisition costs and beginning net position decreased \$39.0 million (100%) in 2013, and had no balance in 2014. The operating cost reimbursement rate during 2014 and 2013 was 3.09%.

The 2014 increase in other current assets of \$3.8 million (26%) was primarily due to an increase of \$2.9 million in the prepaid transformer maintenance premium, and \$1.0 million increase in interest income receivable. The 2013 decrease in other current assets of \$3.5 million (19%) was primarily due to a reduction of \$3.0 million in the prepaid transformer maintenance premium, and \$0.7 million decrease in interest income receivable.

The current portion of reinsurance deposits had an increase in 2014 of \$4.6 million due to two of the reinsurance contracts associated with the deposit expiring during 2015. The reinsurance deposit had an increase in 2013 of \$5.0, with the increase due to one of the contracts becoming due in 2014.

The non-current portion of reinsurance deposits decreased by \$9.6 million and \$5.0 million in 2014 and 2013, respectively, due to the reasons stated above.

Liabilities

Unearned premiums represent the pro rata portion of the premiums written related to the remaining term of policies in force. Unearned premiums increased \$14.4 million (5%) and increased \$5.8 million (2%) in 2014 and 2013, respectively. The increase in each year was due to the increase in premiums written compared to the previous year.

Other current liabilities include loss and loss adjustment expense reserves. In 2014, the reserve amount was \$1.3 million due to the earthquake in the American Canyon area near Napa. In 2013, the reserve amount was insignificant as California had not suffered a major earthquake during the CEA's existence to that point. Other current liabilities decreased \$32.0 million (66%) in 2014 largely due to the defeasance of the 2006 revenue bonds at the time of the issuance of the series 2014 revenue bonds using CEA capital. The 2006 revenue bonds principal payments accounted for \$31.5 million in current liabilities in 2013, but there is no current liabilities balance for the series 2014 revenue bonds, as the first principal payment is not due until July 1, 2016. Other current liabilities increased \$0.9 million (2%) in 2013 largely due to an increase in accounts payable and accrued expenses at year-end of \$1.8 million, which was offset by a decrease in revenue bond interest payable at year-end of \$1.0 million.

CALIFORNIA EARTHQUAKE AUTHORITY

Management's Discussion and Analysis (Continued)

Condensed Balance Sheets (Continued)

The non-current portion of revenue bonds payable increased by \$287.0 million (456%) in 2014 due to the issuance of the series 2014 revenue bonds and the defeasance of the 2006 revenue bonds. See note 3 for further discussion of the bonds.

Compensated absences – noncurrent had an insignificant change in both 2014 and 2013.

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 (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 grew \$286.1 million (6%) and \$203.1 million (5%) in 2014 and 2013, respectively. The 2014 increase was comprised of the underwriting profit of \$263.0 million, premium tax contributions from the State of California of \$14.3 million, and net investment income of \$23.8 million. The 2013 increase was comprised of the underwriting profit of \$232.3 million, premium tax contributions from the State of California of \$13.8 million, and net investment income of \$2.1 million.

During 2013, the CEA adopted GASB Statement No. 65, Items Previously Reported as Assets and Liabilities (GASB 65), which requires acquisition costs to be expensed as incurred. The standard generally requires that the financial statements be retroactively restated to reflect the change in accounting policy; however, because the impacts of the adoption were not material to the financial statements, the cumulative effect of applying the standard was reported as a restatement of beginning net position on January 1, 2013. The cumulative effect of adopting GASB 65 as of January 1, 2013 was as follows:

Net Position, Beginning of Year-2013 as originally reported	\$	4,488,037,837
Adjustment for GASB 65 adoption		<u>(39,031,916)</u>
Net Position, Beginning of Year-2013 as restated	\$	<u>4,449,005,921</u>

CALIFORNIA EARTHQUAKE AUTHORITY

Management's Discussion and Analysis (Continued)

Condensed Statements of Revenues, Expenses, and Changes in Net Position

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

	<u>2014</u>		<u>2013</u>		<u>2012</u>
Underwriting income:					
Premiums written	\$ 607,293,252	100%	\$ 574,507,234	100%	\$ 569,235,337
Less premiums ceded - reinsurance	<u>(194,095,181)</u>		<u>(212,741,709)</u>		<u>(222,817,695)</u>
Net premiums written	<u>413,198,071</u>	68%	<u>361,765,525</u>	63%	<u>346,417,642</u>
Change in net unearned premiums	<u>(14,435,665)</u>		<u>(5,777,936)</u>		<u>19,267,042</u>
Net premiums earned	<u>398,762,406</u>	66%	<u>355,987,589</u>	62%	<u>365,684,684</u>
Expenses:					
Claims and claims expense	3,036,027		373,311		649,221
Other underwriting expenses	<u>132,713,855</u>		<u>123,303,996</u>		<u>121,284,705</u>
Total expenses	<u>135,749,882</u>	22%	<u>123,677,307</u>	22%	<u>121,933,926</u>
Underwriting profit	263,012,524	43%	232,310,282	40%	243,750,758
Non-operating income and expenses:					
Net investment income	23,752,481		2,133,304		18,435,449
Other non-operating income	14,682,203		14,222,199		13,564,995
Other non-operating expenses	<u>(15,345,452)</u>		<u>(6,564,197)</u>		<u>(8,248,767)</u>
Total non-operating income and expenses	23,089,232	4%	9,791,306	2%	23,751,677
Capital contributions	<u>-</u>		<u>-</u>		<u>-</u>
Increase in net position	286,101,756	47%	242,101,588	42%	267,502,435
Net position, beginning of year	<u>4,691,107,509</u>		<u>4,449,005,921</u>		<u>4,220,535,402</u>
Net position, end of year	<u>\$4,977,209,265</u>		<u>\$4,691,107,509</u>		<u>\$4,488,037,837</u>

The increase in net position was \$286.1 million in 2014, which resulted in a net profit margin of 47%, and \$242.1 million in 2013, which resulted in a net profit margin of 42%. Net investment income increased \$21.6 million (1,013%) in 2014. The increase was largely due to a \$15.9 million decrease in the change of unrealized investment gains on U.S. Treasuries and an increase of \$4.0 million in investment income. Net investment income decreased \$16.3 million (88%) in 2013. The decrease was largely due to a \$12.5 million decrease in the change of unrealized investment gains on U.S. Treasuries and a decrease of \$3.6 million in investment income. The CEA's net premiums written increased \$51.4 million (14%) and \$15.3 million (4%) in 2014 and 2013, respectively. The 2014 increase is due to a \$32.8 million increase in written premiums and a decrease in premiums ceded of \$18.6 million. The 2013 increase is due to a \$5.3 million increase in written premiums and a decrease in premiums ceded of \$10.1 million.

CALIFORNIA EARTHQUAKE AUTHORITY

Management's Discussion and Analysis (Continued)

Condensed Statements of Revenues, Expenses, and Changes in Net Position (Continued)

The change in unearned premiums decreased \$8.7 million and \$25.0 million in 2014 and 2013, respectively. The variance results from an increase in premiums written in both years that includes a portion that relates to coverage in future periods.

In 2014, the CEA's loss and loss adjustment expenses was \$3.0 million and was largely associated with the earthquake in the American Canyon area near Napa. In 2013, the loss and loss adjustment expenses was only \$0.4 million due to California not experiencing any significant earthquakes up to that point in time.

In 2014, the increase in other underwriting expense of \$9.4 million was largely due to a \$4.3 million increase in participating insurer commissions and operating expense, a \$0.5 million increase in pro forma premium taxes and \$4.6 million increase in various underwriting expenses. In 2013, the increase in other underwriting expense of \$2.0 million was largely due to a \$1.9 million decrease in participating insurer commissions and operating expense, a \$0.6 million increase in pro forma premium taxes and \$3.3 million increase in various underwriting expenses.

Other non-operating income increased \$0.5 million in 2014 and \$0.7 million in 2013 primarily due to the change in the State of California premium tax contribution. Other non-operating expenses increased \$8.8 million in 2014, largely due to an increase in the contribution to the California Residential Mitigation Program of \$2.0 million and an increase in net financing expenses of \$6.3 million. Other non-operating expenses decreased \$1.7 million in 2013, largely due to an increase in the contribution to the California Residential Mitigation Program of \$0.5 million and a decrease in net financing expenses of \$2.1 million.

Condensed Statements of Cash Flows

Primary sources of cash included cash flows from operations and capital contributions received from participating insurers. The primary use 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:

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Net cash provided by operating activities	\$ 289,340,836	\$ 249,028,501	\$ 234,419,608
Net cash provided by (used in) noncapital financing activities	242,802,398	(37,168,461)	(21,991,315)
Net cash used in capital and related financing activities	(26,887)	(851,209)	(316,030)
Net cash used in investing activities	<u>(685,381,472)</u>	<u>(223,925,379)</u>	<u>(43,888,910)</u>
Net increase (decrease) in cash and cash equivalents	(153,265,125)	(12,916,548)	168,223,353
Cash and cash equivalents, beginning of year	315,967,639	328,884,187	160,660,834
Cash and cash equivalents, end of year	<u>\$ 162,705,514</u>	<u>\$ 315,967,639</u>	<u>\$ 328,884,187</u>

CALIFORNIA EARTHQUAKE AUTHORITY

Management's Discussion and Analysis (Continued)

Condensed Statements of Cash Flows (Continued)

Cash from operating activities increased \$40.3 million (16%) and \$14.6 million (6%) in 2014 and 2013, respectively. The 2014 increase resulted primarily from an increase in cash received from premiums of \$35.6 million, a decrease in payments for reinsurance of \$17.3 million and an increase in payments for operating expenses of \$10.5 million. The 2013 increase resulted primarily from an increase in cash received from premiums of \$3.9 million, a decrease in payments for reinsurance of \$16.4 million and an increase in payments for operating expenses of \$7.2 million.

The \$280.0 million (753%) change in cash provided by noncapital financing activities for 2014 was largely the result of \$350 million issuance of the Series 2014 revenue bonds, the principle reduction of \$31.5 million and the defeasance of the Series 2006 revenue bond of \$63 million. The \$15.2 million (69%) change in cash used in noncapital financing activities for 2013 was a result of \$17.3 million decrease in capital contribution installments received from Nationwide Insurance Company, and the change in interest paid and interest income on revenue bond proceeds in 2013 compared to 2012.

The change in cash used in investing activities was \$461.5 million (206%) and \$180.0 million (410%) for 2014 and 2013, respectively, and reflects the CEA's decision to continue to prudently extend the duration of its portfolio as a result of the lagging economy, continued all-time low Treasury rates, and the Federal Reserve's postponement of any monetary tightening.

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, 2014, 15.7% of the portfolio was scheduled to mature in 90 days or less, securities maturing between 91 days and one year accounted for 27.5% of the portfolio, while securities maturing between one to five years accounted for the remaining 56.8% of the portfolio, with a total portfolio modified duration of approximately 1.4 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 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 0.19% in any one year. 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, 2014, in millions of dollars:

CEA capital available for claims	\$	4,705
Risk transfer financial products		4,159
Revenue bonds		663
Post-earthquake industry assessments (2 nd Layer)		1,656
Post-earthquake industry assessments (New Layer)		312
Total	\$	<u>11,495</u>

Additionally, the CEA is able to recover amounts under risk transfer contracts when policyholder claims reach certain levels.

CALIFORNIA EARTHQUAKE AUTHORITY

Management's Discussion and Analysis (Continued)

Capital Assets and Debt Activity

Capital Assets

The CEA's investment in capital assets as of December 31, 2014 was \$617,882 (net of accumulated depreciation). No major capital asset purchases were made in the current year. In the coming year, the CEA is expecting major capital asset purchases as the CEA is expanding and remodeling the lease space significantly in the first part of 2015.

Debt Administration

At December 31, 2014, the CEA had total long-term debt obligations of \$350,000,000 in the form of revenue bonds. During the year, additional debt was acquired related to the Series 2014 revenue bonds issuance of \$350,000,000 while the balance of \$94,500,000 for the Series 2006 revenue bond was settled through a \$31,500,000 principal payment and \$63,000,000 defeasance. Additional information on the CEA's long-term debt can be found in Note 3 in the Notes to the Financial Statements.

Current Economic Factors and Conditions

If the current California unemployment conditions continue, CEA could see in the near future a reduction of Californians purchasing earthquake insurance.

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.

CALIFORNIA EARTHQUAKE AUTHORITY

Balance Sheets As of December 31, 2014 and 2013

	2014	2013
Assets		
Current assets:		
Cash and investments:		
Cash and cash equivalents	\$ 129,986,243	\$ 259,465,503
Restricted cash and equivalents	32,716,271	56,502,136
Restricted investments	341,466,606	314,344,303
Investments	5,069,260,472	4,388,215,631
Total cash and investments	5,573,429,592	5,018,527,573
Premiums receivable, net of allowance for doubtful accounts of \$ 6,881,135 and \$ 6,349,145	44,659,498	45,192,923
Interest receivable	15,075,494	14,108,686
Prepaid reinsurance premium	8,107,146	5,367,911
Prepaid transformer maintenance premium	3,292,679	350,859
Transformer reinsurance premium deposit	9,631,564	5,029,836
Other current assets	311,719	357,089
Total current assets	5,654,507,692	5,088,934,877
Noncurrent assets:		
Transformer reinsurance premium deposit	-	9,631,564
Capital assets, net	617,882	1,017,092
Total assets	\$ 5,655,125,574	\$ 5,099,583,533
Liabilities and Net Position		
Current liabilities:		
Unearned premiums	\$ 310,845,890	\$ 296,410,225
Accounts payable and accrued expenses	6,202,705	7,649,347
Payable to California Residential Mitigation Program	3,000,000	-
Accrued reinsurance premium expense	4,371,668	6,103,759
Loss and loss expense reserves	1,333,654	39,513
Compensated absences - current portion	250,086	306,643
Revenue bond payable - current portion	-	31,500,000
Revenue bond interest payable	1,311,521	2,914,853
Total current liabilities	327,315,524	344,924,340
Noncurrent liabilities:		
Revenue bond payable	350,000,000	63,000,000
Compensated absences	600,785	551,684
Total liabilities	677,916,309	408,476,024
Net position:		
Net investment in capital assets	617,882	1,017,092
Restricted, expendable	22,877,158	274,488,211
Unrestricted	4,953,714,225	4,415,602,206
Total net position	4,977,209,265	4,691,107,509
Total liabilities and net position	\$ 5,655,125,574	\$ 5,099,583,533

See accompanying notes to financial statements.

CALIFORNIA EARTHQUAKE AUTHORITY

Statements of Revenues, Expenses, and Changes in Net Position For the Years Ended December 31, 2014 and 2013

	2014	2013
Underwriting income:		
Premiums written	\$ 607,293,252	\$ 574,507,234
Less premiums ceded - reinsurance	(194,095,181)	(212,741,709)
Net premiums written	413,198,071	361,765,525
Change in unearned premiums	(14,435,665)	(5,777,936)
Net premiums earned	398,762,406	355,987,589
Operating expenses:		
Loss and loss adjustment expenses	3,036,027	373,311
Participating insurer commissions	60,748,758	57,468,533
Participating insurer operating costs	18,747,090	17,737,053
Reinsurance broker commissions	4,800,000	4,800,000
Pro forma premium taxes	14,271,392	13,757,939
Other underwriting expenses	34,146,615	29,540,471
Total operating expenses	135,749,882	123,677,307
Underwriting profit	263,012,524	232,310,282
Non-operating income and expenses:		
Net investment income	23,752,481	2,133,304
Other income	410,811	464,260
Financing expenses, net	(11,505,082)	(5,161,103)
Mitigation Fund expenses	(840,370)	(403,094)
California Residential Mitigation Program contribution	(3,000,000)	(1,000,000)
State of California premium tax contribution	14,271,392	13,757,939
Total of non-operating income and expenses	23,089,232	9,791,306
Increase in net position	286,101,756	242,101,588
Net position, beginning of year	4,691,107,509	4,449,005,921
Net position, end of year	\$ 4,977,209,265	\$ 4,691,107,509

See accompanying notes to financial statements.

CALIFORNIA EARTHQUAKE AUTHORITY

Statements of Cash Flows For the Years Ended December 31, 2014 and 2013

	2014	2013
Cash flows from operating activities:		
Cash received from premiums	\$ 607,826,677	\$ 572,193,261
Cash payments for premiums ceded - reinsurance	(196,478,491)	(213,762,169)
Cash payments for operating expenses	(110,327,351)	(99,795,485)
Cash payments to employees for services	(11,679,999)	(9,607,106)
Net cash provided by operating activities	289,340,836	249,028,501
Cash flows from noncapital financing activities:		
Repayment of revenue bonds	(31,500,000)	(31,500,000)
Payment to escrow agent for Series 2006 revenue bond defeasance	(66,129,000)	-
Interest paid on revenue bonds	(10,319,876)	(8,111,183)
Interest income on revenue bonds proceeds	340,463	1,978,462
Revenue bond proceeds	350,000,000	-
Other income	410,811	464,260
Net cash provided by (used in) noncapital financing activities	242,802,398	(37,168,461)
Cash flows from capital and related financing activities:		
Acquisition of equipment	(26,887)	(851,209)
Net cash used in capital and related financing activities	(26,887)	(851,209)
Cash flows from investing activities:		
Proceeds from maturities of investments	3,511,028,246	2,892,414,700
Purchases of investments	(4,255,388,532)	(3,174,287,192)
Investment income	61,237,091	60,165,929
Investment expense	(2,258,277)	(2,218,816)
Net cash used in investing activities	(685,381,472)	(223,925,379)
Net decrease in cash and cash equivalents	(153,265,125)	(12,916,548)
Cash and cash equivalents, beginning of year	315,967,639	328,884,187
Cash and cash equivalents, end of year	\$ 162,702,514	\$ 315,967,639
Reconciliation to balance sheet:		
Cash and cash equivalents	\$ 129,986,243	\$ 259,465,503
Restricted cash and equivalents	32,716,271	56,502,136
Cash and cash equivalents, end of year	\$ 162,702,514	\$ 315,967,639

See accompanying notes to financial statements.

CALIFORNIA EARTHQUAKE AUTHORITY

Statements of Cash Flows (Continued) For the Years Ended December 31, 2014 and 2013

	2014	2013
Reconciliation of operating income to net cash provided by operating activities:		
Underwriting profit	\$ 263,012,524	\$ 232,310,282
Adjustments to reconcile underwriting profit to net cash provided by operating activities:		
Depreciation on equipment	426,097	292,660
Pro forma premium tax expense	14,271,392	13,757,939
Contribution to California Residential Mitigation Program	(3,000,000)	(1,000,000)
Mitigation Fund expenses	(840,370)	(403,094)
Changes in operating assets and liabilities:		
Premiums receivable	533,425	(2,313,973)
Unearned premiums	14,435,665	5,777,936
Other assets	45,370	(243,558)
Prepaid reinsurance premium	(2,739,235)	(4,042,910)
Transformer reinsurance premium deposit	5,029,836	(27,288)
Prepaid transformer maintenance premium	(2,941,820)	3,014,447
Claim and claim expense reserves	1,294,141	26,604
CRMP payable	3,000,000	-
Accounts payable and accrued expenses	(1,446,642)	1,799,671
Compensated absences payable	(7,456)	44,494
Change in accrued reinsurance premium expense	(1,732,091)	35,291
Net cash provided by operating activities	\$ 289,340,836	\$ 249,028,501

Non-cash 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 Statements of Revenues, Expenses and Changes in Net Position, was an increase of \$1.0 million and a decrease of \$15.0 million in 2014 and 2013, respectively. Premium tax contributed by the State of California and recognized as a component of expense in the Statements of Revenues, Expenses and Changes in Net Position was \$14.3 million and \$13.8 million in 2014 and 2013, respectively.

CALIFORNIA EARTHQUAKE AUTHORITY

Notes to Financial Statements
December 31, 2014 and 2013

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. 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 is 3.09% of written premium. The producer commission is equal to 10% 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% of paid claims. As of December 31, 2014, there are 22 participating insurers of which 17 insurers are writing CEA policies. Four participating insurers account for 71% 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 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.

CALIFORNIA EARTHQUAKE AUTHORITY

Notes to Financial Statements (Continued)
December 31, 2014 and 2013

1. Reporting Entity and Summary of Significant Accounting Policies (Continued)

Basis of Accounting (Continued)

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 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.

Operating revenues are those revenues that are generated from providing earthquake insurance policies. All other revenues are reported as non-operating revenues. Operating expenses are those costs related to providing those earthquake insurance policies. All other expenses are reported as non-operating 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 purposes of the statement of cash flows, the CEA considers investments in certificates of deposit, U.S. treasuries, 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 comprised of unspent bond proceeds, debt service sinking funds and monies transferred to the Earthquake Loss Mitigation Fund (Mitigation Fund).

CALIFORNIA EARTHQUAKE AUTHORITY

Notes to Financial Statements (Continued) December 31, 2014 and 2013

1. Reporting Entity and Summary of Significant Accounting Policies (Continued)

Investments

Investments consist primarily of certificates of deposit, U.S. treasuries, commercial paper, corporate bonds, and bankers' acceptances, as authorized by California Insurance Code (Code) section 10089.6. 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. The CEA is permitted to invest in securities eligible in California Government Code section 16430. Restricted investments are comprised of unspent bond proceeds and monies transferred to the Mitigation Fund. The CEA intends to hold most investments to maturity unless there is an earthquake or series of earthquakes causing significant damage in California warranting the CEA's need to liquidate securities to pay policyholder claims.

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:

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

Risk-Capital Surcharge

Under California Insurance Code sec. 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. There were no such risk-capital surcharges during 2014 and 2013.

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 Expenses

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 \$1,333,654 and \$39,513 in unpaid claims reported as of December 31, 2014 and 2013, respectively. During 2014, the increase in the reserve for losses and loss adjustment expenses related to changes in estimates and reported claims associated with the earthquake in American Canyon area near Napa.

CALIFORNIA EARTHQUAKE AUTHORITY

Notes to Financial Statements (Continued) December 31, 2014 and 2013

1. Reporting Entity and Summary of Significant Accounting Policies (Continued)

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.

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, 2014, participating insurer capital contributions totaled \$777 million and were 100% funded.

Participating Insurer Assessments

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.

As of December 31, 2014, participating insurers have a cumulative residential property insurance market share of approximately 75.5% of the total residential property insurance market in California based on written premium. 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 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.

CALIFORNIA EARTHQUAKE AUTHORITY

Notes to Financial Statements (Continued)
December 31, 2014 and 2013

1. Reporting Entity and Summary of Significant Accounting Policies (Continued)

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 revenues of the authority.” As a result, CEA is exempt from remitting state premium tax. State premium tax contributions were \$14,271,392 and \$13,757,939 for the years ended December 31, 2014 and 2013, respectively.

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 that have left civil service employment. CEA civil-service employees that 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.

Upcoming Accounting Pronouncements

In June 2012, the GASB issued GASB Statement No. 68, Accounting and Financial Reporting for Pensions. Statement No. 68 requires governments providing defined benefit pensions to recognize their unfunded pension benefit obligation as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. This net pension liability that will be recorded on the government wide, proprietary and discretely presented component units statements will be computed differently than the current unfunded actuarial accrued liability, using specific parameters set forth by the GASB. The Statement also enhances accountability and transparency through revised note disclosures and required supplementary information (RSI). The CEA is currently evaluating the impact this standard will have on the financial statements when adopted, during the CEA’s 2015 fiscal year.

In February 2015, the GASB issued GASB Statement No. 72, Fair Value Measurement and Application. The requirements of this statement will enhance comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and accepted valuation techniques. This statement also will enhance fair value application guidance and related disclosures in order to provide information to financial statement users about the impact of fair value measurements on a government’s financial position. GASB Statement No. 72 is required to be adopted for years beginning after June 15, 2015. The CEA is currently evaluating the impact this standard will have on the financial statements when adopted, during the CEA’s 2016 fiscal year.

CALIFORNIA EARTHQUAKE AUTHORITY

Notes to Financial Statements (Continued) December 31, 2014 and 2013

2. Cash and Investments

As of December 31, 2014 and 2013, the CEA had the following cash and investments:

December 31, 2014						
Investment Maturities (in Years)						
	Less than 1	1-2	2-3	3-4	4-5	Total
U.S. Treasuries	\$1,868,785,155	\$ 1,406,435,907	\$ 1,141,201,967	\$ 490,128,543	\$ 124,740,786	\$5,031,292,358
U.S. agencies	482,343,750	-	-	-	-	482,343,750
U.S. Gov't money market funds	1,311,522	-	-	-	-	1,311,522
Cash	5,310,542	-	-	-	-	5,310,542
Commercial paper	53,171,420	-	-	-	-	53,171,420
Total	<u>\$2,410,922,389</u>	<u>\$ 1,406,435,907</u>	<u>\$ 1,141,201,967</u>	<u>\$490,128,543</u>	<u>\$ 124,740,786</u>	<u>\$5,573,429,592</u>

December 31, 2013						
Investment Maturities (in Years)						
	Less than 1	1-2	2-3	3-4	4-5	Total
U.S. Treasuries	\$1,745,654,393	\$ 1,177,185,978	\$ 930,415,078	\$ 522,577,420	\$ 100,213,463	\$4,476,046,332
U.S. agencies	445,754,681	-	-	-	-	445,754,681
U.S. Gov't money market funds	32,101,772	-	-	-	-	32,101,772
Cash	2,801,904	-	-	-	-	2,801,904
Commercial paper	61,822,884	-	-	-	-	61,822,884
Total	<u>\$2,288,135,634</u>	<u>\$ 1,177,185,978</u>	<u>\$ 930,415,078</u>	<u>\$522,577,420</u>	<u>\$ 100,213,463</u>	<u>\$5,018,527,573</u>

The table below identifies the investment types that are authorized for the CEA by the California Government Code or CEA's investment policy, where more restrictive. The table also identifies 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%

CALIFORNIA EARTHQUAKE AUTHORITY

Notes to Financial Statements (Continued)
December 31, 2014 and 2013

2. Cash and Investments (Continued)

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 (BA)	N/A	None	None
Certificates of Deposit	N/A	None	None
Commercial Paper	N/A	None	None
Corporate Bonds/Notes	N/A	None	None

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 (BA)	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 (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%

Cash Deposits

For the Series 2006 revenue bond, the CEA had a contractual provision in regards to cash deposits that the CEA was required to set-aside, into a trust account, monthly written premium of \$3.625 million to cover interest and principle payment amounts in case of default. The defeasance of those bonds in November 2014 removed that requirement.

With the issuance of the Series 2014 revenue bonds, the CEA is required to deposit 1/12th of the annual interest payment by the 15th of each month into a trust account. Starting on July 1, 2015, the CEA will be required to deposit 1/12th of the annual principal payment by the 15th of each month into a trust account. Such amounts are held in restricted cash and investments.

CALIFORNIA EARTHQUAKE AUTHORITY

Notes to Financial Statements (Continued) December 31, 2014 and 2013

2. Cash and Investments (Continued)

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. Treasuries. U.S. Treasuries are allowed to have maturities of up to 5 years as long as the CEA's combined portfolio does not exceed a maximum modified duration of 1.75 years. As of December 31, 2014, the CEA's combined portfolio had a maximum modified duration of 1.4 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, 2014, 90% of the portfolio consisted of U.S. Treasuries and 10% of the portfolio consisted of U.S. Agencies, U.S. Government money market funds that invest exclusively in obligations of the U.S. Treasury, commercial paper and cash.

CEA's investments are rated as follows:

Security Type	Moody's	Standard & Poors
U.S. Treasury	Aaa	AA+
Federal Home Loan Mortgage Corporation	Aaa	AA+
Federal National Mortgage Association	Aaa	AA+
General Electric Capital Corporation	Aa3	AA+
Toyota Motor Credit Corporation	Aa3	AA-

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% or more of total investments.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of failure of a depository financial institution, CEA 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. CEA has no policy that would limit the exposure to custodial credit risk for deposits. At December 31, 2014 and 2013 approximately \$5.1 million and \$2.6 million, respectively, of CEA 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 earned on unspent bond proceeds are offset against related interest expense and classified as financing expenses, net on the statements of revenues, expenses, and changes in net position.

CALIFORNIA EARTHQUAKE AUTHORITY

Notes to Financial Statements (Continued) December 31, 2014 and 2013

2. Cash and Investments (Continued)

Investment income for the years ended December 31, 2014 and 2013 are as follows:

	2014	2013
U.S. agency securities and government money market accounts	\$ 355,281	\$ 391,696
U.S. Treasuries	24,907,232	20,736,531
Other short-term investments	124,978	179,057
Total interest income	25,387,491	21,307,284
Change in fair value of investments	963,730	(14,976,701)
Less investment expenses	(2,258,277)	(2,218,817)
Total investment income	\$ 24,092,944	\$ 4,111,766

The following is a reconciliation of investment income to the statements of revenues, expenses, and changes in net position:

	2014	2013
Investment income included in financing expenses	\$ 340,463	\$ 1,978,462
Net investment income	23,752,481	2,133,304
Total investment income	\$ 24,092,944	\$ 4,111,766

The change in fair value of investments for the years ended December 31, 2014 and 2013 are calculated as follows:

	2014	2013
Fair value of investments at the end of year	\$ 5,410,727,078	\$ 4,702,559,934
Add: Proceeds of investments matured	3,511,028,246	2,892,414,700
Add: Amortization of premium and discount	37,267,271	40,139,803
Less: Realized gain/loss	(110,399)	(326)
Less: Cost of investments purchased	(4,255,388,532)	(3,174,287,192)
Less: Fair value of investments at the beginning of year	(4,702,559,934)	(4,475,803,620)
Change in fair value of investments	\$ 963,730	\$ (14,976,701)

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.

CALIFORNIA EARTHQUAKE AUTHORITY

Notes to Financial Statements (Continued) December 31, 2014 and 2013

3. Long-Term Liabilities

The following is a summary of long-term liabilities as of December 31, 2014:

	Balance January 1, 2014	Additions	Retirements	Balance December 31, 2014	Due within One Year
Revenue					
Bonds	\$ 94,500,000	\$ 350,000,000	\$ (94,500,000)	\$ 350,000,000	\$ -
Compensated Absences	858,327	242,630	(250,086)	850,871	250,086
Total	\$ 95,358,327	\$ 350,242,630	\$ (94,750,086)	\$ 350,850,871	\$ 250,086

On November 6, 2014 CEA issued Series 2014 revenue bonds totaling \$350,000,000, summarized as follows:

<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Price or Yield</u>	<u>Maturity Date</u>
\$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 will bear 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 bonds are not subject to optional redemption prior to maturity and are payable from future pledged policyholder premiums.

At the time the Series 2014 revenue bonds were issued, the CEA completed an in-substance defeasance of its Series 2006 revenue bond by irrevocably placing investments with an escrow agent in a trust to be used solely for satisfying the scheduled payments of both interest and principal of the defeased debt. The remaining principle balance at time of defeasance was \$63,000,000, and the remaining interest until full maturity on June 16, 2016 totaled \$5,829,705. All remaining interest was expensed during 2014, less expected future income on investments transferred of \$243,075. At December 31, 2014 the amount outstanding on the Series 2006 revenue bond considered defeased is \$63,000,000.

Both the Series 2006 and 2014 revenue bonds are used to enhance claims paying capacity. The net proceeds from the revenue bonds were deposited into their respective Claims Paying Accounts and were used to purchase investments according to 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 Accounts.

CALIFORNIA EARTHQUAKE AUTHORITY

Notes to Financial Statements (Continued) December 31, 2014 and 2013

3. Long-Term Liabilities (Continued)

Future scheduled debt service payments, including mandatory sinking-fund payments, for the CEA's long-term debt are as follows as of December 31, 2014:

Year	Principal	Interest	Total
2015	\$ -	\$ 8,584,500	\$ 8,584,500
2016	40,000,000	8,345,700	48,345,700
2017	100,000,000	6,998,700	106,998,700
2018	105,000,000	4,417,875	109,417,875
2019	105,000,000	1,472,625	106,472,625
Total requirements	<u>\$ 350,000,000</u>	<u>\$ 29,819,400</u>	<u>\$ 379,819,400</u>

Interest paid during the year was \$11,764,254 and \$6,801,323 for 2014 and 2013, respectively. As previously discussed, all remaining interest on the Series 2006 revenue bond was expensed in 2014.

4. Net Position

As described in note 1, net position includes restricted and unrestricted portions. The following table details the components of net position as it relates to restricted and unrestricted:

	2014	2013
Restricted:		
Mitigation Fund	\$ 22,877,158	\$ 25,457,275
Claims Paying Account (bonds)	-	249,030,936
Total restricted net position	<u>\$ 22,877,158</u>	<u>\$ 274,488,211</u>
Unrestricted:		
Contributed capital	\$ 777,384,796	\$ 777,384,796
Additional paid-in capital	210,199,420	195,928,028
Other unrestricted	3,966,130,009	3,442,289,382
Total unrestricted net position	<u>\$ 4,953,714,225</u>	<u>\$ 4,415,602,206</u>

5. Risk Transfer

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 CEA from its primary responsibility to its policyholders, the insurance company that assumes the coverage assumes responsibility to reimburse 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.

CALIFORNIA EARTHQUAKE AUTHORITY

Notes to Financial Statements (Continued) December 31, 2014 and 2013

5. Risk Transfer (Continued)

CEA has a deposit to ensure its performance under the terms of its agreements with Embarcadero Re. The deposit was \$9,631,564 and \$14,661,400 at December 31, 2014 and 2013, respectively.

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, 2014 and 2013 in accordance with these terms, CEA did not have a premium adjustment expense against the contracts.

Starting in 2013, CEA contracted with reinsurers on multi-year contracts with a single limit over a two or three year term. The first year premium for the reinsurance limit was calculated on the full limit, while subsequent year's premium will be calculated on the remaining limit, if there is a recoverable from the reinsurance contract. An annual adjustment to the retention is based on the contracted probability of loss.

As of December 31, 2014, CEA ceded insurance to reinsurers under catastrophe excess-of-loss reinsurance contracts and provided maximum limits of \$4.159 billion at varying attachment points.

6. Statutory Compliance

The State of California Insurance Code limits the 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 for this purpose, as determined by the CEA, totaled \$14.1 million and \$13.7 million for the years ended December 31, 2014 and 2013, respectively, and did not exceed 3% of premiums written.

In 2014, statutory provisions pertaining to CEA operating expenses were amended by legislation that becomes effective on January 1, 2015. Items to be excluded from CEA operating expenses are spelled out in the new law, which (in effect) changes certain items of operating-expense inclusion, when compared to past practices of the CEA. The new operating-expense cap is six percent as defined in California Insurance Code section 10089.6, subdivisions (c) and (d), as amended by AB 2064.

CALIFORNIA EARTHQUAKE AUTHORITY

Notes to Financial Statements (Continued) December 31, 2014 and 2013

7. 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.

The CEA leases office facilities and equipment under various non-cancelable operating lease agreements that expire through June 2019. Rental expense associated with the lease agreements was \$838,226 and \$726,185 for the years ended December 31, 2014 and 2013, respectively. Future minimum rental payments under these agreements are as follows:

<u>Year</u>	<u>Amount</u>
2015	\$ 672,033
2016	981,870
2017	990,487
2018	1,017,892
2019	531,563
Total	<u>\$ 4,193,845</u>

8. Mitigation Fund

California Insurance Code (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 Code requires the CEA to 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, 2014 and 2013, the balance sheets include expendable restricted net position related to the Mitigation Fund totaling \$22,877,158 and \$25,457,275 respectively. The expendable restricted net position of the Mitigation Fund as of December 31, 2014 includes the potential annual transfer amount of \$1,268,767, which is subject to actuarial review and formal approval of the CEA's Governing Board as discussed in the previous paragraph.

9. Defined Benefit Pension Plan

All CEA civil-service employees participate in the California Public Employees' Retirement System (PERS), a cost sharing multiple-employer public employee defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities with the State of California. Benefit provisions and all other requirements are established by state statute. Copies of PERS' annual financial reports may be obtained from their Executive Office located at 400 P Street, Sacramento, California 95814.

CALIFORNIA EARTHQUAKE AUTHORITY

Notes to Financial Statements (Continued)
December 31, 2014 and 2013

9. Defined Benefit Pension Plan (Continued)

Funding Policy

CEA has civil service employees that 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), which are required by bargaining unit agreements to contribute 8.0% to 9.0% of their annual covered salary. CEA is required to contribute remaining amounts necessary to fund the benefits for the actuarial members, using the actuarial basis recommended by CalPERS actuaries and actuarial consultants and adopted by CalPERS Board of Administration. For the fiscal year ended December 31, 2014 the employer contribution rate by plan was 24.198% for Tier 1 State Miscellaneous and 23.510% for Tier 2 State Miscellaneous. For fiscal year ended December 31, 2013 the employer contribution rate by plan was 21.203% for Tier 1 State Miscellaneous and 21.355% for Tier 2 State Miscellaneous. CEA makes the contributions required of CEA civil service employees on their behalf and for their account. All of CEA's civil service employees are classified as members of the State Miscellaneous Plans.

Annual Pension Cost

CEA's employee contributions in 2014 and 2013 were \$158,417 or 8.3% of annual covered payroll and \$156,107 or 8.3% of annual covered payroll, respectively. The employer's contributions in 2014 and 2013 were \$406,895 or 21.3% of annual covered payroll and \$354,868 or 18.8% of annual covered payroll, respectively.

Three-Year Trend Information for PERS

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
December 31, 2014	\$ 406,895	100%	\$ -
December 31, 2013	354,868	100%	-
December 31, 2012	422,532	100%	-

The benefits are based on the highest 12 consecutive months' compensation during their employment. The state's funding policy is to make the minimum annual contributions required by applicable regulations and charges the CEA for its allocable share of such contributions based on a percentage of payroll. The CEA has no legal obligation for benefits under this plan.

10. Defined Contribution Plan

The CEA sponsors the California Earthquake Authority Retirement Plan (Plan), a 401(A) defined contribution savings plan for contract employees. The Plan is administered by UBS Financial Services. Employees contribute 5% of base compensation. The CEA contributes 12.71% of the employee's base compensation. The maximum base compensation for 2014 and 2013 was \$260,000 and \$255,000, respectively. The contributions are funded semi-annually and allocated to the CEA based on employee contributions.

CALIFORNIA EARTHQUAKE AUTHORITY

Notes to Financial Statements (Continued) December 31, 2014 and 2013

10. Defined Contribution Plan (Continued)

Employees are fully vested in their account from the beginning of their employment. The CEA has no legal obligation for benefits under this Plan. Only the CEA Board has the authority to amend the Plan provisions. Employee contributions in 2014 and 2013 were \$75,631 and \$69,236, respectively. CEA's contributions in 2014 and 2013 were \$192,421 and \$176,149, respectively.

11. Post-Employment Benefits

The CEA has no obligations to former employees for benefits after their employment other than compensation related to earned vacation and severance. The liability for earned but untaken leave, such as vacation, personal leave days, or holiday credit, has been accrued to contract and civil service employees.

12. 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:

<u>Policy Type</u>	<u>Policy Limits</u>
Workers Compensation	\$ 1,000,000
Financial Institution Bond	\$ 1,500,000
Business Liability	\$ 5,000,000
Director and Officers Liability	\$10,000,000

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.

13. 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 Cal EMA changed its name to California Emergency Office of Emergency Services (Cal OES). The CRMP Governing Board is comprised of two employees of each the CEA and Cal OES. Transfers approved by the CEA governing board from the CEA Mitigation Fund to the CRMP totaled \$3,000,000 and \$1,000,000 in 2014 and 2013, respectively.

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

CALIFORNIA EARTHQUAKE AUTHORITY

Notes to Financial Statements (Continued)
December 31, 2014 and 2013

14. Subsequent Events

Management has evaluated subsequent events up through and including August 24, 2015, which is the date the financial statements were made available to be issued. No events have occurred subsequent to December 31, 2014 requiring recording or disclosure in these financial statements.

SUPPLEMENTARY INFORMATION

CALIFORNIA EARTHQUAKE AUTHORITY

Schedule of Participating Insurer Capital Contributions From Inception Thru December 31, 2014

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 ⁶		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		13,924,611
11 Prudential ⁴		11,531,455
12 Liberty Mutual Fire Insurance Company ⁵		6,699,434
13 Foremost Property and Casualty Insurance Company		4,614,304
14 Mercury Casualty Company		1,406,238
15 Armed Forces Insurance Exchange		783,685
16 GuideOne (formerly Preferred Risk) ⁴		123,133
17 Homesite Insurance Company of California		-
18 Pacific National Insurance ⁴		-
19 Encompass Insurance Company		-
20 Glen Falls Insurance Company ⁴		-
21 Commerce West Insurance Company		-
22 MAPFRE		-
		-
Total	\$	777,384,796

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 Joined the CEA as of November 2011

CALIFORNIA EARTHQUAKE AUTHORITY

Schedules of Participating Insurer Premiums Written For the Years Ended December 31, 2014 and 2013

	2014	2013
1 State Farm General Insurance Company	\$ 207,805,160	\$ 197,982,102
2 Allstate Insurance Company	75,458,100	75,627,702
3 The Fire Insurance Exchange (Farmers)	73,150,272	69,144,124
4 United Services Automobile Association ¹	77,526,216	73,571,831
5 Safeco Insurance Company of America ³	37,085,998	34,678,252
6 California State Automobile Association Inter-Insurance Bureau ²	30,059,975	27,369,465
7 Nationwide Insurance Company ⁶	15,773,716	13,921,011
8 California FAIR Plan Association	4,599,653	4,391,212
9 Interinsurance Exchange of the Automobile Club	41,758,334	37,588,491
10 CNA/Continental ⁴	-	-
11 Prudential ⁴	-	-
12 Liberty Mutual Fire Insurance Company ⁵	14,284,477	13,536,937
13 Foremost Property and Casualty Insurance Company	3,365,647	3,060,544
14 Mercury Casualty Company	20,718,256	18,267,230
15 Armed Forces Insurance Exchange	589,476	603,326
16 GuideOne (formerly Preferred Risk) ⁴	-	-
17 Homesite Insurance Company of California	963,388	694,047
18 Pacific National Insurance ⁴	-	-
19 Encompass Insurance Company	3,949,564	3,963,973
20 Glen Falls Insurance Company ⁴	-	-
21 Commerce West Insurance Company	23,672	30,703
22 MAPFRE	181,348	76,284
	\$ 607,293,252	\$ 574,507,234
Total		

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CALIFORNIA EARTHQUAKE AUTHORITY

Schedules of Participating Insurer Unearned Premiums As of December 31, 2014 and 2013

	2014	2013
1 State Farm General Insurance Company	\$ 104,356,163	\$ 100,075,031
2 Allstate Insurance Company	37,963,892	38,686,405
3 The Fire Insurance Exchange (Farmers)	36,109,110	34,468,801
4 United Services Automobile Association ¹	38,996,524	37,448,868
5 Safeco Insurance Company of America ³	22,729,779	21,092,206
6 California State Automobile Association Inter-Insurance Bureau ²	16,055,731	14,421,999
7 Nationwide Insurance Company ⁶	8,353,520	7,335,463
8 California FAIR Plan Association	2,392,829	2,289,651
9 Interinsurance Exchange of the Automobile Club	20,387,017	18,846,468
10 CNA/Continental ⁴	-	-
11 Prudential ⁴	-	-
12 Liberty Mutual Fire Insurance Company ⁵	8,676,309	8,333,832
13 Foremost Property and Casualty Insurance Company	1,754,494	1,619,582
14 Mercury Casualty Company	10,262,187	9,135,341
15 Armed Forces Insurance Exchange	309,200	315,934
16 GuideOne (formerly Preferred Risk) ⁴	-	-
17 Homesite Insurance Company of California	474,487	361,173
18 Pacific National Insurance ⁴	-	-
19 Encompass Insurance Company	1,921,677	1,926,167
20 Glen Falls Insurance Company ⁴	-	-
21 Commerce West Insurance Company	6,986	15,039
22 MAPFRE	95,985	38,265
	\$ 310,845,890	\$ 296,410,225
Total		

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CALIFORNIA EARTHQUAKE AUTHORITY

Schedules of Participating Insurer Commissions For the Years Ended December 31, 2014 and 2013

	2014	2013
1 State Farm General Insurance Company	\$ 20,777,553	\$ 19,794,945
2 Allstate Insurance Company	7,550,566	7,567,491
3 The Fire Insurance Exchange (Farmers)	7,319,833	6,918,891
4 United Services Automobile Association ¹	7,752,527	7,356,994
5 Safeco Insurance Company of America ³	3,710,694	3,469,913
6 California State Automobile Association Inter-Insurance Bureau ²	3,007,274	2,738,201
7 Nationwide Insurance Company ⁶	1,578,666	1,393,333
8 California FAIR Plan Association	460,180	439,358
9 Interinsurance Exchange of the Automobile Club	4,179,480	3,761,883
10 CNA/Continental ⁴	-	-
11 Prudential ⁴	-	-
12 Liberty Mutual Fire Insurance Company ⁵	1,428,454	1,353,557
13 Foremost Property and Casualty Insurance Company	339,794	309,292
14 Mercury Casualty Company	2,072,733	1,827,585
15 Armed Forces Insurance Exchange	58,990	60,393
16 GuideOne (formerly Preferred Risk) ⁴	-	-
17 Homesite Insurance Company of California	96,398	69,445
18 Pacific National Insurance ⁴	-	-
19 Encompass Insurance Company	395,103	396,539
20 Glen Falls Insurance Company ⁴	-	-
21 Commerce West Insurance Company	2,368	3,078
22 MAPFRE	18,145	7,635
	\$ 60,748,758	\$ 57,468,533
Total		

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CALIFORNIA EARTHQUAKE AUTHORITY

Schedule of Participating Insurer Operating Costs From the years ended December 31, 2014 and 2013

	2014	2013
1 State Farm General Insurance Company	\$ 6,413,555	\$ 6,111,188
2 Allstate Insurance Company	2,329,595	2,334,451
3 The Fire Insurance Exchange (Farmers)	2,258,112	2,135,039
4 United Services Automobile Association ¹	2,393,486	2,271,172
5 Safeco Insurance Company of America ³	1,145,570	1,073,106
6 California State Automobile Association Inter-Insurance Bureau ²	928,366	845,185
7 Nationwide Insurance Company ⁶	486,863	429,590
8 California FAIR Plan Association	142,100	135,687
9 Interinsurance Exchange of the Automobile Club	1,290,032	1,161,187
10 CNA/Continental ⁴	-	-
11 Prudential ⁴	-	-
12 Liberty Mutual Fire Insurance Company ⁵	440,921	417,824
13 Foremost Property and Casualty Insurance Company	102,039	92,585
14 Mercury Casualty Company	640,116	564,309
15 Armed Forces Insurance Exchange	18,184	18,615
16 GuideOne (formerly Preferred Risk) ⁴	-	-
17 Homesite Insurance Company of California	29,834	21,404
18 Pacific National Insurance ⁴	-	-
19 Encompass Insurance Company	121,991	122,406
20 Glen Falls Insurance Company ⁴	-	-
21 Commerce West Insurance Company	730	948
22 MAPFRE	5,596	2,357
	\$ 18,747,090	\$ 17,737,053
Total		

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